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Panel: Future of Asian Capitalism (GB3)

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Talking Points for: Steven Kargman, Kargman Associates

1. As is well known, many of the major emerging economies in Asia have experienced very robust and dynamic growth over the last decade—indeed, the Asian financial crisis of the late 1990s seems like a distant memory—but if there is continued sluggishness in the global economy in the coming years, this promises to test the resiliency of these major emerging economies in Asia.
2. The resiliency of these economies will turn in large part on whether these economies have put in place the systems and practices that allow economies generally to surmount financial and economic challenges in an effective and timely way.
3. And this raises a number of questions about the capability and willingness of these economies to act in a decisive and commercially oriented manner reflecting internationally recognized best practices.
4. For example, will the Asian emerging economies be prepared to deal with what is certain to be a rising tide of corporate defaults and a growing stock of non-performing loans in their banking systems?
5. Will the Asian emerging economies be prepared to face head-on the challenges of financially troubled state-owned enterprises, or will they try to paper over the difficulties of these SOEs when these SOEs experience financial distress?
6. Will the Asian economies address these myriad challenges in a commercial, market-oriented way or will they, as was too often the case in the late 1990s, revert to

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protecting vested interests at the expense of investors and creditors, especially where those investors and creditors are foreign?

7. The major Asian emerging economies have truly gone global in recent years—particularly as they have tapped the global capital markets in a very significant way—but if and when these economies face serious financial and economic challenges, will these economies and their companies abide by global standards and practices or will they fall back on local practices and standards designed to protect local interests?
8. Many of the major Asian emerging economies have enacted far-ranging reforms to their commercial law regimes in the post-Asian financial crisis world to conform more closely to international standards—reforms such as new, more reorganization-oriented insolvency laws—but will these Asian economies ensure that these laws are implemented and enforced in a straightforward and transparent manner? And will the local courts in these jurisdictions be a help or hindrance in this process?
9. The challenges likely to face Asian emerging economies and companies in the coming years will likely put the spotlight on corporate governance issues and practices, but will corporate governance concerns be given short shrift as unfortunately has too often been in the case in the past or will putting in place world-class corporate governance standards, including among things the establishment of robust auditing systems, be considered a top priority for corporations so that these corporations can truly serve the best interests of all of their stakeholders?
10. In short, the coming period could determine whether the major Asian economies will be able to go from strength to strength based on a solid foundation of strong systems and international recognized best practices designed to help corporations and economies address and surmount financial and economic challenges, or whether these

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TALKING POINTS

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economies will founder when they encounter the inevitable financial and economic challenges that are posed by slower economic growth.

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