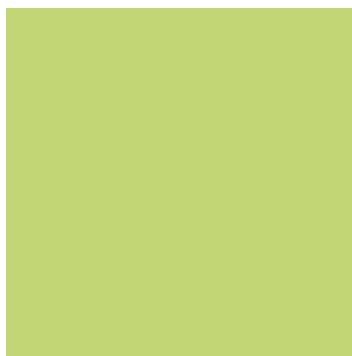
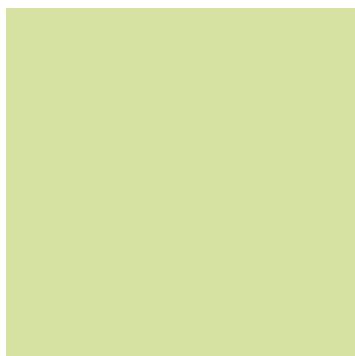




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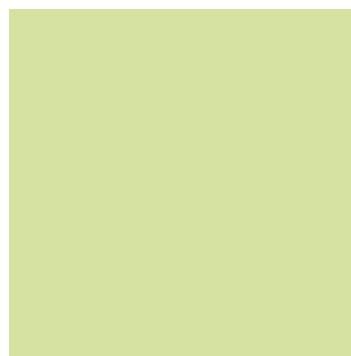
Asia's Realistic Choice for Sustainable Growth

绿色复苏：亚洲可持续发展的现实选择

Boao Forum for Asia

Annual Conference Report 2010

博鳌亚洲论坛2010年年会报告



Preface



What a difference a year makes. The mood and focus of participants of the 2010 Annual Conference in April was very different from that prevailing the prior year. Over 2,000 delegates from around the world gathered in Boao for this year's conference. This is an increase of 43 percent over 2009 and the largest attendance in the history of the BFA AC. Whereas last year everyone's immediate priority was on collaborating to manage beyond the global economic crisis, this year participants were keen to discuss a vision for the region's future.

This year's theme of "Green recovery: Asia's realistic choice for sustainable growth" is noteworthy because it was developed in response to participants' feedback that this is what they were interested to discuss with their fellow delegates from government, business and academia. This is not the first time in our BFA AC's history that participants have gathered to discuss economic integration or the environment. However, it is the first time that participants have done so with such an overwhelming conviction of the compatibility of the two, as well as the existence of real, significant and immediate prospects for profitability from corporate responsibility.

I cannot think of a more meaningful topic for this, my final, Annual Conference after seven years as Secretary General to the Boao Forum for Asia. I look back with deep appreciation for the diversity of important topics discussed and networks formed, and thank everyone for the great support to the Boao Forum for Asia since its inception. I look forward with great excitement to the future exchanges of views and ideas that will take place in coming years among the ever expanding network of leaders of government, business and academia worldwide who attend the Annual Conference.

A handwritten signature in black ink, which appears to be 'Long Yongtu' in Chinese characters.

Long Yongtu
Secretary General
The Boao Forum for Asia

Introduction

The Boao Forum for Asia Annual Conference 2010 (BFA AC), on 8-11 April, attracted over 2,000 delegates from around the world - the largest attendance in the history of the Forum. Following a dramatic year for the global economy, the mood was no longer one of uncertainty and the focus no longer on the causes of the financial crisis. There was a level of optimism about the future, a sense that recoveries were underway almost everywhere, and a belief that the nature of the recoveries around the world could be shaped to achieve some of the most significant goals of sustainability and quality of life.



Xi Jinping, Vice President, People's Republic of China



Long Yongtu, Secretary General, Boao Forum for Asia

The keynote addresses of the Opening Plenary by Vice President of the People's Republic of China, Xi Jinping, as the senior Chinese leader attending, and ten other distinguished political and business leaders focused on green growth. The guiding premise was articulated by Secretary General Long Yongtu, that growth itself is not enough and that a green recovery of quality, efficiency, and friendliness to the environment is needed. On that premise, delegates looked ahead to the new order, and explored questions about energy, agriculture, finance, regulation, trade, and ecology.

There was emerging consensus from the sessions overall that the financial problems of the major economies were by no means completely solved, but that the acute crisis appeared to be behind us. Meeting the goals of green growth was viewed less as an unavoidable cost of doing business and now more as an opportunity to grow business. Yet another point of consensus was that Asia as a region was emerging from the crisis with both new influence and new responsibility to stabilise the world's economies and financial interactions.

This year's Forum featured a wider range of formats, including major keynotes, panel sessions, workshops, working breakfasts and lunches, and roundtables. Some of the events included the use of polling, so part of this year's Forum record are poll results on some key questions related to the major theme.

The Boao Forum for Asia was founded in February 2001, shortly after the Asian Financial Crisis had ended. Since the first annual meeting was held in 2002, the Forum has grown steadily in size and influence. Participants in this year's meeting widely noted that the Boao Forum for Asia had reached another milestone in 2010, the result of several converging events. These include the general recognition that Asia had played a major role in the recovery from the most severe stages of the global financial crisis, and that in the future Asia would be playing a key role in meeting the challenges that were the theme of the conference, green growth and sustainability.

The milestone reached in 2010 was recognition that the BFA AC now ranks among the major global meetings of government, business, and academic leaders in the world. The Board of Directors and the Secretariat of the Boao are proud of that recognition and the influence it implies. They are also aware that with greater influence comes greater responsibility. Bearing that in mind, we are pleased to present this BFA 2010 Annual Conference Report.

The Annual Conference Report is organised around five major ideas that tied all the events together.

- **The Opening Plenary**

- The state of global and national economies
- The shared goals of meeting the world's green growth challenges

- **At the global level: green recovery**

- Evolution of green business
- Government and business roles in transition to a green economy
- Future drivers and business opportunities

- **At the regional level: the development of emerging economies & the cooperation of regional economies**

- Increasing importance of emerging economies in the world economic structure
- Cooperation of regional economies
- Guarding against trade protectionism

- **At the national level: the transformation of China's economy**

- Key role of capital markets in the transformation
- The rise of the private sector
- Move to consumption
- Building capabilities in innovation and technology
- Debate over whether there is an asset bubble

- **At the firm level: corporate governance and growth**

- Lessons from the crisis
- Response to post-crisis changes
- M&A - inbound and outbound

The Opening Plenary

The state of global and national economies

At the opening, Secretary General Long Yongtu defined the thinking of the underlying theme for the 2010 Annual Conference. Noting that the world had moved beyond the anxiety and gloom of last year's fiscal crisis discussions, Secretary General Long focused on the right kind of growth.

Reflecting the spirit of the BFA AC, BFA Chairman, President Fidel Ramos asked all in the room to shake hands with several of their neighbours and, true to it, BFA AC delegates did so.

Both completed their opening statements with clear reminders of the challenges that lie ahead. To meet them, President Ramos envisioned dialogue, interaction, and cooperation contributing to a brighter future for Asia. "That is why we are here," President Ramos said in his concluding comment.



How can we make sure that what we are seeking is not only sheer economic growth in numbers? Rather it is a green recovery of quality, efficiency, and friendliness to the environment...

Long Yongtu, Secretary General, Boao Forum for Asia



We have many reasons to be optimistic, my dear friends. Asia has taken the lead in moving out of the crisis...

Fidel Ramos, Chairman of the Board of the Boao Forum for Asia and Former President, the Philippines

The shared goals of meeting the world's green growth challenges

Speakers at the Opening Plenary consistently stressed the shared interests that tie Asia together, in spite of vast differences in culture, language, economies, and stages of development, and the imperatives to cooperate facing the future. Deputy Prime Minister of the Democratic Republic of Timor-Leste, Jose Luis Guterres, was acutely aware of the dangers posed by climate change to his homeland as it is not a highly industrialised economy but depends on agriculture and other forms of food production. However, even as the government is committed to green growth and sustainability, it must also be realistic in promoting essential development. Guterres was clear both on the opportunity that leaders have at the BFA AC to strengthen the foundation of cooperation, and on the hard work to realise it.

Karim Khalili, Vice President of the Islamic Republic of Afghanistan, catalogued the many challenges the world faces, even though the acute risks of the global financial crisis appeared to be under control. These include everything from food and water shortages to climate change. And while Asia has 3 billion consumers and adequate resources, careful use of these resources and cooperation among Asian countries is essential for sustainable growth.

In describing Afghanistan's strategy and strengths, Vice President Khalili emphasised that the chosen growth model would depend on market development driven by private enterprise. Nonetheless, it would be wholly consistent with Asia's green growth agenda and committed to sustainability.

Sukhbaatar Batbold, Prime Minister of Mongolia, acknowledged the economic leadership China had shown in restaging growth across Asia since the crisis, but he also noted it was at a fragile stage. Asia has the opportunity to invest in sustainable growth, green growth, and China leads the world in such investment. He reviewed Mongolia's focus on changing from brown to green, especially in the areas of mining, railway, and building sectors. But, echoing the comments Guterres made about balancing the green agenda with critical growth needs, he noted that Mongolia cannot ignore the potential of high value mining of other natural resources, especially in metals. Prime Minister Batbold said that Mongolia has a very delicate economy and transformation of Mongolia's growth model is urgent. Yet, as much as the need to transform is urgent, it cannot be expected to happen overnight.

Afghanistan, having gone through 30 years of war and instability, over the last eight years has made achievements in the areas of sustainable development and social economic growth that make us proud

Karim Khalili, Vice President, Islamic Republic of Afghanistan

Lars Lokke Rasmussen, Prime Minister of Denmark, took the discussion a step farther, introducing the theme that green growth is both good for the environment and business. That theme, also the topic of a special CEO Roundtable, was something well-proven by Denmark's recent growth. He reported on specific policies including encouraging zero-emission cars, energy efficient building, and setting some challenging goals. The Prime Minister was optimistic because the economic crisis, which he believes is moving toward a solution, also highlighted the importance of green growth and the effectiveness of global cooperation, as well as cooperation between government and business. In concluding, Prime Minister Lokke Rasmussen said, "Look not to the politics of the past, but the opportunities of the future."

President Choummaly Sayasone, President of the People's Democratic Republic of Laos, echoed the sentiment of many of the early speakers, noting how increasingly important the Boao Forum had become in recent years, representing in particular an opportunity for Asian countries to meet and be heard. Applauding several emerging economies for high growth and economic stability in the wake of the global crisis, President Choummaly commented on the continued importance of openness to investment and trade.

We have set the aim of being among the three most energy efficient countries in the OECD by 2020, as well as being among the top three countries that increased its share of renewable energy the most

Lars Lokke Rasmussen, Prime Minister, Denmark



I was very happy to see China, India and other emerging economies maintain high growth rates, while managing to maintain macroeconomic stability as well

Choummaly Sayasone, President, People's Democratic Republic of Laos

Three corporate leaders participated in the Opening Plenary to share their insights from the business perspective. Mohamed Al-Mady, Vice Chairman and CEO of the Saudi Basic Industries Corporation, stressed the commitment to research and cooperation to reduce energy intensity and emissions throughout the industries in which it participates. To this end, it is working with suppliers and customers. These are not only good environmental practices, but they are good business practices and will strengthen business performance, a theme that emerged as well from the BFA CEO Roundtable on the Profit in Green.

Andrew Forrest, Chief Executive Officer of the Fortescue Metal Group, commented on the confidence he had in the future of China having had an opportunity to speak directly with Vice President Xi Jinping and other leaders the previous day. Specifically, he noted that no country in the history of the world had done what China has in alleviating poverty for such a large number of people. He also applauded the innovation evident in areas such as China's high speed rail development. Recently constructed lines featured stable, efficient, clean and fast transportation representing a great achievement in technical development. Mr. Forrest reached back into Chinese history, quoting Confucius to support the notion that all nations had a common goal to achieve what is good for each other as well as for themselves.

Par Ostberg, Senior Vice President of the Volvo Group and the final corporate speaker, commented on what an apt choice this year's theme was, given the current state of development of Asian economies. He expressed optimism, noting that the high levels of leaders assembled at the BFA AC indicated the



commitment to finding solutions to today's challenges. China is now the meeting place for leaders from all over the world, and this Forum is part of a historic opportunity to make positive decisions that will benefit all parts of the world.

The major report of the Opening Plenary was delivered by Vice President of the People's Republic of China, Xi Jinping. Vice President Xi reviewed China's progress in the green growth agenda. He reiterated China's support for international accords and commitment to cooperation with international bodies and neighbors, stressing how the formula China uses in this discussion, "common but differentiated capacities," contributes to global goals.

After welcoming all the distinguished guests on behalf of the government of China, Vice President Xi commented on the contribution of the BFA AC in fostering dialogue among Asian nations. Vice President Xi noted that Asia had been through two crises, the Asian financial crisis, then ten years later, the global financial crisis.

Vice President Xi reviewed the many steps China had taken in response to the crisis to maintain growth and stability, while focusing on continued reform of the economic model and increased emphasis on development of domestic markets. Reform must continue forward, in spite of the urgent steps needed to meet the challenges of the crisis. And of course, along with the development of the economy, development of society overall remained a key priority. This includes development of science and technology, protection of the environment, preservation of resources, and an overall increase in the efficiency of development.

Approaching the new millennium, China had committed to becoming a developed nation and great progress has been made. At the same time, China remains committed not only to its own development, but also to cooperation and support of the development of its Asian neighbours and ultimately to the peaceful development of the entire world.

Vice President Xi expanded on the various aspects of development. For example, the development of science and technology includes the improved efficiency in the use of resources, protection of the environment, and enhanced quality of life. He reviewed some of China's accomplishments in achieving higher efficiency, citing statistics demonstrating reduced negative impact on resources and the environment as China continued its high rates of development in the most recent decade. Specifically, he noted that China had achieved significant drops in key measures such as energy consumed per unit of GDP growth, CO₂ emissions, and emissions of other gases and toxic waste products. These accomplishments are a contribution to Asia and the rest of the world in meeting the challenges of global warming.

Vice President Xi urged all Asian leaders to join China in continuing the drive toward economic and social development and protection of the environment. Indeed, meeting these goals is a responsibility shared by all nations, including the developing nations of Asia. He announced that moving forward, China had committed to a very specific agenda for addressing the challenges of the day, especially green growth and sustainable development.

This agenda was set forth in a plan for "Six Actions", and Vice President Xi's strong emphasis and concrete explanation of these suggest they will be important guidelines for the Chinese government in the years ahead.

1. Shift the development model to green development, green consumption and green lifestyle
2. Promote science and technology to achieve low carbon goals, develop technologies to use all resources more efficiently and develop substitute energy sources

3. Open up more widely to the outside world with fair and open trade and investment in order to achieve harmonious development related to green growth and the common good
4. Strengthen global cooperation to develop and manage new energy resources to sustain common development progress. Global cooperation is indispensable if the development of Asia and all nations is to be sustainable
5. Eradicate poverty and reverse the widening gap between rich and poor all over the world. Vice President Xi noted that some 900 million people in Asia live below the poverty line
6. Focus on talent development to accelerate and sustain green growth development progress. Asian nations and the world overall in the future will depend on high levels of innovation to achieve the comprehensive development that all nations wish to achieve

The Vice President concluded his remarks by noting that individual nations have responded to the global crisis to promote economic stability and growth, and they have worked to enhance their competitiveness in the global marketplace. Still, to take care of Asia and to take care of the entire world, it is critical to enhance cooperation on the key challenges of protection of the environment and sustainability of overall growth.

The most basic goal of green growth and sustainable development is to improve the environment in which people live their lives and raise their standards of living

Xi Jinping, Vice President, People's Republic of China

At the global level: green recovery

It is increasingly clear as the worst of the financial crisis fades that the world is now presented with a set of new opportunities to remake itself in the wake of destruction. It is clear that these opportunities must be seized while they are available and the global order transformed in order to move towards greater economic balance, improved quality of life and coordinated sustainable development for a larger portion of the world's population. This new global order cannot be achieved without a strong focus on environmental issues. Vice President Xi Jinping's emphasis on "Green Growth, Green Consumption and Green Lifestyle" encapsulated the idea that the most successful recovery with the broadest implications for a sustainable economy must be one that incorporates environmentally sound policies, policies that encourage the private sector to go green and that promote eco-friendly choices on the individual level. Only with such a far-sighted commitment across all levels of society can a truly enduring recovery take place that ensures the future health and prosperity of coming generations.

recognise that the same measures contributed to cost savings. They were no longer so opposed to incorporating such methods into corporate governance and saw business benefits in going beyond what regulations require in terms of energy and waste reduction, for example.

Even more recently, the thinking has again shifted. Now, CEOs recognise that sustainability represents not only cost savings, but also can contribute dramatically to revenue generation. With the increasing popularity of new green products and services, and with the increasing importance of developing a green reputation in the marketplace, firms recognise great potential for profitability arising from sustainable business practices. This progress through three stages is recognised in concepts like "from green to gold" and the topic of the BFA China CEO Roundtable, "The Profit in Green."

This transformation raises the question: What changed? What cultural, political, or economic forces combined to produce the idea of "green business," and what made green business blossom into a driver of profits and growth?

Participants in the China CEO Roundtable discussion agreed that originally, it was compliance pressures that drove business to begin to go green. Over time, what began as regulatory pressure transitioned to a form of market imperative; consumers demanded good corporate behaviour and drove the need to bring green products and services to market as a fundamental matter of corporate reputation. Additionally, in order to compete effectively, businesses had to act sustainably to cut costs and drive profits.

Government continued to play a key role, but that role shifted from "less stick" to "more carrot." Incentives came into greater play in encouraging and promoting green innovation and green choices, both at the corporate and individual levels.

Polling conducted at the CEO Roundtable made clear that the change over just one year had been dramatic. Over 50 percent of participants in the roundtable discussion asserted that their companies already benefit from sustainability in terms of cost management and profitability. One participant noted that green products and services accounted for 18 percent of his company's revenue. An even greater majority anticipated that "green" was going to contribute hugely to their firms' future growth.



Evolution of green business

In the past, the push for environmentally responsible business practices was met with resistance in the private sector. Business leaders viewed "going green" as a burden as it represented an added cost they would have to incur to do business. Over time, however, a shift occurred. As sustainable business practices became a norm, business leaders began to

{In the past}, everybody look{ed} at {going green} and thought, this is going to be an added cost of doing business. That view gradually shifted to how can we leverage and take advantage of being more energy efficient, as the cost of energy continues to rise, and as government provides incentives, how can we take advantage of some of these incentives? What we are entering today is actually what we call stage three looking at the major touch points of the green initiative, looking at how can I incorporate that into my business?

Chris Lu, CEO, Deloitte China



Given that the government and business partnership is more integral in the Chinese model to green growth the strengths {of this model} are: first of all, China has money; second of all, the government has power; and thirdly, the government has tremendous, even unparalleled political will to make sure the growth model in China goes forward following a green path; and fourthly, the scale {of the Chinese economy}...we are beginning to hear a lot of demand from the middle class in China to increase environmental standards. Finally, another strength that China has is the deep-seated entrepreneurial tradition in the Chinese culture.

Jing Ulrich, Managing Director, China Equities and Commodities, J. P. Morgan Securities, Ltd.

We have the saying "green is green," and it is really a source of profitability for us. Along with that, there's also walking the walk. You can't just do the products and services, we also focus on our carbon footprint, our water usage, and on informing the public.

Mark Norbom, President and CEO, GE Greater China

There is no single bullet to solve all problems... the future is likely to have a mix of energy solutions, diversified energy resources, and more focus on energy efficiency. Green is a long journey, but we need to start now and start with ourselves.

Chen Liming, President, BP (China) Holdings Limited



Among younger leaders, similar sentiments were echoed. Emerging business and political leaders voiced their opinions at the "Young Leaders Roundtable." The young leaders, however, focused more on the shift occurring on the individual and cultural level that is bringing about green business, green lifestyles, and green growth. The moderator of this discussion, Rui Chenggang, Director and anchor of China Central Television, asserted that our modern world faces several significant and fundamentally intertwined crises: the first is the financial crisis; the second, the environmental crisis; and the third, what he called the "personal crisis," the challenge of preserving quality of life in a world fraught with danger.

He challenged the participants of the Young Leaders Roundtable on whether the so-called "low-carbon economy" is perhaps just a show - a façade to mask the fact that many people are talking but are not taking enough action to combat climate change and environmental degradation. Participants, however, felt that

what was happening was an important cultural trend pushing for green awareness. Regardless of whether or not at the moment talk about the "low-carbon economy" is far ahead of concrete action, the concept holds a great deal of value for society and is increasingly shaping the values and thought processes of the younger generations.

The fact that the "show" exists demonstrates that awareness exists. This energy can be harnessed to educate, to motivate, and to change daily living habits. A second important theme was the need for innovative means to tackle difficult environmental issues. Leaders in innovation might be developed nations with advanced technology, political leaders, corporations, or creative individuals. Regardless, they must set an example, demonstrate compellingly that sustainable models exist, and lead the world to take preventive action. A final theme stressed that leaders of today have a social responsibility to pursue a green economy, for the health and prosperity of future generations and for ecological sustainability.

Unless we can seriously adopt a "green GDP," which is actual GDP minus the effect on the environment, we are going to forever talk about a show when referring to green efforts

Kenneth Fok, Vice President, Fok Ying Tung Group



In fact, many countries and cities are putting on a so-called "green show", but these types of efforts are intended to stimulate public enthusiasm and awareness. So it's not a show in a superficial or useless sense, but rather demonstrates our hope that we can address this problem seriously.

Liu Chiping, CEO, Tencent

Government and business roles in transition to "green economy"

Drivers of change are derived from any number of places. Naturally, the government is a key force behind a green revolution, as it can provide the necessary regulatory pressure and incentives, as well as the needed infrastructure to allow sustainable development to occur. However, the role of the private sector is paramount in generating innovative new sustainable practices. Cultural factors eliciting changes on the individual level and changes to the public conscious encourage the development of a green economy. There is general recognition that success in meeting the challenges of climate change through the transformation of business and growth models calls for a new kind and intensity of government-business partnership.

At the "China CEO Roundtable," leaders emphasised that government support is key, but it can't be the sole driving force. They believed government-business partnerships continue to play a critical role, especially in terms of

supporting R&D and maintaining strong standards. Participants said China's political and business framework positioned it in a strong competitive position to develop green business, with the private sector increasingly taking a leading role.

Overall, executives believed that government subsidies and incentives are still required. One participant advocated a policy under which the cost of not adopting a sustainable business approach should be made equal to the cost of implementing that same solution.

Participants acknowledged that businesses also need to take decisive action to ensure green recovery. Specifically, they need strong top-down policy execution; to emphasise technological advancement; expand financing channels; and strike a balance between implementing a cohesive long-term vision and deriving short term benefit.

Participants of the "Young Leaders Roundtable" stressed the rising tide of cultural awareness for a green revolution, and made the point that consistent and significant public sentiment focused on environmental issues can create major pressure for business and governments to implement effective transformations.

Once the government sets up standards for compliance, then the companies start to move in that direction with their products and services

Amit Midha, Group VP and President of Greater China Region, Dell (China)

Turning off the lights [in an entire city or region] for one hour is a show, but in fact we should have more this kind of show, because they raise awareness and make people pay more attention to what it means to be "green", and this kind of awareness is very important for change

Yang Wenjun, CEO Mengniu Group



At the "Low Carbon Energy: Can Asia Lead the World?" session, the discussion focused on the transition to low-carbon energy and whether it will be driven by the public sector or by the private sector. The private sector should take a lead in innovation and technological development, but it needs public incentives, support, stimulation and regulation in order to proceed efficiently, said Minister Jairam Ramesh of the Indian Ministry of Environment and Forests. Governments must step in especially regarding equity, access and IPR. There is agreement that a green future is a future with new forms of government-business partnerships.

Asia has to develop a new form of growth, which is green growth. Narrowing down to a national and company level, technological breakthroughs are at the core of this growth.

Ja Young Koo, President and CEO, SK Energy



It's the energy industry that the world is going to look towards to meet the demand for affordable energy, and we've got to work with governments and within government policy that provides the right regulation, the right market boundaries, the right incentives in research and development, that will allow us to proceed at pace

Robert Dudley, Executive Director & Executive Vice President, BP Group

Future drivers and business opportunities

Recovery is defined by the fact that it inherently presents opportunities for a fresh outlook and a new start. The idea that economic recovery can and should be tied to a green revolution is exciting and inspiring. This "green recovery" presents a myriad of opportunities for businesses to redefine their products, services, and governance structures, for governments to rethink and reshape their policies, and for individuals to re-evaluate their lifestyle choices.

At the "BFA Annual Conference 2010 Press Conference" Secretary General Long Yongtu described the key factors that will promote and sustain a green recovery going forward. First, a transformation of old models for economic development is necessary; second, we need innovation in low-carbon technology; and third, the promotion of domestic consumerism in Asian countries is of paramount importance. Without these drivers, green growth may not be sustainable. Secretary General Long also emphasised that the development of low carbon technology presents enormous opportunities for Asian nations, particularly in the renewable energy auto industry.



John Paul Broeders
Chairman of the Executive Board, Royal Vopak

The panel on "Low-Carbon Energy: Can Asia Lead the World?" discussed the market forces at work and the cultural forces in play in the transition to a green economy. Robert Dudley, Executive Director and Executive Vice President of BP Group, first broke down the term "low carbon energy" into the consumption side, with a focus on the more efficient use of energy and the production side, with emphasis on diversifying energy sources. Consumers, producers and regulators must work together for transition but change will not occur overnight and we must manage societal expectations, he noted.

John Paul Broeders, Chairman of the Executive Board of Royal Vopak, raised the important point that the gap is huge between the extant infrastructure and the infrastructure we will need in order to implement low-carbon technologies. Due to its recent rapid development, Asia is lucky to have relatively newly built and advanced infrastructure in some respects; hence Asia may be able to lead an energy transition. Kim Fausing, COO of Danfoss A/S, argued that the biggest potential for a green revolution lies in energy savings and in using the wasted by-products of energy production rather than investing to develop new alternate forms of energy.



After the financial crisis, we all realised that nations and global society have to transform from previous growth patterns to a sustainable economic growth system. All of these transitions must be related to climate change, environmental issues, and the green energy revolution.

Fu Chengyu, President, China National Offshore Oil Corporation [CNOOC]

Within the next three to five years, the role of multinational corporations will be critical in ensuring environmentally sound growth, especially on the technology side. However, they must work with their domestic counterparts in order to effectively implement reform.

At the "China CEO Roundtable," participants perceived that domestic companies in China hold a moderate competitive advantage in purchase preference and policy support, while MNCs hold the competitive advantage in technology. An obvious implication is that domestic companies and MNCs have synergies that can be exploited through closer and more open cooperation. It is crucial that MNCs find a sustainable way to integrate this technology into their China operations, working with local partners in a mutually beneficial arrangement to maximise their technology's capabilities and output. Jing Ulrich of J.P. Morgan Securities noted that multinationals could define their optimal role in China's green growth agenda with the "Three Bs," bridging the technology gap, balancing regulations with commercial opportunity and importing best practices.

At the regional level: the development of emerging economies & the cooperation of regional economies

Increasing importance of emerging economies in the world economic structure

More than ten years ago, during the financial crisis of the late 1990s, the G20 was established in response to the economic challenges facing the globe. Its creation was a monumental recognition of the importance of emerging-market economies, a recognition that the power, influence and market control of the G8 was no longer entirely sufficient to cope effectively with global economic issues. The G20 is a clear representation of a trend that is only becoming stronger with each passing year: emerging economies not only enjoy increasing weight on the world economic stage, but they are also eager to take political leadership roles, helping to shape dialogue and policy at the international level.

At the "BFA Annual Conference 2010 Press Conference," Secretary General Long Yongtu described the need of Chinese enterprises to have access to international markets. He said that the increasing regional and global influence of BFA stems from a number of sources, namely, from the rapid development of Chinese and Asian economies, and from the support of public and private enterprises. These enterprises are the ones who need an international platform from which to develop and expand their businesses. BFA hopes to facilitate this development by bringing together leaders from around the world.

In the session, "A Talk with Henry Paulson", Secretary General Long held a one-on-one discussion with Mr. Paulson, the former US Secretary of the Treasury, focusing mainly on the changing role of the governments of developing nations during and after the financial crisis. Mr. Paulson noted China's highly constructive role in dealing with the recession, and emphasised the importance of developing countries as arenas for global business. He spoke on the status of the G20, which has clearly risen during the financial crisis and now plays a bigger role and has a stronger voice. Having played a very important role in the recovery of global and regional markets, developing nations like China and India need to cooperate with other major economies in implementing the G20 commitments designed to produce balanced and sustainable growth.

Discussion of the power of the G20 continued in a session appropriately titled, "From G8 to G20: New Architecture, New Rules, New Players." Several major themes emerged here. The first theme emphasised that the increasing importance of emerging economies in the world economic structure, especially emerging economies in Asia, not only led the global recovery but now enjoy certain advantages in realising primary green growth goals. They are in relatively strong positions fiscally, and there they can direct resources to needed infrastructure. And, in areas like vehicle ownership, long-distance transport, and residential construction, they are at relatively early stages and can thus take advantage of the best current thinking in technology, finance and approaches to building a green growth economy and lifestyle. These countries must be given a voice and opportunities to lead but also pushed to act as responsible stakeholders.



Henry Paulson, Former US Secretary, Treasury

Asia will clearly have a key role in the G20. Half of G20 members are Asia-Pacific countries. Major global issues cannot be resolved without Asia's participation and leadership. The question of global imbalances cannot be resolved because many of the surplus countries are in Asia; climate change cannot be resolved because most of the growth in emissions will come from Asia; trade cannot be resolved because the production centers that fuel world trade are here in Asia; and poverty can't be resolved because the majority of the world's poor still live in Asia.

Lawrence Greenwood Jr., Vice-President, Asian Development Bank

Juan José Daboub, Managing Director of the World Bank, highlighted the importance of inclusivity. The G20 includes countries responsible for 80 percent of the world's GDP, but for the sake of equality, sustainability, development and innovation, the other 168 countries of the World Bank Group must be part of the dialogue and decision making processes. The greatest challenge facing the G20 is striking a balance between inclusiveness and effectiveness/efficiency.

The rest of the world is extremely important. This recovery has to be sustainable and inclusive and it has to be led primarily by the private sector... The G20 has to challenge this balance between inclusiveness and efficiency or effectiveness...Its relevance will significantly depend on the results that can be achieved and on whether we have leaders that are thinking about the next generation and not only the next election.

Juan José Daboub, Managing Director, World Bank



Robert Hormats, Under Secretary of State for Economic, Energy, and Agricultural Affairs of the United States of America, agreed that leaders in countries such as the US must also be listeners, carefully considering the concerns and priorities of emerging economies. Developed economies can also guide emerging economies to contribute meaningfully to the system.

The United States has been used to being the leading economy but we have to exercise our leadership in a very different way. We have to be both a leader and listener. We have to understand not only the kind of things that we regard as important, but also take into account a number of the concerns and issues and priorities of the emerging economies and work together to shape a global system that is sustainable for everyone.

Robert Hormats, Under Secretary of State for Economic, Energy, and Agricultural Affairs of the United States



Panelists agreed with Rajan Bharti Mittal, Vice Chairman and Managing Director of Bharti Enterprises in India that "the velocity of growth has shifted to the Asian axis." Zhou Xiaochuan, Governor of the People's Bank of China, spoke about China's willingness to take an increased leadership role. Of course a stronger voice for China is inevitable, he said, but he echoed Deng Xiaoping's guidance that China aims to keep a low profile as it moves ahead.

Multilateral institutions need more representation from the Asian axis. The world order is changing. I think the time has come for the G20 to look {beyond the financial side} to the political side.

Rajan Bharti Mittal, Vice Chairman and Managing Director, Bharti Enterprises;
President, Federation of Indian Chambers of Commerce and Industry



We should emphasise strong, sustainable and more balanced development within the growth framework which encourages policy makers to work together for the future growth pattern...along with growing Chinese weight in the global economy, there must be a gradual change. It will be a continuous change. The weight of the Chinese voice will grow.

Zhou Xiaochuan, Governor, People's Bank of China

A second major theme to emerge from the "From G8 to G20" discussion centered on the need to focus on responsible global governance, in particular ensuring stability and proper regulation of financial markets, improving risk management systems and increasing market transparency.

Gerry Grimstone, Chairman of Standard Life in the UK, cautioned that Asian countries should be particularly concerned about the unchecked excesses of Western nations and should aggressively push for market reform and regulation. National efforts at responsible growth are not enough; a coordinated international standard must be developed. Countries must not be allowed to pick and choose which rules to follow, because the interconnectivity of markets means that failure in one threatens many others. Leaders of G20 nations must play a decisive role in creating a new responsible world economic order.

My own belief is, it's only the G20, acting through national governance, that can prevent such a crisis from happening again...The key issue going forward is how the understandable national aspirations of [major emerging economies] can be reconciled with the need to create a balanced and enduring global growth.

Gerry Grimstone, Chairman, Standard Life



Robert Hormats added that G20 leaders can push multilateral institutions to take influential action and develop sustainable policies and that synergy is crucial for shaping a new framework for governance.

The G8 to G20 panel looked forward, stressing the paramount importance of long-term sustainability. Jean-Pierre Landau, Deputy Governor of the Bank of France, pointed out that the job of G20 will

grow increasingly difficult as economies diverge and as volatility in capital markets increases. It is imperative to find a way to converge growth and development models for financial stability. G20 must carefully monitor sources of demand in the coming decade to ensure consumption gap is filled but bubbles do not occur.

We are all interdependent, there is no way back. We have to find a way of converging one way or another on our growth and development model.

Jean-Pierre Landau, Deputy Governor, Bank of France



Discussion of particular roles for emerging economies continued in "Emerging Markets: Time to Turn to One Another." The premise of this discussion was that emerging economies do not necessarily have to "look west" for inspiration, experience and powerful markets. They have much to learn from one another, and much to gain from trade and investment amongst themselves. This session was designed to compare growth paths, competitiveness, weaknesses and the potential of major emerging economies, and explore the prospect of Intra-Emerging-Markets cooperation.

Dai Xianglong, Chairman of the National Council for the Social Security Fund of China, thought that emerging markets will continue to develop

quickly in the coming 10-20 years by creating new forms of development and business. In order to encourage further cooperation among emerging markets, Mr. Dai recommended balanced bilateral trade cooperation, regional cooperation (e.g. China and other ASEAN countries) for mutually beneficial resource allocation, and international cooperation between emerging countries and the rest of the world.

Mr. Dai said that the West is strong in technology while the East is rich in resources. As one of the strongest emerging markets, Mr. Dai confirmed that China is always willing to work closely with other emerging markets and the rest of the world.

Emerging economies should have a common voice in the framework of G20 to raise our reputation and speak in one unified voice. And we should work together to improve the international regime to better benefit emerging economies. We can also work together to promote a low-carbon economy.

Dai Xianglong, Chairman, National Council for Social Security Fund of China



Ohm Collins Chabane, Minister in the Presidency of the Republic of South Africa, was of the view that each emerging market is faced with its own particular challenges. Closer cooperation between countries is one of the ways to resolve individual problems. The West, with its

high level of technological development and specialisation, can help the East to accelerate its pace of development. He hoped that with closer cooperation among emerging markets, the global economy would reach a new level of maturity in the coming 20 to 30 years.

Emerging economies...provide to the world a wealth of knowledge and expertise, which represents great potential for growth. [They] also have the potential of multitudes of cultures, which when brought together [yields] a richness which should assist in drawing these emerging markets out of the bottom of the pyramid.

Ohm Collins Chabane, Minister in the Presidency, Republic of South Africa



Cooperation of regional economies

Regional economic cooperation is important to ensure balanced global growth, but can also be used by emerging markets as a powerful tool to increase their voice, expand their influence and generate opportunities for their businesses to flourish. Several main themes are relevant here. The first is regional cooperation in Asia, in particular cooperation between China and India and cross-straits cooperation between the Chinese Mainland and Taiwan; the second, the role of the G20; the third, the possible expansion of the regional and international role of the RMB.

In the forum, "Beyond Chiang Mai: Regional Financial Cooperation in Asia," the discussion began with the Chiang Mai Initiative, launched in the aftermath of the Asian financial crisis back in late 1990s, and gradually shaped over the last decade. This initiative is a mechanism designed for currency stabilisation by providing emergency liquidity in case of a crisis, as well as a regional financial surveillance system promoting open communication and a pragmatic approach for effective cooperation.

Zheng Xiaosong, Director General of the Ministry of Finance in China, pointed out that the Chiang Mai Initiative has actually become a multilateral arrangement and because of this, it is now called the Chiang Mai Initiative Multilateralisation, or CMIM. It now incorporates a fund of USD 120 billion, which came into play on 24 March 2010.

Zheng Xinli, Permanent Vice Chairman, China Center for International Economic Exchanges, considered the CMIM a significant platform for regional financial cooperation because it offers an alternative approach for the effective utilisation of the large foreign reserves in Asian countries, which account for roughly 60 to 70 percent of the world's total. He also suggested that the CMIM fund could be used to establish an Asian Infrastructure Bank and an Asian Agricultural Bank alongside the existing Asian Development Bank. Such initiatives would focus specifically on raising living standards in the region. He noted that there would be no stability without continuous development.

Other panelists suggested that when offering assistance to various countries during and in the wake of the recession, the IMF should look more carefully at the specific economic conditions and challenges of each nation rather than attempt to apply a consistent global set of standards and measures. The CMIM essentially created an alternative set of economic rescue and aid options that could be deployed in the future, should the efforts of other multilateral institutions fail to be fully effective. Overall, considering free trade agreements going into effect and a certain path toward higher levels of economic integration, Asian nations increasingly consider the potential for a common market with harmonised if not integrated practices.



Zheng Xiaosong
Director General, Ministry of Finance in China



Zheng Xinli
Permanent Vice Chairman
China Center for International Economic Exchanges

Mutlilateralisation is not enough. It's time to move to the next stage [of integration].

Suwondo Gatot Mudiantoro, President Director, BNI, Indonesia

Regional cooperation in Asia cannot be discussed without carefully examining the increasingly interconnected economic relationship between the Chinese Mainland and Taiwan. In the "Cross Straits Business Roundtable," participants agreed that 2009 represented a major turning point in cross-strait relations. The Economic Framework Cooperation Agreement (ECFA), which follows a series of MOUs and general agreements regarding banking, finance, travel, trade and regulation, is due to be finalised and signed in June 2010.

The ECFA will undoubtedly enhance future cross-strait economic development and exchange. The ECFA is based on the Chinese traditional concepts of society being united by strong feelings of compatriotism, consanguinity, and nationalism. Business experts from both Taiwan and the Chinese Mainland expressed the same hope that the ECFA, under discussion for a considerable time now, will soon be finalised and signed, and shared their views on the business opportunities to which it will give rise.

Participants emphasised several themes. The first is that cross straits economies are tightly interwoven; the ECFA will be beneficial to both sides and its signing will allow for significantly increased exchange of talent, technology and capital, facilitating complementary growth of businesses and industry on both sides of the Taiwan Strait. A second theme identified specific opportunities in goods, services, and investments that will arise from ECFA. Both sides have begun to investigate the ECFA's Early Harvest Plan. An urgently needed tariff reduction program would be at the top of the list of programs to consider implementing. Additionally, both sides see potential to collaborate on environmental protection and green energy, such as solar power, wind energy, LED lighting, and opto-electronics.

Panelists also discussed cooperation opportunities in service industries, such as tourism, shipping and logistics, and a wide array of financial products and services. They added that the potential for venture investment was also large. A last theme emphasised the importance of economic regionalisation as a contributor to economic globalisation, specifically in the context of the Western Taiwan Straits Economic Zone, to include Zhejiang, Fujian, Guangdong and Jiangxi Provinces. The economic zone would be based on a conjoining of industry, economic cooperation, cultural and educational exchanges, financial cooperation, and dialogue. It would contribute significantly to enhanced regional cooperation. Equally important to the economic health and development of the Asia region is the relationship between the two largest emerging players, China and India. The 2010 BFA was the first in which ministerial-level officials from India participated, and this represents an important milestone in the relationship between China and India, reflecting a growing closeness both economically and politically. This relationship was touched upon in a number of diverse sessions.



ECFA's contribution will be to open a road for both sides. Once the road is opened, business opportunities will naturally flow between markets.

Christina Liu, Chief Economic Adviser, Chinatrust Financial



The cross-strait economic cooperation framework agreement is a systematic arrangement to promote normalisation, institutionalisation, and liberalisation of cross-strait economic relations. If signed, it would improve quality of life for people on both sides. In signing the agreement, we not only adhere to market principles, but also reflect a strong sense of Chinese compatriotism.

Dai Xianglong, Chairman, National Social Security Fund of China

As Professor Li of Taiwan pointed out, the ECFA will transform cross-strait relations into a partnership. In the past, the nature of the relationship has been competitive, a zero-sum environment. Now it will have the opportunity to be transformed into a relationship of cooperation in a win-win framework.

Daigee Shaw, President, Chunghua Institution for Economic Research



Without Indian participation, no "forum for Asia" can live up to its name. I thoroughly support cooperation with India. This is the first year Indian ministers have participated in Boao and it is a historic moment which I have been waiting eight or nine years to see.

Long Yongtu, Secretary General, Boao Forum for Asia

In "Emerging Markets: Time to Turn to One Another," Amit Mitra, Secretary General, Federation of Indian Chambers of Commerce and Industry, was of the view that countries with similar characteristics should cooperate with each other, rather than seeing each other as competitors. On this premise, he did not regard the China-India relationship as a specifically competitive one, but he did emphasise that the major challenge moving forward is to achieve a better balance among regional markets, and specifically between these two giants.



India about ten years ago decided to look East. We always looked to the West, but we decided to change and look towards the East. And what's the result? Trade between India and China was US\$1 billion in 2000; today, it is close to US\$40 billion. But what's the problem? The problem is that exports and imports are totally imbalanced. Three-fourths of trade is Chinese exports to India. And that's the real challenge: how do we create some effort between emerging markets to balance trade?

Amit Mitra, Secretary General, Federation of Indian Chambers of Commerce and Industry

At the "China and India: Cooperation in the 21st Century" luncheon session, a number of conclusions emerged. China-India bilateral trade and investment should be significantly increased; with a relationship built on mutual trust and respect as a basis, the two parties can together explore opportunities for cooperation in the fields of green technology, manufacturing, software and even education and medicine. The countries should also expand opportunities for dialogue at the non-governmental level and increase the general level of contact.

The "China and India" session called attention to the need to establish an atmosphere of "healthy competition" between the two nations. Fan Gang of the National Economic Research Institute said that although trade and investment between China and India are still at relatively low levels, there is a great deal of room and opportunity for cooperation and complementary growth. He encouraged further exchange and collaboration between the two countries to open more doors for trade. The goal is formation of healthy competition between the two and development of free trade.

Rajan Bharti Mittal, Vice Chairman and Managing Director, Bharti Enterprises, said the two countries' increasingly close political ties should facilitate other non-governmental and economic exchange.

I hope for a further increase of non-governmental exchanges between India and China, as well as economic exchange of trade and investment

Rajan Bharti Mittal, Vice Chairman and Managing Director, Bharti Enterprises

Further, Jairam Ramesh, India's Minister of Environment and Forests, said that although the world tends to view China and India as natural competitors, they are also naturally partners. India is willing and prepared to further deepen its economic ties with China.

We are natural partners

Jairam Ramesh, India's Minister, Environment and Forests



Considering a global regulatory framework

Beyond specific cooperation between regions or nations, several panels highlighted the importance of the key international economic organisations in creating balanced regional development and guiding national regulators toward a workable and harmonious global trade and investment system. Discussions have gone on for a number of years, ranging from efforts to promulgate a consistent, uniform international financial reporting system and a revised set of global banking regulations and guidelines to discussions about establishing a "special drawing rights" alternative to the US dollar for trading, investment and reserve purposes. And, of course, there is the World Trade Organisation. In some areas, significant progress has been made. Others remain in the discussion stage.

Isaac Souede, Chairman and CEO of the Permal Group, commented from a mutual fund perspective and believed that it is necessary to have a global regulatory framework as well as tailored rules by each individual country. Panelists generally saw no fundamental conflict between the sovereign rights of nations to define their business environment and the need to achieve some consistency so that arbitrage abuses would not distort normal business operations and investment.

Specifically on the issue of currency rates and exchange rules, many BFA participants shared the view that revaluation of the RMB is possible in the future. They also shared the view that the RMB is on track to become a settlement currency. For instance, during the session "Capital Market: Financing the Transformation of Asian Economies," Charles Li, Chief Executive of the Hong Kong Stock Exchange, expressed his opinion that international settlement of RMB is "bound to come." As the second largest economy in the world and the top contributor to global economic growth, China cannot afford a closed currency regime, according to Mr. Li. Having said that, he does not expect this to happen overnight. It will take some time.

This idea was echoed by Henry Paulson, former US Secretary of the Treasury. When talking about currency and exchange rate, Mr. Paulson noted that currency flexibility is critical and it could help China deal with inflation as well as stimulate

domestic consumption. However, it is in China's interests to move the currency freely. Actually, Secretary Paulson noted, China has benefited from deep financial system reform, and adjustments in China's currency have been and will continue to be part of that.

In conclusion, Secretary General Long stated in his talk with Henry Paulson that there are always tensions in relationships. However, when the issues giving rise to these tensions are resolved, the relationship will be strengthened, reaching new levels of mutual benefit and sophistication. In terms of bilateral trade relationships, Secretary General Long emphasised that both parties need to manage these relationships in a rational and professional way, be especially careful to de-politicise major issues in order to overcome tensions, and prevent detrimental policies from arising.



Issac Souede, Chairman and CEO, Permal Group



Charles Li
Chief Executive, Hong Kong Stock Exchange

Guarding against trade protectionism

Emerging Asian economies account for one-third of the world's total trade, but concerns about trade protectionism are ever increasing. This is a natural political consequence of economic stress in developed and emerging economies, created primarily by employment issues, a point duly noted by Senior Minister Goh Chok Tong of Singapore. Because unemployment is a widespread problem, the risk of protectionism is rising.

Uniformly participants in the Forum agreed that the world must maintain vigilance against protectionist policies, pursue reconciliation of domestic and international conflicts and focus on future prospects for free trade. The point was made powerfully in the Opening Plenary session by Vice President Xi Jinping, who committed to continuing reform and continued openness to trade and investment on China's part. All nations should cooperate to eliminate excessively nationalistic and protectionist policies that interfere with natural market functions.

In "Trade Protectionism: a Real Threat to Recovery," the panel discussion highlighted the increased risks associated with trade protectionism. Although the global economy is recovering, demand in many of China's major export markets remains weak. This results from a combination of lower consumer demand and measures that impede the importation of Chinese products. Such measures, in the view of Chinese officials, threaten Chinese exports. Last year, 22 members of the WTO put in place protectionist measures towards Chinese products and altogether launched more than 100 trade-related

investigations, which in total cost over US\$127 million just to manage in process. This trend is indeed worrisome. These policies are costly not only to China but also to the trade partners that implement them.

Participants also said that politicians need to listen, keep an open mind, hear all sides of the argument, and make important trade decisions based on fairness and long-term interests rather than short-term political expediency. They believed that free trade is not ungoverned trade, but rather trade that is fairly and openly controlled by a responsible regulatory framework. In developing such a framework, political leaders should listen to voices from all sides, including those of the labour unions and those of commercial enterprises.

Danish Prime Minister Lars Lokke Rasmussen noted that China is Denmark's most important trading partner. Of course, trade policy is tightly interwoven with questions of employment, and the voting public in Denmark makes that connection in various ways. Citizens may fear rising unemployment as a negative side effect of free trade. The government must educate and assure its citizens that free trade is beneficial to the economy overall, assuring other countries remain open to Danish exports of goods and services and Danish investment. The government needs to exercise great care in reconciling the interest of all parties. Only in that way can government assure that fair and open policies are, in fact, beneficial to their economies and citizens as a whole.



In the long run, free trade is not trade without any regulations. So in the long run, in order to promote free trade and avoid protectionism, we need international regulatory frameworks. In the meanwhile, I think it is important that leaders in G20 speak out loudly about the dangers of protectionism.

Lars Lokke Rasmussen, Prime Minister, Denmark

Political protectionism is where job loss is a key factor. How each government handles this is what we are now looking out for. In the global recession, we see very high unemployment, particularly in the world's largest economy. And the world's largest economy which in the past argued for free trade is the one that is subject to the most to popular pressure, pressure for political protectionism. So therein lies the danger.

Goh Chok Tong, Senior Minister and former Prime Minister, Singapore

Free trade will be key to recovery and the sustainable growth of the global economy

Mikio Sasaki, Chairman of the Board, Mitsubishi

Trade protectionism can masquerade as something else, and it is often behind trade barriers related to standards, alleged phyto-sanitary concerns and other safety issues, and even green growth issues. With the help of regulatory consensus and technology advances, business growth and environmental protection can co-exist. In fact, much of the Forum focused on the potential to grow business in a strong, green growth environment. That fact holds for trade as well.

However, with increasingly high standards for environmental protection, it is possible that environmental protection may engage a certain level of trade protectionism policies as countries attempt to safeguard the types of green products or energy solutions that comply with environmental regulations. As government procurement is destined to be a significant

share of green growth fixed asset spending at the infrastructure level, favouring of domestic companies would not be an unexpected feature. And in the intense competition to establish leadership in fast-growing renewable energy, clean mobility, and other technology-driven green growth areas, overzealous political leaders may seek to give unfair advantages to domestic companies over global competitors.

Singapore's Senior Minister Goh Chok Tong emphasised this risk, noting that some countries may raise tariffs or set high trade standards under the guise of controlling ecological risks. This counts as trade protectionism, but in this case the protectionist policies wear a deceptive "green jacket."

This time around, we have to ensure that we do not have restrictions and protections and nationalistic policies with respect to trade, with respect to finance, with respect to government procurement. We have to recognise that this is an integrated system with integrated markets, integrated supply chain, increasingly integrated innovation.

Robert Hormats, US Under-Secretary, State for Economic, Energy, and Agricultural Affairs

At the national level: the transformation of China's economy

Capital markets play an important role in the transformation

While still in their infancy and thus still volatile, China's capital markets are a force of critical importance in the country's transformation to a more sophisticated, developed and industrialised economy. Careful regulatory control and development is needed to ensure that the market sees stable and sustainable growth and takes a responsible hand in development. The capital market landscape of the greater China region is unique in the world for its complexity and diversity. Within that landscape, the Chinese mainland markets, the "A" share markets, are the fastest growing but also the least developed.

is dominated by manufacturers and financial institutions, but in the future other service providers will take up a much larger share.

The market can be expected to be of a much broadened scope and that will bring exciting opportunities for companies listing and for investors. Liu Erh-Fei, Managing Director, Country Executive and Head of Corporate & Investment Banking, China, Bank of America and Merrill Lynch, added that capital markets are still in their infancy in China and must simultaneously learn as well as develop. It is understandable that volatility and strong speculative sentiment run high. The bond market plays an important role in allowing companies to finance directly and can compete with banks to stimulate reform, thus positively contributing to overall economic restructuring.

Beyond this, it is important to accelerate the growth of a debt market and to optimise the regulatory regime. Liu Erh-Fei expressed his firm conviction that the Chinese capital market is still at its early stage and fluctuation is inevitable. Compared to the U.S. and the Japanese markets, however, China's stock market has achieved faster growth in a similar period of time, and as a result it has come to play a more significant role in China's overall economic growth. Mr. Liu also pointed out that the debt market is lagging much behind the stock market in China and the regulatory regime is not as yet very well coordinated. He emphasised that the country should put more efforts on building a sound debt market by accelerating the creation of a more advanced regulatory framework.



In the panel discussion aptly titled "Capital Markets: Financing the Transformation of Asian Economies," panelists looked to the past to draw lessons for China today. Schive Chi, Chairman of the Taiwan Stock Exchange, shared the experience of Taiwan where the capital market played a critical role in the economic transformation in 1980s and 1990s especially by providing sufficient funds for the rise of the local IT industry.

Looking ahead, the capital market is expected to play a major role in China's development in the coming years, especially if the export-oriented economy that drove growth in the early years of reform is indeed coming to an end. Anthony Bolton, President of Investments for Fidelity International, believes that the capital market is undergoing some serious changes and that the portfolio of listed companies will look very different in just a few years. Currently the market

Whenever implementing a major set of reforms to the system, it's important to find the best time. Furthermore, the transformative forces at work cannot be overly powerful, but they also must be powerful enough that they do not merely just scratch the surface. This sort of thing requires the highest level of wisdom from policy makers.

Schive Chi, Chairman, Taiwan Stock Exchange

The bond market is far more behind the stock market in China...but when properly developed the bond market will stimulate competition between indirect financing and direct financing options. This in turn will benefit the Chinese capital market by promoting further development, and additionally will improve the interaction between China's overall economy and its capital market.

Liu Erh-Fei, Managing Director, Country Executive and Head of Corporate & Investment Banking, China, Bank of America and Merrill Lynch

In a panel addressing the topic "21st Century Finance, 21st Century Regulation," Liu Mingkang, Chairman, China Banking Regulatory Commission, gave his view that recent regulatory changes target three areas - reducing complexity, breaking up interconnection and lowering the leverage ratio. He believed that people should give up the free market dogma and let government play its

due role in supervising the market. He reiterated that prevention beforehand should always enjoy priority over fixing problems afterwards. Chairman Liu's views have been similarly echoed by Chinese leaders in consideration of the relatively loose regulatory environment in the US and other mature economies that they believe led to the global financial crisis.

In fact, from the point of view of regulators in China... we continue to hold steadfastly to the principle that it is important to return to the fundamentals...Prevention is always a much more effective treatment [than repair or damage-control] .

Unfortunately, everyone is very focused on designing this or that, or on adding additional buffer tools to our repository, but in fact taking this type of action is very expensive and often fruitless.

Liu Mingkang, Chairman, China Banking Regulatory Commission



The rise of the private sector

Private sector growth is critical to innovation. However, a major lesson drawn from the recent financial crisis is that governments should have a hand in regulating and controlling the private sector to a reasonable degree to ensure responsible growth. Beyond that, governments around the world played a critical role in restoring stability to their economies, through various means of direct and indirect intervention and investment.

Still, there is a clear consensus that over the long-term, market forces should be permitted to drive growth, within the limits of reasonable and balanced regulation. The panel on the

topic "Deregulation: Unleashing the Power of the Private Sector," emphasised that from the perspective of employment, taxation, innovation, and long-term economic development, private enterprises should be, and are in fact, playing an increasingly important role.

The urgent series of government interventions triggered by the crisis did raise the risk of excessive intervention by governments, including excessive regulation of private enterprise. Excessive regulation, even excessive stimulation, will hinder the healthy development of the private sector. So, as stimulus activity is reduced, deregulation is also needed.

After relicenses (in IT, telecom sectors), India sees very good growth. So there is no question that the government will lose everything if it tries to control everything, making growth very difficult. For a society, it is necessary to have such rules, otherwise with total deregulation and without any rules, the economy will move in a very different direction.

K.K. Modi, Chairman, Modi Enterprises; President, Godfrey Phillips India





Regulation is a question of balance...no system is perfect. When people speak about a frustrating level of regulation within an industry, the businesses in that industry should work together and try to answer the question - how can we do a better job for society without over-regulating it?

James Lambright, Former Chairman & President, Export-Import Bank, United States

China has always been over regulated. The dominance of SOEs has not changed and private enterprises still face restrictions to market entry in many sectors. Therefore, if China wants to achieve sustainable and high speed of growth, we do need deregulation to stimulate dormant potential and liberate constricted forces for productivity.

Fred Hu, Former Chairman, Managing Director, Goldman Sachs Asia





Regulation is about supervision, not about management at all

Xiaonian Xu, Professor, China Europe International Business School

As we all know, many industries in China have been opened to private enterprises, with the exception of a few remaining sectors which to this day have very large market potential and very low levels of competition. These last sectors include, energy, telecommunications and transportation, and opening them to private enterprise will be the next step in the process of market deregulation and reform.

Yue Zhang, President, Broad Air Conditioning Co



In the session called "Rethinking Growth," a main theme was that China will be more proactive from here on out in attracting foreign capital to stimulate appropriate and beneficial private sector growth. Speaking about the investment environment in China, Zhang Xiaoqiang, Vice Chairman, National Development and Reform Commission of China, said that the Chinese government welcomes foreign investment as always. However, it will take care to limit, (with the hopes of eliminating entirely), investment in projects with excessive energy consumption or unacceptable levels of pollution. High-tech companies, service providers, and any business that can give full play to China's comparative advantage in labor supply will still be favoured, according to Vice Chairman Zhang.

Last year...global cross-border investment declined by 40 percent, but in comparison foreign direct investment flowing into China stayed at 2008 levels, falling only 3 percent. This in itself shows that China's investment environment and its overall market is healthy.

Zhang Xiaoqiang, Vice Chairman, National Development and Reform Commission of China

China is one of the models of growth. The state-owned enterprises in China have played a major part in getting the country where it is. And I think if China can fully unleash its private sector potential, growth will be even faster, and that will allow an even more effective trickle down.

Shaukat Aziz, Former Prime Minister, Pakistan



The move to consumption

In order for the global economy to grow, new modes of consumption must develop and a significant rebalancing of global consumption and production must occur. Western consumers can no longer be relied upon to fuel global growth through outside consumption. Instead, more balanced consumption should arise across markets and across socio-economic boundaries in order to drive sustainable growth. This clear need to move towards consumption, especially in Asian economies like China, is rapidly becoming paramount. Vice President Xi Jinping's emphasis on reducing poverty and the gap between rich and poor is closely related to the goal of spreading consumption more widely and evenly around the globe.

The mainstream consumer is changing, shifting at a global level to gradually reflect macroeconomic trends. As Asia and other emerging economies gain power and influence, so should their consumers. However, the shift to consumerism still faces some major hurdles in China. For instance, traditional saving habits imbedded in Chinese culture promote thrift and reduce excess consumption, and a low income level persists across much of the population (above 70 percent). Nonetheless, private consumption in China and other nationals of Asia rose dramatically in 2009, but the base was low, so private consumption still makes up the smallest part of GDP growth factors.

Is consumption in essence an economic phenomenon, or a cultural one? What defines appropriate consumption? What role does the government play in stimulating or regulating consumption? The panel "Move to Consumption: Asian Style" attempted to answer these questions.



Panelists agreed that trends in consumption stem from trends in income distribution and institutional factors. Relative to the economic might of Asia, consumption in the region is notoriously weak. Chen Zhiwu, Professor of Finance at Yale University, said the reason lies in the fact that China is rich on a national level but that a vast majority of its population remains relatively poor. Additionally, culturally savings is emphasised over spending. Fan Gang, President of the National Economic Research Institute, shared his views that we cannot pointedly criticise China's high savings rates and correspondingly low consumption levels without taking into account the role extremely rapid economic development has played.

Thirdly, in recent years, consumption has increased rapidly in emerging countries in Asia, and the main source of future growth is demand from the emerging middle class. Much emphasis has been put on growing Asian middle class consumption. However, more attention should be paid to the 70 percent of society that is still made up of low-income people. Their consumption still represents a majority share of society's total consumption, while their unequal income distribution and institutionalised disadvantages will hold the economy back.

Asian consumers...are after not only the taste, convenience and quality of products, but looking for products that come from a company brand that means something socially responsible today, whether it is through environmental initiatives or social initiatives

Steven Kehoe, Vice President, PepsiCo

In the U.S. and the U.K., saving rates dropped to zero and sometimes below zero, leading to a high level of consumer and family debt, which had a dramatic effect on their ability to consume in the future

Juan José Daboub, Managing Director, World Bank

All agreed that consumer attitudes will change, but it may not be immediate. Regarding changes in mindset, Fan Gang discussed changing consumer attitudes since the 1980s and 90s while Liu Changle, Chairman and CEO of Phoenix Satellite Television, encouraged society to abandon its hatred of the wealthy. He argued that it is important for leaders and people of all walks of life to recognise that the wealthy upper classes have enormous spending power and thus the ability to elevate society as a whole through consumption.

Many participants maintained that the government should focus on reform and not stay deeply involved in the economy and in business activity. In discussing what role the government should play in stimulating spending, Fan Gang said that investment is also a form of consumption; for instance, government spending on infrastructure in a given city can lift consumer demand. In addition, he suggested that the government focus not on individual consumers but rather focus on structural reforms, such as tax cuts for middle income populations.



It is very important to promote new poles of growth because we can no longer rely on the U.S. consumer to create the growth that is needed. So China, India, Latin America and the Middle East can become new poles of growth...Consumption in Chinese culture is associated with waste, whereas investment brings in benefit and rewards. Even if you look carefully, it is difficult to find examples of "pure consumption." For instance, spending money to eat today is counted as consumption, but this expenditure is made in order to remain alive tomorrow and the next day, and also have enough energy to earn money. Therefore, consumption is also a capital investment to some extent.

Chen Zhiwu, Professor of Finance, Yale University

It seems that we are all quick to criticise high savings and low consumption, but I am going to talk about the benefit of savings. The high speed of the economic growth achieved by China and other Asian countries has been due in large part to their ability to save. We built things fast, including this venue, all from the money we saved in the past.

Fan Gang, President, National Economic Research Institute of China



The biggest problem is the economic constraints to consumption faced by the majority of the population. Ideas, culture, systems and institutions won't change if consumption doesn't increase.

Liu Changle, Chairman and CEO, Phoenix Satellite Television

Building capabilities in innovation and technology

Both innovation and technology are critical to national economic success and to moving forward within a sustainable, environmentally friendly development model.

The "Rethinking Growth" session highlighted that it is imperative to switch growth patterns now. Shaukat Aziz, Former Prime Minister of Pakistan, believed that every country should be constantly reviewing and optimising its growth strategies. Export-oriented economies should take valuable lessons from this crisis; Asian business leaders should strive for an innovation-driven transition from OEM to ODM economies. Only then can they move upwards on the value chain. Zhang Xiaoqiang, Vice Chairman of National Development and Reform Commission, emphasised that it is imperative to change the growth patterns now, but there do exist some

challenges to success. While it is easy to reach this conclusion, implementing these changes will not be easy and will take time.

For most Asian companies, expanding their operational footprint outside their domestic market, building global brands, and establishing control over channels to market are also essential to rise up the value chain. Discussing Chinese companies expanding operations internationally, N. Chandra, Managing Director & CEO of Tata Consultancy Services, and Lee Yoon-woo, the Vice Chairman of Samsung Electronics, both shared their experiences as leaders of Asian companies that have been very successful on a global scale. They agreed on key goals for Chinese companies moving to the world stage. Specifically, these goals revolved around the importance of building up capabilities in innovation and creating a large talent pool in science and technology.

Any growth model we follow in the world today has to be constantly looked at to be improved, enhanced and reformed. Reform is a continuous process. Deregulation, liberalisation, privatisation is the way to go.

Shaukat Aziz, Former Prime Minister, Pakistan

With a few exceptions, most East Asian countries are still at the end of the value chain of the global economy and their innovation capacity is very weak. This is not a sustainable growth pattern. This round of the financial crisis has reflected the weakness and the vulnerability of this type of growth pattern. So this is a very good opportunity for us to rethink the existing growth model of East Asia.

Zhang Xiaoqiang

Vice Chairman, National Development and Reform Commission, China

Debate on whether there is an asset bubble

Considering the substantial damage just inflicted on world markets from asset bubbles in the U.S. and elsewhere, it is not surprising that BFA participants speculated in a number of sessions on whether the potentially overheated Chinese economy is setting itself up to create (and burst) a bubble of its own. This debate indeed raises a very important topic, one that has garnered a lot of attention in the global media. Most analysts agree that the situation in China's rapidly rising property prices is different from the U.S. and EU. Mortgage percentages are relatively low. The banks do not have huge collateralised exposure to the property markets, and there are no esoteric derivatives. The official position of the government is that there is no property bubble. Urbanisation is accelerating, and there will be unmet demand for housing, even at the present building rates.

Not surprisingly, this topic emerged as a hot point in the session on "Redefining the Role of Real Estate," however views varied, which shows the complexity of the matter. Vincent H.S. Lo, Chairman, Shui On Group, did not feel there is a property bubble, expressing confidence in China's economy. He spoke on rising demand for property resulting from urbanisation, and shared his view that property is fundamentally a good investment, subject to having adequate liquidity.



Pan Shiyi, Chairman, SOHO China Ltd, took an opposing stance, arguing that a bubble does in fact exist. Chairman Pan and Chen Guoqiang, Vice Chairman of the China Real Estate Society, expressed some concern about the strong influence of the real estate sector on the national economy. Real estate appreciation along with strong stock market results helped drive profits for enterprises in 2009 as well as grew wealth for individuals. Mr. Chen anticipated rapid development and volatility to continue until 2030, with the real estate market stabilising only when urbanisation exceeds 70 percent, up substantially from its current level of 30 percent.

Forces driving up the real estate market include the low return on other forms of investment in China, for instance, bank deposits. Another factor is the expectations of Chinese consumers, which have shifted from simply having a place to live to having personal ownership of a fixed place to live. Investors in real estate have enjoyed outstanding returns for the last ten years, and they have yet to experience a strong downturn. Also, the revenue needs of local governments incentivise them to put undeveloped land into development, which has both increased the supply and driven up the underlying costs.

China's housing reform and its rapid urbanisation process can be said to be synchronised. The process of raising the urbanisation rate from 30 percent to 70 percent or 75 percent will enter us into a stage of very rapid development, but it will also bring a golden period of rapid maturation for the real estate industry. So if the real estate industry is a mainstay of the national market, looking forward to 2030... We can depend on the real estate market to remain the important pillar of rapid development that it is today.

Chen Guoqiang, Vice Chairman, China Real Estate Society

A cautionary tone was sounded when real estate was discussed in the panel on "21st Century Finance, 21st Century Regulation". Liu Mingkang, Chairman, China Banking Regulatory Commission (CBRC), said that there is substantial liquidity in the Chinese economy and a significant part of it is flowing into the real estate industry. As such, the CBRC requires banks to pay special attention to risk management by enforcing an additional round of reassessment and ratification on existing loans to developers. Measures include stricter loan-to-value (LTV) targets, closer monitoring of the developers, and more stringent rules on housing mortgage down payment (30 percent for first home and 40 percent for second home). These terms have been adjusted frequently as the situation changes. Banks are also required to exercise prudence with due diligence and adequate skills.

In the discussion of "Capital Market: Financing the Transformation of Asian Economies," panelists also commented on asset bubbles. Anthony Bolton, President of Investments at Fidelity International, did not think there are asset bubbles in the Chinese capital market. It would usually take several years for asset bubbles to accumulate so it is still too early to tell so soon after the crisis.

Liu Erh-Fei, Managing Director, Country Executive and Head of Corporate & Investment Banking, China, Bank of America and Merrill Lynch, believes that there is not a substantial asset bubble in the Chinese stock market. While bubbles exist at almost any time and in virtually every market, we are far from walking into another crisis with whatever asset price volatility we have for the time being, according to Liu.

At the firm level: corporate governance and growth

Lessons from the crisis

Responsible corporate governance really is a vital component of preventing financial meltdown. How can firms learn to manage in a more balanced manner? Given our understanding of the causes of the financial crisis, what effective solutions can be implemented at the firm level in the short and long terms to prevent a similar catastrophe in the future?

In the session "Counter Cyclical Strategies: Thinking Ahead", panelists agreed that especially in light of the recent financial meltdown, counter-cyclical strategies are more important than ever to maintain strong fundamentals in business. The exact means of managing counter cyclically provoked lively debate.

Jaime Augusto Zobel de Ayala, Chairman and CEO of Ayala Corporation, emphasised that market volatility is unavoidable, and because

cycles are not necessarily predictable, business leaders must be prepared for a downturn in a bull market and conversely, in a bear market, be prepared to take advantage of better conditions when they come. B. Multhuraman, Chairman of Tata International, also stressed the importance of financial prudence - business fundamentals must be solid regardless of market conditions.

The key to counter-cyclical management, according to Madhu Koneru, Executive Vice Chairman of MEC Holdings, is keeping the team together and maintaining organisational stability; then after a downturn the company need not rebuild and retrain a solid team in order to grow. Some companies downsize excessively during downturns, then fail to take advantage of strong growing markets when they occur.

You can't predict things, but you can always be ready. Volatility will always be there.

Jaime Augusto Zobel de Ayala, Chairman and CEO, Ayala Corporation



I believe there are certain fundamental things a company should do irrespective of what the market situation around them is

B. Muthuraman, Chairman, Tata International Ltd

Any businessman who can run his business without going through cycles, who can run it counter-cyclically, he is just a lucky man

Madhu Koneru - Executive Vice Chairman, MEC Holdings



Corporate governance

The panel on "Corporate Governance: Lessons from the crisis" highlighted different but not inconsistent factors spanning financial products, bankers' compensation models, bank management, director oversight, imperfect rating information, regulators and governments.

Panelists reviewed current trends and evaluated possible solutions to a slew of problems and flaws the crisis revealed.

On a macro level, Shao Ning, Vice Minister, State Owned Assets Supervision and Administration Commission of the State Council, said that China's early stimulus package had been instrumental in minimising the negative impact of the financial crisis on the country's economy.

One consistent theme was the need to develop new governance structures, especially for companies that lack a dominant shareholder because shares are widely distributed among a large number of shareholders. Another theme was the challenges and benefits facing independent directors in light of the litigation risks they now commonly face. Director compensation does not begin to offset the risks associated with common shareholder class actions suits when something goes wrong. Antony Leung, Senior Managing Director, Blackstone, Greater China, spoke of the benefits of private equity investors sitting on Boards, and James Quigley, CEO of Deloitte Touche Tohmatsu, described the growing trend of separating the Board Chairmanship from the executive CEO position.

Another group of themes related to the need to change compensation structures. There is a great deal of media discussion on this issue and the public interest runs strong. On the premise that compensation models incentivised senior executives to take inappropriate risks for short term results, Lord Brittan, Vice Chairman of UBS Investment Bank and Mr. Leung shared the view that compensation should only be paid after investment products had been proven to perform well over a reasonable period of time, while Mr. Quigley noted that shareholders are now more focused on what are appropriate levels of

compensation. He cited one senior bank executive whose organisation paid incentives based on loans collected, not on loans issued.

The discussion turned also to the need to ensure capability and qualifications of Board members. The panel acknowledged that Board members must have an adequate understanding of the products and risks of financial institutions. Mr. Leung felt that ultimately, there were two necessities: (i) reliability of information; (ii) Board members with sufficient experience of the right kind to ask the right questions.



We have to ensure that [within any company] there is a clear system, which on the one hand has good mechanisms for control, to ensure that government's regulations are observed, and that risks are managed, and on the other hand promotes growth of the business. So any company Board is faced with the challenge of balancing the company's long term growth with its short-term interests. Inherent in this challenge is the issue deciding fair compensation, particularly executive compensation, and protecting the interests of shareholders in the long term. I think this is the most important function of the Board.

Antony Leung, Senior Managing Director, Blackstone Group, Greater China

We all know that many European companies are required to have non-executive directors and external directors make up the majority of the board, not just half. {Most important} is the manner in which they obtain information from the management. If they don't receive adequate information, they will not be able to question the decisions of the CEO. {So the challenge is} how to effectively transfer information from the company's senior management to the directors, so they can make independent decisions.

Lord Leon Brittan, Vice Chairman, UBS Investment Bank



This reflected the discussion about the risk-reward imbalance of serving on a Board in present times.

A final major theme was the need for an appropriate and effective regulatory and government framework. Guan Jianzhong, Chairman & President, Dagong Global Credit Rating, pointed out the responsibility of rating agencies, who had rated many of the most dangerous derivative products as investment grade. While acknowledging that there was no easy solution to this, he put forward the idea that the government regulate rating agencies more carefully or even take over the process of rating.

James Quigley advocated that regulators must have enforcement authority, avoid nationalistic approaches leading to regulatory arbitrage, and must be willing to engage in global collaboration on financial regulation. The arbitrage risk - investors moving money to take advantage of different regulatory environments - would work to no one's advantage who was interested in long-term stable global growth.

Lest people forget the lessons of the crisis, Lord Brittan advocated early action based on a broad consensus, and allowing for some differences in details from country to country. Mr. Leung acknowledged that striking the right balance was important yet hard to achieve.

The responsibility for the current financial crisis should not lie primarily with corporate governance but rather with the state of financial supervision. Financial regulation does not adequately differentiate between or measure the real extent of risk contained in various financial derivatives. To ask a specific company to undertake this type of professional risk assessment is not realistic.

Shao Ning

Vice Minister, State Owned Assets Supervision and Administration Commission of the State Council



We should hope in the future to have a more effective regulatory framework or system for risk management and risk control. Boards of Directors must increasingly assume this function, in order to guard against the next round of risk and market downturn.

James Quigley, CEO, Deloitte Touche Tohmatsu

The panel "Business Environment: Nothing as Usual after the Crisis?" gave us an overview of the lessons (and opportunities) of the recession and subsequent recovery. Zhang Yaqin, Corporate Vice President of Microsoft, explained why the economic crisis is a positive force for the reshaping and strengthening of industry. First, good companies become stronger, while bad business fail and are eliminated. Second, good business models strengthen and grow in importance, while sunset industries fall by the wayside. Third, good talent is retained and developed further.

Captain Wei Jiafu, President and CEO of the COSCO Group, said that the worst of the economic pain is now over, but the lessons are still with us. The crisis prompted companies to re-examine business practices, fundamental assumptions and financial strategies. This rigorous questioning of previously held beliefs gave rise to creative new ideas and significant changes in corporate governance and will be a driving force for a new cycle of economic growth and prosperity.

In my view, the best policy an enterprise can adopt is...to carefully evaluate their own individual situation, take stock and with this prepare for the future

Wei Jiafu, President and CEO, COSCO Group



Response to post-crisis changes

The world economic order does not look as it did a year or two ago. As our introduction to this report noted, the change in attitudes among delegates made this point very clear. Conditions have changed so rapidly that many companies may have trouble adjusting, especially as growth patterns continue to change as recovery progresses. The importance of flexibility, diversification, and practicality were emphasised in all sessions relating to this topic.

In the session "Business Environment: Nothing as Usual after the Crisis?" panelists were asked how companies should respond to post-crisis changes.

HNA Group Chairman Chen Feng said that when faced simultaneously with significant challenges and important opportunities, entrepreneurs and business leaders must be flexible, adaptable and open minded. It is critical to accept new concepts for business development. In the future, he said, immediate profit should not be the only driving force of growth, but rather corporations must give weight as well to corporate social responsibility, environmental protection, and sustainable development.

In the background, we in the business community are facing a major problem. While I think opportunities and risks coexist, I think business must first change its approach to development. You cannot destroy the environment or encroach upon the well-being of society; the public today will not accept this type of behaviour from businesses. Saving energy, and paying proper attention to environmental protection is the major problem we face. This is the problem business leaders must solve first and foremost.

Chen Feng, Chairman of HNA Group, India



Fu Chengyu of CNOOC shared his experience. First, a company must reconcile and coordinate short-term and long-term strategies. Second, it must be independently innovative while accepting a certain degree of risk of failure. Third, it must have forward-thinking research and development, the core of future competitiveness.

Managing Director of J K Paper, Mr. Singhania, emphasised the importance of technology, inclusive growth and international cooperation.

The Chinese government handled the economic crisis in a timely and effective manner, and Chinese companies did not suffer the severe economic blow that struck their European and American

counterparts. However, it is undeniable that the Chinese economy is still heavily dependent on exports, and although Chinese enterprises hold a competitive advantage in labour and product pricing, they should not be complacent. Much can be learned from Western companies, especially regarding their spirit of innovation. With economic globalisation, diversity, and inclusiveness, East and West should exchange ideas and learn from one another to help business turn challenge into opportunity.

You may have heard Warren Buffett's saying, "you only find out who's swimming naked when the tide goes out." The feeling in China is that the tide has gone out, but we still can't see who is swimming naked. The post-crisis stimulus package of RMB 4 trillion seems to have had a relatively limited influence on the Chinese market. Neither the crisis nor the stimulus successfully eliminated many worrisome bubbles, including the housing bubble, the stock market bubble and especially the optimistic bubble mentality of the public.

Zhang Yaqin, Corporate Vice President, Microsoft Corporation

"Counter Cyclical Strategies: Thinking Ahead" was a particularly pertinent panel that generated many suggestions for how companies should proceed from here on out. First, diversification (geographical, customer, industry, etc) is always important to ensure sustainable growth. However, diversification must be controlled so that in the event of a downturn the company does not find itself over-extended.

Madhu Koneru, Executive Vice Chairman, MEC Holdings, returned to the theme of business fundamentals. After a solid foundation is in place, then a company can turn to expansion and diversification, but it is important not to get ahead of oneself.

Next, panelists discussed practical ideas for rebounding after a downturn. Most important, they agreed, are courage and tenacity among business leadership. B. Muthuraman, Chairman, Tata International Ltd, reiterated four well-known

characteristics of long-lasting organisations: 1) financial prudence 2) oneness with the society 3) adaptability and 4) decentralisation (that is, collective leadership).

In bull times these are easy to forget, but sustainability in the long run must be kept in mind. Klaus Engel, Chairman of the Executive Board of Evonik Industries AG, reminded the audience that "there is no free lunch". Companies should be careful about cost cutting in a bear market because they must have resources at the ready to respond when the slump is over. Mr. Koneru stressed the importance of communication and collective decision-making as a way of keeping a company's growth sustainable, its structure viable, and its ideas innovative.

I still strongly believe that diversification, from a geographical point of view, an industry point of view, a customer point of view, a supplier point of view, makes sense

Klaus Engel, Chairman of the Executive Board, Evonik Industries AG



Any business model has to be built around sustainability, and then you can think about going towards expansion. Growth should be within the limits of the foundation of the business...and then when there is an issue, or there is a recession, you'll be able to withstand it.

Madhu Koneru, Executive Vice Chairman, MEC Holdings

Another, perhaps less obvious, change to emerge post-crisis is the growing societal demand for corporate social responsibility and sustainable development as a way to protect society at the individual level from falling victim to corporate excess. At the "Young Leaders Roundtable", participants debated whether engaging in corporate social responsibility programmes (CSR) represents a cost to enterprises and little in the way of return.

Most panelists agreed that in the short run, CSR may indeed represent a cost to corporations, but it is an unavoidable one, akin to paying taxes and employee salaries, or complying with regulations. In the long run, however, CSR is an investment that can yield great benefits, both directly to the company in improved profits, branding, marketing and loyalty, as well as to employees, customers,

shareholders and society at large. The cornerstone of good CSR is good management practices to ensure that the organisation functions internally in an ethical and sustainable way.

Crises of product quality and of public relations are by-products of poor management practices, noted Yang Wenjun, President of Inner Mongolia Mengniu Dairy Industry (Group) Co Ltd, pointing to some recent high profile cases. Thus, CSR should be treated as a "must," not because it is obligatory but because it is the key to viability and sustainability in the long run.

Discussion co-leader Jungwook Hong, member of the National Assembly of Korea, and others stressed the value of developing a standardised rating system to evaluate corporations on their CSR performance.

In my view, corporate social responsibility consists of two responsibilities. One is a rigid responsibility, like staff wages, quality assurance, consumer interest assurance, tax payments, regulatory and environmental compliance etc. A company cannot survive if it does not assume those basic responsibilities; therefore, costs occur inevitably. The second part of social responsibility is more flexible, i.e. community work, donations, etc. which I think can be performed within our current capabilities.

Rosa Yang, Partner, Deloitte China



M&A - inbound and outbound

Merger and acquisition (M&A) is still considered to be an important aspect of growth for Asian companies. Impacted by the financial crisis, there has been less global M&A activity in the past two years but the first quarter of 2010 has seen a sharp increase in the volume and size of transactions, making Asia a global focus.

During the session "Mergers and Acquisitions: Ideal versus Reality," Par Ostberg, Senior Vice President of AB Volvo, was of the view that the prospects for M&A activity is still promising, because M&A activities are directly related to the global economic environment and global business development cycles, which have been improving since the end of 2009.

The participants emphasised that outbound M&A of Chinese and Indian enterprises has been growing extremely rapidly in the past two years, and future prospects continue to be bright despite rising valuation.

Even so, Asian enterprises still face problems of financing. As Mohamed Al-Mady, Vice Chairman and CEO of Saudi Basic Industries Corp. indicated, sourcing funds is still a big problem, especially for growth companies in early stages. Many companies might be able to obtain financial support for M&A activities, but some companies cannot gain support from the government, which inevitably adds to the difficulties and costs they face in making acquisitions. Max Burger-Calderon, Non-Executive Chairman of Apax Partners Asia, believes that private equity funds should contribute to the growth of innovative enterprises, or provide funds for enterprises when they intend to be acquired or seek ownership changes. Private equity funds should position themselves as a powerful supporting force for M&A activities.

Xiong Weiping, General Manager of Aluminum Corporation of China shared his experience regarding outbound M&A. He said such activities must be consistent with the company's overall strategy and leaders should ensure that strong synergies exist between the two organisations. Local laws, regulations and culture must be observed, and acquisitions must be conducted according to market rules and international practice, all of which are achieved by building a professional team (including using intermediaries). Mr. Al-Mady, who successfully completed three major outbound M&A deals, also shared the experience of Saudi Basic Industries Corp., which initially gained global experience through joint ventures and which had established clear M&A strategies and prepared for years before actually doing a deal.

Panelists observed that cultural conflict is a common problem faced by enterprises seeking M&As, specifically including cultural differences between Western and Eastern countries, or varying corporate cultures between different companies. Many deals with potential synergies fail to realise them because of cultural issues. Mr. Al-Mady believed that being too hasty to make a deal can be detrimental and that a reasonable period of negotiation and transition is a must in order to enhance mutual understanding and ensure better integration.

The participants further discussed issues such as protectionism for trade and investment. As protectionism always exists, investors will inevitably encounter some interference from the government when investing in strategic industries. Xiong Weiping indicated that often when the Aluminum Corporation of China seeks outbound M&A opportunities, it encounters protectionist barriers. Thus, he said, some consensus must be reached internationally regarding the role each country plays in globalisation. Further, a global consensus is needed on the specific role of China in the process of globalisation. Russell Scrimshaw, Executive Director of FMG, believed that protectionism will always exist, but he also sees a trend in some markets toward increasing openness to China's outbound investment initiatives.

The future prospects for overseas acquisitions are still quite good. Overall, mergers and acquisitions are directly linked to the global economic environment and to the global business cycle, which have been improving continuously since the end of 2009.

Par Ostberg, Senior Vice President, AB Volvo



We've just come through a period of deflation; emerging from this part of the cycle, we should be thinking about returning to the fundamentals. Growth-oriented companies or emerging enterprises need capital and may be considering selling shares, changing their ownership structures; we need to make money available for these businesses.

Max Burger-Calderon, Non-Executive Chairman, Apax Partners Asia



For an acquisition, everything must be properly prepared on the financial side; if the financing is not in place, and an acquisition is made in haste, the deal will definitely encounter problems. It's important not to rely on the recommendations of banks, because banks will give you a recommendation, but in fact their real goal is to sell you a service, and make a profit. We must listen to views from all perspectives, including listening to opposing viewpoints; a bank will certainly recommend that you buy, but it's also important to listen to those who counsel not to buy.

Mohamed Al-Mady, Vice Chairman and CEO, Saudi Basic Industries Corp.

Today, India has more investment in the UK than the UK does in India. Now that is a paradigm shift.

Rajan Bharti Mittal, Vice Chairman and Managing Director, Bharti Enterprises

Conclusion

In three days of discussions, presentations and meetings, the diverse participants in the Boao Forum for Asia Annual Conference 2010 assembled a comprehensive and richly detailed picture of where we are now and what we need to do moving forward. Because the Forum is for exchange of ideas and viewpoints, reflection, and analysis, and not for negotiation and policy development, participants are free to express well-tested as well as new ideas and solutions, and present bold as well as moderate concepts and proposals. With broader representation from government, business and academia, from a wider swath of the world, this year's Forum witnessed exactly that kind of diverse and intense interaction over the two major topics, ongoing financial recovery and green growth.

In this year's Forum, the year after the global financial crisis, there was a sense that the acute stage of the crisis was behind us. That view was not unanimous, but it was broadly held. Nonetheless, everyone acknowledged that risks remain and recent events in Europe, for example, made the words "fragile recovery" popular and apt. While most national economies appear to be on sounder footing than last year, having responded to government initiatives and new policies and practices, the work of regional and global organisations remains very much in progress. Imbalances among major economies have not been resolved as of yet, and efforts to harmonise important reporting, banking and other regulatory practices are still under discussion. Simply put, there remains much uncertainty about the recovery from the global financial crisis.

In contrast, no uncertainty remained among delegates about the need to address the green growth agenda. Not only does progress have to be made, but unprecedented progress has to be made in curtailing carbon emissions, preserving water resources, conserving fossil fuels and finding alternative sources of energy to power huge new populations moving into cities and into modern lifestyles. This is a global challenge, but the populations creating the most intense pressures are mostly in Asia.

The spirit of cooperation was evident at the Annual Conference. It appears that common interests are occupying a larger part of the agenda than competitive interests. The need to cooperate seems to be off-setting the need to compete. The nations represented at the BFA AC included every stage of economic development, from economies based on resource development and agriculture to highly developed, high technology industrial economies. All attach a high priority to green growth and all spoke extensively of regional and global cooperation, to find solutions to environmental and resource problems. There was a consensus that no nation would benefit from a failure to meet our common green growth challenges. Governments are focusing on their responsibility to deliver quality lifestyles and improved standards of living to their people.

It was clear that fundamental changes in thinking about development were taking place. Whether or not all participants agreed that there would be short-term costs associated with green growth initiatives, everyone appeared to agree that the long-term benefits were overwhelming. Businesses have begun to focus on the profit in green. That thinking points everyone in the same direction for green growth.

Certainly in many concrete discussions, it was clear that business leaders and the public are expecting a lot from government and government and the public are expecting a lot from business. But what was equally clear is that government, the public and business are all also expecting a lot from themselves. "Responsibility" was one of the most commonly used words at this year's Annual Conference and the inclusion of "realistic choice" in the conference theme on green recovery was in fact about taking responsibility and action for the future.

The organisers of the Boao Forum for Asia Annual Conference 2010 and its strategic partners are profoundly appreciative of the participation by all delegates to create this richly relevant dialogue on China's Hainan Island. This was the ninth year of the BFA AC, and we thank delegates for making it the best conference yet. We look forward to another year of cooperation and progress, and we look forward to seeing you again in 2011.

About Boao Forum for Asia

As a non-government, non-profit international organisation, Boao Forum For Asia (BFA) is the premier forum for leaders in government, business and academia in Asia and other continents to share visions on the most pressing issues in this dynamic region and the world at large. The forum is committed to promoting regional economic integration and bringing Asian countries even closer to their development goals. Initiated in 1998 by Fidel V. Ramos, former President of the Philippines, Bob Hawke, former Prime Minister of Australia, and Morihiro Hosokawa, former Prime Minister of Japan, Boao Forum for Asia was formally inaugurated in February 2001. Countries across the region have responded with strong support and great enthusiasm, and the world has listened attentively to the voice coming from Boao, the permanent site of the Annual Conference of the forum since 2002.

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