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Boao Forum for Asia

Annual Conference Report 2015

博鳌亚洲论坛2015年年会报告

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Contents

Government leaders and some members of the BFA Board at the BFA Annual Conference 2015

Preface

The Boao Forum for Asia (BFA) Annual Conference 2015 was held in March, soon after the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC).

In the months that have followed, the topics raised and discussed during in April continue to move forward and expand in influence. The Chinese economy has been transitioning to its "new norm". Uncertainty is impacting the global economy; and there is heightened attention on matters related to national and international security, including the China and Asia environs. Economic policy initiatives such as the “One Belt One Road” strategy (OBOR) and preparation for the establishment of Asian Infrastructure Investment Bank (AIIB) are gathering international interest and momentum.

With a conference programme covering such key topics, the BFA Annual Conference 2015 attracted full participation and widespread attention nationally and internationally.

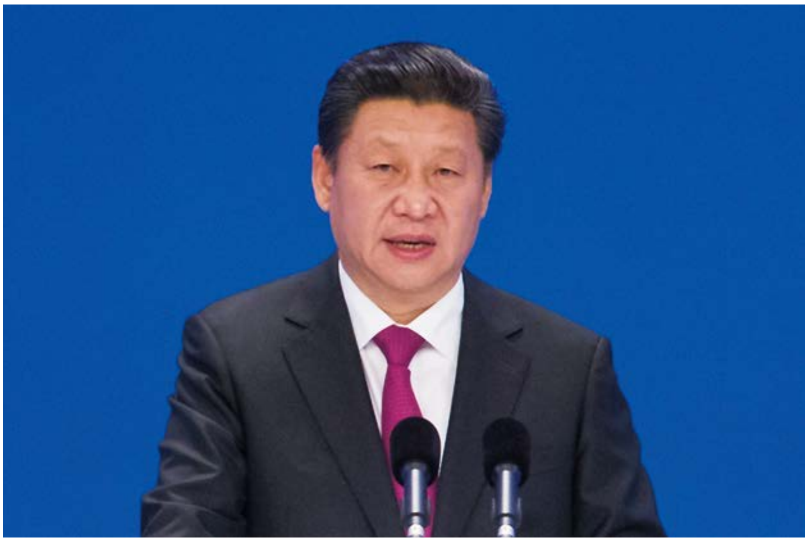
In his keynote speech in the Opening Plenary, Xi Jinping, President, the People's Republic of China, strategically focused on building an "Asian community of common destiny", and the measures, such as OBOR, that are required to make this happen. This was a common thread, reiterated and built upon by the 14 foreign leaders from Asia, Europe, Oceania and Africa who also delivered speeches at the Opening.

Relevantly, 1,772 representatives from 49 countries and regions around the world, and from a cross-section of politics, business and academia participated in BFA Annual Conference 2015, including: over 80 government ministers of different countries and leaders of international organizations, over 180 leaders or regional leaders from Fortune Global 500 companies, and a diverse field of academic thought-leaders. BFA Annual Conference 2015 provided a total of 77 moderated opportunities for the exchange of views and ideas: including 2 plenary sessions, 41 sessions, 6 roundtables and 4 closed-door meetings. Exploring the meaning of the theme, "Asia's New Future: Towards a Community of Common Destiny”, participants were engaged in looking at crucial community relationships among Asian countries from the perspectives of the economy, politics, security, society, culture and international cooperation. BFA Annual Conference 2015 also engaged participants in discussions on OBOR, AIIB, anticipation of the certainties and uncertainties of the global economy and the "new norm" of Chinese economy. More than a thousand of journalists from the host country and other nations provided comprehensive and in-depth reporting on the conference.

This report comprehensively summarizes the implications of discussions during BFA Annual Conference 2015 and analyzes the trends which have continued to develop after the conference. I believe the ideas and the insights summarized in this report will continue to be very helpful to anyone who needs to form a view of and act on the opportunities and challenges in front of us.

Zhou Wenzhong
Secretary General
Boao Forum for Asia

Section 1: Introduction



A cornerstone of [Asian] peace and prosperity, said President Xi, is a new type of international relations borne of the Five Principles of Peaceful Co-existence, the Bandung Conference, and an "Asian way of cooperation" - what BFA conferees referred to as "cooperative security".

During 26-29 March 2015, the BFA Annual Conference 2015 once again beckoned world leaders from business, government, and international organizations to avail themselves of the unique platform for dialogue it affords, amidst Hainan Island's blue skies and warm breezes. President Xi delivered the keynote speech of the plenary session, heralding this year's theme, "Asia's New Future: Towards a Community of Common Destiny," as both timely and of long-term historical significance. Indeed, marking 70 years since the end of World War II, BFA Annual Conference 2015 explored how Asia's shared destiny through the Cold War, Bretton Woods, national independence movements, financial crises, and natural disasters has changed, is evolving, and may hopefully remain one of greater interdependence, cooperation, development, and peace.

Cooperative security

A cornerstone of that peace and prosperity, said President Xi, is a new type of international relations borne of the Five Principles of Peaceful Co-existence, the Bandung Conference, and an "Asian way of cooperation" - what BFA conferees referred to as "cooperative security". Emphasizing consensus and accommodation of each other's comfort levels, cooperative security, President Xi elaborated, features equality, mutual respect and security, noninterference, and dissolving differences. Asia's 20th century history of turbulence and war makes it prize cooperation and renunciation of the willful use or threat of force. The contours of this key Asian concept of cooperative security and its influence on global geopolitics is explored in section 8 of this report.

Regional cooperation

President Xi noted, "to build a community of common destiny, we need to seek win-win cooperation and common development". Every culture seems to have an aphorism for "win-win," and President Xi emphasized that this vision "not only applies to the economic field, but also to the political, security, cultural, and many other fields," including global economic governance.

Fittingly, the dynamics of regional cooperation may be seen across almost all sections of this report. The mutual strategic benefits of China's regional initiatives, like "One Belt One Road" (land-based Silk Road Economic Belt and sea-based Maritime Silk Road, "OBOR") and the Asian Infrastructure Investment Bank, are the subjects of section 2, while achieving global acceptance and legitimacy for regional economic institutions to expand the scope of cooperation is discussed in section 4. Section 5 contains business trends that include efforts to build regional and global investment regimes, and section 8 shows the relationship between new Asian international governance approaches and old institutions built upon post-war geopolitical arrangements. Win-win cooperation and common development permeate sections on sustainability, health, and finance, as well.

Regional cooperation is epitomized by work towards an East Asia economic community, which President Xi noted, includes the Association of Southeast Asian Nations (ASEAN), China, Japan, and Korea, and targets implementation by 2020. On the immediate horizon in 2015 are "negotiations on an upgraded China-ASEAN Free Trade Area (FTA) and on the Regional Comprehensive Economic Partnership (RCEP)". Parties will continue to institutionalize the Chiang Mai Initiative to promote regional currency stability, as well as advance cooperation in credit rating, investment, and finance. Cooperation in energy and resource security must be developed.

President Xi pointed out that China has promoted regional cooperation through "treaties of good-neighborliness, friendship, and cooperation with eight of its neighbors, and is holding discussion to sign [treaties] with ASEAN". These treaties underscore China's commitment to bilateral cooperative security, and these relationships will help Asia manage non-traditional security threats including "terrorism, cyber-security, energy security, food security, climate change, and major infectious diseases". Section 6 focuses on such threats - the environmental and energy security dynamics of coal and oil, trends in new energy vehicles (NEVs), and China's South-North Water Diversion Project.

Connectivity

Connectivity is a huge theme in 2015 Asia, not only in infrastructure, but in policies, institutions, and movement of people. President Xi encouraged accelerating cooperation on maritime matters, environmental protection, and disaster management. But, clearly, OBOR is a central element of connectivity in Asia, with President Xi again emphasizing it will be inclusive and follow the "principle of wide consultation, joint contribution, and shared benefits". More than 60 countries have expressed interest in OBOR and, as of this report, 57 want to become founding members of the AIIB. The rush of European and other developed countries to join the AIIB immediately before and after BFA Annual Conference 2015 is covered in section 2 on China's regional initiatives, while financial connectivity like the Shanghai International Energy Exchange is discussed in section 7.

OBOR, AIIB, East Asia Economic Community, China-ASEAN FTA, RCEP, and Chang Mai are key opportunities for "win-win" cooperation and common development.

Science and technology

Technological trends affecting Asian development are fundamental and permeate sections 5 and 6 on business trends and sustainability. Panelists at BFA Annual Conference 2015 analyzed diverse topics like NEVs and lithium ion battery technology, the "Internet of Things" and China's "Internet Plus" initiative, education, and Chinese medicine. Asia has much to contribute in these technological areas.

The economy

President Xi outlined how China and Asia are addressing the current economic environment of deflation, debt, slow growth, bubbles, and unemployment. China's policy is to "comprehensively deepen reform, advance law-based governance, and enforce strict Party conduct". Under China's "new normal" (Section 3), with slowing growth (7.4 percent in 2014), less reliance on investment (and growth of the service sector), and increasing efficiency (energy intensity is down 4.8 percent), success is defined by multiple measures and China has the economic strength to make the changes needed to deepen reform. Steady long-term gains in imports and outbound investment are projected.

The Asian development imperative and its centrality in Asia's common destiny mean economic and financial issues are diffused throughout BFA Annual Conference 2015.

The Asian development imperative and its centrality in Asia's common destiny mean economic and financial issues are diffused throughout BFA Annual Conference 2015. Section 3 of this report is devoted to China's "new normal," including reforms to the ownership structure of state-owned enterprises (SOEs). Section 4, on the global economy, examines the current global low inflation environment, constrictions in trade and investment flows, and the consequent need to push forward with deeper reforms on the level of global economic regimes. Section 5, on global business trends, highlights how Chinese reforms and international trade and investment intersect through initiatives like the Hangzhou e-commerce pilot zone and China's anti-corruption campaign, the latter touching on both law and Party conduct. Section 6, on sustainability, relates economic development to China's management of rural-urban migration. And section 7, on finance, provides a pertinent analysis of how China's monetary policy, stock market, proposed revised Securities Law, and legal regime for land ownership fit into its reform and growth strategies.

Peace

"What China needs most is a harmonious and stable domestic environment and a peaceful and tranquil international environment". These words from President Xi's BFA Annual Conference 2015 keynote speech emphasize that, just as Asia's common history of war shapes its desire for cooperative security and renunciation of force, "the Chinese would never want to inflict [the tragedy of war] on other countries or peoples". The conceptual and institutional foundations for regional and world peace - the indispensable foundation for the community of common destiny all Asians desire - are explored in this report's final section 8 on geopolitics. Disputes will inevitably arise, but what is key is how they are handled and diffused. The rise of India and contesting territorial claims in the South China Sea are offered as two examples of the successes and challenges ahead for Asian peace and cooperative development in 2015 and the years ahead.

BFA Annual Conference 2015 carried on the tradition of offering a fruitful platform for dialogue, relationship-building, idea exchange, and problem solving - a tradition which will be built upon in 2016's conference.

"What China needs most is a harmonious and stable domestic environment and a peaceful and tranquil international environment".

President Xi

Section 2: China and the region - win-win initiatives

As China's share of global gross domestic product (GDP), on a purchasing power parity basis, has risen above 15 percent, matching the shares held by the US and Europe, it is stepping up to its global responsibilities by devoting increasing resources to shaping its regional community. BFA Annual Conference 2015 explored the impetus, status, and prospects of current major initiatives spearheaded by China to bring about deeper and broader integration of Asia.

The Silk Road

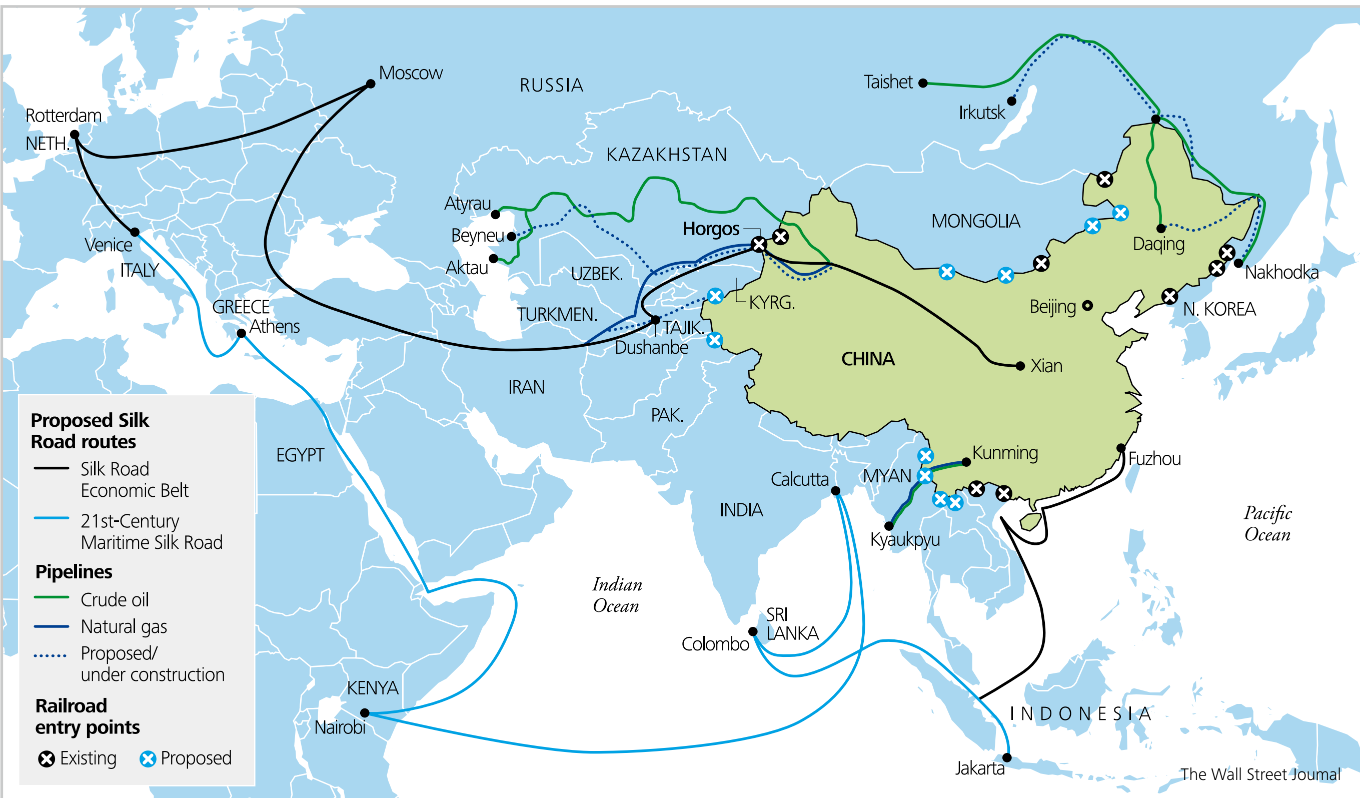
Since President Xi introduced it in the fall of 2013, the OBOR initiative has championed trade agreements and routes that promote across Asia to Europe cooperation in investment, infrastructure, and currency. An ambitious economic zone linking the western Pacific to the Baltic Sea and beyond, into Europe, OBOR reflects the attempt of Asia's major power to shape a community of win-win cooperation. China has emphasized through word and deed that OBOR projects will be based on the principles of consultation, non-exclusivity, joint contributions, and shared benefits. "Win-win" cooperation is not incompatible with state-level aims. In China's case, jobs, economic opportunities, energy security, and political stability appear to be key objectives.

"BFA Board of Directors Meeting" noted that OBOR opens up a consumer base of three billion people, while infrastructure investment may absorb some of China's foreign exchange reserves, helping counteract deflationary pressure wrought by monetary easing instituted in the wake of slowed growth and low oil prices. The **"Private Sector Roundtable"** averred that OBOR is encouraging private Chinese investors to seek outbound investment opportunities, particularly in Europe (due to the devalued Euro, manufacturing skill base, and brand creativity). Transit times between China and Europe are cut from 40 days by sea to 11 days via the overland Belt route. In facilitating expansion of Chinese firms' global footprint, noted the **"Financial Leaders Roundtable,"** OBOR incentivizes leading edge governance structures and corporate cultures, helping China develop competitive global brands. All of these dynamics build jobs and stimulate the Chinese and regional economies.

"Win-win" cooperation is not incompatible with state-level aims. In China's case, jobs, economic opportunities, energy security, and political stability appear to be key objectives.

"Jointly Building the 21st Century Maritime Silk Road & Launching Ceremony of the Year of China-ASEAN Maritime Cooperation" discussed energy security - consuming 23 percent of the world's energy, and, since the 1990s, importing ever-increasing quantities of oil, gas, and even coal, China has strategic reasons to diversify from Russian energy imports. Russia does not allow energy joint ventures and has demonstrated it may potentially use energy for political purposes. Its Crimea annexation stalled development of a China-invested deep water Sevastopol port and tunnel-bridge from the Kerch peninsula, which would facilitate trade in grain and manufactured goods. Kazakhstan and Turkmenistan now supply US$20 billion of China's energy imports, compared to US$30 billion from Russia, and further development of pipelines will solidify and grow Central Asian energy sources. These countries gain through diversifying their customer base away from Russia, while China also hedges against piracy along sea corridors from the politically volatile Middle East, from which most of its energy imports originate.

China has made no secret of the political benefits of OBOR. It views economic opportunity as a necessary condition for avoiding the kind of political instability - religious extremism and separatism - wracking the Middle East. The belt traverses Uyghur and Muslim-dominated Xinjiang province, which already exports 75 percent of its goods to Central Asia. It builds on billions of dollars of investment China has already made in roads, hydropower, and primary industry in Xinjiang, and helps build political stability throughout Central Asia and western China.



New Silk Roads - China is assembling new trade routes, binding other regions closer to it

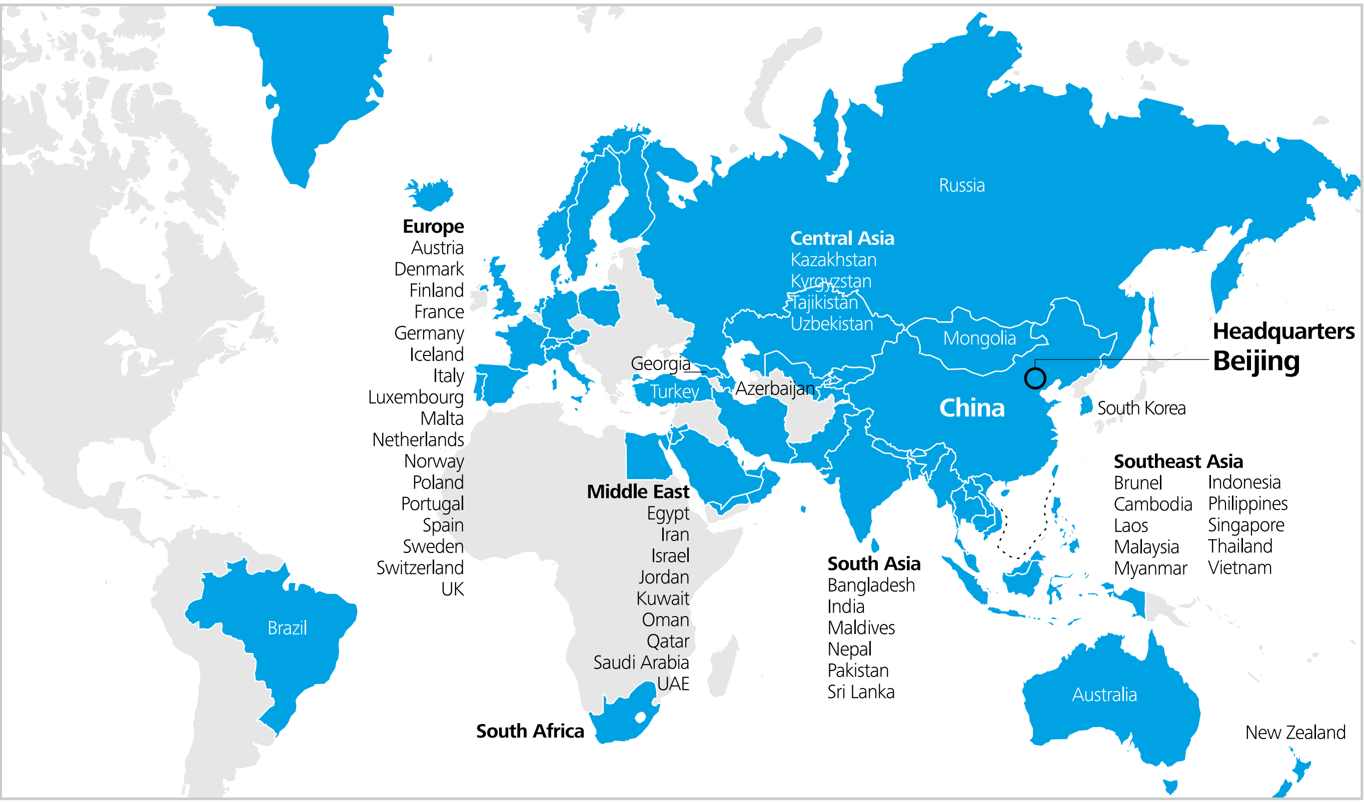
Source: Xinhua (Silk Road routes); U.S. Department of Defense, Gazprom, Transneft (pipelines); United Nations (rail entry points)

The combination of political and energy security can be seen in additional OBOR projects like a potential canal across the Thai Kra Isthmus (which would bypass the roundabout and treacherous Straits of Malacca), the very real Gwadar port on the Arabian Sea in Pakistan, and US$45 billion in investments in Pakistani energy and infrastructure announced in April, along with a joint China-Pakistan think tank devoted to the China-Pakistan Economic Corridor i.e., Research and Development International (RANDI). China's oscillating pattern of island building in the South China Sea followed by confidence-building measures may reflect a long-term desire to control energy sources under the sea combined with the goals of building the Maritime Silk Road and strengthening the Asian regional economy. Cultural, economic, and conservation exchange platforms like BFA, China-ASEAN FTA, and RCEP, build cultural understanding and synchronized regulatory and border regimes to bolster the regional peace and stability required by China's goals.

Asian Infrastructure Investment Bank

Announced about the same time as OBOR, and advanced with a major announcement by Li Keqiang, Premier, the People's Republic of China, at last year's BFA Annual Conference, AIIB boasts a US$100 billion initial investment target. After a recent flurry of activity, 57 countries are confirmed or have applied to be founding members.

Conceived in part as an alternative to developed-country-dominated intergovernmental organizations (IGOs) like the World Bank, International Monetary Fund (IMF), and Asian Development Bank (ADB), prospective founding members are targeting the end of 2015 to agree upon articles of incorporation outlining voting rights, among other issues. Panels at BFA Annual Conference 2015 emphasized how China seeks to build on best practices of other development banks while emphasizing merit over compromise, and fair apportionment of rights and responsibilities.



The 57 founding members of the Asian Infrastructure Investment Bank

Source: *The Telegraph*

The AIIB goes hand-in-hand with OBOR. It can become a transparent, accountable and multilateral conduit for building the infrastructure undergirding OBOR initiatives.

China argues the AIIB is desperately needed. Li Ruogu, Former Chairman and President, Export-Import Bank of China, noted at BFA Annual Conference 2015 that developing Asia requires US$800 billion of infrastructure investment annually, and today, the ADB only fills 1.5 percent of that need. The AIIB goes hand-in-hand with OBOR. It can become a transparent, accountable and multilateral conduit for building the infrastructure undergirding OBOR initiatives. As such, it helps build more transparent and trusted business practices among its private sector partners. It also helps China deploy its foreign reserves to complement the work of the World Bank, ADB, and others.

Immediately before and after BFA Annual Conference 2015, the rush of European and other developed countries to become founding members of the AIIB, despite objections from the US and Japan, caught many analysts off guard. Statements from world leaders reflect a desire to help guide from the inside institutionalization of international development banking best practices, selection of projects (emphasizing conservation and green technology), and realization of business opportunities for domestic firms. Only time will tell if the US, Japan, and Canada (which announced in April it is considering joining) are swayed by the same logic. Great Britain and other European countries' participation in drafting the founding charter should increase the US's comfort level that the AIIB will be in letter and spirit the collaborative, win-win initiative China says it wants.

Section 3: China’s economy - the “new normal”

China’s “new normal” includes slower growth, a shift in emphasis from exports, manufacturing and investment, towards domestic consumption, services, advanced value chain industries, and cooled real estate valuations coupled with diverse institutional reforms.

BFA Annual Conference 2015 provided a vibrant venue for analyzing evolving topics of ongoing interest. One such topic is China’s present stage of economic development, known as its “new normal”. After decades of opening up and reform, resulting in rapid economic growth, externalities, and imbalances, China’s “new normal” includes slower growth, a shift in emphasis from exports, manufacturing and investment, towards domestic consumption, services, advanced value chain industries, and cooled real estate valuations coupled with diverse institutional reforms.

The growth equation

Reining in China’s rapid pace of economic growth has been a paramount aspect of the new normal. Since the global financial crisis of 2008, double-digit annual growth has slowed to 7-7.5 percent. 71 percent of participants in a poll during BFA’s exclusive **“China CEO Roundtable”** felt growth will maintain at 6.5 percent or higher in 2015-2016, led by the healthcare, e-commerce, and logistics sectors.

Growth in China, of course, is influenced by the Five-Year Guideline. The 12th Guideline runs through 2015 and pairs modest growth with the goals of higher quality growth, job creation, a more equitable income distribution, and an improved social safety net. Chinese and IGO statistics suggest many of these goals have been met - urban employment up 50 million, the service sector’s share of GDP rising from 43 percent to 50 percent, state-funded R&D spending hitting 2.2 percent of GDP, patent applications up, and a decreased GINI coefficient (suggesting a trend toward greater income equality over the past few years, China’s GINI data is, however, questioned by some scholars). Beneath these achievements, challenges remain.

One of the major challenges is to refrain from intervention. Traditionally, China has used levers like infrastructure investment, interest rates, and reserve ratios to stimulate the economy. Conversely, Beijing has pursued the goal of cooling housing investment through higher interest rates and mortgage restrictions, which combined with slowed growth, depressed property prices and slowed construction. However, as weakness in the overall economy persists, 2015 has witnessed a reversal of many of these policies. In June, the People's Bank of China (PBOC) completed its third cut in its benchmark lending rate to 4.85 percent, from 6 percent just a year earlier. Required reserve ratios have been cut multiple times, now at 18.5 percent. Some cities are loosening bans on owning multiple homes and mortgage lending is again being encouraged. Given reduced housing starts and slack demand, such policy adjustments are understandable, but they raise the question of how

committed China's leadership is to the shift away from investment, as noted by **"Global Economic Outlook 2015: A Dialogue with BFA Board of Directors"**. Questions are amplified when borrowing demand does not respond to monetary easing, followed by government spending like the US$250 billion in Internet infrastructure, affordable housing, and railways announced in May.

Attempting to adhere to growth guidance, hold back on fiscal stimulus, and rebalance the economy, China today is juggling a slowdown in export growth (from 29 percent per annum during most of the 2000s to under 10 percent and even 2 percent year-to-date in 2015), lackluster demand for manufactured goods (China's producer price index was down 4.6 percent year over year in May amidst reports of unused capacity and hollowing out in the wage-sensitive textiles sector), and employment concerns. Exports have become a much lower component of growth (some estimate down from 3 percent to 1 percent), due to a relatively strong RMB, rising manufacturing wages, and weak demand across the developed world. It is still unclear whether wage inflation and employment levels can continue under these pressures sufficient to meet China's consumption goals. China's economy would still seem to require intervention while "crossing the river" to a new normal.

Productivity and innovation

In the long-run, rising consumption requires increases in incomes, and hence, productivity. BFA's **"Private Sector Roundtable"** pointed out that innovation will become more important to sustain efficiency as China moves up the value chain from simple manufacturing and tries to build global brands. BFA's TV debate **"Disruptive Innovation,"** hosted by China Central Television's (CCTV) Chen Weihong and featuring CEOs, Chief Technology Officers, and others from leading multinational corporations, discussed innovation in business models, user experiences, and technology, and agreed that the area where China is most likely to birth the next disruptive innovation is on the Internet.

In the long-run, rising consumption requires increases in incomes, and hence, productivity. Issues of innovation, e-commerce, and trade were just a few of the opportunities for increased productivity, incomes, and consumption explored at BFA Annual Conference 2015.

E-commerce was a popular topic at BFA Annual Conference 2015. In **"E-Commerce: Online to Offline,"** Jin Jianhang, President, Alibaba Group, explored the new competitive reality that winning firms have both an Internet and physical presence, to support ease of shopping and "touch and feel". While the explosion of e-commerce drives growth in the logistics sector, it can be constrained by perceived or actual poor product quality and counterfeit goods, as evidenced Alibaba's issues with Chinese and US regulators. The marketing industry is another area ripe for growth in China as big data collected through e-commerce generates a trove of consumer data.

Trade encourages productivity gains through competition, economies of scale, and idea sharing. BFA examined the year-and-a-half old Shanghai Free Trade Zone (FTZ) and the planned zones in Tianjin, Fujian, and Guangdong through panels featuring leaders of these zones and the financial futures expert Leo Melamed, Chairman Emeritus, Chicago Mercantile Exchange Group (CME Group). At root, these zones, meant to influence the key regions in which they are centered and to be replicated, boost efficiency through price rationalization (via features like the Shanghai FTZ's International Energy Exchange and eventual foreign participation in government bond purchases) and ease trade administration, including RMB exchange.

Issues of innovation, e-commerce, and trade were just a few of the opportunities for increased productivity, incomes, and consumption explored at BFA Annual Conference 2015. An integral aspect of the successful transition to a new normal, creative business improvements will be vigorously analyzed and pursued in China throughout the months and years to come.

Institutional and property sector reforms

Aside from levers of monetary and fiscal policy, reforms in SOEs, government regulation, and the property market offer the ripest opportunities for avoiding imbalances under China's new normal.

"Mixed Ownership: Rekindling the Reform of State-Owned Enterprises" included thinkers from Yale and *The Financial Times*, finance ministers, and CEOs. The speakers lauded China's pursuit of private capital injections to spur innovation, and its use of anti-corruption measures to improve governance, but highlighted how it now seems clear that meaningful changes in ownership are not part of China's vision. Regulations regarding registration and voting rights could be clarified, while recent forays into "mixed ownership" exhibit retention of the state as majority shareholder, at best quasi-independent intermediaries (sometimes called boards) between owners and managers, or mergers of competing SOEs without ownership changes. While state shareholding and market-oriented management can coexist, as Singapore's Temasek may demonstrate, it is at this juncture unclear how China plans to incentivize managers and boards. To date, return on investment of SOEs is about 5 percent compared to 9 percent in China's private sector.

Aside from levers of monetary and fiscal policy, reforms in SOEs, government regulation, and the property market offer the ripest opportunities for avoiding imbalances under China's new normal.

Reforms that improve the functioning of the economy are at least as important as monetary and fiscal levers in ensuring not just growth, but balanced, stable and sustainable growth by which China can transition to its new normal.

Smaller, local SOEs outside strategic industries offer the best chance to implement leading-edge mixed ownership experiments, enabled by fewer constraints and spurred by financial need. China's total debt load is now estimated at 280 percent of GDP, placing it a bit behind the US, but its rate of increase, 84 percent since 2007, has been fifth highest in the world, only behind countries such as Greece, Ireland, and Portugal. Most of the new debt is not central government debt, so often does not show up in statistics, but it is municipal and corporate. In March, China announced a US$180 billion debt swap plan to address the mounting problem of municipal debt. In **"Municipal Debt: Defusing the Simmering Local Government Debt Crisis"** included Lou Jiwei, Minister of Finance, China, noted that the dynamic of local government debt issuance is different in China than in many western countries because of the different role of public opinion, credit rating systems, and opaqueness of government-invested property holdings. In May, China ordered banks to issue new bonds as part of the swap plan regardless of governments' ability to repay, and Chinese leadership has criticized localities that are not starting new projects. The employment and growth imperative continue to put pressure on local officials and banks counter to the goal of controlling municipal debt.

Other institutional reform issues analyzed at BFA Annual Conference 2015 included property (moving away from restrictions on purchases to decrease speculation toward fiscal and tax incentives), anti-monopoly regulation (the need for greater predictability and transparency, particularly for foreign firms), the rule of law in general (again, the desire for greater transparency), social security, and *hukou*. Reforms that improve the functioning of the economy are at least as important as monetary and fiscal levers in ensuring not just growth, but balanced, stable and sustainable growth by which China can transition to its new normal.

Section 4: The global economy

At US$19 trillion, the combined GDP of China, Japan, Korea, Taiwan, and ASEAN makes up 25 percent of the world's total, surpassing the EU and on par with North America.

China's OBOR initiative was the centerpiece of much discussion at BFA Annual Conference 2015 in part because greater Asia is the hub of global economic dynamism in the early 21st century. In **"Moving Towards the East Asian Economic Community,"** Zhou Wenzhong, Secretary General, BFA, pointed out that, at US$19 trillion, the combined GDP of China, Japan, Korea, Taiwan, and ASEAN makes up 25 percent of the world's total, surpassing the European Union (EU) and on par with North America. Key themes related to the global economy were deeper Asian integration in investment, trade, infrastructure, and consumption, as well as global economic governance, commodities (especially oil), structural reforms, and other major Asian global economic powers.

Global economic governance

"Brainstorming: Rethinking Global Governance," moderated by CCTV anchor Tian Wei and featuring *New York Times* columnist Thomas Friedman and former world leaders, placed China's desire for the AIIB in the context of failures of Bretton Woods institutions like the IMF to keep up with the changing economic balance of power. The IMF, Group of Twenty (G20), and the Obama Administration, on one hand, and the US House and Senate, on the other, have repeatedly clashed over approving a 2010 G20 recommendation to shift six percent of voting rights to emerging markets.

While the panel called for bold reforms, Pascal Lamy, Former Director General, World Trade Organization (WTO), cautioned that effective institutions typically need leadership, legitimacy, and efficiency; however, combining all three has been a challenge for IGOs. The G20, for instance, has strong leadership but less comprehensive representation and therefore lower legitimacy, while the United Nations (UN) has high legitimacy but fractured leadership and questionable efficiency. This international coordination problem may result in a "spaghetti bowl" of competing governance institutions in the finance realm not unlike the trade realm. At the same time, the G20's mission post-2008 recession remains unclear, and the IMF, as highlighted in the **"Connecting Asia: Dialogues with Thinkers"** panel, is often seen as too punitive. European and American collaboration in new institutions is key to ensure leadership, legitimacy, and efficiency, coordinating new institutions and approaches with old.

Pushing forward with trade and investment regimes was a consistent theme in response to declining global trade and FDI flows that could ease the way for protectionism.

Trade, investment, infrastructure, and consumption

Sluggish growth of trade relative to GDP growth has been a global story since at least 2010. **"G20 & Global Economic Agenda"** and **"Moving towards the East Asian Economic Community"** emphasized that integration of existing bilateral and multilateral trade agreements could accelerate the "Asian century" through removing barriers to a large regional market, coordinating logistics, and promoting exchange of information, culture, services, and human resources.

As China moves away from labor-intensive simple manufacturing, altering its role in regional and global trade, others, like India, with its uniquely youthful population, stand ready to benefit. **"Where to Export?"** averred that China can no longer bank on cost advantages. Its garment industry, for example, suffers not just from higher labor costs, but from often uncompetitive quality, efficiency, technology, design, and R&D. While China resolves these issues to move up the value chain, the ASEAN Economic Community (AEC)'s launch at the end of 2015, positing a unified sub-market that can undergird a reconfiguration of regional trade, was a topic of great interest.

Global Foreign Direct Investment (FDI) flows also continue their downward trend since 2008. Developing Asia, in general, remains a growing recipient. China, however, had been relatively flat, with investment in manufacturing being supplanted by investment in service industries. During the past year, however, China has witnessed net capital account outflows of a least US$140 billion, with total capital outflows perhaps US$600 billion or more. Slow developed country growth and uncertainties in the EU may be constraining FDI, but the mid-August RMB devaluation of over 5 percent suggested that much more than trade is at play in China. Massive liquidity injected into the economy to shore up China's stock market and stave off collapse of triangular debt may push the RMB down faster than China can sell its US dollar reserves (it sold US$830 billion in the 12 months to August). Analysts have been predicting continuing devaluation anywhere from a few percentage points to double digits, as China simultaneously positions the RMB lower before it gets pulled up in the wake of an expected US Fed tightening (and dollar appreciation) within the next year. Several panels at BFA Annual Conference 2015 discussed the relationships between coordinated infrastructure spending and FDI, and the dynamic between FDI flows, China's stock market, and the RMB. FDI and trade flows must remain unobstructed to enable national economies to rebalance in times of stress, and reduced flows could lead to "delinking" of economies, as each focuses on domestic economy. This, in turn, could ease the way for protectionism. Pushing forward with trade and investment regimes was therefore a consistent theme.

Commodities and structural reforms

Several panels at this year's BFA Annual Conference lamented the double-edged impact of plunging oil prices, which make a crucial input cheaper while creating deflationary pressure and hurting oil-exporting economies. In Japan, for example, Abenomic's infirm foothold must contend with external deflation. Monetary easing must continue where it might have given way to recovery.

"Commodities: Ending the Super Cycle? " asked whether Asian demand could help firm up prices, while admitting that a strong US dollar, increasingly low break even points for shale oil extraction, and Saudi restraint will continue to push supply up and prices down, perhaps, temporarily, as low as US$40 a barrel again in 2015.

The steel industry is another commodity concern, particularly in China. Even increased infrastructure spending, as envisioned by OBOR or AIIB, probably cannot offset past investments in production capacity, which have created excess supply and pushed prices down. Buyers like Australia's iron ore company, Fortescue Metals Group, are locking in low prices through long-term contracts, pushing the deflationary effect out into the future. Depressed oil and steel prices effect producers and consumers differently, but deflationary pressure is a global concern as monetary and fiscal stimuli attempt to reflate demand.

Restructuring continues apace among Asian players in the global economy. **"The Next Financial Crisis"** noted that Australia's overreliance on China to purchase its commodity exports makes it doubly vulnerable, to both global commodity prices and Chinese demand. **"India: Resetting the Reform Agenda"** highlighted policies aimed at ensuring it becomes the world's next manufacturing hub, including "Skilling India" (which aims to capitalize on India's "demographic dividend" through training its burgeoning numbers of youth in high-end manufacturing) and its "Make in India" campaign. India could benefit through updated land laws allowing easier sale and acquisition, and will have to contend with the fact that it cannot traverse precisely the same path as China, since many low-end manufacturing jobs on which China's growth was built have become automated. BFA's Economists' Luncheon, **"A Conversation with Economists: Certainties & Uncertainties,"** discussed the need for China to scale back government direction that creates imbalances and to allow more market signals through transactional freedom.

The national effects of global trends in commodity prices, trade, investment and other forces discussed at BFA Annual Conference 2015 depend upon each country's industrial structure, but most agreed that accelerating growth requires widening and deepening cooperation through improved economic governance at the national, regional, and global levels.

Depressed oil and steel prices effect producers and consumers differently, but deflationary pressure is a global concern as monetary and fiscal stimuli attempt to reflate demand.

Section 5: Global business trends

The common denominator of the diverse global business trends discussed at BFA Annual Conference 2015 was a dynamic shaped more by the marketplace than by government. Beginning with the most state-influenced realms - investment regimes, municipal debt, and corruption, followed by Internet/e-commerce (including China's "Internet Plus" initiative), branding, innovation, new technologies, succession planning, and human resource development - this summary gives a taste of the insights and lively discussions that took place on Hainan Island in March 2015.

Investment, debt, and corruption

Compared to trade, international investment regimes are still in their infancy. Progress has been mainly regional and bilateral, especially through Bilateral Investment Treaties (BITs). Amidst tensions between old, trade-related rules that focused on investor protection (particularly compensation for expropriation) and new demands for participation by and accountability to civil society (particularly by environmental and product safety advocates), the Organization for Economic Co-operation and Development's Multilateral Agreement on Investment (MAI) failed to be ratified in 1998, stalling progress towards a multilateral approach.

While the blurring of the line between countries that give and receive investment potentially creates common ground for a multilateral institution, most prefer an agreement under the WTO as opposed to a stand-alone organization, especially because the WTO has built a respected dispute resolution mechanism that would be difficult to replicate.

"World Investment Organization & the Global Investment Agenda," a prestigious panel of finance ministers, investment corporation chairs, and private sector leaders, converged at BFA Annual Conference 2015 to share their thoughts on the possible creation of a World Investment Organization. The WTO's Trade Related Investment Measures (TRIMs) is focused on domestic treatment while potential regional agreements like the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership, Free Trade Area of the Asia-Pacific, and RCEP threaten rule fragmentation over unity. In addition to national treatment, issues like performance requirements, portfolio investment, dispute settlement (especially when state laws are challenged), intellectual property rights, and state procurement remain complex thickets to navigate. While the blurring of the line between countries that give and receive investment potentially creates common ground for a multilateral institution, most prefer an agreement under the WTO as opposed to a stand-alone organization, especially because the WTO has built a respected dispute resolution mechanism that would be difficult to replicate. A plurilateral approach, open to all as they are ready to join, was also explored.

Other panels related to international agreements that influence business trends urged the US to rethink its opposition to become a founding member of the AIIB, decried IMF austerity measures, and forecast that China is not yet ready for the free capital flows that would probably accompany RMB convertibility. Indeed, massive capital outflows and a more than 5 percent RMB devaluation stemming from China's efforts to shore up its stock markets in the spring and summer exposed pent-up downward pressure on the RMB. In the meantime, the OBOR initiative and capital seeking firmer ground are luring Chinese capital to Europe.

A topic combining government involvement with business trends in China is the municipal debt crisis. China's US$160 billion municipal debt swap plan was hotly debated: Will it help local governments or simply enable them to repackage debts without improving repayment prospects? Controls on off-balance-sheet entities like local government funding vehicles (LGFVs) were lauded for the bond market transparency they could engender. A major opportunity for the private sector is China's encouragement of public-private partnerships to fill any gaps in investment funds precipitated by government fiscal restraint.

Discussions of corruption in China held up the 3rd Plenum policies as helping put government power in a "cage" while signaling new government-enterprise relations. Cheng Yung-nien, Director, the East Asia Institute, the National University of Singapore, advocated for Singapore's successful "high paying clean government" system. China's ongoing anti-corruption campaign may affect the day-to-day, on-the-ground experiences of business people in China more than perhaps any other trend.

Innovation in the age of the Internet and e-commerce

Immediately prior to BFA Annual Conference 2015, at the National People's Congress in early March, Premier Li announced China's plan for "Internet Plus", which entails integration of mobile Internet, cloud computing, big data, and the Internet of Things with modern manufacturing, affecting everything from farming to finance. Several panels touched upon Internet Plus, notably, **"CEO Dialogue: Internet *vs* Traditional Business"**. While the scope of this initiative is vast, several salient points stand out.

First, greater support for the mobile Internet will disproportionately benefit rural areas, helping bridge the urban-rural digital and income divides. Second, investment in a fiber optic infrastructure will increase efficiency across the economy. Third, China's tech sector may be turning a corner on its own, with, according to one estimate, private equity investment rising from US$1.6 billion in 2013 to US$7.2 billion in 2014. Nevertheless, it isn't hard to imagine how government grants, loans, and encouragement could accelerate efficiency gains from sharing information between objects used by consumers and their manufacturers, just one aspect of the Internet of Things. One notable opportunity is tracking food from source to table to tackle China's food safety issue.

New era lowers transaction costs and provides more perfect information, increasing market efficiency. This dynamic promises to revolutionize lending and credit investigation, evaluation, and transactions.

The CEO Dialogue also analyzed the business models of firms like Tujia, iCarsclub, Airbnb, and Dididache, which are good examples of how online increasingly means mobile. **"Doing Business the Internet Way"** pointed to the new era of "big data" enabled by customer behavior profiles made possible by online commerce. Both panels highlighted how this new era lowers transaction costs and provides more perfect information, increasing market efficiency. This dynamic promises to revolutionize lending and credit investigation, evaluation, and transactions.

"E-Commerce: Online to Offline" argued that successful businesses will mix online and offline presence, capitalizing on web-based customer connections and shopping while retaining hands-on browsing, which for many, closes the purchase decision. Here again panelists noted the need to better control quality and rationalize barriers to cross-border e-commerce; the Hangzhou e-commerce pilot zone (located in the home town of Alibaba), the only national-level zone of seven now established throughout China, is a bell-weather, and may include significant tariff reductions on imported e-commerce goods.

E-commerce is one conduit of disruptive innovation, which elicits keen interest in China today; innovation is key to increase productivity and sales. **"Disruptive Innovation"** (featuring current and former leaders of Toshiba, Tencent, and other IT firms) organized disruptions by price, user experience, and replacement. The **"Private Sector Roundtable"** emphasized how brand is key in the consumption-driven economy China is pursuing, and the best brands continuously innovate. Such firms also prize cultural awareness and social responsibility, which strengthen a countries' brands overseas.

Innovation was further explored in **"Entrepreneurs: Born or Made?"** which included Chad Meredith Hurley, Co-Founder and former Chief Executive Officer, YouTube. Practical skills, customer focus, and good teamwork, these experienced hands emphasized, are as important as risk-taking and leadership. Self-belief and perseverance, with clearly defined competitive advantage, are keys to transform Premier Li's call for a culture of entrepreneurship into successful enterprises.

BFA Annual Conference reported major advances in lithium ion battery technology, which continue to move the market closer to prices, charge times, and travel distances that promise to spur consumer demand.

Game-changing technological trends

Several panels at this year's BFA Annual Conference brought together leaders in technological trends effecting business. The current state of NEVs - electric, hybrid, fuel cell, and alternative fuel-powered vehicles - was analyzed by C-suite executives from General Motors, Infiniti, Beijing Automotive Industry Holding Co., Guangzhou Automotive, and more, in **"New Energy Vehicles: What's All the Controversy About?"** With a still nascent global market of 117,000 units, patience was urged, but China, with serious urban pollution problems, is leading the way with subsidies (though central government subsidies were cut in April), government purchases, and incentives to construct an all-important fueling infrastructure. Samsung reported major advances in lithium ion battery technology, which continue to move the market closer to prices, charge times, and travel distances that promise to spur consumer demand.

The other major technological trend captivating BFA Annual Conference 2015 is 3D printing, also known as "additive manufacturing (AM)". **"3D Printing, Digital Manufacturing & the 3rd Industrial Revolution"** noted that AM has

high start-up costs, but enables economic small batch manufacture. Quality, mass production, and time to market are key challenges. Investment in AM is forecast to reach US$420 billion by 2020. Applications are already being explored and commercialized for jewelry (sunglasses), toys, electronics, life sciences (hearing aids), and automotive (tool parts). Experts attending BFA Annual Conference in future years will undoubtedly have exciting developments to report in this field, which is being called the "Third Industrial Revolution".

The next generation

One of the biggest business trends effecting Asia is how they train and prepare their huge numbers of youth for the economy of the future. Already successful businesses face succession challenges that may be new to them. **"What's Up with the Next Generation?"** devoted to succession, pointed out that the current generation of leadership needs to pass on values and skills through placing the next generation in the firm's milieu, and to ensure they get outside experience to bring perspective and new ideas. It is also important to include capable non-family members in the transition team. In China, succession will be complicated by the one-child policy, where plans to transition the business outside family hands may sometimes be necessary.

"Young Leaders Roundtable: Power of Individuals in the Era of Pluralism," noted that more young people prefer to work in start-ups, but agreed that young people can gain valuable skills working for a large organization first. **"University Presidents' Dialogue: The Future of Education"** emphasized that technological training is not enough, that youth need skills and experience in communications, innovation, creativity, and organizational management. As Asia moves through the 21^{st} century, its education system must combine academic learning with industry experience and research. Chinese universities can gradually move away from controlling education to enabling it, in part through growth of private universities.

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This sampling of the topical business trends multiple expert panels explored at BFA Annual Conference 2015 gives a sense of the urgent needs, and excitement, throughout Asia, among business leaders and governments alike, as Asia strives to create its community of common destiny.

Section 6: Sustainability, environment, and health

> **China's energy needs are growing faster than it can shift away from coal, so net coal use will continue to increase into the foreseeable future. Clean coal technology is thus imperative for China to ameliorate its dire air pollution problems.**

BFA Annual Conference 2015 brought together thought leaders from throughout Asia to diagnose critical challenges in creating sustainable economies that protect the environment and foster the people's health. Discussions ranged from energy and new energy vehicles to food, soil, and water, from the latest in health technology to the ancient practices of Chinese medicine.

Environmental sustainability

The **"Energy/Resources CEO Roundtable"** grappled with the fact that China still generates 65-70 percent of its energy from coal, accounting for almost half of global coal consumption. China is also growing so rapidly that it accounted for 43 percent of global oil consumption growth in 2014. In other words, China's energy needs are growing faster than it can shift away from coal, so net coal use will continue to increase into the foreseeable future; clean coal technology is thus imperative for China to ameliorate its dire air pollution problems.

As mentioned in section 4, The global economy, several panels analyzed oil's precipitous price decline and its deflationary effects. Trends in technology (ever lower break even points for shale oil extraction), economics (a slowed rate of growth in oil demand and sharp rise in US production), and politics (Saudi Arabia's refusal to curtail production so they can discipline OPEC and test shale producer's "bottom line"), are continuing to create headwinds for new energy industries. Environmental protection suggests this period of low carbon prices should be used to introduce carbon taxes, which would be most effective as a global initiative.

NEVs - discussed also in section 5, Global business trends - hold promise to be the single biggest counterweight to expansion of the global oil economy. Global energy use is one-third oil, 62 percent of which fuels transportation. Biofuel's effects on food production, deforestation, and fossil fuel use are controversial, and in April the EU capped use of food crop feedstock for biofuel production. Thus, the potential for the greatest impact may lie in electric and fuel cell vehicles. NEVs may be advanced through government policies like fleet procurement and fuel infrastructure development incentives, and through industry via R&D advances in lithium ion battery cost, charge times, and travel distances.

"Global Governance for Food Safety" noted that global food trade has more than doubled in the past 10 years, to three trillion tons per annum. This results in more complex supply chains at a time when many countries have cut budgets for quality control.

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China faces particular pressure, noted **"Agriculture, Rural Areas & Farmers in the Fast-Urbanizing Country,"** feeding 20 percent of the world's population on 7 percent of its arable land, and it now imports a record 10 percent of its agricultural needs, over 100 million tons (including cotton). Chen Zhangliang, Vice President, China Association for Science & Technology, Former Governor, Guangxi, suggested renting land in developing countries like Brazil, Cambodia, and Africa. Liberalized markets for non-rationed items (corn, soy, etc.) would better set prices and production.

Sustainability in food production also means balancing human resources.

Sustainability in food production also means balancing human resources. China provides subsidies for its 200 million rural workers to stay on farms and is trying to "urbanize" rural areas, but mechanized agriculture cuts labor demand and could create social unrest. China is attempting to ensure the rural-urban transition is gradual while it attends to the housing, employment, social welfare, and education needs of migrant workers.

"What's Up with Water & Soil?" examined the state of water and soil conservation, particularly in China. China's ambitious South-North Water Diversion Project, a multi-stage plan to divert Yangtze River water north to the arid Haihe Basin, home to 140 million people (including Beijing and Tianjin), addresses one of China's major water issues - scarcity in the north - but may not help with flooding, pollution, or sustainable ecosystems. Experts analyzed policies like urban water collection, water reutilization, forestry, membrane technology, and desalinization. China is embarking on establishing an extensive network of water quality monitoring stations, results of which may be published on the web in real time. The scale of the need is so great that cross-border cooperation and investment are called for, with financing coming from policy banks, public-private partnerships and some recommended, taxes on polluters and farmers who may control and be able to monetize water resources.

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Panelists predicted that by 2020 the healthcare field would be characterized by cheap genetic sequencing (enabling targeted therapies), cheaper smart health wearables that will make hospitals less important, and large data sets that will allow prediction of infectious disease outbreaks.

Health

Traditional Chinese Medicine (TCM) is a major Asian contribution to the health debate. **"Traditional Chinese Medicine Going Global"** argued that TCM is congruent with the "wellness" trend and could help the world reduce treatment costs, prevent illnesses, and in some instances, reduce side effects. In China, where TCM accounts for 7.5 percent of medical staff and 6 percent of facilities, it handles 17 percent of patient visits and 14 percent of hospitalizations. The OBOR initiative may facilitate spread of TCM, and President Xi has encouraged combining it with Western medicine and subjecting it to validating trials to understand its workings. China has signed 90 agreements to cooperate on TCM, but a major challenge to widespread acceptance is bridging cultural understandings of the human system and health.

Far from traditional, smart health wearables are the leading edge of health technological innovation. In **"Smart Health & Wearables,"** experts identified benefits such as wellness management, reduced health care costs, monitoring, lifestyle research based on "big data" collection, and even management of infectious disease outbreaks. Wearables can combine cost reductions with improved accessibility. For example, one can monitor chronic diseases from home, over the Internet, and dosages can be adjusted remotely. Data security, battery life, and patient training are current challenges, and devices must become "invisible" to the user. Panelists predicted that by 2020 the healthcare field would be characterized by cheap genetic sequencing (enabling targeted therapies), cheaper smart health wearables that will make hospitals less important, and large data sets that will allow prediction of infectious disease outbreaks.

Section 7: Financial issues

Financial issues are always important to business and political leaders who attend BFA Annual Conference. This year, panels covered myriad topics, which may be broken down broadly into liquidity, RMB and the bond market, and the financial marketplace, all of which are experiencing potentially consequential tensions.

What does seem clear is that despite bourses' small role in the economy, China's leaders are walking a tightrope between enabling and constraining liquidity. Whether this is driven more by risks to the real economy or by political concerns is open to debate.

Liquidity

Since 2008, the questions of whether, when, how, and how much to stimulate economies have occupied center stage, and Asia has been no exception. BFA's **"Financial Leaders Roundtable"** dissected the pros and cons of quantitative easing (QE), the massive government purchase of securities (when interest rates are already close to zero) to increase the amount available to borrow.

While the US, EU, and Japan have embarked on genuine QE, with the European Central Bank pledged to continue to buy EUR60 billion in bonds and paper a month through September 2016, China's interest rates still have room to move down (at 5.5 percent) and it controls money supply more through policy directives to banks. Nonetheless, the ultimate effectiveness of injecting liquidity in an environment of low borrowing demand or high risk is unclear. It is arguable that much of the money generated by the US's QE didn't fuel real economic growth (through loans for specific projects), but found its way into the stock market, fueling the S&P 500 Index's over 200 percent rise since its March 2009 bottom. The roundtable noted that such an outcome - misallocation of resources resulting in asset price inflation that disproportionately benefits the wealthy and exacerbates income inequality - is somewhat predictable.

It is arguable that much of the money generated by the US's QE didn't create real economic growth, but found its way into the stock market, fueling the S&P 500 Index's over 200 percent rise since its March 2009 bottom.

However, in China, government has encouraged the less wealthy to buy stocks, as well. Shifting wealth into the market brings China closer to developed country levels of stock market capitalization. For example, in the US, the "free float" of capital available to markets exceeds 100 percent of GDP and household wealth is 70 percent financial assets. Estimates vary, but in China the free float is perhaps 30 percent of GDP and only 14 percent of household wealth is in financial assets, most in saving accounts (70 percent is property). Leadership has argued that a shift to portfolio investment would help wean SOEs from publicly-backed bank debt while cooling the property market. The Chinese press has urged citizens to invest, the China Securities Regulatory Commission (CSRC) has loosened rules on margin trading (which, having doubled to over US$300 billion in 2015, may now comprise 25 percent of the value of Chinese stocks), and has facilitated liquidity through policies like allowing housing to be used as collateral for margin loans. Still, it is estimated only 3 percent of households own stock.

June and July policy responses in the wake of market losses exceeding 30 percent have been Janus-faced, on one hand allowing state pension funds to invest in stocks, reducing trading fees, and ordering state investment funds to buy stocks, while on the other hand cracking down on trader's registration credentials, signaling an uncertain and dynamic policy environment at crosscutting purposes. What does seem clear is that despite bourses' small role in the economy, China's leaders are walking a tightrope between enabling liquidity even if it perpetuates overvaluation, and constraining liquidity, which could deflate the market, slow the real economy, and precipitate defaults on margin calls. Whether this caution is driven more by risks to the real economy or by political concerns is open to debate.

To the extent China produces excess liquidity through recent policy shifts, the AIIB may divert its US dollar assets abroad, minimizing imbalances. **"Asian Infrastructure Investment Bank (AIIB) & the New Development Bank"** emphasized the demand for infrastructure funds is great, with need in developing Asia estimated at US$700-800 billion a year through 2020. As noted in previous sections, US participation is encouraged; it is seen as salutary from a policy, governance, and political perspective. Excess global capital can also be put to good use through the AIIB, especially if the bank implements the public-private partnerships it speaks of, improving transparency, government accountability, and policy.

Leo Melamed, Chairman Emeritus, CME Group, encouraged more efficient movement of liquidity through improvements in futures markets in **"A Conversation with Leo Melamed: Opening the Futures Market"**. Today, China is an anomaly in that it keeps its futures markets cut off from the rest of the world, but the China Securities Regulatory Commission (CSRC) seems poised to change that. In 2013, for example, China opened the Shanghai International Energy Exchange (INE) under the Shanghai FTZ; its adoption of the Globex trading platform now allows data from the Chinese energy market to be shared globally, helping rationalize energy prices worldwide. However, today, China's other futures markets are dominated by SOE banks and lack cash spot markets, reflected in their narrow trading bands. Futures serve as barometers and early warning systems, and help firms shed risk; China is poised for gradual reform in this area.

RMB and bonds

RMB convertibility and Chinese government bonds are also tied up with the question of how fast the Chinese economy should open up to foreign parties. Leo Melamed noted that an open government bond market would pave the way for RMB convertibility, while the **"Financial Leaders Roundtable"** urged further liberalization of the capital account, more RMB-denominated debt instruments, and offshore RMB accounts.

The value of government bonds and RMB are, in turn, tied to the health of China's overall economy, leading panelists to circle back to issues like overcapacity, municipal government debt, and

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asset price inflation (which many felt was a bigger problem than debt), covered in earlier sections of this report. Voices were also heard, like that of John Zhao, CEO, Hony Capital, who argued that the closed and government controlled aspect of China's financial sector has strengths, namely the ability to react quickly and effectively to crises. Surely the imminent demise of China's economy has been foretold many times before.

Assuming China's markets are perceived to be "out of the woods" in 2016 and the CSRC wants to continue 2015's robust IPO growth, the new Securities Law may pass. It could weaken or eliminate IPO restrictions on profitability and P/E ceilings on ratio valuations, and increase foreign participation.

Capital markets

As China's stock market inflated in early 2015, due largely to monetary easing and a flight to equities from what is perceived to be a risky property market, analysts were excited about a long-anticipated shift from an approval-based IPO system to a registration-based system, which could give investors more new company options. According to former members of the CSRC's IPO committee, that change was slated to be implemented in early 2016, after National People's Congress (NPC) review and approval in October of the new proposed Securities Law. The events of June through August throw that timeline into question. If China's markets were perceived to be "out of the woods" in 2016 and the CSRC wanted to continue early 2015's robust IPO growth, this law may pass, but the desire for quality screening could intensify in the wake of summer's market rout. If it did pass, it could weaken or eliminate restrictions on profitability and ceilings on P/E ratio valuations, and increase foreign participation.

As the property market has cooled and savers turn to financial assets, China requires better asset management institutions and practices for investors. BFA's **"The Asset Management Boom: Innovation, Risks & Regulation"** noted that the Chinese market currently stands at RMB25 trillion, with household wealth now about RMB100 trillion, forecast to hit RMB260 trillion by 2020. Yet, in 2013, only RMB4 trillion was under asset management (e.g. mutual funds). The proliferation of new players (including banks, and through recent liberalization of regulations, insurance companies) has driven the average fund's assets under management from RMB6 billion in 2007 to RMB400 million in 2013, with many registering losses. At the same time, institutional investors continue to be mostly invested in cash and government bonds and typically manage assets in-house. Against these headwinds to asset management professionalization, the increased use of corporate bonds, money market funds, and insurance companies' need to increase returns to meet demographic demands, promise to grow the market, but individual investors need to better understand the risks and guard against fraud and deception.

"Inclusive Finance: New Models of Rural Banking" explored how rural areas bank in China. Rural areas are characterized by the geographic dispersion of their customers and the nature of those customers' collateral, which in most countries would predominantly be land. In China, land cannot be owned by individuals, but land use

China's laws prohibit using as collateral both land ownership and land use rights, but it may be possible to use contract management rights as collateral. The PBOC is researching how this might be done. Breaking this logjam could invigorate bank's mortgage business, allow farmers to raise needed capital to increase productivity, and steer borrowing incentives away from the high-interest, unregulated, potentially destabilizing shadow banking sector.

and contact management rights can. While the Land Administration and other laws prohibit using as collateral both ownership and land use rights, it may be possible to use contract management rights as collateral. The PBOC, at the direction of the NPC, is currently researching how this might be done, with other banks awaiting the results with great interest. Breaking this logjam could invigorate banks' mortgage business, allow farmers to raise needed capital to increase productivity, and steer borrowing incentives away from the high-interest, unregulated, and potentially destabilizing shadow banking sector. The panel also recommended that co-ops combine credit assessment, futures, and insurance functions with production and sales consulting, and serve as platforms for technology diffusion.

"Internet Banking: P2P Self-Discipline & Regulation" noted that P2P lending presently makes up 1 percent of China's loans, or about 200,000 transactions. Half private and half institutional globally, in China the market is almost entirely private. The high risk of fraud compels lenders to use data-rich algorithms to predict repayment but also to diversify their capital across many smaller loans, limiting its utility for large scale capital formation. While Internet finance fills funding gaps for small and medium-sized enterprises, it will take some time for data privacy concerns to be worked out, and at present it is not a serious threat to more traditional forms of banking.

2015 and 2016 promise to continue to be exciting and transformational times for finance in Asia, particularly China. Throughout the year, many will be following the recommendations and predictions made at BFA Annual Conference 2015.

Section 8: Global geopolitics

Geopolitics at BFA Annual Conference 2015 focused on international political and economic institutions like the G20, IMF, ASEAN Economic Community, OBOR, and AIIB. A smaller set of panels examined drivers of changes in the regional and global balance of power, including the rise of India, China's security doctrine for the "Asian Century," and the importance of soft power. Finally, dynamics across different types of security issues were analyzed.

Political economy

Discussants in the panel **"G20 & Global Economic Agenda"** devoted most of their time to the G20. Created in 1999 as an Annual Conference for finance ministers and central bank governors from the developed and developing world, and upgraded to include heads of state in the wake of the 2008 financial crisis, the G20 represents about 90 percent of global GDP and 65 percent of the world's population. Under Australia's presidency in 2014, it agreed to target 2 percent annual global growth; under Turkey's in 2015 it encouraged inclusiveness and investment. China assumes the presidency in 2016.

While its members regard the G20 has the highest global economic governance body, its membership is self-selected, does not rotate, and is neither inclusive nor universal like the UN, IMF, and World Bank, giving it uneven legitimacy. Even with its small numbers, affiliated think tanks struggle to achieve intellectual inclusiveness and forge recommendations suited to the diversity of its membership. While it has incubated recommendations to modify Bretton Woods institutions, including voting rights and capital contributions, and been useful as a "crisis committee", without major changes to its membership selection process and enforcement powers, it is unlikely the G20 can become a global governance body.

The G20 would not have had to recommend changes to Bretton Woods institutions had they not had legitimacy issues of their own. As noted earlier, the US Congress has refused to ratify 2010 G20 recommendations to shift 6 percent of IMF voting rights to developing countries, and the US has staunchly defended its unique veto power in the IMF and World Bank. The world seems to lack a model to map a transition in global governance to an underlying transition in economics from unipolar or bipolar to multipolar, yet economics have already made that transition, as seen in the growing share of global output claimed by China and Asia compared to Europe and the US.

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"Brainstorming: Rethinking Global Governance" pointed out how the world needs huge infrastructure investment. The new AIIB (subject of its own panel), created in part in response to the failure of Bretton Woods institutions to adapt, presents an opportunity to test new ideas about international cooperation and inclusiveness articulated by rising power China. **"Media Leaders Roundtable"** explored how the media can help overcome cultural barriers through discussing, clarifying, refining, and gaining acceptance for those ideas, as well as the ideas behind the OBOR initiative.

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Greater Asian political and economic cooperation were the subject of **"Moving towards the East Asian Economic Community"**. Noting that China, Taiwan, Japan, Korea, and ASEAN now account for 25 percent of the global economy, concrete policies to accelerate formation of a genuine Asian community were put forth: (1) integrate existing bilateral and multilateral trade agreements; (2) build e-commerce, including cross-border logistics; (3) harmonize market regulations; (4) diversify currencies to stabilize finances, and; (5) environmentalism and sustainable development. While each of these topics merits an article of its own and how they relate to, for example, pending common market initiatives like the ASEAN Economic Community, cross-border infrastructure planning as envisioned by OBOR and the AIIB, trade pacts like the TPP and RCEP, investment agreements, and more, suffice to say that BFA Annual Conference 2015 brought together leading global practitioners and thinkers from the public and private sectors for productive discussion.

Managing the changing balance of power

As Asia's economies constitute an ever-larger share of the global economy, the security perspectives of ASEAN and its 10 dialogue partners increasingly influence the future of global geopolitics. ASEAN and its major dialogue partner, China, have long promoted an "Asian" style of relations rooted in concepts of "cooperative security". Cooperative security generally includes institutions enabling dialogue, confidence-building measures, and coordination; Asian countries typically add norms like equality, consensus, and security for all. Chinese corollaries include informality (as opposed to rules), accommodating the comfort level of all parties (as opposed to provocation by forcing one's will), and eschewing sanctions, exclusion, isolation, containment, alliances targeting third parties, and most importantly, collective security (unlike, e.g. NATO). Similarities of China's concept to its 1954's Five Principles of Peaceful Co-existence, which also emphasizes sovereignty and noninterference in other's internal affairs, have oft been noted.

The Asian definition and embrace of cooperative security underlies the analysis of Wang Yingfan, Former Vice Minister of Foreign Affairs, the People's Republic of China, in BFA's **"Transcending the Cold-War Mentality: A Fresh Outlook on Security Architecture in the Asia Pacific"**. Vice Minister Wang advocated for an ASEAN-style security architecture, neither replicating Europe's nor starting from scratch, but building on the Shanghai Cooperation Organization, ASEAN Regional Forum, East Asia Summit, Six-Party Talks on the Korean Peninsula, Shangri-La Dialogue, and Asia Pacific Roundtable. Building trust begins with cooperation on concrete needs like disaster management, anti-terrorism, the environment, and security in food, energy, maritime activities, and cyberspace. The statement at the **"Young Observers Roundtable"** by Yang Xiyu, Executive Vice President, Research Institute, BFA, that China does not want to lead but values cooperation and interdependence, and that Asian cultures tends toward inward-focused foreign policy, must similarly be understood in the context of cooperative security. One imperative and challenge is to flesh out the concept of cooperative security and globalize it to encompass China-US relations, which might, suggested Bob Hawke, Former Prime Minister, Australia, begin with joint leadership

One imperative and challenge is to flesh out the concept of "cooperative security" and globalize it to encompass China-US relations.

of negotiations in the Middle East, which could change the tenor of that conversation.

"India: Resetting the Reform Agenda" highlighted its economic rise, discussing the "Made in India" and "Skilling India" campaigns, and the demographic dividend implicit in its unprecedented numbers of youth. The election of Narendra Modi, as prime minister in 2014, signals India's desire for restructuring, panelists agreed, though his Bharatiya Janata Party's (BJP's) minority status in India's upper house is problematizing implementation, as evidenced by July difficulties passing land reform that would ease land acquisition and kick-start US$300 billion of stalled transportation infrastructure and other construction projects. While India is a founding member of the AIIB, the China-led OBOR, with its China-Pakistan Economic Corridor through Pakistan-occupied Kashmir and projects amidst the Indian Ocean, has yet to be discussed (though in June Narendra Modi did register objections to the Kashmir route with President Xi Jinping), and may have prompted India to accelerate cooperation with Iran on an Indian-Iranian corridor. Despite these and ongoing border tensions, India-China relations - now built on US$100 billion in annual trade - appear more stable than in many periods of their history, able to tamp down disputes quickly as they arise.

International security and Asia

On-the-ground interstate disputes put to the test the inspiring words that animate the new paradigm of Asian cooperation. At **"Young Observers Roundtable,"** Yang Xiyu categorized challenges into pressing issues (e.g. ISIS), threats (e.g. a nuclear North Korea), and flashpoints (e.g. the South China Sea). The South China Sea is perhaps the most topical and illustrative issue for Asian security cooperation. The historical claims to various formations known to westerners as the Scarborough Shoal, Spratly Islands, Paracel Islands,

Despite ongoing border tensions, India-China relations – now built on US$100 billion in annual trade – appear more stable than in many periods of their history, able to tamp down disputes quickly as they arise.

The evolution of China's concept of cooperative security could be the defining feature of global geopolitics as the shift in balance of power continues throughout the 21st century.

and others, cannot be analyzed here, but the procedures, Annual Conferences, and arguments China accepts (or rejects) to resolve differences reveal clues to their interpretation of "cooperative security".

In 2013, The Philippines asked the Permanent Court of Arbitration (PCA) in The Hague to arbitrate concerning the Spratly Islands. China is a party to the PCA conventions and signatory to the UN Charter on the Law of the Sea (UNCLOS) by which the PCA would rule, but declined to participate, holding that differences should be resolved through bilateral negotiations per 2002's Declaration on the Conduct of Parties in the South China Sea. The arbitration (which has gone forward without China and is expected to rule by the end of 2015) concerns China's recent "land reclamation" efforts, which could elevate formations to the status of islands, bestowing the exclusive economic zone benefits UNCLOS affords. UNCLOS states, however, that manmade structures do not count, while the Declaration also states that parties will not inhabit disputed islands or complicate stability (which China's construction of a military airstrip on Fiery Cross Reef conceivably does).

In short, the Philippines has been unable to get China to agree its reclamation projects violate the Declaration or to be bound by respected third parties' interpretation of international conventions China signed and endorses. While this summary cannot capture the complexities of the issue, it illustrates tensions, limitations, and ongoing questions concerning cooperative security. China's projection of military force into the South China Sea may be both understandable and perceived as a threat to others, and informal dialogue and respecting each party's comfort level may do even less than international law to evoke feelings of either cooperation or security. The evolution of China's concept of cooperative security could be the defining feature of global geopolitics as the shift in balance of power continues throughout the 21st century.

Section 9: Conclusion

The discussions at BFA Annual Conference 2015 of the economic and political dynamics behind its theme, "Asia's New Future: Toward a Community of Common Destiny," illuminated systemic trends and tensions that are playing out in ways both surprising and predictable.

Cooperative security remains the watchword in Asian geopolitics. The world awaits the Permanent Court of Arbitration's decision in the Philippines's Spratly Islands case, and China's response. The AIIB moves forward without the US, a test case for new models of international cooperation beyond Bretton Woods. Also, India continues to negotiate with Iran for its own trade route while OBOR plans to traverse Kashmir.

As of mid-August, China finds itself at the epicenter of global stock market convulsions. Its August RMB devaluation, combined with chronic weakness in commodities and middling to poor economic reports from China and elsewhere, sparked bear markets worldwide. The effects of the massive liquidity China pumped into its bourses after March seem to have evaporated, with the Shanghai composite down to within one percent of its July low. Even with a more than five percent devaluation, China's exports – no longer less expensive than other emerging markets' – may not budge. The downside of slow growth, debt, and asset bubbles seems ascendant.

Leaders and citizens have no choice but to forge on. Asia continues to build connectivity and an interdependent sphere of cooperation, peace, and development. Following talks on trade, currency, and investment, next up will be deeper cooperation on resource and energy security. Innovation, e-commerce, "Internet Plus", and creative new solutions to unwinding municipal and other debt will be critical for increasing productivity and consumption and creating a long-term soft landing.

Nor can nations pause on environmental sustainability. Public policies that support NEVs and clean coal are needed to navigate the transition to a post-carbon energy economy, an issue of utmost urgency for China, in particular. China will also continue to shift water from south to north and scour the globe for agricultural opportunities to feed its peoples.

But in the wake of BFA Annual Conference 2015, the notable trends are economic. It appears the global economy is still struggling to come to terms with the aftermath of the Great Recession. The monetary easing and fiscal stimulus employed by all major countries has, indeed, fueled asset bubbles. Their deflation and the knock-on effects on consumption, earnings, and growth are likely to be headline stories through the rest of 2015. As countries strive to implement the solutions discussed on Hainan Island in March, the BFA in upcoming years will offer a hospitable Annual Conference for assessing how well the world has dealt with today's issues and for forging the best ideas possible for meeting the challenges on the horizon.

Appendix 1: Opening Plenary speech by Xi Jinping, President, the People's Republic of China

Towards a Community of Common Destiny and A New Future for Asia
Keynote Speech by H.E. Xi Jinping
President of the People's Republic of China
At the Boao Forum for Asia Annual Conference 2015
Boao, 28 March 2015

Your Excellencies Heads of State and Government,
Ministers,
Heads of International and Regional Organizations,
Members of the Board of Directors of the Boao Forum for Asia,
Ladies and Gentlemen,
Dear Friends,

Boao today greets us with vast ocean, high sky and warm breeze. In this beautiful season of spring, it is of great significance that so many distinguished guests gather here to discuss the development strategies for Asia and the world.

At the outset, let me extend, on behalf of the Chinese government and people and in my own name, heartfelt welcome to all the distinguished guests attending the Boao Forum for Asia Annual Conference 2015, and my warm congratulations on the opening of the conference.

The theme of this year's conference is "Asia's New Future: Towards a Community of Common Destiny". The timing could not be better in that the theme has not only great immediate relevance but also long-term historical significance. And I am looking to all of you to express yourselves fully and contribute your insightful views to the cause of peace and development of Asia and beyond.

Ladies and Gentlemen,
Dear Friends,

There are certain historic occasions that are likely to remind people of what happened in the past and set people reflecting on them. This year marks the 70th anniversary of the end of the World Anti-Fascist War, the victory of the Chinese People's War of Resistance Against Japanese Aggression and the founding of the United Nations. This year is also the 60th anniversary of the Bandung Conference and will witness the completion of the ASEAN Community. As such, it is an important year to be commemorated as well as a historic juncture to reflect on the past and look to the future.

Over the past 70 years, the world has experienced profound changes as never before, making a difference to the destiny of mankind. With the days of global colonialism and the Cold War long gone, countries are now increasingly interconnected and interdependent. Peace, development and win-win cooperation have become the prevailing trend of our times. The international forces are shifting in away that is more favorable to maintaining world peace. Countries are now in a better position to uphold general stability in the world and seek common development.

Over the past 70 years, Asia has also gone through unprecedented changes. After gaining national independence, Asian countries took their destiny in their own hands and strengthened the force for regional and world peace. Asian countries were the first to advocate the Five Principles of Peaceful Co-existence and, together with African countries, put forward the Ten Principles on handling state-to-state relations at the Bandung Conference. Since the end of the Cold War, Asian countries have gradually come up with an Asian way of cooperation in the course of advancing regional cooperation, which features mutual respect, consensus-building and accommodation of each other's comfort levels. All this has contributed to a proper approach to state-to-state relations and to progress in building a new type of international relations.

Over the past 70 years, more and more Asian countries have found development paths that suit their own national conditions and embarked on a fast-track of economic growth. Having emerged from poverty and backwardness, they are on course to achieve development and prosperity. Regional and inter-regional cooperation is flourishing. Connectivity is pursued at a faster pace. As a result, there is a strong momentum in Asia with countries striving to outperform each other. Accounting for one third of the world economy, Asia is one of the most dynamic regions with the most potential and its global strategic importance has been rising.

Over the past 70 years, Asian countries have gradually transcended their differences in ideology and social system. No longer cut off from each other, they are now open and inclusive, with suspicion and estrangement giving way to growing trust and appreciation. The interests of Asian countries have become intertwined, and a community of common destiny has increasingly taken shape. Be it the arduous struggle for national independence, or the difficult periods of the Asian financial crisis and the international financial crisis, or the hard time in the wake of devastating disasters including the Indian Ocean tsunami and earthquake in Wenchuan, China, the people of Asian countries have always come to those in need with a helping hand and worked together to overcome one challenge after another, demonstrating the power of unity in face of difficulties and the spirit of sharing weal and woe. This said, Asia still faces numerous challenges. Some are the old issues left over from history and others are new ones associated with current disputes. Asia is also confronted with various traditional and non-traditional security threats. Hence it remains an uphill battle for Asian countries to grow the economy, improve people's livelihood and eliminate poverty.

A review of the path traversed over the past 70 years shows that what has been accomplished in Asia today is attributable to the persistent efforts of several generations of people in Asian countries and to the hard work of many statesmen and people of great vision. Tomorrow, Singapore will hold a state funeral for Mr. Lee Kuan Yew. Mr. Lee was a strategist and statesman respected across the world for his outstanding contribution to the peace and development of Asia and the exchanges and cooperation between Asia and the world. I want to take this opportunity to pay high tribute to Mr. Lee Kuan Yew and all those who made contribution to Asia's peace and development.

Ladies and Gentlemen,
Dear Friends,

Asia belongs to the world. For Asia to move towards a community of common destiny and embrace a new future, it has to follow the world trend and seek progress and development in tandem with that of the world.

The international situation continues to experience profound and complex changes, with significant development in multipolarization and economic globalization. Cultural diversity and IT application are making constant progress while readjustment is accelerating in international landscape and order. Countries around the world are losing no time in adjusting their development strategies, pursuing transformation and innovation, changing their economic development models, improving economic structures and opening up new horizons for further development. At the same time, however, the world economy is still in a period of profound adjustment, with risks of low growth, low inflation and low demand interwoven with risks of high unemployment, high debt and high level of bubbles. The performance and policies of major economies continue to diverge, and uncertainties in the economic climate remain prominent. Geopolitical factors are more at play and local turmoils keep cropping up. Non-traditional security threats and global challenges including terrorism, cyber security, energy security, food security, climate change and major infectious diseases are on the rise, and the North-South gap is still wide. The noble cause of peace and development remains a long and arduous journey for mankind.

We have only one planet, and countries share one world. To do well, Asia and the world could not do without each other. Facing the fast changing international and regional landscapes, we must see the whole picture, follow the trend of our times and jointly build a regional order that is more favorable to Asia and the world. We should, through efforts towards such a community for Asia, promote a community of common interest for all mankind. I wish to take this opportunity to share with you my thoughts on this vision.

To build a community of common destiny, we need to make sure that all countries respect one another and treat each other as equals. Countries may differ in size, strength or level of development, but they are all equal members of the international community with equal rights top articipate in regional and international affairs. On matters that involve us all, we should discuss and look for a solution together. Being a big country means shouldering greater responsibilities for regional and world peace and development, as opposed to seeking greater monopoly over regional and world affairs.

To respect one another and treat each other as equals, countries need to, first and foremost, respect other countries' social systems and development paths of their own choice, respect each other's core interests and major concerns and have objective and rational perception of other countries' growing strength, policies and visions. Efforts should be made to seek common ground while shelving differences, and better still to increase common interests and dissolve differences. The hard-won peace and stability in Asia and the sound momentum for development should be upheld by all. All of us must oppose interference in other countries' internal affairs and reject attempts to destablize the region out of selfish motives.

To build a community of common destiny, we need to seek win-win cooperation and common development. Our friends in Southeast Asia say that the lotus flowers grow taller as the water rises. Our friends in Africa say that if you want to go fast, walk alone; and if you want to go far, walk together. Our friends in Europe say that a single tree cannot block the chilly wind. And Chinese people say that when big rivers have water, the small ones are filled; and when small rivers have water, the big ones are filled. All these sayings speak to one same truth, that is, only through win-win cooperation can we make big and sustainable achievements that are beneficial to all. The old mindset of zero-sum game should give way to a new approach of win-win and all-win cooperation. The interests of others must be accommodated while pursuing one's own interests, and common development must be promoted while seeking one's own development. The vision of win-win cooperation not only applies to the economic field, but also to the political, security, cultural and many other fields. It not only applies to countries within the region, but also to cooperation with countries from outside the region. We should enhance coordination of macroeconomic policies to prevent negatives pill-over effects that may arise from economic policy changes in individual economies. We should actively promote reform of global economic governance, uphold an open world economy, and jointly respond to risks and challenges in the world economy.

China and ASEAN countries will join hands in building an even closer China-ASEAN community of common destiny. The building of an East Asia economic community for ASEAN, China, Japan and ROK will be completed in 2020. We should actively build a free trade cooperation network in Asia and strive to conclude negotiations on an upgraded China-ASEAN FTA and on Regional Comprehensive Economic Partnership (RCEP) in 2015. In advancing economic integration in Asia, we need to stay committed to open regionalism and move forward trans-regional cooperation, including APEC, in a coordinated manner.

We will vigorously promote a system of regional financial cooperation, explore a platform for exchanges and cooperation among Asian financial institutions, and advance complementary and coordinated development between the Asian Infrastructure Investment Bank and such multilateral financial institutions as the Asian Development Bank and the World Bank. We will strengthen practical cooperation in currency stability, investment and financing, and credit rating, make progress in institution building for the Chiang Mai Initiative Multilateralization and build a regional financial security network. We will work towards an energy and resources cooperation mechanism in Asia to ensure energy and resources security.

China proposes that plans be formulated regarding connectivity building in East Asia and Asia at large to advance full integration in infrastructure, policies and institutions and personnel flow. We may increase maritime connectivity, speed up institution building for marine cooperation in Asia, andstep up cooperation in marine economy, environmental protection, disaster management and fishery. This way, we could turn the seas of Asia into seas of peace, friendship and cooperation for Asian countries.

To build a community of common destiny, we need to pursue common, comprehensive, cooperative and sustainable security. In today's world, security means much more than before and its implications go well beyond a single region or time frame. All sorts of factors could have a bearing on a country's security. As people of all countries share common destiny and become increasingly interdependent, no country could have its own security ensured without the security of other countries or of the wider world. The Cold War mentality should truly be discarded and new security concepts be nurtured as we explore a path for Asia that ensures security for all, by all and of all.

We believe that countries are all entitled to take an equal part in regional security affairs and all are obliged to work to ensure security for the region. The legitimate security concerns of each country need to be respected and addressed. At the same time, in handling security issues in Asia, it is important to bear in mind both the history and reality of Asia, take a multi-pronged and holistic approach, improve coordinated regional security governance, and safeguard security in both the traditional and non-traditional realms. It is important to conduct dialogue and cooperation to enhance security at national and regional levels, and to increase cooperation as the way to safeguard peace and security. It is important to resolve disputes through peaceful means, and oppose the willful use or threat of force. Security should be given equal emphasis as development, and sustainable development surely provides a way to sustainable security. Countries in Asia need to step up cooperation with countries and organizations outside the region and all parties are welcome to play a positive and constructive role in upholding development and security in Asia.

To build a community of common destiny, we need to ensure inclusiveness and mutual learning among civilizations. History, over the past millennia, has witnessed ancient civilizations appear and thrive along the Yellow and Yangtze Rivers, the Indus, the Ganges, the Euphrates, and the Tigris River as well as in Southeast Asia, each adding its own splendour to the progress of human civilization. Today, Asia has proudly maintained its distinct diversity and still nurtures all the civilizations, ethnic groups and religions in this big Asian family.

Mencius, the great philosopher in ancient China, said, "Things are born to be different. "Civilizations are only unique, and no one is superior to the other. There need to be more exchange and dialogue among civilizations and development models, so that each could draw on the strength of the other and all could thrive and prosper by way of mutual learning and common development. Let us promote inter-civilization exchanges to build bridges of friendship for our people, drive human development and safeguard peace of the world.

China proposes that a conference of dialogue among Asian civilizations be held to provide a platform upon which to enhance interactions among the youth, people's groups, local communities and the media and to form a network of think-tank cooperation, so as to add to Asian people's rich cultural life and contribute to more vibrant regional cooperation and development.

Ladies and Gentlemen,
Dear Friends,

Right now, the Chinese people are working in unison under the strategic plans to complete the building of a moderately prosperous society in all respects, and to comprehensively deepen reform, advance law-based governance, and enforce strict Party conduct. Our objective is to realize the "two centenary" goals for China's development and for realizing the Chinese dream of great national rejuvenation. I wish to use this opportunity to reaffirm China's commitment to the path of peaceful development, and to promoting cooperation and common development in the Asia-Pacific. China will be firm in its determination and resolve and all its policies will be designed to achieve such a purpose.

Now, the Chinese economy has entered a state of new normal. It is shifting gear from high speed to medium-to-high speed growth, from an extensive model that emphasized scale and speed to a more intensive one emphasizing quality and efficiency, and from being driven by investment in production factors to being driven by innovation. China's economy grew by 7.4% in 2014, with 7% increase in labor productivity and 4.8% decrease in energy intensity. The share of domestic consumption in GDP rose, the services sector expanded at a faster pace, and the economy's efficiency and quality continued to improve. When looking at China's economy, one should not focus on growth rate only. As the economy continues to grow in size, around 7% growth would be quite impressive, and the momentum it generates would be larger than growth at double digits in previous years. It is fair to say that the Chinese economy is highly resilient and has much potential, which gives us enough room to leverage a host of policy tools. Having said that, China will continue to be responsive to the new trend and take initiatives to shape the new normal in our favor. We will focus on improving quality and efficiency, and give even greater priority to shifting the growth model and adjusting the structure of development. We will make more solid efforts to boost economic development and deepen reform and opening-up. We will take more initiatives to unleash the creativity and ingenuity of the people, be more effective in safeguarding equity and social justice, raise people's living standards and make sure that China's economic and social development are both sound and stable.

This new normal of the Chinese economy will continue to bring more opportunities of trade, growth, investment and cooperation for other countries in Asia and beyond. In the coming five years, China will import more than US$10 trillion of goods, Chinese investment abroad will exceed US$500 billion, and more than 500 million outbound visits will be made by Chinese tourists. China will stick to its basic state policy of opening up, improve its investment climate, and protect the lawful rights and interests of investors. I believe that together, the people of Asian countries could drive this train of Asia's development to take Asia to an even brighter future.

What China needs most is a harmonious and stable domestic environment and a peaceful and tranquil international environment. Turbulence or war runs against the fundamental interests of the Chinese people. The Chinese nation loves peace and has, since ancient times, held high such philosophies that "harmony is the most valuable", "peace and harmony should prevail" and "all men under heaven are brothers". China has suffered from turbulence and war for more than a century since modern times, and the Chinese people would never want to inflict the same tragedy on other countries or peoples. History has taught us that no country who tried to achieve its goal with force ever succeeded. China will be steadfast in pursuing the independent foreign policy of peace, the path of peaceful development, the win-win strategy of opening-up, and the approach of upholding justice while pursuing shared interests. China will work to promote a new type of international relations of win-win cooperation and will always remain a staunch force for world peace and common development.

Close neighbors are better than distant relatives. This is a simple truth that the Chinese people got to know in ancient times. That explains China's firm commitment to building friendship and partnership with its neighbors to foster an amicable, secure and prosperous neighborhood. Under the principle of amity, sincerity, mutual benefit and inclusiveness, China is working actively to deepen win-win cooperation and connectivity with its neighbors to bring them even more benefit with its own development. China has signed treaties of good-neighborliness, friendship and cooperation with eight of its neighbors and is holding discussion to sign a same treaty with ASEAN. China stands ready to sigh such a treaty with all its neighbors to provide strong support for the development of bilateral relations as well as prosperity and stability in the region.

In 2013, during my visit to Kazakhstan and Indonesia, I put forward the initiatives of building a Silk Road economic belt and a 21st century maritime Silk Road. The "Belt and Road" initiative, meeting the development needs of China, countries along the routes and the region at large, wills erve the common interests of relevant parties and answer the call of our time for regional and global cooperation.

In promoting this initiative, China will follow the principle of wide consultation, joint contribution and shared benefits. The programs of development will be open and inclusive, not exclusive. They will be a real chorus comprising all countries along the routes, not a solo for China itself. To develop the Belt and Road is not to replace existing mechanisms or initiatives for regional cooperation. Much to the contrary, we will build on the existing basis to help countries align their development strategies and form complementarity. Currently, more than 60 countries along the routes and international organizations have shown interest in taking part in the development of the Belt and the Road. The "Belt and Road" and the AIIB are both open initiatives. We welcome all countries along the routes and in Asia, as well as our friends and partners around the world, to take an active part in these endeavors.

The "Belt and Road" initiative is not meant as rhetoric. It represents real work that could be seen and felt to bring real benefits to countries in the region. Thanks to the concerted efforts of relevant parties, the vision and action paper of the initiative has been developed. Substantive progress has been made in the establishment of the AIIB. The Silk Road Fund has been launched, and constructions of a number of infrastructure connectivity projects are moving forward. These early harvests have truly pointed to the broad prospects the "Belt and Road" initiative will bring.

Ladies and Gentlemen,
Dear Friends,

The cause of peace and development of mankind is as lofty as it is challenging. The journey ahead will not be smooth sailing, and success may not come easily. No matter how long and difficult the journey may be, those who work together and never give up will eventually prevail. I believe that as long as we keep to our goals and make hard efforts, we will together bring about a community of common destiny and usher in a new future for Asia.

I wish the Annual Conference a complete success.

Thank you very much.

Appendix 2: Boao Forum for Asia 2015 selected session summaries

Inclusive Finance: New Models of Rural Banking	
Moderator:	Li Yang, Vice President, China Academy of Social Sciences
Panellists:	Wu Xiaoling, Vice Chairman, Financial and Economic Affairs Committee, National People's Congress; Former Vice Governor, People's Bank of China Wu Weixiong, Chairman, Hainan Rural Credit Cooperatives Union Lu Jiajin, President, Postal Savings Bank of China Chen Zhangliang, Vice-President, China Association for Science and Technolog; former Vice Governor, Guangxi
Key points:	• There are calls for innovation in rural banking given its significant impact on social stability and food security. • The nature of agriculture and rural land ownership rights has caused the issues of rural banking in terms of higher cost, lower revenue and higher risks. • An innovative model is required to address these issues. The new model has three key elements - new type of cooperatives, diversified financial solutions, and a balance of power between government and market.
Synopsis:	Rural development has been at the top of the Chinese government's agenda as agriculture is one of the major priorities related to social stability. At the same time, several trends are heightening the importance of providing effective financing to rural economies. Grain and rice prices are at near-record highs and Chinese consumers are demanding increased food production. China imported over 100 million tons of grains and food in 2014, about 90 percent of its total consumption. Also, increasing demand for technology utilization in agriculture places new pressure on the productivity potential of rural land. There are calls for a new agriculture revolution with a focus on rural banking adopting the concept of inclusive financing. Li Yang defined "inclusive financing" as giving everyone easy access to financial services, especially for rural residents whose needs have been neglected for a long time. Rural banking differs from urban banking as its customers are spread out across the countryside and so are harder to reach. Agriculture, which is influenced by weather, and natural disasters, is the primary basis of farmers' collateral for loans, and their ability to repay. Chen Zhangliang considered the nature of land ownership rights and land distribution as critical to determining what collateral can be offered and what resources banks have if customers default. All this has a major impact on the risk and returns of bank lending and makes it hard for farmers to obtain loans. The panelists agreed that an innovative platform is required to address these issues, and saw this new platform as having three key elements: • **Forming a new type of cooperatives as a synthesis of production cooperation, sales cooperation, and credit assessment cooperation.** It will also work as a platform to help agricultural scientists promote utilization of agricultural technology on a large scale. Wu Xiaoling shared her practice in building such cooperatives in Shandong province and noted that "there will be no rural development without technology, there will be no technology without a platform". • **Evolving from banking to diversify financial services.** Currently, rural banking institutions, (including rural commercial banks, rural cooperative banks and credit cooperatives), are playing a key role in providing financial services in rural areas. Lu Jiajin, President, Postal Savings Bank of China, suggested that big commercial banks should take more responsibility in serving farmers' needs, given their advantages in capital, network, and cooperation platform. However, rural financing is no longer simply a matter of farmers' loans and deposits. Insurance companies and future markets should be incorporated into the system, as new entrants and innovation will bring new business models for meeting rural needs. • **Balancing the role of government and market.** Government needs to strengthen its efforts in formulating effective mechanisms and healthy structures while leaving the rest to market forces. Wu Weixiong, Chairman, Hainan Rural Credit Union, shared best practices for building Hainan's micro financing system such as how they handed the interest rate pricing power and loan approval power back to farmers under proper risk control procedures.

The Fight Against Corruption: Implications on the Relationship between Government Officials and Businessman

Moderator:	Yang Rui, Anchor CCTV
Speakers:	Bao Yujun, Former Vice-Chairman, The All-China Federation of Industry and Commerce Cheng Yung-nien, Director, The East Asia Institute, The National University of Singapore Dong Mingzhu, Chairperson, Gree Electric Appliances Jason Hsuan, Chairman of the Board and Chief Executive Officer, TPV Technology Ltd Liu Donghua, Founder, ZH Island Long Yongtu, Former Vice Minister, MOFTEC A. Didar Singh, Secretary General, FICCI, India; former Secretary of the Government, Ministry of Overseas Indian Affairs
Key points:	• China is not the only country suffering from corruption. The developed market economies have also met similar problems. • To shape a healthy relationship between government and the private sector, a complete legal system must be established to regulate government power more strictly and to define rights and obligations of both parties more clearly. • Government officials also need incentives to maintain a fair and transparent business environment serving enterprises' development. • In the context of Chinese economic transition and stronger competition in the global marketplace, private enterprises should invest more resources in innovation rather than in rent-seeking activities.
Synopsis:	The panel moderated by Yang Rui focused on the topic of reshaping a healthy relationship between government officials and business in the "new normal" of Chinese economy. Panellists came from different fields including government, academia, and businesses. Overall, all panellists acknowledged the scope of reform proposed by the 3rd Plenary is extraordinary and in particular the on-going anti-corruption campaign delivered a very positive signal in the progress of Chinese political reform. Bao Yujun regarded the 3rd plenary when the rule of law was reiterated and emphasized by the new leadership, as a milestone for a new government-enterprises relationship. He stressed that a series of regulations should be gradually introduced to "put government power into cage of system". China is not the only country that is challenged by the issue of corruption. Even those developed countries have met similar problems. For a vast and fast growing economy like China, structural reform will be much more complicated. Long Yongtu said the major obstacle to China WTO negotiation was the difficulty of reducing the power held for such a long time by government officials. A. Didar Singh cited president Xi Jinping's analogy comparing government-enterprise relationship to water that is essential for human beings to survive and grow. Just as a sustainable ecosystem nourishes water, a practical system should be constructed to restrain corruption. Jason Hsuan recalled president Xi Jinping who was the Secretary of Municipal Committee of the CPC in Fuzhou, the capital city of Fujian province in early 1990s, showcasing a simple and productive interaction between them. In his view, a healthy government-enterprises relationship will encourage each party to do their job efficiently and properly. Also as an entrepreneur in the electronic appliance sector, Dong Mingzhu agreed with Jason Hsuan that the main responsibility enterprises are supposed to undertake is to commit to technological innovation, which in turn improves the core competitiveness in a more connected global economy. Cheng Yung-nien took the Singapore government as a good example of how to manage the relationship with private enterprises. He attributed the success to a "high-paying clean government" system established by Lee Kwan Yew, the late founding Singapore Prime Minister. He said government officials also need incentives to nurture honesty and maintain a fair and transparent business environment for private companies. In closing, the panellists concluded that there is still a long way for the reform on government-enterprise relationship in China but they take great comfort from the fact that president Xi Jinping's leadership group is really committed to delivering it.

Internet Banking: P2P Self-Discipline & Regulation

Moderator:	Xie Ping, Deputy General Manager, China Investment Corporation
Panellists:	Chaomei Chen, Chief Risk Officer, Lending Club Gregory D Gibb, Chairman & CEO, Shanghai Lujiazui International Financial Asset Exchange Co. Ltd. Mao Zhenhua, China Chengxin Credit Management Zhang Wei, Chairman, Chairman, China Create Levin Zhu, Professor, School of Economics and Management, Tsinghua University
Key points:	• A credit evaluation system making use of the Law of Great Number could be the key to a successful P2P model. • Payment diversification among both borrowers and lenders plays a crucial role in default risks mitigation. • The risk-matching principle is implemented in the P2P model of Internet finance in which higher credit risks come with higher repayment and vice versa. • Collecting information under due legal supervision remains a challenge in setting up a credit investigation system.
Synopsis:	Although China is the biggest P2P market, there is no clear regulation of P2P financing which currently is less than 1 percent of China’s total social financing. The technological features of the Internet Finance System should be harnessed for information transparency and the protection of investors’ interests. In China, nearly all investors in Internet finance are individual ones whereas the percentage of private investors in other countries is around 50 percent. The greatest risk for China's Internet Finance System lies in fraud risk, and protecting investors from fraud risk is important. A credit evaluation system making use of the Law of Great Number might be the key to a successful P2P model. According to Lujiazui International Financial Asset Exchange of Shanghai (LUFAS), with the number of transactions exceeding 200,000, some trends are emerging and being validated concerning behaviour pattern and repayment capacity of borrowers. Risk diversification is another means of risk management. For example in a case it is less risky to make 100 loans that are each CNY1 versus one loan of CNY100. The same strategy applies to investment. Every CNY100 investment would be financing 100 projects instead of one. Hence yield can be covered and secured by the interests from 95 of them even if five out of 100 borrowers happen to default on their payment. What effective measures should be taken to minimize risk under P2P framework? The success of Landing Club is largely attributable to the preliminary support from US Securities Exchange Commission (SEC) in helping to build up a set of regulatory rules. The risk-matching principle has also been playing a vital role in the P2P model of Internet finance in which higher credit risks come with higher repayment and vice versa. Information collection under due legal supervision remains a challenge in setting up a credit investigation system. Technological advances have totally transformed the way the credit worthiness of investors is being evaluated. The Internet's capacity to collect, analyze and process huge amounts of information lays a solid foundation for developing Internet finance. However, the protection of private information and adoption of legitimate means to obtaining information remains an ongoing challenge. Under the framework of China’s new norm, Internet finance has become a new powerhouse for development, the new marriage between the Internet and finance could provide solid financial support for business start-ups as well as social innovation.

Mixed Ownership: Rekindling the Reform of State-Owned Enterprises

Moderator: Zhang Lifen, Associate Editor, Financial Times; Editor-in-Chief, FTChinese.com

Speakers:
Charles-Edouard Bouée, CEO, Roland Berger
Chen Zhi Wu, Professor of Finance, Yale School of Management
Anatoly Chubays, CEO, RUSNANO Management Company
Liu Shijin, Vice Minister, the Development Research Center of the State Council
Shao Bingren, Former Vice-Minister, State Commission for Restructuring the Economy
Yibing Wu, Senior Managing Director, Temasek Holdings (Private) Limited

Key points:

- China's Third Plenum of the 18th Chinese Communist Party Central Committee is having a substantial impact on mixed ownership reform.
- Anti-corruption is acting as a catalyst for mixed ownership enterprises (MOEs), and State Owned Enterprises (SOEs) reform.
- Singapore's Temasek Holdings is a positive example for China's SOE reform on governance structure and mechanism.
- Whether it is transformation, innovation, upgrading, or finding new markets, the key to the survival of SOEs is to enhance their overall competitiveness.
- The government should improve the legal and regulatory environment to support SOE growth and competitiveness.

Synopsis:

The next five years will bring essential changes in China's state-owned enterprises (SOE) reform as China enters its "new normal" phase. Government is in the process of effecting adjustments needed to facilitate transition to a mixed ownership economy. The planned approach is to inject private assets into SOEs to rekindle their growth and competitiveness. The panel discussed issues from the main angles of "Why mix MOEs and SOEs? And how?"

Liu Shijin, Vice Minister from the Development Research Center of the State Council referred everyone to the framework outlined in China's Third of the 18th Chinese Communist Party Central Committee "Decision" which addresses the definition, goal, capital structure, and mechanism of SOEs and MOEs. He stressed the "Decision" substantive impact on mixed ownership reform currently in terms of the consensus for reform.

Shao Bingren agreed with Liu Shijin's assertion, and emphasized the rationale for SOEs as public goods providers in sectors like high-technology and environment protection. Vested interests can be a deterrent to reform whereas mixed ownership will be a catalyst for reform and the anti-corruption will be an even bigger driver.

The panels considered lessons that SOEs could learn from the success of Temasek in Singapore. Yibing Wu from Temasek Holdings (Private) Limited pointed out that Temasek is not strictly a State-Owned Enterprise as it has a market-governance structure and capitalized-business operation. However, Temasek's example can provide direction for China's SOE reform in terms of corporate governance and business model.

The panel was in consensus that the key to the survival of SOEs is to enhance their overall competitiveness. Russia's former premier, Anatoly Chubays, drawing on his Russia reform experience, put forward the view that a more efficient economy came from fewer SOEs and less government control. The prospects for SOE reform depend on the state's determination to cede control and increase the efficiency of SOEs. Charles-Edouard Bouée highlighted that most SOE clients of his organization need technology and talent more than financing in order to enhance their capacity to grow.

Chen Zhiwu offered his view on the importance of the "Incremental Reform", which emphasizes cutting the government's expenditure and reducing state-owned assets as a priority. Expanding SOE assets and financial income via a mixed ownership approach could pose a threat to the economy unless companies' legal registration, ownership and controlling shareholder matters were addressed. Both Shao Bingren and Chen Zhi Wu were in agreement that the government should improve the legal and regulatory environment and provides better services to support SOE growth.

The audience also gave some interesting input on how to achieve a win-win situation for injecting private assets into state-owned enterprises and how to avoid losing important public assets in the reform process. In response, the panelists stressed the "Decision" and the reform actions of started in the era of Deng Xiaoping, and reiterated that the government should improve the market environment, legal and regulatory environment to support SOE's growth and competitiveness.

The Asset Management Boom: Innovation, Risks & Regulation

Moderator:	Jame Di Biasio, Executive Director, Haymarket Financial Media
Speakers:	Reuben Jeffery III, CEO, Rockefeller & Co. Lai Xiaomin, Chairman, China Huarong Asset Management Wang Dongming, Chairman, CITIC Securities Wang Yincheng, Vice Chairman and President, People's Insurance Company (Group) of China Limited Wu Xiaoling, Vice Chairman, Financial and Economic Affairs Committee, National People's Congress; Former Vice Governor, People's Bank of China Zhang Hongli, Vice President, Industrial and Commercial Bank of China (ICBC)
Key points:	• The asset management industry in China currently stands at RMB25 trillion. • Technology is increasing exposure and access to products on offer. • Deregulation is slowly taking place but concerns remain in areas of transparency and governance. • With huge potential for growth in the industry, assets in China are estimated to grow to about RMB260 trillion.
Synopsis:	The asset management boom in China is a hot topic. Over the past two years, the industry, which has been highly regulated and fragmented, has gone through major changes. The asset management business in China currently stands at RMB25 trillion, with only 25 percent of the market in traditional asset management. The rest is in wealth management, channel business and interbank lending. Technology and the digital revolution are changing the landscape of the industry. Online services, for example, are widening the public's access to products. Wang Dongming predicted that the country's asset management boom will continue for the foreseeable future, adding that the expansion will pick up pace in the next few years. He puts the growth of the industry down to the explosion of residential wealth, estimated at RMB300 trillion. The pace picked up when people started looking for higher yield on their investments. Coupled with accelerated industry deregulation, that has provided the perfect environment for asset management firms to thrive. There are now more and more asset products available. This has had the effect of commoditizing the industry. In recent years, a lot of innovative products have come to the market. This has been great news for customers seeking to diversify. They can now invest in both the domestic and overseas markets. The asset management industry in China is only just starting, Zhang Hongli cautioned. No one can be certain how far and how fast the industry will grow. The industry requires more innovation. At the same time, investors need to be made more aware of the risks, Zhang Hongli advised. There is also a need to nurture the participation of more institutional investors and mutual funds. Regulation needs to catch up, Zhang Hongli added. Regulatory standards have to be raised, as there is a real need to protect the interests of consumers against fraud and deception. Wang Yincheng noted that in the past few years many insurance companies have entered the market, taking over other firms to form competitive investment platforms. Insurance asset volumes are booming as a result. There is currently a strong marketing effort underway in the insurance asset portion of the industry. The potential for the business is big, he noted, pointing out that in the US, insurance accounts for a large part of the asset management market. Government policies introduced in recent years have been favorable for the growth of the business, Wang explained. While innovation is important, there has been too much focus on it. Instead, the industry should aim for greater transparency, better cost management and the provision of higher quality and more accessible services for customers. The industry needs to serve the real economy, Wang said, otherwise China may fall victim to a financial crisis similar to what the US experienced in 2008. Reuben Jeffery III recounted the growth of the US asset management industry over the past 25-40 years, noting its unprecedented growth due to tremendous wealth accumulation in the US over that period. China is charting an even greater growth trajectory for growth, he said. In 2000, total assets in China were around RMB50 trillion. Today, the figure is RMB120 trillion. By 2020, it is projected to increase to around RMB260 trillion. To make the industry grow and be sustainable, China should encourage and support responsible growth, Reuben Jeffery III reckoned. The industry needs to cater for the varying risk tolerance among customers, raise disclosure standards, increase transparency and tighten enforcement.

Private Sector Roundtable	
Moderator:	Norman Sze, Managing Partner, Northern Region, Deloitte China
Speakers:	Bao Yujun, Former Vice-Chairman, The All-China Federation of Industry and Commerce Liao Xiaoqi, Former Vice Minister of Commerce; Chairman, China World Trade Center Liu Shijin, Vice Minister, The Development Research Center of the State Council Zhang Xiaoqiang, Former Vice Chairman, NDRC
Key points:	• Private leaders see increasing potential to participate and generate profits in both domestic and overseas markets as China steps into the new normal. • The revamp of traditional manufacturing, the proliferation of Internet technology and the "new Silk Road" policy are regarded by the private sector as the top three opportunities they should capture for their long-term development. • While recognizing the improved business environment, private entrepreneurs still look for a better implementation of policy and a more efficient administration.
Synopsis:	A group of private business leaders and government officials discussed the outlook for private enterprises in light of changes in China's business environment. In general, private business leaders are positive about their future development in the long-term. They see increasing potential to participate and generate profits in both domestic and overseas markets. The group identified three major future opportunities for private enterprises as China steps into the new normal. Firstly, innovation will transform traditional manufacturing in all aspects of technology, profit model and business management. The new landscape provides new opportunities for the manufacturing sector which should not be considered as the world factory featured by cheap lab or and low value added products. As China is transforming to a consumption-driven economy, brand recognition is the key for private enterprises to compete with global peers in both the domestic and overseas marketplace. Mao Jihong, Founder, EXCEPTON de MIXMIND, observed that there were no Chinese consumer brands on the Fortune 500 list whereas big names like Apple, Starbuck, and Coca-Cola were consistently there. He said the common DNA of these brands is to keep the momentum of innovation. Secondly, with the "new Silk Road" policy, now is a good time for the private sector to expand business abroad. Private sector leaders are more and more proactive in looking for outbound investment opportunities in developed countries, especially Europe, given a cheaper euro and the solid foundation of smart manufacturing and creative industry. Apart from exploring new opportunities, private enterprises should learn how to fit into the local culture and take up more social responsibilities, which will help foster a mutually beneficial relationship with local business partners and enhance their brand image in the overseas marketplace. Thirdly, the Internet is speeding up its penetration not only into our daily life but also into the manufacturing field. Participants expected an explosion of Internet-enabled products in the coming years. "Internet + " put forward by Premier Li Keqiang contains unimaginable opportunities for private enterprises who are sensitive to and always flexible to adapting to market changes. Liu Shijin addressed the importance of grasping the opportunities by embracing technology and a global view. While private sector leaders recognized the efforts government made to create a level playing field, they also appeal for better implementation of policy and further stream lining of administration. Panellists also suggested that Chinese financial institutions should make a roadmap to align with private sector's overseas footprints.

World Investment Organization & the Global Investment Agenda

Moderator:	Steve Howard, Secretary General, The Global Foundation
Speakers:	Mathias Cormann, Minister for Finance, Australia Ding Xuedong, Chairman, China Investment Corp. Victor Fung, Honorary Chairman, Li & Fung Limited; Group Chairman, Fung Group Long Yongtu, former Vice Minister, MOFTEC Mari Pangestu, former Minister of Trade and former Minister of Tourism and Creative Economy, Indonesia

Key points:

- Despite the proliferation of bilateral and plurilateral arrangements on investment, there remains a glaring need for a multilateral agreement, ideally under the World Trade Organization, given the strong links between trade and investment.
- The prospects of agreeing on a multilateral framework on investment in the near-to-medium term are slim. Alternatives include voluntary codes of conduct or plurilateral arrangements agreed on by likeminded countries that want to make progress.
- A paradigm shift has occurred with the world no longer divided into countries that invest and those that receive investment. Developing economies such as China both receive investment and invest overseas. Investment flows now go in all directions. This makes a multilateral framework on investment all the more necessary.
- There are many complex issues involved in concluding a multilateral framework on investment including national treatment, intellectual property rights, and dispute resolution.
- The business community should issue a call to action for a multilateral framework on investment.

Synopsis:

The Doha Round of global trade talks has been going on since the end of 2001 with a conclusion still elusive. Meanwhile, bilateral and regional trade agreements have proliferated, leading to concerns about the fragmentation of global trade and confusion for businesses trying to understand the “spaghetti bowl” of trade arrangements.

According to Mari Pangestu, creating a multilateral framework on investment - a World Investment Organization - would seem to be a stretch, especially given earlier efforts such as the Multilateral Agreement on Investment (MAI), a draft accord negotiated by members of the Organization for Economic Co-operation and Development (OECD) between 1995 and 1998. Still, there have been unsuccessful attempts to put investments on the agenda of the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organization (WTO). Regional organizations such as the Asia-Pacific Economic Cooperation (APEC) forum have also considered the challenge.

The WTO has concluded an Agreement on Trade-Related Investment Measures (TRIMs), rules that restrict preferences for domestic firms and thereby help international companies compete in foreign markets. But a full-blown investment framework under the WTO is a long way off, especially considering that the Doha Round has yet to be concluded.

There are several mega regional trade agreements currently under consideration or negotiation, including the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), the Free Trade Area of the Asia-Pacific (FTAAP) and the Regional Comprehensive Economic Partnership (RCEP), of which China is part. The key question is how would there be consistency across all these arrangements. Without consistency, investors could simply be guided by the agreement that would be most favorable to them.

With regard to investment, there are several debates. One is over whether portfolio investment should be included. Another is over national treatment, whether there should be equal treatment of domestic and foreign investors. Should there be performance requirements? And what about investor protection and dispute settlement? Could there be rules regarding investors taking a state to court? A Swiss company, for example, has taken legal action against the German government because of the in state policy on nuclear power plants.

There are many other issues that could prove stick, including trade in services, the movement of people, intellectual property rights relating to investment, government procurement and the harmonization of regulatory and transparency standards.

World Investment Organization & the Global Investment Agenda

Synopsis: "If we were able to negotiate a global investment treaty under the WTO, it would be a boon to companies around the world," said Long Yongtu. "The ideal situation is to conclude an investment treaty within the framework of the WTO. After all, trade and investment are interlinked. On top of what we have achieved on trade, it would be natural to conclude something on investment." The reality, however, is that countries including China are focusing on bilateral and plurilateral agreements, Long acknowledged.

It is now time for the world to focus on a multilateral investment agreement, reckoned Victor Fung. The MAI failed because at the time the world was divided into investor economies and those that wanted to take in investment. "That line has now blurred," Victor Fung argued. China, for example, now wants to invest abroad, while the US aims to attract foreign direct investment (FDI).

The danger of focusing on bilateral and plurilateral arrangements is that the result could be similar to what has happened with trade: a bewildering array of agreements that creates a difficult-to-understand "spaghetti bowl". "I think this is counterproductive," Victor Fung said. "To make a step forward in cross-border FDI, we need to consolidate, not proliferate. We need clarity on what are the areas where we should allow a free flow of investments around the world." Another advantage of an arrangement for investments under the WTO would be that the dispute resolution mechanism is already well established. "That is something that is very hard to create from scratch," Victor Fung advised.

With sovereign wealth funds more active globally, a multilateral framework is even more necessary, added Victor Fung. Ding Xuedong, China's sovereign wealth fund, said he would support a World Investment Organization if consensus on such an organization can be reached. For now, the landscape for international investment is fragmented, with many different treaties and complicated rules applying. This makes dispute settlement difficult. International arbitration is good for lawyers but not for investors. Another disadvantage is that trade and investment issues may be politicized. The world, therefore, should not give up on better integrating the global system and achieving a multilateral framework for investment, Ding concluded.

It is unlikely, however, that a multilateral framework on investment can be reached in the near-to-medium term, said Mathias Cormann. But "we should not let the pursuit of perfection stop those who want to make progress from making progress. The quantity of agreements should not bother us."

Fung countered that, despite the proliferation of bilateral and plurilateral agreements, there should be consensus that the main aim should be a multilateral framework. "If we don't have that, there are dangers," he warned. Cross-border investment could slow because of the barriers created by the complexities of rules and the lack of coordination.

There are other options that can be explored, among them, voluntary codes of conduct as with APEC, or a plurilateral approach among the likeminded, with others joining when they can. A plurilateral arrangement would be a good idea if it is open, Mari Pangestu observed. "But if it is closed, then it would be a bad idea."

Long Yongtu underscored the paradigm shift occurring in global investment flows, with investment now going in all directions. Developing economies such as China are not just destinations for investment but also sources of FDI. This, he said, is a key reason for concluding a multilateral investment treaty. The G20 could be a good platform for achieving consensus, Long Yongtu and Mathias Cormann proposed.

What is important is to get the ball rolling on an investment framework, Victor Fung declared. The business community can play a major role in pushing this forward. "This is not about geopolitics. It is about how to do investment and trade. There should be a call to action by the business community to do something on this issue. If you think it is complex now, it will become even more complex later if nothing is done."

In response to a question from the floor, Mathias Cormann hinted that Australia would apply to join the Asian Infrastructure Investment Bank, a regional initiative proposed by China. Ding noted that the AIIB and the CIC could become partners in infrastructure investment across Asia.

Shanghai, Tianjin, Guangdong & Fujian Free Trade Experimental Zones: Small Beginning, Big Future

Moderator:	Zhu Ning, Deputy Dean, Shanghai Advanced Institute of Finance
Panellists:	Hans-Paul Burkner, Chairman, The Boston Consulting Group Chen Yin, Deputy Secretary General, Shanghai Municipal Government; Executive Deputy Director, China (Shanghai) Pilot Free Trade Zone Administration Junichi Ujiie, Senior Advisor, Former Chairman, Nomura Holdings Inc. Wang Shouwen, Assistant Minister of Commerce Yan Qingmin, Vice Mayor, Tianjin
Key points:	• Institutional innovation is beneficial for China's reform and opening-up. • The Shanghai Pilot Free Trade Zoneis deemed a great success. • Tianjin Free Trade Zone is characterized by its "3+2" policy. • Free Trade Zonesare at the forefront of China's next phase of reform and opening-up.

Synopsis:

Chen Yin shared that the Shanghai Pilot Free Trade Zone (FTZ) has been in operation for over a year and a half now and has achieved remarkable results by focusing on pro-business transformation in investment, trade and finance.

At the same time, he noted that the Shanghai FTZ has streamlined its working process with government agencies to provide a "one-stop" service to businesses in the zone. In terms of trade supervision, the Shanghai FTZ has introduced safeguards to control and supervise interaction between the FTZ and areas outside of the FTZ. With regard to finance, free trade accounts have been established to provide easy access to cross-border use of capital for businesses.

The Shanghai FTZ now include free trade accounts and free RMB convertibility. In an effort to pre-empt issues in the FTZ, financial supervision will be strengthened to increase supervisory control to prevent money laundering, terrorist financing and tax evasion.

According to the State Council's requirement that FTZs be replicable in other areas, 23 measures were piloted in Shanghai with a high degree of success. The template can now be rolled out across the country, and include the opening up of investment, trade, finance and the service industry.

Wang Shouwen pointed out that the free trade zones should pioneer and spearhead the next phase of China's reform and opening-up. Wang Shouwen suggested that due to the success of the Shanghai FTZ, more industries can now be considered for "opening up" to the outside world, where currently 139 services/businesses are still prohibited. He added that the establishment of FTZs is not only aimed at deepening reform, but also act as a development catalyst for the surrounding areas in which the FTZ is located. For example, the Tianjin FTZ is intended to promote coordinated development of Beijing, Tianjin and Hebei; Guangdong FTZ is aimed at promoting integration of services and trade in Guangdong, Hong Kong and Macao; and the Fujian FTZ is designed to provide strategic services to facilitate the execution of the "One Belt and One Road" policy.

Wang Shouwen hopes that the new FTZs in Guangdong, Tianjin and Fujian can replicate the success of the Shanghai FTZ but also go one step further and allow for more types of businesses to operate within these zones. Ultimately this would accelerate the pace of reform and opening-up.

Yan Qingmin introduced the Tianjin FTZ as operating on a "3+2" policy.

The "3" refers to the three goals of the Tianjin FTZ:

- Serve the coordinated development of Beijing, Tianjin and Hebei
- Serve the "One Belt and One Road" policy
- Serve the development of the Binhai New Area

"2" refers to two advantages, which the FTZ seeks to differentiate:

- Advantage in finance and leasing
- Advantage in administrative examination and approval

The Other Side of Big Data

Moderator:	Qin Shuo, Chief Editor, China Business News
Speakers:	Dong Mingzhu, Chairperson, Gree Electric Appliances Kenneth Gullicksen, Chief Strategy Officer, Evernote Joe Guo, CEO, Quark Finance Leif Johansson, Chairman, Ericsson Steve Milligan, President and CEO, Western Digital Nam Kyung-pil, Governor, Gyeonggi Province, Republic of Korea Zhang Yaqin, President, Baidu
Key points:	• Data of all kinds are being collected at a rapid pace, particularly because of the proliferation of sensors and mobile devices. • Recent scandals have bred mistrust. Effective governance, oversight and regulation – lacking at the global level – are needed. • Constant collection of data can help an individual make decisions, but can be misused to cheat and influence behavior. • The positive applications of "big data" will take time to be realized. It is difficult to determine the value to a company's bottom line. • Society and governments will determine the value of big data to people's lives. Data protection and privacy laws are not strong enough. • More than half of company spending on big data is typically used for processing the information for analysis. • In future, the competitive advantage of big data analytics will be the ability to derive quality insights rather than the volume of information gathered.
Synopsis:	The amount of data that constitutes "big data" is bound to increase in the future, given the proliferation of cheap mobile devices that are able to gather information at a rapid pace. According to Kenneth Gullicksen, big data was a term used only by a small community of data scientists or specialists. With the advent of wearable technology and mobile phones, data today is gathered at a very personal level. The increasing velocity of data collection is due to the expanding computing power of machines. The debate over big data focuses on data integration - volume, collection, and processing. Any data is good data, said Dong Mingzhu. This view has helped manufacturing companies anticipate, forecast, and improve customer satisfaction, she said. All the air conditioners that her company produces are fitted with sensors that relay real-time information about product performance. This helps the company resolve and even anticipate malfunctions, improving both responsiveness and customer satisfaction. Big data offers interesting opportunities for Chinese manufacturers, Steve Milligan argued. Data analysis can highlight areas where manufacturing processes may be improved, enhancing productivity and efficiency. Big data used to be just about procuring large amounts and varieties of data cost effectively. In future, through dynamic interaction with their products in a digital ecosystem, businesses will gain insight into their condition and how they are used. This would involve analyzing data "breadcrumbs" left by users, which will allow companies to know more about customers. 2 key issues need to be addressed: data governance and value generation. Incidents of data theft and the unregulated use of data to monitor people have diminished people's trust in institutions and companies, Nam Kyung-pil said. The collection of large amounts of information can corrupt both enterprises and governments. Accountability through regulatory mechanisms is needed.

The Other Side of Big Data

Synopsis: Steve Milligan agreed, declaring that data should be properly used. An international bill of rights could offer a solution, he suggested. Ethical data use is a challenge. While technology allows for easy collection, it can also be employed to prevent abuse.

This is the age of the "Internet of Things", where devices, appliances, clothing, accessories and almost anything else are connected to the Internet and have sensors that record, store and transmit data, Zhang Yaqin explained. Everybody will have to live with the reality that everything they do may be monitored in some way.

This raises questions about privacy and data protection. There are no straightforward answers, Leif Johansson observed.

But the main issue is not whether people trust governments and companies or not. What is important is the value that big data can create. Healthcare companies, for example, use data analysis to predict changes in blood pressure and sugar level in diabetic patients. While some may deem such data collection intrusive, patients who benefit would likely approve if it improves their treatment.

According to Zhang Yaqin, Baidu has analyzed search engine queries to forecast flu patterns and accurately predict possible outbreaks. This has helped health agencies and hospitals plan staffing and prepare.

Corporations can improve decision making by using big data, Joe Guo said. While the element of uncertainty will prevail, the use of big data is moving from just providing information to driving real value creation in many sectors including IT, financial services, manufacturing, retail, and public administration.

Individuals should be able to control the data that is pushed to them and decide where their personal data is stored and how it is used. Companies must minimize the number of third parties that can access the data they collect. As awareness grows and companies and governments invest in collection and analysis, improvements in the use of big data will bring more advantages over the long term.

The time has come to redefine the "Three Vs" of big data - variety, volume and velocity - to mean vision, view and value, Zhang Yaqin told participants. "Vision" to govern the use of structured and unstructured data, "views" to guide decision making and determine what people want to see, and "value" to underscore the need to derive benefits from the use of the data.

The age of big data is just beginning. People need to be more aware of what is happening. Data governance and international regulation will be important next steps. The competitive environment defining big data will be driven by quality and credibility rather than volume, Leif Johansson predicted.

This is already happening. Corporate hierarchies are being disrupted by a new regime where information is disseminated real time and employees are focused on using data in accordance with their company's vision and values. Innovation in big data will lead people to be healthier and more productive - and, the hope is, free from wrongful intrusion.

Smart Health & Wearables

Moderator:	Young Sohn, President and Chief Strategy Officer, Samsung Electronics
Panellists:	Derek Aberle, President, Qualcomm Incorporated Rod Beckstrom, Global Cyber Security Advisor, PwC ; Former President &CEO, ICANN; Former Director, NationalCyber Security Center, USA; Author, the Starfish and the Spider Sam Hawgood, Chancellor, University of California, San Francisco Cedric Hutchings, CEO, Withings Liu Jiren, Founder, Chairman & CEO, Neusoft Simon Segars, CEO,ARM Wang Jun, CEO, BGI
Key points:	• Smart health technologies will reduce healthcare costs by better prevention of illnesses, and enhancing quality of health and life globally yet there are many questions to be resolved. • Current policies must be adapted to ensure the security and privacy of personal data collected for such purposes.

Synopsis:

Although the panellists had different backgrounds - wireless technology, technology solutions, and data security, their views on the potential and the risks were aligned.

Smart health technologies promise to reduce healthcare costs, increase prevention of illnesses and dramatically improve health and the quality of life globally. Wearables and other sensors will track data on everything from sleep cycles to blood sugar levels. Big data and machine learning will help to reverse lifestyle disorders and manage global outbreaks of infectious diseases. The possibilities are endless, yet many questions remain as well.

The world has seen great efforts made in the medical field to transform from reactive care to a new proactive and preventive care approach, from clinic-centric to patient-centred practice, from episodic responses to continuous monitoring of well-being and its maintenance. The employment of technologically advanced methods is increasingly becoming more cost effective. The possibilities are endless, but many questions remain to be answered.

What is a successful example of integrating technology and life sciences? What are the challenges?

The major challenges in the fields of healthcare and life sciences involve resolving the issues of rising costs and the accessibility of care by the masses. Smart technologies can be powerful tools to address both issues. When healthcare treatment can be provided while the patient remains at home, overheads and human capital costs of hospitals will be reduced and medical care can be extended regardless of geographical proximity. One good example is the use of technologies for preventive and proactive care and to manage chronic diseases. People can receive therapy in the comfort of their homes. Their medical data can be transmitted and analysed remotely and in real time to provide a profile of health conditions. Recommendations for improvement can then be made by healthcare workers. The challenge is likely to be in persuading the widespread adoption of such methods by people, as well as ensuring that the quality of healthcare does not diminish with the employment of such methods.

The collection, pooling and use of medical data will be revolutionary in the field of healthcare. Fundamentally, this means that our health conditions and the care we require can all be digitalised and hence be provided remotely without having to see a doctor in person. The adoption of wearable devices is a good medium for the collection and transmission of digital information in real time. Tremendous opportunities will stem from putting this digital information to productive use. The challenge in this respect is that the human body is still too complex and our understanding remains limited. So a pertinent question is how to better analyse the available data, interpret it in a meaningful way and consequently use it in productive and innovative ways. Another conundrum faced is the balancing act between promoting the sharing of data to create useful databases and the proper handling, protection and safeguard of personal information.

Smart Health & Wearables

Synopsis: **How can the security and privacy of data be ensured?**

The increasing use of technology in healthcare has brought about two challenges, namely, the security and stability of the gathered data. New measures have been or are being developed to ensure that data remains secure on a multitude of devices, digital clouds and wireless Internet. There is also a need to make sure that people are comfortable with sharing personal information. If the data is mishandled, the opportunity to create new possibilities on the plethora of data collected may be lost.

The Internet will result in new and innovative techniques in healthcare, and will render the existing mode of healthcare delivery obsolete. This also means that the current healthcare system must adopt new techniques in order to be competitive and efficient in providing quality healthcare to the masses. Also, the management and supervision of the use of medical data must also be of paramount importance in order to win over the public to adopt the new system.

How can the consumer experience be improved? How can these benefits be extended to the masses?

Firstly, devices are still limited in their range of functions. For example, they have finite battery lives, are complex to use, and may need to be attached to consumers. However, revolutionary change is nearly upon us. For example, a sleep monitoring device can be integrated into the bed, making its use easy and seamless. In the future, technology has to become invisible and easy to use. Secondly, in order for wearables to be of value to the user, they must transit from being a flashy, consumer-based product into a credible product which is able to accurate convey information for the provision of required healthcare services.

Healthcare in 2020

- The widespread employment of high-tech methods will bring down the costs of healthcare delivery. Emerging economies may be able to leapfrog the developed countries and move into an area where more people have access to high quality care through the use of technology in remote, home-based healthcare systems.
- Genetic sequencing will be cheap or even free. The value of the data obtained outweighs the cost of procuring the data. This is because when medical data is agglomerated in large quantities, this creates value for research and allows for deeper analyses into healthcare conditions. Targeted therapy can subsequently be provided to the people who require such treatment, in line with the observations obtained from the remote transmission of health information.
- The integration of data into coherent and useful databases will lead to downstream innovation in using the insights gleaned from analyses to predict potential outbreaks of diseases and take pre-emptive steps when needed.
- The functioning of hospitals will be revolutionised. There may not be a need for physical hospitals anymore as doctors can work remotely yet accurately in diagnosing and prescribing healthcare solutions. A new generation of hospitals beckons in the future.
- Smart devices will become smaller and more energy efficient, allowing for longer and more productive period of use. This will facilitate the widespread adoption of smart healthcare technologies and wearables.

Municipal Debt: Defusing the Simmering Local Government Debt Crisis

Moderator:	Wei Tian, Anchor, CCTV
Speakers:	Jean-Marie Bockel, Former Secretary of State for Defence and Veterans & President, the Association of Mayors of Large Cities in France Huang Qifan, Mayor, Chongqing City Li, Jiange, Vice Chairman of Central Huijin Investment Ltd; Chairman of Shenyin & Wanguo Securities Lou Jiwei, Minister of Finance, China Michael Taylor, Managing Director and Chief Credit Officer for Moody's Investors Service in Asia Pacific Jonathan Woetzel, Director, McKinsey & Company
Key points:	• China's overall debts, including both central and local government debts, are controllable. • A transparent and independent rating process for Chinese municipal debts was put forward to make local government debts manageable. • After a series of measures implemented by the central government such as the New Budget Law, the right to issue local debts would lie only with the finance departments of provincial governments.
Synopsis:	The 1 trillion yuan swap plan announced this month by the Chinese government (RMB160 billion) swap has sparked fierce debate with many concerned about whether this is good or bad for local government, wondering how the debts incurred can be repaid, and looking at what China can learn from its global counterparts who are in the same situation. Lou Jiwei asserted that China's overall debts (including both central and local government debts) are controllable. Data released by the National Bureau of Statistics pointed to China having a lower debt to GDP ratio, less than 40 percent in aggregate, which is quite small compared to many other countries. China's local governments debt repayment liabilities amount to 1.2-1.3 billion yuan. Additionally, local governments will be permitted to swap RMB1 trillion as a restructuring of their vast debts, alongside China's recently introduced New Budget Law which is aimed at making it easier for local governments to bear debt. Huang Qifan presented the local government perspective. Chongqing's debt is under control with 80 percent payable debt, so-called "qualified debt" and 20 percent "unqualified debt". Huang Qifan also believed several approaches would assist to cover Chongqing's liabilities such as the debt swap approach, which gives local government 33 billion yuan; 28 billion yuan loans from China Development Bank with lower interest rate than commercial banks; the Public Private Partnership (PPP) platform which reduces local debt and maximizes social benefits as well. All of these make Chongqing's local government debt easier to bear. Huang Qifan's interpretation raised the new question of how to make local government debt manageable. Measures such as a reasonable rating process for Chinese municipal debts were put forward by the panel. Jiange Li expressed concern about deterioration of China's economic vitality as loans are used to fill old holes rather than to support new activities. Transparency is primary given the "zombification" of certain debts and derivatives from shadow banks. Jean-Marie Bockel drew on his experience of France's debt reform. France has a relatively low debt-to-GDP ratio, and differs from China's situations in that the bond issue rights are executed at county level. Taxation is sensitive to public opinion particularly during election periods. French debt increased and reached EUR80 billion at the end of 2013. Currently public investment represents 70 percent of France's debt, and state-owned debt 5 percent - 10 percent. How can China's debt payment capabilities be evaluated practically? Michael Taylor explained that Moody has a methodology to rate local government credibility in more than 40 countries. Generally, its rating is twofold. On the one hand, it focuses on how much liquidity flows from central government to local government. On the other hand, it analyses local government's assets, liabilities, income, and debt paying capacity. He expected China's debt swap to have a positive influence on Chinese debt transparency for investors, which will help with the restructuring of local government liabilities. Jonathan Woetzel pointed to opaqueness of real estate value and shadow banking as elevating China's debt risks.

New Energy Vehicles: What's All the Controversy About?	
Moderator:	Wu Weiqiang, Chief Editor, Auto Headline
Speakers:	Bernard Charles, President and CEO, Dassault Systemes Sehwoong Jeong, Executive Vice President, SAMSUNG SDI Automotive & ESS Business Daniel Kirchert, Managing Director, Infiniti China Shi Lirong, President, ZTE Wang Yongqing, President, Shanghai General Motors Zhang Fangyou, Chairman, Guangzhou Automobile Group Zhang Xin, Vice President, BAIC
Key points:	• New energy vehicles still require time to mature and their adoption will face challenges. • Before they come into private use, new energy vehicles may enter the market as public transport. • More efficient and technologically advanced lithium-ion batteries will support the growth of electric vehicles. • Electric vehicles are not the only ones receiving attention; fuel cell vehicles are also set to emerge. • Progress in the introduction of new energy vehicles is vital to reducing environmental pollution.
Synopsis:	The emergence of new energy vehicles (NEVs) has had its fair share of challenges, both globally and in China. In this session, the speakers discussed the roadmap for NEVs in China and whether the pros for adoption outweigh the cons. Key question: to make NEVs a reality; to what extent should the government get involved? Zhang Xin recounted how, at the recent Geneva car show, there were 19 kinds of NEVs on display, which represented only a small portion of the autos at the event. All the major car manufacturers had an NEV, indicating the growing importance of this segment of the car business. The development of NEVs is neither stalling nor going backwards but is slowly accelerating, Zhang Xin said. Worldwide sales of NEVs last year totaled 117,000 units so the market is still nascent, Zhang Fangyou noted. There is no need for China to be too aggressive in adopting NEVs but the government and car manufacturers should keep abreast of the latest global developments, he added. "The conditions are not right yet. People's mindsets are not quite there." NEVs will be revolutionary and China should not limit itself, Shi Lirong asserted. However China needs to develop the environment needed for the industry to thrive. If NEVs take off in China, the results would be overwhelmingly positive, he predicted. With environmental degradation a very real problem in parts of the country, NEVs can go some way to alleviating a leading cause of air pollution. Zero emissions should be the country's long-term goal. Challenges remain in accelerating the adoption of NEVs, however. The Chinese government is determined to speed up the development and use of NEVs. China will be one of the biggest markets for such vehicles. While government and industry were excited about the prospect of NEVs a few years ago, some major issues damped down the enthusiasm, Shi Lirong explained. These impediments included these factors: • Consumers need time to adopt the vehicles, with pricing posing a particular challenge. • Charging vehicles requires new infrastructure. It will take time and money to have a backbone that can support widespread NEV use. • Because the technology is new and unproven, many consumers may be reluctant to buy an NEV.

New Energy Vehicles: What's All the Controversy About?

Synopsis: A more plausible approach for NEV adoption in China would be to use the vehicles as public transportation, Shi Lirong proposed. Because they would have fixed stops, it would be easier to set up charging stations. ZTE has signed agreements with 40 Chinese cities and with BAIC to begin building underground charging infrastructure. Once NEV public transport takes off, the general public would be more willing to consider NEVs as a serious alternative to gas-powered vehicles.

Despite popular belief that lithium-ion technology development has stalled, the reality is very much the opposite, Sehwoong Jeong told participants. Working with carmaker BMW, Samsung has made major advances in battery technology, which can now supply 250 watt hours per liter, 3 times the capacity per charge available 3 years ago. Electric vehicles have not taken off as some expected, largely due to the high expectations, Sehwoong Jeong reckoned, noting that four conditions need to be met for electric NEVs to take off:

- The travel distance on a single charge must increase.
- There must be adequate infrastructure for charging.
- Charging times should be reasonable.
- Vehicles should be competitively priced.

Technology is surmounting these challenges, Sehwoong Jeong argued. "Once critical mass is reached, electric vehicles will grow explosively."

Behind the debate over NEVs is the serious issue of air pollution and how to address it, said Bernard Charles. Governments may be short sighted, he warned. Over the long-term, NEVs should help reduce the burden of rising public health costs due to pollution-related illnesses.

While most people think about electric cars when they consider alternative-energy vehicles, there are other options. Toyota is betting big on fuel-cell technology and is making a lot of progress, panelists noted. The Japanese government initially provided subsidies for 200 fuel cell vehicles but Toyota received 4000 orders, an indication of the high level of environmental awareness in Japan. This factor and the commitment by the Japanese government to build a hydration charging network demonstrate that will is there to make fuel cell vehicles a reality in Japan.

Because of its unique geographies and the specific needs of its population, China will chart its own course in gradually adopting NEVs, panelists agreed. NEVs are here to stay and will continue to grow in volume in the coming years.

Session 19 - The Next Financial Crisis

Moderator: Deborah Kan, Executive Producer, Wall Street Journal

Speakers: Steven Ciobo, Parliamentary Secretary to the Minister for Foreign Affairs, Parliamentary Secretary to the Minister for Trade and Investment, Australia

Jiang Jianqing, Chairman, Industrial and Commercial Bank of China

Stephen A. Schwarzman, Chairman, CEO & Co-Founder, Blackstone

John Zhao, CEO, Hony Capital

Zhu Min, Deputy Managing Director, International Monetary Fund (IMF)

Key points:

- Global economic growth is moderate, with recovery from the crisis still under way. Trade is growing more slowly than GDP for the first time in 4 decades, while foreign direct investment's share of GDP is well below pre-crisis levels.
- The financial sector remains a potential epicenter for another crisis. Regulatory pressures have resulted in diminished liquidity, which could present a problem if a crisis breaks.
- China's economy is undergoing a delicate structural transformation, but its financial markets are not open so the risks are different. Overpricing and bubbles are of more concern than leveraging.
- Australia's exposure to China and the commodity cycle are the main drivers of the value of the Australian dollar.

Session 19 - The Next Financial Crisis

Synopsis: Global growth is moderate, with a recovery that is still under way, though it is not very strong, Zhu Min told participants. He noted that investments as a share of GDP is still lower than in 2007. Trade is growing more slowly than GDP for the first time in 40 years. The share of foreign direct investment (FDI) in global GDP is significantly lower than pre-crisis levels.

The key concern is the financial sector, Zhu Min reckoned, observing that in emerging markets, total financial assets have increased some 30 percent over 2007 levels, with most growth in the shadow banking sector. "So the financial sector is still the main concern. If there is a crisis, it will be global. It will be a global event."

A key concern is the direction of US interest rates. They will not rise, as most people believe they will, Stephen A. Schwarzman predicted. "What we have from a regulatory point of view is a vast deleveraging, which has slowed credit extension." Liquidity is being significantly reduced, he explained. This is similar to what happened in 2007. With limited liquidity, if somebody needs to sell securities, this would create losses, which will scare others.

This is the outcome of increased regulation, Stephen A. Schwarzman reckoned. In the last crisis, there was no real trouble from shadow banking. The problem was with the regulated institutions. Now US regulators are putting more intense regulatory requirements against deposits. Banks are now turning depositors away. The regulators say that this was not what was supposed to happen. "This liquidity situation is a potentially serious thing," Stephen A. Schwarzman warned. "Nobody seems to be doing anything besides recognizing it. That is a potential danger for the global system."

Jiang Jianqing acknowledged that there is widespread talk about another financial crisis. This could come as a result of continuing economic imbalances. But the possible root causes are not all in the financial sector, he said. "We need to look at the policy and regulatory setting."

As for China, there are major structural adjustments playing out, Jiang Jianqing observed. A big issue is the overcapacity in the economy. But the risks are controllable, he argued, with provision levels for borrowings relatively high. The structural adjustments in the Chinese economy will work out over the next couple of years. Regulators will be paying a lot of attention to credit-related risks. "So long as the economy maintains steady growth, the financial risks in China will be under control," Jiang Jianqing remarked.

China is in transition from a centrally planned economy to a market-driven one, John Zhao added. "We are still in the very early stages of that transition. This is the right direction, but the road is very long." The changes have affected his company's portfolio, which used to be focused on the manufacturing sector but now is mainly in consumer plays and services. "Not only are we investing in services in China, we are also buying services companies around the world to meet the needs in China."

What are the risks? "Maintaining social order and stability is still of paramount importance," John Zhao said. China, he noted, was a major stabilizing force during the Asian financial crisis in 1997-98 and in the recent global crisis of 2008. The financial markets in China are very different from those of the rest of the world, he added. While US regulators are imposing more restrictions and hindering liquidity, to some extent increasing the risks, China has not been an open financial market. With centralized supervision, it has been able to react quickly when risks appear or crisis breaks. Geopolitical risks could be a problem. Overpricing and bubbles could be more of a risk than leveraging. China will react to crises differently from other countries, John Zhao concluded.

Australia largely avoided the global crisis, Steven Ciobo said. But policy decisions since then have increased leveraging, with the debt-to-GDP ratio now at 20-30 percent. Australia's exposure to China now drives the value of the Australian currency. Australia cannot be so completely tied to its exposure to China and the commodity cycle, Steven Ciobo said.

Zhu Min stressed that it is important that there is proper liquidity in the markets and that emerging markets have sound financial structures. He also noted the lack of investment in infrastructure and welcomed the China's initiative in launching the Asian Infrastructure Investment Bank.

TV Debate 3 - Disruptive Innovation

Moderator:	Chen Weihong, Anchor, CCTV
Speakers:	Steve Milligan, President and CEO, Western Digital Taizo Nishimuro, President and CEO, Japan Post Holdings Co., Ltd; Advisor to the Board, Toshiba Corporation Neil Shen, Global Steward, Sequoia Capital Shi Lirong, President, ZTE Xiong Minghua, Former Chief Technology Officer for Tencent, Founder and Founding Managing Partner for Seven Seas Ventures Zhou Hongyi, Chairman, Qihoo.com
Key points:	• The traditional definition of disruptive innovation refers to disrupting a business model and user experience. • Enterprises know that if they do not disrupt, they will inevitably die. • Apple is a very successful company that engages in evolutionary but not revolutionary innovation. • The WeChat service has attracted a lot of users in China because it is free. Tencent is able to make good money through advertising, value-added services, games and entertainment.

Synopsis:

Harvard Business School professor Clayton Christensen put forward the concept of disruptive innovation in 1997. He identified two types of disruptive innovation. The first refers to disruption of a business model, meaning that a company offers its service or product at a lower price than its competitors. The second type refers to a disruption of the user experience. This means improving on a product that had been complicated and making it easier for consumers to use. Incorporating a camera in a mobile phone, for instance, was such a disruption.

Another disruptive innovation is when the launch of a new product leads to an old one losing its market share because consumers discard the product they had. Consider how the phonograph was replaced by the cassette player, which was subsequently followed by the CD player and then the iPod and other portable devices.

Consumers may not be aware of their needs until the new product comes to the market. Hence, disruptive innovation may also mean creation of something consumers had not thought they needed. Or it can also refer to the invention of a completely new technology that is very appealing to the market.

Innovation is disruptive by definition. When a new product is invented, it must destroy the space for existing products to a certain extent. The degree of disruption may vary from product to product.

In this fast-changing world, enterprises are under pressure to come up with innovations since they are aware that if a company does not disrupt, it will inevitably vanish from the market. In the era of rapidly changing technology, enterprises are looking for opportunities and at the same time searching for constancy and sustainability.

Panelists were asked to pick the industry in China most likely to have the next disruptive technology - Finance, real estate, manufacturing or Internet. A majority chose the latter; just one voted for manufacturing.

They also discussed the case of Apple, which did not invent the mp3 player but made it better. It did not invent the mobile phone but improved its functions. Apple was not the first company to produce tablets but the quality of the iPad is better than others. Apple's innovation is not revolutionary but evolutionary. They seized market opportunities and fully utilized and upgraded existing technology to bring the best user experience to consumers.

The panel explored why free services and products are successful in gaining a large market share. Zhou Hongyi who is an advocate of free products, cited Tencent in China as an example. When Tencent launched WeChat and offered it to consumers for free, it seemed to have a money-losing strategy. But it has earned billions through advertising and selling value-added services, games and entertainment. Its free-of-charge model totally disrupted the traditional text message service.

Session 21 - Where to Export?

Moderator:	Wang Huiyao, Founding Director General, Center for China and Globalization (CCG)
Speakers:	Chen Feng, Chairman, HNA Group Dong Mingzhu, Chairperson, Gree Electric Appliances Hai Wen, Vice President, Peking University Huang Yiping, Professor of Economics, National School of Development, Peking University Jiang Xipei, Chairman, Far East Holdings Li Guoliang, Vice Governor, Hainan Province Mao Jihong, Founder, EXCEPTON de MIXMIND Yu Guangzhou, Minister, The General Administration of Customs
Key points:	• China has lost its competitive edge in export trade due in large part to rising labor costs, an appreciating currency and a global economy that is still recovering. • Upgrading technology is vital for China to be more competitive. • Overcapacity in the economy is a problem and reallocation of resources is needed to increase efficiency. • China Customs can help increase export efficiency, while the government can provide incentives through tax breaks. • The current situation may well be a by-product of a maturing economy, but as businesses move up the value chain to try and regain competitiveness, the hollowing out of certain industries may become an impediment to growth.

Synopsis:

China's exports have begun to lose their competitiveness due to various factors. Key among these are rising labor costs, continuing RMB appreciation and a global economy that is still in transition since the financial crisis. Businesses that are labor intensive are feeling the greatest impact. Exports have suffered as a result. Sluggish domestic demand and a trade environment that is marked by conflicts and disputes have not helped.

More encouragingly, the Chinese government has begun to pay special attention to foreign trade and the plight of export businesses. The new Free Trade Zones (FTZ) are picking up momentum, making exports a little more streamlined and cost efficient. E-commerce has also diversified and to an extent altered the face of China's export market. The questions remain, however: How do Chinese exporters regain their competitive edge? Is transformation the key? Or do they need to outsource and migrate their businesses to other lower-cost markets.

Transformation is more important than migration, Dong Mingzhu told delegates. Outsourcing does not solve the issue, she said. "Even if you migrate your business to a new country, it doesn’t guarantee good profits; good products and technology do." If China were to begin to migrate domestic businesses abroad, local economic growth would suffer as a result, she added.

Jiang Xipei agreed. Transformation is a way to improve service and the quality of products, while also boosting domestic brands internationally. To achieve that, he observed, overcapacity in the economy needed to be addressed and excess resources reallocated for greater efficiency. Businesses can no longer prosper on costs alone and rely on inferior products and old technology.

There will be a bleak future for Chinese exports if businesses cannot change and adapt to the new reality, Li Guoliang added. China’s Customs Administration can play a big part in making domestic businesses more competitive by providing a more streamlined and enhanced service to ease the customs process for export goods. This would have the effect of cutting down costs and transit times, benefitting the bottom line for businesses.

"I think customs can and should help businesses do their foreign trade,” Yu Guangzhou said. “We need to figure out a better way to monitor the customs process and provide simple and efficient service to facilitate world trade. Customs needs to be an enabler for business."

Session 21 - Where to Export?

Synopsis: It is natural that China's foreign trade has slowed, reckoned Hai Wen. Export growth rates of 20-30 percent a year were not sustainable. Labor costs and an appreciating RMB are all natural consequences of an economy on the road to maturity. "We are ready for that (export slowdown)," he remarked. "It's normal. The export market has gradually become saturated. RMB appreciation is a natural outcome of a big trade surplus and foreign reserve. Trade slows."

A good way to improve export trade would be to cut taxation as a way to give incentive and lower costs for export businesses, Hai Wen proposed. Controlling labor cost is another option, he noted. Some 40 percent of rural labor sits idle but could be brought into the workforce. Huang Yiping disagreed. "Statistics for those that live in rural area are not accurate. Many have migrated to cities in search of jobs and the majority of rural youth have all left. 40 percent is too high a figure."

China has lost the advantage of a low cost base, Huang argued. Growth will continue to slow if industry does not upgrade and move up the value chain or create new businesses. "Korea has moved steadily up the value chain and the same for Taiwan with respect to design and Hong Kong for its service industry. They have maintained employment levels. They have overcome the middle income trap and this is what we need to overcome here, now, in China."

Moving up the value chain poses the question of whether whole industries maybe hollowed out as a result. There is real concern, especially in the garment sector, Mao Jihong said. "Over 50 percent of clothes in the world are produced in China. I think about what kind of things we need to transform or upgrade. The issue is not only about low labor costs. Our technology is not up to scratch. In Japan, garment production is more efficient and frequently lower in cost. More Chinese garment companies are now outsourcing to Italy as quality is better and costs are again lower. Although we are a major manufacturing player our R&D, design capabilities and technology lag behind. As we upgrade our businesses, especially in the garment business, hollowing out will be a very serious issue."

G20 & Global Economic Agenda

Moderator: Zhu Guangyao, Vice Minister of Finance, China

Panellists: Cavit Dagdas,G20 Deputy and Under Secretary of Treasury, Turkey
David Daokui Li, Dean of the Schwarzman Scholars, Tsinghua University
Lou Jiwei, Minister, Ministry of Finance of China
Catherine Mann, G20 Deputy and Chief Economist, OECD
Cyril Muller, Vice President, World Bank Group
Joachim Nagel, Member of Executive Board, Deutsche Bundesbank
Zhu Min, Deputy Managing Director, International Monetary Fund

Key points:

- G20 has played an important role in maintaining financial stability and promoting global economic growth but still has a lot to work on as the world has not been truly out of recession.
- China, assuming the presidency of G20 next year, will need to lead on structural reform and raising real demand.
- One of the strengths of G20 is that it includes both developed and developing countries more accurately representing the new global economy.
- Think tanks are regarded as important sources in informing and shaping the G20's agenda. However, the right amount of these and of information needs to be found.
- The role of G20 in promoting world trade needs to be revisited.

G20 & Global Economic Agenda

Synopsis: G20 was empowered and started really taking a leadership role during the global financial crisis in 2008 when countries' faced common economic challenges and had a common agenda. G20 still has a lot to do in improving global GDP growth, employment and financial stability as even now the global economy is still not truly out of recession.

G20 2014 in Australia set the goal of increasing global growth by another 2 percent. Assuming the presidency for G20 2015, Turkey has set three "I's" as the priorities:"Implementation, Inclusiveness and Investment". Cavit Dagdas said that if G20 countries can implement their domestic and collective commitments with the support from international organizations such as IMF and OECD, the global economy is very likely to be 2 percent higher than the baseline. He also emphasized the importance of investment and inclusiveness. For example, it is crucial to include low-income countries in the development of the global economy as they have great potential.

China will assume the presidency of G20 2016. An indication of the likely focus was in Minister Luo's highlighting the need to increase actual demand and realize structural reform. To realize the goal of 2 percent incremental increase in global growth, it is not sufficient to simply work on financial stability. More will need to be done to push forward regulations on profit shifting and tax erosion, and promoting new investment and consumption. On the supply side, the importance of structural reform has been acknowledged but the difficult challenge for the G20's collective agenda is that countries vary significantly in terms of their reform needs. Thirdly, the economy has changed and while the mission of the G20 during the financial crisis clear, (which was to take immediate measures to minimize the decline of the global economy), its mission in the new normal needs to be defined.

From the perspective of Germany, Joachim Nagel said that both Germany and China have shown their commitment. In last week's China-Germany Business Summit, both countries supported G20's goal of achieving 2 percent incremental increase in the global economy by 2018. Also both countries are encouraging their own financial institutions to start innovative and constructive projects.

Zhu Guangyao and Zhu Min both disagreed with the suggestion raised to form a tighter version of G20 such as G7 or G8. The G20 evolved from G7 to bring developing as well as developed countries into the group reflecting the evolution of the global economy.

The role of additional think tank organizations that have emerged in recent years, such as B20, C20 and Y20, was considered important as a bridge to connect with different stakeholder groups and take their views into consideration to help shape the future agenda. Minister Luo saw the challenge as achieving the right balance of inclusiveness of diverse ideas versus too much information.

Trade growth has been slower than economic growth and Catherine Mann highlighted the need to reduce trade barriers and promote the services industries as two focus areas for the G20. Services are an important part of the value chain of trading and are also traded themselves.

Entrepreneurs: Born or Made?

Moderator:	Gloria Ai, Founder of iAsk Media; Bilingual Anchor Woman
Panellists:	Chen Cheng-Hui, Co-founder, Wowprime Peter Tufano, Dean, TheSaïd Business School, The University of Oxford Chad Meredith Hurley, Co-Founder and former Chief Executive Officer, YouTube Vladislav Martynov, CEO, Yota Devices K. K. Modi, Past President, FICCI; Chairman, Modi Enterprises Yossi Vardi, Israeli Entrepreneur & Investor
Key points:	• A strong sense of entrepreneurship is needed in every company. • Most successes come only after several failures. • Long-term success is built on developing practical capabilities. • The willingness to try new things and akeen foresight are essential elements for successful entrepreneurs.

Synopsis:

Premier Li Keqiang put forward that an all-round, innovative and entrepreneurial social atmosphere should be fostered in the country. However, can everyone aspire to do so? Is that scenario an optimal one?

Most panelists agreed that entrepreneurship is not for everyone as it is not an easy path to take; there being many more failures than success stories. Looking in from outside, people tend to think that entrepreneurs succeed on their first attempts. However, most successes only come after several failed ventures.

It is a difficult task to be a good leader and successful entrepreneur but this entrepreneurial streak is needed in every company. Nonetheless, everyone can be a great team player, supporting and complementing the entrepreneur-leader. While entrepreneurial capabilities could be innate, long-term success is built on developing practical capabilities such as a focus on serving the customer well and adopting a market-oriented approach. Therefore, entrepreneurs should be committed to developing practical capabilities in the long-term to ensure the sustainability and continued viability of the company going forward. Also, it is important to build up a competent and cohesive team, in addition to having entrepreneurial flair.

Setting up a new business requires not only going through trials and tribulations, but also overcoming one's self-doubts. Akeen foresight and the willingness to try new things are also essential elements found in successful entrepreneurs.

Yossi, acclaimed as a leading light in Israeli entrepreneurship, stated that culture and entrepreneurship are interconnected in Israel. Jewish mothers in Israel would actively encourage their children to set up their own businesses.

How can one be an entrepreneur in the context of a family enterprise?

K. K. Modi shared 3 points: Firstly, there is much to be learnt from the Indian joint-family mechanism in which children are considered as the working partners of their parents. The nurturing role of the senior family members is conducive to maintaining established corporate relationships for the younger members while the younger members will inject fresh vitality to family enterprises. Secondly, entrepreneurs must have belief in their creativity and ingenuity. Lastly, entrepreneurs must persist in their ideas despite setbacks because some ideas will eventually prove to be valuable. In summary, the elements for success for entrepreneurs and family enterprises alike are self-belief, perseverance and a cooperative partnership.

Gaining a competitive advantage in the market

It is important for entrepreneurs to identify unique selling points and create for themselves a competitive advantage in the market. For the mobile phone market, a major competitive edge comprises of, firstly ensuring a better user experience and product performance; secondly, intellectual property protection; thirdly, a swift and timely product launch. In addition, product differentiation and first-mover advantage will accord companies greater competitiveness.

In closing, the host referenced the remarks of the Premier Li Keqiang - on public innovation and nation-wide entrepreneurship. The panelists concluded that Premier Li Keqiang is advocating the nurturing of a nationwide entrepreneurial spirit.

3D Printing, Digital Manufacturing & the 3rd Industrial Revolution

Moderator:	Garrison Zong Guisheng, Chairman and CEO, 3DP technology
Speakers:	Bernard Charles, President and CEO, Dassault Systèmes Jerry Hung, Co-Founder and President, Endiva Software, Inc Miao Wei, Minister of Industry and Information Technology, China Ernesto Occheillo, Executive Vice President, Technology and Innovation, SABIC Bernd Reckmann, Member of the Executive Board; CEO, Life science and Performance Materials, Merck Simon Shen, CEO, New Kinpo Group; Chairman, XYZ Printing Inc.
Key points:	• 3D printing is transforming the life sciences, manufacturing and the automotive industry. Household use of 3D printers is on the rise. • In the 25 years since its invention, costs and production time have fallen sharply, bringing it closer to mass adoption. • Start-up enterprises have numerous opportunities to take advantage of the growing knowledge in this field and go to market faster. • Automotive, medical appliance and aircraft manufacturing companies have embraced 3D printing in a big way. The result is a large reduction in waste, material usage and production time.
Synopsis:	The third industrial revolution is a reality, and all countries are on the starting line. In this case, 3D printing, or additive manufacturing (AM), is slated to have the most lasting impact because it significantly changes the way we create products. The revolution began with the digitization of physical goods, first pioneered by the Boeing aircraft company when it was able to create the first fully digitally produced part without the use of a prototype. The process has come a long way since then. Only a few days ago, an entire automobile was “printed” in Hainan, China. Miao Wei told delegates that, after the global financial crisis in 2008, when it was time to find the next key investment sector, his ministry determined that information, communications and technology (ICT) offered the most promising opportunities. With the State Council's approval a few weeks ago, the strategy should bear fruit by 2025. As the manufacturing base of the world, China is in a position to take a significant lead in 3D printing. In addition to high initial capital investment and operating expenses, the technology will require manufacturers to overhaul their production lines. For the manufacturing industry, opportunities lie in bridging the gap between the ability to create a small amount of products that can be easily customized and the ability to generate value from them. According to Ernesto Occheillo the challenge for manufacturers is to generate value out of the capital-intensive AM process. For products, 4 criteria are important from a technical perspective: cost, quality, mass production capability and time to market. Currently AM-processed products are not meeting these criteria, which must therefore be the key issues to focus on. The problem of time and cost will be solved eventually, Simon Shen reckoned. The reality is that 3D printing is the buzzword in manufacturing today because of its capability to transform the industry. Investment in the industry is predicted to reach US$20 billion by 2020. There are numerous opportunities for start-up companies to take advantage of virtual connectivity and lower costs to embrace digitization and printing, Bernard Charles suggested. This new technology is not only altering business models but also leading to the formation of new businesses. The Chinese government is encouraging digital manufacturing and innovation, introducing related reforms in IPO listing and business regulations in 2014. This led to 10,000 new businesses registrations in one year. It is necessary to provide entrepreneurs with the tools and knowledge to build optimized parts and models satisfactory for customers. Small and medium enterprises are actively participating in new businesses areas such as jewelry, toys and electronic products designed in the cloud and printed remotely. Government participation and financial assistance can expand research in AM to lower the costs of applying the technology.

3D Printing, Digital Manufacturing & the 3rd Industrial Revolution

Synopsis: Additive manufacturing will revolutionize the life sciences, manufacturing and automobile sectors, Jerry Hung said. Some of that technology is already here, with BMW using 3D printers to make customized tools to complement its manufacturing process. A number of small products like sunglasses, household cutlery and curios are already being manufactured using this technique. AM is crossing from the factory floor to consumer homes with 3D printers now available for less than US$600.

In the life sciences sector, hearing aids can be customized to fit a patient's ear exactly. In future, human organs may be printed, said Bernd Reckmann cautioning that governments would likely regulate this application. High-precision and customized surgical tools for performing complex operations can be 3D printed.

The coming 3rd industrial revolution is real. It will have major implications for employment and create enormous opportunities for skilled workers.

Asian Infrastructure Investment Bank (AIIB) & the New Development Bank

Moderator: Steve Howard, Secretary General, The Global Foundation

Panellists:
Steve Almond, Global Chairman, Deloitte
Shaukat Aziz, former Prime Minister, Pakistan
Mathias Cormann, Minister for Finance, Australia
Hu Huaibang, Chairman, China Development Bank
Martin Jacques, Senior Fellow, Department of Politics and International Studies, Cambridge University
Li Ruogu, former Chairman and President, Export-Import Bank of China
Josette Sheeran, President and CEO, The Asia Society
Jenny Shipley, Former Prime Minister, New Zealand
Mark Suzman, President for Global Policy Advocacy, Bill & Melinda Gates Foundation

Key points:

- China is a rising power in the world order. Global economic conditions have shifted in favor of emerging economies, especially those situated in Asia, necessitating new governance structures. The formation of the Asian Infrastructure Investment Bank is an example.
- The need for large-scale capital investments to undergird further economic development is obvious, but there is a lack of infrastructure financing in Asia. While old institutions have done well in their own right, up-and-coming ones are required to take up the slack. This has spurred China to take the lead offering its experience and resources to shore up the infrastructure deficit.
- In designing and structuring the new development banks, including the AIIB and the New Development Bank (NDB), founding members must be forward-looking, innovative and not be constrained by history. In the spirit of cooperation and understanding, the new banks must integrate best practices from the past, yet complemented with modern corporate governance to ensure flexibility and effectiveness.
- While initiated by China and focused on developing Asia, the AIIB is indeed becoming a global institution of stature as European nations apply to join as founding members and the US adopts a more constructive and collaborative stance.

Synopsis: This session is focused on addressing questions about the Asian Infrastructure Investment Bank and the New Development Bank (NDB), formerly known as the BRICS Development Bank. The discussion, however, centred on the AIIB - China's motivation for pushing the initiative forward, the major players in the new bank, and how it will operate.

China's economic growth has been robust over the past few decades. Many developing countries have undergone similar growth spurts. This has resulted in China's rising to economic eminence and has precipitated a shift in the global economic landscape towards emerging economies. Powerful players are emerging and Asia, in particular, is becoming increasingly important to global economic growth.

Asian Infrastructure Investment Bank (AIIB) & the New Development Bank

Synopsis: While progress has been respectable, the need for infrastructure financing is colossal and no single institution can meet this need. There is, in fact, a net shortage of available development funding. Developing Asia requires about US$700-800 billion worth of infrastructure investment annually, said Li Ruogu. The Asian Development Bank (ADB) currently finances only 1.5 percent of infrastructure needs in Asia currently.

Given that further development requires breaking infrastructure bottlenecks, there is a pressing need to establish Asia-oriented institutions to address the region's acute infrastructure needs. China has accumulated massive foreign reserves, logically giving it a major role to play. The AIIB and the BRICs bank can fill the gap, working in complement with the World Bank, International Monetary Fund (IMF) and the ADB.

Since China announced to the surprise of many countries in the region its intention to establish an Asia infrastructure development bank, the groundswell of support has been remarkable. After the first wave of countries indicated their desire for membership, the number of nations wanting to join has continued to grow. Britain and then other European countries such as Germany, France, and Italy, all members of the G8, have now applied to be founding members.

While initially hostile, the US has softened its stance and adopted a more constructive and collaborative approach to the formation of the AIIB. The US has an important role to play in guiding the establishment of the new bank and should not view this move as a geopolitical affront. It is of paramount importance that the economic space does not become fractious, which could increasingly be the case as observed in the multitude of competing bilateral and plurilateral, instead of multilateral, trade agreements. Misconceptions and wrong perceptions must be addressed in a timely manner and nipped in the bud before they escalate into conflicts.

The AIIB not only represents China's efforts to step up to the plate and lead, it is also indicative of global efforts to work together for the greater good as the AIIB is the first multilateral institution where countries have come together to finance risky and large-scale but transformative projects. The AIIB is taking shape to become a global institution for Asia, focused on providing Asian solutions to Asian issues. The challenge lies in creating a modern and revolutionary development bank focused on addressing the infrastructure demands of developing Asian economies with efficiency and effectiveness.

In designing and structuring new development banks, including the AIIB and the NDB, founding members must be forward-looking, innovative and not be constrained by history, Shaukat Aziz advised. These institutions must be relevant and designed to meet the needs of emerging economies. In the spirit of cooperation and understanding, the new banks must integrate best practices from the past, yet complemented with modern corporate governance to ensure flexibility and effectiveness.

The new bank must be based on meritocracy to attract the best talent and avoid the pitfall of management by compromise, which has stymied the effective functioning of the existing Bretton Woods institutions. Li Ruogu strongly suggested concentrating on the charter establishment and the swift commencement of financing operations. The AIIB can also work with the China Development Bank as well as other foreign banks in a concerted effort to achieve real change on the ground.

To remain commercially viable, the AIIB will need to reap commercial returns on its investments, Hu Huaibang reckoned. Economic profit, however, should not be the sole driver. There should be a focus on social responsibility as well. Supporting the upgrading of infrastructure must bring tangible benefits to people, Jenny Shipley maintained. Improvements in sanitation can lead to positive spill overs such as promoting gender equality and education, added Josette Sheeran. The focus must be on attaining beneficial people-centred outcomes.

The private sector can have a role to play through public-private partnerships (PPPs), Steve Almond told delegates. Private-sector participation can increase certainty, provide confidence and mitigate the risks of projects. With a PPP, private entities would be reassured that rules will not change and there would be greater trust that public spending would not be misused. A government-led transparent framework could be a conduit for tapping the vast resources of the private sector, which will be needed if major infrastructure projects are to be financed and concluded successfully.

Finally, the establishment of the AIIB and NDB has garnered immense support from many countries. This not only represents China taking on greater responsibility in world leadership but also represents a collective and resounding vote for efforts to continue globalization and sustain development.

Capital Market 2015: Reform Dividend & Investment Strategies	
Moderator:	Liu Jipeng, Director of Research Centre of China University of Politics and Law
Speakers:	Ji Ming Ha, Vice Chairman and Chief Investment Strategist, the Investment Strategy Group for Private Wealth Management, Goldman Sachs Fred Hu, Chairman and Founder, Primavera Capital Group Lee Sush-Der, Chairman, Taiwan Stock Exchange Li Jiange, Vice Chairman of Central Huijin Investment Ltd; Chairman of Shenyin & Wanguo Securities Neil Shen, Global Steward, Sequoia Capital Wang Boming, Editor-in-Chief, Caijing Wu Xiaoqiu, Director, Financial and Securities Institute, Renmin University
Key points:	• China's stock market cannot reflect and respond to the changes of the real economy, largely due to its policy-driven nature. • For a fully functioning capital market to support the real economy, policymakers must now step back and let the market decide. • The long-awaited registration-based system of IPO will help clarify the role of government and market, and allow companies to meet their financing needs without banking intermediation.
Synopsis:	China's stock market index has been rising rapidly despite China's sluggish real economic growth since November 2014. Panelists believed that the upswing is mainly driven by monetary easing cycle policy. Ha Jiming noted that his company's research indicated a strong relationship between stock market growth and money supply growth rather than GDP growth. Investors, anticipating diminishing returns from the once-hot property market, are adding equities to their portfolios boosting this upward momentum. Wu Xiaoqiu noted that while currently PBOC is helping this by cutting the interest rate and reserve requirement ratio, this trend towards equities is also a long term advantage of China's structural change. Wang Boming said that whether this policy-driven boom is sustainable requires policymakers to step back and let the market decide. It has already been 25 years since the establishment of China's stock market and it was now time to foster a fully functioning capital market which can effectively support the real economy. The long-awaited registration-based system of IPO will help clarify the role of government and market and allow companies to meet their financing needs without banking intermediation. The current approval-based system has led to excessive government intervention and a distortion of IPO demand and supply. While this may help stabilize prices in the short-term, it actually hampers the development of the market for the long-term.

Artificial Intelligence: Devil or Angel?	
Moderator:	Zhao Yong, Co-Founder, CTO, Deep Glint; Co-Developer of Google Glass
Panellists:	Ben Goertzel, Chief Scientist, Aidyia; Chairman, Artificial General Intelligence Society Kenneth Gullicksen, Chief Strategy Officer, Evernote Hsiao-Wuen Hon, Chairman, Microsoft Asia-Pacific R&D Group Yossi Vardi, Israeli Entrepreneur & Investor Yu Kai, Deputy Managing Director, Baidu Institute of Deep Learning
Key points:	• There are two kinds of artificial intelligence (AI) technologies - narrow AI and artificial general intelligence (AGI), focusing on special-purpose and general purpose respectively. • Most resources are channeled into special-purpose and controllable AI technologies which are and will remain where the area of greatest opportunity. • Panelists are optimistic about AI's future, but also aware of the ethical issues it may cause. • Every groundbreaking advance comes with uncertainty. It's not the matter of technology, but the person behind it. Society should devote time in building an ethical system.
Synopsis:	Generally, when people talk about artificial intelligence (AI), they need to clarify what type of technology they are talking about - narrow AI or artificial general intelligence (AGI). Narrow AI refers to technologies focused on solving specific problems. The fundamental technology behind it is the capability of big data analytics. Narrow AI has started being utilized in various areas, such as financial data aggregating, smart phone or self-driving cars. AGI, on the other hand, aims to build "thinking machines" with intelligence comparable to that of the human mind, and perhaps ultimately well beyond human general intelligence. Imagine what we have seen in Hollywood movies. Panellists and scientists discussed the specific applications of artificial intelligence, which will significantly impact our life even in the space of the next 5 years. Most of them agreed that most resources will be channelled into special purpose and controllable areas. People have seen dramatic improvements in human-computer interaction (e.g. such as Siri, the personal assistant), enabled by speech recognition and natural language understanding technologies. In the area of life sciences, gene sequence and gene technology provide huge data to unlock the secret of human life. The home service robot is also likely to come in 5 to 10 years. As such, these AI subsets are - and will remain - the focus of activities and with the greatest opportunity. Most panelists are optimistic about AI's future, but also aware of the ethical issues it may cause. For now, this concern is premature as AI technology is still in its infancy, and far from being a threat. "Worrying about the AI threat is like worrying about the over-population on Mars" noted Yu Kai. In addition, there is no hard evidence that we are able to program a machine to produce self-consciousness, empathy or curiosity, which is the fundamental difference between humans and machine. Ben Goertzel argued that no hard evidence is not equal to impossible. No doubt, humans are capable of developing more powerful AI as technology evolves, and the higher the benefit, the higher the potential risk. Uncertainty comes with every new advance. Facing the ethical issue, some panelists believed humanity will prevent, while some argued human morality may not be powerful enough and society should devote time in building an ethical system.

Transcending the Cold-War Mentality: A Fresh Outlook on Security Architecture in the Asia Pacific	
Moderator:	Dongxiao Chen, President, Shanghai Institute for International Studies
Speakers:	Timofey Bordachev, Chief, Research Programs, Council on Foreign and Defense Policy (CFDP) Paul Evans, Professor, Institute of Asian Research and Liu Institute for Global Issues, The University of British Columbia Bob Hawke, former Prime Minister, Australia Tan Sri Rastam Mohd Isa, Chairman and Chief Executive, Institute of Strategic & International Studies (ISIS) Wang Yingfan, former Vice-Minister of Foreign Affairs, China Hugh White, Professor, Australian National University
Key points:	• China envisions a security architecture along the lines of ASEAN - inclusive and cooperative, and based on open regionalism. • From China's perspective, the US is an Asia-Pacific country but not an Asian nation. The US presence in the region is not going to disappear. • Sorting out the dynamics of the relationship between China and the US will be vital to the future regional security architecture. • The possible cooperation between China in the US in addressing global security problems such as in the Middle East could have positive impact on the security architecture in Asia. • China's economic rise inevitably means that the security framework in the region must shift. While both the US and China agree that this must happen, they differ on what the architecture should be and whether the US should retain its regional primacy. • Institutions and their underpinning principles and purpose matter. Institutions without balance will not work and will not enable a new security order. • China is beginning to articulate its vision of the world, but its regional initiatives have not yet provided a clear vision of where the world might be heading. Deeds seem to go in a different direction from the rhetoric. The concept of "cooperative security" needs to be fleshed out.
Synopsis:	Wang Yingfan outlined China's vision for a win-win security concept in the Asia-Pacific region, noting that it is drawn very closely along the same lines of the ASEAN vision. The region cannot have a security architecture like Europe's but neither does it have to build something from scratch, noting that there are already institutions and mechanisms in place including the Shanghai Cooperation Organization, the ASEAN Regional Forum, the East Asia Summit, the Six-Party Talks on the Korean Peninsula, and annual conferences such as the Shangri-La Dialogue and the Asia-Pacific Roundtable. "Building a security architecture is a gradual process and we can learn from ASEAN," Wang Yingfan explained. "We should focus on the concrete needs of the countries in the region." Current and future cooperative projects should cover disaster management, anti-terrorism, cyber security, maritime security, climate change, public hygiene, food, and energy security, he noted. "These projects will the foundation for the future security architecture. We can gradually expand the scope and role" of the mechanisms and arrangements. With regard to the US presence in Asia, Wang noted that "the US is everywhere; it won't disappear. We will have Asia security cooperation and bilateral military alliances." But, Wang Yingfan noted, the US is within the Asia-Pacific region, but is not an Asian country. Open regionalism is important to China, he added: "Asia's security concept aims at common and cooperative security and must be inclusive and open and take care of the security needs of everybody. We must not exclude or separate members from other regions. We must not view security with the old mentality but rather must transcend the Cold War mentality."

Transcending the Cold-War Mentality: A Fresh Outlook on Security Architecture in the Asia Pacific

Synopsis: The critically important issue in regional security is going to be the relationship between China and the US, said Bob Hawke. China's leadership is impressive because of its intelligence and realism, he remarked. But "we can't just draw a curtain and say that the security of the region depends on the architecture and policies within the region. What happens in the rest of the world impacts what is happening in this region."

Hawke noted China's developing interest and commitment to addressing the problems in the Middle East. "My view is that it would make enormous sense if the US and China were to combine their leadership to address the issues in the Middle East. It would change the tenor of the discussions entirely. If you have a situation where the US and China are working closely on one of the world's major security threats, it would be relevant to security in Asia. This would strengthen the relationship and attitudes with regard to security in this region."

For his part, Tan Sri Rastam Mohd Isa said that annual meetings such as the Asia-Pacific Roundtable, which is organized by ISIS, are important. The forthcoming edition will be looking at the new security environment in the region, going beyond traditional security issues. "Southeast Asia should not be an arena of competition," he told participants, explaining the motivation behind ASEAN in its early days. "What we need is a zone of cooperation and development." He added: "There needs to be dialogue, consultation and cooperation. We should have cooperative security, while looking at it from the global context."

The Asia-Pacific should focus on building its security institutions, making sure that the purpose and principles underpinning them are clear, Timofey Bordachev said. "Institutions presume a certain order, but keeping order requires the power necessary to bring nations to obey that order. The decisions about what countries provide those forces are important. Institutions without balance do not work." While bilateral alliances can help keep the order, a multilateral framework is necessary. Russia, for its part, has not yet figured out what role it should play in Asia. "We already play a role in Asian security because of our friendly relations with China," Timofey Bordachev explained.

The fundamental shift in global economic power, with the rise of China, suggests a shift in the strategic power, Hugh White said. "The principal challenge for regional security is the nature of that new model of great-power relations that has not yet been agreed between China and the US. China and the US both desire a peaceful future for Asia but have differences. The US wants to preserve US primacy and keep the structure. China seeks a different model, where the roles are different, based on equality rather than with the US at the top." This difference in perspective does not mean there will be conflict in the region, Hugh White added. "The region and the major powers must focus on reconciling their conflicting visions. The sooner that China and the US can move together on this issue the better."

Paul Evans noted that in the sessions at the Boao Forum that he attended there was very little discussion of security issues. A tense security situation would limit the economic opportunities in the region now and in the future, so economics should not be the only defining feature of the region.

The Chinese regional initiatives and thinking are creative and provide a general outline of where the world might be moving, but they are still not yet clearly defined and have not yet overcome the suspicions of others in the region. Deeds seem to more in a different direction, Paul Evans pointed out. "The Chinese initiatives are to be applauded and built upon but it is difficult to build a good regional discussion on them." The concept of "cooperative security" needs to be fleshed out.

Doing Business the Internet Way

Moderator:	Lu Binging, Founder, B-Doing
Panellists:	Charles Chao, Chairman and CEO, SINA Corporation; Chairman, WEIBO Corporation Soul Htite, Co-Founder, Lending Club Seng Yee Lau, President of Online Media Group, Tencent; Senior Executive Vice President, Tencent Holdings Liu Qiangdong, CEO, JD.com Inc. Ma Weihua, Chairman, Wing Lung Bank Ltd.; Former Executive Director, President and CEO, China Merchants Bank Pan Shiyi, Chairman, SOHO China Ltd Zhang Yaqin, President, Baidu
Key points:	• The Internet is expanding information sharing which helps the market with better allocation of resources. • The Internet economy may be a fresh business model but participants also need to be profit-oriented in order to sustain their business. • We are living in an age of risk but the real risk is when people are not prepared for the upcoming changes and challenges ahead.
Synopsis:	The Internet is expanding information sharing thus getting resources better reallocated in the market. People are more closely-connected than ever before by the Internet. Real-time, online uploading, sharing and messaging are making it possible to collect huge amounts of data on personal preferences and customer behavior, which inform and enhance efficiency of sales and marketing. Overall, the essence of business remains unchanged, however some panelists argued that the Internet is impacting profit maximization by reducing the transaction cost and raising social efficiency. The Internet economy may be a fresh business model but participants also need to be profit-oriented in order to sustain their business. Free services are a tool used in the preliminary phase for getting more market share, and is backed by advertising revenue. More traditional companies are being motivated to generate new growth by renovating and transforming their conventional business model. In 2004, Jing Dong launched a round of cost analysis during its critical reform. The findings indicated that the cost of online stores is only half of the cost of their 12 physical chain stores. Based on the analysis, Jing Dong shut down all of their physical stores. It is no easy job for entrepreneurs to win a place in Internet industry. The panel quoted Bill Gates on the danger of the traditional banking industry becoming extinct in the 21st century unless an overhaul was carried out. The same is true for the Internet. From traditional PC Internet to mobile Internet, the Internet transformation is unprecedented. We are living in an age of risk, and people need to be more aware of this and prepared for the changes and challenges ahead. The panel acknowledged that the main force of consumption, youngsters born after 1990s, is a whole new generation which perceives the world with and from the Internet, and has a completely different approach for knowledge acquisition, interpersonal communication as well as shopping and purchasing. While people of different generations vary in how they think and act, especially in their attitude towards cutting-edge technology, the quality of the product and service will still be the determining factor in retaining customers.

Brainstorming: Rethinking Global Governance

Moderator: Tian Wei, Anchor, CCTV

Panellists: Cyril Muller, Vice President, World Bank Group
Thomas Friedman, New York Times columnist; Author, The World is Flat
Pascal Lamy, Former Director General, World Trade Organization
Kevin Rudd, Former Prime Minister, Australia
Shaukat Aziz, Former Prime Minister, Pakistan

Key points:

- Global governance needs reform, which has to be a continuous, evolving process. Meritocracy should define any reform of the Bretton Woods institutions. Change must be implemented in a radical, not incremental, manner. Most important, there is a need to change mindsets about the roles and identities of multilateral organizations.
- The large gap in infrastructure financing needs to be filled. This requires international cooperation as no single institution can fill this deficit. The main challenge is to facilitate private investment, with public funds taking the lead to instill confidence and certainty.
- Sustainability in engaging Mother Nature and the markets is of utmost importance. Toying with these 2 forces for too long will have consequences such as restrictions on human activity.
- The US and China are in a symbiotic relationship, intertwined in economic and geopolitical matters. Without policy coherence between them, meaningful change cannot take place.

Synopsis: The global order - economic, political and strategic - is showing signs of fracturing. Global governance has been in gridlock in recent years after being captured by politics and diplomatic posturing. For example, the reform of the International Monetary Fund (IMF) is stuck, because of partisan bickering in US, where the administration has supported the changes but Congress has no. Multilateral institutions have not been able sufficiently to address global challenges. Global governance is therefore ineffective.

Comprehensive reform is necessary. This should be a continuous, evolving process, said Shaukat Aziz. Merit must be the defining quality in implementing reforms of the Bretton Woods institutions. Strong, bold leadership is required to institute changes in a radical, not incremental, manner. There is need to change mindsets about the roles and identities of multilateral organizations.

National governments, explained Pascal Lamy typically possess 3 attributes: leadership, legitimacy, and efficiency, which is usually provided by technocrats. At the global level, there are deficiencies. The G20 has leadership but no legitimacy and efficiency; the United Nations has legitimacy but no leadership and efficiency; and technocrats can be efficient but have no legitimacy or leadership. The challenge is how to have a coordinated system or institutions that provide leadership, have legitimacy and operate efficiently so that the full potential benefits of global governance may be realized.

The debate about global institutions is a false one. The real issue is the infrastructure deficit that is emerging on a global scale, in both developing and developed countries. Faced with such enormous requirements, there is a need for international cooperation and coordination to raise financing. Had the US Congress not opposed the proposed IMF reforms, the debate about the global and regional financial architecture would be very different today. The China-backed Asian Infrastructure Investment Bank (AIIB) is about to be established. The World Bank, the Asian Development Bank, the private sector and the AIIB could come together in a concerted effort to address the shortfall in infrastructure financing.

The US and China are effectively "one country, two systems", given that both are in a symbiotic relationship, closely intertwined in economic and geopolitical matters, Thomas Friedman proposed. Without policy coherence between them, change cannot take place in a meaningful way. When the 2 behemoths forge common ground to work together, they can exercise strong leadership and make collective decisions on global issues.

Brainstorming: Rethinking Global Governance

Synopsis: The 3 forces that have the most significant impact on the world are in non-linear acceleration. Call them the "Three Ms".

- Moore's Law: The doubling of technology every 2 years has driven the fast pace of innovation that has led to such advances as self-driving cars and supercomputers that can beat chess grandmasters.
- Markets: The impact of globalization, trade flows and the ballooning of debt across the world will be keenly felt.
- Mother Nature: Climate change will unleash great damage if global warming is unchecked. Exponential population growth will put further pressure on the ecosystem and could result in biodiversity constraints.

Sustainability in engaging Mother Nature and the markets is hugely important. If humans toy with these 2 forces for too long, there will be consequences. In a world were the access to and availability of information is becoming pervasive, workers and countries cannot afford to be average. It will not be enough to simply have information. Those who add value to the information and data and can come up with insightful analysis and solutions will be sought after.

Internet Governance	
Moderator:	Shumin Cao, the President of China Academy of Information and Communication Technology (CAICT)
Speakers:	Rod Beckstrom, the President and CEO of ICANN Houlin Zhao, Secretary-General, International Telecommunications Union (ITU) Luigi Gambardella, the president of China EU Tan Sri Rastam Mohd Isa, Chairman of the Institute of Strategic and International Studies (ISIS) Malaysia Wu Haitao, Coordinator for Cyber Affairs of Ministry of Foreign Affairs of the PRC Zhang Cheng-gang, the director of the China Internet Illegal Information Reporting Center, the Cyberspace Administration of China
Key points:	• The debate on Internet governance highlighted the need for common international law on cyber security, while maintaining the multi stakeholder structure of the Internet. • Following disclosures in 2013 that the US government conducts mass global surveillance of the Internet, governance institutions are facing criticism over their controls. • Privacy, cyber security and net neutrality are key issues of Internet governance being debated by institutions globally.
Synopsis:	With over 75 percent of the people in the world thinking that access to Internet is their right, the issue of Internet governance can generate heated debate. The general consensus of the discussion was that the focus should be on preserving and protecting the Internet, validating the fundamental right that most people believe they have. The International Telecommunications Union (ITU) estimates that 39 percent of the world's population used Internet services over the past year, with over 97 percent of all telecommunications information carried over the Internet. Rod Beckstrom set the context by stating that the Internet continues to increase in complexity, raising many issues such as cyber terrorism and cyber security. Governments reserve the sovereign right to implement policies to protect their citizens by enforcing policies related to the Internet, thereby moving the debate on national security beyond territorial boundaries. Restrictions are the subject of recent debates globally. There are varying perspectives regarding their implementation, highlighting the need for overarching international laws on cyber security. Houlin Zhao stated that the debate on Internet governance should include all countries rather than a small group. Restrictions on access notwithstanding, users continue to find ways around domestic security regulations. These loopholes have also given way to cyber crimes such as the recent hacking attacks on Sony Pictures. Terrorist groups such as the Islamic State of Iraq and Syria (ISIS) are promoting their ideologies on social media platforms to influence people into committing terrorist acts and joining them. In an effort to combat this, ASEAN countries have already enacted legislation to allow governments to monitor Internet traffic. In the long term, maintaining the multi stakeholder structure of the Internet is critical to achieving the goals of Internet governance - to preserve and protect the Internet. The multi stakeholder structure includes governments, civil society, the private sector, academic and research communities, and domestic and international organizations. The global reach of the Internet and its related issues affect all countries. To have a more inclusive debate on Internet governance, the panel agreed that non-governmental institutions should be involved. While time consuming and arduous, "governing together internationally" would avoid polarizing countries, allowing them to table the issues of concern to them and develop common international law.