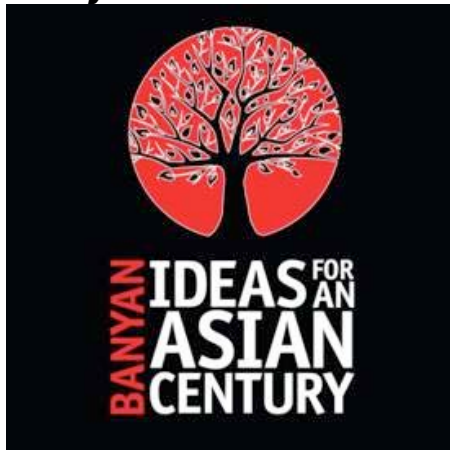


Banyan: Ideas for an Asian Century



Hosted by *The Economist*
Raffles Hotel, Singapore
October 18, 2011

Overview

The *Banyan: Ideas for an Asian Century* seminar, convened by *The Economist*, brought together regional specialists from major Asian corporations, universities and non-government organisations. It sought opinions and ideas about what an Asian century might look like, what will drive it, and what challenges must first be met in its realisation.

What is Asia? Asia might well be a construction of Western cartographers, for there is no abiding sense of cultural, social, spiritual or political homogeneity across this vast region. Geographically, according to Banyan, Asia extends from Kazakhstan in the northwest across to the tip of Japan in the northeast, down to the Maldives at the intersection of the Arabian Sea and Indian Ocean, and eastward to Timor Leste. 'Many of the world's most important discussions on the world's future' now take place in this region, Simon Long writes in his welcome to *Banyan: Ideas for an Asian Century*.

You do not have to believe the West is in terminal decline to recognise that it is no longer the sole or even necessarily the dominant source of global economic, political, social and cultural orthodoxy. The half of humanity that lives in Asia is beginning to have an intellectual weight commensurate with its size.

Simon Long, Banyan columnist

The Economist, recognising that it was high time for a column dedicated to half the world's population, launched Banyan in April 2009. *Banyan: Ideas for an Asian Century* was hosted by Asia specialists: Dominic Ziegler, Banyan's original columnist and now *The Economist's* Asia Editor, and Simon Long, veteran Asia correspondent for *The Economist* and Banyan columnist based in Singapore since 2010.

The Economist hosts several Asia-Pacific conferences and meetings each year. *Ideas for an Asian Century* was brought about to consider what ideas Asia would bring to twenty-first century – what global architecture might be needed to serve 'new economic, political and military realities' – how will a newly affluent Asia support its need for resources – and how will rapid demographic change be managed?



Dr Sally Percival Wood and Simon Long

Themes

In Banyan's two and a half years, five major regional themes have become apparent:

- the rise of China;
- a 'demographic bulge' in South Asia and Indonesia contrasting with 'demographic shrinkage' in East Asia;
- the politics of democracy;
- rapid economic growth versus environmental concerns; and
- how Asia can make the leap into the next level of development.

Over the course of the one-day seminar, three central themes threaded their way through the discussions and presentations. They were:

Regional coherence in Asia – economy and security

Economic disparity and disarray – Uneven development means that there are still 980 million Asians living in poverty, yet approximately \$7.6 trillion is held in Asian reserves with no means for mobilising these funds.

Security dilemmas and disorder – There are three major Asian powers (China, Japan and India) that are not especially friendly towards one another and, of 18 Asian countries, 10 are engaged in sub-national armed conflicts.

Regional unity in Asia – integration and connectivity

Integration – The Asia region was more economically integrated 200-250 years ago, yet now it struggles to harmonise systems and institutions. This is imperative to stimulate investment into the region and to evenly distribute the economic benefits of rapid growth.

Connectivity – Inclusive and integrated infrastructure development, building on existing networks, is identified by the Asian Development Bank and the United Nation's Economic and Social Commission for Asia and the Pacific (ESCAP) as

the region's number one priority in delivering economic access, social equity and political stability.

Reorienting East-West relations

Economic and security relations between West and East are increasingly asymmetrical. Asia now derives its economic prosperity from China, but continues to turn to the United States to underwrite its security. And though China is now the number one trading partner for the United States' five treaty partners in Asia – Australia, Japan, South Korea, the Philippines and Thailand – China has no security partners in the region. There is also institutional unevenness, a patchwork of agreements and dialogues processes, with global governance structures founded by the West in 1945, no longer representing global economic capacities.

Participants

Simon Long - Banyan columnist, *The Economist*

Dominic Ziegler - Asia editor, *The Economist*

Rajat M. Nag - Managing Director General, Asian Development Bank

David D. Arnold - President, Asia Foundation

Dr Kripa Sridharan - Head of Research, World Check

Dr Noeleen Heyzer - United Nations Under-Secretary-General, Executive Secretary, ESCAP

Anil Gupta - Michael B. Dingman Chair in Strategy and Entrepreneurship, The University of Maryland at College Park, and Visiting Professor of Strategy, INSEAD

John Naisbitt - Author of *Megatrends*

Fredrik Haren - Author of *The Idea Book*

Dr Cong Cao - Associate Professor and Reader, Faculty of Social Sciences, The University of Nottingham

Lim Guan Eng - Chief Minister of Penang

Cho Won Hong - Chief Marketing Officer, Hyundai Motor Company

Roshan Abbas - Film Director, Writer, Personality and Entrepreneur

Program and Speaker Summaries

Does Asia Exist? An accident of cartography or an emerging, coherent continent?

Simon Long and **Dominic Ziegler**

Western cartographers defined 'Asia' in geographical terms, but as Asia continues to grow economically, pressures for greater economic and geostrategic coherence increase. This is challenging given Asia's natural heterogeneity, differing national interests, and guarded sovereignty. Asian GDP – whether it continues on its current trajectory or a more modest course – is predicted to surpass that of European Union and the United States by 2050. But it is a mistake to view this rise as unprecedented. In 1820, China's was the world's biggest economy, followed by India, each in their own right larger than the economies of the combined West. (See Appendix 1)

Impressive though Asian GDP acceleration has been over the last decade, the challenges are formidable. It is predicted that it will take the remainder of the twenty-first century for Asian per capita income to catch up with GDP and regional institutional integration is still an aspiration. Asia remains subject to the global

governance systems put in place by the West in 1945, however, it is expected that as US influence wanes in the region, these frameworks will either be replaced or will take on characteristics more responsive to Asian priorities and values.

How will global governance architectures change with the coming of Asia?

Rajat M. Nag, Managing Director General, Asian Development Bank
Simon Long

Although the United Nations is currently headed by an Asian, global economic institutions such as the International Monetary Fund (IMF) continue to be dominated by the West. It is predicted that this will continue to be the case until Asian integration has further evolved – who, at this time, can speak for Asia? Streamlining regional governance is therefore seen as the current priority. It is also envisaged that, with 60 percent of Asian exports still going to the G3 economies (the United States, the Eurozone, and Japan), that dependence will continue for some time to come.

Currently, the best forum in place for global governance is the G20, but there will be increasing importance placed upon regional institutions such as: the Asian Development Bank (ADB); the ASEAN+3 Macroeconomic Research Office (AMRO); and the East Asia Summit (EAS). ASEAN, in particular, will assume a more central role in regional governance and, while India's economy will not grow to the size of China's, it will be a critical source of ideas. Inclusive growth is a priority and therefore the ADB places emphasis on infrastructure development to facilitate even economic participation and strengthening of regional institutions to counter corruption.



Rajat M. Nag and Simon Long

Mystery guest video interview...

Aung San Suu Kyi, Democracy leader, National League for Democracy, Myanmar
Dominic Ziegler

Reforms promised by Myanmar's new government, which assumed power after the November 2010 elections, are being expressed more positively than anticipated. Censorship is being eased; some political prisoners have been released; China's controversial dam project has been suspended; and government officials are showing a preparedness to meet the democracy leader, Aung San Suu Kyi. These developments suggest a new seriousness about change in Myanmar.

In discussion with Dominic Ziegler, Suu Kyi acknowledged that although changes are underway they would inevitably be incremental. Myanmar is genuine in its desire to chair ASEAN in 2014, and it is likely that this will happen, although the democracy leader does not believe this goal is as vital as the need for ongoing internal reforms. She noted that ASEAN has been taking more notice of Myanmar over the past two years and she is supportive of increased diplomatic activity between Myanmar's leaders and the West. Suu Kyi is willing to help the Myanmar government reach out to the world in any way that she can.

See Banyan, A Taste of Freedom – <http://www.economist.com/node/21532305>

What role will Asia play in global security?

David D. Arnold, President, Asia Foundation
Dr Kripa Sridharan, Head of Research, World Check
Dominic Ziegler

There was a general despondency about Asia's current capacity to play a role in global security. Concerns were expressed from both state-to-state and domestic perspectives. First, the three major powers of the region – China, India and Japan – are not on especially friendly terms and though India has been making efforts to expand its breadth of engagement, it is not yet in a position to be a 'star player'. India is somewhat undermined by its inability to drive regional solidarity due to the degree of South Asian asymmetry and the corrosive effects of India-Pakistan relations. In trying to build more cohesive South Asian regionalism, Indians see ASEAN as a model to emulate.

On the domestic front, of 18 Asian states, 10 are dealing with sub-national armed conflicts. This disrupts Asia's ability to provide for regional security and diverts resources. It also creates internal social and economic disparities, hampering Asia's ability to reach the millennium development goals. This situation is not helped by the non-interference ethos that pervades the region. Asia's lack of institutional strength also curtails its capacity to resolve regional conflicts, and so security continues to be underwritten by a non-Asian state, the United States. A combination of domestic insurgencies, corruption, institutional weakness and a vacuum in leadership hobbles Asia's ability to play a proactive role in global security.

Sustaining Asia's Economic Dynamism through Regional Co-operation

Dr Noeleen Heyzer, Under-Secretary-General of the United Nations and Executive Secretary, ESCAP

Simon Long

Asia's post-GFC economic growth is beginning to slow, largely because the stimulus packages instituted to deal with the crisis are winding down. The outlook is now looking decidedly uneven, with India and China driving the regional economy while large pockets of poverty deepen inequality – there are still 980 million Asians living in poverty and 13 of the world's 50 least developed countries are in Asia. Conventional wisdom dictates a primary focus on economic growth and a secondary focus on development, that is, the delivery of social needs such as healthcare and education. This is not a luxury that Asia can afford in an Asian Century.

To better align growth and development, the infrastructure gap must be closed through the concentrated development of regional markets – that is, a focus on regional, rather than atomised country-by-country economic growth – and greater emphasis placed on the quality, rather than the quantities, of growth. Key elements in achieving this are to: accelerate connectivity; develop existing infrastructure networks; introduce sustainable goals; and pool access to resources such as energy. For example, it is estimated that \$1 billion could be saved if a cross-border energy corridor were established from West Bengal in India to Bangladesh.



Dr Noeleen Heyzer

How will Asian innovation change the world?

Anil Gupta, Michal B. Dingman Chair in Strategy and Entrepreneurship, The University of Maryland at College Park, and Visiting Professor of Strategy, INSEAD

John Naisbitt, Author of Megatrends

Simon Long

It was not unanimously agreed that Asia is truly a centre for innovation, but this appeared to depend on how innovation is interpreted. From a technological perspective Japan and South Korea are the Asian powerhouses, but India is also

emerging as a world leader. Although China spends four times more than India on research and development, the top ten global technology companies are in India and so India is a global R&D leader. China is hampered by its reputation for piracy, and although its capacity for perfecting and adapting technologies has resulted in a few global giants, notably Huawei, it is not viewed as innovative.

China has, however, has been a model for economic and social innovation. In terms of economic innovation, the ability of China's economic transformation to lift hundreds of millions of people out of poverty over the last two decades is historically unprecedented. The 'innovation triangles' implemented in Chengdu province are an example of social innovation. The nature of Chinese diversity and decentralisation opens up space for bottom up integration in the form of the corporate-urban-rural innovation triangles that do not rely upon leadership from Beijing. This model, driven by Chengdu's mayor, is enabled by the regional authority and autonomy that he enjoys, independent of Beijing. The triangular approach is especially important in closing the prevailing gap in rural and urban prosperity in China.

'Frugal innovation' is another area where Asia leads. In the West frugal innovation is seen as peripheral to the main economic game, but in Asia this represents huge potential. Innovations such as the Tata Nano, a \$1,000 car, or cheap regional travel spearheaded by Air Asia, feed into an enormous and growing middle class market. It is estimated that China has only reached a third of its potential in this respect and the China we see now is not what it is going to become. The Asian market is described as an entrepreneur's heaven for frugal innovation.

Debate: Is Asia truly innovative?

Fredrik Haren, Author of *The Idea Book*

Dr Cong Cao, Associate Professor and Reader, Faculty of Social Sciences, The University of Nottingham

Dominic Ziegler

The following points were raised in the debate:

- The BCG *Global Innovation Index 2011* ranks Singapore as the world's most creative place. Singapore is innovative because it is outward looking with a largely transient population.
- Countries do not drive innovation, innovation is driven by companies and individuals. Asia's most innovative countries, South Korea and Japan, are also its most individualistic.
- Less innovative countries tend to be larger, obsessed with themselves and their internal predicaments. China, for example, is not innovative because of an absence of individualism and authoritarian governance that inhibits freedom of inquiry.
- China still relies upon ideas developed elsewhere, which it then refines, but to remain competitive it will have to become more technologically innovative.
- Airports were offered as an example of Asia's technological transformation over the past decade. Some Indian airports have now been outsourced to private organisations and become a part of the revolution in Asian air travel.
- For Asian innovation it is 'the best of times and the worst of times' – the best because advanced countries are preoccupied with their economic troubles; the worst because this represents only a narrow window of opportunity.

Next Big Ideas

Next Big Idea—Politics

Lim Guan Eng, Chief Minister of Penang

If you want to avoid disputes, the Chief Minister says, ‘think Asia’. In a democracy it is important to remember the aspirations of individuals and to maintain political momentum he employs three ‘I’ words: innovation; integrity; institutions.

Next Big Idea—Technology

Cho Won Hong, Chief Marketing Officer, Hyundai Motor Company

New automotive technologies are keeping pace with environmental change. Hyundai – along with other major Asian brands – is developing hybrid cars, the Sonata and the i45. The sixth generation Sonata hybrid has been under development since 2005.

Next Big Idea—Arts and Culture

Roshan Abbas, Film Director, Writer, Personality and Entrepreneur

Roshan Abbas believes cultural capital ought to be measured in the same way that GDP is measured. But for culture a distinction must be made between ‘values’ and ‘valuation’ in this order: social value; customer value; and shareholder value.



Gala Dinner

The Next Big Idea: *The Economist* readers

There were three finalists for *The Economist*’s Next Big Idea for the Asian Century:

Chua Tuan Cheng – ‘Redefine our Wo(l)rd’

Cheng believes Asia needs a new narrative for the Asian Century, one that makes a departure from the ideas of West. Words like ‘development’, ‘wealth’ and ‘business’ represent Western materialist aspirations. The ‘soul of Asian society’ is not represented in this language and in building Asia’s future, looking ahead to the twenty-second century new words must be found that represent Asian aspirations.

Swapnil Pawar – ‘Pre-empting the next world war in Asia through timely institutional building’

Swapnil would like to see a new supra national Asian institution that is sufficiently empowered to act as a stabilizing force when state-to-state power struggles emerge. The institution would facilitate trade and strengthen people-to-people ties in times of peace and it could begin by being an Asian peacekeeping force.

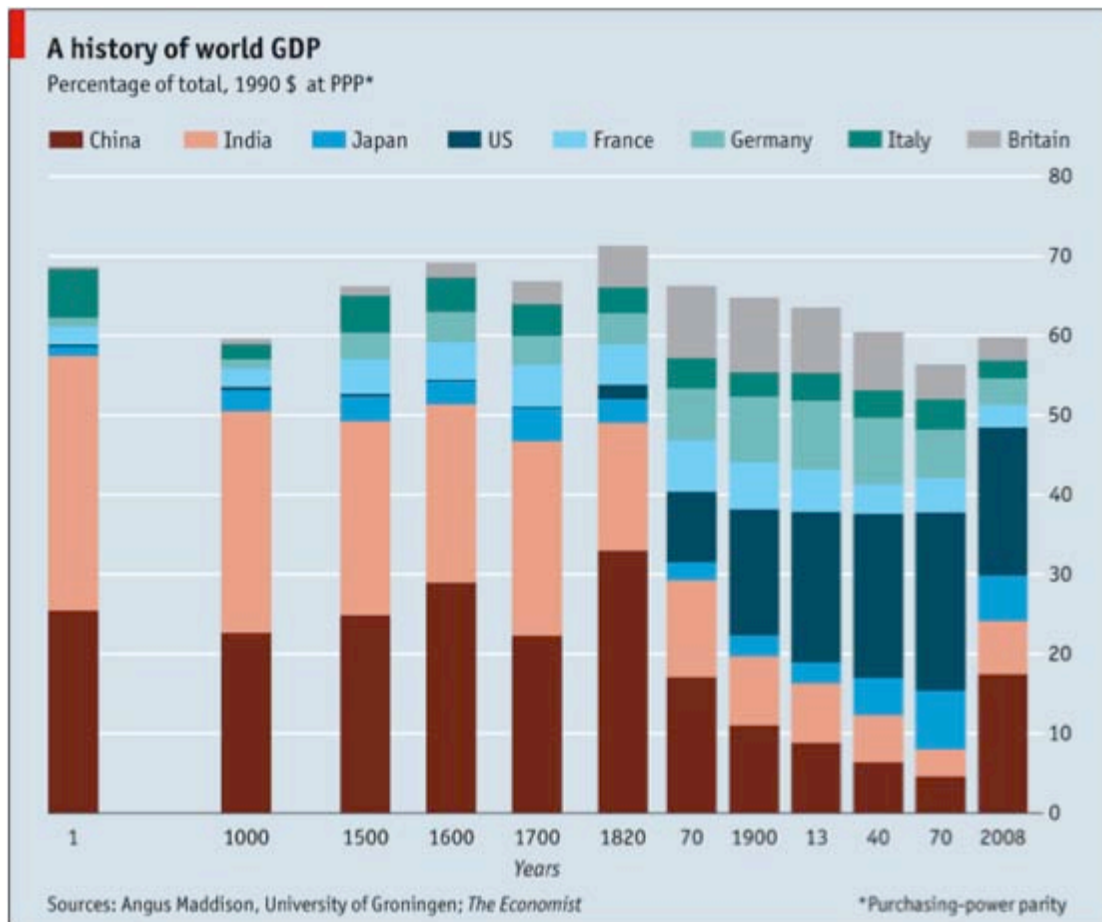
Rebecca Tan – ‘My next big idea is for Asia to support mixed soccer teams for school children’

Rebecca recognises gender disparity as one of Asia’s major problems with 4 percent of the productive potential of women still not realised. Women continue to work in the informal, underpaid sectors. Soccer teams, the traditional preserve of males, could be of mixed gender in schools to break down gender conditioning at a young age.



Audience

Appendix 1



Share of world GDP in 2050, %

