

# Asia's Chief Executive Perspectives

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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

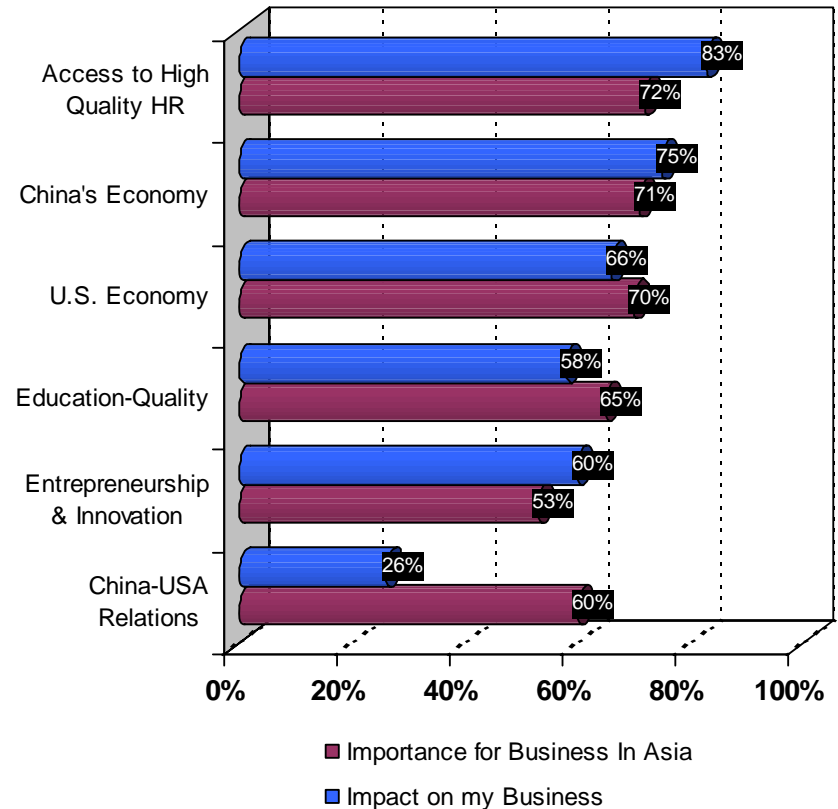
- Survey forms distributed to members in last week of September and responses returned throughout October 2006
- Response rate of 75%\*
- Members asked about their economic outlook and investment plans
- Members also asked to consider 56 issues and rank their importance for business in Asia in general 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

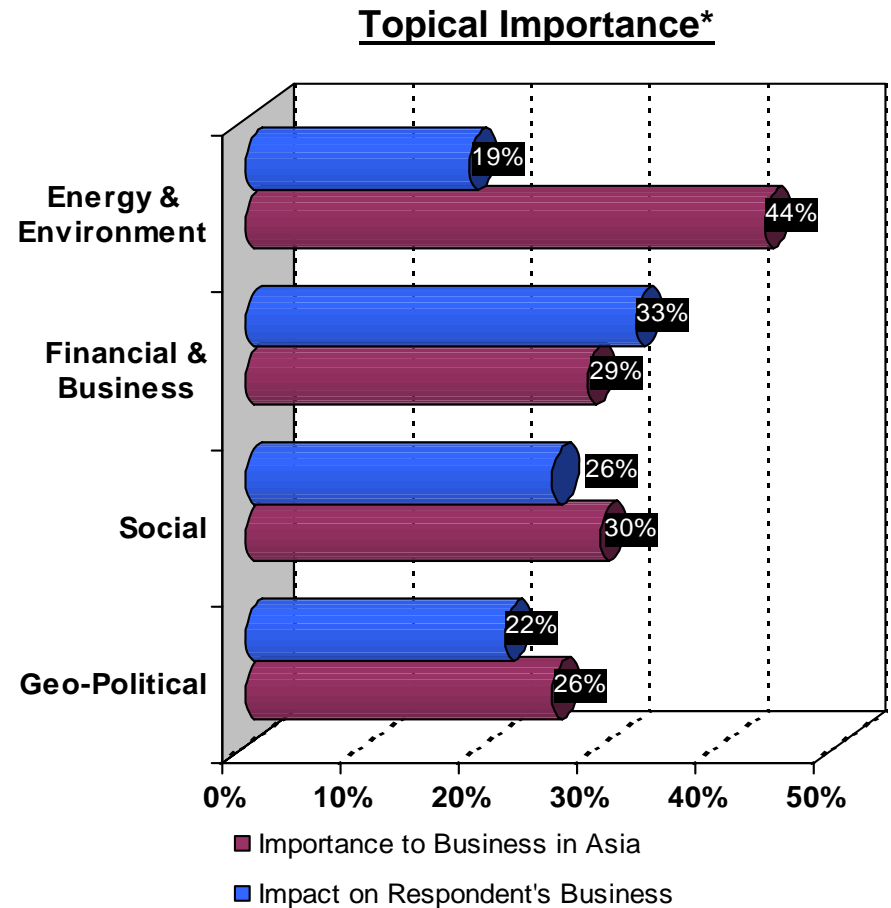
- Access to quality human resources and education rank in the top five issues for both Asia and their importance to business
- The related issue of entrepreneurship and innovation is a top issue for respondents' businesses
- China and the US economies are clearly the key drivers for the region and for respondents' businesses
- China-US relations are also of very high importance to the region but have less of an impact on business

**Respondent Top Issues**  
(percent respondents with highest ranking)



**As a group, energy and environmental issues ranked highest in their importance to Asia —despite having the lowest impact on business**

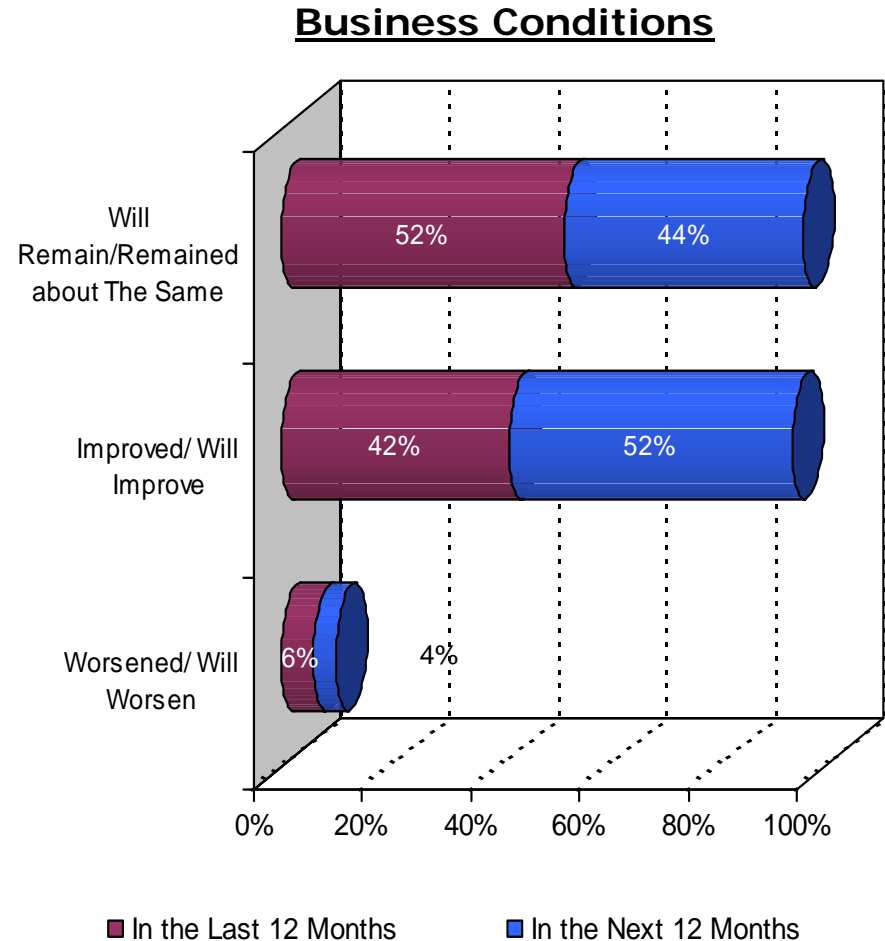
- Asian executives recognize the importance of energy and the environment for business in Asia
- Not surprisingly, financial and business issues have the greatest impact on respondent’s businesses
- Social issues were on par with financial and business issues in terms of their importance to Asia



\* 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

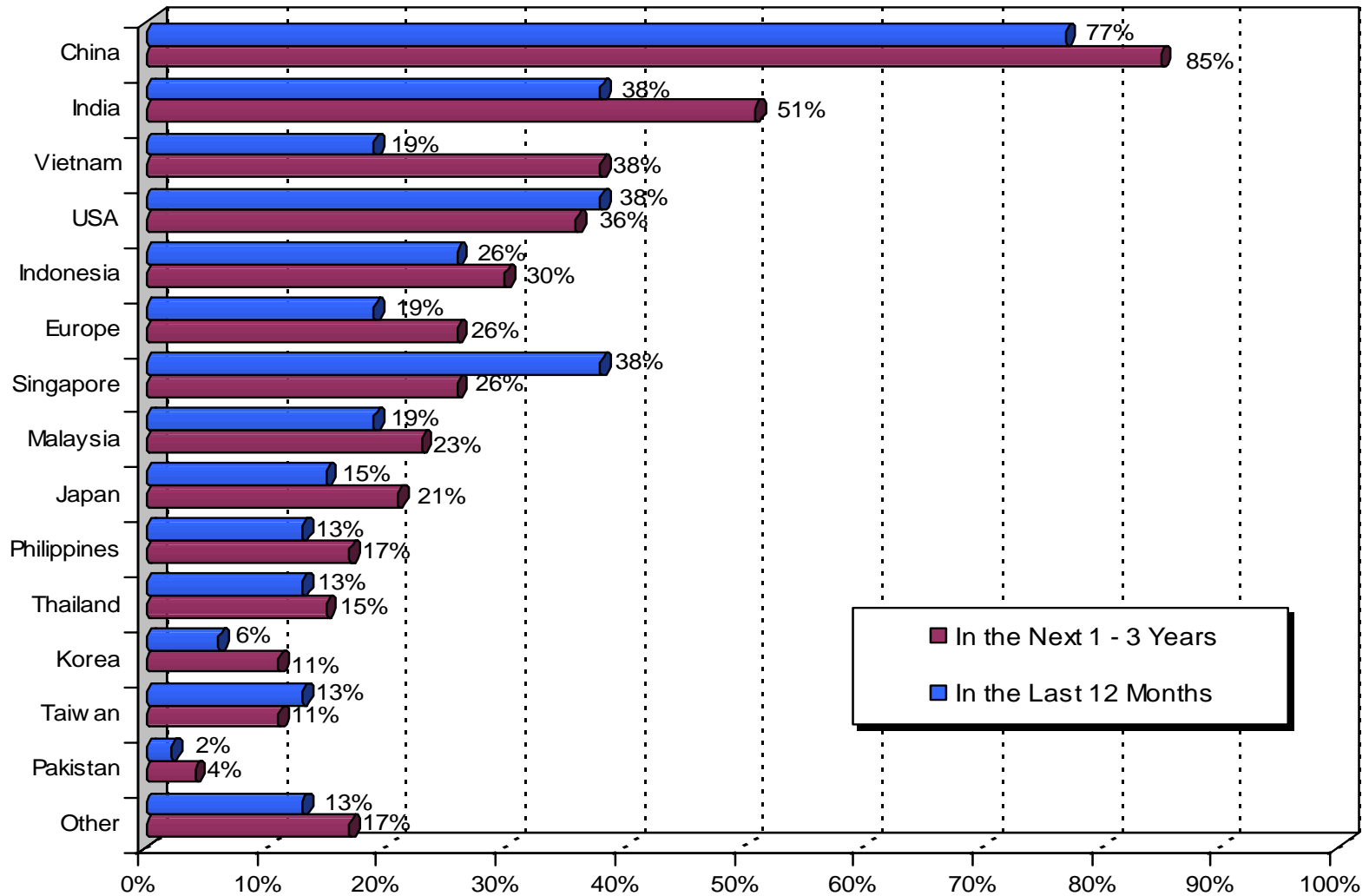
- Educational quality (65%) and availability (52%) as well as entrepreneurship (39%) were deemed very important for the region and have the greatest impact on business
- The quality of government as characterized by government regulations (56%), corruption (50%) and accountability (50%) were very important 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

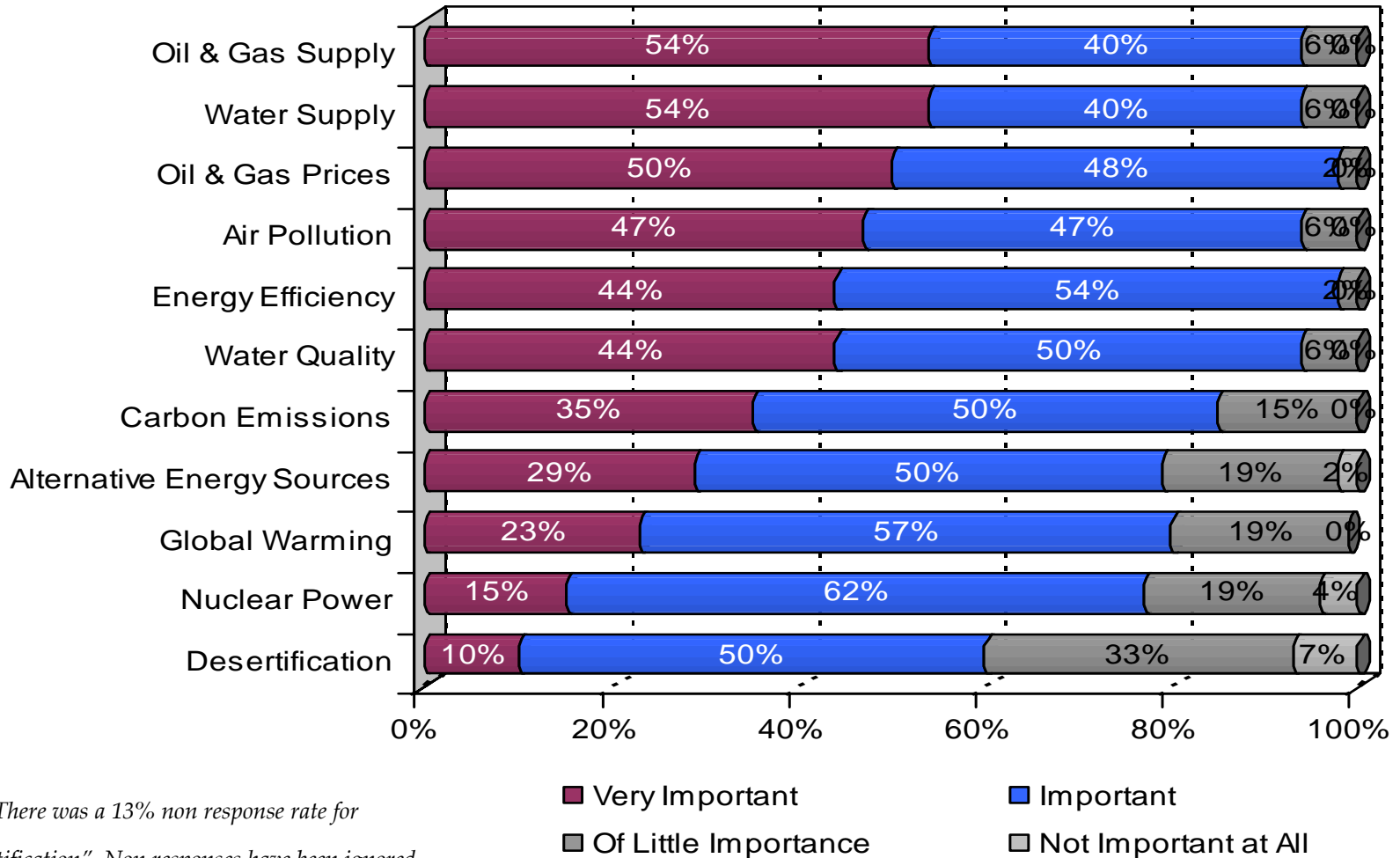
- Asia's chief executives remain optimistic about business conditions in Asia
- The availability and formation of a high quality work force— education quality, and entrepreneurship and innovation— is a top issue for the region and has the greatest impact on the executives' own businesses
- China and the US and their relationships are the most important geo-political 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?

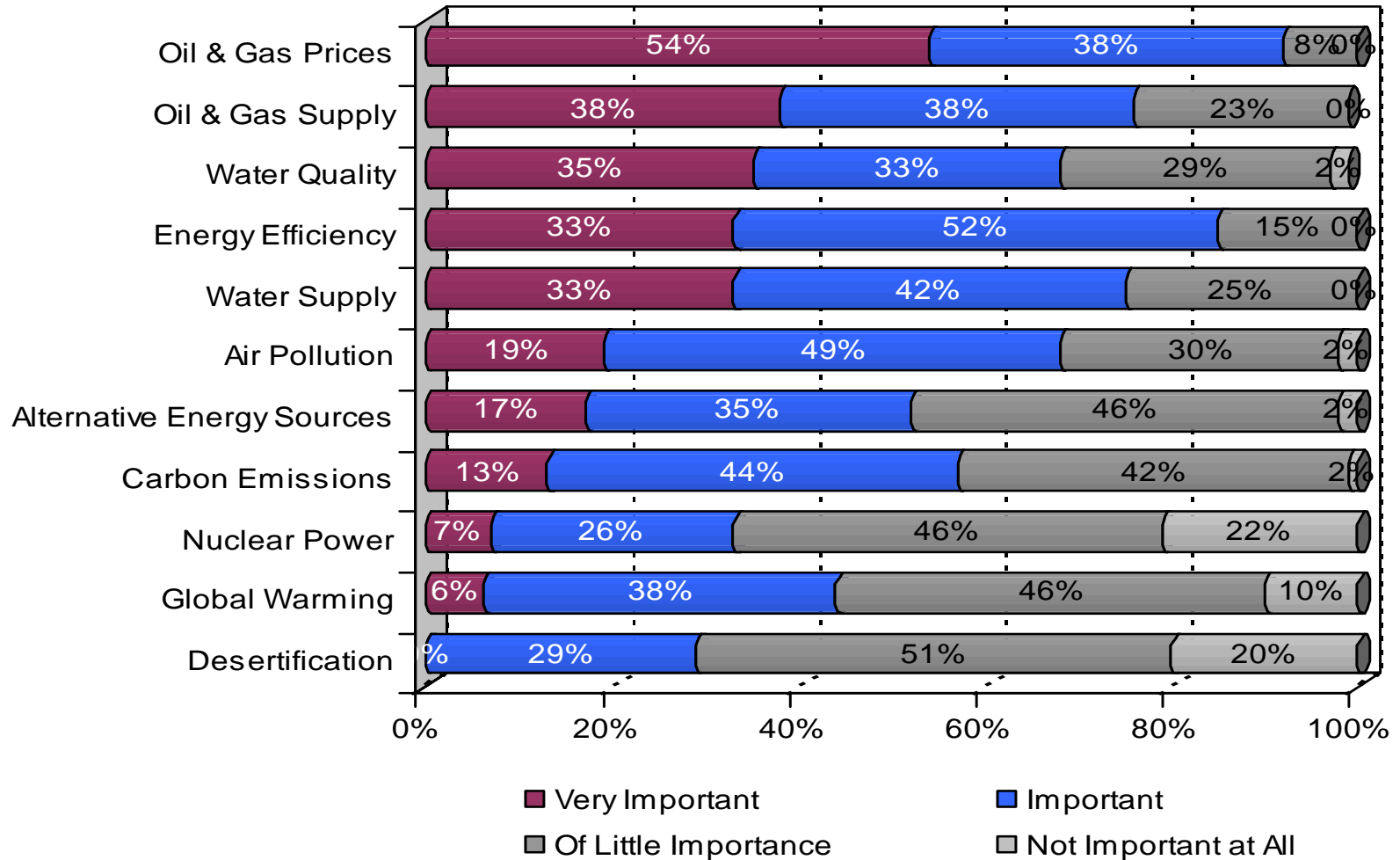


## Energy & Environment: How important is this issue for business in Asia?



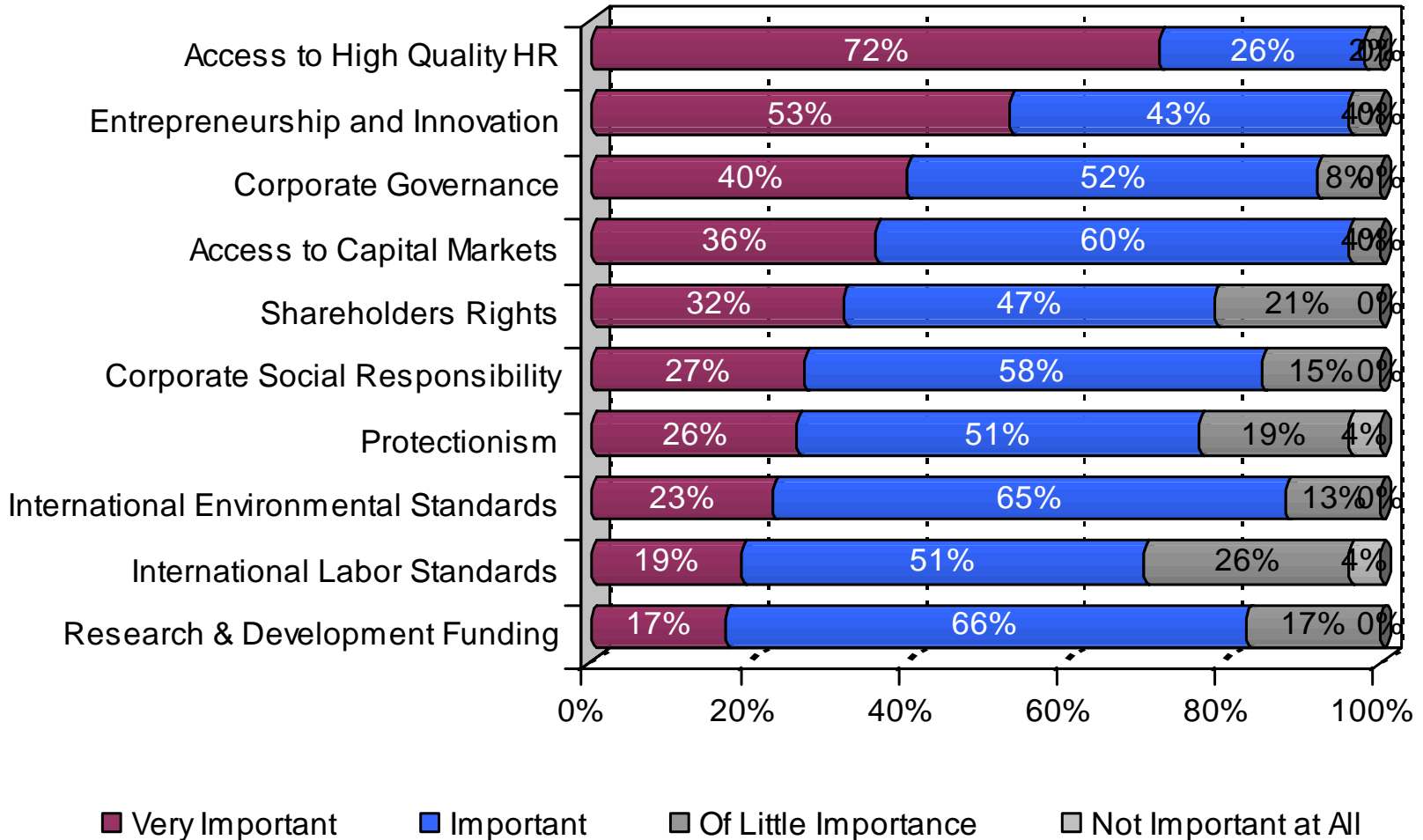
Note: There was a 13% non response rate for "desertification" Non responses have been ignored.

## Energy & Environment: How much does this issue impact your business?

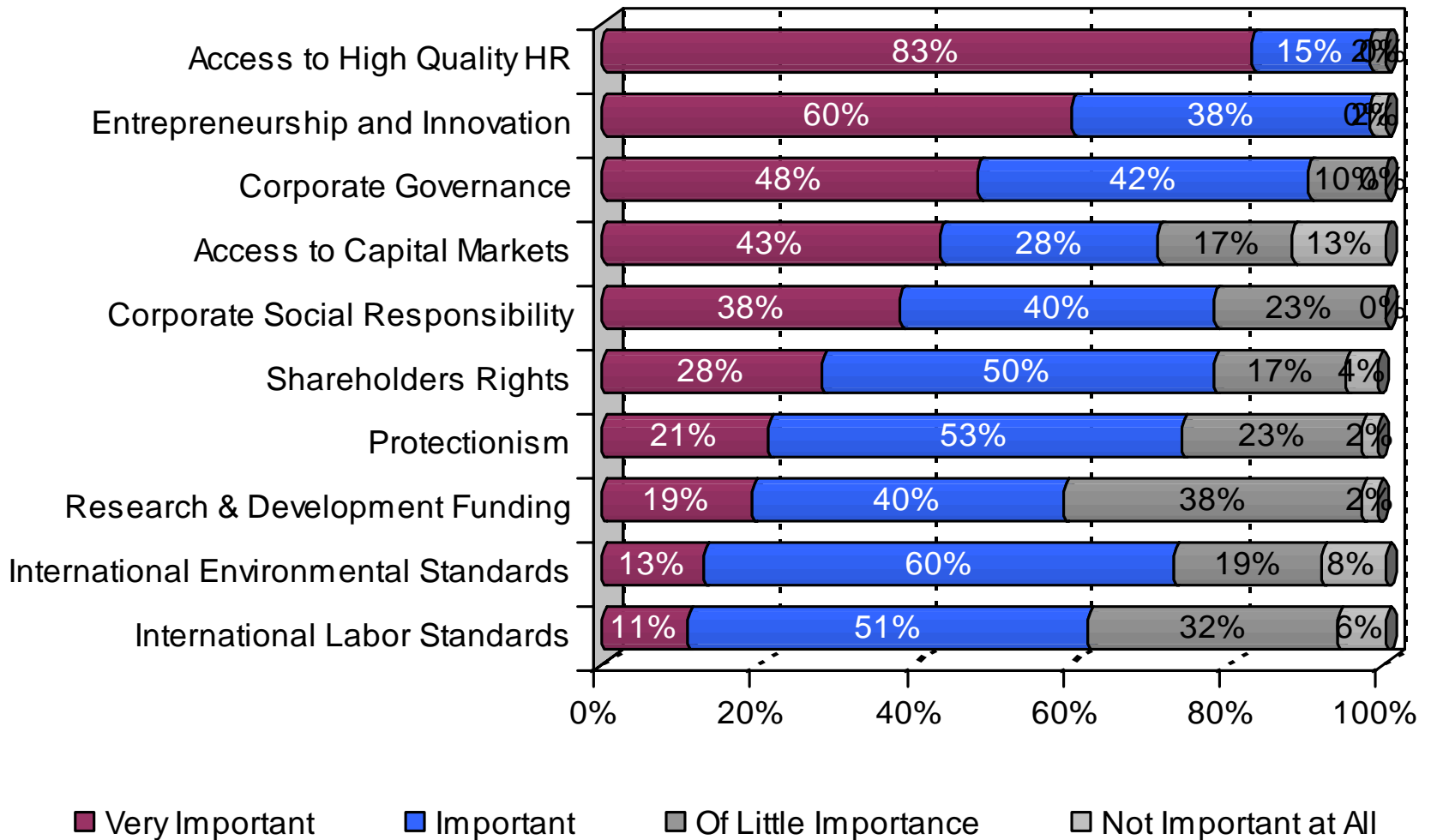




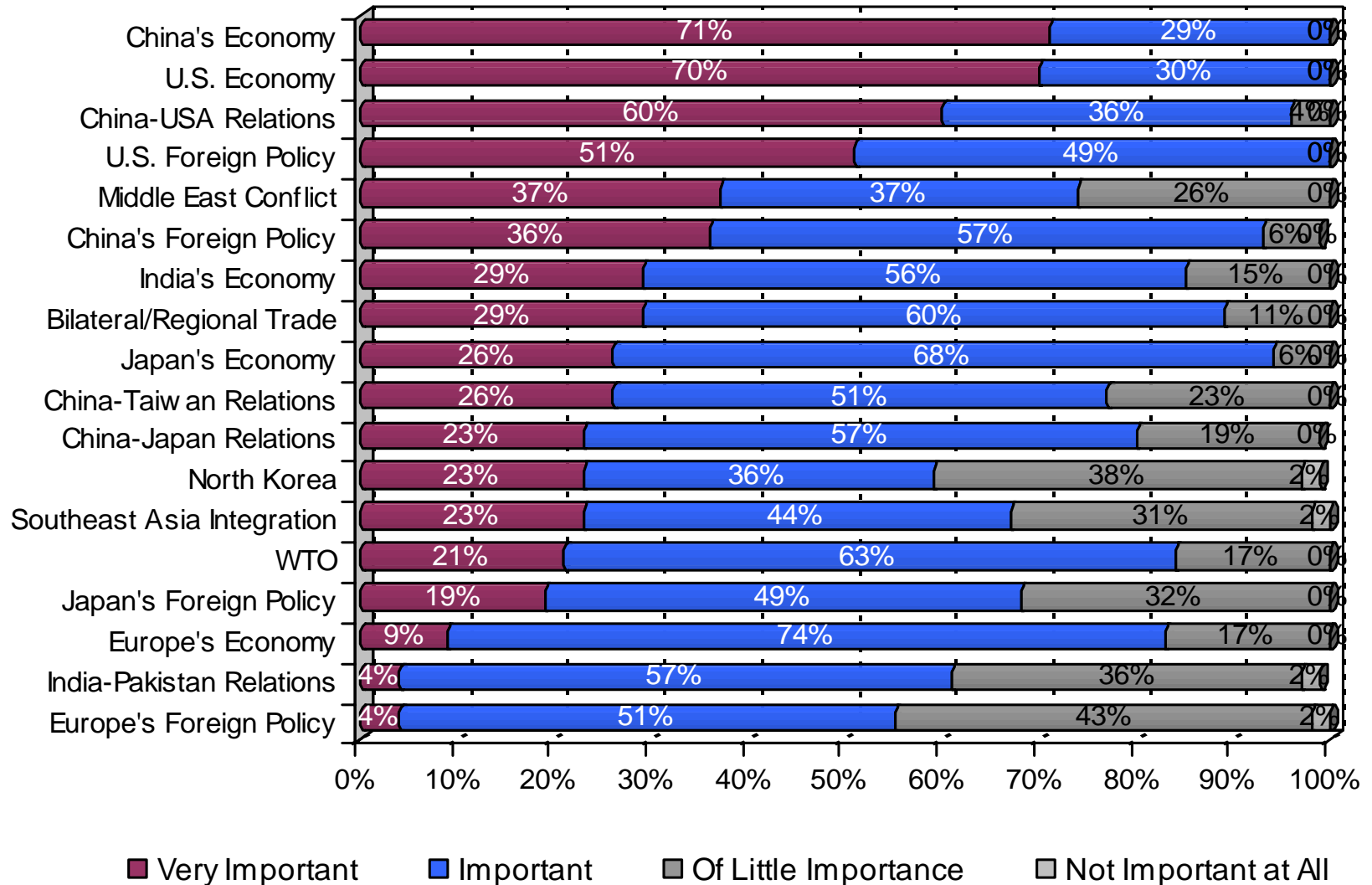
## Financial & Business: How important is this issue for business in Asia?



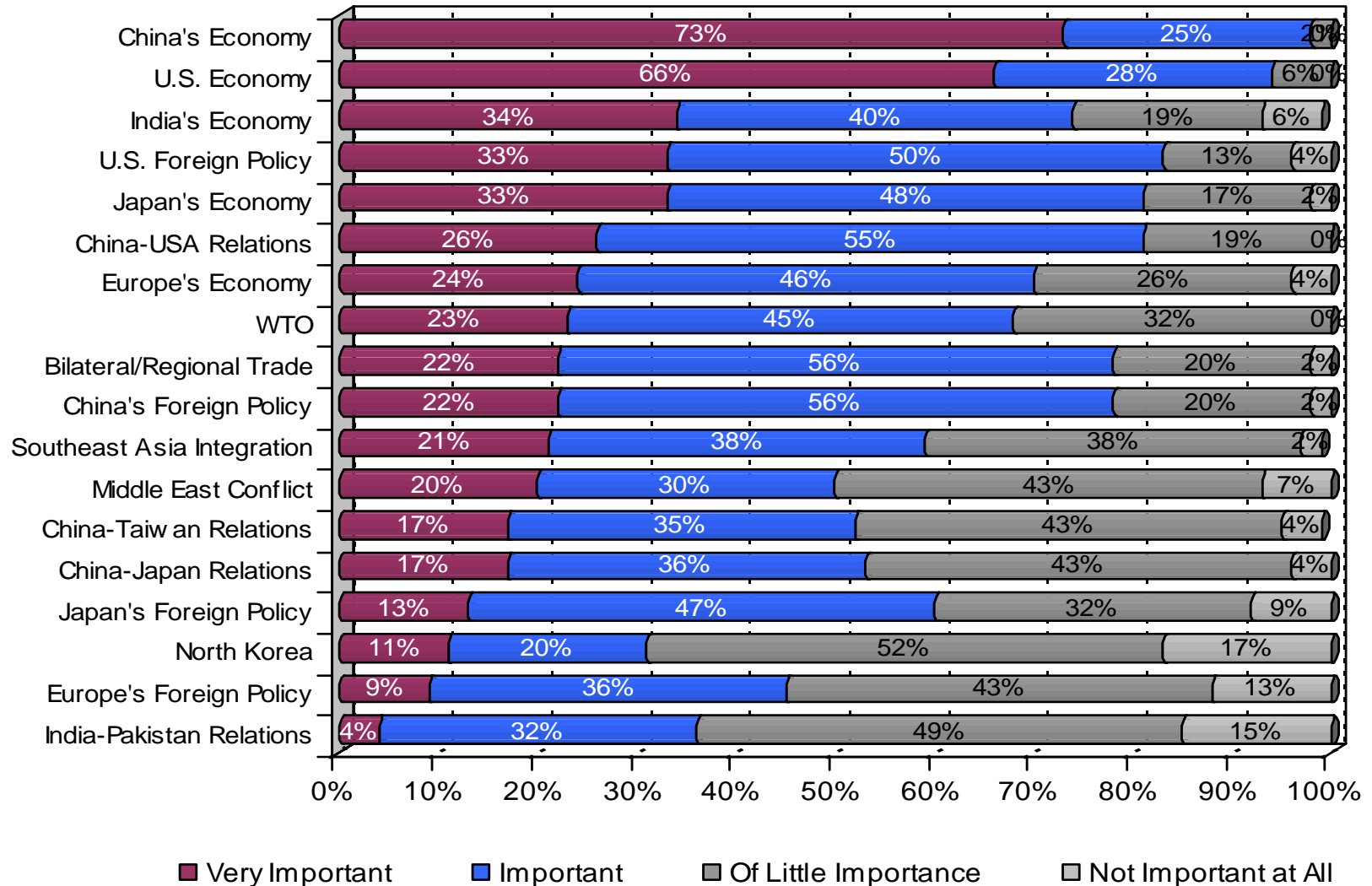
## Financial & Business: How much does this issue impact your business?



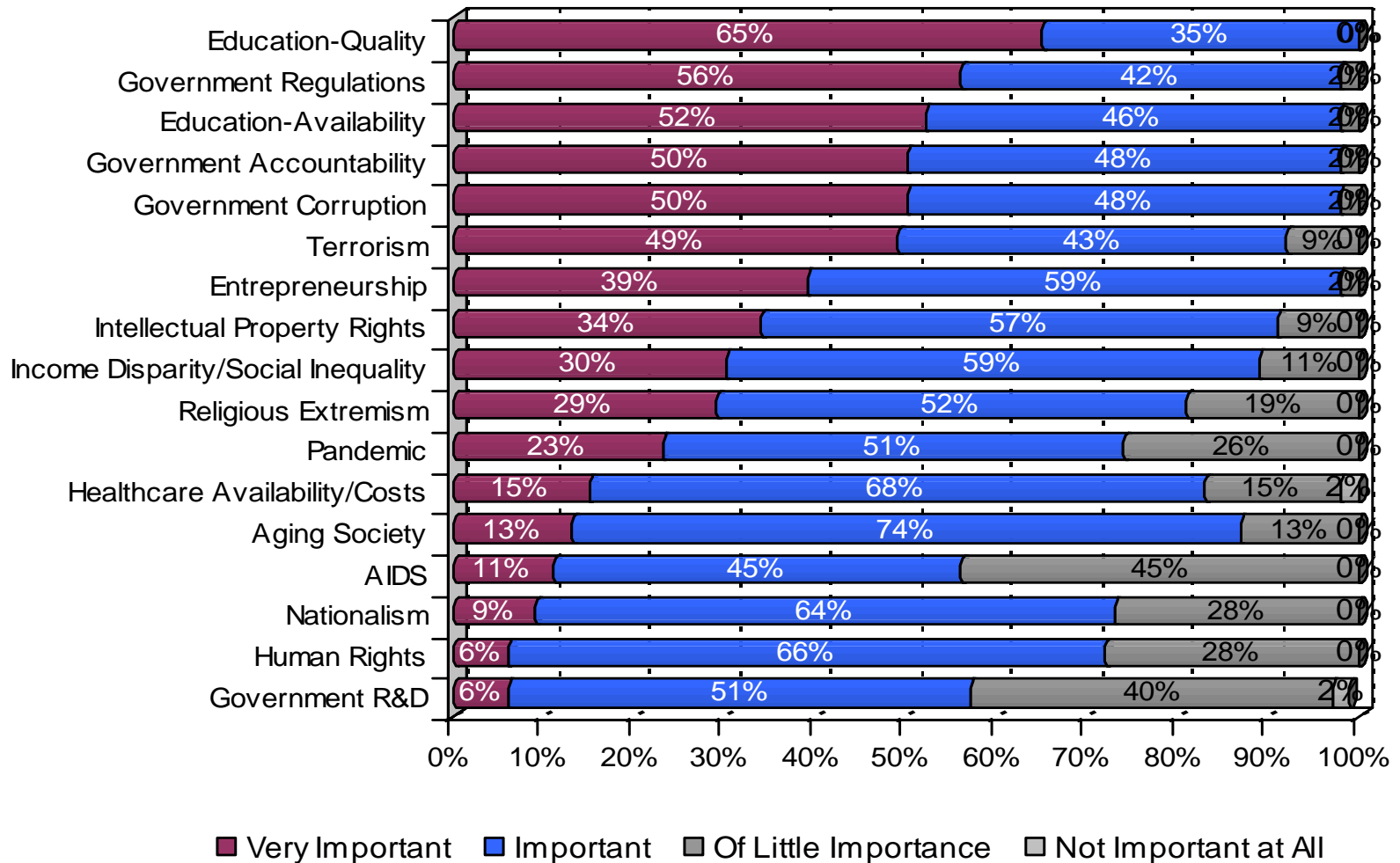
## Geo-Political: How important is this issue for business in Asia?



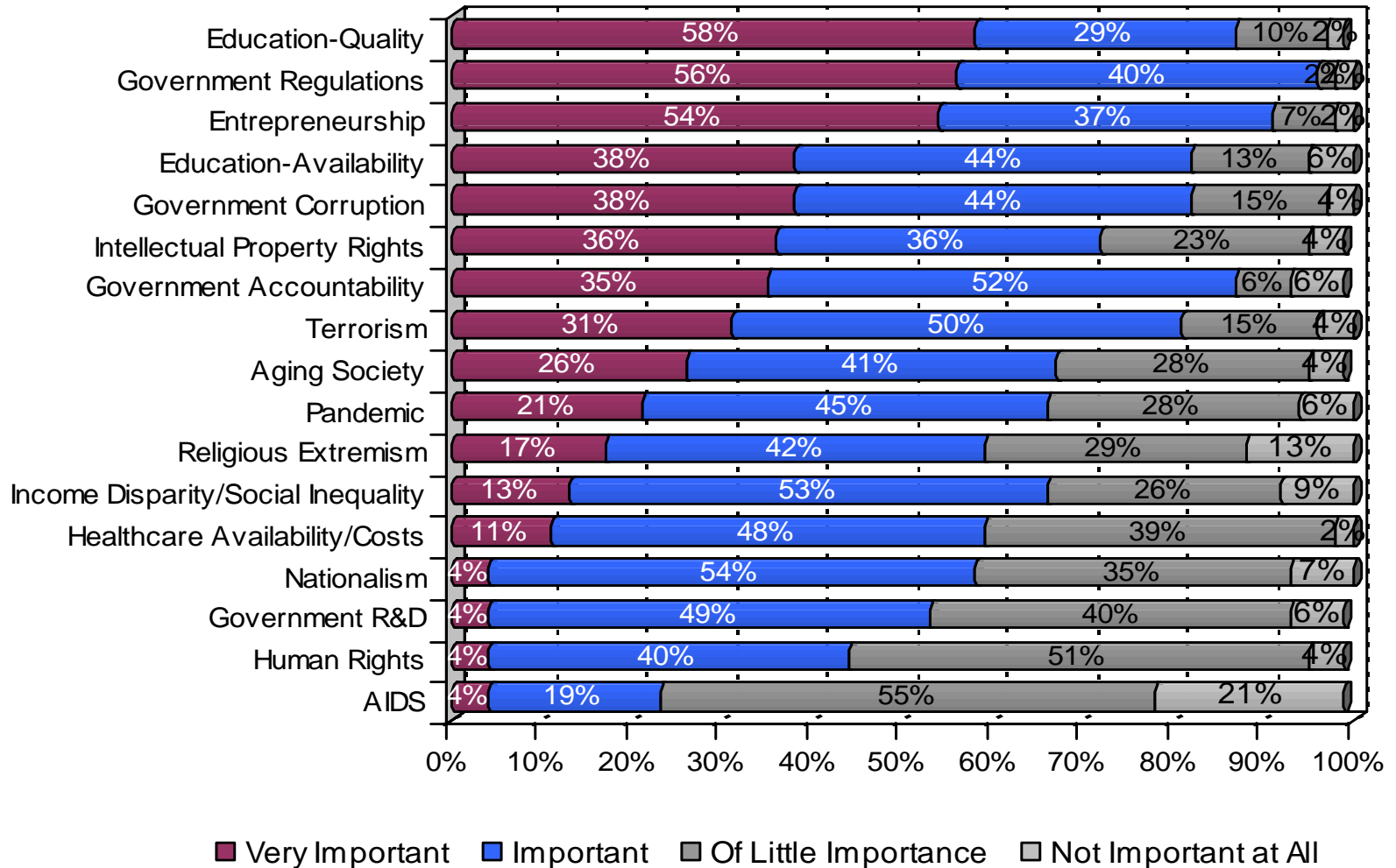
## Geo-Political: How much does this issue impact your business?



## Social: How important is this issue for business in Asia?



## Social: How much does this issue impact your business?



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