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Asia Newsletter

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Executive Summary



TRANSEARCH is a leading global search firm with over 60 offices around the world, founded in Paris 36 years ago & headquartered in UK, our Asian partners serve corporate clients & entrepreneurs across Shanghai; Tokyo; Hong Kong; Singapore; Kuala Lumpur; Taipei; Jakarta; Bangkok; Melbourne; Bangalore; Mumbai; & New Delhi.

This newsletter is our first edition for TRANSEARCH's Asian Practice, and it serves to keep our global clients informed with opinions & insights that potentially impact their business choices. We intend to issue one every quarter.

On the last page you'd find our consultants across Asia. Their biographies and contacts can be found via www.transearch.com

In this issue you'd find our brief analysis of the upcoming Kim-Trump meeting, what Premier Abe is trying to do geo-politically amidst US pressure on tariffs, and the synopsis on US-China Trade War.



China



On May 19, following China Vice Premier Liu He's two-day visit & intense negotiations in Washington, US and China released a (rather vague) joint statement that the 2 countries have reached "consensus on taking effective measures to substantially reduce the United States trade deficits with China". While rest of the world awaits details, it is apparent that both governments are reasonably happy with the outcome, and the risk of a mega-trade-war is rapidly subsiding.

According to US Treasury Secretary, Steven Mnuchin, China has promised to "significantly increase" its purchase of US energy and agriculture products, and the 2 countries will continue to talk through the summer for details of this "framework deal", as the US has targets "industry by industry." Wilbur Ross, the US commerce secretary, would travel to China shortly to negotiate the details.

In China, official media has called the statement as "good example of win-win", noting that it would help America reduce its trade deficit by increasing exports to China and allow China to diversify and as well raise the quality of its imports.

Earlier, tension of the US China trade war was already partially eased when in April, during Boao Forum Asia, China President Xi Jinping pledged that China's market "will only be opened wider" given the tension of trade war with US, specially, Mr. Xi promised to further opening up China's financial industry, auto market, and also improving protection for intellectual property. Other less significant measures include lowering tariff on cancer drugs, establishing new free trade zone (Hainan) for the World, etc.

<https://www.straitstimes.com/asia/east-asia/xi-vows-to-further-open-up-economy-protect-ip-rights>

<http://www.globaltimes.cn/content/1097852.shtml>

<https://www.theguardian.com/world/2018/may/20/china-and-us-reach-consensus-on-reducing-trade-gap>

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Japan

Japan Prime Minister, China premier, and South Korea President have met in a three-way summit in Tokyo on May 9, 2018. This is the first time in several years the 3 countries have held meetings at such high levels. Under pressure from The Trump Administration, the 3 countries seek to set aside disputes and enhance economic collaborations that provides relief.



For Japan, now that constitutional amendment is complete (for the country to regain status of an independent army and other wartime capabilities), there is no need to further alienate China, its second biggest trading partner (importing 19% of the country's total export, second to the US at 19.3%). Japan and China are natural trading partners with very complementary economic structure and geographic closeness. A good trading relationship with China will be beneficial for Japan and especially for Japanese PM Abe's administration currently faced with declining public support. As Japan has not been exempted from the US's steel and aluminum tariffs, it is in the best interest of the country to hedge its bet with China

However, we feel as concerning observers is for Japan to stop, think, and rekindle its "craftmanship spirit" that the "rest of the world" looks up to – as the recent "fake data" incidents of Kobe Steel, Takata (airbags), etc, have put this virtuous reputation in doubt. As secret admirers we trust our Japanese friends will work to protect that sterling reputation that global manufacturers & service providers all aspire for.

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Korea

US President Donald Trump and North Korea Leader Kim Jong-un is set to meet in Singapore this June 12th to discuss what US is willing to do for North Korea's denuclearization. Mr. Kim recently demonstrated to the world that he's a supreme strategist and a superb diplomat in one. He has set the negotiation tone more to his favor by threatening to cancel the meeting with Trump citing US-South Korea joint military exercise on May 15th that he'd known would happen for quite some-time. And Trump seems rattled.



Our view is that Kim Jong-un's plan is to exchange the closure of Punggye-ri nuclear test site for sanction reliefs and other economic gains from the US/ South Korea/ China, but he will retain his nuclear capabilities deep underground. Experts suspect that the Punggye-ri site is cracking anyway & cannot safely hold further nuclear tests anymore, and North Korea economy continues to drain towards starvation of its people. Kim's administration is in desperate need of capital & energy and now he had gotten the nuclear power his country needed to survive against the US...it is time to focus on the Economy...insiders involved with the two recent Kim-Xi meetings in China had expressed astonishments how ambitious Kim is with DPRK's pending reforms!

As neighbors we are encouraged by the sunshine-meeting(s) the two Korean Presidents had had recently, and couldn't help but think what if the two Koreas are reunited. By the end of this year, people are expecting ROK and DPRK to announce the cessation of war between the two countries. Having said that, it is clear that ROK can't be totally free in this project while its "bigger brother" is watching over its shoulders...

<https://www.nbcnews.com/news/north-korea/north-korea-s-vow-shut-punggye-ri-nuclear-site-appears-n869991>

<https://www.usatoday.com/story/news/politics/2018/05/15/north-korea-threatens-cancel-donald-trump-kim-jong-un-meeting/612350002/>

Malaysia

On May 10, the 92 years old Mahathir Mohamad won a landmark election as the country's new Prime Minister over the incumbent PM Najib Razak, who is said to be abusively corruptive. The new administration will shift Malaysia's future development focus away from mega-projects and towards socio-economic concerns.

Mr. Mohamad has pledged to investigate every deal that his predecessor had made, which includes billions of foreign investments in Malaysia for the like of One-Belt-One-Road Program. His other challenges would be to deliver on his campaign promises to implement reform to curb corruption, and, more immediately, to keep fiscal deficit in control after abolishment of a goods and service tax in June, previously imposed in 2015 that helped the country's fiscal balance but slowed GDP growth.



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Singapore

Singapore has been chosen as the meeting place for Donald Trump and North Korea Leader Kim Jong-un for denuclearization discussions on June 12th. Although this is a result of trade-offs between the two parties concerned, the choice will still cement Singapore's important position as US's most important ally and a leading concern in ASEAN.



<https://www.usatoday.com/story/news/world/2018/05/10/singapore-summit-north-korea-trump-kim/599527002/>

Indonesia



On May 13, Attackers suspected of links to Isis killed 11 people in suicide bombings at three churches in Surabaya, Indonesia; another 40 people were injured. Indonesian intelligence officials blamed the attack on a group linked to Isis Islamists called Jamaah Ansharut Daulah (JAD).

Indonesia is the world's largest Muslim-majority country. Traditionally its communal relations have been mostly peaceful, but in recent years there has been regular attacks on members of the Christian minority and on churches.

Indonesia is a country with 260 million population and in recent years has seen increasing foreign investments especially into its consumer and technology industries. Indonesia government must implement more effective measures to curd the trend of increasing ISIS activities to safeguard its citizens and investors' interest.

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India

Walmart made the biggest acquisition deal of 16 billion USD in the history of global ecommerce for Flipkart, India's "very own Amazon", to tap into the small but fast growing online shopping space of world's second most populous country. Walmart's purchase is also the largest foreign acquisition in the history of India and is said to be a chance for India's current Prime Minister Narendra Modi to validate its prone-business resolution, and to improve the country's tarnished image as a welcoming destination for foreign investment.

On the political front, Mr. Modi met with China President Xi Jinping in Wuhan for an "informal meeting with no set goals and agenda" on April 26, signaling thawing relationship between the 2 countries, previously at odds. For India, Mr. Modi is preparing for reelection in 2019 and to ease tension with China is beneficial to his campaign. Also, to be on friendly terms with China is necessary for India to be able to "get a better deal" from the US. For China, it needs to strengthen its relationships with all trading partners and neighbouring countries even if trade war with the US can be avoided.



<https://edition.cnn.com/2018/04/26/asia/modi-xi-summit-reset-intl/index.html>

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Oil

On May 9, US withdrew from Iran's nuclear deal and declared "strongest sanctions" ever on Iran, lifting oil prices to the current level of >80 USD per barrel. The US seems motivated to maintain oil price at high levels as it moves to become a net exporter of oil. And if value of USD also appreciates, the oil-dollar system would safeguard USD supremacy.



Oil importing countries will have to deal with this imported inflation and cope with asset flights to markets like USA.

<https://www.cnbc.com/2018/05/08/trump-to-announce-he-will-withdraw-us-from-iran-nuclear-deal.html>

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