DBS ASIAN INSIGHTS CONFERENCE 2015

IGNITING POSSIBILITIES
FOR THE ASIA OF TOMORROW

Living, Breathing Asia

DBS

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DBS ASIAN INSIGHTS CONFERENCE 2015

POST CONFERENCE REPORT

IGNITING POSSIBILITIES
FOR THE ASIA OF TOMORROW

The DBS Asian Insights Conference 2015 brought together top government and business leaders from around the region to discuss the new social, economic, and political dynamics that are shaping the Asia of tomorrow. Singapore's relevance in the next 50 years; the impact of change and reform in China, India, and Indonesia; the digitalisation of the regional business landscape; and Asia's transition to clean energies are some key developments that are already challenging the way business opportunities are seized and transforming the way investment decisions are made.

Highlights of the event included a keynote by the President of the Republic of Singapore, Dr Tony Tan Keng Yam, as well as the DBS Asia Leadership Dialogue between former President of Indonesia, Dr Susilo Bambang Yudhoyono and DBS Group CEO, Piyush Gupta. Distinguished speakers from the region included: Professor Wang Gungwu, Chairman of the East Asian Institute; Ho Kwon Ping, S R Nathan Fellow for the Study of Singapore; Sabrina Peng, President of Alipay International and Ant Financial Services Group; and Goh Swee Chen, Chairperson of Shell Singapore.

With more than 1,000 top management executives, private investors, and thought leaders in attendance, this was an excellent platform to build relationships and exchange ideas. As a bank born and bred in Asia, DBS prides itself as knowing Asia best.

CONTENTS

06 WELCOME
PIYUSH GUPTA
Message from Piyush Gupta, Chief Executive Officer, DBS Group Holdings and DBS Bank.

08 PRESIDENTIAL KEYNOTE ADDRESS
DR TONY TAN KENG YAM
PRESIDENT OF THE REPUBLIC OF SINGAPORE
Keynote address from President of the Republic of Singapore, Dr Tony Tan Keng Yam.

12 PLENARY SESSION ON SINGAPORE
FUTURE-PROOFING SINGAPORE'S RELEVANCE
As Singapore celebrates its jubilee, three experts outline what needs to change so that Singapore can remain relevant for the next 50 years.

18 PLENARY SESSION ON ASIAN GIANTS
IMPACT OF CHANGE AND REFORM
Three eminent country specialists assess the reform roadblocks faced by the new leaderships of China, India, and Indonesia; and offer their perspectives on how to overcome these obstacles.

24 PLENARY SESSION ON DIGITAL ASIA
CAN ASIA BE THE SOURCE OF GAME CHANGING INNOVATION?
Asian businesses excel in the re-thinking of base business models but how would they score in creating new ideas to harness the technology drivers of today? Industry players weigh in.

32 PLENARY SESSION ON ENERGY
IS ASIA AT A CLEAN ENERGY TIPPING POINT?
An energy revolution could be underway as cheaper and better clean energies emerge. Energy researchers and professionals examine whether Asia will make the switch to clean energy.

38 SPECIALIST CLINIC
CHANGING FACE OF SOCIAL ENTERPRISES
Corporate engagements with social enterprises used to be about just providing financial support. But this is changing as high impact social projects are catching the eye of corporations, say experts.

70 CLOSING REMARKS
PETER SEAH
Message from Peter Seah, Chairman, DBS Group Holdings and DBS Bank.

INSIGHTS INTO INDONESIA

44 ASIA LEADERSHIP LECTURE
TOWARDS INDONESIA 2030
With a rising middle class that cannot be ignored, former President of Indonesia, Dr Susilo Bambang Yudhoyono, offers his assessment of Indonesia's future.

56 ASIA LEADERSHIP DIALOGUE
DR SUSILO BAMBANG YUDHOYONO
FORMER PRESIDENT OF INDONESIA
The DBS Asia Leadership Dialogue brings the region's most influential thinkers for a candid discussion with Piyush Gupta, CEO of DBS Group Holdings and DBS Bank, on the pressing issues affecting our region, as well as broader afield. This year, former President of Indonesia, Dr Susilo Bambang Yudhoyono, shares his insights on the challenges and opportunities in Indonesia, and their impact on the Asia of tomorrow.

WELCOME

Welcome to the DBS Asian Insights Conference 2015 in Singapore. This year, we take a forward look into the key themes driving the Asia of tomorrow. For the past decade, the Asian growth story has been driven by three powerhouses – China, India, and Indonesia. How these countries continue to transform and transition will have significant impact on the rest of Asia and the world. Megatrends such as digital innovation and adoption of clean energy will also dramatically change the way we live, work, and play.

As Singapore turns 50 this year, we join the rest of Singapore in celebrating the country's many successes. Singapore has transformed itself from third world to first in one generation and is one of Asia's most famous success stories. With our roots as the Development Bank of Singapore, we have been an integral part of the Singapore story.

We are delighted to be joined by Asia's foremost government, business, and thought leaders who will discuss the exciting possibilities in the region as it continues to transform and mature. We are especially honoured to have Dr Tony Tan Keng Yam, the President of the Republic of Singapore, to grace our conference and provide the keynote address.

We are confident that the insights shared will ignite new business and personal investment opportunities for you.

Piyush Gupta

Chief Executive Officer
DBS Group Holdings and DBS Bank

KEYNOTE ADDRESS

DR TONY TAN KENG YAM

PRESIDENT OF THE REPUBLIC OF SINGAPORE

This year we mark Singapore's 50th year as a nation, with celebrations culminating in our National Day Parade in less than a month's time.

As we commemorate this milestone, we reflect on Singapore's developmental journey and remember the pioneers who made possible our achievements in 50 years of nation building. This is also a time to look forward to making Singapore an even better home for ourselves and future generations of Singaporeans.

From the earliest days of our history, Singapore has leveraged on our favourable location at the confluence of important trading routes joining Europe in the West, through India and Southeast Asia to China and Japan.

More important, Singapore is open to the world – be it in goods, services or talent. Our openness has allowed us to ride the wave of global growth over the decades and build a strong economy that supports our social and national development.

While the advanced economies of the US, Europe and Japan continue to be our important trading and economic partners, Asia's economies have been growing in significance and will continue to do so into the future.

Among Asia's economic giants, China is already the world's second largest economy. India is projected to become the third largest by 2030. While China's growth has slowed in recent years, the economy is two and a half times larger today than it was just ten years ago. Closer home, the ASEAN economies of Indonesia, Malaysia, Thailand and the Philippines are projected to grow by at least 4% per annum on average.

The Asian Development Bank projects that by 2030, the sum of the GDP of China, India and ASEAN in purchasing power parity terms could even exceed that of the US and Europe combined. Asia's growth will continue to create significant opportunities for corporations, institutions and individuals in the region and beyond.

The financing needs of companies and individuals in Asia will grow as the region develops. Infrastructure investment needs alone are estimated to amount to almost US$8 trillion over the ten-year period to 2020. There is tremendous opportunity for financial institutions to help mobilise Asia's large pool of savings and provide capital market solutions to meet these financing needs.

Asia's growth will expand the ranks of the region's middle class. In ASEAN, the middle class is projected to make up two-thirds of the population by 2030, compared to around a quarter in 2010. This will spur demand for a wide range of goods and services. The demand for modern services, such as education, telecommunication and tourism, is likely to grow faster than the increase in income.

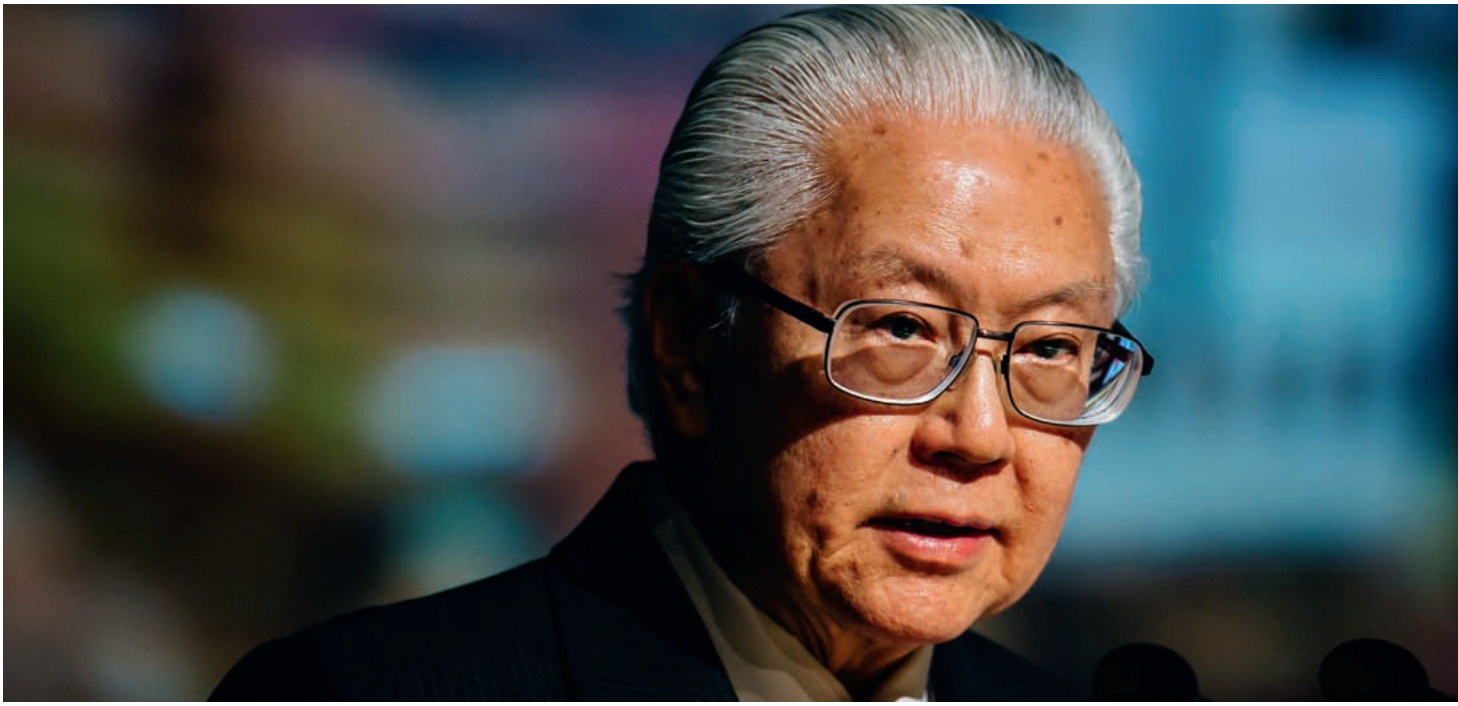
We can expect to see more international businesses expand their footprints in this part of the world. The growth of markets in the region also provides opportunities for home-grown entities – whether established brand names like DBS, SingTel, and Keppel Corporation, or SMEs – to establish and grow their presence in the region.

I note that this conference will not only consider the bright prospects of Asia, but will also be looking into the challenges facing the region. Indeed, one must not assume that the path ahead will always be smooth sailing.

In spite of the fast-growing wealth in the region, people living in poverty in Asia account for more than 40% of the world's poor. Asia is experiencing rural-urban migration and an increase in the number of densely populated megacities at unprecedented levels.

There is increasing recognition that environmental issues such as air pollution and other urbanisation related issues such as affordable housing, congestion and sanitation must be managed carefully for sustainable growth and development. Governance must improve and investments in social and public services stepped up in tandem with economic growth so that a broader base of the peoples in this region can experience improvements to their well-being and livelihood.

Regional connectivity can further unlock the potential of Asia but this involves coordination on cross-cutting issues such as development of intra-regional infrastructure and harmonisation of customs and other standards across countries. This will require much political will, especially



given the different governance, economic and legal systems of the countries in the region, which are at various stages of development. Several integration efforts such as the development of an ASEAN Economic Community are making good progress and it is important that regional integration efforts continue to broaden and deepen.

Ladies and gentlemen, we can expect the continued rise of Asia in a changing global economy and we must position ourselves to navigate the emerging landscape in the region.

Singapore is a natural gateway for international firms looking to access Asia, and for Asian businesses to access the world. Our financial ecosystem is diverse and robust.

The World Economic Forum has ranked Singapore second worldwide for financial market development. Singapore has for several years been ranked by the World Bank to be the best place in the world to do business. Many of the world's biggest multinational firms have set up their corporate headquarters in Singapore.

But we must not be complacent. To ensure that we can continue to benefit from Asia's growth and dynamism, Singapore must build on our competitive advantages, remain open and adaptable to change, and evolve to stay relevant to the region and the rest of the world.

Ladies and gentlemen, it is indeed a pleasure for me to address you this morning. I congratulate the conference organisers for putting together a comprehensive programme aimed at helping participants gain useful insights into Asia and enabling them to better contribute to and benefit from the region's development.

I wish you all a fruitful meeting. Thank you very much.

FUTURE-PROOFING SINGAPORE'S RELEVANCE FOR THE NEXT 50 YEARS

As Singapore celebrates its jubilee, there are many factors both at home and abroad that are disrupting the way of life we have grown accustomed to.

Three experts tell Tan Su Shan, Group Head, Consumer Banking & Wealth Management, DBS Bank, what needs to change so that Singapore can remain relevant.

DBS

'Survival is a foregone conclusion... I think the bigger danger for Singapore, economically and globally, is whether we'll lose our relevance; whether we'll become a second-tier city-state, as opposed to first-tier," warned Ho Kwon Ping, S R Nathan Fellow for the Study of Singapore.

To stay relevant, Singapore needs to deepen its strength in areas it is already proficient in, such as aviation, life sciences, and hydrocarbon processing, said Ho. This would require a very targeted approach, which is not central planning by any means, but neither is it letting the marketplace take its course. It has to be a mix between the two, which requires very careful strategic planning, together with a clear recognition of global market forces.

TAN SU SHAN

Singapore's knowledge-based economy, which helped transform it from a third-world to first-world country in a short span of 50 years, is also facing global competition, observed Ngiam Tong Dow, former top civil servant. "The only way for us to survive is to raise our productivity."

Unfortunately, the city-state's productivity rates have been stagnating, retreating 0.8% in 2014, falling far short of the government's target of 2-3% productivity growth over a ten-year period to 2019. To turn things around, Ngiam, who is currently an adjunct professor at the Lee Kuan Yew School of Public Policy, National University of Singapore, said the charge needs to be led by CEOs who are willing to get on the ground to show their staff how to do things better, not just give orders from their corporate offices. He cautioned, "If you don't change this mindset, I think our productivity will just be zero."

The adoption of technology has also been hailed as the key to increase productivity, though it often results in job losses. However this may not play out the same way in Singapore, where the domestic labour crunch is weighing on growth. "This is an economy with full employment, yet our local companies are not adopting technology fast enough," lamented Dr Beh Swan Gin, chairman of the Economic Development Board (EDB).

Ho, however, noted that the problem with slowing productivity is not exclusive to Singapore. "Productivity is, in fact, a two-tiered question. We can actually increase productivity relatively easily in the relatively low-skilled areas. In the more high-skilled areas, you are not getting big productivity increases and that is worrying around the world."

The small domestic market has been a challenge, not just for local businesses looking to expand, but also for entrepreneurs. "If we expect that we are going to have entrepreneurs who are going to be of a global scale – and

> The bigger danger for Singapore... is whether we'll lose our relevance; whether we'll become a second-tier city-state

HO KWON PING

I certainly hope we will – we have to recognise that we do not have that immediate access to a global market," said Ho. "If you put a Steve Jobs in Singapore, it will be harder for him than if he were in Silicon Valley."

But he sees a type of entrepreneurship that has succeeded in Singapore – long-time employees of multinationals who leave the company to become a supplier to their former employers. "[This] is a form of entrepreneurship that feeds into the food chain of the Singapore economy very well."

Amidst the challenges facing the city-state, there are also opportunities that Singapore can tap on. "Digitisation will be one huge growth opportunity and Singapore is moving fast in this space," highlighted Beh. "The second one would be robotics, artificial intelligence. And this will have an immense impact on sectors like manufacturing and even in the delivery of services."

Tweaking Public Policies

Besides changing the way we do business, the panellists also acknowledged that policy adjustments would be needed for Singapore to progress.

DR BEH SWAN GIN

> This is an economy with full employment, yet our local companies are not adopting technology fast enough

The country's civil service is one of the highest paid in the world and it is not just the taxpayers complaining, but employers as well. While this attracts the best talent into the service and deters corruption, Ho pointed out that the salaries need to be tweaked as it is leading to a brain drain for the private sector. "There's this huge sucking noise of the best talented people going to the civil service… and that does hurt the private sector. Because either we have to keep up with salaries – which are quite high – or you have perhaps an overbalance, or a hollowing out of the best and brightest in Singapore, all going to the public sector. And that may not be good for Singapore in the long run."

Ngiam echoed the same sentiment, "We must spread our talent through the economy, through society... If you just keep them within the government, in the long run, [they] become an elite, become fossilised."

The former permanent secretary to various ministries, including the Prime Minister's Office, suggested changes to the current public service scholarship programme so that the needs of the people could be better addressed. "When a young scholar comes back, he should not be sent to the Ministry of Finance's Treasury division and be the regulator. He should really be sent to the EDB, or the Housing and Development Board, and serve an internship of maybe a year to learn the problems on the ground. Unless the civil servant knows the problems on the ground, he will become just a regulator."

Meritocracy has served Singapore well, evening the playing ground for its citizens. But it is time to rethink the concept of meritocracy, urged Beh, to one that tolerates failure and recognises talents in different ways, not just through academic grades.

"The reason why I'm bringing this up is in the way we are selecting civil service leaders, where in the past, it has been very much emphasis on the intellect and analytical skills.

Today that's not enough," revealed Beh. "We are also looking for civil servant leaders who have different sorts of skills — the ability to connect with the ground, the ability to understand issues, and the ability to rally the people around them. Going forward, these need to shape how we conceive meritocracy."

Hope for the Future

In order for Singapore to future-proof itself over the next 50 years, there is an urgent need to empower and strengthen the civil society.

"There are aspects about civil society in Singapore today that are not strong enough, because the only way you can maintain a cohesive society against political change, against socio-economic change, is to ensure that the fabric of that society is kept intact by many different players at much more different levels rather than just the old paradigm of the governed and the governors," explained Ho. "It is going to be a lot more self-government and participative democracy by itself… much more collaborative and that's going to be the challenge for Singapore."

Although the number of senior citizens is set to double to 900,000 by 2030 and is estimated to reach 38% of Singapore's total population by 2050, the panellists are upbeat about the future and the generation coming up. Ngiam opined that Singapore's young people work much harder than the pioneer generation did. Another distinction between today's youths from the earlier generations is that they want to make a difference and do good, added Beh.

"Today's generation is passionate about the future, they have a greater sense of self-agency than we had. They don't wait for the government to do things for them, they don't blame anything on the government, they take the initiative," said Ho. "This is the generation that I see coming up in Singapore today, one that I feel very, very encouraged by."

NGIAM TONG DOW

Unless the civil servant knows the problems on the ground, he will become just a regulator

SEBASTIAN PAREDES

WHAT IS THE IMPACT OF CHANGE AND REFORM IN CHINA, INDIA, AND INDONESIA?

Sebastian Paredes, CEO of DBS Bank Hong Kong, is joined by three eminent country specialists to assess the reform roadblocks faced by the new leaderships of three of Asia's largest emerging economies and offer their perspectives on how to overcome these obstacles.

The big issue with China is not so much the extent or the breadth of the economic reforms it is trying to implement, but more "the fundamental credibility crisis that the Communist Party of China (CPC) is facing after years of poor practices, bad management, and widespread corruption," explained Professor Wang Gungwu, Chairman of the East Asian Institute.

He noted that in order to be successful, any reform process requires trust and confidence from stakeholders, whether

JUSUF WANANDI

Investors have been waiting for the right signal to enter Indonesia and the president should not convey mixed signals

they are party bureaucrats, business leaders, or citizens. But among the many things Chinese President Xi Jinping inherited when he took office was "the enormous task of trying to restore the sense of mission and commitment that the party used to demonstrate."

For O.P. Bhatt, former Chairman of the State Bank Group, this sense of mission and commitment is what has allowed Indian Prime Minister Narendra Modi to sustain cautious optimism in his ability to deliver on the many promises he made during his campaign. His administration has fallen short in many areas, but it is still perceived as full of potential as it is actively pushing the country in unprecedented directions. Bhatt pointed out, "He is one of the first politicians of his class who is talking about smart cities, Digital India, Make in India, solar power, bullet trains, etc." The mere fact that Modi is articulating these ideas and setting complex processes in motion is one of the many reasons "India has a new hope in the vision that he has."

Jusuf Wanandi, Senior Fellow and Co-Founder of the Centre for Strategic and International Studies, was also cautiously optimistic about the progress Indonesian President Joko Widodo's government is making in some of its key reforms. According to him, the same reasons that got Widodo into power – his independence from the traditional political and military elite, his involvement in local politics – have turned into his main hurdles in running the country. "He does not have enough experience, enough political background on a national level," opined Wanandi.

This means there is no overall vision for the country and makes it even more urgent for Widodo to put together a team of specialists that can make things happen. According to Wanandi, the president's main challenge will be reshuffling the current cabinet in a way that allows him to not only gain the support of members of other parties, but to "get rid of the deadwood" within his collaborators. By consolidating his leadership, he will be able to get the bureaucracy to cooperate.

Reshaping Bureaucracies

Widodo's anti-corruption campaign is one of many recent factors that have led to local and national bureaucracy getting stuck. Wanandi was concerned that on-the-ground administrators are not disbursing the budgets they have, preferring to keep the money in the banks instead of making decisions to get things moving. Crucial infrastructure projects, for instance, are making little to no progress because no one at the top is deciding on the best course of action. "Decisions have to be made and because of the limitations of the government, it is not working."

Wang observed that similar efforts to curb corruption have been beneficial in restoring public confidence in the CPC, but an endless fight against corrupt officials can have unintended consequences and paralyse the reform agenda. "If you continue to say that many of your top leaders are corrupt, how are you going to build confidence in this new team? How will you recover the sense of faith in their ability to deliver?"

Indeed, there is a risk that a big part of the administration will be pressured into inaction, and unwillingness to venture out to make changes will spread. In such a context,


O.P. BHATT

Wang wondered, "How can a system be reformed if top administrators are holding back, are unsure of how far to go, are waiting to be told what to do?"

Overcoming Old Habits

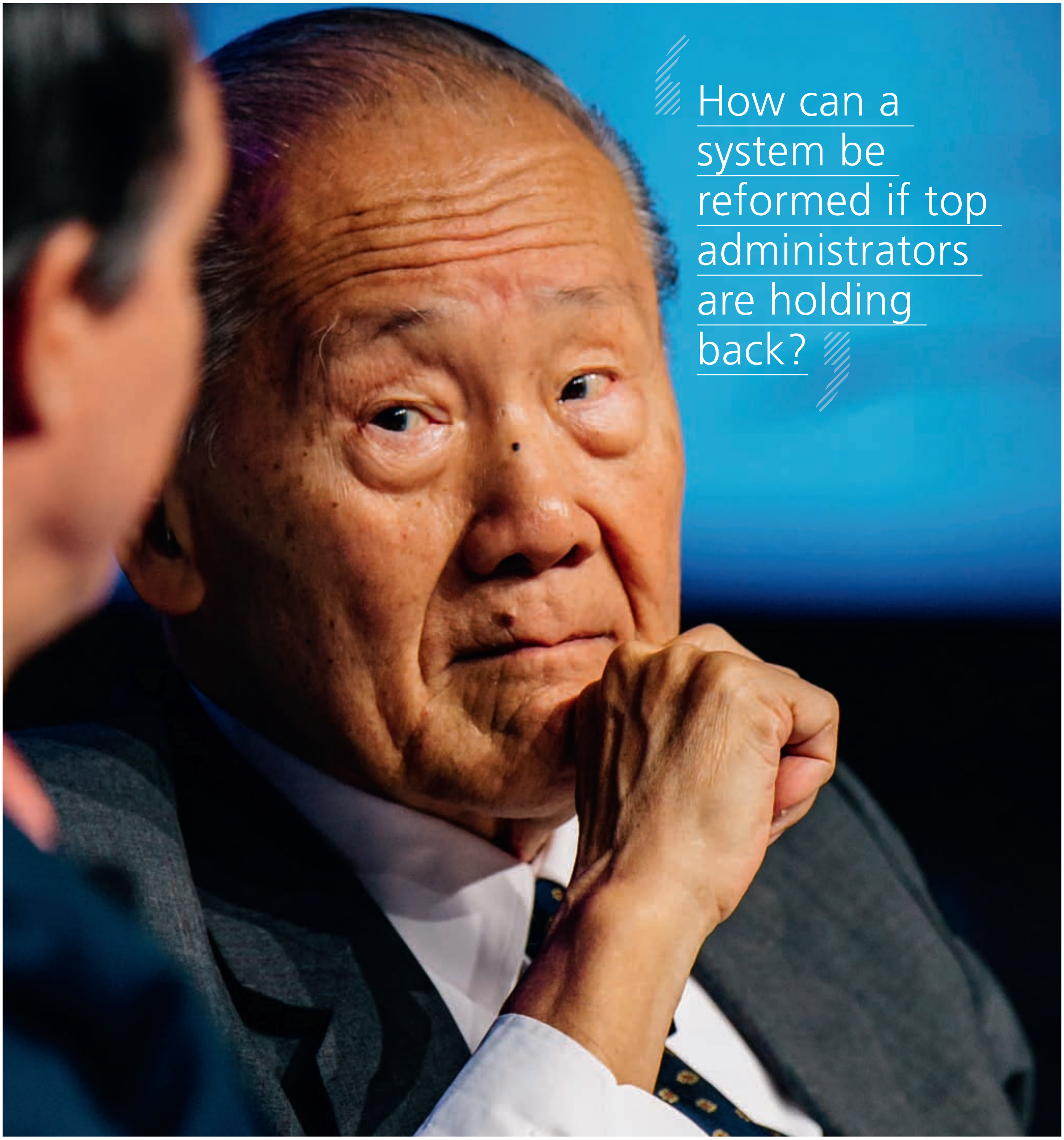
"Waiting to be told what to do." This, Wang asserted, is one of the fundamental traits of China's leadership that must be transformed if the mainland is to successfully reform parts of its economy. According to Wang, Chinese leaders have always held the belief that "the economic space can and must be controlled; the state must always remain powerful, and central supervision of everything is a necessary part of economic development." He added that they have done it so consistently and successfully that they deem this is the only way for China to develop its economy, the only way it can do so without destabilising the state and diminish the power of the CPC.

India, too, is searching for tailor-made solutions to its problems. "The main challenge India faces today," Bhatt noted, "is how to define holistic aspirations for a society that is so diverse and fragmented." Modi has been trying to address this challenge by simplifying change and making it relatable to the people; he talks about health, hygiene, banking, education, and innovation – topics close to Indians' hearts. Bhatt believes that Modi is "possibly the only Prime Minister who is not only trying to make economic choices, but explains the context and the rationale behind these choices."

In Indonesia, the current environment of party politics, parliamentary compromises, and bureaucratic resistance is nothing new. That has kept national and foreign investors on the sidelines to see which direction the new government will take and which decisions will eventually become policies. "Investors have been waiting for the right signal to enter Indonesia and the president should not convey mixed signals," warned Wanandi. Widodo must first overcome these complex internal obstacles before he is able to transform the many pending projects into drivers of economic development.

Many of the current transformations taking place in China, India, and Indonesia are only the first step in each government's multi-pronged and long-term reform process. A process that is particularly difficult when the underlying assumption in all three cases is that the visions defined by their respective leaders can somehow lead into a much-awaited and much-deserved position of global influence.

For more insights on China, India, and Indonesia please visit **go.dbs.com/research** and download:
Modi One Year On: Up to the Task?
China: Defining the New Normal
Indonesia: What's Holding Back Growth?
For a list of recent Asian Insights Reports see page 74.



PROFESSOR WANG GUNGWU

DIGITAL DISRUPTION

PIYUSH GUPTA

CAN ASIA BE THE SOURCE OF GAME CHANGING INNOVATION?

Technology is disrupting traditional business models, notes Piyush Gupta, CEO, DBS Group Holdings. He sheds light on the digital disruption trend and its impact on businesses.

Disruptive tech players then join CNBC's Martin Soong for an in-depth discussion, weighing in on whether Asian businesses can create new ideas to harness the technology drivers of today.

The business change that Asian companies are driving is going to be very impactful to legacy companies in the region. And older companies, like DBS, have to be nimble and be able to play in the new paradigm, warned Piyush Gupta, CEO, DBS Group Holdings. "Oftentimes, we are victims of legacy technology, processes, and policies. But perhaps most profoundly, we are victims of our culture. We need to guide a massive culture change."

He revealed that in April this year, DBS brought together 150 DBS employees and start-ups from around the region to tackle business and societal challenges, with employees creating prototypes alongside start-ups.

DBS aimed to create a more digital mindset among its employees through experiential learning. The hackathon served as a sandbox for employees to experiment like a start-up, using lean start-up methodology and human-centred design to identify and act on opportunities quickly. It also provided start-ups with the opportunity to interact with like-minded peers, understand business realities, and showcase their capabilities.

Gupta framed the digital disruption through five fundamental forces of technology: Mobility, social, big data, cloud, and block chain technology.

Mobility: Mobile devices today have as much computing power and capacity as computers and it is changing the notion of location, observed Gupta. "Up until recently, people went to the banks to do banking. Then they started going to the ATMs. After that, they started going to their desktop. Now banking goes with them in their pockets."

Social: The second effect of change is the social or network economy, which revolutionises the concept of production and consumption. Gupta noted that Uber, the largest taxi provider in the world, does not own a single taxi; while the largest accommodation provider in the world, Airbnb, does not own a single hotel. In the banking business, the ones who provide the largest number of loans are also the ones who borrow on the side, i.e. consumers in peer-to-peer (P2P) lending.

"So who are the producers and who are the consumers? How do you create a network of production and consumption that is very different from those that existed in the past?"

Big data: The third driver of digital disruption is big data, said Gupta. Data is already ubiquitous and it is a journey that cannot be changed. He warned that every element of data is being aggregated and that the arrival of "internet of things" is imminent.

"Every mechanism, instrument, and device you own is generating data. It could be your phone, washing machine, or car. The scary thing is data about data is being generated! This is an unstoppable phenomenon."

He recognised that there are concerns about data security and recommended completely transforming the nature of the solution sets that companies are coming out with. "We see it in our business. We are finding data patterns that we do not recognise but our computers recognise them. And on the back of them, we can come out with solutions you wouldn't even have dreamed of three years ago."

Cloud: Another technology driver to look out for is the cloud. With cloud computing, it is no longer necessary to invest in mega computers and data centres to be able to access all the necessary services available. Cloud computing lets individuals, small businesses, or consumers access the services they need at variable cost and on the fly, said Gupta.

"You can turn on and off the tap whenever you want with respect to any of these services. That's the power of the cloud." Cloud computing scales up the capacity of individuals in society to leverage technologies such as mobility and big data, he added.

Block chain technology: The underlying power of bitcoins is block chain technology which allows distributed ledger keeping process, Gupta explained.

It allows millions of computers in the world, on a secured and real time basis, to keep track of value. Today, it is called the "internet of value". And he believes that the internet of value has the capacity to change our thinking of asset ownership completely.

Double Disruption

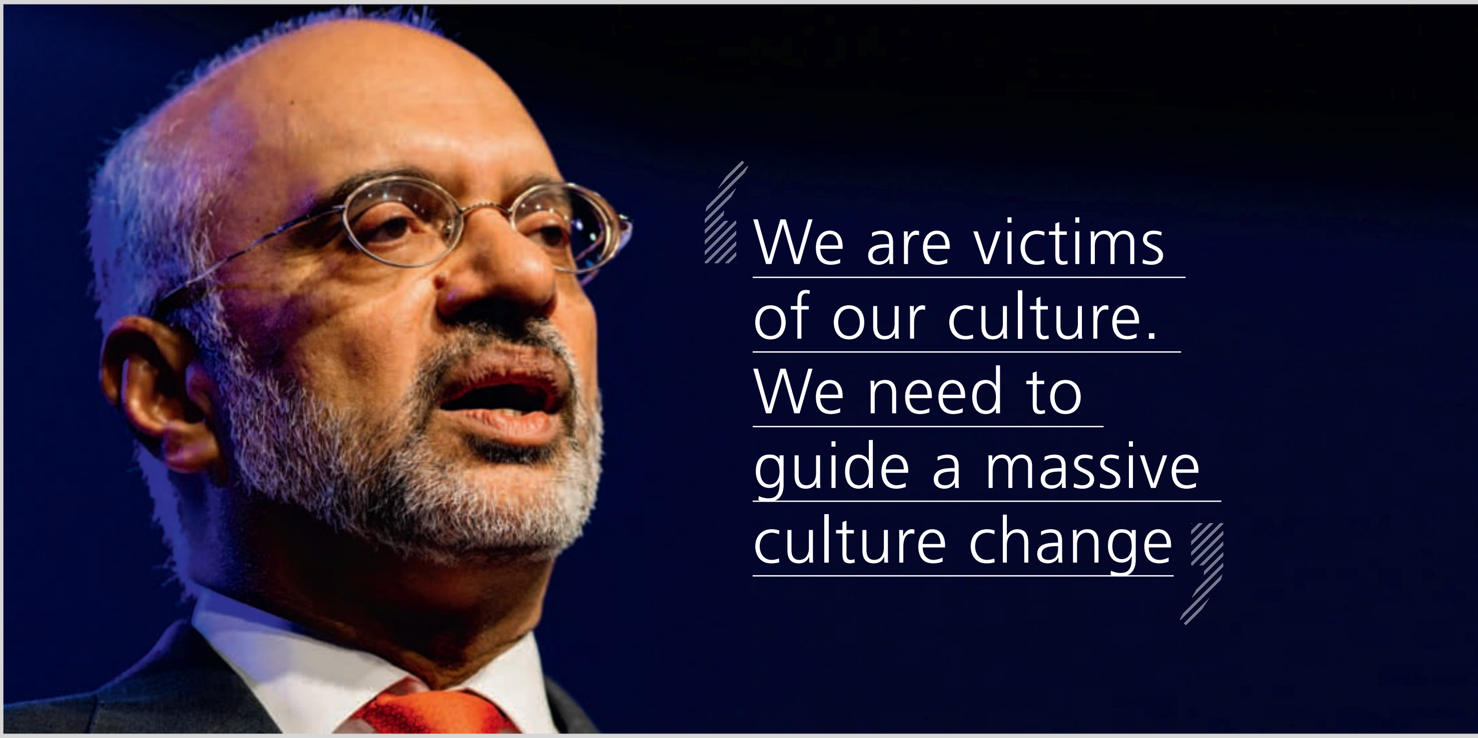
These technology drivers are changing the ecosystems of economic players, observed Gupta, calling it the double disruption. The top 14 technology companies today, including Google, Facebook, Amazon, and Alibaba, have a combined market capitalisation of US$3 trillion. And their deep pockets are seeing them pick up smaller players.

"The double disruption is even scarier because these companies are building vaster ecosystems. They are acquiring smaller companies and building massive ecosystems." One example is Amazon, which acquired Shoefitr to help consumers get the right fit through three-dimensional imaging.

He added that disruption happens when these companies are all controlled by the new ecosystem. However, the question is: Can Asian companies create new ideas?

"What Asian companies are particularly good at is re-thinking the base business models," asserted Gupta.

Although Alibaba may not have invented everything it needed, its business model – the marriage of the analogue and digital worlds – and the capacity to do e-commerce at the scale that it does, is a unique Alibaba invention, he pointed out.



DEEP DIVE INTO DIGITAL DISRUPTION

CNBC anchor Martin Soong delved into the topic of digital disruption during the panel discussion. To put the discussion in context, Soong asked how the intense selling on the China stock market has impacted business.

The sharp market moves reflect the immaturity of the Chinese market, which also presents a substantial business opportunity, said Sabrina Peng, President of Alipay International and Ant Financial Services Group. The latter is focused on serving small and micro enterprises as well as consumers.

"The reason we want to provide financial services to 80% of the population is because most have not conserved their wealth well. They are thinking about getting fast money. They don't believe in the long term. They believe in opportunities," she revealed as the company saw their customers drawing out in the past several months and returning in the past several weeks.

Mitigating Risk

Soul Htite, founder and CEO of Dianrong.com, a Chinese P2P lending platform, revealed that the company was affected by the stock market movement too. In the last few months, it saw fewer people investing in the platform. However, in the last few weeks, it saw up to four times more lenders than borrowers.

"Part of our risk management strategy is to try to verify the loan purpose as much as possible. We specialise in small businesses. Someone with a contract, who has proof that he has 20% down payment and needs the other 80%, makes us feel much more comfortable."

Dianrong believes in creating positive incentives for customers to pay back their loans. When customers pay their loans on time, they are given the opportunity to borrow at lower rates the next time. Customers earn points or get ratings from Dianrong.

MARTIN SOONG

Peng added that Alipay International had recently launched Sesame Credit for small loans, which could be used to pay for the cost of visa for travelling to Singapore for example. "(The micro loans) help to build the credit foundation of China's society. The Chinese government is pleased to see this happening and wants to collaborate with us."

Through their services, both companies provide credit ratings for their customers.

However, the way Htite sees it, establishing credit ratings is not the challenge. Instead, it is the country's shadow banking system that is tripping the financial institutions. "The problem is when someone applies for a loan, the financial institution needs to know if there are other loans that have not been paid."

Dianrong noticed that when customers are refused by the bank, they jump directly to the loan shark industry. To

SOUL HTITE

SABRINA PENG

It is a mentality. It is not just a new technology and sales channel. It is the way of focusing the business around the shared economy

prevent that from happening, Htite revealed, “We work with banks so we can intercept the customer right after he does not qualify for the banking products.”

Building a Shared Economy

To Darius Cheung, founder and CEO of property portal 99.co, digital disruption is not overrated. “I think of it as enablement with technology. The fact is that everybody has a phone now and internet access. They can access information and create information all the time. This has enabled a sharing economy.”

Cheung explained that on 99.co, sellers and landlords are allowed to put up property listings. The aim of the portal is to empower more sellers and landlords to appraise, market, and manage their property.

Every industry, Peng stressed, has the potential for digital disruption because the disruption is not related to technology alone. “It is a mentality. It is not just a new technology and sales channel. It is the way of focusing the business around the shared economy.”

Htite singled out the financial industry as one of the industries where it is easier to participate in the shared economy because it is an information-driven industry.

The Asian Difference

Businesses that operate in Asia view digital platforms differently compared to their counterparts in North America, Htite said. And that lack of confidence is linked to their understanding of what P2P lending means. "Many people think internet finance and P2P is a loan product. If you don't qualify for a loan from the bank, there is a loan product called P2P. That's a mistake!"

He explained that internet finance is a logistics solution to the finance industry and can be used by banks and individuals to deploy money in a safe way. "Before Internet finance, one person could not have lent money to 15,000 people. Only a large bank could do it."

He believes the reason Alibaba is much bigger than Amazon is not because China has more people. "Amazon only had to worry about the marketplace. All their distribution channels existed. Alibaba had to build payment, services, and everything else. It became a business of building infrastructure and that is what Asia is about," declared Htite.

When it comes to information security concerns and the negative impact new technology companies have on traditional businesses, Cheung argued that digital platforms can improve productivity. "At some points, they are going to disrupt some industries. However, overall, they lift efficiency. The resources that are eliminated from one industry will get redeployed in another industry more efficiently."

In Peng's perspective, the impact of new technology companies is a case of growing pains. "Many people talk about the fake products on Taobao. But we are confident it is not a Taobao problem. It is society's problem. However, we have better tools to help with the problem because we have data," said Peng.

DARIUS CHEUNG

For more insights on the digital landscape, please visit **go.dbs.com/research** and download:
E-Commerce in Asia – Driving Digital Disruption
Beyond the Hype – Digital Start-Ups

For a list of recent Asian Insights Reports see page 74.

WILL ASIA MAKE THE SWITCH TO CLEAN ENERGY?

RONALD KAPAVIK

An energy revolution could be underway as cheaper and better clean energies are making policymakers sit up.

Ronald Kapavik, Vice President of IHS Energy Asia Pacific, is joined by three energy researchers and professionals to examine whether Asia is on the brink of a clean energy tipping point.

A clean energy tipping point is taking shape in Asia, believes Dr Philip Andrews-Speed, Principal Fellow & Head of the Energy Security Division, Energy Studies Institute at the National University of Singapore. But it is taking shape in different forms and at a different pace for each country. For the tipping point to materialise evenly in Asia, he felt, technology and the skills needed to diffuse that technology will be two major deciding factors that will have to work with societal bandwidth – the values, education, and information that make society want to get involved – to shape the viability and the longevity of the energy transition.

DR PAUL HEITHERSAY

> The government set up policy frameworks before the industry really got going and managed to standardise regulations... that worked very well for us

Goh Swee Chen, Chairperson of Shell Singapore, disagreed with Andrews-Speed; in her view, it is too premature to talk about a tipping point for the region. The optimism created by new clean technologies should not hide the reality that about 1.2 billion people around the world – a sizeable number residing in Asia – still require access to energy. For Goh, the priority should be to address the trilemma of simultaneously achieving energy security, affordability, and sustainability before focusing regional and global energy policies on the widespread use of renewable energies.

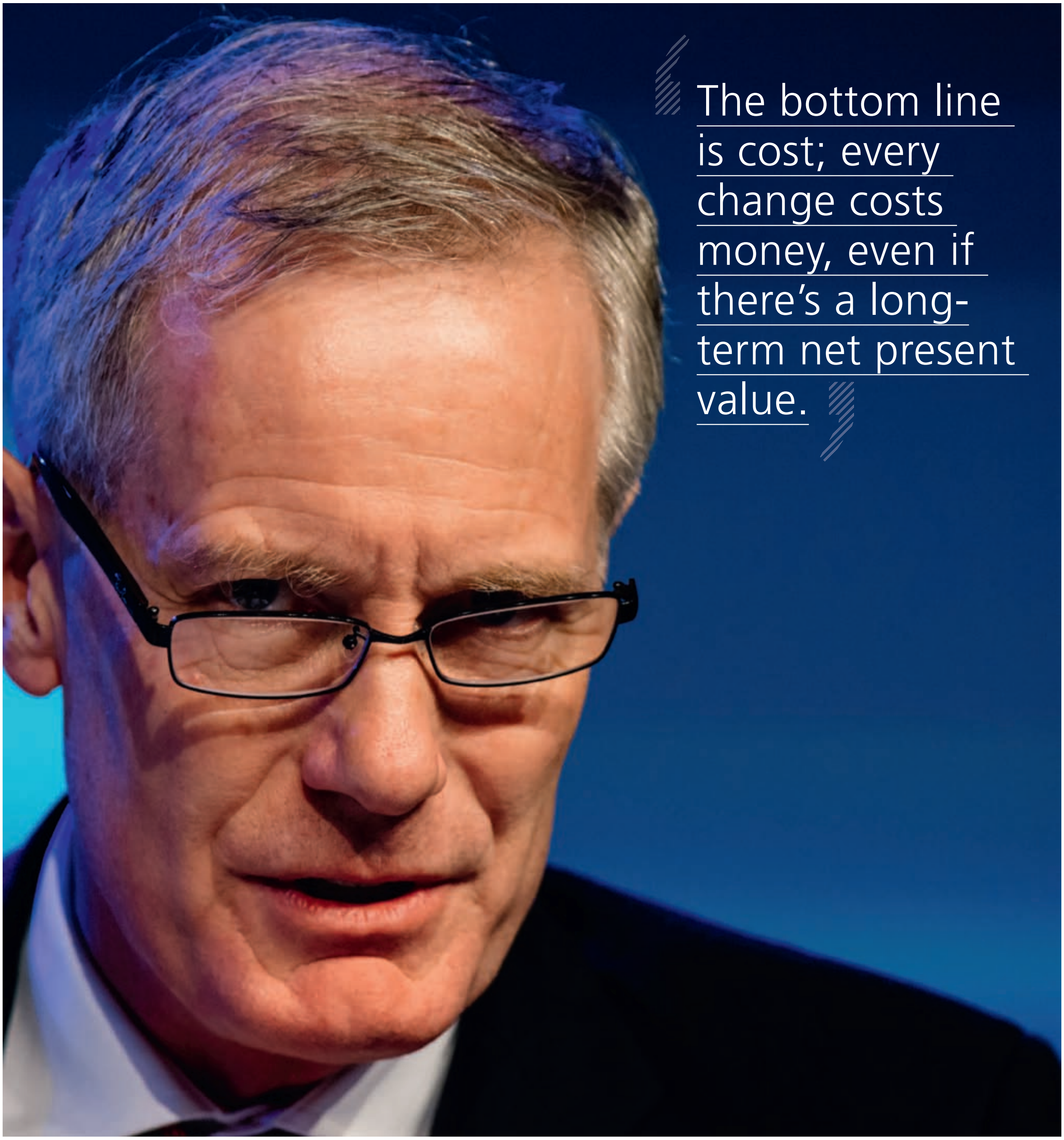
Dr Paul Heithersay, Deputy Chief Executive of the Department of State Development for the South Australian Government, highlighted the fact that being resource-rich in renewables alone does not matter much if there is no effective government leadership to make it work. Taking the example of South Australia where he witnessed the quick adoption and integration of renewable energies, Heithersay noted that policy and regulation play an instrumental role in framing and supporting the tipping point. "About ten years ago, the government set up policy frameworks before the industry really got going and managed to standardise regulations... So we got ahead of the curve a bit and that worked very well for us."

Drivers of Change

Beyond these macro issues, Andrews-Speed pointed out that localised matters such as local pollution can be a key driver behind the wider adoption of cleaner forms of energy. "If coal is killing people and people don't like it, the government is obliged to do something." The primary motivator is not climate change, but the health concerns of the people. He recounted the example of electric vehicles being tested in China and other parts of the world mainly because of urban pollution, not climate change. In this sense, both agendas of clean energy adoption and climate change reduction converge, but are not coming from the same place.

Heithersay noticed similar patterns. Geothermal energy in South Australia, for instance, used to be mainly supported by families who were concerned about what companies were doing to their immediate environment. The force of public opinion and its influence on government policy cannot be ignored, he insisted. Heithersay added that governments also play a key role in driving change, as they set the boundaries and guide the market on where it can and cannot go.

Private companies can also be drivers of change. Goh elaborated, "Private companies are ideally placed to develop new technologies to improve energy efficiency, while government frameworks and policies also have their role to play in guiding the tipping point." She cited the far-reaching effects and the very high costs of climate change as key motivations for Shell and other oil & gas companies to take action. This has led them to send an open letter to government organisations to foster discussions, in hopes of getting the different governments to reach an agreement on a consistent framework on the way carbon emissions are treated.



DR PHILIP ANDREWS-SPEED

GOH SWEE CHEN

Overcoming Challenges

Out of the many constraints working against the tipping point, cost remains the biggest stumbling block. "Regardless of the way the energy transition is brought on... the bottom line is cost; every change costs money, even if there's a long-term net present value," conceded Andrews-Speed.

The matter is particularly urgent when one knows that the International Energy Agency projects that Southeast Asia needs US$2 trillion worth of energy investment in the next 20 years. To overcome this funding issue, Andrews-Speed called on Asian countries to work together to come up with a unique business model to put all players on a common tipping point.

Besides the prohibitive costs of adopting clean energy, Goh pointed out that "there are storage, intensity and intermittency issues that still need to be addressed in order to meet the full demand for energy." Given the challenges, she believes that gas is the cleanest, cheapest, and fastest source of energy today. For her, energy demand across the whole world inevitably keeps increasing, which means the real challenge for fossil fuel players such as Shell is not so much whether clean energies will challenge their bottom line, but being able to provide more energy as cleanly and as affordably as possible.

Reflecting on South Australia's experience, Heithersay acknowledged that costs were a major concern as well. The government surpassed these worries by focusing on the many long-term opportunities renewable energy represented. "We made it an investment proposition; rather than focus on climate change, we asked is this a new economic driver? And it turned out, it is."

Kapavik concluded the session by noting that it is not yet obvious whether Asia is on the brink of a clean energy tipping point, regardless of the sector's technological readiness and economic viability. What was clear to all experts was the fact that the region simply cannot continue using or producing energy the same way it has been doing, especially when it is known well in advance that the region's unparalleled growth will lead to unprecedented energy demands, which in turn will call for exceptional measures.

The question now is whether concrete steps will be taken by private and public players to adopt the use of clean energies to power the region's economic growth.

For more insights on energy, please visit **go.dbs.com/research** and download:
Oil Prices: Where Will We Go From Here

For a list of recent Asian Insights Reports see page 74.


SG 50
Building Social Capital:
Business Engagement
with Social Enterprises
Presented by:
DBS
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CHANGING FACE OF SOCIAL ENTERPRISES

Corporate engagements with social enterprises used to be about just providing financial support. But this is changing as high impact social projects are catching the eye of corporations, experts tell Neal Cross, Chief Innovation Officer, DBS Bank.

'Be a customer. Be a *tough* customer," recommended Richardo Chua, Group Managing Director of Adrenalin Group – an events and creative agency that actively hires individuals with disabilities and youths-at-risk – when asked about emerging opportunities between private and social enterprises.

After working at the Economic Development Board for two years, Chua started Adrenaline in 2008 out of a HDB flat. Today, it organises about 150 events a year, including the Purple Parade, a carnival that encourages the inclusion and celebrates the abilities of special needs people. Regardless of its status as a social enterprise, Adrenalin strives to provide high quality service, and that's his message to the corporates – expect industry standard output from a social enterprise. Being a customer of a group like Adrenalin – tough customers, who demand perfection – is the best support corporates can provide. Only then, can social enterprises measure up to their mainstream competitors.


SUMITRA PASUPATHY

Executive Director of Ashoka Singapore – a social enterprise which acts as a support network for thousands of social entrepreneurs worldwide – Sumitra Pasupathy, has noticed a shift in the DNA of social enterprises today, where they are now "highly entrepreneurial and focused on high impact." Social enterprises' desire for high impact marries well with big corporates, who are great at achieving big impact. And it is precisely in this space of overlapping goals where, Pasupathy explained, the opportunity for partnership exists.

Taking Social Projects Mainstream

But this partnership needs to be deep for it to be impactful. "Make [the engagement] deep and make it real," exhorted Chua. He cited the example of how DBS has been an excellent partner to Adrenalin's continued existence and growth, providing support and loans for its office space and to cover its overdraft.

Pasupathy recounted how d.light, a social enterprise focusing on affordable solar lighting solutions, and Total, a big energy provider, both deeply understood the opportunity of making affordable solar lighting available throughout Africa. d.light leveraged the Total service stations network to cover the last mile to reach the communities who need it most. Started in 2011, the pilot programme was a success and now, aims to sell one million lanterns by 2015. This example shows more than corporate social responsibility (CSR), Pasupathy concluded, "it is a meeting of the minds to achieve full economic citizenship."

Harvey Koh, Managing Director of FSG, a firm that provides consultancy services to social enterprises, spoke of the effect of impactful partnerships and the success of social enterprises in general. "It opens up new markets," he said. In India, for example, there were social enterprises working on creating low-income housing that enjoyed years of success on a provincial scale. Corporates eventually saw the untapped opportunity, where a market of 22 million low-income houses could be sold in India, and got on board.

This sort of mainstreaming of a social business model into the regular business world is also observable in the world of microfinance: Microcredit establishes the market which then allows individuals to tap mainstream financing options. Echoing Pasupathy's point of the changing DNA of social enterprises today, Koh explained how social enterprises, after achieving high-impact success, would move "onto the next frontier."

Lim Kuo-Yi, Managing Director of Monk's Hill Ventures – a new US$80 million venture fund focusing on investing in technology start-ups in Southeast Asia and Silicon Valley – spoke of the increasing mainstreaming of CSR in the investment space. It has become "front and centre" when considering an investment, Lim said. Earlier, social responsibility was just a checkbox to be filled, but now with investors looking to invest in high impact products, and social enterprises' increasingly achieving these high impact outcomes, fund managers are looking more interestedly at CSR.

Of Competition and Capital

High impact successes of social enterprises draw in more investment, which results in a virtuous circle. Andrew Khoo, Director of the Food Services Division of ABR Holdings, explained how, as this sector develops, there will be more opportunities for corporates to engage. When queried about the possibility of a commercial entity collaborating with social enterprises in the same space, Khoo replied that the market is big enough for everyone to compete. He added that including more firms and social enterprises into the sector ranks could actually strengthen the sector.

RICHARDO CHUA

Make [the engagement] deep and make it real

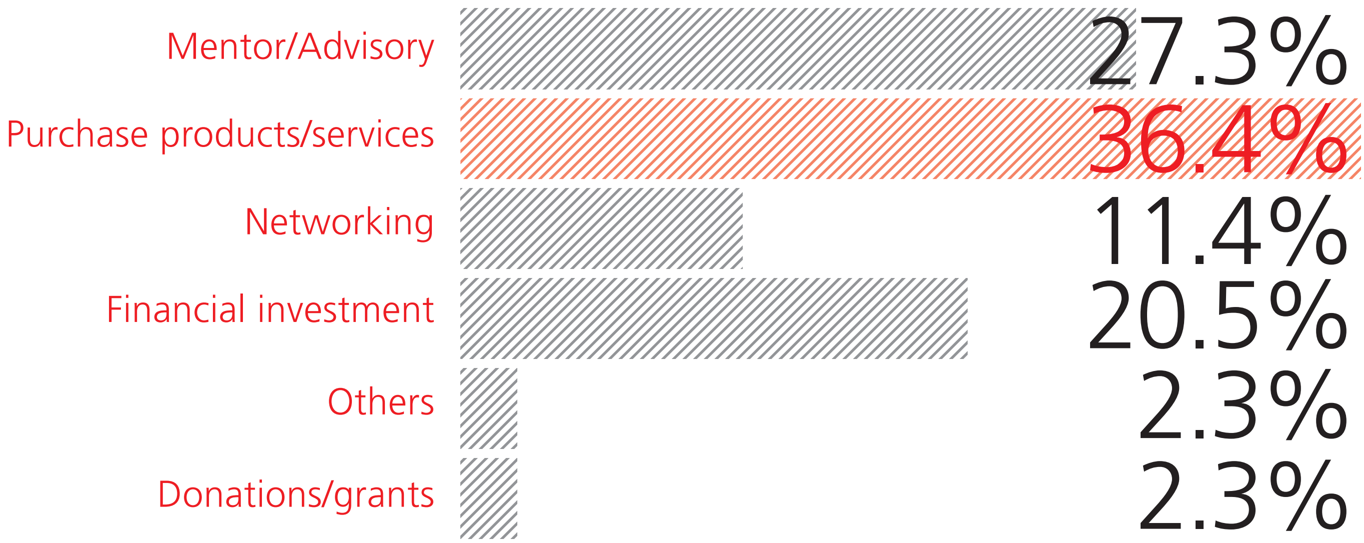
But while it is easy to seem bullish on the future of CSR and investing in socially responsible enterprises, Koh reiterated that challenges remain, the biggest one being the "pioneer gap" in investing. He spoke of how funding is available in places that are already provable and projects just need to be scaled. It is conspicuously absent in the first several stages of the social enterprise process, which includes developing and sculpting the very idea and gauging market response.

The solution is to have more risk-tolerant and patient capital available to overcome this pioneer gap, which will help enterprises turn an idea into a reality. Microfinance has scaled and has attracted global capital, but Koh reminded the audience that it took 20 years and US$20 billion in subsidies before the model gained traction.

Social enterprises are changing and their DNA is shifting as they look to achieve high impact from their projects, which in turn propels them to the mainstream. This changing nature of a more driven social enterprise sector also changes the nature of CSR. It can no longer be confined to a checkbox on an investment proposal or to a solitary wing of a corporation's operations. Social responsibility is entering the mainstream by providing high quality, high impact products. It's time to engage.

AUDIENCE POLL

In what way would you like to see social enterprises and commercial businesses interact in the future?



LIM KUO-YI

NEAL CROSS

ANDREW KHOO

HARVEY KOH


DBS

TOWARDS INDONESIA 2030 CHALLENGES AND OPPORTUNITIES

DR SUSILO BAMBANG YUDHOYONO

FORMER PRESIDENT OF INDONESIA AND CURRENT CHAIRMAN OF THE DEMOCRATIC PARTY OF INDONESIA

First of all, I would like to thank DBS, for inviting me to this significant conference.

I recognise DBS as one of the banks that shares a long heritage in Asia. In Indonesia, DBS has about 40 branches across major cities.

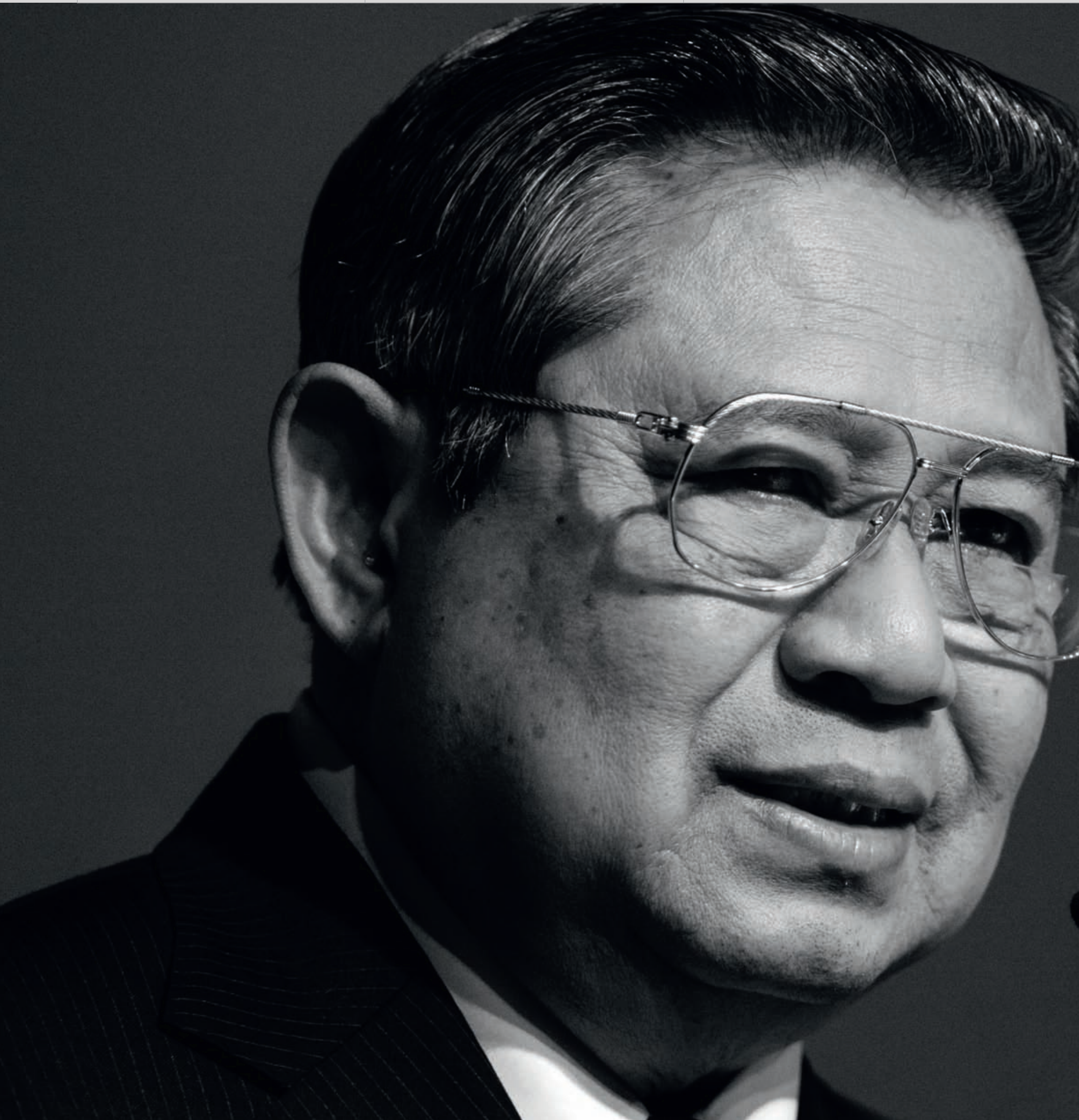
With its achievement as "Best Foreign Exchange Bank in Indonesia", DBS Indonesia has a very significant role in accelerating the country's economic development, especially in the banking sector.

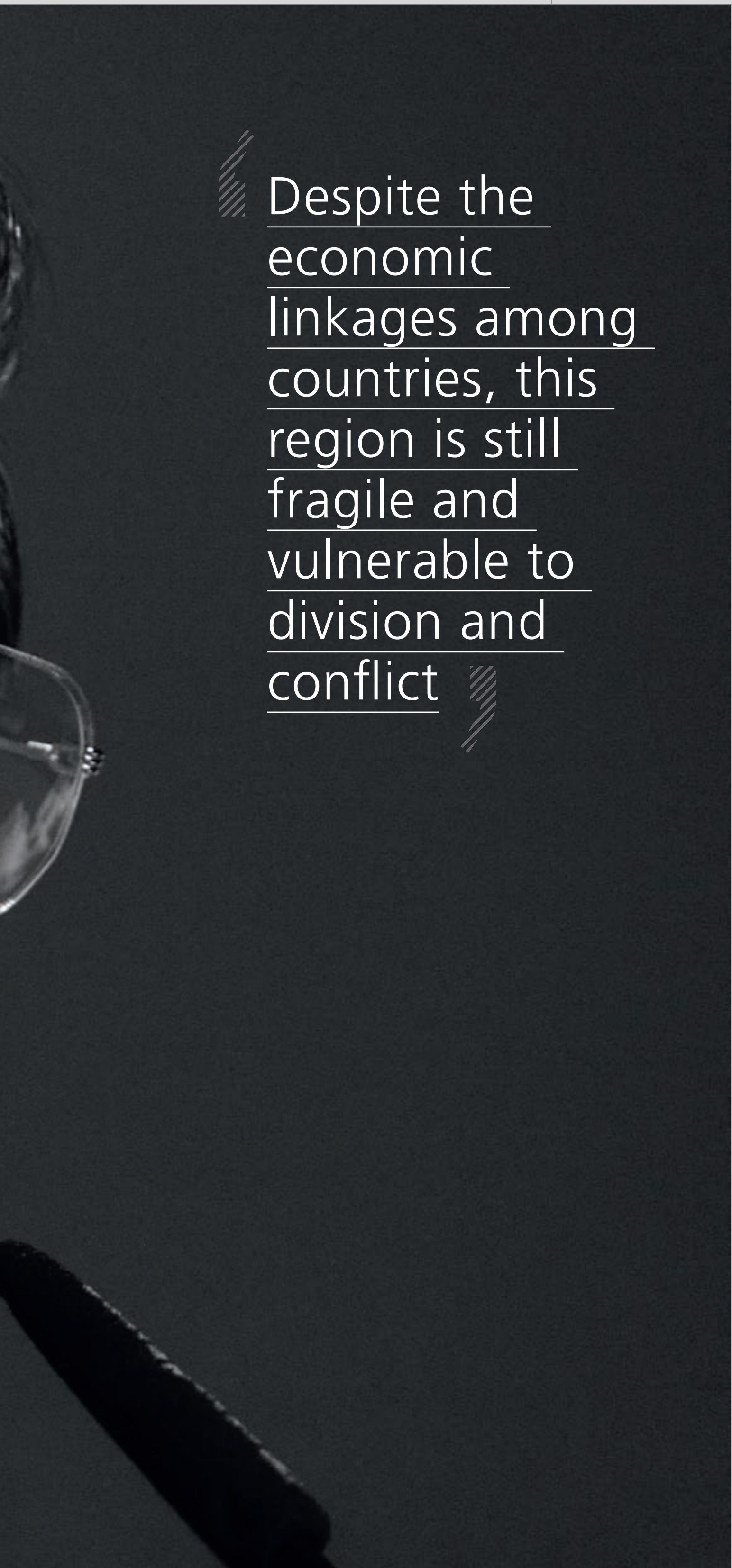
The key theme of this year's DBS Asian Insights Conference is "The Asia of Tomorrow". Indeed, we are going to experience many exciting possibilities that will surface as Asia continues to transform and develop. And I am convinced that this conference, its theme and its topic are relevant and very timely — taking into account the global and regional situation, specifically in the economic realm.

Today, I want to present my view on "Indonesia 2030: Challenges and Opportunities". I will share with you my perspective on the global and regional situation. Then, an overview of Indonesia's transformation, my prediction on Indonesia in 2030, as well as what I think will be the challenges and opportunities leading up to that time.

To begin, let me share three illustrations from my personal experiences.

When I was a Coordinating Minister for Politics and Security Affairs in 2000-2004 — if I met with a group of business people — the questions that they raised would be: How's the security situation in Indonesia? What about the threat





Despite the economic linkages among countries, this region is still fragile and vulnerable to division and conflict

of terrorism? Is political stability in Indonesia in jeopardy? The inquiries, at that time, always related to the political and security environment of Indonesia.

And then, when I was the President of Indonesia in 2004-2014 — if I encountered a group of investors — the questions that they brought up would shift to: Is there legal certainty to conducting business in Indonesia? How about the fight against corruption in your country? How's the taxation policy? They began to focus more on the economy and investment climate.

At this stage, as the former President, business leaders and investors are questioning me: What is the prospect of the Indonesian economy in 10-15 years? Where would Indonesia be, say, in 2030?

Therefore, on this occasion, I want to share with you my views, my experiences and my assessment of the future of Indonesia: Indonesia 2030.

The main takeaways of my talk are challenges that must be managed and opportunities that must be seized, especially for investors and business leaders who want to invest, to conduct business and to build partnerships with Indonesia.

The Case for Asia

Before I move into the substance of my talk, it is important to understand the global context that Indonesia faces. Many people say that there are three perspectives on the global landscape. Middle East and North Africa, recognised as the region of "disorder, turmoil and war". Europe, known as the region of "struggle for economic recovery". Asia Pacific, in particular East Asia and South East Asia, viewed as the region of "economic progress".

But I have my own views about Asia. On the one hand, yes, economically Asia is still strong. But, on the other hand, geopolitically, Asia is less peaceful nowadays.

In fact, we see contrasting realities in our region. On one hand, Asia is becoming the "engine of global growth". During the global crisis of 2008-2009, the Asian economy was resilient and remained strong. Furthermore, economic cooperation and partnership is becoming stronger and stronger, with a high degree of inter-connectedness and interdependence.

On the other hand, despite the economic linkages among countries, this region is still fragile and vulnerable to division and conflict.

Recognising and understanding all of these realities, I have two views and opinions about Asia. First, countries in the region should further strengthen their economic cooperation and integration, based on the principle of mutual benefit.

Second, the closeness and positive economic cooperation among Asian countries will be an important base to work together on to maintain peace, stability and order, and to reduce tensions in the region.

These dynamics in Asia are interesting and important but have received less attention as the media focuses on the gloomy situation in the Eurozone, particularly Greece. As Greece considers leaving the Eurozone in light of its debt crisis, global markets are becoming destabilised.

Overall, compared to this and other economic regions, Asia's economy continues to shine and grow, although there has been a decline recently. But in the long run, I predict our prospects are still bright.

It should be noted that Asia's economy is home to a combined population of 4.4 billion, representing 60% of the world's population, and a combined GDP of US$18.5 trillion, which will still continue to grow.

Within our precincts, ASEAN's economy counts a combined population of more than 600 million with a combined GDP of US$2.4 trillion, which also has the potential to grow and become even stronger.

What does this all mean when there are geopolitical challenges and occasional economic slowdowns in the region? It means that the region must be navigated with care and insight, to capitalise fully on a region that is less integrated than the Eurozone.

Despite these conditions, I predict that in 20-30 years from now, our regional economy will still be growing.

Why do I predict Asia's economy, or the economy of the Asia Pacific, will continue to grow? Because there are a number of big positive drivers, to name a few:

- A large pool of human resources and youthful demographics.
- Rich and abundant natural resources.
- A growing market and rising consuming class.
- An emerging hotbed of technological innovation.
- A continued stable security environment, with the assumption that the situation in East Asia and South China Sea can be managed.
- An increasingly integrated and well-connected economic region, be that in East Asia or ASEAN.
- Greater environmental awareness and a number of significant steps to reduce the rising threat of climate change, leading to the implementation of "green growth" as a new economic model.
- Low incomes per capita and living standards that are motivating people to be more ambitious and resolved in developing a society that is just, equitable and prosperous.

To note, those big potentials and opportunities that exist in

We can have both democracy and economic development, and not have to choose one over the other

this region reflect the range of possibilities and opportunities that Indonesia has.

That means when you talk about Indonesia in the future, or Indonesia's economy in 2030, that is exactly the potentials and opportunities you will find in the region.

There is indeed a positive correlation between Indonesia's economy and Asia's. It is true that Asia's economy provides a conducive environment for the growth of Indonesia's economy. At the same time, Indonesia's economy — currently ranked 15th in the world and still growing — also contributes to the growth of the regional economy and makes it stronger.

Indonesia's Transformation

Ladies and gentlemen, Indonesia's journey to date has been filled with twists and turns. Since the historic events of the 1998 twin crisis — a regime change, combined with a severe financial meltdown — happened, Indonesia has undertaken a transformation, not just a reformation.

Indonesia since 1998 has seen a sweeping transformation on several fronts. First, we transformed from an authoritarian regime to a democratic system. Second, we transformed from a centralised governance system to a decentralised one. Third, we transformed from a natural resources-based economy to one based on industry, services, technology, and human capital. Fourth, we transformed from an

inward-looking and nationalistic outlook to one that is more outward-looking and prioritises outreach to regional and global partners, even though there will be occasional waves of resistance. Lastly, we transformed from a security to law enforcement approach in maintaining political stability and public order.

Those are truly substantial accomplishments, but we realise that we are still on the path to reaching our goals. Further transformation will continue to unfold. Based on my experiences, I predict that this will take another 30 to 40 years.

Whenever a long-term change is taking place, there will always be some minor short-comings and setbacks. We simply cannot deny that. But knowing this, we can try to anticipate them.

For the ten years when I led Indonesia, my biggest task — indeed my biggest challenge — was to sustain the direction and continuity of this transformation. In parallel, I overcame various complex issues that arose in our new democratic country.

During this process of transformation, I worked hard to convince the Indonesian people that the path we have chosen is right. We can have both democracy and economic development, and not have to choose one over the other. We can show that Islam, democracy, modernity, and women's rights can also coexist.

I instilled the values and awareness in my people that democracy and freedoms are important, but political stability and respect for the law is equally vital. In addition, the spirit of decentralisation and regional autonomy was respected, but I made sure it did not jeopardise national unity.

Last but not least, I ensured that there will be a continuation of economic growth to further promote the people's welfare, but never compromise or destroy the environment.

This objective was aligned with my four track strategy: pro-poor, pro-jobs, pro-growth, and pro-environment.

Despite the challenges and shortcomings, I am pleased to inform you that our transformation has made significant progress. Although the results are reflected in the higher profile that Indonesia now enjoys on the world stage, the hard work must continue for the decades to come.

A Wealth of Opportunities

Distinguished participants, there are many predictions about Indonesia in the years to come. These predictions have been advanced by several global institutions and well-known economic experts. I will now put forth my own assessment, while restating the predictions about Indonesia by McKinsey, one of the leading consulting firms in the world.

Based on the trends we observe and my experiences, I forecast that in 2030, Indonesia will become an "emerging nation". I believe Indonesia will be marked by a stronger and more resilient economy, and a more matured democracy, with a stronger rule of law.

These predictions will hold if the following assumptions are met. First, there will be no big crises in Indonesia, whether from internal or external sources. Second, there are no dramatic changes in fundamental national policies by our leaders or government in the future, especially if they set Indonesia back or make her stagnate.

There will be one more forecast that I will call my third prediction for Indonesia in the coming years. I must say, this is important. Our leaders and government must work harder to manage and sustain this process of transformation, leading to a strong and sustainable economy, a strong and stable democracy, as well as a more advanced, tolerant and harmonious society and civilisation.

Having said that, the problems and challenges will still be huge and complex. Therefore, Indonesia's leaders must be resolute, visionary, forward-looking, and on top of that, still uphold democratic values.

Looking more closely at the economy, McKinsey portrays Indonesia in 2030 as:

- The 10th largest economy in the world.
- Home to 135 million members of the consuming class, or the middle class.
- A population with 71% living in cities producing 87% of national GDP.
- A market with an opportunity of US$1.8 trillion in consumer services, agriculture and fisheries, resources and education.

These expectations are, in fact, in line with several other predictions by other institutions or experts. And if we take a closer look, from a business and investment standpoint, these predictions mean opportunities. But as you know, opportunities come with challenges, just as reward is preceded by risk.

Let me discuss the opportunities first.

Indonesia in 2030 will look different than it does today. There will be many changes. How can you and your business capitalise on these changes?

The most obvious change will be in our population. Indonesia's population will grow from 255 million today to 305 million in 2030. This has many implications. For starters, there will be growth in demand for food, energy, and water. Furthermore, other types of consumption in goods and services will increase substantially.

Another implication is that infrastructure will need to be upgraded massively, but this is not only to accommodate the increased population, but also to sustain the growing economy.

As Indonesia moves away from a natural resources-based economy, investments will need to be made for industry and manufacturing. I suspect that the automotive and electronics industries will see significant expansion.

As Indonesia's internet and digital penetration continue, more and more people, including those in villages, will be increasingly connected to the world. The telecommunications and information technology sector will become crucial leading to 2030.

A larger consuming or middle class will require better services, both in quality and choices. These will include insurance, education, health care, and financial services.

The list can go on, but I will pause by adding the seven investment priorities identified by Indonesia's Investment Coordinating Board or the BKPM. They are tourism, power generation, import-substitution industry, export-oriented industry, labour-intensive industry, maritime, and downstream industry of natural resources.

Overcoming the Hurdles

Ladies and gentlemen, now allow me to turn to the challenges.

To truly achieve Indonesia's potential in 2030, the government as well as investors and business communities must respond to a unique set of challenges.

The responsibility and task of the government to minimise these challenges, to list a few, are:

- Improving the business and investment climate.
- Strengthening policy and regulation.
- Upholding the legal framework and legal certainty.
- Optimising taxation policy.
- Investing in underlying infrastructure.
- Maintaining social and public order.
- Preserving political stability.
- Enhancing good governance, effective bureaucracy and anti-corruption efforts.
- And, preventing any overlapping local government regulations.

On the other hand, what investors and business communities should do to rise to the challenge, in my view, is:

- Improve their ability to create and find opportunities.
- Develop courage to make decisions, take risk, and calculate cost-benefit analysis quickly and accurately. As an investor, you cannot wait until everything is perfect in Indonesia, otherwise you will be left behind.
- Learn from case studies, why certain companies succeeded in Indonesia and why other companies failed to do so.
- Strengthen your commitment to pursue long-term business value rather than short-term profit, including your support for "sustainable development" and "green growth".
- Understand that if things are still not ideal in Indonesia, don't tolerate or follow bad behaviour. I must emphasise, taking unethical shortcuts only results in short-term gains — this path will destroy the future of Indonesia, and you will destroy the future of your business.

> I invite DBS in particular, and all partners in general, to join us on this journey

Participating in Indonesia's Growth Story

Distinguished participants, I have spoken at length about Indonesia in 2030. As a "salesperson", I have to say that certainly, the country has a bright future, a future that should involve all of you here today.

In closing, I want to highlight three business sectors that may deserve your extra attention.

First is infrastructure. When I was President, one of my signature programmes was the Master Plan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI). It diagnosed that up to 2025, Indonesia would need US$500 billion in investments. The government can only afford 20%, while Indonesian businesses can afford around 40%. You're welcome to participate for the remaining 40%.

Second is energy-related business, especially power or electricity. As of 2005, there was only 25,000 MW of installed power capacity in Indonesia. During my presidency, I increased this to 50,000 MW. I predict that by 2030, Indonesia will need at least an additional 100.000 MW of electricity. This is really something to be considered.

Last is food-related business. Recall Indonesia's forecast population growth, along with the growth of our consuming class from 60 million to 135 million? Both trends suggest a greater need for more and better quality food.

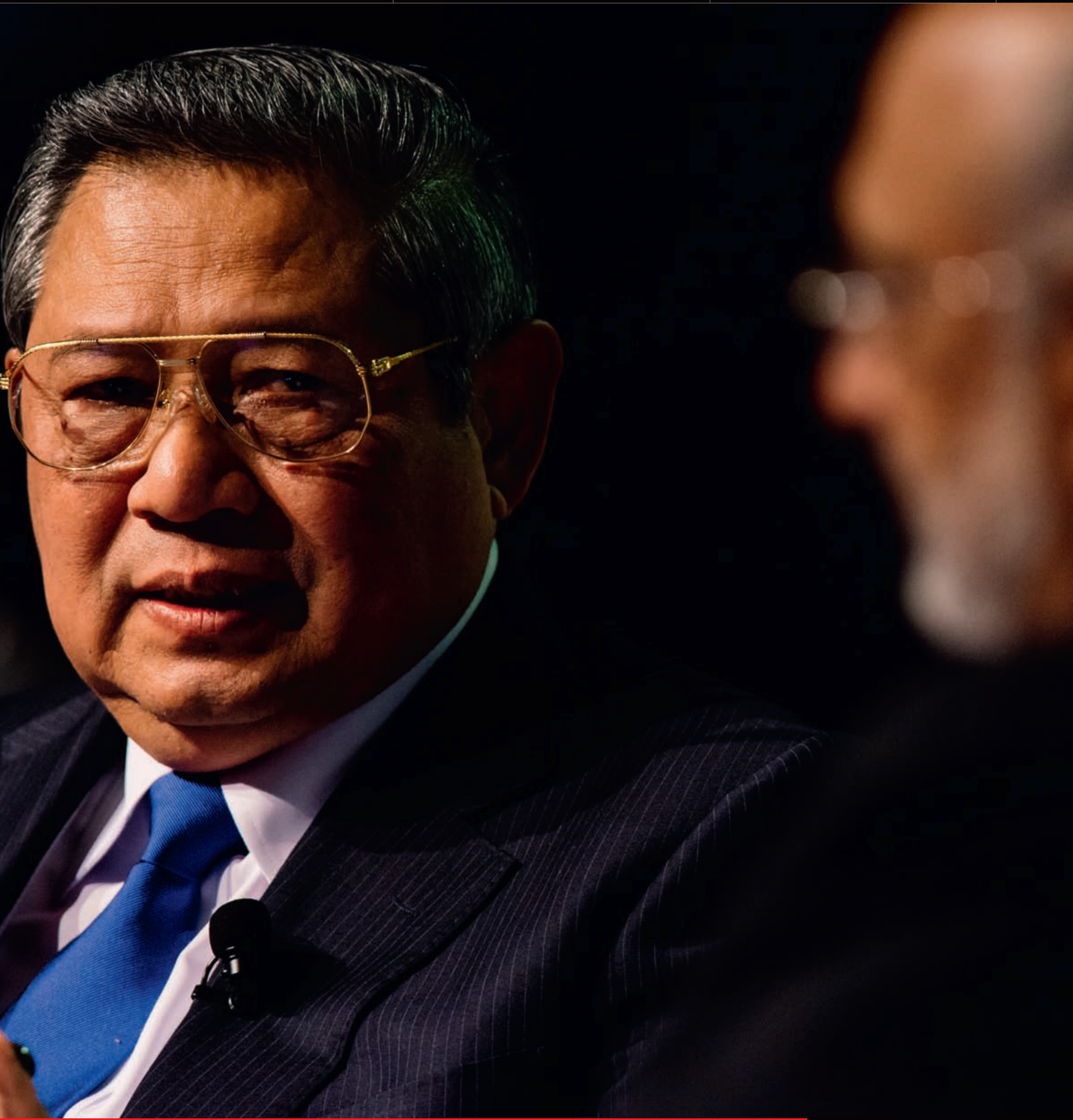
Of course there is more to be offered in Indonesia. But let's not forget, across all these opportunities, the banking sector will play an important role. The underbanked in Indonesia represents a tremendous growth opportunity.

On this final note, I invite DBS in particular, and all partners in general, to join us on this journey. I thank you.

ASIA LEADERSHIP DIALOGUE

The DBS Asia Leadership Dialogue brings the region's most influential thinkers for a candid discussion with Piyush Gupta, CEO of DBS Group Holdings and DBS Bank, on the pressing issues affecting our region, as well as broader afield. This year we turn our focus on Indonesia, home not only to ASEAN's largest economy, but also the world's fourth most populous nation.

Dr Susilo Bambang Yudhoyono, former President of Indonesia, shares his deep insights on the challenges and opportunities the vast nation offers, as well as his views on Indonesia and ASEAN's role in the global community.



What Indonesia has achieved in the ten years under my presidency, I am pleased to say, is that our democracy is more alive and more mature

Piyush Gupta (PG): Your leadership from 2004-2014 was really instrumental in cementing Indonesia's transition to a true democratic system. But when you look back at your tenure, what is the one thing that gives you the greatest satisfaction? And conversely, what is the one thing that leaves you with a tinge of regret? Where you think, if you could go back in time, could have been a little different?

Dr Susilo Bambang Yudhoyono (SBY): Indonesia then was in the process of a big transformation and was also in the process of consolidating her democracy. Leading Indonesia was, therefore, very challenging. Sometimes, the people's high expectations far exceeded the capacity of what the government could do. But responding to your important point, what Indonesia has achieved in the ten years under my presidency, I am pleased to say, is that our democracy is more alive and more mature. Our economy is also growing well, even in the thick of the Global Financial Crisis back in 2008 and 2009. We managed to minimise the impact of the crisis and maintained growth at 4.5%. I'm also pleased to say that we were able to resolve our domestic security issues – overcoming 20 years of conflict in Aceh peacefully through dialogue and negotiations. On the societal front, we fostered a culture of tolerance and understanding such that Islam, democracy, as well as modernity can coexist. And I am pleased to say that we now have a harmonious, peaceful society. That said, maintaining tolerance, harmony, and solidarity should not be taken for granted – it must be continuously managed. Those accomplishments enabled Indonesia to play a greater role in the region, in ASEAN, in Asia, and as a member of the G20. So those are our achievements, if I may say so.

As to your second question, if I had a time machine, I would go back to day one after assuming my presidency and I would do more, concentrating my efforts, energy, and time to ensure that reforms in the legal area are done well. We face obstacles in developing economic policies and implementing regional development due to problems related to the rule of law. The people's opinion of the law remains poor and, I have to say, Indonesia still has an ineffective bureaucracy, with many corruption cases. Of course, improving the rule of law is not solely the responsibility of the President as the system is a complex one, involving the police, army generals, and many other things. But at least as President and the head of state of the government then, I could have done more. So that means I pass to my successor the reforms in the legal area, which are still important and vital for Indonesia.

On Politics

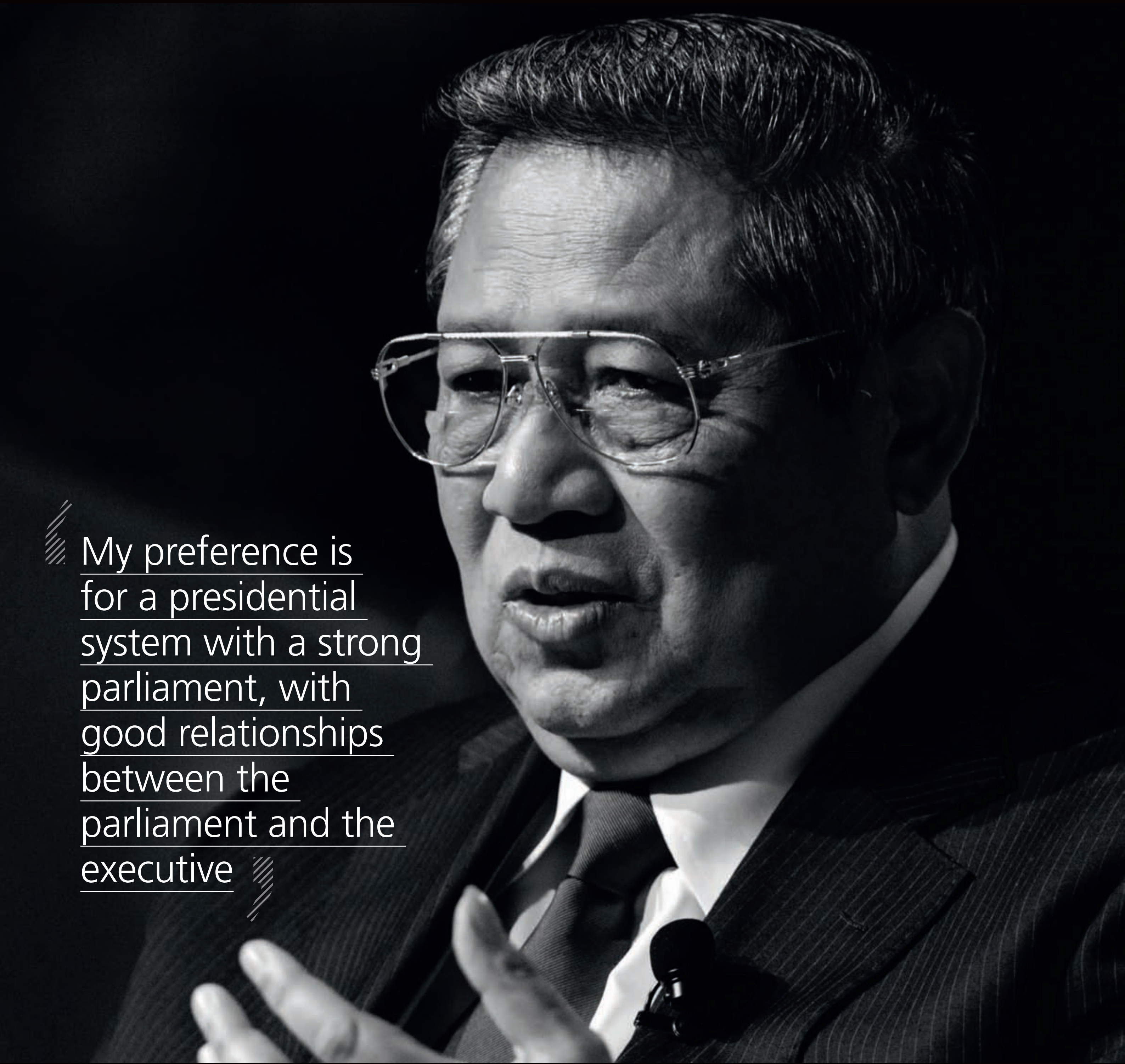
PG: That's good, the successor should have work to do actually. That said, Indonesia's transformation to democracy has been very successful and I sometimes wonder if it has been too successful. Some say there is too much democracy. And the reason I ask that is that Indonesia chose a particular form of the whole democratic process which is quite different. It is not really the US presidential form, with a lot of power in the executive; it turned out to be not like the true Westminster form either, where the legislative puts a Prime Minister up. So it is somewhere in between, which has created multiple coalitions and a competitive democracy. And at the same time, a devolution of power from the centre to the provinces. It sometimes seems that too much democratisation has actually become counterproductive. Would you agree with that? And what is the view for how effective execution can happen in such a fragmented political framework?

SBY: Democracy is a work in progress in Indonesia. It is true that there are pros and cons with our democratic system since 1998. On the one hand, democracy produces good things. It means there will be greater oversight and a stronger participation from the people in the decision-making process. In the past, everything was done centrally by Jakarta, now we can spread the decision-making process across all provinces. So ownership is getting stronger and stronger in the decision-making process. But on the other hand, you are quite right that too much freedom is not good. I've noticed during my time in office that when the government and parliament took a long time to reach an agreement, we ended up losing momentum in our economic development.

You mentioned that Indonesia's system is between that of an American system and British system – the so-called quasi-parliamentary system or quasi-presidential system. Remember in the past during President Sukarno's era, we had the parliamentary system but it did not work as our politics were very unstable. And during President Suharto's era, we experienced the presidential system in an authoritarian-type environment – the politics were stable and the economy was growing well but we ended up in a crisis. Those past experiences shaped our current system, which is an adaptation between a parliamentary system and a presidential system. I have also observed that following the reforms, the power of parliament grew stronger and stronger, negatively impacting the overall system that we practise. I hope that based on the principle of checks and balances, we can have equal authority between the executive and the parliament. It is important that the executive must have enough power and authority to govern, to make decisions, to develop policies and to carry out development programmes. Therefore, my preference is for a presidential system with a strong parliament, with good relationships between the parliament and the executive, which gives wider authority to the government to make decisions and develop policies. If these happen, it will bring good things to our people. We will then have the stability Indonesia needs to pursue economic progress and development.

On the Economy

PG: I want to switch the focus to the economy. The Indonesian economy is slowing down, partly because all of Asia is going down, the commodities are on a down cycle and so on. But conventional wisdom is that the big opportunity is to step up on the investment cycle. We refer to your signature programme on infrastructure for example. Indonesia's total investment is running at about 4% of GDP, whereas a country like China is about 9-10%. So there is a big opportunity to step it up. Nevertheless, the actual investment, whether infrastructure or manufacturing, tends to be very slow. Up to July this year, the actual investment is short of what was actually budgeted to be. And even in your administration, the pace



> My preference is for a presidential system with a strong parliament, with good relationships between the parliament and the executive

of investment, critics would say, could have been higher. Do you think it is the political system that comes in the way of stepping up the pace of investment or are there some other challenges? And what can be done about that?

SBY: The challenge is really complex. Yes, on the one hand, to attract more investors to Indonesia, we know very well we have to improve our investment climate, to have sound economic policy, ease of doing business, build more infrastructure, things like that. We know what we have to do but as I've experienced myself, I want to lead Indonesia to run faster but sometimes, there are hurdles. I believe that to overcome this, we need to structure reforms across the country. Successful reforms, in my view, boil down to the connection between politics, society, and the economy. These three things are part of Indonesia's big transformation that has to be done in the next few years or decades.

Back to your point, Indonesia is now facing economic challenges from China, BRICs, and probably some ASEAN countries as well. In the short run, we need to stimulate growth and have economic stability as these two are inter-related. The government must also do its best to ensure that companies are doing well, and at the same time, think about incentivising companies. Besides that, it also needs to help the poor so that the consumption strategy can be well-implemented. Then, there will be growth and stability. But in the long run, growth must come from investment, from net import and export, from household consumption, and preferably less from government spending. We need to continue improving our business climate and the good relations between the central and regional governments, as well as between the executive and the parliament. Those are the fundamental challenges that we have to answer.

PG: You painted a compelling vision for Indonesia in 2030. In an earlier session, we did an audience poll on which country has the best prospects in the 2030 timeframe, between China, India, and Indonesia. Indonesia emerged on *top. One of your notable policies during your Presidency was for greater economic openness, integrating more into ASEAN, and also into the broader, global economy. Many observers feel that in more recent times, there is more of a nationalistic bias in the policy framework, a sense of greater protectionism. The OECD has Indonesia fairly low on the list for being less accepting to FDI or immigration. What do you think the likelihood is of a continuity of your policy of openness and integrating into the region and building on that, as opposed to a policy of being a little more closed, a little more nationalistic, a little more protectionist?*

SBY: In many countries, there is always debate on nationalism versus internationalism. Some people are questioning how far should we open up our economy to the outside world. But there are even bigger groups in Indonesia that have a tendency to be more open, more willing to integrate the economy into the regional and global one. In my personal view, nationalism in the sense of positive and open nationalism is still needed. We need to have a home in this global village that we are living in – this is what I mean by nationalism. Nationalism has to be part of the global context, where we work together with our friends and partners for each other's benefit. So my hope is that the people of Indonesia will continue to have positive nationalism, realising that they have to build partnerships within the region, within the ASEAN economic community, within the G20 forum and other bilateral, multilateral, and regional forums. If you could pursue this kind of attitude and spirit, I think there would be no problem for Indonesia in the years to come. I also hope that the young generation will realise that if you want to be the winner and not the loser, we have to work together with our friends from abroad, without sacrificing our own national interest.

PG: The ASEAN economic community's framework is not like Europe's as we have mutual agreement and a gentler approach which is suitable for our region. However, what that means is that many of the projects which would make the ASEAN economic community successful, particularly on the integration of services, mobility of labour, and financial services, tend to proceed slowly. And sometimes, the view is that Indonesia – who is the natural leader of ASEAN – does not come to the party quickly enough. Is there a way we could create a stronger central approach, maybe like a quasi-Brussels, by strengthening the secretariat in Jakarta or some other approach to help this regionalism work well?

SBY: Among the ASEAN member countries, Indonesia is the largest. And the problems we face are so complex – we have 250 million people across the country, provinces with different levels of progress in their development. This alone makes managing national policy a challenge in itself for the government. We do recognise that we are slow in integrating ourselves in the regional economic cooperation. But that is because we need more time to ensure that all stakeholders in Indonesia are ready to be a part of the economic integration in industries, in manufacturing, etc. So my stand is clear: To my fellow Indonesians, to all companies operating in Indonesia, let's improve our productivity and our competitiveness. And the government will do its part to help you promote your business, and improve your productivity and your competitiveness. Without taking these steps, we will never be ready.

As we all know, we are now entering a new chapter in our relations. Ready or not, we are now part of ASEAN's economic community. But allowance must be given as different member countries are at different stages of development and ASEAN recognises this, with the establishment of ASEAN-6[1] and ASEAN-4[2]. Even though ASEAN is just an economic community, and not a union like in Europe, we need to be serious in integrating ourselves. And Indonesia needs to accelerate the process of our readiness to be part of this wider economic cooperation.

1 ASEAN-6 comprises of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

2 ASEAN-4 is made up of Indonesia, Malaysia, the Philippines, and Thailand.

Successful reforms, in my view, boil down to the connection between politics, society, and the economy

On Society

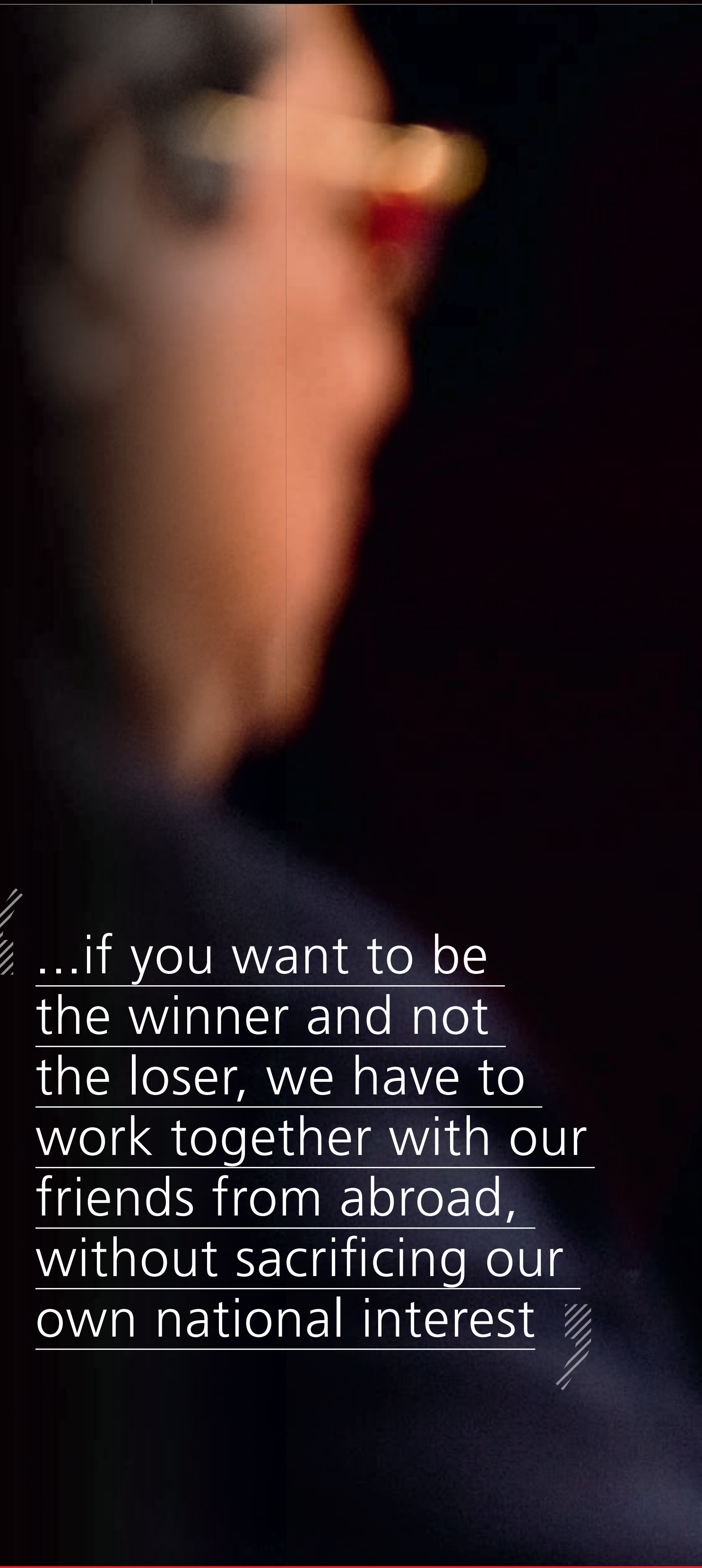
PG: Indonesia is the world's largest Muslim nation and acknowledged for practising moderate Islam. With the situation in Iraq and Syria, the potential radicalisation of young Indonesians could pose a serious threat to the country's development. Do you think Indonesia can continue to be the beacon of moderate Islam amidst the worries over ISIS, Africa, and the Middle East?

SBY: Firstly, the situation in North Africa and the Middle East is really complex. The problems in Iraq, Afghanistan, and other places in the Middle East cannot be solved by using military solutions. We need a more comprehensive approach to defeat ISIS. This requires the correct approach and strategies, as well as global unity on how to deal with the imminent threat that is occurring in the Middle East. So this is the test of the global community, on how to deal with the problems in the Middle East properly and wisely. Extremism, terrorism, and radicalism cannot be defeated by air strikes, guns and/or military instruments alone.

Secondly, as I've said earlier, the practice of moderate Islam in Indonesia is not to be taken for granted. We have to continue to manage it, to safeguard it. Indonesia, the world's most populous Muslim-majority nation, could be a counterforce to the spread of radicalism from the Middle East. I hope Indonesian leaders, government, and society will work together to reject radicalism, extremism, and terrorism and strengthen our harmony, our tolerance, our solidarity. I also hope that religious groups will continue to work together with the government to empower more moderate religious leaders, so as to maintain the moderate attitude of Indonesian Muslims.

On Regional Relations

PG: Let's shift the focus closer to our region, to the big bear that is China. Its influence on Asia and the world has been



> ...if you want to be the winner and not the loser, we have to work together with our friends from abroad, without sacrificing our own national interest

very positive in many ways. The mainland has also been a big driver of our economic growth. But as China flexed its economic muscle, it has also started flexing its political and military muscles as we can see in our region – the South China Sea and Spratly Islands issues, the territorial dispute with Japan, these are just a list of them. In your view, does China's new sense of self pose a serious issue for Asia? How much of this is linked to a domestic agenda as opposed to an international agenda?

SBY: First of all, the world must recognise and welcome the rise of China. Hopefully, China is rising peacefully and is a peace-loving nation. With the growth of China, from an economic standpoint, we all stand to benefit from it, be it in trade relations, economic cooperation, investment or the inception of the Asian Infrastructure Investment Bank. We hope that as an engine of global growth, China's foreign engagements will be based on mutual respect and mutual benefit.

I also hope that China will work together with all countries in the region to maintain peace, stability, and order here. Regarding the territorial disputes in the South China Sea and East China Sea, I hope China and the countries involved will stick to the commitment that was made during the 2011 ASEAN Summit that was held in Indonesia; that conflicts in the region must be dealt with peacefully through negotiations and talks based on international laws. If all countries can do that without using gunpowder diplomacy, then I think we can manage the on-going conflict. It is impossible for us to overcome the conflict over the South China Sea in 1-2 years. But it is quite possible to stop it from escalating into a worse situation. So as an economic powerhouse, China must be willing to work with regional partners to maintain peace and stability, and play its part to balance the dynamic equilibrium in this region, together with the US.

At the recent World Peace Forum in Beijing, and a US engagement prior to that, I shared my view that both the US and China must work together to strengthen their economic cooperation. If they become more interconnected and interdependent, they will likely strive even harder to reach for a peaceful outcome. Conversely, ASEAN and China must also continue to foster our partnership and cooperation – this provides assurance that China is on board with us, to be a part of the solution, to help maintain peace, stability, and order in the region.

PG: I want to now look at Indonesia and Singapore's relationship. Both countries have a great relationship, which was also evident during your presidency. What are the current strengths and gaps in the relationship?

SBY: As neighbours, we will undoubtedly have issues along the way but I believe very strongly that any issue can be easily resolved as our relations are good. Singapore is not just a neighbour of Indonesia but she is becoming Indonesia's strong partner and a best friend. What we need to do to further deepen our relationship is to identify and find new opportunities to further strengthen our bilateral cooperation. Both countries have their competitive edge and if we do integrate well and expand our economic cooperation, for example in the area of trade and investment, education, healthcare, tourism, both countries will have much to gain.

On Leadership

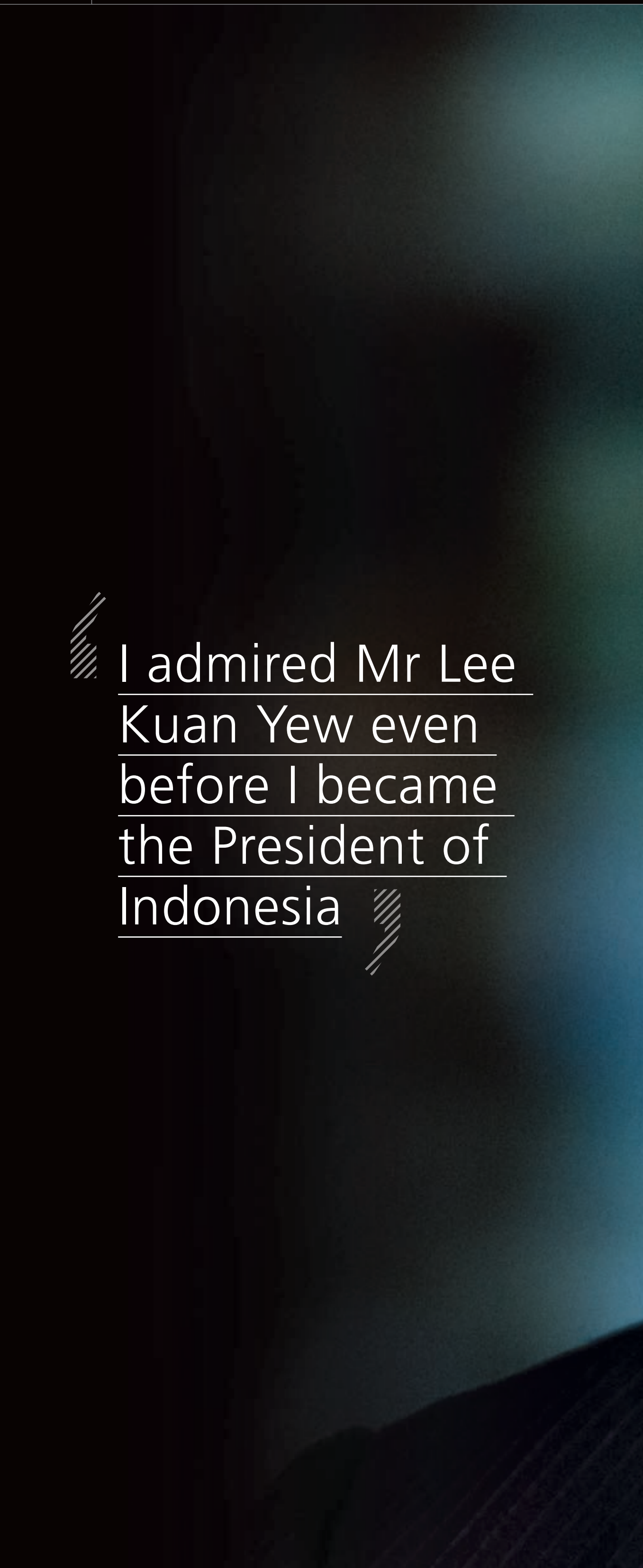
PG: Do you have any personal stories about the late Mr Lee Kuan Yew from your interactions with him?

SBY: I admired Mr Lee Kuan Yew even before I became the President of Indonesia. I remember one of my meetings with him soon after I was elected as President and he said to me, "Do you know Indonesia? Do you know the problems faced by your country? I believe that you will be able to lift Indonesia and overcome the complex problems facing your country. But remember, even if you are doing a good job, you are working hard to solve the problems of your country in your five-year term, you will only achieve around 30-40% of your objectives."

At first, I was unhappy with the assessment Mr Lee gave, questioning why only 30-40%? But he continued, "That is why you have to lead Indonesia for two terms. Then, I believe you could improve what you could achieve from 30-40% to 70%." To cut my story short, I could only achieve 70% of my objectives during my presidency. So he was very sharp, he knew the limitations of a leader and Indonesia's complexity after the crisis. Of course, this is just one of the many stories in my relationship with the leader and great man, the late Mr Lee Kuan Yew.

PG: His Excellency's leadership qualities and thought process has allowed you to grow and lead Indonesia. You are well loved by Indonesians, well regarded by ASEAN and global leaders alike, which speaks volumes about your qualities. Mr Lee Kuan Yew said that you need to serve for at least ten years and you did a great job as President for ten years. If you could run again, would you run for president in 2019?

SBY: No; in my constitution, a president is allowed to lead for two terms only. Although it is not clearly stated but that is the spirit of our constitution and I respect and follow it. Also, ten years is enough. When a leader leads a country for a very long time, say 20 years, 30 years, there is a tendency that he or she may find it hard to leave the office and that is not good for the nation. So ten years is enough. I believe very strongly that Indonesia will produce new leaders to lead the country into an even better future.



I admired Mr Lee Kuan Yew even before I became the President of Indonesia

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Once again, let me take this opportunity to express my appreciation to you and for your support of DBS.

Peter Seah
Chairman
DBS Group Holdings and DBS Bank

Panellists were well chosen and had very deep and knowledgeable insights on the topics discussed. Knowing what will happen regionally and locally is very important to us for the management of our investments

PETER YIM, CHAIRMAN, YIM HOLDINGS

The speakers... helped me to gain a deeper understanding of the current issues and circumstances of Asian markets and thereby more accurately foresee trends in the Asian markets

SHIN HYUN-JUN, KYOBO SECURITIES

The topics discussed are current and very helpful for the understanding of markets to better prepare myself for the future. This is surely a good conference to attend

ANDY CHAW, BUSINESS OWNER,
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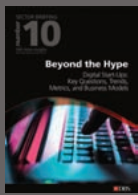

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