Asia Business Council

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IN THIS ISSUE

Member News

- Tony Fernandes, Group CEO of AirAsia, wrote an editorial for Gateway House about the need for the government and the private sector to come together to build a better India.
- Bloomberg L.P. Chairman Peter Grauer was profiled by the University of Pennsylvania's Wharton School's Knowledge@Wharton. In it, he discusses how he came to be at Bloomberg and his steps to becoming a leader.
- Mahindra Group Chairman Anand Mahindra was ranked third out of the top five non-tech CEOs using social media to drive business by Hootsuite, a social media management software company.
- Francis Yeoh, Managing Director of YTL Group of Companies, wrote an editorial in the *Financial Times* about opening up public services in Asia to the private sector in order to realize the economic potential of Asian growth.
- Ayala Corp. and Asia Business Council Chairman Jaime Augusto Zobel de Ayala was interviewed by the *Philippine Daily Inquirer* on the sidelines of a conference in Singapore organized by the Network ASEAN Forum about how the Philippines should play a larger role in pursuing the integration of Southeast Asian economies.

To send us member news, or for member news questions, please click here.

Currency Crisis: Emerging Markets Reel

In the wake of the U.S. Federal Reserve's signals that it will taper quantitative easing, emerging markets worldwide have seen their currencies and shares wither. Devaluation has been harsh in several South and Southeast Asian states: India's rupee has fallen to a record low of 66 to the dollar, the Thai baht has slipped at least 10 percent since April, and the Indonesian rupiah fell 12 percent. Daniel Altman, NYU Stern School of Business professor, writes in *Foreign Policy* that this is happening because investors tend to pull out of risky markets all at once, even if they have little in common with one another. William Pesek, Asia columnist for *Bloomberg View*, writes that Asian economies have yet to realize they are not as decoupled from the West as they would like.

Cheap Credit Driving Slowdown

Some financial analysts believe that countries in Southeast Asia, as well as China, are experiencing economic slowdown, fueled by years of cheap credit and leading to large current account deficits. The *Financial Times* estimates that if the data were revealed, it would show that China has debts close to 200 percent of its GDP. In a research note for HSBC, the bank's chief economist, Joseph Neumann, wrote that in Asia (Japan excepted), the ratio of productivity growth to the percentage of bank credit to GDP is tracing patterns seen before 1997. Joshua Kurlantzick, Southeast Asia fellow at the Council on Foreign Relations is more sanguine, arguing that many of these countries learned lessons from the Asian financial crisis and have built up reserves of foreign currency and launched informal cooperation networks among central bankers and finance ministers in the region to coordinate in case of a crisis.

China Reining in Foreign Firms

Foreign firms coming under scrutiny from Chinese authorities have received greater media coverage and commentary after an official put pressure on firms at a recent meeting to confess to antitrust violations. Simon Zadek at the Tsinghua School for Economics argues that this is more than merely sending a message to foreign companies operating in China that they will face more scrutiny but that from now on, foreign firms will have to adopt business practices that advance China's interests. The *China Daily* quoted officials saying that there was no specific targeting of foreign companies, only that they were aiming to break up "monopolistic activity." Elizabeth Economy at the Council on Foreign Relations argues that foreigners are the victims.

Japan GDP Numbers Disappoint; Abenomics Hits a Few Speedbumps

The second-quarter GDP numbers coming out of Tokyo this month were disappointing after months of positive signs and growth under the Abenomics policies of Japanese Prime Minister Shinzo Abe. GDP growth of 2.6 percent was a full point below most forecasts. Corporate expenditure fell 0.1 percent despite a weak yen and soaring profits for exporting Japanese firms. Reuters' James Saft argues that the weak corporate spending is no surprise given the lack of incentive to spend reserves built up during the country's slump; companies may opt to sit and watch profits expand without trying to take a larger market share. Reflecting on the results, HSBC's Frederic Neumann insists that Japan should not trim the sales tax hike scheduled for next year, despite opposition from key finance ministers.

Upcoming Forum Dates

2013 Autumn Forum: Kyoto, September 12-14
2014 Spring Forum: Mumbai, February 20-22
2014 Autumn Forum: Ulaanbaatar, September 18-20