

MARCH 2017

Member News

- ✧ [Dominic Barton](#) of McKinsey & Co. advised the Canadian government to focus on inclusive growth to get ready for automation-related job losses that put 40% of existing Canadian jobs at risk. He also told [Bloomberg](#) that Canada should focus on key areas where it has competitive advantage, invest in infrastructure, as well as boost the workforce participation in Canada. He commented on the superior performance of companies who focus on [long-term value creation](#) and value creation, based on the findings of McKinsey's new Corporate Horizon Index.
- ✧ [Tony Fernandes](#) of AirAsia wants to create a single listed holding company through combining the separate AirAsia units, urging ASEAN governments to relax ownership restrictions to accomplish this. He supported the inaugural [Malaysia Rugby League](#) as its main sponsor.
- ✧ [Lance Gokongwei](#) of JG Summit Holdings expressed support for Philippine President Duterte's Comprehensive Tax Reform Program that aims to improve tax compliance.
- ✧ [Alan Joyce](#) of Qantas was featured in *Cosmopolitan* magazine's first ever Rainbow List. He discussed with [Bloomberg](#) the airline's performance and its adaptability to oil prices, while urging [policies](#) that stabilize energy supply and prices in Australia.
- ✧ [Charles Li](#) of Hong Kong Exchanges and Clearing (HKEX) cited access to Chinese capital and China's demand for oil imports as key reasons for Saudi Aramco to list on the Stock Exchange of Hong Kong.
- ✧ [Lim Boon Heng](#) of Temasek Holdings viewed the new opening of the company's San Francisco office as a way to capitalize on the increasing investment opportunities in U.S. companies whose products cater to Asian markets.
- ✧ [Aloke Lohia](#) of Indorama Ventures Public Co. believed President Donald Trump's corporate tax reduction agenda could boost his company's U.S. earnings. He also praised the company for receiving a [distinction award](#) for its sustainability performance and noted that it was included in RobecoSAM 2017 Sustainability Yearbook. Other members' companies included are: Ayala Land, Fubon Financial Holding Co. Hang Lung Properties, Hitachi, Hong Kong Exchanges and Clearing, LafargeHolcim, Siam Cement, Taiwan Semiconductor Manufacturing Co., Thai Beverage Public Co., and Tokio Marine Holdings.
- ✧ [Nazir Razak](#) of CIMB Group Holdings praised ASEAN's regional integration achievements, but said that more needs to be done to further break down barriers, including using new technology and supporting entrepreneurship.
- ✧ [Mark Tucker](#) of AIA Group commented on the company's strong growth since 2010 and continued growth opportunities in Hong Kong and around Asia.
- ✧ [Jaime Augusto Zobel de Ayala](#) of Ayala Corp. feels confident about the Philippine economy after the success of the company's bond sales. Alibaba-owned Ant Financial Services Group entered into a strategic partnership with Ayala Corp., through a stake in Ayala Corp.-owned [Mynt](#), an online and offline payment provider aimed at "unbanked and underserved" Filipinos.

Is a Trade War Between the United States and China Likely?

If a trade war erupts between the U.S. and China, the U.S. will experience the brunt of the negative consequences through a disruption in global supply chains and a mass loss of jobs that depend on Chinese demand, according to London School of Economics [Professor Keyu Jin](#). [Taiwan](#) would also be a big loser in the event of a trade war, as its economy relies on export to the U.S. and China, and much of Taiwan's tech industry, with ambitions to expand ties with Southeast Asia, would suffer as a part of a greater value chain of Chinese companies. [Bloomberg](#) reports that a trade war has been underway in the solar panel sector since 2011 with Chinese measures against U.S.-produced polysilicon, a component of Chinese-produced solar panels, imposed in response to U.S. duties on Chinese solar panels. The consequences were a loss in jobs and orders at the U.S. companies, reduced tax revenue for the U.S. government, a loss in Chinese jobs that are moving to Vietnam and Malaysia to avoid U.S. duties, and higher costs for the solar industry.

2017 Spring Forum in Review

The Asia Business Council's 2017 Spring Forum was held in Ho Chi Minh City, February 23-25. The Forum began with a performance of the AO Show, a Vietnamese cirque, dance, and acrobatics show, at the Saigon Opera House. The Welcome Dinner took place at the historical landmark Independence Palace, during which Deputy Prime Minister Vuong Dinh Hue addressed our participants on the government's evolving role to enable rather than manage businesses. He also spoke about the country's continued commitment to trade and investment openness, the need to tap into innovation to escape the middle-income trap, and a new focus on sustainable and inclusive growth for the benefit of future generations. Forum sessions took place over the next two days at the Park Hyatt Saigon. The Forum Dinner took place at Chill Skybar on the second evening overlooking the skyline of Ho Chi Minh City. Chairman Nguyen Thanh Phong of the Ho Chi Minh City People's Committee spoke about his focus on innovation and reforms to encourage business growth, as well as his vision of a smart and sustainable city. The Forum Dinner was co-hosted by the Council's members from Vietnam, Dinh Ba Thanh of DatVietVAC Group and Doan Viet Dai Tu of Openasia Group.

At the Round-Robin discussion, members discussed a range of countries and trends, including China's shift to new strategic industries, the end of Japan's deflationary cycle, India's sizable and rising middle class and proactive government, and ASEAN's long-term growth story and regional integration, among others. A major common concern was the rise of economic nationalism in the U.S. and Europe, which has led to a sense of volatility and uncertainty in Asian countries. Current developments may spell trouble for global integration, countries in Asia, Europe, and others besides the U.S. must march on and remain open. Social media, while a positive tool to help increase transparency and the sharing of good governance practices, can also magnify the perceived negative effects of globalization and mislead public opinion. Other topics included the larger-than-reported size of bad loans in the Chinese banking system; instability on the Korean Peninsula; the

need for foreign investors to ensure high-quality employment in Vietnam and also get the appropriate protection from the government; and the two divergent future scenarios of the Eurozone, with the upcoming election in France being a likely tipping point.

The first afternoon session, on patient capital and long-term stewardship, was moderated by Lubna Olayan of Olayan Financing Co., and featured Dominic Barton of McKinsey & Co. and Sarah Williamson of FCLT Global, who spoke about the cost of the current trend of short-term thinking and impatient capital to jobs and the economy, and shared their study's findings that long-term companies had created more jobs and more GDP growth as well as more return to shareholders. Marcus Wallenberg of SEB spoke about how his family's business is structured around long-term value creation. A rich discussion followed, in which participants spoke about the need for alignment of interests and proper incentives to encourage long-term thinking, as well as the need for boards to strike the right balance between strategic thinking and compliance. In the second afternoon session, moderated by Chartsiri Sophonpanich of Bangkok Bank, Mai Kieu Lien of Vinamilk spoke about the company's long history as Vietnam's largest dairy provider; as well as its future growth vision in Vietnam and the region. Nguyen Dang Quang of Masan Group spoke about his company's mission in supplying the basic needs of Vietnamese consumers, as well as his insights on different consumer segments.

Saturday morning started with a session on entrepreneurship in Vietnam, moderated by Tony Fernandes of AirAsia. The discussion centered on the experiences of four successful entrepreneurs—Duong Do of Toong, Nguyen Duc Tai of Mobile World Group, Henry Nguyen of IDG Ventures Vietnam, and Tran Ngoc Thai Son of Tikivn. These panelists shared their experiences on starting their respective businesses and challenges they face in a rapidly growing and increasingly competitive market; a discussion among participants touched upon issues including sources of capital, the need to build an ecosystem for start-ups and innovation in the country, and the dynamic and competitive forces that present challenges to domestic entrepreneurs. The final session, moderated by George Tahija, was focused on decarbonization challenges in Asia, with Mike Smith of ANZ Bank speaking on the growing pressures for banks to finance environmentally sustainable projects and reduce carbon exposure; Federico Lopez of First Philippine Holdings shared the business case for moving away from coal into renewables; Derek Parkin of CLP Holdings spoke on issues of energy security, accessibility, and affordability, and the company's investments in renewables and technologies to reduce carbon intensity.

All presentations and summary notes from the Forum are available on our secured participants-only Web site. The username and password will be sent to participants separately.

To send us member news, or for member news questions, please click [here](#).

Upcoming Forum Dates

2017 Informal Council Trip to Mongolia: June 20-23

2017 Autumn Forum: Taipei, September 28-30

2018 Spring Forum: Manila, February 6-8

(2018 Winter Olympics Opening Ceremony in Pyeongchang, Seoul February 9-10)

2018 Autumn Forum: Shenzhen, September 27-29

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