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FDR and Truman? No—More Like Hoover and Carter

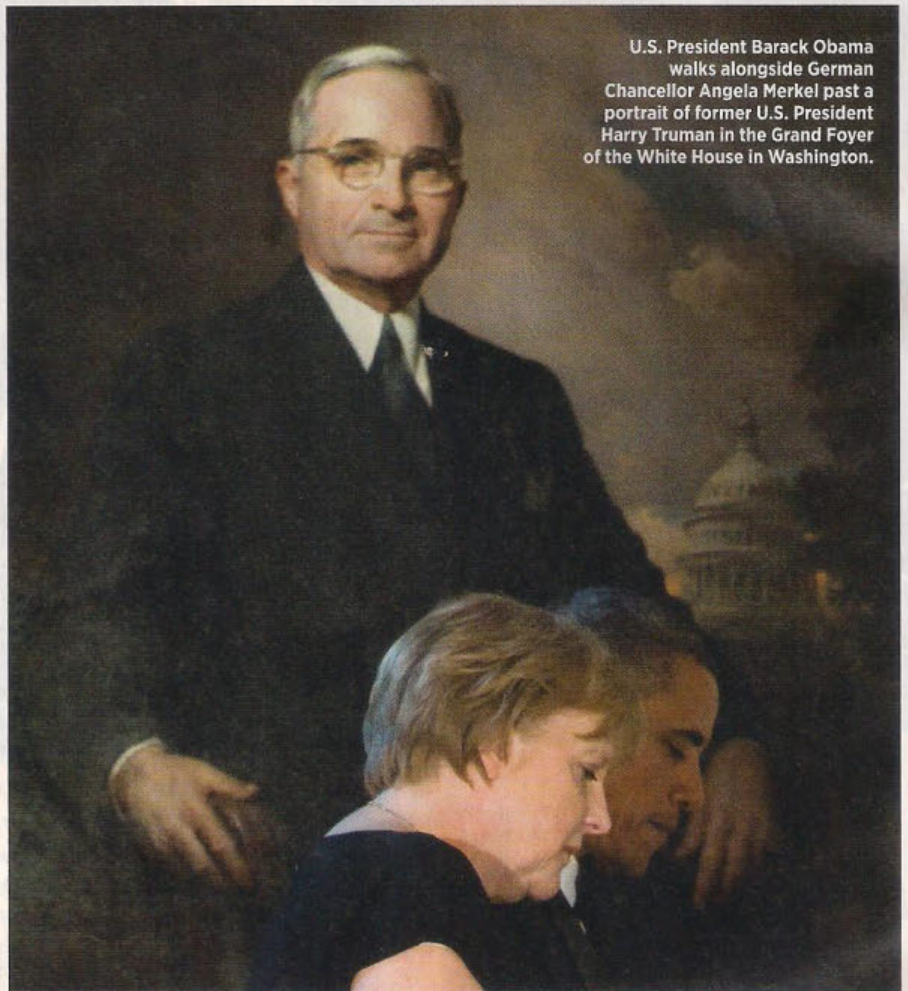
President Obama thinks the road to reelection lies in a mix of the Franklin Roosevelt of 1936 and the Harry Truman of 1948.

FDR bashed “economic royalists,” who were “selfish” and who had “met their match” in the great man. Roosevelt won in a landslide. Truman shrilly campaigned against a “do nothing” Republican Congress and pulled off the biggest upset win in presidential election history. Sadly for Barack Obama, this stuff won’t work in 2012.

In 1936 the country still hadn’t recovered from the savage slump of 1929–33, but the GOP had nothing positive to offer, stuck as it was with Herbert Hoover’s disastrous legacy of sky-high taxes and crippling tariffs. Unfortunately for the country, Roosevelt’s rants against business were reflected in anti-free-enterprise taxation, labor laws and regulations, which collectively plunged the country into another depression shortly after FDR’s reelection.

In 1948 Truman won through a combination of Republican complacency and a sudden collapse in agricultural commodity prices a couple of weeks before the election. In terms of voters the “farm bloc” at the time was, proportionally, about ten times the size it is today. Falling prices restoked all-too-vivid nightmare memories of the Depression. Four years earlier farmers and their suppliers had supported Republican Tom Dewey, but in 1948 they switched from Dewey to Truman.

(By the way, those do-nothing Republicans led the charge after World War II that scrapped all wartime rationing and price-and-wage controls. They severely cut government spend-




U.S. President Barack Obama walks alongside German Chancellor Angela Merkel past a portrait of former U.S. President Harry Truman in the Grand Foyer of the White House in Washington.

ing, reduced taxes and pushed through the Taft-Hartley Act, which curbed the destructive powers of the labor unions. Truman fought every single one of those initiatives. But because of them the U.S. experienced a fantastic postwar economic boom, during which unemployment—even with the return of millions of veterans—never went above 5%.)

Although voters don’t like the banks or Wall Street, most don’t believe another round of binge spending will put the economy on a path to

vigorous, sustainable growth. Nor do most Americans take kindly to the President’s siding with the Occupy Wall Street protesters and sounding like a college-campus Marxist hack.

Moreover, unlike during Tom Dewey’s vapid campaign, the GOP in 2012 will be advocating a strong dollar and a radically simplified tax code, as well as offering good ideas on how to reform Social Security and health care and remove pernicious obstacles to safely developing our own energy resources. 

CURRENT EVENTS

LEE KUAN YEW



Promising Prospects in Asia Spell Big Changes Ahead

The 2008 recession hit the whole world—especially Asia—hard, but Asia's economies are recovering. In August the Swiss private banking group Julius Baer launched its first *Asia Wealth Report*, which predicts that the combined wealth of high net-worth individuals (HNWI) in Asia will triple in value from today's \$5.6 trillion to \$15.8 trillion by 2015. The main driver of this wealth creation is economic growth, underpinned by strengthening currencies and asset values. Thomas Meier, a member of Julius Baer's executive board and chief executive (Asia), said: "We see Asia as a key driver of new wealth, as macroeconomic growth translates into wealth."

The world economic outlook, however, has turned darker. In August the U.S. economy added no new jobs, and hiring growth remained sluggish. The unemployment rate is expected to hold at 9.1%, giving rise to fears of a double-dip recession and another round of quantitative easing by the Federal Reserve. Many feel there's a need for a third round of large-scale asset purchases by the Fed to put a floor under the U.S. economy and stabilize the situation. If a double dip occurs, it will affect growth in China over the long term because its exports to America will decrease, and it will then no longer be the economic booster for the region. Hence, this is a precarious time for all.

On a brighter note, Julius Baer expects the number of individuals in Asia with investable assets of more than \$1 million to grow from 1.16 million to 2.82 million. Its calculations are based on private-sector savings

and assets net of borrowings. China is expected to see the largest increase in the number of HNWI, rising from today's 500,000 to 1.4 million in 2015. Their stock of wealth will be a staggering \$8.76 trillion.

For Singapore Baer predicts that HNWI will double in number over the same period, from 64,000 to 129,000, with assets similarly doubling from \$312 billion to \$616 billion. The report states that the assumptions used to project growth "err on the conservative side," especially regarding properties.

China and India will continue to enjoy high annual growth rates of between 7% and 10% for some years. Aside from exports, their growth is driven by their huge domestic consumer populations—China's 1.3 billion people, India's 1.1 billion—who are seeing a rise in their incomes and spending power.

GROWING POWER


Both of these giants are at the start of a long catch-up process that will take two to three decades. As China and India come into their own, the landscape of the world economic order will change permanently. By the time this process is complete each will have a GDP bigger than America's. Singapore, situated at the sea junction in South Asia between China and India, enjoys trade with both and has therefore been doing well, despite the current euro zone crisis and the U.S. sovereign debt downgrade.

Unfortunately, there is widespread corruption in both countries. Nothing moves in China without *guan xi* (relationships), which means cultivating people in power through *hongbao* (gifts and red packets of money). In India

during the Commonwealth Games, for example, toilet paper cost more than \$80 per roll, until an outcry put an end to the abuse.

Because India is a rambunctious democracy, its corruption is widely reported and debated in the media. In early September the *Wall Street Journal's* Gurcharan Das wrote extensively about cabinet ministers, powerful politicians, senior officials and CEOs who were in jail awaiting trial on charges of corruption. Credit for the arrests and trials goes to an anticorruption movement led by 74-year-old activist Anna Hazare. He went on a hunger strike and, "supported by determined justices of the Supreme Court, an exceptional auditor general, rival television channels in search of 'breaking news' and, crucially, a newly assertive Indian middle class," brought mass attention to the issue. This led to the government's proposing stronger anticorruption laws. But in China government censorship prevents the equivalent of a Mr. Das writing about internal corruption.

Another issue the middle classes feel strongly about is environmental hazards. This August in Dalian, in northeastern China, a very large demonstration forced the shutdown of a chemical factory. The factory had been damaged during a storm, and its continued operation was a potential danger to the wellbeing of the local population. In forcing the closure the middle class proved it wants a safe environment with good industrial safety standards in place.

The growing middle classes in China and India and the power they can bring to bear on any given issue will help create a sea change in both countries. 

LEE KUAN YEW, FORMER PRIME MINISTER OF SINGAPORE; DAVID MALPASS, GLOBAL ECONOMIST, PRESIDENT OF ENCIMA GLOBAL LLC; AMITY SHLAES, SENIOR FELLOW IN ECONOMIC HISTORY AT THE COUNCIL ON FOREIGN RELATIONS; AND PAUL JOHNSON, EMINENT BRITISH HISTORIAN AND AUTHOR, ROTATE IN WRITING THIS COLUMN. TO SEE PAST CURRENT EVENTS COLUMNS, VISIT OUR WEBSITE AT WWW.FORBES.COM/CURRENTEVENTS.



The Path to Energy Independence

Indonesia, with its rapid economic growth, faces the challenge of meeting its growing energy demands to sustain its development. As a widespread archipelago nation, Indonesia is one of the world's most challenging locations for the transmission and distribution of energy.

Using technology to leapfrog current energy infrastructures may go a long way towards providing a solution. Rather than focus on building traditional power systems, Indonesia could leapfrog into smart grids and renewable energy as principle source of power generation and distribution. The key to this vision is a smart grid. A smart grid puts information technology in the hands of power generators and users, empowering them to make wiser choices about power usage, distribution and costs, all in real time. Grid operators will now have something new—situational awareness. They can make on-the-fly changes in power production and routing, altering streams of electricity on the most economical and as-needed basis.

This is an exciting scenario for Indonesia's future. Imagine an island where homes and buildings have solar panels. Those in the highlands have small hydro plants, and local farms have anaerobic digesters making electricity from agricultural waste. If there's a surplus, the island could dispatch that power, in the same island or province, or elsewhere in Indonesia, or even to the broader ASEAN market. A smart grid system is ideally suited to an archipelago, since each island can have multiple power options that are blended by the grid operators.

This would mean, for example, that a utility could lower an office's air conditioning during peak times (in exchange

for cheaper rates) or send extra emergency power to a hospital as needed. A factory equipped with smart meters might choose, for example, to operate at night, when demand and rates are lower. A less developed, but sunny, province with solar power could sell its surplus to utilities in more developed areas.

Indonesia is vulnerable to grid disruptions from earthquakes. A smart grid would allow utilities to respond faster, and restore service earlier, with routing around line breaks or bringing alternative power sources online. The result is much greater reliability than today's transmission systems.

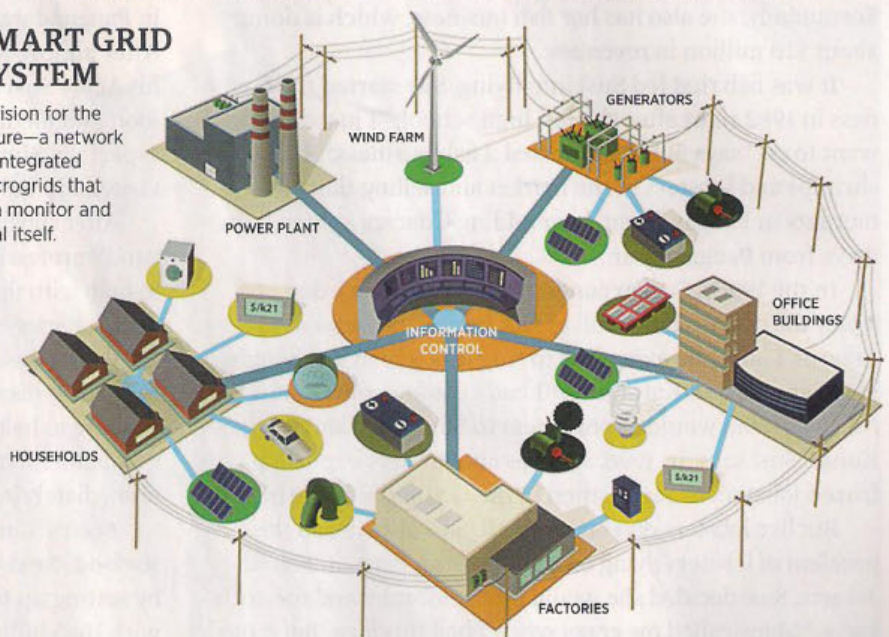
The potential return on smart grid investments is large, and includes environmental and social benefits, as well as economic ones. Smart grid infrastructure will also ease the integration of renewable energy sources such as geothermal and wind. For example, wind and solar are notoriously intermittent power sources. Through close monitoring, a

smart grid can compensate effectively for the variability of wind and solar while cutting reliance on fossil fuels. As a net energy importer, Indonesia is seeking ways to have energy independence.

The smart grid is a journey, not a destination. The process will involve years of patiently upgrading the nation's energy infrastructure. The returns justify the investment. With a smart grid, Indonesia can address its energy needs holistically, finding a wise balance among its social, economic and environmental needs. Instead of languishing with insufficient power, remote provinces and islands will be able to plug into the grid and enjoy the improvements in quality of life that have eluded them for so long, and do so with a lower social and ecological toll. Clean and available energy means faster development and a more prosperous future. With the right deployment of smart grid technologies, Indonesia could become a model not only for the region but also the world. ☐

SMART GRID SYSTEM

A vision for the future—a network of integrated microgrids that can monitor and heal itself.



Source: <http://www.ecnmag.com/Articles/2011/04/Aoo-Solutions/The-Smart-Grid-and-Beyond/>