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ASIA

The New Decoupling Debate

New growth projections from the [OECD](#) indicate that economic recovery from the global crisis is likely to take place in a staggered fashion. Signs of recovery are already evident in most large non-OECD economies, including China, that did not suffer balance-sheet damage. But does the faster recovery indicate that emerging markets have indeed decoupled from developed markets? In a provocative article entitled [The Decoupling Debate is Back! But what on Earth does it really mean?](#) Eswar Prasad and M. Ayhan Kose argue that emerging markets are showing signs of structural rather than cyclical decoupling from developed markets. However, they argue true decoupling will take time; emerging economies will continue to rely on exports for some time.

Huawei Tops Patent List; China Set to Become World's Patents Leader by 2012

Patent statistics are key indicators of inventive activity of companies and countries, and patents are critically important in ensuring that owners and investors obtain financial returns from their innovations. In the [Thomson Reuters 2009 Patent Focus Report](#), author Joff Wild explores recent activities in the world's major patenting countries and regions, including the U.S., Europe, Japan, China, and India. China telecoms equipment maker Huawei Technologies filed 1,737 Patent Co-operation Treaty (PCT) applications in 2008, the first time a Chinese company has topped the list. Thomson Reuters estimates that by 2012 China will become the world's leader in patent applications. Indian patent applications have grown rapidly in recent years but the number of patent examiners and quality of patents are limiting factors. By contrast, Japan's patent applications are at the lowest level since the mid-1990s, one reason being that Japanese businesses are becoming "pickier" about what they protect. Read [more](#).

Richard Armitage: Democracy for Indonesia, Nukes for North Korea

Japan should act on the assumption that North Korea will never give up its nuclear weapons, said former U.S. Deputy Secretary of State [Richard Armitage](#) in Tokyo, adding that the six-party talks will perhaps produce nothing. In [this article](#), Armitage said that North Korea is like "a kid pounding on his high chair with his spoon for attention," and "we can simply move to a counter-proliferation strategy or wait for a better day." He pointed out that one of the biggest success stories in Asia is Indonesia, which is now the most vibrant democracy in Southeast Asia and which has started tackling corruption. Armitage also said that China is shedding its past and trying to take a "slightly more proactive role" on the world stage. Armitage expressed hope for Japan to play a bigger role as the U.S.'s military partner.

CHINA, INDONESIA

Council Chairman Qin Xiao Writes on the Global Financial Crisis and China's Response

In [this article](#) published in China's influential *Caijing* magazine, Qin Xiao argues that the global financial crisis is structural rather than cyclical in nature. China's high savings and low consumption has formed an unstable equilibrium with the US's high-consumption, low-saving model. Reaching a new equilibrium will involve a painful transition. The historical trend of globalization will eventually be restored, but the current crisis has exposed existing systemic challenges that must be first resolved. He also predicts that China will be the first to recover but warns that sustained recovery must rely on market forces and the implementation of appropriate reforms. Read comments from Morgan Stanley's Chairman Stephen Roach and former Chairman of the Federal Reserve Paul Volcker on Dr. Qin's article [here](#).

Indonesia's High Expectations for "Decentralized Democracy"

Indonesia's July 8 presidential election is expected to see incumbent Susilo Bambang Yudhoyono win the most votes. The key question is whether the general-turned-civilian reformer Yudhoyono will win outright or after a September run-off. April's parliamentary elections saw the president's Democratic Party emerge as the largest party. The four leading Islamic parties did badly, with their votes decreasing from 44% in 2004 to 25% in 2009. Takashi Shiraish, President of the Institute of Developing Economies, argues in [this article](#) that this year's elections have cemented Indonesia's "decentralized democracy", a development that has occurred in the 11 years since Suharto left office. Foreign Minister Hassan Wirajuda touches on similar themes in his call for greater democracy in Asia, saying that the region's ability to advance democracy will shape its future. Read [more](#).

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