



In Knowledge Partnership with

**HEIDRICK & STRUGGLES**



ASIA SOCIETY'S 18TH ASIAN CORPORATE CONFERENCE REPORT

TIANJIN, CHINA  
MAY 28-30, 2008

Renaissance Tianjin  
TEDA Hotel &  
Convention Centre

[www.AsiaSociety.org/conference](http://www.AsiaSociety.org/conference)

HEIDRICK & STRUGGLES

## ASIA SOCIETY'S 18TH ASIAN CORPORATE CONFERENCE REPORT

A NEW ERA FOR GLOBAL BUSINESS:  
SUSTAINABLE GROWTH FOR CHINA AND THE WORLD

全球商业的  
新时代：  
中国和世界的  
可持续发展

## CO-ORGANIZERS

Tianjin Municipal  
People's Government

THE WALL STREET JOURNAL.  
ASIA  
PRINT & ONLINE  
Global Business News for Asia

## SPECIAL SUPPORTING ORGANIZATION



## IN COOPERATION WITH



## IN COLLABORATION WITH



## LEAD CORPORATE BENEFACTORS



## CORPORATE BENEFACTORS



## CORPORATE SUPPORTERS



Ogilvy Public Relations Worldwide



The Leo KoGuan Program  
Series on U.S.-China Relations at the Asia Society

## ADDITIONAL SPONSORS



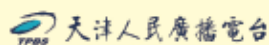
## SUPPORTING ORGANIZATIONS



## KNOWLEDGE PARTNER

HEIDRICK & STRUGGLES

## MEDIA PARTNERS



## About the Conference

Asia Society's 18th Asian Corporate Conference brought together top business figures and government leaders from around the world to explore Asia's future in the context of China's growing global influence. Held in Tianjin, China's next emerging hub and focus of the Central Government's third wave of economic development after Shenzhen and Pudong, this year's conference sought to better understand the opportunities and challenges facing China's economic development and to examine strategic models of sustainability.

## About Asia Society

Asia Society is the leading global organization working to strengthen relationships and promote understanding among the people, leaders, and institutions of Asia and the United States. We seek to enhance dialogue, encourage creative expression, and generate new ideas across the fields of policy, business, education, arts, and culture. Founded in 1956, Asia Society is a nonpartisan, nonprofit educational institution with offices in Hong Kong, Houston, Korea, Los Angeles, Manila, Melbourne, Mumbai, New York, San Francisco, Shanghai, and Washington, DC. Asia Society is on the web at [www.AsiaSociety.org](http://www.AsiaSociety.org).



It is a pleasure to celebrate the publication of this report on Asia Society's 18th Asian Corporate Conference, "A New Era for Global Business: Sustainable Growth for China and the World," held in Tianjin, China from May 28-30.

Co-organized with the Tianjin Municipal People's Government and The Wall Street Journal Asia, the conference illustrated the importance of a holistic approach to development and considered models of sustainable growth. This was the third time in 18 years that the Asian Corporate Conference has been held in mainland China, and it is remarkable how quickly China has developed during this period. With its continued capacity for growth, China has the potential to lead the way in promoting a new global era of sustainable business, incorporating environmental and social considerations into growth models.

For more than 50 years, Asia Society has been devoted to strengthening partnerships and deepening understanding among peoples, leaders and institutions of Asia and the U.S. The annual Asian Corporate Conference is an important part of this effort.

I want to take this opportunity to thank our co-organizers, sponsors, and partners for all of their assistance, and particularly Heidrick & Struggles for making this report possible. I would also like to thank the senior government and business leaders who came from all over Asia and the world to gather together in Tianjin.

I trust that you will find this report informative and enjoyable. We look forward to receiving your comments on the report and suggestions for future conferences. Thank you for supporting the work of the Asia Society.

**Dr. Vishakha N. Desai**  
President  
Asia Society



As Asia's foremost leadership advisory firm, we have focused all of our energy and resources on partnering with companies and institutions in the region to drive improved business performance assisting them in identifying, securing, retaining, developing and aligning next generation leaders. Since our first Asian office opened in 1989, we have spent every available hour consulting with Asia's eminent business leaders on their future challenges and opportunities.

We are pleased to support Asia Society's 18th Asian Corporate Conference as it explores Asia's future in the context of China's growing global influence. At an early stage Heidrick & Struggles identified China's importance and great potential and perhaps not surprisingly was the first global executive search firm to establish an office in China.

This conference provides an important platform and opportunity to foster an ongoing dialogue with Asia's business leaders. This will provide us with additional insight and knowledge helping us to redefine leadership in the Asian context.

We look forward to many more joint efforts with the Asia Society, as it works to strengthen relationships and understanding among the people, leaders, and institutions of Asia and the rest of the world.

**Mr. Gerry Davis**  
Regional Managing Partner, Asia Pacific  
Heidrick & Struggles

|    |  |
|----|--|
| 2  | FOREWORD   |
| 5  | AGENDA   |
| 9  | SURVEY   |
| 10 | KEYNOTE ADDRESS  |
| 11 | SESSION<br>Building Sustainable First-Class World Cities   |
| 13 | SESSION<br>Harnessing Innovation and Entrepreneurship  |
| 16 | PHOTOS   |
| 18 | SESSION<br>China & World Capital Markets: Investing for Growth   |
| 20 | BREAKOUT SESSIONS<br>Private Equity<br>Real Estate in China: Investing for Profitability<br>and Sustainability   |
| 22 | SESSION<br>How is Global Competition Driving the Internationalization of<br>Corporations & Investment?           |
| 24 | SESSION<br>Competing Models of Regional Economic Cooperation &<br>the Sustainability of the World Trading System |
| 25 | SESSION<br>The Future of Culture in the Age of Commerce  |
| 27 | SESSION<br>Sustainable Growth and the Environment  |
| 29 | SESSION<br>Sustainable Growth and Energy   |
| 31 | SESSION<br>What Does a Sustainable Future Look Like for the Asia<br>Pacific Region?                              |

## Wednesday May 28, 2008

- 5:00PM**      **OPENING RECEPTION**
- 6:15PM**      **OPENING NIGHT DINNER**  
 WELCOME REMARKS  
**Vishakha N. Desai**, President, Asia Society  
**Huang Xingguo**, Mayor, Tianjin Municipal People's Government, P.R. China  
 OPENING KEYNOTE ADDRESS  
**Xi Jinping**, Vice-President, People's Republic of China
- 7:00PM**      **CULTURAL PERFORMANCE**

## Thursday, May 29, 2008

- 9:00AM**      **WELCOME REMARKS**  
**Vishakha N. Desai**, President, Asia Society  
 SESSION I : BUILDING SUSTAINABLE FIRST-CLASS WORLD CITIES  
 PANEL KEYNOTE  
**Huang Xingguo**, Mayor, Tianjin Municipal People's Government, P.R. China  
 INTRODUCTORY REMARKS  
**Ronnie C. Chan**, Vice Chairman, Asia Society; Chairman, Hang Lung Group Limited  
 Participants  
 • **Sheila Dixit**, Chief Minister, Delhi, India  
 • **Grace Fu**, Senior Minister of State for National Development and Education, Republic of Singapore  
 • **Huang Xingguo**, Mayor, Tianjin Municipal People's Government, P.R. China  
 • **John So**, Lord Mayor, City of Melbourne, Australia  
 Moderator  
**Saskia Sassen**, Robert S. Lynd Professor of Sociology, Columbia University
- 11:15AM**      **SESSION II : HARNESSING INNOVATION AND ENTREPRENEURSHIP AS DRIVERS OF SUSTAINABILITY**  
 Participants  
 • **Ruey-bin Kao**, President, Motorola China  
 • **Raymond Leung**, Chairman and CEO, TDK China  
 • **Tim Minges**, President, PepsiCo International - Asia Pacific Region  
 • **Ganesh Natarajan**, Deputy Chairman & CEO, Zensar Technologies Limited  
 • **Shi Zhengrong**, CEO, Suntech  
 Moderator  
**James L. McGregor**, Chairman and CEO, JL McGregor & Company
- 12:30PM**      **SPECIAL LUNCHEON ADDRESS**  
**Jet Li**, Founder, Red Cross Society of China Jet Li One Foundation  
 INTRODUCTORY REMARKS  
**Kai Nargolwala**, Regional CEO, Asia Pacific, Credit Suisse

1:45PM

### SESSION III: CHINA AND WORLD CAPITAL MARKETS: INVESTING FOR GROWTH

Participants

- **Howard Chao**, Asia Practice Chair, O'Melveny & Myers LLP
- **Cui Jindu**, Vice Mayor, Tianjin Municipal People's Government, P.R. China
- **Lawrence Fok**, Executive Vice President, Head of Issuer Marketing Division, Hong Kong Exchanges and Clearing Limited
- **David Shuler**, Senior Vice President, Business Development (Asia), NYSE Euronext, Inc.
- **Kai Nargolwala**, Regional CEO, Asia Pacific, Credit Suisse
- **Zhang Xiaoming**, Managing Director, Investment Banking Division, China International Capital Corporation Limited

Moderator

**Peter Stein**, Hong Kong Bureau Chief, The Wall Street Journal and Associate Editor, The Wall Street Journal Asia

3:15PM

### BREAKOUT SESSION: PRIVATE EQUITY

Participants

- **Janine Feng**, Managing Director (Hong Kong), The Carlyle Group
- **Victor Gao**, Senior Officer, Zhongxin Hi-Tech Investment Fund Management Company (preparatory)
- **James L. McGregor**, Chairman and CEO, JL McGregor & Company

Moderator

**Rick Carew**, M&A – Asia Reporter, The Wall Street Journal

### BREAKOUT SESSION: 21ST CENTURY BANKING OUTLOOK: BUILDING ECONOMIC STRUCTURES FOR SUSTAINABLE GROWTH

Participants

- **Frank Newman**, Chairman and CEO, Shenzhen Development Bank Co., Ltd.
- **Jing Ulrich**, Managing Director and Chairman, China Equities, JPMorgan
- **Zhu Min**, Group Executive Vice President, Bank of China

Moderator

**Howard Chao**, Asia Practice Chair, O'Melveny & Myers LLP

### BREAKOUT SESSION: REAL ESTATE IN CHINA: INVESTING FOR PROFITABILITY AND SUSTAINABILITY

Participants

- **Charles D. Dalluge**, Executive Vice President, LEO A DALY
- **Feng Lun**, Chairman of Board of Directors, Beijing Vantone Real Estate Co., Ltd.
- **Alan Hepburn**, Managing Director, Three on the Bund
- **Michael Klibaner**, Practice Leader for Asia Pacific, Global Location Solutions - Strategic Consulting, Jones Lang LaSalle

Moderator

**Robert Poole**, Vice President, China Operations, The US-China Business Council

4:30PM

#### SESSION IV: HOW IS GLOBAL COMPETITION DRIVING THE INTERNATIONALIZATION OF CORPORATIONS & INVESTMENT?

Participants

- **Laurence Barron**, President, Airbus China
- **Ni Xiangyu**, Vice Chairman, Administrative Commission of Tianjin Economic Technological Development Area
- **Shaun Rein**, Managing Director, China Market Research Group
- **Michael Smith**, Chief Executive Officer, Australia and New Zealand Banking Group Ltd.
- **Yu Ping**, Vice Chairman, China Council for the Promotion of International Trade

Moderator

**Dan Hertzberg**, Deputy Managing Editor and Editor, International, The Wall Street Journal

6:30PM

#### DINNER AND CULTURAL PERFORMANCE HOSTED BY THE TIANJIN MUNICIPAL PEOPLE'S GOVERNMENT

INTRODUCTORY REMARKS

**Ren Xuefeng**, Vice Mayor, Tianjin Municipal People's Government, P.R. China

**Huang Xingguo**, Mayor, Tianjin Municipal People's Government, P.R. China

**Vishakha N. Desai**, President, Asia Society

Friday, May 30, 2008

9:00AM

#### KEYNOTE ADDRESS

**Nguyen Duc Hoa**, Deputy Minister of Planning and Investment, Vietnam

INTRODUCTORY REMARKS

**Edward Cooper**, President, AIG Consumer Finance Group

9:30AM

#### SESSION V: COMPETING MODELS OF REGIONAL ECONOMIC COOPERATION AND THE SUSTAINABILITY OF THE WORLD TRADING SYSTEM

Participants

- **Pramit Pal Chaudhuri**, Senior Editor, Hindustan Times
- **Clyde V. Prestowitz Jr.**, President, Economic Strategy Institute
- **Geoff Raby**, Australian Ambassador to P.R. China

Moderator

**Mary Kissel**, Editorial Page Editor, The Wall Street Journal Asia

11:15AM

#### SESSION VI: THE FUTURE OF CULTURE IN THE AGE OF COMMERCE

Participants

- **Duncan Clarke**, Chairman, BDA China Limited
- **Frederick C. Dubee**, Senior Advisor, United Nations Global Compact
- **James Fallows**, National Correspondent, The Atlantic Monthly

- **Kwok Kian Woon**, Associate Chair (Academic) & Head, Division of Sociology; School of Humanities and Social Sciences, Nanyang Technological University
- **Tu Weiming**, Professor, Harvard University

Moderator

**Vishakha N. Desai**, President, Asia Society

**1:45PM**

#### SESSION VII: SUSTAINABLE GROWTH AND THE ENVIRONMENT

Participants

- **Steve Chapman**, Group Vice President – Emerging Markets and Businesses, Cummins Inc.
- **Thomas Farrell**, Senior Managing Director, Design and Construction, Tishman Speyer
- **Tadakatsu Sano**, Partner, Jones Day; Former Vice Minister of International Affairs, Ministry of Economy, Trade and Industry (METI), Japan
- **Venu Srinivasan**, Chairman and Managing Director, TVS Motor Company Ltd.

Moderator

**Rebecca Blumenstein**, China Bureau Chief, The Wall Street Journal

**3:45PM**

#### SESSION VIII: SUSTAINABLE GROWTH AND ENERGY

KEYNOTE ADDRESS

**Zhao Xiaoping**, Vice Minister, National Energy Bureau, P.R. China

INTRODUCTORY REMARKS BY **Nicholas Platt**, President Emeritus, Asia Society

Participants

- **He Shushan**, Chairman, Administrative Commission of Tianjin Economic Technological Development Area
- **Bruce Quinn**, Vice President, Strategic Development, Rockwell Automation Asia Pacific Limited
- **Dan Rosen**, Principal, China Strategic Advisory, LLC
- **Woochong Um**, Director, Energy, Transport, and Water Division, Asian Development Bank

Moderator

**Shai Oster**, Correspondent, The Wall Street Journal

**5:00PM**

#### SESSION IX: WHAT DOES A SUSTAINABLE FUTURE LOOK LIKE FOR THE ASIA PACIFIC REGION

Participants

- **Ronnie Chan**, Vice Chairman, Asia Society; Chairman, Hang Lung Group Limited
- **Nicholas Platt**, President Emeritus, Asia Society
- **John Thornton**, Trustee, Asia Society; Chair of the Board, The Brookings Institution
- **Wu Jianmin**, Former President, China Foreign Affairs University
- **Michael Yeoh**, CEO, Asian Strategy and Leadership Institute

Moderator

**John Bussey**, Washington Bureau Chief, The Wall Street Journal

**6:15PM**

#### CLOSING REMARKS

**Ren Xuefeng**, Vice Mayor, Tianjin Municipal People's Government, P.R. China

**Vishakha N. Desai**, President, Asia Society

# Innovation and Sustainability Survey

“Innovation should be focused on meeting market needs, current and emerging, and targeted at ‘Changing The Game’.”

- Delegate at Asia Society's 18th Asian Corporate Conference

Heidrick & Struggles solves business problems for clients every day. As innovators in leadership advisory services, we have actively redefined and reshaped the leadership landscape for more than 350 of the world's leading companies operating in the Asia Pacific. We will continue to foster dialogue with Asia's business leaders and help shape the leadership benchmark for multinationals and Asian conglomerates in the region.

As Knowledge Partner of Asia Society's 18th Asian Corporate Conference, Heidrick & Struggles took the opportunity to ask delegates for their views on issues concerning sustainability and innovation. Key findings from interviews with 55 senior business delegates from top international companies based in Asia and the United States are shown below. Of the respondents, 87% were based in the Asia Pacific, and 69% were male.

1. Many business leaders acknowledge that environmental conscious investments can lead to commercial profits (63%) while 31% see such investments as having no financial impact.
2. All the respondents agreed that being a leader in Environmental Sustainability would improve their brand image and reputation (100%), as well as have an impact on areas such as:
  - a. Improved competitiveness and market positioning (89%)
  - b. Employee recruitment, motivation and retention (88%)
  - c. Improved investor relations and access to capital (81%)
3. Innovation is seen as key in promoting Environmental Sustainability in companies' corporate goals, either through managing the environment (34%) or as a driver of Environmental Sustainability in general (26%).
4. A corporate culture that fosters innovation is seen as having an impact across the board, on areas such as:
  - a. Long term growth (98%)
  - b. Leadership development (98%)
  - c. Employee morale (96%)
5. Innovation is encouraged across all functions, especially in Business Strategy & Planning (18%), Knowledge & Improvement (15%), Sales, Marketing & Customer service (12%), Environment, Health & Safety (11%) and Leadership coaching, retention & development (10%).
6. Encouraging employee initiative (45%) is seen as the main driver for fostering innovation, followed by financial incentives (20%).
7. On the other hand, sharing and applying expertise across the organization is seen as the main hurdle to fostering innovation (37%), followed by aligning implementation with market demands (27%).



## Xi Jinping

### Vice-President, People's Republic of China

With the conference taking place about two weeks after the devastating earthquake in Sichuan, China, Chinese Vice President, Xi Jinping, touched on the tragedy in his opening keynote address. The earthquake on May 12th was the most powerful recorded in the country since 1949. Xi noted the tremendous progress made in the aftermath of the disaster especially in the relief efforts.

Xi also spoke highly of the valuable help extended by foreign countries, international organizations and friends in the quake relief efforts. "After the quake, several foreign rescue teams and medical professionals were sent to the quake-hit areas to search and rescue the people," Xi said, adding that relief materials and funds from the international community were continuously pouring into the affected provinces. He was also confident China will be able to overcome the tragedy as it prepares to host the Olympics.

Turning to the conference, the Vice President congratulated the delegates on behalf of the Chinese government. He said the theme was in accordance with the trend of economic globalization and development

in Asia, particularly in China.

Xi elaborated on China's own economic progress and development since 1978 when the country began its reform and opening-up drive. He said that after thirty years of unremitting effort, China's economy is now the fourth biggest in the world, making it an important player on the global economic stage. "China's contribution to the growth of the world economy and international trade has exceeded 10 percent and 12 percent respectively," said the Vice President.

Xi said that China's development provides a broad market for international capital. Over the past thirty years, foreign investments in China amounted to more than USD780bn, while its own investments abroad also increased sharply.

Xi also stressed that at the same time, China will also enhance its energy saving and emission reduction work in accordance with the scientific concept of development. China's energy consumption per capita GDP is down 3.27 percent, while its chemical oxygen demand and sulphur dioxide emissions also declined for the first time. Nonetheless, Xi said, a lot remains to be done in this area.

Xi called on the whole society to adopt a culture of conservation so as to establish a sustainable development mechanism. He also called for quicker development of a recycling economy in a bid to promote the creation of an energy saving and environment friendly society.

# Building Sustainable First-Class World Cities



Saskia Sassen, Robert S. Lynd Professor of Sociology, Columbia University; John So, Lord Mayor, City of Melbourne, Australia; Huang Xingguo, Mayor, Tianjin Municipal People's Government, P.R. China; Grace Fu, Senior Minister of State for National Development and Education, Republic of Singapore; Sheila Dixit, Chief Minister, Delhi, India

Huang Xingguo, Mayor of Tianjin Municipal People's Government, opened the panel session with a keynote address in which he spoke at length about the province's pressing development issues. Tianjin has a water shortage problem and it needs major investments in sewage infrastructure. He added that water should terminate in small steam boilers that emit less carbon dioxide than conventional boilers.

Following Huang's address, Saskia Sassen, Robert S. Lynd Professor of Sociology at Columbia University, set the stage for the discussion by laying out three discussion areas: the environment, economic globalization and inequality. And Sassen noted, city centers are on the frontline for all the three issues.

One of the panelists, Grace Fu, Singapore's Senior Minister of State for National Development and Education, described the city-state's unique situation. Given its role as both a city and country with 4.5 million people squeezed into just 700 square kilometers, the conservation of resources has been forced upon Singapore. Even during times of enviable economic growth, Singapore had to constantly

make a conscious trade-off between growth and environmental sustainability. Having a stable government has made this trade-off successful, as Singapore now has 50% of green space. If it continues along its current path, Fu believes Singapore is on track to conserve its biodiversity. The Singapore government has also set standards for green buildings. She said that to do this, legislation was deemed necessary, as the alternative market mechanism could have failed. Fu added that Singapore is proof that economic vibrancy is not mutually exclusive with building a livable, environmentally friendly city.

Then it was the turn for New Delhi's Chief Minister, Sheila Dixit, to describe her city's development. For 2,000 to 3,000 years, New Delhi has served as the center of India. Today, it houses 16 million people, incorporating all cultures, languages and religions in India. It's also the seat of the central government. The latter has both its pros and cons. Under Dixit's tenure, New Delhi began a program to develop a greener city that involved mostly women and children. Within nine years, New Delhi's green cover has grown from 32 square

kilometres to 300 square kilometres (out of a total 1043 square kilometres). Moreover, all of New Delhi's public transport now uses compressed natural gas (CNG). With over 100,000 CNG-run vehicles, the Indian city is currently a global leader in the field. Nevertheless, with a thousand new cars registered daily, New Delhi will have to work harder to reconcile a massive economic boom with environmental sustainability. In response, the city is installing more metro and bus lines, and is also trying to cultivate a culture of conservation. With its water and power needs constantly increasing, New Delhi is not only investing in greater capacity, it is also urging people to conserve the city's natural resources, starting with new programs targeting schoolchildren.

Dixit noted that housing is also another major concern. As migrants move to New Delhi, shanties are built to serve them, which cause substantial environmental damage. Consequently, the government is now providing considerable subsidies for marginalized housing. Mass migration is a problem that both India and China will continue to face. The only effective way to deal with the problem is to build several more cities, Dixit said.

John So, Lord Mayor of Melbourne, seconded many of the issues cited by the other panelists. He said that Melbourne, being one of the fastest growing cities in Australia, is similar to Tianjin. He added that he is focused on developing 'green' buildings and noted that 95% of greenhouse gas emissions (GHG) come from residential and commercial buildings.

Melbourne has accordingly set an ambitious target of having zero GHG emissions from buildings by 2020. Many new buildings in Melbourne, including Council House 2 and Australia's largest convention center, have already earned 6-star environmental ratings and the city has won numerous international awards for its 'green' concepts.

During the session, there were frequent debates on the carrot vs. stick problem to get cooperation from citizens and businesses. Singapore's Senior Minister of State for National Development and Education, Grace Fu, noted that market mechanisms and education do not always work, and that there is often a need for strict legislation, citing Singapore's efforts in creating green buildings. Dixit begged to differ, responding that it may be easy to make laws, but implementation could be difficult because India is "so terribly democratic." Fu proposed coming out with an international consensus on environmental standards, which would make local implementation much easier.

The panelists also went on to discuss the difficulties in sustaining heritage and culture while promoting development. The last word was given to Huang, who argued that Tianjin's goal is to give its people a good life. In fulfilling this goal, sustainability is the most important prerequisite.

# Harnessing Innovation and Entrepreneurship



James L. McGregor, Chairman and CEO, JL McGregor & Company; Shi Zhengrong, CEO, Suntech; Ruey-bin Kao, President, Motorola China; Tim Minges, President, PepsiCo International - Asia Pacific Region; Raymond Leung, Chairman and CEO, TDK China; Ganesh Natarajan, Deputy Chairman & CEO, Zensar Technologies Limited

The need for innovation is crucial to developing nations. This panel discussion, covering a wide range of industries, examined various trends of innovation in technology, business management, and talent retention.

Shi Zhengrong, CEO of Suntech, opened the session. As CEO of one of China's most innovative companies and also one of the most watched companies on the New York Stock Exchange, Shi explained his approach to driving sustainability with innovation. China and the world are facing great challenges in terms of global warming and climate change. This is an urgent issue and even those who do not believe in climate change cannot deny the current pressures on traditional energy supply. Shi noted that the price of oil could easily be over US\$150 per barrel by the end of 2008. The world must find alternative energies to face this challenge, and that is what Shi has been doing - by developing solar technology at Suntech. Shi concluded with a direct pitch to the audience: "I want to urge everybody – from today, start to use solar."

Ruey-bin Kao, President of Motorola China, came on next to present Motorola's development in China. As an early investor in Tianjin, Motorola has been a leader in the telecommunications field in China for the last 15 years. Innovation has been the driving force behind this sustained growth - not just innovation in technology, but also in processing methodology, research and development as well as problem solving. Innovation is needed in all of these fields in order to deal with ever-changing markets. China is now Motorola's largest market and also its biggest talent pool. Consequently, as part of the development of its global value chain, the company's manufacturing and research and development capabilities have been integrated within China.

Kao said corporate social responsibility and a focus on environmental sustainability have always been a key part of Motorola's culture. Research and development is in place not only to produce phones, but also to develop innovative manufacturing processes, including using recycled parts and

environmentally friendly processes. Motorola is also in the midst of developing a recycling program for used phones.

Tim Minges, President of PepsiCo International for the Asia Pacific Region, related his experience during his 25-year career with the company, noting that an area especially in question was that of sustainability from the perspective of a consumer goods company. Minges noted that Indra Nooyi, Pepsi's Chairwoman, has rallied the company behind the mantra of "performance with purpose." Although the company's performance has been well documented, Nooyi wants PepsiCo to be a force for good in the world as she believes it's not enough just to be a high performing company. PepsiCo has set itself three main objectives for the future: healthier products, environmental sustainability, and talent sustainability.

While PepsiCo will continue to be a manufacturer and marketer of sweet sodas and salted snacks, the company also expects to

be a leader in moving customers to healthier alternatives. In terms of environmental sustainability, Minges noted that PepsiCo is well ahead of its goal to reduce water usage by 20% by 2010. He argued that in the current business environment, most companies actually set themselves higher sustainability targets than those enforced by governments. Sustainability is not just the right thing to do, but it is what people expect from major corporations, he said.

Raymond Leung, Chairman and CEO of TDK China, noted that TDK has been active in China for 40 years. It currently has 100,000 items on the market, all of which are 'green'. In China's highly competitive electronics industry, companies have had to continuously upgrade or launch new products to stay ahead of the pack. As a result, Leung said, 10% of TDK's products are new at any given time. With this need for new process development and technology, TDK has no choice but to be even more innovative. To achieve this, the Chinese company sponsors many university

"Suntech spends 5% of its profits each year on research and development, and also gives in-house awards to promote innovation. Suntech allows people to make mistakes. As such, innovation is also associated with high initial costs."

research and development projects. It also invests in many up-and-coming companies in China. In addition, human resource development is also of paramount importance; this is manifested through in-house training and cooperation with universities.

Ganesh Natarajan, Deputy Chairman & CEO of Zensar Technologies Limited and also Chairman of the National Association of Software and Services Companies (NASSCOM), discussed the development of India's information technology (IT) sector. In the last 15 years, India's IT industry has carved a place in the global marketplace and currently employs 2 million people in India. Natarajan predicted that this number could grow to 8 million within 10 years. To achieve that figure, innovation is necessary. According to Natarajan, India has already begun to move from low-cost outsourcing to more novel means of production. Companies must be encouraged to focus on product innovation and creating innovative world-class processes and business models. Natarajan pointed out that Zensar creates outstanding technologies for global collaboration. It's also involved in setting up global centers of excellence to engage like-minded entrepreneurs.

The moderator of the session, James McGregor, Chairman and CEO of JL McGregor & Company, put this question to the panelists - whether Asia, particularly China, would be able to make the shift to radical innovation from incremental innovation. Suntech's Shi responded that China is already looking into effecting

the change. He likens innovation to culture, and building this culture requires substantial financial support. As more global corporations set up their research and development centers in China, Shi believes this will better help foster an innovation culture amongst local companies. Suntech spends 5% of its profits each year on research and development, and also gives in-house awards to promote innovation. Finally, Suntech allows people to make mistakes. As such, innovation is also associated with high initial costs.

Zensar Technologies' Natarajan concurred with Shi on this point. He said that it's through trial and error that India's IT sector has grown to where it is today. Natarajan further noted that each country needs its own model of innovation. But to make any model work, it will require entrepreneurs, financing, and university/academic collaboration.



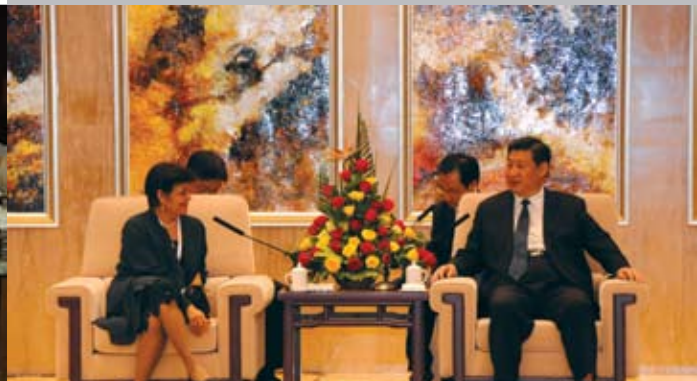
Delegates arriving at the conference venue



Chinese Vice President Xi Jinping shakes hands with Asia Society Trustee John Thornton as Asia Society President Vishakha Desai looks on



Grace Fu, Singapore's Senior Minister for National Development and Education and Nguyen Duc Hoa, Vietnam's Deputy Minister for Planning and Investment



Chinese Vice President Xi Jinping speaks with Asia Society President Vishakha Desai prior to the conference's opening night dinner



An MOU between the Confederation of Indian Industry and the China Council for the Promotion of International Trade to further business ties



Distinguished guests meet with Chinese Vice President Xi Jinping



Asia Society President Vishakha Desai addresses delegates on the opening day



Tianjin Mayor Huang Xingguo delivers a keynote address on the opening morning of the conference



Actor and philanthropist Jet Li speaks during a special luncheon address



Tianjin Mayor Huang Xingguo delivers an address during the second night dinner, hosted by the Tianjin Government



A packed audience at the conference



Harvard Professor Tu Weiming proves popular with the Chinese media



Nguyen Duc Hoa, Vietnam's Deputy Minister of Planning and Investment, delivers a keynote address



An enrapt audience listens to the panel discussion on sustainable world-class cities



The audience listens attentively to a discussion on innovation



Asia Society President Vishakha Desai, Vice Chairman Ronnie Chan and Tianjin Vice Mayor Ren Xuefeng address the media during a press conference

# China & World Capital Markets: Investing for Growth

Peter Stein, Hong Kong Bureau Chief, The Wall Street Journal and Associate Editor, The Wall Street Journal Asia; Zhang Xiaoming, Managing Director, Investment Banking Division, China International Capital Corporation Limited; David Shuler, Senior Vice President, Business Development (Asia), NYSE Euronext, Inc.; Cui Jindu, Vice Mayor, Tianjin Municipal People's Government, P.R. China; Kai Nargolwala, Regional CEO, Asia Pacific, Credit Suisse; Howard Chao, Asia Practice Chair, O'Melveny & Myers LLP; Lawrence Fok, Executive Vice President, Head of Issuer Marketing Division, Hong Kong Exchanges and Clearing Limited



The main story of China's capital markets is one of big numbers. In the last two years, the country hosted two of the ten biggest public offerings of all time. The Industrial and Commercial Bank of China or ICBC holds the top spot, having raised over \$21 billion. Since 2006, Chinese companies have raised over \$137 billion in the equities market. Still, despite these figures and accomplishments, the Chinese market remains largely unstable.

As Chinese retail investors learn the concept of shared ownership, trading volume has increased significantly. China has definitely benefited from having Hong Kong as an offshore fundraising center. Domestically, there are substantial savings to tap into and, as a result, more companies are investing locally, particularly in Shanghai. At the same time, cities such as Tianjin are on the rise and slated to play a major role in China's economic future. With the rise of the Chinese domestic market, what roles do international cities such as London and New York play in this growth?

Tianjin Vice Mayor, Cui Jindu, explained that

the province was China's center of business a century ago. It has since lost that reputation to Shanghai but Cui believes Tianjin has the greatest potential to become the next center of economic activity, specifically the Tianjin Binhai New Area.

Credit Suisse's Asia Pacific CEO, Kai Nargolwala, addressed the requirements needed to avoid the problem of market volatility in China. He stated that volatility happens when stock listings come from state-owned companies, which are essentially owned by the government. This is because the government can dispose of its stake anytime and there's no certainty that the sale will result in a profit. Nargolwala is of the opinion that clarity in the privatization of state-owned enterprises is absolutely essential.

Many companies are looking to tap into the liquidity of the domestic Chinese market without having to look overseas. NYSE Euronext's David Shuler addressed the issue of how much easier it would be for the New York Stock Exchange to attract Chinese companies if it weren't for the Sarbanes-Oxley regulations.

Last year, the NYSE raised over US\$80 billion and hosted the listing of 20 Chinese companies. The companies now collectively hold a value of US\$1.6 trillion. He was of the opinion that Chinese companies choose to invest in the New York Stock Exchange only because the bourse can sustain listings into the trillions.

Lawrence Fok, Executive Vice President of Hong Kong Exchanges and Clearing Limited, expanded on how the Hong Kong bourse sees its role going forward, as Chinese capital markets develop in Shanghai, Shenzhen and Tianjin. Out of all the exchanges worldwide, Hong Kong Exchanges has been working with Chinese companies for the longest period of time. Property companies and financial institutions have previously dominated Hong Kong's stock market, but that is quickly changing. Rather than seeing the rise of Chinese exchanges as competition, Fok looks at it in a positive light, saying competition encourages improvement. Fok believes the key to maintaining sustainability in the Chinese markets is in boosting investor confidence. To achieve this, Fok said institutional investors need to be more active in China.

Howard Chao, Asia Practice Chair of O'Melveny & Myers LLP, tackled the legal and policy issues involved in raising capital in China. He explained that traditionally, the Chinese government would have great control over how the markets are run. These controls have resulted in the limited number of new listings of offshore companies. Chao says it's going to take some time but he believes the Chinese market will be more open in the near future.

Zhang Xiaoming of China International Capital Corporation Limited addressed the issue of

whether Chinese companies should continue to look offshore and if they do, where would be a good place. The Chinese domestic market has since developed a good reputation, hence, there's no longer a need to look abroad for listings. Nonetheless, many Chinese companies still opt for an overseas listing. This is especially so if the companies are looking to establish a global presence or to explore mergers and acquisitions around the world.

The moderator of the panel, Peter Stein of The Wall Street Journal Asia, posed a question concerning sustainability. He wanted to know why there's still a lack of funding from China's capital markets in the area of renewable energy, especially given that China has been a powerful force in this area. Stein noted how this is the case particularly in solar energy, citing Suntech Power as an example of being a leader in the field. CIC's Zhang answered that the Chinese government is trying to play a bigger role in the sustainability movement. For example, Zhang said, companies have to first pass tough environment standards set by the Chinese Ministry of Environment before their listing application is approved. In addition, NYSE's Shuler shared two ways that world capital markets can get involved. Firstly, they could finance companies that deal with green energy such as Suntech, and secondly, they could engage in cap-and-trade mechanisms.

All the panelists agreed that the Chinese market is still in the nascent stage of development. Investors and intermediaries are learning as they go along and should not be discouraged if they hit some bumps along the way as the speakers believe the Chinese market will only continue to grow.

# Private Equity

Rick Carew, M&A – Asia Reporter, The Wall Street Journal; Janine Feng, Managing Director (Hong Kong), The Carlyle Group; Victor Gao, Senior Officer, Zhongxin Hi-Tech Investment Fund Management Company (preparatory); James L. McGregor, Chairman and CEO, JL McGregor & Company



Private equity is a relatively new phenomenon in China. Rick Carew of the Wall Street Journal Asia informed attendees that the financial numbers were not looking so good at that point in time. Globally, buyouts were down 71%. However, in Asia ex-Japan, buyouts were up 41% year-on-year. Totaling 147 deals, the absolute numbers were still relatively small. China alone was up 22%. It's still early days yet, Carew added, a sentiment that was widely shared by the panel.

Janine Feng of the Carlyle Group explained her firm's structure, which is very much focused on the traditional Leveraged Buy Out business. Feng said that Carlyle has very dedicated regional funds and does not have a global fund. Because of its strong belief in integrating the company in the local culture, all its 40 professionals in greater China are native Chinese speakers.

Victor Gao, of Zhongxin Hi-Tech Investment Fund Management Company, noted how his first excursion into private equity in Asia recently, at a time when no major local currency funds existed in China. All this changed two years ago. Now, China is rife with "private equity with Chinese characteristics," as he put it. The country has benefited from conducting

research on private equity for over a decade. Gao is confident the run on private equity still has a long way to go.

James MacGregor of JL McGregor & Company also tried to put private equity in perspective. He said his Tiger Capital Management unit was involved in some good deals two or three years ago. Nonetheless, he thinks the private equity market in Beijing and Shanghai have become pretty saturated. Investors now have to go out to the provinces in order to find good deals. MacGregor added that the Carlyle Group went from buy-outs to buy-in because they have not been able to secure any good deals.

Gao predicts the value of Renminbi funds to grow exponentially. Valued at about RMB75 billion at that point in time, he forecasts there will soon be RMB150 billion in the market through 10 to 12 funds; each one more transparent and with a different focus.

Gao informed the participants that the Social Security fund had already indicated its intention to allocate 20% of its capital to private equity. "We've gone from almost zero two years ago to all of China being a major source of private equity," he said, adding that China will become a major exporter of funds, with RMB funds playing a more important role.

## Real Estate in China: Investing for Profitability and Sustainability



Robert Poole, Vice President, China Operations, The US-China Business Council; Feng Lun, Chairman of Board of Directors, Beijing Vantone Real Estate Co., Ltd.; Charles D. Dalluge, Executive Vice President, LEO A DALY; Michael Klibaner, Practice Leader for Asia Pacific, Global Location Solutions - Strategic Consulting, Jones Lang LaSalle; Alan Hepburn, Managing Director, Three on the Bund

Feng Lun, Chairman of Board of Directors of Beijing Vantone Real Estate Co. and Chairman of the Real Estate Chamber of Commerce of China, began the session by describing trends in China's residential housing market over the last 20 years. Residential housing will remain the most important aspect of real estate growth for at least another 10-15 years. Buyers of residential housing in China tend to be young; about 25 to 35 years old on average. Young buyers may have greater access to information but are also less capable of successfully financing their purchases. In China, there is a strong belief that in order to get married, one must buy a house that can support two generations. This belief results in many under-prepared property buyers, resulting in concerns about available housing and high property prices.

Moreover, Feng noted, the Chinese real estate market needs to adapt to new government regulations on price and size guarantees in order to consolidate and innovate.

Charles D. Dalluge, Executive Vice President of LEO A DALY, said that the new property law has led to incentives for long-term investment, which in turn, will result in more innovative and sustainable designs. Dalluge argued that, "good design is good business today in China." The market has witnessed earlier returns for sustainable designs

and better technology and materials.

Michael Klibaner, Practice Leader for Asia Pacific Global Location Solutions at Jones Lang LaSalle, discussed the impact of rising costs, new laws and legislation on site-selection process. Increasingly, foreign firms are focusing on the local market, targeting domestic consumers and supply chains. Klibaner believes this is more sustainable than an export orientation model, and is the main driver of the emergence of real estate markets in second tier cities.

Increasing costs in first tier cities have led to the emergence of "corporate campuses" in suburban settings. This enables companies to cut costs and add to the employee's experience. With 'harmonious society' on the agenda, re-location due to new project developments is expected to remain a sensitive subject.

As for a bubble, Feng pointed out that research shows other than Beijing, Shanghai, Guangzhou, and Shenzhen, China is not experiencing a real estate bubble. Per capita income growth has mostly risen in line with the rise in the price of housing. To allay the risk of a potential bubble, young buyers should instead be encouraged to rent, while the government should address rental problems for rural and low-income workers. Having said that, the panelists remain very optimistic about China's property market.

# How is Global Competition Driving the Internationalization of Corporations & Investment?

Dan Hertzberg, Deputy Managing Editor and Editor, International, The Wall Street Journal; Laurence Barron, President, Airbus China; Ni Xiangyu, Vice Chairman, Administrative Commission of Tianjin Economic Technological Development Area; Michael Smith, Chief Executive Officer, Australia and New Zealand Banking Group Ltd; Shaun Rein, Managing Director, China Market Research Group; Yu Ping, Vice Chairman, China Council for the Promotion of International Trade



Asia is carving a new place in history as it embraces new unfamiliar markets and competes globally. Does China have the necessary resources for success in worldwide markets?

Ni Xiangyu of the Tianjin Economic Technological Development Area explained that it would take time for most local businesses in China to globalize, as they are currently still relatively small or medium-sized. Ni stressed that it is important for the Chinese government to encourage these businesses to expand beyond domestic boundaries.

Shaun Rein, Managing Director of China Market Research Group, addressed three main areas that he felt businesses in China and other Asian countries should focus on as they expand. These were branding, human resources and globalization. Chinese businesses are currently competing on price. Rein explained that brand building takes time and is more complex than price competition. With regard to human resources issues, Chinese businesses should consider recruiting both locals and foreigners in order to overcome limited human capital in their quest to go global. Rein expressed his concern

that Chinese companies could be spreading themselves too thin as they expand globally.

Michael Smith of Australia and New Zealand Banking Group Ltd. discussed the role of international financial institutions in China. He applauded the progress that has been achieved over the past ten years but stressed that continuous progress was necessary. The influence of foreign banks on China has been positive. While there was once a concern that large domestic banks would lose market share to their international counterparts, it has been shown that the presence of international banks has provided the competitive pressure to fuel the development of products, services and new channels. Smith emphasized the important role that sovereign wealth funds would have in the future of China, as recent liquidity flows from Asian and Middle Eastern sovereign funds indicate that they can be a source of liquidity for world markets.

Yu Ping, Vice Chairman, China Council for the Promotion of International Trade, explained the roles of government agencies and commercial organizations in helping Chinese companies expand overseas. Inter-

national trade is strongly encouraged as it helps developing economies and the overall balance of trade. Chinese businesses in turn get to improve their management skills. While internationalization has many benefits, it is not easy and may not be suitable for all companies. Firms should first evaluate their performance potential before expanding globally. The government plays two important roles. Domestically, it establishes policies, incentives, taxation, financing schemes and rules for deregulation that encourage overseas expansion. Secondly, it negotiates with other governments to facilitate the operations of Chinese companies outside of China. To maximize returns, companies should consider greater participation with various chambers of commerce, trade organizations, accounting firms and other intermediary organizations.

Laurence Barron, President of Airbus China, addressed the issue of competition in the Asian aerospace industry and the lack of options for large-scale investments. While China and Japan may be the largest markets in East Asia, countries such as Brazil, Canada and Russia are emerging as strong competitors. China's aerospace industry has huge potential, but success will be dependent on capital investments and human resources. China possesses the determination and finances to

compete, but would require the right people to support it and market it internationally.

All the panelists acknowledged that both Chinese and Asian companies face many challenges as they internationalize. Ni observed that, in spite of the progress that China has made over the years, it had also made intangible sacrifices. Going forward, it needs to strengthen international travel and mutual understanding with foreign parties, while recognizing that market mechanisms are the best drivers of domestic economic development. Shaun Rein emphasized the importance of education and training. By introducing liberal arts education programs for example, Chinese university graduates would be able to receive more exposure to and training in global ideas and concepts. Michael Smith agreed that access to global talents in China is limited at the moment and that it would be good to groom globally-minded local talents. Laurence Barron stated that the local engineering industry was in dire need of basic English language education and technical training, two very important factors for foreign business start-ups.

In closing, the panelists unanimously agreed that the business sector should be more involved with education policy makers in the Chinese government.

**“The panelists unanimously agreed that the business sector should be more involved with education policy makers in the Chinese government.”**

# Competing Models of Regional Economic Cooperation & the Sustainability of the World Trading System

Mary Kissel, Editorial Page Editor, The Wall Street Journal Asia; Pramit Pal Chaudhuri, Senior Editor, Hindustan Times; Clyde V. Prestowitz Jr., President, Economic Strategy Institute; Geoff Raby, Australian Ambassador to P.R. China



With rapidly growing global trade imbalances and stalled negotiations at the recent Doha Development Round, there are concerns about the future of the world trading system.

Geoff Raby, Australia's Ambassador to the People's Republic of China, began the panel by stressing that the proliferation of bilateral free trade agreements (FTA) impedes the development of a multilateral system, and that current multilateral rules are weak. Few of the FTAs are genuinely liberalizing. A completion of the Doha Round negotiations would have greater potential gains.

Clyde V. Prestowitz Jr., President of the Economic Strategy Institute, seconded Raby's argument and pointed out that commercial interests tend to support bilateral deals over multilateral agreements. Prestowitz added that opposition to bilateral deals could be driven by many legitimate concerns and should not be looked upon as being protectionist. Raby agreed that the U.S. is not turning protectionist although the pressures to do so are enormous, given the growing trade imbalances.

Pramit Pal Chaudhuri, Senior Editor of the Hindustan Times, provided a more optimistic perspective as he described the progress made

with regards to India's acceptance of the Doha Round. While China has been one of the most active players in global trade, India is now stepping up to this role as well and its sign-in on the Doha round could help further develop the global trading system.

Prestowitz described current trade dynamics, and globalization as a whole, as being on the edge of a potential crisis. U.S. savings are at record lows while virtually all Asian countries (with the exception of India) have extremely high savings rates. In order to correct this situation, the dollar will have to cease to be the world's reserve currency. Doing so however, would require major adjustments that could lead to a crisis. Prestowitz went on to describe some short-term initiatives that the U.S. could take in order to raise its national savings rate.

The moderator, Mary Kissel, Editorial Page Editor at The Wall Street Journal Asia, closed the session by saying that the global economy is at a crossroad and that there seems to be no consensus on where the current multilateral trading system will lead.

# The Future of Culture in the Age of Commerce



Vishakha N. Desai, President, Asia Society; Duncan Clarke, Chairman, BDA China Limited; Frederick C. Dubee, Senior Advisor, United Nations Global Compact; James Fallows, National Correspondent, The Atlantic Monthly; Kwok Kian Woon, Associate Chair (Academic) & Head, Division of Sociology; School of Humanities and Social Sciences, Nanyang Technological University; Tu Weiming, Professor, Harvard University

Asia Society President and panel moderator, Vishakha Desai, opened the session by asserting the significance of cultural issues within the greater context of the conference. Sustainability is a crucial topic as it pertains to business, the environment and society - and within the context of society, the sustainability of culture cannot be ignored. How we address these issues today will impact how the Asian region will be remembered hundreds of year from now. Culture, she said, can be thought of as 'the soul of a civilization'; it works in conjunction with economics and politics to form national and regional identities.

Tu Weiming, a Harvard University professor and specialist in classical Chinese culture, said that culture features prominently in the Chinese system of governance, where the focus is on people and a harmonious society. Tu noted an upsurge of interest in humanity-based programs from the media, the business community as well as intellectuals and academics. This can be thought of as a cultural renaissance. Tu however, warned against the politicization of culture and what some may describe as "the dictatorship of the engineer". On the other hand, he also highlighted the danger of allowing the success of a market

economy to create a 'market society'.

Frederick Dubee, Senior Advisor of the United Nations Global Compact, responded by suggesting a different way of looking at the session title. He said our generation could be remembered as one that thought critically about 'The Future of Commerce in the Age of Culture'. Dubee claimed that many in the business world are re-evaluating the complex relationship between commerce and culture.

James Fallows, National Correspondent at The Atlantic Monthly, agreed with Dubee's remarks and noted that China's development has had relatively little emphasis on cultural outputs compared to other booming economies. This is probably a good thing. The next stage of China's evolution however, will increasingly involve the cultural aspects of development. Using the environment as an example, Fallows said that growing cultural awareness would be crucial to China's development and recognition on the world stage.

Kwok Kian Woon, Associate Chair & Head of the Division of Sociology at the School of Humanities and Social Sciences, Nanyang Technological University in Singapore, departed from the general viewpoint by pointing out that over the past five to ten

years, culture has been recognised as a source of creativity. Asia deserves greater recognition for its cultural diversity and its tolerance of divergent views.

Duncan Clarke, Chairman of BDA China Limited, said that, with the advent of the Internet and the increased ability of people to mobilize, media in China has been moving from a top-down driven economic model to a bottom-up one. The industry has been undergoing revolutionary changes and is experiencing an influx of private capital. He stated that this raises the questions of ‘To what extent is this a good thing?’ and ‘Is this something to be afraid of?’. In addition, Clarke noted the role of the Internet in the propagation of culture and the issue of intellectual property rights in developing countries such as China. Traditional media can also be revolutionized by cultural changes through the bottom-up model.

In response to Clarke’s comments, Professor Tu noted the growing search for new cultural identities; identities that are open and self-reflective, with strong underlying nationalist and patriotic sentiments. He pointed out the growing collaboration between business and cultural establishments in many nations. The study of classical texts and traditional culture in the pursuit of wealth and commercial success is deeply rooted in the East Asian

culture. Within the academic realm, Professor Tu also highlighted the growing scope of religion in China. Christianity and Islam are flourishing on university campuses, but the most important change is the rise of ‘engaged Buddhism’, he said. This seems to suggest a reinvigoration of interest in certain elements of classical Chinese culture.

Dubee asked whether much of the social and economic developments in China over the past two decades could be attributed to a strong cultural base. He noted that the expression of cultural values were evident in China’s domestic development and international communications even in the late 1980s. Dubee went on to suggest that Asia could be the future source for new business models that promote increased stakeholder development.

Fallows commented that countries and cultures of growing influence often develop their own identities and legacies. While these are yet unclear for China, he recognized that its effort to bring its people out of rural poverty is an essential component of China’s rise.

Kwok Kian Woon closed the discussion with a note of caution against viewing cultural progress as an instrument for commercial or political purposes. Creativity, he said, can be thought of as an ecosystem. He emphasized the role of conservation in fostering creativity and culture.

“Culture can be thought of as ‘the soul of a civilization’; it works in conjunction with economics and politics to form national and regional identities.”

## Sustainable Growth and the Environment



Rebecca Blumenstein, China Bureau Chief, The Wall Street Journal; Steve Chapman, Group Vice President – Emerging Markets and Businesses, Cummins Inc.; Thomas Farrell, Senior Managing Director, Design and Construction, Tishman Speyer; Tadakatsu Sano, Partner, Jones Day; Former Vice Minister of International Affairs, Ministry of Economy, Trade and Industry (METI), Japan; Venu Srinivasan, Chairman and Managing Director, TVS Motor Company Ltd.

Rapid economic growth without proper regulatory controls has caused severe environmental problems in Asia, particularly in China and India. With the Olympics being held in Beijing, China has made a great effort in cutting down pollution but it still has a long way to go. Rebecca Blumenstein of The Wall Street Journal who moderated the panel, cautioned against being too harsh on China, pointing out that even cities like Pittsburgh and Los Angeles went through a similar phase when they were first developing. China and India however, present a unique problem and are under a lot of scrutiny because of their sheer size.

Steve Chapman, Group Vice President – Emerging Markets and Business at Cummins Inc. highlighted that the conflicting interests between governments, the private sector and customers hamper progress towards a sustainable future. For instance, governments and society agree on the need for cleaner air and more efficient fuel. In order to meet the demand for more environmentally friendly products, petrochemical and automotive companies have to invest in new technologies and manufacturing processes, which in turn lead to higher costs which customers are reluctant to bear.

Thomas Farrell, Senior Managing Editor, Design and Construction, Tishman Speyer, believes that consumer education, combined with prudent initiatives from governments and the private sector, are essential. Farrell cited the example of the new Hearst Corporation global headquarters in New York City designed by Norman Foster, which had very clear sustainability goals from the onset. This project received a gold rating for sustainability, and consequently was granted tax credits from the City of New York.

Tadakatsu Sano, Partner, Jones Day, echoed the sentiments of Chapman and Farrell. Sano compared China's current challenges to Japan's in the 1960s and 1970s, and that China could learn from its experience. For instance, Japan introduced laws to reduce pollution as early as 1967 (three years after the Tokyo Olympics, and six years before the oil crisis). The main difference today is that China has to deal with pollution not only as a local issue but also as a global issue. Japan was able to implement relevant policies in a methodical way, since the pollution crisis preceded the oil crisis. Sano felt that incentives and subsidies for environmentally friendly businesses are essential. He also suggested the implementation of public transportation

systems such as those found in Tokyo and encouraged a lower reliance on luxury cars.

Venu Srinivasan, Chairman and Managing Director of TVS Motor Company, was particularly concerned about the issue of 'urban waste'. Urban waste in India and China is expected to exceed that of the United States over the next few years. There is currently an acute water shortage in India. As much as 50 percent of water sources in its cities will be depleted in 20 years. Without proper urban planning, India's city dwellers have to grapple with issues such as improper sanitation facilities, illegal housing, health problems and illiteracy. Srinivasan concluded by saying that curbing urbanization is not the solution, and that other alternatives needed to be discussed.

The panel discussion concluded by saying that greater collaboration between the government, private sector and consumers is needed in order to overcome environmental challenges. The government should educate the public on the increase in cost of consumer products as a result of fostering sustainable development. All the panelists also acknowledged that it is unrealistic to expect China and India to follow a similar path of development as the United States, Japan and South Korea. Instead, both countries would need to look for more innovative and localized solutions, with the help of proper policy guidelines, transfer of knowledge and technology and a genuine commitment across all sectors.

“Both India and China need to look for more innovative and localized solutions, with the help of proper policy guidelines, transfer of knowledge and technology and a genuine commitment across all sectors.”

## Sustainable Growth and Energy



Shai Oster, Correspondent, The Wall Street Journal; He Shushan, Chairman, Administrative Commission of Tianjin Economic Technological Development Area; Bruce Quinn, Vice President, Strategic Development, Rockwell Automation Asia Pacific Limited; Dan Rosen, Principal, China Strategic Advisory, LLC; Woochong Um, Director, Energy, Transport, and Water Division, Asian Development Bank

Shai Oster, correspondent for The Wall Street Journal and session moderator, opened the discussion by commenting on the current and future status of global energy consumption. If living standards in China reached that of the U.S. today, he said, the world would need to produce double the amount of oil it currently produces. That would be impossible to achieve. China's development is not slowing down and energy efficient resources are not being implemented widely enough to stave off future threats. The crucial question revolved around how China can sustain its pace of growth with this in mind.

Woochong Um, Director of the Energy, Water, and Transport Division of the Asian Development Bank (ADB), began by highlighting that stable and affordable energy sources are key to the ADB's efforts at reducing poverty in the Asia Pacific region. Future global energy demand, which is expected to grow by 55%, is daunting. Global warming will compound the problem, which will be further exacerbated by the industrialization boom in China and other developing countries. By 2010, China

is expected to overtake the U.S. as the largest global consumer of energy. Energy security is crucial for national security, but the ADB believes the issues of climate change and energy security can co-exist. He warned China against replicating the American model of transportation and encouraged it to look towards the development of renewable energy and fossil fuels. The three challenges to managing energy consumption, he said, were financing, technology and policy reform.

Dan Rosen, Principal of China Strategic Advisory, LLC, pointed out that China's energy dilemma could not be resolved with policies. While efficiency improvements on a macro level are crucial, the need for reform within select sectors is even more pressing, especially within the heavy industries. Much of the nation's energy consumption is driven by structural shifts in investments towards heavy industries, while price and scarcity are related to the volatility in domestic demand. These need to correspond with energy concerns. The banking sector, he said, needs to be sensitive to the structural needs of China while the real

price of production needs to be enforced.

According to Bruce Quinn, Vice President of Strategic Development at Rockwell Automation Asia Pacific Limited, the word “sustainable” is still a pejorative term in developing countries such as China, India, Vietnam and Indonesia, making energy efficiency difficult to implement among business owners. Quinn said that Rockwell focuses on three things when working with local businesses: energy efficiency, environmental controls and workplace safety. The focus is on how to do more with less. Quinn used some statistics to illustrate a point. Industry accounts for 40 percent of global energy consumption and 70 percent of energy consumption in China today. Of that 70 percent, 65 percent is used to drive the simplest and most ubiquitous instruments in factories, a problem that could be easily alleviated with simple and affordable technological adjustments in the right places. He Shushan, Chairman of the Administrative Commission of Tianjin Economic Technological Development Area, agreed that sustainable manufacturing is a key component of sustainable growth. He recognized that development and energy consumption go hand-in-hand, but that China in particular, must work towards increasing efficiency because of its importance in the global manufacturing market.

While the Tianjin model illustrates the effectiveness of energy efficient production, it has been a slow and arduous process of spreading the same mechanisms throughout China.

Quinn suggested that government involvement, business imperatives and investments in new technology would help boost sustainable manufacturing. Um and several other panelists noted that getting people involved in energy efficiency initiatives will require positive incentives, not negative ones, as is the common practice now. Subsidies, Um said, though unpopular among the general public, have proven to be successful as price hikes can help change consumer behavior.

Oster raised the question of limited resource availability in the long term. He Shushan pointed out that China’s extensive use of coal has helped it avoid exorbitant petroleum consumption, at least for now. Compared with other countries such as the U.S. and Japan, China uses fewer natural resources. In addition, these other countries rely on China’s economic development.

On the issue of alternative energy sources, He stated the importance of nuclear energy, which remains controversial because of its waste issues. The debate among the panelists on clean energy and coal concluded with the observation that while coal is not the cleanest resource available, it has been crucial to Chinese manufacturing.

He Shushan and the other panelists hoped that renewable energy security would continue to become a part of the energy security option.

## What Does a Sustainable Future Look Like for the Asia Pacific Region?



John Bussey, Washington Bureau Chief, The Wall Street Journal; Ronnie Chan, Vice Chairman, Asia Society; Chairman, Hang Lung Group Limited; Nicholas Platt, President Emeritus, Asia Society; John Thornton, Trustee, Asia Society; Chair of the Board, The Brookings Institution; Wu Jianmin, Former President, China Foreign Affairs University; Michael Yeoh, CEO, Asian Strategy and Leadership Institute

The emphasis of the concluding discussion was on the regional cooperation needed to ensure sustainable development and prosperous growth.

Ambassador Nicholas Platt, President Emeritus of the Asia Society, began by explaining that due to shifts in the balance of influence, traditional notions regarding the balance of power are no longer applicable. Power needs to be collectively institutionalized in order to sustain a future of prosperity, both for the region and the world at large. Platt asserted that such cooperation is particularly important in the face of potentially destabilizing realities such as climate change.

Ambassador Wu Jianmin, Former President of China Foreign Affairs University, concurred with Platt's sentiments, articulating that the zero-sum mentality is past its time. Wu went on to explain that globalization and increased interdependence mean that no country can sufficiently address prevailing

global issues alone.

Bringing a business perspective to the discussion, Dr. Michael Yeoh, CEO of the Asian Strategy and Leadership Institute, echoed the need for a greater focus on building stronger regional infrastructures to address concerns such as pollution control and disaster relief. Yeoh identified the important role businesses play in working with the government to establish public-private partnerships that contribute to sustainable growth.

Building upon the theme of greater regional and cross-border collaboration, John Thornton, Asia Society Trustee and Chair of the Board at The Brookings Institution, criticized the current lack of U.S. leadership in facilitating such multilateral cooperation. Thornton stressed the need to propel a qualitative leap in U.S.-China relations, which he believed had to be driven by political leadership. Both the U.S. and China face similar issues, but Thornton indicated that

there is insufficient discussion on these areas. He emphasized that a new model capable of addressing issues such as clean and efficient energy and technology transfer between the U.S. and Asia, was needed. The U.S. has to be more open in sharing its expertise with China, and Asia as a whole, with a vision of mutually beneficial cooperation.

In line with Thornton's observations of a lack of political leadership in the U.S. administration, Ronnie Chan, Vice Chairman of the Asia Society and Chairman of the Hang Lung Group Limited, said that this too is his greatest concern. Chan stressed that without improved cultural understanding and sensitivities, a growing disparity may develop between the U.S. and China. Chan explained that stronger trust and confidence building are required in order to envisage a more sustainable future for the Asia Pacific region; trust and confidence that is based on a more nuanced understanding of the region from the U.S..

Rounding up the lively discussion, John Bussey, Washington Bureau Chief of The Wall Street Journal and moderator for the session, summarized by saying that in order to achieve sustainable growth, heightened cooperation is required both within the Asia Pacific region and with the world at large. The reality facing the international community is that there are critical concerns, such as climate change, that require a collective effort to ameliorate and that respective responsibilities need to be established. The global landscape is shifting significantly. By sharing resources, expertise and technology, everyone can mutually benefit and sustain growth.

In order to move forward in this new direction, common beliefs such as the zero-sum game and balance of power will have to be scrapped and sovereign nations will have to grapple with the fact that closer multilateral cooperation will lead to a brighter and more prosperous sustainable future.

“Common beliefs such as the zero-sum game and balance of power will have to be scrapped and sovereign nations will have to grapple with the fact that closer multilateral cooperation will lead to a brighter and more prosperous sustainable future.”

# About Heidrick & Struggles International, Inc.

Heidrick & Struggles International, Inc. is the world's premier provider of senior-level executive search and leadership consulting services, including talent management, board building, executive on-boarding and M&A effectiveness. For more than 50 years, we have focused on quality service and built strong leadership teams through our relationships with clients and individuals worldwide. Today, Heidrick & Struggles leadership experts operate from principal business centers in the Asia Pacific, Europe, Latin America and North America.

For more information about Heidrick & Struggles, please visit [www.heidrick.com](http://www.heidrick.com).

## AUSTRALIA & NEW ZEALAND

### MELBOURNE

Tel: +61 (3) 9012 3000

### SYDNEY

Tel: +61 (2) 8205 2000

### AUCKLAND

Tel: +64 (9) 306 6630

## INDIA

### BANGALORE

Tel: +91 80 40224140

### MUMBAI

Tel: +91 (22) 6666 3021

### NEW DELHI

Tel: +91 (11) 2645 1010

## TAIWAN

### TAIPEI

Tel: +886 (2) 2757 6123

## THAILAND

### BANGKOK

Tel: +66 (0) 2664 1011

## P.R. CHINA

### BEIJING

Tel: +86 (10) 6598 8288

### CHONGQING

Tel: +86 (23) 6300 1588

### HONG KONG

Tel: +852 21039300

### SHANGHAI

Tel: +86 (21) 6136 1988

## JAPAN

### TOKYO

Tel: +81 (3) 4520 7800

## SINGAPORE

Tel: +65 6332 5001

## KOREA

### SEOUL

Tel: +82 (2) 3430 6000

For information on copies, permission to reprint or translate the *Asia Society 18th Asian Corporate Conference Report* and all other correspondence, please write to [apinsights@heidrick.com](mailto:apinsights@heidrick.com)