Asia’s Chief Executive Perspectives

Results from the 2006 Annual Member Survey
The Asia Business Council

- Independent association of CEOs from both leading Asian and MNC firms
  - 64 members representing 11 Asian countries, Australia, Europe and the US
  - Over 80% of Council members are business leaders from Asian companies
  - Members’ companies have over USD 850 billion in market capitalization
  - Nearly half of members ranked on Forbes Global 2000

- Mission: to work toward the continued economic development and competitiveness of Asia as a region
  - Foster dialogue and understanding amongst business leaders
  - Improve the efficacy of the private sector in promoting continued economic growth and development in the region
  - Be a collective voice to influence other corporations, governments, multilateral organizations and members of civil society

The Council has conducted this survey in order to put forth an Asian business leader’s perspective on issues affecting both Asia and the world
Survey Overview

- Survey forms distributed to members in last week of September and responses returned throughout October 2006
- Response rate of 75%*
- Members asked about their economic outlook and investment plans
- Members also asked to consider 56 issues and rank their importance for business in Asia in general and their impact on the executives’ own business
- Issues covered included
  - Energy & Environment
  - Financial & Business
  - Geo-Political
  - Social
- Responses refer to the percentage of respondents who responded either “very important” or “great impact” unless otherwise noted

* A total of 48 members completed the survey. For analysis purposes non-respondents were ignored and response percentages were calculated based on the number of responses to each question. Non-responses to individual questions did not exceed 6% unless noted.
When ranked separately, issues related to human resources and the economies and relationships of China and the US were the top concerns

- Access to quality human resources and education rank in the top five issues for both Asia and their importance to business
- The related issue of entrepreneurship and innovation is a top issue for respondents’ businesses
- China and the US economies are clearly the key drivers for the region and for respondents’ businesses
- China-US relations are also of very high importance to the region but have less of an impact on business
As a group, energy and environmental issues ranked highest in their importance to Asia—despite having the lowest impact on business

- Asian executives recognize the importance of energy and the environment for business in Asia
- Not surprisingly, financial and business issues have the greatest impact on respondent’s businesses
- Social issues were on par with financial and business issues in terms of their importance to Asia

* Median percentage of respondents selecting "very important/much impact by topical groupings.”
Economic Outlook is Optimistic

- In the last 12 months 42% of respondents said overall business conditions in Asia had improved and 52% said they had remained about the same.

- Over the next 12 months, respondents felt business conditions would improve (52%) or remain the same (44%).

- Only 4% of respondents expected conditions to worsen in the next 12 months.
China, India and Vietnam receive greatest level of investment interest

- In the last 12 months, companies invested in or increased their investments across all major Asian countries, the US and Europe
- China (77%), India (38%), Singapore (38%), the US (38%) and Indonesia (26%) registered the greatest level of investment activity last year
- Looking ahead, over the next 1 - 3 years, China (85%), India (51%) Vietnam (38%) the US (36%) and Indonesia (30%) comprise the top five investment destinations
- Vietnam and India show the greatest increase in planned investment activity
Major environmental issues for the region and executives’ businesses include energy prices, supply and efficiency, and natural resource supply and quality

- Issues related to energy — oil and gas supply (54%), prices (50%) and energy efficiency (44%) — were among the important environmental issues for Asia and also were deemed to have the greatest impact on the respondent’s own business

- The availability and quality of natural resources — water supply (54%), air pollution (47%) and water quality (44%) — were viewed as very important for Asia but had slightly less direct impact on the respondents’ businesses

- Carbon emissions (35%) and global warming (23%) were regarded as important for the region, but again do not have as great a business impact

- However, nearly a third of respondents (32%) expect to participate in a scheme designed to buy/sell carbon credits within the next five years with respondents split nearly evenly between buying and selling

- Alternative energy sources and nuclear power were seen as less important
**People issues top the list of financial and business issues followed by management standards and capability**

- Respondents ranked access to quality human resources (72%) and entrepreneurship and innovation (53%) as the most important business issues for Asia and as having the biggest impact on their businesses (83% and 60%)

- Management standards and capability as characterized by corporate governance (40%) and access to capital markets (36%) were the next most important issues for the region and in terms of business impact (48% and 43%)

- The related topics of shareholder rights and corporate social responsibility were also deemed significant

- Protectionism, international labor and environmental standards and R&D funding ranked lower but were still viewed as either “important” or “very important” for the region by over three quarters of the respondents
The economies of and relations between China and the US are the most important geo-political issues for the region and for respondents’ own businesses

- China (71%) and the US (70%) economies are recognized as the drivers of business in Asia and also have the greatest impact on respondents’ own businesses followed by the economies of India (29%) and Japan (26%)

- Relations between the two countries — China-US relations (60%), U.S. foreign policy (51%), and China’s foreign policy (36%) --- are the next most important issues for the region and business

- The Middle East conflict (37%) ranked fifth in importance for business in Asia, likely reflecting concern over oil and gas supplies

- Bilateral and regional trade agreements (29%) were viewed as more important to the region than the WTO (21%), yet the impact on respondent’s business was nearly the same (22% and 23%)

- 77% responded that the collapse of the Doha round had no impact on their business

- Apart from the US and China, bi-lateral relations and tensions within Asia ranked greater in importance for business in general than for the members’ individual businesses
Education and government quality are the themes of the top five social issues

- Educational quality (65%) and availability (52%) as well as entrepreneurship (39%) were deemed very important for the region and have the greatest impact on business.

- The quality of government as characterized by government regulations (56%), corruption (50%) and accountability (50%) were very important for Asia.

- Regulations have a significant impact on the respondent’s business, but corruption and accountability less so.

- Nearly half the respondents see terrorism as an important issue for Asia (49%), and nearly one third responded it was having a great impact on their business (31%).

- Social demographic issues (income disparity, aging society, healthcare availability/costs) were recognized as important to the region but they have less of an impact on the respondents’ own businesses.
Survey Summary

- Asia’s chief executives remain **optimistic about business conditions** in Asia.

- The **availability and formation of a high quality work force**—education quality, and entrepreneurship and innovation—is a top issue for the region and has the greatest impact on the executives’ own businesses.

- **China and the US and their relationships** are the most important geopolitical issues for the region and for respondents’ own businesses.

- Overall, **executives rank energy and environmental issues ahead of social, financial and business, and geo-political issues** in terms of importance for business in the region.
Survey Data
In what countries have you invested or increased your investment?

- **China**: 77% in the last 12 months, 85% in the next 1-3 years
- **India**: 38% in the last 12 months, 51% in the next 1-3 years
- **Vietnam**: 19% in the last 12 months, 38% in the next 1-3 years
- **USA**: 38% in the last 12 months, 38% in the next 1-3 years
- **Indonesia**: 19% in the last 12 months, 30% in the next 1-3 years
- **Europe**: 19% in the last 12 months, 26% in the next 1-3 years
- **Singapore**: 19% in the last 12 months, 26% in the next 1-3 years
- **Malaysia**: 19% in the last 12 months, 23% in the next 1-3 years
- **Japan**: 15% in the last 12 months, 21% in the next 1-3 years
- **Philippines**: 13% in the last 12 months, 17% in the next 1-3 years
- **Thailand**: 13% in the last 12 months, 15% in the next 1-3 years
- **Korea**: 6% in the last 12 months, 11% in the next 1-3 years
- **Taiwan**: 2% in the last 12 months, 13% in the next 1-3 years
- **Pakistan**: 4% in the last 12 months, 11% in the next 1-3 years
- **Other**: 13% in the last 12 months, 17% in the next 1-3 years
Energy & Environment: How important is this issue for business in Asia?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Very Important</th>
<th>Important</th>
<th>Of Little Importance</th>
<th>Not Important at All</th>
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</thead>
<tbody>
<tr>
<td>Oil &amp; Gas Supply</td>
<td>54%</td>
<td>40%</td>
<td>6%</td>
<td>6%</td>
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<tr>
<td>Water Supply</td>
<td>54%</td>
<td>40%</td>
<td>6%</td>
<td>6%</td>
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<tr>
<td>Oil &amp; Gas Prices</td>
<td>50%</td>
<td>48%</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>Air Pollution</td>
<td>47%</td>
<td>47%</td>
<td>6%</td>
<td>6%</td>
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<tr>
<td>Energy Efficiency</td>
<td>44%</td>
<td>54%</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>Water Quality</td>
<td>44%</td>
<td>50%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Carbon Emissions</td>
<td>35%</td>
<td>50%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td>Alternative Energy Sources</td>
<td>29%</td>
<td>50%</td>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>Global Warming</td>
<td>23%</td>
<td>57%</td>
<td>19%</td>
<td>0%</td>
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<tr>
<td>Nuclear Power</td>
<td>15%</td>
<td>62%</td>
<td>19%</td>
<td>4%</td>
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<tr>
<td>Desertification</td>
<td>10%</td>
<td>50%</td>
<td>33%</td>
<td>7%</td>
</tr>
</tbody>
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Note: There was a 13% non response rate for "desertification" Non responses have been ignored.
Energy & Environment: How much does this issue impact your business?
Financial & Business: How important is this issue for business in Asia?

- **Access to High Quality HR**: 72% Very Important, 26% Important, 0% Of Little Importance, 0% Not Important at All
- **Entrepreneurship and Innovation**: 53% Very Important, 43% Important, 0% Of Little Importance, 4% Not Important at All
- **Corporate Governance**: 40% Very Important, 52% Important, 8% Of Little Importance, 0% Not Important at All
- **Access to Capital Markets**: 36% Very Important, 60% Important, 0% Of Little Importance, 0% Not Important at All
- **Shareholders Rights**: 32% Very Important, 47% Important, 21% Of Little Importance, 0% Not Important at All
- **Corporate Social Responsibility**: 27% Very Important, 58% Important, 15% Of Little Importance, 0% Not Important at All
- **Protectionism**: 26% Very Important, 51% Important, 19% Of Little Importance, 4% Not Important at All
- **International Environmental Standards**: 23% Very Important, 65% Important, 13% Of Little Importance, 0% Not Important at All
- **International Labor Standards**: 19% Very Important, 51% Important, 26% Of Little Importance, 4% Not Important at All
- **Research & Development Funding**: 17% Very Important, 66% Important, 17% Of Little Importance, 0% Not Important at All
Financial & Business: How much does this issue impact your business?

- Access to High Quality HR: Very Important 83%, Important 15%, Of Little Importance 2%
- Entrepreneurship and Innovation: Very Important 60%, Important 38%, Of Little Importance 2%
- Corporate Governance: Very Important 48%, Important 42%, Of Little Importance 10%
- Access to Capital Markets: Very Important 43%, Important 28%, Of Little Importance 17%
- Corporate Social Responsibility: Very Important 38%, Important 40%, Of Little Importance 23%
- Shareholders Rights: Very Important 28%, Important 50%, Of Little Importance 17%
- Protectionism: Very Important 21%, Important 53%, Of Little Importance 23%
- Research & Development Funding: Very Important 19%, Important 40%, Of Little Importance 38%
- International Environmental Standards: Very Important 13%, Important 60%, Of Little Importance 19%
- International Labor Standards: Very Important 11%, Important 51%, Of Little Importance 32%
Geo-Political:
How important is this issue for business in Asia?

- China's Economy: 71% Very Important, 29% Important
- U.S. Economy: 70% Very Important, 30% Important
- China-USA Relations: 60% Very Important, 36% Important
- U.S. Foreign Policy: 51% Very Important, 49% Important
- Middle East Conflict: 37% Very Important, 63% Important
- China's Foreign Policy: 29% Very Important, 56% Important
- India's Economy: 29% Very Important, 60% Important
- Bilateral/Regional Trade: 29% Very Important, 60% Important
- Japan's Economy: 26% Very Important, 68% Important
- China-Taiwan Relations: 26% Very Important, 51% Important
- China-Japan Relations: 23% Very Important, 57% Important
- North Korea: 23% Very Important, 36% Important
- Southeast Asia Integration: 23% Very Important, 44% Important
- WTO: 21% Very Important, 63% Important
- Japan's Foreign Policy: 19% Very Important, 49% Important
- Europe's Economy: 9% Very Important, 74% Important
- India-Pakistan Relations: 4% Very Important, 57% Important
- Europe's Foreign Policy: 4% Very Important, 51% Important

Legend:
- Very Important
- Important
- Of Little Importance
- Not Important at All
Geo-Political: How much does this issue impact your business?

- China's Economy: 73% Very Important, 25% Important, 2% Of Little Importance, 0% Not Important at All
- U.S. Economy: 66% Very Important, 28% Important, 6% Of Little Importance, 0% Not Important at All
- India's Economy: 34% Very Important, 40% Important, 19% Of Little Importance, 6% Not Important at All
- U.S. Foreign Policy: 33% Very Important, 50% Important, 13% Of Little Importance, 4% Not Important at All
- Japan's Economy: 33% Very Important, 48% Important, 17% Of Little Importance, 4% Not Important at All
- China-USA Relations: 26% Very Important, 55% Important, 19% Of Little Importance, 4% Not Important at All
- Europe's Economy: 24% Very Important, 46% Important, 26% Of Little Importance, 4% Not Important at All
- WTO: 23% Very Important, 45% Important, 32% Of Little Importance, 0% Not Important at All
- Bilateral/Regional Trade: 22% Very Important, 56% Important, 20% Of Little Importance, 2% Not Important at All
- China's Foreign Policy: 22% Very Important, 56% Important, 20% Of Little Importance, 2% Not Important at All
- Southeast Asia Integration: 21% Very Important, 38% Important, 38% Of Little Importance, 4% Not Important at All
- Middle East Conflict: 20% Very Important, 30% Important, 43% Of Little Importance, 7% Not Important at All
- China-Taiwan Relations: 17% Very Important, 35% Important, 43% Of Little Importance, 4% Not Important at All
- China-Japan Relations: 17% Very Important, 36% Important, 43% Of Little Importance, 4% Not Important at All
- Japan's Foreign Policy: 13% Very Important, 47% Important, 32% Of Little Importance, 9% Not Important at All
- North Korea: 11% Very Important, 20% Important, 52% Of Little Importance, 17% Not Important at All
- Europe's Foreign Policy: 9% Very Important, 36% Important, 43% Of Little Importance, 13% Not Important at All
- India-Pakistan Relations: 4% Very Important, 32% Important, 49% Of Little Importance, 15% Not Important at All
Social:
How important is this issue for business in Asia?
Social:
How much does this issue impact your business?