

# APEC

IN PARTNERSHIP WITH



## The upcoming APEC CEO Summit in Bali focuses world attention on the global engine of growth

A lot can happen in just two decades—something Indonesia understands better than most nations. The country last hosted the Asia Pacific Economic Cooperation (APEC) Summit in 1994, and from that gathering came the Bogor Goals, a commitment to achieve free and open trade and investment by 2010 for industrialized APEC economies, and by 2020 for developing ones. At the time, these were considered very ambitious, far-reaching and even revolutionary goals for the 21-economy forum.

Today, things have come full circle. Indonesia is again the chair of APEC, with its CEO Summit to be held in Bali October 5–7, and many of the dreams laid out a generation ago have already come to fruition or look well on their way. A similar story can be told of the APEC CEO Summit itself: The meeting has grown from a modest gathering of businesspeople in 1996 to become a unique global forum bringing together the region's most influential policymakers and business and finance leaders, and forging connections to improve the business climate and drive future growth opportunities.

"Nowhere else in the world does this number of presidents and prime ministers have this level of dialogue and interaction with private-sector leaders," says Monica Hardy Whaley, president of the National Center for APEC (NCAPEC), the only U.S. business association focused solely on facilitating American private-sector input to the APEC process. "It's made APEC's CEO Summit the board meeting of the Asia Pacific region."

# RISING



Insurance for businesses, families and individuals | [acegroup.com](http://acegroup.com)

We are  insured.

*What does it mean to be ACE insured?*

*It means businesses, families and individuals across the ASEAN region are protected by one of the largest and strongest insurers in the world. The people of ACE truly understand risk in our dynamic region and go out of their way to help. We can rest assured knowing that ACE is there when we need them.*





S3

The theme for this year's summit is "Towards Resilience and Growth: Reshaping Priorities for the Global Economy." Resilience and growth are certainly apropos in this context. Regarding the latter topic, the Asia Pacific market is widely considered the engine of future global growth—the only region of the world where one can reliably expect to have a middle class and industries both on the rise. NCAPEC's Whaley says that discussions about growth will likely highlight the continued connectivity, both physical and digital, of all the different parts of the far-flung Asia Pacific nations (Indonesia itself is a 17,000-island country, the world's largest archipelagic nation); greater inclusiveness of all areas of society, especially women and youth; and education, food security and energy.

"APEC is looking at the initiative to support infrastructure development and investment as one of the main deliverables this year," Whaley says. "The issue of inclusive growth, particularly empowering and integrating women—ensuring that 50 percent of your population is contributing to your economic well-being—is a definite strong point for APEC, and the Indonesians have been pushing that as well this year."

As for resilience, Indonesia and Asia Pacific in general have had to show tremendous amounts of it recently. Both have experienced many kinds of disruptions—natural disasters, health crises and economic challenges, among others. Having come through the

other side showing stronger growth than many parts of the world, the region has lessons to teach regarding how to rebound from setbacks.

"Resilience is a building block for the region—they know that stuff happens, that stuff needs to get done, and with those two things in mind they want to put in the most robust, flexible types of environments they can," says Whaley. "This translates into how they think about the investment environment, and how to enable and encourage innovation, creativity, flexibility and resilience in their economies."

#### BACKBONE OF APEC

Like many Asia Pacific experts, NCAPEC's Whaley considers ASEAN, the 10-country Association of Southeast Asian Nations, the "backbone of APEC," as crucial to the APEC forum as Indonesia is to ASEAN itself. ASEAN contains 600 million people within 3 percent of the world's landmass; Indonesia, the only ASEAN member to be part of the G-20 (and often ASEAN's de facto representative on the world stage), accounts for nearly half that population. Trade between the U.S. and ASEAN was \$75 billion last year, and the average ASEAN consumer buys 1.75 times as much American product as the average Chinese consumer, as well as nine times as much per capita as India. The Asian Development Bank projects ASEAN to grow at 5.2 percent this year and 5.6 percent next year.

**THE ASIA PACIFIC MARKET IS WIDELY CONSIDERED THE ENGINE OF FUTURE GLOBAL GROWTH, COMBINING RISING MIDDLE CLASSES AND GROWING INDUSTRIES IN GREAT NUMBERS.**

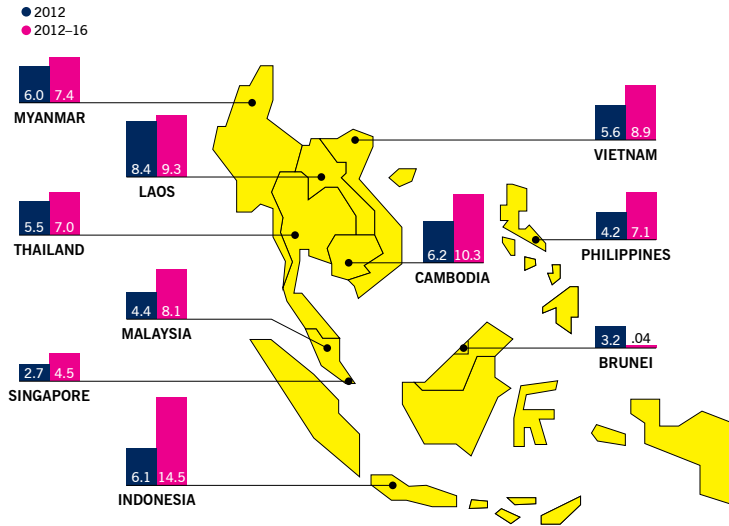


# ENABLING INNOVATION

For more than a century, UL has been a trusted partner to governments, manufacturers, retailers and consumers. Our technical expertise and scientific rigor have enabled us to anticipate and prepare for generation after generation of safety challenges. From facilitating the adoption of electricity to helping with the advancement of new technologies like solar energy, UL is creating new and important ways to bring your innovations safely to market.

[UL.COM/ANNUALREPORT](http://UL.COM/ANNUALREPORT)

## GDP GROWTH RATES IN THE ASEAN REGION (%)



S5

Through initiatives such as the RCEP, the EAS and the ARF, ASEAN is becoming increasingly central to Asia's regional architecture.

For the Washington, D.C.-based US-ASEAN Business Council, the APEC meetings represent a chance for its members to leverage the council's work in ASEAN into a broader framework.

"APEC gives ASEAN a chance to engage in a wider geographic context, as well as being the building block for efforts toward a future free-trade area of the Asia Pacific, including ambitious efforts like the TPP, which currently includes four ASEAN members," says Alexander Feldman, President of the US-ASEAN Business Council (US-ABC). "The council strongly believes that a free-trade agreement between ASEAN and the United States should be explored as a long-term policy goal, and that a way should be found for the three ASEAN members who are not also APEC members to be eligible to join the TPP."

Feldman adds that Indonesia, as APEC's host and ASEAN's largest member—its GDP is larger than the next two largest ASEAN member economies combined—bears the responsibility of bringing ASEAN ideas about connectivity to the larger APEC milieu.

"As ASEAN moves toward its planned 2015 ASEAN Economic Community, it will be able to be a more unified actor in international economic forums," Feldman says. "Indonesia can help set the stage for that during its chairmanship."

**"WE ARE OPTIMISTIC ABOUT CONTINUED GROWTH IN THE ASEAN REGION BECAUSE THE UNDERLYING FUNDAMENTALS IN THESE MARKETS REMAIN FIRMLY INTACT!"**

ACE Group, one of the world's largest multiline property-and-casualty insurers, sees the region for the large, exciting market that it is—its business in Southeast Asia has grown almost tenfold in the past decade—but also emphasizes that such success owes much to viewing each member country as a unique, separate and distinct market, with its own history, culture and political environment.

"At ACE, we do not take a one-size-fits-all approach," says Chairman and CEO Evan G. Greenberg, who is also Chairman of US-ABC. "We are truly a local company in ASEAN, backed by worldwide expertise and the financial resources of a major global organization. We rely on the local knowledge and expertise of our professionals to create a unique formula that includes products that fill the specific, meaningful needs of customer segments, delivered through the most effective, trusted distribution channels, all within the framework of the local regulatory environment."

There are, nonetheless, collective ASEAN characteristics, chief among them young and industrious populations. ACE expects to prosper in conjunction with this demographic.

"As the middle class emerges in these markets, consumers accumulate assets that need to be protected through products such as personal accident, supplemental health, life and personal property insurance," says Greenberg, adding: "When it comes to building insurance businesses to take advantage of these opportunities, we are builders first and complement our operations with acquisitions where it makes sense."

Greenberg believes that over the medium and longer term, many ASEAN countries will be attractive markets for business more generally, given their economic and demographic conditions. While ASEAN growth is slowing down from its recent 7 percent annual clip, he is confident that long-term growth, while varying from period to period, will stay favorable.

"We are optimistic about our prospects for continued growth and profitability in the region because the underlying fundamentals in these markets—economic growth, emerging middle-class and largely uninsured populations, and improving government administration—remain firmly intact."

### DIALOGUE AT THE HIGHEST LEVELS

The bringing together of like-minded economies to tackle important issues, including the development of trade agreements, that happens in the subtext of APEC is a key reason why UL, a global standards-setting and conformity-assessment company, will participate in the CEO Summit for the fourth time.

"It's important for the U.S. and for companies like UL to be involved in these dialogues," says President and CEO Keith Williams, whose eight years at the company's helm have seen Asia revenues grow from about a third to half of UL's total. "It directly affects our trade and our business, and it will directly affect American consumers."

In a broader sense, the APEC CEO Summit—and,



# Bank with ANZ in Asia You'll be in good company.

ANZ is ranked a Top 4 corporate bank in Asia\* and offers market-leading relationship management teams. Many successful businesses benefit from ANZ's award-winning experience in the region. Yours can, too.

To find out how ANZ Indonesia can help your business, please contact us at (021) 500 269 or visit [anz.co.id](http://anz.co.id)



We live in your world **ANZ** 



S7

Williams underscores, the entire APEC process—facilitates a critical dialogue at the highest levels between business and government interests, which supports activities and initiatives aimed at improving the quality of life for people within the APEC economies. Free trade is a fundamental issue in these discussions, and UL's business, says Williams, is at the heart of free trade.

"Standards are used primarily to promote safe living and work environments for people, but they can also be used as technical or non-tariff barriers to trade," Williams says. "We believe that it's going to be important to try to move to an environment where we have a common set of standards, and a common program for conformity assessment, to achieve goals such as supporting innovation and the commercialization of new technology, protecting and improving the quality of the environment and minimizing supply chain disruptions. Consumers will benefit, people's lives will be better, and the world will be safer."

"But," Williams adds, "you have to be present if you want to participate in the discussion."

At the 2011 APEC CEO Summit in Honolulu, for example, Williams took part in bilateral meetings with then-President Hu Jintao of China, Indonesian President Susilo Bambang Yudhoyono and then-Prime Minister Julia Gillard of Australia, among other political leaders; small-group meetings with leading CEOs from foreign countries; and large plenary sessions including

a panel discussion on a key agenda topic, "Building Enabling Environments for Industry: Achieving Growth, Stability and Predictability in a Dynamic World." For UL, a central focus moving forward is supply chain transparency and visibility. As the supply chain has become increasingly global, issues of safety, working conditions, the environment and sustainability are rising to the fore.

"Visibility, transparency and traceability in the supply chain will become an even greater 21st-century issue, and APEC is providing greater emphasis on those characteristics this year," Williams says. "People need tools that can provide insight into products—even the products they themselves are making. For us, that's a very interesting future. Our company started on the basis of making the places where we live and work safer from electrical shock and fire hazard, and we think that sustainability, and initiatives related to sustainability that go through the supply chain, will be equally important in this century."

**"PEOPLE NEED TOOLS THAT CAN GIVE THEM INSIGHT INTO PRODUCTS—EVEN THOSE THEY THEMSELVES ARE MAKING. FOR US, THAT'S A VERY INTERESTING FUTURE."**

#### ORGANIC GROWTH

PT Bank ANZ Indonesia, now 99 percent owned by ANZ Banking Group Limited, expects the APEC CEO Summit to bolster intra-Asia and Asia Pacific trade links while highlighting Indonesia's growth potential to the global investment and political communities. The country's robust 6 percent GDP growth and

# Taiwan

## Hand in Hand with APEC

25

20

15

10

5



Since joining APEC, Taiwan has partnered with other member economies to promote people-to-people exchanges, foster public and private sector cooperation, and build a seamless regional economy that brings growth and prosperity to all.





S9

strong internal fundamentals have already led to increased interest in Indonesian investment from multinational corporations, according to Joseph Abraham, ANZ Indonesia's CEO. Abraham believes that the country is making good progress in strengthening investment frameworks, benefiting the region by creating more certainty for international and local investors alike. "Indonesia is a key growth engine not just for Asia, but increasingly for the global economy, enhancing its importance to ANZ's super-regional strategy," Abraham says. "We hope that the [APEC] forum yields strong progress in regional cooperation, to enhance Asia Pacific's ability to grow at well above the rates seen in many developed countries."

In late 2011, Indonesia regained the investment-grade credit rating that it lost during the financial crisis in 1997. Abraham expects the upgrade to encourage more investment in the economy, as it also helps to lower borrowing costs. The country's growth potential is plain to see, with high domestic demand and a young, productive workforce among its 242 million strong population.

**IN 2011, INDONESIA REGAINED THE INVESTMENT GRADE CREDIT RATING THAT IT LOST DURING THE 1997 CRISIS. THIS UPGRADE SHOULD ENCOURAGE MORE INVESTMENT.**

"Credit penetration in Indonesia is still low, hence the opportunity to establish our presence in the market is wide open," says Abraham. "ANZ's branch network in Indonesia is now its largest outside of Australia and New Zealand, and one of the largest sources of revenue in Asia Pacific."

According to Abraham, ANZ will continue to focus on organic growth in Indonesia and Asia more generally while evaluating strategic opportunities in its bid to build the aforementioned super-regional bank. Leveraging its experience in Australia and New Zealand, the company will keep supporting what it sees as particularly productive sectors, including infrastructure, natural resources and agricultural projects. On the retail side, ANZ aspires to market leadership, with a focus on the affluent segment as it continues to grow its product capabilities across wealth management.

"In just four years, ANZ has grown from a specialist credit card business with two branches and two ATMs to a fully fledged bank offering retail, wealth, consumer finance, private banking and strong institutional and commercial banking businesses," Abraham says. "Our consumer finance business, which contributes the majority of our revenues, also focuses on the platinum-client segment—ANZ was the first bank to issue platinum credit cards in the market and is one of the market leaders in the segment. Over the past 18 months, our mortgage business has also grown rapidly across the high-end residential market."

#### **THE ROLE OF CHINESE TAIPEI**

Since its accession to APEC in 1991, Chinese Taipei has worked hard to develop close partnerships with other member economies. The result has been enhanced prosperity in the region and the creation of avenues for action on matters of common concern.

Chinese Taipei has proposed a number of APEC initiatives that have received wide support from other member economies. Notable successes include APEC Digital Opportunity Centers, a scheme that began in 2004 aimed at bridging the digital divide among member economies, and the SME Crisis Management Center, part of a multiyear project on disaster management for small and medium enterprises. Chinese Taipei also co-funds the APEC Research Center for Typhoon and Society, a joint project with the Philippines that undertakes typhoon research—a vital area of study for the region.

More recently, Chinese Taipei spearheaded the Innovation for Women and Economic Development, a plan that promotes the use of information technology by women to improve their livelihoods, and one that clearly dovetails with the focus of the APEC CEO Summit. Such projects enhance the resilience not only of Chinese Taipei, but also of the Asia Pacific region, which in turn acts as a driver of global growth. Chinese Taipei believes that it benefits greatly from taking part in APEC, and it can also offer much innovation and expertise to fellow member economies, making it a worthy partner in regional economic cooperation.

— *Evan Rothman*

# Toray — Creating New Value in Asia

The Toray Group looks to the Asia region for increased growth

The Toray Group, headquartered in Japan, operates in 23 countries and regions. Starting from fibers and textiles, the Group's activities now encompass plastics and chemicals, IT-related products and carbon fiber and composite materials, with environmental and engineering technology such as water filters and reverse-osmosis membrane elements, and advanced life science products, rounding out the product line.

Toray continues to focus not only on advanced materials technology, but also on being a good global citizen. The Project AP-G 2013 Medium-term Management Program (started in 2011 and ending in FY2013) contains three Group-wide projects: the Green Innovation Business Expansion (GR) Project; the Total Cost Reduction (TC-II) Project; and the Asia and Emerging Country Business Expansion (AE) Project.

The GR Project, designed to help the whole of the Toray Group tackle one of the most important global issues — that of the environment — has three major goals: the development of businesses and technologies that help preserve the environment; the expansion of green innovation businesses; and the reduction of greenhouse gas emissions (to 200 million tons per year by around 2020). As a longer-term goal, one-third of net sales should come from such green innovation businesses by around 2020.

The TC-II Project aims to cut both fixed and variable costs to maintain the corporate health of the Group.

The AE Project, forming an important part of the AP-G 2013 program, is the primary focus of the Group's energy and resources.

## Growth in Emerging Markets

Three major anniversaries have been celebrated this year as the Toray Group marks its 40th year of operations in both Malaysia and Indonesia, and its 50th in Thailand. These three countries are at the heart of the AE Project.

Sales in Indonesia and Thailand are expected to double in 2020 through further investments of 50 billion yen (\$500 million) in each of these two countries, and in Malaysia by 1.8 times through 35 billion yen (\$350 million) investments.

Several key areas drive this: customer-facing product development, with enhanced sales and marketing; strengthening of infrastructure and technical support; leveraging existing assets and resources through local alliances; and expanding the business,



Toray is expanding its carbon fiber composite materials business in the ASEAN area.

particularly with advanced materials. As the numbers of upper- and middle-income consumers expand, demand for Toray's advanced materials should increase.

A few examples of such growth: in Thailand, expansion of the carbon fiber advanced composite business, including aircraft and automotive applications, also expected to be a growth area in Malaysia, through an increase in the production of high performance grade resins such as transparent ABS. And in Indonesia, new plants start operation this year for the production of resin compound and polypropylene spunbond nonwoven fabric, etc.

## An Asian Vision for the Future

The long-term corporate vision of AP-Growth TORAY 2020, focusing on growth, reform and proactive management, contains at its core the global expansion of the Toray Group's business, including the Core growth-driving businesses of fibers and textiles, resins, and films, together with new business areas, such as environment, information, automobile and aircraft and life science products. The Group also takes into account that the economic scale of emerging countries seems likely to exceed that of developed countries.

Indeed, the ASEAN region is key to Toray's vision. Especially in this emerging market, Toray's focus on green innovation can help to achieve the 2020 target of global net sales valued at around 3 trillion yen (\$30 billion), with a full half of them being made in the growth countries, including these Asian nations.



Toray Group President Akihiro Nikkaku delivers his address at the ceremony commemorating 40 years of Toray in Indonesia.