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Greetings, Changes, Best Wishes and Happy New Year

I am pleased to join The Asia-Pacific Business & Technology Report as Managing Editor.

Beginning with this issue, I will also be contributing this monthly column ("New & Notable") on innovation in Asia, covering technology, fashion, legal and business issues relating to the dynamic economies of the Asia-Pacific. In addition, I'll follow developing long-term stories such as the recent attack on South Korea and its free trade agreement with the United States, which are intriguing and important in and of themselves, but also inter-related in more interesting ways.

Here in Asia, it's customary to provide a detailed introduction, and I'll do so here, once, before focusing on the many more substantive issues to come. My background is in consulting and law, and I've served as counsel to many US and European start-ups and venture capital funds while at Wilson Sonsini Goodrich & Rosati (Palo Alto) and US investment banks while at Cahill Gordon & Reindel (NY). My previous work includes serving as Senior Vice President of Risk Management at STX Europe, Chief Technology Officer at Seoul National University's R&DB Foundation, Director of Technology Incubation at SNU's College of Engineering, General Counsel & Director of the Global Legal Department at STX Corporation and General Counsel at Hankook Tire Company, as well as the Inje Foundation / Paik Hospitals, where I continue to serve as a Trustee. I've been Counsel to the Korean Venture Capital Association, the Korean Nurses' Association and the Incheon Free Economic Zone Authority, as well as Samsung Electronics, Samsung Venture Investment Corporation, LG Electronics, LG Venture Investments and several other Korean companies.

Mainly, I solved problems for clients, usually on a short-term engagement, sometimes by embedding myself into their organization, but mostly as an outside counsel or consultant, like a plumber. For embedded engagements, rather than acting as a management consultant, I'd step into a role within the client company, as a consulting manager.

I've also taught extensively, as a Professor at Yonsei University's College of Law, the Judicial Research & Training Institute, and Seoul National University's College of Engineering. I graduated from Syracuse University (BA, Economics, 1991), Yale University (MBA, 1995) and Columbia University (JD, 1998). Finally, I hold a Distinguished Chair at Inje University's College of Arts & Sciences, in the Department of Law.

The Asia-Pacific Business & Technology Report is the first Korea-based international business, technology and innovation magazine in English, and also the first magazine to offer a special focus on emerging Asian markets, especially India, Korea, China and Southeast Asia, in these fields. The Report is read by business, thought and government leaders in over 27 countries, e.g. United States, Canada, United Kingdom, Korea, Singapore, Malaysia, India, China, Japan and many other European and Asian countries, by over 160,000 professionals monthly in business, technology, diplomacy, journalism, policy studies and in government sectors.

My goals for the Report in 2011 are to near-double the distribu-



tive reach to over 50 countries, as well as the readership to over 300,000 professionals. We'll also be working with the format a bit, for both print and digital formats, so please bear with us until that is completed. If you have suggestions in this regard, or otherwise, we'd welcome your comments via email.

Finally, we're actively seeking contributing journalists, and I'd like to take this opportunity to reach out to our readership for potential articles. It's very likely that what you're interested in writing about is of interest to readers like you, and we'd appreciate your sharing your perspective, news and information with our community.

What's new and notable, then, for January 2011, is me, our goals and an outreach for content and comments, and again, I am honored and pleased to join The Report's team. I look forward to getting to know you, the readership, and wish you a healthy, prosperous and harmonious 2011.

I can be reached at contact@biztechreport.com, and my hope is that responding to your letters will be a regular part of my work for The Report.

— MICHAEL PAIK, MANAGING EDITOR

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Fan of Mahatma Gandhi - President Obama in India

BY JAI CS

US President Barack Hussein Obama, a Nobel Peace Prize laureate, and the First Lady Michelle Obama's 4 day visit to India has really opened new opportunities, a number of deals that are rich in bilateral benefits - shifting the paradigm in Indo-US relations and the role India plays in the World.

This visit of the US President Barack Obama has raised the level of expectations of the people of India. Was this visit intended to send a message? The answer that the President gave was simple – absolutely. It has definitely sent the right signal to the people of India. It surely highlights the necessity to have an expanded global partnership for global challenges.

Obama's visit has allowed several Indians and Americans to believe in the partnership of India and the US which can eventually help the world pursue the inter-connected goals of prosperity, peace and democracy... "I might not be standing in front of you as President of the US had it not been for Mahatma Gandhi and his message that inspired the Americans," said Obama, America's 44th President. Obama said the Americans will always remember the great soul who changed the world with his message of peace, tolerance and love. Yes, Obama seemed to be a real fan of Gandhi, the father of our nation.

Issues related to outsourcing, nuclear power, high-tech industries, terrorism, regional security, UNSC seat etc. were supposed to be defining factors in the Indo-US relationship. Like Mahatma Gandhi, Obama was also able to strike an emotional chord with Indian people by invoking the names of Swami Vivekanand, Rabindranath Tagore and Babasaheb Ambedkar. He definitely saw India as a nation that has risen to play a bigger role in the world on the basis of its civilization, strength and glory from the past.

Obama, during his visit, not only invited India to play a bigger role in the days to come, but also created ways to explore new dimensions of Indo-US relations.

During his speech Obama acknowledged that the relationship between the two countries was changing and it is definitely now beyond just call centers. Confident about the economic potential of the partnership between India and the United States, Obama said, "The United States sees Asia, especially India, as the market of the future. There still exists a caricature of India as a land of call centers and back offices that cost American jobs. But these old stereotypes, these

old concerns, ignore today's realities." Indicating that the trade of goods between the U.S. and India has more than tripled in the last decade and is expected to hit \$50 billion this year, Obama put forward his belief in an expanded relationship between the two nations and a trend that can get a boost from the deals emerging with his visit. He said the United States is seeing the opportunities to sell exports in one of the fastest growing markets, India. Obama signaled the easing of export controls on dual use technology and also announced deals worth \$10 billion with US companies, which could create 50,000 jobs back home.

"Even as we strengthen our national security, we should make sure that unnecessary barriers do not stand in the way of high-tech trade between our countries. We will work with India to fundamentally reform our control on exports, which will allow greater co-operation in a range of high-tech sectors to strengthen our relationship," said Obama.

Obama said that the US would not impose India-Pakistan ties. He believed that trust will develop, dialogue will begin and India and Pakistan can live in peace and prosper. "We have been engaging aggressively with the Pakistani government to communicate that we want nothing more than a stable, prosperous and peaceful Pakistan and we will work with the government to eradicate this extremism. The Pakistan government understands this. More Pakistanis have been killed by terrorists inside Pakistan."

Obama's Parliament speech charted his vision for India and the United States in the world and in the region going beyond what he has said in his public appearances in India so far. Obama was focused to cover a range of economic, diplomatic and strategic issues connecting both India and the US.

Some of the Agreements arrived at during this visit

"I can say today, in years ahead, I look forward to a reformed UN Security Council that includes India as a permanent member," said Obama in his address to Parliament in an emphatic endorsement of India's bid for a UNSC seat. Though this is definitely going to take a while to materialize, this seemed to be a defining moment of his visit. Additionally, hints of a decision to lift controls on the transfer of technology along with the promise to help India join other crucial groups like the Nuclear Technology Control Regime seemed to be marking yet another milestone in Indo-US ties. India and the United States have also agreed to cooperate on energy projects, including shale gas and clean energy.

The two countries agreed to set up a research and development centre for clean energy in India and to provide annual funding of \$5 million each for five years, with matching investments from the private sector. Barack Obama asserted in his address that India would now be treated the same as other close allies and partners of the United States. This is a significant gain for Indian

industry and the public sector entities. The US is also now committed to support India's full membership to the four critical multilateral export control regimes – NSG, MTCT, the Australia Group and the Wassenaar Arrangement.

With India keen to contribute to nuclear security, even though it is not a signatory to the Non Proliferation Treaty, New Delhi is looking at the new research centre as a positive step in working towards safeguarding nuclear material. India is likely to fully fund the centre that will examine best practices from around the world to come up with its own set of guidelines and standards to ensure safety of nuclear material.

Obama and Manmohan Singh agreed to scale-up joint US-India civil space collaboration, including space exploration, earth observation, and scientific education. As well as reaffirming their countries' strong commitment to taking vigorous action to address climate change, ensure mutual energy security, and build a clean energy economy that will drive investment, job creation, and economic growth throughout the 21st century. For the education industry, the two nations have agreed to contribute to an expanding, dynamic, and comprehensive education partnership, including expanding academic exchanges, developing university and school linkages, and holding a US-India Education Summit. On Defense cooperation, both India and the US agreed to focus on a partnership that encompasses dialogue, exercises, defense sales, professional military education exchanges, and practical cooperation. Also, Obama and Manmohan Singh agreed to collaborate closely to assist the people of Afghanistan by identifying opportunities to leverage the two countries' relative strengths, experience and resources. The collaboration will focus on agricultural development and women's empowerment. Further, the Indo-US ties will now focus to safeguard areas of the sea, air, and space beyond national jurisdiction to ensure the security and prosperity of surrounding nations.

The McKinsey Global Institute, a research arm of McKinsey & Company, has predicted that India could have as many as 91 million middle class urban households by the end of 2010. To accommodate this growth, the US is expected to play a huge role in investing in infrastructure.

The President, Barack Obama, described India as an indispensable partner while India described the US as a natural ally. There are enough statistics to that show that Indo-US relations are developing rapidly. Pharmaceuticals, textiles, information technology and IT-enabled services are some of the industries that have dominated major shares in Indo-US ties recently. The market research and analytics industry, referred to as KPO is certainly seeing steep growth. Partnership of India and the US in the areas of nano-technology, biotechnology, advanced material, high energy physics and

green chemistry is expected to definitely take on a new dimension.

Industry studies conducted by Ernst & Young-Ficci and CII on Obama's visit indicate that the Indo-US partnership in nuclear industry and military and civilian aircraft deals will create at least 270,000 jobs in the US over a period of ten years. Also, the President's visit has triggered few predictions that export to India would double in the next five years to create more than ten million jobs.

Also, a few recent trade figures indicate that US exports to India have doubled between 2005 and 2009. Exports have grown by 20 percent and India stands second as the fastest growing investor in the US.

Clearly, America is looking to build a new, stronger foundation for economic growth which involves innovating and creating new products that are marketed all over the world. Asia plays a key role in boosting the economic future of America, as it includes four Asian democracies – India, Indonesia, South Korea and Japan.

India and the US have multi-faceted relations in the field of politics, economics and commerce. The economic relations between these two nations, in the form of bilateral investments and trade, surely indicate long term growth. According to research, the USA is the largest investing country in India in terms of FDI approvals, actual inflows, and other direct investments. The investment from the US economy is said to cover almost every sector in the Indian commercial sector, thus emphasizing the presence of the strong and ever-growing Indo-US trade ties.

This visit to India has re-confirmed that more ways will be explored to reduce barriers to US exports and increase access to the Indian market. This sure is a momentum to build a comprehensive partnership between India and the US. The partnership, Obama said, had limitless potential and Indo-US relations would be indispensable in shaping the 21st century.

A fast-growing Asia is no doubt becoming a pivot of global geopolitical change. It's a proud moment for Asians to know that the continents' policies and challenges now have a hand in shaping international economic status. But the real challenge now for Asia lies in its own peace and stability. In fact, 2010 will be remembered as a year of major interest by helping the US to come back to the centre of the Asian state. Asia's power is likely to remain fluid, with new or shifting alliances and strengthened military capabilities continuing to challenge.

Since India's independence, five US Presidents - Dwight Eisenhower (1959), Richard Nixon (1969), Jimmy Carter (1978), Bill Clinton (2000), and George W Bush (2006), visited India. But the visit of Bill Clinton initiated some hope

to both countries to explore the scope in the bilateral engagement. Bill Clinton wanted Pakistani forces to retreat to their side of the Line of Control. This move by the Clinton administration began a bond of trust between India and America. It continued with Clinton's visit which paved the way for a continuous political dialogue between the two nations.

The drastically growing Indian community is fast making its presence felt in mainstream America. It has provided the best source of people-to-people ties, a relationship in which many families in both countries have a vital stake in. Moreover, Non-Resident Indians (NRIs) have also played a key factor in promoting stronger bilateral ties, and they are making valuable contributions in technology, education, as well as other areas in both countries.

Prime Minister Manmohan Singh, during his visit to the USA, mentioned, "The Indian-American community in this country is a much significant factor in a stronger India-US partnership in the future. Indian-Americans have shown the exceptional characteristic of being able to integrate fully into American life while also maintaining a close cultural and economic connection with India."

Obama's visit to the country speaks volumes of the importance of the US's relations with India. Will he take Indo-US relations to a new level... a new era in strategic partnership, military cooperation...we need to watch and wait. **A-P**

Obama said that the US would not impose India-Pakistan ties. He believed that trust will develop, dialogue will begin and India and Pakistan can live in peace and prosper.





China-North Korea
Friendship Tower
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Crisis on the Korean Peninsula

BY DONALD KIRK

The idyllic life on once-prosperous Yeonpyeong Island, enriched by the plentiful fish and crabs swarming the embracing waters of the Yellow Sea, may be gone forever.

People picking through the rubble spoke of their island home with nostalgia and longing for the lives and times they once had. “I’m very sorry to leave my hometown,” said housewife Choi In-young. “Once it was paradise, now it’s hell.” At home when shells roared into the neighborhood on the afternoon of November 23, she said all the windows were knocked out. “My home is still safe, but I saw smoke from houses around me.”

For most of Yeonpyeong’s 1,700 residents, the island provided a comfortable living that few on the mainland 40 miles to the east would imagine. Many made small fortunes off the crab that are plentiful in the Yellow Sea, especially at the height of the crabbing season in June. As the winds of late fall sent temperatures plummeting, no one relished the cold un-

easy winter ahead. Choi Seng-il, head of a citizens’ committee, doubted if more than a handful would return in view of the naval exercises in which the U.S. aircraft carrier George Washington had led an American strike force into the Yellow Sea for four days the week after the attack. “The weather is getting cold, and our houses were destroyed,” he said. “It’s not going to be possible to live here.”

A row of charred bar stools in front of a scorched counter reminded a visitor to the island of the good times enjoyed within easy sight of the North Korean coastline – and North Korean gunners – eight miles away. The narrow street of shattered shops and homes is strewn with shards of glass, twisted walls and broken roofs. “I was in my house when the shelling began,” said 80-year-old Chae Suu-yong, grabbing and packing some clothing into a shopping bag before catching the daily ferry back to the port city of Incheon. “We fled to a shelter. We don’t plan to go back.” Chae has no doubt the North Koreans mean it when they say the Korean peninsula is “on the brink of war” and more attacks are inevitable. “The North Koreans will attack again,” he said with a fatalistic certainty. “We are really afraid to live here.”

The specter of a powerful American naval force steaming into the Yellow Sea escalated the potential for conflict to a new level of intensity. The sound of rhetoric rather than gunfire seemed most likely to echo across those disputed waters as North Korea challenges the legitimacy of the Northern Limit Line below which its vessels are banned. Nonetheless, the decision to include the nuclear-powered aircraft carrier George Washington in a strike force of five vessels defied not only North Korean threats, but also the objections of China as to what the Chinese saw as an intrusion into their own sphere of influence.

Rather than exercise pressure on North Korea to refrain from attacks, the Chinese showed no sign of minding North Korea’s decision to fire on Yeonpyeong Island. The North Korean excuse was that South Korean naval vessels had ventured into North Korean waters and their target was the South Korean marine base on the island. Two of the four people who died in the attack were marines, and the other two were civilians working on a construction project. A number of civilians were wounded, but most of the island’s 1,700 people escaped. Many were fishing at sea or digging for oysters in the tidal flatlands or on the quay where the ferries arrive once or twice a day from Incheon.

The attack was the first instance of shelling of a civilian population center, but China refused to condemn it. Rather than face South Korean demands for China to take a position, China’s Foreign Minister Yang Jiechi cancelled a planned visit to Seoul. Instead, he told South Korea’s foreign Minister Kim Sung-hwan in a phone conversation that China wanted “stability” on the Korean peninsula. Yang was far more concerned about the U.S.-South Korean exercises. While the Chinese media denounced the exercises, Yang stuck to what he said was China’s principled position “That American warships should not

display a show of force in the Yellow Sea.” The Chinese showed no sign of accepting the South Korean argument, as expressed by Foreign Minister Kim that the exercises would not have been necessary “had it not been for North Korea’s provocation.” Finally, China called for “emergency” talks among the six nations that had previously been engaged in futile talks to get North Korea to give up its nuclear program.

The Chinese position was basically the same as in the aftermath of the sinking of the South Korean navy corvette, the Cheonan, in those same Yellow Sea waters in March in which 46 sailors died. The United States at the time yielded to Chinese demands for the George Washington not to enter the Yellow Sea, moving war games in April to waters off the east coast. This time, however, the feeling in both Seoul and Washington was that the American strike force should go into the Yellow Sea regardless of Chinese objection and North Korean threats. Against this background, the aircraft carrier, with a combat-ready air wing on board, joined the South Koreans in an exercise that would keep the waters boiling for five days of war games in the aftermath of North Korea’s artillery barrage.

The show of force was dramatic, but the American forces stayed well below the Northern Limit Line. North Korea breathed fresh outrage, promising to launch fresh attacks against hostile forces intruding so much as one millimeter into their own waters.

North Korea, hours after the barrage, was boasting of its success in defeating the South Koreans, spreading fears that North Korean forces might strike again anywhere, on sea and along the 160-mile land demilitarized zone that has separated the two Koreas since the armistice ending the Korean War was signed in 1953. Given that strategy, the appearance of the George Washington in the Yellow Sea was clearly another act in the drama, but not a sign of mounting hostilities.

The U.S. command covered the announcement in a veneer of verbiage intended to show that the operation was not only “defensive in nature” but “well planned before yesterday’s unprovoked attack.” The purpose, said the command, was “to improve our military interoperability” – meaning coordination with South Koreans – while demonstrating “the strength of the Republic of Korea-U.S. alliance and our commitment to regional stability through deterrence.” The real problem, however, was that the U.S. and South Korea seem incapable of persuading China ever to bring enough pressure on North Korea to persuade the North to pull back from a strategy of intermittent violence and intimidation.

The United States has for years been pleading with China to bring the North into line as a prerequisite for any consideration of returning to the six-party talks, including host China, the United States, Japan, Russia and the two Koreas. President Obama buttressed American diplomatic gestures during a half-hour telephone conversation with South Korea’s President Lee Myung-bak. Obama had told Lee that China needed to take a firm stand against

The North Korean excuse was that South Korean naval vessels had ventured into North Korean waters and their target was the South Korean marine base on the island.

the North. A Blue House spokesman said the two leaders “agreed that the indiscriminate attack against the territory of the Republic of Korea and its civilians was a premeditated provocation.”

Neither Obama nor Lee, however, seemed willing to go beyond joint exercises. They apparently did not discuss the critical question of when or whether the United States would send troops to South Korea’s defense with orders to fire back if North Korean forces fired on South Koreans. Nor were elements of the 28,500 Americans in uniform ordered to join the South Koreans in the Yellow Sea on anything other than training exercises.

All that, however, hardly diminished the medium and long-range problems posed by a regime in the midst of a leadership transition. The current speculation is that Kim Jong-il’s son and heir presumptive, Kim Jong-eun, has spurred on the aggressive policy to show his toughness and win support among hard-line generals. The young man, in his late 20s, would not be giving orders to grizzled generals who got their first taste of combat in the Korean War, but he could well see his advocacy of unrelenting toughness as a means to show the generals he’s ready to take over power whenever his ailing father leaves the scene.

In a curious footnote to a day of feverish alarm, father Jim Jong-il and son Jong-eun were reported to have been visiting a soybean factory on the day of the attack on Yeonpyeong Island. They also, however, have been visiting military units, getting the image of the son before people who had never heard of him until he appeared at a Workers’ Party Conference and then a parade on October 10 marking the 65th Anniversary of the Workers’ Party. That theory seemed credible in light of North Korea’s revelation of a new uranium enrichment plant nearing completion at its main nuclear complex at Yongbyon. The North’s aging five-megawatt reactor has already fabricated enough material with plutonium at its core for up to a dozen warheads, according to intelligence estimates.

The purpose, as a senior defense official

put it, was to give Kim Jong-eun the status of a “strong leader” while U.S. experts, back in Washington, reported on their visit to the uranium enrichment facility on November 12. The nuclear physicist Siegfried Hecker, on the faculty at Stanford University after having been in charge of the atomic laboratory at Los Alamos, returned to Washington reporting that what he had seen was “stunning,” that the facility already had 2,000 centrifuges and that it would soon be able to go into operation. His North Korean guides claimed the purpose of the 25-megawatt reactor would be to produce nuclear energy, not warheads, but that claim lacked credibility since it was on the same complex where North Korea had been developing its nuclear weapons program for more than 20 years. Satellite imagery revealed a rectangular structure for the uranium facility next to the site of a cooling tower that was blown up, amid worldwide publicity, in 2008 in a display intended to show North Korea’s adherence to agreements reached in 2007 for the North to abandon its entire nuclear program.

North Korea’s eagerness to show off the uranium plant contrasted with North Korea’s strong denials of anything to do with enriching uranium after a senior North Korean diplomat actually acknowledged the existence of the uranium program to a visiting American delegation of diplomats and other senior officials in October 2002. The initial exposure of the program soon led to the unraveling of the 1994 Geneva agreement under which North Korea had shut down its five-megawatt plutonium reactor in return for the promise of twin light-water nuclear energy reactors. North Korea finally reversed course and began boasting of the program in response to the conservative policies of President Lee. He demanded North Korea show serious signs of giving up its nuclear weapons before he would agree to ship the 500,000 tons of food and fertilizer the South had been sending annually to North Korea. This being part of the Sunshine policy initiated by Kim Dae-jung after his inauguration to a five-year term in 1998 and carried on for another five years by his successor, Roh Moo-hyun.

Both Kim and Roh died in 2009 after the failure of a policy that included Kim’s summit with Kim Jong-il in June 2000 and Roh’s summit with the Dear Leader in October 2007. North Korea’s program for building a second reactor, and then the attacks on the Cheonan and, eight months later, on Yeonpyeong Island, marked a disturbing trend in the standoff. China’s overwhelming concern remains “stability” on the Korean peninsula – that is, maintenance of a status quo in which China insures the survival of North Korea as a protectorate, but also carries on huge commercial relations with South Korea. China’s ultimate desire clearly is to dominate a region in which war games led by the U.S. carrier George Washington in the Yellow Sea represented a dangerous intrusion on an area that China views as its own sphere of influence.

Donald Kirk is author of “Korea Betrayed: Kim Dae-jung and Sunshine,” published in hardback in 2009 and in paperback last month. [A-F](#)

Donald Kirk, based in Seoul and Washington DC., arrived in South Korea for the first time in 1972 and interviewed Kim Dae Jung in his home, which was watched by Korean Central Intelligence Agency people lurking in the ally. He interviewed Mr. Kim again before the 1980 Kwangju revolt, saw him during his exile to the United States and covered his campaigns for presidency in 1987, 1992 and finally in 1997 when Mr. Kim won by a narrow margin at the height of the economic crisis. As a correspondent for the *International Herald Tribune*, he interviewed Mr. Kim in the Blue House in January 2001, reported on events during his presidency and met him several times afterward, the last time in January 2009 at the Seoul Foreign Correspondents' Club.

Don's website, www.donaldkirk.com, includes descriptions of his books, including his latest, *Korea Betrayed: Kim Dae Jung and Sunshine*, published by Palgrave Macmillan in New York and the United Kingdom, in hardcover shortly after Mr. Kim's death in August 2009 and published again, as a trade paperback, last month.

Below are the excerpts of the interview he gave to Asia Pacific Business and Technology Report

What accounts for your interest in Kim Dae Jung and why did you write this biography of him?

Mr. Kim is an important historical figure. I was deeply impressed by his passion as a dissident, by his courage in standing up to dictatorship and also by his tremendous popularity, notably in the Cholla region in the southwestern portion of the country. I actually decided to write a biography of him about midway through his presidency, after he had visited Pyongyang in June 2000 to meet North Korea's leader Kim Jong Il for the very first North-South Korean summit. I did not actually complete the book until early 2009 when I had a lot more information about all that had gone into the Sunshine policy, his relations with North Korea and his success in winning the Nobel Peace Prize in December 2009.

How do you evaluate the Sunshine policy and its role in bringing about reconciliation between the Koreans so many decades after the Korean War?

The Sunshine policy was bold and imaginative in many ways. It represented a dramatic break from the confrontational hard-line policy of the past. To carry out this policy, however, Mr. Kim and his closest aides had to compromise in many ways. They are often criticized for having made many concessions to North Korea without getting a great deal in return. Sunshine remains a dream – the “holy grail,” as I say in the book, but far from a reality.

How do you support that view, and what kind of original material do you offer in this book that bears out the thesis of compromise?

The book explains the transmission of vast sums of money that were transferred to North Korea before the summit. I first reported on these transactions in an article that ran in the *International Herald Tribune* on January 31, 2001. The government wrote a long letter to the IHT denying some of what was said in the article. The IHT published the letter but did not run a correction or apology. Later investigation and hearings by the National Assembly revealed that everything in the article was totally true. The government never again tried to deny the truth of the article.



But might it not be argued that the payoffs were worthwhile if they helped to bring about the North-South summit and end hostilities between the two Koreas?

Possibly, but the Koreans, both Koreans, may have made more of a compromise than anyone imagined at the time. North Korea subsequently accelerated its nuclear program, as revealed in October 2002 when a senior North Korean official acknowledged the North was developing warheads with highly enriched uranium. That revelation blew apart the 1994 Geneva framework under which the North had shut down the five-megawatt reactor at Yongbyon and stopped making nuclear devices with plutonium at their core. After North Korea's secret HEU program was revealed, the North resumed the program at Yongbyon and subsequently has exploded two underground nuclear devices and is assumed to be planning a third such test. This whole program has cost hundreds of billions of dollars, the amount that South Korea paid for the summit. North Korean people still live in abject poverty while the elite live well. The transfer of funds more than negated the value of the summit.

How do you know all this – do you have some inside source?

As noted, much of what happened went on the record during the hearings. Very tragically, Chung Mong Hun, the chairman of Hyundai Asan, the company responsible for opening up the North to South Korean investment in the Mount Geumgeeong (Diamond Mountain) tourist zone and in the Gaeseong Economic Complex, committed suicide in August 2003. Chung, the rather weak fifth son of the late Hyundai Group founder Chung Ju Yung, was under intense investigation and faced charges for his approval of the transfer of funds through his company. North Korea at the time said he had been murdered, but that seems unlikely.

Why did you come to Korea in the first place and what other areas of interest or other research projects have been consuming your time all these years?

I first came here in 1972 to cover the first North-South Red Cross talks. There was tremendous excitement about them. The sense at the time was that at last, nearly 20 years after the end of the Korean War, the two Koreas could get along with each other, exchange mail, see members of divided families and conduct normal commerce. Guess what? That story is still with us. Here we've had four-party talks and two-party talks and six-party talks and missions and visits, but the confrontation goes on. In fact, it's worsened. North Korea did not have an advanced nuclear program that anyone knew about in 1972. Sure, Kim Il Sung had to have ordered his scientists to develop a nuclear deterrent, but it was not revealed until the 1980s. So I am covering much the same story.

But you have written much more, including two other books that have very little to do with the nuclear program.

That's right. I spent several years researching and writing *Korean Dynasty: Hyundai and Chung Ju Yung*, about the Hyundai empire and its founder. That was a very difficult and time-consuming project. Then, after covering the 1997-1998 economic crisis, I wrote *Korean Crisis: Unraveling of the Miracle in the IMF Era*. The IMF in the subtitle was the International Monetary Fund that had to come to Korea's



I spent several years researching and writing Korean Dynasty: Hyundai and Chung Ju Yung, about the Hyundai empire and its founder.

rescue in December 1997 when the economy seemed in danger of collapse during “the Asian Contagion” that swept much of the region. These projects were critical to gaining some special insight into the “Korean miracle,” Korea's economic rise and also its economic issues and problems. That background was helpful in covering the “Group of 20” gathering of world leaders in Seoul this past November.

How did you get involved in Asia in the first place?

I went to Asia for the first time as a Ful-

bright Scholar in India in 1962. I was at the Indian School of International Studies, then at Sapru House on Barakamba Road in New Delhi, now part of Jawaharlal Nehru University, and my research focused on the Indian press. Naturally, I met a lot of interesting journalists. I particularly remember an interview with Frank Moraes of the Times of India in Bombay. I also met Vernon Ram, then an ace sports columnist for the Indian Express, whom I later encountered in Hong Kong. After India, I returned to work at the New York Post, then a liberal tabloid owned by

Dorothy Schiff, now a right-wing tabloid under Rupert Murdoch, but returned to cover the Vietnam War. I wrote two books about the war and reported for a number of newspapers. When I first went to Korea in 1972, I was the Far East correspondent for the Chicago Tribune, spending a lot of time in Vietnam. I returned to Korea for USA Today, was part of their team covering the 1988 Seoul Olympics and then did the Hyundai book, a totally unauthorized work that took much longer than anticipated and immersed me much more deeply in Korea. That's about it. A-P





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Mahindra & Mahindra Acquires 70 Percent Stake of S. Korean Automaker SsangYong

BY SHAMILA JANAKIRAMAN

Indian company Mahindra & Mahindra, a maker of utility vehicles and tractors, inked a definitive agreement to buy a 70 percent stake of the ailing South Korean automobile company, SsangYong Motor Company (SYMC), for \$463 million or 2,100 crore rupees.

Ssangyong sources revealed that the company had sought bankruptcy protection after the continued fall in sales. The agreement was signed in Seoul by Yooil Lee and Youngtae Park, joint receivers of SYMC, and Dr. Pawan Goenka, President of the automotive and farm Equipment Sectors, M&M, in the presence of key staff and advisors from both groups.

The deal is expected to be completed by March 2011 after required approvals. M&M plans a grand launch of three new Ssangyong models in the following years

to boost sales for the company.

In a media release issued on 23rd November, 2010 Pawan Goenka, said, "The coming together of Mahindra and SsangYong will result in a competitive global UV (utility vehicle) player. Together with its financial capability, M&M offers competence in sourcing and marketing strategy, while SsangYong has strong capabilities in technology."

Goenka added, "We are committed to leverage of the combined synergies by investing in a new Ssangyong product portfolio, to gain momentum in global markets."

According to Yooil Lee, this deal with M&M is expected to give a boost to Ssangyong, which can evolve into a strong contender in the global SUV market. The financial capabilities and market spread of M&M will enable Ssangyong to spruce up its research and development endeavours and invest in new products. It will also allow the Korean auto major to benefit more from business competitiveness and global sales expansion.

M&M sees this as an opportunity to launch a premium portfolio of SUVs in the Indian market. This will open a new avenue of growth for Ssangyong and also enhance M&M's dominant position in the

UV segment.

The deal was struck after parleys between the two companies since August 2010 when the Korean company announced M&M as the preferred bidder from the original list of seven. The bidders' list figured the Pawan Ruia group, Renault-Nissan, private equity firm Seoul Invest and Yong An Hat Company. Many dropped out due to the high valuation sought, official sources added.

It appears that after M&M's 70 percent acquisition, SYMC will continue to function as an independent entity, with a primarily Korean management. This deal will help both SsangYong and M&M to leverage their respective product portfolios, providing an opportunity to create distinct positioning.

Mahindra will strive to promote the Ssangyong brand globally, but keep its Korean heritage intact. As a result of this acquisition SYMC will get financial stability and the partners will develop SYMC's product portfolio. As Dr. Goenka pointed out the strengths of Ssangyong and Mahindra's capabilities will be synergized to build the SYMC brand.

Also future problems have been proactively avoided by the signing of a tripartite agreement between SYMC, M&M and SYMC labour union. This agreement ensures employment protection, long-term investment and employee commitment which will curtail any labor dispute in the future.

The media release also said that the wide sales and distribution networks and

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Ford Ends its Status as Top Stakeholder in Mazda

BY VICTOR FIC

Ford motor company of Dearborn, Michigan, has cut its stake in Mazda, the equally famous Japanese car marker based in Hiroshima, from 11 percent down to 3.5 percent.

It ends the American firm's status as the leading stake holder for the past three decades. The value of the stake that Ford sold was approximately 31 billion yen (as of November 19). The transaction was completed on November 20.

While Mazda did not say which firms will buy the stock that Ford released, it is expected that current Mazda partners will do so. In fact, the business press in Japan notes that Mitsui Sumitomo Bank, one of Mazda's chief investors, is among them, along with trading conglomerate Itochu Corp.

Ford's policy is seen as a major change



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in the American-Japanese alliance between two car giants. Mazda, once a huge money loser facing bankruptcy even as it made the popular Miata roadster, was actually saved outright through the cooperation that dates to Ford's entry in 1979. It was hailed as emblematic of the Japanese auto industry globalizing and its economy as a whole opening up. Ford increased its stake all the way to 33.4 percent in 1996, but it fell to 13 percent in 2008. It had gone down to about 11 percent after 2008 because Mazda issued shares that others purchased.

In fact, after Ford, the largest shareholder in Mazda is Chase Manhattan,

who owns 7 percent of the firm. As of now, it is not known if a lone Japanese firm will hold the same amount of stock that Chase Manhattan does after all the deals are done. It may not be likely because up to 10 Japanese firms are said to be potential buyers, indicating a diversified or widely spread ownership profile.

The two firms also announced on November 19 that their tie up will be maintained in making cars and technology flows between them. Ford also insisted that while it wishes to grow into fast-growing emerging markets, like China,

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Philippines Experiences Sweet Spot

BY VICTOR FIC

Several factors are combining in the Philippines to ensure an excellent environment for investors which includes; high growth, low inflation and record-low interest rates.

The backdrop to all this is the attempt of the Aquino Administration there to lift the island nation out of its years of economic stagnation and also the desire for investors to seize chances in 'so-called' emerging markets. That is the conclusion of the local branch of the Dutch financial giant ING Investment Management.

In fact, "The Philippines is in a sweet spot," reports Paul Joseph M. Garcia, the Chief Investment Officer of ING Investment

Management who offered his optimistic analysis at a press conference on November 19 while looking ahead to 2011. Overall, "the macroeconomic environment is the best in three decades, and this is compelling for investors."

Garcia reviewed how inflation has dropped to 2.8 percent in October, an 11 month low and predicted gross domestic product (GDP) will grow at 7.2 percent in 2010 and 5.2 percent in 2011. In truth, the economy grew by 7.9 percent in the first six months. Multilateral agencies and other banks say the rate is about 7 percent this year and it will be lower during the next one.

But Garcia insists that the growth figure for 2011 could be more than ING's 5.2 percent prediction because of the Aquino government's public-private partnership (PPP) initiative, that seeks growth at a rate beyond the average 4.5 percent posted by past governments. "The PPP is generating a lot of interest and we are bullish on what the Philippines can offer," he said. "The country is now back on investors' radar screens."

Given the low return that mature economies offer, capital will enter emerging economies. Also, the US Federal Reserve's policy of so-called "quantitative easing," meaning to buy bonds in order to spur lending and thus economic growth, will mean more of a money influx.

To show that ING is keen on the PPP plan,

Garcia announced that the firm ensured potential foreign investors were present at an infrastructure conference and underscored that the former must feel they will win a return on their investment. "They're here to make money, they're capitalists, they want their return on investment, so unless they get their 12-15 percent return, then there's not much incentive for them," Garcia insisted. Therefore, "the government has to come up with [a] policy environment that's very clear, very transparent. It should not flip-flop, it should strive for predictability."

If the PPP scheme fails, then the GDP growth rate of 6-7 percent that Aquino officials hope for will be out of reach, says Garcia. "There will be some execution risks, but if the government delivers, then that will be good for the country's economic development."

Lastly, ING Investment Management foresees the equity market maintaining its bull run up to 2011. The Philippine Stock Exchange index (PSEi) has increased by over 40 percent in value this year and could climb higher in 2011. The expansion is predicated upon investments in PPP projects and the new jobs that appear in rural areas and among the country's young population, that should ensure domestic consumption. Garcia said that ING was putting its bets on the power, banking, property and consumer sectors. **A-P**

Inheritance and Business Culture in Southeast Asia

BY YASHIKA DHINGRA

The Association of Southeast Asian Nations (ASEAN) has always been a place of remarkable potential as a market and a center of production for robust companies from all over the world.

The World Bank has always rated Singapore the best in being a business hub despite having a meager domestic economy and high cost infrastructure. The benefits of doing business in Southeast Asia are underlined as:

- A concrete framework to carry out trade in Southeast Asia
- A clear understanding of the social as well of business culture of Southeast Asia
- Knowing the practical tactics required to conduct business efficiently and productively
- Acquiring a clear and solid understanding of the challenges involved in doing business in Southeast Asia
- Greater ability to grow and develop relationships, both personal and professional, with colleagues, clients and suppliers in Southeast Asia

Despite these advantages and having vast technological advancement at one's disposal, conducting business in Southeast Asia takes a huge step forward and involves conquering various stumbling blocks, namely that the business culture in different countries varies from one country to another.

Southeast Asia has long been identified and recognized as one of the most promising and thriving economic regions in the world, and thus inevitably a potential attraction for companies that want to expand their business activities. Singapore, Malaysia, Myanmar, Indonesia, Laos, Thailand, Cambodia, Brunei, Philippines and Vietnam are enlisted among the fastest growing economies in the world. However, the Southeast Asian economy can also be corrupt, flimsy and so exasperating that the business scenario seems bleak at times. But people who are genuinely interested in investing are rewarded by the copious opportunities and buyer commitment that Southeast Asia provides.

Rooming its 560 million people has earned Southeast Asia a huge base of purchasing power and enriched it in terms of infrastructure development, communication and information technology, power sectors and environment. The members of ASEAN are a great market export desti-



nation for Canada after China The entire credit goes to the explosive economic expansion and an equally strong demand.

With globalization and radical transformation in the world's economy, more and more investors, business houses and entrepreneurs are establishing their business in Southeast Asia. This happens not only because Southeast Asia has a strong foothold in foreign markets, but also because it gets huge tax benefits from different foreign countries. The strategic location, pro-business environment, attractive tax regulations, skilled labor, technologically superior infrastructure, competent legal set up, upstart lifestyle and a government that is stable as well as proactive, together contribute to the business culture of Southeast Asia.

The attractive and extensive sea and air connectivity that Southeast Asia offers helps to access umpteen business connections in no time. Singapore's port is the busiest in the world and is called the leading International Maritime Centre.

The business environment of Southeast Asia is such that it attracts a huge chunk of foreign investors and business entrepreneurs.

As per the Ministry of Trade & Industry (MTI), Singapore alone has approximately 6,000 multi-national companies (MNCs). A large number of these MNCs have selected Singapore as their headquarters' location because of the favorable business climate prevailing there. As per, the World Bank's 'Doing Business' Report in 2009, Singapore has been ranked as the easiest place in the world to conduct business with Hong Kong as its closest competitor. Additionally Singapore has been acclaimed for having the best business environment in Asia Pacific, occupying the third position in the world. The business culture prevailing in Singapore can best be understood from the following accreditations and acclaims:

- The MD 'World Competitiveness Yearbook', 2008, ranks Singapore second in being the World's Most Competitive Economy;
- The Economist Intelligence Unit, Country Forecast, February 2008, ranks Singapore third for having the World's Best Business Environment;
- The Heritage Foundation, Index of Economic Freedom, 2010, Singapore occupies second in being the World's Freest Economy

- The World Bank Report: "Doing Business" 2010 confers to Singapore the top position for being the World's Easiest Place to do Business.

Apart from Singapore, Indonesia is also one on the business cultures prevailing in Southeast Asia. In the past 50 years, Indonesia has witnessed a super fast economic transformation and evolved into the largest economy in Southeast Asia. The geographical location and flourishing economy have backed Indonesia in occupying this prestigious position.

The Indonesian archipelago occupies fifth position in the world among the list of countries bearing the longest waterways, making it a perfect place for foreign trade. Unfortunately, Indonesia was the worst sufferer of the Asian Financial Crisis of 1997, but today it has grown into the largest in Southeast Asia, being a premium member of the G20 major robust economies in the world; other export destinations and investors topping the list are the US, China, Japan and Singapore.

The educated and skilled workforce of Southeast Asia contributes hugely to its business culture, along side quality of labor and infrastructural facilities all contribute vastly in making Southeast Asia a promising business hub. A discussion on the upcoming business hubs specifically would throw much light upon the flourishing business scenario in Southeast Asia.

The major industries dominating Southeast Asia are textiles, electronic goods, financial industries, gems and jewelry. Bangkok has emerged as one of the largest business hubs having industries like textiles, computer, gems and jewelry. All these industries vastly contribute to the growth of the global economy. As well as Singapore; Bangkok, Jakarta and the Philippines are the other emerging business hubs of Southeast Asia.

Tourism has become a huge business and has built a hub for itself in Bangkok. Automobile parts, handguns, homeware and antiques and key industries such as garments, computer, integrated circuits and gems and jewelries are also huge businesses.

Southeast Asia attracts a large number of international firms every year. As compared to the other Asian countries, Southeast Asia calls for the least amount of operations. Apart from the tourism industry, huge revenue is generated from trades and

expo. Bangkok happens to occupy the cardinal point in terms of location where it can take care of all the air routes and accommodate ships and other water vessels. Bangkok is thus an excellent import and export center for Southeast Asia.

The business prospects of Singapore have already been discussed earlier in detail. Apart from being seen as one of the trendiest city of Southeast Asia, Singapore is the home of various business enterprises. Real estate in Singapore is responsible for generating huge revenues. The foreign investments made in properties are also very high in amounts. A huge chunk of financial trading is conducted in Singapore itself.

Southeast Asia is witnessing a huge boom in the IT industry as well. The IT industry is making its hub there and reducing their operational cost substantially. Following the financial and textile industries, integrated industries too are the major ones coming up in Southeast Asian countries. CAT Telecom (Thailand) is one of the most important IT companies emerging there.

CAT Telecom has been the maiden firm to provide telecom in Thailand; it has constantly been focusing on setting up, developing and implementing new business strategies at an international level. Ever since its inception, this company has shown steady growth and has reached the status of being an internationally reputed company.

Vietnam has also shown commendable growth and development. As a result of huge foreign investment and growth in GDP, the property market in particular has grown a great deal.

The business culture of Southeast Asia has earned a new perspective with the coming of a specialized business profile that has left a deep mark on the economy of the region. Outsourcing trends have created a huge market and promising business opportunities to this region. The Southeast Asian countries of Singapore, Philippines, Vietnam, Thailand and Malaysia are playing hard and enriching their economies by means of outsourcing. Southeast Asia owes its outsourcing boom to the recession which actually paved the way for its prosperity. The chief reason leading to this outsourcing boom is the huge pool of labor supply in Southeast Asia. A number of companies in this region derive immense benefit from the similarities in terms of culture, language and even accents.

Over all, it can rightly be said that the business culture of Southeast Asia is such that the region is constantly moving high towards the pinnacle of economic growth and justifying itself as a region of increased importance in today's world of globalization. Clusters of dynamic economies that include the 'newly emerging' as well as the 'highly developed' are constantly operating and growing as per their characteristic manners and disciplines. **A-P**

COMPANY MENTIONED IN THIS ARTICLE:

- CAT Telecom
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China's Big Brother Approach and its Business Impact in Southeast Asia

BY VINTI VAID

China's accession to the World Trade Organization (WTO) made it emerge as a robust economic power.

From US\$44.2 billion in 1997, foreign direct investment (FDI) into China rose to US\$52.7 billion in 2002; as a result, the share of China's total FDI into Asia got a sharp rise from 40.6 percent to 55.5 percent.

The role played by China in Southeast Asia is evolving and growing in a myriad of ways. When it comes to domestic economies of the region, China is becoming one of the major trade partners, making a remarkable rise in the imports from China. This rise in imports has been so sharp that those from China have actually made up for greater than 10 percent on average for the Southeast Asian countries, the Philippines being the only exception.

In matters of exports again, the average share of China for total exports has been modestly 3 percent around 1980s. This figure shot up to approximately 10 percent towards the end of 2008 when the share of exports to China grew. China has become a 'Big Brother' in its business impact in Southeast Asia due to its trade patterns and exports.

As China has grown explosively, some opine that China's cheap labor, coupled with its technological advancement and economic growth would overshadow Southeast Asia completely in terms of the economic scenario. Again, some others have stated that China is in denial about the new economic archetype. The Southeast Asian countries are prospering largely from trade with China because of the augmented consumption of the consumers of China.

Recent research found, Southeast Asia

is becoming China's choice in terms of trading partnership. Chinese trade with the Association of Southeast Asian Nations (ASEAN) has risen from \$8 billion in 1991 to \$2.1 trillion in 2009.

The economic benefit of China is having an immensely beneficial effect on ASEAN. Although the growth, better seen as 'inclusive', revolves around mainland China, it takes into account scopes of import and export, flows of technology, investment and networking. Some of the ASEAN countries which used to be apprehensive of China's economic rising capabilities have finally accepted China as the Big Brother in its business approach within the area. In the first quarter of 2010, China's exports to ASEAN rose to a figure of US\$ 64.6 billion.

FACTOID

- Southeast Asia hardly knew of China's potential in trades and economic set up even as recently as a few years back. Now China has grown explosively and its total FDI into Asia has taken a sharp rise from 40.6 percent to 55.5 percent.

Growth in China's economy has proved to be a blessing for Southeast Asia. Beijing has pledged to change its economic stance. China's over-dependence on exports is resulting in a balanced growth, implying greater amount of domestic demand. China's trade partners are to sell more to nations having a huge base of well-to-do middle class engaged in burning energy, consuming foreign food and donning foreign apparel, etc. Chinese industry provides the ASEAN with either finished or value added manufactured products.

China is to continue this way and climb the economic ladder and as per various surveys, China is showing bright prospects for the future where it could be Southeast Asia's Big Brother in trades. **A-P**

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complementary product lines of both SsangYong and M&M will provide access to many overseas markets for both companies.

Ssangyong manufactures sports utility vehicles (SUV) and recreational vehicles (RV). The premium products from Ssangyong include the Korando Family, the first SUV launched in Korea in 1988 and its SUV Musso, which is a grand success in the export market. In 1997 it launched a luxury passenger car, the Chairman. This was followed by great vehicles, the most recent being the Korando C unveiled in October 2010. The company serves the domestic market via 130 dealers and the export market is covered by 1,200 dealers.

Serving the Indian market since 1945 Mahindra is a household name in the country. It supplies utility vehicles, tractors and information technology services besides also excelling in the financial services, aerospace, real estate, hospitality and logistics spheres. Mahindra has made forays in the Electric Vehicle sector by acquiring a majority stake in REVA Electric Car Co Ltd. The electric car is now known as Mahindra REVA.

Mahindra & Mahindra Limited is the only Indian automobile manufacturer to be included in the top 10 list of the Carbon Disclosure Leadership Index in India - 2010, created by the Carbon Disclosure Project (CDP). CDP is an independent not-for-profit organization which holds a vast database of primary corporate climate change information. **A-P**

Dependency on Exports in Southeast Asia

BY VIBHU SAXENA

It is believed by many that one of the cardinal issues involved in the worldwide economic crisis has been the intense dependence on exports in Southeast Asia.

Exports have been one of the key foci throughout the Southeast Asian countries, but exports have declined steadily since the second quarter of 2008, and as this decline continued, the exporter countries in Southeast Asia have suffered adversely.

It is also believed that with the evolution of the global crisis, the Southeast Asian countries would be vastly influenced and their dependence on exports too would be affected, overtly exposing the Southeast Asian countries' immense dependence on exports. Once the global economy turned gloomy, the prospect of these countries too became tarnished.

The reasons behind Southeast Asia's dependence on exports need to be understood in order to justify the above mentioned argument. Once the conventional import substitution policy of the Southeast Asian countries got replaced by long-term policies centering on exports, a huge change was initiated. The change in that policy contributed directly and immensely on the growth of export and therefore the dependency on it. These policies and the role they played helped to achieve competitiveness in exports and strengthen it.

In 1961, the military takeover in Korea resulted in export promotion with the help of the 'Neutral Export Promotion Policy'. Both the GNP and exports grew commendably. Initially, the growth in manufacturing exports was derived from the industries which had an abundance of domestic resources available like labor and domestic capabilities. As a



result labor intensive products, such as garments, footwear, wood articles and light engineering products were increasingly being manufactured for export, which eventually raised Korea's GNP.

Once Taiwan accomplished a unified exchange rate, following the devaluation in its exchange rate, export became the focus for Taiwan as well. Small manufacturing industries helped in booming exports. Both exports as well as GNP grew simultaneously.

With the introduction of the Investment Incentives Act in 1968, Malaysia experienced the birth of an industrialization period which was export-oriented. The exporting industries benefited from tax and tariff concessions. In order to attract foreign investors, Free Trade Zones or FTZs were established. The domestic manufacturing sector got an impetus and began to function efficiently in order to satisfy and strengthen exports. Thailand, too, had undertaken strategies that promoted export.

All these countries; South Korea, Taiwan and Malaysia, followed various export promotion policies, which had certain essential features in common.

- Various preferences and export incentives were allocated in such a manner that market trends and competition were emphasized. In order to sustain the compe-

tition of continued support, the firms had to provide evidence of commendable export performance.

- Private sectors had chiefly responded to the intervention of foreign investors. In fact, in many of the Southeast Asian countries, foreign investors have played a very crucial role in the success of exports.
- In almost all of these countries, the government had successfully been able to formulate policies and implement those without prior disturbances from any interest group. Corruption has not been a bar.
- Although these were the strongholds in favor of export success in the Southeast Asian countries, the weakening of economic stability was again an inevitable result of the subsequent weakening of these points.
- The development of infrastructure saw mammoth investments. While initially the investments, as per the policies made in the transportation network, later telecommunication and electricity occupied the center stage.
- All the exporters were given access to the capital goods at a price equivalent to the market rates prevailing in the

world outside. Specialized zones for export processing were established in many countries.

- In cases of foreign exchange and capital, special preference was offered to exporters and credits were given at comparatively lower rates of interest.
- Various kinds of fiscal incentives were given to these countries in order to inspire their export propaganda. Programs featuring export development were also designed.
- Another prominent feature commonly seen in all these countries was the establishment of government rules and licensing acts in order to ensure superior quality of exports.

With the coming of 2010, the bleak picture of Southeast Asian countries and their over dependence on exports has begun to change towards a more positive angle. Demands have risen in the markets of the United States, prompting a subsequent surge of positive vibes in the Southeast Asian countries. With a rise in demands from potential importers like the US, Southeast Asia has got the boost it needed. However, in order to reap the benefits from exports, these countries need to augment their indigenous consumption. China happens to be the largest exporter of all the East Asian countries. However, the dependence on export of other Developing and Emerging Economies (DEEs) is no less.

The enlightened discussions addressed by cardinal members of the ASEAN highlight that a dip in the demands generated by the United States had a direct impact on the destiny of the exporting nations. To worsen the situation, the collapse of Lehman Brothers hit the economy of Southeast Asia with a bang. Thailand's gross domestic product demands shot up to 50-60 percent when it came to exports. As statistics show, the GSR of Thailand dropped 7.1 percent and 4 percent in the first and second quarters re-

FACTOID

- Southeast Asia's exports equal 54 percent of the collective gross domestic product of ASEAN.

spectively. The growth of Thailand's economy in 2010 has been predicted at around 2 to 3 percent, backed by the strong stimulating measures initiated by the government.

With Singapore, the total volume of trade is as much as four times its GDP. When the global crisis began to sink, the government extended its help in order to ease the recovery of Singapore's economy too. In Taiwan, Thailand, Indonesia and South Korea exports have contributed over 60 percent to growth. The dependence on export for countries like Indonesia and Malaysia is even greater.

It is believed that post recession, the dependence on exports in the Southeast Asian countries will gain prominence once again.

The export drive of the Southeast Asian countries can continue to relentlessly provide a stable macroeconomic environment if developed. The development of this macroeconomic environment is determined by four areas: inflation, fiscal regulation, savings and investment, and last, but not least, exchange rate.

In the case of the Southeast Asian countries, a low and stable inflation has been witnessed during their periods of export growth and economic development. This is a crucial feature of a sustained macroeconomic environment. Malaysia, Taiwan, Singapore and Thailand too have shown excellent stability of a macroeconomic environment. Inflationary upheavals have hardly been present in these countries, with the exception of one or two instances like the oil price hikes. The export markets of these countries have achieved price competitiveness on the basis of their low inflation.

The potent factor that leads to a low level of inflation in Southeast Asian countries is the potential of governments to maintain a manageable level of fiscal limits. These countries have performed excellently in keeping their budgets low; Thailand and Singapore need a spe-

cial mention. Even at times, certain countries have had a surplus in their fiscal limits. This fiscal balance has helped to develop a macroeconomic environment.

It is often said that the excellent investments and savings of Southeast Asia's GNP ratios would highlight its macroeconomic performance. Savings and investment ratios are seen to have a strong impact on growth rates. As the rates of savings have been increasing with time, the GNP of the Southeast Asian countries has also eventually increased. Increased economic growth and competitiveness is always associated with high investments. It has been noted that investment, as a share of GNP, has risen remarkably in the Southeast Asian countries, even if it is compared to the developed nations. The governments of these Southeast Asian countries have throughout provided different policy incentives which have made a huge inflow of FDI in these countries.

Southeast Asian countries are known for following various policies on exchange rates. These policies have varied in such a way that one can find fixed rate regulations in Hong Kong, variable rates in Malaysia, Indonesia and Thailand and floating exchange rates prevailing in Singapore. But notably, all the Southeast Asian countries have used the exchange rate to guard the tradable sector. This has helped to maintain a macroeconomic environment in these countries.

Thus, it can be said that business competitiveness and economic growth in Southeast Asia were the inevitable results of a stable macroeconomic environment. Thus these countries have successfully followed their export policies and will continue along the same lines once again, after the global recession has ended.

Export has always been and shall always be an important part of Southeast Asia's economic base. Although, under various circumstances and due to various factors, there has been sharp decline in exports, but with the coming of the year 2010, the situation has again taken a positive turn. **A-P**

New Opportunities in Africa for Southeast Asian Countries

BY ZACH BARDON

Export-oriented South-east Asian countries are finding interesting new opportunities in Africa in terms of business and economic growth.

This possibility resulted in the first Africa-Southeast Asia Business Forum, which took place in Singapore in April. The forum aimed to gather international investors, policy-makers and business tycoons from Africa as well as Southeast Asian countries to recognize and perceive the business prospects underlying these two developing places. Stalwarts, representing the business organizations and banks of both African and Southeast Asian countries, agree upon the flourishing prospects that Africa offers to the latter.

With constant and vibrant change occurring in global business, Africa is making its way as a promising destination for investment. But because of meager information, Africa and its prospects are not known by many.

To counter this the Africa-Southeast Asia Business Forum decided on uniting the two regions by fostering better relations and better understanding which would in turn help them to continue with joint-ventures.

The firms of Southeast Asia were urged upon to invest substantially in fields such as; up gradation of airports, management of sea ports, transportation infrastructure, real estate, food processing, mining and energy. In order to do business in Africa, certain issues were discussed during the panel such as; high growth sectors, key players, investment climate and the legal framework to secure the business, managing risks, insurance, and banking. The participants of the forum negotiated and discussed various projects.

Africa has so long been feeding China's demands for resources. Meanwhile, sourcing prospective s Southeast Asian countries, Africa is all set to show lucrative business ideas to South-east Asia. Interestingly enough, Southeast

Asian economies have been recorded to rise by up to 5.6 percent this year, which is far stronger than those of the United States or Europe. The African policy makers present at the forum confidently reiterated that although natural calamities and civil wars contributed adversely to Africa's publicity, the potential for economic growth and success negates that black spot completely. Africa invited investment and partnership from South-east Asia.

Singapore, being the hub of the South-east Asian financial regime, is encouraging investment in Africa. The positive outcome of this endeavor is manifested in the form of keen interest that autonomous wealth fund Temasek has shown towards investment in Africa. Temasek is known to manage funds worth \$122 billion. Further, Olam, a renowned commodities firm in Singapore has agreed to purchase one of the three large wheat millers of Niagra for as much as \$107.6

FACTOID

- The Africa and Southeast Asia Business Forum had been organized to bring together business tycoons from Africa and Southeast Asia to assess and discuss the business prospects between these two regions.

million. Although China has immensely benefited Africa through its huge investments, Southeast Asian countries have offered tremendous opportunities in joint ventures within the private sector.

The commendable aftermath of

the forum has been the establishment of the Africa and Southeast Asia Chamber of Commerce.

It is hoped and perceived that Africa will soon overcome its issues of underdevelopment and increasingly tap into the growing markets and economic prospects from Southeast Asian countries. Africa not only promises high returns but also offers efficient service in risk management. Various business firms in Africa are endowed to provide information and assistance to make Southeast Asian companies successfully trade within the African markets. A-P



Upcoming Business Hubs in Southeast Asia

BY YASHIKA DHINGRA

The economic situation of the world has seen a marked change during the last quarter of the 20th century.

Southeast Asia has come up to occupy a pivotal position in terms of drawing the attention of all the nations and organizations with regards to business development and expansion, as per the reports revealed by FICCI. It is strongly believed that Southeast Asia has tremendous potential to evolve into economic power by the year 2025.

A discussion on the upcoming business hubs in Southeast Asia is inevitable in order to substantiate this widespread belief. Southeast Asia, which is rich in industries like electronics, textile, gem and jewelry and financial business, is gradually becoming the business hub for some major players from all over the world.

One of the largest and the most significant business hubs is Bangkok. Industries of Bangkok such as gems and jewelry, computer and textiles are vastly contributing significantly to global economic growth. The significant exports pursued by Bangkok are house wares, automobile spare parts, hand guns and antiques. Apart from Bangkok, the other hubs of the ASEAN are Singapore, Philippines and Jakarta. The geographical location of Bangkok is a key factor in attracting business players from all over the globe. Both in terms of air as well as water routes, the latitude and longitude of Bangkok make it extremely favorable for business growth and progress. Out of all the South Asian countries, Thailand and the city of Bangkok is the sole port which can accommodate the on going ships. This has made Bangkok the import-export center of Thailand and Southeast Asia at large.

Apart from the industries mentioned, Tourism is an upcoming trade that is creating a hub for itself. The tourism industry is flourishing in leaps and bounds, attracting umpteen tourists from all over the world and mesmerizing them endlessly.

The Southeast Asian countries mentioned above attract key international firms each and every year. All these business giants hardly need to invest in operations if they select Southeast Asian countries. Huge revenue is generated from tourism and exports. These countries provide venues for trade shows and auto expo.

Singapore is a hip city rooming a large number of commercial enterprises. In addition to the financial hubs, real estate too is a major player that generates huge revenue. The investment in properties by foreign countries is enormous. Singapore is the center where maximum foreign trade

FACTOIDS

- Bangkok has a GDP per Capita of about U.S. \$20,000.
- There is almost no region in South-east Asia, which doesn't have provision for satellite and telecom signals along with Internet.

is conducted.

IT is one of the fastest growing industries in Southeast Asia. IT hubs are rapidly spreading and alleviating their operational cost. Integrated industries too are contributing vastly in the Southeast Asian countries.

Following the focus of the global entrepreneurs on Southeast Asia, companies like CAT Telecom has emerged in this location. CAT Telecom was the first one to provide telecommunication in Thailand and continue to establish and develop newer business strategies focusing on international expansion.

The growth of various trades and the favorable conditions provided by Southeast Asia for the growth of these trades are so closely linked that more and more entrepreneurs are focusing their attention on this newly emerging economic power. A-P

COMPANIES MENTIONED IN THIS ARTICLE:

• FICCI
www.ficci.com

• CAT Telecom
www.cattelcom.com

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it is "committed to its strategic partnership with Mazda, which spans more than 30 years."

Areas where cooperation will be maintained span various joint ventures to make cars and technology exchange, Ford said.

The Chief Executive and Mazda President, Takashi Yamanouchi, echoed this optimistic theme of change and continuity. He also cited areas where both players will gain. Presently, Mazda and Ford share basic parts for autos called platforms. They have also set up joint production plants in Asia and elsewhere around the world to take advantage of lower labor costs.

The partial exit of Ford has led to talk about whether Mazda will enter into collaboration with other foreign car makers, but Yamanouchi has acted to dampen such rumors. Experts warn, however, that unless it has a more powerful partner, Mazda will become even weaker when it comes to critical new issues such as green technology like hybrid and electric cars. Now, it purchases hybrid systems from the Toyota Motor Corp.

Overall, Mazda is a comparatively minor car maker in the very tough auto industry. It produces only 1.2 million vehicles per year. In addition, it stands out because it exports some 8 out of every ten cars it makes to Japan. Therefore, the rise in the value of the yen has hurt the firm because the cost of its products is higher in foreign markets. A-P



Singapore Economic Growth at 15%; Set to Overtake Malaysia

BY VICTOR FIC

The economy of Singapore has expanded by 15 percent in 2010, so reports the island-state's leading newspaper, the Singapore Straits Times and other news sources such as AFP.

However, that blistering pace cannot be maintained and the figure is expected to drop to 4 - 6 percent next year. Those conclusions were predicated in the release of data for the third quarter on November 18.

Earlier this year, officials in the country; famous for its cleanliness, strong government and hard working people, predicted a growth pace of 13 - 15 percent in gross domestic product (GDP) for 2010. Most will occur in the biomedical and financial areas, so says the Ministry of Trade and Industry (MTI): "Taking into account these factors, MTI expects the Singapore economy to expand by around 15 percent in 2010."

Looking at the third quarter numbers more carefully, the GDP increase was at 10.6 percent. That was healthy for sure, but a fall backward from the 19.5 percent mark set in the second quarter; a record for the country. Overall, the manufacturing sector went down to a 14.3 percent rate in the third quarter,

far below the outstanding 46.1 percent level of the ninety days before that.

Officials and economic experts insisted earlier this year that a growth rate in the double digits was the target for 2010 because the economy was recovering well from the world recession, but in the following year; growth would stabilize to a lower and more consistent level. Singapore will still gain from the partial recovery underway in the West's leading economies. However, domestic demand in Asia remains sluggish and Europe is mired in sovereign debt troubles. Plus, the huge American economy is still struggling, which explains the lower rate assumed for 2010.

As for the broader trends, Singapore will overtake, at the end of the year, its Muslim neighbor to the north, Malaysia, as Southeast Asia's third largest economy even though the larger country has abundant natural resources. That is the report of Bloomberg and other, local news sources such as the Malaysia Chronicle. Four and a half decades after their attempt at a federation failed with Singapore's expulsion, its GDP will reach about US\$ 210 billion. Malaysia is 478 times larger, but will post a GDP of US\$ 205 billion based on seven percent growth.

Years ago, an economist named Albert Winsemius called Singapore a "poor little market in a dark corner of Asia."

Its growth trajectory started when it was a low-cost manufacturing platform for firms like Texas Instruments Inc. in the 1960s. "Singapore kept on moving to the next level as the world economy evolved and adjusted to market demands and investors' interests," explains Lee Hock Guan, a senior fellow at the Singapore-based Institute of Southeast Asian Studies. "Malaysia was struck by the curse of resource-rich countries: It didn't optimize its human capital."

Singapore is now ranked as the easiest place for business by the World Bank. It boasts the world's second-busiest container port and the most millionaires relative to households, finds the Boston Consulting Group. It is the globe's fourth-largest foreign-exchange center with a US\$ 932 billion asset-management industry. A-P

Does China Still Enjoy the “Cheap Labor” Tag?

BY VIBHU SAXENA

The pace at which China is growing easily convinces the world of China's emergence as an economic super power in very near future.

A population base of 1.3 billion and a growth rate of over 9 percent of the GDP pave the way for China to be the most attractive destination for American entrepreneurs.

It is a common conviction that the cardinal force behind China's competitiveness and growth is its base of cheap labor; its labor force is not only cheap, but efficiently and systematically trained too. Thus, people believe that whatever the kind of business is, China is there to supply a whole range of cheap labor. However, this picture is gradually waning and China is no longer enjoying the tag of “cheap labor” as it has been for so long. One can witness a drift towards unionization and a subsequent increase of labor price.

China's cheap labor era is finally coming to an end. Laborers in China are demanding better working conditions and higher wages; their demands are shaking the base of cheap labor. Month-long strikes by workers are taking their toll on the foreign companies that are investing in China. Forgetting their meager wages, workers in China



are demanding their share of the profit too. As this situation becomes more serious, big companies are gradually deciding to take their business elsewhere.

Ever since the Labor Contract Law of 2008 made Chinese workers aware of their rights, the cost of labor has witnessed a sharp rise of about 15 percent a year. According to the Hong Kong Trade Development Council (HKTDC), production costs in Chinese factories will take a big leap.

Shenzhen, an erstwhile fishing village in Guangdong province on the Hong Kong border, has been the worst sufferer as it rooms thousands of export manufacturers. Following a vast array of suicide cases, Taiwan-based Foxconn Technology in Shenzhen has raised the wages of its workers to more than double, which amounts to \$290 per month. Honda, a reputed international auto company has raised the wages of its workers up to 34 percent.

When the prospect of the end of cheap labor in China is realized is one's mind, one has to understand the crux of the scenario. The main economic problem that China is facing, day in and day out, is that of the uneven distribution of money. A handful of wealthy people are getting more wealth leaving the masses in the depths of poverty. Labor costs in China have always remained

FACTOID

• Following the worker suicide scandal of 2010, Foxconn, China's largest employer, has more than doubled the wages of many of its 800,000 laborers. The minimum wage of a laborer has thus increased from \$131 to \$293, on a monthly basis.

low because economic growth has never led to a growth in wages. In reality, the share that labor income has in respect of the total national income has decreased sharply. Reliable statistics, within the period between 1992 and 2006, show that the Chinese government revenue rose by 2.02 percent, whereas enterprise income shot up by 5.01 percent and the income of the residents dipped by 7.08 percent. Thus companies like Foxconn, by raising the wages have now actually repaid the wages that they deprived workers of for so many years. **A-P**

COMPANY MENTIONED IN THIS ARTICLE:

• Foxconn Technology
www.foxconn.com

Japanese Eye Free Trade to Revive Economy

BY VICTOR FIC

Overall, talk of free trade is all the fashion in Japan these days.

A senior bureaucrat, Deputy Chief Cabinet Secretary Motohisa Furukawa, who has the ear of Prime Minister Naoto Kan, said that the country must engage in such commerce or risk stagnation and joblessness.

Specifically, “Japan needs to be connected to the rest of the world. If Japan's trade and investment environment becomes less attractive than those in other countries, there's a possibility that future growth and employment opportunities will be lost.”

His words echo those of the Japan Automobile Manufacturer's Association. It has also noted that South Korean competition is severe and that Japan must cope with

the increase in the yen's value by moving production abroad to areas where costs and labor are cheaper.

However, Kan's attempt to participate in the Trans-Pacific Partnership trade talks that US President Barak Obama has called for with nine Asia-Pacific countries faces obstacles within his own party. It draws much support from farmers who are protected by high tariff walls on imported food stuffs in areas such as rice, wheat and beef. On the plus side, however, in November, the conservative Yomiuri newspaper conducted a poll that concluded that over 60 percent of Japanese wish to join the discussions to revive their flagging economy. It faces falling prices, national debt and a currency rising in value, making the cost of its exports higher.

Furukawa adds that the farm sector is “most likely to be affected by trade liberalization.” That area now sees low profitability and an aging work force. Kan's government is changing farm policy with a new plan to be released in June. Furukawa insisted that,

“We need to press ahead with fundamental domestic reforms to strengthen the competitiveness of Japan's farming. This is a good opportunity to shift to an aggressive agriculture policy” with exports that high-light quality and safety.

In keeping with this liberal spirit, Australia and Japan will start talks aimed at concluding a landmark free trade agreement next year, reported the Japan Times on November 23. A Japanese official revealed that the Japanese foreign minister, Seiji Maehara and Australian Trade Minister, Craig Emerson, said that they will resume bilateral negotiations early in 2011 after they met in Canberra.

Maehara wants to demonstrate determination and told Emerson that Tokyo will pressure its farm sector to open. Emerson was receptive, which is expected as Australia is a leading exporter of produce.

Also, the two men touched upon the multilateral free trade talks, as well as working together in areas such as rare earth metals, coal and liquefied natural gas in Australia. **A-P**

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Business Leaders Face Future at Summit

BY DONALD KIRK

The Seoul “Group of 20” Business Summit, a gathering of tycoons from around the world, has provided a framework for revitalizing global business at a time of increased economic tensions and fears.

While the “G20” world leaders, assembled in Seoul’s spacious Convention and Exhibition Center, in November failed to reach a consensus on “global imbalances,” the businessmen were tackling a wide range of issues in the Sheraton-Walker Hill Hotel overlooking the Han River several miles away.

Their two-day business summit played like a chorus in the background of the contentious two-day session of global leaders at COEX. The deliberations of the business summit added luster to the atmosphere of excitement surrounding the Korean capital during the G20. In the process, the business summit and may have contributed more to global economic stability than the G20 it-

self, as corporate leaders talked about putting lofty goals into practice.

Peter Brabeck-Letmathe, chairman of Nestle, set the tone for the future, urging G20 leaders to “recognize the value of business input into the G20 process and, in doing so, seek to build on the Seoul Business Summit and its framework for engagement in 2011 and thereafter.” He called on the private and public sector to cooperate more effectively after South Korea’s President Lee Myung-bak urged the 120 CEOs at the summit to recognize “the importance of companies in revitalizing the economy after the financial crisis and in ensuring sustainable economic growth.”

The G20 Business Summit, like the G20 itself, was dedicated to resolving the many problems afflicting the global economy since the downturn of more than two years ago. “While we obviously do not represent the entirety of global business,” said the statement that emerged from the summit, “we represent a wide spectrum of views held in the business community” and are “keenly aware of the importance and benefits of open markets and a stable monetary system.” Moreover, said the statement, “As representatives of enterprises with combined total sales of over \$4 trillion, headquartered in 34 countries, we are committed to playing our part to ensure that the business sector helps lead the world to a global economic recovery.”

On the basis of “a rich exchange of views,” the statement made clear, the business summit’s 12 working groups came out with recommendations that should influence commercial dealings worldwide. Most importantly, the working group on world trade suggested the G20 leaders:

“Recommit to completing the Doha

Development Round (of the World Trade Organization) in 2011 and reinforce that commitment through the personal engagement of each G20 Leader;

“Roll back protectionism at least to where it was at the start of the global financial crisis and resist protectionism and trade-restrictive measures;

“Give trade finance favorable treatment under the New Capital Framework, often referred to as Basel III;

“Put trade and investment permanently on the agenda of the G20.”

In order to guarantee turning such lofty aims into reality, the business summit urged the G20 “to establish a public-private task force” capable of providing “data and analysis on how trade and finance interact to link economies and drive global growth.” At the same time, it called for “stepping up advocacy and outreach programs to underscore the positive links between trade, job creation and economic growth.” The results of the summit appeared in summaries of the outcome of meetings among a dozen working groups that addressed just about every imaginable problem facing business interests around the world.

In that spirit, the business summit’s working group on “Foreign Direct Investment” called on governments “to avoid impediments to FDI and find ways for it to move even more freely in order for long-term flows to accelerate and continue to grow.”

The way to achieve those goals, it said, was to:

- “Broaden monitoring of changes in conditions for private investment to areas affecting all private investment and to improvements in order to stimulate further openings;

- “Work towards a Multilateral Framework for Investment reflecting all interests (host and home countries), developing a non-binding International Model Investment Treaty as an interim step;
- “Ensure a clear and enforceable legal framework; aim for principle-based FDI regulation rather than detailed rules leading to simple compliance through box ticking.
- Build a better understanding of the mainly positive impact of FDI.” Business leaders also expressed concern about problems facing small and medium enterprise (SMEs). The working group on “Funding and Nurturing Small and Medium-sized Enterprise,” noting “a multitude of impediments,” called on global leaders to:
- “Create an enabling legal, regulatory and financial framework to favor SMEs, such as rationalizing tax schedules;
- “Improve awareness of the range of financing options available;
- “Provide incentives encouraging the financial sector to lend to SMEs;
- “Improve access of SMEs and innovative ventures to capital markets;
- “Spur innovation and R&D (research and development) by establishing SME innovative technology development funds to encourage and facilitate SME access to R&D capital;
- “Promote the value of intellectual property to help SMEs assess the effectiveness of their IP as the basis of innovative, creative and economic activity.”

The business community, moreover, should contribute by helping to “to foster an SME community by working with SME industry associations to reduce transaction costs, improve the structure of loan applications, share best practices, work with experienced business and financial mentors, and explore alternative financing options.”

Another working group, on supporting “Economic Growth and the Implications for Financial sector Policy and Regulatory Reforms,” came up with recommendations “to promote economic growth and ensure that a stable financial sector contributes to financing the required investments in developed and emerging markets most efficiently.”

Ways to accomplish that aim, the group said, were to:

- “Reaffirm the commitment to global capital flows and consistent global regulatory standards and take steps to deepen and broaden capital markets while highlighting the risks of financial protectionism;
- “Work with the financial services industry to develop a policy environment that supports SME financing and further establishment of credit bureaus in emerging markets;
- “Incentivize world trade through the globally consistent implementation of regulatory reform measures and infrastructure investment through development of innovative solutions;
- “Give trade finance (including ex-

The G20 Business Summit, like the G20 itself, was dedicated to resolving the many problems afflicting the global economy since the downturn of more than two years ago.

port finance) favorable treatment under the new capital framework, often referred as Basel III” – that is, rules for fiscal discipline set by the 27-member Basel Committee on Banking Supervision meeting in Basel, Switzerland, in March.”

- Another working group, this one on “Reducing Monetary and Fiscal Stimulus,” said flatly that “stimulus measures must be withdrawn to smoothly transition from government-stimulated demand to private-led growth as the recovery stabilizes.” With that view in mind, the group agreed that:
- “Monetary and fiscal stimulus helped to stabilize a global economy marked by excess supply;
- “In the long run, growth is based on private-sector investment and innovation.

Against this background, the group recommended that:

- “Monetary policy should be gradually returned to a neutral stance to prevent inefficient capital allocation and new asset bubbles;
- “Fiscal exit strategies should focus on cutting government spending and governments should avoid tax increases unless these prove unavoidable to forestall an acute fiscal crisis;
- “Exit from financial-sector support is warranted to avoid competitive distortions, signify confidence in the underlying stability of the system, and boost market confidence. Public guarantees for the issuance of financial-sector bonds should be ended first;
- “New standards for banking regulation and supervision must be sufficiently strong and responsive, while still encouraging growth and financial innovation;
- “It will be imperative to avoid a perpetuation or aggravation of the current account-financial account imbalances of the past decade.”

The business summit’s working group on “Closing the Gap in Infrastructure and Natural Resource Funding,” called for action “to overcome an estimated annual shortfall in infrastructure and natural resource (energy, water) investment of up to \$600 billion. Specifically, it recommended:

- “Working groups of key government officials and business leaders should be formed to prioritize investments, define the best models

for partnering with private investors and getting them involved, and assess past successes;

- “A consistent regulatory framework should be adopted. Clear and even-handed rules are important to encourage private investors to participate;”
- “Help to better quantify and reduce infrastructure project risk.
- “Private sector knowhow should be leveraged to reduce delays by using innovative project management techniques. Governments could share the asymmetric risks of projects through such measures as guaranteeing supplementary financing in the event of cancellation;
- “Government should clarify rules on sustainable development goals such as greenhouse gas mitigation, and promote transparency and predictability of energy availability through strengthened cooperation with the International Energy Forum and International Energy Agency;
- “The private sector should contribute to improve the dialogue between producing and consuming countries in the energy sector;
- “Government and the private sector should cooperate to create alternative funding mechanisms to reduce the government’s need to invest in projects and make infrastructure more attractive to private investors.”
- The working group on energy efficiency expressed the view that “improving energy efficiency is the best way to ensure energy security, limit greenhouse gas emissions, and insulate economies from the volatility of energy prices.” The group also said “large capital investments are needed to push towards breakthrough technologies.”
- In order “to foster such commitments,” it said, G20 governments needed to:
- “Establish clear, consistent standards that better measure energy opportunities, ease knowledge transfer and give small and medium enterprises access to information they can act on;
- “Develop long-term energy policies that reflect an awareness of how legislation can radically shift demand, supply and price;
- “Provide new financing solutions to help companies make long-term investments necessary for improved energy efficiency;

- “Support education, energy services and R&D to help society build the skills it needs to develop and adopt new technologies;
- “Continue working towards a global framework that coordinates national legislative approaches and overcomes ‘free rider’ problems.”

The working group on “Encouraging Substantial Use of Renewable and Low-carbon Energy” said that “concerted global efforts to develop and deploy renewable and low-carbon technologies” were “key to addressing concerns about economic growth, energy security and climate change.” It added that “momentous change is needed, fostered by governments and businesses in partnership” and recommended G20 governments:

- “Pursue market-based carbon pricing. A clear and steady carbon price is a prerequisite to incentivizing investment on the scale necessary to shift to renewable and low-carbon energy sources. Business prefers market-based mechanisms. If taxes are used, revenue should be recycled to support clean energy technologies.
- “Mandate regular meetings of energy-related ministers. These should aim to set aspirational targets, develop technology roadmaps and address regulatory barriers such as tariff and trade barriers and international standards.
- “Strengthen international public-private partnerships. Chief among these are promoting universal access to energy. Public funding must be provided in a way that helps to unlock further private investment in clean energy. Carbon crediting mechanisms should be streamlined and expanded.”
- The working group, to accomplish these goals, pledged to “work across the full spectrum of renewable and low-carbon energy sources to provide new engines for economic growth” and to “focus [their] expertise to speed renewable and low-carbon energy technologies from demonstration to commercial deployment.”
- The business summit’s working group on creating green jobs said G20 countries in order , “to generate green growth and jobs,” had to “adopt policies that strike a new balance between incentives and disincentives that indisputably favors green investment.” Toward that end, it said, “G20 countries should adopt policies with respect to key sectors:”
- “Buildings: Set high energy-efficiency standards and develop public-and private-sector funding mechanisms for green investments;
- “Power: Accelerate uptake of renewable and other low-carbon energies, and expand and upgrade electrical grids to guarantee priority access for green energy;
- “Industrial: Devise targeted incentives for energy efficiency in manufacturing equipment and processes;

- “Transport: Introduce fuel-efficiency standards that ratchet up over time, and reduce barriers that prevent adoption of new technologies.”

Moreover, said the working group on green jobs, “G20 governments should promote free trade in environmental goods and services by eliminating tariff and non-tariff barriers.” This policy, it said, “will accelerate diffusion of green technologies, lower prices, encourage competition, and result in faster job creation.” G20 governments, it added, “should also abolish fossil-fuel subsidies within the shortest possible timeframe, and not more than five years.”

The working group on “Unleashing Technology-enabled Productivity Growth” maintained that “productivity will be the primary driver of economic growth in the coming decade and the core driver for improving the economic wellbeing of our citizens.” Moreover, it added, “technology and innovation will be critical factors enabling productivity growth.” By “working together,” it said, “the G20 and business sectors should take three actions to foster productivity growth and innovation”:

- “Develop a joint commission between the G20, other relevant organizations such as the World Trade Organization and the business community to identify barriers to the diffusion of productivity-enhancing innovations and create a process to reduce them.
- “Create a G20 clearinghouse to identify best practices in workforce development and innovation;
- “Work with the Organization for Economic Cooperation and Development (OECD) or other suitable international bodies in collaboration with the business community to create a task force to identify opportunities to drive public-sector productivity.”
- The working group on the “Impact of Youth Unemployment” said the global economic crisis had “brought the problem of youth unemployment to the fore” and called on “governments, business, and civil society” to adopt a series of “actions to create and maintain employment leading to sustainable recovery”:
- “Create public-private academic partnerships to train youth for available jobs;
- “Create effective unemployment, welfare and social-protection systems;
- “Foster entrepreneurship;
- “Identify high-growth sectors by geography.”
- Governments should be responsible, it said, for
- “Providing adequate incentives and policies for stakeholders to create jobs, leveraging training and internships;
- “Implementing multifaceted programs to ensure that special needs are addressed with a ‘social-protection floor’ with ‘mutual obligations’ approaches to handle benefit dependence;
- “Supporting innovation and growth with low barriers of access for en-

- trepreneurs;”
- “Creating a baseline report on job scenarios based on economic and political transformations with standardized data to monitor progress.”
- And “enterprise should take the lead” in:
- “Leveraging local talent for on-the-job training, internships and apprenticeships in high-growth sectors;
- “Piloting and testing progressive policies to increase jobs;
- “Participating in task forces to create net new employment and working to ease entry to the workforce through self-employment;
- “Creating a ‘global resource center’ to collate data and assist governments with implementations of best practices and programs.”
- Finally, the working group on “Access to Healthcare in Developing Economies” encouraged G20 members to see the need “to change the trajectory of the private sector’s involvement with healthcare in developing economies and to have a meaningful impact on improving access to healthcare.” The way to do so would be to recognize:
- “The importance of health to economic growth, by including global health as a permanent agenda item at G20 Summits;
- “The urgent need for healthcare system strengthening in developing economies with targeted investments through novel financing mechanisms, such as the Global Fund and GAVI (Global Alliance for Vaccines and Immunizations) Alliance;
- “The importance for developing countries to invest a significant proportion of their annual budgets in health” while summit participants, in order to serve as a catalyst for broader global business community investment in health” should:
- “Commit voluntarily to a financial or core business competency investment in healthcare system strengthening lasting at least three years and to longer-term support if performance indicators are met;
- “Support the novel global financing public-private partnerships such as the Global Fund and GAVI Alliance;
- “Make a minimum investment equivalent to \$1 million a year for three years.”

After having come up with all these ideas, proposals and recommendations, business leaders were clearly concerned that their words might fade into obscurity. To keep that from happening, they looked forward to “to continuing engagement with the G20 both on upcoming issues” and in ‘tracking and implementing the commitments’ made in Seoul.

“We hope,” they said, that “G20 Leaders recognize the value of business input into the G20 process” and “We stand ready to work with the G20 in this process,...commitment to support the G20 in its efforts to strengthen the global economy and deepen international economic cooperation.” 

Is S. Korea Resilient to North’s Risks?

BY LEE JONG-HEON

North Korea’s deadly artillery attack targeting a populated South Korean border island late November reminded many of the perils of living next to the belligerent neighbor that launched what it called “the Fatherland Liberation War” with a surprise invasion decades ago.

The Stalinist country fired 170 artillery rounds in the barrage on Nov. 23 that lasted more than an hour, killing two marines and two civilians and destroying dozens of houses on the island of Yeonpyeong, just 12 kilometers from the North coast.

While South Korea’s troops fired back with cannon, President Lee Myung-bak and his Cabinet members rushed into a nuclear-proof underground bunker inside the presidential Blue House, where he said North Korea will be “held responsible” and vowed “strenuous retaliation.”

Lee stopped short of an actual armed retaliation. He made somewhat of a contradicting instruction to the military – “respond sternly” but also “take care not to escalate” the situation further, underscoring the dilemma facing South Korea.

If Pyongyang gets through the unprovoked artillery attack without paying a price, it could embolden the North Korean military as proved by its March torpedo attack on a South Korean warship, killing all 46 sailors aboard.

But massive retaliation could drop the divided peninsula into a potentially uncontrollable vortex of retaliation and counter-retaliation. Higher geopolitical risks are sure to undercut Seoul’s efforts to revive the economy largely dependent on foreign investors. That’s why Lee made cautious response in March when the North torpedoed the Cheonan warship.

President Lee’s reaction seemed more focused on shielding Asia’s fourth-biggest economy from fallout of the artillery attack. He hurriedly convened an emergency meeting and ordered “all-out” efforts to contain the economic impact of the shelling.

As public criticism was mounting for his fumbled military response, Lee sacked his defense minister who fueled controversy by saying that the president’s first instruction was to block the spread of the exchange of fire instead of immediate retaliation.

South Korean troops fired back 13 minutes later with just 80 shells, causing unknown damage on the North’s side, apparently out of concerns that it may escalate the conflict.

Skirmishes between the navies near the maritime border are not uncommon, and

a minor clash is not much of a surprise. But the North’s heavy bombardment of the populated island was the first direct attack on the South’s civilians since the 1950-53 Korean War.

Both Koreas sent fighter jets to the border area, whose skirmish could lead to full-scale war, a nightmare to South Korea half of whose population is within 50 kilometers of the North’s arsenal of almost 12,000 artillery guns and rockets.

The combustible situation forced investors to sell shares and the local currency. The news of the North’s shelling reached after the closure of South Korea’s stock and foreign exchange markets, but stock futures and won forwards plunged over night. The news rattled global markets already unsettled by Ireland’s debt woes and a shift to less risky assets.

The stock index and the local won currency tumbled in the early morning on the following day, forcing economic officials to scramble to stabilize the markets and stave off any possible financial turmoil. They were

KOSPI Response to North Korea-Related Events	Time	KOSPI Change
North’s intrusion of the truce village of Panmunjom	April 7, 1996	up 0.02%
Inter-Korean Naval clash off Yeonpyeong	June 15, 1999	down 2.21%
Bush’s branding of axis of evil	Jan. 30, 2002	down 3.18%
Second inter-Korean naval clash off Yeonpyeong	July 2, 2002	up 0.47%
North’s promise to freeze its nuclear program	Dec. 12 2002	up 2.40%.
North’s expulsion of UN nuclear agents	Dec. 31, 2003	up 1.21%
North’s announcement of withdrawal from NPT	Jan. 10, 2003	down 0.32%
North’s announcement of its nuclear possession	March 24, 2003	down 1.03%
North’s long-range ballistic missile launch	July 5, 2006	down 0.47%
North’s first nuclear test	Oct. 9, 2006	down 2.41%
North’s announcement to stop nuclear disablement	Aug. 14, 2008	up 0.61%
Suspension of inter-Korean tour program	Dec. 1, 2008	down 1.62%
North’s launch of short-range missiles	July 2, 2009	down 0.01%
Sinking of S. Korean warship	March 26, 1020	up 0.55%
South’s announcement of North behind warship sinking	May 20, 2010	down 1.83%
Artillery attack on Yeonpyeong	Nov. 23, 2010	down 0.15%

ready to supply ample liquidity to keep financial markets stable.

But the stock exchange bounced back as selling quickly faded, and the value of the South Korean won is returning to its pre-crisis level, proving their resilience to the North’s provocations. The KOSPI Composite ended down mere 0.15 percent on Nov. 24 after slipping as much as 2.4 percent in opening trade. The local currency fell just 0.42 percent against the U.S. dollar. Foreigners bought 520 billion won (\$450 million) worth of South Korean shares and bonds for two days after the North’s attack. Indicators such as credit default swaps and non-deliverable forwards were quickly stabilized.

Upbeat about the rapid recovery, the finance ministry said the South Korean economy is “strong enough to absorb shocks.”

“With its solid recovery pace, high foreign reserves, strong current account balance and high investors’ trust, our economy has sufficient capacity to absorb any outside shock,” the ministry said. Analysts say investors remained calm because they expect periodic belligerence from the North and have already priced that risk into the market.

Geopolitical risks from the North have been usually short-lived because they were seen as buying opportunities. The immediate stock market reaction to 16 separate events related to North Korea since 1996 has been a decline of less than 0.5 percent, on average.

The worst single-day loss, a 3.18 percent drop on Jan. 30, 2002 came after then U.S. President George W. Bush declared North Korea part of an “axis of evil,” followed by a 2.41 percent drop on the North’s nuclear test on Oct. 9, 2006, which were fully recovered after a week.

When the North and South exchanged naval gunfire off Yeonpyeong island on June 15, 1999, the KOSPI dipped 2.21 percent and a second naval skirmish near the island three years later rather pushed the index up 0.47 percent. The North’s promise to freeze its nuclear program in December 2002 boosted the index 2.40 percent.

On the basis of the resilience, international credit ratings agencies including Standard & Poor’s and Moody’s Investment Service said that the artillery strike would

not have adverse impacts on South Korea’s sovereign credit rating.

Their positive comments came after South Korea’s state Financial Services Commission sent letters to the agencies that the country’s economy is able to stand up to the tension. South Korea’s economy is forecast to grow 6 percent this year, and the nation holds nearly \$300 billion in foreign-exchange reserves that would be used to tamp down currency volatility or cover external borrowings, it said. Seoul’s successful hosting of the G-20 summit in November is tightening up its alliance with global leaders and can completely isolate and cast out North Korea.

But many economists warn against over-looking or downplaying geopolitical risks stemming from North Korea whose provocations are increasingly audacious and brazen. In the past, the North’s provocations were largely sending one or two patrol boats into the territorial waters or conducting terror attacks outside of South Korea.

Last March, the North sent its submarine to fire a torpedo and sank the Cheonan

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Frank Gallo

BY VICTOR FIC

Frank Gallo has been a human resources professional and consultant for nearly 20 years, spending half that time in China. Before that, he was a mental health counselor in the US, the basis for work with individuals as an executive coach. While coaching is not therapy, it requires the formation of trusting client relationships, interpreting spoken meanings, listening carefully, and extreme self-awareness.

Gallo has a Ph. D. in organizational behavior and a Masters in Social Work (MSW) specializing in clinical social work from Boston University. He also has a B.A. from Hofstra University in New York. In 1980, he was awarded a National Health Sciences research grant to conduct his doctoral research.

He gave this exclusive interview to Victor Fic, our special correspondent for economics and politics.

Frank, summarize your experience in China’s business world and with the society and culture overall.

I am an American who has lived in Beijing for the past 10 years. I work as the Chief Leadership Consultant for HR consulting giant Aon Hewitt and I am the former Greater China managing consultant for Watson Wyatt Worldwide. In 2004, I retired from Watson Wyatt, but soon started my own company in China called Calypso Consulting. When I joined Hewitt Associates in 2009, Calypso became dormant. This year Hewitt merged with Aon to become Aon Hewitt.

You claim to be a coach whose input can improve the quality of business leaders in China among Westerners and locals. What specific objectives do you have?

My mission in life and motive for work is to help raise the level of business leadership in China. My book, Business Leadership in China: How To Blend Western Best Practice with Chinese Wisdom, is a key ingredient. I conduct leadership workshops and executive coaching for foreign and Chinese leaders to improve leadership style and often use psychometric tools for assessment.

What are psychometric tools?

These surveys assess the work style or personality. Some require feedback from others while others are self-assessments. The Myers-Briggs (MBTI) and the DISC, (an acronym for Dominance, Influence, Steadiness and Conscientiousness) are common. I often use the Learning Styles Inventory (LSI) to measure leadership style. This requires 360 degree feedback. Another is the Facet5, for a personality profile.

Give us some details on how some of these tools actually test the person.

As for LSI, it compares the leaders intended styles described in the self-assessment with what others perceive based on 360 degree responses. These often differ and surprise the leader who thought he was helping people to achieve higher goals, a constructive style, when he was actually viewed as too much of a perfectionist with an aggressively defensive and destructive style.

The Facet5 does not require feedback. Rather, the person answers several questions on line that measure his personality. There are no good or bad ones – just dif-



ferences. So the Facet5 is best where team members can see what drives them and compare results for better understanding.

What concerns do you raise in your monthly column?

My monthly columns are CHO Magazine on human resources and Forbes China on leadership and work in China from a foreigner’s perspective. I also offer pragmatic tips for managers.

The word wisdom is rare in business – why do you use it?

It means understanding Chinese culture based on the classical Chinese philosophy and writings from Confucianism, Buddhism, Daoism, Sun Zi, Lao Zi, Mao Zedong, Deng Xiaoping and others. The best manager both understands and applies this philosophy consciously or sub-consciously in daily life. Foreigners ignorant of Chinese wisdom can fail.

What are some Chinese leadership styles and what is unique about them?

In my book, I identify new material such as wu. Wu is Buddhist and implies very deep insight, i.e., people who use all five senses to understand an issue based on the holistic thinking that most Asians use. Westerners use a more logic-based linear thinking, handling matters in sequence. Some Asian leadership experts claim that Westerners struggle to practice wu and so are incomplete leaders.

That is a good, but vague idea. Introduce a more practical one.

Zhong yong is a Confucianist concept that literally means “in the middle”. Leaders must not go too far “out on a limb” before more facts are known, but must get it just right by listening to all sides and not jumping to a conclusion like many Western leaders.

Many Westerners encounter tensions when they learn that the locals are not as candid.

Yes, another Chinese leadership style, useful for Westerners, is learning when and how to be indirect. Chinese leaders know when to be direct or indirect. Westerners, as a rule, are direct, even though the truth hurts. While this works in the West, it causes loss of face here and sometimes the victim resigns, often the opposite of the leader’s intent.

Kipling said that the East and West cannot meet, but you think these contradictions can be blended, correct?

The sub-title, How to Blend Best Western Practice with Chinese Wisdom, alludes to the primary theme. The most successful leaders in China blend skillfully and that requires understanding the best Western leadership practices. Anyone succeeding as a leader in the West has this. The problem is gaining Chinese wisdom.

My book offers numerous examples of contradictions between Western best leadership practice and Chinese wisdom and how to defuse tensions. I also address individualism versus collectivism, the rule of man versus the rule of law, innovation and risk-taking, decision-making and employee motivation.

Let’s return to those specific ideas. Tell us what sorts of leadership failures can occur?

To start, in the West, empowering employees is a leadership best practice and given in service and customer focused organizations. Empowering workers improves performance and enriches job satisfaction, meaning employee retention. In China, empowerment is also valuable and common. But first recall the Confucian saying, jun jun, chen chen, fu fu, zi, zi (君君臣臣父父子子). ‘Order exists when the king is king, the minister is minister, the father is father and the son is son’ – everyone in his place. Disruption causes chaos. Imagine a leader here who empowers unprepared people, but they do not understand the concept or suspect the leader is shirking responsibility – problems arise.

Can you cite real world examples of failure and the remedies?

A very successful American senior executive was sent here to run a large manufacturing division. His first task was to empower the team to provide answers to problems – disaster occurred! The team froze because it did not understand the objectives or why

the leader passed the task directly to them. Instead, he should specifically instruct them on answers.

What was the solution?

After coaching, the leader understood how a Chinese workforce might first receive empowerment and modified his practice accordingly. He worked closely and directly with the team, demonstrating his own competency and explaining why he empowered them. He shared research showing how empowerment benefits all. They became comfortable and one told me that she would never take a job if it did not permit empowerment.

That is the sort of lesson that our readers like to learn. Tell us more about the nitty gritty of daily interaction....

Both Western and Chinese cultures espouse truthfulness and courtesy. But a Westerner will often choose truth over courtesy while the Chinese person will select courtesy. So Chinese employees often leave the firm under false pretenses like “I must leave to get my MBA in Canada” but actually go to a competitor. A Westerner would directly say that he is to work there, but the Chinese person would worry about being courteous to colleagues, especially the bosses who might lose face.

What are the differences for teamwork? Does the Chinese way ensure conformity and bureaucracy?

Employee research shows that teams in China are more cohesive and loyal than Western ones, but are less likely to cooperate with other teams in the same firm. Cross-functional teamwork is harder here. My hypothesis is that the very close family relationship in Chinese culture causes closeness within work teams that substitute for the family or home village. But just as Chinese families are insular and unwilling to share time and resources with outsiders, Chinese employees are the same – a silo mentality.

How can it be overcome?

Traditional team building with cross-functional teams is most often tried; however, this often fails because the teams just compete, reducing cross-functional teamwork more. A better approach is to rotate team members periodically, especially the leader. Companies may protest it involves costly new learning curves for rotated employees. But having people comfortable in several teams will greatly improve relations between the former and current teams of

the person rotated.

As for motivation, is it true that Westerners act for self-advancement and Confucianists for the group?

I believe that you cannot “motivate” another, but you can influence issues intrinsically important to someone. At work, for example, some are primarily motivated by security or reward or collegiality or opportunities for development and advancement. The psychologist Maslow rightly talked about the hierarchy of needs, which is very relevant in China. Some employees come from poor families so that income and security are paramount, but those richer and already secure may pursue self-actualization through work.

As for Western individualism versus Chinese collectivism, business leaders must understand the importance of the team here as in a joint venture. Often times, the Western part will identify key employees for rewards and development, but the Chinese side will prioritize the impact on the group.

For decision-making, amplify the “fuzzy logic” versus the Western linear logic idea because it arises often in social or commercial interaction.

Some Westerners think the Chinese approach is “fuzzy” because it is often illogical, endlessly retreating over material covered earlier. But the holistic thinker feels he is learning new things from the time when he made earlier decisions. Here, decision-making is an iterative, not a linear, process. But when deadlines require a decision now, the Chinese call this pai ban 拍板 which literally means ‘to rap the gavel’ like a judge handing down a verdict.

And the role of the individual rather than the rule of law?

The law in China is not as developed as it is in the West. There is relatively little case law and the decisions are not yet generalized across China. So instructions in Shanghai and Beijing may differ, as with employee benefits. In the US, a company with operations in multiple states can have one omnibus benefits plan. In China, a company needs several different plans to satisfy local requirements.

As for the contract, in the West, it is a final document for all parties or they face legal penalties. In China, the contract is often a memorandum of understanding and changeable by either party as the situation changes. This often frustrates Westerners. [A-P](#)

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warship in a more brazen attack. The submarine attack was so subtle that South Korea was compelled to invite international investigators to prove the North’s guilt. But this time, the North attacked more directly through artillery, targeting not only the military base on the island but also civilian residential areas.

The North armed with nuclear weapons and missiles has repeatedly threatened to destroy the wealthy South and turn it into “a sea of fire” and “ashes.” “The threats no longer seem empty,” said an official at the Defense Ministry.

“Much bigger risks are looming large,”

said Chung Gap-young, a professor at Yonsei University in Seoul. “Risks are inherent on the Korean peninsula,” he said, noting South Koreans are blase to geopolitical risks.

The possibility of a war on the peninsula is so low that it could be ignored in the markets. But once war occurs, it will devastate everything. Chung and other economists say. North Korea whose economy is just less than 5 percent of that of the South and with a “military-first” policy has nothing to lose and everything to gain when it strikes economy-first South Korea. Still worse, the North struggling to execute a hereditary power succession amid serious economic troubles is so

shrouded and unpredictable.

The lingering risk has made South Korean stocks trade at the lowest valuation among Asia’s major markets, establishing the so-called “Korea discount,” which historically has seen South Korean stocks trade at lower levels than shares in similar economies such as Taiwan according to metrics like price-to-book ratios.

They say, investor confidence in the economy would surely waver if and when the North’s provocations become more defiant and its targets include industrial sites or shipping routes. Sadly, subdued response to bloody provocations makes them more likely to happen again in a more audacious manner. [A-P](#)



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To Sustainability and Beyond: Green Buildings in Japan, Singapore, S. Korea and China

BY LYNETTE WU

The green trend is inescapable nowadays. Green tech is starting to become as firmly rooted — in recognition of the fact that it is both necessary and saleable — in the building sector as it has become in many other sectors, despite the high costs that must be incurred in order to “green” a building, or, moreover, construct one from scratch.

A sustainable building, according to the Architectural Institute of Japan, is one designed to save resources, recycle materials, minimize toxic emissions, harmonize with its local environment, and work to improve human life whilst maintaining the ecosystem.

Although more “dashing” devices like cars may be more evident and obvious ambassadors of green technology, it is the spread of such technologies to less “sexy” and more prosaic things such as buildings and living spaces that is beginning to signal that the green movement may be nearing widespread acceptance. Of course, if that is the case, then it may be due to an increasing awareness of the dire environmental straits the world may be entering, as the worldwide green movement has been trumpeting for some time now. But practical considerations are coming to the

fore as well—such as the need to counter rising fuel costs and the corresponding recognition of the importance of energy efficiency, the need for many nations to reduce imports of strategically significant fuels such as oil and coal—that are pressing issues irrespective of whether or not one truly believes in global warming and other such issues.

Whichever way the subject is approached, green buildings are the future of building and living technology. Nowhere is the enthusiasm for green buildings more evident (and necessary, given the combination of economic strength and an as yet inadequate adherence to green principles that persists in the area) than in the developed and the developing nations of the Asia-Pacific Region.

Although other nations in the region have made their own—often significant—steps to ensure that green buildings take root there as well, this article is limited to four such nations—Japan, Singapore, South Korea and China—and will explore the status of green building in each, as well as policy initiatives geared at stimulating the further development of such buildings, incentives offered by their respective governments to do the same thing, and so on.

Japan

As pointed out by Russell Vare, Green Technology Advisor of the Japan External Trade Organization (JETRO) in his article “Comparative Analysis of United States and Japanese Green Building Policy”, Japan is one of the world’s most densely populated island nations, and has historically suffered from a relative lack of many natural resources. 127 million people live on

only 146,000 square miles, and the country has also less domestic fossil fuels than many others. In addition to regulations, Vare adds, residential electricity rates are high in Japan, significantly higher than they are in the United States—making it more expensive to heat, cool, operate and light buildings.

Consequently, the country’s approach towards energy efficiency has always been aggressive. The Japanese approach to such problems has always been to develop and construct high-tech solutions, such as a particular HVAC technology by Japanese firm Daikin that is 40-48 percent more energy-efficient than a regular duct system. It should come as no surprise, then, that Japan has been ranked as the world’s most energy-efficient economy—thanks, says Vare, to the aforementioned factors as well as a prevalent culture of environmental awareness.

Surprisingly, says Vare, the country has no mandatory green-building regulation such as that which exists in many other countries. There is a set of green building guidelines known as the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), which was developed in 2002, that said, however, that significant government policies do exist, such as the first legislative series known as “The Law Concerning the Rational Use of Energy”, passed in 1979.

A 2008 article on OurWorld.edu regarding Japan’s building sector found that only a small number of Japanese buildings could truly be called sustainable—only 13 as a matter of fact. But the Japanese are quickly bringing their technological prowess to bear on the problem. Japanese home builders began to market Carbon Neutral and Zero Emission houses in 2008, while other firms sell such products as green roof systems, diatomaceous-earth walls and so on. In addition, energy and green-building policies continue to evolve as well.

Singapore

Like many major developments in the tiny island powerhouse of Singapore, the effort to shift to sustainable buildings is “top-down”, or stimulated by the government itself. As reported by the Asia-Pacific LOHAS website, the country’s Building and Construction Authority (BCA) helps companies upgrade existing buildings to match green standards and construct green buildings from the ground up. The Singapore government launched the BCA Green Mark Scheme, a building rating system, in January 2005 to further stimulate the shift to green buildings. The scheme is based on five key criteria; energy efficiency, water efficiency, environmental protection, indoor environmental quality and other features.

In addition, as discussed in an article in The Fifth State, the Singaporean government has also sought to stimulate the formation of green building councils. The report said that 80 of these councils are operational in Singapore. Another key mechanism is sectoral agreements to create a framework between industry and government that would further green building development.

The Singaporean government has am-

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- A September-October 2008 survey conducted by CoreNet Global and Jones Lang LaSalle shows the increasing popularity of sustainable spaces in Asia. 60 percent of respondents in the Asia-Pacific region said that they were willing to pay up to 10 percent more rent to occupy a sustainable building, up from 55 percent in the previous year.

- American research presented by CB Richard Ellis shows that existing buildings that are “greened” can end up recouping the investment between six to ten years afterwards, thanks to savings of up to 50 percent on electric bills as compared to pre-renovation expenses.

- CB Richard Ellis further says that most green buildings can charge 5-10 percent higher rent than non-green buildings thanks to their reputation.

bitious plans—it aims to fully “green” 80 percent of the country’s building stock by 2030, has allocated \$100 million to this task, and boasts some of the region’s strictest green building laws. The country boasts 500 green buildings, approximately 8 percent of the building stock. In addition, all new buildings are required to achieve certain sustainability levels depending on size.

Further, the Singaporean government outlined a target regarding boosting energy efficiency, stating that it was targeting lower energy use in buildings to 35 percent by 2030 based on 2005 levels, and to offer incentives for more sustainable buildings as well.

South Korea

In South Korea, as reported by Sung-Woo Shin of Hanyang University in a 2008 paper entitled “Current Work & Future Trends for Sustainable Buildings in South Korea”, a significant number of policies aimed at supporting a sustainable building related system has been implemented by the South Korean government. These policies include those aimed at reducing the amount of raw materials used, saving energy, reducing waste, and improving building and material durability. As Professor Shin adds that other systems, such as those that rate a building’s energy efficiency and certify green buildings, were also created.

Shin says that as of late in South Korea, the number of green technology applications for differing types of construction has increased, most especially in the application of energy reduction technologies like natural lighting and insulation quality improvements.

As of 2006, according to data presented by Shin, 217 buildings in South Korea have been certified as being green, from a low of only three in 2002 to a high of 163 in 2006. The bulk of successfully certified buildings are multiple-family houses (171), while 32 office buildings, seven schools and seven mixed-use residential buildings also gained certification.

UK Trade and Investment reports that the South Korean government is making a very strong push towards the establishment of sustainable housing and buildings by initiating a multibillion-dollar green-building package. New homes are scheduled to be carbon-neutral by 2016, and there are commitments to “green” 1 billion existing homes and construct an equal number of new ones. Also, repair and restoration businesses are booming, and plenty of green initiatives are being offered as well.

China

The Chinese case represents an interesting one—few other nations around the world, if any at all, share China’s challenges, which include its vast and burgeoning population, infrastructure that is rapidly being updated but is still on the antiquated side, a preponderance of fossil fuels such as coal, and so on. China is currently the most populous nation in the world, with slightly over 1.3 billion people or 19.5 percent of the entire population.

Construction is set to grow at a rapid pace in order for the country to accommodate its citizens; as quoted by the Queensland government in its Trade Queensland document concerning opportunities in China, the World Bank is estimating that by 2015, fully half of the world’s building construction is to take place in China. The Chinese government being painfully aware of the drawbacks of antiquated infrastructure and dated technology, have given green buildings considerable importance in the country’s 11th Five-Year-Plan, which runs from 2006-2011, as well as the country’s medium- and long-term plans for science and technology development.

The Queensland government says that energy efficiency is a major concern of the Chinese government. Building-related energy consumption currently accounts for 30 percent of the country’s total energy use; the Chinese Central Government seeks ways to reduce this figure drastically—it wants to cut building energy use throughout the country by 50 percent in 2010 and by 65 percent in 2020.

The Chinese government has said that approximately A\$500B is to be invested in energy efficiency initiatives this year, on top of the hundreds of billions of dollars slated for investment in infrastructure and livelihood improvement, a large portion of which has been earmarked for constructing green buildings.

CB Richard Ellis says that there are currently more than 50 green buildings in China. Given the Chinese government’s interest in green technology, it is not out of the question to expect this number to balloon in the very near future. [A-P](#)

COMPANIES MENTIONED

IN THE ARTICLE:

- Japan External Trade Organization (JETRO)
www.jetro.go.jp

- Daikin
www.daikin.com

China’s Rare Earth Industry to Grow

BY VICTOR FIC

China’s Fujian Province has long been famous for its tea.

But experts in the rare earth field also hail it as the mainland’s third leading source of rare earth minerals. Chinese news sources such as the People’s Daily reported on November 19 and other dates that an integrated rare earth industrial park will rise there.

The specific location is south Changting, a 10 sq km area with an initial investment of US\$ 905 million. The facility is expected to be up and running by 2015. That is the optimistic prediction of Lin Donglu, the Chinese Society of Rare Earth’s secretary general.

Fujian’s potential reserve is estimated at four million tons or one tenth of China’s total. Most of this is heavy rare earth. It is readily extracted and has a low radioactivity yield, reducing safety concerns. The myriad of applications span defense, advanced batteries, catalysts and LED phosphor manufacturing. Overall, Fujian, Jiangxi and Guangdong provinces’ deposits of rare earth are said to comprise up to 90 percent of the world total.

Also, Fujian has a long coast so its harbors are an asset as “sea transportation offers low[er] cost[s]. That’s why inland countries such as Mongolia, though with a considerable amount of reserves, could not find a way to export,” offers Lin. Also, he notes that Fujian’s nearness to Taiwan, which is a center for global electronics making, is an advantage. The island turns out a whopping 93 percent of the world’s laptop computers. Elements for these such as LED and plasma panels use a lot of rare earth, but Taiwanese producers fret over the lack of supply and so many have located their plants closer to Fujian. The new facility can easily feed them, providing a rosy picture for investors in rare earth and the Taiwanese computer industry, too.

Lin said that the cutting edge park will act as a processing and distributing port for the minerals. Now, three processing companies operate in that area while two more are under negotiation. He added that, “The rare earth industry in Fujian may have a late start, but it means that the mineral had not suffered too much from over-exploitation, and it offers a chance to build a better industrial layout and an environmentally friendly industry.”

Other parts of the world also have the rare earth ores, so noted Chao Ning, section chief of foreign trade with the Ministry of Commerce during a fall conference. A triad of strategic, ecological and economic factors ensures that the mainland cannot keep being the globe’s supplier. “Irrational and scattered exploitation in China has left

Continued on Page 41



Soon Wee Meng | Dreamstime.com

Eco Business in Singapore

BY PRIYANKA SHARMA

Singapore is a promising economic hub that has shown tremendous potential for conducting environmentally-conscious business.

Having envisaged a green and clean technology for a long time, Singapore has already emerged as an environment-conscious icon.

In the month of February, 2010, Singapore exposed its maiden eco-friendly park, named 'Clean Tech Park', which covers an area of 50 hectares as revealed by JTC Corporation and the Economic Development Board. Its completion is expected around 2030, successfully rooming 20, 000 people in 30 houses.

With a budget of \$52 million, this eco-friendly park is to be built in three different phases, all of which would directly contribute to the environment. The environmental-consciousness of Singapore was clearly revealed when it was announced that the technologies to be incorporated in 'Clean Tech Park' would be solar power generation, recycling of storm water and constructions with utmost environmental feat in the lap of greeneries.

'Clean Tech Park' is in fact Singapore's first endeavor whereby all the firms will be given opportunity to test their products and

solutions which are regarded as clean tech. It has not only been conceived as a center for R & D (research and development) and business attempts in clean technologies, but is also expected to perform a very crucial role in the growth and development of the clean tech industry in Singapore, contributing around 3.4 billion dollars to the annual GDP of Singapore.

The launch of this Clean Tech One, the first of the buildings that has been announced by S. Iswaran, the Senior Minister of State for Trade and Industry and Education, is a cardinal area for the growth and prosperity of Singapore's economy. Singapore is thriving to become a 'living laboratory', offering a platform to clean tech firms to develop, test-bed and conduct commercialization of green solutions.

Certain key green features that are associated with 'Clean Tech Park' are discussed below.

Conservation is extremely crucial; greenery that already exists is to be preserved thoroughly and thus the tropical rainforest is to be brought to the vicinity of business. The traditional method of cut-and-fill has been done away with and the infrastructure has been customized along side the naturally rolling landscape.

'Clean Tech Park' hopes to construct and operate at an optimum cost. The key of this park is commercial practicality; with environmental sustainability and ecology.

While considering the eco-sensitive master plan of 'Clean Tech Park', the following factors have been emphasized for consideration:

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- Singapore is a flourishing hub of environmentally-conscious business feats. Optimum utilization of cutting-edge clean technologies is the chief motto of Singapore, which is getting reflected in the form of 'Clean Tech Park.'

- The completion of 'Clean Tech Park' is expected around 2030, successfully rooming 20, 000 people in 30 houses.

- To safeguard and augment the natural environment by alleviating cut and fill
- Intensive concern for blue and green which would include the plan of hydrology to wash, to preserve for evaporative cooling and also manage storm water
- Well-organized and competent building design, using an analytical model to maximize the building design so as to provide assistance to energy-efficiency measures.
- Development of a green community; green practices are to be encouraged via implementation of efficient green programs.
- ECO World 2010, a trade show and conference that took place in April, at the Suntec International Conference and Exhibition Centre, Singapore had the noble aim to promote a lifestyle that is environmentally-friendly by sharing knowledge related to efficient development solutions. [A-P](#)

From Thailand to Singapore, an Increased Appetite for High-Tech Healthcare Solutions

BY ANURAG AGNIHOTRI

The healthcare, IT and technology sectors all across Asia are preparing for a dramatic rebound; the persistent softness of the global economy notwithstanding.

The strong growth of the sector began to be noticed in 2009. As discussed by Healthcare IT News, Frost & Sullivan published a report saying that although the healthcare IT market only accounted for 2.1 percent of the total healthcare market in the region, that share could however double or even triple between 2009 to 2019. A major driver in this growth is expected to be the increasing presence of healthcare IT in the various aspects of healthcare delivery systems, as well as the increasing capacity for innovation in the region.

As discussed in the article, the importance of IT in healthcare is due to the fact that healthcare-IT solutions can help decrease the uncertainty that can exist in care delivery through by providing controls to help meet acceptable care standards. Many variables exist, both internal and external, that can significantly affect the quality of healthcare. Foremost among these is the fact that traditional healthcare solutions rely greatly on human cognitive functions and judgment that may not be up to par where standards are concerned. Healthcare-IT solutions can help deal with these variables to ensure that quality is delivered at a consistently high level.

In another, more recent, report released in June 2010 concerning the medical-devices market, Frost & Sullivan also found that the market is making a consistent comeback from the depths of the recession. The firm foresees that the market will experience a compound annual growth rate (CAGR) of 10.2 percent from 2009-2012. The market is beginning to transition towards a perspective whose focus is patient monitoring, in which higher accuracy, safety, efficiency and cost-effectiveness are paramount. The incorporation of healthcare-IT solutions into healthcare procedures and practices can help achieve these higher-quality targets.

Another factor driving the increased adoption of such solutions is seen to be



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- A September-October 2008 survey conducted by CoreNet Global and Jones Lang LaSalle shows the increasing popularity of sustainable spaces in Asia. 60 percent of respondents in the Asia-Pacific region said that they were willing to pay up to 10 percent more rent to occupy a sustainable building, up from 55 percent in the previous year.

- American research presented by CB Richard Ellis shows that existing buildings that are "greened" can end up recouping the investment between six to ten years afterwards, thanks to savings of up to 50 percent on electric bills as compared to pre-renovation expenses.

- CB Richard Ellis further says that most green buildings can charge 5-10 percent higher rent than non-green buildings thanks to their reputation.

increased technological convergence between devices that perform monitoring, diagnostic and treatment functions. Said convergence is seen to aid in the accurate delivery of specific drug doses while also being able to help properly diagnose conditions and diseases and effectively monitor patients. This combined with the aforementioned factors is to spur manufacturers of medical devices to boost their R&D budget in order to craft better solutions more capable of meeting patients' needs and the industry's higher standards.

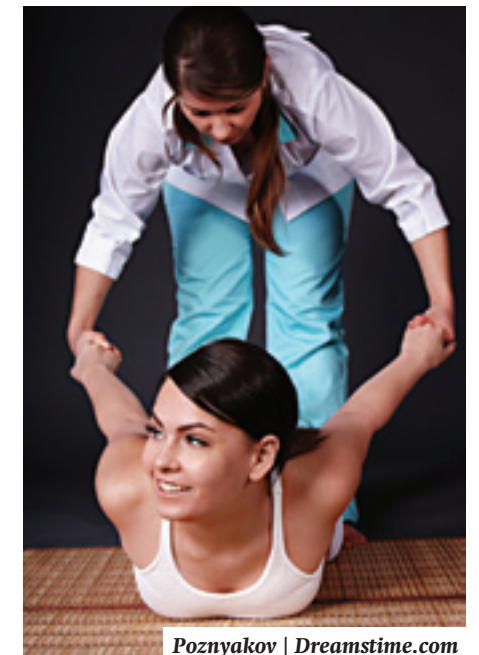
Many companies are beginning to jump on the bandwagon. For instance, as reported by Thaindian News in May 2010, tech company Cisco and Apollo Hospitals, the largest healthcare provider in Asia, are collaborating to revolutionize the healthcare delivery in places such as rural India via the provision of cutting-edge ICT solutions.

In addition, a 2009 report by Telecom Tiger states that the all-powerful mobile sector has also begun to impact healthcare. Popular applications include remote access to mobile healthcare information, remote patient monitoring via mobile networks and devices, medical records access, and the like. This formidable yet still-growing segment is estimated to reach up to US\$1 billion in value by the end of 2010. [A-P](#)

COMPANIES MENTIONED IN THIS ARTICLE:

• Cisco Systems
www.cisco.com

• Apollo Hospitals
www.apollohospitals.com



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An Unplugged Revolution: The Korean Communication Industry

BY ROBERT EBERENZ

The wise Confucius once said, “Ability will never catch up with the demand for it.”

The ancient teacher’s omniscient words could not have anticipated the specific nature of electronic technology, but most agree that his spirit transcends Korean business culture. Perhaps by accident, this Confucian adage accurately describes the relationship between Koreans’ demand for connectivity and the advancing ability of communication providers. As evidenced by the ‘Korean miracle’ of economic growth over the past fifty years, foresight and investment in technologies of integral future applications have allowed the peninsula to move quickly to the center of the global marketplace. Most recently, Korea’s cutting edge internet services business is leading the global market by example, as records continue to be broken in the speed and infrastructure of its broadband and wireless networks.

In the past sixty years the average Kore-

an household has seen the introduction of the wireless telephone, the computer, the internet, and most recently wireless internet. By utilizing and combining multiple delivery methods including Worldwide Interoperability for Microwave Access (WiMAX), Wireless Local Area Networks (WLAN), and Mobile Broadband, Korea is successfully connecting users to the internet on a grander scale than any market on the planet.

Take Seoul, the first major city of its size to become entirely blanketed with interwoven WiFi hotspots, combined with Korea’s fastest in the world broadband internet, and users are streaming HD video twenty meters below ground as their subway car zips across the 20 million citizen metropolis.

Evolution of the Market

While the telegraph and telephone were introduced in 1885 and 1902 respectively, the true dawn of the consumer communications industry didn’t occur until 1981 when Korea Telecom (KT) was liberalized from government control. Following the privatization of KT, several other providers were able to enter the market, including

Dacom, Onse Telecom and Hanaro, which could never threaten the land line telephone service offered by KT, but were capable of capturing segments of KT’s broadband internet market share. KT dominates the fixed line communications market, where they have 90 percent presence in telephone service and 45 percent control over broadband. SK Telecom is the second largest player in the communication service industry, but the number one provider of mobile telephone service, controlling just over 50 percent of the market. It was SK who initially kicked off the race towards high capacity mobile communication, by introducing 3rd Generation (3G) technology before any other. The third player in the Korean mobile market is LG Telecom, with 18 percent market share, and responsible for developing several popular mobile commerce solutions.

With the advent of the internet, it was only natural that the communications provider with the largest landline infrastructure would have the upper hand, explaining KT’s dominance in the land line broadband market in addition to its voice service. Resulting from the aggressive investment of KT and the Korea Communi-

cations Commission (KCC), internet connectivity has become fast and convenient for even the most rural inhabitants of South Korea. Perhaps the investment was driven by the apparent demand for connectivity which can be expressed through the percentage of Koreans classified as regular internet users. Over the past ten years the number of regular users has doubled to 81 percent of the population. In fact, Korea has the highest proportion of internet users in all of Asia, beating Singapore, Japan and even Hong Kong. From the perspective of the west, Korea also touts a larger percentage of internet users than many developed nations (but Korea is a developed nation – along with Japan etc) including the U.S., Belgium, France, and Germany.

Clearly the Korean consumer demands connectivity, but they insist on superior download speed even more. Banking, shopping, gaming and streaming entertainment are all possible due to the incredible speed of Korean broadband internet at every corner of the country. Critics may cite the high population density and relatively small land area as an explanation for high broadband speed capacities and lower infrastructure costs; yet these arguments don’t change the statistics. Korea’s broadband download speed has rocketed from 8 megabits per second (Mb/s) in 2004 to 100 Mb/s today. By contrast, according to a U.S. Federal Communications Commission (FCC) report published last year, American broadband users experienced an average download speed of 4mb/s in 2009, or 4 percent of the Korean average in 2010.

Going Wireless

Wireless internet as a concept is relatively simple; radio waves transmit data to and from a personal device and network antenna, which then allows users to connect to the internet. However, at the end of the day a wireless network is only as fast as the fixed line network that its servers connect to. Thus, by establishing the fastest broadband network of its size in the world, Korea set a rock solid foundation on which to build a wireless connectivity infrastructure.

Beginning in 2002, KT fully launched its assault on the market for this new means of communication by installing WLAN WiFi hotspots, completing 12,000 locations by 2004. Since then, KT has rolled out its nationally scaled network of WiFi hotspots dubbed NESPOT, which includes over 800,000 locations in Seoul and the surrounding areas alone.

Besides WiFi internet service, where users can download or upload unlimited data for a fixed monthly rate, KT and SK also offer mobile broadband connectivity through their 3G networks. This form of mobile wireless data communication averages 2 Mb/s download speeds, an impressive 50 percent as fast as fixed line U.S. broadband; it’s available through all 3G handheld devices on KT, SK, and LG Telecom networks. Taking the technology one step further, KT and SK have both released an egg sized device using a radio frequency called WiBro, which acts as a mobile hotspot by sending out a signal to all WLAN antenna equipped devices.

KT dominates the fixed line communications market, where they have 90 percent presence in telephone service and 45 percent control over broadband. SK Telecom is the second largest player in the communication service industry, but the number one provider of mobile telephone service, controlling just over 50 percent of the market.

Life in Your Hand

As explained in a report by ITU, a United Nations agency for information and communication technologies, Korea’s mobile phone demographics are different from foreign competitors in that users send text messages, or SMS, less than similar demographics in Japan and America. However, data revenue from users with color displays and 3G devices is nearly ten times higher than users of basic 2G devices; but not because of messaging. Due to the high speed and reasonable cost, regarding 3G networks, Koreans instead spend a higher proportion of their wireless data budget on ringtones, entertainment, gaming, and banking than in other markets. The QOOK and SkyLife packages, recently released by KT, present one such instance where demand for entertainment is met by providers. These packages can be added to standard and 3G KT wireless service, and include over 120 Internet Protocol Television (IPTV) stations with on demand features built into the platform. The subscriber growth in these new “add-on” packages tells us that busy Koreans are happy to pay a premium if they’re able to utilize downtime and catch up on their favorite entertainment programs via handheld devices.

To date, the greatest magnitude of data revenue realized by wireless providers in the country is from the ‘teenage’ and ‘twenties’ age demographics, who consider their cellular devices a portal to the world as well as a fashion statement.

Raising the Bar

It’s no surprise that LG and Samsung are in the process of a massive Smartphone release over the course of 2010 and 2011 to combat the widely popular iPhone. The Korea Times reported that the percentage of total SK customers using Smartphones rose to 40 percent in August 2010. To gain market share into the future, wireless providers realize that they must focus the abilities of their data service infrastructure on the demands of the younger generation of Koreans. A generation of highly educated, highly mobile, and constantly working consumers, Koreans turn to their mobile devices for much of their personal enjoyment, and require constant connectivity. The 3G network speeds of Korean carriers is impressively fast, but the fixed rate and speed advantages of WiFi make it popular among users. Additionally, users can add

value by logging in using their wireless account on a notebook or tablet PC when in a hotspot, for no additional cost.

KT’s plan to get a head start on the WiFi connectivity craze has resulted in adding over 600 access points to 300 metro stations in Seoul, including access on moving subway cars via WiBro technology. WiBro is essentially utilizing WiMAX technology, which can be scaled to varying bandwidths and ranges depending on the application. WiMAX is a technological standard that is currently competing with Long Term Evolution (LTE) technology to be crowned the new standard in 4G communications. The WiBro infrastructure is currently being tested on busses and taxis in Seoul, while agreements between KT and Korean automakers Hyundai and Kia are already being formed to incorporate WiFi into personal vehicles as soon as 2012.

Anticipating the potential strain due to all the increased connectivity of users over the next several years, KT is planning to spend 5.1 trillion KRW (4.3 billion USD) on wireless network upgrades in 2010-2011 alone. In addition, the Korean Communications Commission is planning to invest 34 trillion KRW (23.6 billion USD) in IT infrastructure; propelling the landline broadband download speed to a promised 1 Gb/s with wireless download speeds up to 10 Mb/s. The investments are aimed at revolutionizing the infrastructure of the nation’s communication networks and converting all communications to broadband transfer, one day facilitating the shift of landline telecom to Voice over Internet Protocol (VoIP) delivery.

Korea has its eye on the ultimate goal of complete data connectivity, at the fastest speed possible, no matter what the user’s location. Taking the vision one step further, Korean decision makers are moving to streamline the delivery process into a fully integrated broadband network, where IP data transfer handles all communications. While the rest of the developed world is at loggerheads over which 4G infrastructure to implement, Korea is moving ahead to fill the void between 3G and 4G ability with a vision that has so far won the praise of its customers. Moving past the exponential growth of broadband download speed over the last 10 years, the added application of WiFi connectivity through WiBro technology again confirms that Korea is at the innovative cusp of the industry. (A-P)

The Present and Future of Wimax in the APAC Region

BY KEVIN LIU

WiMAX — short for ‘Worldwide Interoperability for Microwave Access’ — and a telecommunications protocol that has been bruited about as a true next-generation fixed and mobile Internet-access technology has, since its inception, been viewed by many providers and countries alike as a key component of a rapid, high-performance communications system.

But has this favorable view actually translated to high adoption rates in the Asian region?

According to TelecomAsia, in 2009, there were a total of 71 WiMAX networks—including both mobile and fixed networks—in the Asia-Pacific region, 40 of which were already in active service.

As of June 2009, Wi-Fi Planet reported that WiMAX adoption rates in the region had been “a tad disappointing”, pointing to the fact that despite certain encouraging factors—among them strong government mandates in key Asian markets such as Taiwan and India, build-outs in developed markets like Japan and Korea, and a large number of commercial operators offering WiMAX services—the impact of WiMAX in the region was less than desirable. This was chalked up to certain key factors such as the fact that in developed countries such as Korea, many of those who might consider the adoption of a cutting-edge technology such as WiMAX had already invested in very rapid mobile and/or fixed-line connections. Another factor preventing widespread and/or rapid WiMax adoption was the high rates of WiMAX service vis-à-vis those of more established technologies. Other barriers to adoption included a lack of choice in equipment for customer premises and the availability of the appropriate spectrum across various countries in the region.

Another issue that may have significantly impacted the rate of WiMAX adoption in the region has been the development of competing technologies such as the mobile fourth-generation technology LTE, which competes head on with mobile WiMAX. Consumers and companies in the market for rapid connections may well have become confused and unable to prop-



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- The IDC reports that the sales of devices that need reliable high-speed connections such as those that WiMAX enables are booming. For instance, netbook sales figures in Japan are estimated to grow by 113 percent.

- In data-traffic terms, these new devices generate considerable amounts of traffic. As quoted in “WiMAX Momentum”, a press release by Intel Pakistan Country Manager Ashar Zaidi, a laptop is capable of generating the same amount of data traffic as 450 basic cellphones.

- Moreover, says Zaidi, smartphones and high-end devices such as iPhones or Blackberry units — which are extremely popular and widespread across the Asian region nowadays — generate as much data traffic as 30 basic cellphones.

erly distinguish between the two, which may have had a debilitating effect upon WiMAX adoption rates. A point in favor of WiMAX, however, is that LTE is relatively newer than WiMAX and as such may cost significantly more than WiMAX solutions, which may enhance the attractiveness of WiMAX. At any rate some nations such as Korea and Japan are even making inroads to investing in both solutions.

Significantly, however, China has elected to deploy LTE networks through top provider China Mobile. Huawei Technologies, says IDG, has been tapped to deploy LTE solutions both in China itself and internationally.

Whether LTE may prove more popular or not, and despite the hiccups WiMAX may have experienced in previous years, at this point in time WiMAX is still a preeminent communications solution, and is keen to capture a significant share of the market in the future, especially the market for wireless-broadband solutions. Both developed and developing nations will continue to push for increased deployments. For instance, the Philippines’ Globe Telecom, which operates the largest WiMAX network in Southeast Asia, is to aim to make mobile WiMAX more accessible, while Malaysia’s Packet One is doing its share to help achieve the country’s goal of 50 percent broadband penetration by the end of the year. Other nations such as India, whose state-run telco BSNL is to execute a WiMAX deployment in rural areas, are also following apace. A-P

COMPANIES MENTIONED IN THIS ARTICLE:

- Huawei Technologies
www.huawei.com

- China Mobile
www.chinamobileltd.com

- Globe Telecom
www.globe.com.ph

- Packet One
www.p1.com.my

- Bharat Sanchar Nigam Ltd. (BSNL)
www.bsnl.co.in



India, China and GPS: The Juggernauts Roll

BY ANURAG SHUKLA

The Global Positioning System (GPS), the global navigation solution developed by the United States and which depends on a network of satellites to provide its users with time and location information wherever in the world they may be, has been making inroads into and gaining acceptance elsewhere in the world in recent years, from Asia onwards.

The burgeoning number of companies offering GPS services in the region, such as ABR Systems in India and Singapore’s Coolasia, is indicative of the growing popularity of this solution.

That said, not every country is happy to make use of GPS. India and China have been investing significantly in initiatives aimed at developing their own GPS expertise and systems.

India, which has had a space program for some years now, aimed to take their own program to the next level by launching the first of a bevy of navigational satellites intended to boost signals to the required levels for a GPS program in April 2010. As reported by The Times of India, the launch of the satellite was to have been accomplished via

India’s locally developed Geosynchronous Satellite Launch Vehicle (GSLV), and the placement accuracy of the Geo Augmented Navigational system or GAGAN was to be accurate within 7.5 meters. Applications were to run the gamut from civil uses, such as aviation, to government-focused activities such as defense. In addition, GAGAN is to be used as the basis for the creation of the Indian Regional Navigational Satellite System (IRNSS), an autonomous regional system for navigation.

While India’s ambitious plans have had to be shelved until 2011 due to the failure of the GSLV to reach orbit in the April 2010 launch, the country is continuing to pursue other initiatives to help develop a local GPS system—or its equivalent. As reported by Space Daily in March 2010, Russia and India may soon establish a joint venture, in India, aimed at producing navigation equipment for GPS and Glonass, its Russian equivalent. Glonass is seen to begin operations at the end of 2010, and India will be able to tap into the civilian signal and allow users to determine their location within five to 15 meters.

China, meanwhile, is appearing to be having somewhat of an easier time with its own efforts. As reported by International Business Times in August 2010, the country successfully managed to put its fifth GPS satellite—BeiDou-2 IGSO-1—into orbit via its Long March Rocket System. Said launch is only the most recent in a series of GPS satellite launches which began in 2000 and was code-named Compass. Compass is a second-generation satellite navigation system that boasts the ability to provide users with uninterrupted service in real-time. The launch

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- IE Market Research reported earlier in 2010 that the market for GPS navigation services in the Asia-Pacific region will rise to a whopping \$3.16 billion in 2014.

- China, says IE Market Research, is to enjoy a 67 percent compound annual growth rate in location based service spending over the next five years, and the value of its market is to reach \$233.8 million by 2014.

- IE Market Research says further that in India, by comparison, total location based service expenditures will rise to \$158.4 million by 2014.

of BeiDou-2 IGSO-1, said China’s Xinhua news agency, is intended to facilitate global positioning for a wide variety of purposes, including public security, oil exploration, transport, telecommunications, weather forecasting and disaster management.

Moreover, said the article, China aims to build on the success of its Compass program by not only offering its services locally but also by making them available to the entire Asia-Pacific region by 2012—and to challenge GPS in the global arena by offering these navigation and location services worldwide in 2020. A-P

COMPANIES MENTIONED IN THIS ARTICLE:

- ABR Systems
www.abrsys.com

- Coolasia
www.coolasia.net

Intellectual Property Rights in Asia: Finding the “Sweet Spot” Between Standards, Compliance and Developmental Pressures

BY KEVIN LIU

Issues regarding intellectual property (IP) and other related concerns are concurrently some of the most significant and the most contentious in the world today — perhaps most especially for the various nations of the Asia-Pacific region.

As elaborated upon by experts Elizabeth Cardoza and Lawrence Liang in their paper ‘Key policy issues in intellectual property and technology in Asia Pacific’, intellectual property is currently “acknowledged to be a key component of businesses, including those related to or based on information and communication technologies (ICTs)”, which are key growth areas for many economies in the APAC region nowadays, developing and developed alike.

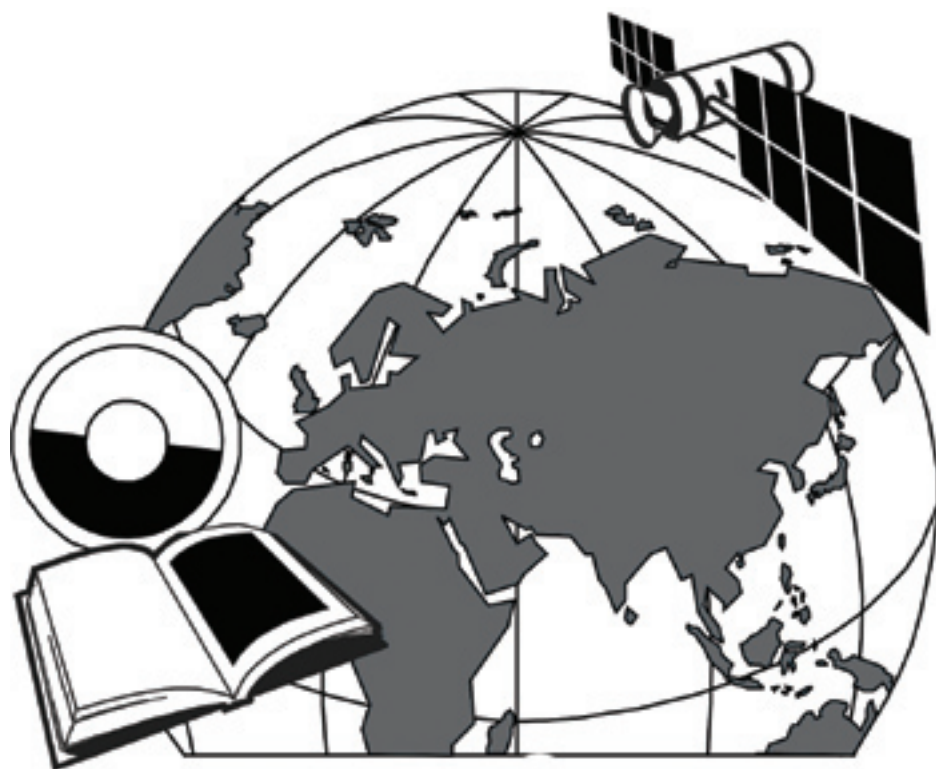
However, many thinkers have argued that IP policies may not automatically work to benefit all concerned. Some have said the development of poorer nations — such as those in the Asian region — may be curtailed by IP policies that may not necessarily be development-orientated.

This article discusses how the region has historically reacted to the development of IP, elaborates on IP and its effect on access to knowledge and technology, presents an assessment of how Asian nations have performed vis-à-vis IP legislation to date, and offers recommendations for Asian legislators who must craft local IP legislation that complies with international standards.

A historical perspective

Intellectual property legislation was introduced into the international trading system for the very first time by the Agreement on Trade-Related Aspects of Intellectual Property Rights or TRIPS, the international agreement that exists to set down standards for various forms of IP regulation as applied to the members of the World Trade Organization (WTO). TRIPS was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994, and is currently the most comprehensive agreement regarding intellectual property.

TRIPS presents the minimum global standards that need to be met by national laws on IP rights. To this end, it specifies that requirements on legislation passed by WTO member-states needs to respect the following: copyright rights, industrial designs, trademarks, confidential or undisclosed information, patents, and so on. In addition, TRIPS also specifies procedures to enforce these laws, resolve disputes, and



perform other required functions.

As discussed by Cardoza and Liang, the nations of the Asia-Pacific region have historically had a less than harmonious history where IP is concerned. In the early days of TRIPS, several developing countries such as India and Thailand felt that the standardization of IP laws and the linking of IP to trade was an imposition upon them by more developed countries; some went so far as to say that TRIPS would benefit developed economies more than developing ones, since it would make the transfer of technology significantly more costly than before and would thus hinder the development of the technological capabilities in developing nations. As a consequence, these nations resisted many aspects of TRIPS. The study authors go on to say that many areas within the APAC region itself have been accused of not respecting IP rights at certain points in time. Also, say the authors, many of the countries of the region, such as China, Taiwan, Korea and India, have benefited from poor IP rights enforcement by being able to increase local capabilities.

Cardoza and Liang quote two other authors of an anthology of IP in Asia, Thomas and Servaes, who says that the basis for the contestations over IP is the fact that the countries within the region are at differing stages of economic development and thus levels of openness to IP reform. However, since most Asian countries have become signatories to TRIPS, they are obliged to ensure that their national legislations concerning IP conform to the standards

set. The basis for Asian concerns over IP is thus made clear: governments in the region must attempt to balance their commitment to achieve social and economic development with their obligations to international laws concerning TRIPS.

More on the impact of IP on access to knowledge and technology

It would appear that, as discussed above, one cornerstone of the Asian nations’ opposition and/or inadequate adherence to the IP regime is based upon its perceived capacity to limit free and open access to knowledge and technology. Cardoza and Liang present economists’ arguments in favor of IP—many economists claim that an IP regime is a necessity for economic growth, as it ensures creativity, innovation and productivity, and can also help boost financial investment and agricultural and industrial output.

However, say the authors, this is an argument where the key assumption itself is contentious: that this system will work as well for developing countries as it has for developed nations. One counter-argument presented claims that IP rights in fact do very little to stimulate economic development in developing nations—as a matter of fact, without the technical and economic capabilities needed to properly respond and/or take advantage of an IP regime, IP rights can in fact end up hindering economic development.

The Commission for Intellectual Property Rights (CIPR), an international orga-

However, many thinkers have argued that IP policies may not automatically work to benefit all concerned. Some have said the development of poorer nations — such as those in the Asian region — may be curtailed by IP policies that may not necessarily be development-orientated.

nization that aims to integrate IPR and development policy, finds two problems with IP regimes in this respect. Firstly, it states that IP rules can limit technological learning via imitation—a cornerstone of economic development in China, India and other such nations—and can permit foreign firms to limit domestic competition, or prevent it from becoming a threat altogether, by allowing them to obtain patent protection for their products, and to only service the market through imports instead of local manufacture. Secondly, the CIPR says that IP regimes have been ineffective at stimulating research that could benefit poorer nations, because the citizens of such nations would be unable to afford products and services even if they were successfully developed.

Cardoza and Liang say that the persistence of poverty in the Asia-Pacific region—in 2001 approximately 65 percent of the total world population struggling to get by on less than US\$2 a day hailed from South and East Asia—underscores the importance of crafting IP and technology policies that have the poor in mind. Unfortunately, say the authors, many IP policies focus more on protecting the rights of IP owners and producers—not necessarily the end users of products and/or services created.

A (very) quick assessment of Asian compliance with international IP standards

The general sentiment is that TRIPS notwithstanding, IP in the Asian region is seen as being in need of improvement. Technology industry bigwigs such as Microsoft CEO Steve Ballmer have said that intellectual property must be improved in nations such as China and Vietnam. In a May 2007 interview conducted by BusinessWeek, Ballmer underscored the need for better adherence to international intellectual-property standards in the region.

This view appears to be mirrored by studies such as ‘Do Asian Nations Take Intellectual Property Rights Seriously?’, authored by expert Assafa Endeshaw. The author finds that despite the fact that laws that comply with TRIPS in such nations as Taiwan and South Korea abound, instability still persists thanks to, among other

Continued from Page 33

the industry nothing but price wars and huge environmental cost,” Lin rued. “The authorities in Fujian should learn lessons from previous cases, especially in environmental protection.” He offered his analysis when Beijing has set out to reform the industry. It warns of over-exploration and improper management and seeks new policies

FACTOIDS

- The United States Federal Bureau of Investigation (FBI) says that 5 percent to 7 percent of world trade, or about US\$500 billion, is in counterfeit goods—one of the most prevalent forms of IP rights violation.

- As proof of the vast gulf between developing and developed nations with regards to technology, the World Bank says that in 2000, low and middle income developing nations account for approximately 21 percent of world’s GDP — but only 10 percent of world-wide R&D expenditure.

- Further, says the Bank, the OECD nations’ expenditure on R&D is significantly higher than that of developing nations — OECD countries’ total R&D expenditures in 2000 was higher than the total national income of India.

reasons, constantly changing proclamations by international bodies focused on IP, as well as constant promulgation of new laws and/or amendment of old versions by developing nations. This, says Endeshaw, has resulted in a continued erosion even of those rules already in place.

Endeshaw goes on to say, however, that the paradox of this constant increase of IP legislation and its failure to bring about concrete results cannot simply be chalked up to the failure of Asian nations to comply with the international IP regime. Despite the demands of developed nations “to attempt to [impose] forced marches in adopting and implementing a mirror-image of their domestic IP systems”, says Endeshaw, “Asia... [plods] along at its own pace.” This, Endeshaw adds, is not at all due to a willful plan on the part of Asian governments to do so; it is instead due to a “variety of opposed forces and tendencies at play”, from a growing perception of the inadequacy of fake products to local enterprises’ demands of enforcement of rights to protect their market standing from illegitimate competition.

Endeshaw concludes by finding that

the stance of developed nations regarding Asian IP is flawed; developing nations appear to be attempting to stimulate the creation of Asian IP laws that are carbon copies of legislation in the West—which Endeshaw says, when coupled with any continued inequality as regards the state of technological developments between developing and developed nations, may eventually result in a backlash. Secondly, and in agreement with Cardoza and Liang and other experts, Endeshaw also points out that there can appear to be a disconnect between the IP rights of companies and entities in developed nations and human rights and developmental issues in developing nations—which may also result in opposition to IP regimes in the medium to long term.

Recommendations for Asian legislators

To counter the issues outlined in this article, Cardoza and Liang outline four key factors that must be kept in mind when policy-makers craft local legislation regarding IP.

- First, legislators must consider the costs of acquiring technology from foreign sources.
- Second, they must consider the need to focus on development of indigenous expertise instead of simply relying on technology imports.
- Third, legislators must find alternatives to paying lofty royalty costs that may be required of them if and when they elect to use foreign technology.
- Last, they need to keep in mind the opportunity costs in terms of developmental funding that may affect vital areas such as health, education and infrastructure. **A-P**

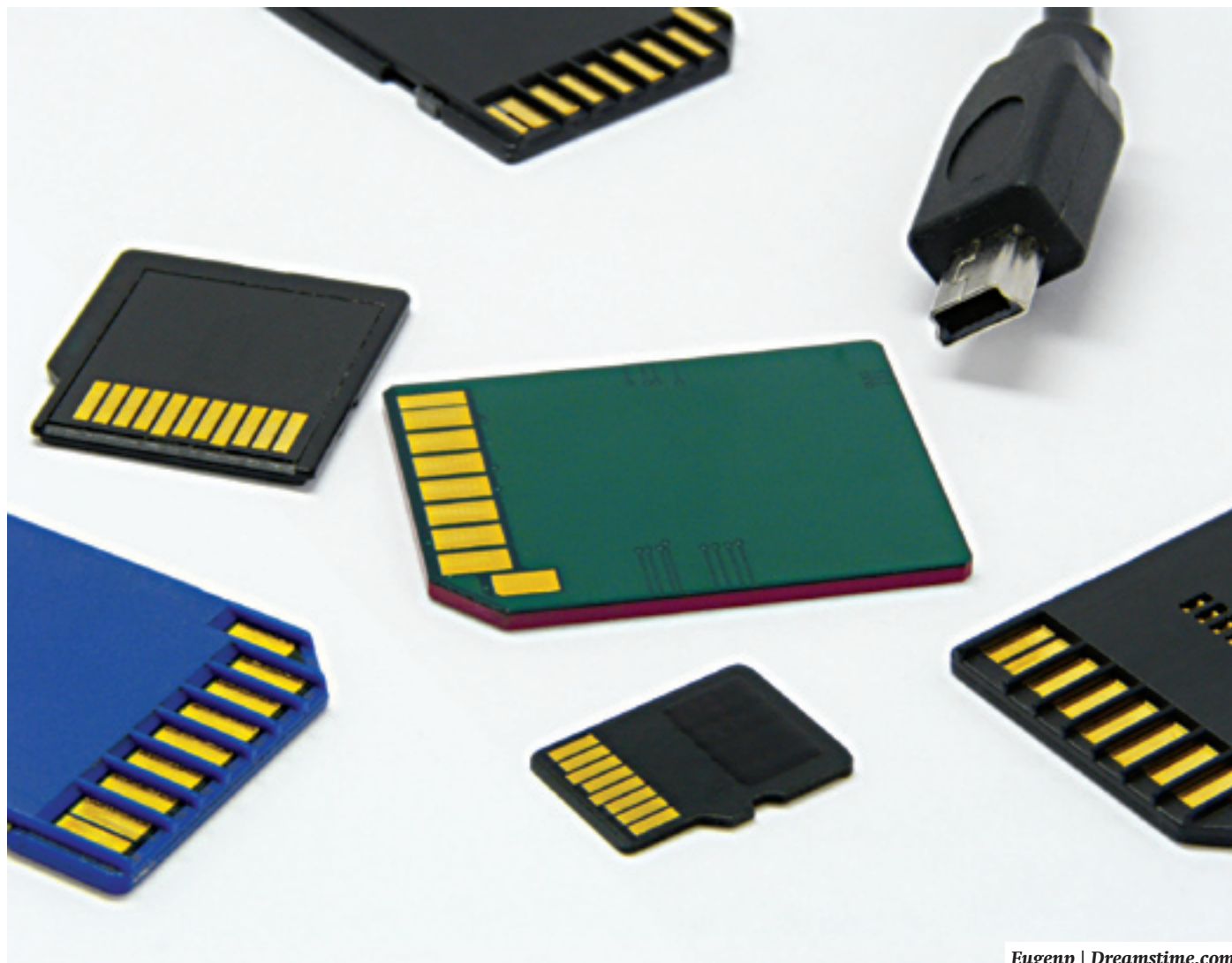
COMPANIES MENTIONED IN THIS ARTICLE:

- Commission for Intellectual Property Rights (CIPR)
www.cipr.org

- Microsoft
www.microsoft.com

tion will also increase by a wide margin.

The future of the industry looks bright. “Rare earth is just the very first step of our industrial chain,” Liu Tonggao, chairman of Xiamen Tungsten Co Ltd, the developer of Longyan rare earth minerals. “We will conduct a rational, scientific, and green development of rare earth resources according to the development needs of the industry.” **A-P**



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Asia's Going Smart: Smart Cards and the Asian Market

BY VIJAY ASTHANA

A smart card is the next generation of security authentication and other such key activities. In a nutshell, smart cards are small and pocketable cards that incorporate integrated circuitry.

They run the gamut from memory cards, which incorporate components for memory storage, to microprocessor cards that also incorporate microprocessor componentry.

In addition, smart cards can further be classified as contact cards, which have gold-plated contact pads through which compatible devices can manipulate said cards, and the more advanced contactless cards, which use such technology as radio frequency induction technology. Examples of such cards abound—contact cards are part and parcel of such everyday services as GSM telecommunications, supplied by Asian providers

like the Philippines' Globe Telecom and Sun Cellular, and the roster of companies utilizing contactless cards includes such industry heavyweights as Hong Kong's Octopus Card Limited, the maker of the popular Octopus Card.

Since their inception, smart cards have gained a large following worldwide thanks to the multitude of applications that can make use of them—they can be utilized, as hinted in the previous paragraph, in applications requiring authentication, identification, data storage and so on. More specifically, aside from being used in cellular communications and cashless transactions, they can also be used in banking, club memberships, for emergency services such as provision of emergency medical data, and so on and so forth.

Given their multiplicity of uses and the convenience they afford, it should come as no surprise that smart cards have proven exceedingly popular in the Asia-Pacific region. In a March 2010 interview with MIS Asia editor Ross Storey, Michael Weatherseed, exhibition director of the major worldwide smart card business event CARTES, said that the region is currently the fastest growing

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- CARTES exhibition director Michael Weatherseed says that Asia Pacific currently represents approximately 40 percent of the worldwide smart card industry.

- Weatherseed also says that smart card usage in the region is currently growing at approximately 30 percent annually, thanks to a correspondingly high adoption rate of smart applications.

- Frost & Sullivan expects South Korea, despite being one of the most advanced nations in the region and one whose smart card market has achieved near saturation, to see increased smart card shipping figures of approximately 49.6 million units by the end of 2010, up from the 2009 figure of 46.7 million.

for the smart card industry. The bulk of growth in market volume, said Weatherseed, is due to sectors such as banking—the Euro Mastercard Visa (EMV) secure payment standard having become exceedingly popular—and telecommunications. He also said that other areas of growth include the government sector, as governments around

Continued on Page 49

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Impact of Radio Frequency Identification Technology in Asia-Pacific Region

BY SHAMILA JANAKIRAMAN

We are in the threshold of change. Never has any generation in the past witnessed so many changes as we are seeing today.

Experimentation, innovation and technology are leaping forward at break neck speed and it all needs to be supported by information technology so that enterprise business processes and enterprise interaction with partners and customers is enhanced.

Among several technologies available today RFID or Radio Frequency Identification provides real-time monitoring solutions which is a must have in networked enterprises. RFID ensures high speed of processing, accuracy of data and has created a new

way to conduct business and improve enterprise relationships.

RFID's capabilities in the fields of business and industry encompass applications in storage and retail, healthcare, manufacturing, transportation and ID cards, as well as enabling easy tracking of cargo containers, documents, apparels and food items. Wherever RFID is used and what ever the purpose, it is sure to enhance operation and management; provide business intelligence and also support decision-making processes.

What is RFID?

An RFID system is made up of three components - electronic tags; an RFID reader and RFID inventory management software.

Electronic tags are attached to the items that need to be tracked or monitored. The tags are digitally-coded with information about the items' characteristics like size, colour, price, age, date and country of manufacture. Tags are attached to a box or batch of items. Such tags contain informa-

tion about all the items in the batch including total number of items contained within the batch.

RFID readers can pick up information in the tags by transmitting and receiving radio frequency signals to and from the electronic tags. The data collected on the RFID reader can be presented to the user via RFID inventory management computer software. This software creates a central database of information which throws light on all features of the items tagged.

Thailand-Growing Market

Bangkok-based Silicon Craft Technology (SIC) is specializing in the manufacture of linear and mixed-signal integrated circuits or ICs. The products implement Living Form Identification (LFI), Business Process Automation Through Identification (BATT) and Specialty Applications (SA) all focused on RFID technology. The company's RFID device components can be used in readers and tags used in various tracking and identification applications.

SIC's advanced RFID transponders are used in food safety and food traceability applications, contactless payment, key card access, industrial automation, library, livestock, logistics and car immobilizers. SIC ICs feature multiple memory configurations and up to 4 levels of security authorization enabling use in life stock identification, factory automation and automotive sectors.

Broodstock Farm Management and Food Tracking

Researchers at King Mongkut's Institute of Technology Ladkrabang, Thailand, have deciphered the means of monitoring giant prawns or Nile tilapia and walking catfish by embedding RFID tags in their abdominal cavity. The results have been successful when conducted on the brood stock as it did not affect the growth or survival rates of the aquatic animals.

The RFID here will help in brood stock management in fishery farms as they are high value export items in the food market. Tracking fish and prawn and enhancing their breeding will result in greater output and higher revenues.

SIC and IE Technology of Thailand provided 10-millimeter glass transponders and handheld readers to automate data matching between the fish and weight recorded from digital weight scales. Based on the data a growth cross breeding option was followed to improve the species.

The National Electronics and Computer Technology Center (Nectec), a research and development agency operating under Thailand's Ministry of Science and Technology, sponsored this research in order to develop the RFID industry in that country.

As food production areas and food consumption areas are far apart it is necessary to ensure quality of food delivered whether it be frozen or fresh, keeping in mind the huge food export industry.

Charoen Pokphand Foods Plc (CPF) and the Bangkok Metropolitan Administration (BMA) have come together to promote meat safety and provide more information to consumers. Consumers can track the source of meat packages either online or by sending a text message. CPF's chicken farms have been selected to serve as a pilot project to research a compartment system for the

RFID's capabilities in the fields of business and industry encompass applications in storage and retail, healthcare, manufacturing, transportation and ID cards, as well as enabling easy tracking of cargo containers, documents, apparels and food items.

poultry industry. The meat traceability system will increase consumer and producer awareness on hygienic food production.

Chanthaburi Frozen Food and Charoen Pokphand Foods in the frozen food export business in Thailand are using RFID systems to improve their ability to quickly and accurately trace the shrimp they sell, from the factory to consumers in Japan, Europe and the United States. Manual, paper-based shrimp-tracking systems are replaced by automated, electronic ones. RFID helps trace the food's origin, processing and expiry data in case of a product recall.

The recently held Taiwan RFID 2010 event highlighted the use of RFID products for livestock identification which can be used to not only track the aforementioned, but also trees and coral reefs.

RFID Tagging of Apparel

RFID has been used extensively in the apparel value chain from tagging cloth in manufacture, in retail fashion and in rented apparel. The industry encompasses manufacture, sorting, delivery, stock control, rented apparel and laundry. Apparel RFID is expected to grow in leaps and bounds and overtake all other applications by 2021.

The market is shown to be swollen owing to the sheer numbers of RFID tags that will be required in retailing, retail supply chain and associated industries.

The tags are digitally-coded with information regarding an item's features like size, colour and price besides date and country of manufacture. These tags can be attached to a box or batch with all the information on all the items in the group.

Apparel and footwear manufacturers are learning how to tag, where to tag and how to integrate RFID data with their backend systems. Fujitsu, a Japanese company, developed a way to track rentals and returns of uniforms using RFID. The washable soft linen tags are built into clothing, enabling batch readings and real-time tracking of clothing inventories.

The tags feature high readability and can be read from over four feet away so that multiple tags can be scanned into one batch without actually touching the uniforms. Manual counting and ID data errors are eliminated and this hastens the processing of batches of clothing before being sent to the laundry or rented out.

Postal Tagging

Tagging postal items with RFID tags is again a huge market. The postal and courier service has adopted RFID in a big way with 1 trillion postal items being tagged yearly. Previously, RFID was used to tracking light logistics like letters, conveyance and vehi-

cles. Now, attempts are being made by the International Postal Corporation to monitor mailflow with RFID in 50 countries. Saudi Post is trying out tagging of postal boxes.

Korea Electronics and Telecommunications Research Institute (ETRI) tested the postal RFID system that automates the whole process of mail delivery from accepting the package to classification and dispatching. The system at present employs barcodes which requires human intervention at each mail center to input mail numbers into the system. This results in inaccuracies and delays in mail dispatches.

The Korean system is an electronic postal system which optimizes mail package processes and logistics cost with its real-time information automation. It will reduce costs, errors and tedious human intervention.

Pervasive RFID tagging of courier and letter post may come in late, but RFID enabled parcels, conveyances, vehicles and trailers are now enhancing security and safety and reducing manual effort. Tamper detection with RFID, RFID cards controlling driver access to postal vehicles and RFID enabled postal sorting equipment are on the cards.

The immense potential and profits envisaged in the Asia Pacific market will be leveraged by Microsoft which announced its first postal systems in Taiwan and other places in East Asia.

RFID Market

IDTech Ex forecasts the number of RFID phones sold will grow from 50 million in 2010 to 945 million in 2020. The entire RFID market in 2010 is estimated to be \$ 5.63 billion, up from \$ 5.03 billion in 2009. This market includes tags, readers, software and services for RFID cards, labels and other items.

Apparel tagging alone was estimated to be 300 million tags in 2010 with another 380 million tags for tickets use in transit. Tagging of pigs, sheep and pets is becoming a legal requirement in China and Australasia which was estimated to be 78 million tags in 2010.

The market for Near Field Communication (NFC), RFID enabled mobile phones, and contactless smart cards and tickets is on the rise. About 800 million Chinese will get contactless national ID cards within four years and over 70 million Japanese will buy RFID enabled, NFC compatible phones in the next three.

Other lesser known application for RFID includes passports which need to be tamper-proof in light of terrorism. Also, new laws insist on livestock and food traceability due to occurrence of bioterrorism, avian flu and instances of fraud. Tracking in-jail prisoners and those on parole is also a new

field. Such government projects are big but do not need fast ROI. Industrial RFID projects with fast ROI include those in the apparel sector.

DUALi is a Korean reader manufacturer of contactless smartcard readers and modules supplying the global market. SIC RFID chips have been used in DUALi devices serving applications like access control, logistics and time attendance. The RFID chip is suitable for mobile devices owing to its versatility, low power and wide supply voltages.

Outdoor wireless sensor network (OWSN) is the first RFID solution, which will be deployed at a country level in Australia to keep track of temperature, air pressure, shocks and vibrations. These sensor tags are placed on the ground and public properties such as lampposts and traffic lights to detect various environmental elements to support the tracking and tracing of other designed applications.

Singapore Cruise Center which manages 4 terminals implemented a new passenger management system using NEC's RFID solutions. The Sea Passenger Terminal Operating System or SPOS helps manage passengers and their baggage in real-time besides enhancing security. RFID boarding passes with information on the intended voyage is issued at check-in counters and help prevent loss, improve passenger information management and CRM.

RFID World Asia 2011

With fast growing economies, Asia is poised to lead the global market in RFID too. All businesses are desirous of implementing RFID techniques as a way to reinvent themselves.

RFID World Asia serves to identify and evaluate new technologies; launch new business methods; create revenue streams and buy latest solutions. The RFID global market envisioned to grow at 28 percent between 2010-2013 is largely due to growth in the Asia-Pacific region. China, India, South Korea, Taiwan, Singapore, Malaysia and Thailand will boost this growth with rapid RFID application adoption.

This 8th annual summit is scheduled to take place between the 13th and 15th of April 2011 at SUNTEC Singapore International Convention and Exhibition Centre. Participants will gain insights into new and future RFID innovations with respect to Hong Kong, Taiwan, Japan, South Korea and Singapore.

RFID as a technique has been known since the 1940s when it was used in the military. Then came applications in animal tracking, access control and electronic toll collection. Wireless track and trace technology was developed soon after for supply chain management in Europe and North America.

Initially penetration in the Asia Pacific region was slow, but now the technology is going through tremendous growth, further enhanced by unique applications catering to various industries. Some novel industry specific applications are jewelry tracking, laundry tracking and billboard tracking. On the other hand document tracking covers many industries. In the Asia Pacific region, governments, banking sectors, finance agencies, legal firms and insurance agencies have begun to deploy RFID document technology to authenticate and control movement of documents. 

Scientific Research in China: Quantity, Good to Go; Quality, Still in the Works

BY ANURADHA SHUKLA

China, having long been one of the world's economic laggards, is today one of the cornerstones of the world economy—one of the global bright spots in a world economy that may only be just beginning to right itself after one of the worst economic crises in recent memory.

But far from it for this dragon to rest on its laurels; in a bid to further strengthen its innovative base and to boost its prestige, the country is beginning to take steps aimed at significantly increasing its capacity to conduct local scientific research.

While the country's achievements in this area are unimpeachable—just a decade ago, for instance, China was known more for its brain-drain than native expertise, as its best scientists and researchers took refuge in top scientific organizations such as MIT and Stanford—thinkers the world over say that there is truly a need for more improvements. China must aim to change some more in order to establish (or permit the establishment of) the right sort of environment in which top-quality scientific research can truly thrive.

The facts: surging ahead

China's achievements to date regarding the establishment of competitive local R&D (research and development) capacity have been quite significant. This is especially noteworthy given that in the past, the Chinese focus on boosting the capacity for top-caliber scientific research was at best far from consistent.

For example, in January 2010, The New Yorker's Evan Osnos wrote that the historical development of Chinese R&D capacity was stifled by the longstanding wariness of Chinese leaders regarding the power and influence of a scientific elite. Only in 1955 did the Communist Party push for the establishment of programs to craft nuclear weapons, which were decried and belittled by some other members of the world community considering China's limitations. However, such was the effectiveness of such programs that in a scant

nine years after these programs were begun, the country had a nuclear weapon of its own.

In recent years, similar programs have also brought about equally significant improvements in other areas of science and technology. In terms of one key indicator—the number of scientific papers published—China has improved so much, as a matter of fact, that only the United States publishes more scientific papers nowadays. Osnos says that in 1995, China was ranked 14th worldwide in terms of Chinese papers published in engineering and science journals. Less than a decade later, by 2007, the country had managed to surpass Japan and was only second to the U.S. In terms of the quality of these papers, which had improved less rapidly, Osnos says that the gap between China and the U.S. is shrinking as well. Researcher Ronald Kostoff, who had conducted research on Chinese science, was quoted by Osnos as saying that China was not yet churning out papers to the quality level of the U.S., but it was improving rapidly such that it was only a matter of time until China becomes competitive from a quality perspective as well.

In addition, Osnos also revealed that Chinese attempts to win back Chinese nationals, who fled the country in search of better opportunities in other nations such as the United States, had also begun to meet with success. A 1994 program known as the "100 Talents" program was launched with the intention of luring top scholars back with funding and prestige. Between 1998 and 2004, fully nine hundred of these scholars agreed to return to China.

In a January 2010 article, The New York Times profiled one of these scholars, Shi Yigong, a molecular biologist formerly of Princeton University where he operated a large laboratory with an \$2 million yearly budget. On top of his existing connections, Dr. Shi had also been awarded a \$10 million research grant by the Howard Hughes Medical Institute in Maryland. However, he took the world by surprise when he turned down the grant in favor of the deanship of the Life Sciences Department in Tsinghua University in Beijing.

In addition, such top thinkers as economist Thomas Friedman have said that in other indicators, China is improving as well, and very rapidly in some cases. For instance, Friedman said in The New York Times in January 2010 that China led the world in terms of the sheer number of students in technical universities and colleges—a whopping 27 million. In addition, he said, more and more Chinese students who were educated in foreign universities were electing to return to China and either set up their own businesses or work there.

These significant achievements have borne fruit for China in terms of actual scientific progress. Today, as pointed out by Osnos, China stands head and shoulders above most of the world in terms of many scientific and technological expertise and R&D capacity indicators. For instance, China is one of just six nations that are working on decoding the human genome (and is the only developing nation in this very select group). Second, says Osnos, in 2003, China became only the third nation (after the USA and the former USSR) to put

FACTOIDS

- *The Telegraph* reveals that the number of peer-reviewed academic papers published by Chinese researchers has risen 64-fold over the past three decades.

- Key to developing China's scientific-research expertise is partnership with other experts. A report by the *Financial Times* says that almost 9 percent of Chinese-based papers has at least one co-author based in the USA.

- As reported by the *New York Times*, China's R&D investments currently amount to 1.5percent of the country's gross domestic product. By comparison, the USA invests 2.7percent of its GDP in R&D.

a man, astronaut Yang Liwei, into space. Last, in 2005, China became the world's top exporter of such electronic devices as digital cameras, laptop computers and mobile phones, nudging the United States into second place.

Finally, as quoted by The New York Times in its January 2010 article, the Georgia Institute of Technology released a 2008 study claiming that within the next ten to 20 years, China would be more capable of leveraging its research and development expertise to create world-leading services and products by commercializing innovation processes.

Dissenting opinions and criticism

The case for upcoming Chinese primacy in the scientific research market, however, is hardly an open and shut one. Even some of the proponents for its future success admit that despite the massive amount of resources it has dedicated towards revolutionizing its local scientific and technological industries and improving its R&D capacity, the country still struggles in many key areas. For instance, The New York Times points out that no Chinese-born scientist has ever managed to win a Nobel Prize for research conducted in a facility located in mainland China, although some have won Nobel Prizes for work in Western facilities. In addition, while the country has seen significant improvements in the number of patents granted, in 2008 the country ranked just 10th in the number of patents granted in the United States.

Second, such organizations as the Institute of Scientific and Technical Information of China (ISTIC) distinguish between scientific strength and scientific influence, saying that China's rapid scientific and technological rise has not been accompanied by a corresponding uptake in its scientific influence worldwide—or impact on other nations' scientific developments. In its report entitled "An Assessment of China's Position and Impact in the Scientific World", published in the first quarter of 2010, the ISTIC ranked China 4th in national scientific strength out of a total of 19 countries—but only ranked the nation 13th in terms of worldwide scientific influence.

In an interview conducted by the Global Times magazine with Zhao Zhiyun, ISTIC's vice director and the report's principal

researcher, the agency differentiated national scientific strength and global scientific influence by saying that the former was measured via a combination of factors such as public education expenditures, R&D spending and university enrollment figures, and the latter by such indicators as the number of memberships in international scientific societies, frequency of citations in international academic journals, and number of famous scientific awards received. The ISTIC found that despite its large investments in R&D, the quality level of the research produced in China was not high enough for Chinese research to be influential.

ISTIC dug further, discovering that the primary reason for the lack of top-quality work was that in the current stage of development of the Chinese system, the quality of papers produced was adjudged to be of secondary importance to the sheer quantity produced. The ISTIC thus recommended a change of government thinking, as well as the evaluation systems—most especially those utilized to measure innovation and determine winners of awards.

In addition, some findings are suggesting that the relative lack of legal and ethical constraints vis-à-vis more strictly regulated environments such as those in the West have been a factor in China's success—the "flip side" of greater research freedom and capacity to bring about innovation. An article in the Washington Post, published in June 2010, details some of the challenges both researchers and the country as a whole face. Despite its key recent developments, China is considered weak at innovation. In addition, some international scientists view some Chinese government practices as unrealistic and requiring improvement. For instance, the Washington Post article cited the Chinese Ministry of Science and Technology's requirements for researchers to develop medicines, issued in 2008, which gave said researchers five days to work on grant applications and two years to create 30 medicines for clinical trials.

In a nutshell, boosting the quality of Chinese research through revolutionizing evaluation systems and improving the regulatory environment are being seen by many experts as surefire ways for China to truly build its scientific and technology competence, and, by doing so, truly take its place among the world's top nations. ☞☞

COMPANIES MENTIONED IN THIS ARTICLE:

- **Tsinghua University**
www.tsinghua.edu.cn

- **Georgia Institute of Technology**
www.gatech.edu

- **Institute of Scientific and Technical Information of China (ISTIC)**
www.istic.ac.cn

- **Massachusetts Institute of Technology (MIT)**
web.mit.edu

- **Stanford University**
www.stanford.edu



Technology Makes Education, Health the Evergreen Business

BY YASHIKA DHINGRA

The last quarter of the 20th century has seen radical changes in Southeast Asia.

The entire set up of the Southeast Asian countries have undergone transformation and have been the center of attention of many significant countries throughout the world. Just the way technological advancements have affected the entire world, the Southeast Asian countries have not been spared either.

In fact, it can rightly be said that technological advancement has made education and health evergreen businesses in Southeast Asia. Southeast Asia is developing fast and is drawing the attention of many important nations.

Education has been revolutionized by computers and the internet. Schools are vastly affected with the onset of computers. Both teachers and students find it easier and more interesting in imparting and grasping knowledge, respectively. Moreover, with computers, a fun element gets added making curriculum a lot more interactive.

With interactive audio-visual presentation through power point slides, students learn through interactive practices. Text books being replaced by computer-based learning systems have evoked greater interest and have made education a booming industry. The novelty added to the learning systems with incorporation of computers and technological add-ons is making education go a long way towards becoming an evergreen industry.

The internet acts as a huge source of information and resources. It is a potent tool for acquiring and imparting knowledge. By putting the search items in search engines, students can get access to a world of knowledge and information effortlessly within a few seconds. Enhancing one's knowledge base has become so convenient with the coming of the internet.

A great deal of improvement in the education business has come into practice with the emergence of online edu-

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- More and more schools and colleges are coming up with newly-designed curriculum to attract a greater number of students. Even with medical units, technological advancement has increased the pace of the establishment of new clinics with modern equipment.

cation and business. The technology age has opened doors to a new world of endless opportunities and information helping the knowledge seeker to up-grade themselves and the education institutes, mainly the online ones, a greater scope to prosper.

The effect of technology on the health sector too has been commendable. The conventional system of maintaining the records and documentations of patients in the form of papers and physical files has been replaced by computer databases. This has made the job not only convenient, but a lot more systematic and flawless.

The invention of various medical equipments, as a direct result of technological advancement, has taken the health care sector to new heights of success and progress. The clinic and hospitals equipped with the advanced tools and apparatus draw the attention of more and more patients, since people are hardly ready to compromise with health and wellness.

The internet has brought a revolution to the field of health care. With a few quick clicks, doctors are able to update themselves and come up with new ways to treat their patients. Even patients are getting access to the contact details of reputed treatment centers from the comfort of their own homes.

The advancement of technology has thus made the health care sector flourish and continue prospering with the help of new trends and discoveries. The new techniques applied in treatments convince the patients and provide them with ample amenities. Thus technology truly has made education and health an evergreen business. ☞☞

(3P) Solutions for Korean Peninsula

BY M.M.GOEL



As a silent spectator and awakened academic, of strong convictions from India, I am strongly motivated to express my opinion with a full sense of responsibility on the issue of concern for the community of the world.

It hardly takes any convincing to any one who matters, that we need a Productive, Practical and Proper (3P) solution for the North Korean Nuclear Stand Off, in order to gain Peace, Progress and Prosperity (3P) on the Korean peninsula.

Mutual trust and cooperation is the core mantra of the 3P formula to solve the nuclear crisis on the Korean peninsula.

Successfully implemented, the 3P formula can lead to Peace, Progress and Prosperity on the Korean peninsula. This takes the original peace formula from 3P to 6 P.

Given the grim reality of the damage a nuclear war can do on the Korean peninsula and the wider Asia Pacific, there is a strong case for learning to live and work together instead of in constant confrontation which can lead to very dangerous consequences. North Korea does not necessarily need to worry about the combined military strength of the USA and South Korea as one can survive, even if one is weak and meek, by becoming unique. Given the geographical position it is located in, North Korea can become unique in the region in its economic and political model.

I honestly believe that the long term gains from the abandonment of a nuclear program by North Korea will be much more than they can see today. It will generate faith and confidence in the region.

Both Koreas should make sincere efforts to resolve issues of conflict without any further delay. They should sit together for discussions with open minds. Peace overtures sent by South Korea in the recent past should be taken in good faith by North Korea. During my short stay here I found there is genuine desire for peace among South Korean people with North Korea. There is a lot of scope for infinitely, faithful and sincere relations between the two countries if North Korea gave up its confrontational path. It should be kept in our minds that 'work in good faith works' in any field of relevance.

I honestly believe that the long term gains from the abandonment of a nuclear program by North Korea will be much more than they can see today. It will generate faith and confidence in the region. The basic fundamentals of the North Korean economy, which needs to be strengthened to meet the challenges of FEAR (False Evidences Appearing Real), can be dealt with more effectively in coop-



eration with regional countries.

It should be clearly understood by North Korean leaders, that it is not the economic factors but the non-economic factors that are becoming more important to facing any kind of challenge in this 21st century integrated world.

The abandonment of North Korea's nuclear program would be a wise choice with far reaching and long term implications including the new emerging leadership in North Korea gaining a new respect from the global community.

The North Korean leadership, with innovative thinking and open minds, could do wonders in changing the mind set of all the stakeholders in and outside North Korea.

To be effective at both a domestic and international level, North Korea needs good governance at all levels of operation in the economy meaning SMART administration: Simple, Moral, Accountable, Responsive and Transparent.

The core of the 3P formula for peaceful negotiations is always the greater cause.

It should be remembered by the leadership of North Korea that the need of the day is for intensive collaboration among all regional countries.

North Korea should not feel desperation of any kind due to the US involvement, which will prove a blessing in disguise in the long run, in keeping peace and stability in this fast changing region.

The socio-economic gains of cooperation will be immense for whole region. For example the chances of a land transportation network project connecting Tokyo (Japan) and London (UK) with grand business opportunities for all can be maximized if peace prevails on the Korean peninsula.

The idea of the 'North Korea Bank for Reconstruction Development' is not a bad idea to resolve the issue of urgency with unconditional support of stake holders, particularly that of the international financial institutions.

The writer conveys Good Luck to the leadership of North Korea and humbly appeals, with folded hands, for a concrete plan of peaceful action for the current urgent issues. Peaceful coexistence and unification with South Korea is the best option for North Korea to solve both its short and long term problems. [A-P](#)

The writer is ICCR Chair Professor of Indian Economy, Graduate School of International & Area Studies, Hankuk University of Foreign Studies, Seoul.

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