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ASIA

From "Factory Asia" to "Consumer Asia"

Will the U.S. consumer rescue Asia once again? No, says Masahiro Kawai, dean of the Asian Development Bank Institute. Kawai says that Asia must adjust to a "semi-permanent decline" in external (US and European) consumer demand. Asia should stimulate demand at home, turning itself from "Factory Asia" into "Consumer Asia". Fiscal policy should boost domestic consumption through infrastructure spending and subsidies for areas such as health and education. Regional trade and financial integration should be accelerated. Read [Kawai's full speech](#).

Asia's Triple Threats: Economics, Environment and Energy/Food

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) examines three global crises threatening the Asia-Pacific region in its 2009 edition of the Economic and Social Survey of Asia and the Pacific. *Addressing Triple Threats to Development* analyzes the economic crisis, fuel and food price volatility, and climate change. Read [the full report](#).

Fiscal Stimulus Packages in Asian Countries

Click [here](#) for UNESCAP's analysis of fiscal stimulus packages in Asia-Pacific countries.

INDIA, CHINA, JAPAN

A Bullish Election Mandate in India

Following Congress' victory in India's parliamentary election, the brokerage firm CLSA predicts that the new government will be well-positioned to pursue a stronger reform agenda, equities will be re-rated, and the broad-based immediate rally will benefit banks and infrastructure sectors. Reduced political risk and expected loosening of FDI restrictions will be strong catalysts for foreign investors to raise their exposure to Indian equities. Read [more](#).

China Faces Painful Transition to Domestically Led Growth

Peking University Finance Professor and Carnegie Endowment Fellow Michael Pettis outlines the debate in China over the old export-led model versus a new domestic-demand-driven one. Pettis argues in [this article](#) that Chinese policies in recent years have actually increased export reliance. Now, China will likely face a long period of sub-par growth and a painful transition. The transition will be made more difficult by a lending surge as a result of the Chinese government's stimulus plan, as described in [this article](#). Pettis points out that the stimulus plan will likely lead to an explosion of new lending and overcapacity in domestic production, which will no longer be soaked up by U.S. export demand. Government response to nonperforming loans -- recapitalizing the banks and setting deposit rates much lower than lending rates -- will effectively transfer taxpayer money away from much needed consumption.

Japan's "Green New Deal"

Japan's Minister of the Environment Tetsuo Saito announced on April 20 the [Green New Deal Strategy](#), which focuses on the implementation of cuts in greenhouse gas emissions and other measures to strengthen Japanese "green economy". According to [Japan Times](#) on May 26, features of Japan's \$150B "Green New Deal" include a) providing interest of up to 3% on loans to be used by businesses for the purposes of introducing natural energy and equipment with low carbon dioxide emissions, b) expanding Japan's environment-linked market 1.7-fold from the 2006 level to 120 trillion yen by 2020, and c) taking actions to reactivate the economy through green jobs creation and doubling the environment-linked employment to 2.8 million by 2020. Japan also aims to lead negotiations at key U.N. climate talks in Copenhagen in December to create a new treaty succeeding the Kyoto Protocol (expiring in 2012) in order to fight global warming. Click [here](#) to read more.

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