

AmCham bridges friends, partners

By JAMES ZIMMERMAN

The American Chamber of Commerce (AmCham) in China is proud to be a supporting organization of the Asia Society's 18th Asian Corporate Conference in Tianjin.

The mission of AmCham-China, the largest Beijing-based foreign business association, with more than 2,600 members representing more than 1,100 companies, is to support American business interests and promote commercial relations between the United States and China.

Although focused on commerce, much of AmCham's work involves building bridges between the two countries, much as the Asia Society has been doing so effectively for many decades on a broader scale.

We look forward to exploring the issues that will be raised in Tianjin, to hearing

from the distinguished roster of speakers and panelists, and to participating in the discussions about the ways that China – and the world – can strike a better balance between economic growth and progress and sustainable development. This is a key issue for enlightened businesses, individuals and governments everywhere, and a cornerstone priority of China's 11th Five-Year Plan (2006-10).

In addition, we are pleased to see Tianjin's continued emergence as a business and financial center. Earlier this year, AmCham-China and the Tianjin municipal government jointly organized a forum on new financial services to support Tianjin's rise as a major financial center.

These are important issues. But among people who are concerned about Asia, today these issues are overshadowed by the tragedy that struck China's Sichuan province just over

two weeks ago, and we do not feel this can go unmentioned here. The lives taken by the earthquake, the families whose suffering we can hardly begin to imagine, the vast challenges that lay ahead before order and infrastructure can be returned to normal – these remain at the forefront of our hearts and minds.

For AmCham and its members, China is our home, and the tremendous outpouring of support from our community shows how acutely we feel for those whose lives and livelihoods have been permanently affected. The speed with which our members have come forward with support and donations – which now total close to \$60 million – is further testament to the strength of the connection we feel with our host country.

I was invited to enter a message last week in the condolences book that the Ministry of Foreign Affairs has set up



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in the lobby of its Beijing headquarters, an honor normally reserved only for government officials. I would like to share here what I wrote in the book, as it is really an open letter to the Chinese people:

"Please accept our heartfelt condolences and sympathy for the victims of the Sichuan earthquake. We live and work in China, and we stand behind the community in any way we can. The Chinese people have great reserves of strength, courage and resolve, and these qualities will help them endure this trying time and begin to heal. You are in our thoughts."

James Zimmerman is chairman of the American Chamber of Commerce in China

TDK: Innovation breeds sustainability

By RAYMOND LEUNG

Sustainable development, according to the World Commission on Environment and Development, is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

In other words, development that can continue into the future is regarded as sustainable.

Globalization is a process in which all people of the world are unified into a single society and function together.

No nation can grow without affecting and being affected by others.

The three key parameters determining growth – the environment, society and the economy – must interact and play in a balanced manner.

Fine-tuning for balanced interplay can only be achieved with a substantial amount of innovation.

The environment refers to our surroundings – resources, pollution and land use. Society is about the social behavior of human beings, a nation's cultural fabric including religious aspects. And the economy

relates to a system of practical human activities – production, distribution, exchange rates and consumption of goods and services of a country.

China is now creating a miracle of economy transformation. It has doubled its GDP in 8 years to \$3.43 trillion. However, it also



Raymond Leung

is facing threats of weakening global growth, possible domestic overheating, rising prices of natural resources and pollution – not to mention an increasing trade imbalance.

To cope with these pressures, China has introduced a series of five-year plans. The current five-year plan plans to maintain relatively high economic growth

by targeting a per capita GDP of \$2,500 by 2010. In order to conserve resources and be environmentally friendly, China plans to use 20 percent less energy and 30 percent less water. In addition, it aims to enhance technological innovation in renewable energy, transportation and controlled urbanization of remote regions.

China's innovation policy framework has four categories – financial policy, legislative actions and innovation support structure, and human resources policy, – introduced to sustain the growth of innovation. As of 2002, China had built 425 science and technology exhibition halls and nearly 600 tech incubation centers. Each year, 7,000 to 8,000 science education publications are published.

In the next 20 years, China will contribute to innovation in all aspects of business and will shift from incremental to fundamental improvement. The consumption-led economy in China – as well as India and other emerging economies – will help sustain global economic growth.

Raymond Leung is the chairman and CEO of TDK China

Moderating China's markets – the next step up

By KAI NARGOLWALA

China's stock market has been on a roller-coaster ride, rising more than five-fold in two years, then precipitously dropping in late 2007 by half from its peak. Many are wondering – what sort of measures can be taken to lessen the volatility? The answer may well be more tradable stock in the market and a greater number of investors with a long-term perspective.

This year marks the 30th anniversary of China's opening-up policy. No area of the economy is more emblematic of China's transformation than

its capital markets. From virtually nothing in 1990, China's stock market has grown into a global giant. Even after the recent decline, the combined value of China's A shares and Hong Kong-listed mainland companies means the ratio of market capitalization to GDP is around 125 percent – similar to the United States. China, including Hong Kong, is now larger than Japan.

At Credit Suisse, we believe the greatest potential lies in China's domestic markets. This is not to say that markets abroad will cease to play an important role in the capital raising needs of the nation. But it is natural

that local markets take the lead. As China has done so adeptly in many of its reforms, the future development of its markets will be determined in part by how China synthesizes global "best practices" into its own reality.

We see a number of things changing here, and as more foreign players take a role in the domestic markets there is a lot that can be shared in terms of technology, training of personnel, and the introduction of new financial products and concepts.

Looking at the recent ups and downs, it's clear China needs two things – deeper markets and more buy-and-hold investors.

These two objectives fit together nicely. In terms of market depth, China's A share market – and especially the biggest stocks – need to have a much higher free float, or the amount of freely tradable stock as a percentage of overall issued share capital.

At the moment, average free float is around 30 percent, far below that of other markets. In the case of some of China's largest banks, free float in the A share market is so small as to be almost insignificant. Because government holdings so dominate the shareholding structure of many companies, there is a large amount of stock

whose future is an open question in the minds of investors. What will the major shareholder do, and when? This uncertainty breeds volatility.

China's markets are at a stage where a large part of those shareholdings could be divested. Naturally, the question is "into whose hands?" The answer should be into the growing institutional investor base in China.

Large investment pools for long-term capital appreciation and income are required here. These are the likes of pension and social security funds, which are growing rapidly as the social safety net expands

and China's healthcare reforms unfold. On the retail side, creation of a tracker fund, as was done in Hong Kong some years ago, could be a good option, too. Exchange-traded funds are another way to go and something well known in other markets.

As free-float grows and more long-term institutions are active in China's markets, the peaks and valleys will be moderated. Of course, markets will continue to move up and down. A certain amount of fluctuation is desirable as capital seeks its most efficient outlets. However, a deeper, liquid market means that less needs to be done to manage market



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volatility. This is good for both large and small investors – and will result in fewer worries for market regulators.

Kai Nargolwala is the Asia-Pacific CEO and member of the Executive Board of Credit Suisse Group

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