News Release

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Asian middle-class to drive growth

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Changing demographics and the growing development of a middle-class in East Asia will help drive new growth, analysis at the World Economic Forum on East Asia suggested. In the long term, key sectors for Asian economies will include consumer finance, healthcare, education, green business and infrastructure.

While governments will continue to play an important role, private-sector participation will be critical, business and government leaders at a plenary session on the second of the two-day 18th World Economic Forum on East Asia agreed.

" The young, middle-class population will be the driving force in Asian countries, " Hoang Trung Hai, Deputy Prime Minister of Vietnam, said. The arrival of a billion more middle-class consumers will speed up the shift of East Asian economies from focusing on export-led development to more consumption-driven growth. " Asian countries will have to adjust their export-led model to reduce dependence on the global economy, " he added.

Looking beyond the global economic crisis, leading sectors that will drive fresh growth include consumer finance, healthcare, education, green business – especially green energy and technology – and infrastructure, reckoned Dominic Barton, Shanghai-based Director of McKinsey & Company. While governments will continue to play a major role, private-sector participation will be critical. " The public-private partnership will be most important, " remarked Barton. Added Michael ByungJu Kim, Founding Partner, MBK Partners, Republic of Korea: " For what are essentially market problems over the long term, there have to be solutions coming from the market [driven] by private enterprise. "

After all, governments have limited resources, Hoang Trung Hai noted. " There is no way that the government of Vietnam alone could spend its budget on all these sectors. While the government develops the right framework and legal system, it is encouraging the private sector to participate even in areas where it might be difficult for the private sector to do so. " Governance and leadership are therefore key factors for East Asia to succeed in driving new growth. Addressing the immediate impact of a crisis is one thing; planning for the long term is another.

" Managing a crisis is very different from investing for future growth, " explained Kim Jeong, President, Bell Labs, and Executive Vice-President, Alcatel-Lucent, Alcatel-Lucent Bell Laboratories, USA. " Growing a business requires a different mindset. " Collaboration and innovation will be critical for companies to succeed, he argued.

Investors will be attracted to markets in which they have confidence, explained Max Burger-Calderon, Senior Partner and Chairman, Asia, for Apax Partners in Hong Kong SAR. " The money goes where it feels it can also leave again. If you create a framework where you are led in but not led out, then the money isn ' t going to flow. " Another crucial factor that will foster investor confidence: freedom of thought. " Is [East Asia] able to develop into a region of freedom of thought where you can express yourself without jeopardizing your position? " asked Burger-Calderon. In the US, free discussion of the causes of the crisis has led to the shaping of solutions that should allow the US economy to re-emerge in a stronger position. " In this region, you don ' t find that yet, " Burger-Calderon concluded.

Over 350 participants from 35 countries are participating in the World Economic Forum on East Asia, which ends today. The meeting has been held in partnership with the Federation of Korean Industries (FKI) and the Korea International Trade Association (KITA).

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