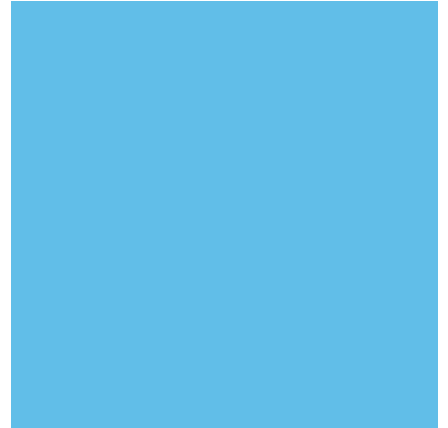
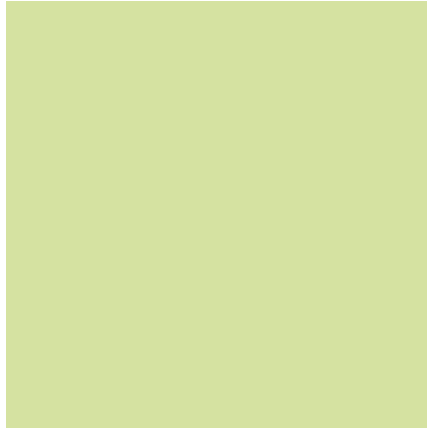




**Deloitte.**  
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Government leaders and some members of the BFA Board at the BFA Annual Conference 2013

# Preface

I am very pleased to present to you the annual report for the Boao Forum for Asia (BFA) Annual Conference 2013 which was held between 6-8 April 2013 on Hainan Island, and attended by the record number of 1,600 important figures from the worlds of government, commerce, industry, and academia, as well as 1,200 representatives from regional and international media there to cover the Annual Conference. This year's theme "Asia Seeking Development for All: Restructuring, Responsibility & Cooperation" has moved beyond the crisis-focused themes of previous years and looks forward to the next stages of development in the region.

While there are many different opinions about the nature and degree of challenges that still face the developed and emerging worlds, there is no disagreement with the proposition that all nations face a future that is more closely interrelated and more fully interdependent. This proposition is not to deny the uniqueness of all cultures and development models which is a fact and basic to the concept of national sovereignty. However, this proposition does necessitate increased communication and cooperation and, with these, the potential to bring rich benefits for all nations and all people when leaders commit to the pursuit of win-win solutions to the great challenges we face.

One of our goals this year was to provide a broader series of panels, presentations, workshops, and roundtables to provide more varied kinds of exchanges and a deeper probe into the details of these key topics and the implementation of ideas.

Well into its second decade, the BFA Annual Conference has established its special place as a forum on a level equivalent to other major well-established global meetings, while uniquely hosted by and focusing on the world's fastest-growing region. What the Annual Conference has achieved is because of the sincere and energetic participation of world leaders from all walks of life, and I want to express our gratitude for their participation.

Our reporting team has worked hard to distill the very comprehensive and rich discussions about Asia that were held during the Annual Conference into this annual report. I hope you find it both a valuable source of ideas and an enjoyable read.

Zhou Wenzhong  
Secretary General  
Boao Forum for Asia  
July 2013

# Introduction

New leadership, new development models, new potential for win-win solutions, as well as new challenges were the major themes, underpinning the diverse activities of the BFA Annual Conference 2013 which took place on Hainan Island between 6-8 April. This premier annual international conference is hosted in China, organized under the guidance of the BFA's international Board of Directors, and focused on advancing Asia's intra-regional collaboration and international roles. Now in its second decade, the Annual Conference has grown steadily in size and importance. This year was no exception, bringing together a strong group of government, business, and academic leaders for three days of meetings, workshops, panels, and dialogues, covering an extensive range of topics important to this transitional era for China and its Asian neighbors.

Given the recent inauguration of new top leaders for China, Japan, and a number of other Asian nations, the theme: "Asia Seeking Development for All: Restructuring, Responsibility & Cooperation" was particularly timely. In the background of discussions was an implicit consensus that a new world order was emerging and that Asia as a region was embarking on a process of productive communication and synergistic cooperation. Even as stubborn recovery problems persisted throughout the world, and the sovereign debt crises remained unresolved in Europe, the voice of Asia was both clearer and more important in key international economic institutions, global summits, and the trade and investment activities of the new global order. What are the key messages, key strategic directions, and responsibilities of Asian nations as they grow into this new prominent role in the future of mankind?

"For All" was a key component in the theme, and it communicated two complementary ideas. Firstly, across Asia, the synergies and complementarities are strong, so all Asian nations can participate as winners in the coming years of development. The key to doing that is fair cooperative development and open communication. Secondly, "For All" is about the citizens within each Asian economy, because the continued growth of a stable and prosperous middle class is recognized by all Asian leaders as essential for the region to reach its full potential. The rapid growth that has characterized

many Asian economies, has come in waves for over half a century now, and has not been without imbalances and stresses. Asia as a region of incomparable diversity includes economies at various levels of maturity, from the fully developed economy of Japan to the newly opened economy of Myanmar. Each Asian nation has its own opportunities and challenges, but together the diversity across Asia in terms of various growth stages and experience is a source of potential synergy and strength for the coming decade. That is the essence of "Cooperation" in this year's theme.

"Restructuring" speaks to the need to adjust and renew development models, especially investment-led development models, change resource utilization patterns, and strengthen cultural and social values and cohesion at the national and regional levels. Recognition of the unique characteristics of each economy that makes up Asia requires a tolerance of diversity in the search for common ground and closer cooperation. There was a consistency of focus through all the sessions during the Annual Conference 2013 on the need for tolerance of diversity in the search for common ground and closer cooperation.

This year's Annual Conference introduced many new formats, facilitating broader participation by attendees than ever before. Small workshops and dialogues sessions complemented the more traditional panels, and senior world figures such as Bill Gates, Co-chair and Trustee, Bill & Melinda Gates Foundation; Christine Lagarde, Managing Director, International Monetary Fund (IMF); and Edmund Phelps, Nobel Prize Laureate (2006), were among a long list of distinguished guest speakers.

The BFA Annual Conference Report 2013 is divided into six key sections - an overview of the Opening Plenary and the keynote speech of the newly inaugurated President Xi Jinping, the People's Republic of China, followed by sections on government and policy, the region and the globe, restructuring for sustainable growth, industries and commerce, and finally society and culture. The report is richly informed by the sessions, but goes beyond being a chronicle of the many activities that took place at the Annual Conference this year.

## BFA's official website



English version



Chinese version

## Detailed summaries of BFA Annual Conference 2013



English version



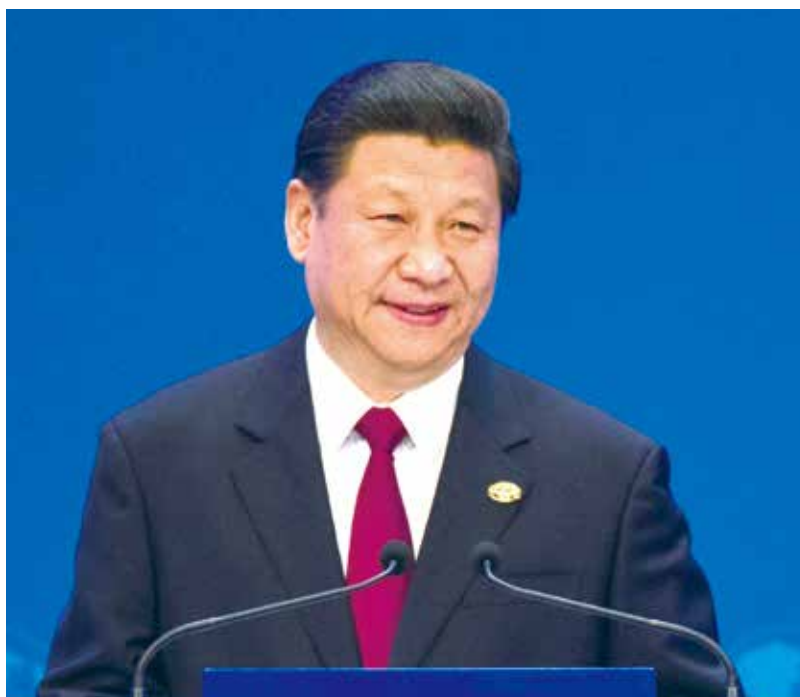
Chinese version

# The Opening Plenary

This year's Opening Plenary was moderated by Zhou Wenzhong, Secretary General, BFA, with a welcome speech by Yasuo Fukuda, Chairman, BFA. President Xi Jinping gave the keynote address, followed by speeches from other regional and world leaders:

- Abdelkader Bensalah, Speaker of the Council of Nation, the People's Democratic Republic of Algeria
- Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan dan Yang Di-Pertuan, Brunei Darussalam
- Zandaakhuu Enkhbold, Chairman, State Great Khural, Mongolia
- Julia Eileen Gillard, Prime Minister, the Commonwealth of Australia
- Christine Lagarde, Managing Director, IMF
- Ollanta Moisés Humala Tasso, President, the Republic of Peru
- Hun Sen, Prime Minister, Kingdom of Cambodia
- Vuk Jeremić, President, 67th Session of the United Nations General Assembly
- John Phillip Key, Prime Minister, New Zealand
- Nursultan Abishevich Nazarbayev, President, the Republic of Kazakhstan
- Sauli Niinistö, President, the Republic of Finland
- Enrique Peña Nieto, President, the United Mexican States
- Michael Chilufya Sata, President, the Republic of Zambia
- U Thein Sein, President, the Republic of the Union of Myanmar

Yasuo Fukuda noted that the Annual Conference 2013, now in its 12th year, has played an important role in hosting exchanges between government leaders of important countries and business leaders from around the world, who over the years, have played an important role in improving the understanding among leaders at the Annual Conference. Speaking of "the spirit of Boao", Yasuo Fukuda urged attendees to "engage in in-depth discussions and share your wisdom."



Xi Jinping  
President  
The People's Republic of China

President Xi Jinping likewise urged participants to engage in frank and in-depth discussions to promote Asia's development. He observed that Asia is one of the most dynamic and promising regions in the world, and that its development is closely tied to other continents. Sounding a theme that has been frequent in the public pronouncements of China's new leadership team, and reflecting the overall restructuring theme of this year's Annual Conference, he said that "The road ahead remains a bumpy and twisted one. Asia needs to transform and upgrade its development model in keeping with the trend of the times."

Reflecting the "For All" component of this year's Annual Conference, he suggested that all Asian nations consider shifting their growth models and adjusting their economic structures to make development more cost-effective and beneficial to the broadest number of people.

President Xi Jinping outlined four key tasks for Asian nations in this regard:

1. Boldly break new ground to create new sources of power for boosting common development;
2. Work together to uphold peace and to safeguard a secure environment for common development;
3. Boost cooperation as a vehicle for common development;
4. Remain open and inclusive to create broad space for promoting common development.

He emphasized the importance of governance reform focused on improving the lives of all people. This point was frequently referenced by other speakers. He also made the point that national leaders have to think of the world as a community, as a "world village", not as an arena for combat. Peace is an essential requirement for development. The cause of peace is advanced if all countries recognize that common development within a win-win framework is better than development of one country at the expense of another.

In closing, he looked at the world from China's perspective, "China cannot develop itself in isolation from Asia and the rest of the world, the rest of the world cannot enjoy prosperity and stability without China." While Asia is open to those who want to participate in advancing its development, everyone should be mindful of traditional economic and trade relations as well and the distinct development trajectory of each individual Asian nation.

Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah expressed his admiration for China's remarkable development, giving recognition to the significant benefits that China's development has provided for the rest of Asia and indeed the world in recovering from the global financial crisis. He noted that Asia had tended to rely on negotiation rather than conflicting to resolve disagreements, and urged members to use multilateral organizations across the Association of Southeast Asian Nations (ASEAN) and the rest of Asia to push forward cooperation and mutual development. Nursultan Abishevich Nazarbayev described Central Asia's role bridging east and west as a revitalized Silk Road.

Sauli Niinistö emphasized the importance of Chinese trade with Europe, and said that "It is almost impossible to imagine the European and Chinese economies without each other." In spite of the on-going crisis in Europe, Sauli Niinistö pointed

out that it is important to keep Europe's enduring strengths in mind - a huge market, tradition of innovation, strong education, and low corruption. Europe, he said, recognizes it is no longer the home of the world's leading powers and is prepared to work among a large number of "equals".

The presence of Enrique Peña Nieto and Ollanta Moisés Humala Tasso, both the first presidents of their respective countries to attend the BFA Annual Conference, exemplifies the increasing relationship between Asia and the Americas. Ollanta Moisés Humala Tasso commended China for the large infrastructural investment made in Latin America and the high level of complementarity among the various economies involved in a growing list of trade and investment initiatives. He recognized that, in moving forward, the key challenge will be to find ways to expand our cooperation agenda and increase business ties. Enrique Peña Nieto pointed out, "We must work harder to find new avenues for cooperation to achieve inclusiveness and sustainable economic growth." He noted points of similarity between China and Mexico, with both countries expressing their strong commitment to reform and development that will benefit their respective populations.

Michael Chilufya Sata said that this year's Annual Conference theme could not have come at a better time for nations such as Zambia, which are pursuing development in a global economic climate that is still difficult. He was keen to see further trade and investment ties with Asia, and highlighted Zambia as a key member of Africa's most important development organization, rich in resources including 40 percent of Southern Africa's total water resources, and zero-tolerance for corruption.



Yasuo Fukuda  
Chairman  
Boao Forum for Asia





Julia Eileen Gillard and John Phillip Key represented Asia's most southern reaches at the Annual Conference 2013. Julia Eileen Gillard headed an extensive and special delegation from Australia, a country whose commercial ties to China have been growing at an accelerated rate in recent years. New agreements on currency and investment have cemented an even closer relationship. She commended the Annual Conference for bringing together the diverse nations of Asia. She stressed the importance of further unlocking the power of markets and investment, observing that human capital remains the key to development in Asia. But she cautioned that growth will come along with competition over resources, and, while this does not make conflict inevitable, it makes cooperation on key issues more important. John Phillip Key noted that New Zealand was a very small country compared to China, but he believes that the complementarity between the two countries is strong, recalling that New Zealand was the first

Western country to sign a Free Trade Agreement (FTA) with China. Speaking to matters of considerable current concern, he noted in areas like agriculture, New Zealand offers Asia the benefits of its experience and is helping overseas brands raise quality and safety.

With participants spanning the globe, from Finland to New Zealand, the Opening Plenary gave voice to a diversity of views and interests. Developed and developing nations, resource suppliers, and giants of manufacturing and service industries explored their common development interests and their commitment to develop win-win scenarios, while pursuing their unique national strengths and destinies. The session was a valuable and top-tier overview of the opportunities and challenges that the Annual Conference 2013 would engage its participants to consider during the rest of the program.

# Government and policy

Among the most significant factors that differentiate the development models represented and discussed at the Annual Conference 2013 are the role of government, the role of business, and the nature of the government-business nexus. Because the Annual Conference is an event bringing together leaders from government, business, and academia, issues of government, business, and economic development are given high visibility.

The importance of the government-business partnership has been a major discussion point since the global financial crisis and with increasing concern over climate change. The approach to these issues throughout the Annual Conference 2013 is not to debate which system is better or worse, or compare the strengths and weaknesses of the paths different nations have chosen. Rather, it was to explore how the government's roles and policy options may be best adapted to the national characteristics of each Asian nation and appropriately adjusted and transformed over time as individual economies develop and the integration of the Asian region proceeds forward.

The government's roles are obvious enough in international diplomacy, the negotiating of trade agreements, bilateral and multilateral, monetary and fiscal policy, as well as currency and central bank administration. Where interesting and obvious differences occur are the channels and degrees to which government is involved directly in business activities, through market regulation or ownership of active businesses. Because in development models like China's, a main channel of government interaction is through state-owned enterprises (SOEs), much of the discussion was focused on SOEs and their role in economic development.

In a session entitled "Government vs Market" moderated by Stephen Engle, Reporter, Bloomberg Television, opinions were diverse among the panel of major business and academic leaders, just as models of government-business partnerships are diverse.

Looking at SOEs involvement in the economy, some felt that SOEs serve a useful purpose or are at least benign. Others expressed doubt that SOEs could ever be optimal performers, innovative, and competitive. This latter point was related to a discussion about the sources of competitiveness among economic actors. Some panelists believed that innovation is the mainstay of a profitable enterprise. Others put forward the view that focus on innovation is a phase in development, and it is just one among many ways to operate profitably. All panelists agreed that SOEs gain substantial benefits in their operations from special forms of government support, but that does not answer the question of what exactly their mission is.

The prospects for SOEs reform were considered in several formal and informal discussions at the Annual Conference. Given the asymmetry in a large market, such as between foreign invested and market-based enterprises and state-sponsored actors in China, foreign CEOs mentioned priorities from the perspective of foreign participants in China's economic development. From the standpoint of achieving sustainable growth, the consensus was that deepening SOEs reform was the single most important reform proposed by the new leadership. They also agreed that this would be one of the most challenging initiatives for the new leaders. Indeed, referring to China's intended course to continue and deepen the reform of SOEs, Stephen Engle began the "Government vs Market" session with a quote from Premier Li Keqiang, the People's Republic of China, "It will be very painful, even like cutting one's wrist to return some functions of government to the market."

When asked what the new norm is or if there even is one, Edmund Phelps, Nobel Prize Laureate (2006), replied that "There has been increased pressure on government, especially in the aftermath of financial collapse." Edmund Phelps outlined four "easy ways" to grow, which he regards China has followed to date, using the state sector as a primary channel. First was business formation to provide more productive employment and soak up underutilized workers.

## "Government and market" session key points

- Some people felt that SOEs serve a useful purpose or are at least benign, while others expressed concern as to whether they can ever be optimal performers, innovative, and competitive.
- While some panelists believed that innovation is the mainstay of a profitable enterprise, others put forward the view that it is a phase and just one among many ways to operate profitably.
- There seemed to be unanimity on the benefits to SOEs derived from government support. The only question was the mission of the SOE. Were these benefits to be shared with society, or should they be retained by the enterprise and their government sponsors?

Second was an enrichment of capital availability to raise the capital ratio in business. Third was facilitating and accelerating technology transfer from overseas. And the final path was the transfer of technologies from China's coast to the interior.

Zhang Weiyong, Professor of Economics, Peking University, held the view that China has been successful because the state's role is growing smaller and smaller. In the next decade, he argued, "China must continue to liberalize and deregulate the state sector. Unless it is reduced to no more than 10 percent, China cannot be called a market economy." Zhang Weiyong urged policy makers to "restart the interrupted privatization of the state sector", citing concerns that SOEs are not held to the same exacting standards of competitiveness and governance. Other participants were less critical of the contribution of SOEs, or at least the idea of substantial government involvement in the economy. Xiang Bing, Founding Dean, Cheung Kong Graduate School of Business, countered that China's private sector contributed to the economy in a substantial way, accounting for 60 percent of gross domestic product (GDP) and 80 percent of jobs. However, SOEs are still needed and do not inhibit private sector growth. China lacks large transnational private companies like the US to support its economy, so SOEs will have that role to play for some years to come.

Jean-Louis Beffa, Former CEO, Saint-Gobain; Director, Lazard Bank, attributed China's economic strength to the rules put in place by State-owned Assets Supervision and Administration Commission (SASAC), and when asked whether it is fair for SOEs to get special treatment from banks, he replied, "Do you think those businesses are of strategic value to the economy or not? If you do, then there must be some advantages. I would recommend some partial privatization. If you want to be a big actor in many sectors, there is no way that can be done without public support." Naina Lal Kidwai, President, Federation of Indian Chambers of Commerce and Industry (FICCI); Country Head, HSBC India, agreed that as long as customer service and quality are foremost, ownership is of lesser importance. "In the telecom sector in China, customers are happy. In India, the sector was a mess," but was corrected in a very short period of time thanks to innovation. She added that "This situation can exist with or without SOEs."

Global CEOs from major Chinese and non-Chinese enterprises compared notes on their visions and priorities, their approaches to cooperate with each other, and the focus and skills that needed to be transformed for the CEO's future role. At this year's Annual Conference there were lively debates on whether publicly-listed SOEs and multinational corporations (MNCs) face the same analysts and investors, and so must follow foreign financial and accounting regulations, or whether the CEO's job and perspective are very different in a state-owned entity. In some cases, it is difficult to ascertain whether differences in CEO's roles resulted from the fact of state ownership or from other fundamental cultural differences. Moreover, the situation is not static. There is a generational change in terms of views of leadership, and while the details may be different in China and other places, the phenomenon exists and suggests the next generation of CEOs coming from different cultures may converge in their behaviors.

The annual "Private Sector Roundtable", co-moderated by Chris Lu, CEO, Deloitte China, and James Chen, Managing Partner, National Clients & Markets, Deloitte China, also considered issues of the government and SOEs from the perspective of China's private sector. The session focused on the role of private sector in China's transformation and growth. Electronic polling enabled the moderators to take an "instant pulse" of the many CEOs present on key issues.

Over the next five to 10 years, Chinese economic growth will rely heavily on private sector investment. In 2012, the private sector accounted for 62.1 percent of total fixed investment. For GDP growth to increase by 7.5 percent in 2013, the private sector will need to contribute approximately 70 percent of total fixed investment. Participants commented that as private enterprises grow, entrepreneurs cannot appeal to the government for fair treatment on one hand, and at the same time seek privilege and protection from the government. There was an understanding within the group that, in the future, rather than seeking a government bailout, Chinese business owners will need to take responsibility for their own business decisions.

For many private enterprises, investment abroad will be a necessary step in generating sustainable business development. The decision to invest abroad should be predicated on the ability of the individual business and the industry in which it operates. Before investing abroad, an enterprise needs to understand the foreign business environment and the future tendency of Chinese government policy. It is a common pitfall to rely only on the government's current policy, which could change anytime, resulting in bankruptcy of the business.

The entrepreneurs felt that the government needs to create a fair regulatory environment to allow private enterprises to develop independently. The government should be responsible for monitoring, ensuring fairness, and creating a transparent environment for competition, but it should not pick favorites. Too much government intervention is not appropriate, and the government should not take on such risk. In the coming three to five years, private enterprises are most likely to invest in some of China's most important sectors, like IT, healthcare, and financial services. The areas in which private enterprises most need to improve are innovation, technological development, and product differentiation.

Asked about the direction of the environment for private enterprises business in China, 52 percent of entrepreneurs in the roundtable believed that the private enterprise business environment had improved somewhat, and 19 percent were more optimistic since the Chinese leadership transition in March 2013. There are high expectations that the new leadership will contribute to a fair competition in the business environment going forward. Indeed, since this year's Annual Conference, the new leadership has made numerous pronouncements about their intention to open up more operating and sector space for private enterprises, simplify government procedures, and assure more ample supplies of capital.



Chris Lu  
CEO  
Deloitte China



James Chen  
Managing Partner  
National Clients & Markets  
Deloitte China

#### "Private Sector Roundtable" session key points

- For GDP growth to increase by 7.5 percent in 2013, the private sector will need to contribute approximately 70 percent of total fixed investment.
- The areas which private enterprises need to improve are innovation in institution, technology, management, and business models.
- In the coming three to five years, the private sector is expected to grow in the IT, healthcare, and financial services sectors.
- Entrepreneurs shall take the initiative to promote and create a fair competitive environment. They cannot appeal to the government for fair treatment on one hand, and at the same time seek privilege and protection from the government.



The specific question of financing the private economy in China and an appropriate government role in regulating small and medium enterprises (SMEs) has been a staple of the agenda of the Annual Conference for many years. In the session "Small is Beautiful: SME Roadmaps to Success", moderated by He Zhenhong, President, China Entrepreneur Magazine, a panel of successful SME entrepreneurs debated various viewpoints about SME's contributions to overall growth, what makes a successful SME, and what the appropriate, supportive roles of government should be in recognizing and nurturing SME development.

SMEs may be small individually, but collectively they account for a large proportion of many of the world's most successful economies. In Germany, SMEs are classified as companies with 200 people or less but they represent 80 percent of the country's GDP. In Taiwan, 95 percent of GDP is derived from SMEs and they are defined as companies with 100 people or less. In the Chinese Mainland, SMEs help create 80 percent of the country's jobs, generate 60 percent of GDP and contribute 50 percent of total tax revenues. Without a doubt, SMEs are the primary channel for job creation and form the backbone of any economy.

On the subject of SMEs in China, panelists agreed the market here is brutally competitive. Financing is a daunting challenge that all SMEs face as the Chinese banking system is not yet at the level of maturity of some more developed markets. Since SMEs generally do not have collaterals or fixed assets, banks are reluctant to lend them money. Panelists urged reform in the banking system to provide SMEs with better access to funds.

Panelists also highlighted additional contributors to SME growth and adjustments that needed to be made. Intellectual Property Rights (IPRs) protection was raised as an example of a significant challenge that needed policy reforms by the government to ensure the rights of SMEs are protected. Since SMEs are not always equipped with the legal resources required to pursue lawsuits against infringers, SMEs look to government interventions to create stronger IPR laws in order to foster a fair and competitive business environment.

While initially small in size, SMEs do not always remain small forever. However, vitally important to growth are the policies governing SMEs in the markets where they operate. Panelists urged governments to provide an enabling ecosystem and a level playing field to ensure SMEs get the right environment to perform. Enterprises with similar interests should work together as a group as it helps them facilitate better regulations by the government.

#### "Small is Beautiful: SME Roadmaps to Success" session key points

- SMEs are the primary channel for job creation and form the backbone of any economy.
- SMEs need a proper ecosystem to grow and develop.
- SMEs need to work together and collaborate with each other for easier access to resources, as well as to get better leverage with governments for pro-SME policies.
- Government needs to deploy reforms in the banking system and around IPR protection, to provide SMEs with capital to develop and to safeguard their intellectual capital respectively.

Moderated by Jean-Pierre Raffarin, Vice-President of the Senate; former Prime Minister, France, the session entitled "Structural Reform: Revitalize the Core Competitiveness of EU" explored an entirely different view of government roles. Sauli Niinistö, President, the Republic of Finland, was the featured speaker of the session, who explored the roles of government and business in revitalizing the common community of interests represented by the European Union (EU). His perspective emphasized the critical role of government, asserting that the path to resolution of EU challenges must be political, "The problems have to be solved through democratic political negotiation within and between the European societies. Without this, our social cohesion and stability will be put at risk. And this will cause another wave of huge problems to emerge. The question is not if, but how, to manage the politics."



Political rather than purely economic resolution to the crisis emerged as a common theme among the panelists. In order to revitalize the EU, fiscal discipline must be addressed. Leif Johansson, Chairman, Ericsson, from the perspective of a major enterprise CEO, explained the important roles of government in policy reform and economic management. He offered optimism about the future of a revitalized Europe by reflecting on Sweden's ability to implement strict and effective fiscal reforms within a democratic political system, beginning in 1992, noting that "The social-democrats in Sweden have been rewarded politically for taking the country out of real problems." Sweden now funds pension costs up front, and the actual payout has been tied to the salary of the working population in the future. The debt to GDP ratio has been reduced from 100-40 percent. Germany and Finland have had similar successes.

Moderator Jean-Pierre Raffarin summarized the necessity of reform, "Germany, Sweden, and many other EU countries have completed their reforms. Reform is nothing but necessary."

Monetary alliance is an equally important part of revitalization. Juan Inciarte, Executive Member of the Board of Directors; Group Senior EVP for Strategy, Banco Santander, provided insights from the banking sector, "The policy of monetary transmission is not working. We have strong currency, but we have different levels of interest rates in different countries which are making the economic growth very slow."

Jean-Pascal Tricoire, President & CEO, Schneider Electric, again from a CEO's perspective, identified consistencies between China's 12th Five-Year Plan and the challenges Europe has faced in the past. He made an interesting comparison between China's central planning process and the highly decentralized economic management of individual European countries, especially concerning government focus on the impact of forces like demographic change. He referenced President Xi Jinping's remarks from earlier in the day relating to aging population and urbanization, and noted that "I think we have plenty of areas where we should cooperate together." He also suggested that China invest in Europe now, "The Swedish have done it, Germans have done it, and we are going to do it, i.e., revitalize Europe." Enrique Baron Crespo, President, European Foundation for Information Society, focused on the government's roles in welfare spending and national debt management in ways that supported business growth, as well as the meeting of social obligations and the increased demand for resources from demographic change.

**"Structural Reform: Revitalize the Core Competitiveness of EU" session key points**

- Panelists shared a view that revitalization of the EU crisis required political rather than purely economic resolution.
- Monetary alliance is an important part of revitalization.
- There should also be a focus on developing SMEs as they are critical for supporting employment and innovation.

key contributor. Looking at regulations of the critical financial sector, Wang Boming, Editor-in-Chief, Caijing, moderated a session entitled "Deregulating the Financial Industry". The panelists strongly represented major corporations in financial services and included Anthony Bolton, President for Investments, Fidelity Investment Managers; Gerry Grimstone, Chairman, Standard Life, UK; Wang Yincheng, President, the People's Insurance Company of China (PICC) Property and Casualty; Rodney Ward, Chairman of Global Corporate and Investment Banking, Bank of America Merrill Lynch; and Zhang Dongning, Vice President, Bank of Beijing.

A third perspective of government's role was regulation. The nature and intensity of regulations have been a hot debate topic since the global financial crisis, with opposing positions expressing that over regulation or under regulation was a



Anthony Bolton  
President for Investments  
Fidelity Investment Managers



Gerry Grimstone  
Chairman  
Standard Life, UK



Wang Boming (Moderator)  
Editor-in-Chief  
Caijing



Wang Yincheng  
President  
The People's Insurance Company of China  
Property and Casualty



Rodney Ward  
Chairman  
Global Corporate and Investment Banking  
Bank of America Merrill Lynch



Zhang Dongning  
Vice President  
Bank of Beijing

The framework of the discussion was around one question. As China debates further deregulation of a tightly regulated financial sector, was it moving in the opposite direction to the rest of the world? Panelists focused their remarks in two areas - the focus of deregulation in China and the relationship between deregulation and innovation.

To define the parameters of the debate, Wang Boming asked each panelist to simply define what he/she understood by deregulation in the present Chinese context. Anthony Bolton began by stressing two key components - removing certain restrictions, such as interest rate controls, and opening up to further competition. Gerry Grimstone volunteered that "There is really no such thing. There must be some regulations, the question is in what form." For the insurance sector, Wang Yincheng said it means new opportunities for investment and new products. Rodney Ward agreed but said certain opportunities should be targeted for deregulation, for example, SME finance and micro-lending. Finally, Zhang Dongning added that whether speaking of tightening or relaxing regulations, any change should be in line with China's broader development models.

Gerry Grimstone expressed a view that lax regulations in the US almost destroyed the financial sector and the country. On the other hand, panelists pointed out the problems with excessive regulations, which were essentially the contradiction between regulation and innovation. Anthony Bolton called it a very difficult balance to strike. As an example, panelists noted the phenomenon of shadow banking in China, where market-based lending activity, the so-called shadow banking sector, has bloomed originally outside the tight system of financial regulations. For example, tightly regulated interest rate made it impossible for lenders to price credit for risk and higher risk borrowers to reduce credit availability. This gave rise to alternate channels that set interest rate by the market. Now regulators are considering the liberalization of

interest rate in established banking channels and working to bring the shadow banking players under regulatory supervision and control. With regard to shadow banking, Rodney Ward found it interesting that regulators did not stamp it out at the outset, "They recognize that it is at the most innovative end of the banking sector." So while regulators need to be vigilant, "We should not fixate on the issue of shadow banking. We cannot be complacent but we should not panic either."

### **"Deregulating the Financial Industry" session key points**

- China is inclined to deregulate the financial sector, while many other countries are likely to enhance such regulation.
- Deregulation requires the internal regulation construction of an enterprise itself.
- Deregulation may bring risks. Therefore, a balance shall be achieved and both carrot and sticks shall be used.
- Shadow banking should not be rudely eliminated but governed on a regulated basis, and guided to evolve on the right track.
- Financial regulation should focus on the construction of a proper environment, the development of rules, and the enforcement of rewards and punishment mechanism.

Impressive expertise was brought to the discussion of these four key aspects of government roles in the economy: direct participation through SOEs, aggregation of resources, balancing social spending with growth investment within nations and in common communities, and the intensity and nature of regulation. An important sign of how communication and mutual understanding has advanced over the last five years or so is the very high level of knowledge participants from all over the world had of each other's detailed economic situations, policies, and approaches.



# The region and the globe

This year, a third of all sessions at the Annual Conference, was related to issues of global systems and institutions and issues of regions and regionalization. There is no question that international organizations are changing, in terms of their focus, roles, and membership. There is also no question that regions are in accelerated transition, whether they have established communities with shared organizations and currencies like the EU, or they are less formally integrated regions bound together with common interests and diverse agreements on trade, investment, and currency, like East, Southeast, and South Asia.

This section on regions and the globe is divided into three discussions of global organizations and their evolving roles, regional dynamics around the world, and key bilateral and multilateral relationships that are important to global peace and stability.



Christine Lagarde  
Managing Director  
International Monetary Fund

Christine Lagarde, Managing Director, IMF, in a special dialogue session, "Dialogue with Christine Lagarde", provided a trenchant overview of the world economy, including remaining risks, and laid out an agenda for shared prosperity. Under the theme of shared prosperity and sustainable growth in Asia, Christine Lagarde began by echoing President Xi Jinping's comments that the Chinese dream should be the people's dream, which should rely on the people and bring benefits to them. She then shared her views on the global economy before proposing a roadmap for Asian countries to realize their dreams for future.

Christine Lagarde shared the IMF's view that the global economy has seen reasonably solid growth and is now in a much better place than it was a year ago. Most emerging economies had managed to achieve strong growth while in the developed world like the US is now seeing the pick up in momentum. She reiterated her famous comments that although we have avoided a collapse, we should still be cautious not to have a relapse, and we should never relax. She cautioned once again that 2013 is a "make or break" year despite the positive progress since 2008, including the reforms in the financial industry, fiscal and monetary policies refresh, the re-architecture of the Eurozone, and the strengthening of its fiscal discipline. There remains a genuine risk that policy makers, when seeing initial signs and positive progress in recovery, may want to slow down the reform, retract investment, and take a moment to review the situation before carrying on with execution. That could trigger the relapse.

She emphasized that developed countries should execute the financial reforms initiatives, recapitalize the banks, push for structural changes, and review the fiscal policies, while emerging economies should carefully manage their growth and avoid asset bubbles. In this context, she emphasized three major risks. Firstly, recovery so far has only been slow and partial. Many countries, big Eurozone countries and small peripheral ones alike, are still in real trouble. Although some measures and fiscal policies have been put forward, it takes times to take effect and show measurable results. Secondly, fiscal exposure is weighing on recovery. In the US, the federal spending cut will almost certainly hinder growth, while a reduced debt ceiling will likely slow down recovery. Japan is facing a similar situation. Thirdly, while monetary policies have propelled growth in developed countries, an ill-planned exit from all three recovery-related fiscal policies may cause unintended consequences. Asian countries, like many developed economies, need to start thinking about when and how to unwind the stimulus that was injected into the system so that the liquidity level can return to the healthy pre-2008 level on an even more sustainable basis. Asia has been a very important and consistent driver of global economic growth, and contributed two-thirds of the growth after the global financial crisis in 2008. China has been a particularly strong powerhouse, and its growth has been beneficial to the country, the region, and the global economy as well.



Asian countries in the past several decades have taken hundreds of millions of people out of poverty, among them 500 million in China. However, along with the miraculous growth came some alarming signals of inequality. A key theme for Asia going forward will be inclusive growth or benefits for all, echoing the theme of the Annual Conference 2013.

To achieve shared prosperity, Asia needs to focus on three key areas. Firstly, it needs to invest in people. Like many high growth economies, Asian countries have been aggressive in investing in physical capital, but many have been lagging behind in developing human capital. Investment is needed in the health and skills of future workers and setting the right incentives for people to join the workforce. This is particularly important for countries with an aging population, for example, Japan, Korea, and China. Soon Thailand and Vietnam will join the club given their low fertility level. It is necessary to protect the most vulnerable and make sure no one is excluded from the benefits of economic and social development. Investing in the future of people will enable people to invest in future growth.

Secondly, Christine Lagarde argued for fostering a right environment that encourages investment and growth. There are two areas that deserve the attention of the Asian economies to avoid the so-called "middle income trap". Entrepreneurship and innovation should be encouraged by opening up market segments that are previously closed to competition. This may be difficult politically but it is the right and critical thing to do. The other area is the importance of urbanization, including infrastructure, needs to be recognized. For some economies like India and Indonesia, raising physical infrastructure standards, for example, electric power generation, would be a strong propellant to growth. For those small islands that make up Indonesia, building some connections would certainly open up much wider possibilities. In the meantime, improving virtual or "soft" infrastructure is just as important as investing in

physical ones. Integration is one of the key areas. In Asia, regional economic integration is seriously lagging behind and holding back trade within the region. Currently intra-region trade is much less than the trade volume between individual Asian economies and countries outside the region, such as the US. Regional integration can help Asian countries pool and make more efficient use of resources and significantly reduce costs.

Christine Lagarde's final major point was to ensure growth is sustainable by actually protecting the environment. Experience has proved that environmental protection and economic growth are not mutually exclusive but in fact can be symbiotic, whereas environmental issues have also been proven to have significant economic implications. For example, the flood that hit Australia from 2010-2011 triggered inflation and hit the mining industry badly, causing negative trade growth.

#### "Dialogue with Christine Lagarde" session key points

- We have avoided a collapse, but we should still be cautious not to have a relapse and should never relax. 2013 is a "make or break" year that deserves careful navigation.
- Slow and partial recovery, fiscal exposure, and ill planned withdrawal of stimulus liquidity are the three top risk areas.
- Asia has been a very important and consistent driver of global economic growth, contributing two-thirds growth post-2008 and is expected to grow by 6 percent in 2013.
- For Asia to achieve sustainable growth and share prosperity, it needs to invest in people, create a positive environment that boosts growth and investment, and truly protect the environment.

While Christine Lagarde looked at the performance of economies from the perspective of a key international economic organization, Steve Howard, Secretary General, the Global Foundation, moderated a panel entitled "Global Governance Reform and G20" that looked at the roles of such international organizations. The panel included a distinguished group of business and organization leaders, including Craig Emerson, Minister for Trade and Competitiveness, Australia; Victor Fung, Chairman, Li & Fung Group; Robert Hormats, Under Secretary of State, USA; Vuk Jeremić, President, 67th Session of the United Nations General Assembly; Long Yongtu, Former Vice Minister, Ministry of Foreign Trade & Economic Co-operation (MOFTEC); Mari Pangestu, Minister of Tourism and Creative Economy, the Republic of Indonesia; Ksenia Yudaeva, Russian G20 Sherpa & Chief, Presidential Experts' Directorate; and Zhang Jun, Director General of International Economic Affairs, Ministry of Foreign Affairs, the People's Republic of China.

The panel had a very frank discussion about the G20. The rapid rise of the G20 is one of the more lasting legacies of the Great Recession. From its origins in the late 1990s as a low-key forum for finance ministers and central bankers, overshadowed by the more exclusive G8, the G20 came into its own when the global economy required concerted action by a wider group of countries to whom economic power had rapidly migrated. Its inclusion of China, India, and other emerging markets gave it greater relevance than the G8. Yet just four years later, new questions have been raised about the future of the G20 and its ability to continue to serve as the world's go-to platform for global economic cooperation. Panelists focused on two critical challenges facing the organization today - representation and effectiveness.

Even acknowledging that the G20 represented two-thirds of the world's population and 85 percent of the global GDP, the panel was still divided on the extent to which it was really representative of enough interests. There was even more disagreement over the question of effectiveness, with some panelists noting that the G20 had really added nothing to solutions that were not already on the table. There was an agreement, however, on the proposition that the G20 should not evolve into a forum for negotiation, but remain a non-binding source of ideas and direction to be executed at the national

level or by other global organizations like the World Trade Organization (WTO). There was a division of opinion, however, on what issues the G20 should take up. Several panelists warned that pressures to engage a wider range of issues, including energy, food safety, and anti-corruption, etc., would hamper effectiveness, while others mentioned that failure to do so would undermine legitimacy just as surely.

#### "Global Governance Reform and G20" session key points

- The two critical challenges facing the G20 are representation and effectiveness.
- New questions have been raised about the future of the G20 and its ability to continue to serve as the world's go-to platform for global economic cooperation.
- G20 should not evolve into a forum for negotiation, but remain a non-binding source of ideas and direction to be executed at the national level or by other global organizations.

To look at some of the difficulties in advancing common agendas, Deborah Kan, Executive Producer, Wall Street Journal, moderated a luncheon session "The Stalled Doha", looking at the stalled Doha Round of WTO negotiations. Started in November 2001, the Doha Development Round is the current trade-negotiation round of the WTO with the objectives to lower trade barriers around the world to foster global trade. Talks stalled over issues such as agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies. The panel discussed the Doha issue from three main angles - the US, China, and the WTO. At the present time, the Doha Round remains stalled.

One of the major stumbling blocks of Doha was direction around agricultural policy, particularly regarding the failure to meet the expectation of developing economies for lower agricultural subsidies in developed economies. Charlene Barshefsky, Former US Trade Representative; Senior International partner, WilmerHale, suggested the premise of the agreement was misguided and that had led to the delay in reaching a consensus. The agreement was started in the 9/11 aftermath when countries attempted to show solidarity with



the US and each other through the agreement. The sentiments that led to Doha did not take into account the difficult realities of implementation. One insurmountable hurdle was the request that the US and Europe would remove their agricultural subsidies.

Even though both are committed to agricultural reforms, the further opening of their agricultural and fishery markets seems unlikely. Ultimately, the issue of agricultural subsidies became a deal breaker for the Doha discussions. Presenting China's point of view in the debate, Yu Jianhua, Assistant Minister of Commerce, the People's Republic of China, said developing countries usually have a less competitive farming sector and relied more on small and subsistence household farming. While more advanced economies have access to more money to subsidize their farmers, subsidies presented a very tough issue for developing countries to overcome.

Coupled with the global financial crisis, where the US and Europe turned inwards as they were forced to look out for their own markets and interests as the priority, a collapse of the talks ensued. There were some rays of hope this critical WTO process would continue. Alejandro Jara, Deputy Director-General, WTO, was optimistic that talks will take a more positive direction during the 2013 summit in Bali. With a favorable change in the market situation, he stressed the importance of reaching a consensus while the time was opportune. Alejandro Jara added that any agreement reached should not become static and should continue to evolve. A successful summit will benefit global trade greatly, with greater efficiency and better incentives for investment and innovation.

#### "The Stalled Doha" session key points

- The sentiments that led to Doha did not take into account the difficult realities of implementation.
- Over the last decade since the start of Doha, there has been a shift in power and the lines between developed and developing are blurring further.
- Bali 2013 looks optimistic and could see resolution for all involved in these long standing talks.
- Trade agreements are projections of power and will continue to be a permanent part of the regional integration landscape.

Sessions on regional issues included Latin America, Africa, and Asia. Jiang Sixian, Member of the Board, BFA, moderated a session "Latin America: Transformation of the New Continent" featuring Ollanta Moisés Humala Tasso, President, the Republic of Peru, and Enrique Peña Nieto, President, the United Mexican States. Ollanta Moisés Humala Tasso began by announcing that in respect of relationships among the nations of Asia and Latin America, "Our aims are the same: regional economic integration and regional economic dynamism." He enumerated multiple issues and initiatives in which Peru had engaged in. Peru has close relations with China and other countries in Asia: agreements signed with Korea and other nations, the pursuit of trade agreements with Asian nations, the building of the Pacific Alliance, and plans for a pan-Pacific FTA by 2020. Asia has become a major destination for Peruvian exports and, over the past four years, Peru's trade with Asia has doubled to US\$26 billion. He voiced his nation's desire to broaden cultural exchanges, including tourism with Asia, describing Peru as "a very competitive country in Latin America" and "a very important place to gain access" to the Americas and Europe.

Enrique Peña Nieto observed that "Globally speaking, the world remains in a volatile situation, but Latin America and Asia have maintained their stable relationships." He said that the economies of Latin America and Asia are on track to lead the world in the 21st century. He announced projections that while 41 percent of global growth is now attributed to these combined economies, by 2015, this figure will rise to 45 percent. He said that "Mexico argues that we should bring

these two major regions closer. Although in the past decade, Asia and Latin America have enjoyed accelerating cooperation in trade, we are convinced that more opportunities for cooperation remain." He advocated further free trade, and that Mexico and China should work together to oppose trade protectionism.

**"Latin America: Transformation of the New Continent" session key points**

- Asia and Latin America have mutually beneficial interests.
- Both Peru and Mexico are eagerly pursuing FTAs and other exchanges with Asian nations, including China.
- Latin America seeks to move past resource extraction to more value-added production and exports.

The Africa panel was moderated by Robert Hawke, Former Prime Minister, Australia, and entitled "Africa: Rise of an Ancient Continent", featuring Abdelkader Bensalah, Speaker of the Council of Nation, the People's Democratic Republic of Algeria, as a speaker. Panelists included Justin Lin Yifu,

Former Senior VP/Chief Economist, World Bank Group; Mourad Medelci, Minister, Foreign Affairs, the People's Democratic Republic of Algeria; Michael Treschow, Chairman, Unilever; and Wei Jianguo, Former Vice Minister of Commerce, the People's Republic of China.

Key topics included demographics, development, and international cooperation. Youth comprises 60-70 percent of the total African population. With a median age of 20 versus Asia at 29 and Europe at 40, there are enormous opportunities for the continent. Africa's economic growth rate was 6 percent between 2010 and 2012, but there is potential for the growth rate to rise to 10 percent. In fact, six African nations ranked among the world's 10 fastest growing nations last year.

The panelists agreed that Asia is a very important partner for Africa. There is a high level of complementarity between Africa's rich resources and Asia's advanced manufacturing and services. Asian investment in infrastructure projects in Africa provides a good platform for Asian and African countries to work together. The expectation is for foreign direct investment (FDI) into Africa to continue to increase. This injection of investment will go into pockets or regions within the continent where the investment climate is opportune.



Abdelkader Bensalah  
Speaker of the Council of Nation  
The People's Democratic Republic of Algeria



Robert Hawke (Moderator)  
Former Prime Minister  
Australia



Justin Lin Yifu  
Former Senior VP/Chief Economist  
World Bank Group



Mourad Medelci  
Minister, Foreign Affairs  
The People's Democratic Republic of Algeria



Michael Treschow  
Chairman  
Unilever



Wei Jianguo  
Former Vice Minister of Commerce  
The People's Republic of China

The hope of the panel was that in some ways Africa could emulate Asia's rise in economic prosperity over the next few decades. Justin Lin Yifu shared that Asia was considered as a "hopeless" continent in the 1950s and 1960s. But the rise of the Japanese economy sparked growth in the region and what came to be the Asian Tigers. He continued to say that "Africa should take heart from Asia's journey of growth and look to that for inspiration in writing its own story."

### "Africa: Rise of an Ancient Continent" session key points

- Youth comprises 60-70 percent of the total African population. With a median age of 20 versus Asia at 29 and Europe at 40, there are enormous opportunities for the continent.
- Africa's economic growth rate was 6 percent between 2010-2012 but there is potential for the growth rate to be 10 percent.
- Asia is a very important partner for Africa - Asian infrastructure projects in Africa provide a good platform for Asian and African countries to work together.
- For Africa, FDI will continue to increase. This injection of investment will go into pockets or regions within the continent where the investment climate is opportune.

Within Asia, the Greater China situation is somewhat unique because, within the sovereign territory of the Chinese Mainland, there are different customs regions, currencies, and regulatory regimens. As a result, deepening cooperation and integration between and among these is itself an important initiative, as illustrated by the roundtable entitled "To Deepen and Consolidate Cooperation Between the Enterprises on Both Sides of the Taiwan Straits: Strategy, Methods and Modes". The roundtable was co-chaired by Dai Xianglong, Chairman, National Council for Social Security Fund, the People's Republic of China, and Fredrick F Chien, Senior Advisor, Cross-Strait Common Market Foundation.

The roundtable discussion focused on the framework that has been established to promote cooperation, the benefits of closer cooperation, and an overview of industries where substantial progress had already been achieved. Participants agreed that there is a genuine need and strong business case for cross-strait cooperation among enterprises given the commonality in their

challenges, focus, origin, mindset, as well as their complementary strengths. New developments have occurred in trade and investment; notably cross-border investment has grown from one-way, from Taiwan to the Chinese Mainland, to two-way. The value chain has shifted from vertical to horizontal requiring the two economies to figure out how to effectively work together and win in the global market rather than competing against each other.

Great progress has been made following the Economic Cooperation Framework Agreement (ECFA). Efforts have been dedicated to agreements on services, products, and dispute settlement with an aim of finalizing by the end of the year. There have been positive developments in financial cooperation, especially around regulation coordination, cross-border settlement and investment, notably Industrial and Commercial Bank of China's (ICBC) investment in SinoPac. Another key area of focus has been the preparation for the Zijinshan Summit for Entrepreneurs across the Taiwan Strait, which would provide a high-level platform for collaboration and exchange.

The financial services industry is probably the most exciting area of opportunity, especially in RMB offshoring for cross-border settlement, consumer financials, and wealth management. Chinese Mainland banks can learn from their Taiwanese counterparts for operational efficiency and SME business. There are opportunities for cooperation among financial institutions on joint development and marketing of products, customer information sharing, and mutual secondment of talent. On the government level, collaboration might target at setting up the overall framework, building mutual trust, and facilitating regulatory coordination.

Healthcare is another industry where there is great potential for synergy from closer collaboration, specifically in preventing common infectious diseases and treating of diseases unique to the region, in exploring the right mechanism and facilities that meet local market demands which are very similar in the Chinese Mainland and in Taiwan, in developing relevant insurance and other financial products, and in leveraging each other to win in the global market.

In the telecom industry, collaboration among companies from across the Strait has already proven to be beneficial for both sides. Identifying and promoting success cases, beyond just the telecom industry, would be helpful to encourage more cooperation. China Mobile Communications Corporation (CMCC) is a good example as it has been working with various Taiwan partners in multiple areas including 4G LTE technology, user devices, integrated circuits (ICs), and mobile device solutions, winning an edge over its major competitors in China and across the world. A cooperative mindset and genuine respect for each other were highlighted as key success factors for Chinese Mainland companies seeking cooperation with Taiwanese counterparts.

#### **"To Deepen and Consolidate Cooperation Between the Enterprises on Both Sides of the Taiwan Straits: Strategy, Methods and Modes" session key points**

- There is a genuine need and strong business case for cross-strait cooperation among enterprises.
- Great progress has been made following the ECFA.
- The value chain has shifted from vertical to horizontal requiring the two economies to figure out how to effectively work together and win in the global market rather than competing against each other.
- The financial services industry probably presents the most exciting opportunities, especially in RMB offshoring for cross-border settlement, consumer financials, and wealth management.
- There are also great opportunities for further cooperation in industries such as healthcare and telecommunications.
- The foundation for closer cooperation lies in mutual trust where there is still significant room for further strengthening, particularly in areas such as IPRs protection and cross-border investment.
- Mutual trust and market opening are the foundation and key drivers for future collaboration.

Just a few years ago, global media began talking about the G2, namely China and the US, and how the cross-Pacific relationship between the world's largest and second largest economies was a key to global stability and growth. This year in a number of events during the Annual Conference, three key areas were debated - the US policy towards Asia, the future of US-Asia trade relations, and reciprocal investment between the US and China.

A widely expressed opinion at the Annual Conference was that the current media attention on a "pivot toward Asia" created some discomfort in the region, especially if it was interrupted as a sign of caution or even lack of friendliness. If you treat another country like a friend, collaborative answers to common problems can be found. The need for trust-building emerged very early during the discussion, with the analogy of military relations used.

Secondly, Asian countries were generally in favor of a balance of power in the region that includes a role for the US, providing the US does not overplay its hand. Finally, on economic relations, the view was that while the US and China have a lot of work to do, they should be commended for making steady progress on key issues despite the relationship's ups and downs. The remark was made that "If you look at the way the two nations have worked together over the years, it is a very stable process and, on the US side, a remarkably bi-partisan approach." The same can be said of China. Yet while this was broadly reassuring, the question of "What do we do to build on it?" was raised as a particularly critical question in light of new issues just surfacing, especially cyber espionage which has generated big concerns in Washington and the US in recent months. How do the US and China deal with the issue is still an open question. But if the problem continues to grow, it has the potential to seriously undermine confidence, including within the business community, and widen the trust deficit. Since the Annual Conference 2013, the two presidents met, with cybersecurity issues high on their agenda. While it is not clear what concrete steps have been taken, since that meeting, the atmosphere of accusations has eased considerably, indicating progress in resolving these issues.

Considering the trade dimension of government-to-government relations, three issues rose to the fore: the importance of trade was widely recognized, FTAs, and the pivot to Asia. The consensus was that there is a suboptimal path toward trade liberalization for three reasons - they generally include too many tariff loopholes, are exclusionary by nature and the World Bank has consistently found that they divert trade rather than creating it.

Participants who focused on reciprocal investment, pondered the fact that last year the two-way flow of FDI between the US and China was a paltry ~US\$9 billion. There was much debate over how open the US is to Chinese FDI, and a general consensus that other Western nations may be more welcoming. The fact that a mere US\$3 billion of the total FDI into China was by the US investors suggested that the barriers may not all be on the US side.

Elaine Lan Chao, 24th United States Secretary of Labor, gave a luncheon session "Dialogue with Elaine Lan Chao", moderated by Zhou Wenzhong, Secretary General, BFA, in which she expressed considerable optimism about the future of the China-US relationship. She began by acknowledging that the understanding between China and the US was very important, and fortunately the communication gap between the two is diminishing. At the same time, being realistic we must expect there will be a lot of bumps on the road. But overall, Elaine Lan Chao saw the relationship on an upward curve. As for the Sino-US strategic economic dialogue, both China and the US should, at the same time, be themselves and enhance mutual understanding.

Adding a personal touch, she mentioned the importance of education. Her father, James S.C. Chao, had a great influence on her. He came from a farming village outside Shanghai and owes all his achievements to the education he managed to get. Elaine Lan Chao perceived differences between American and Chinese education. The West tends to focus on the accumulation of knowledge, while in the East, she sees additionally a greater emphasis on social responsibility, a characteristic that her father exemplifies, and one that she believes the US can learn from China.



Elaine Lan Chao  
24th United States Secretary of Labor

For the US government, Elaine Lan Chao observed that long-term policy has yet to be set and is pending the confirmation of a full cabinet under the second term of Barack Obama, President, the US. The upcoming 2014 House of Representatives election is also going to influence Barack Obama's policies. His goal is to maintain Democrat control of the senate and gain control of the House of Representatives. In response to questions from the audience, Elaine Lan Chao said she believed there would be an Asian US president in her generation.

#### "Dialogue with Elaine Lan Chao" session key points

- Overall, the Sino-US relationship is on an upward curve.
- However, more challenges along the road are to be expected.
- Key is for China and the US to try to understand the other side in the Sino-US strategic economic dialogue, while feeling comfortable with their own style.

Finally, China at the BFA Annual Conference has done much to define the common interests of emerging markets as a group, whether they are in Asia or not. Song Lixin, President, Talent Magazine, moderated a panel on emerging markets entitled "Emerging Markets Losing Speed". Panelists included Alan Buckle, Global Deputy Chairman, KPMG; Sergey Nikolaevich Katyrin, President of the Chamber of Commerce and Industry of the Russian Federation; Mari



Pangestu, Minister of Tourism and Creative Economy, the Republic of Indonesia; A. Didar Singh, Secretary General, FICCI, India; Zhang Xiaoqiang, Vice Minister, National Development and Reform Commission (NDRC), the People's Republic of China; and Zhang Yuyuan, Director, Institute of World Economy & Politics, Chinese Academy of Social Sciences (CASS).

2012 came as something of a disappointment to a world accustomed to seeing near double-digit growth in emerging economies. Slower growth rates from China to Africa to Brazil seem to point to a single culprit, with sluggish demand in advanced markets a leading suspect. Yet the panel took a much closer look at individual emerging economies, revealing a much more nuanced picture.

Zhang Yuyuan cited three external factors that seem to have a dampening effect across emerging markets. Firstly, global trade still suffers from the after-effects of the global recession. Last year's 2.5 percent increase in global trade was far below the 20-year average. Secondly, trade protectionism in advanced markets is exacerbating the impact on emerging economies, which are still overly dependent on exports. Finally, trade among emerging markets themselves was down substantially. The annual growth in trade among the non-advanced markets of the G20, the so-called "Emerging-11", was just 7 percent in 2012, versus 20 percent in 2011.

The discussion that ensued focused on the interplay between these external forces and local circumstances unfolding in Brazil, Russia, India, China, and South Africa (BRICS), as well as Indonesia. Panelists representing all five were then asked to identify their country's leading advantages and disadvantages in returning to more robust growth. With the notable exception of China, lack of infrastructure emerged as the most consistent threat to growth. There was also discussion of the pros and cons in the complementarity between resource exporters and manufactured goods exporters. But the common thread was that large and productive populations supported the optimistic view that with growing consumer populations the larger emerging economies still have decades of fast growth ahead.

Looking at country specifics, panelists identified different factors at work in the slowdown. There was also a discussion about smaller emerging markets, whose growth dynamics shared much with larger markets but also had their own features. The discussion also brought the unique features of each economy to light, an observation that has always made the "BRICS" term better as a short-hand name than a description of a truly uniform group.

The BFA Annual Conference 2013 provided platforms for this rich and highly varied examination of cross-border dynamics in a rapidly developing and transforming world. As reported in the three sections above, that examination was organized around discussions of key international economic organizations and their activities, regional clusters and their progress toward growth and integration, and special issues in the world's most important bilateral and multilateral economic relationships.

#### "Emerging Markets Losing Speed" session key points

- Sluggish demand in developed markets was a leading suspect in the slower growth rates of the BRICS and Indonesia in 2012.
- Trade among emerging markets themselves was also significantly down.
- With the exception of China, the lack of infrastructure was considered the most consistent threat to further growth.
- Looking to the future, long-term economic restructuring was a recurring theme, with particular focus on more inclusive growth, innovation, new industries, and new export markets (especially for resources export-reliant economies such as Russia and Brazil).



# Restructuring for sustainable growth

As the theme of this year's Annual Conference "Asia Seeking Development for All: Restructuring, Responsibility & Cooperation" makes explicit, restructuring is both widespread and critical on, Asia's path to sustainable development. Given the great range of development levels, models, populations, and cultural backgrounds, what are the common themes in restructuring?

A number of sessions at the Annual Conference 2013 explored restructuring issues, some with a global focus such as on the financial economy or "fictitious" economy and real economy, debt crises, global recovery, and the roles and risks of property markets. Others looked at the transformation of export markets and the importance of growing household consumption. Still others looked at strategies for restructuring generally and China's progress in particular.



Zeng Peiyan  
Former Vice Premier  
The People's Republic of China

A panel entitled "Global Recovery: Paths and the Role of Asia" was moderated by Zhang Yansheng, Secretary-general, Academic Committee, NDRC, the People's Republic of China, and featured Zeng Peiyan, Former Vice Premier, the People's Republic of China, as a special speaker. Joining this discussion were Richard Boucher, Deputy Secretary General, Organisation for Economic Co-operation and Development (OECD); Stephen Groff, Vice President, Asian Development Bank; Jin Liqun, Chairman, Supervisory Board, China Investment Corporation; Gary Locke, US Ambassador to China; Former Secretary of Commerce; Sachin Pilot, Minister for Corporate Affairs, India; and Zheng Xiaosong, Assistant Minister of Finance, the People's Republic of China.

The discussion recognized that the recovery situation was very mixed. Some economies have yet to recover much speed of growth. Others that

have recovered are challenged to sustain their recovery momentum.

Asian countries in particular are facing difficulties in maintaining growth and structural coordination. One solution may be to accelerate the construction of infrastructure, but financing large infrastructure projects is not easy for all economies. The Asian Development Bank estimated that in the 10 years between 2010 and 2020, the Asian region will need to invest US\$8 trillion in infrastructure in order to maintain the current level of economic growth.

There has been some progress in financial integration among various Asian countries, but the financial framework is still dominated by the banking industry, and financial institutions and markets are still underdeveloped across Asia. That can constrain capital available to fuel growth. Zeng Peiyan recommended the region to undertake implementation of the Asian Infrastructure Cooperation Initiative (AICI). An investment and financing institution dedicated to providing services for infrastructure and facilities in Asia is required. He suggested the initiative begin by focusing on two aspects.

## "Global Recovery: Paths and the Role of Asia" session key points

- A dilemma faced by Asian countries is to both maintain growth and conduct restructuring. The intersection of dissolving this problem is to pace up the infrastructure construction.
- At present, Asian nations have achieved some progress in financial integration. However, the financial structure is still led by the banking sector. The financial market and financial institutions are still underdeveloped and need to be further improved.
- How does China shift from a middle income country to a high income one? The answer is to move up the value chain independently and increase the investment in intellectual property.
- The new round of monetary easing policy in developed countries may bring greater pressure of imported inflation.
- Asian countries shall focus not only on the regulatory relevance and flexibility of macroeconomic policy, but more on the enhancement of regional cooperation, so as to build a well-established and improved framework for economic supervision and financial regulation, and avoid the risks to be brought about by the rapid in and out or the massive cross-border flows of hot money.



Firstly, to establish exchanges and cooperation in infrastructure planning among various economies, and to promote closer connections and integration among Asian countries and regions. Secondly, to resolve serious issues arising from the lack of financing for infrastructure in Asia.

Another round of easing monetary policy in developed countries may put greater pressure in the form of imported inflation on Asian countries, especially the emerging markets. Various Asian countries should focus on the orientation and flexibility of the macroeconomic policy control. They should also strengthen regional cooperation, set up a robust and comprehensive framework for economic monitoring and financial regulation, and mitigate risks due to large and rapid inflows or outflows of hot money.

Over the years since the global financial crisis, the hope that Asia will lead the world toward recovery has been a constant theme. Global economic recovery and Asia's development are closely related. Asia's economic development requires the right external environment. Since 2012, major developed countries around the world, especially the issuers of reserve currencies, have implemented another round of quantitative easing in monetary policy, which has stabilized the financial market to a certain extent.

However, it is worth noting that this round of quantitative easing monetary policy has no limit on scale and duration of intervention in the bond market. A prolonged and continuous intervention in financial markets must lead to a disordered flow of cross-border capital. This will endanger the stability of Asian financial markets, increase the price of bulk commodities, and create greater pressure through imported inflation on Asian countries, especially the emerging markets, which may in turn create asset bubbles. This is, of course, closely related to the accumulation of debt in economies around the world, especially those in sovereign debt crises, like many of the southern European economies.

The broader context of Asia's recovery is in progress on overall recovery from the crisis of 2008. Much concern focuses on the persistent debt crisis in Europe. Conference discussions noted that several severe crises had been averted, and European governments have shown commitment to a level of cooperation needed to avert severe crises. But at the same time, it was acknowledged that a comprehensive solution to Europe's problems and slow recovery in the US remained elusive. While talk had receded of a dissolution of the EU or a contraction of the

Eurozone, it was equally clear that the more powerful economies in Europe were, as a group, not completely aligned behind a consistent policy agenda.

Specifically on the debt crises, Peter Costello, Former Treasurer, the Commonwealth of Australia, moderated a panel entitled "Debt Crisis: Who's Next?" with panelists Tom Byrne, Asia Pacific Head of Sovereign Risk, Moody's Investor Service; Hu Shuli, Publisher & Editor-in-Chief, Caixin; Fred Hu Zulu, Chairman, Primavera Capital Group; Gary Parr, Vice Chairman, Lazard; Xiang Huaicheng, Former Minister of Finance, the People's Republic of China; and Zhang Qizuo, Deputy Secretary General, Globalization Cooperation Forum. The panel's focus encompassed the European debt crisis and its directions, China's debt and other situations around the world that might prove destabilizing to the world financial system. As far as Europe is concerned, solutions have been found to the most urgent threats, but debt crises are by no means a new development, and they are getting bigger and riskier. The Eurozone debt crisis still has a long way to go, and it is rolling through country by country, while the underlying reason which is the high level of social welfare has not been solved.

Although the panelists held different views on where to expect the next debt crisis and there was some consternation that emerging markets such as China could be the next and soon suffer from these problems, they were in agreement that countries need to be prepared to overcome debt crises. However, solutions for debt crises often seem to sow the seeds for the next crisis. Elevated awareness of potential risks, the simplest and oldest way, might do more to help mitigate them than complex financial models. That said, IMF's Article IV, which constantly monitors debt capacity and the risk of individual countries, might be worthy of reference.

#### "Debt Crisis: Who's Next?" session key points

- The European debt crisis still has a long way to go, and the underlying problem is not solved yet.
- The solution to the current debt crisis may sow the seeds for the next crisis.
- Chinese government debt has grown significantly in recent years, but overall it is still under control.
- Nations should be prepared for addressing the financial crisis.
- Who is likely to be the next? Each country is vulnerable.

The global financial crisis showed beyond doubt the damage that disorder in the financial economy can cause in the real economy, affecting not only the nation where the crisis originates but in other nations around the world. At the same time, it has become clear that the relationship between the financial sector and real economy is very different from country to country, depending on the specific development model of a particular country. It has frequently been observed that government intervention in the US in sectors like auto, limiting the impact of the financial crisis on the real economy, was politically difficult, whereas in China, the government-business partnership is deeply engrained in the development model, enabling the Chinese government to move quickly to maintain stability in large industrial enterprises, especially state-owned ones.

The need for increasing interoperability and harmonization of global regulatory systems that oversee financial services in large economies is obvious. Yet the differences in development model and regulatory strategies are complicated, and they go far beyond the simple questions of under-regulation versus overregulation. The negotiation and promulgation of Basel III guidelines is one such effort at the global level.

China is an excellent example of the challenge. As Chinese economy has been growing, the financial sector has diversified. This process began during the early stages of reforms with the creation of specialty banks, and it was accelerated through certain key milestones, most recently in 2003 and 2009-2010. At present, the four big state banks and the large number of smaller state-owned and share banks stand at the headwaters of a complicated downstream system of capital distribution, broadly called Total Social Financing.

Being voluntary, Basel III components on capital adequacy, stress testing, and market liquidity risk will be adopted at different times and with different interpretations in different economies. For Chinese banks, decisions on global guideline implementation, both when and how, will need to balance many competing interests at home and abroad, especially as Chinese banks expand their outbound reach, through off-shore organic expansion and mergers and acquisitions (M&A).

The relationship between the parts of a complex modern economy was explored in a panel moderated by Stephen Gross, Vice President, Asian Development Bank, entitled "Fictitious Economy vs Real: The Balancing Art of Emerging

Markets". Featured in the session were panelists Roger Dassen, Global Managing Director, Clients Services & Talent, Deloitte Touche Tohmatsu Limited; Edmund Phelps, Noble Prize Laureate (2006); William Rhodes, Senior Advisor, CITI; Wendell Willkie II, Senior Vice President, MeadWestvaco (MWV); and Zhang Yansheng, Secretary-general, Academic Committee, NDRC, the People's Republic of China.

The panel put to rest the idea of the recent financial crisis and consequent economic recession as a decoupling of the fictitious economy and the real economy. The fictitious economy, or what we often call the financial sector, is an essential part of every economy and is, or should be, primarily committed to supporting real economy growth. In fact, in the opening presentation, Roger Dassen noted that the term "fictitious economy" comes from Karl Marx, and does not fully reflect the important interface between growth in the real economy and the financial sector's role in resources allocation.



Roger Dassen  
Global Managing Director  
Clients Services & Talent  
Deloitte Touche Tohmatsu Limited

The good news is that Asian countries, prior to the global crisis, were less influenced by the high leverage that set the stage for the crisis because of their less developed and less open financial sectors. However, they do in fact face big challenges in transferring savings into optimal investment as a result of closed and underdeveloped financial sectors. There is now a debate about the level of leverage taken on by Asian economies in the wake of the crisis. Asian countries may learn from the experience of developed countries in regard to the balance between the fictitious economy and the real economy.



Edmund Phelps, Zhang Yansheng, and other panelists from developed countries suggested that the major players in the financial sector, especially banks, need to be allowed and trusted to play a central role allocating savings to business investment. They must evolve beyond politically-directed projects, or investment in low yield sovereign bonds. The panel also emphasized that financial institutions, instead of innovating complicated derivatives, ought to think about going back to the traditional focus on basic lending as a part of restructuring the economy and moving beyond the short-termism imperatives that currently dominate their strategies and behavior. The focus should be on establishing a durable and sustainable new system, instead of innovating complicated derivatives.

The fictitious economy, of course, can damage the real economy if improperly used. Therefore, developing countries should encourage appropriate financial innovation to mitigate business risks, serve people's financial needs in underdeveloped countries and regions, and efficiently turn savings to investment. The key is to balance the two types of economy as they are both major players in growth, but as yet no one has come up with a sustainable solution.

Another important issue raised was the regulation of financial services. William Rhodes spoke emphatically about Basel III implementation which, in his opinion, focuses mostly on capital adequacy but not liquidity, however both are equally important. With sufficient capital and liquidity, bank lending may actually effectively support economic recovery. Asian countries may also have much to gain by implementation of this rule to foster integration of their economy

and stabilize their financial systems. It was noted that the lack of uniformity in regulation around the world was itself a problem. Local regulation not only creates a more complicated regulatory challenge for business, it also opens up opportunities for profit-seeking arbitrage and delays the timeline for effective enforcement of needed change. Fast-growing and unregulated credit generation is itself a risk to the development of any country and it can create imbalances that are painful to resolve and dangerous to ignore. How might shadow banking be brought under the regulatory supervision of something like Basel III guidelines on capital sufficiency reporting and liquidity?

#### "Fictitious Economy vs Real: The Balancing Art of Emerging Markets" session key points

- There is a strong linkage between the fictitious economy and the real economy, demonstrated in the financial crisis.
- Banks and the market processes they represent are the most efficient allocators of capital, but banks and corporations need to move beyond short-termism in their executive incentives, and focus on sustainable and core business decisions.
- Developing countries need appropriate financial innovation deploy publish savings with maximum efficiency and impact on growth, while mitigating risk.
- Generally in emerging markets, especially those with strong state-owned sectors, more fund allocation to SMEs and entrepreneurs can boost sustainable economic growth.
- Basel III implementation is rolling out worldwide, but the timeline is not settled yet.



Nik Gowing (Moderator)  
Presenter  
BBC World News



Fred Hu Zulu  
Chairman  
Primavera Capital Group



Li Ruogu  
Chairman & President  
The Export-Import Bank of China



Toshiro Mutoh  
Chairman, Daiwa Institute of Research  
Former Deputy Governor, Bank of Japan



Paul Sheard  
Executive Managing Director  
Chief Global Economist & Head of  
Global Economics and Research  
Standard & Poor's

markets. The markets were taken by surprise at the beginning of April 2013 when the Bank of Japan (BOJ) announced its plan of quantitative easing. It has committed to repurchasing Japanese government bonds, Exchange Traded Funds' (ETF), and Real Estate Investment Trust's (REIT) to the tune of JPY7 trillion each month, effectively doubling the size of the central bank balance sheet by the end of 2014. Not only is this unusual given Japan's history, no major central bank has ever tried to use such a policy to bring an economy in deflation out of deflation. The announcement was greeted favorably by the market, spurring a dramatic increase in equity prices and a depreciation of the Japanese Yen relative to the US Dollar. According to Paul Sheard, "A strong message backed up by strong action is the way you need to go."

While the announcement was swift and the impact was dramatic, the balance sheet expansion still fares lightly when compared to the Bank of England (BOE) or the US Federal Reserve (FED). The future implications of this policy are up for debate. Li Ruogu and Fred Hu Zulu both expressed doubts about whether the desired result of 2 percent inflation would be achieved. Fred Hu Zulu expressed concern that "This expansion is happening much more quickly, in two years rather than five years, when compared to the BOE or the US FED, and it could result in serious inflation or an asset bubble." This policy is not helping the real economy, and the real economy faces an unsustainable fiscal debt, demographics issues, and structural economic problems of Japan's global competitiveness.

Toshiro Mutoh agreed with Li Ruogu and Fred Hu Zulu that more still needs to be done. Quantitative easing is only one important step in solving Japan's economic woes. According to Toshiro Mutoh, "We should not rely on quantitative easing to resolve everything. We also

A sharper focus on the monetary policy tools and strategies was the focus of another session. A session entitled "Rethinking the Monetary Policy" looked more directly at issues of national policy, currency, the use of debt, quantitative easing, and similar issues. Moderated by Nik Gowing, Presenter, BBC World News, the panel included Fred Hu Zulu, Chairman, Primavera Capital Group; Li Ruogu, Chairman & President, the Export-Import Bank of China; Toshiro Mutoh, Chairman, Daiwa Institute of Research; Former Deputy Governor, Bank of Japan; and Paul Sheard, Executive Managing Director, Chief Global Economist & Head of Global Economics and Research, Standard & Poor's. The focus of this panel was Japan, where a period of extremely strong growth which led Japan to become the world's second largest economy gave way to a sustained period of stagnation and deflation, after debt bloomed and serious inefficiencies in many areas of the economy proved a burden too heavy to sustain.

Given the long-term deflation in Japan over the past 15-18 years, the panel noted deflationary expectations have become entrenched in the minds of the Japanese public, and stagnation in Japan is considered as the norm in global

need structural reform ... I think the monetary policy itself cannot solve the problems of Japan's decreasing competitiveness."

The BOJ may need a long period of time to exit from this policy, since the bond maturity has been extended and due to internal political stress. A premature exit could lead to a negative result. Paul Sheard expressed optimism that exit from quantitative easing policy is possible for all central banks, including BOE, FED, and BOJ.

### "Rethinking the Monetary Policy" session key points

- The rotation of Japan's regime has a close relation with the quantitative easing policy of BOJ. The 2 percent inflation target is unprecedented in Japan. The current market response is unexpectedly positive; however, such policy surely exerts an impact over the real economy such as consumption and investment.
- The increased supply of base money may result in severe inflation or even asset price bubbles. Central banks and policy makers must have a clear idea of the outcome by policy transmission mechanism.
- The government has to figure out the true reason behind deflation, otherwise the blind adoption of quantitative easing is surely a temporary relief which will result in disasters.

A more technical and academic session on "Justin Lin Yifu: New Structural Economics" featured Justin Lin Yifu, Former Senior VP/Chief Economist, World Bank Group, and was moderated by He Gang, CEO, Executive Editor-in-Chief, Caijing. The session focused on a new theory of development promoted by Justin Lin Yifu, based on the development experience of China and other recently emerged nations. This "exceptionalist" approach enriched more global discussions of debt and development strategies. The essence of this discussion was the role of government in economic development, especially the size of the government's role in aggregating and directing capital in state-directed large-scale infrastructure investment. The very large and continuing role of fixed asset investment in China GDP growth rate makes this a very important issue.

Justin Lin Yifu's theory of New Structural Economics was motivated by the fact that countries that adopted the popular economic

theories of the day had failed in the development of their economies, while those succeeded had adopted seemingly wrong or contradictory policies. Developing countries applying the theory of New Liberalism experienced arguably worse results from their attempts to privatize industry, and marketize and liberalize the economy with minimal oversight from government.

Justin Lin Yifu explained why he has chosen to adopt neo-classical economics, in particular factor endowment, in his development of New Structural Economics. The nature of neo-classical economics dictates that when a policy maker, whether it is the government, enterprise, or individual, has to make a choice, the policy maker will always choose to benefit all. The idea of factor endowment under the theory of New Structural Economics takes factors like the labor force, capital, natural resources, and land into account. The distinction of this new model is its advocacy that developing countries should consider what factors and advantages they themselves have and focus on those areas to strengthen their economies, rather than emulating the growth path that developed countries have taken.



Justin Lin Yifu  
Former Senior VP/Chief Economist  
World Bank Group

On what China should do now that its biggest advantage of low cost of labor is being eroded by the rising cost of labor, he gave his view that China should look to develop new industries where all factor endowments can be utilized and maximized. In the past, China had a strong competitive advantage through its low labor cost despite the high capital cost. The situation has reversed and now the cost of labor is increasing while the cost of capital is reducing. When asked to give his view on whether China's infrastructure

construction was excessive or still inadequate, he argued that it is still inadequate, and that the government should continue to play the main role in determining infrastructure development.

### "Justin Lin Yifu: New Structural Economics" session key points

- New structural economic philosophy encourages developing countries to explore available resources, analyze existing strengths, and put more efforts into those areas where a country has strengths in order to promote the development of the nation.
- Under the new circumstances, Chinese economy has huge potential for growth as long as its resources are exploited and allocated in a reasonable way. The dominant position of the government and the enterprises in investment depends on different areas of economic development. The government should act as a coordinator in the market and create favorable environment for the growth of enterprises.
- In China, infrastructure is still inadequate and future economic growth will rely on investment.
- Neo-classical economic theory suggests that policymakers will make decisions for the benefits of the majority; new structural economics asks that we focus on areas where a country has inherent strength, and focus development specifically on those instead.

Justin Lin Yifu's presentation is put in the context of the commitment made clear by China's new leaders to accelerate reform and make fundamental and essential changes in the development model. There is a lively debate about this inflection point, which involves a proposed shift away from dependence on fixed asset investment and exports toward more household consumption. The implications of this shift are profound, involving new policies on China's income system, the role of private enterprises, and the role of markets. More details were spelled out by a panel entitled "China's Reform Agenda" moderated by Yang Rui, Anchor, CCTV, and featuring Charlene Barshefsky, Former US Trade Representative; Senior International partner,

WilmerHale; Fan Gang, President, National Economic Research Institute, the People's Republic of China; Martin Jacques, Professor, London School of Economics; and Justin Lin Yifu, Former Senior VP/Chief Economist, World Bank Group. Commentators included Laurence Brahm, Author & Lawyer, and Robert Lawrence Kuhn, Chairman, The Kuhn Foundation.

Everyone recognizes the tremendous achievements of China in three decades of reform. Yet China's new leadership team faces urgent challenges, from financial sector reform to environmental degradation, that threaten to undermine China's progress. The central question addressed to this panel was whether China has the vision and courage to tackle the most enduring hurdles to deepening economic and institutional reform.

The panel agreed that further reform was needed. However, to govern is to choose, and as evidence of the broad range of challenges facing China, the panelists could not agree on what China leaders should tackle first. Justin Lin Yifu and Fan Gang both argued that for China's transition to a planned to market economy to continue, leadership needs to start by weakening the monopoly of some state-owned enterprises. If China can achieve progress in this area, and thereby remove some remaining distortions in factor markets, Justin Lin Yifu asserted that "China has the potential to enjoy another two decades of 8 percent annual GDP growth." Charlene Barshefsky agreed that the dividends from earlier rounds of reform were largely spent, but asserted that without first revisiting the internal decision-making process at the highest levels of national leadership, progress would be very slow.

Martin Jacques, on the other hand, said that the most urgent task confronting the party is the threat posed to their legitimacy by income inequality and corruption. If real progress is not made, the latitude they have to pursue other reforms will be severely curtailed. Justin Lin Yifu





later advocated financial sector reform as a means of breaking the monopoly on capital held by China's wealthiest companies and individuals, thus striking a blow at income disparity and corruption. Justin Lin Yifu's assertion that China has the potential to grow at 8 percent for decades set off an interesting round of debate. Laurence Brahm agreed, reminding that the 8 percent target was a holdover from previous decades with less relevance today. The objective of reform now should be achieving quality growth. Fan Gang countered by saying that the rate of growth does still matter as China needs to generate 10 million jobs each year. Quantity does not exclude from pushing for higher quality, but a growth rate that is too low will unacceptably prolong the catch-up process by decades.

The panel then dove deeper into the issue of GDP composition and the desirability of achieving a consumption-led growth model. It was widely recognized that domestic consumption must be increased in China, but the ways to do that were debated. Charlene Barshefsky made a strong case that the percentage of China's GDP attributable to consumption was excessively low because of a lack of reform of China's household registration (*hukou*, 户口) system, which she said effectively suppresses consumption by more than 300 million urban migrants and their children. Justin Lin Yifu disagreed, arguing that consumption has been rising throughout the reform period and that if GDP relies more heavily on consumption, it will constitute "an open invitation" to the US-style subprime mortgage meltdown.

Whether reform should be pursued from the top-down or bottom-up was another main issue explored by the group. A rough consensus emerged that the best path might be to combine the two approaches. Justin Lin Yifu was of the view that both are needed and used traditionally in China, both have been present. Fan Gang agreed with a hybrid approach, saying new ideas needed to go up while leaders need to lead. Others expressed the view that the political maneuverability required to pursue reform is potentially stifled by consensus decision-making. Collective leadership can work but ultimately someone needs to be able to break the logjam of vested interests.

The panel had mixed views on local fiscal authority, an important issue given rising concern over rising local debt. Justin Lin Yifu stressed that any vision set by top leadership could only come to fruition if implementation at the local level is

brought in line with local incentives. The process of returning centrally-collected taxes to local officials in the form of project approvals probably creates a lot of opportunities for corruption. The next generation of infrastructure needs to be driven more locally and China may need to consider adopting the previously prohibited approach of locally-issued debt. Laurence Brahm and Charlene Barshefsky were uncertain on the wisdom of local debt, saying that without adequate controls, China risks putting funds in the hands of people who are incentivized to prop up local economies regardless of efficiency.

#### "China's Reform Agenda" session key points

- China's new leadership team faces urgent challenges, from financial sector reform to environmental degradation, that threaten to undermine China's progress.
- The financial system reform is imperative and more space should be left to those small and medium financial institutions.
- Corruption is a pressing problem to solve.
- Urbanization should follow the principle of "people-oriented" and serve the benefits of the people.
- It is imperative to deprive SOEs of their privileges. The reform should aim to create a level playing field. For China's transition from a planned to market economy to continue, leadership needs to start by weakening the monopoly of some SOEs.
- The consensus seems to be that the best approach to reform is a combination of top-down and bottom-up.

The interesting issue of central government activity and local government activity focused the discussion on property markets. Local governments have raced full-steam ahead with property development from the first stimulus moves in 2008, and in the eyes of some, including developers, a risky escalation of low return investment and property price appreciation has ensued.

In fact, the issues in property markets are good examples of the complex relationship between local and central interests in China. A panel dedicated to property, "Curbing Property Market the Right Way?" was moderated by Lu Xiaoming, Chief Analyst, Xinhua News Agency. The all-China panel included Pan Shiyi, Executive Chairman, SOHO China Ltd.; Qin Hong, Director, Policy Research Center, Ministry of Housing; Ren Zhiqiang, Chairman, Huayuan Group; and Wang Yijiang, Deputy Dean, Cheung Kong Graduate School of Business.



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Pan Shiye  
Executive Chairman  
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Qin Hong  
Director  
Policy Research Center  
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Ren Zhiqiang  
Chairman  
Huayuan Group



Wang Yijiang  
Deputy Dean  
Cheung Kong Graduate School of Business

previous recommendation that such markets are complicated and multidimensional. In terms of the limitations of planning, one panelist noted that previously, Beijing's population was forecast to hit 18 million people in 2020. The city's population ended up reaching this figure in 2011 but the city's plan for land allocation has remained unaltered. A related fact is that Chinese investors have few other attractive investment options for their capital.

In summary, the panel generally settled on the premise that attempting to control China's property market was a process that the government was not optimally suited to carry out largely because it could not reconcile the complex interplay among a wide set of factors. Perhaps of most importance was the panel's recognition that over the long-run, only the market itself is best suited to allocate such real estate resources efficiently.

The panel began the discussion reflecting on widespread reports in the media that China is experiencing a property bubble. Is there indeed a bubble waiting to burst and if so, what could be done about it?

On whether or not the Chinese government's recent "five measures" initiative would have a substantive impact on property prices, the panel agreed that the implementation of the initiative has so far been patchy, especially at a regional level, primarily because the central government has explicitly stated that local authorities can interpret the rulings as they please. Furthermore, the measures do not have to be implemented in provinces where property markets are relatively stable - all points which the panel took as meaning that the measures will be unsuccessful in curbing property prices.

What should be done to control China's property price spiral more effectively? One panelist suggested that the government faced a predicament, on one hand, looking to cool property prices with generalist restrictions, while on the other hand, also looking to bolster wider economic growth. In the words of one panelist, "The Chinese property market is like a train and while policies can effectively rein in a horse, you cannot stop a train's progress with them."

The end result of this particular vein of discussion is that the government should look to the markets for efficiently dictating property allocations, a viewpoint compelled from the

### "Curbing Property Market the Right Way?" session key points

- The State's Five Regulations reiterate the regulation and control on the property market. However, the measures are too general and less practical.
- In the long term, real estate regulation and control policies give way to the overall economic and social development of China, which largely pushed up the property prices over the last 10 years.
- The real estate industry needs market-oriented controlling measures. At present, it is difficult to implement these measures and the government should focus on increasing effective supplies.
- The fully market-oriented property price will float freely, but the property price in China will continue to rise in a steady way at present.

The three components of China's high-ranging GDP growth are large export surpluses, large fixed asset investment, and household consumption. Government sources officially acknowledged in May 2013 that the export surge numbers were overstated. An important question is what will the configuration of China's growth drivers be in the future. The pros and cons of continued reliance on property development and fixed asset investment were discussed in detail in previous sessions. Liquidity pressures and the China Banking Regulatory Commission (CBRC), Ministry of Finance (MoF), and People's Bank of China (PBOC) response signal constraints on new fixed asset investment. Last but not least is household consumption. Beginning with commitments to replace high rates of growth with high quality growth by Former Premier Wen Jiabao, the People's Republic of China, China's leaders consistently and publicly based their expectations of sustained high GDP growth on household consumption. Nonetheless, the importance of continued efforts to maintain material export growth is apparent.

The relevance of export success and household consumption to China's restructuring was also considered an important topic in China discussions throughout the Annual Conference. As costs rise in China, one focus is how China can maintain export competitiveness, as it is already quite apparent that rising labor costs will make lower value exports unsustainable. China is already witnessing a dramatic decline in some of its traditional exports, along with a dramatic decline in trade with some of China's traditional export markets and the search for new ones. In the background are broad questions of China's future export competitiveness.

The global landscape for exporters has changed significantly in recent years. The financial crisis, RMB appreciation, rising cost of labor in China, environmental considerations, international trade barriers, excess capacity, the changing energy position of the US due to shale gas exploration, and even new technology breakthroughs such as 3D printing have all added to the uncertainties Chinese exporters are facing and forced them to rethink their strategies going forward. Nonetheless, exporters in China still remain optimistic about the future.

On one hand, although China has been losing its demographic dividend over the years, there is still a vast untapped labor market in the less developed areas in China, such as the Mid-Western Region where local governments have formulated preferential policies to attract investment. On the other hand, Chinese exporters still have much room

for strengthening their core competitiveness in the international market. Local export businesses should focus more on management and technology innovation, developing products that will effectively address the demand of target markets. That can be achieved by collaborating with or even acquiring overseas partners who have the right connections and in-depth knowledge of the target markets.

Exporters should also explore new markets, such as Latin America and Africa, where competition in certain industry sectors is not as intense as highly developed markets, such as North America and Europe. Brand image is also a key subject for improvement by most local exporters. Without a strong brand, it will be extremely challenging for exporters to shed the image of being a low-end and labor-intensive secondary manufacturer, and instead add value to the products they are selling. Acquiring an internationally recognized brand and integrating it with one's own brand can be a viable strategy for exporters seeking to quickly enter overseas markets. Finally, talent can be a core competitive advantage for exporters if they want to build a sustainable business, especially personnel with international backgrounds and perspectives. Businesses should also consider tapping local talent in their target markets.

IPR protection has always been a major issue facing manufacturers in China, the lack of which has prevented businesses from investing substantial sums in technology and product innovation. Inadequate and poorly enforced quality standards are another area in which the government should escalate its efforts.

Increased labor costs are at the top of the lists of worries over future competitiveness. One solution is to relocate to less expensive places in Western China. One solution raised in the context of China was "going west", leaving the higher cost coastal labor markets and moving inland where many industrial input costs, including labor, are lower. Yet it was acknowledged that this has not always been a successful strategy. One key challenge has been to find a cost-viable route to transport products out of the region and ultimately abroad. There is of course concern that major export categories at the lower end of the value chain are migrating out of China all together, especially to lower cost Southeast Asian countries.

All the sessions that dealt with the issues of growth model transformation acknowledged that there are limits to investment-driven growth, and reliance on exports is no longer a solution. For at least a decade, the concept of higher quality growth

has been focused on increasing consumption. Lu Chen, Anchor, Phoenix TV, moderated a session entitled "Consuming the Way Out", featuring eminent investors and consumer products executives including Zein Abdalla, President, PepsiCo; Carlos Brito, CEO, Anheuser-Busch InBev; Lai Xiaomin, Chairman, China Huarong Asset Management Corporation; Li Jiange, Chairman, China International Capital Corporation; Ma Weihua, Executive Director, President & CEO, China Merchants Bank; Sun Yiping, President, Inner Mongolia Mengniu Dairy (Group) Co., Ltd.; Michael Treschow, Chairman, Unilever; and Junichi Ujii, Senior Advisor, Former Chairman, Nomura Holdings Inc.

There were two key points of the discussion. China's domestic consumption must increase if further growth is to be sustainable. And shifting from investment to consumption-led growth requires action from all stakeholders - government, enterprises, markets, and consumers themselves. With the weakening of China's export growth rates during the downturn, and the world's desperate search for new sources of demand, the problem is taking on a global dimension. How can consumption be raised in China and what is the role for business in hastening this transition?

Despite the panel's diversity of views, the underlying premise of the discussion that domestic consumption must increase if further growth is to be sustainable was not debated. The other assumption accepted by participants was that some combination of actors, such as government and business, etc., can persuade large numbers of Chinese to part with more of their savings. The question of culture was not raised, except in the context of consumer preferences.

Low consumption guarantees high savings that can be channeled into high levels of investment to achieve industrialization, something essential during the early stages of development. Unusual, however, is that more typical developing economies reach a turning point where higher incomes begin the shift to a higher contribution to GDP growth coming from consumption. China is not seeing this for two reasons, according to Li Jiange. Firstly, disposable incomes are still quite low in China and the social safety net, while improving, is still incomplete. As China implements new policies designed to increase household income and improve the scale and coverage of social security, consumption should steadily increase. Other panelists agreed with this analysis,

adding that the global recession set off by the US subprime lending crisis was a further setback to China's efforts to boost consumption. Investment ballooned as China rolled out RMB4 trillion in stimulus and another RMB10 trillion in bank lending to hit its 8 percent GDP growth target.

Shifting from investment to consumption-led growth requires other kinds of actions as well. Markets must be uniform, open, and efficient. Counterfeiting needs to be cracked down and better consumer forecasting introduced to instill more consumer confidence. Finally, consumers need to respond to these changes as well. Given the amount of work ahead, Lai Xiaomin predicted that 10 years from now, investment will still be the main driver of the Chinese economy.

What does this mean for the strategies of consumer businesses in China? Zein Abdalla agreed that confidence is the key and by this measure, China is doing a lot, including infrastructure build-out and pension reform, to advance it. Consumer businesses then need to develop the right products and go-to-market strategies. For example, Lays and Pepsi have developed products with local relevance for the China market, such as cucumber flavor chips. The product portfolio must suit local tastes.

Carlos Brito foresaw a lot of upside to the China market as well, especially as per capita beer consumption is roughly 35 liters versus 80-100 liters in well-developed markets. Additionally, there are regions of China that are still essentially untapped. Consumer behavior also needs to be understood so that Anheuser-Busch InBev can develop "a portfolio of products that keeps consumers within the franchise at different price points". Carlos Brito said, "China is our long bet and we are investing ahead of the curve, especially in inland markets. We are very committed and excited to grow what is already one of our top three markets (along with Brazil and the US)."

Michael Treschow raised the issue of how to serve those at the lower end of the consumer spectrum while still making a profit, giving his view that the keys are pricing for affordability, and remembering that "Trust is extremely important with serving the poor because they cannot afford to make a mistake." As the sole domestic producer represented on the panel, Sun Yiping fully agreed with her co-panelists that food product companies will be the primary beneficiaries of higher consumption and can have a role in encouraging its emergence, especially at the lower end of the market. Mengniu began its ascent by selling to



low income consumers, leveraging cheap but effective packaging. To increase consumption, companies should concentrate on bringing new products to market and focusing on safety and quality to build consumer confidence. She mentioned that "In the future, Chinese companies will build their brands based on quality and safety. Technology will be the means by which they achieve it."

#### "Consuming the Way Out" session key points

- Currently the consumption rate and level in China are low, especially the consumption rate. China's domestic consumption must increase if further growth is to be sustainable.
- Shifting from investment to consumption-led growth is going to require action from all stakeholders - government, enterprises, markets, and consumers themselves.
- To boost household consumption, it is imperative for the government to reform the income allocation system, increase the proportion of disposable personal income, and improve the social security system.
- Investment can pull up consumption. Consumption boost is not at the opposite side of investment.
- As China's domestic consumption is enlarged now, the enterprises should seize this opportunity to provide differentiated products to various consumer groups. Meanwhile, they should take social responsibility and guarantee product safety. In China, the enterprises specifically need to launch products targeted at low-income people and take root in inland and rural areas.

A very provocative overview of China's reform achievements and prospects, as well as the situation in Japan, the US, and the Eurozone was given by George Soros, Chairman, Soros Fund

Management, as the key speaker in the lunch session "Dialogue with George Soros", moderated by Wang Boming, Editor-in-Chief, Caijing.

George Soros began his roundup of recent macroeconomic and financial events by noting that the current global economic system was flawed, and that "the bankruptcy of Lehman Brothers was also the bankruptcy of the theory of rational economic expectations as well as that of efficient markets theory." While many of the banks that were at the center of the global financial crisis have now found themselves on firmer footing, the prevailing modes of economic thought have not evolved nor adapted to incorporate the lessons learnt from the crisis. In his view, the main requirement for any macroeconomic theory is to help prevent future generations from making the mistakes of the past. Given this, we need to "move away from the current system that is replete with misunderstandings and prone to misinterpretations."

On China, he said that "China's economists, not having been subject to the economic dogmas that many Western economists are ingrained in, are in a much better position to help transform the global economic landscape and call upon them in this shared endeavor."

The two most pressing issues that face the global economy are the Eurozone and the Japanese economies. George Soros considered the recent quantitative easing initiative by Shinzō Abe, Prime Minister, Japan, unprecedented and risky. "If Abenomics turns out to be successful, then Japanese interest rates will rise, meaning that the BOJ will be increasingly unable to service its debt obligations. In essence, Abenomics is a compromise between an almost certain slow and lingering death for the economy, or less-likely shot to the head," he concluded.

George Soros was most expansive on the Eurozone, beginning by saying that the trading bloc was aiming for the diametric opposite of what the Japanese are attempting to do. He said, "Japan is abandoning an orthodox monetary policy and going down the quantitative easing



George Soros  
Chairman  
Soros Fund Management

route. In contrast, the Eurozone is looking to adopt a conventional monetary policy and by extension, fiscal austerity, in order to resolve its malaise." The most fundamental issue facing the EU was that while it operates a relatively successful monetary compact, such cooperation has not extended to the political level. Other than a common currency binding this group of economies together, they exist at very different levels of economic development.

In contrast, he remained relatively sanguine about the state of the US economy, noting that the combined positive impact of the country's shale gas and oil revolution, the gradual deleveraging of the banking industry as well as among consumers, and the improvement in employment figures outweigh the negative influence of the US's current budget sequestration. Such a combination of factors was "lucky". In his view, the Republicans, goaded on by extreme elements within it, had overstepped the mark on the issue of fiscal budgetary cuts, ultimately resulting in an increase in partisanship that has plagued the US lately.

He saw China as the main engine of global economic growth since 2008. The authorities have been correct in their desire to shift the onus of growth onto domestic consumers. In this new economic reality, the rest of the world is simply unable to absorb the export stock that China needs to produce in order to continue to generate economic growth rates in excess of 5 percent. He also suggested that China's exceptionally high savings rate was another potential flashpoint. He theorized that consumer savings, which account for around 34 percent of total GDP, cannot continue to subsidize the largesse of the remaining two-thirds of the economy. In order to resolve this, China's social security net must be improved to drive this rate down. At the same

time, the country's banking sector must also begin to allocate capital efficiently. Because of the systematic inability to do so, China's shadow banking system has grown rapidly, accompanied by a consequent rise in the proportion of non-performing loans. So far, many banks' wealth management divisions have paid stung investors in full when one of their products has collapsed, but George Soros warned that the floodgates might open if this state of affairs changes. He was generally optimistic about the change taking place in China although he did add a caveat to this by noting that authorities must succeed within the next couple of years in effectively controlling the country's financial markets because vested interests which could hinder reform are getting more entrenched.

Given their importance to the world economy, restructuring and the paths to recovery and growth were given very thorough discussion across a significant number of sessions spanning the spectrum of financial services, the real economy, regulation, and growth models, and reaching across China, the Asian region, and the entire globe.

#### "Dialogue with George Soros" session key points

- The prevailing modes of economic thought have not evolved nor adapted to incorporate the lessons learnt from the crisis.
- The two most pressing issues that face the global economy are the Eurozone and the Japanese economies.
- China's economists, not having been subject to the economic dogmas that many Western economists are ingrained in, are therefore in a much better position to help transform the global economic landscape and call upon them in this shared endeavor.
- The combined positive impact of the US' shale gas and oil revolution, the gradual deleveraging of the banking industry, as well as among consumers, and the improvement in employment figures outweigh the negative influence of the US's current budget sequestration.
- The real lessons from the global financial crisis have not yet been learnt. Investors are looking for the next bubble but have not seen the other elephants lurking in the room.

# Industries and commerce

Sustainability has been a major focus of the BFA Annual Conference for several years. The preceding sections captured the discussions of the role played by financial services, and this section focuses on specific industrial and commercial sectors considered during the Annual Conference. The substantial focus of the Annual Conference 2013 agenda on sectors of industry and commerce pivotal to the microeconomies of Asia provided a valuable platform for business, government, and academic experts to look concretely at the impact of broader macro and regulatory developments. The topics discussed covered both well-established industries, like automotive, and emerging industries, like health tourism and biotechnology.

There are two major sets of issues, related to continued acceptable levels of economic growth, and continued acceptable levels of lifestyle improvements for Asia's growing middle class.

The first issue is sustainable competitiveness. The economic interactivity that links Asia together is driven by strong synergies among diverse providers of resources, manufactured goods, and services. The cornerstone of win-win strategies is balancing the value created in the synergies through a judicious mix of regulatory activities and market forces. Resource providers, including food, energy, and mineral resources, are challenged to maintain steady markets in the face of volatile supply and demand imbalances and complex derivative trading. Manufactured goods providers are challenged to stay competitive as input costs including wages increase, and technology and innovation demands that they must meet to stay competitive escalate. Service providers likewise are challenged to maintain strong pools of talent, and meet escalating world class service demands through innovation, technology deployment, and education.

The second issue is environment, protection, and remediation. Asia's rapidly growing middle classes want economic development, but they also want livable environments for their families. The speed of technologies in development and commercialization relevant to maintaining livable environments is increasing in terms of energy, transport, manufacturing, and foods, etc. The demands for large and urbanizing populations are also increasing, and with those increasing demands, the costs of maintaining the best possible air, water, and soil conditions are also escalating. Discussions during the Annual Conference in prior years have recognized that addressing environmental needs can impose a cost on every development model. But addressing such needs also creates economic growth opportunities in areas like alternative energy, urban design and construction, new materials, and energy conservation.

A session moderated by Zhang Yaqin, Corporate Vice President, Microsoft, entitled "Six Questions from Economists" considered three topics: innovation by Chinese enterprises, the pursuit of internationalization by Chinese companies, and the relationship between governments and businesses in respect of both. The panel included Chen Feng, Chairman, HNA Group; Fred Hu Zuli, Chairman, Primavera Capital Group; Edmund Phelps, Nobel Prize Laureate (2006); Zhang Weiyang, Professor of Economics, Peking University; and Zhang Yue, President, Broad Group.

Opinions of the panelists were divided on all topics. Talking about government, Chen Feng emphasized the importance of an evolving partnership between business and government, with government taking the lead. In contrast, Edmund Phelps argued for a generally hands-off approach by government, with individual businesses setting the course. This reflected a long-standing debate about industrial policy, government involvement in major investment decisions, and technology neutrality in sectors like IT, especially as they relate to Asian development models.

There was much discussion to the effect that Chinese companies are not as innovative as they should be. Some of the panelists did not feel that China is comparable with the US and the UK in their earlier industrial revolutions. Although they recognized that China has really started to have some reforms, they also felt the influence of China's several thousand years of history. "The Party Congress says that we have just begun to tie our shoes. It has a lot to do with culture and tradition as well. Society and culture are of paramount importance. It takes time to create an enabling climate for innovation ... We have just started our journey," Chen Feng said.

Fred Hu Zuli argued that Chinese innovation in comparison with the West is lacking, but the situations are not always comparable. He also said, "Sometimes we do not have to reinvent the wheel. We do not have to innovate all the time; we can just draw upon the fruit of other people's innovation. In this way as a latecomer, we can take the advantage of what others have already accomplished." He argued that this practice was very clear in the earlier development of Japan, Korea, and Taiwan.

Zhang Weiyang observed that "From 800BC to 1950AD, altogether there were 162 major innovations worldwide. Until 100AD, all but six of them came from China, and since then, none of them have come from China. Since opening up reform, we have to admit much of the economic development in China relies on innovation as a result of Western innovations."



Edmund Phelps expressed curiosity that the preceding panelists had not mentioned any of the current obstacles to innovation in China such as "financial, regulatory, and inadequacies in the workforce", and implied that there should be a discussion of these obstacles and "of what we could do right now, within the next year or so" to resolve them.

There was a consensus that innovation and internationalization were closely connected. Chen Feng underscored the inevitability of international ventures. He said, "We have no other choice, because for the economy to be sustainable, we have to allocate resources for the global market. Chinese businesses are going to be major leaders. Whether SOEs or private businesses, they will be major actors on the world stage." He went on to argue the necessity for a unifying culture to successful internationalization.

Edmund Phelps raised a question indicating an alternative view of the role of culture in internationalization, "In the West, we commonly credit the rise of individualism with having given birth to innovation. But in the comment by Chen Feng, he spoke of shared vision, shared belief, and shared cultures. This is a contrast with Western values. Sharing may not be conducive to going out and showing the world how clever you are, how imaginative, and what difference you can make." Fred Hu Zulu noted that all companies now operate in the context of global competition, saying, "Whether Chinese companies want to globalize or not, they are finding themselves in an environment of international competition." Even Chinese SOEs must learn to compete on innovation. He said, "If a company's going out is grounded in innovation, it will succeed; otherwise these companies will suffer heavy losses."

On the long standing debate about the relationship between business and government, Chen Feng did not feel that the Western model was universally applicable, and gave his view that any kind of change in China takes time, "You need to take a step-by-step approach in China. I do not think you can mechanically copy other models in China. The US is in trouble financially speaking. So everyone is sick, but you have to find your own cure, because each one's sickness is different from others." In contrast, looking at the prominence

of SOEs in China, Zhang Yue was doubtful of the resilience of the SOE model, "The more privilege you have, the less competitive you are." Zhang Weiyang advised that "Without further reform, the vested interest is going to take advantage of the status quo. The result is so many people interested in maintaining the status quo instead of pushing for a new institutional arrangement."

On the political implication behind the GDP slowdown, Edmund Phelps reiterated the importance of innovation to the quality growth of the Chinese economy and expressed his concern about insufficient employment and the results, "It is always the case that countries with high innovation have higher job satisfaction. This is just a by-product of a system that brings the good life."

#### "Six Questions from Economists" session key points

- In terms of innovation, China is not always comparable with the Western world. China has its own history of innovation and its own path of innovation for the future. Chinese enterprises are weak in innovation in general due to the issues in systems of resource allocation and utilization, and innovative talent development.
- In the context of globalization, innovation will show a trend of integration and collaboration. Innovation will enhance the international competitiveness of the enterprises, thereby increasing the chance of having a successful overseas expansion. Most Chinese companies found themselves now operate in the global context of competition. Innovation is the key to their success in expanding footprints worldwide.
- To build a healthy relationship between business and government, the Western model was not universally applicable and any kind of change in China takes time. The success of reform depends on the shared endeavors of the government, enterprises, and other shareholders.



A dialogue session entitled "Dan Shechtman: Technological Entrepreneurship" featured Dan Shechtman, Nobel Prize Winner in Chemistry 2011, and was moderated by Yu Dahai, Member, Executive Board, Evonik Industries AG. Dan Shechtman argued technological entrepreneurship is paramount for the creation of prosperity, and inclusive prosperity is paramount for peace.

To encourage technological entrepreneurship, he proposed five ideas. Firstly, providing a good basic education for all, including those in rural areas. Secondly, supporting the education of engineers and scientists who are the generators of innovation. Thirdly, developing appropriate government policy to encourage innovation. Fourthly, promoting a free market economy. Fifthly, limiting corruption.



Dan Shechtman  
Nobel Prize Winner in Chemistry 2011

Education is an important way to cultivate the entrepreneurial spirit. Entrepreneurial education should begin in high school, be further taught at the university level, and be included in the curriculum for professional, scientific, and social disciplines such as engineering, medicine, and social sciences. As part of his course at the Israel Institute of Technology, Dan Shechtman invites role models, such as successful entrepreneurs, early-stage entrepreneurs, and market survey analysis experts, to offer his students a realistic view of entrepreneurialism in practice. The guest speakers share their experiences of starting out, the difficulties they have encountered, and practical market survey techniques to assess demand for their products.

### "Dan Shechtman: Technological Entrepreneurship" session key points

- Technological entrepreneurship promotes world peace and prosperity.
- Education is an important way to cultivate the entrepreneurial spirit.
- Government policy can encourage entrepreneurial innovation.
- An innovative society must encourage entrepreneurial risk taking.

An excellent example of innovation and entrepreneurship has been the development of very high technology design, modeling, and manufacturing tools. The emergence of such tools impacts everything from the design of new era buildings that are springing up all over Asia to the utility of basic household appliances and entertainment devices. A dialogue session entitled "Bernard Charles: 3D Technology" featured Bernard Charles, President & CEO, Dassault Systèmes, and was moderated by Wang Haofeng, General Manager, Greater China, Dassault Systèmes. It looked at the broad impact of such emerging technologies.

3D technology enables people to do what is not normally humanly possible, for example seeing what cannot normally be seen such as the delivery process of a baby. The scope of 3D technology application extends far beyond manufacturing into life science, art, nature, and other sectors. It is revolutionizing manufacturing with its capabilities to simulate processes to ensure high quality production and predict product effects. 3D and other new design technologies are also making it possible to realize artistic ideas such as the construction of China's National Stadium-Bird's Nest or the design of the world's second tallest building being erected, the Shanghai Tower in Pudong.

Essentially, 3D can create everything regardless of time or location and irrespective of when or where something occurred, and a 3D video showing the evolution of the entire city of Paris from Roman times to modern day was presented to illustrate the capabilities.

Quoting an example of the application of these new technologies beyond manufacturing, Bernard Charles noted that 3D technology is able to conjure up a virtual city that can be operated to help analyze city problems and find out what measures can best solve the problems without any real cost. Whereas simulations are familiar in areas like pilot training, the new technologies increase



the utility of simulations to new heights. Finally, he laid out three key words of 3D technological innovation. He said, "Innovation is about imagination. People usually discover new things in their dreams. Innovation is about interaction. People collaborate with each other in experiments. Innovation is about integration. All the disciplines involved should be integrated to bring out the best effect."

#### "Bernard Charles: 3D Technology" session key points

- 3D technology enables people to do what they cannot do in real life.
- Virtual universes expand and improve the real world in time and space.
- 3D platform serves as a platform to connect and harmonize all disciplines.
- To simulate the evolution of a city and create a future model of a good society can lead human efforts to improve the life of cities.

Among the top priorities for high technology industry development in China, elaborated in the 12th Five-Year Plan, is life science. It is a primary example of a fast-moving technology-driven sector that has enormous commercial value and public health value as well. The panel entitled "Life Science Update 2013" was moderated by Li Chen, Co-Founder and CEO, Beijing iLife3 Technology Limited, and covered a wide spectrum of issues, from the commercial aspects of high technology research to clinical services and healthcare delivery.

Panelists included Kenneth Cooper, Personal Physician of Former US President George W. Bush; Massimo Dominici, Chairman, International Society for Cellular Therapy; Martin Evans, 2007 Nobel Prize Laureate in Medicine; Robert Goldman, Chairman, World Anti-Aging Academy of Medicine; Robert Hawke, Former Prime Minister, Australia; Hu Bo, Chairman, Ciming Health Checkup Management Group Co., Ltd.; Ji Jiafu, Dean of the School of Oncology, Peking University; Vice President, Chinese Anti-Cancer Association; Li Defu, Founder, Zhongyuan Union

Stem Cell Bio-Engineering Corporations; Ferid Murad, 1998 Nobel Prize Laureate in Medicine; Pei Gang, Member of Chinese Academy of Sciences; President of Tongji University; Gary Rieschel, Founder & Chief Partner, Qiming Venture Partners; and Yang Xiangyang, renowned biomedicine angel investor.

Panelists agreed with the proposition that there has been tremendous progress in the life sciences industry, including stem cell and genetic research in the area of basic research, recent advances in cancer immunotherapy in terms of therapies, and emergence of low-cost drug development and production in terms of business models and public health solutions. Among the reasons that these advances are of critical importance are demographic drivers. Panelists pointed out that the incidence of cancers, heart diseases, and many other chronic conditions will continue to increase. They also emphasized that the widespread abuse of antibiotics has become a major concern, as antibiotic-resistant strains in some of the most common infectious bacteria are widespread and becoming uncontrollable. Looking forward, they identified individualized "tailored" medical therapies as a likely hot spot for future research and development.

Life sciences and healthcare represent complementary areas of the overall health industry, and are considered together, making clear the close relationship among high technology research, financial investment, regulatory policy, legal policy, and industry standards. The recent decision by the US Supreme Court that human genes could not be patented is a good example of this close relationship.

The potential of stem cell research and treatment will require a new approach to healthcare, something quite different from current standard drugs and treatment regimens. As a good example of individualized treatment needs, stem cell therapy will require profound revision of regulatory systems and processes to ensure the timely and effective development of the overall industry, from research and production to hospitals and clinics. Reform is needed in policy and the way governments treat stem cell research and innovation, and the policies need to be catered to the specific needs of this industry.

For centuries, the quest for good quality healthcare has been one of the driving forces of innovation in science and technology. Today's 60 is yesterday's 40. With the highly advanced molecular technology within our reach, this quest has taken a step further towards anti-aging technology that can further enhance the quality and span of human life.

The panelists in the session agreed on some basic ways of maintaining good and healthy lifestyle, and they agreed that achieving healthcare goals begins with a change in mindset and lifestyle. Individuals bear more responsibility for maintaining their health and considering the impact on their health of everything from diet, exercise, smoking, and the like. There should be sharp public focus on good health maintenance and preventive care. Interestingly, this has been a focus of Chinese medicine for millennia. Individuals taking more responsibility for their own health can assure a longer and healthier lifespan. At the same time, it is essential to assure healthcare dollars are spent in ways that deliver the highest level of health benefits to the greatest number of people in any nation.

The panelists also discussed the relation between business and science. On the surface, it seems the relationship is fairly basic. Science and innovation work towards what is driven by demand and public need, whereas business is driven by profit and what will generate more revenue. Panelists agreed that there is still a long way to go to accelerate the commercialization of scientific and technological achievements. To achieve that acceleration, a more open platform is needed for all parties of the medical and life sciences ecosystem, including pharmaceutical companies, research scientists, hospitals and doctors, insurance companies, investors, and government entities.



Li Chen (Moderator)  
Co-Founder and CEO  
Beijing iLife3 Technology Limited



Kenneth Cooper  
Personal Physician of Former US President George W. Bush



Massimo Dominici  
Chairman  
International Society for Cellular Therapy



Martin Evans  
2007 Nobel Prize Laureate in Medicine



Robert Goldman  
Chairman  
World Anti-Aging Academy of Medicine



Robert Hawke  
Former Prime Minister  
Australia





Ji Jiafu  
Dean of the School of Oncology,  
Peking University;  
Vice President, Chinese Anti-Cancer Association



Li Defu  
Founder  
Zhongyuan Union Stem Cell Bioengineering  
Corporations



Ferid Murad  
1998 Nobel Prize Laureate in Medicine



Pei Gang  
Member of Chinese Academy of Sciences  
President of Tongji University



Gary Rieschel  
Founder & Managing Partner  
Qiming Venture Partners



Yang Xiangyang  
Renowned biomedicine angel investor

### "Life Science Update 2013" session key points

- Stem cell research and application need in a different policy approach with its nature of personalization.
- A healthy mindset is the first step towards a healthy aging society.
- An open platform is needed for pharmaceutical companies, research scientists, and government, etc., to industrialize medical research.

Energy is another important area of industrial innovation and an obvious key to the future sustainable development, and no discussion of development would be completed without considering the current state of alternative energy, new resources, and energy conservation. Among the most important current developments are the identification and commercial recovery of new forms of fossil fuel, especially clean-burning and environmentally friendly natural gas from shale formation. Shale gas and the technologies necessary to extract it are getting more and more attention because they are reshaping global resource flows, and as a result they are reshaping the economic interactions of major parts of the world. At present, only the US and Canada are producing shale gas in commercial quantities, but Russia has the largest proven reserves, followed by the US and Canada. Exploitation of shale reserves will have a major impact on both competitiveness and the environment. The most recent estimates indicate that there is sufficient shale gas to provide the world's energy needs for over 10 years, some

22.8 trillion cubic feet. But the recovery of shale gas has problems as well, and the environmental impact of the recovery process, consumption of water, and changes to the subterranean structure of the earth are being widely discussed.

A roundtable entitled "Shale Gas: the Changing Landscape of Energy Security" was moderated by Frank Ingriselli, President & CEO, Pacific Energy Development, and panelists included Mohamed H. Al-Mady, Vice Chairman & CEO, Saudi Basic Industries Corporation (SABIC); Emilio Lozoya Austin, CEO, Petróleos Mexicanos (PEMEX); Yves-Louis Darricarrère, Executive Vice President, Total; Gao Zimin, Chairman, Shenzhen Energy Group; Robert Hormats, Under Secretary of State, USA; Yogendra Kr. Modi, Chairman & CEO, Great Eastern Energy Corporation Ltd. (GEECL); G V Sanjay Reddy, Vice Chairman, GVK Power & Infrastructure; Margaret Ren, Country Executive and Chairman of China, Bank of America Merrill Lynch; David Sandalow, Assistant Secretary, Policy & International Affairs, Department of Energy, the US; Artem Volynets, CEO, EN+ Group; James Roland Williams, Former Chairman, Shell Australia; Zhang Guobao, Chairman, the Advisory Board, National Energy Commission; and Zhang Yue, Chairman & President, Broad Group.

The roundtable discussed specifics of the shale gas revolution, including what is currently taking place across North America, its environmental impact over the long-term, whether China, with its large shale reserves, could begin to reduce its overseas energy dependency through shale gas and oil



extraction, and what the prospects are of viable US exports of shale being made to China in the foreseeable future.

Views were mixed in response to the environmental impact of shale gas extraction. Those who argued that there will be environmental issues to be resolved over the near-term still expected such obstacles to be overcome in the long-run. Others took a more holistic view on the topic, noting that the environmental opportunity cost of shale extraction was actually much lower than other traditional fossil fuels extraction techniques, and a number of panelists noted that as investment into shale gas is indirectly squeezing out investment into the renewable energy industry, the best way forward was through reforming the regulation of energy markets and pricing mechanisms.

As to whether the North American shale revolution can be replicated in China, the panel believed that there were a number of practical reasons as to why shale gas was unlikely to feature significantly in China's energy profile in the foreseeable future. The US and Canada have extremely comprehensive distribution pipelines, and the recoverability of North American shale appears higher, given its location, available water, and other factors. The availability of water, an essential component during the fracking process, remains a challenge for China. It was also pointed out that the infrastructure costs for shale gas extraction are extremely high in China as the geological formation is more complex than that of the US. China's pricing mechanisms would also need to shift in order to accurately reflect domestic and international prices. Panelists returned several times to the issues of regulation and pricing mechanisms, as well as ownership rights.

What are the prospects of exports to China and the Asia Pacific region from the more developed shale gas industry in the US? Currently the US restricts shale gas exports although the relevant piece of legislation is currently under judicial review. Panelists also considered the viability of the US regulators allowing the US shale extraction equipment manufacturers to export machineries to China. Others looked at the issue from a supply chain perspective, pointing out that to ship shale gas across the Pacific Ocean would increase its cost by roughly four times. Furthermore, while the US already has gas terminals in place, the liquefaction plants still need to incur shipping cost for shale gas in the region of US\$20 billion each, and it will consume a substantial fraction of the energy in the extracted gas. The panel concluded that while the industry itself had a bright future, shale gas was unlikely to be a major energy source or industry for China in the near-term, given the issues that needed to be resolved before such a transformation could take place.

#### "Shale Gas: the Changing Landscape of Energy Security" session key points

- China will become the largest energy importer in the coming year - *Wall Street Journal*.
- Shale gas is widely distributed and environmentally friendly, but the prices are high and the development technologies are not mature. It remains to be seen how environmentally damaging shale gas extraction is over the long-run, but preliminary indicators suggest that the environmental impact of shale gas extraction is negligible at best.
- US shale gas revolution - other countries may learn some lessons from it, but should avoid duplicating totally. The viability of China developing a shale gas industry similar to that of the US is low.
- Shale gas is not the sole energy, and countries should focus on the diversity of energy portfolio.

The future of fossil fuels, especially oil and gas, is intimately related to transportation, and as societies urbanize and urban populations require more mobility, rapid increases in such energy resources are required. At the core of oil and gas demand is the auto industry. Until recently, the auto industry was one of China's designated pillar industry. Auto is important for every emerging economy, and as a result, it is an industry that is carefully guarded by regulators and investors, often excluded from FTAs, for example, as emerging economies seek to build such pillars for domestic supply and potential export success. In Asia's most developed economies, the auto industry has proven to be a key value driver.

Wu Weiqiang, Editor, Auto Week, China Youth Daily, and Lin Lei, Founder, Co-President & Joint CEO, Sinotrust, jointly moderated a session entitled "Opening Up & Integration of the Automobile Industry". Panelists included Dong Changzheng, Executive Vice President, Toyota Motor Investment Co., Ltd.; Hu Maoyuan, Chairman, Shanghai Automotive Industry Corporation (SAIC) Motor Corporation Limited; Li Feng, Executive Vice President, Beijing-Hyundai Motor Company; Joachim Rosenberg, Executive Vice President, Group Trucks, Sales & Marketing and JVs APAC, the Volvo Group; Xu Heyi, Chairman, Beijing Automotive Industry Holding Co., Ltd. (BAIC Group); Yao Yiming, Executive Vice President, Guangqi Honda Automobile Co., Ltd.; Ye Yongming, Vice President, SAIC Motor; President, Shanghai General Motors (GM); Yin Tongyue, Chairman of the Board & General Manager, Chery Automobile Co., Ltd.; and Zhang Baolin, President, Chongqing Changan Automobile Co., Ltd. The focus was the development of China's auto industry, driven by decades of joint venture (JV) development.

Since the first Shanghai Volkswagen Santana drove off the assembly line in 1983, China's automotive industry has been enjoying exceptional growth. Capturing opportunities from the reform and opening up of the Chinese economy, and meeting the tremendous market demands that have been unleashed, automotive companies in China have grown substantially in terms of both capacities and capabilities, and the industry in general has reached a good level of maturity. One of the most important contributing factors has been the JV with global partners, a mutually beneficial relationship for both sides, with the Chinese companies benefiting from a much

steeper development curve than they could have achieved otherwise, and the foreign partners enjoying exponential growth and profitability. For many global brands, China has been the bright spot during years of slowing demand elsewhere.

An unrelenting commitment to proprietary innovation has been an equally important success factor. Although companies may have a different focus, from core technologies like engines and transmission systems to new energy vehicles, from production process to customer relations, they all recognize proprietary innovation to be a key driver for differentiation, competitiveness, and sustained growth. Lessons have been learned, sometimes in a hard way, that innovation can only create meaningful value when it is driven by market and customer demand.

Research and development (R&D), branding, and fundamentally talent management have been identified as key priorities for Chinese auto makers' bid to move up the value chain. Branding is a key issue for both the domestic market and export products. Some relatively new auto companies have not developed with JVs, and as a result they have their own brands and development capability. New energy is also a key issue; it is a priority industry goal in the 12th Five-Year Plan. Chinese auto makers and their JV partners are investing heavily in electrical and hybrid models, as well as improved performance of traditional internal combustion engines.

Resources and efforts are being realigned around the key objectives of continuous improvement of product quality, building a constructive ecosystem, and developing a skilled work force and future leaders of the business.

In the meantime, Chinese auto makers also recognize the need to explore opportunities outside China. When considering globalization and inorganic growth, most of the major players believe a deep understanding of and respect for the target market, a cooperative mindset and good reputation in terms of product and service quality are of critical importance. While there are many positive developments, at the same time, existing and emerging challenges deserve the attention of Chinese auto makers, such as increasing trade protectionism and friction, competition from major global players, as well as destructive price competition among Chinese companies.



When asked to predict the future of China's auto industry, most of the panelists agreed that annual output would probably peak at 30-35 million another 30 years from now, although their forecasts for new energy vehicles, in the strict sense this means only Electric Vehicle (EV) and Plug-in Hybrid Vehicle (PHV), ranged from 1-20 percent. Sustainability, globalization, and brand are some of the common keywords in their vision for 2033, 20 years out.

#### "Opening Up & Integration of the Automobile Industry" session key points

- The last 30 years witnessed China's reform and opening up as well as integration, during which China's automobile industry formed a preliminary layout of the entire industry chain. This is the most important experience of China's automobile industry during those 30 years.
- In the course of global expansion, Chinese automobile enterprises may utilize localized market research, production, secondary design, and talent in order to promote China's brands and achieve a win-win result. Industry leaders are bullish about the market outlook, and the opportunities for global expansion and inorganic growth. Their vision and focus will be sustainability, globalization, and a strong brand.
- Chinese automobile enterprises have never stopped pursuing scientific and technological innovation. Proprietary innovation should include not only technology innovation, but also system and process innovation. Such exceptional and sustained growth can be attributed to successful JVs with global players and a commitment to proprietary innovation among other factors.
- As for new energy vehicles, some proprietary brands of China have higher degree of industrialization than those of JVs. Given China's fuel consumption standards of next generation vehicles and demands on green economic development, the proportion of new energy vehicles will continue to increase.

Turning to other standard of living issues, several sessions focused on food, life sciences, and public health. As with energy and transportation, these areas of concern involve both economic development and environmental challenges, as well as continuous improvements in standards of living for growing middle class populations.

There has been such a significant improvement in China's diet comparing the quality and variety of food available in the early 1980s to today. Just a generation ago, China had virtually no dairy industry before reforms began, and meat, poultry, and fish were rare and precious food items for hundreds of millions of Chinese. Nonetheless, improvements in diet and modernization of food production, processing, distribution, and retailing have brought new challenges. Among these are increasing reliance on imports, failures in food safety and quality assurance, and food price inflation, all growing as concerns in recent years that are widely shared.

Niu Dun, Vice Minister of Agriculture, the People's Republic of China, chaired a panel entitled "Food Security: the Asian Solution". Panelists included Zein Abdalla, President, PepsiCo; Stephen Badger, Chairman, Mars, Incorporated; Chen Zhangliang, Vice Governor, Guangxi Zhuang Autonomous Region; Chen Zhirong, Vice Governor, Hainan Province; Han Changfu, Minister of Agriculture, the People's Republic of China; Alejandro Jara, Deputy Director-General, WTO; Yukol Limlamthong, Deputy Prime Minister, and Minister of Agriculture and Cooperatives, Thailand; Russell Scrimshaw, Chairman, Sirius Minerals; Wendell Willkie II, Senior Vice President, MWV; Yu Xubo, President, China National Cereals, Oils and Foodstuffs Corporation (COFCO); Yuan Longping, Academician, Chinese Academy of Engineering; and Zhang Yuxi, Chairman, Xinfadi Farm Product.

Framing the broader context, the panel began with a discussion of demographics. World population growth is predicted to rise to 9.3 billion by 2150. Half of this growth will be in Asia, underscoring the importance of Asia's pursuit for long-term food security in an environmentally and politically sustainable manner. This was the context for the panel discussion of the challenges that Asian nations are facing and the solutions that Asia should take.

As population is increasing and the global climate is changing, water is in increasingly tight supply, often in the world's most populous regions. Undeveloped supply chains and logistics result in food wastage during transportation and storage, and greater pressure to increase productivity creates environmental challenges to achieve sustainable agricultural practices. In recent years, China has achieved great progress in increasing food production, however, productivity increases are still insufficient to meet the soaring demand of the growing population.

This places China at a critical juncture for deep agricultural reform to sustainable development. China's traditional fragmented farming pattern, which is deeply ingrained in millennia old practices of land use rights, has shaped not only grain production, but swine and fish production as well. Agricultural productivity gains in the 30 years of reform have lagged far behind industrial and commercial gains, and now the focus is transitioning from a fragmented production base of individual farmers into a modernized, mechanized, and large-scale model. Failing to do

so will leave China unable to compete with other countries in productivity and pricing, which in turn will demotivate existing and prospective farmers, thereby endangering food security by undermining China's desired level of self-sufficiency.

We have seen many important initiatives, including a huge increase in outbound investment into agricultural land and production bases by Chinese food companies. But much more from both the public and private sectors are needed to ensure food security. Global food production tends to be subsidized by governments, in part to assure some level of local production and security. In China and other Asian nations, governments need to implement the right agricultural policies on food prices, increase investment in agriculture, encourage innovations, and make laws and regulations that are supportive of all these. Enterprises should cooperate with the government on technology, innovation, training, and other aspects to develop sustainable agricultural businesses. In addition, international cooperation is greatly needed. Nations should share their experience with others. A key in this pursuit is technology. Technology can contribute through seed development, water conservation, tolerance of crops to salinity and other sub-optimal growing conditions, food durability through processing and transport, and in many other ways. For example, if the super hybrid rice of China can be spread to the rest of the world, it might help alleviate starvation in parts of the world where the base diet remains so low in nutrition that public health is adversely affected.





### "Food Security: the Asian Solution" session key points

- Population growth forecasts are putting pressure on long-term food security.
- China needs agricultural reform to meet demand.
- Innovation and technology are keys to agricultural reform.
- Cooperation will also be the key - between nations and between the public and private sectors.

The final industries and commerce sector explored was health tourism, a relatively new industry that has produced great value in a number of Asian nations. Health tourism arbitrages the difference in costs and services levels, especially between relative newly developed and more mature economies, and it offers patients in need of a range of diagnostic and surgical procedures an economical option for the treatment and convalescence.

Jiang Xiaosong, President & CEO, Hainan Boao Lecheng Development Holdings Co., Ltd., moderated a panel entitled "Health & Tourism Roundtable", which included Elaine Lan Chao, 24th United States Secretary of Labor; Master Hsing Yun, Founder, Buddha's Light International Association; Li Ruogu, Chairman & President, the Export-Import Bank of China; and Ma Weihua, Executive Director, President and CEO, China Merchants Bank, etc.

The moderator noted that research, as well as recent experience, have shown the potential for medical tourism. This is not surprising, in consideration of China's aging society and the fact that people not only attach increasingly greater importance to health, but are also better able to afford treatment.

China's response to the commercial opportunity in the form of the development of the Boao Lecheng International Medical Tourism Pilot Zone was considered in some detail as the latest example. Enterprises and government will participate in the Boao Lecheng Project, which will draw on lessons learned from predecessors, such as the Yangpu Economic Development Zone and Hainan International Tourism Island. Drawing on the experiences of the former two projects, the Boao Lecheng Project is structured to allow for government and enterprise cooperation.



Jiang Xiaosong (Moderator)  
President & CEO  
Hainan Boao Lecheng Development Holdings Co., Ltd.

This latest initiative draws on recognition of Hainan Island as a popular vacation destination. The project takes an innovative and integrated approach to the concept, focusing not only on medical tourism, but also on providing a healthy and low-carbon eco-community, as well as international conference facilities. From the commercial viewpoint, successful medical tourism should provide people with expenditure savings and better rehabilitation services.

More generally, a State Council document referred to as the "Nine Subsidies" is among the few Chinese official mentions of support for medical tourism as an initiative in the service sector. Financial support for this kind of project is not expected to be an issue because a diversity of investors, including capital market investors, are expected to find the prospects of such a sector attractive. Medical tourism is closely related to other interesting health-related service sector opportunities, like retirement homes and geriatric care centers. With lifestyle changes affecting Chinese families and families across Asia, these sectors can reasonably be expected to expand quickly and become material components in the growing service economies of developing Asian nations.

### "Health & Tourism Roundtable" session key points

- Health and tourism has become national focus globally, the combination of both is a manifestation of innovative spirit and fits the trend of social development. Research shows the potential for medical tourism, especially in consideration of an aging population.
- Hainan - the host location of the BFA, is also the site of the Boao Lecheng International Medical Tourism Pilot Zone, which is expected to become an important tourist attraction, contributing to the development of tourism in Hainan.
- It is important to define clearly the respective roles of government and enterprise in such development projects.

# Society and culture

Asia as a region has a rich variety of ethnicities, languages, and cultures, interwoven in the diverse social, political, and economic systems across its northeast, east, southeast, and south landscapes. Over the years, the BFA Annual Conference has provided a platform to discuss a range of topics related to the health, welfare, and happiness for Asian people, from healthcare systems to creativity in the arts.

A relevant starting point for a discussion of society and culture is the demographic shifts taking place around the world. The life experiences, opportunities, and expectations have changed dramatically in recent decades particularly in fast developing economies, creating a tectonic shift from one generation to the next. Seen from the standpoint of development, these shifts are a major force that affects the viability of investment strategies, export competitiveness, and the common commitment to continuous improvements in the quality of life.

A panel entitled "Adapting to the Demographic Shift: Policy & Economic Impacts", moderated by Zhu Wenhui, Anchor, Phoenix TV, explored these issues in detail. The panelists included Dennis Bracy, CEO, US-China Clean Energy Forum; Kent Calder, Professor, John Hopkins University; Elaine Lan Chao, 24th United States Secretary of Labor; Dai Xianglong, Chairman, National Council for Social Security Fund, the People's Republic of China; Taizo Nishimuro, Advisor & Former Chairman, Toshiba Corporation; Qin Shuo, Chief Editor, China Business News; and A. Didar Singh, Secretary General, FICCI, India.

The panel dealt with a range of issues, positive and negative about demographic trends, looking beyond the numbers themselves toward the impacts on economies, workforces, and overall public policy.

Dai Xianglong expressed confidence that "The aging population of China will not cause any negative impact on the prosperous development of China. This dream will come true." While admitting that China's aging population in urban settings will grow from 14.3-30 percent, Dai Xianglong said, "We should not focus too much on the negative side of the aging population. By 2020 China would like to make ourselves a strong country."

Addressing the common concern that China would lack a sufficient number of employable people, Dai Xianglong said, "One problem is that the working population will be reduced due to the aging population. But the rural population moving to cities reduces this problem. Also people are living longer and the retirement age could be pushed back by one year." With an expected drop in total population within 10-12 years, Dai Xianglong acknowledged that policy changes would be needed to meet the government's targets. He said, "I think that at some point in the future the population policy will be revised - basic principles will not change, but the policies will be refined."



Dai Xianglong also noted the impacts on public pension funds. "When the population has peaked, there will be a gap," he suggested raising the retirement age is a controversial solution, but "one of the ways" out of this problem. China's economic resilience is another way. Dai Xianglong mentioned that "I believe indeed we do have this issue of shortage of financial support for an aging society. There will be a problem, but if economic growth can be sustained at 6 percent, it will be sustainable."

Taizo Nishimuro observed that while Japan's population has been aging, this fact alone is not fully responsible for the notorious economic stagnation in Japan. The demographics themselves are not in doubt. He observed that "Over the past 20 years, Japan has seen stagnation and low economic growth, and the population growth rate has been around 0.7 percent. You cannot find a single other country with such a low growth rate." However, Taizo Nishimuro said that this slow population growth rate "does not exert a fundamentally negative impact on Japan". He attributed the stagnation primarily to economic deflation. He continued to say that "Over the past 20 years we have seen the demographic structures remain unchanged while the economy has stagnated. I think the reason is a lack of momentum for growth, not just in Japan, but around the world."

A. Didar Singh referred to an Organisation for Economic Co-operation and Development (OECD) report and suggested that the demographic question we face is not how to control aging, but how to manage it; and that there are impacts on employment as well as other policy issues. In respect of employment, A. Didar Singh remarked the relative inflexibility of workforces in most nations, "Goods, services, and technologies can move, but people cannot." Noting that India has a median age of 28, he warned, "If these young people do not get skilled and get jobs, there will be problems." Population policy is only a part of the overall picture, "These issues, aging, employment, infrastructure, and technology are all connected."

Elaine Lan Chao contrasted with the flexibility of the US workforce. She mentioned that "The systemic nature of the American workforce is that it is very flexible, adding to the employers' ease in creating jobs." In her view, whether immigration policy helps resolve demographic imbalances depends on who would be allowed to enter the country: low-wage workers, or workers who bring high-value skills and knowledge.

Arguing that "We need enough workers to sustain retirees," Elaine Lan Chao concluded that "Regardless of whether you are a developing country or a developed country, worker skills have to increase."

Dennis Bracy tied the quality of life issues facing Asia's vast populations to worldwide environmental concerns, "Two billion people on earth do not have electricity. Without electricity it is really hard to imagine how they can take advantage of modern life ... Without electricity, they are burning wood and other fuels in their homes, and that fuel is responsible for 40 percent of worldwide carbon emissions." Kent Calder expressed amazement that China has absorbed as many immigrants as it has. He said, "China is actually younger than the US and still younger in comparison with Europe and Japan." However, more rapid aging in China is imminent and "In the 2020s, China is going to age very rapidly, even more rapidly than Japan." This reaffirms the necessity to maintain the same community-based solutions of caring for others that China has preserved for generations. He explained, "The idea of private responsibility, of private institutions taking responsibility for the elderly is a long Chinese tradition. Ultimately that is going to be very important."

#### **"Adapting to the Demographic Shift: Policy & Economic Impacts" session key points**

- China's aging population is not in every respect a threat to Chinese economy, and the comparison with Japan does not hold.
- China is aging too fast; the pension system should make early planning. Population bears on issues of employment, pension policy, as well as care for the elderly, and there are a wide range of solutions to these problems beyond policies to manage populations.
- Labor mobility cannot be ignored. Immigration is a favorable solution to labor shortage only if the right kinds of workers are entering the country.

The future impact of China's generation-old one child policy was also considered. Family businesses have been an important contributor to China's development in the reform era, and as the founder reaches retirement age, succession is a unique challenge in the one child family. Anthony Yuen, Chief Commentator, Phoenix Satellite TV, moderated a panel entitled "Finding the Right One: Succession Plans of Family Businesses". Panelists were either from or experienced in dealing with family businesses and included Bao Yujun, Chairman, China Private Sector Association; Kent Calder, Professor, John Hopkins University; Elliott Donnelley, Chairman Emeritus, Philanthropy Workshop West; Jiang Xipei, Chairman, Far East Holding Group; Liu Donghua, Founder, ZH Island; K. K. Modi, Past President, FICCI; Chairman, Modi Enterprises; Daniel M. Tsai, Chairman, Fubon Financial Holding Co., Ltd.; and Wang Jingbo, Chairwoman and CEO, Noah Holdings Limited.

Anthony Yuen noted that the return of family businesses was a fundamental societal change in China's reform era, as family businesses began to be nationalized in 1956, and there are now around three million family businesses in China that will ultimately face succession issues at some point in time.

Bao Yujun introduced the history of private businesses in China since the 1980s and the challenges they face today, and Kent Calder provided the nature and long history of family businesses globally. Worldwide, some family businesses date back hundreds of years. High-profile family businesses like the New York Times not only bear a storied past, but also comprise a very large share of employment. In Japan, about 60 percent of the workforce is employed in family businesses. Some of the panelists had themselves dealt with these problems directly, and highlighted the establishment of guiding principles or ethics for the business, how to manage the children as well as the business itself, and the transition to professional management.

In China, the issue of succession for family businesses is relatively new. Since 1982, the number of family businesses has been increasing, and legal status was regained in 1987. Yet even today, owners of family businesses in China who would like to exit their businesses may feel that they can trust no one but their children because there is not a mature system of credit reporting in China and inadequate protection of private property.

Jiang Xipei summed up several themes that would follow. Firstly, the business must be founded on shared values, "For an enterprise to grow, you need a solid foundation. What you are going to leave the children is not only a physical asset." Secondly, trustworthiness is crucial to the business's longevity, "If you are to be a trusted friend or relative or other family member, you have to have your values and keep pace with the times. If you do not, you cannot have a lasting business." Thirdly, the education and career path of children need to prepare them for their roles in the company. A fourth theme that emerged was the transition from family management to professional management of the company.

On values, K. K. Modi described his family business in this way, "My business was started in 1933 by my father, and my granddaughter is still in the business." He said that his father "set down values that go from one time to another and do not change with time". Elliott Donnelley, who introduced himself as a fifth generation family member of a business started in 1864 in Chicago, succinctly stated the principle set forth by his great-great-grandfather, "The business is not there for the family, the family is there for the business." The challenge is how to maintain these values over time. "There are going to be people who are not the very best, and whose role does not belong in a family business. As some of those people leave the business, you begin to lose some of those family ethics," Elliott Donnelley said. Daniel M. Tsai recalled, "My father wrote in person a principle for us to follow, and whenever we have a morning meeting, we recite the six characters from my father first."

Trust was one value repeatedly mentioned by panelists as a key to success. K. K. Modi elaborated on the essence of trust. He said, "You have to take care of your customers and trusted partners, and take care of the venture." Elliott Donnelley described the legacy of trust and creditworthiness established by his great-great-grandfather, and how these virtues sustained the family business after the Great Chicago Fire of 1871.

Broader experiences and self-identity development were highlighted in the preparation of the next generations for leadership roles. Daniel M. Tsai echoed the remarks made earlier by Jiang Xipei about education and work. He said, "I will ask my children to first get work somewhere else." He compared placing a family member directly in the position of chairman to "taking a helicopter"

as opposed to starting children at the ground level and letting them work their way up. "My father liked the idea of exchanging children to get trained, so the children were sent to the businesses of other families to train them," he said. According to Daniel M. Tsai, children may need to find their own roles founded on their own interests and strengths. Similarly, Elliott Donnelley summarized that "A child needs to develop his/her own sense of self-worth." As a practical matter for management of the business, he advised, "The family should take a portfolio approach to each member of the family."

Bao Yujun noted that not every child wants a role in the family business, "There are private companies faced with succession problems, whether to pass to their sons; some would prefer not to work for their family business because the process is painful." Several panelists described the eventual shift from management of the company by family members to management by professionals hired from outside the family. K. K. Modi said, "During my lifetime, I want to divide the management structure into two: chairman and professional manager. The chair will rotate among the family members, and the professional manager will manage well or be fired." Elliott Donnelley described the lengthy consideration before "ultimately the idea that the family was there for the business prevailed" and they took the decision to hire a CEO.

In terms of governance and division of assets among subsequent generations, a variety of models were acknowledged including the UK model, Europe's "family council" model, and the Japan model where only family members are allowed to receive the assets. Bao Yujun observed that "There are other models as well, but we need to make a better system for China." Family culture and location are also factors. Daniel M. Tsai and Liu Donghua agreed that "family governance trumps corporate governance when it comes to succession plans," with Liu Donghua adding, "If you do not have a long-term plan, it is very difficult to (either) transfer your business to your children (or) to hire professional managers."

On the dissemination of experience, Wang Jingbo noted that many family-owned companies are located in second- and third-tier cities in China, so that their situations may not be fully understood by observers in the first-tier cities of Beijing and Shanghai. While there was a diversity of experience among the panelists, there was a consistency in their acknowledgement that family businesses in China and their owners face unique challenges.



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Chairman  
China Private Sector Association



Kent Calder  
Professor  
John Hopkins University



Elliott Donnelley  
Chairman Emeritus  
Philanthropy Workshop West



Jiang Xipei  
Chairman  
Far East Holding Group



Liu Donghua  
Founder  
ZH Island



K.K. Modi  
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Daniel M. Tsai  
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Wang Jingbo  
Chairwoman and CEO  
Noah Holdings Limited



Anthony Yuen (Moderator)  
Chief Commentator  
Phoenix Satellite TV

## "Finding the Right One: Succession Plans of Family Businesses" session key points

- Values, including trust and creditworthiness, must be clearly laid down.
- Family governance outweighs corporate governance; family management is more difficult than corporate management. Succession planning is "new" to Chinese family-owned businesses. Different models of governance are being explored by these companies.
- It is inevitable that family-owned business will be expanded and become more complicated. Professional managers appear to become social demands. Children need to be nurtured and channeled into their proper roles, and may ultimately find success outside the company. At some point, transfer of daily managerial responsibilities from family members to professional managers is likely.

One characteristic of China, India, and other emerging economies with large populations has been their substantial investments in education. Creating educational opportunities for cohorts entering the workforce has been a key enabler of India's service exports and China's technology merchandise exports, and it will become more and more important as the economies work to remain competitive and support a population with expectations of higher wages and better and better living conditions. Education is the most critical key to consistently increases in productivity and sustainable growth. The educational process is one of the most direct ways for individuals to experience a government's support of their personal hopes and aspirations. For this reason, the subject of education was discussed in a number of events held during the Annual Conference. This year's Young Leaders' Roundtable focused on the role of education. Joining the roundtable entitled "Young Leaders Roundtable Development for All: the Mission of Education" were Rui Chenggang, Director & Anchor, China Central Television, as moderator, and commentators Elaine Lan Chao, 24th United States Secretary of Labor; Peggy Rockefeller Dulany, Chair, Synergos Institute; Ma Weihua, Executive Director, President & CEO, China Merchants Bank; and Zhang Yaqin, Corporate Vice President, Microsoft.

Rui Chenggang began with a video on the Aurora, Colorado theatre shooting, followed by consideration of why Chinese student suicides attributed to heavy study loads seem to be on the increase and the questions, "What kind of

education are we giving our young people? What has gone wrong?" Participants were asked to identify through a word association exercise, the key attributes of a quality education, responded with: learning; balance; variety; critical thinking; inspiration; a joy to think; realizing dreams; how to change; teaching people how to behave; universality, but with choice; and instilling intellectual curiosity and a level of learning.

Stephen Ma, Commissioner and Secretary, California Asian and Pacific Islander American Affairs Commission, observed, "Education is inspiration. Education inspires people to think of the impossible, imagine the unimaginable, and accomplish what could not be accomplished before." Vanessa Miller, Advisor to Director General, French Ministry of Environment and Energy, said, "Education should really be about critical reasoning, and not reduced to training. Labor in our economy is changing so quickly that all those skills will soon be inadequate. School should teach you to innovate, engage with risk, and evaluate risk."

Zhang Yaqin said, "Education is about being authentic, being true to the facts and to oneself. We put a lot of emphasis on empty talk. We need to leverage the true potential of people, not only learning capability, but also the capability of innovation. We need to give full play to the innovation and ability of every individual. We need to go back to the fundamentals in our educational system."

While some participants focused on the relevance of education for the individual and its role in society, others addressed the divisive effects of unequal access to education. Opinions were evenly split on whether education was tending to narrow or widen the gap in opportunities between the rich and the poor.

Ben Way, Managing Director, Macquarie Investment Advisory (Beijing) Co., Ltd., said, "As education becomes more about testing and scores and a passport step to life, the opportunities have narrowed. The real challenge is that where education previously led to opportunity, it is now having an adverse effect."



The digital divide was a recurring theme. The same technology which was regarded as facilitating education today was viewed as exacerbating the inequitable distribution of educational opportunities. Several speakers noted that privileged young people tended to benefit more.

Zhu Ning, Professor of Finance, Deputy Director, Shanghai Advanced Institute of Finance, observed that in China, "We have a very elite induction system. There is a reason for that. Technological progress makes a winner takes all result. It is also due to globalization. How many students in China are trying to obtain an education in the US or the UK?"

Ben Way noted, "Not everyone has to go to the best universities, but everyone has to have a chance to go. The element of the brightest and best is being lost in some of our communities and we ought to focus on how to get that back."

The session commentators were asked to sum up. Elaine Lan Chao emphasized the role of private philanthropy in improving educational opportunities. Peggy Rockefeller Dulany's view was that the main role will fall to government, but that stakeholders in education can support each other mutually. Ma Weihua pointed to a conundrum: education offers the prospect of narrowing the divide between the rich and the poor, but in effect higher education has actually widened this gap. The child of a migrant worker will definitely have a different education than one from a wealthy family. He advised that more equitable distribution of income would be needed before this problem could be solved.

#### "Young Leaders Roundtable Development for All: the Mission of Education" session key points

- China's education system is imperfect, especially the unequal access to education opportunities, the uneven distribution of education resources, and the low effectiveness of education.
- Education is not only to impart knowledge, but should also have an open and tolerant attitude, critical thinking skills, imagination and creativity, as well as focus to cultivate right value, and social responsibility.
- China's education resources are distributed unevenly, including capital investment and teacher resources.
- In the context of globalization, forces outside government like private sectors and charitable organizations should play a role in the development of education.

The relationship between education and economic success is not necessarily straightforward, however. In China, lack of employment opportunities for college graduates has been a serious problem for a number of years. The reasons for this are debated, and they include a poor fit between the content of education and the needs of the marketplace, institutions that do not necessarily fulfill the development potential of their students, and a relatively long response time between marketplace needs and curricular change. John Hearn, Chief Executive, the Worldwide Universities Network, moderated a panel entitled "Education vs Employment".

Panelists included Sushma Berlia, Chancellor, Apeejay Stya University, India; Tony F. Chan, President, Hong Kong University of Science and Technology; Colin Dodds, President, Saint Mary's University; Gong Ke, President, Nankai University; Elliot Hirshman, President, San Diego State University; Jiang Xipei, Chairman, Far East Holding Group; Rosaline May Lee, Vice Chancellor, New York University; Michael Spence, Vice Chancellor, University of Sydney; Vijay Kumar Thadani, CEO, National Institute of Technology Tiruchirappalli (NIT); Zhang Xinsheng, President, China Education Association for International Exchange; Executive Chairman, Eco-Forum Global; and Zhu Minshen, Principal, Top Education Institute.

There was a broad consensus among the panelists that the title of the roundtable was slightly misleading insofar as it implied that education and employment were substitutable or somehow combative with each other. Instead, it was noted, they should be viewed as complementary to one another. A university education should not only aim to educate students in a particular subject or discipline, but also impart a broader sense of global citizenry in them via the teaching of both behavioral and social skills as well. Such a perspective on education is appropriately multi-faceted. After setting forth these goals, the panel went on to suggest that in order to achieve them, universities needed to view themselves not as a system in isolation, but more as cogs (albeit crucial cogs) within a cluster of other domains.

This theme of interdependence segued well with the next topic of discussion which focused on the symbiosis between the workplace and education. Panelists agreed that previously, employees had preferred that universities take on the responsibility of providing students with the essential skills required in the workplace. However, there is now an increasing focus by employers on providing new hires with their own on-the-

job-training. In this revised view, educational institutions essentially pre-qualify students, providing some crucial content, but most importantly develop learning skills and adaptability to challenging learning situations.

Job security was next on the agenda, with one of the panelists suggesting that entrepreneurship should be taught within universities. It was also mooted that the primary reason behind such a suggestion is that such a course would involve the learning of a number of highly-transferable skills - the kind of skills that were crucial in the development of the panel's earlier definition of a global citizen.

The global education system was also viewed with a much wider perspective, with panelists discussing the "social compact" that exists between universities and society as a whole, and taking the view that universities have the obligation to prepare future generations, not only for a fruitful career, but also for a fulfilling and constructive life.

Should universities attempt to teach innovation? The panel was divided on this, with some suggesting that such an attempt could be a useful endeavor, while another mentioned that useful innovative skills should be taught at a much earlier stage.

"Reciprocity" and "diversity" were the two keywords used most in this discussion. Reciprocity, one of the most important concepts in ancient Confucianism, arose because education and employment should not be viewed as substitutes but as complements. Diversity was featured because the panelists were of the view that universities are also guardians of particular cultural traditions and therefore, global education leaders should help prevent the creep of homogenization.

Modernization of economies and the societies that drive them always involves demographic shifts, is enabled by education, and also results in urbanization. The quality of urbanization, which depends to a large extent on government policy and investment, and as much on cultural and social underpinnings, can determine whether an economy continues to grow and the benefits are inclusively extended to a wide percentage of the population, or whether urban life becomes a trap for many citizens, one in which an urban slum environment, what in some Latin American countries and US cities are called "barrios", stalls their ability to partake in the lifestyle improvements that modernization promises. China's urbanization plan remains forthcoming at



this time of writing, and among the issues being debated is how to meet the financial needs of an accelerated urbanization drive that will achieve the targets of the 12th Five-Year Plan.

### "Education vs Employment" session key points

- Students should not only focus on employment, but also care about career development and lifelong learning. Education and employment should be complementary and there should be more reciprocity.
- The unemployment of college graduates is related to the slump economy.
- Entrepreneurship should be taught at an earlier stage during a student's education. Universities should encourage students to take risks and responsibilities.
- University education should encourage thinking about the importance of future. Students should focus on the value of nature rather than thinking of ways to conquer it. University education should not only aim to educate students in a particular subject or discipline, but also impart a broader sense of global citizenry. When thinking about the future of university education, educators should take a broader and holistic view of this significant responsibility.

A session entitled "Quality of Urbanization" was moderated by Huang Haibo, Anchor, Phoenix TV, and featured as panelists Michael Antonovich, Chairman, Metropolitan Transportation Authority (MTA) Board of Directors; Fred Hu Zulu, Chairman, Primavera Capital Group; Li Xiaolin, Chairman, China Power International; Laurent Malet, Director, EGIS; Neville Power, CEO, Fortescue Metals Group Limited; Zhang Xinqi, Mayor, Qingdao; and Zhang Yue, Chairman & President, Broad Group.

The main topics included the complex relationship between urbanization and industrialization, and modernization process, the planning needs of successful urbanization, the environmental challenges and potential of urbanization investment, and policy issues, such as China's household registration system, and its impact on urbanization. There was a consensus that urbanization is a product of industrialization and jobs created from the development of manufacturing and services industries.

A city is a complicated and ever-evolving entity that comprises its society, economy, environment

and culture, and development should seek to grow all of these in a coordinated fashion. Urban planners should take a forward looking and scientific approach towards city planning, where all stakeholders are consulted in the planning process. Planners need to factor in projected future demand in the supply of basic services such as transportation, electricity, hygiene, and waste services. In addition, quality of life for urban citizens through the provision of better healthcare, retirement and unemployment benefits, and other associated social benefits should be considered.

One of the greatest challenges of urbanization currently is that pollution levels have become a significant problem in many cities. Pollution not only puts a burden on the environment, but also, on the city's ability, ensures the health of its citizens, leading to increased cost for the city's healthcare infrastructure. The ideal development model should seek to create intensive and low-carbon green cities in order to preserve the natural environment as far as possible.

The topic of urbanization led to a discussion about China's household registration system. The panel expressed concern that the current system is a significant obstruction to urbanization because its restrictions on population movement within the country limits the free flow of labor, echoing the concerns raised during "Adapting to the Demographic Shift: Policy & Economic Impacts". Panelists argued that a fundamental reform of the household registration system is called for, a reform that would eventually lead to the abolition of the household registration system is called for, as the system does not fit the social and economic requirements for modern China. It is believed that once the system is abolished, more robust public social services will emerge.

The life expectations and needs of modern, educated urban dwellers are far more complex and fast to change than those of rural dwellers, who may have a complex and deeply rooted way of life that changes slowly and is to a large extent self-sufficient. Nothing illustrates the nature of urban life better than the high level of connectivity associated with it. Urban dwellers are more mobile, more attuned to media and cultural activities, and more involved with technologies such as the internet and mobile communication. China with its current urban population has established a leadership position in some of these technologies, measured by user base. Indeed, at this time of writing, China boasts 591 million internet users, largely concentrated in the cities, and nothing differentiates urban life in China more clearly than mobile connectivity.



Michael Antonovich  
Chairman  
MTA Board of Directors



Huang Haibo (Moderator)  
Anchor  
Phoenix TV



Fred Hu Zuliu  
Chairman  
Primavera Capital Group



Li Xiaolin  
Chairman  
China Power Internation



Laurent Malet  
Director  
EGIS



Neville Power  
CEO  
Fortescue Metals Group Limited



Zhang Xinqi  
Mayor  
Qingdao



Zhang Yue  
Chairman & President  
Broad Group

### "Quality of Urbanization" session key points

- Urbanization is not simply a process of population migration. It should complement the industrialization and modernization process.
- Urbanization requires a forward looking and scientific approach towards planning. It should also aim to maintain a city's diverse ecosystem.
- In the future, urbanization in China should look to alleviate pollution problems, and create intensive and low-carbon green cities.
- The household registration system in China poses a significant obstruction to urbanization, which should be reformed and ultimately abolished.

The importance and impact of IT, especially mobile IT, were explored in a session co-moderated by Wang Jianzhou, Former Chairman, China Mobile, and Ji Bin, Editor-in-chief, Outlook Weekly, entitled "Mobile Internet: the Sobering Side".

Panelists included Ken Gullicksen, Chief Operating Officer (COO), Evernote; Henry Han, Founder & CEO, Viva Mobile Media; Brian Hui, Vice President, Amazon China; Martin Lau, President, Tencent; Liu Qingfeng, Chairman, iFLYTEK Information Technology; Arthur Sulzberger, Jr, Chairman & Publisher, New York Times; Qi Ming, President, ZTE Corporation; Vijay Kumar Thadani, CEO, NIIT; and Wu Ying, Chairman, China Capital Group.

Mobile internet in a short period of time has brought tremendous and miraculous changes to public and private sectors, transforming the way we govern, work, and live. By the end of 2012, there were already 6.8 billion mobile phone users across the globe and it is expected that the number will continue to rise and reach 9.7 billion by 2017. With the commercialization of the 4G networks, even more users will be able to access the internet via their cell phones and other mobile devices.

Innovation in mobile internet is multi-fold, spanning software and hardware. It is transforming the mobile internet business which in turn is transforming the way in which business is being done through innovations in app stores, search engines, e-commerce, and social networks. Hardware innovation includes transforming the size and form of mobile devices,

where we are seeing new ground being broken with the adoption of flexible screens and even tiny projectors. Looking ahead from a technology perspective, we will likely see more exciting innovations in data transfer, computing, and user interfacing.

Given Asia has the largest population of any region in the world, the market potential is huge. The fact that only one of the four currently most widely used software applications comes from the US and the rest were all born in Asia signaled a possible reshuffling of global players in the telecom and social media industries, especially in the instant messaging segment.

As mobile internet evolves, there will be a race to enhance customer experience with higher speed and efficiency. A top priority for service providers has been and will continue to meet customer demands, supported by technology advancements including more variability in screens. Increasing data analytics capabilities is also expected to further expand market potential. Whereas e-commerce service providers currently make recommendations to visitors based mostly on their shopping, browsing, and search history, in the future they will likely be able to tap other sources of data such as micro-blogging and instant messaging, to make more targeted recommendations to users and create much more exciting business opportunities.

Panelists also had a discussion about certain debated commercial issues, for example on whether internet service providers (ISPs) should be charging extra fees on WeChat, a popular mobile instant messaging software. To date, internet provision has been strongly subsidized by governments around the world, and the distribution of costs and benefits is hotly debated. ISPs are fighting for more control over services and prices, while internet content providers (ICPs) want the "pipes" to remain wide open, neutral, and low cost. ISPs believe a charge is justifiable because of the heavy burden WeChat places on their networks and the cost incurred for them is much higher than the current service charge based on data traffic. In contrast, ICPs believe that software like WeChat creates huge demands for data services and substantial business growth for mobile network operators so they should not be imposing extra charges and undermining the current win-win business model.

The rise of instant messaging is posing increasingly higher demands on mobile networks, and the current dispute reflects an emerging problem caused by the exponential growth of mobile internet in many parts of the world. There was a consensus to optimize the software for efficient usage of data flow and that solutions will be found with the introduction and popularization of the 4G mobile networks.



#### "Mobile Internet: the Sobering Side" session key points

- The innovation of mobile internet is reflected in many aspects such as hardware and software.
- In the era of mobile internet, Asia has the opportunity to take the lead given the largest population and biggest market. Three of the four currently most popular instant messaging software programs were developed in Asia signaling the ascendancy of Asia in the mobile internet market. Asia also has the advantage of the largest population and biggest market.
- Mobile internet is redefining the way we live and work. The development of the mobile internet market will provide users with a variety of more efficient and faster experiences.

It is concluded that the review of discussions on society and culture with two very important topics that drew much attention at this year's Annual Conference - philanthropy, and values and integrity in modern society.

Bill Gates, Co-chair and Trustee, Bill & Melinda Gates Foundation, who is now equally renowned for his philanthropic contributions, had a dialogue entitled "Dialogue with Bill Gates: Investment for the Poor" with Zhou Wenzhong, Secretary General, BFA, about the work of the foundation that he and his wife have funded and now oversee. Using his foundation's program supporting the eradication of polio to illustrate, Bill Gates stressed the importance of such foundation

work as a complement to what governments and global organizations, like the World Health Organization, can accomplish with their own resources. What emerged from this talk was a clear idea of how business experience, along with corporate resources, can contribute to the solution of difficult global problems through efficient use of networks, resources, and commercial tools and insights.



Bill Gates  
Co-chair and Trustee  
Bill & Melinda Gates Foundation

### "Dialogue with Bill Gates: Investment for the Poor" session key points

- Innovation in technology is the key to improving the life of the poor.
- Investment in innovation can promote the development of a country economically and socially.
- China has the potential to play an even bigger role in the alleviation of poverty around the world.
- Entrepreneurs should apply to poverty alleviation the strategies and dedication that they apply to their business.

An evening session entitled "Philanthropy, CSR & Social Enterprise in Asia" was moderated by Elliott Donnelley, Chairman Emeritus, Philanthropy Workshop West. Panelists included Chen Feng, Chairman, HNA Group; Yan Cheung, Chairman, Nine Dragons Paper; Peggy Rockefeller Dulany, Chair, Synergos Institute; Arnaud Dupui-Casterets, CEO, Vae Solis; Feng Lun, Chairman, Vantone; John Luke, Chairman & CEO, MWV; and Wang Bing, Chairman, Aiyu Huaxia Charity Foundation.

While philanthropy is certainly not a new concept in China, the idea of philanthropy outside the family circle is still at a relatively nascent stage, although developments in recent years are encouraging. Managing philanthropic resources was primarily the work of the government less than a decade ago. About 80-90 percent of social donations were channeled through governmental foundations in recent years. Most of the non-governmental foundations are small-scale and struggling to survive. However, with the leadership of organizations such as One Foundation, Ai You Foundation, and Alashan Foundation, and with the support of enterprises, philanthropy in China is improving very fast.

Non-governmental organizations (NGOs) are a fast-growing force. They surpassed governmental philanthropy in the recent decade. According to Feng Lun, social funding of philanthropic work is only one-third lending and two-thirds outright donations. Governmental philanthropy has been challenged by operational and reputational issues. NGO foundations launched by enterprises and individuals are perceived more positively as having adopted efficient business models.

To some extent, traditional Chinese culture provides a foundation for philanthropy in China. Support of people in poverty or distress came from monasteries, family clans, and businessmen. Enterprises are increasingly attuned to the need for corporate social responsibility (CSR). It is a matter of public trust. Elliott Donnelley talked about the balance of investment and philanthropy. He thought people should first focus on social problems and contributions even at the expense of more profit. Enterprises gain much from the societies in which they operate, and they should shoulder responsibility in areas like environmental protection. However, when issues such as pollution are politically sensitive, it is sometimes problematic for enterprises to do all they would like to do.

The discussions of philanthropy necessarily drew attention to values in society, as did the sessions on education, urban life, and the environment - virtually all aspects of economic development that touch individuals. Every developing economy discusses values, often in consternation over trends such as what has been termed as the "value crisis", describing popular attention to the material aspects of life, including making more money, buying more things, and enjoying more leisure and pleasures. China, India, and other big populations in Asia have not been exceptions in this discussion. In fact, the race to wealth and



the great divide that exists through the uneven distribution of resources in fast-developing Asian societies results both from development policies and basic values in the society. Importantly, there is a wide-spread belief that countries in the midst of rapid demographic change, educational change, urbanization, and life-style changes do not have to abandon the value systems that have provided the cohesion of their civilization for centuries.

### "Philanthropy, CSR & Social Enterprise in Asia" session key points

- The development of China's social enterprises is still at the exploratory and struggling stage, generally featured with small-scale development, low-quality management, and small talent pool.
- China's philanthropy has developed rapidly in the private sector and has large room for improvement in private equity and social enterprises. Chinese philanthropy still has a lot of room for improvement, but the development in the last 10 years, especially the non-governmental philanthropy, is robust.
- In any society, everyone, whether the rich or the poor, can participate in philanthropy, the key is to do it with mind and heart.
- When developing their own business, enterprises should also benefit the community, care about the public interest, and aim to solve problems throughout their development. Enterprises need to separate profit earning and philanthropy to avoid mistrust from the public. Enterprises should also take the responsibility of environmental protection.

While religion plays both positive and negative roles in countries like India, religion in China has not played such a strong role in recent decades. But increasingly there is a talk of a resurgence of traditional philosophies like Confucian thought and religions like Chinese Buddhism. In a dialogue entitled "The Strength of Honesty and Integrity", featuring Master Hsing Yun, Founder, Buddha's Light International Association, along with Liu Changle, Chairman, Phoenix Satellite TV Holdings Limited, the critical nature of honesty and integrity, especially at this point in time in modern society when there are serious trust issues, was examined. Master Hsing Yun drew a parallel with sickness. At the same time that moral sickness is harder to cure than physical sickness, like some physical illnesses, it can spread and cause more widespread harm to society.

Master Hsing Yun told a provoking story to illustrate his opinion that a man of no honesty or integrity is a man of no value. Being honest has long been a part of Chinese culture. He gave his interpretation of several Chinese written characters: honesty (*cheng*, 诚), integrity (*xin*, 信), and reciprocity (*ren*, 仁). Many wise men over the course of time have attached great importance to honesty and integrity as the foundations of society, especially living by the same rules that we would seek others to live by. These points by Master Hsing Yun resonated deeply with the observations made by another panel in the session "Education vs Employment", showing how relevant value issues are to development.

Liu Changle expressed great concern about the deterioration of honesty and integrity in China and used for illustration the example of the Chinese referee who was removed from the official referee list of the World Cup. Dishonesty may be driven by political, economic, or social considerations. Liu Changle also shared his perspective on corruption in China, which he considered as the result of an immature business environment lacking mutual

trust. He expressed concern that the relationship between government and the people is being harmed by the pursuit of material over social wealth. When this occurs in government, it harms the relationship between the government and its people. Honesty is the foundation of social relationship, and self-discipline based on individual reflection and social discipline based on the social system are both key to a healthy society.

Following these observations, Master Hsing Yun explained the term sympathy (*ci'bei*, 慈悲) and how the Chinese characters mean kindness and compassion. People of sympathy practice the way regardless of whether those who receive their kindness are connected with them or not, because their philosophy is to treat everyone equally. He cited a recent news story about a young Chinese being accused by an elderly lady he tried to save. A man of true virtue should not give up doing good despite encountering difficulties, and should have the willpower to turn bad into good, dark into light, and a demon into a Buddha.



Master Hsing Yun  
Founder  
Buddha's Light International Association

Honesty and integrity are pivotal to the success or failure of many Asian family-run businesses, but the concept of a social contract based on honesty and integrity should be applied more widely, beyond the family. For example, a family-owned business that acknowledges and honors its social contract would decide succession based on the right talent rather than on family ties. This is a point that remarkably resembles the discussion in the session "Finding the Right One: Succession Plans of Family Businesses". The right business decision is also the right moral decision. Put another way, this kind of honest choice is pivotal to the sustainable success of the business.

Master Hsing Yun expressed his opinion that the Chinese Dream of happiness, safety, opportunities, justice, protection, and stability, like any dream, only has value if it can be realized. That takes a commitment to live by the same values that one expects to enjoy from others.

### "The Strength of Honesty and Integrity" session key points

- The lack of honesty and integrity is becoming more common and threatening the development of society as a whole.
- Honesty and integrity determine the value of one's life.
- Freedom from corruption is correlated to the long term economic and spiritual wealth of a country.
- Happiness, safety, justice, protection, and a sense of stability are all very important elements of the Chinese Dream, which the Chinese government must be able to provide its people.
- To reshape the honesty and integrity of today's society, "autonomy" and "heteronomy" are indispensable.

The diverse events that were grouped together in this report under Society and Culture illustrate the many important issues in play in today's fast-growing Asian countries. Reflecting on the Opening Plenary at the start of this year's Annual Conference, it is noted that the leaders who gave keynote speeches did not see economic development in isolation, nor as a good in itself, but rather as a necessary process that held as its final and most cherished goal the improvement of the lives of the people they led. It is for that reason that this year's Annual Conference emphasized "For All" in its main theme: "Asia Seeking Development for All: Restructuring, Responsibility & Cooperation". The topics of sustainability, stability, fairness, personal growth and opportunity, lifestyles, and values were frequently raised across the different formats for discussion - sessions, dialogues, and roundtables - and the cornerstone of discussion was always "For All".

# Conclusion

Well into its second decade, the BFA Annual Conference is a distinctive event in the calendars of many influential political leaders, business leaders, and thought leaders. For the same reason that time needs to be made to get to the conference in its established, secluded location on beautiful Hainan Island, the Annual Conference is exceptional for the quality time and environment it provides to participants once there to focus on important issues and to expand networks. The Annual Conference 2013 also introduced several new event formats providing participants with an expanded range of ways in which to engage with each other on topics relevant to them.

On the financial front, the world is perhaps more settled this year than it has been in previous years since the global financial crisis in 2008, but there are many uncertainties on the minds of leaders and people in all walks of life. Much of what was anticipated in discussions during the Annual Conference 2013, has continued to occupy the attention of leaders and the global media. While no new major crises have erupted, Europe remains engaged in talks to resolve the challenges of slow growth and burdensome sovereign debt. North America has maintained a steady pace of recovery, but employment and national debt issues have not been resolved significantly. In Asia, strong growth has generally continued, but the anticipated slowdown in China's growth rate is underway, and stresses in the banking system have appeared and commanded the attention of top leaders. Leaders of the major economies, including the US and China, have met in strategic dialogues to exchange views, seek resolution of critical issues and, importantly, to build trust and mutual understanding.

Many of these key challenges, like sovereign debt crises in key parts of the world, environmental degradation, and volatile energy and commodity prices, were consistently raised by the Annual Conference panelists and participants. Although they will remain unresolved for some time to come, the BFA Annual Conference reflects the shared concern around the world for achieving the goals expressed in the "For All" theme, which are a fairer and more sustainable distribution of the benefits of development among the nations of the world and among the people of every nation, and that this requires an integrated effort by political, business, and thought leaders - sectors all represented at the Annual Conference. This is what makes the Annual Conference so valuable.

The BFA Annual Conference has the distinction of being conducted at a level equivalent to other major well-established global meetings, while uniquely focusing on the world's fastest growing region. The organizers of the Annual Conference and the Board of Directors are strongly committed to supporting the continued role of the Annual Conference in making its unique contribution. This contribution is to achieve progress toward the analysis and solution of major problems in the world, through the Annual Conference's promotion of frank, open, and friendly conversations on these issues, through the strengthening of individual relationships and important networks, and through the platform it provides for deep and meaningful engagement of the key topics.

# Appendix 1: Boao Forum for Asia Annual Conference 2013 Program

## Friday, 5 April

Time	Events
07:00 - 22:00	<b>Registration</b> (Peilan Bridge Registration Center)
16:30 - 17:30	<b>BFA Board of Directors Meeting</b> (ICC, Level 1, Peacock IV)
17:45 - 18:45	<b>BFA General Members Meeting</b> (ICC, Level 1, Dong Yu Grand Ballroom A)
19:00 - 20:00	<b>Welcome Dinner for BFA Members and Partners</b> (BFA Hotel, 1st Floor, Symposium Restaurant) (BFA Members & Partners only)
19:00 - 20:00	<b>Buffet Dinner</b> (BFA Hotel, Le Mistral)
20:15 - 21:45	<p><b>BFA Members Club</b>  <b>Six Questions from Economists</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• Six Questions from global economists and the Boao Review magazine</li> <li>• On-site Q&amp;A between economists and BFA members</li> </ul> <p>Moderator: Zhang Yaqin, Corporate Vice President, Microsoft</p> <p>Panelists: Chen Feng, Chairman, HNA Group            Fred Hu Zulu, Chairman, Primavera Capital Group            Edmund Phelps, Nobel Prize Laureate (2006)            Zhang Weiyang, Professor of Economics, Peking University            Zhang Yue, Chairman &amp; President, Broad Group</p>
20:30 - 21:30	<b>BFA Council of Advisors Meeting</b> (ICC, Level 1, Peacock IV)

## Saturday, 6 April

Time	Events
07:00 - 22:00	<b>Registration</b> (Peilan Bridge Registration Center)
07:00 - 14:00	<b>BFA "New Fortune Cup" Golf Invitational 2013</b> (Dong Yu Island, BFA ICC Golf Club)
08:30 - 12:00	<b>BFA "Boao Le Cheng Cup" Bridge Invitational 2013</b> (Golden Coast Hot Spring Hotel, Level 1, Boao Room)
09:00 - 10:30	<p><b>Press Conference</b>  <b>Report on Small and Micro Business Financing Development: the Chinese Experience and Asian Paths</b>            (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <p>Moderator: Sun Bo, Co-President, Boao Review; President, Guiyang Daily Media Group</p> <p>Speaker: Ba Shusong, Deputy Director, Institute of Finance, State Council Development Research Center;            Chief Economist, China Banking Association</p> <p>Panelists: Yao Wang, Executive President, Institute of Boao Forum for Asia            Fred Hu Zulu, Chairman, Primavera Capital Group            Zhang Xuyang, General Manager, Retail Department, China Everbright Bank</p>
09:15 - 11:15	<p><b>Roundtable 1</b>  <b>Young Leaders Roundtable</b>  <b>Development for All: the Mission of Education</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>• Annual gathering of 30 young leaders in government, business, academia and media</li> <li>• Offer the young leaders' perspective and solution</li> </ul> <p>Moderator: Rui Chenggang, Director &amp; Anchor, China Central Television</p> <p>Commentators: Elaine L. Chao, 24th United States Secretary of Labor            Peggy Rockefeller Dulany, Chair, Synergos Institute            Ma Weihua, Executive Director, President &amp; CEO, China Merchants Bank            Zhang Yaqing, Corporate Vice President, Microsoft</p>



Time	Events
09:30 - 11:30	<p><b>Roundtable 2</b>  <b>Private Sector Roundtable</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <ul style="list-style-type: none"> <li>• Annual gathering of private sector leaders</li> <li>• Sum-up of the private sector growth in the past year</li> <li>• Challenges and solutions</li> </ul> <p>Moderators: Chris Lu, CEO, Deloitte China  James Chen, Managing Partner, National Clients &amp; Markets, Deloitte China</p> <p>Discussion Leaders: Bao Yujun, Chairman, China Private Sector Association  Li Jiange, Chairman, China International Capital Corporation  Neil Shen, Founding &amp; Managing Partner, Sequoia China Fund  Zhang Weiyong, Professor of Economics, Peking University</p>
09:30 - 11:30	<p><b>Closed-Door Meeting 1</b>  <b>China CEO Roundtable</b> (ICC, Level 1, Peacock 1) (Invitation Only)</p> <ul style="list-style-type: none"> <li>• Annual gathering of Asia-Pacific/China CEOs from 40 multinational corporations</li> <li>• Identify changes in the investment climate in China</li> <li>• Experience-sharing: investment and operation strategies</li> </ul> <p>Moderators: Chaly Mah, CEO, Asia Pacific, Deloitte Touche Tohmatsu Limited and CEO, Deloitte Southeast Asia  Ken Dewoskin, Director, Deloitte China Research and Insight Center</p> <p>Introduction by: Roger Dassen, Global Managing Director, Clients Services &amp; Talent,  Deloitte Touche Tohmatsu Limited</p>
11:45 - 13:00	<p><b>Luncheon Session 1</b>  <b>Dialogue with Elaine L. Chao</b> (BFA Hotel, Symposium)</p> <p>Moderator: Zhou Wenzhong, Secretary General, Boao Forum for Asia</p> <p>Speaker: Elaine L. Chao, 24th United States Secretary of Labor</p>
12:00 - 14:00	<p><b>Buffet Lunch</b> (BFA Hotel, Asiana Restaurant &amp; Le Mistral)</p>
15:00 - 16:00	<p><b>Boao Lecheng Press Conference</b> (Golden Coast Hot Spring Hotel, Level 1, Boao Room)</p> <p>Moderator: Rui Chenggang, Director &amp; Anchor, China Central Television</p>
13:15 - 14:45	<p><b>Boao Dialogue Series 1</b>  <b>The Strength of Honesty and Integrity</b> (BFA Hotel, Level 1, Oriental Theatre)</p> <p>Discussion leaders: Master Hsing Yun, Founder, Buddha's Light International Association  Liu Changle, Chairman, Phoenix Satellite TV Holdings Limited</p>
14:00 - 15:00	<p><b>Press Briefing by Hainan Province</b> (Golden Coast Hot Spring Hotel, Level 1, New Boao Room)</p>
15:00 - 15:30	<p><b>Handover Ceremony of Shanghai GM Official Vehicle for BFA</b> (ICC, South Gate Plaza)</p>
15:00 - 16:00	<p><b>Press Conference Hosted by Hainan Provincial People's Government on Boao Lecheng International Medical Tourism Pilot Zone</b> (Golden Coast Hot Spring Hotel, Level 1, Boao Room)</p>

Time	Events
15:15 - 16:30	<p><b>Session 1</b>  <b>Global Governance Reform and G20</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>G20 has been defined as the platform for global economic cooperation. However, its legitimacy will be compromised if its effectiveness and representation are in doubt. Furthermore, with the crisis fading away, conflicts of varied interests and policies will undermine its ability of global coordination.</li> <li>What can be expected from the G20 Summit in Russia?</li> </ul> <p>Moderator: Steve Howard, Secretary General, The Global Foundation</p> <p>Panelists: Craig Emerson, Minister for Trade and Competitiveness, Australia  Victor Fung, Chairman, Li &amp; Fung Group  Robert Hormats, Under Secretary of State, USA  Vuk Jeremić, President, 67th Session of the UN General Assembly  Long Yongtu, Former Vice Minister, MOFTEC  Mari Pangestu, Minister of Tourism and Creative Economy, Republic of Indonesia  Ksenia Yudaeva, Russian G20 Sherpa &amp; Chief, Presidential Experts' Directorate  Zhang Jun, Director General of International Economic Affairs, Ministry of Foreign Affairs, the People's Republic of China</p>
15:15 - 16:30	<p><b>Session 2</b>  <b>Debt Crisis: Who's Next?</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>Prospect of EU debt crisis</li> <li>Sovereign debt risk in US and Japan</li> <li>Debt risks in major emerging economies</li> <li>Hidden debt risks</li> <li>The next breaking point that might endanger global recovery?</li> </ul> <p>Chairman: Peter Costello, Former Treasurer, Commonwealth of Australia</p> <p>Panelists: Tom Byrne, Asia Pacific Head of Sovereign Risk, Moody's Investor Service  Hu Shuli, Publisher &amp; Editor-in-Chief, Caixin  Fred Hu Zulu, Chairman, Primavera Capital Group  Gary Parr, Vice Chairman, Lazard  Xiang Huaicheng, Former Minister of Finance  Zhang Qizuo, Deputy Secretary General, Globalization Cooperation Forum</p>
15:30 - 16:15	<p><b>Boao Dialogue Series 2</b>  <b>Justin Lin Yifu: New Structural Economics</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <p>Moderator: He Gang, Executive Editor-in-Chief, Caijing</p> <p>Speaker: Justin Lin Yifu, Former Senior VP/Chief Economist, World Bank Group</p>
16:00 - 18:00	<p><b>Roundtable 3</b>  <b>Health &amp; Tourism Roundtable</b> (Golden Coast Hot Spring Hotel)</p>
16:30 - 17:15	<p><b>Boao Dialogue Series 3</b>  <b>Dan Shechtman: Technological Entrepreneurship</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <p>Moderator: Yu Dahai, Member, Executive Board, Evonik Industries AG</p> <p>Speaker: Dan Shechtman, Nobel Prize Winner in Chemistry 2011, Israel</p>
16:30 - 18:30	<p><b>Roundtable 4</b>  <b>BFA Overseas Chinese Business Roundtable</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>Annual gathering of overseas Chinese business leaders within the framework of the Boao Forum for Asia</li> </ul>

Time	Events
16:45 - 18:00	<p><b>Session 3</b>  <b>Emerging Markets Losing Speed</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>• Underlying factors: intrinsic &amp; extrinsic</li> <li>• Responses of major emerging markets: Transforming the way out</li> <li>• South-South Cooperation: injecting momentum into global recovery</li> </ul> <p>Moderator: Song Lixin, President, Talent Magazine</p> <p>Panelists: Alan Buckle, Global Deputy Chairman, KPMG  Sergey Nikolaevich Katyrin, President of the Chamber of Commerce and Industry of the Russian Federation  Mari Pangestu, Minister of Tourism and Creative Economy, Republic of Indonesia  A. Didar Singh, Secretary General, FICCI, India  Zhang Xiaoqiang, Vice Minister, NDRC  Zhang Yuyan, Director, Institute of World Economy &amp; Politics, CASS</p>
16:45 - 18:00	<p><b>Session 4</b>  <b>Government vs Market</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• Return of the state: a makeshift response to crisis, or fundamental rethinking and redefining of government-market relationship?</li> <li>• Visible hand vs invisible hand: where does the boundary lie?</li> <li>• Role of the government in a transforming economy?</li> <li>• Path of reform: top-down or bottom-up?</li> </ul> <p>Moderator: Stephen Engle, Reporter, Bloomberg Television</p> <p>Panelists: Jean-Louis Beffa, Former CEO, Saint-Gobain; ,Director, Lazard Bank  Naina Lal Kidwai, President, FICCI; Country Head, HSBC India  Antony Leung, Chairman Greater China, Blackstone  Edmund Phelps, Nobel Prize Laureate (2006)  Thomas Piquemal, Chief Financial Officer, EDF  Xiang Bing, Founding Dean, Cheung Kong Graduate School of Business  Zhang Weiyang, Professor of Economics, Peking University</p>
18:15 - 19:45	<p><b>Dinner Session 1</b>  <b>Hong Kong SAR Dinner</b> (BFA Hotel, Level 2, the Pavilion) (Invitation Only)</p> <p>Moderator: Tony F. Chan, President, Hong Kong University of Science and Technology</p> <p>Speaker: Leung Chunying, Chief Executive, Hong Kong Special Administrative Region</p>
18:15 - 19:45	<p><b>Buffet Dinner</b> (BFA Hotel, Asiana Restaurant, Le Mistral &amp; Symposium)</p>
18:15 - 19:45	<p><b>Boao Dialogue Series 4</b>  <b>Dialogue with Bill Gates: Investment for the Poor</b> (BFA Hotel, Level 1, Oriental Theatre)</p> <p>Moderator: Zhang Laiwu, Vice Minister of Science and Technology</p> <p>Speaker: Bill Gates, Co-chair and Trustee, Bill &amp; Melinda Gates Foundation</p>
18:45 - 20:15	<p><b>Dinner Session 2</b>  <b>Hainan Province Dinner &amp; Industrial Parks Promotion</b> (Boao State Guesthouse, Villa 5, State Guest Hall) (Invitation Only)</p>

Time	Events
20:00 - 21:30	<p><b>Evening Talk 1</b>  <b>Philanthropy, CSR &amp; Social Enterprise in Asia</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• Define Social Enterprise in the Asian context: how it differs from philanthropy in the traditional sense and CRS?</li> <li>• Sustainable business models of a Social Enterprise</li> <li>• Funding and legal obstacles</li> </ul> <p>Moderator: Elliott Donnelley, Chairman Emeritus, Philanthropy Workshop West</p> <p>Panelists: Chen Feng, Chairman, HNA Group  Yan Cheung, Chairman, Nine Dragons Paper  Peggy Rockefeller Dulany, Chair, Synergos Institute  Arnaud Dupui-Casterets, CEO, VAE SOLIS  Feng Lun, Chairman, Vantone  John Luke, Chairman &amp; CEO, MWV  Wang Bing, Chairman, Aiyou Huaxia Charity Foundation</p>
20:00 - 21:30	<p><b>Roundtable 5</b>  <b>Opening Up &amp; Integration of the Automobile Industry</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <p>Moderators: Wu Weiqiang, Editor, Auto Week, China Youth Daily  Lin Lei, Founder, Co-President &amp; Joint CEO, SinoTrust</p> <p>Panelists: Dong Changzheng, Executive Vice President, Toyota Motor Investment Co., Ltd.  Hu Maoyuan, Chairman, SAIC Motor Corporation Limited  Li Feng, Executive Vice President, Beijing-Hyundai Motor Company  Joachim Rosenberg, Executive Vice President, Group Trucks, Sales &amp; Marketing and JVs APAC, The Volvo Group  Xu Heyi, Chairman, BAIC Group  Yao Yiming, Executive Vice President, Guangqi Honda Automobile Co., Ltd.  Ye Yongming, Vice President, SAIC Motor, President GM  Yin Tongyue, Chairman of the Board &amp; General Manager, Chery Automobile Co., Ltd.  Zhang Baolin, President, Chongqing Changan Automobile Co., Ltd.</p>
20:00 - 21:30	<p><b>Roundtable 6</b>  <b>Shale Gas: the Changing Landscape of Energy Security</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <ul style="list-style-type: none"> <li>• The Shale Gas Revolution in North America has greatly altered the landscape of energy supply. The United States overtook Russia as the largest producer of natural gas in 2009. Non-conventional energy, according to a more ambitious forecast, will account for 50% of its oil consumption by 2035.</li> <li>• Shale gas outside the US</li> <li>• Implications for tradition fossil fuels</li> <li>• Impact on wind, solar and bio-mass energies</li> </ul> <p>Moderator: Frank Ingriselli, Founder, President &amp; CEO, Pacific Energy Development</p> <p>Panelists: Mohamed H. Al-Mady, Vice Chairman &amp; CEO, SABIC  Emilio Lozoya Austin, CEO, Pemex  Yves-Louis Darricarrere, Executive Vice President, Total  Robert Hormats, Under Secretary of State, USA  Yogendra Kr. Modi, Chairman &amp; CEO, Great Eastern Energy Corporation Ltd.  G V Sanjay Reddy, Vice Chairman, GVK Power &amp; Infrastructure  Gao Zimin, Chairman, Shenzhen Energy Group  Margaret Ren, Country Executive and Chairman of China, Bank of America Merrill Lynch  David Sandalow, Assistant Secretary, Policy &amp; International Affairs, Department of Energy, the United States  Artem Volynets, CEO, EN+ Group  James Roland Williams, Former Chairman, Shell Australia  Zhang Guobao, Chairman, the Advisory Board, National Energy Commission  Zhang Yue, Chairman &amp; President, BROAD Group</p>
20:30 - 22:00	<b>FMG Cocktail Reception</b> (BFA Hotel, Symposium Restaurant, Balcony)
21:30 - 23:30	<b>Bank of America Merrill Lynch Jazz Night</b> (BFA Hotel, Level 2, Lobby Bar)

## Sunday, 7 April

Time	Events
10:00 - 11:30	<p><b>Opening Plenary</b> (ICC, Level 2, BFA Main Hall)</p> <p>Moderator: Zhou Wenzhong, Secretary General, Boao Forum for Asia</p> <p>Welcome Remarks: Yasuo Fukuda, Chairman, Boao Forum for Asia</p> <p>Keynote Speech: Xi Jinping, President, the People's Republic of China</p> <p>Speakers: Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan dan Yang Di-Pertuan, Brunei Darussalam Nursultan Abishevich Nazarbayev, President, the Republic of Kazakhstan U Thein Sein, President, Republic of the Union of Myanmar Sauli Niinistö, President, the Republic of Finland Enrique Peña Nieto, President, the United Mexican States Ollanta Moisés Humala Tasso, President, the Republic of Peru Michael Chilufya Sata, President, the Republic of Zambia Julia Eileen Gillard, Prime Minister, the Commonwealth of Australia Hun Sen, Prime Minister, Kingdom of Cambodia John Phillip Key, Prime Minister, New Zealand Abdelkader Bensalah, Speaker of the Council of Nation, the People's Democratic Republic of Algeria Zandaakhuu Enkhbold, Chairman, State Great Khural, Mongolia Vuk Jeremić, President, 67th Session of the United Nations General Assembly Christine Lagarde, Managing Director, IMF</p>
12:00 - 13:30	<p><b>Luncheon Session 2</b> <b>Hubei-Anhui-Jiangxi-Hunan: Forging a Cluster of Mid-Yangtze Cities</b> (BFA Hotel, Symposium) (Invitation Only)</p> <p>Speakers: Xu Shousheng, Party Secretary, Hunan Province Wang Guosheng, Governor, Hubei Province Lu Xinshe, Governor, Jiangxi Province Hua Jianhui, Vice Governor, Anhui Province Fan Hengshan, Director General, Regional Economy, NDRC</p>
12:30 - 14:00	<p><b>Buffet Dinner</b> (BFA Hotel, Asiana Restaurant and Le Mistral)</p>
14:00 - 15:00	<p><b>Session 5</b> <b>Africa: Rise of an Ancient Continent</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <p>Moderator: Robert Hawke, Former Prime Minister, Australia</p> <p>Speakers: Michael Chilufya Sata, President, the Republic of Zambia Abdelkader Bensalah, Speaker of the Council of Nation, the People's Democratic Republic of Algeria</p> <p>Panelists: Justin Lin Yifu, Former Senior VP/Chief Economist, World Bank Group Mourad Medelci, Minister, Foreign Affairs, the People's Democratic Republic of Algeria Michael Treschow, Chairman, Unilever Wei Jianguo, Former Vice Minister of Commerce, the People's Republic of China</p>
14:00 - 15:00	<p><b>Session 6</b> <b>Latin America: Transformation of the New Continent</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <p>Moderator: Jiang Sixian, Member of the Board, BFA</p> <p>Speakers: Ollanta Moisés Humala Tasso, President, the Republic of Peru Enrique Peña Nieto, President, the United Mexican States</p>

Time	Events
14:00 –15:15	<p><b>Boao Dialogue Series 5</b>  <b>Zhao Qizheng: Public Diplomacy &amp; Cross-Cultural Exchanges</b> (BFA Hotel, Level 1, Oriental Theatre)</p> <p>Moderator: Chen Yulu, President, People's University</p> <p>Panelists: Robert Lawrence Kuhn, Chairman, The Kuhn Foundation  Alistair Michie, Chairman, the 48 Group  Sun Ping, Peking Opera Performer  Yu Dan, Professor, Beijing Normal University  Zhao Qizheng, Former Minister, Information Office, State Council</p>
14:00 - 16:00	<p><b>Roundtable 7</b>  <b>Structural Reform: Revitalize the Core Competitiveness of EU</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>• There is no panacea for the European debt crisis. In pursuing fiscal austerity, which major structural reforms do the indebted countries need in order to revitalize the core competitiveness of EU?</li> <li>• Case study: German experience</li> <li>• European integration: moving forward or going back?</li> </ul> <p>Moderator: Jean-Pierre Raffarin, Vice-President of the Senate; former Prime Minister, France</p> <p>Speaker: Sauli Niinistö, President, the Republic of Finland</p> <p>Panelists: Laurent Burelle, Chairman &amp; CEO, Compagnie Plastic Omnium  Bernard Charles, President &amp; CEO, Dassault Systèmes  Enrique Baron Crespo, President, European Foundation for Information Society  Marie-Claire Daveu, CSO &amp; Head, International Institutional Affairs, PPR  Eelco Hoekstra, Chairman of the Executive Board &amp; CEO, Royal Vopak  Juan Inciarte, Executive Member of the Board of Directors, Group Senior EVP for Strategy, Banco Santander  Leif Johansson, Chairman, Ericsson  Emmanuel Limido, Chairman, Centuria Capital Group  Geoff Riddell, Member, Group Executive Committee, Regional Chairman, Asia-Pacific, Middle East &amp; Africa, Zurich Insurance Group Ltd.  Hans-Peter Sollinger, Member of the Voith Board of Management President &amp; CEO, Voith Paper  Jean-Pascal Tricoire, President &amp; CEO, Schneider Electric</p>
14:00 - 16:00	<p><b>Roundtable 8</b>  <b>Mobile Internet: the Sobering Side</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <ul style="list-style-type: none"> <li>• Mobile Internet has undoubtedly become the hot spot of the IT industry and the capital market. Mobile commerce, mobile payment, mobile healthcare, etc. are changing our life and out business. There, however, is a sobering side to all this.</li> <li>• Security of the mobile world</li> <li>• Privacy protection</li> <li>• Sustainable business models</li> <li>• Indigenous innovation vs overseas competition</li> </ul> <p>Moderators: Wang Jianzhou, Former Chairman, China Mobile  Ji Bin, Editor-in-chief, Outlook Weekly</p> <p>Panelists: Ken Gullicksen, COO, Evernote  Henry Han, Founder &amp; CEO, Viva Mobile Media  Martin Lau, President, Tencent  Liu Qingfeng, Chairman, iFLYTEK Information Technology  Arthur Sulzberger, Jr, Chairman &amp; Publisher, New York Times  Qi Ming, President, ZTE Corporation  Vijay Kumar Thadani, CEO, NIIT  Wu Ying, Chairman, China Capital Group  Brian Hui, Vice President, Amazon China  Zhang Yaqing, Corporate Vice President, Microsoft</p>

Time	Events
14:00 - 16:00	<p><b>Closed-Door Meeting 2</b>  <b>US-Asia Economic Relations Under the New Obama Administration</b> (ICC, Level 1, Peacock I)  (Invasion Only)</p> <ul style="list-style-type: none"> <li>• How will the General Election in the United States affect US-Asia economic relations and trade?</li> </ul> <p>Moderators: Rui Yang, Anchor, CCTV</p>
14:00 - 16:30	<p><b>Session 7</b>  <b>Fictitious Economy vs Real: The Balancing Art of Emerging Markets</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>• How shall emerging markets balance its fictitious economy vs the real?</li> <li>• Decoupling of the fictitious economy from the real</li> <li>• Re-booting the real economy: ways &amp; means</li> </ul> <p>Moderator: Stephen Groff, Vice President, Asian Development Bank</p> <p>Panelists: Roger Dassen, Global Managing Director, Clients, Services &amp; Talent, Deloitte Touche Tohmatsu Limited  Edmund Phelps, Nobel Prize Laureate (2006)  William Rhodes, Senior Advisor, CITI  Wendell Willkie II, Senior Vice President, MeadWestvaco  Zhang Yansheng, Secretary-general, Academic Committee, NDRC</p>
15:15 - 16:30	<p><b>Session 8</b>  <b>Quality of Urbanization</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• Speed and size will no longer be the sole focus of urbanization in many emerging economies. Quality of city life is now high on their agenda</li> <li>• The future of Asian cities</li> <li>• Green building, smart grid &amp; smart traffic</li> </ul> <p>Moderator: Huang Haibo, Anchor, Phoenix TV</p> <p>Panelists: Michael Antonovich, Chairman, MTA Board of Directors  Fred Hu Zulu, Chairman, Primavera Capital Group  Li Xiaolin, Chairman, China Power International  Laurent Malet, Director, EGIS  Neville Power, CEO, Fortescue Metals Group Limited  Zhang Xinqi, Mayor, Qingdao  Zhang Yue, Chairman &amp; President, BROAD Group</p>
16:30 - 18:30	<p><b>Roundtable 9</b>  <b>Investors Roundtable: The Changing Investment Landscape 2013</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>• Annual gathering of investors, including from the PE/VC industry</li> <li>• Investment hot spots in 2013 (by country, region and industry)</li> <li>• Changes in regulatory environment</li> </ul> <p>Moderator: Zhang Lifan, Associate Editor, Financial Times</p> <p>Panelists: Chris Barnes, CFO, Terra Firma Capital Partners  Anthony Bolton, President for Investments, Fidelity Investment Managers  Richard Daley, Former Mayor, Chicago  Gao Xiqing, Vice Chairman, President &amp; Chief Investment Officer, China Investment Corporation  Antony Leung, Chairman Greater China, Blackstone  Mark Machin, President, Asia, CPP Investment Board  David Marchick, Managing Director, The Carlyle Group  Xavier Marin, President &amp; CEO, Fondations Capital  Bill Owens, Executive Chairman, Prometheus Partners  Neil Shen, Founding &amp; Managing Partner, Sequoia China Fund  Zhang Yichen, Chairman &amp; CEO, CITIC Capital Holdings  John Zhao, CEO, Hony Capital &amp; Executive Vice President, Legend Holdings</p>

Time	Events
16:30 - 18:30	<p><b>Roundtable 10</b>  <b>Life Science Update 2013</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <ul style="list-style-type: none"> <li>• In the field of life science, what are the milestones in the latest achievements regarding prevention and treatment of major diseases? What are the current progresses and future trends?</li> <li>• How to accelerate the transformation of scientific and technological achievements to against the global challenges of critical diseases and ageing population?</li> <li>• The difficulties and motivations of industrializing the research achievements in the field of life science.</li> <li>• What are the opportunities when transforming life science and technology from traditional industrial large-scale service to personalized service? How to coordinate and balance traditional medical?</li> </ul> <p>Moderator: Li Chen, Co-Founder and CEO, Beijing iLife3 Technology Limited</p> <p>Panelists: Kenneth Cooper, Personal Physician of Former U.S. President George W. Bush  Massimo Dominici, Chairman, International Society for Cellular Therapy  Martin Evans, 2007 Noble Prize Laureate in Medicine  Robert Goldman, Chairman, World Anti-Aging Academy of Medicine  Robert Hawke, Former Prime Minister, Australia  Hu Bo, Chairman, Ciming Health Checkup Management Group Co., Ltd.  Li Defu, Founder, Zhongyuan Union Stem Cell Bio-Engineering Corporations  Ji Jiafu, Dean of the School of Oncology, Peking University; Vice President, Chinese Anti-Cancer Association  Ferid Murad, 1998 Noble Prize Laureate in Medicine  Pei Gang, Member of Chinese Academy of Sciences, President of Tongji University  Gary Rieschel, Founder &amp; Chief Partner, Qiming Venture Partners  Yang Xiangyang, Renowned biomedicine angel investor</p>
16:45 - 18:00	<p><b>Session 9</b>  <b>Consuming the Way Out</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>• Despite the consensus that export- and investment- led economies must move to consumption, it takes time to boost consumption as expected due to a great number of bottlenecks</li> <li>• Break bottlenecks: income distribution, social safety net, external conditions</li> <li>• Target the new generation of consumers</li> <li>• Consumer credit</li> </ul> <p>Moderator: Lu Chen, Anchor, Phoenix TV</p> <p>Panelists: Zein Abdalla, President, PepsiCo  Carlos Brito, CEO, Anheuser-Busch InBev  Lai Xiaomin, Chairman, China Huarong Asset Management Corporation  Li Jiange, Chairman, China International Capital Corporation  Ma Weihua, Executive Director, President &amp; CEO, China Merchants Bank  Sun Yiping, President, Inner Mongolia Mengniu Dairy (Group) Co., Ltd.  Michael Treschow, Chairman, Unilever  Junichi Ujiie, Senior Advisor, Former Chairman, Nomura Holdings Inc.</p>



Time	Events
16:45 - 18:00	<p><b>Session 10</b>  <b>Adapting to the Demographic Shift: Policy &amp; Economic Impacts</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• The session will examine demographic shifts and population policies in Japan, the US, India and China to illustrate the impact of such factors on economy.</li> <li>• Japan: Is demography the root cause of economic stagnation?</li> <li>• United States: Does immigration policy help?</li> <li>• India: benefiting from demographic dividend</li> <li>• China: moving into an ageing society</li> <li>• Rethinking population policies</li> </ul> <p>Moderator: Zhu Wenhui, Anchor, Phoenix TV</p> <p>Panelists: Dennis Bracy, CEO, US-China Clean Energy Forum  Kent Calder, Professor, John Hopkins University  Elaine L. Chao, 24th United States Secretary of Labor  Dai Xianglong, Chairman, National Council for Social Security Fund, China  Taizo Nishimuro, Advisor &amp; Former Chairman, Toshiba Corporation  Qin Shuo, Chief Editor, China Business News  A. Didar Singh, Secretary General, FICCI, India</p>
16:45 - 18:15	<p><b>Closed-Door Meeting 3</b>  <b>CEO Brainstorming: Global Investment Climate Update</b> (ICC, Level 1, Peacock I) (Invitation Only)</p> <p>Moderator: Nik Gowing, Presenter, BBC World News</p>
18:10 - 19:30	<p><b>BFA Welcome Dinner</b> (ICC, Level 2, BFA Main Hall) (Invitation Only)</p> <p>Moderator: Zhou Wenzhong, Secretary General, Boao Forum for Asia</p> <p>Welcome Remarks: Yasuo Fukuda, Chairman, Boao Forum for Asia  Hainan Provincial Leader</p>
19:40 - 20:40	<p><b>Boao Dialogue Series 6</b>  <b>Dialogue with Christine Lagarde</b> (BFA Hotel, Level 1, Oriental Theatre)</p> <p>Moderator: Zhou Wenzhong, Secretary General, Boao Forum for Asia</p> <p>Speaker: Christine Lagarde, Managing Director, IMF</p>
20:00 - 23:00	<p><b>Volvo Group Blue Night Reception</b> (Lobby Bar, Second Floor, BFA Hotel)</p>
20:50 - 22:20	<p><b>Roundtable 11</b>  <b>Industrial Hollowing-Out: the Way Forward</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>• Developed economies had been confronted with "Industrial Hollowing-Out" in one way or the other. Some emerging markets, due to rising labor/raw material costs and currency appreciation, have just felt the pain</li> <li>• Industrial Hollowing-Out: Not necessarily a bad thing</li> <li>• Learning from the experiences of advanced economies</li> <li>• Transformation or upgrading?</li> </ul> <p>Moderator: Ma Hongman, Anchor, CBN</p> <p>Panelists: Steve Ruey-Long Chen, Chairman, SINOCON Industrial  Dong Mingzhu, Chairman, Gree  Rajeev Dubey, President, Mahindra &amp; Mahindra  Jordan Hansell, Chairman and Chief Executive Officer, NetJets Inc.  Hu Zhenyu, Vice President, China Fortune Land Development Co., Ltd  Lee Yoon-woo, Executive Advisor &amp; Former CEO, Samsung Electronics  Lin Zuomin, Chairman, Aviation Industry Corporation of China  Ren Hongbin, Chairman, China National Machinery Industry Corporation  Song Hailiang, President, ZPMC  Wu Guodi, Chairman, China International Energy Group  Yuan Maozhen, Former Chairman, China Southern Power Grid</p>

Time	Events
20:50 - 22:20	<p><b>Roundtable 12</b>  <b>Education vs Employment</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <ul style="list-style-type: none"> <li>• One study by Nankai University concludes that university education should not be confused with vocational schools, but must be responsive to the call of labor market.</li> <li>• How should university distinguish itself from vocational school? What is the objective of university education?</li> <li>• In what way should university integrate the needs of labor market into its curricula?</li> </ul> <p>Moderator: John Hearn, Chief Executive, The Worldwide Universities Network</p> <p>Panelists: Sushma Berlia, Chancellor, Apeejay Stya University, India  Tony F. Chan, President, Hong Kong University of Science and Technology  Colin Dodds, President, Saint Mary's University  Gong Ke, President, Nankai University  Elliot Hirshman, President, San Diego State University  Jiang Xipei, Chairman, Far East Holding Group  Rosaline May Lee, Vice Chancellor, New York University  Michael Spence, Vice Chancellor, University of Sydney  Vijay Kumar Thadani, CEO, NIIT  Zhang Xinsheng, President, China Education Association for International Exchange; Executive Chairman, Eco-Forum Global  Zhu Minshen, Principal, Top Education Institute</p>

## Monday, 8 April

Time	Events
07:30 - 08:30	<p><b>Women Leaders Breakfast Meeting</b> (BFA Hotel, Level 2, the Pavilion) (Invitation Only)</p> <p>Moderator: Elliott Donnelley, Chairman Emeritus, Philanthropy Workshop West</p> <p>Speakers: Charlene Barshefsky, Former United States Trade Representative; Senior International partner, WilmerHale</p>
09:00 - 10:30	<p><b>Session 11</b>  <b>Overseas M&amp;A: Now, But where?</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• M&amp;A in a depressed time means low price and good terms. However, the uncertain future of the economy also poses challenges to the deal and after-M&amp;A management.</li> <li>• Finding the right target</li> <li>• After-M&amp;A management</li> <li>• M&amp;A: not the only way of "Going Out"</li> </ul> <p>Moderator: Jame Dibiasio, Editorial Director, Haymarket Financial Media</p> <p>Panelists: Robin Chambers, Co-Founder &amp; Senior Partner, Chambers &amp; Company International Lawyers  Margery Kraus, Founder &amp; CEO, APCO Worldwide  Ma Weihua, Executive Director, President &amp; CEO, China Merchants Bank  Dominic Ng, Chairman &amp; CEO, East West Bank  Wang Dongming, Chairman, Citic Securities Co., Ltd.  Zhang Hongli, Vice President, Industrial &amp; Commercial Bank of China  John Zhao, CEO, Hony Capital &amp; Executive Vice President, Legend Holdings</p>

Time	Events
09:00 - 10:30	<p><b>Session 12</b>  <b>China's Reform Agenda</b> (ICC, Level 1, Dong Yu Grand Ballroom D)</p> <ul style="list-style-type: none"> <li>Looking back at the structural reforms driving the 30-odd years of high-speed growth in China</li> <li>2013 and beyond: Necessary and urgent reforms China needs to undertake.</li> </ul> <p>Moderator: Rui Yang, Anchor, CCTV</p> <p>Panelists: Charlene Barshefsky, Former United States Trade Representative; Senior International partner, WilmerHale  Fan Gang, President, National Economic Research Institute, China  Martin Jacques, Professor, London School of Economics  Justin Lin Yifu, Former Senior VP/Chief Economist, World Bank Group</p> <p>Commentators: Laurence Brahm, Author &amp; Lawyer  Robert Lawrence Kuhn, Chairman, The Kuhn Foundation</p>
09:00 - 10:30	<p><b>Roundtable 13</b>  <b>Small is Beautiful: SME Roadmaps to Success</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>The Roundtable will invite 15 outstanding SMEs to share their growth stories, experiences and lessons.</li> <li>SME: To be the leader on a niche market</li> <li>Innovation and entrepreneurship</li> <li>Talent and funding strategies</li> </ul> <p>Moderator: He Zhenhong, President, China Entrepreneur Magazine</p> <p>Panelists: Gilles Barissat, CEO, EUROEXPO  Sushma Berlia, Chancellor, Apeejay Stya University, India  Chris Fraser, CEO, Sirius Minerals  Patrick Foo, Head of CBT, PayPal China  Gao Jifan, Chairman, TrinaSolar  Amy Gu, General Manger, Evernote  Han Ding-gwo, Chairman, Symbiosisco Inc  Li Zibing, President, China Association of SMEs  Emmanuel Limido, President &amp; CEO, Centuria Capital  Gary Rieschel, Founder &amp; Partner, Qiming Venture Partners  Xu Jianguang, Chairman, Oulin Group</p>
09:00 - 09:45	<p><b>Boao Dialogue Series 7</b>  <b>Bernard Charles: 3D Technology</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <p>Moderator: Wang Haofeng, General Manager, Greater China, Dassault Systèmes</p> <p>Speaker: Bernard Charles, President &amp; CEO, Dassault Systèmes</p>
09:00 - 10:30	<p><b>Closed-Door Meeting 4</b>  <b>Where to Export?</b> (ICC, Level 1, Peacock I) (Invitation Only)</p> <ul style="list-style-type: none"> <li>Exporters have had a hard time since 2008, more so today given an uncertain and less hopeful future of the world economy.</li> <li>Innovation, transformation or upgrading?</li> <li>Finding new markets</li> <li>Target consumers at home</li> </ul> <p>Moderator: Johnson Chng, Managing Director, A T Kearney</p> <p>Discussion Leaders: Zhou Hanmin, Vice Chair, Shanghai Municipal Committee of CPPCC</p>

Time	Events
10:45 - 12:15	<p><b>Session 13</b>  <b>Global Recovery: Paths and the Role of Asia</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>• New growth points</li> <li>• New balance</li> <li>• Key industry drivers of global recovery and bottlenecks</li> <li>• The new role of Asia</li> </ul> <p>Moderator: Zhang Yansheng, Secretary-general, Academic Committee, NDRC</p> <p>Speaker: Zeng Peiyan, Former Vice Premier, China</p> <p>Panelists: Richard Boucher, Deputy Secretary General, OECD  Stephen Groff, Vice President, Asian Development Bank  Jin Liqun, Chairman, Supervisory Board, China Investment Corporation  Gary Locke, US Ambassador to China; Former Secretary of Commerce  Sachin Pilot, Minister for Corporate Affairs, India  Zheng Xiaosong, Assistant Minister of Finance, China</p>
10:45 - 12:15	<p><b>Session 14</b>  <b>Rethinking the Monetary Policy</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• "Loose money" has become the prevalent policy choice for many central banks, which, however, has not worked well on investment and consumption. Are we on the verge of a liquidity trap?</li> <li>• Excessive liquidity pumped by advanced economies has put emerging markets in a dilemma: dealing with inflation and asset bubbles on one hand, and curbing economic decline on the other. What are the policy tools available for emerging economies?</li> <li>• How should emerging markets respond to the risk of liquidity trap?</li> </ul> <p>Moderator: Nik Gowing, Presenter, BBC World News</p> <p>Panelists: Fred Hu Zulu, Chairman, Primavera Capital Group  Li Ruogu, Chairman &amp; President, The Export-Import Bank of China  Toshiro Mutoh, Chairman, Daiwa Institute of Research Former Deputy Governor, Bank of Japan  Paul Sheard, Executive Managing Director, Chief Global Economist &amp; Head of Global Economics and Research, Standard &amp; Poor's</p>

Time	Events
10:45 - 12:15	<p><b>Roundtable 14</b>  <b>Food Security: the Asian Solution</b> (ICC, Level 1, Dong Yu Grand Ballroom C)</p> <ul style="list-style-type: none"> <li>• The world population is expected to increase from 7 billion today to 9.3 billion in 2050. Half of the growth comes from Asia.</li> <li>• In the next 40 years, global food demand will go up by 70%.</li> <li>• Food security: Challenges and Responses</li> <li>• Policy incentive and Technology Advances</li> <li>• International trade</li> <li>• The Role of Enterprises</li> <li>• Millennium Development Goal and Poverty Alleviation</li> <li>• International Cooperation</li> </ul> <p>Chairman: Niu Dun, Vice Minister of Agriculture, China</p> <p>Panelists: Zein Abdalla, President, PepsiCo  Stephen Badger, Chairman, Mars, Incorporated  Chen Zhangliang, Vice Governor, Guangxi Autonomous Region  Chen Zhirong, Vice Governor, Hainan Province  Han Changfu, Minister of Agriculture, China  Alejandro Jara, Deputy Director-General, WTO  Yukol Limlamthong, Minister of Agriculture and Cooperatives, Thailand  Russell Scrimshaw, Chairman, Sirius Minerals  Wendell Willkie II, Senior Vice President, MeadWestvaco  Yu Xubo, President, COFCO  Yuan Longping, Academician, China Academy of Engineering  Zhang Yuxi, Chairman, Xinfadi Farm Product</p>
12:30 - 14:00	<p><b>Luncheon Session 3</b>  <b>Dialogue with George Soros</b> (BFA Hotel, Symposium)</p> <p>Moderator: Wang Boming, Editor-in-Chief, Caijing</p> <p>Speaker: George Soros, Chairman, Soros Fund Management</p>
12:30 - 14:00	<p><b>Luncheon Session 4</b>  <b>The Stalled Doha</b> (BFA Hotel, Level 2, the Pavilion)</p> <ul style="list-style-type: none"> <li>• The Doha Round seems to have been "forgotten" as countries turn to various bilateral, sub-regional and regional free trade arrangements</li> <li>• Will bilateral and regional FTAs threaten or supplement the multilateral approach as represented by the Doha Round?</li> <li>• The next step of the Doha Round</li> </ul> <p>Moderator: Deborah Kan, Executive Producer, Wall Street Journal</p> <p>Panelists: Charlene Barshefsky, Former United States Trade Representative; Senior International partner, WilmerHale  Alejandro Jara, Deputy Director-General, WTO  Yu Jianhua, Assistant Minister of Commerce, the People's Republic of China</p>

Time	Events
14:30 - 16:00	<p><b>Session 15</b>  <b>Deregulating the Financial Industry</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>• Some argue that deregulation is the top priority and prerequisite of China's financial reform.</li> <li>• Interest rate liberalization</li> <li>• Opening up to the private sector</li> <li>• Universal banking</li> </ul> <p>Moderator: Wang Boming, Editor-in-Chief, Caijing</p> <p>Panelists: Anthony Bolton, President for Investments, Fidelity Investment Managers  Gerry Grimstone, Chairman, Standard Life, UK  Wang Yincheng, President, PICC Property and Casualty  Rodney Ward, Chairman of Global Corporate and Investment Banking, Bank of American Merrill Lynch  Zhang Dongning, Vice President, Bank of Beijing</p>
14:30 - 16:00	<p><b>Session 16</b>  <b>Finding the Right One: Succession Plans of Family Businesses</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <ul style="list-style-type: none"> <li>• Smooth transition of power from founders to successors</li> <li>• Succession plan</li> <li>• Professional manager vs family heir</li> <li>• Corporate governance in family firms</li> <li>• Case study</li> </ul> <p>Moderator: Anthony Yuen, Chief Commentator, Phoenix Satellite TV</p> <p>Panelists: Bao Yujun, Chairman, China Private Sector Association  Kent Calder, Professor, John Hopkins University  Elliott Donnelley, Chairman Emeritus, Philanthropy Workshop West  Jiang Xipei, Chairman, Far East Holding Group  Liu Donghua, Founder, ZH Island  K.K. Modi, Past President, FICCI; Chairman, Modi Enterprises  Daniel M. Tsai, Chairman, Fubon Financial Holding Co., Ltd  Wang Jingbo, Chairwoman and CEO, Noah Holdings Limited</p>
14:30 - 16:30	<p><b>Closed-Door Meeting 6</b>  <b>Media Leaders Roundtable: The China Story in 2013</b> (ICC, Level 1, Dong Yu Grand Ballroom D)  (Invitation Only)</p> <ul style="list-style-type: none"> <li>• Annual gathering of 20 media leaders in Boao</li> <li>• Last year, the world's main interest in China was related to the political transition. What is the China Story for media domestically and around the world this year?</li> </ul> <p>Moderator: Zhang Lifen, Associate Editor, Financial Times</p>
16:00 - 18:00	<p><b>Roundtable 15</b>  <b>BFA Cross-Straits Business Roundtable</b>  <b>To Deepen and Consolidate Cooperation Between the Enterprises on Both Sides of the Taiwan Straits: Strategy, Methods and Modes</b> (BFA Hotel, Level 2, the Pavilion)</p> <ul style="list-style-type: none"> <li>• In the process of the continuous development of cross-Taiwan-Straits economic ties, what are the cooperation problems and challenges that enterprises on both sides of the Taiwan Straits are facing? How do the enterprises make good use of the peaceful development of cross-Straits relations, carry out diversified and in-depth cooperation, jointly expand mainland China market and open world market, and create a win-win scenario?</li> </ul> <p>Co-chairs: Dai Xianglong, Chairman, National Council for Social Security Fund  Fredrick F Chien, Senior Advisor, Cross-Strait Common Market Foundation</p>

Time	Events
16:30 - 18:00	<p><b>Session 17</b>  <b>Curbing Property Market the Right Way?</b> (ICC, Level 1, Dong Yu Grand Ballroom A)</p> <ul style="list-style-type: none"> <li>• The exorbitant property price has apparently pushed up the cost of Chinese economy to a dangerous level and dampened its competitiveness. This partly explains why the government is so determined to curb the market with a heavy hand.</li> <li>• Is the government giving right prescriptions and addressing the root causes of property bubble?</li> </ul> <p>Moderator: Lu Xiaoming, Chief Analyst, Xinhua New Agency</p> <p>Panelists: Pan Shiyi, Executive Chairman, SOHO China Ltd  Qin Hong, Director, Policy Research Center, Ministry of Housing  Ren Zhiqiang, Chairman, Huayuan Group  Wang Yijiang, Deputy Dean, Cheung Kong Graduate School of Business</p>
16:30 - 18:00	<p><b>Session 18</b>  <b>Boao Cultural Forum</b> (ICC, Level 1, Dong Yu Grand Ballroom B)</p> <p>Moderator: James Su, Chairman, Chinese American Film Festival</p> <p>Panelists: Richard Anderson, Director, Screenwriter, Sound Designer, USA  Lu Chuan, Film Director, Chuan Productions  Andrew Morgan, President, Ruddy Morgan Organization  Dennis Wang, President &amp; CEO, Huayi Brothers Media Co., Ltd.  Zhang Jizhong, Producer</p>
18:00 - 18:30	<p><b>Press Conference</b> (ICC, Level 1, Peacock I)</p>
19:00 - 21:00	<p><b>Boao Cultural Evening &amp; Closing Gala</b> (ICC, Level 2, BFA Main Hall)</p>

# Appendix 2: Opening Plenary speeches

## **Fukuda Yasuo, Chairman, Boao Forum for Asia**

Your Excellency, President Xi Jinping of the People's Republic of China, Your Excellencies, distinguished guests. At the opening of the Boao Forum for Asia we have got great support from the participating countries. Here I wish to thank you all. This is the 12th year for the Boao Forum for Asia. Over the past 12 years the Forum has played an important role in enhancing exchanges between Asian countries and the rest of the world. At this year's opening ceremony we have over ten world leaders. We have also attracted the attendance of business leaders from around the world. I look forward to seeing this Forum play a positive role in promoting mutual understanding between us. Attending this year's Forum we have many foreign business leaders. Over the years, they have played a big role in enhancing the mutual understanding between the countries they represent. Business leaders have always been the main players in our Forum. Two-thirds of the total participation are business leaders.

I hope that during this year's annual conference you will have in-depth discussions and share your wisdom, this is what the Boao Forum for Asia is all about. This is also the appeal and spirit of the Boao Forum for Asia. Under the current global economic climate, pursuit of one nation's interests can no longer be the option of countries. We need to join hands to cope with the crisis facing us and pursue common development. The business community has been pursuing innovation. This is our responsibility. Without a sense of responsibility we cannot achieve any success. There is a buzz word in China: positive energy. That is, we need to spend our energy where it is most needed and to gain the motivation for moving ahead. So this is the very purpose of our Forum. We hope that our Forum can be the source of this kind of positive energy. Thank you.

## **Xi Jinping, President, the People's Republic of China**

### **Working Together Toward a Better Future for Asia and the World**

Your Excellencies Heads of State and Government,

Speakers of Parliament,

Heads of International Organizations,

Ministers,

Members of the Board of Directors of the Boao Forum for Asia, Distinguished Guests,

Ladies and Gentlemen,

Dear Friends,

In this balmy season with clear sky and warm, coconut-scented breeze, I am so glad to meet all of you at the Annual Conference 2013 of the Boao Forum for Asia here in Hainan, a picturesque island embraced by the vast ocean.

Let me begin by extending, on behalf of the Chinese government and people and also in my own name, heartfelt welcome to you and warm congratulations on the opening of the Annual Conference of the Boao Forum.

In the past 12 years since its birth, the Boao Forum for Asia has become an important forum with growing global influence. In the Chinese culture, 12 years form a zodiac cycle. In this sense, the Boao Forum has reached a new starting point and I hope it will scale an even greater height.

The theme of the current annual conference, namely, "Asia Seeking Development for All: Restructuring, Responsibility and Cooperation", is a highly relevant one. I hope you will engage in an in-depth discussion on promoting development in Asia and beyond and thus contributing, with your vision and commitment, to peace, stability and prosperity in Asia and the world at large.

The world today is experiencing profound and complex changes. Countries have become increasingly inter-connected and inter-dependent. Several billion people in a large number of developing countries are embracing modernization. The trend of the times, namely, peace, development, cooperation and mutual benefit, is gaining momentum.

On the other hand, our world is far from peaceful. Development remains a major challenge; the global economy has entered a period of profound readjustment, and its recovery remains elusive. The international financial sector is fraught with risks, protectionism of various forms is on the rise, countries still face many difficulties in adjusting economic structure, and the global governance mechanisms call for improvement. Achieving common development for all countries remains an uphill battle.

Asia is one of the most dynamic and most promising regions in the world, and its development is closely connected with the development of other continents. The Asian countries have energetically explored development paths suited to their national conditions and greatly boosted global development through their own development. Working side by side with the rest of the world in time of difficulty to tackle the international financial crisis, Asia has emerged as an important engine driving world economic recovery and growth. In recent years, Asia has contributed to over 50% of global growth, instilling much needed confidence in the world. What is more, Asia's cooperation with other regions of the world at regional and sub-regional levels has great vitality and promising prospects.



But we should also be keenly aware that Asia still faces many difficulties and challenges in boosting both its own development and joint development with other regions. The road ahead remains a bumpy and twisted one.

Asia needs to transform and upgrade its development model in keeping with the trend of the times. Sustaining development is still of paramount importance to Asia, because only development holds the key to solving major problems and difficulties it faces. It is important that we should shift the growth model, adjust the economic structure, make development more cost effective and make life better for our people.

We need to make concerted efforts to resolve major difficulties to ensure stability in Asia. Stability in Asia now faces new challenges, as hotspot issues keep emerging, and both traditional and non-traditional security threats exist. The Asian countries need to increase mutual trust and work together to ensure durable peace and stability in our region.

We need to build on past success and make new progress in promoting cooperation in Asia. There are many mechanisms and initiatives for enhancing cooperation in Asia, and a lot of ideas on boosting such cooperation are being explored by various parties. What we need to do is to enhance mutual understanding, build consensus, and enrich and deepen cooperation so as to strike a balance among the interests of various parties and build mechanisms that bring benefits to all.

Ladies and Gentlemen,

Dear Friends,

Mankind has only one earth, and it is home to all countries. Common development, which is the very foundation of sustainable development, serves the long-term and fundamental interests of all the people in the world. As members of the same global village, we should foster a sense of community of common destiny, follow the trend of the times, keep to the right direction, stick together in time of difficulty and ensure that development in Asia and the rest of the world reaches new highs.

First, we should boldly break new ground so as to create an inexhaustible source of power for boosting common development. Over the years, many countries and regions have developed a lot of good practices in maintaining stability and promoting growth. We should continue such practices. However, nothing in the world remains constant, and as a Chinese saying goes, a wise man changes as time and event change. We should abandon the outdated mindset, break away from the old confines that fetter development and unleash all the potential for development. We should redouble efforts to shift the growth model and adjust the economic structure, raise the quality of development and make life better for the people. We should steadily advance the reform of the international economic and financial systems, improve global governance mechanisms and provide support to sound and stable global economic growth. Asia, with its long-standing capacity for adjusting to change, should ride on the waves of the times and make changes in Asia and global development reinforce and benefit each other.

Second, we should work together to uphold peace so as to provide security safeguard for boosting common development. Peace is the ever-lasting wish of our people. Peace, like air and sunshine, is hardly noticed when people are benefiting from it. But none of us can live without it. Without peace, development is out of the question. Countries, whether big or small, strong or weak, rich or poor, should all contribute their share to maintaining and enhancing peace. Rather than undercutting each other's efforts, countries should complement each other and work for joint progress. The international community should advocate the vision of comprehensive security, common security and cooperative security so as to turn our global village into a big stage for common development, rather than an arena where gladiators fight each other. And no one should be allowed to throw a region and even the whole world into chaos for selfish gains. With growing interaction among countries, it is inevitable that they encounter frictions here and there. What is important is that they should resolve differences through dialogue, consultation and peaceful negotiations in the larger interest of the sound growth of their relations.

Third, we should boost cooperation as an effective vehicle for enhancing common development. As we often say in China, a single flower does not make spring, while one hundred flowers in full blossom bring spring to the garden. All countries in the world are closely linked and share converging interests. They should both pool and share their strengths. While pursuing its own interests, a country should accommodate the legitimate concerns of others. In pursuing their own development, countries should promote the common development of all and expand common interests among them. We should enhance South-South cooperation and North-South dialogue, promote balanced development of the developing and developed countries and consolidate the foundation for sustaining stable growth of the global economy. We need to work vigorously to create more cooperation opportunities, upgrade cooperation, and deliver more development dividends to our people and contribute more to global growth.

Fourth, we should remain open and inclusive so as to create broad space for enhancing common development. The ocean is vast because it admits hundreds of rivers. We should respect the right of a country to independently choose its social system and development path, remove distrust and misgivings and turn the diversity of our world and difference among countries into dynamism and driving force for development. We should keep an open mind, draw upon development practices of other continents, share development resources and promote regional cooperation. During the first decade and more of the new century, trade within Asia has increased from 800 billion U.S. dollars to 3 trillion U.S. dollars, and its trade with other regions has grown from 1.5 trillion U.S. dollars to 4.8 trillion U.S. dollars. This shows that cooperation in Asia is open and it goes hand in hand with Asia's cooperation with other regions, and everyone has benefited from such cooperation. Asia should welcome non-Asian countries to

play a constructive role in ensuring stability and development of the region. Likewise, the non-Asian countries should respect Asia's diversity and its long-standing tradition of cooperation. This will create a dynamic environment in which Asia and other regions enjoy mutually reinforcing progress.

Ladies and Gentlemen,

Dear Friends,

China is an important member of the Asian family and the global family. China cannot develop itself in isolation from the rest of Asia and the world. On their part, the rest of Asia and the world cannot enjoy prosperity and stability without China.

In November last year, the Communist Party of China held its 18th National Congress, which drew the blueprint for China's development in the years to come. The main goals we set for China are as follows: By 2020, China's GDP and per capita incomes for urban and rural residents will double the 2010 figures, and the building of a moderately prosperous society in all respects will be completed. By the mid-21st century, China will be turned into a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious; and the Chinese dream, namely, the great renewal of the Chinese nation, will be realized. Looking ahead, we are full of confidence in China's future.

On the other hand, we are aware that China remains the world's largest developing country, and it faces many difficulties and challenges on its road to progress. We need to make relentless efforts in the years ahead to deliver a better life to all our people. We are unwaveringly committed to reform and opening up, and we will concentrate on the major task of shifting the growth model, focus on running our own affairs well and make continued efforts to boost the socialist modernization drive.

As a Chinese saying goes, neighbors wish each other well, just as loved ones do to each other. China will continue to promote friendship and partnership with its neighbors, consolidate friendly ties and deepen mutually beneficial cooperation with them and ensure that its development will bring even greater benefits to its neighbors.

China will vigorously promote development and prosperity in both Asia and the world. Since the beginning of the new century, China's trade with its neighbors has grown from 100 billion U.S. dollars and more to 1.3 trillion U.S. dollars. China has become the largest trading partner, the biggest export market and a major source of investment of many of these countries. China's interests have never been so closely connected with those of the rest of Asia and the world in both scope and depth. Going forward, China will maintain robust growth momentum. Its domestic demand, particularly consumption-driven demand, will continue to grow, and its outbound investment will increase substantially. It is projected that in the coming five years, China's import will reach some 10 trillion U.S. dollars, its outbound investment will reach 500 billion U.S. dollars and the number of its outbound tourists may well exceed 400 million. The more China grows itself, the more development opportunities it will create for the rest of Asia and the world.

We are firm in our resolve to uphold peace and stability in Asia and the world. Knowing too well the agonizing sufferings inflicted by war and turbulence, the Chinese people deeply cherish peace. China will continue to develop itself by securing a peaceful international environment and, at the same time, uphold and promote world peace through its own development. China will continue to properly handle differences and frictions with relevant countries. On the basis of firmly upholding its sovereignty, security and territorial integrity, China will maintain good relations with its neighbors and overall peace and stability in our region. China will continue to play a constructive role in addressing regional and global hotspot issues, encourage dialogue and talks for peace, and work tirelessly to solve the relevant issues properly through dialogue and negotiations.

We will energetically promote regional cooperation in Asia and around the world. China will increase connectivity with its neighbors, actively explore the building of a regional financing platform, advance economic integration within the region and thus increase its competitiveness. China will take an active part in Asia's regional cooperation process and promote regional and sub-regional cooperation with non-Asian regions and countries. China will continue to champion and promote trade and investment liberalization and facilitation, step up bilateral investment with other countries and boost cooperation in new priority areas. China firmly supports Asia's opening up to and cooperation with other regions so as to promote their common development. China is committed to narrowing the North-South gap and supports other developing countries in their efforts to enhance capacity for self development.

Ladies and Gentlemen,

Dear Friends,

Promoting good neighborliness is a time-honored tradition of China. To enhance peaceful development and win-win cooperation in Asia and the world is a race that has one starting point after another and knows no finishing line. We in China are ready to join hands with friends from across the world in a concerted effort to create a bright future for both Asia and the world and bring benefit to the Asian people and the people around the world.

In conclusion, I wish the Boao Forum for Asia Annual Conference 2013 every success!

## **Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan dan Yang Di-Pertuan, Brunei Darussalam**

### **Global Challenges Demand Concerted Action**

Firstly, I would like to once again offer my congratulations to His Excellency Xi Jinping on his appointment as President of the People's Republic of China, and my thanks to him for his kind invitation.

I have visited China many times, and have never failed to be impressed by the overall development of the country. I am confident that under President Xi Jinping's leadership, China will make further strides towards economic prosperity, progress, and development.

I congratulate the organizers of this forum for choosing a very apt topic for our region, as we work together to seek development for all in Asia.

Most of Asia has managed to recover well from the global financial crisis. We are fortunate that Asia's continued success has increasingly been powered by China's economic engine of growth, which in turn contributes to the recovery of the global economy as a whole. And all the success has brought Asia to the forefront of global progress.

We will no doubt continue to face new challenges as uncertainty continues to cloud the global economic climate. These global issues call for a global response, making the Boao Forum an invaluable platform for sharing ideas on how we can address these issues.

As the world becomes more and more connected, this success will contribute to a greater good in the global arena. We all share a connected responsibility in shaping a successful future. As nations strive to grow closer together, we are bound to face competing political and economic interests, and this will force a test of our resort for partnership and harmony. Among the issues which Asia and the world at large will be facing are climate change, global health, and poverty alleviation, all of which demand concerted action.

As part of Asia, ASEAN has a role to play in promoting peace and greater collaboration among our nations.

As the Chair of ASEAN for 2013, our theme this year is "Our People, Our Future Together." The founders understood that open conflict would endanger development prospects of their countries, and thus, committed to refrain from the use of force.

This commitment remained the bedrock of the member states and ensured that in the 45 years of the Association's existence disagreement did not escalate into wars.

The ASEAN approach of cooperation and diplomacy is further reflected by its dynamic and inclusive in its community-building efforts which are mirrored in our work with dialogue partners in the ASEAN Regional Forum, the ASEAN + 3 Framework, and the East Asia Summit.

Being inclusive also entails expanding and deepening our cooperation with other forums. For example, this June, Brunei Darussalam will host a joint humanitarian and military medicine exercise between the ASEAN nations, and partners including China, Japan, and the United States. This will not only enhance our capabilities in times of crises but also build confidence and understanding between our servicemen and women.

In the realm of International finance, after the 1997 financial crisis, ASEAN along with China, Japan, and South Korea built regional financial architecture to ensure great stability. This effort is a reflection of the commitment to each other and the understanding that our futures are tied together.

In international trade, ASEAN continues to work on the establishment of a single market by 2015. We will also form the world's largest free trade area, the Regional Comprehensive Economic Partnership with our dialogue partners. Our collaborative efforts must also plan for the distant future, and our youth is our future. They will inherit the world we are building for them. They should be equipped with the wisdom and a mindset of cooperation and inclusiveness.

Working together in addressing the world's challenges is not a responsibility of the governments alone. Other stakeholders in the private sector and civil society must also become involved. The shared responsibility should be supported and nurtured to form the foundation of our future society.

I'm confident that the leaders in this room and beyond have the strength and wisdom to bring development to all in Asia.

Thank you.

## **Nursultan Abishevich Nazarbayev, President, the Republic of Kazakhstan**

Your Excellency, President Xi Jinping, Excellencies, ladies and gentlemen. To begin with, I want to sincerely thank the organisers of the Forum and also President Xi Jinping of the People's Republic of China for the warm hospitality and also for the thoughtful arrangements you have made for this Forum. Asia is acquiring growing significance in the world, this has made the Forum more important. Firstly, the productivity of the world is concentrating in Asia and the economic centre is also moving to Asia. I believe Asia will become a source of creativity and development model in the future, as well. Today, we are going to discuss a number of global issues in economic and other fields. The strength and mutual trust between Asian countries is a very important guarantee for meeting our global agenda.

Distinguished guests, sharing your experience among Asian countries is vitally important for setting out a common strategy and agenda. The Kazakhstan model is based on integration into the world market and development of an innovation-driven economy. It is attributed to a stable domestic political environment and the effective measures we have rolled out to counter the crisis. Thanks to these effective measures, Kazakhstan has maintained the momentum of positive economic growth. Since the independence of Kazakhstan, our economy has expanded by more than 16 times. In 2012 our GDP grew by 5.8% and our unemployment rate was kept under 6%. For a country with a population of under 17 million, it is already quite an impressive achievement. Our foreign exchange reserve has exceeded US\$87 billion. Kazakhstan is pursuing a modernisation agenda by developing high technologies, for example, renewable energy and energy conservation projects with a theme of green technology. We welcome investment in deep oil and gas processing, fertiliser production, logistics and other areas. We are also making efforts to build a modernised transportation infrastructure network. We are building a transportation corridor linking Western Europe to Western China, so as to revitalise the Silk Road. The project will be completed in 2015. The capital of Kazakhstan, Astana, has gained the right to host the 2017 World Expo, under the theme of future energy.

Having said that, we are not concerned with the achievements we have made and we have actually set out a number of new targets, as well and we are implementing the new governance strategy for 2050. This is going to be a long-term strategy; it has identified a number of economic and social principles for achieving national development. We are ready to strengthen cooperation with all the countries concerned, dear friends. The achievements made by each and every individual country is a contribution to the entire Asian continent. In order to boost the efficiency of cooperation we need to work together and coordinate with each other. I think we need to have a common action agenda. Please allow me to discuss a number of most important factors. First, whether we can succeed in exploring a path of future development really depends on the decision-making mechanism we have established. We should accommodate the positions of all countries, because no country can stay immune from global impact, especially the negative impact of other countries. And we need to open ourselves wider to the outside world as much as possible. Second, in order to overcome the difficulties we are facing now it is important for the international community to gradually establish an appropriate and effective financial structure. The development of international trade and investment requires us to coordinate our respective financial policies, so as to reduce risks and prevent risks.

Many experts are in favour of reforming the international financial system, including the international monetary system. Thirdly, to consolidate the trend of integration in the Eurasian area may become a very effective means for countering the new challenges we face. The Eurasian region enjoys all the conditions required for becoming the centre of the world. The Eurasian continent already accounts for over 50% of global production and two-thirds of the global population. We need to develop telecommunications infrastructures and promote trade and mutual investment. Energy partnership innovation and education exchanges are also very important. As you all know, we already have an integrated economic community of Kazakhstan, Belarus and Russia and this integrated economic community is linking the west and the east, it is the only continental bridge linking the European market, which has 50 million population, and the Chinese market, with has 1.3 billion population. This integrated economic community will play a positive role in the development of the Eurasian region.

Fourthly, we are now faced with higher requirements for investment in science, technology and education. We need to enhance cooperation in science, technology, R&D and innovation. Therefore, we need to set up an Asian action plan for development and innovation cooperation. This action plan will provide important conditions for the emergence of a strong technological alliance in Asia. Fifthly, we should also expand cooperation in transportation, energy and agriculture. In the area of transportation we should establish a new global transportation and logistics network and centre, and in the area of energy we should strengthen cooperation in green technology and renewable energy. In the area of agriculture, we should strengthen cooperation in agricultural scientific research and agricultural development planning.

Ladies and gentlemen, next month Kazakhstan will host the sixth Astana Economic Forum in our capital, and also the World Anti-Crisis Conference with the support of the United Nations. I believe that the outcomes of the Boao Forum will help with the success of these conferences and I believe the success of the conferences will help us address the issues we face in ensuring long-term stability, security and prosperity. Thank you for your attention.

## **U Thein Sein, President, the Republic of the Union of Myanmar**

Mr President, heads of the state, heads of the government, distinguished guests, ladies and gentlemen. It gives me great pleasure and honour to deliver the keynote speech at the Boao Forum for Asia and your conference 2013 in this scenic town of Boao in Hainan Province of the People's Republic of China. My sincere thanks also go to our host, the government of the People's Republic of China and the BFA organisation community. The main theme for this year's Boao annual meeting, Asia Seeking Development for All: Restructuring, Responsibility and Cooperation is truly relevant and timely. Mr President, if we look at the scenario of the world economic situation today it is encouraging to note the economic growth in emerging economies in Asia and at the same time, the financial crisis in certain European countries and instability of the global economy led to decline in external demand, leaving impact on the economic growth in Asia and the Pacific region.

In 2012 the rates of global economic and trade growth were estimated at 3.5% and 3.7% respectively. In order to maintain economic growth in the region, comprehensive economic cooperation has been carried out through the establishment of the ASEAN Economic Community, AEC, by increasing regional demand, creating job opportunities and promoting regional production by inviting investments from regional economies and the international community, and enhancing investment in the infrastructures of the ASEAN region with the appropriate policy framework.

Mr President, nowadays most countries in the world are experiencing new challenges while coping with several traditional issues. Despite these uncertainties, all countries in the world, regardless of being rich or poor, should view things from the optimistic approach. It is my firm belief that in spite of increasing global challenges, uncertainties and high risks, we are able to maintain the success in our region through upholding our regional political, social and economic stability continuously, striking a balance between food and energy security and environmental safety and maintaining economic growth in the region.

Mr President, the government of Myanmar is placing a great emphasis on collaboration, transparency, accountability and inclusiveness in political, economic and social reform processes. As Myanmar is located at a strategic geographical position connecting East and West Asia, the development of Myanmar will contribute to the regional development in Asia. Mr President, in line with the main themes of this year's BFA Annual Conference, reform measures will be required for respective sectors, and collaborative initiatives will be taken for all-round development to overcome the challenges of the financial crisis, natural disasters, food insecurity and energy insufficiencies. Maintaining sustainability and resilience will play a vital role at national, regional and global levels, to overcome all forms of challenges. In fact, these new challenges are being faced globally and hence, a multi-dimensional approach will be the answer to overcoming these challenges. Since this is a daunting task, regional integration efforts all over the world will greatly contribute to solving the issues of global concern.

Only through concerted efforts of each and every country is the success of the regional integration to be realised. Mr President, I am convinced that the Boao Forum for Asia Annual Conference 2013 will bring us new visions, strategies and successful means for the fundamental developments of the people of all countries. In conclusion, I wish to express my firm belief that the outcomes of the BFA annual conference 2013 will provide us with great avenues for effective realisation of the economic reform process of Asia. Thank you.

## **Sauli Niinistö, President, the Republic of Finland**

It is indeed a great honour and privilege to open this important meeting. During the past 12 years the Boao Forum has established an outstanding reputation and track-record as the leading economic forum for Asia. I do look forward to our discussions.

The world today is truly united by challenges, decisions and opportunities. Challenges are common to us all whether it is the economy, environment or security. Decisions taken by nation states or regional entities have profound impacts on others. At the same time globalisation provides opportunities never experienced before.

Europe and Asia are no longer distant or foreign continents, but close and valuable partners. Our economies are deeply integrated. Just look at the trade between China and the European Union. In just over twenty years it has become one of the most prominent trading relationships in the world - over one trillion euro's worth of exchanges each and every day.

And trade in goods is just one dimension of the close economic relationship between Asia and Europe. We are strongly bound together by investment, services and ideas. The conclusion is crystal clear - it is impossible to imagine European and Asian economies without each other.

Europe is making big headlines in the international press, but usually with the word crisis added to it. These past years have been very difficult for Europe and the euro-area.

I do not want to embellish the situation. One fundamental reason for the hardship in Europe has been a lax attitude to financial policies. Many countries allowed great imbalances to grow, both by taking too much debt and making unsustainable economic choices. As a result our economic foundation has weakened and competitiveness waned.

The European Union has been able to agree on far-reaching reforms. It seems now that stronger economic discipline is taking hold. Firm banking supervision is being built. Crisis-stricken economies have also engaged in structural reform. Many economic indicators show that the situation is indeed improving. It takes time for economies to turn for the better, but the turn is taking place.

It is equally evident that with 7 percent of the world population, 25 percent of global GDP and 50 percent of its social spending, Europeans have to work very hard to maintain our way of life.

If Europe has its weaknesses, it also has great strengths. The European Union is the world's biggest single market. European companies are great innovators. European countries have the highest ratings in terms of education, public institutions, transparency and lowest marks in corruption. These are qualities that matter more and more for the economy as innovation has become the prominent driver of economic growth.

We all need to remember our history. Europe used to be a leading power, but we recognise that the world has changed. We have witnessed strong economic development in the world at large and the emergence of new powers. This is a global world that should be seen as a relationship between equals.

At this meeting we have a good opportunity to take steps towards a common vision for economic development and stability, a true partnership for prosperity.

Thank you.

### **Enrique Peña Nieto, President, the United Mexican States**

Your Excellency, President Xi Jinping of the People's Republic of China, your Excellencies, heads of state and government, Chairman of the Board, Mr Fukuda, heads of international organisations, ladies and gentlemen. First, I am honoured and privileged to attend the Boao Forum for Asia Annual Conference 2013. The Forum has provided a good platform for the businesses, the government and the academics to exchange views on Asian development and I feel so honoured to be the first Mexican President to attend the Forum. I want to thank the organisers for inviting me and giving me the opportunity to address the audience. I want to take this opportunity to once again congratulate your President, Xi Jinping.

Mexico and China are both committed to reforms within our countries to the benefit of our peoples. I want to take this opportunity to wish President Xi Jinping every success and greater achievements. I believe, with the work of the Chinese people and your wise leadership, China will achieve greater development and contribute more to the world. Since the new government taking office, Mexico has been committed to developing relations with China. We look forward to closer bilateral relations with China, to the interests of both of our peoples. Like what I said during our meeting yesterday, the purpose of my visit to China this time is to enhance relationships between Mexico and Asia Pacific countries. And I want to use this platform and this Forum to achieve that goal. The theme of the Forum is Asia Seeking Development for All. This is a wonderful opportunity to bring Mexico and this region closer together. We look forward to a closer relationship between Latin America and Asia Pacific regions.

We have put in place CELAC, the Community of Latin America and Caribbean Countries, an organisation committed to a closer relationship with Asian countries. Today, we have presented here two leaders of the organisation, the President of Mexico and the President of Peru, which shows the commitment of our region to the Asia Pacific. We want to open wider and bring more benefits to people of the two regions. And I also want to invite business people from this region to make investments in Mexico. You will find in Mexico great opportunities for business. Mexico is able to provide excellent human resources and a stable macroeconomic environment and business environment and, at the same time, we can provide sound logistics conditions to facilitate the sales of products to North America, Latin America and South America.

And I want to point out that the Mexican businesspeople also want to scale up investment in the Asia Pacific region and build closer ties with their Asian Pacific counterparts. The steady and sound growth of Mexico's economy and the low inflation rate, the ongoing economic restructuring in Mexico and in Asia Pacific will present huge business opportunities for each other. So I want to once again thank the organisers of the Forum for inviting me here. I'm convinced that this Annual Conference will be a great success. Your Excellency, President Xi Jinping, I once again want to thank you and thank the people of China for your warm hospitality accorded to me and my delegation. Thank you.

### **Ollanta Moisés Humala Tasso, President, the Republic of Peru**

Your Excellency, Mr. Xi Jinping, President of the People's Republic of China. Messieurs Chiefs of State and Government. Mister President of the Boao Forum 2013. Forum Delegates.

It's a great honor to be present at the opening of the Boao Forum for Asia; it is the first time a Peruvian President participates as a speaker at the annual conference of the most prestigious business economic forum in the Asia Pacific.

For my country, this is a clear demonstration of the new dynamics that the relations between Asia and Latin America have acquired. Peru was one of the first Latin American countries to develop its social, commercial, cultural, political and economic ties with Asia because it has been, from the mid nineteenth century, the main center of attraction of the first waves of Chinese and Japanese immigrants that now account a significant percentage of the Peruvian population and have significantly contributed to the development of the country.

At present, this link has taken important dimensions, strategic alliances and free trade agreements have been signed and there is also a steady flow of Asian investment and a varied agenda of cooperation that characterize relations between Latin America and Asia.

This new situation outlines unprecedented opportunities needed to be fully exploited to reinforce and consolidate the relations between our two regions. In this scenario we face new challenges, on the one hand the question arises how to keep this good political moment ensuring the expansion of common agendas, and the need to continue and strengthen economic and trade ties.

Moreover, the prospect of a need to create new models and approximation schemes between the two regions, with a view to agreeing ways that ensure inclusive and sustainable growth of the world economy.

A good example of ways to encourage coordination of both regions is the proposal of the People's Republic of China, of an approach to Latin America with a new scheme of development cooperation. As expressed by former Prime Minister of China, before the Economic Commission for Latin America (ECLAC), in June 2012, the Latin American region is important for China so it is necessary to move toward some form of complementarity based on complementarity schemes for development. Among its proposals it offered the creation of a China-Latin America Cooperation Fund to which Chinese financial institutions will make a first major contribution that will be allocated to cooperation projects in manufacturing, high and new technologies, and sustainable development.

In addition, it was announced at the time that the China Development Bank will lead a major credit line for infrastructure and telecommunications; these innovative and beneficial cooperation schemes for Latin America could be replicated by other Asian countries.

On the other hand, places like this forum will allow us to continue to create channels of dialogue with the private sector in the region and convey our policies to encourage production, trade liberalization and attracting investment in the best conditions.

The business factor is a key element in the creation of public-private partnerships that in turn represent one of the best ways to encourage investment for the development of Latin America and Asia. I thank you Mister President once again the opportunity this forum gives me to be speaker and I hope to share then in more detail some thoughts on the dynamic between the two regions and the Peruvian experience.

Thank you very much.

### **Michael Chilufya Sata, President, the Republic of Zambia**

Your Excellencies, heads of governments and leaders of delegations. First of all, I would like to advertise that Zambia, for the first time in 50 years, is applying for the post of Secretary General of UNCTAD the former Minister of Commerce, Trade and Industry, the Honourable Felix Mutati. I hope all my brothers and sisters who are here [unclear] representatives, United Nations supported Zambia. As you can see, we are the only black people here. His Excellency, Mr Jinping, President of the People's Republic of China, your Excellencies, heads of state and governments, Your Excellency Mr Zhou Wenzhong, Secretary General of the Boao Forum, Your Excellencies, heads of delegations, distinguished representatives of regional and international organisations, cooperating and development partners, distinguished ladies and gentlemen.

Let me from the onset state our appreciation for being invited to this Annual Conference for the Boao Forum for Asia. Allow me, Your Excellencies, to extend our sincere congratulations to his Excellency, President Jinping, on his election as President of the People's Republic of China. I also wish to thank my dear brothers and the Chinese government for hosting this very important Forum and for the hospitality accorded to our delegation since our arrival. Your Excellencies, this year's theme, dubbed Asia Seeking Development for All: Restructuring, Responsibility and Cooperation, could not have come at a better time. This theme comprehensively captures past, present and future development aspirations of the Asian continent. The theme is also a source of inspiration to countries such as Zambia, as it has similarities with our own vision of pursuing sustainable economic development.

This Forum, therefore, presents a platform for us to tap into one another's potential capabilities and endowments, with appreciating that in our cooperation there lies the responsibility to safeguard our natural resources for sustainable development. Your Excellencies, Zambia shares borders with eight other countries in the South Central sub-region of Africa. It has free trade arrangements through the 15-member Southern African Development countries, which is a market worth over US\$40 billion in terms of GDP. Zambia is also a member of the Common Market for Eastern and Southern Africa, called COMESA, which comprises 19 member states, including East African countries and Egypt. Zambia, therefore, offers you a market for your goods and services that extends well beyond the 752, 000 square kilometres of land. The best climate, vast water resources, estimated at 40% of Southern Africa's total water resources, abundant mineral wealth, and a welcoming and hard-working people. We have had five peaceful transitions from one administration to another, a strong testimony of the depth of our democracy.

Your Excellencies, in pursuit of economic development, our government is implementing programmes and projects to accelerate growth through the building of infrastructure such as roads, railways, airports, border facilities and power stations. In order to boost our private sector development our government is pursuing appropriate policy and regulatory frameworks in a manner consistent with national laws, to encourage a well-functioning business sector and to facilitate entrepreneurship and innovation.

Our investment climate is amongst the best in sub-Saharan Africa, if not in the world, offering a stable, macroeconomic environment which is conducive for private sector development and industrial growth.

Your Excellencies, we uphold transparency and security for investors and have in place sound dispute resolution mechanisms and a policy of zero tolerance for corruption. Our fight against corruption and illicit financial flows is a priority, as these vices retard effective resource mobilisation and allocation, as well as divert resources from activities that are vital for [unclear] education and sustainable development. Your Excellencies, our government commits itself to fostering an enabling environment and strengthening international cooperation in the areas of diplomacy, investment, trade, science and technology. In this regard, we wish to call for increased investment from Asia in the development of export-oriented multi-facility economic zones, which will enhance value addition to our natural resources in targeted areas. Your Excellencies, I urge you to come to Zambia and make Zambia your entry into the wider African market. And I thank you.

### **Julia Eileen Gillard, Prime Minister, the Commonwealth of Australia**

The evolution of this Bo'ao Forum for Asia is a striking symbol of the evolution of our region itself: both of the successes and challenges which have endured and of the new challenges and opportunities which have emerged.

Here two great enduring responsibilities are discussed: continuing Asia's economic growth while achieving human development - and maintaining Asia's peaceful regional order while growth changes the strategic balance.

Growth in the region must continue and must strengthen.

The national economies of the region vary widely today, both in their overall degrees of development and in their immediate economic circumstances and prospects for growth.

This Forum reflects just this variety: from developed, knowledge-based economies needing to restart long-term growth - to emerging economies managing the challenges of urbanisation - and incorporating the firms and international organisations which operate across the whole of Asia.

Through all these varying national contexts, the enduring challenge of economic growth merits an enduring response.

Unlocking the power of well-designed markets to create wealth - while harnessing the power of investment in the skills and knowledge of people to spread the benefits to all.

Well-designed markets and well-targeted investment in human capital remain the key to Asia's economic success.

We must also understand that continued and strengthened economic growth will keep changing the strategic order of our region.

Militaries are modernizing. Economic growth will put more pressure on energy, water and food resources.

This does not make major power conflict inevitable - all countries in the region share a deep interest in strategic stability - but the consequences of conflict are ever more severe for us all.

This is nowhere more clear than on the Korean Peninsula.

There, any aggression is a threat to the interests of every country in the region.

For this reason, I do welcome the growing co-operation of all regional Governments to prevent conflict on the Korean Peninsula and to counter North Korean aggression.

That co-operation is also a sign of what will be needed in future as we face other security challenges.

Asia must be a region of sustainable security in which habits of co-operation are the norm.

Peace and prosperity are challenges which endure - but since this Forum's inception, new challenges have emerged.

While the climate change debate was a live one in Asia fifteen years ago, then it was a debate about the region's future.

Today, it is a debate about the region's present.

We are living through the effects of carbon pollution and climate change now and we are moving to clean energy sources now.

Today, Australia has a comprehensive approach including record investment in renewable energy and energy efficiency, a price on carbon and emissions trading from 1 July 2015.

Australia has deliberately pursued a market-based response to this pressing environmental challenge. Many Asian nations are doing the same.

More than one third of the world's clean energy investment in 2012 was in Asia.

Last year Japan introduced its carbon tax.



South Korea's national emissions trading scheme begins in 2015.

Over the three years to 2015, pilot emissions trading schemes will commence in seven Chinese cities and provinces covering 255 million people.

Beijing's emissions trading scheme, which will cover a population of twenty million people, will launch shortly.

That will be a great day for Asia's clean energy future.

So will the commencement of China's national scheme following 2015.

The climate is already changing. Asia is already acting.

All this will be important to your discussions this weekend.

This Forum reflects change in the region - as it reflects the enduring significance of growth and security as matters for us all.

I want to conclude by observing that for Australians, Bo'ao is also a particularly significant symbol of the role we seek to play in the region.

The statesmen of 1998 who presented the idea of this Forum to the Chinese Government were of course, President Ramos and Prime Minister Hosokawa - and my friend and predecessor Prime Minister Hawke.

In this, our former Prime Minister took precisely the kind of role Australia seeks to play - co-operative and supportive, but more - accepting our share in the responsibility of collective leadership which falls to all regional leaders and nations.

This was Australia's approach to our engagement in the region as long ago as 1973: when my predecessor Gough Whitlam became the first Australian Prime Minister to visit China.

This was Australia's role in the origin of this Bo'ao Forum.

This was Australia's role in the founding of APEC and the expansion of the East Asia Summit.

This is Australia's role this week, when I lead the most senior Australian political delegation ever to visit China.

Bo'ao is a vital forum for Asian conversations - and we have more to talk about than ever before.

I look forward to the insights which emerge from your discussions.

### **Hun Sen, Prime Minister, Kingdom of Cambodia**

Excellencies, President Xi Jinping, Madam, ladies and gentlemen. Today I am honoured and pleased to participate in this opening plenary session of the Boao Forum for Asia and your conference 2013, held in Boao City, Hainan Province, People's Republic of China. On behalf of the Royal government and people of Cambodia, I would like to express my profound gratitude to the government of the People's Republic of China and the organising committees of this Forum for the invitation and the warm hospitality they have sent to me and the Cambodian delegation.

On this auspicious occasion I would like to congratulate and commend The Boao Forum for Asia Annual Conference for having become a premier and influential platform for key leaders of public and private sectors from all over the world to exchange views on major regional and global issues. Truly, the theme of this Forum, Asia Seeking Development for All: Restructuring, Responsibility and Cooperation, is not only relevant to the current context and the futures of our region, but also reflects the necessity to work together among our stakeholders and countries involved, to ensure harmonious development at both regional and global levels.

Excellencies, Madam, ladies and gentlemen, China has become an important economic and political powerhouse in Asia. This has made China's contribution and responsibilities to global and regional stability more necessary and indispensable.

We have indeed witnessed China's efforts to deepen a good neighbourly relations with Asian countries, while participating in broader regional cooperation mechanisms. Moreover, China has established many forms of partnership with numerous countries in Asia and become either the biggest trading partner or the largest export market for many Asian nations. The development cooperation between China and Asian economies, as well as with all the countries across the world, will provide tremendous benefit not only to those countries in Asia, including ASEAN countries, but also to all the regions in the world, as well.

For instance, China's sustained high growth during the global financial crisis has not only made significant contributions to the regional recovery, but also has driven Asia out of the global financial crisis well ahead of all the regions in the world. Moreover, the expanding and deepening of relations in trade investment, tourism, education, and cultures between Asia and China is a testimony that reflects the closed strategic relationship between Asia and China and, again, that also emphasises the key role of Asia and China cooperation in the regional cooperation architectures, including ASEAN Plus One, ASEAN Plus Three, East Asia Summit, and all the sub-regional cooperations.

Also, I'm proud to take note of the rapid progress in the bilateral economic and trade cooperation between Cambodia and China. Cambodia has received a lot of investment from China, especially in energy, information and communication technologies, telecommunication projects, agriculture and tourism, including significant cooperation financing from the government of China particularly for the development of transport infrastructures, irrigation networks, and electric transmission grids. Excellencies, Madam, ladies and gentlemen, Asia's rise into the world's most dynamic economic region will bring new opportunities, challenges, and responsibilities for Asia.

Truly, rapid growth of the economy will make Asia become the engine of global economic growth, which is led by China and India. But, at the same time, the nation of Asia will face new challenges, including increasing domestic inequalities, rising disparities between countries, crises in the management and use of natural resources and environmental protection, middle-income threats and governance and institutional capacities. All these challenges cannot be tackled only at a national level or by one country alone. As a nation, economies, societies, cultures and people have become more related, linked, and interdependent. In addition, we all also share a common vision on peace, security, stability, sustainable development and co-existence in a harmonised regional community, through close and mutually beneficial cooperation.

Hence, all these require Asian nations to take ownership of, and great responsibility for the regional and global common challenges and to be ready to participate actively and constructively in advancing sustainable development of the region and the globe. In this context, as a member of ASEAN families and part of Asia, Cambodia has been preparing and promoting consistent and effective implementation of its domestic and foreign policies in order to fulfil her duties constructively and responsibly with a view to promoting regional cooperation and integration which will ensure peace, sustainable development, prosperity, and harmony for all of our nations. Finally, I would like to wish the Boao Forum for Asia Annual Conference 2013, with the theme Asia Seeking Development for All: Restructuring, Responsibility and Cooperation, a great success. I would like to wish Your Excellencies, Madam, ladies and gentlemen good health, happiness, and success in all of your missions and endeavours. And I thank you for your kind attention.

### **John Philip Key, Prime Minister, New Zealand**

It's a great pleasure to be here once again at the opening of the Boao Forum.

And it's a great pleasure to be in China to celebrate the 40th anniversary of diplomatic relations between New Zealand and China.

China, as we all know, is continuing its remarkable growth - both as an economy and as a regional and global power.

New Zealand is a much smaller country than China, both in size and population.

But we are a committed partner and there are many areas where we complement each other.

One of these is trade.

Five years ago to the day, China and New Zealand signed a bilateral free trade agreement.

Since then, trade between our two countries has grown very strongly.

China is now New Zealand's biggest source of imports, and our second-biggest export destination.

In fact, since the FTA was signed, New Zealand has traded more with China in five years than the combined value of all previous trade between our two countries.

Our FTA is also a contribution to regional economic integration, which is progressing in a number of ways.

China and New Zealand are foundation members of the Regional Comprehensive Economic Partnership negotiations.

And China's year as APEC host in 2014 will provide additional opportunities for our two economies to work together in progressing a free trade area across Asia and the Pacific.

Apart from strengthening economic relationships, FTAs can also bring about greater understanding between countries.

The New Zealand-China FTA, for example, has helped underpin closer ties between our two countries, involving, for example, scientists, academics, students, holiday-makers, and cultural groups.

Our neighbourhood is becoming increasingly interconnected, in all these sorts of ways.

The gathering of so many leading international figures today simply demonstrates that.

We all have a shared interest in the growth and development of the Asia-Pacific region and in how we can best contribute to that.

Populations in this region are growing strongly, and they are getting more prosperous and more aspirational.

They will want to know they can feed their families with safe, nutritious food - particularly protein - from reliable and trusted sources.

I believe the challenge over the next 20 years will not be about countries competing to meet a limited demand for high-quality food - it will be about countries striving to ensure there is enough supply.

That is where I see New Zealand playing an important role in this region.

We are world-class, highly-efficient food producers.

And we have very high food safety standards, backed up with world-leading technology, so consumers can have the utmost confidence in our products.

We are not a threat to domestic producers in any country. Far from it.

We are the world's biggest dairy exporter, but that is because we have a small domestic market.

We produce two to three per cent of the world's dairy supply, and global demand is also growing at two to three per cent a year. So effectively, the world needs to add New Zealand's total production each and every year.

The future for New Zealand - across all foods, not just dairy - is in partnering with other people and other countries in our region.

We are already doing that and will continue to do so in the future.

We can offer the knowledge gained over years of experience in agriculture, horticulture, food science and technology.

We may be small, but where we have areas of expertise, we have very deep expertise.

We are teaming up to produce food in China and in other countries. Fonterra, for example, is producing high-quality, nutritious dairy products here in China for Chinese consumers.

We are teaming up to add value to New Zealand-produced commodities, as for example is happening in Canterbury between New Zealand's Synlait and China's Bright Dairy.

We are working with other countries to improve the productivity of their domestic sectors.

We are helping build brands that stand for high quality and proven safety.

As a partner for prosperity, New Zealand has a lot to offer the region.

Alongside our expertise in food production, we also have technical, scientific and engineering expertise that can help other countries develop and add value to their natural resources.

We are a high-quality, cost-effective partner in educating the next generation of leaders from across the region.

We have a transparent and highly-regarded business environment.

And our changing society means we have a shared stake in the region and its future.

Asian New Zealanders are our fastest growing ethnic group and, in little more than 20 years, are expected to make up 15 per cent of New Zealand's population.

New Zealanders see the Asian region as important to New Zealand's future, and understand the value of developing even closer cultural and economic ties.

So we are firmly locked into this region, and our connections are growing deeper each year.

We want to work with our partners here in China, and across the region, to ensure prosperity and well-being for this, and for future, generations.

Again, can I thank you for the opportunity to be here at Boao, and wish you all the best for the Forum.

### **Abdelkader Bensalah, Speaker of the Council of Nation, the People's Democratic Republic of Algeria**

Your Excellency, President Xi Jinping of the People's Republic of China, Your Excellencies, heads of state and government, Mr Secretary General of the Boao Forum for Asia, ladies and gentlemen. I wish to begin by thanking the organisers of the Forum for inviting my country to attend this Forum. Upon our arrival on this beautiful island we have received warm hospitality. I hereby wish to express my heartfelt thanks to the Chinese government. Mr President, in a very long history the African continent experienced untold sufferings, with its rich natural resources being sought after by so many who came to Africa for exploitation. The African countries fought back and acquired independence. After independence from colonial rule, African countries have been committed to realising development. However, due to the negative impact of the international economic crisis and the inequitable international economic order, African development has experienced many setbacks. Mr President, entering the new century the rapid growth of globalisation has further excluded Africa outside a circle of international, economic and political decision-making.

However, thanks to the New Partnership of Development in Africa [sic], of which Algeria is a founding member, African countries have found a comprehensive and diverse model of economic growth that is suited to African circumstances. Against such a backdrop and following the initiative of the Algerian President, Algeria has started political reform with the purpose of deepening the democratic institutions of Algeria and strengthening the rule of law. Algeria has put forward a grand investment plan for boosting infrastructural development. It is also committed to improving fiscal conditions and cutting debts. Such measures have brought positive influence on its economic growth, as evidenced by the remarkable improvement of our macroeconomic indicators. As an open market in the Mediterranean, the Arab world and the African continent, Algeria has succeeded in securing a sound business environment which proves highly attractive to foreign investors. I want to take this opportunity to invite Asian countries to engage in the development efforts of Africa, make investment in the production activities in Algeria and run into partnerships with Algerian companies and achieve common interests on both sides. Thank you.

### **Zandaakhuu Enkhbold, Chairman, State Great Khural, Mongolia**

Your Excellency, Mr Xi Jinping, Secretary General Mr Zhou Wenzhong, Excellencies, heads of states, Prime Ministers and distinguished participants, ladies and gentlemen. First of all, I wish to express our sincere gratitude to the government of the People's Republic of China and this historical Boao Forum for Asia for the excellent arrangements made for this conference and the warm hospitality extended to my delegation. I am honoured to address this prestigious Forum that focuses on Asia. The theme of today's gathering is indeed timely. Asia has successfully overcome a global financial crisis, thanks to effective, proactive measures, as a result of which the region's standing in the global economy has been strengthened. Growth in Asian countries has been nearly twice as fast as global growth and it is expected to be further maintained in the coming years. Mongolia's steady growth could serve as an example of this successful trend. Our economy today is one of the fastest growing economies in the world, witnessing the growth of 17.5% in 2011 and 20.3% last year. The weak international economic environment requires us to continue to undertake structural improvements aimed at sustainable growth. As Mongolia's speedy growth in recent years has been mainly driven by export of mineral products, restructuring for Mongolia means, above all, diversification of our economy. Support for non-mineral sectors, growth and development in new products and services, as well as investing in essential infrastructure and industrial projects would serve as the main priorities in our strategy of a rainbow economy.

Most Asian countries place high emphasis on the Forum and the structuring of their economies, however, their focus differs. There is no single method for structuring activities that suits all nations' economies, but, in our view, improvement in institutional capacities and making economic growth more inclusive are the necessities for all the economies in the region. Economic growth should be based on the notion that the gains from economic growth would be broadly shared. Ladies and gentlemen, there is a strong interest across Asia in building multi-lateral cooperation mechanisms and institutions. ASEAN, East Asia Summit, APEC and other mechanisms are becoming increasingly important in discussing and solving key political and economic issues in the region. Mongolia believes that the recent cooperation and integration should proceed in an open, fair and inclusive manner. It is our sincere hope that the region's countries would support Mongolia's desire to join APEC [unclear].

Mongolia also believes that most East Asian countries should make more efforts in establishing intergovernmental cooperation mechanisms in the sub-region. Mongolia's geographic location provides a competitive and cost-effective option for the major infrastructure in energy projects in the Eurasian region. In this regard I would like to reiterate Mongolia's interest in participating in major infrastructure projects under discussion. Among them are crude oil, natural gas and electricity transmission projects to be built between our two neighbours, China and Russia. In conclusion, I wish every success for activities in the Boao Forum and everyone's view in implementing a common understanding reached here. Mongolia will stay committed to this cooperation process. Thank you for your attention.

### **Vuk Jeremić, President, 67th Session of the United Nations General Assembly**

Esteemed President Xi Jinping, respected heads of state and governments, Mr Chairman, Mr Secretary General, Excellencies, ladies and gentlemen. I'm truly humbled by the exceptional honour to address the opening ceremony of the 2013 Boao Forum. This is already the premier event of this kind in Asia and in the future may very well become the world's. It's good to be back at Boao. At the onset of my remarks, allow me to warmly congratulate the newly-elected leadership of the People's Republic of China, headed by President Xi Jinping. As President of the United Nations General Assembly, I wish them every success in the discharge of their important national and global duties. For over three decades this country has relentlessly pursued a policy of reform and opening up. Both the scale and scope of this undertaking is without precedent in the annals of human history. Never before have the lives and prospects of so many millions changed for the better so drastically and so fast. The Chinese dream of national rejuvenation is turning into a reality within a global environment that is beset by one of the most profound periods of transformation ever to occur in peacetime.

We are in the midst of a momentous pivot towards a more democratised world that puts people first, with sustainable development at the fulcrum of international cooperation efforts. I believe this calls for a grand reorganisation of human affairs, where proud and independent nations that bear no ill-will towards others will further grow in stature and respect. Ladies and gentlemen, the developed and the developing need to come together through win-win cooperation in order to deliver sustainable progress for

all mankind. This is the fundamental mission of the landmark document entitled *The Future We Want*, which the world leaders adopted in the Brazilian city of Rio de Janeiro last June. It mandates the United Nations General Assembly to set an aspirational and universally applicable post-2015 agenda which defines sustainable development goals, puts forth options for financing them, and lays out a workable intergovernmental arrangement for monitoring their implementation.

In this context, the General Assembly is becoming a key source of international democratic legitimacy, fully respecting the singularity and sovereign equality of all states. Ladies and gentlemen, China is a proud and ancient civilisation, the state with the longest continuous record of self-government the world has ever known. Millennia ago, this nation entered the historical consciousness not as something new, but already present, without beginning or end. It is the great endowment of the Yellow Emperor to impress upon posterity a faith in everlasting renewal, restoration, and reform. One of the keys to China's endurance is found in the teachings of the wisest of its sages, Confucius, who wrote of the ingrained virtue of *Rén*, or benevolence. He described it as a sincere consideration for fellow human beings, a sense of reverence and compassion, based on equal dignity of each and a community of shared values. As we resolve to commit to the generational task before us, let us strive with every measure of our devotion to cultivate *Rén* in the conduct of international relations, to advance the priorities of our respective peoples whilst treating everyone as we ourselves would wish to be treated. In my culture this is called the Golden Rule. Others have different names for it, yet its message permeates ethical traditions across the globe, amounting to a universal appeal for our era. May it stand as a unifying principle for the shared quest to ensure peace and sustainable prosperity to all, in our globalised and interdependent world. Ladies and gentlemen, I wish you fruitful discussions and a most successful Boao Forum, and thank you very much for your attention.

### **Christine Lagarde, Managing Director, IMF**

President Xi Jinping, Ambassador Zhou, Excellencies, distinguished guests. Hěn gāoxìng lái dào Bó'áo. I'm very happy to be here in Boao. Only for the first time, Mr President, yet, an obvious destination for the Managing Director of the IMF. In our global interconnected world, Asia is playing an ever-increasing role and China a leading one. In fact, since the financial global crisis hit, Asia has been driving the recovery, contributing to no less than two-thirds of growth. Asia leadership has never been more important, and together with leadership come responsibilities. So I will be responsible, too, and I will be brief. And I will pay tribute to the Boao excellent Forum, Chairman Fukuda, by focusing on the three key principles that you've identified: restructuring, responsibility, and cooperation. Restructuring: massive demographic shifts, digitalisation of knowledge, technological advances and richer innovations mean that the world is entering a new economic era. The competitive manufacturing and export-driven model developed by Asia has delivered on both growth and poverty reduction accounts. But now the challenge, as many Asian leaders have recognised, is to restructure that model to promote new sources of growth that will be based more on creativity, innovation, ideas and a more people-based approach to development, with due respect to the environment. Second, responsibility: we at the IMF try to measure the spill over effects of nations' policies and regions' policies, and those spill over effects have significantly accelerated and heightened. Monetary and fiscal policies, just like financial excess, are often the sources of spill over, usually through the channels of finance and trade. This means that all countries and regions need to act with an even greater sense of responsibility. Responsibility not so much for the consequences of their policy for their own nation, their own regions, but also for the rest of the world. And that process is mutually reinforcing.

Third, cooperation: strengthening cooperation amongst the 188 members of the IMF is the *raison d'être* of this organisation. But we cannot do it alone. We need each and every nation to cooperate in that process, because it's a two-way street. At the beginning of the crisis there was a very strong sense of urgency and a massive desire to cooperate. But let's be honest about it, that sense of urgency has clearly abated, as the crisis has hampered and as recovery has been a bit more patchy. So what we need to do going forward is to reaccelerate this cooperation process. And I applaud, Mr President, the call that you made to cooperation in the region and across the world. I'm sure that a forum, like the Forum of Boao, can contribute to that process and this increased cooperation that is so much needed, not just for Asia, but for the rest of the world, as well. On that note, let me again express my profound appreciation to our Chinese hosts, to all of you, and to your efforts in helping to move the global economy not only for the benefit of all people here in Asia but everywhere, as well. Xièxie.





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As a non-government, non-profit international organisation, Boao Forum For Asia (BFA) is the premier forum for leaders in government, business and academia in Asia and other continents to share visions on the most pressing issues in this dynamic region and the world at large. The forum is committed to promoting regional economic integration and bringing Asian countries even closer to their development goals. Initiated in 1998 by Fidel V. Ramos, former President of the Philippines, Bob Hawke, former Prime Minister of Australia, and Morihiro Hosokawa, former Prime Minister of Japan, Boao Forum for Asia was formally inaugurated in February 2001. Countries across the region have responded with strong support and great enthusiasm, and the world has listened attentively to the voice coming from Boao, the permanent site of the Annual Conference of the forum since 2002.

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