NORWAY
NORWAY-ASIA BUSINESS SUMMIT 2016

Norway-Asia Business Summit 2016 Recap: Growing Interdependence Between Economies

By Eric Baker

The sixth edition of the Norway-Asia Business Summit this April in Singapore set a standard for future summits, earning a visit from Prime Minister Erna Solberg in a nod to the importance of the region to Norway's economy. Both participants and speakers seemed delighted by the event and the discussions that arose.

Mrs Solberg kicked off the conference by noting how significant it is that the event is taking place in Singapore.

"There are over 5,000 Norwegian companies in Asia employing some 60,000 people, and Singapore is by far the leading location for these firms," she said.

"The rise of Asia is the biggest development in the world economy in the last 40 years. The region has recorded impressive economic growth over that period, working to achieve one of the UN's Millennium Development Goals of lifting 50% of the global population out of poverty.

"There is no doubt oil price fluctuation has created a structural challenge for the Norwegian economy. We need to change from an industrial economy to something more modern. But we have a lot of strengths moving forward, from research and development to focusing on low-emission technology. Investing in knowledge and innovation has never been a waste and we will continue doing that.

"Singapore and Norway have strong shipping ties, and the major goal of the Norwegian shipping industry is more sustainable growth and value creation. I know many Asian countries would like to deepen their maritime ties with Norway, and we feel the same. Asia is also the key to Norwegian export growth, rising from 10% of the total in 2006 to 20% last year."

Mrs Solberg was followed by Lim Hng Kiang, Singapore's Minister for Trade and Industry, who noted Norway is his country's eighth-largest trading partner in Europe and it is the fourth-largest foreign investor in Singapore. The city-state has signed a free trade agreement with the European Free Trade Association in 2002, clearing the way for such substantial shipments between the two.

Oliver Tonby, managing partner at McKinsey & Company, moderated a discussion on the future of ASEAN as a growth engine. China is going to lose 150 million workers over the next two decades based on demographics, while in Indonesia everyone is eager to build a tech start-up.

Parag Khanna, managing partner of Hybrid Reality, said ASEAN is the one part of the world still working to develop its infrastructure across national borders. He noted there is more foreign direct investment coming into ASEAN than China, suggesting there is no better time to build up the region than when the rest of the world is slumping. Mr Khanna said the world's largest labour force is concentrated in the region, making it all the more inviting.

Following a coffee break, Remi Eriksen, president and CEO of DNV GL, shared his prediction of a lower-carbon energy scene in Asia, one that moves away from coal and digitises.

"History tells us there is always a time lag between breakthrough innovations and large-scale uptake. We will still need oil and gas for many years to come. Much of what is happening in Asia now will determine the future in terms of innovation because there is so much demand here," he said.

"We are at the onset of the fourth Industrial Revolution. R&D has to be a part of your organisation's cultural DNA in order to keep up. We continue to see lots of opportunities in the energy space in both Asia and North America."

After a networking lunch, Mary Boyd, a director at the Economist Corporate Network in Shanghai, and a group discussed trends for the Asian maritime sector. While many in Asia are hoping the start of the ASEAN Economic Community this year will herald a massive market, there still remains a great amount of differentiation in member countries' trading patterns, she said. For example, a shipping container dwell time averaged one day in Singapore in 2014 and six days in Indonesia.

Ms Boyd offered a mixed sentiment on prospects for the region, as an Economist survey found both customer and the products and services offered in ASEAN are becoming more similar, creating more opportunities for commercial integration. But the likelihood of a downturn in China's economy increases the chances of a slowdown in ASEAN, as trade between the two has grown from 4% of Southeast Asia's total trade in 1998 to 19% in 2014, the largest of any partner.

Torbjørn Kjus then brought the energy sector into focus with a presentation on what he called the oil market meltdown. Mr Kjus, one of the world's leading oil analysts for DNB Markets, said there is something wrong with recent International Energy Agency (IEA) data, making forecasts more difficult. There are about 1 million missing barrels in IEA data compared to OECD stocks, meaning demand is understated and the recent drop in oil prices was driven by sentiment and not fundamentals, he said.

Enormous cuts in oil spending will continue in 2016 and the drop in oil price has reduced North American shale production as well. The low price means eventually the market is going to want more supply from OPEC, said Mr Kjus. A 51% rise in SUV sales in China last year is also helping drive global gasoline demand. He foresees a range of USD 45-65 for the oil price this year, with USD 60-80 the long-term outlook from 2019-2023.

Narendra Taneja, chairman of the Energy Security Group of the Federation of Indian Chambers of Commerce and Industry, said hysteria played a role in driving down the global oil price to USD 27. He projects USD 50-68 as the right price range for oil the next two to three years.

Next came the question of how to transform Norwegian industries given such structural changes, and Anita Krohn Traaseth, CEO of Innovation Norway, presented a playbook for the transition. She said the country needs to pivot away from investments in oil and property towards six segments: clean energy, bio-economy, health & welfare, ocean space, smart society and tourism & creative industries.

“The average lifespan for a Norwegian company has dropped from 60 years to 13 now,” said Mrs Traaseth. “The country’s export development since 1998 has been worse than Denmark, Sweden and Switzerland.”

“But Norway has several competitive advantages it can use to position cross industries — health & democracy; ample clean water; a safe and inclusive society; transport on land and sea; clean energy; sustainable cities; food and bio-based products.”

She quoted Reid Hoffman, the CEO of LinkedIn, saying, “Silicon Valley is a mindset, not a location,” hoping this would become a mantra for Norwegian entrepreneurs. Mrs Traaseth said the ocean space industry has incredible potential, with scientist Nils Roar Hareide predicting “in the next 30 years, value creation [in this sector] will be at least six-fold, meaning the Norwegian economy will be even more blue”.

The first day of the summit concluded with a lively discussion on what it takes to be a successful entrepreneur in Asia. Poon Hong Yuen, chief executive of SPRING Singapore, the agency in charge of helping enterprises grow, said the country has been successful in part because facilitates a pro-business community, ranking first globally in ease of doing business and second for intellectual property protection.

SPRING’s strategy after building a conducive environment is to develop a tightly networked start-up cluster, enhance the commercial infrastructure, facilitate co-innovation between the government, large companies and start-ups, strengthen the financing options through various agencies, help start-ups access talent and mentors, and then help those start-ups venture abroad. In contrast to other countries in the region, Singapore is open to foreign entrepreneurs starting up there and doesn’t require a local ownership percentage.

The city-state had 58 exits (start-up acquisitions) from 2006 to 2015, and it had three “unicorns”, or valuations of USD 1 billion: Garena, Razer and Lazada.

Day two opened with Sturla Henriksen, CEO of the Norwegian Shipowners’ Association, echoing a resilient drumbeat from the industry. Certainly some companies will not survive this down cycle and there will be acquisitions, but don’t forget shipping is already the most environmentally friendly form of transport, he said.

“Very soon we will be seeing more Teslas of the sea,” said Mr Henriksen, noting Norway already has an all-electric ferry operating short distances. He said Norway should continue to support the UN for disputes concerning the Law of the Sea, as the country is very dependent on the agency’s belief in right over might.

While Mr Henriksen cautioned that too much hype has been made about the Northeast Passage too soon, he said an Arctic Business Council has already been established to set ground rules for the route.

Next up was Torger Reve, a professor at the BI Norwegian Business School, who urged the country to invest in more innovative ocean industries. He called on the Norway to pivot as spending on oil and gas as well as maritime hit a trough.

"A global blue maritime knowledge hub on the Norwegian western coast could propel the Singapore maritime cluster through research, innovation and education," said Mr Reve. "Global knowledge hubs are centres of gravity that attract talent, technology and competent international ownership."

Because Norway's main industries — oil and gas, maritime and seafood — all involve the ocean, it makes sense the country could develop a global knowledge hub dealing with that space, he said. Oceans house 90% of the world's productive mass, so future industries are inevitably going to be drawn there, said Mr Reve. He suggested Norway start to spend some of the USD 1 trillion in its sovereign wealth fund on ocean foods, fish farming, maritime technology, finance, IT and knowledge-intensive services geared towards ocean industries. Other segments include ocean mining, ocean tourism, aquaculture, renewable energy, biotech and climate industries.

Following a coffee break, Jon Gravråk, chief digital officer for Telenor, explained how his company was able to record massive success in Asia. "We looked to Asia when everyone else left," said Mr Gravråk. Telenor is one of the largest Norwegian companies in Asia, with a presence in Bangladesh, Singapore, Malaysia, Thailand, Pakistan, India and Myanmar.

The telecom multinational looks for a foreign partner with capability and experience as well as a good cultural fit with Telenor's principles. The company was there for the shift from fixed line to mobile and now is driving the swing to data. Of course smartphones are pushing this consumer change as the number of purchases for these devices is projected to increase from 1.3 billion last year to 3 billion in 2020.

He said innovation is moving to Asia so being in the region is a natural fit for what Telenor is trying to accomplish. Nine of the top ten device makers are in Asia, 2 billion customers use Asian messaging apps, and Bangkok has been dubbed the Facebook capital of the world. Telenor has introduced Capture, a way to store and share all your photos and videos, as well as Claim Di, an app for car owners in Thailand that shortens the auto insurance claims process.

Kristin Skogen Lund followed up trying to answer how Asia can affect the transformation of the Norwegian economy. Mrs Skogen Lund, director-general of the Confederation of Norwegian Enterprise, said the country has a lot going for it that can help in recruiting businesses: a strong belief in equality, high productivity, a good work/life balance, a flat organisational structure, and a high level of employee trust. The problem is Norway doesn't always have the interests of business in mind, she said.

Norway is in dire need of an economic transformation as it has 71,000 people under 30 that are not educated or trained. Mrs Skogen Lund has taken great inspiration from the increased cooperation between her country and Asia.

"I was influenced by the keynote speech given by Nobel Peace Prize winner Kailash Satyarthi at the 2015 Norway-Asia Business Summit," she said. "He said business can solve more of society's problems than it thinks it can. I think Norway needs to be better at building alliances within Asia, as well as realising how much Norwegian companies actually add to society."

After lunch Karl Johnny Hersvik, the CEO of det Norske, made the case for increasing investment in oil and gas at a time when most of the market is lowering its budget. The company specialises in exploration and development on the Norwegian continental shelf, where he noted there are still significant volumes to be discovered and produced.

Mr Hersvik said the company needed to be more efficient in its drilling techniques but was positioned for strong organic growth based on its sanctioned projects. A weaker market also means cost estimates for some of its larger projects such as Johan Sverdrup have decreased, he said.

Finally Peter Anker, president of brokerage and investment banking at Clarksons Platou, led a discussion on the outlook for the shipping market. The orderbook for the world merchant fleet is at a 15-year low, but overcapacity remains well below previous peaks, he said.

The slower Chinese economy and US shale oil revolution have sent tankers and liquefied petroleum gas into orbit but upended most other segments in shipping, said Mr Anker.

“The good news is markets are no longer willing to support excess capacity over time, which means even more volatility as market forces shorten the duration of cycles,” he said.