

Chief Executive Perspectives: 2007

Results from the 2007 Annual Member Survey

The Asia Business Council

- **Independent association of CEOs from leading Asian and MNC firms**
 - 67 members representing 11 Asian countries, Australia, Europe and the US
 - 85% of Council members (57 of 67) are business leaders from Asian companies
 - Market capitalization (members' public companies): \$1.1 trillion (November 2007)

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's annual survey is designed to gauge Asian business leaders' perspectives on issues affecting both Asia and the world

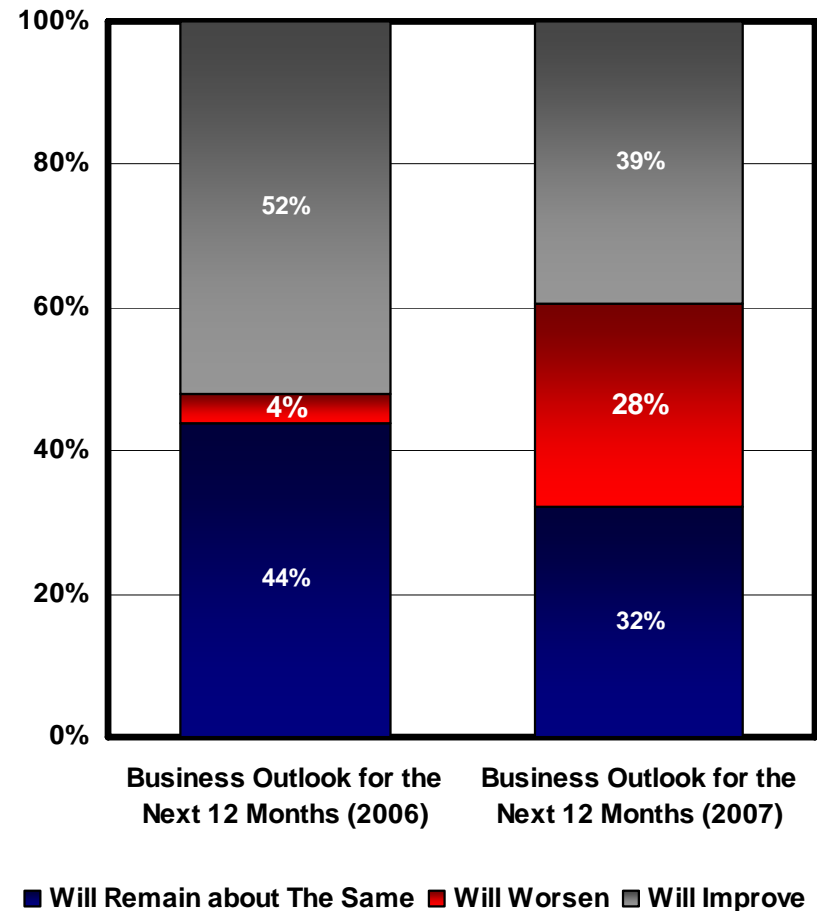
Survey Overview

- Survey conducted in September and October 2007
- Response rate of 79% (53 of 67 members)
- 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 own businesses
- Issues covered:
 - Energy & Environment
 - Financial & Business
 - Geo-Political
 - Social

** 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.*

Economic outlook positive, but increased worries about 2008....

- More members still think that the economy will improve than deteriorate in the next 12 months, but concerns have increased sharply
- In 2006, only 4% respondents thought the economy would worsen in the next 12 months – in 2007, this number jumped to 28%



Investment in Asia remains bullish

- In the last 12 months, companies invested in or increased investment in all major Asian economies
- China saw the most investment activities in the last 12 months (64% of respondents invested there); also high on the list were India (36%), US (25%), Vietnam (25%) and Singapore (22%)
- Although 64% report investing in China in the last 12 months and 69% plan increased investment in the next 1-3 years, the comparable figures last year were higher, 77% and 85%
- This decline may suggest a slight cooling in China's FDI (Foreign Direct Investment) growth rates
- In terms of investment momentum, India and Vietnam show the biggest jumps
 - In India, 37% of respondents invested last year, but 45% expect to invest within the next three years
 - In Vietnam, 25% invested in the past 12 months while 42% expect to invest in the next three years

Energy and environmental issues among key concerns, but businesses adapting to high energy prices

- Oil and gas prices were ranked highest in terms of importance to Asia with 100% regarding them as of very high (57%) or high importance (43%)
- For members' businesses, the significance of oil and gas prices is slightly less, with 47% of respondents ranking it of great importance compared with 54% in 2006
- Availability of oil and gas also seen as highly important to the region with 59% rating it very high and 37% high
- For business in Asia, energy efficiency as a very important issue jumped to 60%, compared to 44% in 2006
- For members' businesses, energy efficiency as a very important issue increased slightly from 33% to 37%
- The impact of carbon emissions on members' businesses leapt with 72% of respondents ranking it in the top half compared to 57% in 2006

Finding the right workers and entrepreneurs remains a major challenge

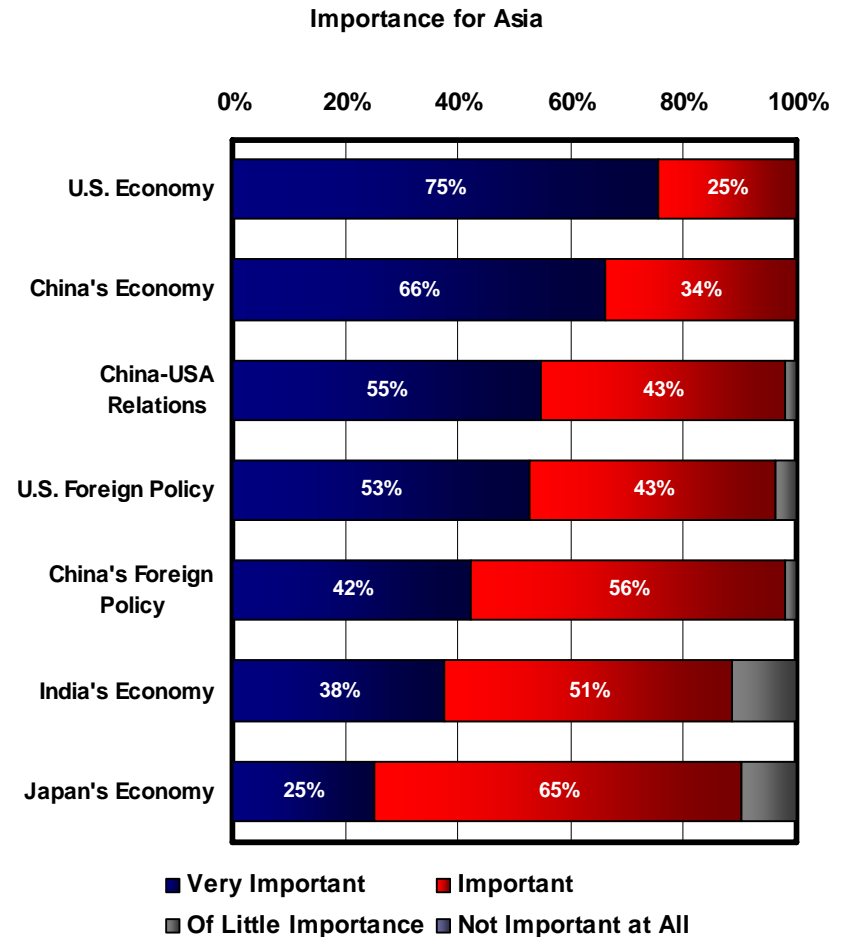
- Access to high-quality human resources topped the list of issues for both business in Asia overall and also for its impact on respondents' business, as was true in 2006
- 100% of respondents said it had a great impact (80)% or some impact (20%), compared with 72% and 26% in 2006
- 98% ranked innovation and entrepreneurship as very important or important for Asia but these issues were less important in member's own companies with 49% reporting great impact compared with 60% in 2006
- For business in Asia, corporate governance also jumped significantly with 55% listing it as very important compared to 40% last year, but for members' own businesses, corporate governance has declined marginally in importance, from 48% in 2006 to 45% in 2007
- Members reporting that access to capital markets and corporate social responsibility issues had a great impact on their businesses fell
- Members reporting that international environmental standards had a great impact on their businesses rose to 19% from 13% in 2006

Education and government quality are the themes of the top five social issues

- Educational quality (65%) and availability (52%), as well as entrepreneurship, were deemed very important for the region and also have the greatest impact on members' own businesses
- Concerns about education availability for members' own businesses jumped sharply to 55% from 38% 2006
- 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 respondents' businesses, but corruption and accountability less so
- Terrorism as an issue of great concern for members' businesses jumped from 31% last year to 45% in 2007 while as a regional issue concern remained about the same (45% in 2007 compared with 49% last year)
- 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 respondents' own businesses

China and the U.S. continue to be the most important geo-political issues

- The economies of China and the U.S. are important issues, with 75% and 66% ranking them very important for Asia and 67% and 63% saying they had a major impact on their businesses
- The China-U.S. relationship is also very important (53%) for the region, but has less impact on the businesses of the respondents (33%)
- The importance of India's economy for the region increased from 29% to 38%, slightly above Japan's economy and its impact on businesses was similar to Japan's



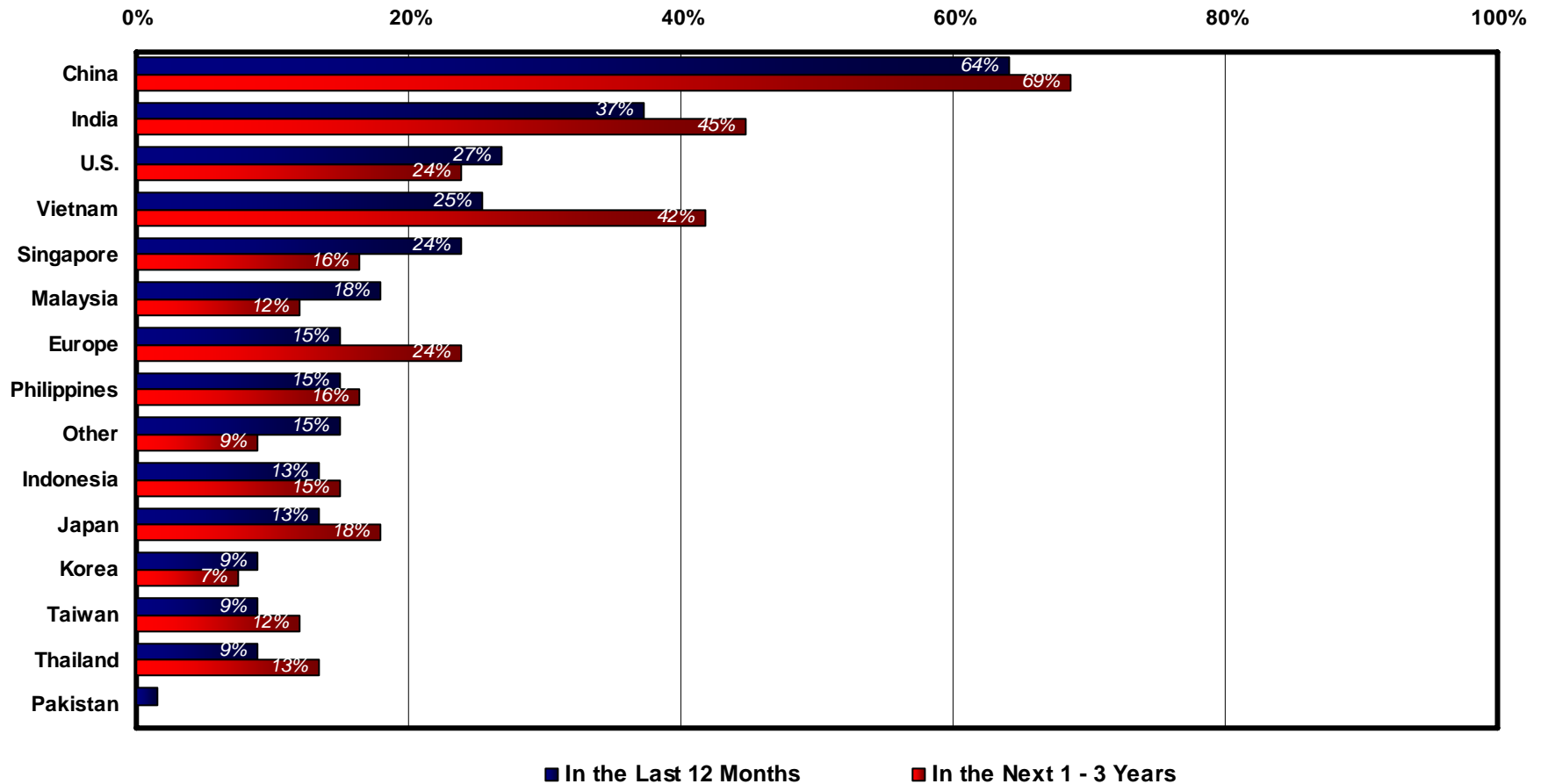
Survey Summary

- While Asia's chief executives remain ***optimistic about business conditions*** in Asia, slightly more than a quarter felt that the economic conditions would get worse in the next 12 months
- The ***availability of a high quality work force***— education quality, and entrepreneurship and innovation— remains a top issue for the region and also has the greatest impact on the executives' own businesses
- ***The economies of China and the US and the relationships between these*** continue to be the most important geo-political issues for the region and for respondents' own businesses
- Overall, ***executives continue to rank energy and environmental issues ahead of social, financial and business, and geo-political issues*** in terms of importance for business in the region

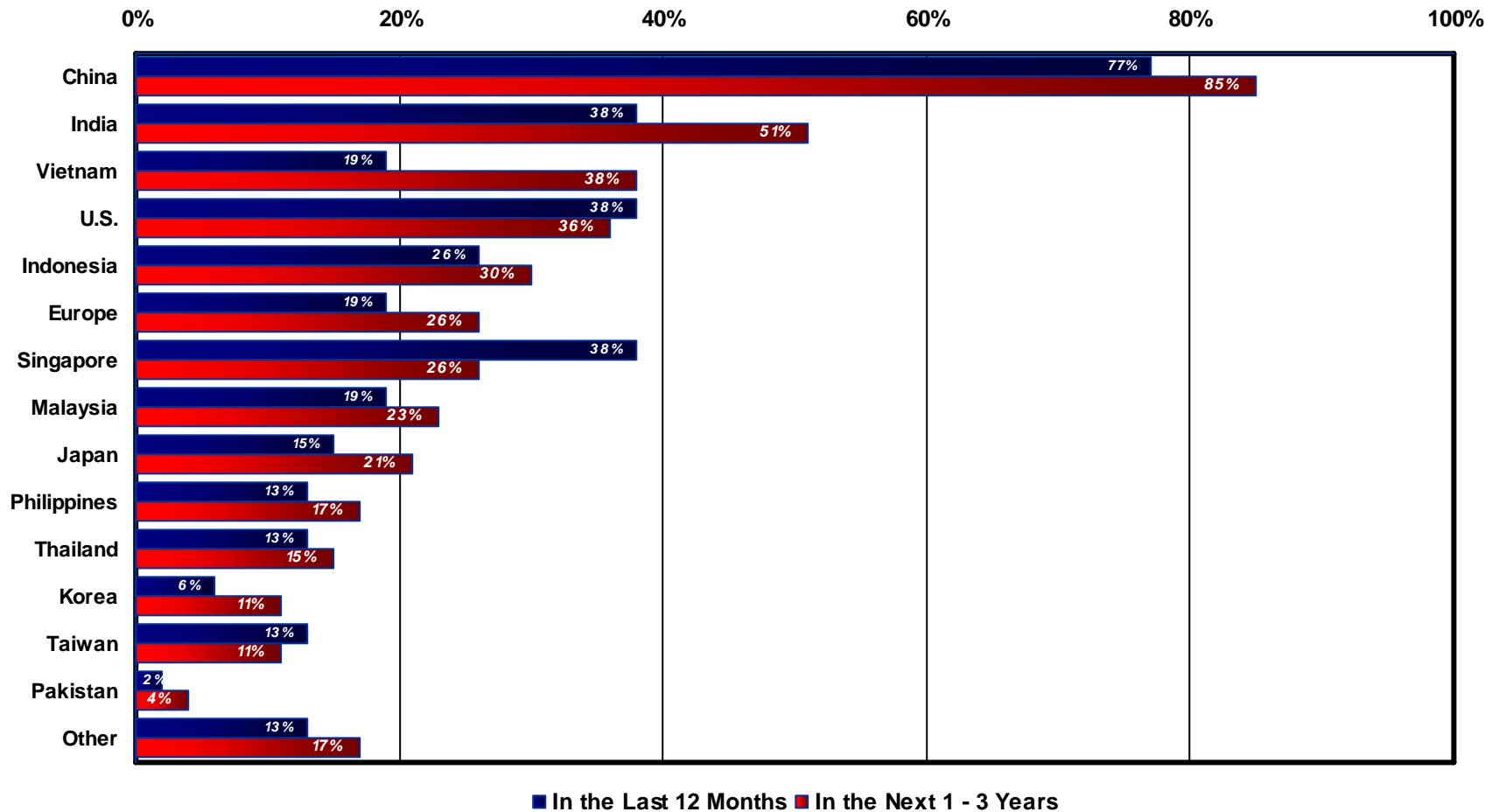
Survey Data*

*2007 results are followed by 2006 results

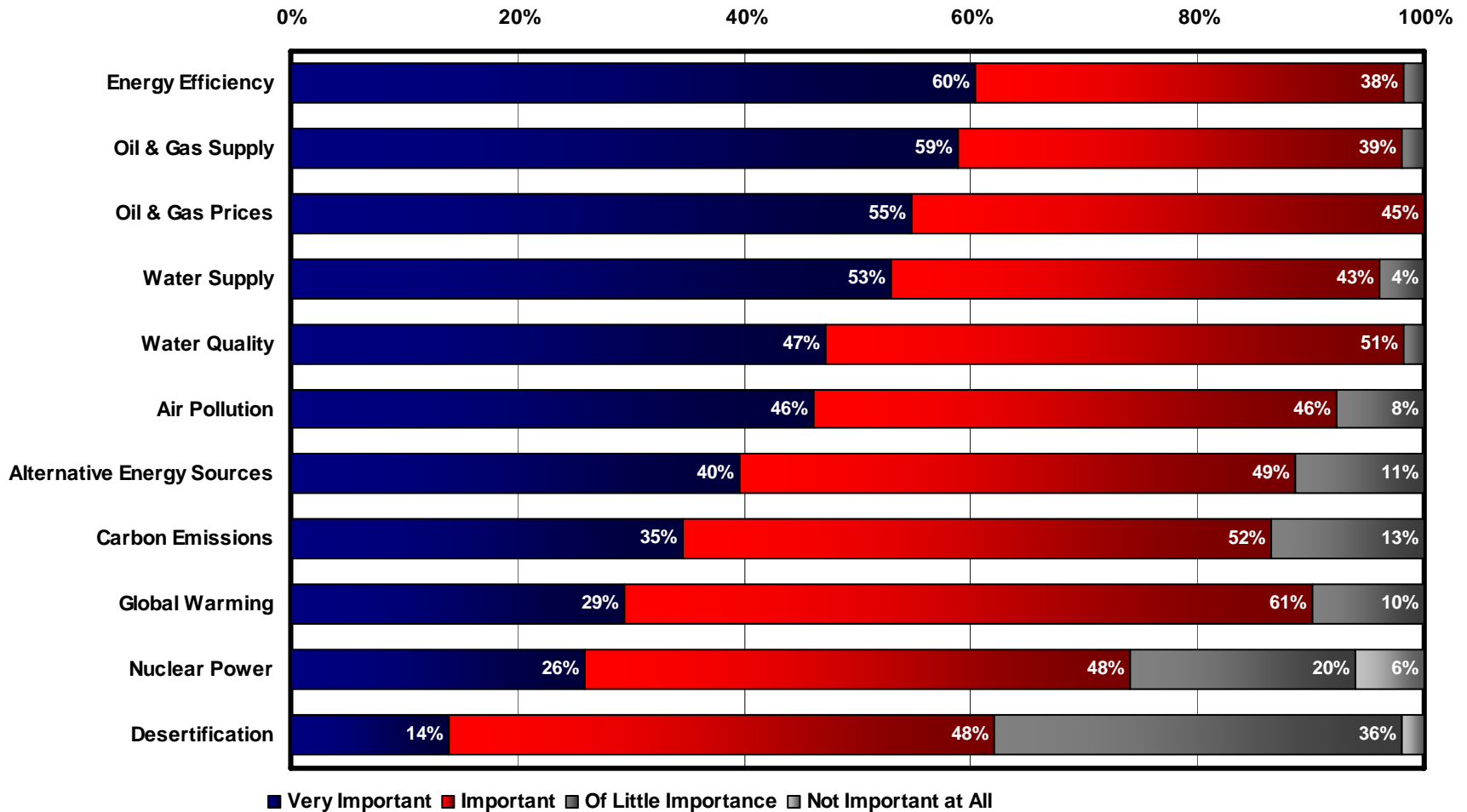
In what countries have you invested or increased your investment? (2007)



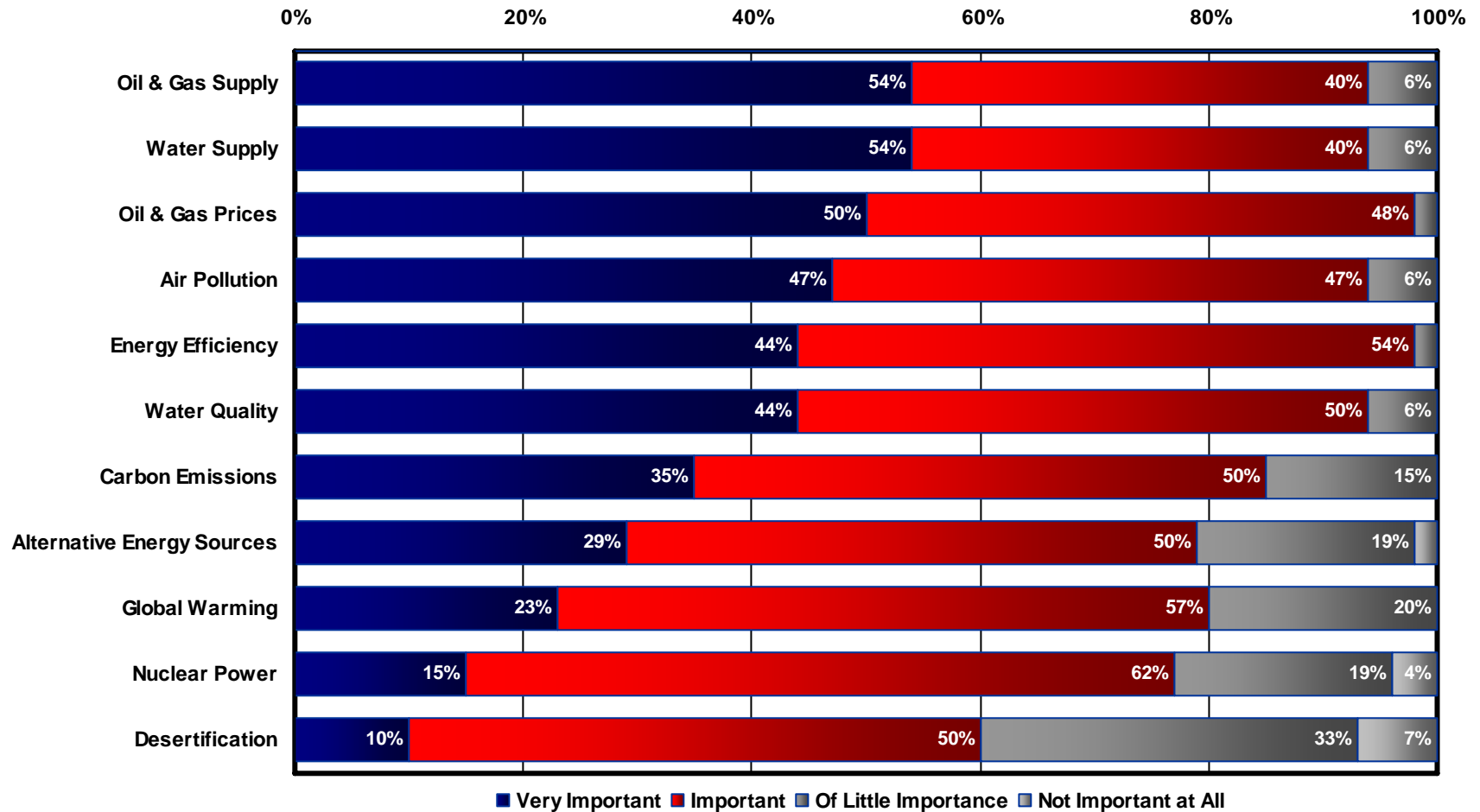
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Energy & Environment: How important is this issue for business in Asia? (2007)

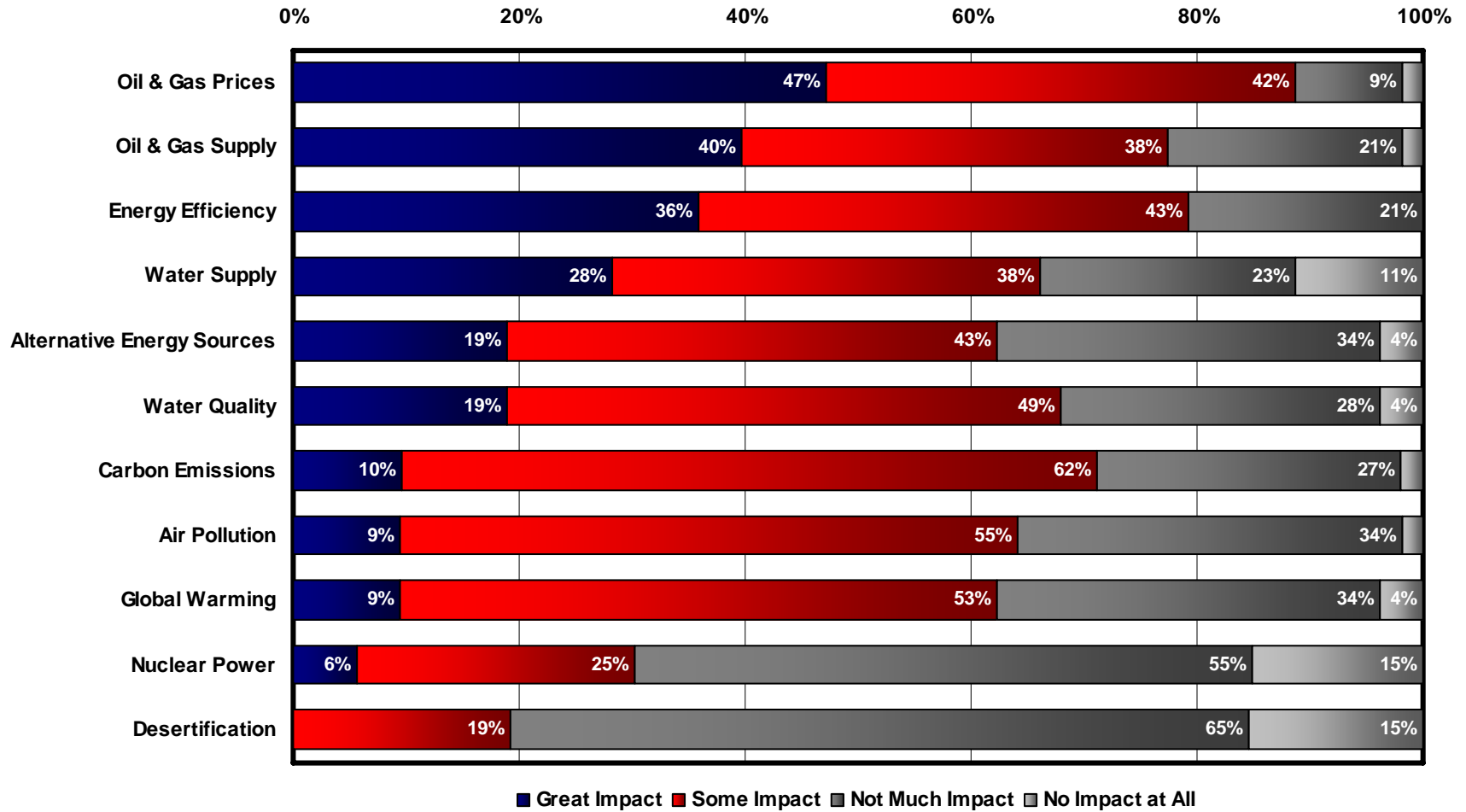


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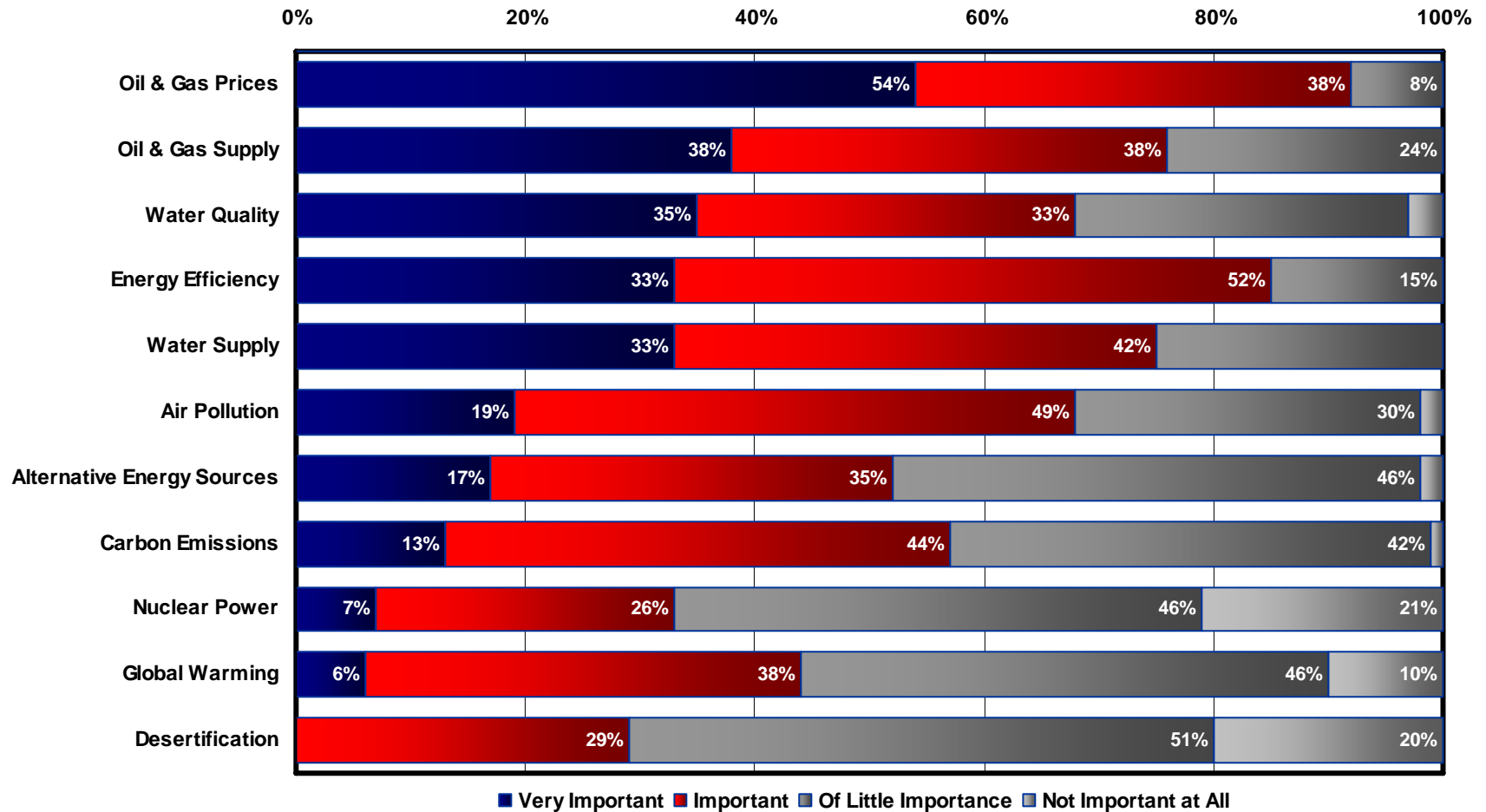


Note: There was a 13% non-response rate for "desertification" Non-responses have been ignored.

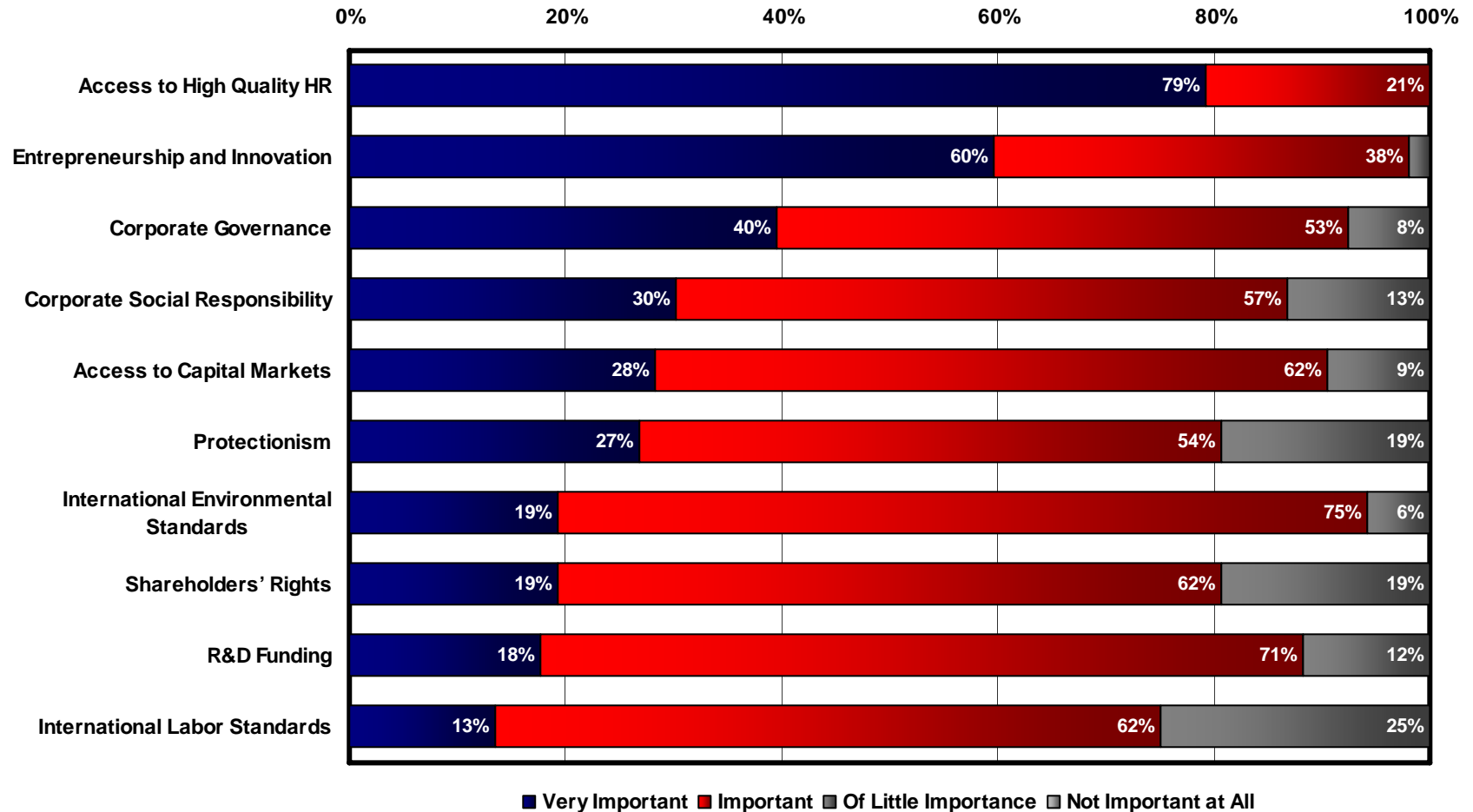
Energy & Environment: How much does this issue affect your business? (2007)



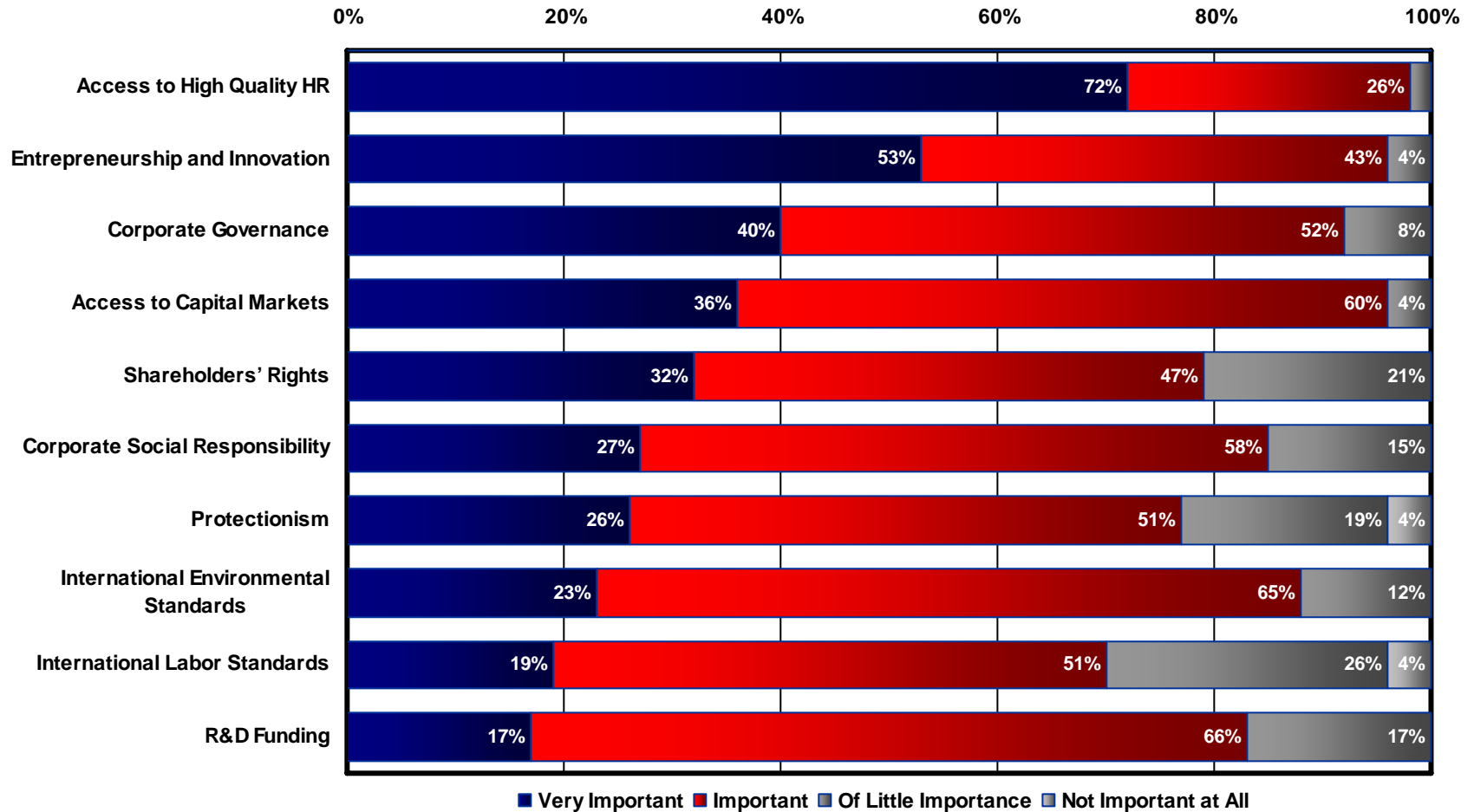
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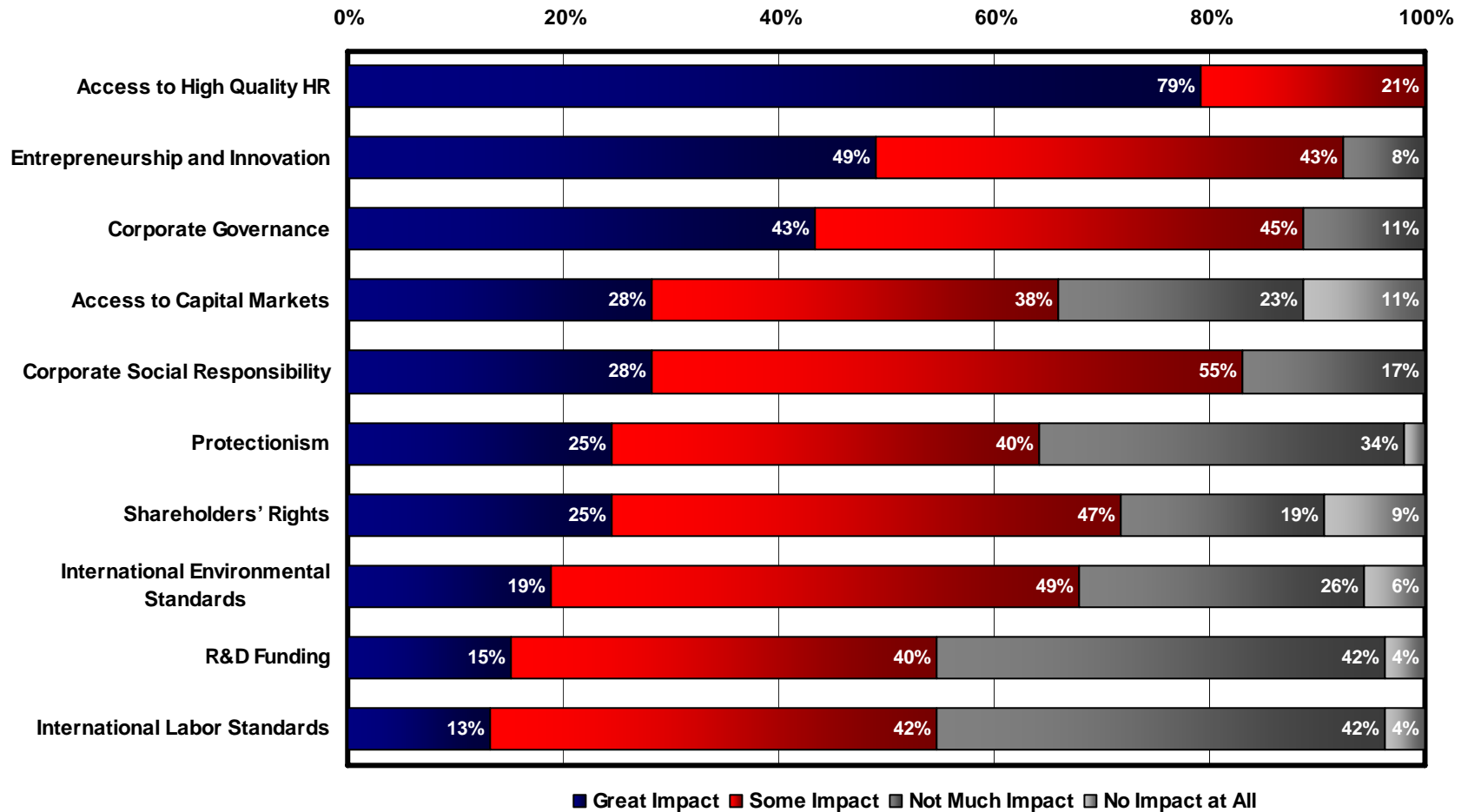
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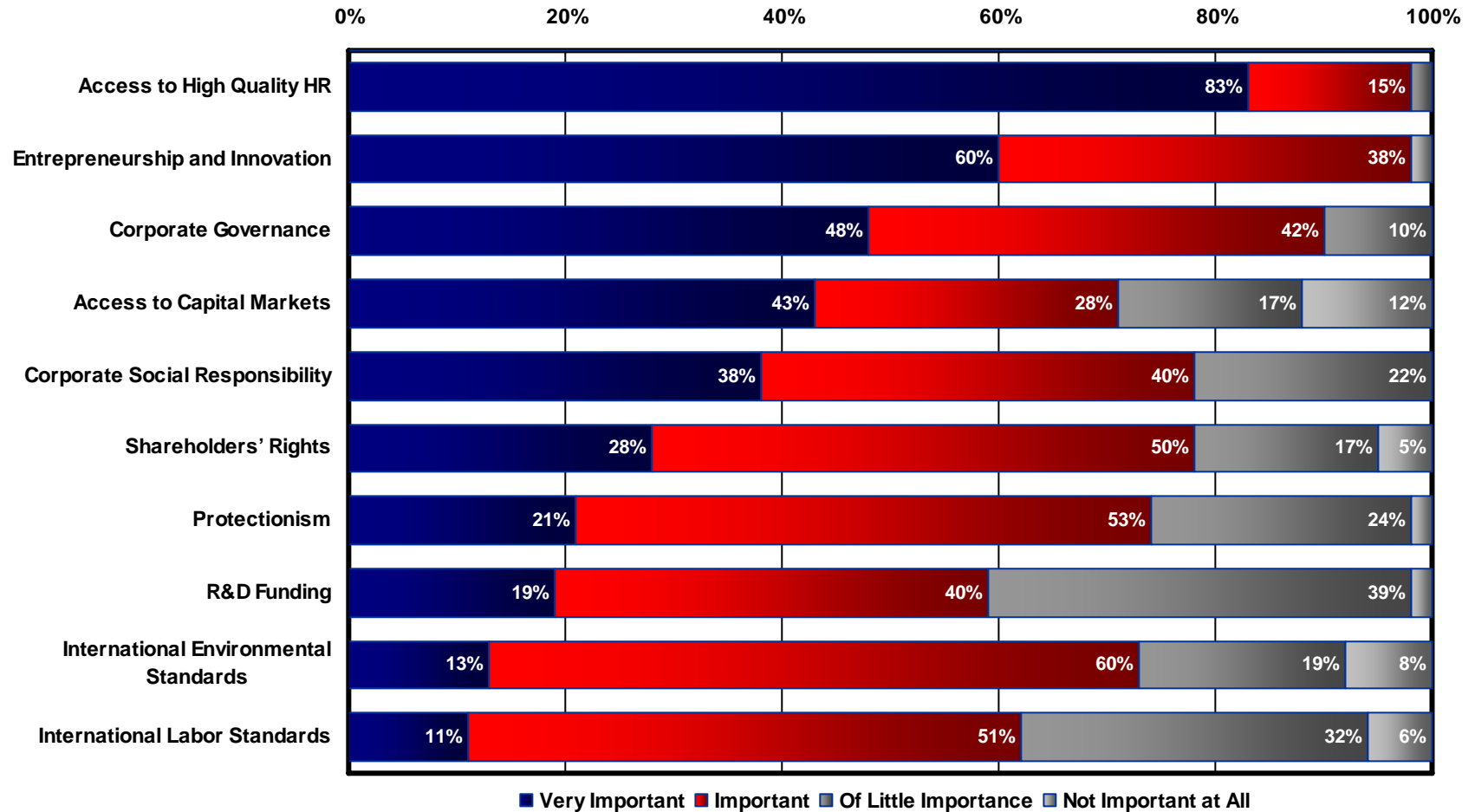
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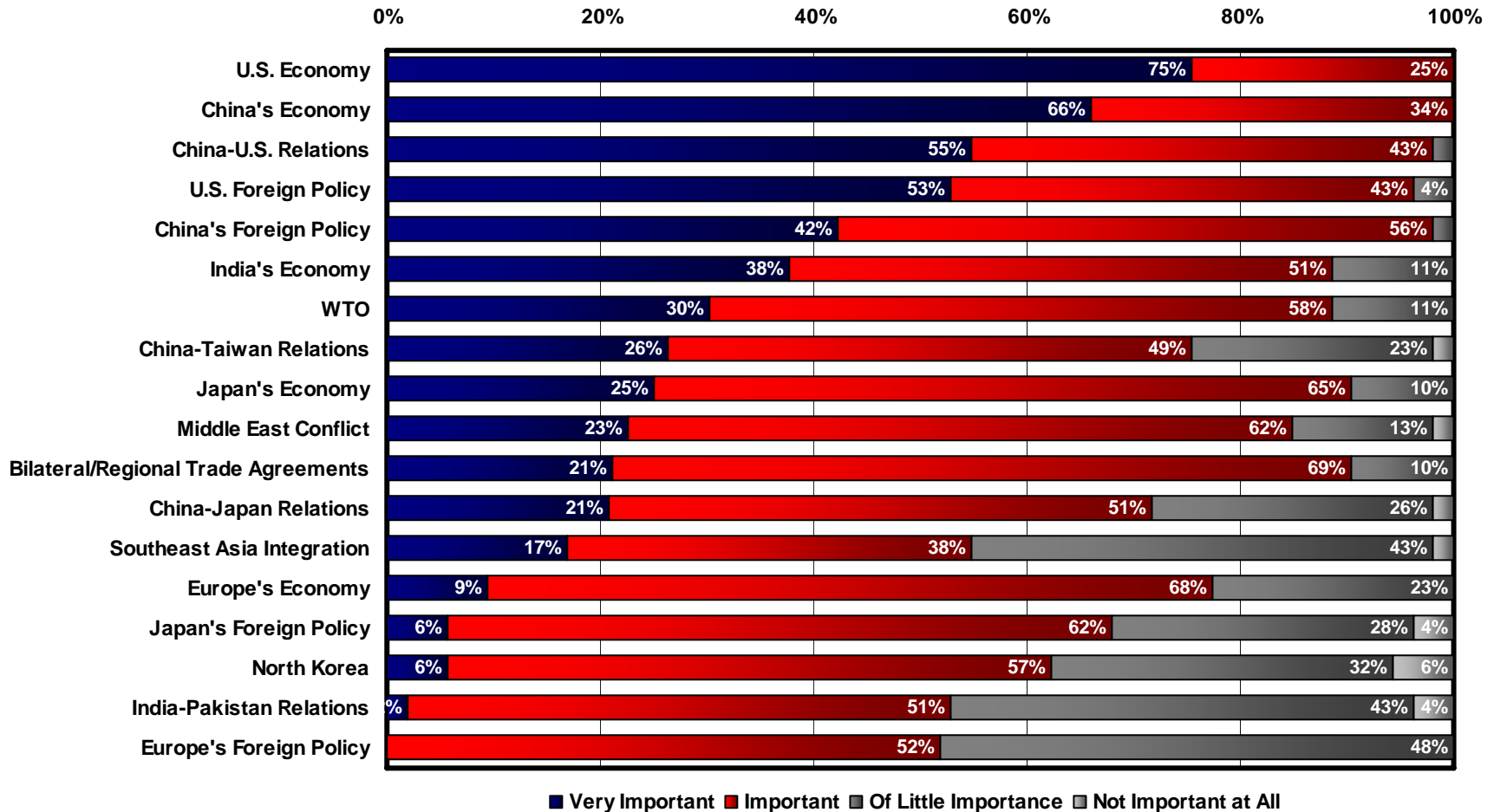
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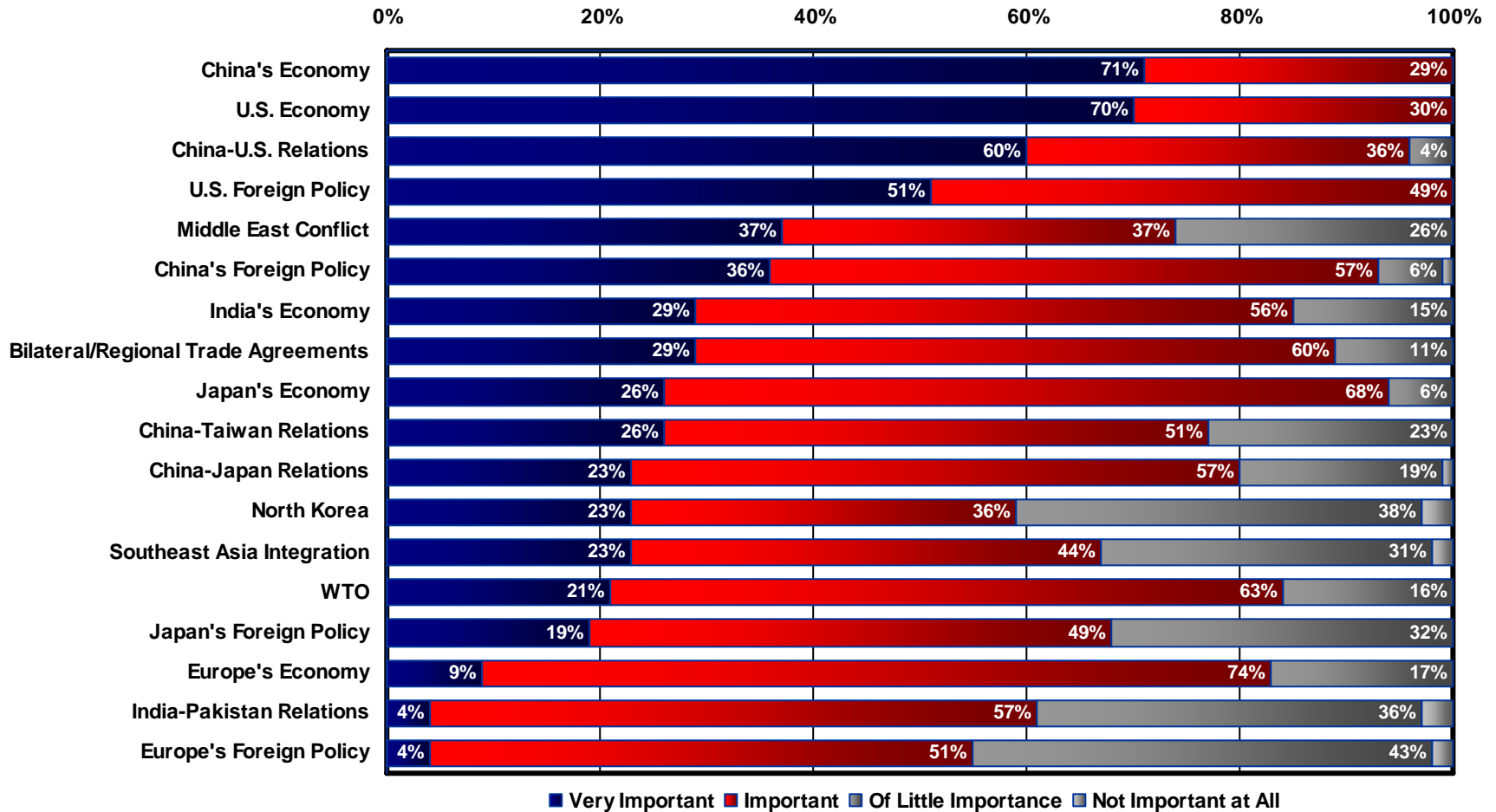
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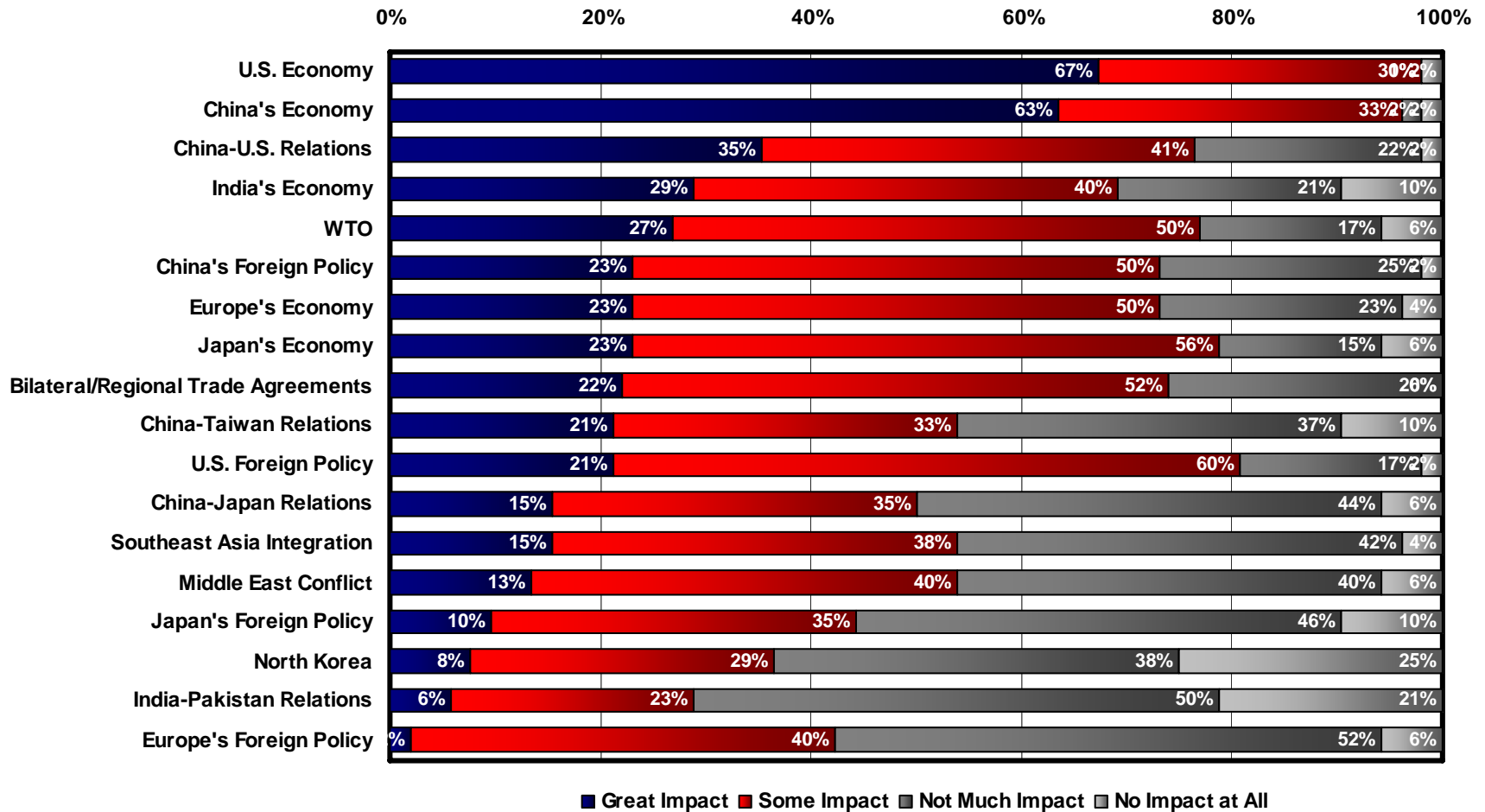
Geo-Political: How important is this issue for business in Asia? (2007)



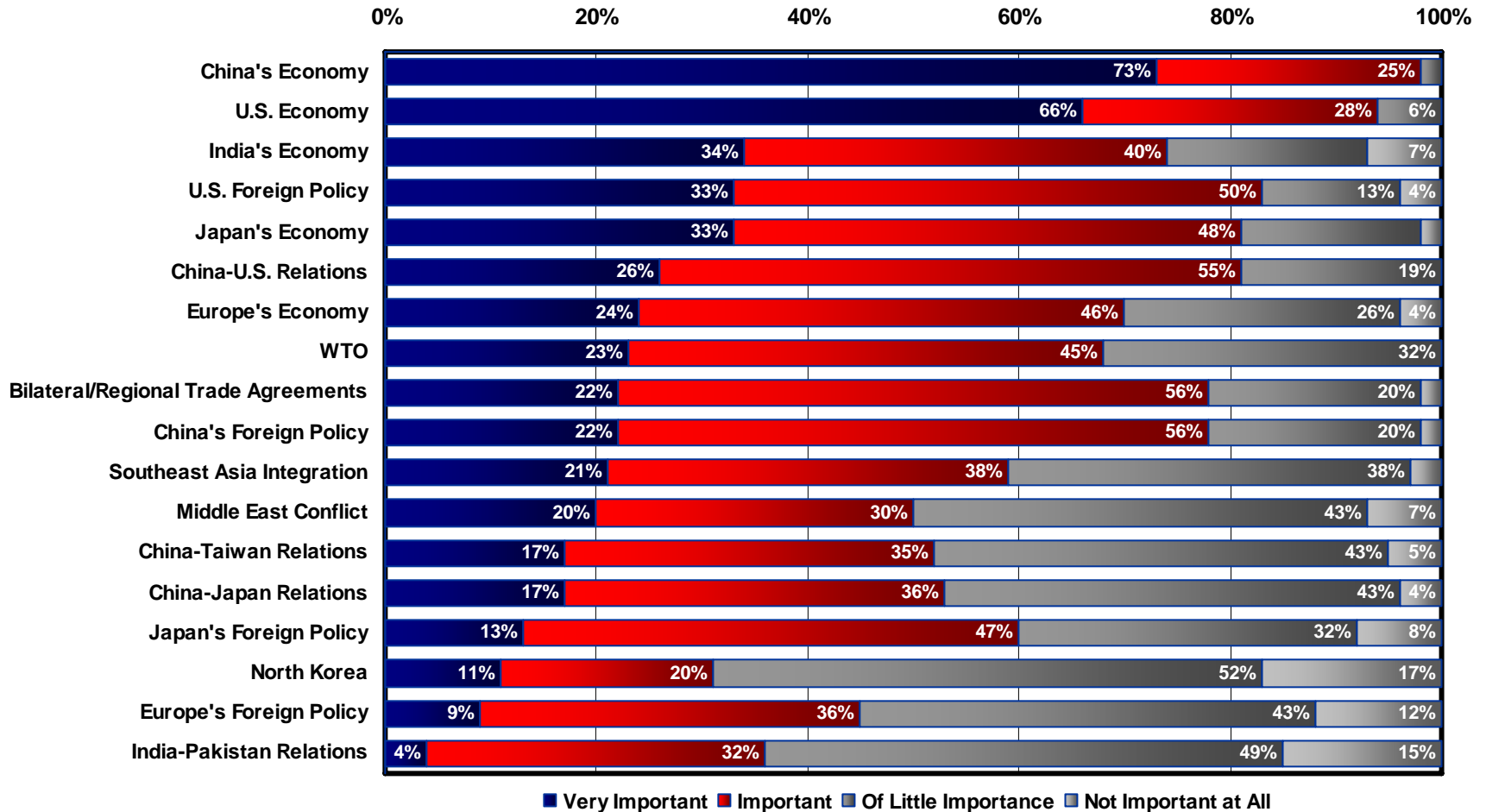
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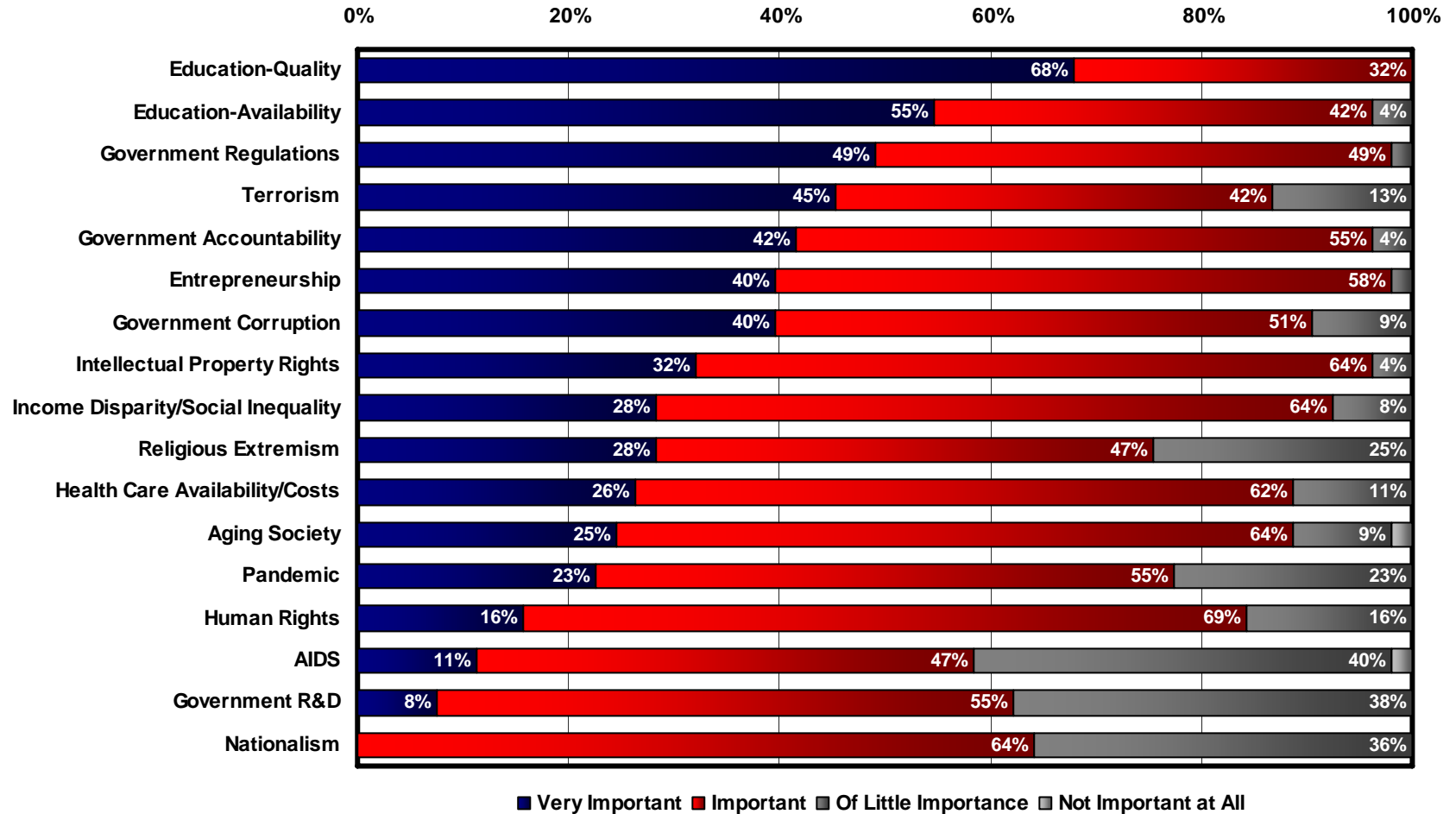
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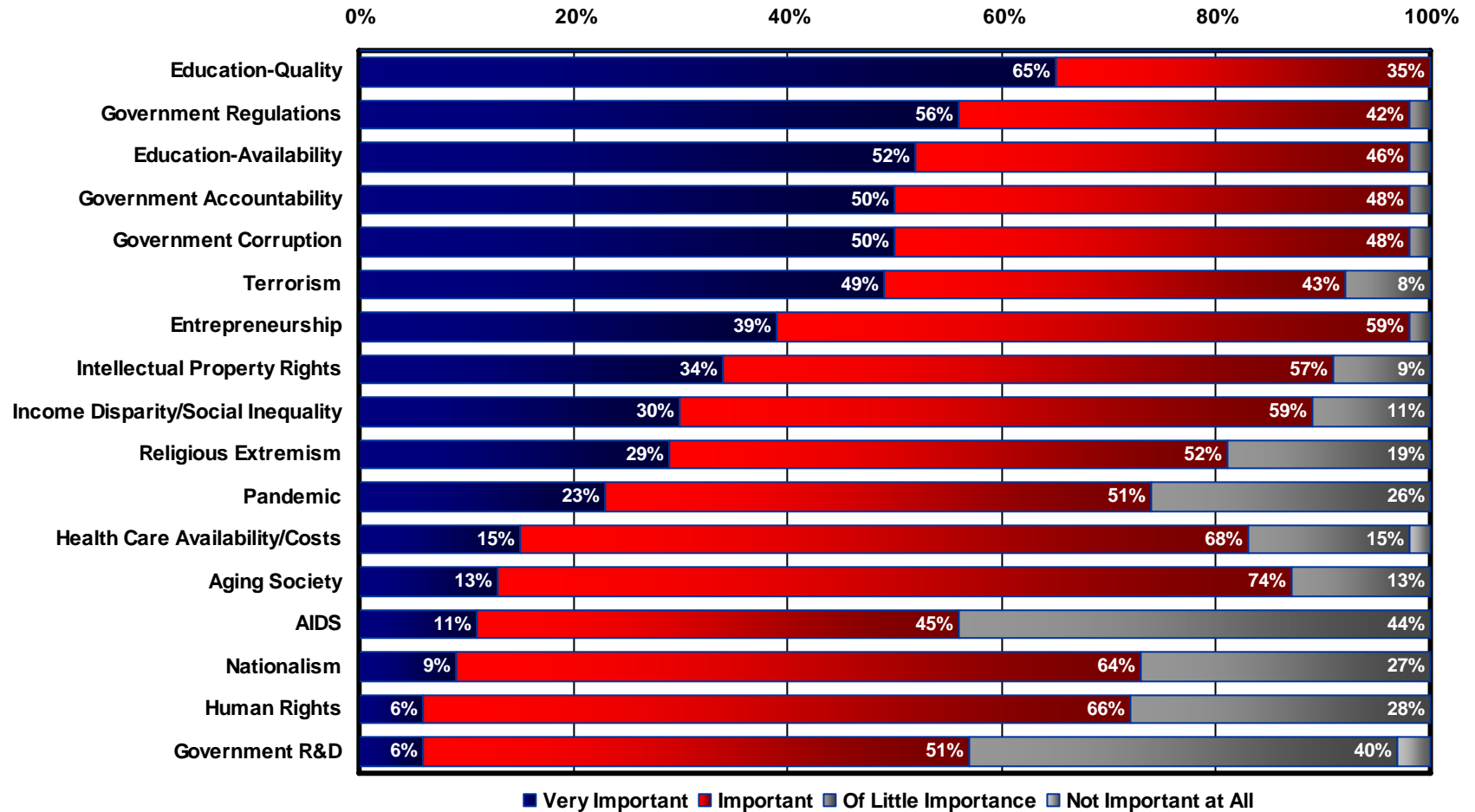
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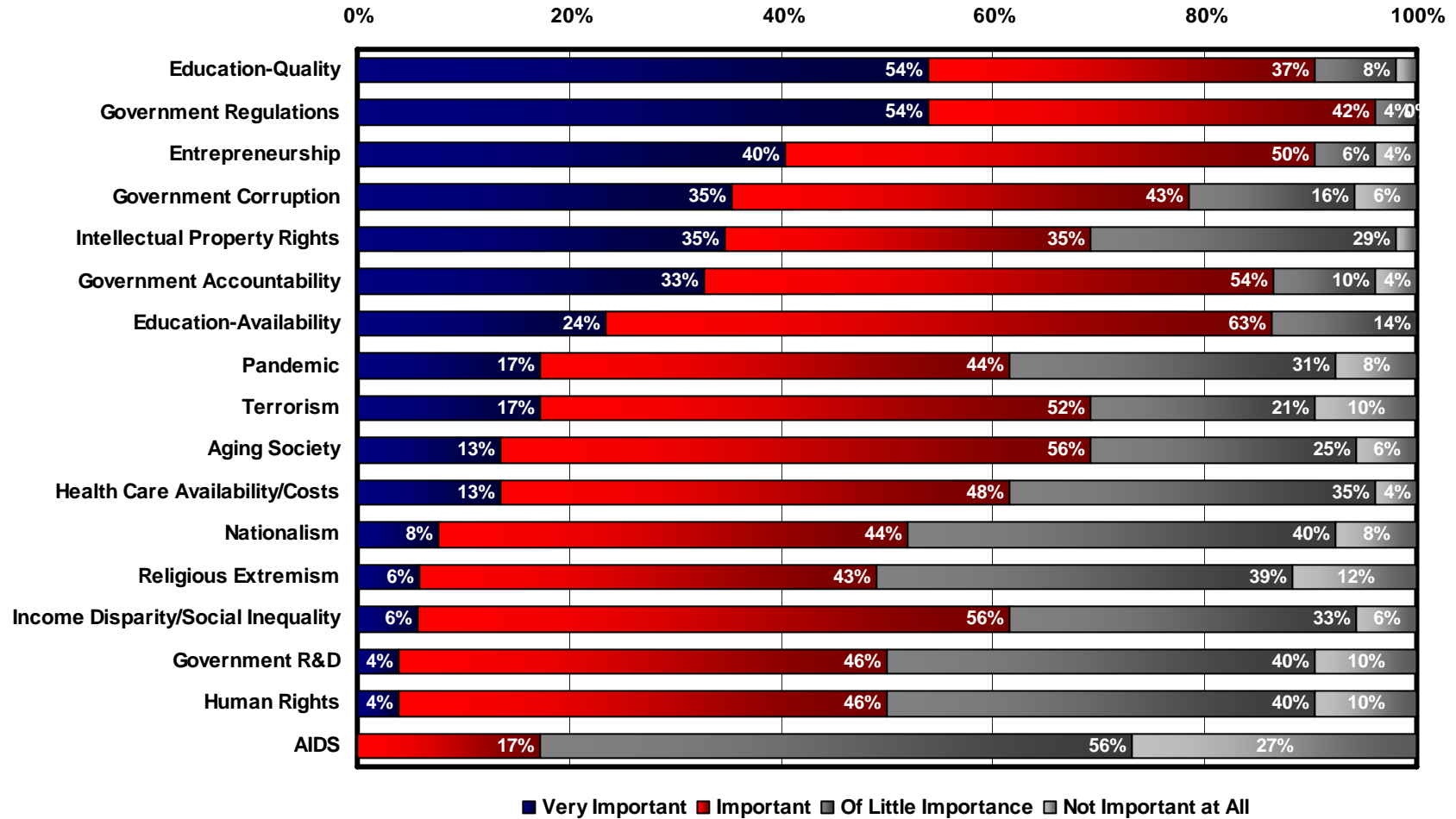
Social: How important is this issue for business in Asia? (2007)



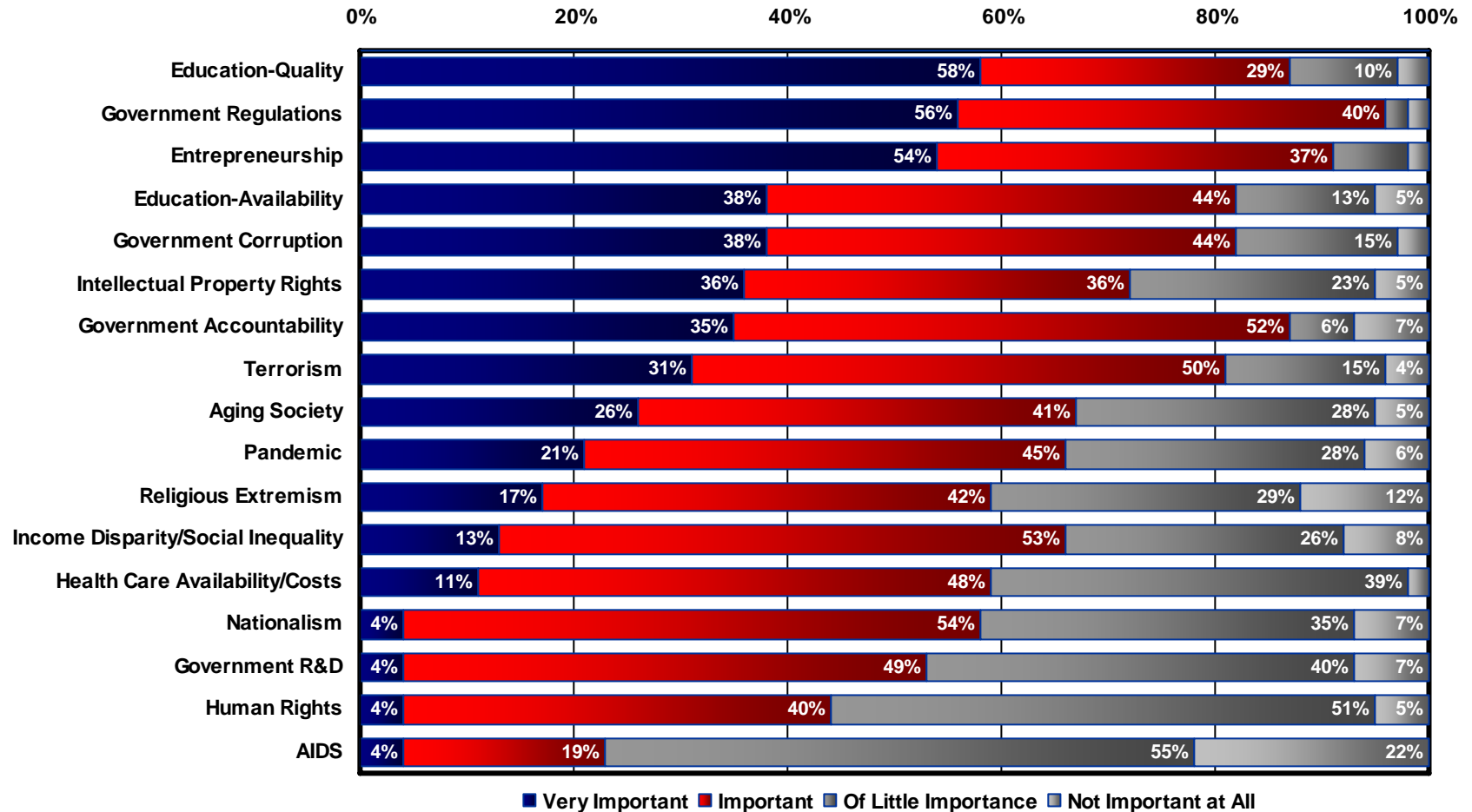
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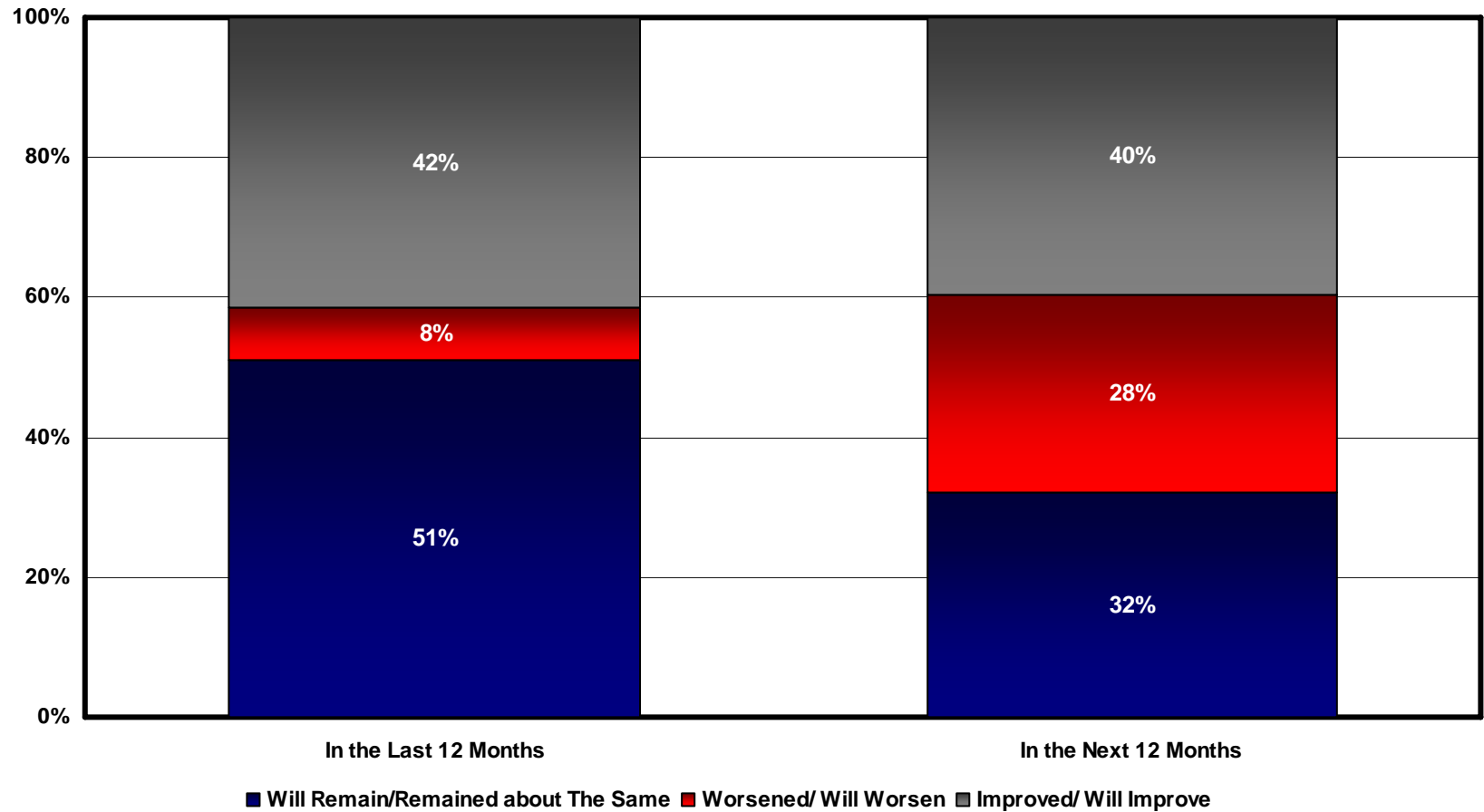
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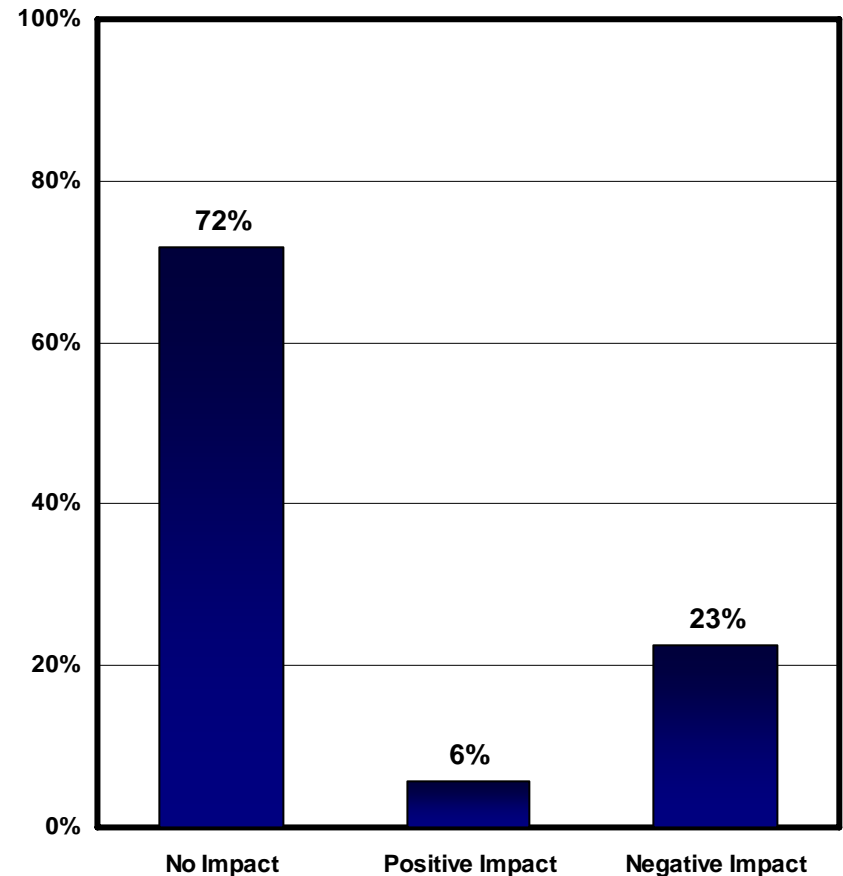


How do you feel about overall business conditions? (2007)



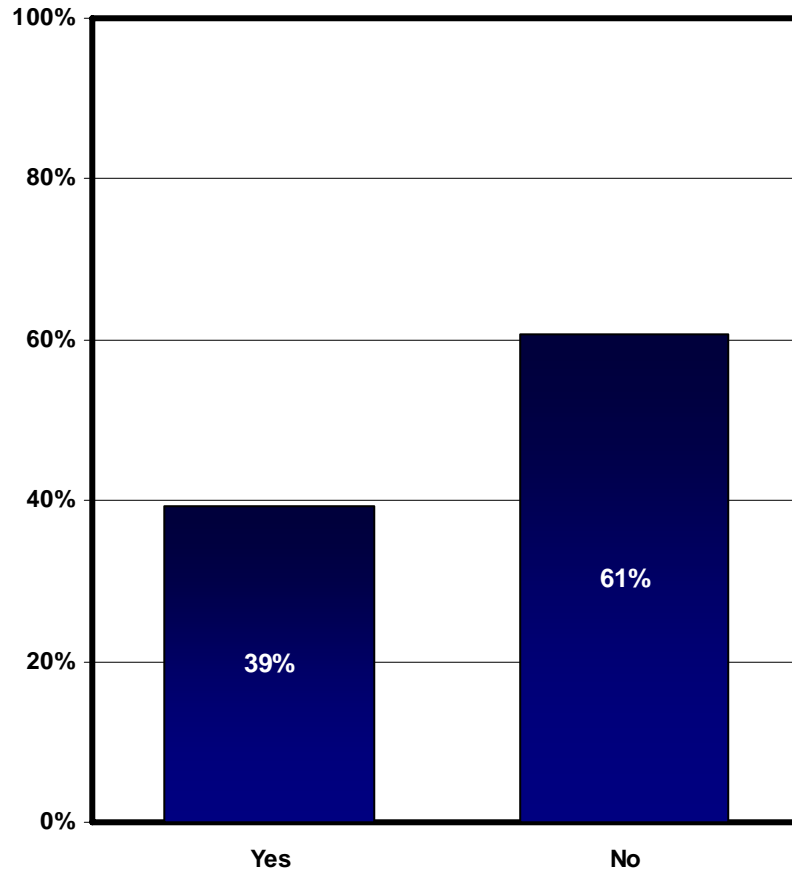
The impact of Doha (2007)

- 73% of respondents answered that the collapse of the Doha round had no impact on their business, 20% felt it had a negative impact and 6% saying it was positive
- These numbers are largely consistent with the 2006 views when 77% of the respondents felt Doha had no impact



Carbon Credits (2007)

Will They Deal in Carbon Credits



Will They Buy or Sell Carbon Credits

