



Chief Executive Perspectives: 2008

Results from the 2008 Annual Member Survey

Asia Business Council

November 2008

The Asia Business Council

- **Independent association of CEOs from leading Asian and MNC firms**

- 69 members representing 12 Asian countries, Australia, Europe and the US
- 84% of Council members (58 of 69) are business leaders from Asian companies
- Market capitalization (members' public companies): \$1.03 trillion (as of August 2008)

- **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

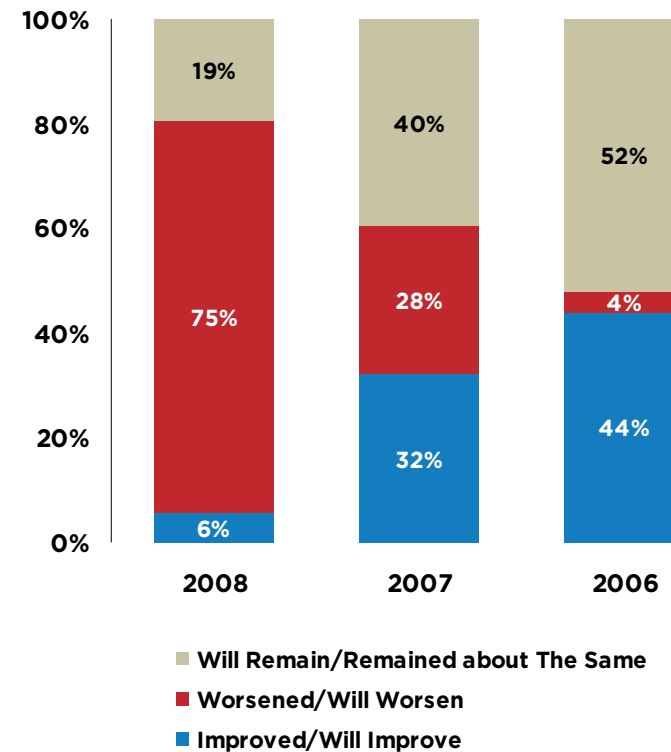
- **Survey conducted in September and October 2008**
- **Response rate of 78% (54 of 69 members)**
- **Members asked about their economic outlook and investment plans**
- **Members also asked to consider 56 issues and rank their importance for business in Asia in general and their own businesses**
- **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.*

Overall outlook has become more pessimistic

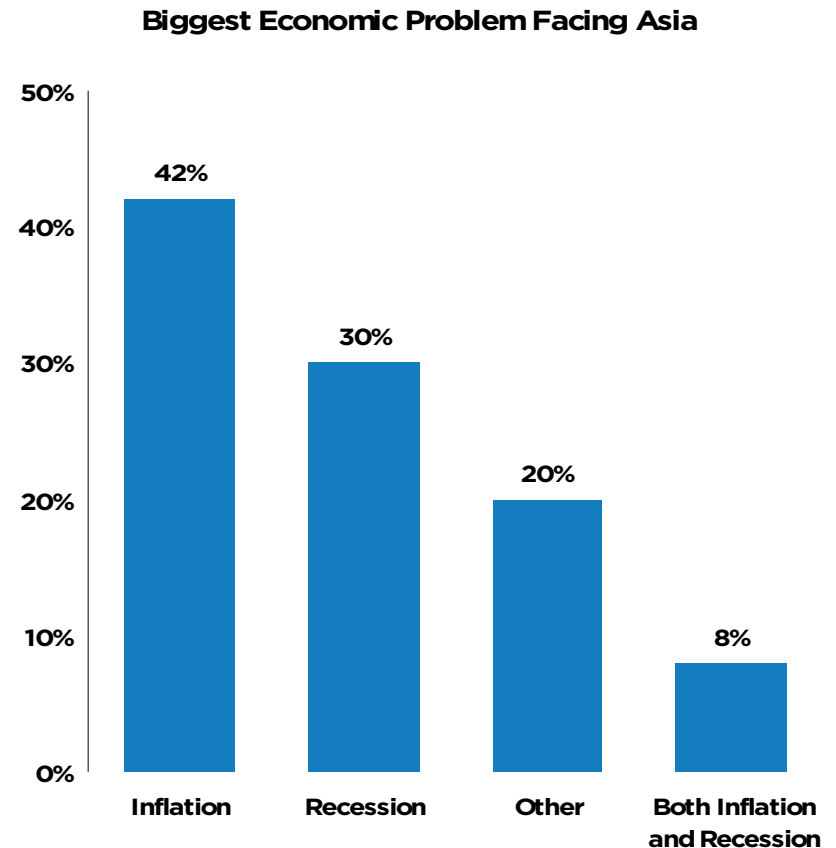
- **Pessimistic about business conditions in Asia—75% of the respondents felt that business conditions in Asia will worsen**
- **In 2007, 28% felt that the economic conditions would get worse; in 2006, only 4% of respondents thought the economy would worsen**
- **Only 6% of respondents felt that economic conditions will improve, whereas in 2007, 32% felt the economy would improve**

How Do You Feel About Overall Business Conditions In the Next 12 Months?



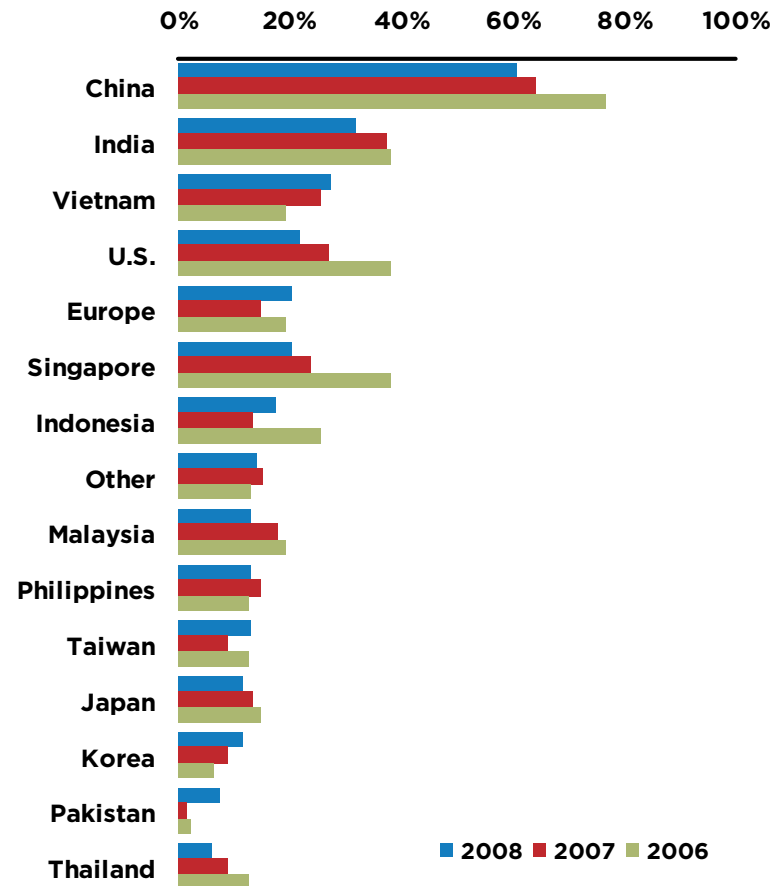
Inflation and recession are seen as key threats to Asia in 2009

- **42% of respondents thought that inflation was the biggest problem in Asia, while 30% thought that recession was the biggest problem. 8% of respondents cited both as problems**
- **The current financial crisis, global impact of a U.S. economic slowdown, and commodity price inflation also were cited as key concerns**



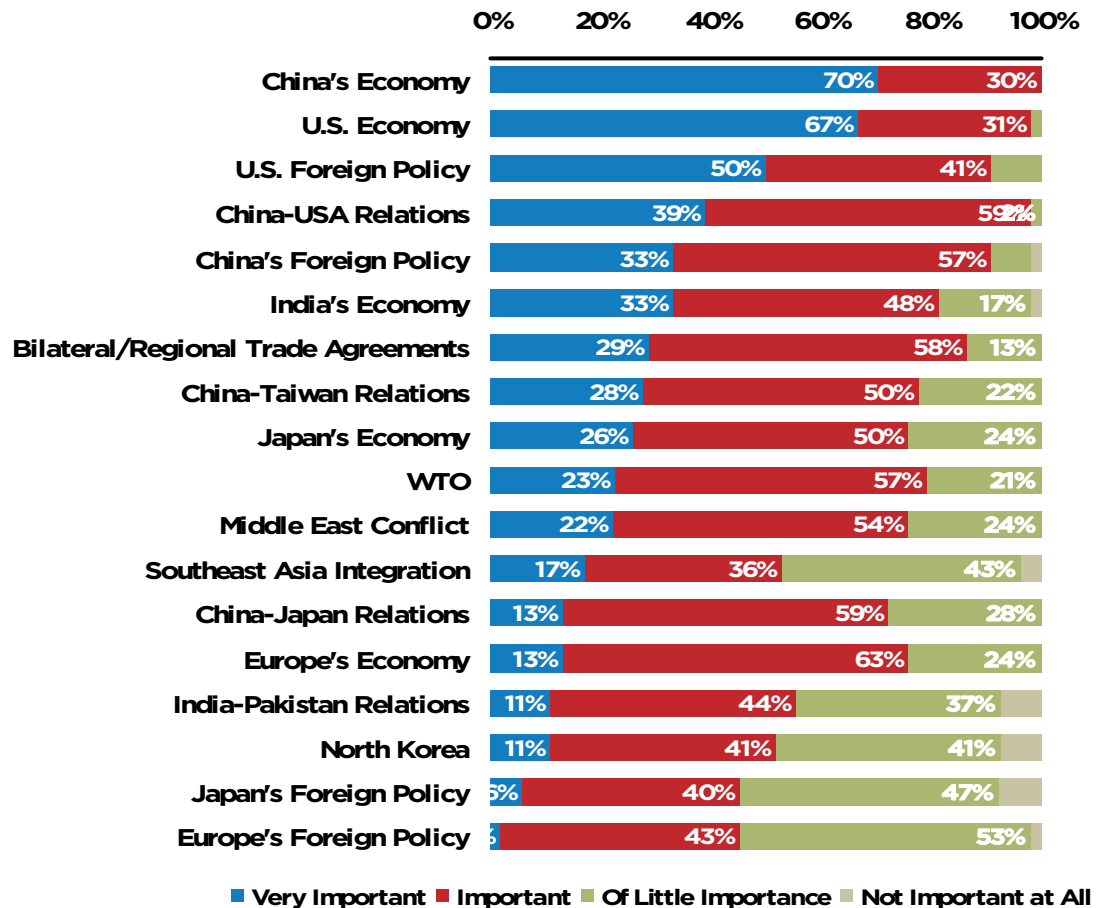
Members report little change in current and future investment plans amid global economic uncertainties

- **China saw the most investment activities in the last 12 months. The top 4 investment locations were the same as those from last year (though Vietnam surpassed the U.S.)**
- **There is little change in reported investment plans in the next 1-3 years compared to the last 12 months. This suggests that respondents may be adopting a wait-and-see attitude amid uncertainties about the future investment climate. Vietnam saw the highest jump in investment momentum—28% invested in the past 12 months and 33% expect to invest in the next 1-3 years**
- **China, the U.S., and Singapore have seen a declining trend in reported investments over the past two years**



China's economy is becoming more important relative to the U.S. economy; China-U.S. relations are less important

- **China's economy surpassed the U.S.'s economy to become the most important overall economic and geo-political issue. 70% of respondents rated it as very important (66% in 2007), compared to 67% for the U.S. economy (75% in 2007). An increased proportion of respondents considered China's economy to be very important to their businesses (69% compared to 63% in 2007)**
- **The proportion of respondents rating China-U.S. relations as very important dropped from 60% in 2006 to 55% in 2007 and further to 39% in 2008**



There are several perceived threats to the global trade system

- **Bilateral/regional trade agreements have gained favor relative to the WTO. 29% of respondents considered bilateral/regional trade agreements very important compared to 21% in 2007, whereas 23% considered WTO very important compared to 30% in 2007. In addition, a lower proportion of respondents considered WTO very important for their own businesses (17% compared to 25% in 2007)**
- **A third of the respondents thought the collapse of the Doha trade round has an impact on their business, up from 23% in 2007**
- **Perceived importance of nationalism increased, with 74% rating it in the top half compared to 64% in 2007**

While access to quality HR is still important, access to capital markets has also become a major concern amid the current financial crisis

- **The access to high-quality HR remains a top issue of importance for Asia and also has the greatest impact on respondents' own businesses. However, its relative importance has diminished, with 67% of respondents rating it as very important compared to 79% in 2007. Perceived impact on business has decreased slightly from 79% in 2007 to 72% in 2008. Perhaps a reflection of a global hiring slowdown, the proportion of respondents rating education availability and quality as very important also decreased (42% compared to 55% for the former and 57% compared to 68% in 2007 for the latter)**
- **Amid the current global financial turmoil, access to capital markets has increased in importance (35% rated it as a very important issue compared to 28% in 2007) and impact on respondents' businesses (39% rated the issue as important to business in 2008 compared to 28% in 2007)**
- **Entrepreneurship and innovation remains the second top issue in terms of both importance and business impact, but the proportion of respondents considering it as very important for their businesses has increased (57% in 2008 compared to 49% in 2007). In contrast, the proportion considering government R&D as very important or important for their businesses has declined from 50% in 2007 to 36% in 2008**

Oil and gas prices top energy and environment concerns, followed by energy efficiency, which has grown in perceived business impact

- **Oil and gas prices were ranked highest in terms of importance to Asia and was considered very important by an increased proportion of respondents (64% in 2008 compared to 57% in 2007). The issue also grew in business impact (54% ranking it very important for their businesses compared to 47% in 2007)**
- **Alternative energy sources were seen as highly important to the region, with 46% rating them as very important compared to 40% in 2007. These are marked increases compared to the 29% in 2006 who considered this issue very important**
- **Energy efficiency was considered the second most important energy and environment issue, with 59% of respondents considering it very important for Asia. The proportion of respondents considering the issue very important for their businesses has grown to 46% from 36% in 2007 and 33% in 2006**
- **A much larger proportion of respondents indicated that they will buy carbon credits—50% in 2008 compared to just 13% in 2007**

Overall social risks have received less attention

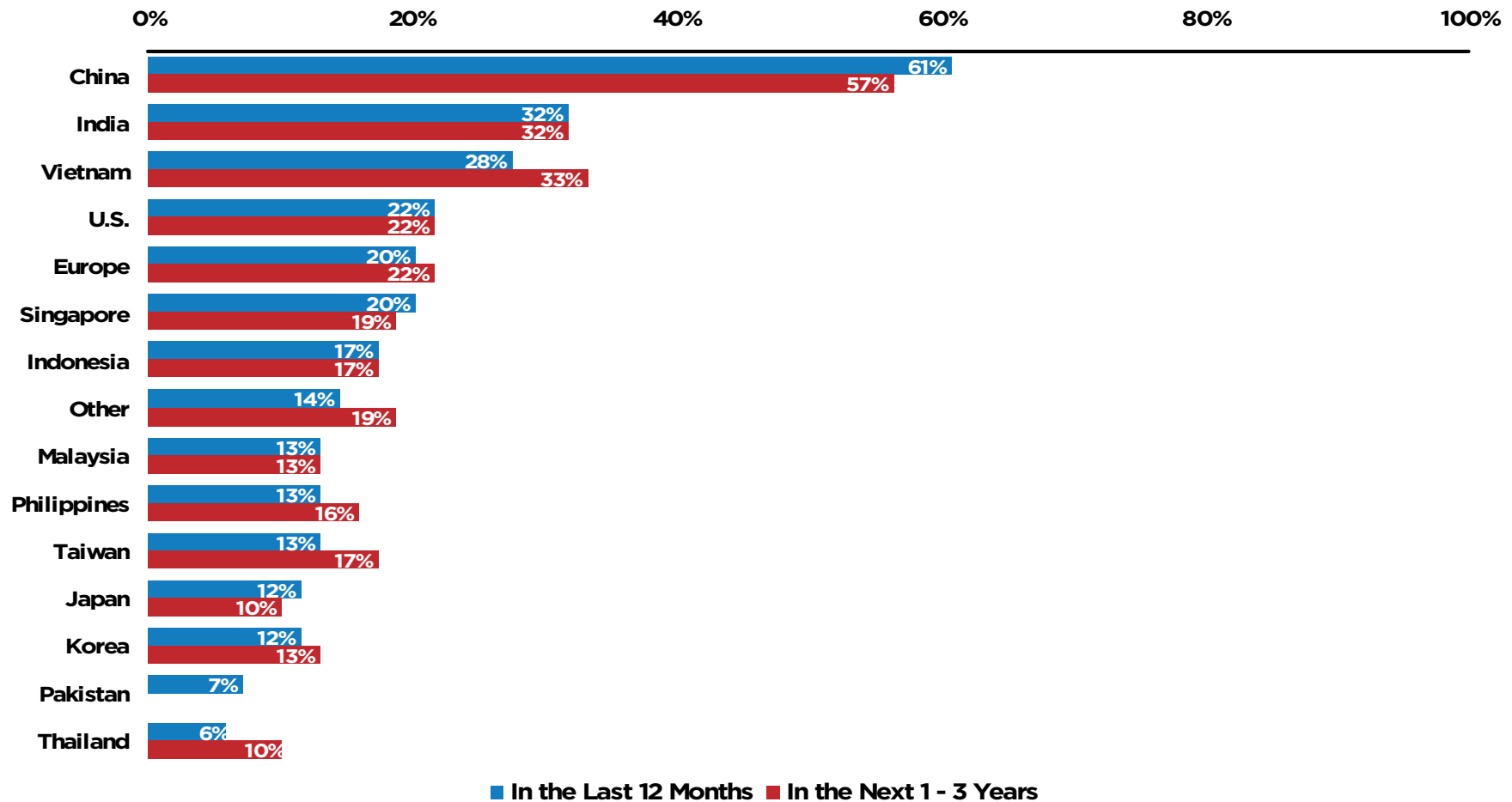
- **Terrorism and religious extremism have become relatively smaller concerns for members' businesses. 57% rated terrorism in the top half in terms of business impact, down from 69% in 2007. 36% rated religious extremism in the top half, down from 49% in 2007. Both issues have also declined as regional issues of concern, with 28% reporting terrorism as very important (compared to 45% in 2007) and 21% reporting religious extremism as very important (compared to 28% in 2007)**
- **The perceived risk of pandemics has fallen in importance, with 60% rating this in the top half compared to 77% in 2007, and 49% rating it as important for their businesses compared to 62% in 2007**
- **A smaller proportion of respondents reported intellectual property rights as a very important issue (21% compared to 32% in 2007)**

Survey summary

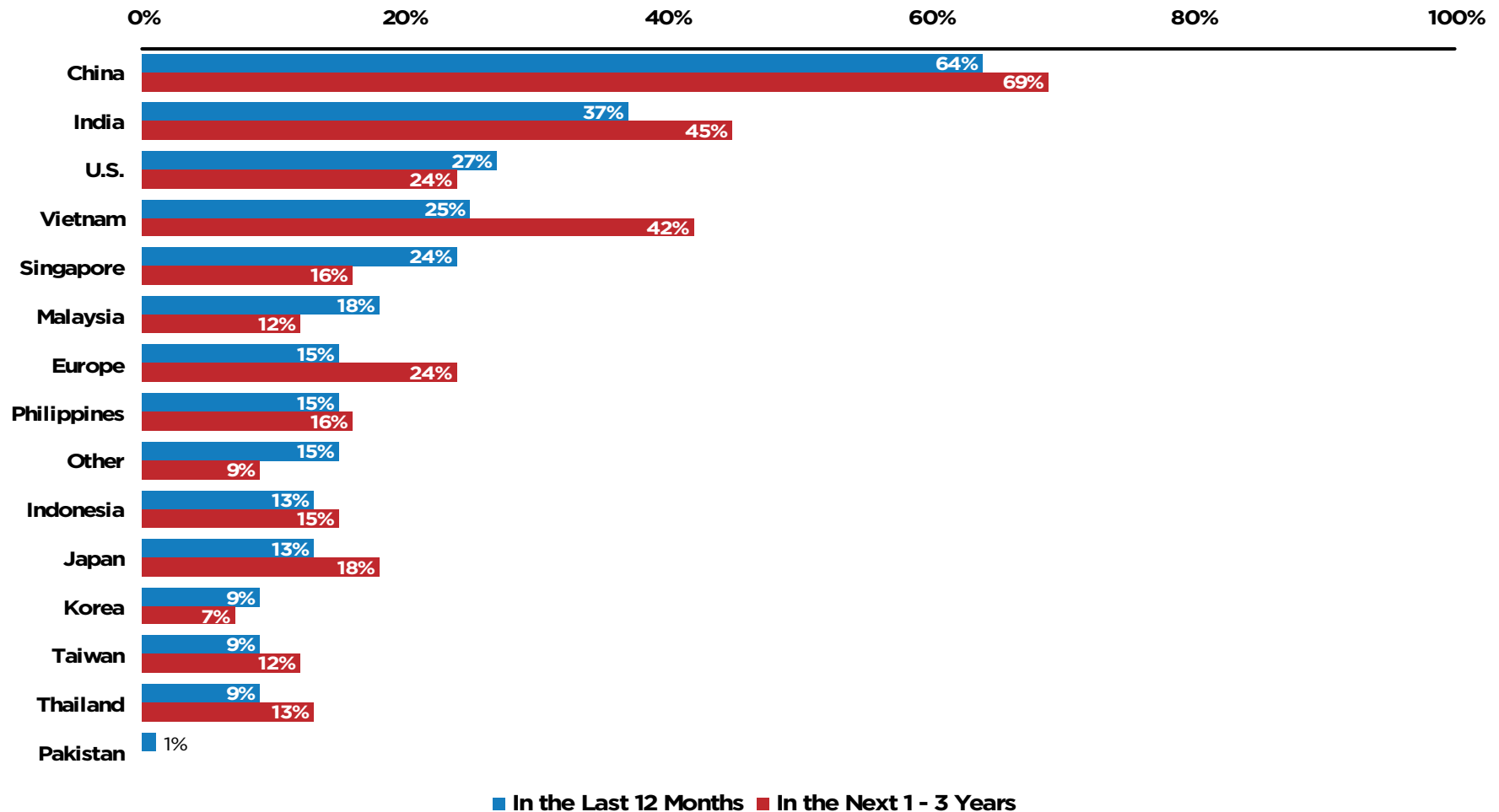
- **Overall outlook has become more pessimistic—three-quarters of respondents felt that business conditions in Asia will worsen**
- **Both inflation and recession are seen as key threats to Asia**
- **China's economy is becoming more important relative to the U.S. economy, while the relationship between the two is perceived to be of declining importance**
- **While access to quality HR is still important, access to capital markets has become a major concern**
- **Oil and gas prices and energy efficiency are considered very important to business in Asia as well as members' own businesses**

Survey Data

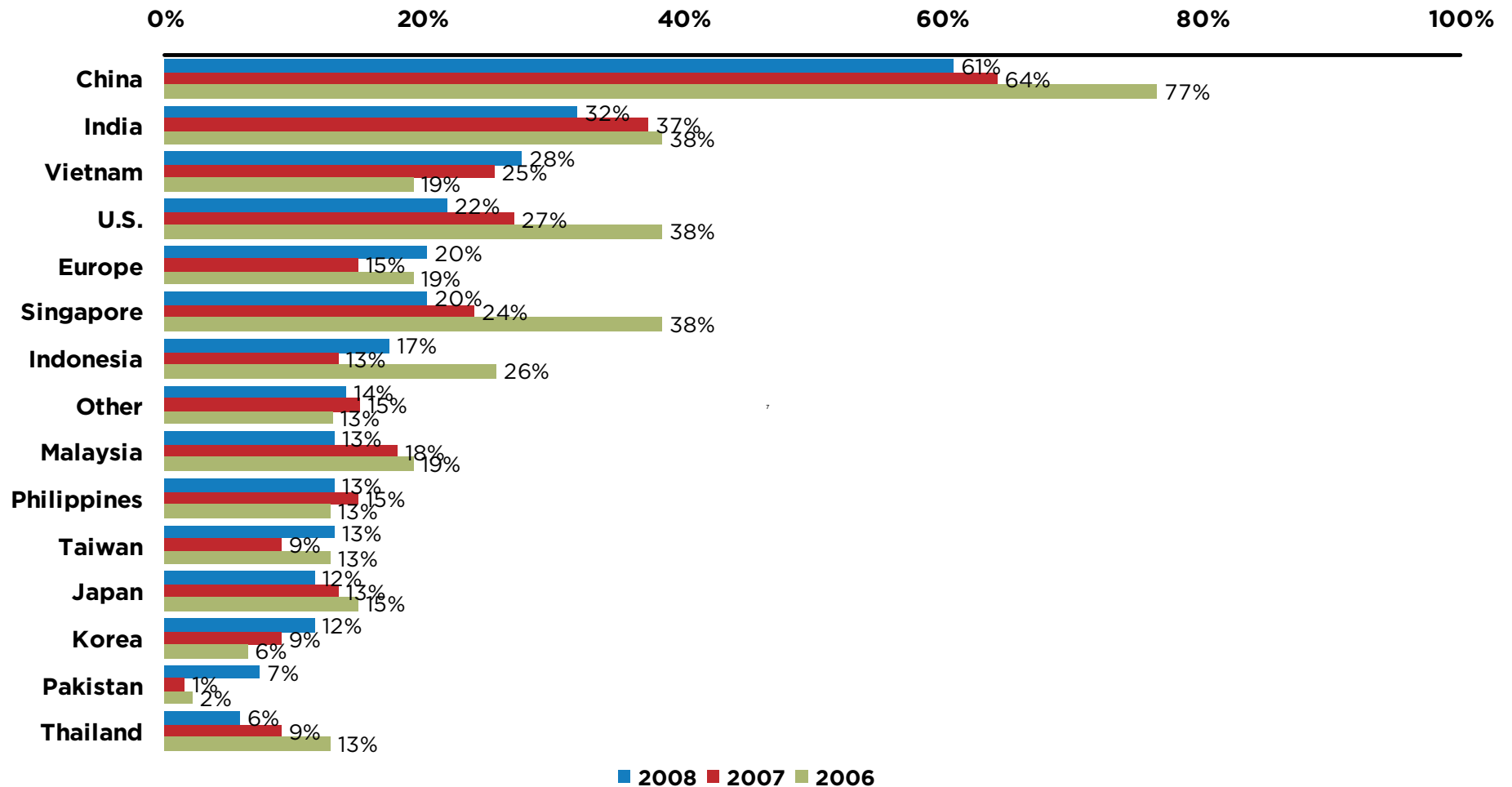
In what countries have you invested or increased your investment? (2008)



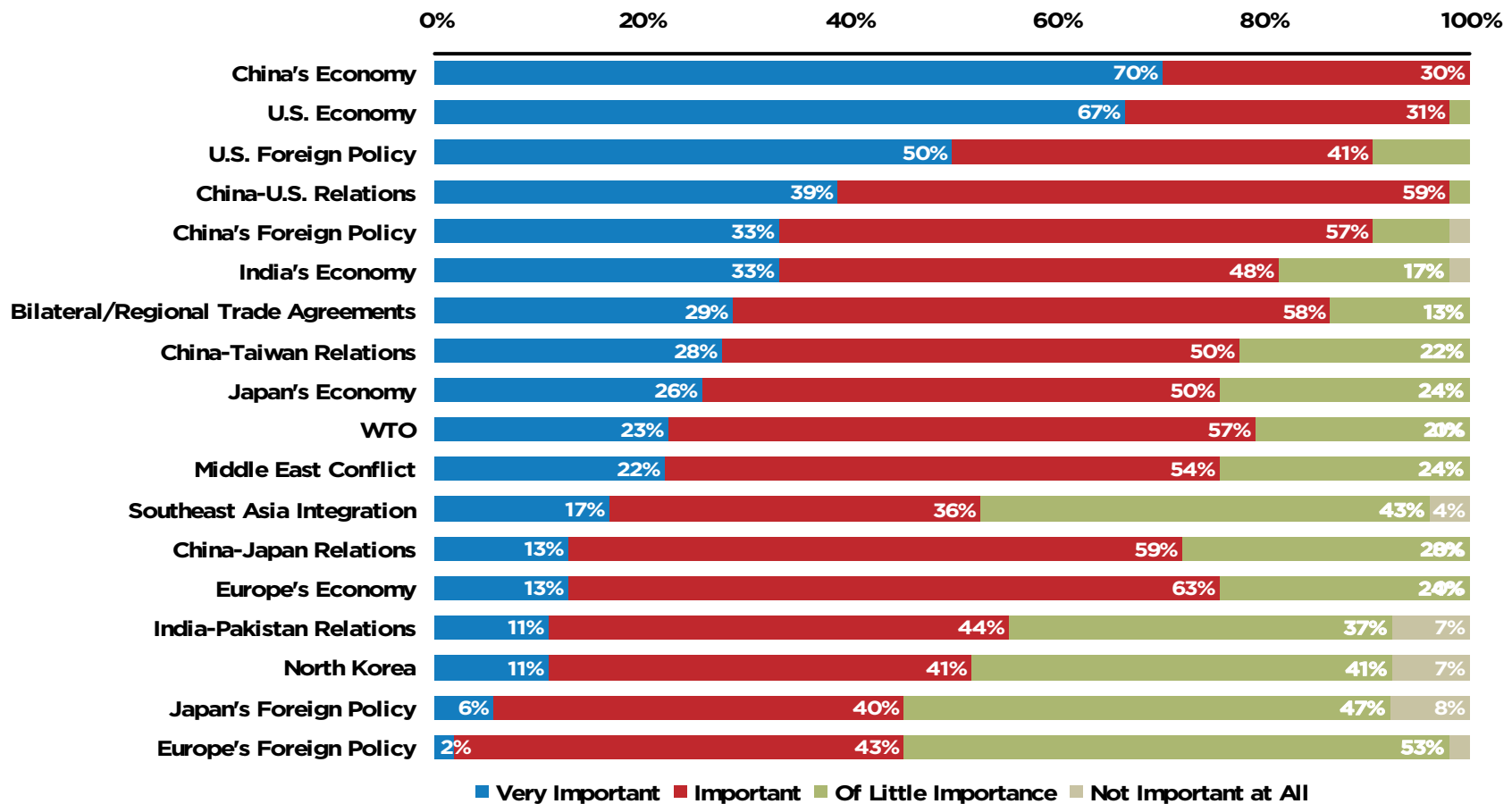
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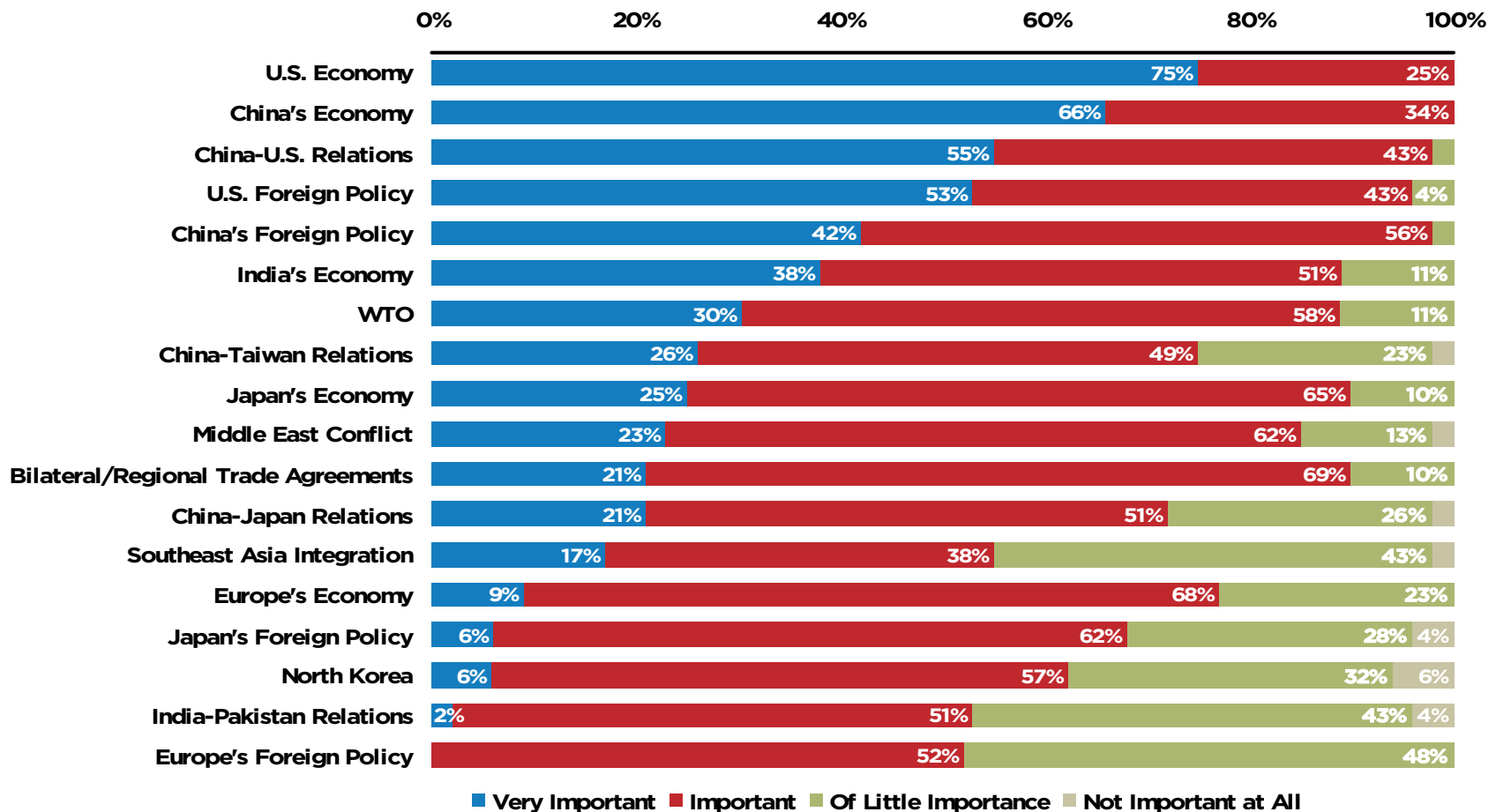
In what countries have you invested? (2006-2008)



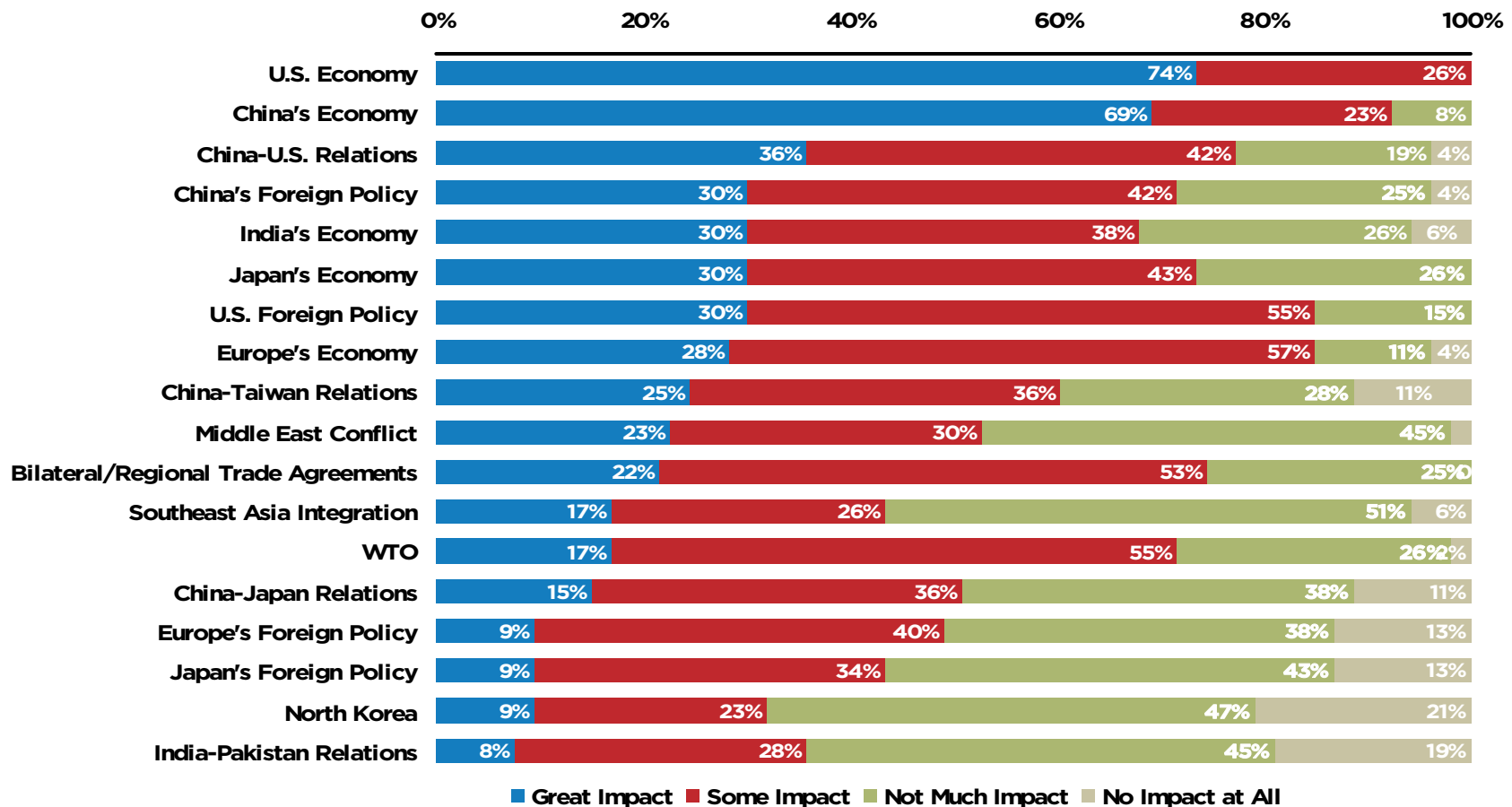
Overall Economic and Geo-Political: How important is this issue for business in Asia? (2008)



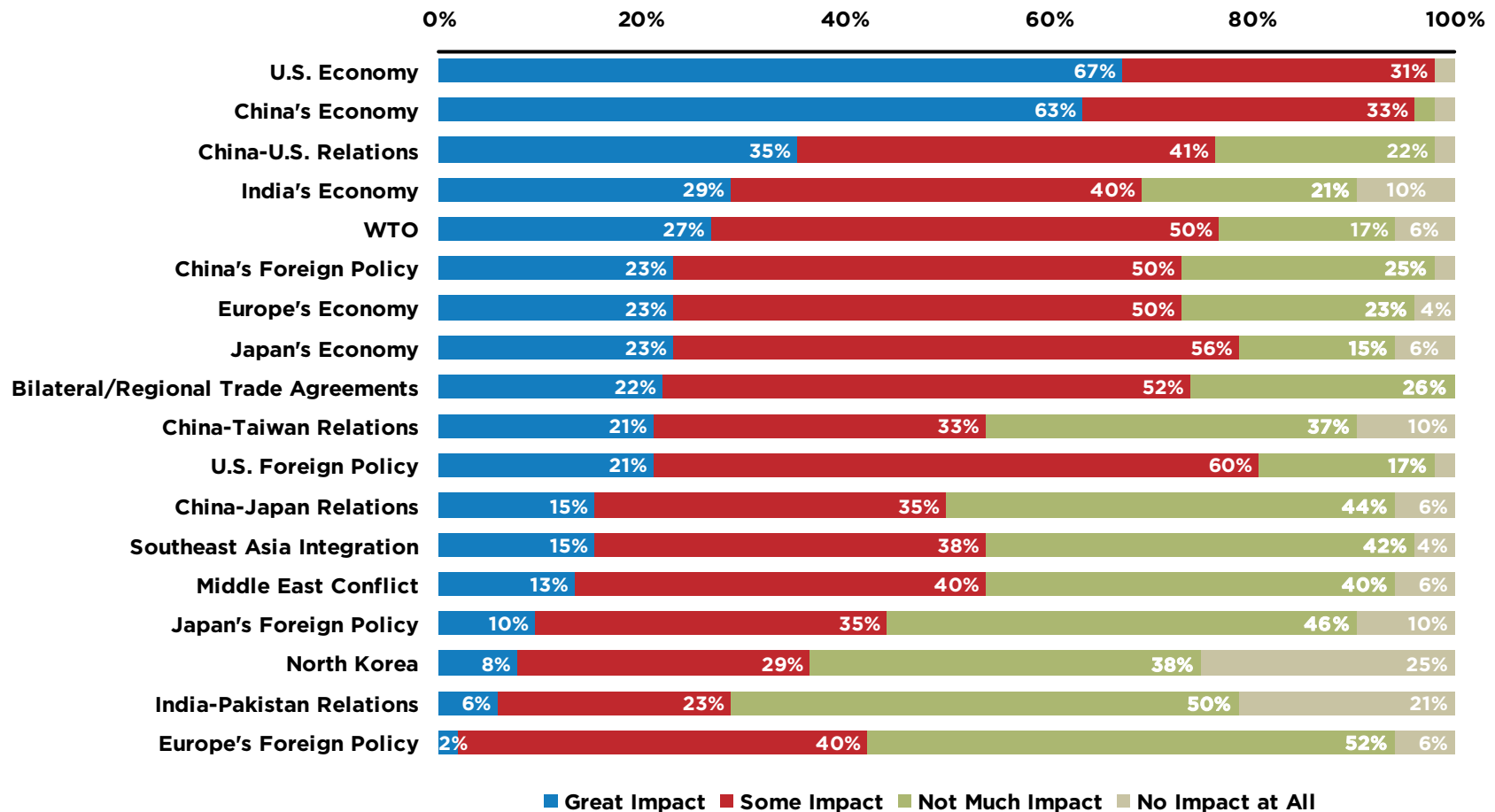
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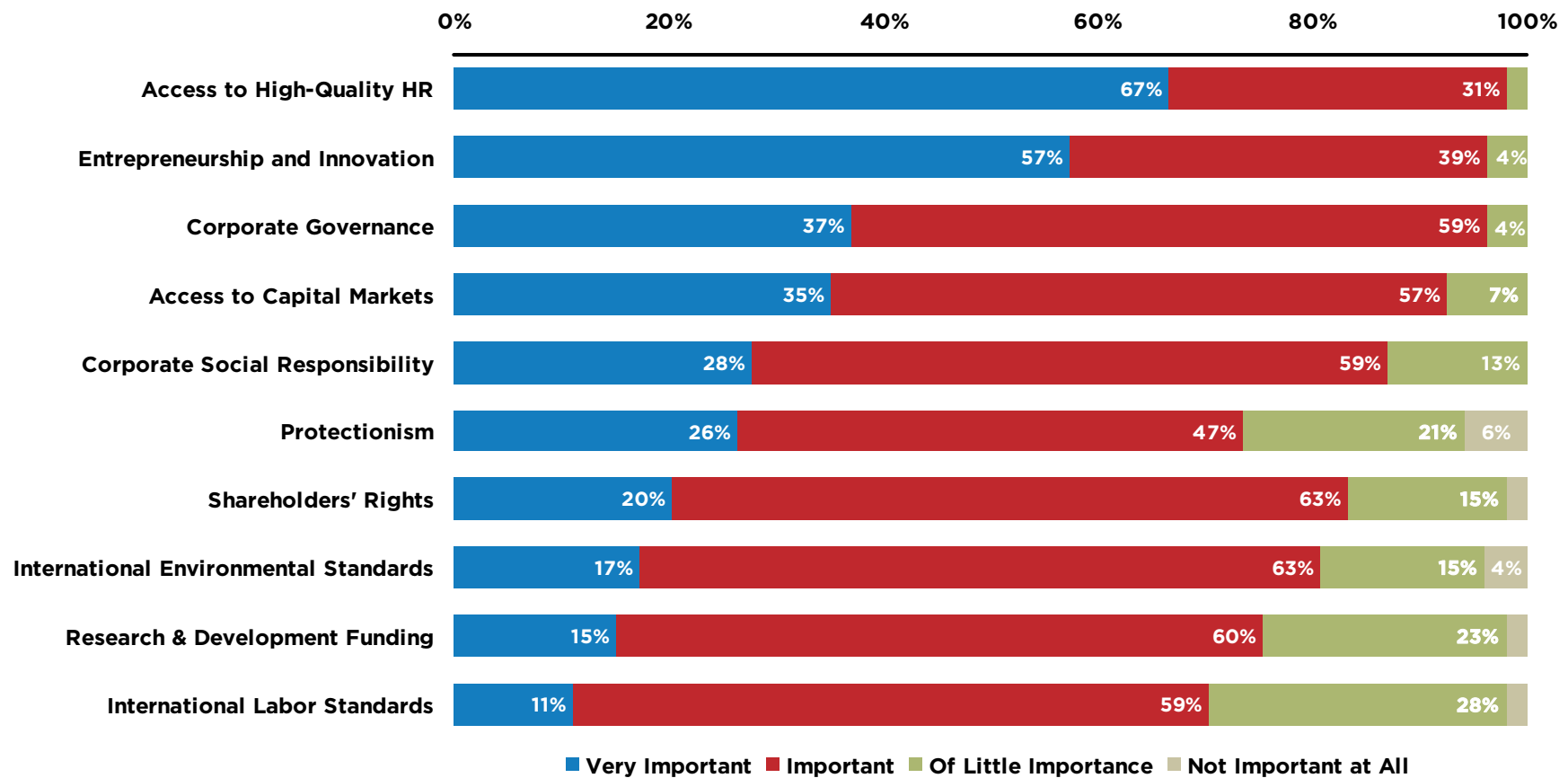
Overall Economic and Geo-Political: How much does this issue affect your business? (2008)



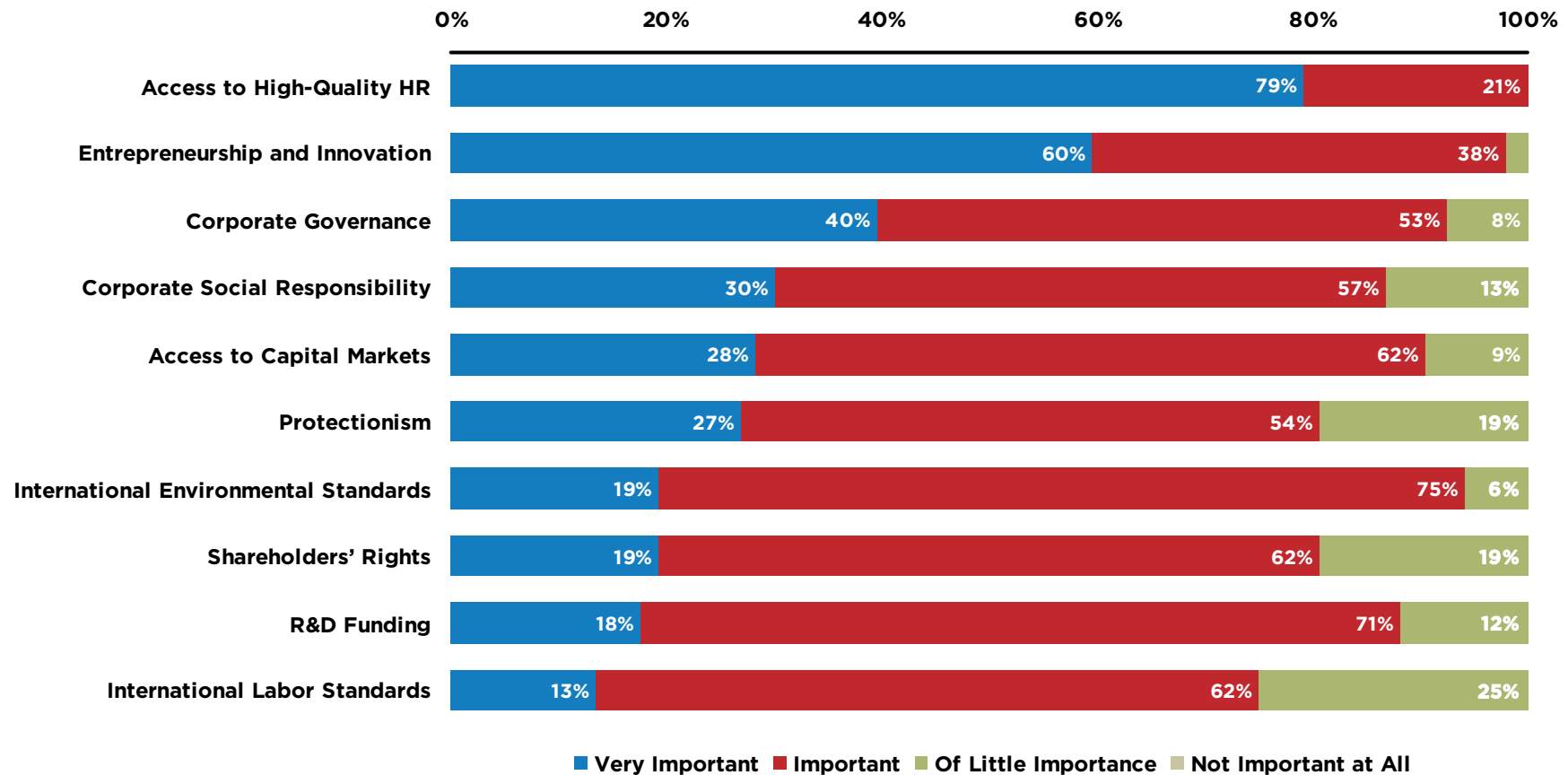
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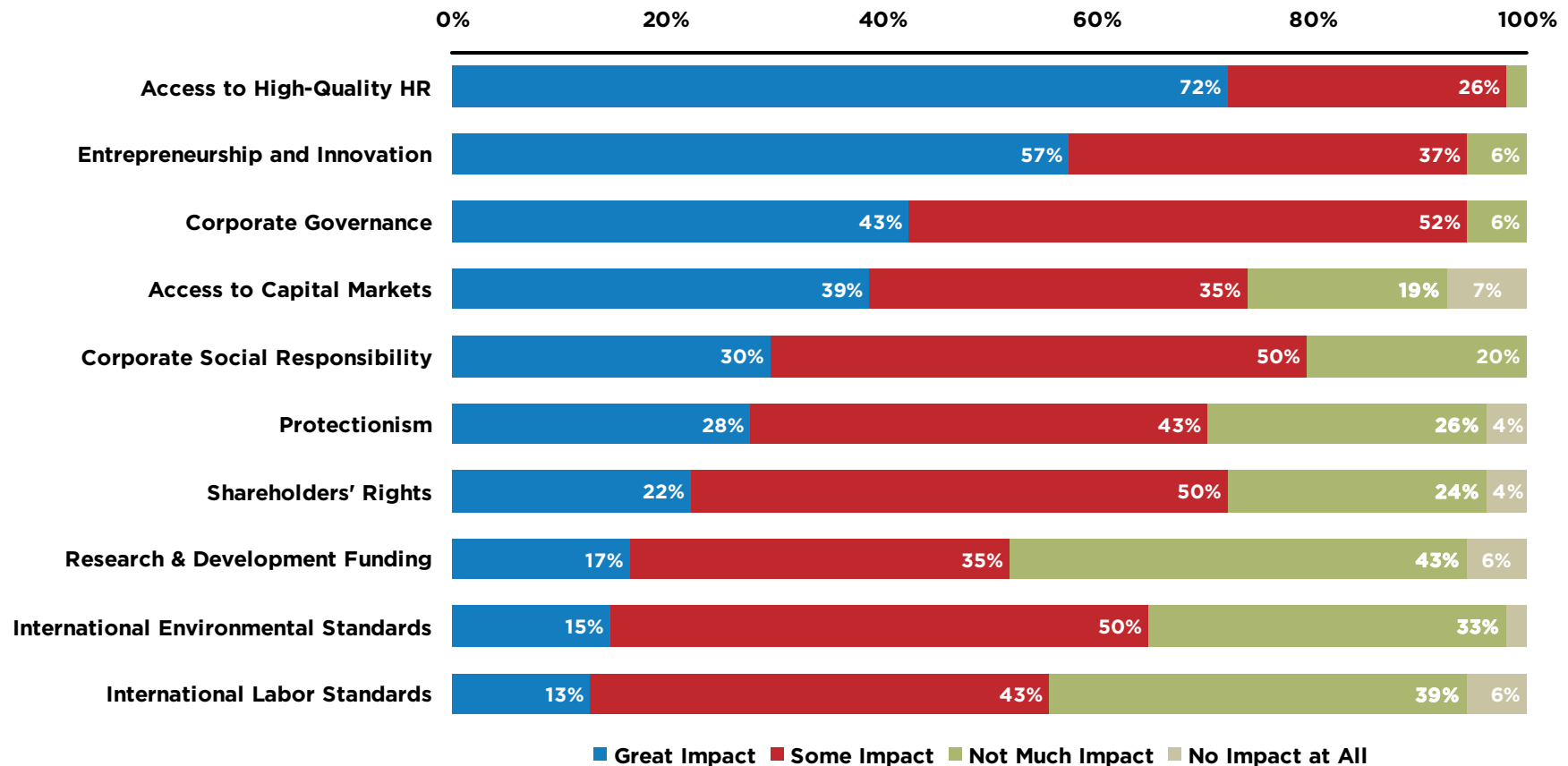
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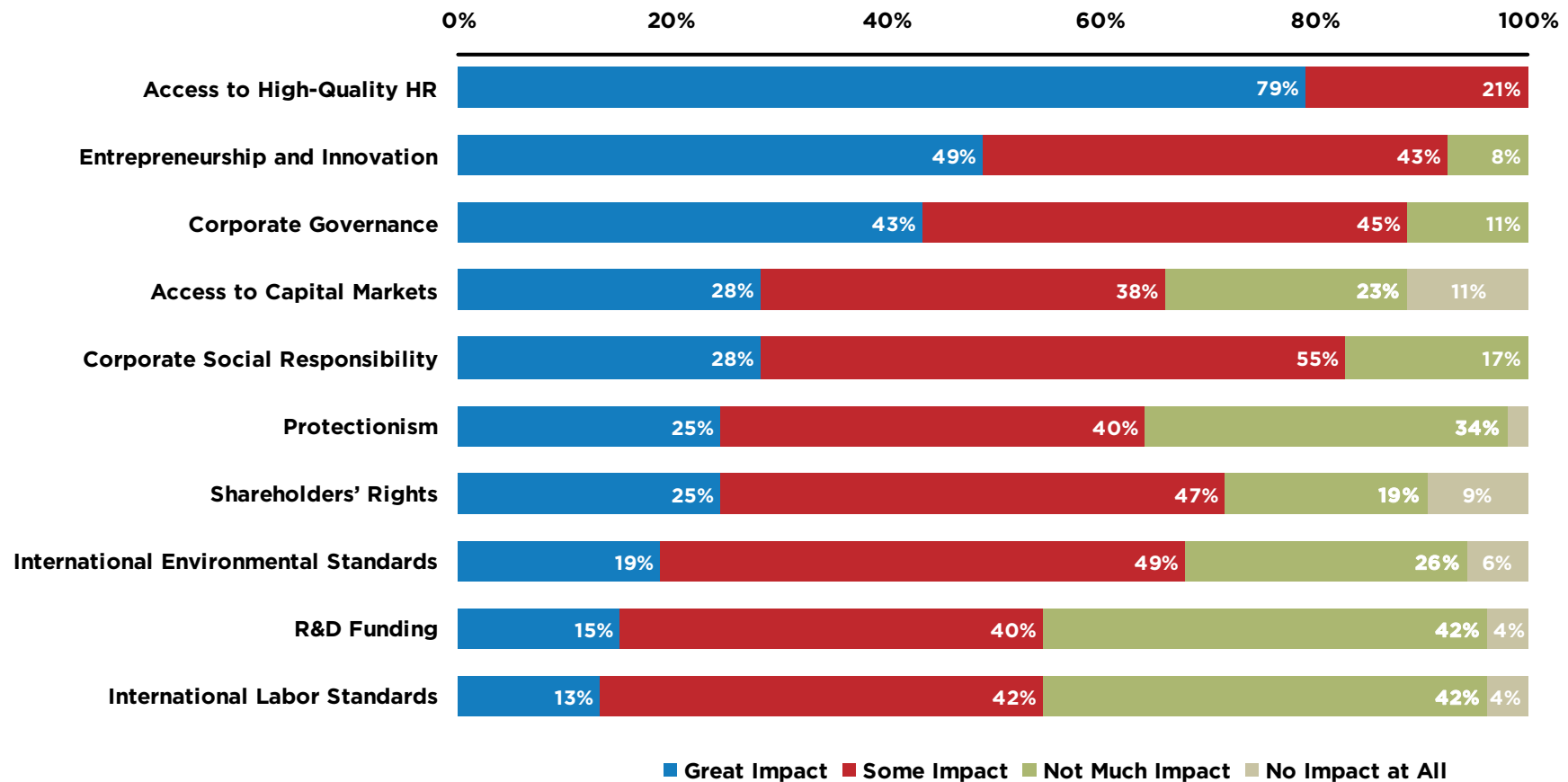
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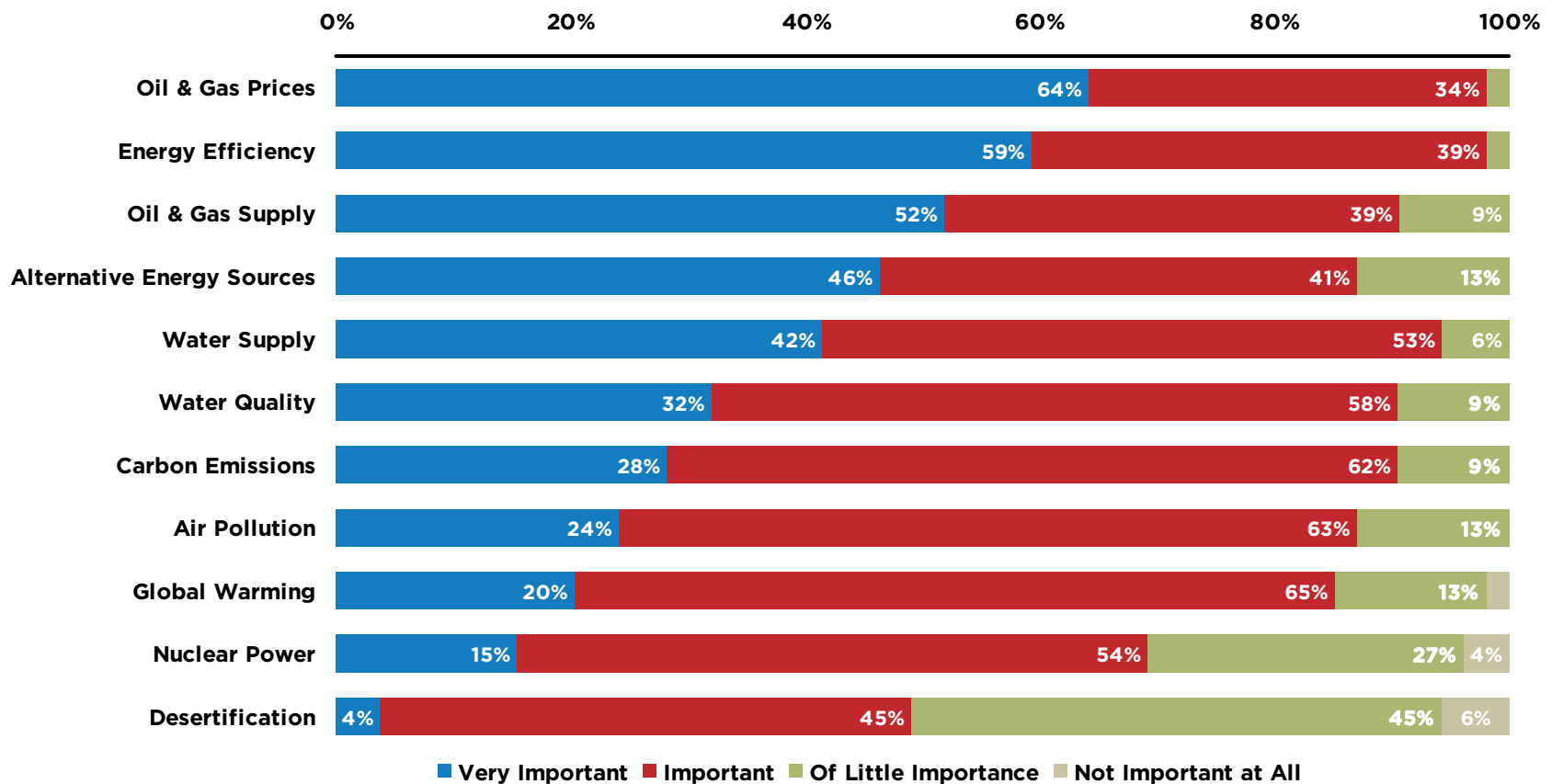
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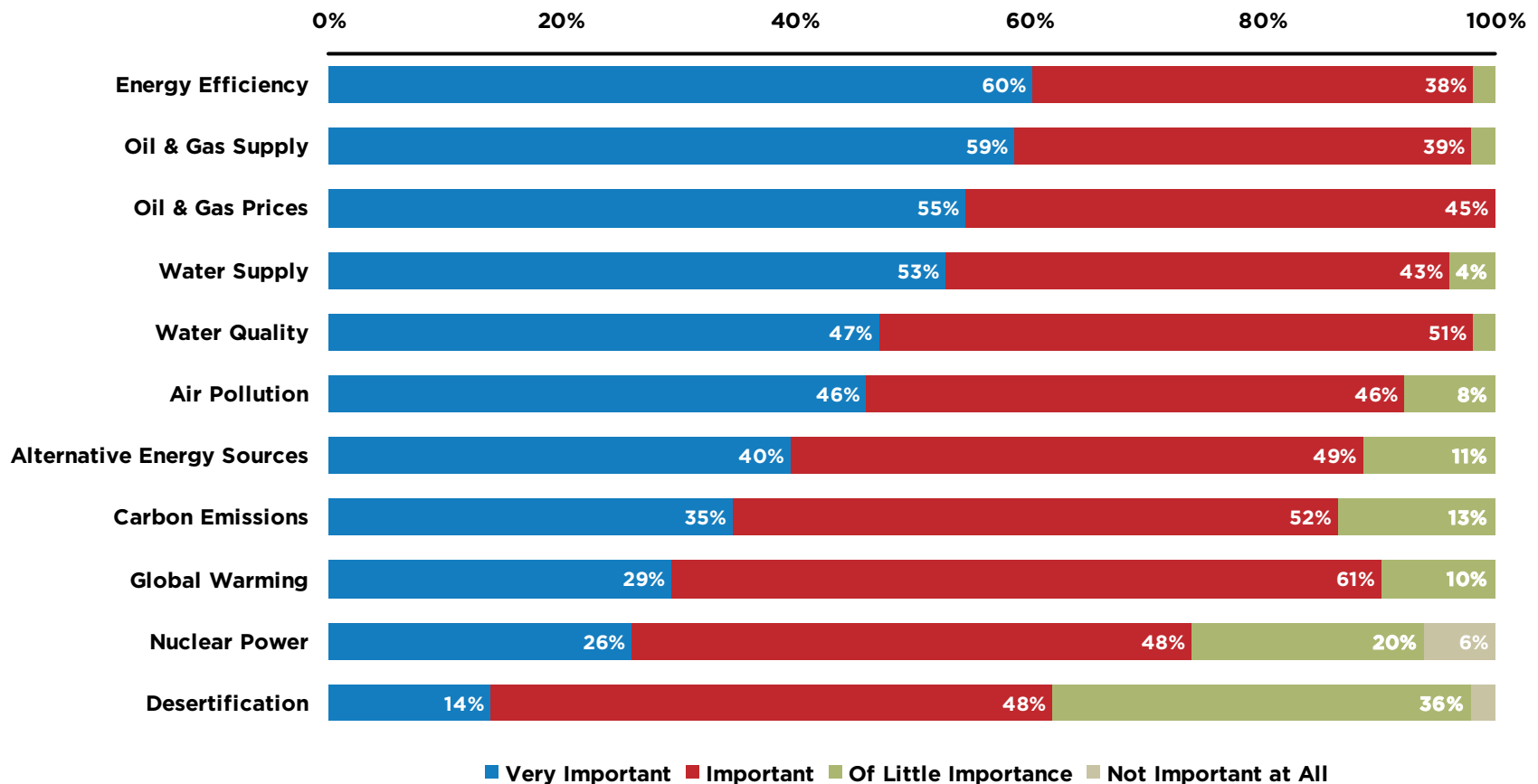
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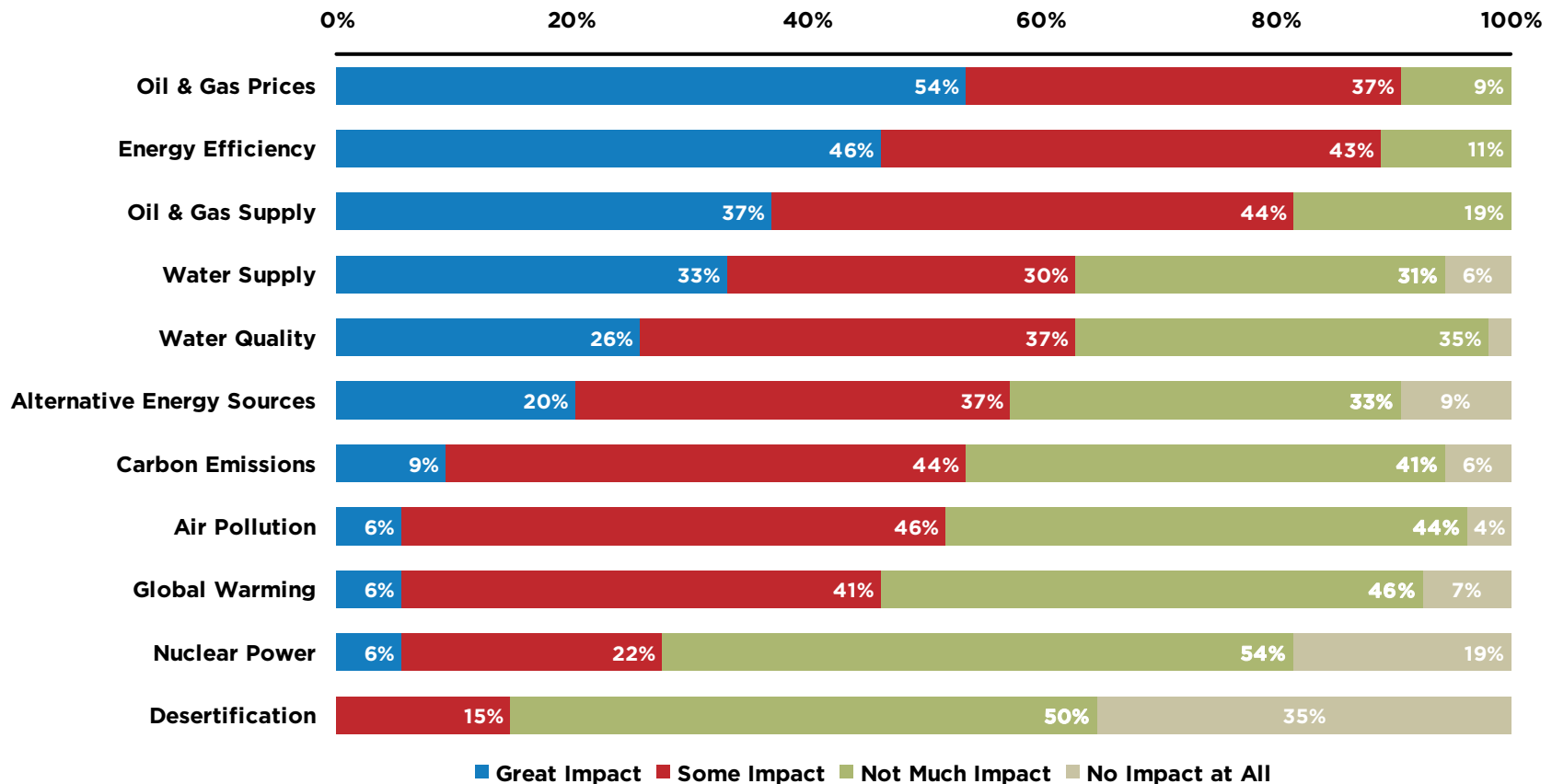
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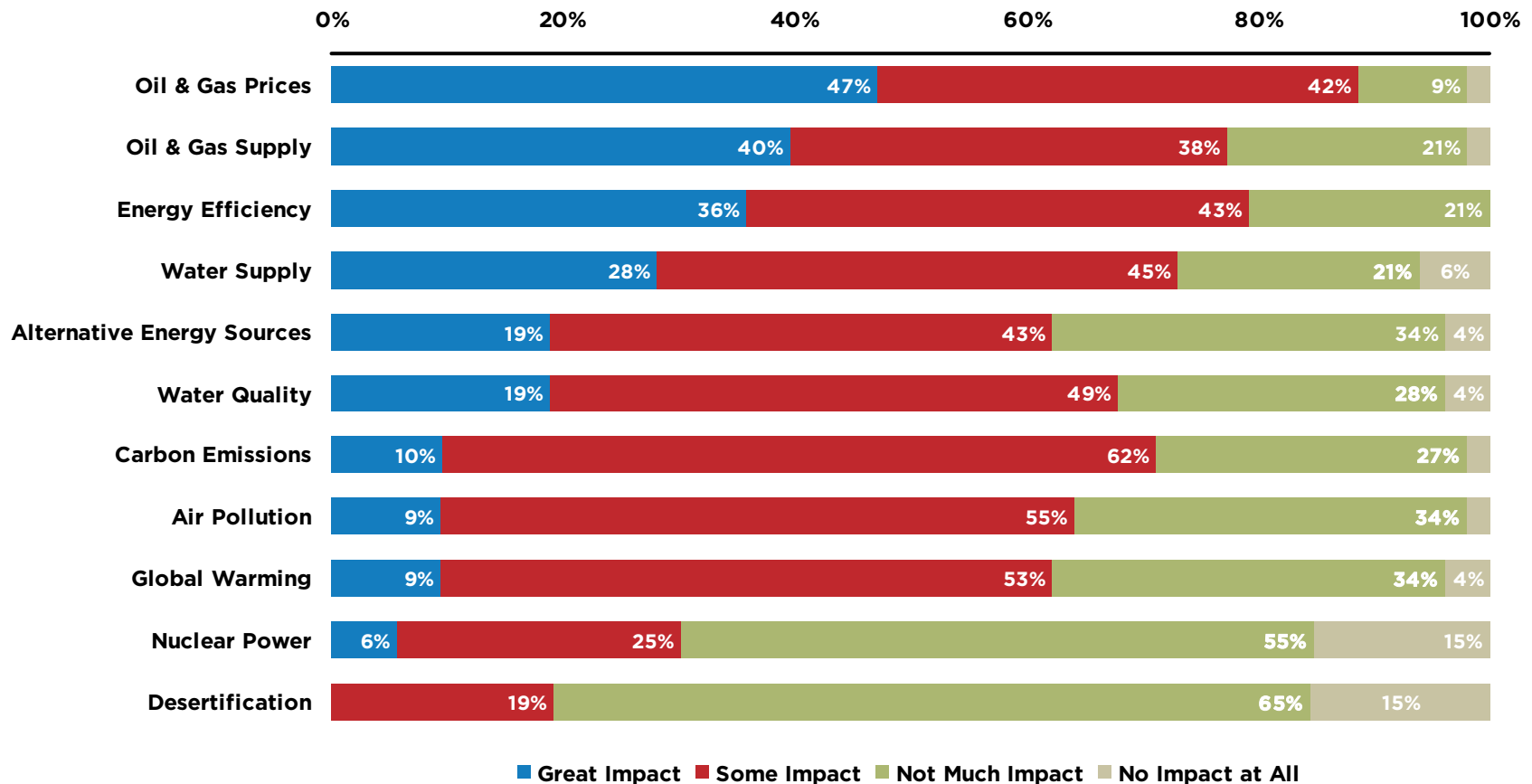
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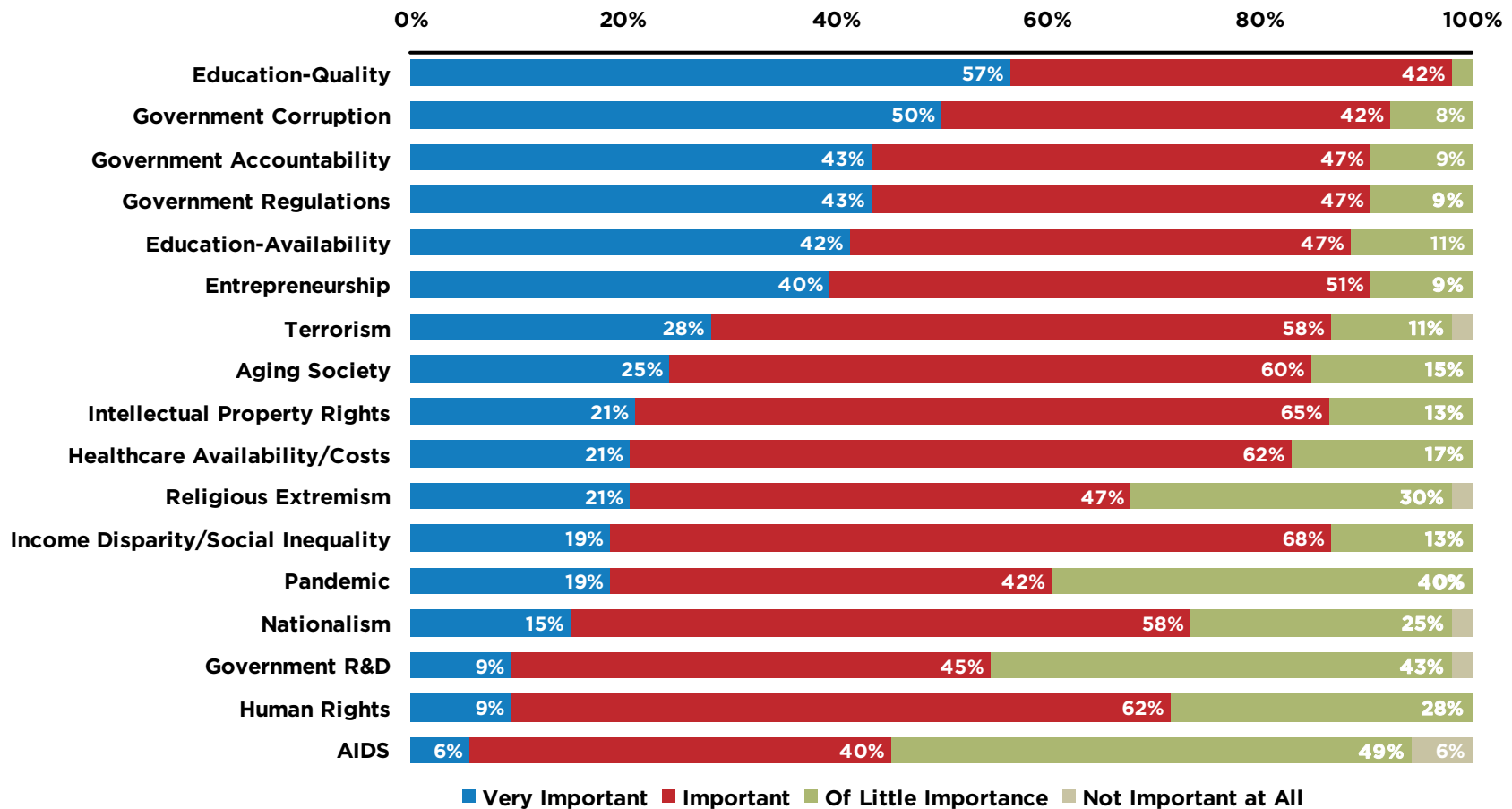
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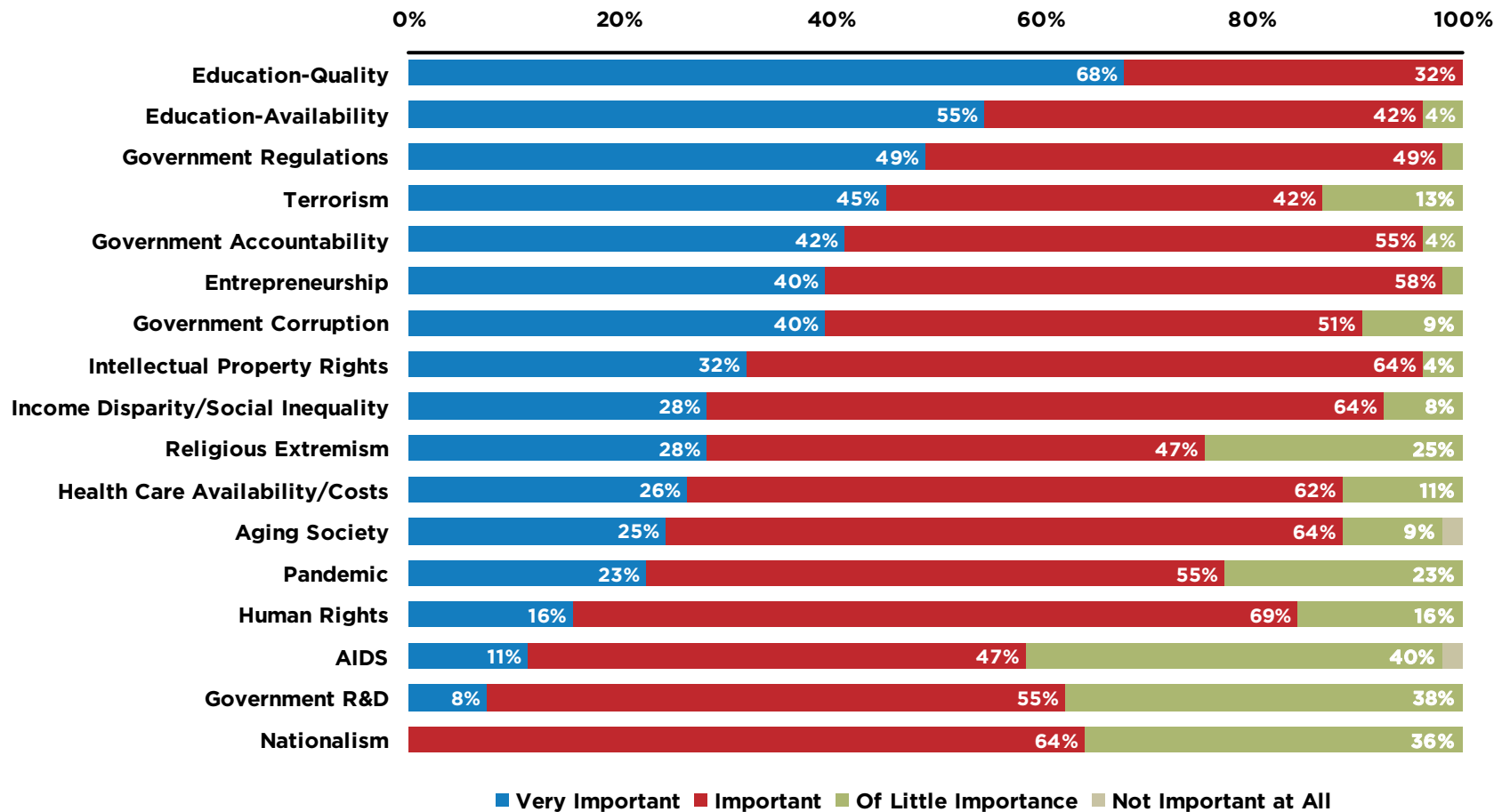
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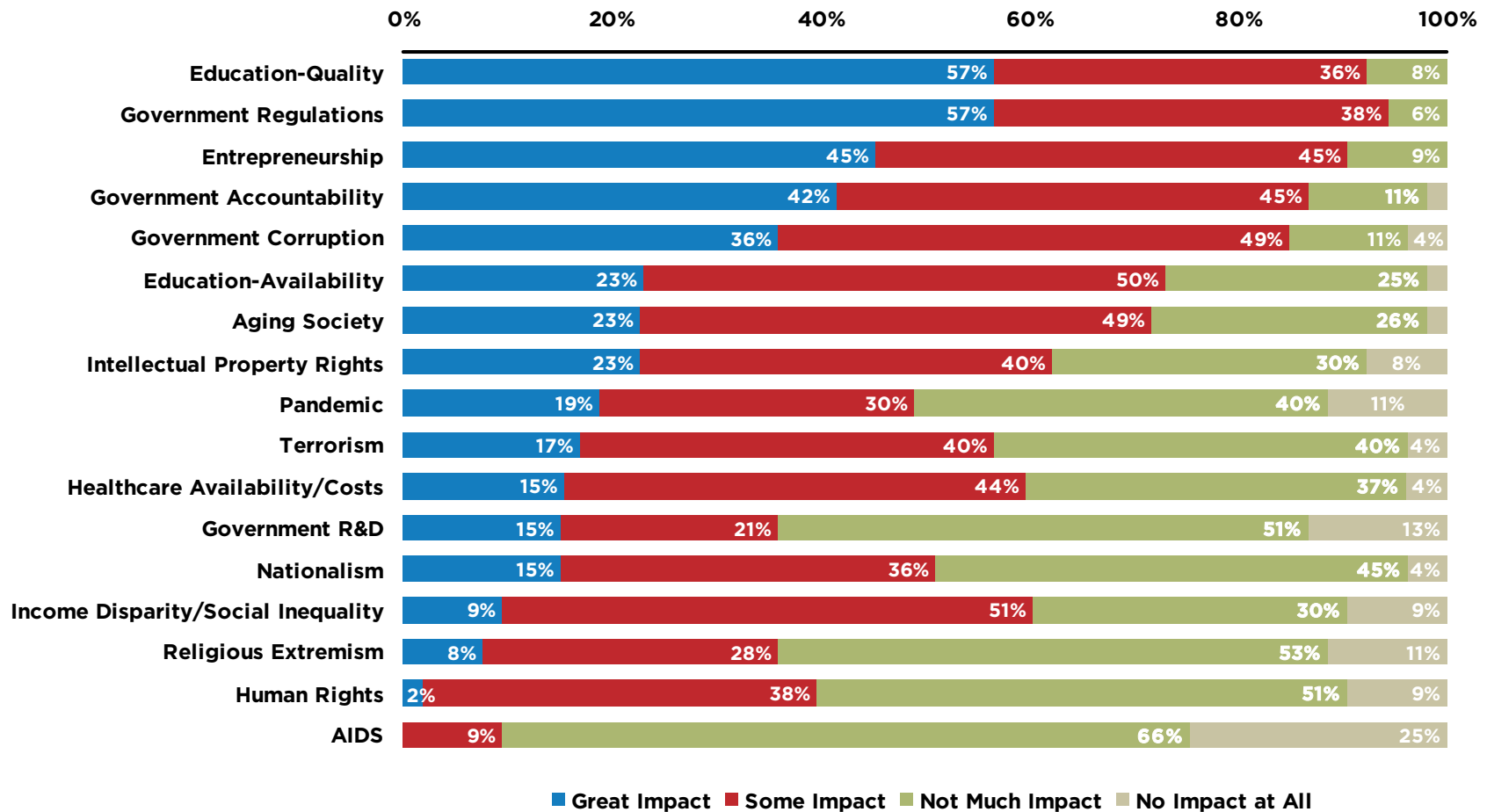
Social: How important is this issue for business in Asia? (2008)



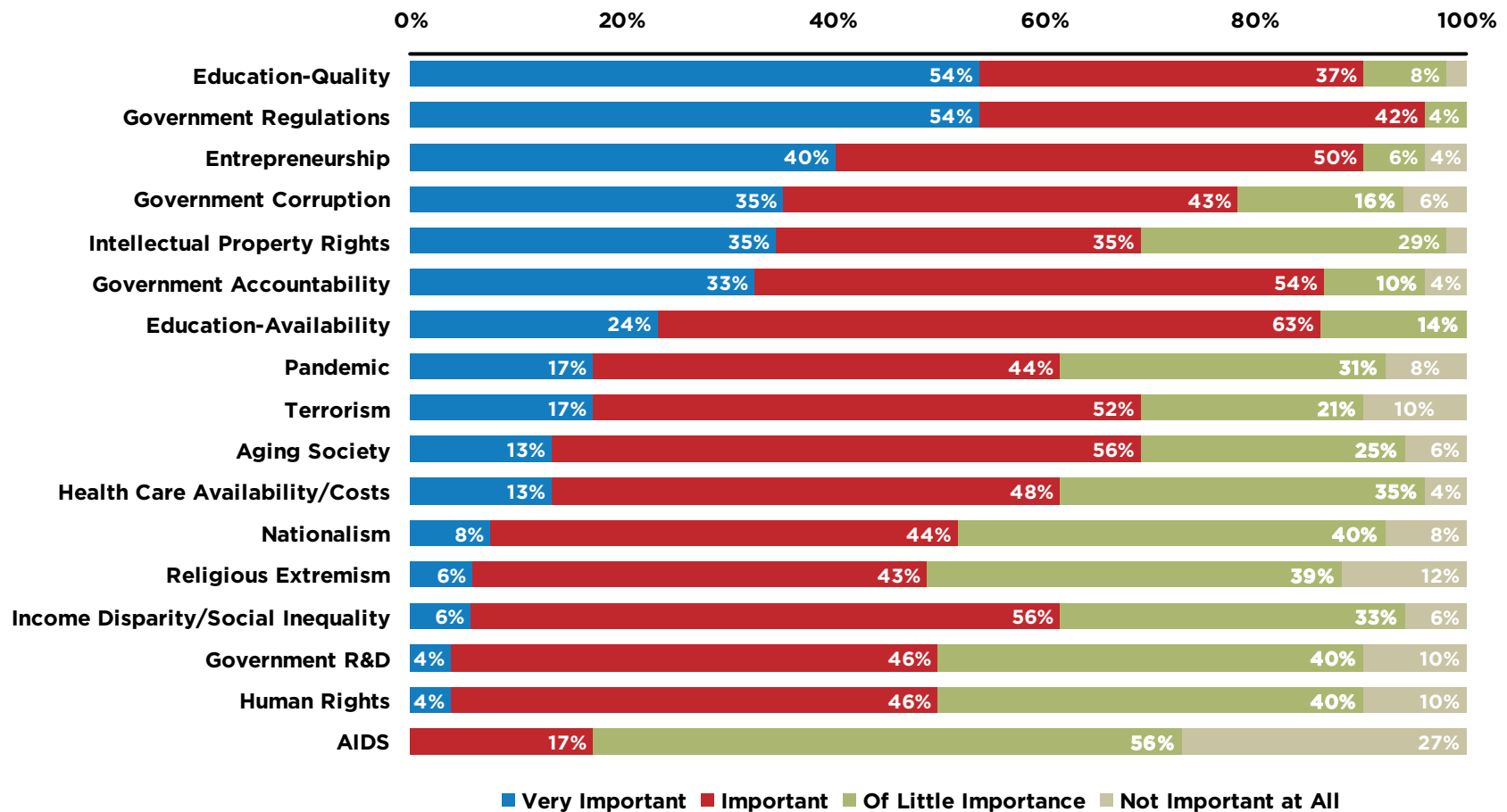
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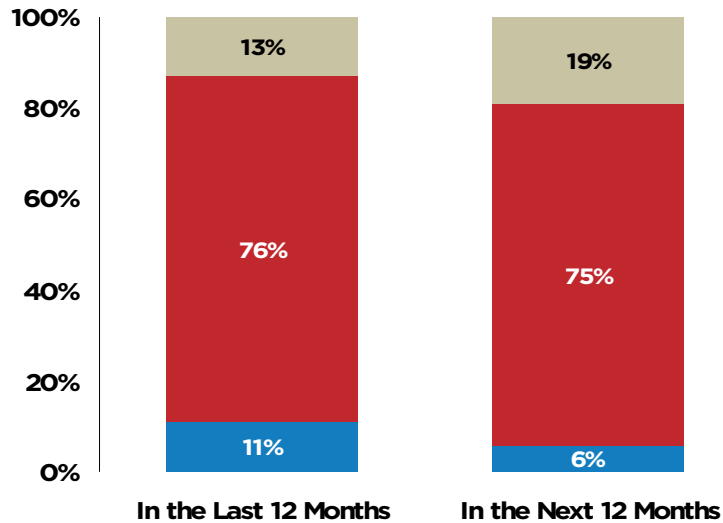


How do you feel about overall business conditions? (2007-2008)

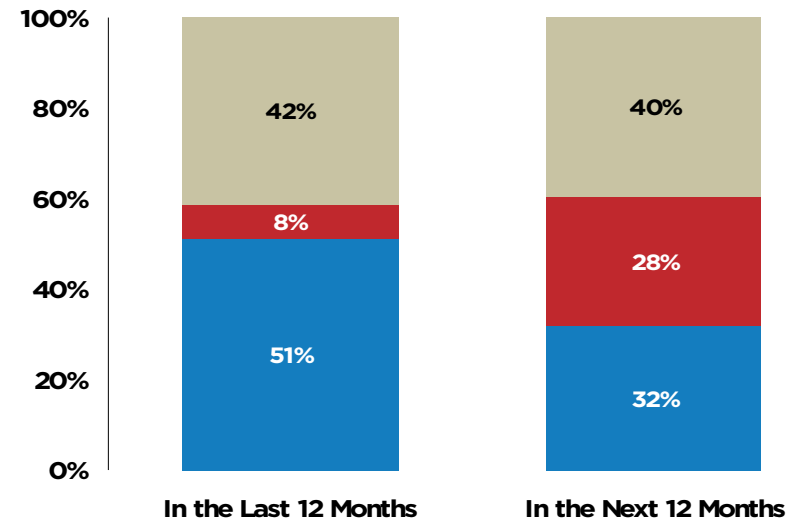
2008

2007

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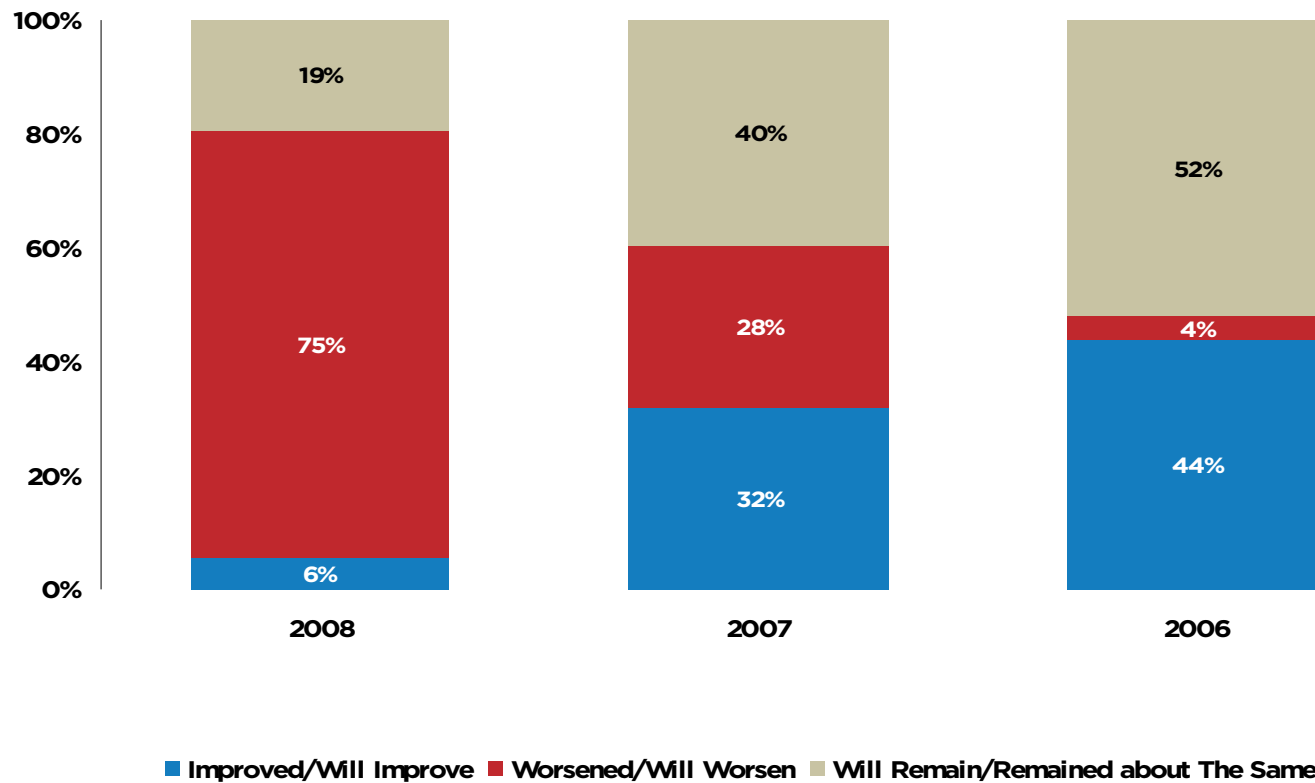


■ Will Remain/Remained about The Same
 ■ Worsened/Will Worsen
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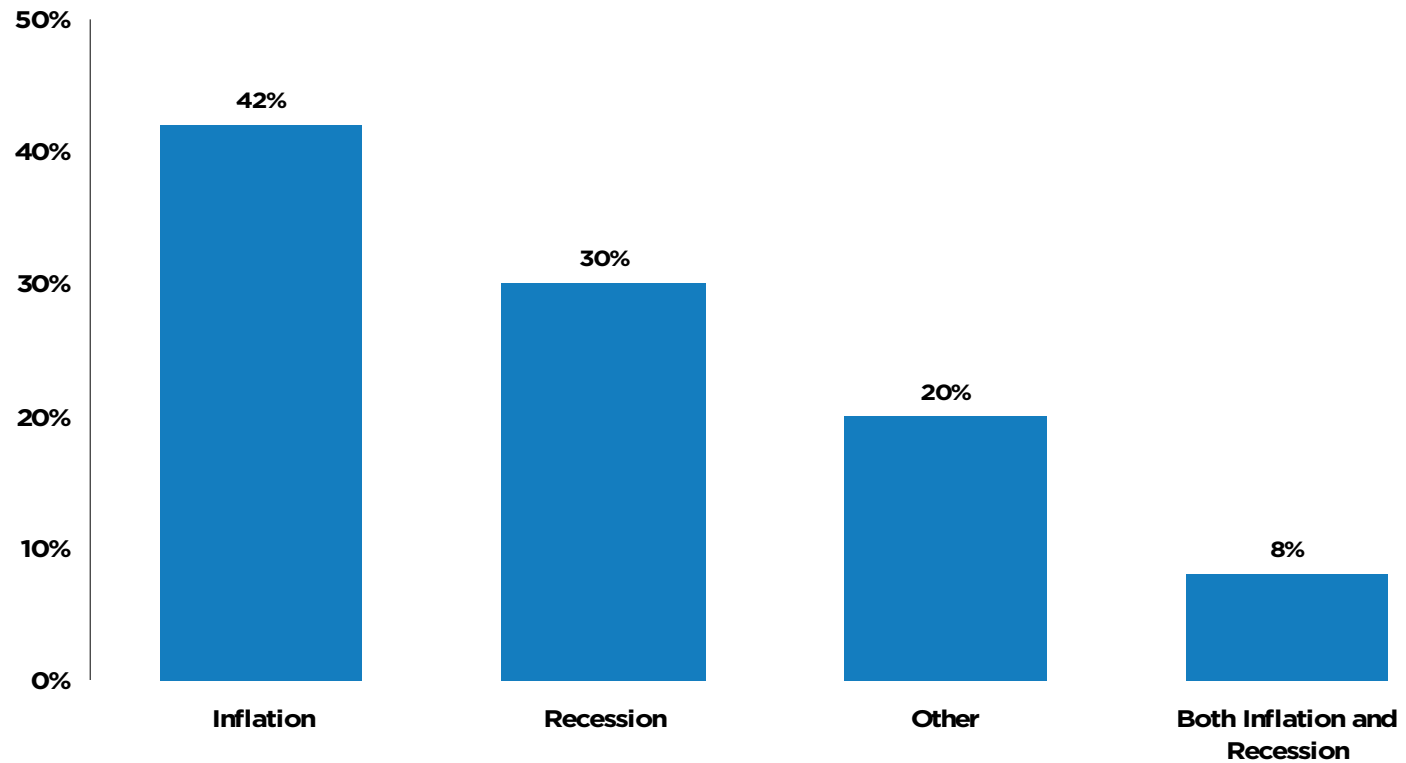
Future business outlook (2006-2008)

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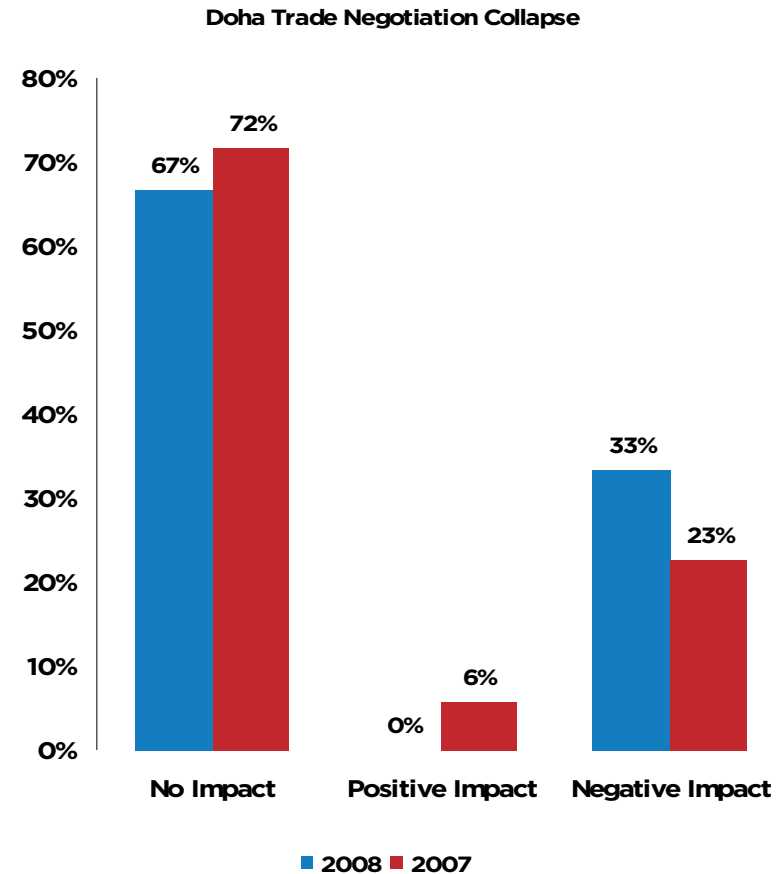
Inflation and recession concerns (2008)

Biggest Economic Problem Facing Asia



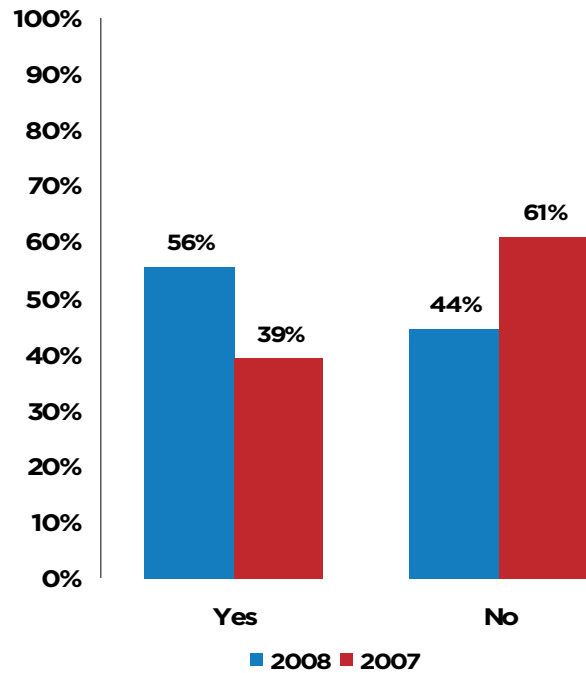
The impact of Doha (2007-2008)

- **33% of the respondents thought the collapse of the Doha trade round has an impact on their business**
- **This proportion has increased from 23% in 2007**

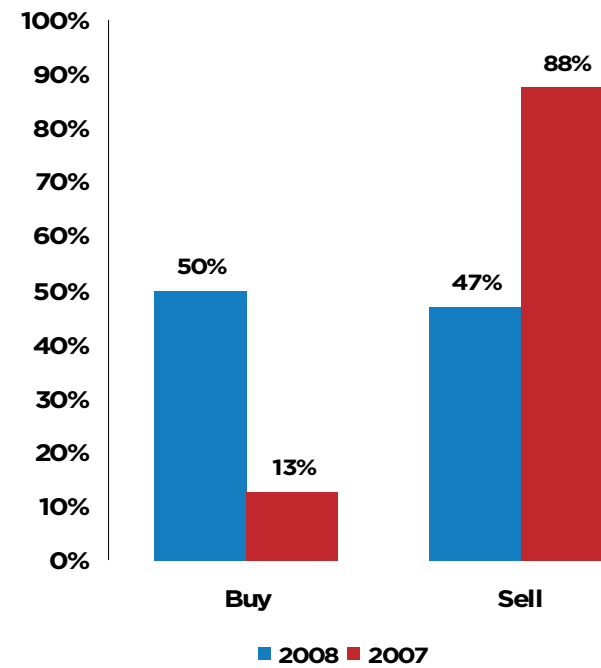


Carbon credits (2007-2008)

Will They Deal in Carbon Credits



Will They Buy or Sell Carbon Credits



For more information, visit www.AsiaBusinessCouncil.org