Horasis
The Global Visions Community

Horasis Annual Meeting

26-27 January 2010, Zurich, Switzerland

a Horasis-leadership event

Strategies to Overcome the Global Economic Crisis

Report

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Co-chairs:

Esko Aho	Former Prime Minister of Finland; Executive Vice President, Nokia, Finland
Claude Beglé	Chairman, Swiss Post, Switzerland
Daniel J. Brutto	President, UPS International, USA
Chen Feng	Chairman, Hainan Airlines, China
Carlos Miguel Collazo	Chairman, Marsys Group, USA
Alan Hassenfeld	Chairman of the Executive Committee, Hasbro, USA
Yoshito Hori	Chairman, Globis Group, Japan
Wolfgang Lehmacher	Chief Executive Officer, GeoPost Intercontinental, France
Bright Simons	President, mPedigree Network, Ghana
Niraj Sharan	Chairman, Aura, India

Rapporteurs:

Jeffries Briginshaw	Executive Director, TransAtlantic Business Dialogue, Belgium
Maria Livanos Cattaui	Member of the Board of Directors, Petroplus Holding, Switzerland
Stephen Klimczuk	Associate Fellow, Saïd Business School, University of Oxford, UK
J.C. von Pfetten	President, Royal Institute of East-West Strategic Studies, UK
S Roy	Chairman, Asean Affairs, Thailand

Upcoming Horasis events:

Global Russia Business Meeting	Ljubljana, 16-17 May 2010
Global India Business Meeting	Madrid, 21-22 June 2010
Global Arab Business Meeting	Ras Al Khaimah, 26-27 September 2010
Global China Business Meeting	Luxembourg, 21-22 November 2010

Horasis is a global visions community committed to enact visions for a sustainable future (http:/www.horasis.org)

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Zurich – the host city of the inaugural Horasis Annual Meeting

The Zurich airport hotel – the venue of the Horasis Annual Meeting

Foreword

The inaugural Horasis Annual Meeting convened in Zurich on 26-27 January 2010. The meeting was held at a critical time, providing insights into global imbalances, governance risks and the long-term fallout from the economic crisis. Held under the theme 'Strategies to overcome the Global Economic Crisis', the Horasis Annual Meeting provided the platform for the world to discuss the implications of the global economic crisis and to shape the post-crisis environment. Also, the meeting was conceived to reflect on the increased emphasis of the developing world to engage globally – and thus contributing to the healing of the world economy. This report distils the outcomes and observations that emerged from the meeting.

Participants debate the critical challenges for developing countries

The Horasis Annual Meeting as well as the other Horasis meetings offer opportunities for senior business leaders to channel their ideas and proposals for the global recovery. Horasis is using its unrivalled history of partnership with global corporations to create a powerful platform for cooperation between emerging and developed markets. From the first meeting in 2005, annual gatherings have been held around the globe. The flagship events are the Global Arab Business Meeting, the Global China Business Meeting, the Global India Business Meeting and the Global Russia Business Meeting. Horasis has engaged business leaders from all around the world to enact visions for a sustainable future for the last five years.

With the inaugural Horasis Annual Meeting, Horasis celebrated its fifth anniversary. The Horasis Annual Meeting aims to be the foremost annual gathering of business leaders from emerging and developed markets. The meeting's purpose is to advance solutions to the most critical challenges facing corporations today. Participants jointly identify globally relevant business issues and develop sophisticated and interdisciplinary solutions. The event is open to CEOs of the world's leading companies.

Esko Aho, Former Prime Minister of Finland; Executive Vice President, Nokia

During the opening plenary session

Over 100 participants from 20 countries attended the Horasis Annual Meeting, including the following co-chairs: **Esko Aho**, Former Prime Minister of Finland; Executive Vice President, Nokia, Finland; **Claude Beglé**, Former Chairman, Swiss Post, Switzerland; **Daniel J. Brutto**, President, UPS International, USA; **Chen Feng**, Chairman, Hainan Airlines, China; **Carlos Miguel Collazo**, Chairman, Marsys Group, USA; **Alan Hassenfeld**, Chairman of the Executive Committee, Hasbro, USA; **Yoshito Hori**, Chairman, Globis Group, Japan; **Wolfgang Lehmacher**, Chief Executive Officer, GeoPost Intercontinental, France; **Bright Simons**, President, mPedigree Network, Ghana; **Niraj Sharan**, Chairman, Aura, India. The following rapporteurs led and summarized the discussions: **Jeffries Briginshaw**, Executive Director, TransAtlantic Business Dialogue, Belgium; **Maria Livanos Cattaui,** Member of the Board of Directors, Petroplus Holding, Switzerland; **Stephen Klimczuk**, Associate Fellow, Saïd Business School, University of Oxford, United Kingdom; **Jean-Christoph von Pfetten**, President, Royal Institute of East-West Strategic Studies, United Kingdom; **S Roy**, Chairman, Asean Affairs, Thailand.

The economic crisis continues to threaten economic stability and social welfare for emerging and developed markets. At a time of considerable uncertainty, the purpose of the 2010 Annual Meeting was to conceptualize strategies to overcome the crisis. We hope you find this report to be an insightful and timely guide to how global leaders propose to address the implications of the current economic crisis in the near term, but also how global leaders will combine their crisis management experience with new approaches towards economic competitiveness to ensure long-term growth.

The attention of participants was firmly on the future of the global economy and the need to address the imbalances that led to the worst downturn since the Great Depression. Over a year into the financial slide that began in the U.S., the great deleveraging continues with worrisome spin-off effects around the globe: gyrating oil prices and volatile commodity trading, seesawing currencies, and mortgage-meltdown losses that could exceed $1 trillion around the world. **Alan Hassenfeld**, Chairman of the Executive Committee, Hasbro, USA, noted that 'the speed at which disruption spread had accelerated over the past few decades. The Lehman collapse reached the world in the course of half-days. The recession might be ending soon but recovery from the global crisis will be gradual.'

Participants during the coffee break

> ***'The recession might be ending soon but recovery from the global crisis will be gradual'***
>
> ***Alan Hassenfeld, Chairman of the Executive Committee, Hasbro, USA***

Generous emergency spending plans by most developed countries had helped stave off economic depression and had saved millions of jobs. Still, 'the efforts by the state has to be of temporary nature and must no longer endanger fiscal sustainability in the long term,' said **Maria Livanos Cattaui**, Member of the Board of Directors, Petroplus Holding, Switzerland. 'Macroeconomic stimulus can facilitate the economic transition, but carries increasing costs.'

At the turn of the decade, the world economy is still out of order. The Western world is tackling with the aftermath of the economic collapse. Some countries like Greece, Spain, and Latvia were particularly impacted. But even some emerging markets slithered to essentially unthinkable depths. Russia, for instances, took a very hart hit – the Russian economy in 2009 has contracted by about 9 percent of GDP. **Oltmann Siemens**, Co-Chairman, Advisory Board, First Trust Portfolios, USA, explained that the reason why Russia was hurt so badly: 'Russia borrowed heavily on the international capital markets and, of course, it is dependent on the price of oil.' **Elena L. Barmakova**, President, Fontvieille Capital, USA, added that 'Russia's fundamentals remain strong and stand out from the rest of emerging Europe. I am confident that the Russian economy will bounce back – depending on what happens to oil prices.'

James Fierro, Chairman, Recipco Holdings, Canada, discussing with other participants

Aslesha Gowariker, Managing Partner, Desai & Diwanji, India, listening to the panelists

Sheikh Salman Al Khalifa, Chairman, Bahrain Petroleum Company, Bahrain, at a boardroom session

> ***'The Dubai crisis might be the beginning of a broader emerging world crisis'***
>
> ***Mike Garrett, Chairman, Evian Group, Switzerland***

Dubai, struggling under $80 billion in debt, asked in November 2009 to delay interest payments for one of its flagship companies, Dubai World, sending markets tumbling around the world. 'The Dubai crisis might be the beginning of a broader emerging world crisis,' said **Mike Garrett**, Chairman, Evian Group, Switzerland. 'There will be more defaults in 2010 as more countries struggle to repay debt.' 'Dubai and other emerging markets will overcome tempo-

rary difficulties and finally tide over the global crisis,' argued, **S. Roy**, Chairman, Asean Affairs, Thailand. 'Efforts by the central bank of the UAE to shore up the liquidity of banks have been reassuring.'

The plenary sessions were followed by frank and intensive boardroom dialogue sessions, where delegates interacted with the panellists on a variety of fundamental issues, including the refinancing of the global economy and the repositioning of global trade.

'A new order is emerging from a credit crisis that put the world on edge – and the emerging markets are playing an important and responsible role in this new order,' said **Jean-Christoph von Pfetten**, President, Royal Institute of East-West Strategic Studies, United Kingdom. Western capital markets look mature. It's hard to believe that US consumers will play the role they played in past recoveries because the US consumer has to deleverage and has to rebuild savings. 'The next source of growth will be found in the non-Western world,' according to **Sushil Premchand**, President, PRS Services, Switzerland. Goldman Sachs, for example, reckons that since 2007, the so-called BRICs (Brazil, Russia, India and China) have accounted for 45 per cent of all global growth, compared with 16 per cent in the 1990s.

How might the world economy evolve in the next 6 to 12 months

'Resurgent BRICs will lead the global race for investments,' echoed **Niraj Sharan**, Chairman, Aura, India.

The discussions at the Horasis Annual Meeting underlined that capitalism has been the engine of opportunities for innovators and risk takers, but that the system of unfettered free markets is under scrutiny. Globalization has enabled cross-border connections through technology and opened the channels for free trade and investment flows. Yet this model of integration is facing more regulation. **Esko Aho**, Former Prime Minister of Finland; Executive Vice President, Nokia, Finland, spoke candidly about the need to revise capitalism: 'The so-called Anglo-Saxon model of capitalism might be replaced by a model which favours long-term orientation instead of the usual practice of short-term profit taking and speculation, hence inheriting a more 'Asian' approach towards capitalism.' And as **Daniel J. Brutto**, President, UPS International, USA noted: 'While not the easiest path, by cooperating globally and by avoiding the Darwinian mindset of short-term

Daniel J. Brutto, President, UPS International, USA – one of the meeting co-chairs

capitalism, we can be better prepared to overcome the crisis.'

At the close of the Horasis Annual Meeting, participants called for fundamental shifts in business models and government policies to address the striking imbalances exposed by the crisis. 'Inherited models are no longer valid,' said **Claude Beglé**, Former Chairman, Swiss Post, Switzerland. 'We have to reinvent the way our economies and companies are run.'

Asian economies – led by China – are already showing signs of revival in the post crisis period. 'China continues to fare better than most countries and looks on track to meet the target of 9 percent GDP growth in 2010,' explained **Chen Feng**, Chairman, Hainan Airlines, China. Still, participants warned that green shoots do not guarantee a global recovery, implying a need to be cautious about the economic outlook for 2010 and the years to come. Also, financial fragilities can leave an economy vulnerable to shocks and should be resolved for a durable recovery.

Chen Feng, Chairman, Hainan Airlines, on refinancing of the global economy

Francois Barrault, Former CEO, BT Global Services, United Kingdom – the world economy is out of order

The co-chairs, rapporteurs and participants made the following proposals at the closing plenary:

First, governments should keep carrying out anti-crisis measures for at least another six months, while connecting them more closely to structural reforms. The economic crisis has magnified the importance of public private partnerships – partnerships between the private and public sectors shall be promoted to translate fiscal stimulus into real economic growth.

Discussion during one of the breakfast sessions

The rapporteurs synthesizing the key conclusions of the day's discussions

Second, protectionism remains a threat to recovery and future growth. A successful conclusion of the Doha round of multi-lateral trade negotiations would restrain protectionism and help create greater security of market access. The role of international organizations like the G20 should be strengthened.

And third, economic recovery should not replace other concerns, such as climate change. Even though the Copenhagen conference on climate change in December 2009 has been perceived as failure my most observers, we should not give up to protect the environment. Economics and climate change are not opposites, they need one another.

The meeting ended with some cautious optimism: 'We might see a strong rebound by the third quarter if everything goes right,' as **Yoshito Hori**, Chairman, Globis Group, Japan, put it – fuelling hopes that the end of the 'Great Recession' is in sight. 'But one has to expect that the recovery globally is not going to be symmetrical. Most of the world will still be characterized by substantial excess capacity,' reasoned **Sheikh Salman Al Khalifa**, Chairman, Bahrain Petroleum Company, Bahrain.

On behalf of Horasis, I would like to personally thank the co-chairs of the 2010 Horasis Annual Meeting. My thanks go also to the meeting rapporteurs for their outstanding efforts in capturing the spirit of constructive dialogue in their contributions for this report. The Horasis Annual Meeting was a unique experience which would not have been possible without the dedication and enthusiasm of our partners, members and participants.

It is our hope that the Horasis Annual Meeting will serve as an important platform for stimulating discussions and creative solutions in the years to come. Horasis looks forward to welcoming you back to next year's edition of the Horasis Annual Meeting which will take place in Zurich on 25-26 January 2011.

Dr. Frank-Jürgen Richter
President
Horasis: The Global Visions Community

'There is a reason to be hopeful' - Frank-Jürgen Richter

Creative Destruction?

So far, more destruction than creative regeneration in the world economy

By Stephen Klimczuk, Associate Fellow, Saïd Business School, University of Oxford, UK

Very often when analysts and commentators attend meetings in far-flung capitals, they write about the 'the mood of Beijing' or perhaps 'the pulse of New York.' Having just participated in the inaugural Horasis Annual Meeting in Zurich – which was a fascinating microcosm of the world's economic and business leadership – I felt I was getting a privileged (and very time-efficient) peek into what a representative cross-section of the global business elite is thinking and doing. And their 'mood' was cautious and still worried about where we go from here. That mood is reasonably well-founded, unfortunately.

Thinking of Schumpeter's idea of 'creative destruction,' it seems what we have is lots of destruction and relatively little truly creative response so far – though perhaps parts of Asia may constitute an exception. Sometimes painful crises or other 'wake-up calls' generate new energy and innovation. One participant reminded us of the way in which the launch of the Soviet Union's Sputnik in the late 1950s spurred the United States into action, leading to important new initiatives and ventures in American R&D, education, science and industry. However, in the case of the crisis we are still living through, a sense of emergency (particularly during the market meltdown of late 2008) has not resulted in a continuing productive sense of urgency about what needs to be done, beyond the fiscal and monetary equivalents of ambulance first aid and the injection of pain-killers to stabilize the patient.

The Return of Populism – and fighting excessive leverage with more leverage

Other by-products of the crisis have been the crack-up of the pro-business 'capitalist consensus,' the demonization of bankers and businessmen, and the related return of populist politics – whether of the left or the right. This is perhaps not surprising given how many (and how much) ordinary people have suffered and what they've lost, on the Main Streets and High Streets of the world. In a paradox that may be sowing of the seeds of the next crisis, governments and central banks have staved off collapse and depression and tackled the problem of excessive business and consumer leverage by taking on unprecedented levels of government debt. This is 'fighting fire with fire,' and the policy responses have been as messy the meltdown. These responses have included in the US a monetary easing so massive that some economists worry there will be longer-term inflationary effects (even if inflation remains at zero or even negative for the moment). Populism, by its nature, uses slogans about security and seeks the 'easy solutions,' and rarely thinks hard about the incentives needed to spark

Stephen Klimczuk, Associate Fellow, Saïd Business School, University of Oxford, UK

(and reward) innovation, productivity gains, ingenuity, technological advances, intelligent risk-taking, hard work, and the other real drivers of growth. A bit of intelligent and far-sighted statesmanship on the government side wouldn't hurt either.

> ***'Thinking of Schumpeter's idea of 'creative destruction,' it seems what we have is lots of destruction and relatively little truly creative response so far'***
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> ***Stephen Klimczuk, Associate Fellow, Saïd Business School, University of Oxford, United Kingdom***

In all this, Asia presents an interesting, and somewhat different, story. It is well known that China and India represented the majority of the world's economy until about 1800, and that their strategic rebound in relative terms is underway. For various reasons, Asian and other emerging markets have been less affected by the crisis than North America and Europe. In fact, their relative position has been strengthened in comparison with the developed world – arguably China above all has gained ground in a relative economic and geo-strategic sense, even if its own health and well-being are tied to the US consumer economy. Japan, however, fits more of the US and European patterns: stagnation combined with a renewed populism in government, with the curious phenomenon of Japanese 'youth culture': young people so daunted or dismayed by the challenges they face that many choose to forgo careers or even lives outside the confines of their bedrooms and Internet connections.

Stephen Klimczuk, University of Oxford, United Kingdom with Chen Feng, Chairman, Hainan Airlines, China, and Claude Beglé

Overcooked on the outside, frozen in the middle

A Chinese participant nonetheless described his economy using the metaphor of a frozen turkey that one cooks ineptly, charring the outside but leaving much of the inside underdone or even still frozen. That may actually be an even better metaphor for many other countries, given the way in which stimulus was applied in the wake of near-collapse. And now many stimulus programs are tapped out, having run their course. The world has to learn (or re-learn) a number of painful lessons. Thinking of the empty office buildings and apartments from Dubai to Las Vegas, we must remember that 'growth is not an industry' – but rather a consequence of innovation, trade and other forms of productive economic activity. Alchemy doesn't work: base metals can't be turned into gold, and neither can low-grade assets be converted into high-grade ones with the wave of a rating agency's wand. To quote from a text familiar to generations of school-children in England: 'We have left undone those things we ought to have done, and we have done those things we ought not to have done.'

Still, there is a reason to be hopeful

Happily, it's not all gloom and doom, and there is one principal reason to be optimistic: the way in which human beings adapt and recover, even from utter devastation, from horrific wars and disasters to chaos and hyperinflation. The twentieth century is a roll-call of very dark years signaling terrible events or low-points: 1914-18, 1929, 1933, 1939-45 – to name just a few. The current global business environment is actually relatively OK by comparison. We bounced back, and the sun shined again – and the pace of technological and commercial innovation resumed. So it will be in the years ahead.

Alexandra Chernova, Deputy Director, SPIEF Foundation, Russia

Maria Livanos Cattaui, Member of the Board, Petroplus Holding, Switzerland – the crisis threatens economic stability

Wolfgang Lehmacher, Chief Executive Officer, GeoPost Intercontinental, France, on the future of supply chain management

Ulrich Becker, Managing Director, Credit Suisse, Switzerland, in the session on refinancing the global economy

Pramod Bhasin, CEO, Genpact, India

Byron Gehring, Chairman and CEO, Convergence Health, USA

Transatlantic Economic Relations

By Jeffries Briginshaw, Executive Director, TransAtlantic Business Dialogue, Belgium

We are finally coming to the end of what has been a long transition period for political and institutional aspects of the US-EU economic relationship, especially as focused between Washington DC and Brussels. The change of administration in the US and now a new Commission in Brussels has taken up a whole year. But as we enter 2010, on one side looking at the US from Europe, EU issues continue to struggle for airtime in Washington. And on the other side the new Commission will need to assess what the story of the continuing centrality of US-EU economic ties (representing for example 50% plus of global GDP, and 75% of global financial markets activity and global fixed direct investment both) will mean for its conduct of foreign and domestic economic policy, particularly with product and service market regulation.

Jeffries Briginshaw, Executive Director, TransAtlantic Business Dialogue, talking about US-EU relations

The attitude and approach of the new administration towards Europe, and in particular towards economic relations with the European Union and the EC, is now clear. Policy making will likely be driven by the following tendencies:

A 'policy savvy' pragmatism which starts from the big picture and sees all contexts from economic to security as essentially linked. That means that Afghanistan and European economic 'asks' are part of the same conversation. It means that there is unlikely to be any 'bottom up' poultry-style advocacy, but it also means that more probing, high- level questions will be asked instead, such as 'does Europe want to have a high-level phtyo-sanitary discussion with the U.S. or not?' And an answer will be a driver of the level of political attention to the economic relationship and/or investment by the Administration in tough issues (for them) like aviation liberalization, and so on.

The US Administration, in short, seems to want to know what the 'red line' issues for Europe are, so as to take a view on what else might be worth talking about, and whether there is enough to warrant attention. Lack of attention to, or lack of visibility for EU perspectives in Washington reflects skepticism that Europe has anything to offer currently, and an 'a la carte' view of the conduct of relations is taking hold, shifting from the bilateral (eg Italy for Somalia) to the EU where a competency exists.

The new Administration is understanding of business without being beholden to it and there has been a general narrowing of lobbying access to policy making. There are a fair number of senior political appointments with commercial/finance backgrounds, from Trans-Atlantic Economic Council Co Chair Michael Froman to Deputy Commerce Secretary Hightower.

A more questioning approach to 'what's good for business' type statements should not be confused with a lack of knowledge.

> ***'EU issues continue to struggle for airtime in Washington'***
>
> ***Jeffries Briginshaw, Executive Director, TransAtlantic Business Dialogue, Belgium***

Particularly in the specialist policy media the traditional search for a new 'Big Idea' for the economic relationship with Europe is underway, but the most likely result will be focus on learning from what worked and what didn't work in the fifteen years of efforts towards regulatory convergence since the 1995 New Transatlantic Agenda. Calls in Europe and in the US, being led in parts of the media and the policy community, for a resurrection of TAFTA talks are more likely to lead to repackaging of a set of smaller ideas. That probably means renewed focus on trying to agree a more flexible, outcome-oriented approach to hard core areas of regulatory cooperation, like mutual recognition, with a distrust of one size fits all type solutions. In the absence of a better alternative, the Trans-Atlantic Economic Council is likely to continue to be viewed and to remain as the main instrument for transatlantic economic cooperation for the foreseeable future. Its credibility will be ever more pressed by the need to deliver tangible outcomes.

There is interest in new approaches to regulatory policy, particularly as espoused by Cass Sunstein, the new Director of the Office of Management and Budget (attached to the White House), which plays an important role in the US regulatory agency system. An acknowledged academic in his own right he is the author of the influential 'Nudge' treatise which expounds a theory of 'soft' incentives to form normative behaviour short of regulation. He is also associated with the rise of behavioural economics. For US regulatory policy this will explicitly lead to a factoring into methodology of redistributive and environmental impact in addition to a 'science base'. In short this adds a social policy dimension more akin to EU thinking, but without use of the precautionary principle. It remains to be seen how new policy directions can be inserted into the existing transatlantic processes seeking alignment of regulatory methodology such as the HLRCF.

While the overall character of the Commission is expected to represent center right continuity or even a slightly more favorable approach to business, the exact nature of Commissioner ambitions with specific portfolios such as the Trans-Atlantic Economic Council remains to be seen, as well as whether there will be adjustments or new emphases with broader aspects of EU foreign economic policy towards the US.

With the design of the new EU foreign service likely to take up a considerable amount of time and focus, Commissioner Ashton will need to balance external advocacy and engagement with what, of necessity, will be inward looking institution building.

Winston Wen Yunsong, Founding Partner, New Horizon Capital, China

China Fifth Generation Leaders

By Jean-Christoph von Pfetten, President, Royal Institute of East-West Strategic Studies, United Kingdom

A new generation of Chinese leaders is poised to enter positions at central and local levels throughout China in the Party, Military, and Government. Two main Chinese political coalitions (also called cliques "bang" in Chinese) has been dominating the political landscape over the last ten years and effectively sharing power within the CCP Central Committee. The newer coalition which appears to be in control is the Chinese Communist Youth League (CCYL) or Tuanpai-led Populist Coalition. The other coalition is the Shanghai Bang-led Elitist Coalition. These two coalitions represent a balance of power that forms the basis of the CCP consensual decision-and policy-making in China today under China's Fourth Generation leadership headed by Hu Jintao and Wen Jiabao.

Jean-Christoph von Pfetten, President, Royal Institute of East-West Strategic Studies, UK – Asian economies – led by China – are showing signs of revival

China's Fifth Generation leadership comprises these people born in the 1950s and early 1960s (50-60 years old today). They are also called the First Generation of Republic, as they were born after the founding of the PRC in 1949. They were sent down to work in the country side as youths during the Cultural Revolution and many of whom entered university only after the 1977-78 reopening of China's universities where they did part-time work study programs for higher level post graduate degrees.

Fifth Generation leaders have a higher level of education-29 of the Fifth Generation leadership rising stars have higher education in law and politics (13 of 29-45%) , economics and management (8 of 29-30%), humanities (4 of 29-14%) and engineering (4 of 29 14%). In contrast, within the current Fourth Generation leadership, an engineering education was the standard (18 of 24-75%) of the current Politburo members and 9 of 9-100% of current Politburo Standing Committee members are engineers.

This means Fifth Generation leaders have had more exposure to western thought via higher education and frequent trips abroad than the current Fourth Generation leaders. It also means that they can be expected to be more critical of western ideas, given their better capacity to analyze and make independent judgments about complex issues. This does not mean that they would be more supportive of western ideas – they are often more critical of them.

China remains a one party state primarily focused on maintaining domestic stability while transitioning the Chinese Communist Party (CCP) from a revolutionary to a ruling party. Any intra-party policy differences within the CCP focus on mainly methodology and timing of how to achieve this goal.

The political agenda of the current Fourth Generation leadership is driven by Hu Jintao's 'Harmonious Socialist Society' which is focused on reforms aiming to achieve greater social cohesion after the 6th Plenum of the 16th Party Congress (held in October 2006). This policy direction is different from the Third Generation leadership's political agenda which was driven by Jiang Zemin's 'Spiritual Society' which focused on achieving higher standards of living via rapid coastal-driven economic growth.

This new policy direction mean that there will be more emphasis on the Rule by Law and legal rights under the Fifth Generation leaders including greater protection of property rights (including intellectual property rights), stricter enforcement of anti-corruption rules, more consumer protection. This socio-political focus also means that under the Fifth Generation we can expect stronger participation and support from core CCP units such as the PLA and the Women Federation.

This new priority on dealing with socio-political issues also means that instead of foreign direct investment and foreign business interest groups, the Fifth Generation leaders will be more focused on farmers, migrant workers, welfare/social security issues and heading off increased domestic social unrest. The Fifth Generation leaders will also continue China's increased engagement with international diplomatic relations and related issues that impact China's energy and raw materials access, environment and security.

A key milestone in China's transition from the Fourth Generation leadership to the emerging Fifth Generation will be whether Hu Jintao and his Populist Coalition will be able to anoint one or more Generation successor (s)-among them are Li Keqiang, Li Yuanchao and Liu Yandong. The current most thought successor Vice-president Xi Jinping is only the result of a compromise between the two cliques and might not represent entirely the interest of Hu Jinto.

> ***'China remains a one party state primarily focused on maintaining domestic stability while transitioning the Chinese Communist Party (CCP) from a revolutionary to a ruling party'***
>
> ***Jean-Christoph von Pfetten, President, Royal Institute of East-West Strategic Studies, United Kingdom***

Fernando Freire, Managing Partner, Edeluc, Portugal, listening to the panelists

Andreas Schweitzer, CEO, Investissements Mistral, Switzerland and Gérard Fischer, CEO, Swisscanto, Switzerland

Now called the Five Year Program instead of the Five Year Plan the Fourth Generation economic agenda is focused on indicative and strategic rather than hard targets to hit at all costs. During the aftermath of the 17th Congress, Hu Jintao and Wen Jiabao will continue pushing forward with sustainable scientific development of the economy and with a more socio-political, people-centric focus. The Fourth Generation Hu-Wen sustainable economic growth model will include better pollution controls and energy efficiency versus the Third Generation Jiang Zemin and Zhu Rongji obsession with higher economic and GDP growth at any social cost and export/trade-driven surpluses that created international tensions with USA/EU.

Economic policy emphasis will be more on inland rural/agricultural advancement concentrating on the successful completion the Land Reform and the stimulation of domestic demand especially in inland regions versus excessive focus on coastal economic growth with urban construction, foreign investment and foreign trade.

Within the current Fourth and emerging Fifth Generation leadership, a feeling has become prevalent that China has not truly benefited as much as it should have from the last 20 years of unprecedented export and GDP growth. This has led the current leadership to conclude that China has become too dependent on external trade which relies on foreign markets and international business dominated by foreign companies. This view has also led to increased economic nationalism and the emergence of competition policy targeting foreign companies in China.
Current Fourth Generation economic hot buttons include:

- Increasing focus on quality of growth, not just GDP growth for its own sake
- Increasing emphasis on innovation, brands making Chinese companies world leaders
- Harmonious society/balanced development/attempts to reduce social pressures as the focus shifts to dichotomy between haves and have nots
- Increased focus on sustainability both in a 'get the resources' sense and in terms of the environmental cost of growth
- Real attempts to back up regional development initiatives
- Rural, agricultural development, abolition of agricultural taxes, increase in farm incomes to reduce urban rural split. Emphasis given on the welfare of the farmers (particularly around a new National Social Security) and stronger urbanization drive
- People centric policy and reform focus, not as Darwinian as before

Chen Ping, President, China Investment Partners, China – challenging the panelists

Thomas Gilles, Partner, Baker & McKenzie, Germany … we are facing more regulation

Roman Kainz, Chairman, Euro-China Group China is the world's new growth engine

If the Populist Coalition continues to dominate CCP policy formulation and is able to appoint its own Fifth Generation successors, this means that what we can expect from the rising Fifth Generation leadership in terms of their economic agenda will be:

- More of same focus on people –centric socio-political reform with an even greater redistribution tendency
- Potential to reign in advanced mainly coastal regions out of regional jealousies
- Potential to make life very difficult for foreign companies
- Potential to meet WTO commitments, but just
- Likely to enforce more effectively anti-graft measures
- Since most Fifth Generation leader rising stares are found today in major provinces and cities, they will still need to show progress and do deals while toeing the current CCP policy line

Given that most intra-CCP political jockeying is non-transparent to nearly all outsiders, the key will be that foreign business must begin to track key people with the Fourth and Fifth Generation to monitor developments.

As Fourth Generation leadership emphasis shifts to a more balanced economic agenda, this means there will be less high-level CCP interest in export/trade and linked foreign direct investment (FDI) and more emphasis on rural/inland regional development and a shift towards less but higher quality foreign investment (e.g., higher-level technological transfer).

This will also mean less interest among and more barriers to accessing top CCP leadership in connection with foreign investment and foreign business related issues. The goal is to move China towards a consumption based economic growth model.

There will be greater emphasis on the Rule by law and its enforcement in terms of property right (IPR) and anti-corruption will be good for foreign business in China. There will also be more laws related to protecting China's domestic groups and their interests such as Chinese companies and Chinese consumers from dominant western/foreign companies active in China for example the new anti monopoly and unionization laws-which will increase the complexity for foreign companies active in China.

Assuming we see a continuation of power sharing within the leadership of the CCP, this means that we can expect the following from the emerging Fifth Generation in terms of global business:

- Less emphasis on FDI and foreign trade, more economic protectionism and competition policy
- Harder to see top CCP leaders and less accessibility to them on investment and trade related issues
- But they still have to keep the economy growing and domestic firms cannot do all the leadership wants done so leaders are still going to have to be pragmatic
- OPPORTUNITY is in helping the leadership meet their goals in key areas: technology, branding, "higher quality" growth, internationalization of Chinese companies, resources, energy, energy efficiency, modern services
- OPPORTUNITY in serving new secondary, inland cities and new markets created by urbanization and improved infrastructure
- POTENTIAL to meet likely fifth Generation leaders in their local jobs before they get elevated therefore increased short term need to meet them before they get into the top spots
- POTENTIAL to help them meet their local goals with win-win propositions

Yoshito Hori, Chairman, Globis Group, and Jeffries Briginshaw, Director, TransAtlantic Business Dialogue

Bernard Zen-Ruffinen, President EMEA, Korn/Ferry, on the nexus between globalization and leadership

Henricus J. Stander III, Partner, Surya Capital, during the coffee break

Joel Moline, Vice President, Merrill Lynch and David Spreng, Founder and Managing Partner, Crescendo Ventures

Oltmann Siemens, Co-Chairman of the Advisory Board, First Trust Portfolios, USA, talking about the need for a rule-based trading system

John Cook, Chairman, Rock Lake Associates, United Kingdom, outlining a roadmap for the post-crisis world

Enter the Green Era

By S Roy, Chairman, Asean Affairs, Thailand

Necessity is the mother of green energy. It has become increasingly evident that the era of clean and sustainable energy is setting in. The global race for renewable and alternative energy is speeding up. Underlying reasons include growing awareness of environmental impact of fossil fuels, the ever-present threats to energy security – be it market volatility, outbreak of war, natural disasters, eventual depletion of the resources and increasing demand for energy to support economies.

Green Efforts in Southeast Asia

In Southeast Asia, as elsewhere in the world, the volatility of oil prices is one of the primary driving-forces pushing the governments towards green energy initiatives. Geopolitical instabilities and constant calls to stop contributing to global warming have encouraged countries in the region to explore the use of clean energy and reduce their reliance on fossil fuels.

S Roy, Chairman, Asean Affairs, Thailand, making a point

To reduce the dependency on crude oil, Thailand, for example, has laid down a 15-year alternative energy master plan, which is expected to see the share of alternative fuels in the country's total energy consumption is expected to rise sharply, allowing the country to cut greenhouse gas emissions by nearly fourfold.

> ***Necessity is the mother of green energy.***
> ***S Roy, Chairman, Asean Affairs, Thailand***

By 2023, alternative sources will account for 20.4 percent of all energy consumed, compared with the present 6 percent, according to the Department of Alternative Energy Development and Efficiency (DEDE). The sources covered include ethanol, biodiesel, compressed natural gas, hydropower, biogas, biomass, wind power and solar cells. The agency expects greenhouse gas emissions will be cut to 42 million tonnes per year once the target is met. Meanwhile, Thailand Greenhouse Gas Management Organisation sees brighter prospects for Thailand-based clean mechanism development (CDM) projects.

CDM is a concept that allows developing countries such as Thailand to sell carbon credits to industrialised nations that have to reach emission-reduction obligations by 2012 as agreed under the Kyoto accord. Based on World Bank estimates, the 4-billion-tonne global carbon market was worth $120 billion last year, double the levels in 2007.

The Thai agency has approved 88 CDM projects with annual targeted emissions reductions of 6 million tonnes. Thailand emits about 344 million tonnes of greenhouse gases every year.

Yet, Thailand lags behind its Asian peers in use of the CDM. As of May 2009, Thailand had 17 projects registered with the CDM executive board, compared with China (553), India (425), Malaysia (46), the Philippines (27), South Korea (27) and Indonesia (24).

Most of these countries have encouraged local businesses to invest in carbon reduction with incentives such as tax holidays and soft loans, as well as providing assistance with the often complex application and certification process. But Thailand has yet to introduce such measures.
Worldwide, around 1,500 projects have been registered, reducing greenhouse gas emissions by an estimated 220 million tonnes a year. Around another 4,000 projects are waiting to be certified, which if approved would reduce emissions by more than 2.5 billion tonnes by the end of 2012.

In neighbouring Singapore, the government has allocated S$100 million as incentives for the development of green buildings as well as the upgrade of buildings to suit environment-friendly standards. The result is a steady increase in the number of green buildings: from 96 in 2007 to 120 last year. The target is 80 percent of buildings in Singapore to be green by 2030, compared with 4 to 5 percent and 5 percent at present.

Energy Network: On a Slow Boat

Despite the growing awareness of climate change impact and the efforts made to reduce the dependency on imported oil, the Association of Southeast Asian Nations (Asean) countries will have to rely on foreign oil for years.

This is indicated by the numerous initiatives the trade bloc has drawn up to reduce the reliance on oil imports. The Trans-Asean Energy Network, which was first conceived in the late 1980s and later incorporated into the Asean Plan of Action for Energy Cooperation (APAEC 2004-2009) is one such attempt.

Natural gas forms the key component of the Trans-Asean Energy Network, a regional effort to ensure energy self sufficiency. The network covers the Trans-Asean Gas Pipeline and Asean Power Grid. When the grid was first mooted in 2002, Asean energy ministers estimated the entire grid to be ready by 2020 at a cost of $17 billion. The network is making slow progress with no plan in place to address potential infrastructure security risks.

Esko Aho, Nokia; Maria Livanos Cattaui, Petroplus Holding; Carlos Miguel Collazo, Marsys Group

Stephen Kuhn, General Partner, Vinum Capital Management, USA

Shifting to renewable energy could save countries in East Asia as much as $2 trillion in fuel costs over the next 23 years, or more than $80 billion annually, according to Greenpeace.
The environmental group is stressing that it makes economic sense to shift to renewable energy while this will also help reduce carbon dioxide emissions by 22 percent in the same period.

However, energy officials in Asean, China, Japan and South Korea have indicated that shifting would not be easy. With robust economic growth, the region's demand for oil will continue to increase, especially in the transportation sector. Asean set an ambitious goal and have committed to increase the share of renewable energy in power generation to 10 percent by 2010, which they failed to meet.

Green Divide

The 10-nation group is apparently divided into two subgroups when it comes to green energy. There are proponents of energy efficiency, investment in R&D to seek alternatives to fossil fuels, and sustaining a clean environment. And there are others believing nuclear power is inevitable if the Asean must reduce greenhouse gas emissions. Indonesia, Vietnam and Thailand are among those planning to tap nuclear energy to meet growing electricity needs and reduce dependence on oil and natural gas. Their rationale is that energy conservation and renewable energy alone cannot significantly cut emissions and that preparation for its infrastructure will take a long time. But they may be discounting the safety margins and strong opposition from the public.

S Roy, Chairman, Asean Affairs, Thailand, and Yoshito Hori, Chairman, Globis Group, Japan, sharing a light moment

Yet, opportunities for Asean to renew its commitments to green energy are unfolding. The global economic crisis, which hindered the bloc's development of alternative fuels, has eased. Possible hike in fuel prices post-crisis will serve as a cause for Asean to accelerate the drive for renewable energy while reducing its reliance on imported fuels.

Sushil Premchand, President, PRS Services, reflecting on India's infrastructure needs

Niraj Sharan, Chairman, Aura, India, sharing his perspectives on India's economic growth

Vidhi Tambiah, President,World Microfinance Forum Geneva, in discussion with participants

Silvano Coletti, Chairman, Chelonia Group, Switzerland – on green innovation

Phil Loduca, Founder and Chief Executive Officer, Northshore Partners, USA

Robert Chanson, Chairman, Calventis – on prospects for a new round of multilateralism

Mike Garrett, Chairman, Evian Group, Switzerland, during the opening panel

Continuing the discussion during the break

Fouad Ghanma, Chairman, Ghanma Group, Lebanon, with Frank-Jürgen Richter, President, Horasis, Switzerland

Horasis
The Global Visions Community

Horasis: The Global Visions Community
Rue du 31-Décembre 47
CH-1211 Geneva 6
Switzerland

phone +41 79 305 3110
fax +41 22 718 4140

www.horasis.org