Environment and climate change to impact Asian finance

UNIVERSITI Tun Abdul Razak (UniRazak), one of Malaysia’s leading private universities in innovation, leadership and entrepreneurship, recently featured a keynote address by one of its Pro Chancellors, Tan Sri Andrew Sheng. The keynote, The Future of Asian Finance, was delivered on June 14 before 40 plus delegates from five of UniRazak’s international partner universities and academic staff.

Sheng’s one-hour keynote addressed the key opportunities, challenges, and issues facing the Asian region as it strives to become an economic powerhouse that is equal to or even surpasses Europe and North America. Although Asia’s economic opportunities are plentiful and there are vast expectations for its financial success, Sheng repeatedly reminded the audience that such success is not guaranteed. Asia is the future, but it is not pre-ordained, he said. In his work with various government leaders and policy makers, he prepared three different economic scenarios and shared two. In the first, Asia successfully overcomes its challenges and becomes a global economic leader. In the second scenario, Asia is unable to overcome its challenges and is caught in a middle-income trap.

Sheng began by outlining the current state of the current Asian financial markets compared to that of North America, Europe, and Japan. By comparing the state and size of each region’s various capital markets, derivatives markets, money markets and currency markets, he signified where Asia was lacking and thus where growth must occur for Asia to become a financial powerhouse. In general, Asia’s capital markets are underdeveloped, he noted. It is important to learn from Japan, whose low interest rates and anaemic stock market (amongst others) will fail to support its aging population. Finance has failed Japan, he said.

Sheng also addressed several other issues that must be tackled, including rapid population growth, urbanisation, governance change, and technological advances. He said the most important factor is the environment and climate change. He noted that people have taken extreme advantage of the world and its resources, with little to no regard to the potential consequences. If each China citizen were to consume as much the average American, there would not be enough. With this in mind, he noted that it would be extremely important to put aside individual desires and have the Earth’s best interests at heart. Not only will this reduce the burden on our limited resources, but it will also leave our children with a better world. More pragmatically, it would also lessen the chances of conflict over the world’s dwindling resources. As of late, there has also been some talk of the formation of a global currency. Sheng said this will not be a major concern.