

ASEAN Finance Ministers' Investor Seminar

Closing remarks by Stuart Gulliver
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Good morning ladies and gentlemen.

It's a great honour to close the morning's deliberations and a great personal pleasure to be here amongst friends.

We've already heard this morning about the macro picture and about some of the challenges facing the private sector.

I'd like to use the time I have to talk about the role that banks can play in sustaining the momentum of the ASEAN economies, the dangers that may lie ahead and the importance of maintaining the pace of reform.

Like many people here today, I was working in the region during the crisis of the late 1990s and I remember quite vividly its impact, both physical and psychological, and its many repercussions.

It was a painful time. Yet it was arguably the shock of the financial crisis which provided the impetus for today's success.

ASEAN was founded on the ideal of economic progress through joint endeavour - and it was the renewal of this mission after the crisis that accelerated financial cooperation between the ASEAN economies and with the wider region.

The 2003 declaration to establish an ASEAN community set in train a programme of joint measures which underpinned the stability and future prosperity of the ASEAN region.

And when crisis struck again ten years later, this time on a global scale, a combination of sound fundamentals and strong fiscal and monetary stimulus enabled the ASEAN countries to recover far quicker than other countries.

Today, ASEAN is one of the most bright, dynamic and diverse areas in Asia and beyond.

In a world beset by problems on the supply-side as well as the demand-side, ASEAN continues to offer a compelling investment case to world investors.

FDI has been growing at a rapid pace, particularly from the US, the EU and the rest of Asia, indicating increasing global investment appetite in the region.

And when Chinese growth is slowing and India is suffering the effects of deeper structural problems, strong local demand in ASEAN has fuelled steady growth against considerable headwinds from Europe and beyond.

As the region looks to capitalise on the success of the last ten years and to entrench the gains that have delivered greater prosperity, a strong partnership with the banking sector is as important as ever.

At HSBC we're no strangers to working with the ASEAN economies - we've actually been doing it for nearly 150 years.

We opened our first ASEAN branch in 1870 in Vietnam, and by 1884 we were in the Philippines, Singapore, Indonesia and Malaysia.

In 1888 we became the first bank in Thailand and we printed the country's first banknotes.

We served the sugar trade in the region over many years and issued the first foreign loan to the Thai government for its railroad construction project. We also financed the Manila-Dagupan Railway line in the Philippines.

And the region is still extremely important to HSBC today.

As the region embarks on building more and better infrastructure, a vibrant SME base and new and freer trade agreements, the banking sector will be instrumental in providing project and trade finance and the supply of credit needed to fuel economic expansion.

And as the region grows more prosperous, and attracts ever greater numbers of entrepreneurs, there will be increasing demand for wealth management services to put that prosperity to good use.

So there is huge opportunity for banks in South-East Asia.

But continued development also requires continuing reform.

Whilst local demand has stayed stable, there are signs that productivity growth has started to slow in much of the region that will weigh on investment spending, and ultimately growth itself.

Sustaining investor confidence by maintaining the pace of reform could arguably provide the biggest support to growth in the face of a slump in the West.

And we believe that there are three ways in which this could happen.

First, financial systems need to be strengthened.

This means getting better financial access to small and medium-sized enterprises in particular and enabling greater intermediation through capital markets. Reliance on European banks remains significant in spite of deleveraging and the deepening of capital markets must therefore remain a priority.

It is vital to rebalance the significant mismatch between the region's long-term investment needs, particularly in infrastructure, and the short-term nature of its current financing – mainly through bank loans.

We have already seen regional attempts to deepen the region's capital markets, through cooperation between second-tier exchanges within ASEAN and the ASEAN bond market initiative.

Also we particularly encourage the establishment of a regional ratings capability.

Second, regulatory reform remains incomplete in some markets.

Finishing this process is critical for both growth and stability. It will also boost investment.

Greater cooperation within ASEAN on regulation will have a multiplier effect, bringing in cheaper capital for investment in infrastructure and industry while providing greater protection from destabilizing flows of

hot money.

And third, further trade liberalisation, particularly within Asia and the surrounding region, would act as a spur for growth.

Whilst intra-ASEAN trade has blossomed and trade with India and China is growing, freer trade with countries further afield, in Europe and Latin America, would strengthen further the investment case of the ASEAN economies.

Of course boosting trade requires lower barriers and more liberal trade policies.

Let me turn to the role of ASEAN.

The one aspect which underpins all of this is regional economic and political cooperation.

Whilst the ASEAN nations have individual attractions, it is the region as a whole which is attractive to banks and to investors.

And the region's political and economic stability owes much to the role played by ASEAN in building unity, sometimes in the face of considerable odds.

This stability is essential for deep and lasting growth, prosperity and regional development both now and for the long term.

Over the last ten years, ASEAN has reaped the rewards of mutual association, close cooperation and a shared sense of purpose.

The success of the next ten years will hinge on whether this spirit can be maintained.

HSBC is proud to be associated with ASEAN and with the ASEAN region and we support your efforts for greater prosperity through stronger cooperation.

We look forward to playing our part and to working with you over many years to come.

I wish you all an enjoyable and productive afternoon.