

[ASEAN Recovery on Track: Now the Exit Strategy](#)[China's Investments Abroad](#)[RMB to Appreciate This Year?](#)[Sinking of South Korean Warship](#)[Political Violence in Thailand](#)[Remembering C.K. Prahalad](#)[Member and Council News](#)**ASEAN Recovery on Track: Now the Exit Strategy**

ASEAN economies are beginning to exit from their emergency stimulus measures. The summit statement from the recently concluded [ASEAN Finance Ministers' meeting in Vietnam](#) indicated leaders' commitment to phasing out the support measures. [Singapore](#) in April tightened its monetary policy and let its currency appreciate to sustain stronger economic growth. In March, Malaysia raised its benchmark interest rate and the Philippine central bank has been cutting funds available to banks through its rediscount window since January. Indonesia is expected to tighten its monetary policy. The Asian Development Bank says a range of key macroeconomic and structural risks to Asia's recovery remain, which will require the adjustment of fiscal, monetary, and exchange rate policies. Read [more](#).

China's Investments Abroad

In 2009, Chinese companies made a record 298 cross-border acquisitions worth \$42.6 billion. The Economist Intelligence Unit white paper, [A brave new world: The climate for Chinese M&A abroad](#), identified key trends in China's global search for assets. Most investors are state-owned entities, whose acquisitions are focused on resources mainly in Australia and parts of Asia. China's desire to access new markets has resulted in increasing acquisitions in agribusiness, bioscience, clean energy, and real estate. Investors prefer to forge joint ventures or alliances to gain experience before executing more sophisticated deals and also to blend into the local environment. However, Chinese investors are also facing challenges in securing M&A deals, due to slow PRC government approvals for investment and China's rigid exchange-rate policy.

RMB to Appreciate This Year?

The China-U.S. currency dispute has been pushed off the front burner, thanks to U.S. Treasury Secretary Geithner's postponement of a report that could have labeled China as a currency manipulator and opened it to sanctions. But China faces domestic troubles because of its undervalued currency. The country's large [current account surpluses](#) (China's current-account surplus rose from 2.8% of GDP in 2003 to peak at 10.8% in 2007, and still was 5.8% in 2009) have fuelled a dramatic expansion in domestic liquidity. This is seen most dramatically in [urban property prices](#). The government has taken measures to slow price hikes, including restricting speculative purchases, increasing the supply of both urban and rural low-income housing, as well as drafting a new property tax. Banks are being told to cut back lending as fears of an asset price bubble followed by collapse continue to grow.

Sinking of South Korean Warship

The apparent North Korean torpedo attack on a South Korean warship, which killed 46 South Koreans, has called into question South Korea's military readiness, says the [JoongAng Daily](#). China may take advantage of the deterioration of inter-Korean relations, warns [Cho Myung-chul](#), director of the Center for International Development Cooperation at the Korea Institute for International Economic Policy.

Political Violence in Thailand

Thailand remains under a state of emergency, amidst the worst political violence in two decades, with 27 protestors and soldiers now dead. Leaders of the opposition Red Shirts, the United Front for Democracy against Dictatorship (UDD), want new elections. [Joshua Kurlantzick](#) of the Council on Foreign Relations (CFR) sees a bleak near-term outcome due to the current political and institutional situation in Thailand. He says that the Red Shirts cannot change the existing military and the political system because Thai authorities are unwilling to give up their power and the military exist as an institution outside of civilian control. In addition, he also points out that the current king, who is ailing, has done well through his advisers, royal instructions, and mediating when there has been a conflict, but his son is unlikely to have the same power. Prime Minister Abhisit Vejjajiva is under pressure to solve the crisis. [Nattaya Chetchotiros](#) of the *Bangkok Post* says that the Democrat Party's proposal to draft a completely new charter of the Constitution that guarantees equality and justice for all social and interest groups could be Abhisit's political salvation.

Remembering C.K. Prahalad

[C.K. Prahalad](#), a renowned management thinker best known for his work *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, died in April. Many Council members will remember Prahalad's appearance at our 2007 Spring Forum in Hong Kong, where he discussed the role that corporations can play in poverty alleviation. Prahalad was often skeptical of multilateral institutions' poverty eradication efforts and was one of the most articulate advocates of the role of the multinational corporations in tackling poverty. Prahalad was a native of Tamil Nadu, India, who joined Union Carbide at the age of 19 and went on to earn his doctorate at Harvard. His latest book is *The New Age of Innovation*, co-authored with M.S. Krishnan.

Member and Council News

- ✧ [Mukesh Ambani](#) of Reliance Industries was awarded the IMC Juran Quality Medal for his contribution to enhancing India's image.
- ✧ Philips' [Gerard Kleisterlee](#) won the "Outstanding Leadership in Sustainable Practices" award at the CNBC European Business Leaders Awards 2010. He was also recently profiled by [The Guardian](#) about his career.
- ✧ [Jack Ma](#) of the Alibaba Group recently joined The Nature Conservancy's global board of directors.

- ✧ [Doris Ho](#) of the Magsaysay Group of Companies was named as the “Most Outstanding Woman in Entrepreneurship” for 2010 by Philippines President Gloria Macapagal-Arroyo.
- ✧ DBS Bank’s [Koh Boon Hwee](#) stepped down as Chairman of DBS Bank on April 30 2010, and he is now Chairman of Yeo Hiap Seng Ltd.
- ✧ Infosys’ [Narayana Murthy](#) and his family donated \$5.2 million to Harvard University and Harvard University Press to establish a new publication series called The Murthy Classical Library of India. He was also recently profiled by [livemint.com](#) about his new endeavor, Catamaran Ventures.
- ✧ ANZ Banking Group’s [Michael Smith](#) was featured in a Reuters interview about ANZ’s plan for a ‘transformational’ deal.
- ✧ SGV Group’s [Washington SyCip](#) was conferred an honorary doctorate in management by Holy Angel University of the Philippines.
- ✧ SEB’s [Marcus Wallenberg](#) was featured in *The Wall Street Journal* about how banks can withstand Swedish regulators’ reform.
- ✧ Essays from McKinsey’s [Dominic Barton](#), Infosys’s [Narayana Murthy](#), and the Council’s [Mark Clifford](#) were published in *Korea 2020: Global perspectives for the next decade*. The book was published in both English and Korean. (If you’d like a copy of the book, please contact [Jiyoung Jung](#) in the McKinsey Seoul office and let her know that you’re an Asia Business Council member.)
- ✧ **The Asia Business Council’s 2010 Autumn Forum** will be held at The Peninsula in Shanghai September 16-18. The Shanghai Expo tour will be on the first day Sept 16 (Thursday), from 9am to 4pm. If you would like to join, please plan to arrive on Wednesday night.
- ✧ **The Council’s 2011 Spring Forum** will be held in Bahrain March 24-26, and the **2011 Autumn Forum** will be held in Hong Kong September 22-24.