

## Panel Discussion on Global Investment Opportunities

### “Investment Opportunities Galore” But How Real is the Global Recovery?

The consensus of one panel of distinguished speakers on 20 January at the Asian Financial Forum 2010 in Hong Kong was that the global economic recovery was under way, and that it was being led by Asian countries.

This would result in plenty of new investment opportunities, particularly in China and other emerging economies, but also in developed nations. However, the panellists warned, the global recovery would not be smooth, and policy makers needed to be vigilant.

#### **Emerging Markets Flex Their Muscles**

Lou Jiwei, Chairman and CEO of China Investment Corporation – the country’s sovereign wealth fund – said the worst of the global financial crisis was over, “but for things to return to the normal level is going to take a lot of time. Deleveraging is going to be a very long process.”

Noting the rapid growth of the world’s emerging markets, Mr Lou said that over the past 10 years, half of the world’s economic growth had been created by emerging markets. They have been “the major stabiliser in the global crisis,” he said, and with their growing reserves, they are increasingly looked to by developed economies for financing.

With rising middle class sectors, the emerging markets needed to shift their economic drivers from exports to domestic demand. “This is going to be a major theme in the time to come,” said Mr Lou.

#### **Stick with the Plan**

Goldman Sachs Managing Director E Gerald Corrigan, former President of the Federal Reserve Bank of New York, urged policy makers to stick with the recovery agenda.

“Even though the darkest days of the crisis occurred more than a year ago,” he said, “the legacy of the crisis in terms of swollen central bank balance sheets, large governmental capital interventions in both financial and non-financial institutions and virtually unprecedented budgetary deficits in the US, and elsewhere, remain.”

Dr Corrigan said that over the next couple of years, regulators should systematically monitor risks to financial systems and introduce higher and more rigorous capital and liquidity standards for financial institutions.

In terms of opportunity, he identified alternate forms of energy as “a huge, huge, huge source of new investment and new employment in just about every place in the world” and said there’s a pressing need for infrastructure investment, which could increasingly involve the private sector.

Sir David Brewer, Chairman of the China-Britain Business Council and former Lord Mayor of the City of London, said China offers plenty of opportunity for investors in an increasing range of sectors such as services, technology and pollution abatement.

“You don’t need to be a large multinational corporation to do business in China,” he said. One recent trend that Sir David noted was Chinese companies investing in Europe.

“It is vital that our markets remain open for trade and investment,” he said. “Open markets will ensure that markets recover sooner.”

### **Aftershocks**

Michael Smith, CEO of Australia and New Zealand Banking Group, who themed his remarks “Economic Recovery – Uncertainty, Volatility and Opportunity,” said the global credit crisis was “a major financial earthquake” and predicted “aftershocks” would occur in the coming year.

Mr Smith said Asia’s quick recovery had made it easy to be overly optimistic, but he sounded a note of caution.

“Although there has been a very strong recovery in asset markets over the past 12 months, that recovery has been much less apparent in real economic activity, which remains quite subdued at best,” he said.

China, India and the other Asian economies will be the engines of global growth “for a long time to come,” said Mr Smith. When people asked whether they should invest in Asia, he said he would tell them, “The question you must ask yourself is, ‘Can you afford not to?’ ”

Mr Smith added that South American economies such as Brazil and Chile, with their “amazing natural resources” are places for investors to watch.

Stuart Pearce, Special Adviser to the Chairman and non-Executive Director of the Qatar Financial Centre Authority spoke on how financial centres in Qatar and Dubai played a key role by providing access and, with their British common law systems, giving confidence to international investors.

These centres helped channel US\$63.5 billion in foreign direct investment into the Middle East in 2008, and that figure should grow “as the region attains increasing strategic significance to investors from all over the world.”

“Financial centres in emerging markets provide an essential platform for attracting new investment and creating sustainable growth,” Mr Pearce said.

### **Demand Deficit**

The Panel Chair was Victor Fung, Chairman of The Li & Fung Group and Chairman of the International Chamber of Commerce.

“I think we need to watch very carefully how demand is coming back in the economy,” said Mr Fung, adding, “I think there’s still a demand deficit.”

Until that gap is bridged, he warned, “I don’t think we’re on the road to a sustained recovery.” Dr Fung also said high unemployment rates in the West needed to come down to reduce pressure on governments to institute protectionist measures.