



Session Title: The Asian Century, but which Asia?
Date & Time: 09:20- 09:40 am
Speakers: Sridharan Nair, Managing Partner PwC Malaysia & Territory Senior Partner of the PwC SEAPEN Region

Introduction & Purpose:

Sridharan's presentation highlighted how PwC sees the world in 2050 and the macro trends in Asia Pacific on US trade and investment. It questioned whether 21st century will be an Asian century and what the Asian century means in terms of opportunities for all.

Summary of the session

While there are differing views on the Asian century, Sridharan said all megatrend commentators have talked about a shift in global economic power from the West to the East and to a lesser extent the North to the South.

He also showed some **strong arguments against the view that the Asian century will really happen:**

1. Globalisation is largely reaching its saturation point; 2. Government and cultural restrictions in this part of the world will hamper its continued sustained growth; and 3. There are various issues around populations and demographics.

On **PwC's latest model for 2017 of its report on The World in 2050**, which analyses 32 countries that account for about 85% of the world's gross domestic product (GDP), Sridharan said it focused on long-term supply side fundamentals and assumed no major catastrophes or political shifts that will hamper the global economy.

Additionally, there will be no long-term retreat into protectionism nor an **outbreak of a full-scale global trade war. As we speak, there is a question mark over it** looking at this morning's headlines which suggest that China will retaliate against tariffs imposed by the US on imports from China, he added.

The report sees the US as representing the global frontier in terms of productivity that other economies seek to catch up. US labour productivity, assumed to grow at 1.5% per annum, was used as the benchmark. Sridharan also presented some **key findings of PwC's 2017 report:**

- **E7 economies**, namely Brazil, China, India, Indonesia, Mexico, Russia and Turkey, are projected **to dominate the world's top 10 economies in 2050, overtaking** the G7 nations (Canada, France, Germany, Italy, Japan, UK and the US).
- **China will be the world's largest economy** by a significant margin while **India will edge pass the US** into second place and Indonesia will rise to fourth place by 2050.
- The world's economy will double in size by 2042 and grow at an average annual rate of 2.6% between 2016 and 2050, largely driven by the emerging markets and developing countries with the **E7 economies growing at an annual rate of almost 3.5% over the next 34 years.**

He said the shift of economies to emerging markets would be fueled by their fast-growing population, which will in turn boost domestic demand and increase the size of their workforce.

Risers and Fallers

Of the 21 emerging countries in PwC's latest report, nine are from Asia. Based on the size of their economies in 2050, China is top followed by India, Indonesia (fourth), Pakistan (16th), the Philippines 19th, Vietnam (20th), Bangladesh (23rd), **Malaysia (24th)** and Thailand (25th).

Asia's share of global GDP will increase by almost two-fold between 2016 and 2050. The EU and the US's share of world GDP is expected to fall to around 9% and 12% respectively by 2050 while China and India's will rise to around 20% and 15% respectively.

- We expect to see China, India and Indonesia in the lead and some other emerging markets take centre stage by 2050 depending on their long-term progress on structural reforms.
- Vietnam, Indonesia and the Philippines will be the fastest risers in terms of GDP. Malaysia's modest growth will continue to firm over the next few years.

The PwC also touched on the trends in Asia regarding US trade and investment, particularly China and India, and where Southeast Asia (SEA) stands.

Sridharan mentioned that SEA is often mistakenly marketed as one region. The assumption that it operates as one is clearly not the case for those who have been operating in this region. Cultural disparities are common in this region where 1,000 languages and dialects are spoken. He said US former Vice President Hubert Humprey's statement that the culturally diverse SEA is also rich in trouble remains "fairly valid" until today.

On where do US businesses sit where China's Belt and Road Initiatives (BRI) is concerned, Sridharan replied, "Our view is that **while China is a dominant player in the region and a large trade partner for many countries, this is not an absolute given. The region is still open for business with any one.**

"There have been long historical relations with nations like the US and the UK. There is no reason to suggest that nations will exclusively do business with one country as oppose to another. So, it is open for business.

"It is a question of how countries and businesses localise, look at works in the region, adapt and compete against one another to fulfil the potential in this region and broader Asia as well."

To strengthen his argument, he quoted Jack Welch, GE's former chairman and CEO, "You can't reach of a point of maturity when there's so much potential with that sort of size and consumer needs and spending."

On how international businesses can position themselves then, he replied, **"They need to be patient enough to ride out the short-term socio-economic and political ups and downs that will inevitably occur in emerging markets as they move towards maturity.**

“So, patience is part of that and **being able to localise and adapt**. Failure to engage these markets because you are risk adverse to these ups and downs will eventually mean you missed out on the opportunities where it is expected the bulk of the future economic growth in the world will come about.”

Takeaway from the session

- Is the Asian Century going to be a reality? Some of the answers lie in the PwC's 2017 report on The World in 2050, which lists the winners (E7) and losers (G7)
- Risk of an imminent global trade war.
- Shift of economies to emerging markets
- Opportunities for business in Asia open to all.
- International businesses advised to be patient, localize and adapt themselves to the changes in emerging markets.