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“Public-Private Partnerships Can Be a Win-Win-Scenario for ASEAN”

*Exclusive stars interview with **Yoichi Takita, Chief Editorial Writer, Nihon Keizai Shimbun (Nikkei), Tokyo, Japan, conducted by Ruben Schoenenberger, Editor-in-Chief, Toggenburg Medien AG, Wattwil, Switzerland***

Ruben Schoenenberger: *In your speech at stars Singapore symposium, you focused on infrastructure investment in the ASEAN region. Do you think that it is possible to make profits by investing in infrastructure?*

Yoichi Takita: Very frankly speaking, I do not think that infrastructure investment is in itself very profitable. By definition, infrastructure is a means to make profit for the people using it. But, the need for a better infrastructure in the ASEAN region is high. Therefore, one should look for ways to promote such investments.

What ways are you thinking of?

So called public-private partnerships (PPP) could be a real possibility. Companies could earn money via an interest rate or dividend payment scheme. Such payments from the government will not be lost as companies are growing and will therefore pay more taxes, which in turn could be the source for future payments. Japan has made such experiences for almost 50 years now. Before Japan hosted the 1964 olympics, the government started to build the Shinkansen network. Initially, the country received money from the World Bank. Thanks to the high-speed railway, Japanese traffic efficiency improved. This was a key factor in Japans high-speed growth era of the 1960ies. In that time, Japan's tax revenue increased very rapidly. It is a win-win-scenario that is possible for the ASEAN countries as well. The private sector enjoys growth, the government gets much more tax revenue.

If we look at investment opportunities in a broader sense, would you agree that the environment for long-term investment has become difficult, mainly because of negative interest rates in various countries?

There are differences between lenders and borrowers. Negative interest rates give borrowers the chance to borrow cheap money. That is a good thing for borrowers. However, there is a side effect. Cheap money can lead to non-profitable businesses being set up. For lenders, on the other hand, it is a very tough time. It can get difficult to find sensible investment opportunities. This search for yield is spreading all over the world. This has been observed before the Lehman crisis as well.

You mention Lehman: Do you think the current situation is going to end as badly?

Sometimes, history repeats itself. However, I think, it does so in different manners. The risk-taking we have seen before the Lehman crisis will not happen again in the same way. Then, small-size investors were investing without really having a clue.

When we speak of investment opportunities, there is always China. What is your view on the country?

There are several aspects. As for the US market, China is the biggest holder of US treasury notes and bonds. That is only logical given the US current account deficit. China accumulated its foreign currency reserves. Speaking of infrastructure investments, China will increase its role as a lender of money towards emerging countries. In my opinion, that is a good current account surplus recycling. It is even crucially important to keep the global economy growing. However, we should make some reservations. One point is crucial: Such investments into emerging markets should be governed by the economic principle. That is a very accountable and transparent form of investment. Emerging markets should for example not lose command of ports or other infrastructure because they cannot pay back the money to the lender. We need more transparent and more rational ways of investing money from China in emerging markets. If there are such ways, there is no reason to reject China's money.

And the other way around? Do you think there are going to be substantial investments from foreign countries into China?

Such investments from Europe, the US and Japan will increase due to consumer demand; not rapidly, but steadily. China is already one of the biggest consumer markets. For example, around 16 million cars are sold in the US each year. In China, 20 million are sold.

If we look at the future in a broader sense, what, in your perception, is going to be the biggest development in the years to come, affecting economy or society as a whole?

Today, populists are on the rise because people feel left out. Tomorrow's story will be different. People in the street will find out that globalisation cannot be stopped by strong leaders and that there is no point in stopping it anyway. The pendulum will swing to the other side.

If that happens, what would you consider the most important leadership quality?

That is a tough question. Maybe recognising that people are better than we often think? Leaders should not feel that they are above others. But leaders should do more than others. Leaders cannot do much more than what the consensus is. We should believe in the people arriving at the right consensus.

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