

# Path to greatness

**Stephen Bird** believes wary investors are overlooking Asia's underlying strengths, which will see it dominate a world that is globalising, urbanising and digitising apace

Asia's corporate earnings are running some 20 per cent higher than their peak levels before the global financial crisis began; indeed, they are outperforming their US peers, which are running 12 per cent higher over the same period. Yet, Asia's stock markets are languishing 30 per cent below their pre-crisis levels, whereas the US stock market is actually up 1.5 per cent.

On a valuation basis, Asia appears to be trading at a significant discount. Valuations in Asia excluding Japan have been higher than now 72 per cent of the time in the past 39 years. In fact, 12-month returns have been positive 65 per cent of the time. Clearly, investors are fearful right now and may well be losing sight of the long-term fundamentals that are driving Asia and rebalancing the global economy.

Asia is, of course, attractive. Half of the world's population call Asia home and the strong growth of the past 20 years has seen Asia's share of the world economy double to 27 per cent. By the middle of this century we expect Asia, led by China and India, to account for close to half of the world's gross domestic product, with North America, Europe, the Middle East and Africa dropping from around two-thirds to nearly a third. By 2030, we are forecasting China and India to be the largest and third-largest economies in the world.

Investors appear to doubt whether Asia will succeed in achieving an economy that matches its share of world population. Yet it is exactly the higher expectations of this population that will continue to drive growth in this part of the world. The "genie" of an expectation of higher living standards has been let out of the bottle and cannot be put back in.

The defining trends of this century – namely globalisation, urbanisation and digitisation – are likely to continue to reshape the way we live, work, socialise and consume services. Already, more people have been lifted out of poverty by these trends than ever before in human experience. It is precisely the speed and scale of this progress, together with the pervasiveness of the internet, that has created such a direct comparison for those other members of society who have yet to benefit from these trends.

Firstly, globalisation. Asia now accounts for close to 10 per cent of the MSCI global index, a doubling in five years, and we think it will double again in the coming decade. Asian companies now account for 181 companies in the Fortune 500 and this region now accounts for over 40 per cent of all global trade, a doubling in

the past decade. Asia's global share of corporate revenues has doubled to 25 per cent in the past 10 years.

The Boston Consulting Group's most recent survey of the top 100 "global challengers" from the emerging markets showed that 50 of the companies to watch with revenues over US\$1 billion were from India and China. The region's share of global mergers and acquisitions is now 25

**Digitisation has already transformed, and made redundant, many traditional business models**

per cent – a tripling since the start of the century.

Asia's corporate champions are making a significant impact on the global financial and economic landscape. The common factors driving the expansion of these companies include the thirst to secure natural resources, an ambition to acquire leading-edge technology and an imperative to move up the value chain.

Secondly, urbanisation. About 30 per

cent of the world's GDP is already concentrated in 150 cities – of which Asia accounts for close to a third and we will see several hundred million Chinese move to cities in the coming decades.

China's new president, Xi Jinping (习近平), says this next phase of urbanisation will be a major economic growth driver. China's cities will mature and develop the necessary services infrastructure to support the education, transport, health and retirement needs of its citizens, and this development will expand the consumer proportion of China's economy.

This century is already looking like one that will be dominated by the rise of the emerging-market consumer. Asia is home to a large and fast-growing affluent segment. China and India combined account for around 100 million households with income over US\$10,000 a year. This is expected to grow. By 2025, it is predicted that China will have 260 million middle-class households with higher expectations than any generation before them.

Citi estimates that, by 2020, three-quarters of incremental consumer spending will come from emerging markets. That same year, consumer spending in Asia is expected to overtake North America. Just a year ago, the number of people with assets over US\$100 million in Asia surpassed North America for the first time ever. China is also expected to be the world's

largest credit card market by the end of the decade.

Perhaps the most pervasive trend, though, is digitisation. It has already transformed, and made redundant, many traditional business models, affecting everything from how we take pictures, buy music and movies, consume news, compare prices, shop and pay for services. It is changing banking forever.

Nearly 5 billion people are using mobile phones, with over 60 per cent in Asia. Consumers are increasingly paying for services via a combination of mobile devices and digital wallets. All companies need to "digitise or die".

As we look forward across this region, there are certain to be headwinds along the way, and these summer markets are testament to that. But Asia has learned lessons from its own crisis of the late 1990s. Relatively low personal debt levels and some of the lowest government debt-to-GDP levels in the world bode well for Asia's ability to cope with this turbulence and continue on its path to a greater share of the world economy.

Of course, investing when others are fearful takes courage and staying power, but the broad preponderance of evidence supports the view that the world will continue to move east and this century will indeed belong to Asia.

Stephen Bird is CEO for Citi in Asia Pacific



## Men of action

**Su-Mei Thompson** says men who do support gender equality can do a better job of promoting it – both at work and at home. Here's how

When Warren Buffett issued a rallying call recently for men to champion the advancement of women, the world took note. Exhorting fellow men to get on board, he said the prospect of unleashing the talent of 100 per cent of America's human capacity made him an unbridled optimist about the nation's future.

Prominent leaders around the world have also been championing the cause. In Hong Kong, the 30 Per Cent Club of mostly male business leaders in support of bringing more women onto corporate boards has signed up 50 prominent members since the initiative was launched in March.

It seems that the gap between Mars and Venus may be narrowing and men are emerging as the new feminists. But what exactly does a male champion need to do to drive change within his organisation?

Here are some suggestions based on research by The Women's Foundation.

First, don't assume everyone gets it. Male champions need to be able to "sell" the cause of gender equality. There are a lot of progressive and sympathetic men who are quiet supporters of increased gender equality but don't want to speak up. They must. It helps to have relevant data at their fingertips – for example, the extent to which women are under-represented in a particular sector. This will help "sell" the idea to naysayers.

Secondly, companies need to shift their focus to changing the men, not fixing the women. The real obstacle to the advancement of women in most companies is not the women – it's the existing leadership mindset, culture and styles. Male managers need to realise that the environment they think of as a meritocracy may not be quite so equitable, and should be encouraged to seek feedback from their teams about their management style and whether this is inadvertently preventing or discouraging female colleagues and subordinates from speaking up or advancing their careers.

Third, while a lot is being written about unconscious biases, which undoubtedly exist, emphasising this aspect seems unduly negative. Much better to be like Buffett and position gender balance as one of the century's most obvious business opportunities – it's not just the women, but everyone wins because greater gender balance has been proved to improve the organisational culture, performance and the bottom line.

Fourth, companies need to spend time and money building skills among their leaders and managers – male and female – to ensure they are adept at managing and celebrating the differences women and men bring to the table.

Last but not least: Sheryl Sandberg is famous for exhorting women to make their partner a real partner, and women do need to get better at motivating and encouraging their partners to do their share of the childcare and housework. If nothing else, there is a substantial body of research indicating that active fathering makes for happier and brighter children. In results-oriented Hong Kong, that fact alone should persuade men to shoulder their fair share – or at least a greater share – of the childcare responsibilities.

Su-Mei Thompson is CEO of The Women's Foundation. This article is part of a monthly series on women and gender issues, developed in collaboration with the foundation

## Hong Kong must exhaust all other options before building third runway

The Airport Authority recently ran newspaper advertisements to pave the way for its plan to build a third runway and engage the public over the ongoing environmental impact assessment of the project.

I have always objected to a third runway, mainly because the airport still has not fully utilised the capacity of the existing two runways. Building a third runway is not only a waste of resources; it will also seriously affect the nearby natural environment.

The problem stems from the fact that the director general of civil aviation is trying to play safe and has thus limited aircraft movements to 64 flights per hour for the two-runway system. By 2015, aircraft movements are expected to reach 68 per hour.

This is way below international standards. Take Heathrow for example. Its two runways handle up to 80 aircraft movements per hour.

If only Hong Kong could shake off its conservative management mindset, the airport could almost certainly immediately increase its runway capacity to reach international standards. That way, we could save resources and wouldn't need a third runway.

In fact, when the airport was still under construction, a British aviation consultant set the hourly aircraft movements at 75. But civil aviation chief Norman Lo Shung-man said aircraft movements could only reach 68 by 2015, rejecting what the consultant had said.

What could be the reasons for these restrictions? One is that our airport cannot increase the hourly aircraft movements due

**Albert Cheng** suggests ways the Airport Authority could raise its handling capacity, not least by better co-ordinating its airspace traffic



to our restricted airspace. In other words, the airspace congestion problem is not caused by a traffic bottleneck on the runways, but by the limited airspace.

Former civil aviation chief Albert Lam Kwong-yu said previously that the Hong Kong and national aviation authorities had already reached a

**Hong Kong needs development, but not ineffective development**

consensus on how to manage the airspace to the north of the airport. But the current chief appears to have rejected this consensus and chosen a regressive path instead.

That's why we should look again at the option of expanding air space in the north.

I also wonder about the Airport Authority's motives for building a third runway. It seems motivated by a sense of grandeur, rather than practicality, and is looking to expand to secure its existence.

A third runway won't really resolve the problem; even this

new runway would not be fully utilised.

Another reason why the runways are underutilised is the lack of professional talent. The civil aviation department blames a lack of locally trained air traffic controllers for not being able to raise the number of aircraft movements.

This is a rather backward-looking attitude. If we have a shortage of controllers, why not recruit overseas professionals? With more air traffic controllers, we can boost runway capacity and the airport would be able to handle more aircraft movements.

Lo and his department just seem full of excuses and are resistant to change.

Another point worth focusing on is synchronising our computer communication system with that of the mainland aviation authority. Hong Kong uses the American Raytheon system at the air traffic control centre, while the mainland uses the French Thales system.

If we can synchronise our computer systems, no doubt we would be able to further enhance communication and help boost traffic capacity.

I am not blindly objecting to airport expansion, but cost effectiveness is important.

At present, our airport is rather busy and congested mainly because of a lack of areas to park aircraft. To resolve this, we don't need a third runway,

but rather a third terminal to increase parking spaces.

With the mainland's rapid economic development, the role of Hong Kong's airport as an international aviation hub will gradually diminish, as it is replaced by the airports in Guangzhou and Shenzhen as economic expansion focuses on the Pearl River Delta.

Even if our airport is not replaced completely, the shift of focus will lessen our role and competitive edge. That's why building a third runway would be ineffective and would only create a white elephant.

Hong Kong needs development that ultimately turns into wasteful white elephants and stirs public opposition and discontent.

We should focus our resources and strengths to further enhance our development advantages. We need to always be one step ahead in our mindset to remain in a leading position. To increase our competitiveness and advantages doesn't mean expansion.

A sensible approach is to increase our airport's hourly aircraft movements to 75 and build a third passenger terminal as soon as possible. Big is not always effective – substance is far more important.

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## Who is behind cyberattacks on pro-Beijing groups?

**Lau Nai-keung** says they raise questions about outside interference

Last week, the Facebook page of the pressure group Voice of Loving Hong Kong was suddenly deleted. This was the fourth similar incident in recent weeks, after the shutdown of the pages of three other groups, including Caring Hong Kong Power. The Voice of Loving Hong Kong suspected foul play and reported it to the police as a type of cyber-bullying.

There have been rumours that Facebook and the CIA were behind it all. To most rational citizens, such conspiracy theories may seem too far-fetched. But in the current political atmosphere and after the Edward Snowden saga, anything is possible.

For one thing, this is not going to ease the tension and mistrust between the opposing political camps, at a time when debate is beginning on constitutional development leading to universal suffrage in 2017.

This type of cyber-bullying has become a common occurrence against pro-establishment websites and web pages. I, for one, have been a victim for more than a year; there are statements circulating online calling for a concerted attack on a site associated with me.

To target a Facebook page, all you need is enough internet users complaining about certain postings. As for attacking a standalone website, there are ready-made programs that can generate thousands of visitor hits on a website in a very short time frame, jamming the

server and the bandwidth leading to an instant shutdown. I was told this is a very simple trick to most geeks, and it is also available in the market for a small fee.

From my personal experience, the police are usually quite reluctant to take seriously complaints of this type of cyber-bullying. To them, as long as no one gets physically hurt and no property is damaged, there are other more urgent things to attend to. They are also wary of getting tangled

**Facebook has to come out from behind its array of servers and be answerable to the public**

up in political disputes because they don't want to be seen as taking sides or be accused of political persecution.

But in the latest case, the Voice of Loving Hong Kong would not let it go. Once the incident was in the public domain, the police couldn't ignore it. The whole pro-establishment camp is closely monitoring developments.

Facebook has been put on the spot. It has an office in Hong Kong but is hiding somewhere in "an undisclosed location". As the most popular social media in Hong Kong with huge

advertising revenues, this secrecy is uncalled for and makes things all the more suspicious; so much so that Facebook is not available on the mainland.

In the aftermath of Snowden's revelations, as a socially responsible American multinational operating in Hong Kong, Facebook has to come out from behind its array of servers in data centres and be answerable to the general public. Is it part of the American hegemony that is not only compromising our privacy, but also intervening in the internal political strife?

Whatever statement Facebook makes, however, it will not clear the doubts in the back of many people's mind, not least among Beijing's decision-makers; and it does not bode well for the implementation of universal suffrage in 2017, under the spectre of external interference which President Xi Jinping (习近平) has emphatically warned against.

These internet bullies have made a big mistake and it is going to backfire. Once we have made it known that we have had enough, I am sure such bullying activities will die down, at least for the time being.

Another sure thing is that we will continue to shout, louder than ever, against this brand of democracy, which has in fact proved to be fascism.

Lau Nai-keung is a member of the Basic Law Committee of the NPC Standing Committee, and also a member of the Commission on Strategic Development