

Seizing Opportunity During Chaos

**An Interview with Dr. The Honorable David K.P. Li,
Chairman and Chief Executive, The Bank of East Asia, Limited**

EDITORS' NOTE *In addition to his role with The Bank of East Asia, David Li is a member of the Legislative Council of Hong Kong and the Banking Advisory Committee and represents The Bank of East Asia on the Executive Committee of the Hong Kong Association of Banks. He is also Chairman of the Chinese Banks Association, and has served as a member of the preparatory committee for the Hong Kong Special Administrative Region, as a Hong Kong Affairs Adviser to the People's Republic of China, and as Vice Chairman of the Basic Law Drafting Committee. The Basic Law underpins One Country Two Systems, which provides the framework for Hong Kong's current status within China. The recipient of an M.A. as well as an honorary doctorate in Laws from the University of Cambridge, Li serves on the Boards of numerous corporations and institutions.*



Dr. The Hon. David K.P. Li

almost eight percent per annum. That has provided the opening for many companies in Hong Kong and China to leverage their relative strength and position themselves for the longer term. They have been looking for strategic acquisitions overseas and finding opportunities that were not available to them earlier.

That is certainly The Bank of East Asia's experience. We have steadily built a very strong capability in wealth management in recent years. Just over two years ago, we formed a joint ven-

ture with Union Asset Management Holding AG of Germany to explore opportunities in fund management in Asia. The joint venture, BEA Union Investment Management Limited, has quickly established a strong reputation for itself.

Do you feel the necessary steps have been taken to move toward a recovery?

Governments moved very quickly and very aggressively to restore confidence in the major banks and in credit markets. That gave us the breathing room necessary to get business moving again. However, much of the hard work involved in reforming the global financial system remains to be done.

When the dust has settled, we are going to see a very different world. If all the regulations that have been talked about are adopted, the United States will no longer be able to dominate the financial services industry as it has in the past. Tighter control over derivatives, restrictions on leverage, new capital requirements – all of these measures will dramatically shrink the power of Wall Street. We will have to wait and see how much regulation everyone will accept at the end of the day.

COMPANY BRIEF *Incorporated in 1918, The Bank of East Asia, Limited (www.hkbea.com), provides corporate and personal banking services to customers in China and overseas. It is the largest independent local bank in Hong Kong, with total consolidated assets of HK\$415.3 billion (US\$53.58 billion) as of December 31, 2008. The bank is listed on the Hong Kong Stock Exchange and is one of the constituent stocks of the Hang Seng Index. With over 130 branches in operation, The Bank of East Asia employs more than 10,000 people worldwide. The bank also operates a New York-based subsidiary, The Bank of East Asia (U.S.A.) N.A.; a Canadian subsidiary, the Bank of East Asia (Canada); and branches in Great Britain, the British Virgin Islands, and throughout Southeast Asia.*

Are you surprised at the severity of the global financial crisis, and how has The Bank of East Asia been impacted by the downturn?

I think we were all surprised at the speed with which the financial markets unraveled in September of last year. Until then, most of us still hoped that the Federal Reserve's interest rate cuts would work their magic, as they had in the past, but it was not to be. This time, the problems went much deeper.

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With the onset of the financial crisis, AIG's wealth management business in Taiwan came up for sale. We successfully bid for that business, and formally re-launched the company under its new name, BEA Wealth Management Services (Taiwan) Limited, in August of this year. We will be drawing on our internal resources, as well as on the fund management expertise of BEA Union Investment, to bring a greatly enhanced level of service to our clients in Taiwan. The acquisition has fit perfectly with our long-range development plans.

How important will entrepreneurship and innovation be to economic recovery?

It is hard to see a strong, sustained recovery unless we have a real breakthrough that changes the way we lead our lives and opens a flood of new business opportunities. The United States has a very big debt hole that it has to fill before consumers will have the confidence to spend again.

Many are hoping that breakthroughs in energy efficiency and new power sources will create those opportunities. With the convergence

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of global warming, the rise in oil prices, and the demise of the American auto industry, the time seems right. A lot of resources are being channeled into research. But it has been a long time since the United States economy took its lead from pure science.

Rather, for decades, U.S. economic growth has been built on services, like financial services, marketing, and software – even the Internet was more a service revolution than a scientific revolution.

And don't forget that other countries have placed much greater emphasis on pure science in recent years than the U.S. The United States may still have a very strong scientific infrastructure and it may still have the leading research centers, but it no longer dominates ideas and it no longer has a lead in the sheer number of very bright minds that it can throw at a problem.

The breakthrough could come from anywhere in the world. So, yes, entrepreneurship and innovation are important. But competition is now global, and the stakes are very high indeed.

What do you do to keep the entrepreneurial focus sharp in a large organization like The Bank of East Asia?

As The Bank of East Asia has grown, we have developed a structure that provides managers both the freedom and the incentive to create new business opportunities for the bank. This structure has encouraged both organic growth and growth through acquisition.

We have developed a range of new businesses that both extend and complement our existing banking business. Earlier, I mentioned the growth of our wealth management business. That is founded on the very firm base of our comprehensive wealth management services in Hong Kong and China.

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services through our subsidiary, Tricor Services Limited.

We are also a major provider of medical, travel, and general insurance through Blue Cross (Asia-Pacific) Limited; of life insurance through BEA Life; and of clinical services through our joint venture with The University of Hong Kong Li Ka Shing Faculty of Medicine, Blue Care Medical Centre.

All of these businesses have been either founded or acquired within the past eight years, highlighting our focus on entrepreneurship as we position the BEA Group for yet greater success in the future.

How do you groom the next generation of leaders at The Bank of East Asia to think entrepreneurially?

We have a deep-rooted culture of identifying and promoting talent, and giving talented people responsibility. In addition, our senior management team meets every morning at 8 AM in order to share experience, review current issues, and set priorities. Once a week, the meeting is extended to include the entire team down to department level. This helps to keep everyone involved and “in the

loop.” It also encourages a culture of teamwork. If one division manager sees an opportunity, he can immediately test its acceptance within the company. If it's a good prospect, company resources can quickly be allocated to bring it forward.

What do large Western-based companies and entrepreneurs need to consider before they begin conducting business in emerging markets in Asia, especially in China?

This is a very fast moving market. While there are abundant opportunities, there is also intense competition. There is a very sharp learning curve.

For companies entering China's market, a partner is essential. But even a partner is no guarantee of success. There must be real management commitment, on the ground.

As you look at the next generation of opportunity, what advice would you offer global entrepreneurs?

No matter where you do business, you need good people to make your business work. Get to know people, and you can go far. ●