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JULY 2020

**Member News**

- ◇ [Jason Chen](#) of Acer Inc. was quoted speaking about plans to rebrand as a lifestyle brand, selling massage chairs and energy drinks for gamers. Chen is optimistic about PC demand in the second half, thanks to distance working and learning, but wants to diversify into less mature markets.
- ◇ [Chey Tae-won](#) of SK Holdings met with Chinese ambassador to South Korea Xing Haiming to discuss bilateral economic cooperation at the industry level. The meeting was the ambassador's first with a Korean industry head since he was appointed envoy to Seoul in January. SK Holdings' biopharmaceuticals arm debuted in a [record-breaking](#) IPO.
- ◇ [Lance Y. Gokongwei](#) of JG Summit Holdings Inc. said he sees travel demand slowly coming back, although it may take a few years to return to pre-crisis levels. The company's Cebu Pacific airline planned to be operating flights to 20 cities in the Philippines by the end of June. But the Philippine economy may not return to early 2020 levels until 2022, he said.
- ◇ [Charles Li](#) of Hong Kong Exchanges and Clearing Ltd. told *CNBC* that Hong Kong's impending national security law would not hurt the city in the long term. Li told the *Financial Times* that a U.S. crackdown on listed Chinese companies not complying with U.S. regulations may push more IPOs to Hong Kong.
- ◇ [Mark Liu](#) of Taiwan Semiconductor Manufacturing Co. announced the company had secured U.S. government subsidies for a proposed \$12 billion chip plant in Arizona. Liu also said the company would be able to replace orders lost to U.S. restrictions on smartphone supplier Huawei from other firms.
- ◇ [John McFarlane](#) of Westpac Banking Corp. was profiled in the *Financial Times* about his career turning around troubled banks and his views on the economic recovery.
- ◇ [Hiroaki Nakanishi](#) of Hitachi Ltd. spoke out against the U.S. decision to halt the issuance of some work visas for the remainder of the year, saying it could seriously hamper business operations and hurt the U.S. economy.
- ◇ [Amin Nasser](#) of Saudi Aramco announced that the company had completed its purchase of a 70 percent stake in Saudi Basic Industries Corp. (SABIC), the world's fourth-largest petrochemicals company. Nasser told *CNBC* he was confident that the worst of the coronavirus-induced hit to demand had passed and said that the company planned to maintain dividend payments.
- ◇ [Nazir Razak](#) of Ikhlas Capital spoke out in support of the Black Lives Matter movement in the U.S. and said Malaysia needs to examine its own record of institutional discrimination.
- ◇ [Takeshi Niinami](#) of Suntory Holdings Ltd. told *CNN* one-fifth of Japan's restaurants might not survive the COVID-19 pandemic. Suntory is rethinking its just-in-time supply chain strategy as a result of the disruption, Niinami said. He told *Bloomberg* the worst is over for Japan's economy but that it could take six months for business activity to return to normal.
- ◇ [Satish Reddy](#) of Dr. Reddy's Laboratories Ltd. spoke with *The Times of India* about India's dependency on China for active pharmaceutical ingredients (APIs)—the key ingredients of medicines—and the policy shifts needed to become self-sufficient.
- ◇ [Nikhil Sawhney](#) of Triveni Turbine Ltd. called for a more geographically distributed development model for India as the country for the first time experienced “reverse migration” back to rural areas as a result of the COVID-19 pandemic.
- ◇ [Weijian Shan](#) of PAG told the American Chamber of Commerce in Hong Kong in a webinar he expects the Chinese economy to recover to pre-lockdown levels by the end of the year. He is optimistic about China's domestic private sector, especially firms that have been able to move their business models online.
- ◇ [Raghupati Singhania](#) of JK Tyre & Industries Ltd. announced the company had launched operations in the U.S. through the founding of a new sales and marketing wing, Western Tires Inc., based in Houston, Texas.
- ◇ [Jane Jie Sun](#) of Trip.com Group Ltd. said the company had increased a \$140 million fund to \$500 million to help airlines, hotels, and other tourism providers with cash flow as they recover from the economic slowdown.
- ◇ [Jaime Augusto Zobel de Ayala](#) of Ayala Corp. spoke in a *CNBC* interview about his leadership strategy during the crisis and the challenges of restarting operations post-quarantine. He expects a 2-3 percent contraction in the Philippine economy this year but says COVID-19 will not stop the firm's overseas expansion, including the purchase of a 20 percent stake in Serge Pun's Yoma Group (also featured in the *CNBC* segment).

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

**Summary of Asia Business Council Members' Group Call**

The Asia Business Council held a [members' group call](#) on June 18, 2020, hosted by HSBC Holdings plc Group Chairman Mark E. Tucker, focused on the growing role of Latin America in Asian supply chains.

Speakers noted that COVID-19 is accelerating the transformation of global trade. Digitalization is cutting out middlemen and creating new efficiencies, while trade in services is capitalizing on new innovations like 4D printing, the printing of objects that are designed to change their shape and function over time. Asia's role as a consumer market is growing as billions of people in Asia join the middle-income ranks, and Asia's rise is expected to continue as the region outpaces the U.S. and Europe in recovering from the pandemic slowdown.

Meanwhile, with globalization seemingly in retreat and the U.S. and China embroiled in trade and geopolitical tensions, supply chains are regionalizing and diversifying. That presents opportunities for Mexico and other Latin American countries to increase their market share of U.S. imports and move up the production value chain. It also opens up new opportunities for Asian

companies to expand trade and investment relationships in a region that often has been overlooked by Asian businesses. And these opportunities come at a time when Asian companies are searching for new markets to support economic recovery.

Mexico has a unique role to play in the future of Asia-Latin America trade. A light manufacturing economy whose supply chains are already closely integrated with the U.S., it is seen as a credible replacement for China in some parts of the supply chain. Mexico benefits from a free-trade agreement with the U.S. and favorable demographics.

All may not be smooth sailing. Concerns about security have given pause to Asian businesses looking to expand their operations into Latin America. Latin American economic integration has stalled, and businesses have criticized unorthodox economic policies under Mexico's left-of-center government. But for Asian businesses willing to do their research before investing, Latin America's abundant resources, low labor costs, favorable demography, free-trade agreements, and position in the middle of the manufacturing value chain make a strong argument for trade and investment in the region.

### *Dividing Lines*

China's foreign policy has grown more assertive as the COVID-19 outbreak occupies much of the world's attention, and the U.S. looks increasingly determined to contain China's rise. Asian leaders worry that they will have to pick sides. Singapore's Prime Minister [Lee Hsien Loong](#) wrote in *Foreign Affairs* that the standoff threatens the long-awaited "Asian century." The U.S. must decide whether to contain China's rise or attempt to accommodate it within the rules-based international system. China must decide whether to pursue its goals through sheer muscle or abide by international norms and take on the responsibilities of a great power. The wrong decisions could threaten the international stability that has enabled Asia's extraordinary economic rise. Former Australian foreign minister [Gareth Evans](#) called in *AsiaGlobal Online* for Australia to choose a more conciliatory route. Australia must hold firm to its commitment to democracy and human rights, but should focus on potential shared interests that play to Beijing's desire to build soft power in climate, counter-terrorism, and the like, Evans wrote.

[Brahma Chellaney](#) wrote in the *Nikkei Asian Review* that China is at risk of imperial overstretch as it flexes its muscle on multiple fronts, from the China-India border to the South China Sea. Has Xi's cult of personality blinded him to China's economic, demographic, and geopolitical constraints? As tensions rise, business in Asia are caught in the crossfire. After Beijing moved to impose national security legislation for Hong Kong, Asia Business Council Executive Director Mark Clifford told [Bloomberg](#) the impending regulation could change the feel of the city as a free and open business center, and asked in [Forbes](#) if Hong Kong could disprove the truism that free markets need free flow of information.

The pandemic itself has geoeconomic implications, [Thitinan Pongsudhirak](#) wrote in the *Bangkok Post*. Bilateral relationships may shift as countries that clashed pre-COVID-19 work together out of expediency, particularly those that have effectively controlled the spread of the disease. With travel restrictions unlikely to be scrapped soon, domestic markets will become the main engines of growth and larger countries will have a distinct advantage.

### *A Green Recovery*

Against the backdrop of a pandemic and a bleak geopolitical landscape, Asia's renewable energy push offers cause for hope, Asia Business Council Adjunct Fellow [Jill Baker](#) wrote in the *South China Morning Post*. Conversations with Asia Business Council members indicate a determination to keep investing in the global struggle against climate change. Solar and wind power are now cheaper than coal, and their technical drawbacks are being solved. Energy behemoths China and India are making strides.

Calls are growing for a green economic recovery. [Patrick Suckling](#) of the Asia Society Policy Institute warned against "status quo spending" to bail out the fossil fuel sector. Businesses should keep in mind that regulators are moving toward making climate-related disclosures mandatory. Top companies are leading the way, understanding that climate risks are material to their business.

### *Upcoming Forum Dates*

2020 Autumn Forum: Bangkok, October 15-17

2021 Spring Forum: Tokyo, March 25-27

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