

## IN THIS ISSUE

[Member News](#)[Markets Lurch as China Reigns in Shadow Banking](#)[Emerging Middle Class, Transformed Manufacturing to Shape Evolving China](#)[Gillard Out, Rudd Returns in Australia](#)[Upcoming Forum Dates](#)**Member News**

- ✧ Dominic Barton of McKinsey & Co. discussed the business opportunities created by China's rising middle class in articles published in [The Diplomat](#) and the [Globe and Mail](#). He was also interviewed by the [Vancouver Sun](#) about the economic potential of Asia's boom for British Columbia, his home province.
- ✧ Ronnie C. Chan of Hang Lung Properties Ltd. led a [delegation of Chinese business executives](#) in a meeting with Israeli Prime Minister Benjamin Netanyahu. The discussion focused on ways to increase China's exposure to Israel and to increase development of joint initiatives between the two countries.
- ✧ Nobuyoshi John Ehara was appointed Chairman of the Private Equity Association of Japan. This will mark the second time Mr. Ehara has chaired the business association since helping found it in 2005.
- ✧ Penny Pritzker of PSP Capital [was confirmed by the U.S. Senate](#) to be the next U.S. Secretary for Commerce.
- ✧ CIMB's Nazir Razak spoke about the potential for investment volatility in Malaysia in [The Star](#) and the [Free Malaysian Daily](#). In [the Sun Daily](#), he urged for a renewed assessment of the progress made towards the ASEAN Economic Community.
- ✧ Stan Shih of iD SoftCapital Group has published an ebook entitled "Smile and Beat Your Own Path". The book elaborates on his business values and personal philosophy and can be found online [here](#).
- ✧ Esquel Group's Marjorie Yang [was awarded the Gold Bauhinia Star](#), one of the Hong Kong's top honors.

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

**Markets Lurch as China Reins in Shadow Banking**

Chinese stocks posted their worst one-day loss in nearly four years after the People's Bank of China signaled it would curtail funding in the country's interbank lending market (HSBC offers an analysis of China's credit crunch [here](#)). Officials are trying to slow the runaway growth of the shadow banking sector amid worries that China's credit bubble could unravel into a bull-blown financial crisis. [James Parker](#), a financier based in Beijing, argues in *The Diplomat* that China's excess credit is actually a symptom of a much larger problem: misallocation of resources. Instead of lavishing credit on SOEs and massive infrastructure projects, China should focus on making value-creating investments, writes the head of emerging markets at Morgan Stanley, [Ruchir Sharma](#), in the *Wall Street Journal*. A more detailed overview of China's shadow banking sector can be found in a report released by the [U.S. Federal Reserve Bank of San Francisco](#).

**Emerging Middle Class, Transformed Manufacturing to Shape Evolving China**

"The next China will look decidedly different from the one the world has grown accustomed to," predicts a China-focused research series by McKinsey & Co. Generational change combined with the economic ascendance of inland cities will produce a newer, more sophisticated [consumer middle class](#). Manufacturing, once the engine of the economy, will have to [undergo wrenching changes](#) to keep pace. Among the outside contributors to the series is senior associate at the Carnegie Endowment [Michael Pettis](#), who foresees infrastructure and construction sectors contracting sharply, with global hard commodity prices falling in tandem. China will simultaneously price itself out of manufacturing to the benefit of other developing economies in the region. Wealth redistribution and the rise of a new middle class will positively affect some Chinese consumer goods makers while hurting others. The full selection of McKinsey series, entitled "China's Next Chapter", is available [here](#).

**Gillard Out, Rudd Returns in Australia**

Australian Prime Minister Julia Gillard, whom the Asia Business Council met with during its 2012 Spring Forum in Sydney, has resigned after losing a leadership ballot to former PM Kevin Rudd. Bitter infighting within the ruling Labor Party has left Australia politically listless in response to a slowdown in the country's resource sector, much to the dismay of the country's business leaders. Rudd, a Putonghua-speaking former diplomat, has pledged to tackle the challenges presented by diminishing commodity exports to China, the country's biggest trade partner, but warns that China's slowdown will mean [new challenges for Australia](#). However, his efforts to restore stability may prove short-lived in the face of an imminent general election scheduled for September 14. [Gareth Evans](#), a veteran Labor politician and Australia's foreign minister from 1988-1996, says that Australia's ineffectual Labor Party politicians must refashion their brand, maintain message discipline, and embrace collective decision-making.

**Upcoming Forum Dates**

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