

APRCE. Tuesday 24. September 2013.

- Keynote Speech. Asia to redraw the map of progress.

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Roadmap

- Lower not necessarily low growth. The debt trap.
- Demography.
- Megacities. Urbanization.
- Supply chain – more compact, less global.
- Energy – oil – shale gas/oil.
- Transition.
 - Mass communication. Good if we use it.
 - Scarcities. Not good for growth, deep structural changes.
- New industries.
- Asia can shape the global picture – redraw the map of progress.

I. Debt. 1/2. The figures!!!!

Fiscal

adjustment to bring debt/GDP to a safe target in 2040: 60% (advanced economies), 40% EME, and 200% for Japan. Source BIS annual report.

Including ARS

□ France	5.2	China	5.0
□ Germany	3.3	India	6.6
□ Italy	1.9	Indonesia	2.7
□ Spain	7.3	Korea	12.0
□ Japan	19.6	Malaysia	6.8
□ United Kingdom	14.0	<u>Thailand</u>	<u>5.8</u>
□ United States	16.1	Brazil	4.8
		Mexico	3.2
		South Africa	4.6

- Accounting for projected changes in Age Related Spending as a share of GDP.

I. Debt. 2/2. How to get out of the trap

- The world is going to see two economic models.
- The European one cutting the coat according to the cloth – however painful it may be to get there.
- The American one disregarding debt building up almost insurmountable claims on the US held by foreign countries.
- We will see, but odds are that the new, stronger nations like China will favour the first model.

II. Demography.

Asia's population up but diverging trends

Production.

- Pivotal year 2015: Chinese labor force starts to fall. Labor intensive manufacturing shift out of China. Higher value added production. China's R&D 2011 1.83 per cent of GDP.
- South Asia. Labour intensive manufacturing.
- Southeast Asia. Diversified economy. Good prospects.

Consumption.

- China. More elderly – do they have money to spend? Smaller families, more single's, women. Welfare. Health Care.
- India/South Asia. Following the same curve but time lag. Family more important.
- Southeast Asia. Less clear picture because of

III. Megacities/megaregions.

- Urbanization: 1) China. 1975 17.4%. 2020 800 mio people → approx 60%. 2) India. 1975 21.3%. 2020 540 mio → 41.5%.
- A. Trendsetter. Tough competition. MC/MR. List of 50 global cities ranked by GDP shows that in 2007 eight were in Asia. In 2025 it will be twenty.
- B. Followers. Easier to penetrate. China&India middle sized cities – 2-4 million people.
- C. Countryside. Yes, many people but less purchasing power per person and lack of distribution channels.
- 2010-2020. Urban infrastructure investment Asia. USD 8 trillion – sustainable share may be 2/3.

IV. Supply Chain. More compact.

- Outsourcing/off shoring **BETWEEN** continents **less** - **INSIDE** continents **more** important.
- China><Vietnam, India? >< Africa next!
- Inside countries. Benefit from cheaper labour costs, cheaper rents, better infrastructure.
- Transport costs cannot any longer be neglected.

V. Energy – oil – shale gas/oil.

- Will it lead to lower oil prices, is it sustainable, and how will it affect geopolitics.
- Low prices? Not certain. Supply AND demand.
- Sustainability? Opposition growing.
- It may be a game changer, but hold your horses.
- IF then less US interest in the Gulf and the Middle East. China and probably Europe more interested in keeping the region stable.
Verdict: Instability that may contribute to keeping oil prices up.

VI. The transition.

- The world – and Asia – is going through two major transitions.
- Keywords: We move from the era of
- Mass consumption to the era of Information & Communication Technology (ICT). Mass communication.
- Two hundred years of industrialization framed by the era of plenty/abundance to the era of scarcities.
- Two key concepts; knowledge – scarcities.

VI. Transition: Knowledge. 1/2.

- Mobile phones, latest, (mio): China 1150, India 857, USA 327, Indonesia 250, Brasilia 265.
- Internet access persons China. Ultimo 2012.
 - Approx. 568 million people.
 - Penetration around 40-45 per cent.
- India ca 151 mio monthly increase 5-7 mio.
- Lean back just think on effects on productivity!
Lean even more back and think of what it means for retailers.

VI. Transition. : Knowledge. 2/2.

- Knowledge as a production factor. Used again and again and by several people at the same time.
- Mass communication enhances productivity if it is shared. Updated constantly by networking.
- People move towards groups/communities with common/shared values.
- Just witness the revolution of retail trade – Groupon etc etc.
- A more value driven society. Brands becoming more important and switch to highlight values.

VI. Transition: Scarcities. 1/2.

- Food. FAO 40 countries face food shortages, 40% increase in food production to 2030 and 70% to 2070 for status quo.
- Resources.
- Energy/oil. WB on East Asia: Low-carbon growth pattern possible, coal ↓ 37% (half) 2030, cost annual additional financing USD 85 bn.
- Water. Net exporters: Western hemisphere + Africa. Net importers: rest of the world.
- *Clean environment.* WB: the **health costs of air and water pollution in China amount to about 4.3 percent of its GDP.** By adding the non-health impacts of pollution, which are estimated to be about 1.5 percent of GDP, the total cost of air and water pollution is about 5.8 percent. NB global warming.
- They are linked to each other. To feed the population double water use efficiency over the next twenty years.

VI. The Transition. Scarcities. 2/2.

- Keywords: LESS & BURDENSARING.
- Production: use more labour. Consumption. Less materialistic. 1) Durability as competitive parameter. Label saying likely durability like today's labels exp date.
2) Target for recycling, share of components like today's labels displaying calories.
- Take a closer look at people's behaviour. Economic incentives less important. Well-being/happiness doing something for others and with others more important.
- Bring in Psychology, anthropology, and sociology. GROUP behavior emerges as the vital thing to happen.
- Anchored in common and shared values.

VII. The New MODEL – The Core.

- Combine lower growth + Scarcities + new consumption pattern + megacities + reshoring >>>>
- People, production, and markets **closer** together with a more compact supply chain.
- Production + consumption steered by **LESS** and less materialistic. Consumer preferences changing – less economically motivated.
- **No waste-total recycling-lifecycle.**
- The human factor. >>>> Groups, communities replace individual. Global values + global group behaviors

VIII. New industries. pacesetters.

- Swing away from traditional position of population, quality of life, longer life and longer life as consumer with tastes changing over the life cycle plus strong purchasing power.
- Human maintenance sector. Health.
- Human improvement/performance. Education, learning, skills.
- Human leisure and a meaningful life. Entertainment is one of the sectors under this heading, but in broader sense fantasy and dreams.

IX. The transition. Why Asia?

- Switch to less materialistic consumption and higher attachment to groups more likely in Asia.
- Ibrahamic versus Asian religions and philosophies.
- “Rule by man” – Asia, versus “rule of law” – Europe.
- Illustration: Confucian code of rites, syncretism.
- So far we have seen very little of this,

X. Global picture.

Steered by transition – mass communication & scarcities.

- Asia most dynamic region, BUT not any longer fantastic. Differences among Asian countries. Debt picture OK. Awareness of limited 'space'-resource scarcities.
- South Asia facing severe problems. Uncontrolled population growth, scarcities/water, lack of infrastructure, weak governments.
- Europe relatively good. Growth – low – coming back. Debt: pain behind. Resource picture like Asia.
- US. Trend growth falling. Debt: Pain ahead. No 'space' awareness.
- Japan. Economic resurgence not likely.
- Medium sized countries. Growth but they are not big enough to change global growth picture

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1) HOW ASIA CAN SHAPE THE WORLD – from the era of plenty to the era of scarcities. 2011.

2) The global economy in Transition, Debt and Resource scarcities. 2013.

3) Political Economy in the Globalized World. 2009.
