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The New Asia

A Short Trip Through the Most Exciting Region in the World



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A Continent of Vast Opportunity

In 1999, a group of 18 people came together in an apartment to learn more about an innovative business idea. All that was missing was money. That evening, however, the host of the gathering was able to raise 60,000 US dollars in seed money to start a new company. Fifteen years later, in 2014, our bank was involved as the company went public – valued at 25 billion US dollars, it was the largest IPO the world had ever seen.

This page of business history was written not in Silicon Valley, as one might assume, but in Hangzhou, a city in eastern China. The company in question was Alibaba and its founder Jack Ma, a former English teacher who, as he says, had only managed to be admitted to his city's "worst university."

Ma's career reflects what Asia is today – a continent of vast opportunity. As Malaysian business leader Kathleen Chew says in this issue of Bulletin, "The American dream is now more of an Asian dream" (page 28). Asia is a key growth market for Credit Suisse, leading our drive to penetrate further the emerging Economies of our world. Our goal in this issue is to show you how fascinating and dynamic Asia is. As Helman Sitohang, our CEO for the Asia Pacific region, points out, "More people live here than anywhere else. Nowhere else have assets increased more rapidly over the past 10 years. Nowhere else are there more high net worth individuals" (page 24).

Today 10,000 companies are created in China every day (see our report from Shenzhen on start-ups, page 56). It is impressive to see how the world's most populous country is continuously creating added value.

When I visited China for the first time, in 1984, it was already a political power but still

then very much a developing country, with many living in poverty. It accounted for less than 2 percent of the global economy. Today it is the second-largest economy in the world after the United States (see our research unit's in-depth dossier on page 39). Other regions in Asia are also experiencing a boom, particularly the members of the Association of Southeast Asian Nations (ASEAN), including countries like Indonesia, Vietnam, Singapore and Thailand, where we have a significant presence and are investing.

With its 625 million inhabitants, ASEAN will soon be the fourth-largest economic region in the world, as geostrategist Parag Khanna tells us in our interview (page 14).

This issue of Bulletin, which focuses on Asia, will be available at Credit Suisse's Asian Investment Conference (AIC), the largest and most important such conference held in the region. Even before I joined Credit Suisse, I attended that event regularly, since it is simply *the* place to meet the most important actors on the Asian stage. The AIC will be celebrating its 20th anniversary this year – another Asian success story!

I hope you'll find this issue both stimulating and informative.



Tidjane Thiam,
CEO of Credit Suisse Group AG



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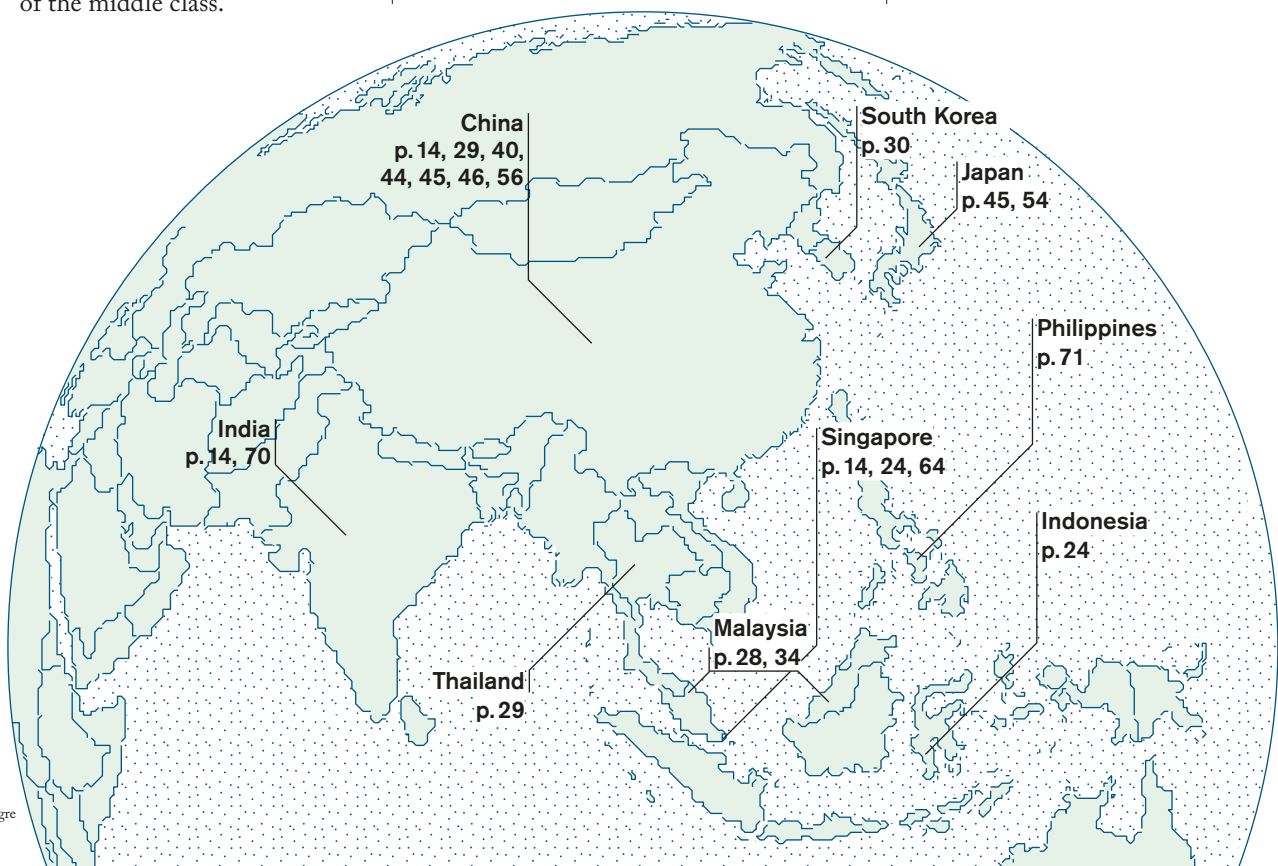
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Comments



Bulletin "Stability"
4/2016

High-Quality Journalism

I've been reading Bulletin for decades, and I love every issue. This is what high-quality, exciting and engaging journalism looks like, especially in comparison to other in-house magazines.

Sten Nahrgang, Cologne, Germany

What about the Environment?

I was shocked that environmental protection was no longer among the ten biggest worries for 2016, in contrast to 1976. I can hardly believe that Swiss people no longer think about the environment, especially when climate goals are not going to be met, carbon and particulate matter emissions are increasing dramatically and even our bodies of water are becoming more and more polluted.

Peter Niermann, Oberiberg



Bulletin "Digital World, Analog Life"
3/2016

Unexpected Development

I found the range of articles in the last issue of Bulletin on the digital world and analog life to be both informative and groundbreaking. They show where we are now and what unexpected developments are before us. We can't entirely grasp or gauge these in our short time on earth. Presumably, we're at the dawn of an epochal and revolutionary development, whose effects and uses have yet to be revealed.

Paul Baumberger, Bern

Ideas for Friends

As a tech nomad working with 3D printing, I found this issue a joy to read. I read it from cover to cover on a flight to Basel and I want to thank you for the excellent and entertaining issue. I was confronted with a number of ideas that I'll be certain to pass on and discuss with my friends.

Hanna Watkin, Munich, Germany



Contributors to this issue:

1 – Manuel Rybach

The Global Head of Public Affairs and Policy at Credit Suisse has lived and worked in Asia for several years. He provided ideas and opened doors for the editors. Rybach earned a doctorate at the University of St. Gallen, where he also is a lecturer on public affairs. He has worked for Credit Suisse since 2000 in various locations, including in Washington D.C. His interview with Helman Sitohang, CEO Asia Pacific at Credit Suisse, starts on *page 24*.

2 – Euny Hong

Hong was born in New Jersey and moved to Seoul at age 12. She studied philosophy at Yale and then began working as a journalist, writing for the New York Times, the Wall Street Journal, the Washington Post, and the Atlantic, among others. She describes how South Korea has conquered the world with pop in her 2014 book "The Birth of Korean Cool." *Page 30*

3 – Lam Yik Fei

A photographer from Hong Kong, Lam Yik Fei has worked with the New York Times, the International Herald Tribune, Bloomberg and others since 2011. For this issue, he traveled to Shenzhen, South China's Silicon Valley, with Lea Deuber, a correspondent from WirtschaftsWoche. *Page 56*

We welcome all letters to the editor. The editors reserve the right to select and edit the letters. Write to us at:

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Address: Credit Suisse AG,
Bulletin Editorial Team, HTG, CH-8070 Zurich

Publishing Details: *Published by:* Credit Suisse AG, *project management:* Christoph G. Meier, Mandana Razavi, *contributors:* Jessica Cunti, Yanik Schubiger, Simon Staufer, *content design, editing:* Ammann, Brunner & Krobath AG (www.abk.ch), *design concept, layout, production:* Crafft Kommunikation AG (www.crafft.ch), *photo editing:* Studio Andreas Wellnitz, Berlin, *translations:* Credit Suisse Language & Translation Services, *pre-press:* n c ag (www.ncag.ch), *printer:* Stämpfli AG, *circulation:* 110,000

Editorial committee: Oliver Adler, Felix Baumgartner, Thomas Beyeler, René P. Buholzer, Béatrice Fischer, André Helfenstein, Anja Hochberg, Markus Kleeb, Carsten Luther, Manuel Rybach, Robert Wagner, Gabriele Zanzi



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Photo: Julia Maria Ixchop Us De Ventura, FINCA client in Guatemala.

Faces of the New Asia





Artist from Hanoi, Vietnam: The 32-year-old is one of Asia's ten most influential up-and-coming artistic innovators. Her work focuses on the tension between the traditional and the modern; here, she poses in front of the Goethe Institute in Hanoi.



Geostrategist from Kanpur, northern India: Political scientist, strategic consultant and publicist Parag Khanna lives and researches in Singapore. In his opinion, traditional Western democracy is not the ideal form of government for Asia – he believes there are more advantages to technocratic leadership.





Bangladeshi writer: Tahmima Anam, 41, is a native Bengali and one of the most interesting young voices coming out of the immense Asian literary tradition. Her most successful work to date, “A Golden Age,” deals with the war for Bangladeshi independence.



Economist from Tokyo, Japan: Considered to be an important expert on economic issues, Noriko Hama, 64, is a critic of the policies of Prime Minister Shinzo Abe: Striving for growth is wrong for a mature economy like Japan.

Pratiksha More, Trupti Yadav (standing, left to right), Aarati Phalke, Sharmila Chaudhury and Payal Jagdale (seated, left to right) from Kolhapur, India. The Aflatoun program provides the girls with training in financial themes, as well as in social and civic skills.





CEO from Selangor, Malaysia: The 43-year-old built a career on Wall Street before joining AirAsia in 2006, where she is now head of Malaysian operations. The airline was founded by Tony Fernandes, who also owns the British football club Queens Park Rangers and was, for a time, the owner of the Caterham Formula 1 team. His central leadership principle is meritocracy.





Mason Zhang, Chen Lang and Addison Li (left to right) from Shenzhen, China's Silicon Valley. Their company "Subtle" has produced streetwear since 2014. The company has had great success with its extraordinary designs and materials. Start-ups are Beijing's hope for the future. The country has grown rapidly in the past three decades and depends on innovation to further raise the standard of living.



The turning point: After visiting Lee Kuan Yew, the founding father of Singapore, in 1978, Deng Xiaoping, China's head of state, launched his own famous reform and modernization program.

“The most exciting region in the world”

How was Asia able to become the largest economic power? Which direction is the continent headed in? Which countries are playing a role in that development? Will there really be a conflict between China and the US? A look at the big picture with Parag Khanna, one of the world's leading global strategists.

By Daniel Ammann and Simon Brunner (text) and Lyndon Hayes (illustrations)



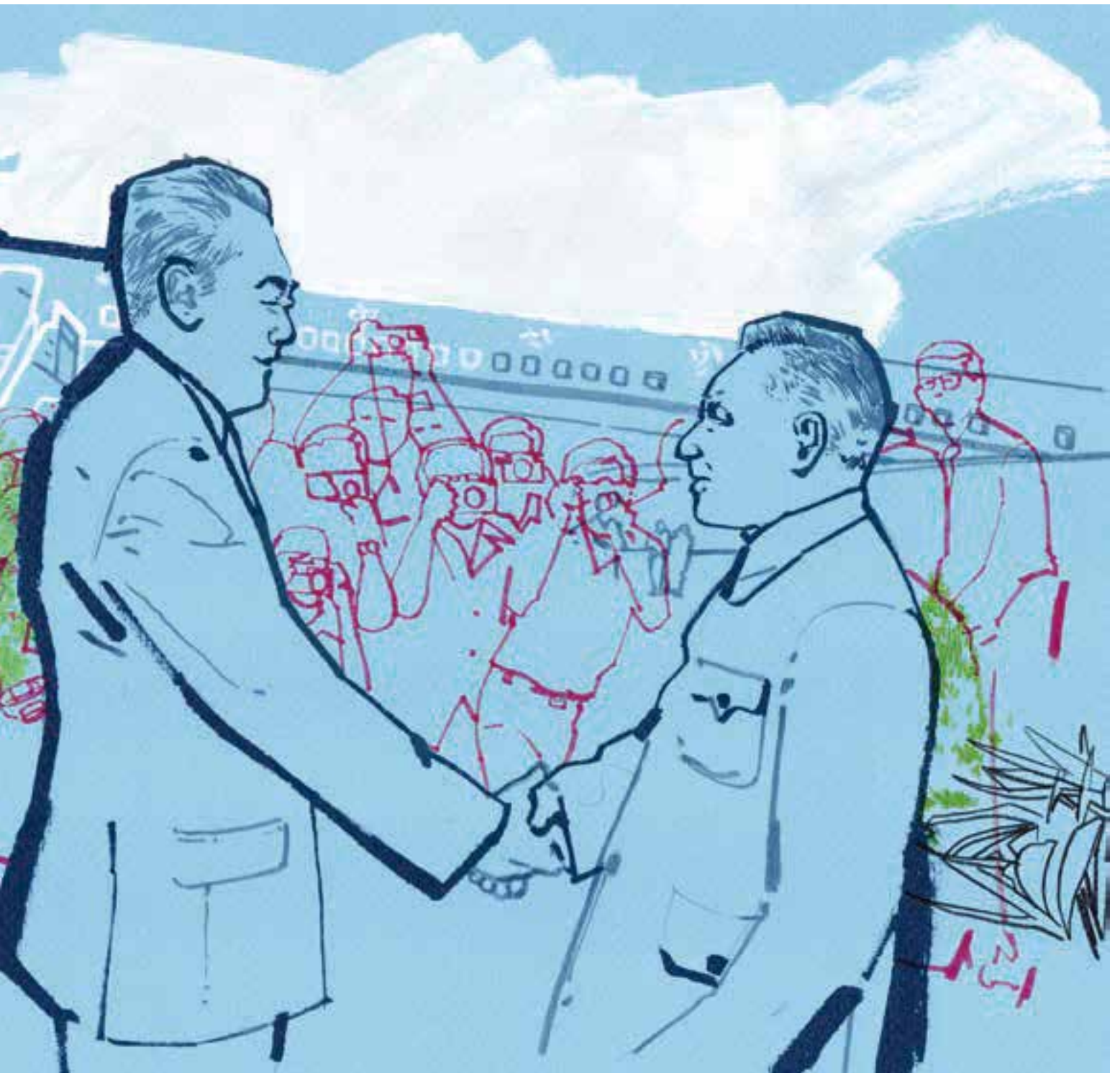
Parag Khanna, every university in the world would probably like to have you as a researcher. Why did you decide on Singapore, where you've been living since 2012?

I've lived in the US and London over the years, but then I absolutely wanted to move to the most exciting region in the world: to Asia. The rise of the continent began in Singapore about 50 years ago. The city-state is the most successful postcolonial nation in history and has managed to offer its residents prosperity and stability. Singapore is the role model for most Asian countries. If you want

to know what the future of Asia looks like, you have to study Singapore.

We are sitting here in the 71st floor of a skyscraper and looking out at the city's ultramodern business district. Just 50 years ago, this was mostly a swamp. Today this is some of the most valuable real estate in the world. How did Singapore manage that?

Impressive, isn't it? According to traditional teachings, the ingredients for economic ascent are an enlightened government, good organization, fiscal discipline, legal certainty, private



property, trade. But there are specific factors as well. Without its founding father, Lee Kuan Yew, who served as prime minister for decades, today's Singapore would be inconceivable.

He planned Singapore's rise meticulously. Lee Kuan Yew sought the advice of global experts, looked all over the world to see what works and implemented it here. He developed a modernization strategy that intentionally promoted industrialization and the infrastructure – and connected Singapore to the global supply and value chain.

Governments were not his only role models. People are only half-joking when they call Singapore the best-managed company in the world.

Truly. Like a company, the government uses key performance indicators and adheres to best practices. It actively pursues talent management and constantly adapts to the changing environment. Singapore is currently the leading info-state.

Info-state brings up images of Big Brother and a transparent populace.

No, when I say that I mean a technocratic country that makes use of statistical

information and models for its governance. It observes the global economic and political situation, drafts scenarios from it and uses them to guide its economy and workforce in a successful direction. The objective must be to guarantee its citizens prosperity, welfare and stability.

Can a tiny country with only about six million residents even be a role model for the large Asian nations, such as China, the world's most populous country?

Singapore has been a role model for China for 40 years, even if that seems >

almost surreal in hindsight. Deng Xiaoping, the head of China's Communist Party at the time, traveled here in November 1978. He assumed with a certain arrogance that he would find a poor, backwards city – but he found the exact opposite instead. He spoke with Lee Kuan Yew for five and a half hours. In December, Deng announced the “open-door policy,” his famous reform and modernization program.

How can we see Singapore's influence on China these days?

You can see it all over China to this day. There are at least 10 special economic zones and industrial parks that were developed by Singapore. These are no less than China's most important high-tech flagship areas. Singapore's function as a role model is also important for predicting China's future. That Singapore brought part of the value chain back into the country was essential – China has done the same. Import substitution as a strategy is the key factor for the rise of a national power.

Can you explain that a little more in depth?

Twenty years ago, China was the workshop for the West. Cheap T-shirts and tennis shoes carried the “Made in China” label. These days the country produces the most computers in the world. And another fact is important, too: Ten years ago, China had to import 60 percent of the electronic components; today they only import 30 percent. The Chinese have learned to produce semiconductors themselves. The country is working hard to climb up the value chain. “Made in China” is increasingly being replaced by “Made by China.”

In your book “Connectography,” you show how China has built extensive economic networks with other countries, especially since joining the World Trade Organization (WTO) in 2001.

Today China is the most important trading partner for 124 countries, while the US only holds that position for 52 countries. Since the 1990s, China has become one of the largest importers of raw materials, especially from countries that began to ignore the West after the Cold War. And China has been able

to massively increase its degree of connectivity in the global economy with billions in investments in infrastructure, both at home and in many other countries. It is in the process of becoming the world's largest infrastructure exporter, gaining commitments from a growing number of countries. That is a power factor.

How will China's economy develop in the near future? Will state industries be privatized, as we keep on hearing?

I don't think so. With this topic, we can once again look at how Singapore did it – and then assume that China will follow the same model. My prediction: The state-owned enterprises will be converted into new companies where the state owns a narrow majority. The role model here is Temasek, the Singaporean government's holding company worth 170 billion, which owns substantial shares in companies including Singapore Airlines, Singtel, DBS Bank, PSA [see page 64] and many more. China will also restructure its financial sector based exactly on the model here. When Singapore's rise began, the growth of banks was specifi-



Infrastructure for the world: high-speed train in China.

cally promoted and the market opened for foreign institutions. Banks play an eminently important role in a national economy.

Which other regions in Asia have great potential?

The Association of Southeast Asian Nations (ASEAN*) definitely belongs to that group. It will soon be the world's fourth largest economic region, with 10 countries and a population of 625 million. ASEAN generates a greater gross national product than India with just half the population! The workforce is young and labor costs are low. ASEAN has taken over the role of the world's workshop from China. And the region is very well integrated into the supply chains. Integration between the countries is growing. Large companies in Vietnam are outsourcing to Laos and Cambodia. The Burmese need money from Singapore. Former adversaries Singapore and Malaysia will soon be connected by a high-speed train between their capitals. The borders are becoming more open.

The economic rise of the continent is a success story. According to the OECD, two-thirds of the global middle class will live in Asia within 10 years. How has this rise shaped the people?

There are the superficial signs, rapid urbanism, the infrastructure, the growing middle classes, the consumerism. I find it more interesting that the social contract between citizens and government in Asia is much more solid than in the West. So the trade-off is a hierarchical government model for stability and welfare.

A Faustian bargain?

It's positive when a government acts as a meritocracy and utilitarian system, when it establishes its policies to increase prosperity and stability for its residents. Then it is technocratic in the best sense. When its actions are arbitrary and violate human rights, it's authoritarian and negative, course.

Where does China stand?

China is technocratic – there are human rights violations, but China's behavior is largely utilitarian. Naturally, Singapore is also technocratic. That is the role model for governments in Vietnam, for



The Indian route: The software industry is a promising cluster.

Unfortunately, Asia's big democracies – India, Indonesia, the Philippines – have not managed to create welfare and stability.

the junta in Thailand, for Malaysia. So the future of Asia is technocratic ...

... and not democratic?

It's difficult to advocate for traditional Western democracy in Asia.

Why?

Unfortunately, Asia's biggest democracies – India, Indonesia, the Philippines – have not managed to create welfare and stability. They are poor and chaotic countries. And who wants that? Who wants to be poor? No, the most populous region in the world is moving toward technocracy – which I consider a better development than going the Indian democracy route.

India, the country of your birth, has wanted to position itself over the years as a Eurasian counterbalance to China.

An unbelievable error. India is simply too far away! It cannot be the center of Asia. The country is behind the Himalayas and surrounded by Pakistan and >

Bangladesh, with which it has complicated relationships. The country has made a major effort to become a nuclear power. What did that do for it? Nothing. North Korea and Pakistan are also nuclear powers and still don't have any weight in the world. India lost 20 years in this pursuit.

Narendra...

... Modi. I know what you want to say, and yes, you're right: A lot of good things are happening in India under the current Prime Minister – because it's finally going in a technocratic direction. They are once again focusing on their own country and are seeing the highest growth rates in the world. India wants to become the regional power on the Indian Ocean and is investing a great deal in its fleet. That's not a bad plan. With its software industry, India has established a promising cluster that will add greater value to the value chain – unlike with T-shirt manufacturing.

What does Asia's rise mean geopolitically? There were two superpowers in the Cold War, the US and the Soviet Union. And today?
When you measure it by economic power and military potential, the US, China and Europe are superpowers. So we're living in a tri-polar world.

Russia is no longer part of it?
Definitely not. Russia is too weak.

You once wrote that in times of change, when a hegemonial power like the US meets a rising competitor like China, conflict will inevitably arise between these powers.
There are always tensions between superpowers. Conflicts at a trade and regulatory level are common. There is the conflict over the disputed islands and reefs in the South China Sea. The question is: Will this lead to war? And more importantly: Will there be a world war?

The answer?
No, there won't be a world war. Economic interdependency is much greater today and goes deeper than ever before. Our currency reserves, monetary reserves, interest rates are determined in part by foreign investments. Two of the five largest US companies manufacture in China.



Parag Khanna, 39, is a political scientist and best-selling author (just published: "Technocracy in America: Rise of the Info-State," 2017, in which he sees Switzerland as a role model for other countries). A native of India, he is a Senior Research Fellow at the Centre on Asia and Globalisation at the Lee Kuan Yew School of Public Policy in Singapore.

And that means?
They would have to bring production back into their own country before they could start a war. Otherwise two of the five largest companies in the US would go bankrupt.

Despite this greater interdependence, stronger protectionist tendencies are emerging in the US and Europe.
And that's the new form of war, the supply chain war, where it's no longer about conquering territory. It's about linking your country physically and economically all over the world to secure access to the most important raw materials, to cutting-edge technology, to trade routes and growth markets. Control over the production process has been the route to becoming a superpower for millennia.

Are we now experiencing the end of globalization?
Not at all. Globalization will not collapse just because global trade growth slows down a bit. It's still growing. The ASEAN countries decided in 2016 to introduce a free labor market.

The transatlantic and transpacific free trade talks are stumbling.

Financial investments are far more important than trade for the degree of globalization. Just one number: The foreign direct investment (FDI) stocks as a percentage of the global gross national product. They totaled only 30 percent back in 1980; today they amount to 60 percent. Those are long-term, stable interdependencies between national economies. If trade agreements collapse and borders become less open, there are even more direct investments because companies want to put down roots in their selling markets. The bottom line is that there is no scenario in which globalization does not move forward.

Many people in the West feel left behind by globalization. What needs to be done so that more people benefit?

Politicians have been talking about retraining programs for people whose jobs have been sent overseas since the 2004 election in the US. For more than 12 years! Little has been done. The Germans, Swiss, Singaporeans, Koreans, and Japanese have all invested in education. Just because the Americans and British haven't done that, does it mean that globalization has failed?

We are among the winners of globalization. But others...

Excuse me for interrupting you. Everyone benefits from globalization – in America, in Europe and in Asia. Even the unemployed guy in Detroit benefits massively, I say: massively – from globalization. He wouldn't have a mobile phone otherwise. He wouldn't be able to afford his jeans, they would cost 10 times as much. □

*The ASEAN nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam.



Part of the capillary distribution network: DKSH trucks in Ho Chi Minh City.

DKSH's Market Expansion

Pioneers of Swiss Trade: How to Do Business Successfully in Asia

By Adrian T. Keller and Jörg Wolle

In 1863, it took Switzerland's Caspar Brennwald a full 122 days, or four months, to travel to Japan. Brennwald, the son of a baker from Männedorf on Lake Zurich, was part of a diplomatic delegation whose aim was to conclude the first trade agreement between Japan and Switzerland. The project proved worthwhile for Brennwald, as he stayed in Yokohama and, with fellow countryman Hermann Siber, founded a trading house, the future SiberHegner & Co. In the 19th century, however, there were interesting opportunities throughout Asia for adventurous young men from Switzerland, which at the time was mired in poverty in many places. "Go east, young man," was the motto. Eduard Anton Keller reached the Philippines in 1868; three years later, Wilhelm H. Diethelm arrived in the British crown colony of Singapore. Independently of one another, they found work in trading houses, worked their way up, and after just a few years, took over management of their respective companies. Thanks in part to their open and positive attitude toward people and cultures, within a few years they managed to expand their businesses geographically.

Diethelm & Co. expanded from Singapore to Indochina, Thailand, and Malaysia; Ed. A. Keller & Co. went to China and Hong Kong. In the middle of the 20th century, there were unimaginable business opportunities across the entire region. For example, in the early 1950s Diethelm & Co. provided British Austins for the entire Bangkok taxi fleet; a few years later, it helped Swissair establish a new route between Zurich, Bangkok and Tokyo, thus promoting trade between Switzerland and Asia. In Japan, meanwhile, SiberHegner & Co. was the leading exporter of Japanese silk.

The End of Traditional Trading Houses

The Asian crisis in 1997 dealt a severe blow to the three trading houses, all of which were by this time headquartered in Zurich. Right before the start of the new millennium, SiberHegner was on the brink of financial collapse. But a turnaround process initiated at the last minute led to solid gains for the company again within a short period of time. In 2000, Diethelm and Keller, which had family ties going back many years, decided to merge after the >

fourth generation took over management of the two companies. Shortly thereafter, discussions were initiated regarding the merger of Diethelm Keller Services Asia and SiberHegner. The DKSH Group as we know it today was created in 2002. Ten years later, its shares were listed on the stock exchange and Diethelm Keller Holding AG is still an anchor shareholder. Of the major Swiss trading companies, DKSH is the only one that still exists today, as Swiss newspaper *Neue Zürcher Zeitung* recently noted. World-renowned names from the past, such as Winterthur's Volkhart and Lausanne's André & Cie, have disappeared entirely. Others, such as Desco and Cosa Liebermann, were taken over by DKSH. Business has developed very nicely since then. The number of employ-

“What works in China or India will work in Japan or Thailand as well” is a common misconception.

ees has more than doubled to over 30,000, and DKSH's profits have increased fivefold while its turnover is more than twice as high. The company had to fundamentally rethink its business model – trading houses have lost their traditional geographic and temporal competitive advantages as a result of globalization and digitalization. In recent years, DKSH has transformed itself into a service provider for market expansion in Asia.

Tokyo Is Not Bangkok

Market expansion services for Asia are still in high demand; this is because, although modern communication technologies have made international trade much easier, the region is still highly complex, especially for Western companies. Perhaps the most common mistake is to believe that there is a one-size-fits-all pan-Asian solution for business expansion: “What works in China or India will work in Japan or Thailand as well,” is a common misconception. Not all countries in Asia are alike. This is just as true for religion as it is for culture. A successful business in Buddhist Thailand will look very different from one in Indonesia, the largest Muslim country in the world. Nor is taste the same everywhere: A blue rice cracker snack may be a hit in Japan, but it will not necessarily catch on with consumers in Malaysia. And, of course, differing levels of purchasing power also play a crucial role. Myanmar, with a per capita income of around 5,000 US dollars annually, cannot be compared with Singapore, which, with a per capita income of 85,000 US dollars, is wealthier than Switzerland. A sense for such differences and local refinements cannot be developed overnight. DKSH is able to share the valuable experience it has gained from more than a century's worth of local presence. This experience benefits not only a large number of Swiss SMEs, but also international companies such as Mars in Southeast Asia and Procter & Gamble in Hong Kong, which recently outsourced a large portion of their local operations to DKSH. DKSH is often able to develop local business better than producers themselves. Over the years, the company has established a large capillary distribution network in the region, which allows for comprehensive retail distribution to a wide variety of businesses – from a supermarket in Taiwan to a pharmacy in

Hanoi to a beach bar on Koh Samui. DKSH also has proven marketing and sales capabilities.

The Asian Century

Despite all of the differences and current challenges, Asian expansion is worthwhile – now more than ever. There is no question that Asia will play a prominent role in the 21st century: China is once again the second-largest economy in the world, while Japan, despite all the doom and gloom, remains a strong No. 3, and India has been making strong gains for years. Meanwhile, the countries of Southeast Asia are developing into another economic power. Ridiculed just a few years ago as the “extended workbench of the West,” the ten member countries of ASEAN are now becoming independent and self-confident economies. Asia is developing into the dynamic center of the global economy, offering countless opportunities for business success. □

Asia Society: A Window to the East

Switzerland has historically held special status as a link in the exchange between East and West. The Asia Society, founded 60 years ago in New York, has a similar task: promoting mutual understanding between people and cultures in Asia and the rest of the world. Today, the organization has a large footprint, with 12 centers across Asia, the US and Europe. It is active in the areas of business, international relations, science, education, art and culture. The Asia Society founded its first European chapter with the opening of a center in Zurich in 2016. Adrian T. Keller serves as president of the chapter. As a non-profit organization, the Asia Society serves as a bridge between Switzerland and other Central European countries and Asia. Credit Suisse supports the organization.

Adrian T. Keller is Chairman of the Board of Directors of DKSH; **Dr. Jörg Wolle** is CEO of DKSH.

The Foundations of a Relationship

Switzerland has strong ties to Asia. These facts and figures prove it.

Compiled by Sara Carnazzi Weber, Florence Hartmann and Bettina Rutschi Ostermann

Swiss Employees in Asia

Sharp increase in headcount at Swiss companies in Asia.

● 2005 ● 2015 (in thousands of employees)

Source: SNB

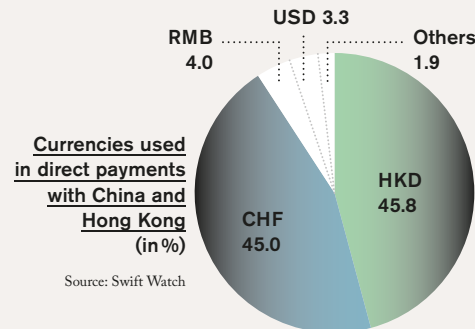
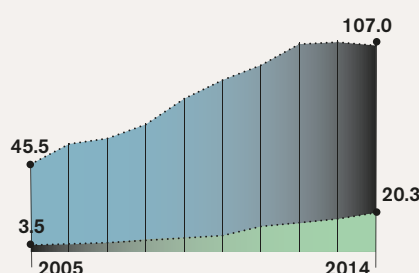


Direct Investments

The volume of direct investments by Swiss companies in Asia has more than doubled since 2005.

● All of Asia ● China (in CHF bn)

Source: SNB



Currencies used in direct payments with China and Hong Kong (in %)

Source: Swift Watch

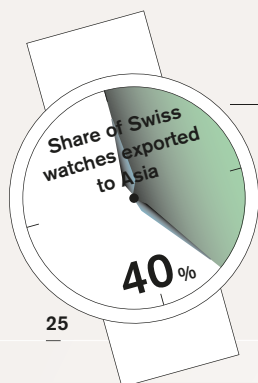
The Swiss Renminbi Hub

China is making a serious push to internationalize its currency, the renminbi (RMB). Because the RMB is not freely tradable as a result of China's capital controls, China is supporting the development of so-called RMB hubs abroad. It has been possible to trade Swiss francs and renminbi directly on the official Chinese currency trading platform since November 9, 2015. The Swiss National Bank (SNB) has probably invested some 2 billion Swiss francs of its reserves in Chinese securities.

Import/Export

China is Switzerland's most important Asian trading partner by a wide margin, especially in terms of imports. Japan and Hong Kong make up some ground when it comes to exports.

Source: Swiss Federal Customs Administration, SECO, Credit Suisse



Trading volume in CHF bn

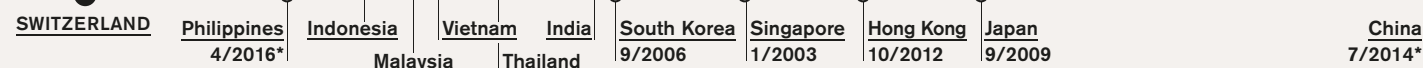
20
15
10
5
2
1
0

Exports Imports in CHF bn

Free trade agreements

- EFTA: in effect since ...
- ◎ Bilateral: in effect since ...
- Under negotiation

* Signed on ...



Literature 10

Asian authors whose works are well worth reading.

Compiled by **Antara Dev Sen**, literary critic, author and founder of *The Little Magazine*, a journal of contemporary South Asian literature. A British-Indian, she chairs the jury of the annual DSC Prize for South Asian Literature. She is the daughter of Nobel Prize-winning economist Amartya Sen and novelist Nabaneeta Dev Sen.

Photos: Philippe Matsas / Opale / Leemage / laif; Boaz Teitelbaum / Camera Press / Keystone; Olivia Arthur / Magnum Photos / Agentur Focus; Draupadi Verlag; Isolde Ohlbaum / laif; Linda Nyland / eyevine; Li Yibo / Shaanxi Xinhua News Agency / China / Heyne; Judy Misquitta; Isolde Ohlbaum / laif; Everett Collection / Keystone



Eka Kurniawan

Eka Kurniawan (Indonesia, writes in Indonesian) is a significant voice from Southeast Asia. His works – “Man Tiger” and “Beauty Is a Wound” are the best known – reflect the legacy of violence stemming from the major power struggles that shaped the region. Kurniawan has been compared to Gabriel García Márquez and Salman Rushdie, and his themes are so universal that they resonate across cultures.



U.R. Ananthamurthy

U.R. Ananthamurthy (India, 1932–2014, wrote in Kannada), one of India’s most powerful voices against the repressive aspects and the politicization of religion, was the grandson of a priest. Also one of India’s most respected academics, he was a distinguished poet, fiction writer, essayist, critic, dramatist and public intellectual.



Cixin Liu

Cixin Liu (China, writes in Mandarin) has enjoyed a huge fan following in China since the publication of “The Three-Body Problem” in 2007. He became world-renowned in 2015, when the book won the Hugo Award for Best Novel. As a science fiction writer deeply anchored in reality, he is establishing a new, Chinese style of science fiction.



Amitav Ghosh

Amitav Ghosh (India, writes in English) is not resting on his laurels after completing the Ibis Trilogy, which fictionally explored the deeply interconnected worlds of empire and commerce. He has just released the nonfiction book “The Great Derangement: Climate Change and the Unthinkable,” in which he tries to explain why civilizations, cultures and political systems have failed to understand the scale of extreme natural events and climate change.





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Tahmima Anam

Tahmima Anam (Bangladesh, writes in English) is one of the few authors from Bangladesh who write in English and can reach out directly to the world. She arrived in 2007 with “A Golden Age,” set in the Indo-Pakistani War of 1971. With “The Good Muslim,” she explores the milieu in which armed fundamentalism was born in Bangladesh.

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Cyrus Mistry

Cyrus Mistry (India, writes in English), is an extremely sensitive writer and brilliant storyteller, playwright, journalist and short story writer. He became famous upon releasing his 2014 novel “Chronicle of a Corpse Bearer,” a story about the people who handle the dead of the Parsi community of Mumbai.



Mahasweta Devi

Mahasweta Devi (India, 1926–2016, wrote in Bengali), a deeply political writer and social activist, championed the rights of the marginalized and the dispossessed. She was the voice of the disempowered and the conscience-keeper of her times, as well as a chronicler of oral history and a crusader for social justice and change.

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Kenzaburo Oe

Kenzaburo Oe (Japan, writes in Japanese) is the literary voice of conscience of his country. After the Fukushima disaster, he urged his government to renounce nuclear power, just as it had rejected war by constitutional mandate after World War II. Oe’s work has focused on ethics, responsibility and the effects of nuclear war and earned him the Nobel Prize for Literature in 1994.



Michael Ondaatje

Michael Ondaatje (Sri Lanka/Canada, writes in English) earned his spurs as a poet and his fame as a novelist with “The English Patient,” which was turned into an award-winning film. Later, he returned to his Sri Lankan roots with “Anil’s Ghost.” The world knows him for his novels, but his fans love him just as much for poetry anthologies such as “The Cinnamon Peeler.”

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Rabindranath Tagore

Rabindranath Tagore (India, 1861–1941, wrote in Bengali) remains one of the greatest poets of India, and an astonishingly relevant essayist, novelist, short story writer and playwright, more than 75 years after his death. His stories and essays on nationalism, for example, may be exactly what the world needs to read today.



Most of the financial institutions left the region. We stayed.

As a child, he left communist-era Prague for capitalist Jakarta and lived through the massive effects of the Asian crisis. Helman Sitohang has worked for Credit Suisse for nearly 20 years. As CEO for the Asia Pacific region, he knows that his customers attach great importance to loyalty.

By Manuel Rybach (interview) and Wee Khim (photography)



“Switzerland’s entrepreneurial spirit is very highly regarded here.”
Asia expert Helman Sitohang.

Mr. Sitohang, you were born in Czechoslovakia in 1965. Your family returned to Indonesia when you were nine years old. Looking back, how did your move to Asia affect you?

Prague was a beautiful city, very orderly, but also communist and not that vibrant. Jakarta, on the other hand, was just beginning to develop and was capitalist – and I found that incredibly exciting. A spirit of entrepreneurship was in the air; practically anything was possible. Business was a constant topic of discussion – I noticed that immediately. Being thrown into an unfamiliar environment and having to find my way was a formative experience, and one that often proved helpful later on.

The population of Indonesia's capital city has increased from 4.5 million in the 1970s to more than 10 million today. How did you experience Jakarta's transformation into a global metropolis?

Our house was just around the corner from Sudirman Street, which is now one of the city's main thoroughfares, but at that time it was just a local road that I took every day as I walked to school. A car might pass by every few hours. Today it's one of those notorious streets where people can spend hours caught in a traffic jam. Back then, only one building in the entire city had 18 floors. My father and I would often go up to the top floor; we found it fascinating, having known only low, prefabricated buildings in Prague. Now, Jakarta has almost 70 high-rise buildings that are at least 150 meters high.

When did you develop an interest in banking?

When we arrived in Jakarta, I spoke only Czech – and that didn't do me much good in school. It took me a few months to pick up the local language, but I was good at mathematics, so I was able to survive. I discovered my talent for numbers and that, coupled with my enthusiasm for the vibrant business atmosphere that I was immersed in, started to spark my interest in banking.

You joined Credit Suisse after the outbreak of the Asian crisis in 1997. The region was in a state of shock.

I started my career in Indonesia. The situation was critical – with the exception of a minor dip in the 1960s, the economy had experienced uninterrupted growth. And suddenly everything fell apart in 1997. Indonesia's GDP dropped by 13 percent in just one year. No one had ever experienced this kind of situation, and no one knew how to handle it. Many of our clients were facing ruin; their capital was practically melting away, and some of the famous Asian billionaires had debts that exceeded their assets.

How did you respond?

We stayed true to our clients and supported them – despite the fact that it's not always easy, even for a bank, when a crisis hits. Most of the financial institutions left the region. We stayed. Our clients have never forgotten that. During that crisis period, Credit Suisse was able to build an outstanding reputation in Southeast Asia.



“Vibrant business atmosphere.” Jakarta has grown by 5.5 million inhabitants since Helman Sitohang's youth (photo of the central business district).

It's important to remember the sheer size of these markets. All together, China, India and Indonesia have a population of nearly three billion. Four out of ten of the world's people live in one of these three countries!

You work for a Swiss bank. What does "Swissness" mean in Asia?
Switzerland's entrepreneurial spirit is very highly regarded here, and of course entrepreneurship is in Credit Suisse's very DNA. Precision, attention to detail and a focus on quality are other strengths that are associated with the Swiss. Ultimately, Switzerland stands for tradition and longevity. Rather than chasing after the latest trends or abandoning clients at the first sign of adversity, the Swiss show solidarity, just as we did in Indonesia during the crisis.

What sets Asian clients apart, in general terms?
Eighty-five percent of companies are family-owned. That includes everything from small businesses in rural areas to multi-national conglomerates worth billions. It's interesting to note that many of these companies are still led, or at least owned, by members of the founding generation. The needs of our clients are a function of this ownership structure. Today many companies are transitioning to the next generation, wealthy families want to diversify their portfolios, and clients need help with their activities in the capital market – for themselves and their companies. We are also seeing a boom in philanthropy.

Nearly all of the financial institutions have now returned to the region, and they have ambitious growth targets. Asia is a key market for Credit Suisse, too. How do you differ from the competition?

As I've already mentioned, our bank occupies a special position here. And I've been here longer than any other CEO of an international bank in our region. What's more, our model works: Our investment banking and private banking work hand in hand; this is unique in the region and well suited to the prevailing family-based ownership structures. And in general Asia is simply the most interesting market in the world today. More people live here than anywhere else. Nowhere else have assets increased more rapidly over the past 10 years. Nowhere else are there more high net worth individuals.

Where do you see the main opportunities for growth?
The rise of the middle class is a key topic. Asia is a textbook example showing which sectors experience a boom when disposable income exceeds a certain threshold – there is considerable

demand for consumer goods, entertainment, media and health care. As far as countries are concerned, it's important to remember the sheer size of these markets. All together, China, India and Indonesia have a population of nearly three billion. Four out of ten of the world's people live in one of these three countries! Asia's emerging markets represent another trend. Today they are experiencing growth that is reminiscent of China 10 years ago. Again, we need to pay attention to the size of these markets: Taken together, the Philippines, Thailand and Vietnam are home to nearly half as many people as the European Union.

Setting aside all the hype, what risks do we need to take seriously in Asia?

There's no doubt that growth in China is the unknown factor with the potential to have the greatest impact. We continue to anticipate GDP growth of 6.5 percent, driven by investments in infrastructure and increased exports. But that's not set in stone. The world has become more uncertain, and that also applies to Asia. The big question is how relations between China and the United States will develop.

This year, for the 20th time, Credit Suisse will be holding the Asian Investment Conference (AIC) in Hong Kong, where issues like this will be discussed. What significance does this conference have for the Asian continent?

The AIC is the region's largest and most exclusive investment conference. It brings together policymakers, business leaders and scientists. Last year 3,500 people attended this event, representing 18 trillion US dollars in assets. Jack Ma, Shinzo Abe, Michael S. Dell and Lawrence Summers – all of them have participated in the conference. We will have an incredible line-up of speakers again this year, including Mo Farah and Glenn Hubbard. □

Helman Sitohang, 51, is CEO of the Asia Pacific Division for Credit Suisse. He is regarded as one of Asia's most influential investment bankers, and has managed numerous IPOs, mergers and acquisitions. Among other awards, he received the 2015 Outstanding Achievement Award from the industry publication Finance Asia. He earned a degree in engineering and lives in Singapore. His father, an Indonesian from Sumatra, received a scholarship to study in Prague, where he met his Slovakian wife.

Manuel Rybach is Global Head of Public Affairs and Policy at Credit Suisse. Before that, he worked for the bank in Hong Kong, where, among other roles, he was responsible for the program at the Asian Investment Conference.

The **Asian Investment Conference** will take place from March 27 to 30, 2017, in Hong Kong. For more information, visit credit-suisse.com/aic

“You have to study hard if you want to have a better life”

Attorney Kathleen Chew discusses differences between East and West on a wide range of topics, such as the importance of education, the constant hunger for success and the role of foundations in promoting human welfare.

Interview: Daniel Ammann and Simon Brunner



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s. Chew, you run one of Asia's largest foundations, the YTL Foundation in Malaysia. It primarily supports education projects. Why? Education, as a fundamental part of society, is highly valued in many Eastern cultures. If you raise children properly, they will become better people and their chances of having a better life improve. Well-educated people care more for the environment and have a higher life expectancy. The parents of our company's founder, Yeoh Tiong Lay, were immigrants from China. Education is even more crucial for immigrants who have to work their way up in society.

Biographies of people who have climbed the ladder of success are best-sellers in bookstores from Beijing to Bangalore. What does this say about Asia?

Ambition and the hunger for success may have declined a bit in well-established Western economies, but the Asian corporate world is still characterized by people who work very hard and have an incredibly strong will to succeed. It was drilled into me from a very young age: “You have to study hard if you want to have a better life.” Today the American Dream is more of an Asian Dream. But it's easier to work your way to the top in Asia, because we haven't yet achieved the same level of development.

What investments is YTL making in education?

We started sponsoring scholarships in 1997. That seemed to be the most direct way to reach people. As the company's Group Legal Counsel, I was tasked with setting up the foundation.

And you ended up staying with it?

I was introduced to a bright, clever young man right at the start. His father had died and his mother was a poor seamstress. She couldn't afford the monthly school fees of 50 ringgits [editor's note: worth slightly less than 20 Swiss francs at the time]. We were asked if we would like to support this young man. We said yes immediately. I was so touched by the



Kathleen Chew, 57, has worked for YTL since 1988. She helped establish the legal department there, as well as the foundation that she now heads up. She graduated from the University of Birmingham in the United Kingdom with an LLB (Hons) degree.

young man's story that I stayed with the foundation. He went on to study medicine, and today he is a surgeon at the public hospital in Penang. He is the first person from his village to attend university – he gives everyone there hope.

The YTL Foundation's civic engagement has grown over the years.

Today we provide a broader range of support for schools, particularly in one area in which YTL has expertise to offer: technology. We developed an online platform called Frog, and working together with the Ministry of Education, we have installed it in over 10,000 public schools. Our subsidiary YTL Communications is helping to bring fast 4G internet access to the classroom. Since many schools lack computers, we have had to provide them with basic Chromebook laptops. Most important of all, however, is the need for thorough training and for a general willingness to embrace change. Our goal is for schools to be capable of maintaining the computers and network connections on their own, and of making appropriate use of IT in the classroom.

How might Malaysian foundations improve?

Foundations here focus too much attention on their own concerns rather than supporting one another. One example: The Bill & Melinda Gates Foundation is very effective in many areas, so other foundations around the world trust it with their resources. That would be very difficult here. A first step in this direction is the Malaysia Collective Impact Initiative (MCII), which brings together corporate foundations and other stakeholders in a systematic effort to improve education.

The Schwarzman Scholarship Program

Rugsit Kanan, 23, from Thailand



As a member of MCII, we have assembled a thorough overview of Malaysia's very fragmented foundation sector. By the way, Credit Suisse is a founding partner of MCII.

Corporate foundations seem to be more common in Asia than private philanthropy. Why is that?

There is one simple reason: In many companies, like YTL, the founding families are still very much involved, so their wealth is tied up in the business. But the number of very rich individuals is growing, as is the middle class. As a result, individual philanthropy is becoming a more significant topic in Asia as well.

Are you noticing a change in mentality from the older generation of founders, who made it to the top from extreme poverty, compared with today's young people?

Our fathers and grandfathers achieved a great deal. They had only one goal: to leave poverty behind and get rich. The younger generation is different. For example, they are much more aware of issues like inequality and pollution, and they want to do something about them. In my experience, it is easier to get young people involved in social projects than was the case with their parents or grandparents. □

YTL Corporation Berhad is an infrastructure conglomerate with headquarters in Kuala Lumpur, Malaysia. Yeoh Tiong Lay (YTL) founded a construction firm in 1955 that now earns revenues totaling 3.5 billion Swiss francs and generates after-tax profits of 430 million francs.

Last summer I left Boston to come to Beijing. Studying at Harvard was certainly challenging, but there's no comparison with Tsinghua University. Here we're required to attend considerably more classes, and the purpose of lectures is to impart knowledge. Classes were primarily a place for discussion in the United States, but at Tsinghua students are bombarded with new information at a dizzying rate of speed.

There are often guest speakers in the evenings, like the economist Lawrence Summers or CNN moderator Fareed Zakaria. I was particularly impressed by Ngaire Woods, the first dean of the Blavatnik School of Government at the University of Oxford. On the weekends we frequently go on field trips, and I play chess on Thailand's national team. That requires practicing late into the evening.

We are members of the first class of Schwarzman Scholars, the largest charitable project in the history of China. Its founder, Stephen A. Schwarzman, co-founder and CEO of Blackstone, has already donated 100 million US dollars and plans to raise an additional 400 million for the project. Schwarzman says that the program is intended to bring together the "world's best and brightest students." According to Schwarzman, "Whether in politics, business or science, the success of future leaders around the world will depend upon an understanding of China's role in global trends."

He likes to point out that we are changing the course of history.

These are big words, but when I look at my 109 fellow scholars, it certainly seems possible. What they have experienced and achieved is incredible – and most of what I'm learning, I'm learning from my colleagues. It's interesting to note that my Chinese classmates know a great deal about the United States – more, at any rate, than my colleagues at Harvard know about China.

The one-year program leads to a master's degree. When I'm finished, I'll be joining Lazard Asset Management in New York; one of the world's top financial management firms has offered me a job. Asset management is similar in its complexity to the problems you encounter on a chessboard.

I could have stayed in China, but where I live is not so important to me. What matters is that my job has a global orientation and that I'm in a multinational environment. What does home mean to me? Of course Bangkok, where I grew up, is an important city for me, but I feel just as comfortable in Boston, Beijing and many other places in the world. □

Credit Suisse is a supporter of the Schwarzman Scholars program, www.schwarzmanscholars.org.

Recorded by Simon Brunner



The South Korean Wave

How a really uncool country became cool by government decree.

by Euny Hong

According to a Time magazine reader survey, the second most influential figure in the world (2015): pop singer CL (real name: Lee Chae-rin).

facter. South Korea is not only a leader in technology. It also sets cultural trends in Asia and beyond. Evidence of Hallyu (literally: Korean wave) is hard to miss these days, no matter where you are in the world.

South Korean pop culture is even flooding into countries with which Korea maintains few diplomatic ties. But South Korean pop is so popular that there was a discussion during a 2014 meeting of Chinese officials about why China couldn't produce a television soap as popular as the South Korean hit, "My Darling from Another Star." It's a TV series about an extraterrestrial, who falls in love with a Korean actress. In Iran, whose relations with South Korea have been strained for many decades, the historical drama "Jumong" achieved an 80 percent audience share during its time slot. In contrast, American series are rarely seen in Iran or other Islamic countries because of their strict moral codes and for political reasons. Relations with Cuba are strained as well. But Canal Habana, Cuban state television, still broadcast the South Korean series "The Queen of Housewives," which was reportedly quite successful. In other words, a whole generation of young people around the world is more familiar with South Korean than American TV series.

Beauty, Made in South Korea

Hallyu's first, biggest and most consistent sphere of influence is Asia. The Japanese

have been enthusiastic fans of K-series ("K" for South Korea) since "Winter Sonata" was broadcast in 2002. The lead actor, known as the star with the soft voice, became for the Japanese what Brigitte Bardot was for a good part of the world in the 1960s: the romantic and sexual ideal of an exotic stranger.

People in Southeast Asia are particularly crazy about Korean beauty products. The Face Shop, comparable to European cosmetics chains like Sephora or Douglas, has over 1,000 stores in Asia. Sephora and Douglas themselves carry South Korean beauty products, including in Europe.

In France, tickets to a 2011 K-pop concert sold out in fifteen minutes. In 2015, Korean pop singer CL (real name: Lee Chae-rin), front woman for the girl group 2NE1, was voted the second most influential person in the world, beating out President Obama and the Pope.

So how did a country that no one really thought about a few decades ago suddenly become the coolest country on earth? If it almost seems like a political conspiracy, that's because it sort of is. Hallyu is the brainchild of the Korean government. The global explosion of Korean pop music, television dramas, fashion and food has been financed and orchestrated by the Korean government for the last 20 years. The nation's Ministry of Culture has an entire division for pop culture >

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outh Korea is the only non-English speaking country in the world that has ever tried to challenge America's monopoly on world pop culture.

The very idea is astonishing for a country like Korea. Especially considering that, after the Korean War (1950–1953), its gross domestic product was lower than that of most Sub-Saharan African nations. Well into the seventies, South Korea's GDP was lower than North Korea's. When my family returned to South Korea from the US in 1985, the country was so backward that our cleaning lady had never even seen a vacuum cleaner. Electronics and household devices were rarities. I thought South Korea was the furthest thing from cool.

Thirty years later, a Korean company named Samsung sells more mobile telephones worldwide than any other manu-



Discussion topic for the Chinese government: scene from the TV series "My Sweetheart from Another Star"

along with others for video games, television and cultural industry policy. The taxpayer-backed Korean Venture Investment Corporation has earmarked a fund of 1.5 billion US dollars for the financing of pop culture and IT projects.

One might well ask, why focus on pop culture when this area has been the near-exclusive domain of the United States for a century? The answer: Popular culture is the key to soft power.

Soft Power

Harvard political scientist Joseph Nye coined the term “soft power” in 1990. It refers to the intangible power a country wields through its image rather than

through force. Hard power is military might or economic coercion. Soft power is how the United States got the world to buy its Marlboro cigarettes and Levi’s jeans: by peddling a desirable image, with James Dean or John Wayne.

It would be difficult to overestimate the influence of pop on world culture. One of the most obvious examples of this was the 1989 Velvet Revolution in the former Czechoslovakia. It drew its name from the fact that Václav Havel and other leaders of the Czech resistance were inspired by The Velvet Underground, a US rock band.

South Korea’s cultural ambitions are not just chutzpah, nor did they come out of

nowhere. They were born out of necessity. And by necessity, I mean shame. The impetus came as a consequence of the Asian financial crisis that crippled South Korea in 1997 and 1998. South Koreans were demoralized. The day that South Korea had to ask for a bailout of 58 billion US dollars from the IMF was dubbed a “day of national mourning.” To add insult to injury, South Korea had just started to become a wealthy nation. And now the ignominy of debt made some Koreans panic in the fear that their recent successes were just some fluke.

The South Korean government realized that the nation was going to have to fundamentally change how it made money if it wanted to avoid these types of disasters in the future.

It Needed Only Time and Talent

South Koreans learned through centuries of political instability that hitting rock bottom comes with a great advantage: One has nothing to lose by taking crazy risks. And that’s just what the nation did. They decided to focus on an industry that did not require every factory to retool. The only things this new industry needed were time and talent. And that industry was pop culture. Thus Korean cool was born out of the ashes of bankruptcy. It is now a national priority.

The South Korean government decided to fund and enforce Hallyu. This included using Korean taxpayer funds to finance the translation of South Korean dramas into other languages and bailing out the K-pop industry with an emergency loan when it came under threat from bootleg copies and music piracy.

The South Korean economy is a paradox. It is utterly capitalist, yet at the same time in certain respects it is a planned economy. From the earliest days of its independence from Japanese rule following World War II, the South Korean government has continuously intervened in private industry. Pop culture is no exception.

I was sure that the Hallyu trend would have gradually ebbed by now. But if anything, it’s become stronger, there’s been a kind of second wave. Music videos by K-pop band Girl’s Generation, which had been written off after their popular singer Jessica Jung quit, have now been viewed online more than two billion times. Hallyu has inspired countless imitations.



Cultural ambition: actor Song IL-Gook as Jumong in the TV series, “Jumong.”

Thus Korean cool was born out of the ashes of bankruptcy. Now a national priority.

A Chinese version of “My Sweetheart from Another Star” launched in 2016, now titled “My Unbelievable Friend.” In reverence to the inimitable Hallyu appeal, the Chinese even cast a Korean star in the role of leading man, the actor Kim Tae-Hwan, who now speaks Chinese in the series.

Hooked on Korea the Brand

The key to South Korea’s success is its market focus on countries where America fears to tread. Developing countries are often too poor to be truly attractive to American export industries. That’s where South Korea has an unbeatable advantage: It was once a developing country itself. So it understands the stages of development in which other nations find themselves. It has carefully studied their cultures in order to determine what K-products would be most promising there. And South Korean economists are hard at work gauging the rate at which these nations will become wealthier and gain more purchasing power.

Paraguay, with a per capita GDP of only 4,200 US dollars, is a prime example. Some South Korean series have been dubbed not only into Spanish, but Guaraní as well, an indigenous language spoken by only two million people.

You can bet that once the people in these countries are able to afford to buy mobile phones and washing machines, they’ll buy South Korean products. Why? Because they are already hooked on Korea the Brand. □

Euny Hong is a business journalist who grew up in the US and Korea. She writes for The Financial Times, The New York Times, The Wall Street Journal, The Washington Post and The Atlantic. She is also the author of “The Birth of Korean Cool: How One Nation Is Conquering the World through Pop Culture” (2014, Picador).



Two billion views on YouTube: the K-pop group Girl's Generation.



“I’m making Asia smaller”

Tony Fernandes is one of Asia’s best-known and most colorful entrepreneurs. With his budget airline, AirAsia, he has revolutionized the travel industry. We spoke with him about his childhood dreams, the business principle he considers most important and social capitalism.

Interview: Daniel Ammann



Tony Fernandes is probably more aware than most business leaders of the critical importance of marketing, and this is also reflected in his self-marketing. The founder and CEO of AirAsia, Fernandes usually appears in public wearing jeans, a T-shirt and a bright red baseball cap emblazoned with the word “AirAsia” in white. His interviews are always entertaining.

If it can benefit his company, he is also willing to star in a reality show on television: “The Apprentice Asia” substantially increased Fernandes’s name recognition throughout the continent. The show originated in the United States, where it featured Donald Trump. At one point he attracted public attention by making a bet with his friend Richard Branson. Branson lost – and as a result, he had to serve passengers while dressed up like a female flight attendant on an AirAsia flight. For his part, Fernandes donated approximately 200,000 US dollars

of the flight’s proceeds to a charitable organization. The global media, from the BBC and CNN to the South China Morning Post, reported on the bet and its outcome. It was priceless – and free – advertising for Tony Fernandes and his AirAsia airline.

After rapidly rising in the music industry – first at Branson’s Virgin Records in London, then at Warner Music in Malaysia – Fernandes decided to go into the airline business, despite having no experience in the field. In 2001 he purchased AirAsia, which at the time was deeply in debt. It was owned by the Malaysian government and its fleet totaled two outdated Boeing planes. Despite all predictions to the contrary, Fernandes was able in the space of a few short years not only to launch Asia’s first budget airline, but also to make it one of the world’s most successful. Today AirAsia serves 112 destinations in 20 countries, and its 171 planes transport more than 50 million passengers each year. Fernandes, a sports fan, owns London’s Queens Park Rangers soccer >



club, and for a while he was also the owner of the Caterham Formula One team.

Mr. Fernandes, you asked us to submit the questions for this interview in advance...

... I read the first two, and then I got bored. [He laughs.] You want to know the same things as everyone else.

Then we'll shift gears and ask you some different questions. If I were to go to Asia once in my life, where should I go?

I'll give you two recommendations for a beach vacation and one for a historical site. You should definitely go to Bali; it's one of the most beautiful places in

I loved airplanes. When I was seven years old, I said to my father, "I want to have my own airline." His answer was, "I'll be happy if you manage to become a concierge at the Hilton."

Most boys want to fly airplanes, not own them. And as they grow older, they generally abandon the dream of becoming a pilot.

Luckily I continued to have that dream, even while attending a boarding school at Epsom, in southern England. I would have liked to fly home to Kuala Lumpur during school breaks, but we couldn't afford it. I told my mother, "You'll see, someday I'll make flying cheap."

couldn't afford it in the past. Half of our passengers are flying for the first time in their lives.

Asia's economic boom has led to a significant expansion of the middle class and increased purchasing power.

How is that affecting your business?

We never went on vacation when I was young, except for an occasional weekend at the beach. That's all changed now. Today vacations are an accepted part of Asian culture. Families are spending more time together, and budget airlines have allowed them to travel farther



"Follow your heart": Entrepreneur Fernandes.

When I was seven years old, I said to my father, "I want to have my own airline."

the world. And then you should go to Palawan Island in the Philippines – a paradise on earth. My third recommendation would be Borobudur, the Buddhist temple complex on the Indonesian island of Java. It's incredible. And then I'd also recommend a city: Bangkok, the most exciting metropolis in Asia. Everyone should go there at least once.

When you were a child, what did you want to be when you grew up?

I always wanted to own an airline.

You're kidding!

No, I'm serious. Even as a small child

Unfortunately she didn't live to see that happen. She died much too young, when I was just 16 years old.

You've transformed AirAsia into the world's biggest and most successful budget airline, and it's also the first one to serve a number of Asian countries. How has that changed the continent?

Now you're asking the boring questions. (He laughs.) But seriously, and without meaning to sound arrogant, I have to say that AirAsia has changed Asia quite a lot. To put it simply, I have made Asia smaller. I've brought people closer together. We've made air travel possible for people who

away from home. Academics and businesses are also benefiting from faster and cheaper air travel from one part of Asia to another.

Do you go on vacation more often than you did years ago?

Not as often as I'd like. Sometimes I'll go to Paris or the south of France, which are places I greatly enjoy. But I plan to take more vacations after I turn 55 – provided that Credit Suisse continues to provide the necessary support. (He laughs.)* Keep that in the interview, okay?

Of course. Which Asian countries have the potential for growth, in your opinion?

The Philippines will experience enormous growth over the next few years.

Why the Philippines?

It has a great deal of untapped potential as a tourist destination. Its middle class is continuing to grow. And the country's infrastructure is improving enormously. Indonesia is a similar case.

What chances do you see for India?

India really should have the most growth of any country, but the government is putting the brakes on developing tourism. For example, new airlines have to wait for five years before introducing interna-

threat facing the world today. Nationalism and racism have already caused far too many problems in the world.

What business principle is most important to you?

Meritocracy is the lifeblood of my company. I attach great importance to a flat organizational structure, since I wanted to create an atmosphere that is conducive to innovation. That's a trite buzzword, I know. But if you want your employees to be innovative, think for themselves and be willing to take risks, then you need to create the right kind of environment. It has to be an atmosphere

Asia has been too preoccupied with ethnic and religious issues. I sometimes have the feeling that we are more segregated than ever. But to return to your question: I would say that the concept of meritocracy is fairly new to Asia, but it is quickly gaining ground.

It is also striking that a large percentage of AirAsia's top executives are women. Are you taking active steps to promote the hiring of women?

I made it clear from the beginning that I wanted to bring women into the company. I'm a strong supporter of gender equality.



US President Barack Obama and Malaysian Prime Minister Najib Razak at the signing of a contract between John Rice of GE Global Growth & Operations (seated at right) and Tony Fernandes (left) in 2014.

tional flights, and they are required to have at least 20 planes on domestic routes.

What are the greatest challenges facing your business?

The challenges are in that same area – government intervention, nationalism and protectionism.

Are such measures causing more difficulties than they did just a few years ago?

Absolutely. It's quite paradoxical! Thanks to globalization, we find ourselves in what is probably the most prosperous period in human history. And now we're returning to a kind of Cold War, with nationalism showing its ugly face. This is the greatest

that allows people at every level of the hierarchy to think independently, and they should not be afraid to express criticism. They need to be able to tell me, too, if they disagree!

Is this concept of meritocracy new to Asia?

That depends on the country. But I would say, generally speaking, that in many areas it's still true that who you know matters more than what you're capable of. And many companies are family-owned. That has certain advantages, but it may also mean that the best-qualified person doesn't always become the company's CEO. I should also note that in recent times,

Before AirAsia, there were no female pilots in Malaysia or Indonesia, and only very few in other Asian countries. I've never given women preferential treatment at AirAsia. Women should have the opportunity to apply for the best jobs, but they need to be the best in order to be hired. That's what meritocracy is all about. Anything else would be tokenism.

How have male pilots responded to their new female colleagues?

Some people have expressed criticism, of course. One of my chief pilots complained bitterly at first. But we talked with the pilots and were able to win them over. And the female pilots have >

never given us reason not to hire them. These outdated views are beginning to disappear.

How significant is the role of women in the Asian economy?

Women have traditionally played a very important role in Southeast Asia. But in Japan and Korea, for example, women have less of a presence in the business world.

Low-cost airlines in the United States and Europe have balked at offering long-distance and intercontinental flights – why have you decided to do so?

How have you been shaped by these various identities?

I consider myself Malaysian, first and foremost. But I could live anywhere in the world. I know it sounds like what a Miss World contestant might say, but it's true: I'm a citizen of the world. I could survive anywhere, as long as I can learn the language.

What advice would you give a young Asian student or entrepreneur?

Don't listen to anyone. Don't just do what your parents expect you to do. Follow your heart. Make sure you're offering

He once told me that I had made the right decision.

You've achieved everything you wanted: You own an airline and a soccer club – Queens Park Rangers in England – and you even had your own Formula One team for a while. What else would you like to accomplish?

I'm left wing when it comes to social issues. I think it's possible to be a social capitalist. People need access to better and more affordable healthcare. So my goal is to build high-quality hospitals that are slightly more expensive than the ineffi-



After losing a bet, Richard Branson had to serve as a flight attendant on an AirAsia flight in 2013.

In Europe, Norwegian Air Shuttle has already successfully introduced long-distance flights. But you're right, we were pioneers. At first there was considerable skepticism about our chances of successfully flying long distances. When I introduced short low-cost flights, I was simply bringing a new model to Asia that had already proved successful in Europe. But today Norwegian and other Western airlines are looking to us for new ideas to emulate. It's wonderful that Asia is now a role model in the air travel business.

You were born in Kuala Lumpur to an Indian father and a Malaysian mother, and you spent some of your early years in England.

a great product that people want. Assemble a team that complements your own abilities. Find good people to help you market your product. Far too many good ideas fail because they aren't marketed appropriately. And most importantly: Cash is king. Liquidity is the most important requirement for a business operation.

What occupation did your parents expect you to choose?

They wanted me to be a doctor, like my father.

Is he happy that you didn't follow his advice, and that you've gone farther than becoming a hotel concierge?

cient public hospitals, but 80 percent cheaper than private clinics. I plan to present a model of such low-cost hospitals in the near future. □

*The business relationship between AirAsia and Credit Suisse began in 2002 with a private placement of 30 million US dollars. Since then, Credit Suisse has been involved in all of the airline's business transactions, including its IPO of 227 million US dollars in 2004.

What Is Growing, How and Where?

The research unit of Credit Suisse provides answers to key economic questions concerning the world's largest continent.

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The Next Generation of Growth

In recent years, a number of Asian economies have seen subdued growth, largely due to the sharp slowdown in China. So long as trade channels remain open and governments continue to pursue stability, the outlook remains positive, particularly for the poorer countries.

By Oliver Adler

Since World War II, Asia has experienced three “economic miracles”: first, the tremendous growth of Japan, which lasted from the early 1950s to the late 1980s; second, the rise of the four Asian Tigers (Hong Kong, Korea, Singapore and Taiwan) stretching from the mid-1960s to the mid-1990s; and finally, the China-led growth surge from the early 2000s until around 2014. While South Asian nations such as Malaysia and Thailand participated in the two latter boom periods, overall the northern Asian economies benefited most. Measured by GDP per capita, these economies have managed to catch up with – and in some cases surpass – those of Germany and the United States, the two leading Western economies.

The key question for the future is whether other economies in Asia, including China, will be able to achieve a similar feat or will stall at a low- or middle-income level. Given that a number of Asian economies are among the poorer emerging markets (see figure), their catch-up phase will, in the best of cases, be a very prolonged one. That fact apart, the key concern is that the development models which made the previous growth miracles possible may no longer be available for these latecomers.

Inter-Asian Trade as a Key

One of the major factors that drove the successful growth of the “early bloomers” in Asia was their focus on exports – particularly to the United States and Europe. In the period from the 1980s onward, the share of Asian exports absorbed by the US and the EU ranged from 31 percent to 43 percent of total exports (in USD).

With economic growth now far slower in the US and Europe, these economies can no longer act as the major growth drivers for the less developed Asian economies. Latin America and Africa are also very unlikely to take over that role in the foreseeable future; therefore, export-driven growth will only be possible if it is of an intra-Asian nature. Although trade among newly industrializing Asian countries has slowed in the past two years, its share in their overall trade grew from 22 percent in 1980 to more than 38 percent in 2015. Given that China already accounts for 69 percent of Asian GDP (excluding Japan) and 42 percent of all non-Japanese Asian imports, it will be crucial that the Chinese economy remains on a healthy growth track.

Even if intra-Asian trade re-accelerates and volumes rise in coming years, it seems unlikely that it will ever play the same role for employment as was the case during the past decades. For one thing, East Asia is rapidly aging, which curbs its growth potential (as the article on page 45 shows). However, trade is likely to continue to consist largely of flows of semi-processed or fully processed manufactured goods – segments where productivity is rapidly advancing.

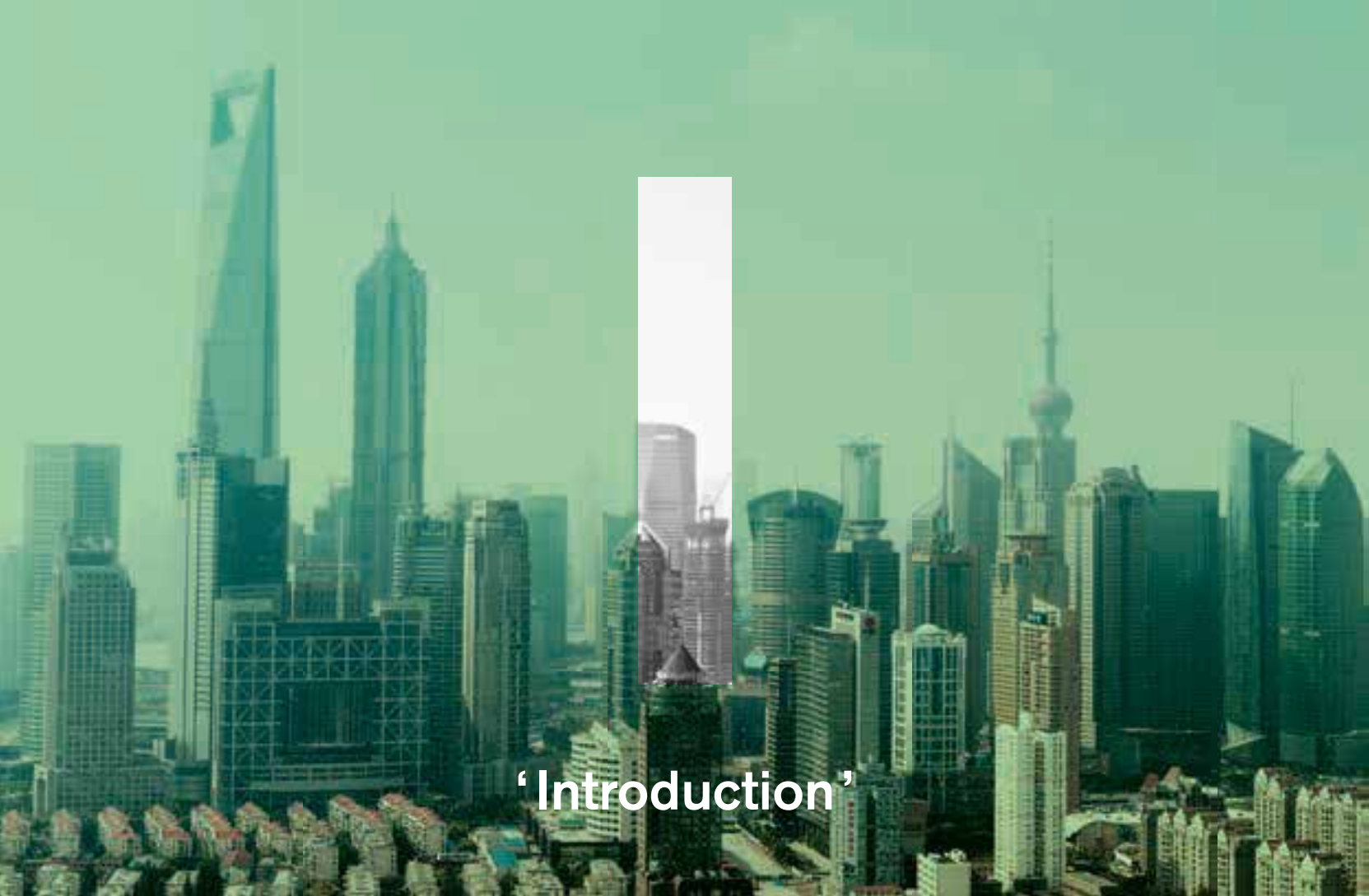
Employment shares are thus unlikely to rise anywhere near to the levels witnessed in the more advanced Asian economies during their boom years. This implies, conversely, that services will have to play a far greater role even in less developed economies if the catch-up process is to succeed. However, there is still some uncertainty as to whether this can happen (see page 42). That said, there is still ample latitude in

most of the poorer Asian economies to improve physical infrastructure, especially in urban centers, thereby contributing to growth and, especially, absorbing labor that would otherwise remain in unproductive agriculture.

High Savings Rate as a Recipe for Success?

In an oft-quoted 1994 article entitled “The Myth of Asia’s Miracle,” Paul Krugman argued that the rapid economic growth of Asian countries such as Singapore would be only temporary. Written just a couple of years before the outbreak of the Asian crisis, this analysis seemed truly prescient. As it turned out, however, Krugman’s warning was premature, for growth re-accelerated in Singapore and the other economies shortly after the crisis and remained at very high levels until very recently.

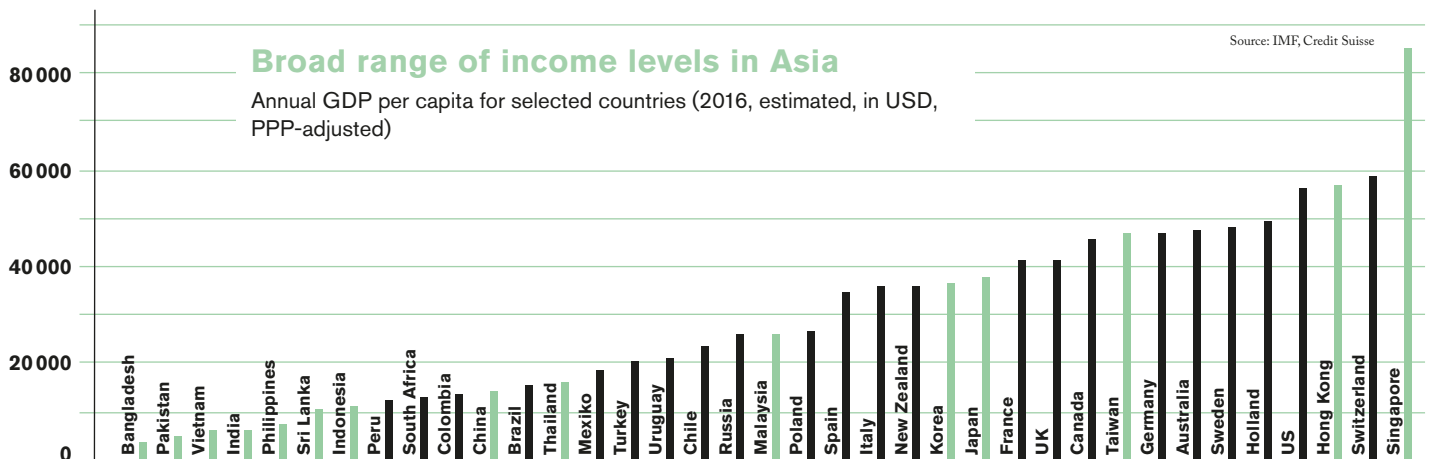
Moreover, saving and investment levels actually rose after the Asian crisis, with the result that many countries generated savings in the form of a current account surplus. Governments contributed substantially to the generation of such surpluses by limiting fiscal deficits. Thailand, for instance, managed to turn a fiscal deficit of –6.3 percent of GDP in 1998 into a surplus of 0.25 percent of GDP in 2015. Moreover, after the boom period and the currency crises that followed, central banks reined in inflation. Given the investment needs described above as well as the need to invest in human capital to train young populations for a service-oriented economy, high savings actually appear to be a prerequisite for a successful growth strategy. One reason for this is that relying on foreign capital exposes economies to the risk of being hit by external finan-

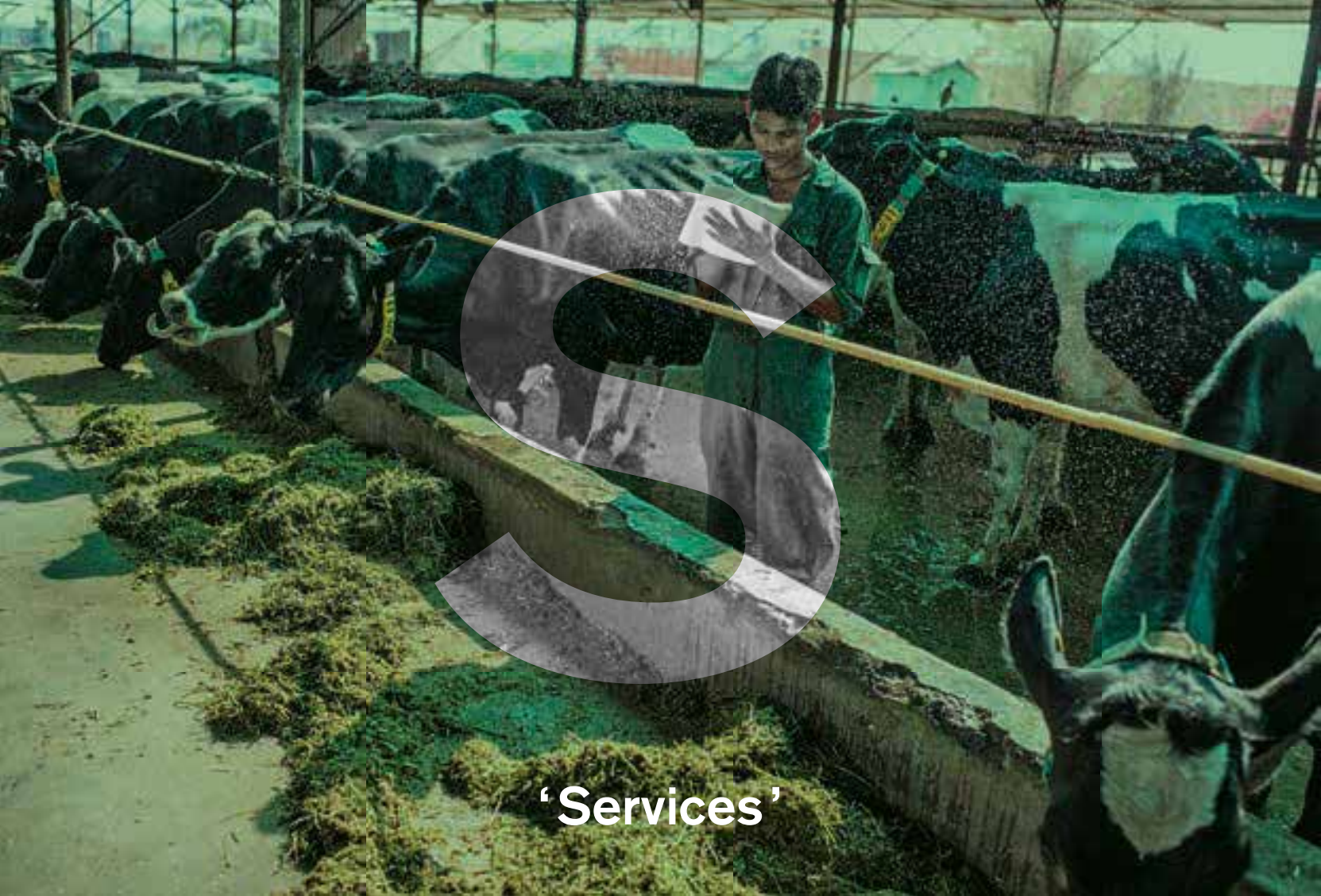


‘Introduction’

cial shocks. With economies around the world advancing rapidly in terms of technology, the future of the poorer Asian economies is unlikely to lie in policies promoting industrialization, although comparative advantages for segments of manufacturing may arise where costs of industrial labor are lower. Urbanization, infrastructure and a broad range of service industries are more likely to become the key growth drivers. Consequently, investment in human capital will be ever more

important. Funding it will require high national savings, which can only be generated if governments resist excessively expansionary monetary or fiscal policies. Moreover, as discussed in the article on page 48 of this issue, deeper financial systems within countries and more financial integration among countries are needed in order to create larger and more liquid capital markets and thus better match the sources of finance with their productive uses. ■





‘Services’

From Farm to Laptop

Can a national economy succeed on the path to prosperity without industrialization?

By Julia Dumanskaya

For almost every developed nation, the industrialization of the economy was the key step toward greater prosperity and improved living conditions. As part of a dramatic structural transformation, laborers shifted from agriculture into industrial enterprises, thereby laying the foundation for subsequent economic progress. Only later did the rise of the service sector begin.

Yet this developmental triple jump is no longer the rule. Among the developing and emerging nations in Asia and Latin America, there are a few economies that have jumped directly from largely agrarian societies to service economies without ever establishing a strong industrial sector. The

big question is this: Will these countries succeed in achieving prosperity without industrialization?

The Alternate Route

Asia has fundamentally changed over the last four decades. Agriculture's contribution to value creation has declined significantly. Urbanization has progressed quickly, and almost four times as many people live in cities today than in 1970. The number of children per woman, averaging more than five in 1970, has dropped to barely three. These profound changes have not impacted all Asian countries equally, and development has progressed unevenly.

Only five have made the leap into the group of high-income countries to date: Japan, Hong Kong (China), South Korea, Singapore and Taiwan. While Singapore and Hong Kong developed directly into offshore financial centers, the economic transitions in Japan, South Korea and Taiwan followed the traditional pattern of a structural shift from agriculture to industry, with the service sector emerging only after gradual deindustrialization.

However, many developing and emerging nations in Asia now seem to be taking another route. For example, relative employment in the industrial sector in India, Indonesia, the Philippines and

Pakistan today is only marginally higher than the (low) level of the 1970s. So this certainly is not a surge in industrialization. At the same time, 700 million Asian workers – around 43 percent of the workforce – still work in agriculture, even though the added value contributed by this sector has shrunk significantly. The relative percentage of agricultural workers is declining more slowly than its percentage of value added, since these countries have significantly higher population growth than the developed countries did in their era of industrialization. At the same time, the industrial sector does not offer enough jobs. Therefore, the still very unproductive agricultural industry or service sectors where value creation is low – often in the gray economy – serve as a reservoir for excess labor.

Too Few Modern Services

In many countries, the service sector remains less productive than industry (see chart.). The few economic sectors that add great value, such as financial and business services, are countered by a whole range of less productive areas such as retail, gastronomy and public services.

The more productive service industries often emerged as a supplement to industrial enterprises and were able to benefit from new technologies. If the industrial phase is skipped as the economic structure changes, there is a risk of sluggish growth for productive services. The examples of India, Indonesia and the Philippines show

that although the percentage of employment in modern, productive services has grown in the last 10 years, it still lags significantly behind traditional services. The highest employment percentages outpace the less productive areas of retail, the hotel industry and gastronomy by more than 40 percent. Accordingly, service sector productivity in these countries lags behind the industrial sector and those countries with a traditional development path.

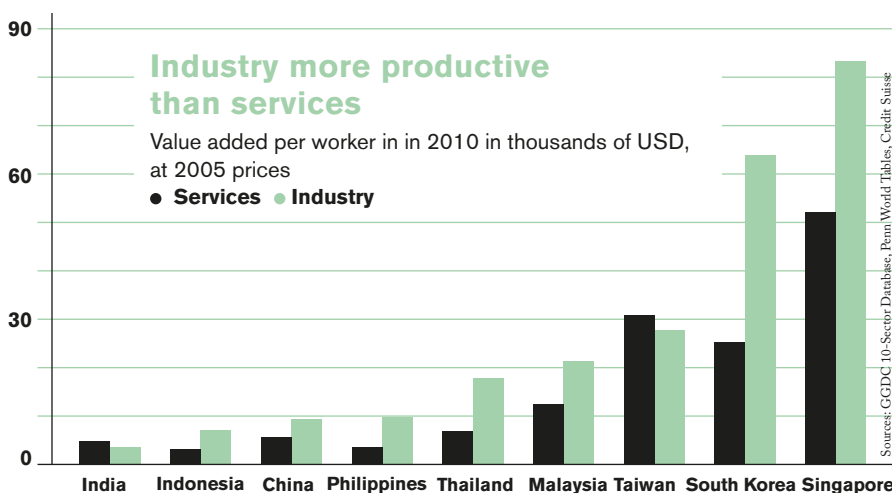
Most research reports conclude that industrialization is a prerequisite for a society's successful structural transition and greater prosperity. With only two exceptions (Israel and United Arab Emirates), all 25 high income countries first achieved a high degree of industrialization. The Asian Development Bank even estimates that no country has succeeded in making the leap into the high-income group without employing at least 18 percent of its workforce in the industrial sector over an extended period.

Engine of Progress

The importance of industry lies in its central role in generating and disseminating innovations. For example, in 2008, around 90 percent of private expenditures for research and development in South Korea came from the industrial sector. The spending levels are similarly high in Germany. With this fundamental contribution to technological progress, the industrial sector significantly promotes increases in produc-

tivity and thereby stronger growth. If the minimally industrialized or non-industrialized countries in Asia do not succeed in increasing productivity in agriculture and the service sector, their development process could take longer than that of their successful forerunners in the region.

Low-income countries like Cambodia and Laos can benefit from comparative advantages in labor-intensive activities in an initial phase. However, it will be difficult to achieve a marked increase in industrial employment, because technological progress is enabling industrial production to function with a dwindling number of jobs. Investments in education and infrastructure will be essential for Asian economies and will establish and continue to develop a solid financial and legal framework. The fact that out of the 55 industrialized countries worldwide, only 23 are also high-income countries demonstrates that these factors are important for increasing prosperity. ■



‘ Real Estate ’



Doing Well (for Now)

The real estate market is a cornerstone of the Chinese economy. But the major fluctuations it has experienced have created uncertainty in the past.

By Vincent Chan, Weishen Deng and Ray Farris

In recent decades, construction investments have made a significant contribution to the increase in fixed asset investments in China. About a quarter of the demand in the Chinese economy now comes from the real estate sector. So it is not surprising that variations in demand for residential real estate have always had a big impact on fluctuations in the economic cycle.

The government has found it difficult to control these variations, not least because property sales provide local governments with a considerable portion of their revenue. However, it seems that the latest stabilization measures have been far more successful than previous measures, decreasing the risk of a collapse in the real estate market.

Not Much of a Surprise

In mid-2016, the Politburo listed the “control of asset price bubbles” as one of its policy objectives. The public reacted with a wave of residential property purchases in August and September, which led more than 20 Chinese cities to tighten their rules for buying and selling residential property.

A market correction loomed, but ultimately turned out to be modest. First, the regulatory tightening did not occur everywhere; smaller and less important cities were not affected. Second, the People’s Bank of China kept interest rates low. Third, household incomes have risen by an estimated 60 percent over the last five years, which, together with moderate mortgage rates, means the burden is sustainable. Most importantly, however, mortgage debt in China remains low. According to estimates, mortgage debt is only 8 percent of total housing assets and 14 percent of financial assets (June 2016). In addition, demand for residential property in China remains high. The rating agency Fitch estimates that some 800 million square meters of living space will have to be built annually through 2030 to meet demand as people move to cities. This is roughly equal to the area of Singapore.

So everything is fine, right? Not quite. There are still structural problems. The government is not allowing housing to be built where people actually want to live, causing a fundamental market distortion. Very little land is being made available, particularly in urban areas, leading to a mismatch between supply and demand and boosting prices. Another distortion is rooted in restricted opportunities for financial investments. Stringent capital controls and low deposit rates at state banks make property an attractive but highly inflationary investment opportunity.

In sum, taking account of all the factors mentioned above, 2017 is unlikely to see a substantial decline in housing prices. But dealing with structural problems is a key step toward reducing volatility, and it will be indispensable in preventing the risk of a collapse in the longer term. ■

Increasing Demographic Pressure

Some Asian societies are aging rapidly. This is having an impact on growth and pension systems.

By Sara Carnazzi Weber and Thomas Mendelin

Aging populations are one of the most important sociopolitical issues of the 21st century. What has so far primarily been an issue in developed countries is increasingly becoming a global phenomenon. After Europe, East Asia is one of the world's fastest-aging regions; it is aging much faster, for example, than Latin America and North America. Only in Africa will the average age over the next several decades remain relatively low, and after 2050 it will be the only continent that will still be experiencing significant population growth.

In Japan, the proportion of people over the age of 70 is now higher than the proportion of young people between the ages of 10 and 25. Between 2027 and 2029, this will also be the case in South Korea and Singapore (see chart). Europe will reach this point in 2030. Thailand is expected to reach this level of aging in 2034, with China following in 2038. China is already feeling the effects of its one-child policy. Although the government officially ended this policy in 2015, changing living conditions in cities and the sharp rise in prices for housing and education make it difficult for many couples to have more than one child.

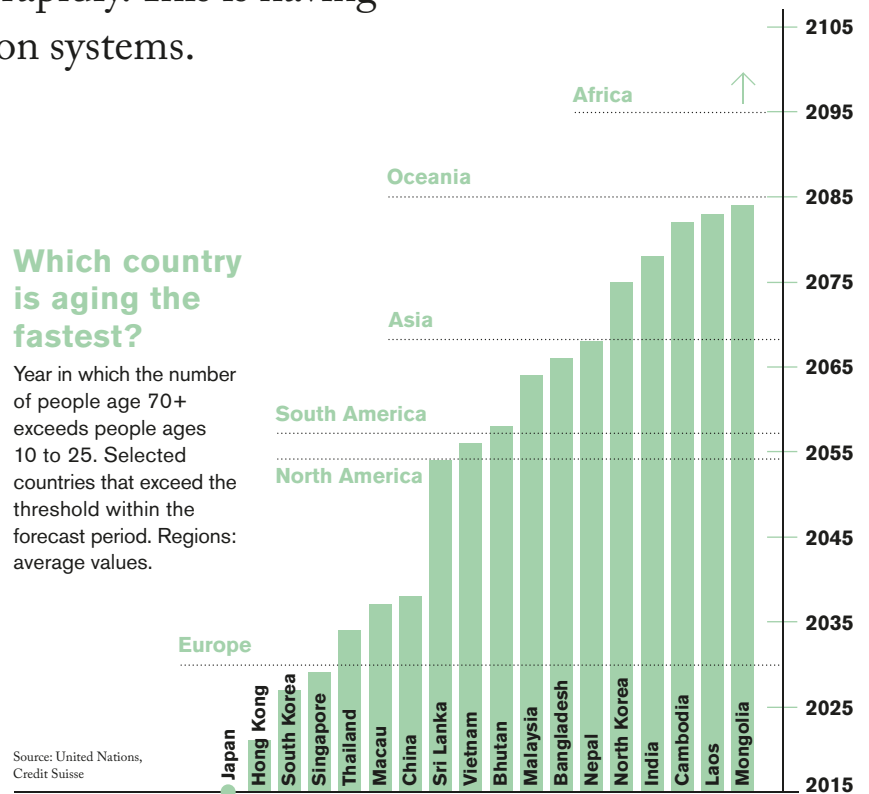
Other parts of Asia, however, will have a more favorable age structure for some time yet. In India, Cambodia and Laos, it will be 60 to 70 years before the ratio of young to old people tilts in favor of the latter.

Not Much of a Surprise

Demographic aging in developing and emerging regions is not an unexpected phenomenon. As a result of economic gains and the associated increase in living standards, life expectancy is improving; >

Which country is aging the fastest?

Year in which the number of people age 70+ exceeds people ages 10 to 25. Selected countries that exceed the threshold within the forecast period. Regions: average values.



Source: United Nations, Credit Suisse



'Demographics'

at the same time, birth rates are declining, leading to the increased aging of society. In addition, developing and emerging countries are continuing to catch up, relatively speaking, with the developed world. While they only account for 60 percent of the population over the age of 70 today, this figure will reach 75 percent by 2050.

The (over)aging of society has a fundamental economic impact. For example, it has a significant influence on potential growth, i.e., the growth that would have been possible if the capacity utilization rate were normal. The labor-intensive growth models that previously characterized developing and emerging countries will become less important, while growth as a result of technological advances will become more prominent.

Pension Systems under Pressure

Ensuring the sustainability of pension systems will also become more difficult. The major differences in the quality of the pension provisions of individual countries make it difficult to offer generalized statements concerning the future of retirement in Asia. The main problems are the high levels of system fragmentation, the discrepancy between pension benefits for public sector employees and programs for the private sector, which is usually much less developed, the much overlooked but important informal economy, and the level of the replacement rates (the pension income compared with an individual's last salary). In China, for example, according to a study by the Asian Development Bank the replacement rate for public sector employees is a high 90 percent. In the rural pension system, however, which is what a large portion of the population relies on, the rate is just 17 to 30 percent. So better coverage and more sustainable financing for pension systems require fundamental reforms if these countries want to avoid the problem of widespread poverty in old age, which impacts growth. ■

China: Innovation, by Order of the Government

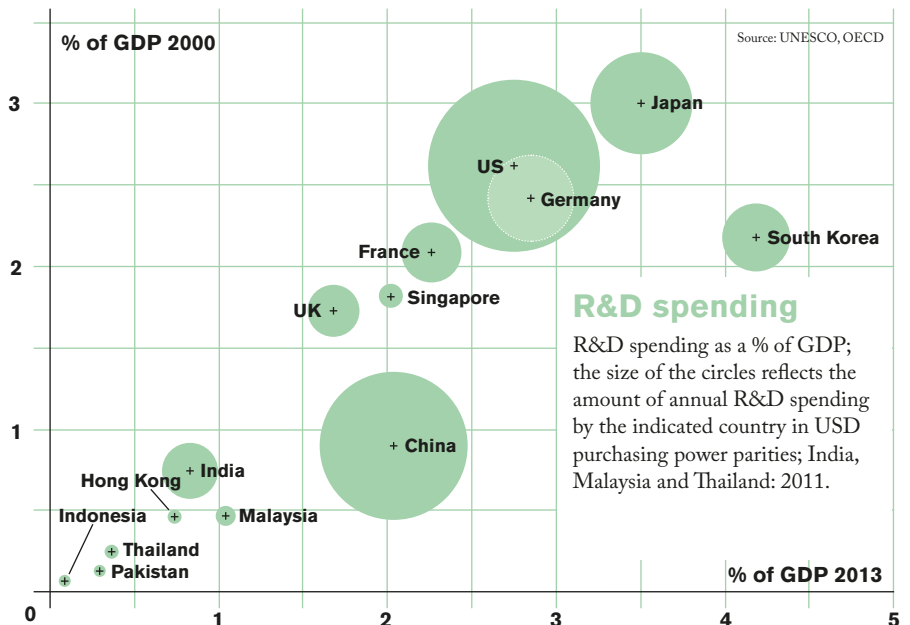
With its regulations and subsidies, Beijing is attempting to make the country more innovative. But the importance of the internet is increasing.

By Vincent Chan

Over the past 15 years, China has made significant investments in research and development (R&D) in an effort to close the gap between the People's Republic and other countries.

According to official data, the share of Chinese GDP attributable to R&D expenditures more than doubled between 2000 and 2015, climbing to around 2 percent in 2015, or 228 billion US dollars (or 373 billion US dollars, adjusted for purchasing power parity). While this figure is impressive, it is still 25 percent less than the United States. Furthermore, the effectiveness of these considerable R&D investments has been quite mixed so far.

On the one hand, there have been some major successes in the telecom and internet sectors, where China has caught up to the rest of the world in terms of R&D capacity, creating companies that are extremely profitable and competitive both domestically and internationally. The market leaders in these two sectors not only invest at least 10 percent of their revenues in R&D, they are also among the 25 companies with the highest spending overall in this sector in China. On the other hand, there are still many companies in knowledge-intensive sectors that do not invest enough in R&D, and they continue to face overcapacity and intense price competition.

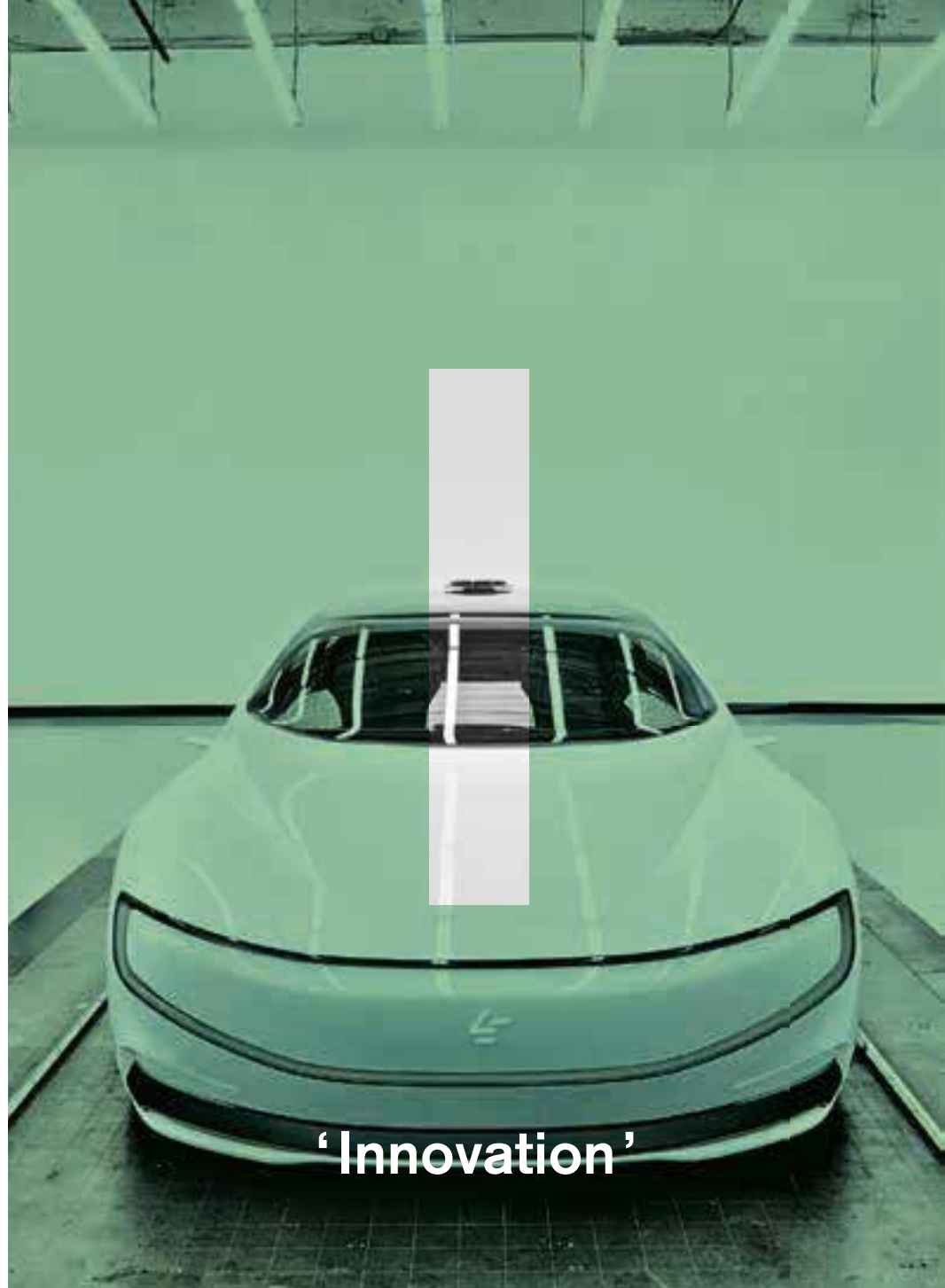


The Chinese government is serious about promoting innovation as a major driver of the economy. Education reform, such as the expansion of tertiary education over the past two decades, has helped to boost China's pool of human capital. According to the government's plan, R&D expenditures are to be increased to 2.5 percent of GDP by 2020. Credit Suisse estimates that this would represent an increase of 73 percent compared to 2015, meaning the US will likely be surpassed (adjusted for purchasing power).

Similar to the Olympics

However, whether the country's current regulatory policy will actually promote innovation is an open question. The way the Chinese government is promoting scientific progress strongly resembles its almost superhuman efforts to win gold medals at the Olympic Games: massive government-controlled programs supported by enormous national resources, but with relatively little leeway for market and social forces to unfold freely.

However, the internet is increasingly contributing to the strategic importance of the private sector, and these new entrepreneurs are also being recognized to a greater extent by the government as important drivers of innovation and technological developments. ■



In what areas could China become a global market leader?

BIOTECH: The market for biologics and biosimilars is still in its infancy in China, but it has grown quickly in recent years thanks to a large domestic market, a favorable regulatory environment and strong government support.

BIG DATA AND ARTIFICIAL

INTELLIGENCE: The Big Data sector in China grew by 65 percent in one year, reaching a volume of 2.32 billion US dollars in 2015. This represents 10.7 percent of the global Big Data market.

INTERNET OF THINGS (IoT): China is the world's largest hardware manufacturer and it has a broad internet user base. IoT is the new mega trend

in China that should drive demand for technology across hardware, software, services and infrastructure sectors.

NEW ENERGY VEHICLES (NEV): China is now the largest NEV market in the world.

In 2015, sales of alternative-powered vehicles in China rose by 343 percent over the previous year to 331,000 vehicles. As a result, the penetration rate of NEV rose from 0.3 percent in 2014 to 1.3 percent, outpacing the NEV penetration rate in the US of 0.6 percent.

NUCLEAR POWER: Based on installed nuclear capacity, China is not the world's largest nuclear power producer, but its planned nuclear projects will make it the world leader in this area. The country has pushed forward with its ambitious nuclear energy generation plan, which calls for a doubling of capacity, from 28 GW in 2014 to 58 GW by 2020.

Step by Step

Asian countries have high savings rates, but investments are predominantly short-term. However, they have embarked on the path to longer investment horizons and deeper capital market integration.

By Björn Eberhardt

Asia's investment needs are enormous and will likely continue to grow over the coming years. Well-regulated, open and liquid capital markets therefore play an important role in investing the available capital as efficiently as possible. Individual countries will need to increase the depth of their own financial systems, as well as improve the integration of their financial markets across national borders. They are already starting to move in this direction, although the first steps will have to be taken rather carefully.

Many Asian national economies have exhibited impressive growth rates over the past twenty years. Much of this growth has been driven by increasing investment spending. This includes public and private infrastructure spending, energy supply, transport, telecommunications, supply and disposal, investment in equipment and buildings as well as capital investments by companies, and investments in private residential construction. According to the International Monetary Fund, investment made up 45 percent of the GDP in China in 2015, 35 percent in Indonesia and 32 percent in India. For Asia's developing countries, the average share of investment in GDP was 41 percent, compared to 21 percent in industrial countries. In the years to come, investment spending is expected to continue rising at a high rate, but this spending cannot and

should not be financed solely by the public sector. To encourage greater involvement of the private sector in financing infrastructure in particular, however, many Asian countries need to further reform their financial sectors.

Substantial Increase in Wealth

Asian emerging markets have relatively high savings rates compared to industrial nations. According to the World Bank, the national savings rate was 28 percent in South Asia in 2014 and 45 percent in the East Asian/Pacific countries. Many Asian households saw their wealth grow enormously as a result of the combination of high savings rates and rapid economic growth. According to the 2016 Global Wealth Report published by the Credit Suisse Research Institute, wealth in Asia (excluding Japan) grew from 9 trillion US dollars in 2000 to 29 trillion US dollars in 2016. Over the same period, the share of global wealth grew from 7.7 percent to 11.5 percent. In other words, the wealth of Asian households outpaced the global average.

Representing one of the biggest challenges in this regard is the fact that, although savings rates in Asia are very high, a large share of these savings is invested for the relatively short term. The reason for this can be found in the financial sector, which is geared primarily toward banks.

Banks are generally less involved in longer-term forms of financing due to their risk policies and regulatory and cost structures. Meanwhile, many Asian capital markets are relatively underdeveloped, particularly in the longer-term segments of the bond markets. This is frequently true of the markets for government bonds, where longer maturity ranges still tend to show less liquidity. In the absence of a broad range of reliable prices for government bonds over longer maturities, it is difficult to establish comparable segments for corporate bonds. This problem is even more serious when emerging markets try to establish such market segments in their local currencies.

Highly Fragmented Market

Another compounding factor, according to figures provided by the Asian Development Bank (ADB), is that the Asian financial sector remains relatively fragmented and focused on domestic markets. Cross-border financing activities are largely handled by foreign banks, which have tended to dial back their activities in recent years as a result of regulatory changes. In this context, the ADB and other international organizations point to risks associated with inadequate financial market development in the region. For instance, there is the danger that key Asian emerging markets could stagnate at an average per capita income level and not move up



‘Financial Markets’

Establishing and supporting public and/or private old age insurance systems can play a critical role in supporting this. Furthermore, it would create a new or larger pool of investors with a long investment horizon. Fundamental steps will also be needed to promote increased awareness of long-term saving, to establish a regulatory framework protecting those investors and savers, and to ensure that tax incentives are in place. Regulatory measures can also manage the supply and demand for capital in certain market sectors. And finally, further liberalization of the interest rates in some countries remains an important point in allowing market prices to rise and thus improving the allocation of capital.

It comes as no surprise, therefore, that international organizations propose more active involvement of Asian countries in formulating the global financial market regulations that impact them. This is even more important now that regulation of the financial markets is on the upswing in the US and the EU as a result of the numerous crises in recent years. When it comes to questions of financial market regulation, a more active role by the Asian emerging markets – one commensurate with their share of the global economy and global wealth – would therefore be preferable. The path to deepening integration and development of the financial markets in Asia should therefore be followed, but with care. Steps taken in individual countries in recent years are, at least, encouraging. ■

to join the group of countries with high income levels (see page 41).

In some ways, the experiences of many Asian countries, in particular from the era of the Asian currency crisis in 1997–98, as well as the global financial crisis of 2008–09, remain a crucial additional factor influencing reform efforts. As a result of these lessons of the past, opening the financial markets is considered to be a risk. Measures controlling the movement of capital, in particular, were and still are a useful tool for ensuring the stability of financial markets in certain situations – a view that has also been adopted

in recent years by the International Monetary Fund and one that does not necessarily have to run contrary to deeper financial market integration.

What Needs to Be Done?

What can those Asian countries affected do now to develop their capital markets further while ensuring that reforms are built on both the positive and negative experiences of recent decades from a global perspective? The ADB and the Organization for Economic Cooperation and Development (OECD) mainly suggest measures aimed at fostering long-term savings.

The **Credit Suisse Global Wealth Report** is available at www.credit-suisse.com/gwr.

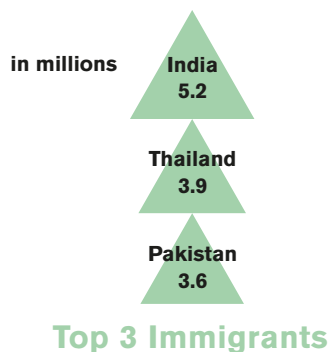
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'Facts and Figures'

Asia in Statistics

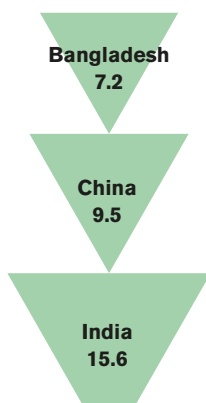
Where's the best place to live? Where is there internet access? How quickly is the population aging? Where do Asians immigrate from and emigrate to?

By Thomas Mendelin

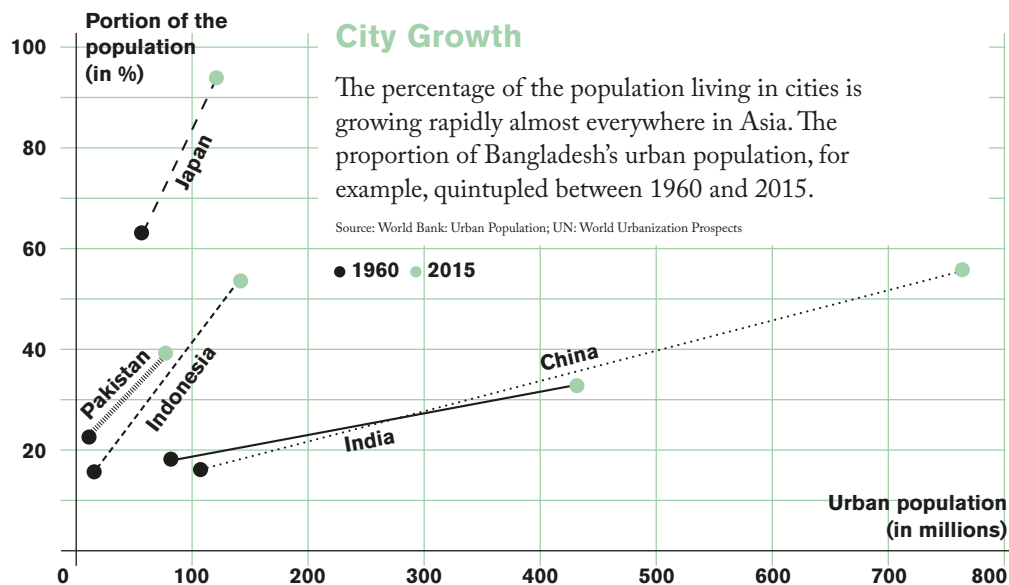


India, Thailand and Pakistan are the most popular immigration countries in Asia, while India – along with China and Bangladesh – has the most migrants leaving. The most Indian migrants move to the United Arab Emirates, while the most Chinese migrants head to Hong Kong and the US.

Top 3 Emigrants



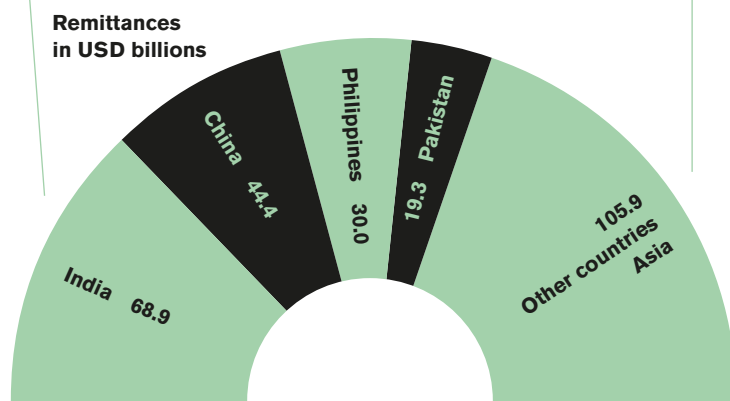
Source: UN Population Division: Trends in international migrant stock: migrants by destination and origin (2015); UN: World Urbanization Prospects



Remittances

Close economic integration of Asian countries and the importance of migrants for the national economy of their home countries become apparent when we look at the volumes of personal remittances.

Source: World Bank: Personal remittances, received (current USD), based on IMF data



42.8%

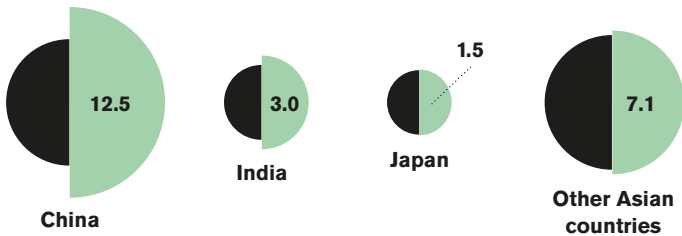
The percentage of Asia's workforce employed in agriculture is decreasing steadily, but is still 42.8 percent. By way of comparison, EU: 4.4 percent (2014).

49.7%

Almost half of the workforce in India still works in the agricultural industry (2013).

Greenhouse Gas Emissions

China, India and Japan are responsible for more than two-thirds of Asia's greenhouse gas emissions. China's percentage rose from 36 percent to over 51 percent over 10 years, even though Asia's total emissions also grew over the same period. ● 2002 ● 2012 in billions of tons

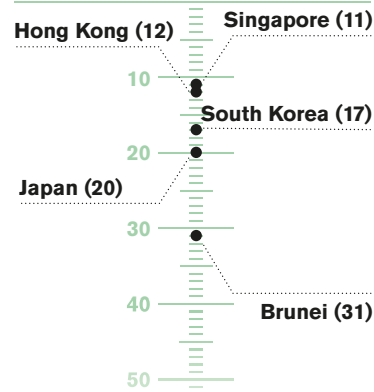


World Bank: Total greenhouse gas emissions (thousand metric tons of carbon dioxide equivalent); Emission Database for Global Atmospheric Research

52.5%

of Japan's population holds between 100,000 US dollars and 1 million US dollars, which makes Japan one of the countries with the most equal distribution of wealth worldwide.

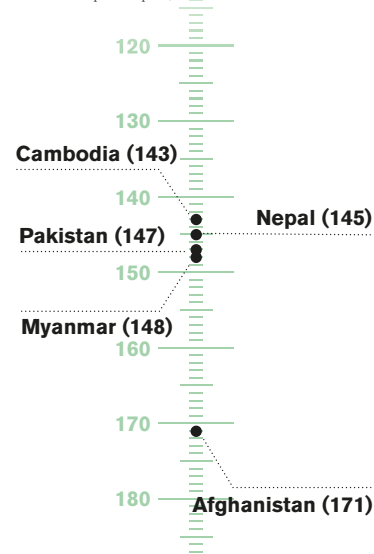
Source: Credit Suisse Global Wealth Databook 2016



Quality of Life

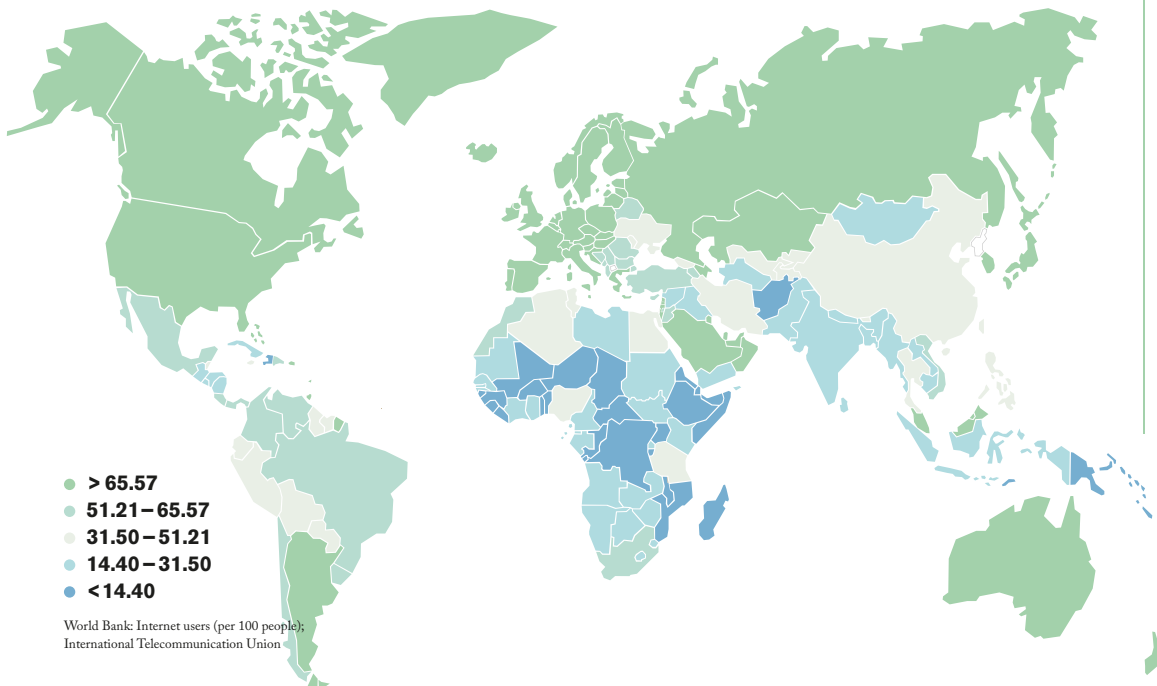
In addition to the economic situation of the population, the United Nations' Human Development Index also considers life expectancy and education indicators. Four Asian countries are among the top 20 in the world, although there are vast differences within the continent.

Source: UN Development Programme, Human development reports, 2015



Internet usage

In many Asian countries, less than half the population used the internet in 2015, far below Europe and North America. But internet usage is growing rapidly.



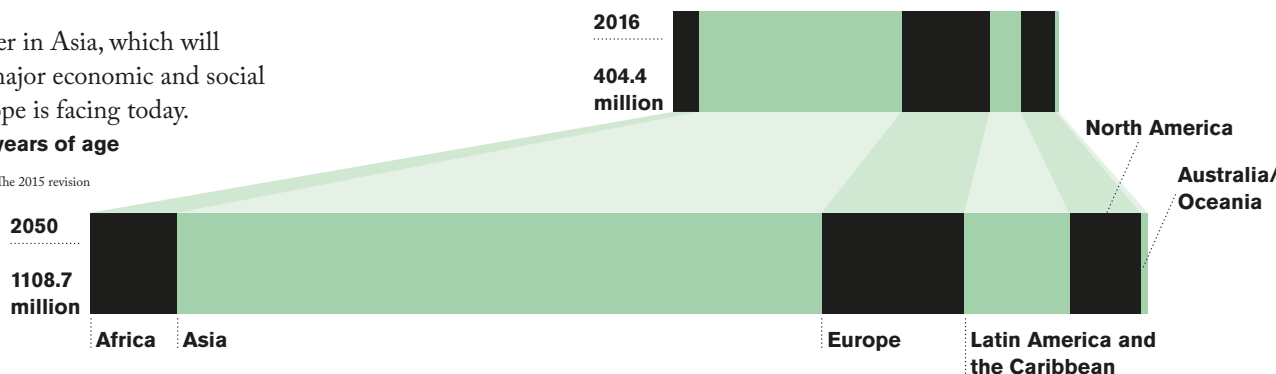
World Bank: Internet users (per 100 people); International Telecommunication Union

Demographics

People are living longer in Asia, which will present society with major economic and social challenges – like Europe is facing today.

Chart: people over 70 years of age

Source: UN, World Population Prospects: The 2015 revision

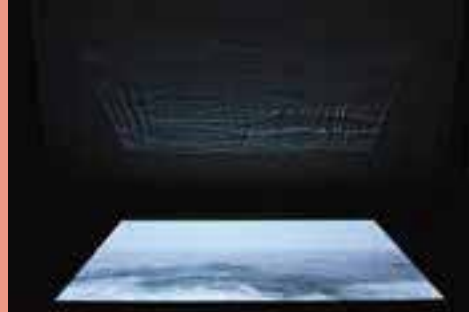


Art 10

Asian Artists Who Will Shape the Future

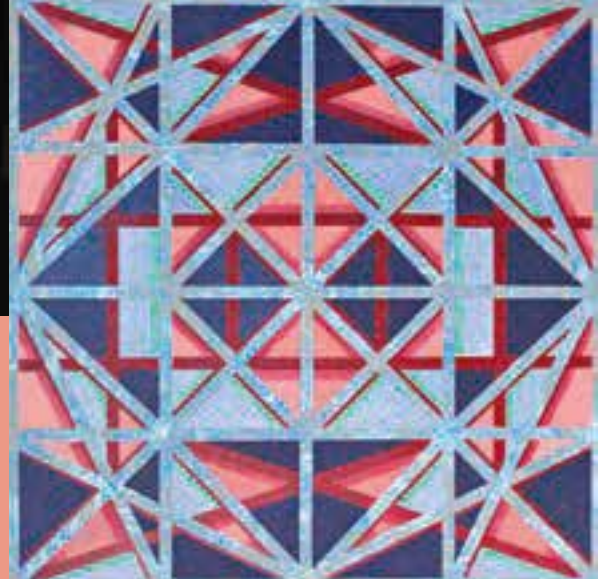
Compiled by **Louis Hu**, curator of the Singapore Art Museum, which focuses on Southeast Asian art. Hu also teaches at the National Institute of Education and writes for a variety of art journals.

Images: Martha Atienza, *Endless Hours at Sea* (detail), 2016, installation view Singapore Biennale, courtesy Singapore Art Museum; Haffendi Anuar, *Elephant Utopia* (detail), 2015, courtesy Richard Koh Fine Art and the artist; Phuong Linh Nguyen, *The Last Ride* (detail), 2016, installation view Goethe Institut Hanoi, courtesy Skylines with Flying People program, Nha San Collective, curated by Truong Que Chi; Agan Harahap, *Mardijker Photo Studio* (detail), 2016, courtesy the artist; Lim Sokchanlina, *National Road No.5*, 2015, Singapore Art Museum collection, courtesy National Heritage Board; Fyerool Darma, *The Most Mild Mannered Men*, 2016, installation view Singapore Biennale, courtesy Singapore Art Museum; Dusadee Huntrakul, *sample for possible monument*, 2016, courtesy the artist and Naruebes Vadvaee; Tun Win Aung and Wah Nu, *The Name*, 2016, courtesy Singapore Art Museum; Boedi Widjaja, *Black-Hut*, 2016, installation view Institute of Contemporary Arts Singapore, courtesy Cher Him; Sarah Choo Jing, *The Hidden Dimension II*, 2013, Multimedia installation, edition 3/5, Singapore Art Museum collection, courtesy the artist.



Martha Atienza

Martha Atienza has an unusual life story. The daughter of a Filipino sea captain and a Dutch mother, Atienza often features the sea as a primary motif in her work, while demonstrating a keen understanding of her surroundings as a landscape of people, first and foremost. The use of art as a tool for effecting social change is another important aspect of her work.



Haffendi Anuar

The Malaysian artist Haffendi Anuar grew up in Kuala Lumpur but attended art school in Rhode Island and London. Upon returning to his native city, he became fascinated with the visual textures and structures of its urban milieu, and turned these into immersive installations that juxtapose painting, sculpture and objects. References to Western art history are part of his work as well.



Fyerool Darma

Born and raised in Singapore, Fyerool Darma works primarily in the medium of painting. His work focuses on migration, cultural identity and postcolonialism. He addresses controversial aspects of South-east Asian history, particularly in the Malay-speaking world, for example in his project for the 2016 Singapore Biennale.



Dusadee Huntrakul

Dusadee Huntrakul is a Thai conceptual artist who works primarily in clay and graphite. Both his sculptural and his paper works have a quiet and captivating charm. Drawing on the artist's personal history, his works deal with topics such as economic value systems, the labor market and environmental issues.





Phuong Linh Nguyen

Phuong Linh Nguyen was born in Hanoi, Vietnam. Her interdisciplinary works include installations, sculptures and videos. She was one of the founders of the Nha San Collective, a group of young Vietnamese artists whose work speaks of the tension between tradition and modern identity as well as between local roots and globalization – themes that play a central role in her work as well.



Tun Win Aung und Wah Nu

Tun Win Aung and Wah Nu are a husband-and-wife artist duo who hail from Yangon, Myanmar. They are prominent on the international circuit, with works that were shown as part of the 2013 exhibition at the Guggenheim Museum entitled “No Country: Contemporary Art for South and Southeast Asia” as well as at the Singapore Biennale in 2016. Much of their work deals with the realities of contemporary life in Myanmar.



Agan Harahap

Agan Harahap is an Indonesian artist who began his career as an illustrator, graphic designer and photographer. He embarked on a full-time career as an artist only in his early thirties. His works combine fantasy and reality to present a satire or parody of contemporary life in an environment shaped by social media and popular culture.



Boedi Widjaja

Displacement has defined Boedi Widjaja’s life and his artistic practice. Born in Surakarta, Indonesia, to Chinese parents, he fled the ethnic tensions of his native Java at a young age, arriving in Singapore. He was trained in architecture, worked in graphic design, and turned to art only in his thirties; much of his work draws from experiences in his own life.



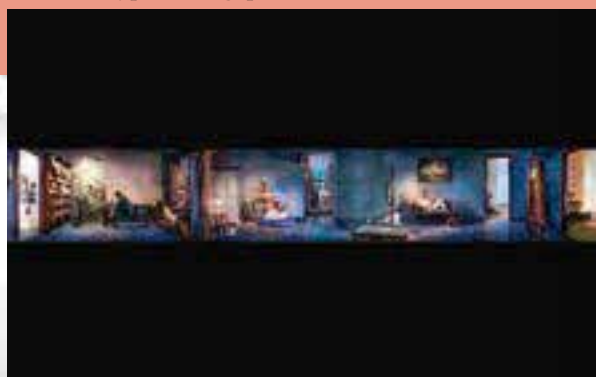
Lim Sokchanlina

Lim Sokchanlina’s works reflect the theme that occupies the promising younger generation of Cambodian contemporary artists: the changing face of Cambodia as a result of globalization. Sokchanlina was born in the southern Cambodian province of Prey Veng. He is a founding and active member of a number of cultural organizations in Cambodia, including Stiev Selapak/Art Rebels and Sa Sa Bassac.



Sarah Choo Jing


Sarah Choo Jing is a young Singaporean artist – the youngest on this list – whose chief media are photography and video. A graduate of the NTU School of Art, Design and Media and of the Slade School of Fine Art, she made a splash with her thesis project, “Hidden Dimension,” a panoramic video installation showing everyday life in a typical Singaporean home.



Noriko's Prescription: Better Balance

Despite anemic growth and a rapidly aging population, Japan remains the third largest economy in the world. Renowned economist Noriko Hama explains this apparent anomaly and gives us her critique of the country's economic policy.

By Sonja Blaschke



The days when the world feared an apparently all-powerful “Japan, Inc.” are long past. Japan's giants like Sony and Panasonic are hard pressed to keep up with their nimble South Korean competitors. “They became victims of their own success,” says Noriko Hama, a well-known Japanese economist.

“Japanese manufacturers are outstanding when it comes to managing processes. But the trend toward digitalization no longer necessarily requires such a high degree of precision in process management, which had been the source of so much pride for Japanese companies. Today, ideas and their implementation tend to be more important,” the 64-year-old professor explained during our conversation on the campus of Doshisha University in Tokyo.

Japan became the “sick man of Asia” when its bubble economy burst in the '90s. The recovery has taken its time. While the numbers have not been negative, growth rates have rarely exceeded 0.5 percent since that time. Wages and salaries have stagnated; the job market is shrinking. Today, one out of four people in Japan is over 65 years old; by 2030 almost one in three will have reached that milestone, according to projections. On top of that, the financial crisis and then the Fukushima disaster in 2011 were additional weights dragging Japan down. Despite all these challenges, the Japanese economy still functions “unbelievably well,” Hama noted. That is high praise coming from a woman who regularly com-

ments on economic affairs for the BBC, Sky TV, CNN and the Financial Times, and is considered one of the sharpest critics in Japan. In fact, even after over two decades of slow growth, Japan remains the third largest economy in the world, trailing only the US and China.

Learn from Japan

Hama credits that status to the fact that the Japanese economy has achieved a very high degree of maturity. The economic and social infrastructure that keeps such a system running is firmly anchored and not so easily thrown off course, says the economist and commentator. Another pillar supporting continuing success is the Japanese work

ethic: their employees' dutiful devotion to their occupation, their perfectionism, and their absolute reliability.

For a long time this island nation with a population of 126 million had no need to look beyond its own borders. To this day, Japan's SMEs, the backbone of “Japan Inc.,” rely to a large extent on this huge domestic market. But a reorientation is slowly under way, now that demographic change is becoming ever more apparent; in 2016 the population shrank for the seventh year in a row.

The fact that, despite its difficulties, Japan retains its position as an economic powerhouse also demonstrates, according to Hama, that “national economies do not all have to be so youthful and full of energy, and growth is not necessary to be productive and creative.”

In a portrait published by Slate, the US-based online magazine, Hama was described as “a Japanese version of Paul Krugman.” Like that Nobel laureate, she too is an “intellectual celebrity,” a prominent academic and a sharp polemicist.

For example, she renamed the economic policy of Prime Minister Shinzo Abe, well-known as Abenomics, as “Aho-nomics” or “fool's politics.” She is sharply critical of the combination of extremely loose monetary policy government spend-

ing programs, and structural reforms because she regards the goal – growth – as completely mistaken for a mature economy. “That’s as if someone who is already fully grown wants to keep growing and growing,” she says.

That only makes sense for an economy that is just starting out, or has lost everything after a war, for instance. She argues that under Abe, Japan fell victim to a “Faustian obsession with youth.” It is almost like doping and, like doping, it will destroy a healthy equilibrium.

Opening Is Another Solution

To make Japan fit for the future, Hama prescribes a better balance, instead of expansion. “What we need to consider now is balanced health, checking our own biorhythms and knowing whether we’re functioning well.” Her prescription? A better distribution of wealth, for instance by increasing the top income tax rate for high earners. That would solve Japan’s “biggest and, in some ways, only real problem,” which Hama says is “poverty in the midst of abundance.” The money is there. Companies are sitting on enormous cash reserves but it’s not circulating, she claims. According to a 2014 OECD study, one out of six people in Japan is poor, and among single parents that figure is one in two.



“That’s as if someone who is already fully grown wants to keep on growing and growing.”

Japan would also be healthier if it stopped sealing itself off from people who want to immigrate. “I think it is extremely illogical that Japan wants to keep people out even though it obviously needs them desperately,” Hama points out. Experts estimate that by 2050 the population of Japan will shrink from 126 million to 97 million. But Japanese politicians, afraid of losing votes, have been unwilling to touch the topic of immigration. They would rather promote greater integration of women and seniors into the job market. That’s the wrong way, according to Hama. “If Japan wants to be part of the world community, it must be open to newcomers.”

She does see a willingness to change direction among her compatriots, however. Hama believes that Japan was already on the right road in 2009 when the Democratic Party assumed power. The Japanese were discovering the advantages of slowness then. Instead of continuing to live at full bore, they were looking for a better quality of life and understood change and diversity as opportunities. With a “very interesting and attractive mix of diversity and integration,” Japan could have become a model for other advanced societies, according to Hama.

She appeals to Japanese companies to return to their roots and to reconsider their abilities. There is no lack of creativity. It’s just been smothered by the excessive orientation toward process. Hama also wishes her compatriots would show a little more courage and audacity, qualities she herself exhibits with her violet hair. Compared to its Asian neighbors, Japan is slow to take up trends and make them its own, whether by copying or fusion, Hama says. “Instead the Japanese, being so conscientious, always think that they have to reinvent the wheel first, even if it’s already rolling right at them.” Hama takes a pragmatic view: “If the wheel is already rolling in your direction, why not just roll with it?” □

Sonja Blaschke is an independent East Asian correspondent and television producer for German language media. She has lived in Japan since 2005.

The Land of Unicorns



China must become more innovative to grow over the long term. Beijing is investing billions in the start-up and maker scene with just this in mind. Out and about in Shenzhen, the Silicon Valley of southern China.

By Lea Deuber (text) and Lam Yik Fei (photography)





T

he robot arm turns in a series of jerky motions. Coming momentarily to a halt, it rotates in the air as though installing an invisible screw, before skipping back to its original position. Song Junyi looks admiringly at the black metal structure anchored to the ground in front of him.

Song has been working on this prototype for two years. The 26-year-old founded Elephant Robotics with his colleague Wu Qilin. Now they tinker with industrial robots destined for Chinese factories. Where unskilled workers by the hundreds of thousands are still sewing buttonholes by hand, Song's robots will soon take up needle and thread. "Wages in China are climbing, and before long, factories will no longer be able to afford the workers," says the inventor. Meanwhile, China currently has a mere 19 industrial robots per 10,000 workers. Germany has over 300. Song's robots have a strong selling point: They are inexpensive. At around 10,000 US dollars, even smaller factories can afford them.

Reorganization of the Economy

Young founders like Song are the hope of Beijing. China has undergone rapid growth over the last three decades, and things have



"The pace is extremely fast": Benjamin Joffe supports start-ups in Shenzhen (top); Wu Qilin and Song Junyi in the HAX offices (bottom).



only been getting better for many years now. But rising wages are dulling China's competitive edge. Simply put: The workshop of the world has become too expensive. Exports are falling; the economy is flagging. Last year, economic growth was at its lowest rate in over 25 years. Today, the economy is running on cheap funding and gigantic infrastructure projects. China needs to reorganize its economy to be able to grow over the long term.

To ensure that the restructuring succeeds, Beijing is relying mainly on growing the services sector, utilizing more technology in industrial applications and improving innovation for "made in China." The country is investing billions in the start-up scene to achieve these goals. President Xi Jinping is calling for "national, mass entrepreneurship." In the future, students will be able to take a break from their university degree programs to start a business. Throughout the country, start-up companies have easy access to up to 100,000 yuan (15,000 Swiss francs) in seed money, and if they hire university graduates, the government will pay their social insurance contributions. There are also tax incentives and billions available in start-up funds. Development centers and high-tech parks at universities aim to provide students with the chance to work on their own ideas at an early stage.

These policies are showing signs of success. The number of start-up companies is exploding mainly in the services sector, online retail and in the gaming and entertainment industry. Around 10,000 new start-ups are purportedly founded every day in China (read more on China's government subsidies for innovation on page 46).

The Workshop of the World – and Now?

Shenzhen is one of the places where the president's vision is to become reality. When devices like mobile phones and computers are "made in China," that usually means they come from here. Economic reformer Deng Xiaoping designated this city surrounded by rice paddies as the country's first special economic zone in 1980. Located only minutes from Hong Kong by train, the location was to benefit from its proximity to the international financial metropolis and bring new growth to the still closed nation. The plan worked. In just a few years, Shenzhen became one of the country's key economic hubs. China became the workshop of the world, and the Pearl River Delta became its manufacturing heartland. Factories sprouted up like mushrooms, and Shenzhen, the

“That can't happen in
Silicon Valley, or in Berlin
or Bangalore.”

world's hardware capital, was born. The city only had a population in the tens of thousands during the '70s, but that has grown to an estimated 12 million today.

The proximity to factories no longer attracts just manufacturers from around the world, searching for cost-effective production sites. Young founders have also discovered the city, like the ones who founded Elephant Robotics. Song and Wu work on their robot in the workspaces of the American accelerator HAX. In addition to its location in Shenzhen, HAX also has offices in San Francisco and is part of the venture capital firm SOSV. The US company was founded in 1995 by electrical engineer Sean O'Sullivan and has already invested in over 500 start-up companies around the world through a number of different accelerator programs. The motto of the accelerator firm in Shenzhen: "When building hardware, all roads lead to Shenzhen."

Benjamin Joffe heads the program. He has been working in Asia for ten years and already considers Shenzhen a rival to Silicon Valley. "The pace of Shenzhen is extremely fast," says Joffe. The offices of the seed accelerator are on the eighth floor of a glass high-rise, and elevators provide direct access to the city's underground markets below. Rows of countless small, informal stands representing the area's factories are tucked away in floors under the glass skyscrapers. Hard drives, batteries and power supply units are available in ten-thousand packs, directly from the manufacturer. If Song needs a screw for his robot in the morning, he will have it by lunchtime. "That can't happen in Silicon Valley, or in Berlin or Bangalore," says Joffe. "Our start-ups in Shenzhen can get more done in a week than companies located elsewhere can do in a month."

Start-up founder Song studied robotics in Xi'an, in northern China. He was already working on intelligent robots capable >

of executing complex movements and able to react to variations on the production line during his time at the university. He met his business partner Wu at his first job in a factory that manufactured robots for children. Making the leap to self-employment was not easy for Song. His parents would have preferred for their son to find a position at a state-owned company. Jobs there are secure, and there is a good retirement pension down the road. “But we knew that we could build a better robot,” says Song.

Drones for Hollywood

Song and Wu are part of an investment program lasting four to six months. They received 100,000 US dollars and, in return, gave the accelerator a nine percent stake in the business. In addition to the funding, they also receive support in establishing their company, developing prototypes and finding potential follow-on financing. They can use the HAX offices free of charge. Around 20 teams are working on their ideas there. They spend their breaks playing tennis or cooking together. HAX is considered to be one of the most successful accelerators in the world.

Innovation and China – some think these two things don’t go together. For years, China was seen as the land of cheap products and counterfeiters. But in the tech area in particular, there have been huge gains in recent years, and it is developing into

a competitor to the established industrial nations. China is the only start-up market outside of the US where there are “unicorns” in almost every industry. Unicorns are companies worth over a billion dollars. China’s unicorns include the taxi-hailing service Didi Chuxing, valued at 17 billion dollars, the delivery service Ele.me, valued at 3 billion dollars, and the group-discount provider Meituan-Dianping, which, at 18 billion dollars, is valued at nine times its American counterpart, Groupon.

For many young Chinese, the founders behind these tech giants are role models. Frank Wang is one such example. The “Steve Jobs of China” founded Chinese drone manufacturer DJI Innovations. Headquartered in Shenzhen, the company holds a 70 percent share of the global market and is valued at an estimated 8 billion dollars. Whether in Nepal in the aftermath of the earthquakes or in Hollywood on the set of a film, Wang’s drones provide the images. The messenger platform WeChat is yet another example. With its system of interlinked online apps including a messaging service, a social media platform and the app’s own WeChat Wallet payment service, the company dominates its international competitors Facebook, Snapchat and WhatsApp. More and more of the functions now being introduced to social media in the West have long been standard in China.

Just how far China’s start-up scene has come is evident on a visit to the Chinese tech start-up Youquan, roughly translated as

Hard drives, batteries and power supply units in ten-thousand packs: the electronics market in Shenzhen.



“property.” Che Keda founded the company in San Francisco in 2015 together with managing director Chen Kai, but he soon relocated to Shenzhen with his team. The company develops an ID to help manufacturers prevent product piracy. If a shoe manufacturer produces a pair of loafers, for instance, they need to be able to trace the product’s transport route from factory to sales floor and verify that the product in question is an original. The shoes can

“Here, we determine who we are, who we want to be and where we are headed.”

be lost at any point along the supply chain, replaced by or mixed with counterfeit products. “The problem is not the cheap knock-offs, but rather with copies that can be passed off as the originals,” says Chen Kai. With a chip for each individual product, the ID system can prevent this from happening. The company’s backers include Sanjeev K. Mehra, a former investment pioneer at Goldman Sachs.

Born in China, Raised in the US

The 25-year-old Chen Kai was born in China. When he was still a baby, his father fled to the US and was obliged to borrow money in the village to pay for the nine-month passage, with his son remaining behind as collateral. Luckily, the father got a work permit, and Chen’s mother followed one year later. When his parents had saved enough money, they were able to repay the loan and bring their son to live with them. While his parents ran a Chinese restaurant, Chen studied business at the elite Yale University. Although countless career opportunities were open to him, Chen decided to start his own business. “Here, we determine who we are, who we want to be and where we are headed.”

The team has support from up high for its anti-piracy ID chip. Along with five other companies, including DJI Innovations and the Chinese real estate colossus Vanke, the newly founded company is mentioned in the city’s five-year plan, the economic plan for the years ahead in Shenzhen. “The fight against product piracy is one of the government’s main priorities,” says Chen. The city therefore pays for the company’s offices in a high-rise building in the city center. Heavy wooden chairs and antique tea services are reminiscent of the old Imperial Palace in Beijing more than a new start-up. Yet relocating from Silicon Valley to Shenzhen would have made sense for Chen even without the government support. “Nowhere else in the world is there more happening than in China.”

Like Chen, many Chinese with international educations are coming back home. According to a study by growth enterprise board Chuangyeban, only around half are here for the money. Of the other half, almost 90 percent are more interested in realizing their dream and doing work that they believe in. Their own dreams, independence and a vision – these are no longer utopian ideals >



“The problem is not the cheap knock-offs.” Che Keda and Chen Kai of Youquan.

for many Chinese. The young generation has often studied abroad, has traveled extensively and has an idea of what makes life in another country special. And surprisingly, most of them come back home, either to work at a Chinese company or to start their own business.

55 Percent Women

That was the case for Sonya Zhang. She sits in a white chair, relaxed, a steaming cup of tea in front of her. She speaks rapid English with a British accent. When Zhang is not in Hong Kong or the US, she works at one of the long wooden tables in SimplyWork's coworking space, tucked away in Shenzhen's western district. Founded in 2015, SimplyWork is still a start-up itself. The company now runs seven coworking sites, and the offices and flexible workspaces are very popular among young entrepreneurs, who crowd the space on weekends, working laptop to laptop.

A pair of young women stand in the kitchen discussing a new app as Zhang prepares her tea. The 28-year-old feels at home here. The percentage of female founders in China is relatively high. According to information provided by the Chinese government, one quarter of all founders are female. In the tech sector, that number rises to 55 percent.



One quarter of founders are women: Sonya Zhang of MYH.



Beijing's hope: start-up metropolis Shenzhen.

Zhang comes from Nanyang in eastern China and studied for six years in the UK. She now works at a major consulting firm headquartered in the eastern Chinese city of Hangzhou. For the past year, she has also been working with nine friends on the start-up company MYH. With this business, they plan to help with the orientation of exchange students overseas. The name is an acronym for "make yourself at home." Each year, hundreds of thousands of Chinese students go to the US, Australia or Europe to study there, just as she did. Arrival in those foreign countries is often difficult due to the significant language barrier as well as cultural differences. Zhang aims to help with that. The company picks students up from the airport, rents apartments and helps them register at the university or school. "More than anything, the parents feel better when they can hire a service like ours."

Zhang is responsible for operations in China. Even though she does not come from Shenzhen, she has chosen to make this city her home for the time being. She likes the entrepreneurial spirit, the fast pace of life and the openness of the people. Because not long ago, the city was only a small fishing village, there are no strangers here.

As the saying in Shenzhen goes, "you are a Shenzhener once you come." □

Lea Deuber is China correspondent for *WirtschaftsWoche*, she lives in Shanghai.



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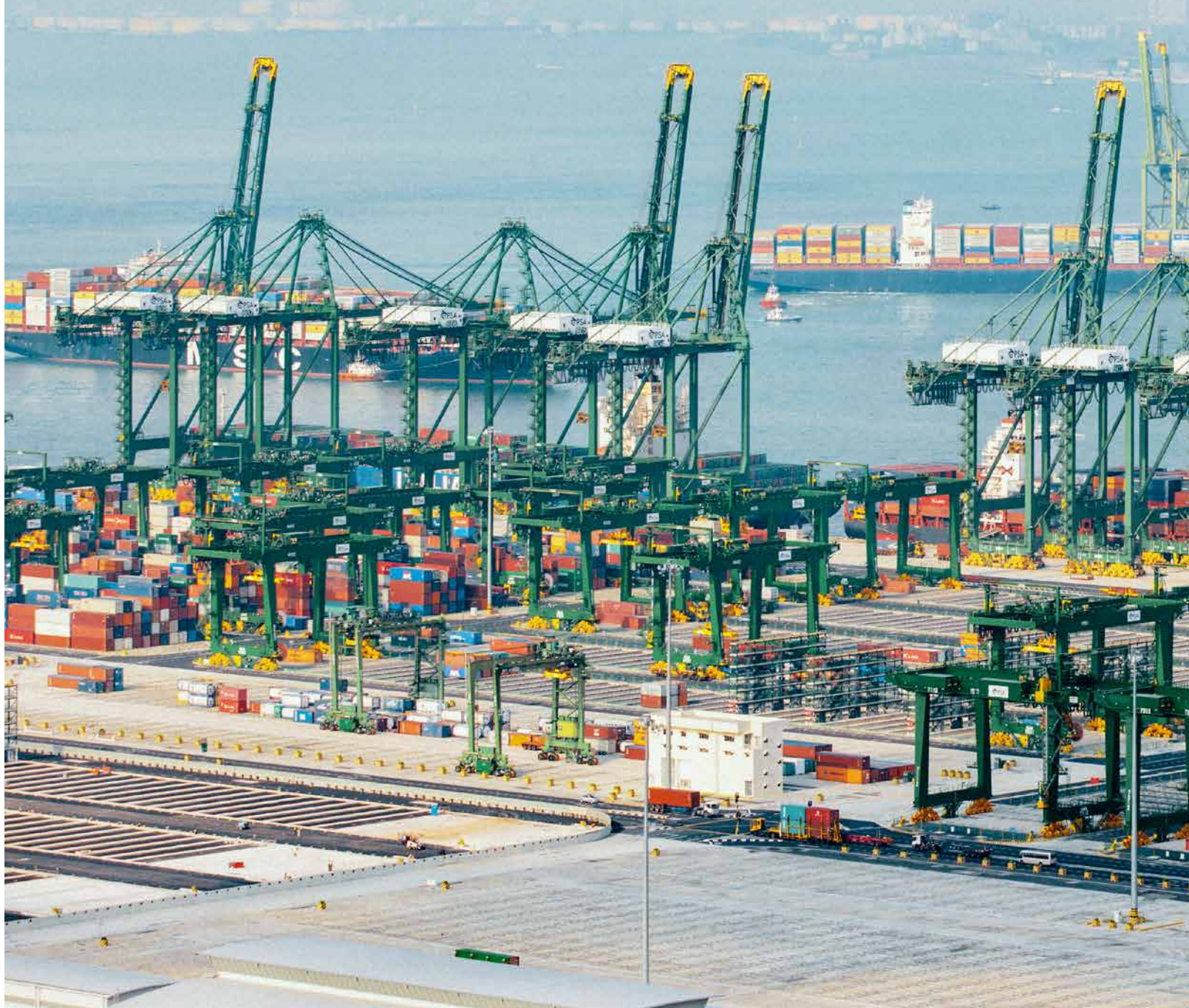


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Where the World's Container Ships Cross Paths

The world's ten largest container ports are in Asia. We visited the port of Singapore, located on the crossroads for trade between East and West.

By Daniel Ammann, Simon Brunner (text) and Juliana Tan (photos)



“Look, there’s the Straits of Malacca. The shipping lane is narrow, between 50 and 300 kilometers wide, but it’s the nexus for the world’s shipping,” says Tan Chong Meng. The Straits of Malacca connects the Indian and Pacific Oceans, linking East Asia with India, the Middle East and Europe. “In terms of global trade, 50% of seaborne tonnage and 30% of maritime oil pass right by our doorstep,” he adds. “That’s 230 vessels per day.”

Tan Chong Meng – in Chinese names, the surname comes first – is the Group CEO of PSA International, one of the world’s largest port operators. Tan strides purposefully across the roof-top viewing gallery of the company’s head-

quarters in Singapore, pointing out the sights and telling us all about the past, present and future – of Singapore, container shipping and trade.

“Over there, in the distance, you can see the original container port of Singapore. The first container ship arrived in 1972. The modern container had been invented only 20 years earlier, in America. It was a big gamble for us to build a container port, the first in Southeast Asia, especially as many experts advised against it then.”

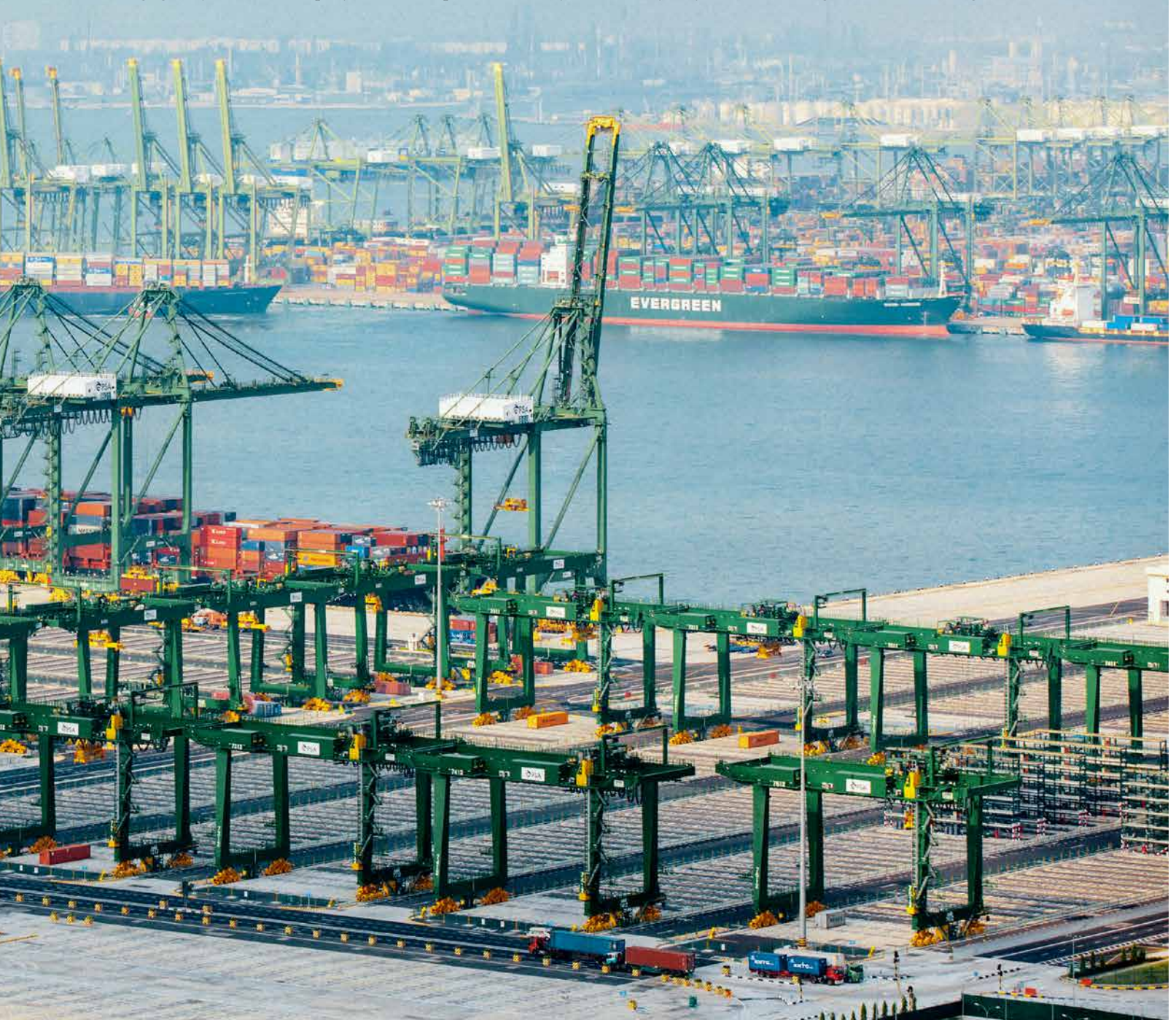
The gamble paid off: “Today the port and maritime cluster is responsible for 7 percent of Singapore’s gross domestic product, directly or indirectly,” says Tan.

Ten Times around the Globe

The skyscraper that is home to PSA headquarters is closer to the equator than Zurich is to Fribourg. The temperature is well over 30 degrees Celsius, and the humidity is close to 100 percent. The guests, coming from winter in Europe, are uncomfortably warm in their suits. Tan is brimming with energy.

Viewed from above, the port facilities look like a series of geometric lines, with a mosaic of crisscrossing cranes. The containers resemble tiny Lego blocks. It is not until later, when we are actually at the port, that its scale becomes clear.

A standard container is nearly 20 feet long and over 8 feet high >



(6.06 meters × 2.59 meters). The American units of measurement reveal where the “box,” as it is commonly called, was invented.

One standard container corresponds to one “twenty-foot equivalent unit,” or TEU. This is the primary unit used in the industry. Last year, PSA moved almost 68 million TEUs worldwide. Is that a lot? Well, if these containers were laid end to end, they would span the globe ten times – or stretch from the Earth to the moon.

PSA (formerly known as the Port of Singapore Authority) has come a long way since its origins as Singapore’s maritime authority. Corporatized in 1997, the company expanded internationally and now operates over 40 port terminals worldwide.

Roughly half of PSA’s 68 million TEUs pass through the port of Singapore itself, making it the second-largest container port in the world, only slightly smaller than Shanghai.

The rest of the world’s ten largest container ports are in Asia as well: 7 in China, one in South Korea and one in Dubai. Judging by port volume, world trade is firmly in Asian hands.

Only 15% of the containers handled by PSA remain in Singapore; the rest are loaded onto other ships for transshipment. The port functions much like a large airport, as a hub for further distribution, with most of the containers coming on trade routes connecting countries in Asia and Europe.

The Scarcest Resource

Tan Chong Meng notices his visitors are wilting in the heat and ushers us into the next room, which is air conditioned. “Within the next 20 to 30 years, shipping in the Straits of Malacca will double once again. The old port will soon have outlived its usefulness; it’s too small. And real estate developers want to build residential buildings and shops in this highly desirable location.”

Land is the scarcest resource in Singapore, a tiny country that is less than half the size of the canton of Zurich, yet home to 5.6 million people. In 1993, construction began on a second port, which is still being expanded. By early next decade, a third port will begin operations in Tuas, at the western tip of the island. This megaport will replace all of the existing port infrastructures, and with a designed capacity of 65 million TEUs, it will be the world’s largest container port.



“It was a big gamble.” Tan Chong Meng, CEO of PSA International.

Tan Chong Meng, born in the 1960s to Chinese immigrant parents spent 23 years working for Shell all over the world before returning to the city-state. It is often said that Singapore is a country that is managed like a company. When it was founded, Lee Kuan Yew, Singapore’s first prime minister, looked to the management of the Shell company as a role model – for example adopting the idea of using “helicopter qualities” to evaluate leaders.

Today, PSA is privatized and a wholly-owned subsidiary of Temasek Holdings, an investment arm under the auspices of Singapore’s finance ministry. In 2015, it recorded sales revenues of CHF 2.5 billion and after-tax profits of CHF 920 million.

“But that’s enough facts and figures – now I’d like to show you the port,” says Tan. In Singapore, you feel constant pressure in your ears, owing to the speed of the elevators in the country’s high-rise build-

ings. At PSA headquarters, it takes only a few seconds to travel down 40 floors. A minibus is waiting at the building’s entrance. On the way to the port, Tan gives us an update about the container industry in Asia.

Have you seen signs of the global return to protectionism that we’re hearing so much about?

Naturally, I am concerned about the increasing reports of protectionism – rhetoric or otherwise. What we are seeing however, is that production is being shifted from one place to another, due to a phenomenon we call shifting labor arbitrage. If the anti-globalisation tide gains momentum, it could no doubt impact the way trade is conducted and the level of maritime activity.

When wages increase, production moves to other, less developed regions?

Precisely. In 1995 average wages in China were half of what they were in Indonesia. Today, they are more than twice as high in China than in Indonesia.

So China is outsourcing more and more jobs. To what countries?

Thailand has been very important for a long time – Malaysia and Laos, too. Indonesia is definitely on the list; it is a very populous country, home to a quarter of a billion people. And as in the case of many emerging markets that are becoming more industrialized, consumption is playing an increasingly important role. What's more, the population is relatively young. Vietnam is in a similar situation with its large, and young, population. Many manufacturers of low-cost products are taking a close look at that country. So far, the Philippines has focused mainly on the service sector, on call centers. But it, too, is trying to move into production.

You seem very optimistic about Southeast Asia.

It's the next global center of production. Per-capita incomes with large young populations make low-cost production possible. At the same time a new middle class is emerging. Local consumption could further stimulate growth. But India, too, is taking off – we're in the process of building its largest port, with 4.8 million TEUs.

What effects is the production shift having?

In general, it is shortening the supply chain, since many of the countries I've mentioned are closer than China to export destinations in the West. As a result, shipping routes are shorter, and more ships and containers are available in the market.

We've arrived. Ronald Toh, who heads operations at the new expansion at PSA's Pasir Panjang Terminal, greets us and takes us to the control room. Workers in T-shirts are sitting at their computers. But most of the monitors are dark. We worry that all the systems may have crashed, but Ronald Toh laughs: "The cranes move the containers automatically. Workers don't need to intervene unless something goes wrong, and then the monitors switch themselves on."

The days of dockworkers in oily overalls appear to be gone; in general, fewer and fewer people are needed to operate a port. "Many cranes today are fully automated.

We're in the process of testing self-driving trucks, and drones will soon be a possibility as well," says Tan Chong Meng.

The elimination of physically demanding jobs presents an opportunity for Singapore, he points out. "In recent years, it has already been difficult to find people who are willing to take a job as a dockworker. And our population is not getting any younger."

In other countries with more workers and lower wages, PSA is not pursuing automation as quickly.

Wearing a Robot Costume to a Company Event

Tan plans to continue to innovate: "Last year we launched 'PSA unboXed,' a venture capital company with SGD 20 million (CHF 14 million) in startup capital, in an

“Sooner or later, all of
the world’s goods
pass through our ports.
We are the ideal place for
surveying the entire
chain of production.”

effort to promote good ideas," says Tan, who showed up at a recent company event wearing a robot costume and issued a passionate plea for more innovation.

"Around the world, the way loading is planned can still be very primitive and time-intensive," says Tan. "It sounds obvious, but the containers to be unloaded first should always be at the top. We are far from achieving that goal across the industry."

In addition, he wants to transform ports into data-driven enterprises: "There are thousands of manufacturers and scores of shipping companies, and at the end of the supply chain there are numerous retailers, as well as millions of customers. But sooner or later, all of the world's goods pass through our ports. We are the ideal place for surveying the entire chain of production, from raw materials to finished products, and for collecting data."

Tan, who has been married for 32 years and has three children, oversees the more than 30,000 people who process

ships for PSA in 16 countries around the world including China, Saudi Arabia, Italy, Belgium and Argentina. How is it possible to manage a workforce that includes people from so many different cultures, and in such diverse geographic locations? Do you send your allies from headquarters to all of these locations? "On the contrary," says Tan. "Only 50 people from here are working outside of Singapore."

PSA follows a culture change philosophy that was inspired by the fishmongers at Seattle's Pike Place Market. Those merchants transformed their business into a major attraction; fish fly through the air, sellers joke with their customers, and the atmosphere is one of gaiety and laughter. Business consultant John Christensen used that approach to develop his philosophy for improving a company's work climate.

Learning from Fishmongers

The goal of the so-called Fish! Philosophy is to make employees alert and active in the workplace. Caroline Lim, global head of human resources at PSA, was Employee No. 23 at Apple in Asia. She has written a number of books and received several awards for her accomplishments in HR management. She introduced the Fish! Philosophy to PSA. She explained her motivation in an interview with The New York Times in 2015: "I strongly believe in the people philosophy that 'brains can be bought, but hearts and minds have to be won.'"

Tan is doing a great deal to win those hearts and minds. At a graduation ceremony at Singapore Polytechnic in 2014, he spoke about work-life balance – a difficult topic in Singapore, where even elementary school children have to spend 10 hours or more studying.

"When I started work in 1983," he said, "we weren't familiar with that term. And in 1992, when my wife was giving birth to our third child, I was doing my work by her bedside at the hospital, and urging her to get it over with, so I could get on the next plane. She did her part, but I will never forget the look on her face, and she has never allowed me to forget that moment."

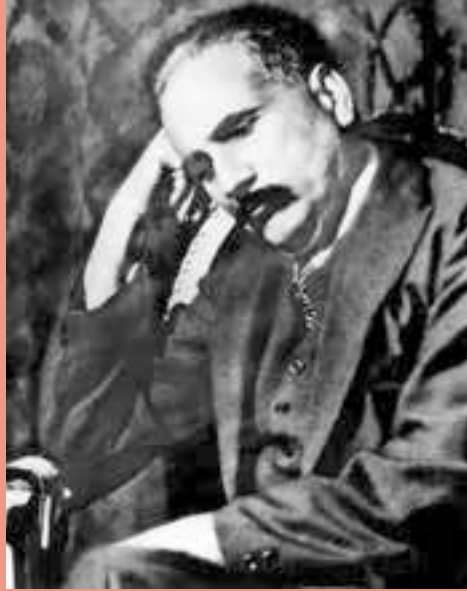
He closed his address to the university students with these words: "I am probably not the best role model for work-life balance. But I hope my children can be proud of me." □

Philosophy 10

Asian thinkers
of historic significance.

Compiled by **Joseph Prabhu**,
Professor of Philosophy
and Religion at California State
University, Los Angeles. Born
in Bangalore, India, Dr. Prabhu
is a former president of the Society
of Asian and Comparative
Philosophy and a member of the
executive committee of the
Parliament of the World's Reli-
gions, a large interfaith meeting
held every five to six years.

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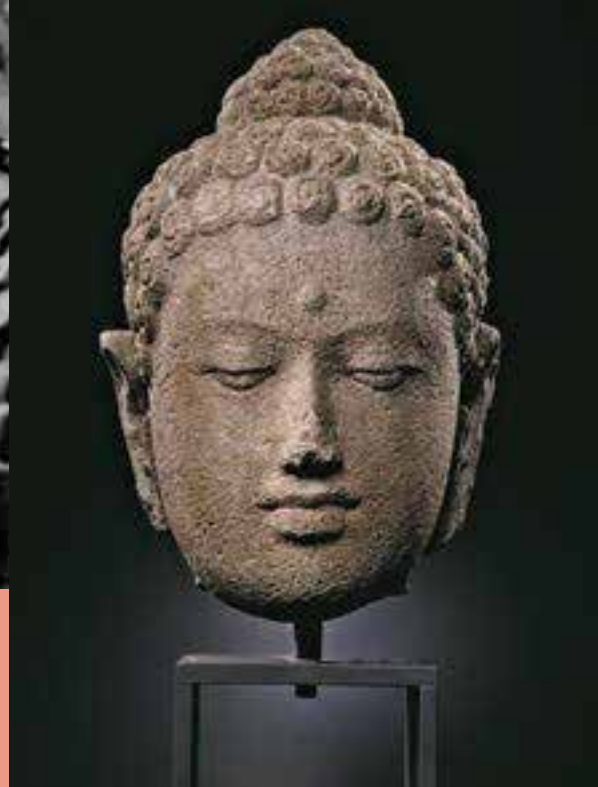
Muhammad Iqbal

Sir Muhammad Iqbal was a poet and philosopher from Pakistan, although the state itself didn't come into existence until after his death in 1938. He sought to read the Koran and Islamic tradition from a modern, voluntarist perspective: Humans mirror the creativity of God and are individually responsible for their own well-being. His central concept of Khudi – variously translated as ego or self – is the instrumentality through which the divine Self focuses the dissipative tendencies of life into creative purpose.



Abhinavagupta

Abhinavagupta was a philosopher and aesthete of the late 10th and early 11th century. He developed the philosophy of Kashmiri Shaivism with the idea of absolute idealism, which denies that there is any reality independent of the universal consciousness identified as Shiva. All reality is a manifestation of Shiva consciousness, which is particularly pronounced in aesthetic experience.



The Buddha

The Buddha (Siddhartha Gautama) “awakened” from his princely existence to the reality of suffering, both of humans and of sentient beings, and set out in a quest for Enlightenment to eliminate, or at least reduce, such suffering. His Four Noble Truths: 1. Life is suffering. 2. Suffering is caused by cravings. 3. Cravings can be ended. 4. There is a way, called the Eightfold Path, to end such cravings.



Mencius

Mengzi (Mencius) developed Confucianism. Like Confucius, he believed that human nature was good, but he did not take this to mean that people will behave rightly. In his teaching, the presence of evil in the world indicates that their good instincts can be perverted. Therefore, sound moral education is necessary to cultivate the goodness of human nature.





Shankara

Adi Shankara was a Hindu philosopher who lived in the 8th century and developed the doctrine of Advaita-Vedanta, based on a non-dualistic interpretation of the Hindu scriptures. He taught that only Brahman or the Absolute is real and unchanging, while all else is illusory by comparison.



Nāgārjuna

Nāgārjuna, one of the most influential Buddhist philosophers, founded the Madhyamaka school (the “middle way” of Buddhism). His central teaching is the concept of “nyat,” the idea that all things are empty of inherent natures, that each thing arises in dependence on other things.



Dharmakīrti

Together with his predecessor Dignāga, Dharmakīrti developed Buddhist epistemology (the theory of knowledge) and logic. In the field of epistemology, Dharmakīrti held that there were only two valid instruments of knowledge: perception, which is a non-conceptual grasp of particulars, and logical inference, which is conceptual. In the field of logic, he clarified the notions of causality and of universal concomitance.



Confucius

Confucius lived in China in the 6th century B.C., a time of social and political chaos. He was much concerned with the well-being of society and the good life of individuals. His central idea is that of jen (human-heartedness), which connotes fellow-feeling and individual rectitude. He addressed the cultivation of qualities of both heart and mind as prescribed by the customs and rites of society.



Lao Tzu

Lao Tzu (also known as Laozi or Lao-Tze) is the founder of philosophical Taoism and the author of the influential “Tao Te Ching.” The central symbol is that of the Tao, the source and guiding spirit of all existence, which cannot, however, be described because it is non-conceptual, being the foundation of all concepts. Two of the most influential Taoist concepts are Wu-Wei, spontaneous action, and Yin-Yang, complementary opposites.



Dōgen

For this 13th century Japanese philosopher, who founded the Soto school of Zen Buddhism, meditation was both a religious and philosophical practice. His central teaching is the oneness of practice and enlightenment. Meditation exposes the mere conventionality of the distinctions between self and world – rather, we are in the world and the world is in us as one impermanent reality.



“It’s about more than just saving a few pennies”

Street children need to learn to handle money at an early age, says Jeroo Billimoria. The award-winning NGO founder talks about financial literacy and the growing inequality in her home country of India.

Interview: Daniel Ammann

M

s. Billimoria, you teach street children how to handle money. Don't these children have other things to worry about?

If we can teach them how to deal with money and encourage them to save some of what they earn, this will make them more independent and improve their lives. We want to transform dependence into independence, ending the vicious cycle of poverty and inequality.

How do these children earn money?

As garbage collectors, for example, by recycling and selling anything that can somehow be used. I'm continually impressed by how enterprising and creative most of these children are in their efforts to survive. And how brave! Some are very young, children who have run away from home to escape terrible situations. We want to steer this energy, this creativity, in a positive direction.

Do street children really earn enough money to be able to save some of it?

We show them that it pays to save, little by little. It can make a real difference in their lives. It's about much more than the pennies they set aside. It's about making a conscious decision, a way of thinking that leads them to save money rather than spending it right away.

In your view, then, is handling money wisely part of a more general attitude?

Absolutely. The ability to handle money is probably the most important skill children have to learn, and they need it throughout their lives. But an economic education alone is worthless. It has to be combined with social and civic education.

What exactly does that mean?

It means thinking of the future, respecting the environment, helping others. The concept of “saving” that we seek to teach to these children involves much more than just money. It's also about natural resources – saving water, light and power.

What is the best age to start?

The younger the better. Even four-year-olds can learn these things. When children are very young we don't talk about money, but instead encourage them to develop a certain way of thinking.



The Credit Suisse Global Education Initiative: Focusing on Financial Education for Girls

Within the framework of its Global Education Initiative and a number of regional educational programs, Credit Suisse has been working since 2008 with selected international development organizations to provide greater access to education and improve the quality of education systems. Working with Aflatoun International and Plan International, it shifted its focus in 2014 to teaching girls financial skills. Plan International is an organization with substantial experience in the educational sector; Aflatoun International specializes in developing curricula and instructional methods for teaching social and financial skills. The program's goal is to assist approximately 100,000 girls and young women in Brazil, China, India and Rwanda in gaining access and transitioning to secondary school.

We ask them to turn off the light, the fan or the tap – in other words, to conserve resources. We start talking about banking, money and accounts when children are about 10 years old.

What is the best way to provide street children with a general financial education?

Children hate it when you focus just on financial topics, because that's no different from mathematics. Personally, I didn't like math at all when I was a child. The best approach is to work with the children. Our goal is to promote self-confidence and a sense of personal responsibility. We make it into a game. For example, we set savings goals that the children are capable of achieving.

So it has to be fun.

It definitely shouldn't be boring. And it has to have some connection to their day-to-day lives. Of course, we also show children that they will earn interest if they deposit their money in a bank account. And that their money is more secure at the bank than on the streets, where it is often stolen, or where they might be cheated out of their earnings. But this is also where the problems arise.

What problems?

The first is that many banks don't offer child-friendly accounts. If they would pay attention to the needs of these children, they'd have customers for life. The second problem: In many countries, laws prevent children from taking advantage of financial services without the permission of their parents. Yet it is the parents themselves, in many cases, who exploit their children economically. In addition to education, access to the financial system is crucial. If children are to liberate themselves from their miserable situations, they need that access.

You help them to help themselves.

Exactly. It is essential for children to learn through their own actions – learning by doing. My favorite analogy is this: Children can play all the football games in the world on the computer, but that won't make them good football players. They have to go out onto the field.

Can you give us an example of something that particularly impressed you?

There are so many! But if I had to choose one, it would be Shafiqul, an 11-year-old boy from Bangladesh. He dreamed of having a bicycle shop. So he saved his money and bought his first used bike for the equivalent of about 90 Swiss francs. Now he has four bicycles, and he rents them out for a few cents per hour. This earns him slightly more than one franc every day.

How does support from Western companies benefit your NGO Aflatoun International?

The financial sector, in particular, is doing a great deal to help the most marginalized groups, and particularly girls. Our partnership with companies like Credit Suisse not only provides financial support, it also gives us opportunities to work with other NGOs, such as Plan International.

Have children benefited from Asia's economic rise?

On the one hand, millions of people have seen their incomes rise over the past 20 years. On the other hand, the poorest of the poor are becoming increasingly marginalized.

Do you have an explanation?

Unfortunately, the “trickle-down” theory, which posits that greater prosperity will eventually “trickle down” to the poorest members of society, doesn't always prove to be true.

What needs to change?

We need a more caring society. There are now more billionaires in India and China than in the United States – but we haven't been able to conquer poverty.

Is money a taboo topic in Asia?

It's not taboo in India, at any rate. In many European countries, people avoid talking about personal matters. We're much more open in India. □



Women in Banking Being a Real Leader, Every Single Day

My name is Syrel Z. Aplao. I am 41 years old, and I live in the Philippines – in Bacolod, a city with a population of half a million that is known as the “City of Smiles.” I work for the Negros Women for Tomorrow Foundation, a microfinance institution, in the bookkeeping and financial department. Last year, I had the opportunity to participate in the year-long Leadership and Diversity for Innovation Program, which offers online instruction as well as two seminars, one in New York and one in Mumbai. Those experiences have helped me realize that leading my team is a journey that has only just begun. Rather than spending too much time thinking about themselves, true leaders should think about how they can help those around them to move forward. This is what I try to do, every single day.

Recorded by Simon Brunner

Credit Suisse has been supporting the NGO Women's World Banking since 2011 as part of its Microfinance Capacity Building Initiative: www.credit-suisse.com/microfinance

How Well Do You Know Asia?

Thirteen questions about the world's largest continent.

by Simon Brunner, Mikael Krogerus (quiz)
and Takeuma (illustration)



1 A former king of Bhutan coined the term “Gross National Happiness.” But what Asian people are the happiest, according to the World Happiness Report?

- a — Indonesians
- b — Bhutanese
- c — Singaporean
- d — Kazakhs

2 What is the fourth tiger economy, after South Korea, Taiwan and Singapore?

- a — Hong Kong
- b — Malaysia
- c — Vietnam
- d — Thailand

3 How many kilograms of meat does a Bengal tiger consume per day?

- a — They're vegetarian
- b — 5 kg
- c — 3 kg
- d — 8 kg

4 Sort the three countries by estimated population size, in 2030.

- a — India, China, Indonesia
- b — China, India, Indonesia
- c — China, Indonesia, India
- d — Indonesia, China, India

5 Did construction on the Great Wall of China begin before or after the birth of Christ?

- a — Before
- b — About the same time (+/- 50 years)
- c — After

6 What language is spoken in Goa, India?

- a — Portuguese
- b — Hindi
- c — Urdu
- d — Konkani

7 According to Forbes, who is the best-paid Asian athlete?

- a — A Japanese tennis player
- b — An Indian cricket player
- c — A Chinese football player
- d — A Japanese baseball player

8 Which of these was not invented in Asia?

- a — Slide rule
- b — Yoga
- c — Gunpowder
- d — The selfie stick

9 Which of these was the largest Asian company in 2016, according to the Forbes Global 2000 ranking (taking into turnover, profit, assets and market capitalization)?

- a — China Construction Bank
- b — Industrial and Commercial Bank of China (ICBC)
- c — Agricultural Bank of China
- d — Bank of China

10 What is the first Google autocomplete suggestion for the search query: “Why is China ...

- a — ... an emerging market?”
- b — ... so economically successful?”
- c — ... called China?”
- d — ... overpopulated?”

11 In which of the following Asian countries do people not eat with chopsticks?

- a — Myanmar
- b — Laos
- c — North Korea
- d — Indonesia

12 Which of the following is considered terribly bad table manners in Chinese culture?

- a — Placing your smartphone on the table
- b — Poking your chopsticks into your food
- c — Rubbing the chopsticks together before eating
- d — Pointing at someone with your chopsticks

13 Who said: “Anything you don't pass on will be lost”?

- a — Rabindranath Tagore, poet
- b — Lee Kuan Yew, founding father
- c — Mahatma Gandhi, revolutionary
- d — Mao, party chairman

Solutions: 1c/2a/3d/4a/
5a/6d/7a (Ket Nishikori)/
8d/9b/10b/11b/12b/13a

Organic rice for investors

The Cambodian company AMRU Rice is doubling its production annually, creating a higher income for local farmers – and attractive returns for investors.

text Dave Hertig photo Nici Jost



The “Best White Rice in Cambodia” comes from leading rice exporter Amru Rice; pictured here is the company’s warehouse in Phnom Penh.

Founded in 2011, AMRU Rice focuses primarily on organic rice produced by its own contract farmers. On average, the company has been doubling its production of organic rice annually since 2014. In 2013, around 100 farmers were working for AMRU Rice; by 2016 this figure had grown to over 2,500.

The company exports 90 percent of its rice – mainly to Europe – and the level of demand among potential customers is outstripping the current rate of production. AMRU Rice is therefore pursuing a three-year investment plan that will see around USD 5 million invested in warehouses, additional production facilities and state-of-the-art equipment by 2019.

The Swiss asset manager responsAbility Investments AG manages the financing of the company via investment vehicles and is advising on its strategy for moving forward. “We are helping CEO Saran Song to sustain this face pace while ensuring that he maintains full control over the company’s growth,” says Anshul Jindal, Senior Investment Officer for the agricultural sector at responsAbility.

Gaining organic certification for the bulk of its harvest is one of the many triumphs of the flourishing rice export company. Organic certification improves the sales margin and enables AMRU Rice to pay 15 to 75 percent more to the farmers for their rice. This higher price is justified and earned in daily practice, as organic certification requires healthy soil and prohibits the use of synthetic pesticides and fertilisers. The farmers remove the pests by hand and learn how to produce and successfully use natural pesticides and fertilisers themselves.

Higher income for rice farmers

CAchieving these high standards requires professionally managed change processes and intensive training, which is where the Technical Assistance unit of responsAbility comes into play. In collaboration with the Swiss Development Cooperation, the team finds local experts for AMRU Rice to conduct the training and raise the working standards of the farmers to the level required for organic certification. “Up to 2,500 additional farmers will receive certification for growing

organic rice over the next three years,” says Eva Tschannen, Head of Technical Assistance at responsAbility.

And how do the farmers use the additional income that they receive thanks to higher selling prices? According to a survey conducted at the Samakee Rohas Meanchey Cooperative, the majority of farmers buy tools and machinery – for example a small tractor. For many of the farmers, it also means that their children are able to study instead of having to work in the fields as soon as they are teenagers.

RESPONSABILITY INVESTMENTS AG

The Swiss asset manager specializing in development investments currently has USD 3.1 billion of assets under management, invested in 97 developing countries in over 540 companies – including AMRU Rice, Cambodia.

www.responsAbility.com

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