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APEC PERU 2016



**QUALITY GROWTH HUMAN DEVELOPMENT WOMEN AND
ENTREPRENEURSHIP SMES TRADE TOURISM INVESTMENT**

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TABLE OF CONTENTS

5 *APEC Summit 2016:
Quality Growth and Human Development*



15 *The dawning of a new Peru*

80 *An exclusive interview with President
of Uruguay Tabaré Vázquez*



96 *From food stalls to innovators:
APEC recognizes the role of SMEs*

126 *Unleashing the potential of the 52%:
empowering women in business,
politics and society*



155 *Peru sets sights on
7m tourists by 2021*



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APEC SUMMIT 2016:

QUALITY GROWTH AND HUMAN DEVELOPMENT

In Peru this year, Asia-Pacific Economic Cooperation pursues multi-faceted approach for development of human capital

The Asia-Pacific Economic Cooperation (APEC) was created in 1989 but talks of forming an organization geared towards improving economic conditions for nations bordering the Pacific Ocean began in the 1960s. There are currently 21 member economies that make up the group and each year the cooperation is hosted by a different affiliate. This year Peru is the chair and will host the APEC Economic Leaders' Meeting in Lima in November. The world's largest regional economic group has been making developmental strides for over 25 years and continues to evolve for participation in a globally connected environment.

The evolution of APEC

The first APEC meeting was held in Canberra, Australia in 1989 as an informal Ministerial-level dialogue that included twelve members. By 1994 the Bogor Goals were set to create "free and open trade and investment by 2010 for developed economies and by 2020

for developing economies." The creation of the Bogor Goals was a major development in fostering cooperation and integration among APEC members. The goal of free trade is being pursued "by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among APEC economies." Examples of initiatives include streamlining customs procedures and reducing tariffs and enhancing business climate in individual member economies.

Since the goals were created, several action agendas have been put in play to meet them. The Osaka Action Agenda (OAA) provided the framework to meet the Bogor Goals through "investment liberalization, business facilitation and sectorial activities, underpinned by policy dialogues, economic and technical cooperation." The following year, the Manila Action Plan for APEC (MAPA) was adopted to outline how economies would achieve free trade goals. By the early 2000s,

"APEC shall get committed to developing people's talents and skills so that they can adapt to employment demands of the region"

Ambassador Eduardo Martinetti, Deputy Minister of Foreign Affairs of Peru

APEC began to adopt initiatives for secure trade in the region and commit to the fight against terrorism, in order to avoid deep economic insecurity for the region. As the global financial crisis hit in 2008, APEC took steps to focus on reducing the gap between developing and developed members.

As the years continued, focus was put on long-term and sustainable growth for the



Leaders and representatives from the 21 member-economies of the Asia-Pacific Economic Cooperation (APEC) at the 2015 summit in Manila, The Philippines

Across the World



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region and new, shared green growth objectives, including a goal to reduce aggregate energy intensity by 45 percent by 2035. Leaders committed to concrete steps in creating a seamless regional economy and in 2015 the “Bali Package” was approved to boost global trade with plans that prioritize public-private partnership projects.

In 2014, the Bogor Goals Progress Report assessed the member economies and found positive progress in areas like, regulatory reform, customs procedures, intellectual property rights and mobility of business people. The legal frameworks of competition policy are improving and special institutions are being established in an increasing number of APEC economies to help regulate competition-related issues. Lowering restrictions on government procurement are helping to escalate the transparency and through the use of technology, like the implementation of electronic procurement systems, improvements are being made. Most importantly, the continued expansion of trade agreements is being realized with plans like the Beijing Roadmap for APEC’s Contribution to the Realization of a Free Trade Area of Asia-Pacific (FTAAP). This effort continues to be important to the APEC economies across all areas as the gap between developed and developing entities is prevalent in spaces like tariffs and non-tariff measures, and standards and conformance and customs procedures.

According to the APEC, “Economies that are considered as most-favored nation (MFN) are accorded equal trade advantages under the principles of reciprocity and non-discrimination by the economy granting such treatment. While MFN tariff in non-agricultural products had declined since 2010, agricultural products faced increasing MFN average tariffs.” This affects member economies like Peru as the nation works to export more of its agricultural abundance while improving infrastructure and encouraging foreign businesses to invest within the country.

APEC explains, “Non-tariff measures (NTMs) refer to policy measures (e.g. laws, regulations) other than ordinary custom tariffs that have the potential to affect the international trade in goods in terms of pricing or quantity of traded goods, or both. For instance, under the Hazardous Wastes Act, there are specific requirements for the importation and exportation of used electronic and electrical equipment that may be deemed hazardous wastes. Despite progress concerning the elimination of some NTMs, new NTMs have been imposed in recent years and the accumulation of NTMs continues restricting trade.” Developing economies struggle with these

impositions as they work to acquire more modernized equipment and push towards a more digitally operable environment.

“Empowering people and businesses of all sizes to take advantage of greater interconnectedness in the Asia-Pacific is critical to improving productivity and living conditions that will shape the future of the region’s economies”

*Ambassador Luis Quesada,
Chair of the APEC Senior
Officials*

Goals for 2016

Building upon last year’s summit in the Philippines, the member states have set an objective focusing on four key aspects. Ambassador Luis Quesada, Chair of the APEC Senior Officials describes the priorities as, “advancing regional economic integration and quality growth, enhancing the regional food market, the modernization of micro, small and medium-size enterprises (SME’s) in the Asia Pacific, and developing human capital.” In keeping true to the theme of quality growth and human development, Quesada described the reaffirmation of the APEC’s core principles as a necessity. He said, “In today’s world, prosperity is no longer based on the mere accumulation of material wealth but on knowledge. The knowledge economy is a tangible reality now and this stresses the importance of human capital as the main asset for economies to grow and develop.”

Part of the initiatives to increase human capital depends greatly on the fusion of academia and public policy within the region. To encourage knowledge-based workers to become part of the development, a focus has been put on inspiring students to enter institutions where they will be able to learn the skills necessary to become part of the modern workforce. Since 2013 APEC has had a target of reaching one million intra-APEC university students per year by 2020. Ambassador Eduardo Martinetti, Deputy Minister of Foreign Affairs stated at the Informal Senior Officials’ Meeting last December that, “APEC shall get committed to developing people’s talents and skills so that they can adapt to employment demands of the region.”

Coming to a consensus about the 2016 goals also means that APEC will be focusing on food security in the region as well by facilitating investment and infrastructure that supports food supply chains. In doing so, these economies will be better able to export to the growing numbers of middle class consumers in the region. Strengthening food safety by making regulations and standards consistent will aid in the movement of agricultural products. Countries like Peru have long been improving in this area as they push to be known in the global market for industry and investment possibilities too. Quality growth will encourage foreign investors to bring their business to the zone.

The corporation has also committed to the inclusion of SMEs in the growing economy in order to encourage diverse growth. Ambassador Martinetti says, “We should take initiatives in respect of green SMEs, infrastructure promotion and new technologies.” Senior Officials are working to “promote regulatory reform and the application of digital tools that make it easier for people in APEC economies to start and grow a business, and to do business across borders.”

When talking of the future, Thai Minister of Energy and member of the APEC Eminent Persons Group, Narongchai Akrasanee says, “Looking forward I see an even more important role for APEC in promoting Asia-Pacific trade and investment. Economically Asia-Pacific is highly integrated, due to the economic complementarity of the member economies and the utilization of the supply-chain model of production and trade.” Akrasanee is also the chair of the Thailand National Committee for Pacific Economic Cooperation and analyzes the development over the years, mentioning that, “the APEC economies have all become much larger today compared to two decades ago.”

Unfortunately, with success come new challenges for the region’s growing economies. Akrasanee states, “The economic challenge is in investment in commercial infrastructure to support greater connectivity. This requires cooperation in the development of the capital market in order to properly manage savings for investment, and in the utilization of the know-how for infrastructure development.” Cohesion between member economies in the nation is crucial in the ever-changing world economy and Ambassador Quesada believes that, “Empowering people and businesses of all sizes to take advantage of greater interconnectedness in the Asia-Pacific is critical to improving productivity and living conditions that will shape the future of the region’s economies.” In the coming months, APEC will convene in Lima to review and set goals for next year.



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CHALLENGES AHEAD FOR APEC:

CLOUDS GATHERING ON THE REGION?

Rise of protectionism leads to uncertainty for Asia-Pacific leaders and international trade deals

Eyes and economies around the world have been looking at the language and campaign promises coming from this year's U.S. election. There's no doubt that some of the rhetoric not only seems polarizing amongst the people of the U.S., but that it is also sending messages to global allies about the support of future international policies. The global economy is in an increasingly interdependent state and many nations have spent the last several years working to form trade agreements that will benefit exports and facilitate easier and faster business, especially in the Asia-Pacific region.

Protectionism

Recent U.S. political rhetoric has some leaders within the APEC wary about future trade negotiations. President Obama has worked on the Trans-Pacific Partnership over the last several years, previously receiving support from Democratic presidential nominee Hillary Clinton, who has now stated that, "the final version is not good for American workers." And of course, the campaign support from Donald Trump's constituents doesn't prove helpful to ease the worries of allies in the East.

Protectionism advocates for the closure of free trade agreements under the notion that jobs for citizens within the country will be protected from unfair competition. While this may seem the case, historically it has not benefited the U.S. when tariffs have been imposed on particular industries. At the Peterson Institute for International Economics, senior fellow Gary Hufbauer and research associate Sean Lowry calculated that when President Barack Obama implemented tariffs on Chinese tires in an attempt to help the industry, American consumers paid the price of \$900,000 for every job that was saved for one year. Chinese tariffs that were imposed as retaliation and lower spending by consumers on other products makes the overall impact of trade protection less successful than anticipated.

This is perhaps one of the reasons why leaders at the G20 summit agreed to oppose protectionism while still under harsh



Among other tensions in the region is the long debated territorial claims to the South China Sea

criticism for the way that global trade has overwhelmingly benefited the world's most developed economies. Fears for the advantages and benefits given to big businesses leave everyday people concerned while leaders like German Chancellor Angela Merkel acknowledge that concern she states that, "protectionist measures put the brakes on growth."

South China Sea

Among other tensions in the region is the long debated territorial claims to the South China Sea. The Philippines, Taiwan, Malaysia, Vietnam, China and Brunei make up the list of nations that have argued over sovereignty to the Paracel and Spratlys island chains in the middle of one of the world's most important shipping routes. The fishing grounds in the South China Sea are the livelihood of a large portion of inhabitants of the region.

China has by far the largest claim to the area that stretches hundreds of miles south and east from the province of Hainan and the Philippines, which are only 100 miles away from the islands, have expressed concerns over the actions taken by China that indicate intent to create a more dominant presence in the region. Though President Xi Jinping attempted to

keep discussion of the South China Sea off the agenda at the 2015 APEC Summit in Manila, The Philippines, President Obama and other leaders would not be denied the opportunity to discuss tension in the region.

Prime Minister of Japan, Shinzo Abe recently stated at a meeting of the Association of Southeast Asian Nations, "I am seriously concerned with the continuing attempts to change unilaterally the status quo in the East and South China Sea." He has called for a "peaceful settlement of the dispute" between the Philippines and China. In 2012 the two nations were involved in a maritime standoff in the Scarborough Shoal. The Philippines sought international arbitration in 2013; and in 2016 the tribunal found that China had violated the Philippines' sovereign rights according under the UN Convention on the Law of the Sea. China has stated that it will not be bound by the ruling and tensions continue to weigh heavily on the region as the U.S. undergoes a highly divisive election season.

APEC leaders will convene in Lima, Peru to conclude 2016 with these concerns looming overhead, as they work to evaluate progress on the goals accomplished this year and strategize for 2017.

OPEN TRADE REGIME AND REFORMS TO ATTRACT INVESTMENT

WILL HELP DIVERSIFY PERU'S COMMODITY-BASED ECONOMY

The Worldfolio sits down with Alfredo Thorne, Peru's Minister Economy and Finance, to discuss the nation's prospects over the coming year, reforms to boost private investment in large infrastructure projects, free trade as an important vehicle for growth, and commercial relations with its two most important partners, the U.S. and China



Alfredo Thorne, Peru's Minister of Economy and Finance

Peru has led the region's economic growth for the last decade, and despite the fact that in the last three years the economy has weakened, the confidence boost provided by the new government puts Peru in position for more rapid growth in the coming years. How do things stand in the Peruvian economy in 2016, and what sectors do you think will energize it in the next few years?

We really have been leading growth. I would say we've had a combination of positive external shocks in the past. We're a country with a considerable amount of exposure to the mining sector, to the commodities sector, and we've had a series of projects that have benefitted us from that angle. In the case of 2016, more than half of the 4 percent is due

to the contribution of copper production. This is essentially because of two major projects, Las Bambas and Cerro Verde, and also the Toromocho project that began last year. These have caused Peru to practically double its copper production, and the positive effects will stay with us into the coming year.

Because of this, we're suggesting that we need to make a few changes to the drivers of growth. We think that the external market isn't going to give us the boost that it has given us in the past, so we need to look for new sources of growth. For us, these new sources are, for one, public and private investment – we're making an important change in the investment process for both public and co-financed investments – and the second is pro-

ductivity. Our productivity, despite the copper boom, has been decreasing, and more than ever in 2016. This worries us, and what we want is to take back leadership of productivity. To do this, we've proposed a formalization plan. The idea is to get a lot of support from the middle classes, from small and mid-sized businesses, and it's for this that we're asking for the legislative tools from Congress. So the idea is that these two drivers, investment and productivity, will be the two drivers of growth.

The other initiatives launched by the rest of the government must also be factored in. For example, the emphasis on water and sanitation will provide an important boost to public spending. After that, the commitment to sectors like health and education as well.

This will also help solidify the establishment of the middle classes. We must recognize that the quality of our educational system is far below that of other reference countries. Also in the health sector, we have a state of affairs that should be reformed in order to gradually advance towards universal access to health-care. And as to the issue of public safety; this area also has economic implications. There's a lot of internal debate on how to deal with the safety problem. We don't have the levels violence of other countries like Mexico or Colombia, but we also don't have levels as low as they have in Chile. But we think that providing greater internal security to the people strengthens the rule of law and that is what we're doing with these reforms.

Peru is preparing to host APEC again. Keeping in mind that, in total, the 21 economies of APEC make up 57 percent of global GDP and half of all global trade, how can the momentum from this great international exposure be maximized in order to highlight the country's economic potential and attract more investment?

We're a country that's more or less integrated into the global economy. We're possibly among the most open economies in Latin America. We're a country that has signed multiple Free Trade Agreements. We're firm believers in the idea that, through free trade, we can improve our country's productivity and efficiency. And today, this has led us to host APEC for the second time. We joined APEC many years ago and we feel very proud. We've also negotiated to join the TPP. A few days ago, the president went to China. It should be taken as a very strong message that President Pedro Pablo Kuczynski's first visit is to China, which is our primary commercial partner. What all of these signs are telling you is that for us, free trade is a very important vehicle for improving our people's purchasing power. However, there's still a lot to be done.

From China, what we want is to attract investment. The president has proposed that in the mining sector we'd like to see more investment in mineral processing in order to move towards exporting products with more added value. This would also reduce transport costs and bring a series of benefits. The second thing is to attract large-scale, high-impact infrastructure investments like the commuter train proposed by the President.

So yes, we believe in this. APEC has been very good for us. It has given us part of that dynamism. And the idea after APEC is to carry it on to a second level.

The "unleashing" of large investment projects is one of this government's priorities. In this area, Peru also faces an important challenge, which is closing the significant existing infrastructure gap. Considering Peru's entry into the OECD in 2021 is potentially down the road, how are you going to promote infrastructure investments to reach the Organization's standards, and what role do you think public-private partnerships will play in this?

We've proposed that the center point of infrastructure investment be broken into two parts. One is the so-called "unleashing." We've already made it known that there are around \$18 billion worth of investments that have stalled out for various reasons. We've already unleashed a significant portion of them. We're working on an expansion project at Jorge Chavez International Airport in Lima, on the new Chincheros airport in the Cuzco region, Line 2 of the Lima Metro, the Gasoducto pipeline in the south, and irrigation projects in Chavimochic and Majes Siguas, among others; they represent a series of projects that were about to begin, but for some reason got tied up. We have an unleashing unit here in the MEF that is working very hard on these projects.

The second part is by way of change, the reform of the public and co-financed investment system, the famous public-private partnerships (PPP). The perception used to be that many of these projects got stuck in the Ministry of Economy and Finance. What we've done is, within a framework of tools approved for us by Congress, presented a reform of the public investment system and Proinversion, the agency through which the

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State carries out its co-financed projects. The idea is to focus more on the regions and towns; to decentralize the public investment process, give a lot more attention to the little projects that are done at a municipal level; and the bigger projects are going to be co-financed instead. We have said that we want to raise co-financed investments to around 6 percent of GDP, and this means a very radical transformation of our Proinversion agency. We're going to bring it up to the level of the investment promotion agencies of Australia, Canada, and New Zealand. They're specialized agencies, agencies of investment pre-projects and their goal is minimizing the use of public resources and maximizing the use of private resources.

The U.S. is not only Peru's second-largest trade partner, but also its third-largest issuer with 24 percent of its foreign direct investment stock. How does the government plan to build the confidence of the American investor? What investment opportunities would it highlight to raise the involvement of the American investor?

Firstly, we have to highlight the changes that are coming and the reform of the investment process in the country. I think that making it more straightforward, simpler and more focused on necessities, will help not only the foreign investor but also the domestic one. It definitely provides the foreign investor with more certainty about the rules of the game, which is very important. What we'd like to do is advance gradually up either the World Economic Forum or Doing Business rankings and really improve investors' perception of us. This applies to domestic investors and foreign ones.

In the case of the U.S., it's our second-largest trade partner. I also think that we should take as an important signal that President Kuczynski's first international tour included a visit to the U.S. The president has already put down on the agenda that he'll work with his two major trade partners, China and the U.S.

The U.S. has helped us a lot in the whole agricultural export sector. Agricultural industry has been a major driver of social and economic growth in this country. The American market continues to be a priority market for what we call nontraditional exports, which are simply exports other than commodities. And we hope that through agreements such as the TPP, our bilateral free trade agreement, or the Pacific Alliance treaty that connects us as a bloc with the U.S. and Canada, to continue improving the flow of commerce between the two countries. The U.S. has been a trade partner of Peru for many, many years and the idea is to maintain that position.

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THE DAWNING OF A NEW PERU

President Kuczynski has lofty goals for first year in office, adopting a “hit-the-ground-running” approach amidst opposition-ruled Congress



Peruvian President Pedro Pablo Kuczynski meets with U.S. Secretary of State John Kerry in September

Pedro Pablo Kuczynski was born in Lima in 1958 to European immigrants who relocated during the Second World War. Better known as PPK, the president grew up watching his father, a doctor, work to cure leprosy and yellow fever in the Peruvian Amazon. This is the kind of experience that inspired PPK to run on the platform of creating a more equal Peru, bringing people in poverty much needed resources and improving the lives of ordinary people, not just the wealthy. In his first 100 days in office, PPK has already begun with some aggressive measures to make immediate change.

PPK wants to focus on integrating more small and medium sized enterprises

(SMEs) into the economy by lowering the tax rates making it easier for them to get credit. He believes in the free market and also campaigned on the principle of fighting corruption. Before he was elected, he was asked where he stood politically and described his stance as such, “Peru does not want extremism. We are the center. What does it mean being at the center? Very simple: great economic growth to finance social investments.” He may have the opportunity to put this into play as it is expected that at least 1,000 SMEs will become formal by the year’s end.

In September, the Ministry of Labor and Employment Promotion (PETM)

“We want to start a social revolution: this country is very backward. Business leaders still talk about cholos [a slang, disparaging term used towards working class individuals]. They are living in the nineteenth century. Water and health are our priorities. The program to provide water to Peruvians should generate half a million jobs”

Pedro Pablo Kuczynski

announced that a program called “Formalizate Now” would be implemented to start the process of formalizing at least 60 percent of companies in Peru by 2021. The program unifies seven public institutions including: Sunafil, Sunarp, Sunat, EsSalud, the Ministry of Production (produce), and Rempye and municipalities. When grouped together, these institutions provide more effective facilitation of formalization in many regions. Head of PETM, Alfonso Grados, suggests that the regions of La Libertad, Lima and Ica are areas with high informality, making them an important focus in job creation as the ministry moves forward.

As PPK works to educate and formalize companies, he also continues to move forward with his campaign agenda of lowering the General Sales Tax (IGV) by at least one percentage point. Currently the IGV is 16 percent and the new constituency

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is evaluating how this campaign promise could possibly become a reality as soon as next year. Congressman Juan Sheput stated that, “We may introduce a bill, not necessarily through the delegation of authority, in the first half of next year.” But, as with all legislation, the Congressman commented that any introduction “depends on economic circumstances.”

After meeting with former President Alan Garcia, PPK seemed optimistic about the economic circumstances surrounding mining projects, which is an arena that also directly affects everyday Peruvians. President Kuczynski has stated that, “mining is almost half of our exports and that is what gives us foreign exchange” and therefore the government will continue with ventures that are environmentally responsible. There have been several large projects discussed such as Galeno, Michiquillay, Tia Maria, and Los Chancas and a confident PPK has reported that, “They are not going to build them all right now because it depends on global demand, but I have talked with all of the heads of the big mining companies and they believe that both copper and zinc are the metals of the next 10 or 15 years.” Copper amounts to 60 percent of the nation’s exports, making Peru the third largest producer behind Chile and China. Trade agreements with China give the country more opportunities to rise as demand for the material increases.

With positive support coming from business leaders and a 65 percent approval rating from the people in September, PPK is making progress in his first 100 days in office, although his goals will take major change at a deep level and support from Congress, in which his party does not have majority. PPK’s party, Peruvians for Change, won only 18 seats in the parliament while his opponent’s party, Popular Force, captured 78 out of 130 seats. Popular Force will therefore control the parliament while their defeated representative, Keiko Fujimori, carries out her prison sentence for corruption and crimes against humanity. PPK’s view on the situation is realistic and encouraging. In his first interview after being elected President with media outlet El País, PPK said, “Not all of the 75 deputies sitting with Fujimori are members of her party: around 50 jumped on the bandwagon believing that she would win and that they would be rewarded. We have to find a way to attract some of them; otherwise it will be difficult to get anything done in Con-

gress once the honeymoon period is over. But I’m not expecting a lot of support, simply that they will be tolerant and neutral.”

One of PPK’s main focuses during the election was the importance of reducing corruption and addressing the poverty level in Peru. Kuczynski has called for social change, stressing the need for Peruvians to receive better education, clean drinking water, and other basic services overall. In his first interview after being elected president with media outlet El País, PPK said, “We want to start a social revolution: this country is very backward. Business leaders still talk about cholos [a slang, disparaging term used towards working class individuals]. They are living in the nineteenth century. Water and health are our priorities. The program to provide water to Peruvians should generate half a million jobs.” PPK’s overall plan to facilitate the social revolution relies on improving the economic conditions. But the new president is well aware that party loyalty has the power to stop progress. He said, “We need to look for centrist solutions: putting the emphasis on welfare, which we are behind in, health, water, education, at the same time, we need a market economy to finance this.”

Perhaps this is why his “hit-the-ground-running” approach seems to have garnered respect from the people who believe in his potential and his positivity. The creation of entities like the Ministry of Regional Support show that he is already taking steps to implement his goals. The Ministry of Regional Support will concentrate on improving efficiency and increasing control of public spending, while other organizations like the Peruvian investment agency Proinversión will be decentralized. Reducing bureaucracy and project time length will put more emphasis on local needs, in the hope that ventures can move forward at a faster pace.

As an economist, and educated at Oxford and Princeton, PPK joins the changing political climate as reprieve from populist governance that has ruled for the last several decades in Latin America. Peru is not the only nation changing leadership. Venezuela’s populist rule has very publicly served as an example that other countries in the region do not wish to emulate. Democratization and leftist rule made claims to care about the people but unchecked spending and corruption have proven over time to be just as detrimental as the populist right. There will always be room for populist language in democratic environ-

As an economist, and educated at Oxford and Princeton, PPK joins the changing political climate as reprieve from populist governance that has ruled for the last several decades in Latin America

ments, but corruption is causing a call for order and policymaking on behalf of the people. Thorough execution of Kuczynski’s economic principles will have to be applied in order to achieve the socially motivated goals.

In the next four years, PPK plans to reduce crime and insecurity in the nation and has already begun by generating a new list of most wanted delinquents along with more police presence in the street. An incentive program will be in place to reward people who help to catch criminals and the new President is working to foster dialogue between the Executive and Judicial System to fight organized crime and put a stop to extortion.

One of his bigger hopes is that health-care will become more available to the Peruvian people, especially those in remote areas. He will extend hospital hours to encourage more availability and extend service in rural communities. There is also a possibility that adjusting the Labor Code will help create unemployment insurance and alter the minimum living wage for a period of time to give the people a boost.

PPK also promotes equal pay for men and women. Second Vice President Mercedes Aráoz has said, “Women in Peru work day after day to take their families out of poverty and that is very important to highlight. We must give opportunities to women. Equal opportunity means equal wages for equal jobs and that is very important.”

The changing macroeconomic climate should be a focus for the global community as Europe and the U.S. continue to flirt with populist rhetoric and promises that fall short of expectations. The next president of the U.S. will not only have to manage the implications of the President Obama’s TPP deal, but also recognize that Latin American countries are becoming more independent and that while each country presents its own unique interests, the region as a whole is evolving politically and socially.

PERU: A HOST COUNTRY WITH MUCH TO TELL

The country's participation as the APEC host for 2016 allows member economies that are the top investors and main trade partners to experience Peru firsthand

Investment in Peruvian mining surged from 2000 to 2012, from \$300 million to \$8.6 billion, which made up almost 50 percent of private investment projects in the country

Peru became a member of APEC in 1998 and 10 years later hosted its first summit in 2008 in Lima. Now, only eight years since the last Peru meeting of leaders from the 21-member economy cooperation, the country is moving forward again in a changing political climate with strong aims for financial growth and social progress.

The Peru APEC 2016 Summit's central theme of "quality growth and human development" resonates with many countries in the region and will concentrate on four main objectives: the modernization of micro, small, and medium sized enterprises (MSMEs), enhancing the regional food market, advancing regional economic integration and quality growth, and the development of human capital.

Peru has made great strides over the last ten years, achieving goals to decentralize authorities to regional and local governments. Despite corruption and low support for democratic principles, the country can boast over 12 consecutive years of positive economic growth. It became a World Bank upper middle-income country in 2009 when it garnered a Gross National Income per capita of \$5,990. The decline in the poverty rate has been a steady goal with consistent results, such as the reduction from 54 percent in 2001 to 31.5 percent in 2010. Malnutrition statistics also fell by five percentage points between 2005 and 2010. Much of the growth over the last several years can be attributed to Peru's exports of natural resources such as copper, zinc, and precious metals. However, the mining in-



dustry has also been tied up with taxes, red tape, and environmental concerns.

According to the United States Agency for International Development (USAID), "Achieving a balance between economic growth – especially infrastructure and extractive industry development – and the conservation of Peru's fragile ecosystem is a challenge for Peru. The Ministry of Environment (MINAM) has estimated that more than 20 percent of Peru's GDP is attributed to the exploitation of natural resources." In 2014, mineral exports grew by 2.45 percent, which was less than half of the growth rate from 2013. The slowdown can be attributed to factors like falling metal prices, social groups that oppose mining projects, and less demand from crucial export destinations like China. Investment in Peruvian mining surged from 2000 to 2012, from \$300 million to \$8.6 billion, which made up almost 50 percent of private investment projects in the country.

USAID also reported, "As the world's fourth largest tropical forest and one of

the most bio-diverse, the Peruvian Amazon Basin is a global public good. MINAM estimates the value of the environmental services (such as food and water production; energy; natural control of climate and disease; replenishment of nutrient cycles and crop pollination; and important tourism and recreational benefits) provided by protected areas to be in the range of \$1 billion per year." Illegal activities in these zones are what make it difficult for legitimate enterprises to compete with corrupt organizations. At times, indigenous peoples who lack the education or awareness of the market sell their valuable materials at a lower price too. Newly elected president Pedro Pablo Kuczynski, better known as PPK, is working to combat this problem with his attempts to formalize businesses and encourage Peruvians to legitimize their business entities and reform labor laws, especially relating to wage equality matters.

PPK is implementing the necessary economic strategies to continue lowering the poverty rate. The key factors in con-

tinuing that success will be to maintain a growing economy at a rate that will keep making new jobs for those entering the labor force and investment from outside entities, like the member economies within APEC. PPK wants to encourage MSMEs, in accordance with APEC 2016 goals, and after working with World Bank and Wall Street, support for his policies is providing an optimistic path for this level of change.

Blue Star Strategies is a group that leverages capital and project financing from international financial institutions and works to devise global government relations strategies for corporations. In a recent analysis on the development of Peru as an “Economic Powerhouse” the company cited lack of infrastructure as a concern as the nation continues to try to grow.

“Virtually all goods that Peru exports need to leave through Lima’s port because of lack of infrastructure elsewhere; this has concentrated economic growth around the capital city, particularly be-

cause goods coming from the interior need to travel over treacherous mountain roads in the Andes. These transportation costs are capable of eating up smaller companies profits – or dissuading them from exporting entirely.”

It will be up to PPK and Peruvians for Change to apply the vital legislative actions to help accomplish this type of growth. Blue Star’s opinion is that improving infrastructure to enable greater market access and developing more secondary cities outside of Lima could help mitigate inequality, but it remains to be seen whether or not the political will exists to implement the necessary changes.

The challenges for Peru’s growing status in the global economy can also be seen as opportunity. An overarching change in the macroeconomic political thinking in the region leaves the future open for business-friendly prospects and investments are suspected to pick up in the fourth quarter of this year as several companies put their major projects on hold until the election was over.

“There are about \$18 billion of delayed infrastructure projects that the new government is expected to get moving”

Pablo Nano, an economist at Scotiabank Peru in Lima

According to Pablo Nano, an economist at Scotiabank Peru in Lima, “There are about \$18 billion of delayed infrastructure projects that the new government is expected to get moving.” Kuczynski doesn’t expect much support from the minority led Congress but knows that boosting MSMEs and investing in 10-15 large projects will be what keeps carrying the economic growth over the next four years. Local and foreign investors are moving forward, Peru continues to strengthen its role as an important APEC member.

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PERU AIMS TO DOUBLE AGRICULTURE

EXPORTS TO \$10BN BY 2021

José Manuel Hernández, Peru's Minister for Agriculture and Irrigation, discusses how the country will drive agricultural exports by supporting small-scale farmers, promoting its products in countries with whom it has free trade deals, and attracting U.S. investment in agro-industry, forestry and dams



José Manuel Hernández, Peru's Minister for Agriculture and Irrigation

What assessment do you make of the country's economic growth, and what has been the role of agriculture in this matter?

In the last 20 years we've had a sustained growth. In the regional scope, indeed, we've been leading economic growth. However, the agricultural sector, in that same period, has had some ups and downs. There have been moments when we've grown faster than the economy and there have been moments when we've been under that general performance. In the 5 years of the previous administration, agriculture grew by an average of 3% in a year. What we want right now is to give it a greater momentum. What we want is to have no less than 4% growth per year, so that we can predict in 2012 an annual growth rate of

5% in the agricultural sector. With that, we'll contribute more to the growth of the economy in general.

We have three key sectors to quickly reactivate the national economy. The agricultural sector, including the agro-industry in general, and the tourism and gastronomy sectors. There are 3 sectors that we can push quickly and through the agricultural sector as a whole, be able to contribute in decreasing the negative impact from the fall of mineral exports.

At the moment, the agricultural sector is the second one in value of exports right after mining. We want to drive agro-export in a way that we double exports by 2021. Today we're a little beyond \$5.2 billion. We want to start 2021 with \$10 billion in agricultural exports.

What are the main challenges for this sector, and what measures will be taken to give that new impetus to Peruvian agriculture?

We have very pronounced types of agriculture in the country. On one hand we have very small-scale agriculture with a culture of smallholdings, self-consumption, and family agriculture, which is the base of rural economy in the country. On the other hand, we have high-tech agriculture which competes with the highest production standards in the world, which is export agriculture and brings asparagus to Spain, France and England. Also cranberries, mangoes, avocados and artichokes to the United States. A quite diversified export, and with many of its products in gourmet or

superfood versions, is quinoa. These are some of the agro-exports that we want to reach \$10 billion per year. On the other hand, one of the main challenges that we face is about being able to assist and include small-scale farmers in the system – those farmers who have less than five hectares.

We will support small-scale farmers with technical assistance systems and training in order to close the big technological gap – in terms of performance – that they have in relation to large-scale farmers. Once they have high-quality seeds and they have technical assistance, we'll focus on resources. For that, we will strengthen Agrobanco. Agrobanco will be leveraged with the assignation of 500 million soles (\$147 million) in order to increase its working capital.

As for agro-exports, it has its own dynamic, and basically what it needs is logistics: it needs nice roads, ports, airports, and distribution centers. But in agriculture, there is another key sector, because in every Free Trade Deal, the first barrier is the sanitary barrier, a non-tariff barrier. How do they participate there? Through the National Agricultural Safety Service. The equivalent of APHIS in the United States, here it is called SENASA. SENASA establishes and negotiates everything so that Peruvian products can enter markets that we have trade deals with. It's a very specialized activity which we'll put a lot of effort into.

Since the Free Trade Agreement (FTA) with the United States came into force in 2009, non-traditional Peruvian exports to the United States have grown more than 90 percent, and agro-exports have grown 144 percent. How important is a market like the United States for Peruvian agriculture, and what are the strategies that this administration will implement to promote Peru's agricultural products in the United States?

The FTA with the United States – which was the first one inside the market opening scheme and where I had the opportunity to participate in several debates – was an agreement that opened up the world to us, not just the United States. We have to recognize the opportunity this gave us. We have always been increasing our exports to the United States. Regarding agriculture, a little over a third of the exported value goes towards the American market, with different products. We want to boost and increase that.

“We will support small-scale farmers with technical assistance systems and training in order to close the big technological gap – in terms of performance – that they have in relation to large-scale farmers”

“The consumer in the United States, is a consumer with great purchasing power. And we can position there our fruits and vegetables, but also our exotic and native products, which are organic, high-quality and beneficial to health”

We want to take advantage of this trend given the big consumer market there is in the United States. Also, the consumer in the United States, is a consumer with great purchasing power. And we can position there our fruits and vegetables, but also our exotic and native products, which are organic, high-quality and beneficial to health.

The great advantage we have in the United States is the counter-season. This has always been our great window of opportunity. The fact that the United States is in an opposite season to ours, makes it possible that when they produce, we can sell to other parts of the world, but when they don't, we can immediately supply for them because in Peru we can produce everything during the whole year: that is the great advantage we have. And with that, the American market, is obviously our main partner for the agricultural product, because the Pacific corridor allows us to get there easily, it is a market we already know and that knows us and categorize us as suppliers of high-quality.

The United States is not only a great trading partner for Peru, but also one of the main issuers of Foreign Direct Investment. In what way can the American investor get more involved in Peruvian agriculture? What investment opportunities in the sector will you point out?

Certainly, Peru needs to regain the capacity that the United States has to invest here. In the last few years, the rate of investment has been held. With the U.S. Ambassador Nichols, we talked not only about agro-industrial projects but also forestry projects, about how to develop the forestry activity. One of the activities in which we can have a quick response, not only from the American government but also from American investors, is if they wanted to invest in agro-industrial and forestry projects, or in the exploitation of the different plants that we have, such as exotic and medicinal plants in the rainforest areas.

Another window of opportunity is the fact that in Peru we have the need for large dams. For example, I want to promote the Pampas Verdes Project in the south of the country in order to irrigate almost 200.000 hectares, which represent an investment of \$5 billion. We can create a public and private association with an American investor. We sell the lands; we recover the investment and in 20 to 30 years we pay the balance to the investor.

What is your vision as Minister of Agriculture?

Agro próspero, which is the name of our management plan, is my personal vision. It's my duty to help small-scale farmers so they have a higher performance through constant support throughout the production chain, in order to translate that into a higher income for their homes. Impacting the rural economy in a positive way, that's what it's all about. Likewise, it doesn't make sense that Peru is a very diverse country and that the poorest people in the country are in the Amazonia. What we propose in this Ministry, is to give value to our biodiversity, generating a greater well-being among the local population. For that, we will create the first National Germplasm Bank in the world. We want to become into the suppliers of germplasm for the rest of the world, that involves the use of native, exogenous and Amazonian plants which are good for the health, beauty, among other things. In that regard, we will register natural products, describe its properties and in what way they relate to the ancestral habits and customs of indigenous peoples. The key is valuing our natural virtues in order to share them with the world. It's a great challenge, but it represents a dream that I want to see become a reality, and for that we will work hard in my administration.

‘THE TIME HAS COME TO RESUME OUR WAY ON THE PATH TO GROWTH’

Bruno Giuffra, Minister of Production, discusses Peru’s economic growth, deregulation and the cutting of bureaucratic red tape, his administration’s support for the development of the private sector and the ability of technology to transform businesses in Peru



Bruno Giuffra, Minister of Production

Looking back, how would you assess Peru’s economy in 2016, and what are the growth expectations envisaged by the Ministry for the upcoming years?

Peru is coming out of a period with a very strong growth rate that has been delightful to us for several years, and in a certain way we have grown accustomed to it. Now that this stage is over, due to the international situation and – in my judgment – improper policy implementation, we have entered into a process of deceleration. Although the economy has not gone into a recession, our main indicators have fallen. When you get used to beating records but then you start to see them slip away within your economy, you start to feel uncomfortable. That is pretty much what has happened. The objective now is to restore a high rate of growth to deal with the major challenges faced by the country:

getting more people into the formal labor market and out of poverty. If we grow at under 4 percent, we will find it very difficult to achieve the goals of increasing employment and reducing poverty at the levels we need.

In recent years, we have undertaken the implementation of a development model based on private investment and openness in trade with the world. We have integrated with that world, as well, having now signed 19 free trade treaties, of which private investment has always been the cornerstone. There has mainly been investment in mining, but also in many other sectors that provide excellent opportunities. Our agribusiness is running very strong and has done nothing but experience growth in the last ten years, for instance. Agricultural exports are worth more than \$4 billion per year. However, the reality today is that

there has been a slowdown, and now the time has come for us to resume our way on the path to growth, which is why the Executive has requested legislative powers from Parliament to start up a process of economic reactivation. We hope it can be implemented in the short term. At the same time, we are working hard to create a climate of confidence and show off these new signals. For private investors, expectations and confidence are of major importance. They are fundamental signals. Fortunately, positive changes are starting to take place in indicators of confidence and business expectations, a necessary prerequisite for reactivating private investment.

What is your role in this economic reactivation plan by the so-called “unblocking” of major projects announced by the new government?

There are many large projects on the agenda. However, the first major measure we have implemented in all sectors, with the emphasis mainly on those associated with the topic of productivity and the country's large infrastructure projects, is this well-known "unblocking." All of us, acting out of our different battle trenches, are destined to have to unblock and facilitate the flow of investments: through very large infrastructure projects, on the one hand, and through business dynamics, which is the part I am responsible for. Certainly, among small and medium-sized companies, the "unblocking" will take place more in terms of making it easier to do business. In this sense, it is more a matter of simplifying procedures and deregulating than "unblocking" per se.

In the industrial sector, we have already identified more than 200 unnecessary bureaucratic complications. At our Ministry, there is a Policy and Regulation Department, whose name I would like to change, to make it the "Deregulation Department, understanding the importance held by lightening the regulatory burden on the country's small businesses.

At the same time, after talking with businesspeople and listening to the needs in different industries, we are very aware of how they have become drowned in hurdles and restrictions, it has fallen into a sort of limbo when it comes to what should be a very natural understanding between the State and private sector, especially when you consider the latter is our main motor for development. However, the prior government turned its back on the private sector to a certain extent. We have now shifted from that situation to a policy of total openness that closely identifies with and is committed to understanding and acting upon the private sector's significant demands, so as to promote a virtuous investment-employment-growth feedback loop. The sectors for which I am responsible will be strengthened by bureaucratic streamlining to remove barriers, excess regulation and other obstacles

At the Ministry of Production, what innovative guidelines will be put in place for development of the sectors with which you are concerned?

Our work includes the entire world of fishing, small and medium-sized companies (SMEs) and industry, where a large part of the informal economy problem lies. In my private work before the Ministry, I come from the world of technology.

The management skills I will be putting to work here will come with a great deal of technological support on every level. The thing is that we can use technology in every realm, in a cross-cutting manner. How do I view this model? I see that the proper use of technology can give us a second chance. While, prior to the digital revolution that we are experiencing, our business fabric was somewhat outdated or lagging behind – because our productivity was very low in many arenas, as well as suffering from the problem of the informal economy. The digital revolution has allowed us to catch up fast. If we are all able to embrace technology properly, I believe that there will most certainly be a second chance for all entrepreneurs. The idea is to face off as equals around the world in terms of business competitiveness.

That is my management philosophy, which, in a certain way, I am attempting to instill in a ministry where nearly 3,000 people work, all dealing with many different matters. I am obsessed with using technology in all of our current activities, as an all-encompassing policy. I am doing everything within my power to achieve this. For example, I have held three meetings with the Embassy of Israel – in less than 45 days – to seek potential joint lines of action involving technological support. I have also met with the Ambassador of the United States. We are already evaluating agreements with MIT and other institutions, as well. Wherever there is technology, we will

"At our Ministry, there is a Policy and Regulation Department, whose name I would like to change, to make it the Deregulation Department, understanding the importance held by lightening the regulatory burden on the country's small businesses"

"The projects are not limitless, though: the first to arrive will choose the best places at the table. That's the way the game works. I would tell investors not to waste time. Otherwise, they may be left without a seat"

be there. For instance, if we manage to sign an agreement to put 10,000 or 50,000 SMEs in place on Amazon.com under favorable conditions, and I am able to get them to hold a Peru Day in exchange for the batch entry of this large number of small and medium-sized companies, it will mean these SMEs get access to the world with just a click. They will gain access to powerful new markets. I am convinced of technology's ability to effect transformation.

At the same time, the main activities related with long-term goals continue to be carried out. My energy and focus, however, are placed on the digital transformation of small and medium-sized companies so that technology can become the main catalyst in change.

What is your analysis of the current moment, and how is Peru preparing to become a host of APEC?

The APEC Summit is showcasing us on the world stage once again, with all the spotlights shining on us. The government's first few months prior to APEC are very important. They are honeymoon months in a certain sense, in which we will have the highest expectations of all time and executive staff members who are highly committed to the goal of modernizing the State, giving very clear signals of a particular stage in the country. We have the best President in history, with a very strong executive staff. The Head of State possesses all the characteristics of a great statesman and an excellent leader. In addition to this, we have the promise that lies in all of Peru, with all of its potential. And we are very much looking forward to growing. What we need are the proper keys to setting up the ideal photo. This will gradually come into view over the upcoming weeks as we begin to see the results of our big 100-day plan. Little by little, the objectives we have set will come more into focus.

The APEC Summit couldn't have come at a better time. As I mentioned, signals are very important. That's the way the world works. The President's first trip will be to China, no less, and this has created great expectation. Now a lot of people are interested in Peru. We hope the first investment comes in, then the second, and then the third, which will get the ball rolling. The projects are not limitless, though: the first to arrive will choose the best places at the table. That's the way the game works. I would tell investors not to waste time. Otherwise, they may be left without a seat.

IN ARGENTINA, PRESIDENT MACRI LOOKS TO WOO BACK INVESTORS AFTER YEARS OF ISOLATION

Following his election in December last year, Mauricio Macri swiftly brought an end to the leftist and populist policies of the former government under Cristina Fernandez de Kirchner, moving ahead with reforms aimed at bringing back investment and repositioning Argentina on the global stage



Mauricio Macri speaking at the Pacific Alliance conference earlier this year

As only a relative newcomer to politics, 56-year-old engineer Mauricio Macri last December pulled off a surprise win in Argentina's presidential elections, and with it brought to an end 12 years of "Kirchnerismo", the political movement named after the late President Nestor Kirchner and his wife and successor in office, Cristina.

He did it – beating off Ms. Fernandez de Kirchner's chosen successor Daniel Scioli in the process – by uniting behind him all those who wanted a dramatic shift from Kirchnerismo, during which its three terms in power managed to isolate Argentina from the world, cut it off from the global economy and empty its treasury.

In a presidential campaign built on the premise of change, Macri – an experienced businessman who was making deals with the likes of Donald Trump when he was just 24 years old – vowed that swift and radical economic transformations would have to be implemented to win back market confidence.

The first big alteration came by actually winning the election itself: his center-right party's victory in December ended a reign of 70 years by Peronist governments.

"We made possible what was really impossible. At some moment, the Argentinian people decided to change and move forward, and lose

the ties with our past and to better our future," Macri told the Washington Post of the triumph in February.

Now, as Macri approaches one full year as president, he can undeniably say that he's living up to many of his promises. Indeed, few countries have so dramatically snubbed international investors only to win them back again as effectively as Argentina is doing under Mr. Macri.

During his first 100 days in office, he went about clearly diverging from his predecessor's methods, swiftly moving away from the populism that characterized the previous government and carrying out a string of major economic and political measures to bring his country back into the good books of international markets.

First and foremost, Macri quickly sought to end a 15-year-long dispute with U.S. creditors that began after the country defaulted on its debt in 2001. After only four months into his term in April, he did just that, striking a \$4.65 billion agreement after a weekend of marathon negotiations, effectively drawing to a close the long-running saga with creditors led by U.S. hedge fund Elliott Management. The deal was made possible by a "course-correction for Argentina that was nothing short of heroic", pro-

"The changes to the macroeconomic, regulatory and business environment clearly have the characteristics to boost investments"

Alejandro Werner, director of the IMF's Western Hemisphere Department

claimed US attorney Daniel Pollack, who was appointed to find a solution to the legal action brought by investors.

President Macri has also addressed key structural issues, such as the lifting of currency controls and the reduction of administrative restrictions to international trade with the intention of attracting investment flows that will make Argentina globally competitive again. Macri's immediate pro-market stance was welcomed in the World Economic Forum back in January, where he was the first Argentine president in 12 years to speak at the event's most prominent meeting of global investors.

While plainly distancing himself and the country from South America's leftist bloc, old allies of former President Cristina Fernandez,

and at the same time actively seeking a thaw in relations with Western capitals in order to seek new investment, Macri's World Economic Forum appearance was quickly followed by the visits to Argentina of French President Francois Hollande, Italian Prime Minister Matteo Renzi, and most symbolically, U.S. President Barack Obama.

On a historic two-day visit to Buenos Aires in March that marked a detente after years of tensions, Obama highlighted that Argentina under Macri as an example for other countries in Latin America, praised the fast pace of reforms to strengthen the economy, and said the country was now poised to play a more influential role on the global stage.

"I can tell you President Macri is a man in a hurry," Obama told a joint news conference after the leaders' talks. "I'm impressed because he has moved rapidly on so many of the reforms that he promised, to create more sustainable and inclusive economic growth, to reconnect Argentina with the global economy and the world community. Argentina is re-assuming its traditional leadership role in the region and around the world."

Following Obama's visit – which included discussion about how to identify barriers impeding greater trade flows between the two economies, as well as the future possibility of a free trade agreement – the American Chamber of Commerce in Argentina said U.S. firms would invest \$2.5 billion in Argentina by the end of 2017, including more than \$100 million each from General Motors Co, Dow Chemical Co, AES Corp and Ford Motor Co.

So just how has Mr. Macri managed to win back investor confidence so quickly? In short, according to the Financial Times, through greater credibility.

"Indeed, reform of the state-run Indec statistics institute is one of the pillars of this trust-building strategy," underlined a recent FT article. "When the Indec announced last month that poverty levels were at 32.2 percent of the population, compared to the previous administration's claims last year of 5 percent, many observers who value the truth (perhaps perversely) saw this as good news.

"Transparency has also returned to economic policymaking. The central bank adopted an inflation-targeting regime last month, setting a target next year for 12-17 percent which is broadly seen as credible; and many celebrated when the finance ministry presented a budget to congress with realistic assumptions for growth and inflation for the first time in many years."

In a move to further strengthen investor confidence, President Macri's government along with the Argentina Investment and Trade Promotion Agency organized the first annual

Argentina Business Investment Forum in Buenos Aires in September.

Gathering business leaders and government officials from Argentina and all over the world, the forum served as a springboard for showcasing investment opportunities and to entice high-level meetings between Argentinean business, government leaders and international investors and partners. Investment opportunities worth approximately \$240bn were identified across multiple sectors, both at federal and local levels, including in transportation infrastructure, power and renewable energy, mining, oil and gas, real estate and tourism.

"The private meetings with companies were crucial," Vice President of Argentina, Gabriela Michetti told The Worldfolio Magazine. "It was possible to get a feeling for the projects they had already determined. In some cases, companies who already have investments in Argentina wanted to increase them. In one conversation, I had with one of the executives, he told me that he had met with the Minister of Energy in order to request bidding documents, as well as to inquire about the distinct possibilities of tenders that existed in the area of renewable energy. Another CEO said they were doubling his company's plant in Mar de Plata. And there was another CEO who mentioned that they were considering ways to increase their exploitation of lithium."

The VP revealed that so far this year Argentina has received an increase of \$35 million in new investments, with some companies doubling their current outlays in the country.

The next important milestone for President Macri and his government, will come if – as expected – the International Monetary Fund in November lifts an unprecedented censure it placed on the previous administration in 2015 for tampering with statistics.

The fact that the government opened up its books to the IMF for Article IV consultations in September after the multilateral lender was abruptly expelled from the country a decade ago is already a measure of just how much things have changed under Macri. The IMF last held a consultation, normally annual affairs for IMF members, in Argentina in July 2006.

"The changes to the macroeconomic, regulatory and business environment clearly have the characteristics to boost investments," Alejandro Werner, director of the IMF's Western Hemisphere Department, said in a conference in Buenos Aires on September 29.

He said the investments would come "slowly, as has been the international experience, but in significant magnitude in coming years."

Despite the obvious massive progress achieved in terms of the investment climate by

"I can tell you President Macri is a man in hurry ... I'm impressed because he has moved rapidly on so many of the reforms that he promised, to create more sustainable and inclusive economic growth, to reconnect Argentina with the global economy and the world community. Argentina is re-assuming its traditional leadership role in the region and around the world"

Barack Obama, U.S. President

President Macri during his first year in charge, it's not all plain sailing on the economic front however. Macri still has many challenges to confront, with Argentina's economy mired in recession and facing double-digit annual inflation. The government in October proposed a higher-than-promised fiscal deficit in the 2017 budget and said nearly a third of Argentines live below the poverty line.

And with poverty in the country now starting to hit even harder owing to high inflation, as well as some concerns about Macri's ability to execute reforms speedily enough, the president's initial honeymoon period is over and some serious challenges lay ahead.

Indeed, it is a problem faced by reformist governments all over the world: how to persuade the electorate as well as international investors to have patience until new, reformist policies begin to pay off. "Change is not easy," admitted Marcos Peña, the President's Chief of Cabinet, at the Argentina Business Investment Forum in September.

Change is particularly complicated in Argentina, where the Christina Fernandez government left a number of unsound policies, such as massive energy subsidies, which Mr. Macri has faced some trouble in trying to reverse.

Luckily for the president, and Argentina, investors for now are showing tolerance and understanding of the situation. The general feeling is that Mr. Macri has another 12 months – until midterm legislative elections next October – to show that he is deserving of investors' trust.

Until then, Argentina is playing a political waiting game in the hope that its promises – namely that the economy will improve and things will get easier for the population – come to fruition.



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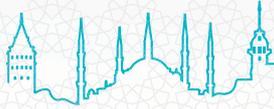
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| F 03 | Managing upstream mega projects |
| F 04 | New technologies in production and development |
| F 05 | Geoscience technology and innovation |
| F 06 | IOR / EOR – maximising the development of mature fields |

BLOCK 2

REFINING, PETROCHEMICALS, TRANSPORTATION AND MARKETING

| | |
|-------------|---|
| F 07 | Competitive refining technologies |
| F 08 | Integration of the refining and petrochemical industry |
| F 09 | Oils and products storage and transportation |
| F 10 | New marketing approaches for delivering products to consumers |
| F 11 | Products of the future |

BLOCK 3

NATURAL GAS PROCESSING, TRANSPORTATION AND MARKETS

| | |
|-------------|--|
| F 12 | Opening up new uses and applications for gas |
| F 13 | Sustainable value chains for unconventional gas |
| F 14 | Delivery of large scale gas projects |
| F 15 | Best practices in the management of safe operation of gas assets |

BLOCK 4

SUSTAINABLE MANAGEMENT OF THE INDUSTRY

| | |
|-------------|--|
| F 16 | Knowledge management |
| F 17 | Cyber security and new technology risks |
| F 18 | Human resources - how to attract and retain talent in our industry |
| F 19 | Energy poverty alleviation initiatives |
| F 20 | HSE and operations integrity – keeping pace |

‘AN INNOVATIVE POLITICAL PROCESS UNDERWAY’ IN ARGENTINA

In this interview with The Worldfolio, Argentina’s Chief of the Cabinet of Ministers, Marcos Peña, discusses the work of the innovative and forward thinking government of Mauricio Macri, which came to power last December; promising to move the country away from the polarization and economic problems that have dogged national politics in recent years

Argentina’s economic potential is known worldwide, with its vast natural resources, educated workforce, and diversified economy. However, currently the nation lacks a stable governance track record and a clear mechanism for investment which has stood the test of time. Can you please describe the current administration’s efforts to boost international confidence to lure investment?

There is a political story, not only an economic story, to tell in regards to what is taking place in Argentina. The economic story is more clear to the world, as Argentina is an underinvested country that has considerable potential in every field possible.

There is an innovative political process underway. We are a young government, born out of the 21st century, which doesn’t come with the ties of the past. This is taking place in the context while many Western democracies are facing new challenges in light of the technological revolution and in the changes in the viewpoints of their citizens. What is happening in Argentina is a good story to tell to the world.

There have been very impressive reforms in the past ten months, and they have been implemented quite promptly. However, what is the sustainability of your reforms once you leave power?

In the world we live in, no one can assure anything anymore; the countries that we thought had everything assured are now facing unexpected changes.

Nonetheless, we believe our process is sustainable because it has come from the bottom-up, by result: these changes have come from the society’s desire to change the way we want to be as a country. There has also been a generational change in society, as well as in leadership, which has come after a quite complicated



Argentina’s Chief of the Cabinet of Ministers, Marcos Peña

period. We used to live in a country that did not represent what our values were as a society.

The combination of the uncertainty there is in the whole world at the moment with a strong bottom-up process—which represents a more globalized generation that looks to live in a more democratic country—is good for the sustainability of these changes.

Even though trust is a process and it needs to be built overtime, many companies such as Coca Cola, IBM, Cargill and Mercedes-Benz have decided to make

investments, despite Argentina’s history of instability. What does the Macri administration offer the companies that were already settled in Argentina, as well as those that want to come to the country for the first time?

We have a more forward-looking mentality to offer these companies, which can help them not only ‘survive’ but to thrive in a global context. We want Argentina to be part of a platform of investment, trade and innovation. These companies have stayed because our human and natural resources have great potential, and we offer the possibility of starting to fulfill that potential.

Your administration is working on making the sectors more competitive. What can companies gain in this new scheme of having competitive access to the market?

Each sector has its story. The Argentine agribusiness sector is one of the most competitive in the world, and the potential lies in lowering capital cost, generating more access to markets, improving infrastructure and technology. The government can help this sector increase what they are already producing and fulfill an important role in terms of food security. There are also smaller producers that need help in terms of branding, change of mentality, capacitation, use of technology; we are also helping them.

What is more important is that every sector can count on a State that will not abandon them by opening the economy overnight or allowing job destruction. But at the same time, this is a pragmatic State in terms of helping the different sectors gain access to the world. We have a global mentality.

Argentina is a small-business economy, with 90 percent of the businesses being SMEs. However, only 1.5 percent of them export. How do you help SMEs gain access to international markets – both in foreign countries and by inserting themselves in the value chain?

Firstly, there is the absolute need of this global view, which many governments in the past have lacked. The notion of being integrated to the world in terms of investment, trade, technology and ideas has to be reinforced by every area in the State. There is not a single area that can work in this, it is the whole State working in this sense: from early education to infrastructure, to regulation, Justice and Congress. Everyone has to work together when it comes to changing the mentality towards a global view.

Your Cambiemos political coalition does not have a majority in Congress. How are you working with the political opposition in order to obtain the necessary consensus to make these changes you mentioned?

This has been one of the most productive years of Congress. Not only do we not have majority, but no party does. We have worked on the idea of working together towards a forward-looking agenda from the very first day.

“We have a more forward-looking mentality to offer these companies, which can help them not only ‘survive’ but to thrive in a global context. We want Argentina to be part of a platform of investment, trade and innovation”

“This has been one of the most productive years of Congress. Not only do we not have majority, but no party does. We have worked on the idea of working together towards a forward-looking agenda from the very first day”

“We also have a very aggressive agenda in terms of public investment: water, housing, sewage system, schools, hospitals, public infrastructure. Basically, how Argentines live, not only how high their income is”

We also value the role of Congress, as almost every law we have passed has been modified by Congress. We have also passed laws that have come from Congress. We are not in the government to prove we are right, we are here to get the job done, which entails a pragmatic and open agenda that works in terms of alignment rather than in terms of agreement. We merely state the path we want to follow and we then try to build agreements on that structure. We also have a pragmatic view on the way we tackle problems.

Some of your market-oriented reforms were not championed by the previous government. How have you been able to implement the ‘alignment over agreement’ policy in cases like this?

Most of Congress does agree with this agenda. Political parties in Argentina have historically lacked a highly ideological agenda—and even more so since the 2001 crisis. The same Peronist party made the market reforms of the 90’s and

closed the economy in the last decade, for example.

The idea of alignment is more flexible than closed agreements. It is merely stating the path we want to follow. Most governors today agree that we need better relations with the world, better institutions and more democratic processes. You might have differences in the details, but at least we all agree on where we are going.

Would you say that having been a Party that was been in the opposition most of the time has helped you shape this mindset?

We were always a minority in the Buenos Aires city legislature, and we still succeeded in implementing many reforms. We are used to this way of governing and we actually like it, we believe it is good in order to keep you flexible and open to dialogue, which is a characteristic of the 21st century. The idea of a government that wants to implement its own agenda regardless of what the people think and demand is becoming more and more obsolete.

‘Zero Poverty’ was one of your campaign slogans and is now the first of the three pillars of your government; the idea is to create more and better jobs, which we know is a long-term goal. However, in a difficult context, people are demanding to start seeing some of the effects of the investments companies have pledged they will make.

‘Zero Poverty’ was more an invitation to a common agenda than a promise. Argentina does not have a structural reason for the large poverty figures we have. Our main contribution during the first year of government was to avoid a crisis. When we first took office, the numbers were the perfect storm for one of the big economic crises Argentina has every ten years.

Our second contribution was to lay the basis of growth. We have already seen inflation decelerating, public investment is beginning to recover, credit has started to grow this past month and in the next six months we will see a recovery of consumer capacity, which will help us reach the next stage of these reforms: how to create jobs and reduce poverty.

We also have a very aggressive agenda in terms of public investment: water, housing, sewage system, schools, hospitals, public infrastructure. Basically, how Argentines live, not only how high their income is.

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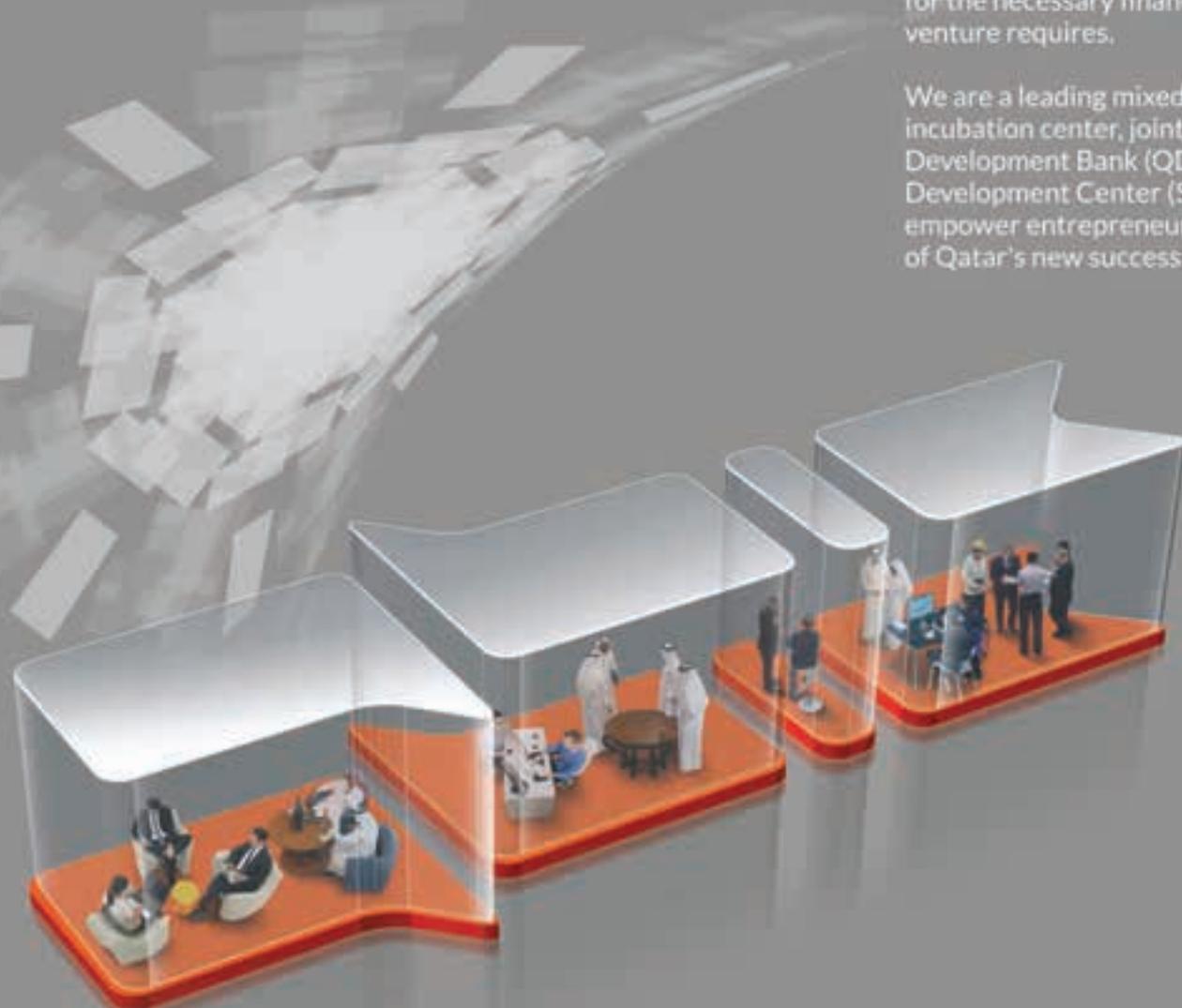


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COLOMBIA 'VERY, VERY CLOSE' TO PEACE, SAYS PRESIDENT SANTOS, AS GDP GROWTH EXPECTED TO STRENGTHEN IN 2017

As talks continue between FARC and the government, both of which remain eager to reach an accord following a voter rejection of a peace deal in a referendum in October, the country's economy is struggling somewhat this year. But the OECD expects growth to strengthen to 3 percent in 2017, as external demand recovers and the government's infrastructure agenda is implemented, and stresses that 'reaching an agreement on the peace talks is crucial to boost confidence and investment'



Colombian leaders say they have renewed talks in Havana, Cuba to end the country's long-running civil war with guerillas from the Revolutionary Armed Forces of Colombia, or FARC. An original peace plan was rejected in a voter referendum in early October.

The Colombian government announced on Twitter on Oct 25: "Meeting of delegates and advisers to government and FARC in Havana. Starting constructive dialogue. Let's get peace done."

The FARC leader and negotiator Timoleón Jiménez also went to the social network to urge for a resolution to Colombia's 52-year conflict. "It's an optimistic atmosphere. Let's get peace," Jiménez—also known as Timochenko—tweeted. He added that both

sides are working to find "common ground" in the negotiations.

Hostilities between the two sides are at a crossroads, with a ceasefire between Colombia and FARC currently in place until the end of the year. The fresh negotiations come after Colombian President Juan Manuel Santos presented a possible peace deal to voters. The fruit of a four-year negotiation, the accord would not have immediately sent FARC leaders who confessed to war crimes in prison, but would have instead granted them the right to a trial and punishment under strict legal guidelines.

An estimated 7,500 FARC rebels would have also relinquished their arms under United Nations supervision. But Colombian

"We are very, very close. We just need to push a bit further, to persevere, and this is going to be a great stimulus to reach that end, and to start the construction of peace in Colombia. This is something that all the Colombian people will receive with emotion and especially the victims will be very happy because I think it's in their name that this award is given"

President Juan Manuel Santos



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voters narrowly rejected the peace agreement in a plebiscite on October 2, with only 50.2 percent of voters saying no to the deal.

The outcome of the vote caught many—including ‘No’ campaign leaders—by surprise. Prior to the referendum, opinion polls had shown a solid advantage for the ‘Yes’ campaign.

Observers have partly blamed the arrival of Hurricane Matthew on Colombia’s Yes-leaning Caribbean coast for lower voter turnout and the accord’s eventual defeat.

Many ‘No’ supporters had expressed concerns prior to the vote that the peace plan would have granted amnesty to FARC leaders. The leader of the ‘No’ campaign (and former Colombian president) Álvaro Uribe has reportedly said he wants to renegotiate the FARC peace deal, adding that he would like to see “corrections.”

These adjustments include a ban on rebels guilty of war crimes from running for political office; prison time for FARC leaders; reparations paid by FARC to victims of the conflict; and a prevention of any changes to Colombia’s constitution.

Uribe said he desired a “political pluralism which can’t be perceived as a reward for crimes committed, social justice without risk to honest enterprise. We want to contribute to a national accord and be heard,” he told the BBC.

Observers have noted that it remains unclear what part Uribe will play in the restarted negotiations. Timochenko said he blamed the referendum result on “the destructive power of those who sow hatred and revenge. [They] have influenced the Colombian people’s opinion.”

For Santos, who has since won the Nobel Peace Prize for his efforts, the deal would have brought an end to Latin America’s longest-ever civil war and sealed the legacy of his presidency.

The accord has been a policy mainstay of Santos’ administration since he took office in 2010. But since its refusal by voters, Santos has been meeting Uribe, religious leaders and victims of the armed conflict. So far, an estimated 260,000 people have been killed and more than six million displaced in generation-spanning fighting.

When accepting the Nobel Peace Prize, Santos declared that he would donate the \$925,000 in prize money to victims of the FARC conflict. He added that he accepted the award “in the name of all Colombians, especially the victims.”

“We have to persevere until we reach the end, we reach the end of this war. We are

very, very close,” Santos said in the interview with Nobelprize.org.

“We just need to push a bit further, to persevere, and this is going to be a great stimulus to reach that end, and to start the construction of peace in Colombia. This is something that all the Colombian people will receive with emotion and especially the victims will be very happy because I think it’s in their name that this award is given.”

For his part, Timochenko has expressed a desire to continue peace talks. “The FARC reiterates its disposition to use only words as a weapon to build toward the future. Count on us, peace will triumph.”

Civil war origins

FARC are Colombia’s largest rebel group. Founded in 1964, the organization represents an armed wing of the Communist party aligned with Marxist-Leninist ideologies. Originally made up of small farmers and land workers, FARC aims to fight against a perceived inequality in Colombia.

Commentators have traced FARC’s roots back to the Colombian military’s 1964 disruption of the group’s agricultural communes in the region of Marquetalia, in the central Tolima province. When the so-called Marquetalia Republic was disbanded, FARC says that scattered commune members came together to form what the organization is today.

Fighting has raged between Colombian security forces and FARC since the incident at Marquetalia. However, it was not until four years ago—following a series of successful Colombian army operations—that the two entered formal peace negotiations.

Struggling economy shrouds talks

The tangled negotiations come as Colombia’s economy has showed recent signs of cooling. Colombia grew by 2 percent in the second quarter of 2016 when compared to the same period last year, according to the national statistics agency.

However, that figure came in below Colombia’s projected target of 2.3 percent. This has stoked concerns that the country, one of the South America’s largest oil producers, is beginning to slow amid an atmosphere of tightening global oil prices. Ratings agencies have warned that they will lower Colombia’s BBB rating if revenues weren’t raised to account for falling oil income.

“Economic growth will continue to moderate in 2016, reflecting weak external conditions, low commodity prices and a slowdown in internal demand, but it will strengthen to 3 percent in 2017, as external demand recovers

“The FARC reiterates its disposition to use only words as a weapon to build toward the future. Count on us, peace will triumph”

Timoleón Jiménez, FARC leader and negotiator

and the government’s infrastructure agenda is implemented,” the Organization for Economic Cooperation and Development wrote in a recent report on Colombia.

“The current account deficit remains high and inflation is accelerating due to exchange rate depreciation and rising food prices resulting from El Niño. As the effects of these shocks dissipate, inflation will gradually come down in 2017.”

“Productivity growth has declined in recent years. Strengthening competitiveness through simplified customs procedures, infrastructure investment and streamlined regulation are needed to improve productivity in the medium term. The plans to broaden access to quality education will also contribute to productive transformation and allow the fruits of growth to be shared more equitably, increasing social cohesion,” the OECD wrote.

As for the economic benefits of peace, Colombian officials have reportedly estimated that an end to the conflict with FARC could spur as much as 1.1 to 1.9 percent GDP growth. Meanwhile, other experts have guessed that peace could lead to 0.5 to 2.1 percent of GDP growth.

The OECD report said: “Reaching an agreement on the peace talks is crucial to boost confidence and investment.”

Santos and his government have faced increasing pressure to address investor concerns. A new tax plan aims to right the country’s coffers and maintain investor confidence in South America’s fourth-largest economy.

The reform would bring multiple changes to Colombia’s tax code, including an addition to the country’s value-added tax by a reported 3 percent and a reduction in the corporate tax rate to 32 percent. It would also factor in higher taxes on dividend payments worth more than an annual 18 million pesos (approx. \$6,000) and impose a tax on sugary drinks and tobacco.

Observers have noted that the tax overhaul will face opposition in Congress, and would need to be passed by Colombia’s legislature some time in 2016 to influence the country’s current economic situation.

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PUBLIC WORKS

MINISTER TAKES IT FROM POP TO ROCK N' ROLL

The Worldfolio sits down with Dr. Ir. M. Basoeki Hadimoeljono, M. Sc, Minister of Public Works and Public Housing, to discuss Indonesia's ambitious infrastructure program and his efforts to accelerate project delivery

There is huge amount of money going into infrastructure investment at the moment with US\$ 7.4 billion in this year's 2016 budget alone. Much of the content of the infrastructure program is similar to that we saw previous to President Jokowi's election. You have been with the Ministry of Public Works for over 35 years, how have things changed since President Jokowi's election?

Yes, the program we currently have is similar and this Ministry is ready to build dams, irrigation, water supply, sanitation, transportation, roads and bridges, toll roads amongst other things. Then in housing we have similar efforts including the one million housing development program. So while the program is similar, what has changed is implementation. Put it this way, when it used to be that if I sing a song, it is like pop music, and that was how we were previously in the Ministry. However, now, we are all singing rock n' roll.

Even though we have five days to work it isn't enough, we have to work seven days a week. Even two shifts are not enough anymore, now we need three shifts, from 8am to until 5am in the morning. For land acquisition, we have to clear the land and the process has to start a year ahead, we cannot do the acquisition and construction at the same time, it has to be sequential.

I have been working in this Ministry for 35 years and the program is still the same, but the difference is the implementation and methodology. There is real commitment to follow up, imagine, the President visits the project not only once, like the North Sumatra Road project, he has been there for five or six times. If the President himself visits the project five or six times, how many times do I have to go there?

Much of the infrastructure development is within the regions, how are you coordinating with the regions for development?



Dr. Ir. M. Basoeki Hadimoeljono, M. Sc, Minister of Public Works and Public Housing

Before the Government was decentralized, the regions were my subsidiaries, but now they are not my subsidiaries anymore; my approach is now more like marketing. I need to influence people, ensure their loyalty to me and not scare them, but I have to serve them, I have to help solve their problems. There is a national program, provincial program and district Program and I need to make sure we take the correct approach to these programs, so we always have what we call 'Konreg'—regional consultation before we design these programs.

The regional consultation is really to synchronize the program, and its important to discuss the division of responsibility between APBNs (state budgets) and the national government, APBD (local budget) 1 is for the provincial, APBD 2 for the Kabupaten (municipality) and cities in Java. So they have to synchronize the program.

One more approach for the program is that we use the concept of regional de-

velopment, to synchronize all the sectors; internally I manage four sectors here, water, housing, human settlement, and roads and bridges. With this regional development I have to coordinate for those four programs in one region, and with the strategic regional development concept, Indonesia is divided into 35 strategic development regions. It is divided differently than the Governor's regions, as it is not administrative.

For example, there are divisions for the industrial region, special economic zones, and then 10 tourism destinations. So for those sectors we could coordinate in those regions. Those three strategies allow us to coordinate with the regional governments. First by concept, second by the mechanism of regional consultation, and then third we use these strategic divisions. It also means that I have to minimize the subjectivity of the program, it is development focused, no close friends in the region get more money, it is purely based on strategic outcomes.

How is your Ministry working with state-owned enterprises (SOEs) and the private sector to accelerate infrastructure development?

The Ministry of Public Works and Housing doesn't only utilize the SOEs, but we are also responsible for industrial construction development, I have the responsibility of improving their capacities. However following the President's word, the priority for development is the private sector, if the private sector does not like that or it is not financially viable on certain projects, or they are not interested, then the SOEs have to work together on these projects. If this still doesn't work, that is when the Government will invest directly.

I have to build 49 dams in the next 5 years, before the state owned companies would join together to develop these dams. Now, I have to find alternatives so state-owned companies should join with the private sector to work on these projects.

So the Ministry of Public Works and Housing will be making greater use of PPP (public-private partnership) frameworks to implement projects?

We have successfully implemented PPPs in toll roads, as well as in water resources. We are currently looking to implement one on water supply in East Java, that was just approved last month. This will be the first PPP in water sector and Umbulan water supply will create 4000 liters per second to serve Surabaya and other 5 surrounding kabupatens with an investment of IDR 5 billion (US\$250,000).

For foreign investors looking to get involved with Indonesia's massive infrastructure plan, what would you advise them?

The message is clear, infrastructure is the number one priority program of the Jokowi and JK Government era and there are a lot of things that can be done. Not only to be done by the Government, because the Government takes only 30 percent or 40 percent of the projects, the rest would be an opportunity for private and state owned companies. This was the message from the President at the last cabinet meeting; we have to encourage the private sector to get involved.

And what sort of incentives would the private sector have for taking these projects up?

You can see there have been good reforms through the 15 economic policy packages and this is all to make investment easier. On my side there are two ministerial decrees signed to revise regulations because the Coordinating Minister of Economic Affairs sees that there are some things that are hindering the ease of doing business in my particular sector.

We recently interviewed the Minister of Industry and he mentioned the positive cooperation between Ministries, and specifically with you on Industrial Parks. How are you cooperating on these key projects?

We are cooperating strongly on incorporating the industrial areas, working on how to connect between the market and the producers. For example in Kendal, there will be an industrial part, and I have to build the water supply, and I have to provide the housing for employees, so we work together with the other Ministries on this. Even on health for example we provide water for Government based public clinics in the rural/districts, so we work together with the transmigration unit to provide the basic infrastructure.



Bajulmati Dam, Jawa Timur Province



A bridge constructed in Maluku Province

You have been at the Ministry now for 35 years, and I am sure you have seen many changes over that time. Looking toward 2019, how would you like to see the Ministry and its projects at that stage?

Now is the era of competitiveness, and to be competitive we need better connectivity, which will reduce the disparity between East and West Indonesia. We also have the

challenge of creating employment opportunity and reducing poverty. The role of Infrastructure is becoming more and more important in addressing these challenges.

This government is focused on serving the people, so when I look back on my term as Minister, in 2019, I will be looking at what was achieved for the people, not what was planned.

APEC PLACES EMPHASIS ON FOOD SECURITY OF THE REGION

The 21 member nations of the Asia-Pacific Economic Cooperation have always placed agricultural progress as a key element of the group's policy objectives



Agriculture makes a substantial economic contribution to most APEC member economies, and the issues of food security and safety are of critical importance to the region.

Now, through the Agricultural Technical Cooperation Working Group (ATCWG), the 21 APEC countries are developing even closer ties by improving the agricultural capacity to harness and share new technologies. As a result, projects and activities that make it easier to increase trade in agricultural products are being nurtured.

Organization leaders say this work contributes to APEC's trade facilitation agenda by reducing business transaction costs, enhancing marketing capacity and improving the implementation of agriculture-related provisions in free trade agreements.

Comprised of leading minds in the field of agricultural production, APEC organizations like the ATCWG have strengthened food safety standards, responded to food security challenges, promoted next-generation sustainable biofuels and enhanced their abilities to address and mitigate the impact of climate change.

According to APEC, "The ATCWG provides strong technical expertise to related APEC fora. In 2010, ATCWG provided support and recommendations to the First APEC Ministerial Meeting on Food Security, which contributed to the Niigata Declaration on APEC Food Security. It also provides direct advice

and support to Senior Officials Meetings, Ministers and APEC bodies aimed at improving the food security of the region."

Many international commentators have noted the benefits of APEC in agricultural development in their local areas.

Ernesto Ordoñez, a former Philippines Agriculture, Trade and Industry Minister, wrote in 2015 that APEC could "significantly assist agriculture. We can benefit greatly from APEC through technology transfer and the exchange of agriculture best practices," Ordoñez wrote in an editorial. We can also formulate mutually beneficial business arrangements with APEC member-economies. This will create many rural jobs we sorely need for our people."

Ordoñez noted how one company Alyansa Agrikultura, a 42-organization farming and fishing coalition, participated in APEC meetings on everything from food security to financial structure reform to small and medium-sized business.

"Throughout these five meetings, Filipino small farmers and fishermen were able to participate, contribute, and benefit from APEC activities. It is the first time they have taken such an active role in APEC. However, this should be just the beginning," Ordoñez stated.

He added that although there are some trade risks involved in increased affiliation with APEC, a "necessary follow-up is needed

to bring the APEC potential for Philippine agriculture to fruition." He urged Filipino officials to consider institutionalized farmer-fisher involvement by the Philippine government for all future APEC meetings.

Such calls are not unprecedented, particularly in the Philippines.

APEC leaders discussed food security at a Manila meeting in 2015. The group has been discussing a roadmap for achieving food security since 2012. Under this plan, officials would find long-term solutions to food security problems in and around the Philippines by 2020.

Elsewhere, Peru has been analyzing the cost and benefits of APEC during a recent APEC conference for the country. Peruvian officials and APEC leaders discussed the role biotechnology can take in the future of agriculture in Peru.

"Agricultural biotechnology is a revolutionary tool transforming the agricultural sector. It is expected to produce solutions which are eco-friendlier than traditional industrial agriculture," wrote Peruvian news agency Andina. "It involves development of in-vitro cultures, DNA sequencing, bio-fertilizer and biofuel generation, molecular markers for gene mapping and selection of varieties."

From Southeast Asia to western South America, APEC is continually shaping its role in the continuing development and evolution of agriculture in the region.

INDONESIA'S MOVE TO ECO-TOURISM

By Stephanie Gabriella Kalele

A focus on eco-tourism will help to further boost Indonesia's already booming tourism industry, which will be biggest contributor to Indonesia's foreign exchange income by 2020

At the 70th session of the United Nations General Assembly in New York in September, more than 20 world leaders presented their national plans for dealing with climate change. With this global push toward environmentally friendly development policies, Indonesia is intensively promoting ecotourism as a way to play a greater role in world sustainability. This is, of course, also a move that will bring greater economic benefits to Indonesia, whose tourism relies on its natural beauty as its charm and attraction, as the ASEAN powerhouse stands to become Asia's next big eco-tourism destination.

Government Commitment and Support

Bringing in US\$8.2 billion in the last year, tourism ranks as the fourth largest contribu-

tor to Indonesia's foreign exchange income. President Joko Widodo has stated that his administration has prioritized tourism development and even mandated infrastructure and transportation projects to bolster the tourism industry's growth prospects.

In accordance with the President's instruction, Indonesian Tourism Minister, Arief Yahya, has long been an advocate for ecotourism. His Ministerial Decree regarding sustainable development of tourism destinations aims to harness Indonesia's vast natural resources as it makes such a significant contribution to the economy. In the 2015-2019 strategic plan for development of tourism destinations and industry, the Government of Indonesia is committed to facilitating ecotourism-based creative economy



Indonesian Tourism Minister, Arief Yahya, has long been an advocate for ecotourism.

Komodo Island





development. Indonesia's commitment is reflected by the budget allocation increase for the Ministry of Tourism and the tourism promotion budget increase, which was quintupled in 2015 to around US\$95 million.

The government has also changed its strategy from giving equal tourism budget to each province, to now concentrating the budget on 10 priority tourism destinations. This shift will accelerate development in those key destinations and enhance Indonesia viability in the world map as the branding, marketing and advertisements of Indonesia's tourism destinations have a more concise and direct message to global audiences. These collective actions by the government make Indonesia a far more attractive destination to visit.

Maritime Prestige and Global Recognition

With over 18,000 islands, Indonesia is a proud maritime nation, forming an important part of the people's identity and the country brand. Recently three of Indone-

“Since 2014 alone, the number of foreign tourists visiting Indonesia has grown as much as 7.2 percent, or around 9.4 million tourists and in the first quarter of 2016 up to May there has seen a year-on-year increase of 7.4, percent or around 4.4 million tourists”

sia's tourism destinations were acknowledged as placing in the world's top tourism destinations and put on internationally recognized lists alongside 46 other countries. Those three destinations all placed in other important rankings including, Plataran L'Harmonie Menjangan (northwest Bali) that is now in the list of The World's Top 100 Global Green Destination, Misool Island (Raja Ampat, West Papua) and Labuan Bajo (Flores, East Nusa Tenggara)

see in The World's Top 100 Global Destination list. The recognition was made during the world's celebration of the Global Green Destination Day in Ljubljana, Slovenia, as the European Green Capital 2016, from 27-28 September 2016.

Such recognition, and further investment in tourism is set to see a greater number of tourists visiting Indonesia annually. Since 2014 alone, the number of foreign tourists visiting Indonesia has grown as much as 7.2 percent, or around 9.4 million tourists and in the first quarter of 2016 up to May there has seen a year-on-year increase of 7.4, percent or around 4.4 million tourists.

This is a significant increase compared to the 4.7 percent global tourism growth rate. Looking at these figures, tourism is projected to be the biggest contributor to Indonesia's foreign exchange income by 2020. Beyond this, a focus on eco-tourism will provide an avenue for better promotion of Indonesia globally, whilst also contributing to global sustainability aspirations.



Humanizing Genomics

I ♥ **macrogen**



'BUILDING INFRASTRUCTURE WILL HAVE A HUGE POSITIVE IMPACT ON OUR ECONOMIC GROWTH'

The position of Presidential Chief of Staff was recently created by President Joko Widodo (Jokowi) and Teten Masduki is the second to take on the role. He sits down with The Worldfolio to talk about his new role, infrastructure investment and Indonesia's improving business climate



Teten Masduki with President Joko Widodo

After more than six months as Chief of Staff what would you say are the Jokowi administration's top priorities at the moment?

President Jokowi is now focusing on economic issues. The three major priorities are infrastructure, deregulation and human resources development.

Indonesia faces significant challenges in its Infrastructure development, but the benefits beyond connectivity are well known, with heightened spending on infrastructure likely to have a positive effect in terms of economic growth.

Our target economic growth when President Jokowi came to power was 7 percent, but now, after the global slow down, we have revised that figure to around 5 percent. Infrastructure spending will be focused on a number of key areas, including power generation through the 35,000 Megawatt program, but also toll roads, railways, harbors and ports. We have some issues regarding logistics cost, for example the distribution of the logistics from west to east leaves a large gap. This has led to uneven economic growth between the western and eastern islands of Indonesia. We have huge potential in natural resources in the east, but due to infrastructure limitations, this area remains under developed.

The position of Chief of Staff is a recent one in Indonesia. What is your main role?

We are not an implementation agency; we are the back office of the President. We have to make sure that the Ministries will implement all of the President's agenda and promises. We interact with planning and budgeting on the Ministerial level. Our core function is to influence the policy of the government based on the President's priority and vision.

We need to make sure that the President's priority programs are implemented. We have monitoring and evaluation programs for all of the ministries. We report to the President if we have found any problems in the implementation. So, this office is also taking part in the revision of certain programs, which means the job is not easy. Sometimes we have to take over certain functions of subordinate entities to ensure that implementation runs smoothly. I think the main problem of our

government has previously been lack of coordination between different organizations, which is part of the reason the anti-corruption agenda and bureaucratic reform is so important. It makes everything easier. So the deregulation program is very important, as we want to make sure that our bureaucracy is efficient transparent and we want Indonesia to be attractive for investors.

How is Indonesia progressing in terms of its ease of doing business ranking?

Indonesia's ease of doing business is now 109 and the President has instructed all of the ministries to work together to achieve a ranking of 40. We are working with the Coordinating Ministry of Economic Affairs together to achieve this target and I am also the chairman of the working group for deregulation, which will accelerate this process.

We have announced 12 economic policy packages thus far and we are still evaluating whether or not the 12th package will have a large impact on our economic growth target. If it is only a small impact, we will need to change it. We want a big impact. We have to look at what the investors need in terms of incentives.

How is the government consulting and working with the Private sector?

We have communicated with the private sector and consulted with them about what steps the government should take, and which policy should be reformed to improve the ease of doing business. They are very interested in the development of our infrastructure, especially in power generation; I think we have the biggest project in the world in power generation now, 35,000 Megawatts. This draws investors' attention to Indonesia even though we still have a bit of a problem with land acquisition.

Indonesia has previously had quite a low profile on the international scene. What is your current focus in communicating internationally?

Our focus now is to communicate our priorities to the target groups such as investors and the private sector. Communicating better is very important to us because we want the investments to come in as soon as possible. That's why we are focused on deregulation, to make the investment climate better. What we do know is that the President has made a number of high profile international trips and he is always very clear that Indonesia is open for business and investment friendly. We are inviting investors to actually come and join us, to work with us. Indonesia's growth is actually one of the highest in the region, even though for us it is still low.

You have recently undertaken a nation branding initiative. How is this progressing?

Nation branding is very important to us, we are using our hosting of the Youth Olympics event to kickoff our national branding campaign. We are now still preparing it and we have been working with a consultant for a year to prepare the research. I hope this year we will finish the research so that next year we will start with the creative production. The research is being conducted in 18 countries; this is to understand the perception of the people of Indonesia in those countries.

JAPAN

REINVENTING GROWTH

After a 20 year-long economic recession punctuated by the Fukushima nuclear disaster five years ago, the world's third largest economy may seem merely striving for survival to the unfamiliar observer. That lackluster ambition however is not in the nature of Prime Minister Shinzo Abe, who has much brighter plans for his country, and aims for nothing less than an economic renaissance, a reinforced role in the global order and a newborn diplomatic and military assertiveness.

Some foundations have already been laid. Since becoming Prime Minister in 2012, Mr. Abe has stamped his name in the country's renowned path for economic revival: 'Abenomics', which is based upon three "arrows"—fiscal stimulus, monetary easing and structural reforms—that are backed by a 10.3 trillion yen (\$102 billion) fiscal stimulus.

Based on that ammunition, Japan has recorded its lowest jobless rate in two decades (3.2 percent), secured record corporate profits and achieved its longest sequence of year-on-year nominal GDP growth in two decades. An upbeat mood is starting to emerge in a country that is still haunted by the Fukushima trauma.

That renewed optimism surely played a role in the ruling LDP coalition's landslide win in the upper house elections held in July. The victory gave Mr. Abe a two-thirds majority in both chambers, providing the government unprecedented room to maneuver and that is in turn translating into increasingly ambitious economic reforms.

The electorate's support has also given Mr. Abe the confidence to adopt a sort of bullish rhetoric that was unheard of during Japan's long years of lassitude: "With an even stronger political base, we can and must push forward our economic and diplomatic policies even more aggres-

sively. That's the way to respond to the mandate the public gave us in this upper house election," the Prime Minister declared following his reelection.

This optimism, however, could be jeopardized by a plethora of threats. The most serious one is deflation, a seemingly chronic Japanese disease that continues to dent the country's economic resurgence. Consumer prices dropped for the fifth month in a row in July and recorded the biggest annual fall in more than three years. Core inflation still remains well below the 2 percent target, meaning that Japan's fiscal and monetary policies need to be rethought.

Both the International Monetary Fund (IMF) and the World Bank expect the country's economy to expand by only 0.5 percent in 2016—hardly an undisputed sign that Japan is back from the cold. Indeed, its nominal GDP was roughly the same in 2015 as it was 20 years earlier, while America's, by comparison, grew by 134 percent in the same period.

Consumption and internal demand must be the driving forces that correct deflation and put the economy in a more secure footing, as investors have been quick to point out. "We definitely need to

"With an even stronger political base, we can and must push forward our economic and diplomatic policies even more aggressively. That's the way to respond to the mandate the public gave us in this upper house election"

Prime Minister Shinzo Abe

Challenged on multiple fronts, the rising sun empire is working to reinvent itself—driven by a leader who wants to prove his country's economic resilience and robust capacities even in these trickiest of circumstances

see a revival of private consumption; that's the source of weakness for Japan's economy," said Tomo Kinoshita, chief market economist at Nomura Securities in Tokyo.

It is time for Abenomics 2.0, a reflationary push that points toward a very clear direction: increasing consumption. Mr. Abe knows that Japan cannot rely on an unstable international scenario to improve his country's fortunes, but has to generate impetus from within. "Britain voted to exit the European Union and emerging economies are showing signs of deflation, therefore Japan must boost domestic demand," the Prime Minister stated in July.

The ruling coalition has a comfortable parliamentary majority to forge ahead with a fresh Abenomics therapy, and it has not taken long before unveiling its firepower. In July, the government signed a large new fiscal-stimulus package worth 28 trillion yen (\$278 billion), or 6 percent of GDP. Mr. Abe has also announced major investments in transport and tourism infrastructure, including in the country's signature Shinkansen bullet trains, and promised to speed up the reconstruction of the areas hit by the Fukushima disaster.

However, the stimulus must be coupled with market-friendly reforms. Sa-dayuki Sakakibara, Chairman of the Japan Business Federation, clearly stresses, "The top priority is ending deflation and revitalizing the economy. To accomplish this, it's essential that the government expand personal consumption and investment, and promote deregulation."

Mr. Abe is already considering structural reforms such as easing smaller com-



panies' access to funding, attracting more foreign workers into the country, and enabling firms to hire and fire more easily. The government also seems ready to boost women's participation in the labor market, a long-due move that would require confronting atavisms that are still a feature of Japanese society.

It remains to be seen whether those measures can spur Japan's economy in the long term – yet there are already indications to show that, if ambitiously pursued and complemented with the aforementioned reforms, the country could leave the intensive care unit for good.

The Japanese stimulus-based approach to economic reanimation should give other major economies food for thought. Specifically, in Europe, where the austerity doctrine has failed to boost growth and reduce unemployment to any remotely acceptable level, and where gov-

ernments should pay attention to Mr. Abe's recipe for growth, even when it still must stand the test of time.

There are hints that a re-empowered Japan is rising, even if the IMF has already warned Tokyo that the reformist drive must continue unabated, and has sent a formidable to-do list to the country. Encouraging wage hikes, reducing the gap between regular and non-regular workers, easing fiscal and monetary policies, boosting labor supply and increasing productivity are just a few examples of the homework that is yet to be done. In short, Abenomics must “double down”, according to David Lipton, IMF's First Deputy Managing Director.

Economic revival is expected to unleash other ambitions. It is no secret that the Abe administration wants Japan to play a more substantive geostrategic role, mitigate its overreliance on U.S. military

assistance, and become a counterweight to China in the Asia-Pacific region.

Japan's post-war constitutional constraints, which forbid the country from using force to settle international disputes, increasingly look like an uncomfortable straitjacket, and Mr. Abe has vowed to take it off. The Prime Minister has called for a debate on rewriting the country's pacifist constitution and using his supermajority to revise Article 9, which states that the Japanese Army has an exclusively self-defensive role.

Even if any amendments required approval in a referendum, the traditional sanctity of Article 9 is now under question. This has been enough to unsettle China, which rightly sees its arch-rival maneuvering as a response to Beijing's territorial claims in the region, and is wary that an emboldened Japan could hinder its triumphal march across the Pacific.



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JAPAN STRIVES FOR INNOVATION

It might, for now, trail California's Silicon Valley as the world's leading high technology research and development hub, but Japan is starting to catch up. Investments in startups are rising, driven by interest in cutting-edge new technologies

Bolstered by Japanese Prime Minister's Shinzo Abe's reforms and enthusiastic support for innovative public and private-sector joint projects, Japanese companies and research institutes are helping the country regain its status as a front-runner and number one new technologies developer forged in the 1970s and 1980s.

Japan won 25 Nobel Prizes since 1949, mostly in natural sciences, helping nurture industry, and seven of the top 10 corporate patent holders over the past decade were Japanese, according to the World Intellectual Property Organization.

The latest data from the OECD, released in April, shows that Japan is spending much more on research and development than most of its major competitors, including the U.S. and China, with 3.58 percent of its GDP, against 2.74 percent and 2.05 percent respectively; and is ranked third worldwide, after South Korea and Israel.

And yet Mr. Abe isn't satisfied with those numbers and wants Japan in top spot within the next two years, and to help in that he advised the country's national research and development institute RIKEN that he's prepared to let the government-backed institute increase salaries to attract more top scientists.

"In the U.S. and Europe, researchers have relatively high salaries. Salaries for scientists used to be very high in Japan too. But today, scientists' salaries are basically equivalent or sometimes lower than the average salary of company employees," says RIKEN President Hiroshi Matsumoto.

"Fortunately, the Japanese government has finally come to realize that this is a problem, and has agreed that we should be able to pay higher salaries if necessary."

RIKEN has a network of world-class research centers across Japan, offering state-of-the-art facilities that rank among the world's best. With offices in Beijing and Singapore and two research centers in the U.K. and U.S., it employs around 500 foreign specialists alongside

over 2,500 Japanese scientists and support staff.

Innovative work done by RIKEN and Japanese companies at present, be it pure research with few defined practical applications, to development of new products or adaptations to existing technologies, covers a huge spectrum.

For example, RIKEN's K computer, which today is one of the world's fastest supercomputers, has developed a system to predict at very short notice weather conditions that will lead to torrential rain, a development that could be crucial to saving lives as deadly rain clouds can form with little warning. Practical uses for this may be a decade away, though.

RIKEN is also working on technology which can make tissue transparent so that researchers can see inside organs, and even observe structural abnormalities at the cellular level, said Mr. Matsumoto.

"While this technology can't be applied to living tissue, the knowledge we gain from it can help us understand illnesses and develop treatments for the living," he said.

Other examples of RIKEN's ground-breaking projects include research on the production of synthetic rubbers from biomass (which could reduce the use of fossil fuels in rubber production); clinical studies on retinal tissues developed from iPS Induced pluripotent stem cells to treat eye diseases; and a joint venture with Kyocera Corp. and start-up firm Organ Technologies Inc. to develop a treatment for alopecia, or hair loss.

A RIKEN group led by Kosuke Morita also made history last year with the discovery of Element 115—the first element on the periodic table found in Asia. The RIKEN team were deservedly given the naming rights, and in June officially



Japan spends 3.58 percent of GDP on research and development

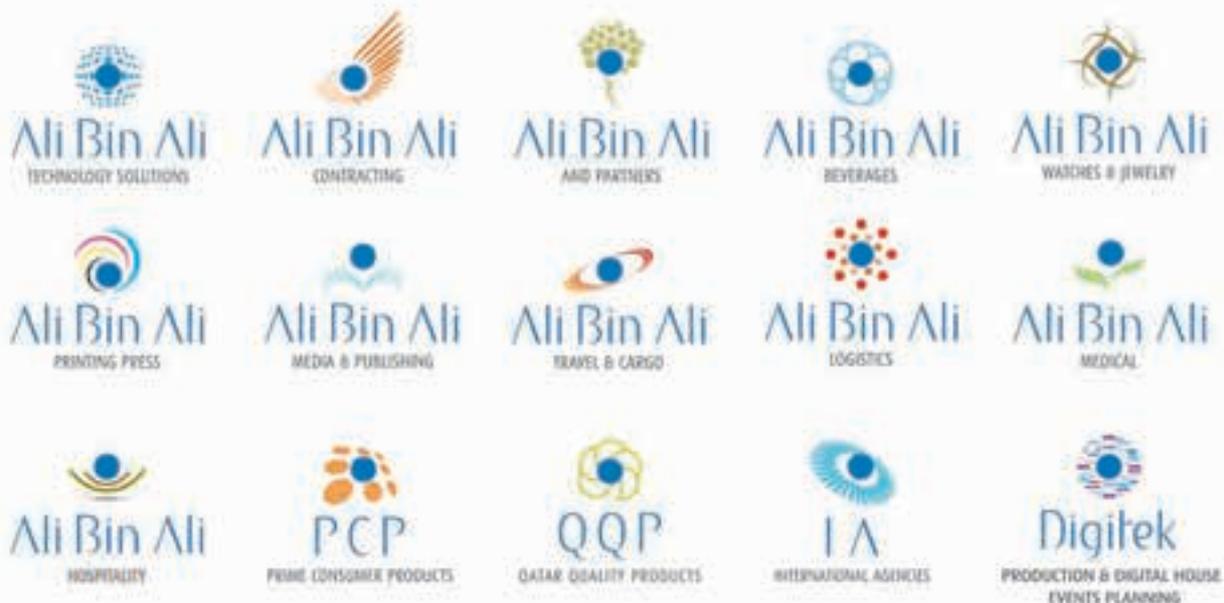
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Many of Japan's research projects aim at tackling climate change and reducing global dependence on fossil fuels

named the newly-discovered atomic element 'nihonium'.

RIKEN is not the only organization in Japan developing innovative solutions to global issues. The list of projects and research sectors goes on and on. Many are aimed at tackling climate change and reducing global dependence on fossil fuels.

Car firms Toyota and Honda have been working with a more established element on the periodic table, leading global efforts to develop hydrogen-powered cars. Toyota Motor Corp. released its zero-emissions Mirai hydrogen fuel cell car in December 2014, with output at an initial 2,000 automobiles annually, while in March Honda Motor Corp. released its rival Clarity vehicle.

Fuel cells create electricity to power motors through the chemical reaction of hydrogen or ethanol ions with oxygen.

Toyota hopes for global sales of 30,000 by 2020, a tiny number given that in 2015 the world's largest carmaker made 10.15 million regular automobiles. Earlier this year, Kawasaki Heavy Industries and Iwatani Corp. partnered Kobe city to build a 10 billion yen liquefied hydrogen import hub by 2020, using imported hydrogen made from lignite coal in Australia.

The government's Council for a Strategy for Hydrogen and Fuel Cells has set ambitious targets - 40,000 fuel cell vehicles in Japan by 2020 and 200,000 by 2025, and many more hydrogen filling stations. It also wants more spending on research and development to cut fuel cell costs to one-fourth of levels now.

Another Japanese industrial leader, Hitachi has just announced it has developed a new type of offshore wind turbine able to boost electricity output in light-wind regions. Toshiba Mitsubishi-Electric Industrial Systems Corp (TMEIC) is developing award-winning solar energy technology, while manufacturer of environmental preservation equipment, Kanken Techno, is breaking new ground in the treatment of greenhouses gases and other toxic emissions.

"The environmental air clean-up work that Kanken Techno handles will have a significant impact on the health and lives of the people around the world," says President Hiroshi Imamura.

"We are involved in making sure that the atmosphere remains clear for the next generation. We are working hard to ensure that humanity can exist in the future. This is something that I consider to be very valuable."

Environmental sustainability is also a primary force driving the evolution of the textile industry. Many innovations in the sector are actually attributable to 75-year-old company NICCA Chemical, one of the top suppliers of surfactants for the textile industry as they continue to make efforts to reduce factory waste and carbon dioxide production.

Started by the grandfather of current Executive President and Representative Director, Yasumasa Emori, NICCA Chemical has seen many changes over the years. Mr. Emori explains, "We have developed a non-fluorinated product for water repelling. 80 percent of the

product is made from plants and plant-related material, however, it has the best performance in the world.

"Usually fluorine-based water repellants are widely used; however, some environmental organizations are saying the fluorine based products are not environmentally friendly. All the big names like Puma, Adidas, and Uniqlo have followed this opinion and decided not to use them."

Minimizing environmental impact is a high priority at the company and significant progress has already been made with some processes. Mr. Emori explains, "For example, to be able to dye one kilogram of textile material, it takes about 100 kilograms of water. We have been able to reduce that by 50 percent and we are working to reduce it further to 70 percent."

The innovation by Japanese companies in the field of environmental sustainability is complimented by the R&D being undertaken at the nation's top universities.

"Nowadays, each scientific discovery needs to be applied to real world issues as soon as possible," says President of Hokkaido University, Prof. Keizo Yamaguchi. "For example, problems such as the effects of global warming or the need for safe and secure nuclear power actually need our most immediate technological attention. In sum, our contemporary concerns and needs ever changes the situation of the university as a research and education space. We feel that universities should work to help society."

CAN ABENOMICS 2.0 SUCCEED

WHERE THE FIRST VERSION HAS NOT?

Abenomics 1.0 has unfortunately not had the impact that Mr. Abe envisioned almost four years ago. Abenomics 2.0 included a 28 trillion-yen stimulus package unveiled in July aimed at increasing consumption, wages and prices

There has certainly been a mismatch between the expectations raised by Japan's much-trumpeted Abenomics and the actual results it has achieved so far. The bold economic policies launched by Shinzo Abe in 2012—based on fiscal stimulus, monetary easing and structural reforms—have failed to rescue Japan from a two-decade long inheritance of stagnation and falling consumer prices.

The IMF says that the Japanese economy is losing momentum and deflation risks are on the rise, with the appreciation of the yen hurting exports at a time of a global trade slowdown. Growth is expected at 0.5 percent this year and 0.1 percent in 2017 (not a bad rate, if we take into account that the country has lost three million working-age people over the last three years), but inflation will not get anywhere close to the official 2 percent target. This, coupled with a shrinking and aging population, is giving Japan (and indeed the world) reasons to be worried.

Last July, the industrious Prime Minister launched 'Abenomics 2.0', a new ambitious package backed by huge financial firepower—28 trillion yen (\$279 billion), or 6 percent of GDP—aimed at increasing consumption, wages and prices. In other words, Mr. Abe is seeking to strengthen anemic internal demand, an undertaking that requires both a reform-driven government and private companies that believe in its audacious policies.

"The two 'lost decades' that Japan has experienced have created a lot of skepticism amongst Japanese business leaders, who have now started to invest in other countries. Therefore, the Japanese government has to drive investments back into the country", says Takeshi Niinami, President of beverage company Suntory.

"He is adamant that ambitious and skilful statesmanship can help bring about the change that will unlock the country: "We need a trigger for businesses to invest, and that trigger should be initiated by the government."

The country has a true deflation problem. According to the IMF, the Bank of Japan (BOJ) should adopt an inflation-forecast-targeting framework in which monetary policy responds to deviations of the inflation forecast from the 2 percent target.

However, it must be taken into account that, unlike other nations, Japan includes energy prices in its core inflation figure. If we exclude them, we would be surprised to learn that core consumer prices have actually been slightly rising since the introduction of Abenomics, while they have fallen in Britain, France and Germany. Therefore, Japan is still in a position to act as a guide to what other

countries should do to reinvigorate internal demand in the face of aging populations, sluggish growth and stubborn debts.

Japan's central bank is playing an active role in trying to push inflation up and unlock the economy. Rates have been kept at only 0.1 percent, but the available artillery does not end there: the Bank's governor Haruhiko Kuroda has recently announced that it would buy around \$787 billion worth of 10-year Japan government bonds.

While some dismiss the BOJ's measures as desperate, other analysts compare Mr. Kuroda's decision with the "whatever it takes" statement issued by the President of the European Central Bank Mario Draghi in 2012, which prompted euphoria in the markets. The governor's resolve means that the BOJ is ready to proceed with its monetary expansion for as long as needed, and at a scale that is commensurate with the country's determination to see off falling prices.

With his announcement, Mr. Kuroda has shrugged off market concerns that the Bank is running out of monetary ammunition to continue pursuing long-sought inflation. In fact, the list of tools at the governor's disposal seems endless: "Even within the current framework, there is ample room for further monetary easing...and other new ideas should not be off the table," he said.

One of the biggest risks of maintaining and deepening such an expansionary monetary policy is hurting bank's profits and the rate of returns on savings-based financial products such as private pension schemes. Feelings of uneasiness are aggravated by the prospect of further reductions of interest rates, but Mr. Kuroda, while recognizing the risks, insists in putting the nation first: "There is no free lunch for any policy. That said, we should not hesitate to go ahead with additional easing as long as it is necessary for Japan's economy as a whole."

Industry leaders are optimistic about the BOJ's strategy. "Japan's long-lasting deflation issues are due by and large to deteriorated investment in Japan. However, I believe that now with the measures in place, we should soon be able to say goodbye to deflation," says Shunichi Miyanaga, President and CEO of Mitsubishi Heavy Industries.

The efforts to shore up the economy must go far beyond the short-term goal of pushing up prices. According to the IMF, Japan also needs to implement ambitious structural reforms, particularly encouraging the participation of women, older workers and foreign professionals in the labor market. To observers in the West, those challenges may look easy to overcome, but they involve tack-

ling some deeply-ingrained social norms. Change is by no means easy.

Addressing the issue of working women has a particularly critical importance. Last April Japan started enforcing legislation requiring large companies to publicly set goals for hiring and promoting female managers. Under the new law, all businesses with more than 500 employees must publish figures on the number of their female workers and establish action plans to meet those targets. However, even if 'womenomics' has become a pillar of Mr. Abe's priorities for economic resurgence, many bosses and employees in corporate Japan fail to accept it; this is especially the case in the upper management echelons, which have been virtually woman-free for too long.

Aside from the aforementioned legislation, several initiatives have flourished to help women gain access to a male-dominated business culture. One example is the so called Tomodachi-MetLife Women's Leadership Program, which has been jointly organized for the last three years by the U.S. Embassy in Tokyo and the U.S.-Japan Council. This initiative provides Japanese female university students with opportunities to learn from influential female leaders on both sides of the Pacific, in the hope that they will be able to bring some of those empowering lessons back home.

Another crucial reform lies in innovation. Japan was for many years a synonym for the most advanced and seductive technology, and marveled the world with its products and equipment. Part of that reputation has been eroded after two decades of stagnation, global competition and a certain degree of introspection. But where many see a crisis, others see an opportunity.

Prime Minister Abe clearly belongs to the second category. He is not scared by the country's troubled demographics, which could be turned into Japan's advantage as an incentive for innovation in sectors like robotics, wireless sensors or artificial intelligence.

"I have absolutely no worries about Japan's demography," Mr. Abe said at a Reuters event. "Japan may be ageing. Japan may be losing its population. But these are incentives for us. Why? Because we will continue to be motivated to grow our productivity. Japan's demography, paradoxically, is not an onus, but a bonus," he said.

Many would certainly disagree with Mr. Abe's remarks, but his words at least contain a dose of can-do attitude that other faint-hearted leaders should envy. In addition, the Prime Minister's ideas point towards an ability (technological innovation) that has been a feature of the Japanese economy for many

decades. It just needs to be re-empowered through innovation, and re-branded through wise international marketing, in order to expand globally and become the bedrock of the country's revival.

"The domestic market is not as active as it should be. Japanese companies are aware that the Asian market is growing very rapidly, so they are expanding into the Philippines, Indonesia, Malaysia or India," says Masami Kubo, Chairman of port logistics firm, Kamigumi.

Many Japanese companies are already focusing the efforts on international expansion. "Our international strategy runs around three core fundamentals: the expansion to China, to other Asian countries, and trading. These are the three ways we would like to strengthen our international business," says Akira Kokubu, Executive Vice-President and COO of food logistics company, Kokubu Group Corp.

"Japan may be ageing. Japan may be losing its population. But these are incentives for us. Why? Because we will continue to be motivated to grow our productivity. Japan's demography, paradoxically, is not an onus, but a bonus"

Prime Minister Shinzo Abe

"We have already developed a big presence in Europe and in Asia, and we are growing quite steadily in the U.S. market as well," says Shigehiro Kondo, President of Choya, the number one producer of Umeshu, a plum-based alcohol unique to Japan. "Right now our competitors are disappearing in the U.S., so Choya is really the only one occupying the market space in America."

Publishing firms like Kadokawa are also pursuing aggressive global expansion. "We can diversify our sales through a diversified business strategy," says Shinichiro Inoue, Representative Director.

"We acquired and formed new subsidiaries in Malaysia and other South East Asian countries. Also we are planning to expand our market to the Arabic speaking population and are gradually preceding with our expansion." The company is also expanding its activities in the U.S.

International trade was one of the pillars of the G7 declaration signed by world

leaders at the summit held in Japan's Ise-Shima national park in May. The signatories pledged to keep their markets open and to fight all forms of protectionism; they also reaffirmed their commitment to encourage liberalization through regional trade agreements including the Trans-Pacific Partnership (TPP), which is currently awaiting ratification.

Japan stands to gain a lot from the TPP, as the country's companies, particularly in the automotive sector, could find it easier to expand overseas thanks to a tariff reduction. Opposition to the treaty is expected among Japanese farmers, who fear that they would be unable to compete with cheaper foreign imports after tariffs of agricultural products are lowered.

Irrespective of the economic pros and cons of TPP, the latter symbolizes a kind of alliance that exceeds commercial interests. To put it clearly, the agreement could enhance relations between Asian countries and the U.S., thus acting as a counterweight to China's economic, military and territorial assertiveness in the Asia-Pacific region. A resurgent Japan such as the one that Mr. Abe wants to unleash must avoid isolationism and intensify relations with old and new allies; the TPP can play a largely geopolitical role that entails much more than what its economic nature suggests.

Tokyo is also striving to re-energize Japan-U.S. relations. On September 19, the Prime Minister met with American presidential candidate Hillary Clinton and tried to convince the latter of the need to ratify TPP, which she has opposed. "Japan and the U.S. must each obtain domestic approval of the TPP as soon as possible," Mr. Abe told Reuters. "Success or failure will sway the direction of the global free trade system and the strategic environment in the Asia-Pacific. Japan will spare no effort, and we count on the U.S. to do the same".

On his part, the Republican presidential nominee Donald Trump has publicly questioned American military assistance to Japan. Such a message should not discourage bilateral relations, as both countries must acknowledge their mutual dependence and interest in a properly balanced region where no country has too much of an upper hand. However, Mr. Trump's hint could work as a wake-up call for Tokyo to avoid overreliance on its traditional allies and look for additional new partnerships across the world.

Irrespective of Japan's future foreign policy moves, a reformed, stronger and more internationalized economy will give the country the clout that it started losing a couple of decades ago.



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BLUE OCEAN STRATEGY

TO UNLOCK 'LIMITLESS POTENTIAL' IN REAL ESTATE UP TO ¥1BN

As the number one specialist investor in Japanese property under the 1 billion yen mark, the Tosei Corporation has not only created well-earned and deserved respect across the industry but also holds a very bright future for foreign and domestic investors alike. President and CEO Seiichiro Yamaguchi explains why the company's track record and unique assets make it the ideal partner for anyone considering investing in such a potentially lucrative sector, as well as its new venture into hospitality

What potential do you believe there is within the small to mid-sized asset class in Tokyo's real estate segment at the moment?

Tosei is specialized in the investment in small to mid-sized assets under 1 billion yen (approx. \$9.5 million). Our real estate stock in Japan is approximately of 2,500 trillion yen, including the private sector that accounts for 470 trillion yen. The total real estate transaction volume, as we analyzed it, is of approximately 10 trillion yen in the Tokyo metropolitan area. Our revenue was about 50 billion yen, so that means that if we increase our market share by just 1 percent we can increase our revenues by 100 billion yen.

We call this strategy the 'Blue Ocean Strategy' because we believe that the market is so large that we feel as if we were swimming in a vast ocean. There are quite a number of large competitors of course; however, Tosei also has a very strong track record and a solid experience in this field, which is certainly one of our competitive advantages.

Where do you believe Japan's real estate market stands in comparison with the rest of Asia?

The Chinese economic decline recently has affected many countries in Southeast Asia, but Japan boasts of a very strong economic base with solid fundamentals. The safety, transparency, sustainability, low risk and growth as an advanced country will attract investments and investors to Japanese real estate and to the Tokyo area in particular.

One of the results of Abenomics has been the depreciation of the yen, which contributed to attracting more foreign investors. Prime Minister Abe, in cooperation with the Bank of Japan and Governor Haruhiko Kuroda, has taken additional monetary easing measures, which made the yield gap the highest in the world, and helped to boost real estate investment. That is why foreign investors come to Japan to invest in real estate assets. Stable business fundamentals, currency depreciation and high yield gap – these three



President and CEO Seiichiro Yamaguchi

parameters have encouraged high numbers of investors to come to Tokyo/Japan.

CBRE, the world's largest property services company, forecasts that Japanese property transactions will rise 15 percent this year to about 4 trillion yen (\$35.6 billion) after a 59 percent drop in the final quarter of last year, when deals in excess of 100 billion yen declined. How do you forecast the climate and growth prospects across the real estate sector this year?

There are two kinds of real estate markets in Japan and in Tokyo. One is the end-user or buyer market, and the other is the investor market.

Regarding the end-buyer market, Abenomics has stimulated good economic conditions in Japan through salary rises, which led to an increase in consumption and private sector investment expansion. I believe that this salary rise will induce a rent rise. Mr. Abe is also planning to introduce government subsidies to boost consumption in general and the real estate sector in particular.

In the investor market, investors and developers are enjoying the negative interest rate, which is used as a high leverage by them. Also, the REIT market is invigorated; Tokyo

Stock Exchange REIT Index declined to 1620 in January from 1900 and recovered to 1900 after the introduction of negative interest.

The consolidated fiscal results for the fiscal year ended November 30, released on January 13 this year, show profit for the year at a little over 4.1 billion yen, an increase of just less than 44 percent year on year. What do you attribute this impressive growth to and how do you hope to sustain it?

First of all, as a leading real estate investment fund manager, Tosei is involved in five key sectors or fields of expertise, which we have classified as: revitalization business, development, rental, fund and consulting, and property management. This mutually complementary combination of five business fields enables Tosei to grow, and provide also a flexible portfolio and strong basis that enables us to deal properly and flexibly with any crises. We have invested in a very wide range of assets, ranging from condos, detached houses and offices to commercial spaces.

Secondly, as I mentioned before, the small to mid-sized assets field we are specialized in is a blue ocean to us. There is limitless growth potential for Tosei.

Thirdly, we have already set up 52 measures, "Value Up 52", as a part of our corporate action scheme, in order to tackle key concerns and focus areas, such as security, design, eco-friendliness, etc. In our revitalization business for instance, we significantly differentiate ourselves from our competitors, as we have an in-house architecture office with appropriate licenses, which enables us to create attractive products.

Last but not least, thanks to Tosei's long experience in this industry over the past 20 years, we have been able to build strong relations with the domestic vendors, brokers and consulting firms, so that we can come by profitable asset information exclusively. We can get quick answers and gain the trust from all organizations in our industry.



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YAMAHA MOTOR EARMARKS

\$1.1BN TO ACCELERATE NEW GROWTH STRATEGIES

Hiroyuki Yanagi, President, CEO and Representative Director of Yamaha Motor Co. Ltd, explains how the company's world-beating technologies and dedication to innovation and 'Kando' will shape its future and move it up a gear in its four targeted sectors for growth, with developments much to the excitement of its customers, and delight of its shareholders

You have been leading Yamaha Motor since 2010, and over that period we have seen more than steady performances in the share price and the company itself. Aside from just purely healthy profits and share price, what else would you like to achieve over the next five years?

In my tenure as president of Yamaha Motor, I would really like to clear 2 trillion yen in sales and 10 percent in operating profit. In addition, during this timeframe I want to create a new business, whether it is in four-wheelers, three-wheelers or robots. My ambition right now is to reach 2 trillion yen in sales within three years and 3 trillion yen sometime in the future while I am still at Yamaha, optimistically within 10 years.

Yamaha Motor possesses very solid technologies, which is our main source of strength. This is true in four distinct areas: engines and electric motors; body engineering in motorcycles and marine vessels; control systems; and manufacturing engineering technology. We will continue to drive innovation in these four areas as we evolve and grow our technologies. Evolution is very important to Yamaha, so we are constantly trying to create powerful new combinations based on these four areas, including power sources and technologies. Such combinations include motorcycles and engines, motorcycles and electric motors, and three-wheelers in new frames or new bodies with motorcycle engines.

PAS, the world's first electrically power-assisted bicycle, is another innovation created by Yamaha Motor in the early 1990s, when the Japanese market was developing environmental consciousness. As restrictions and regulations increasingly surrounding the motorcycle market, our engineers were motivated to create a new type of mobility combining human and electric power in a solution that does not require licenses or helmets. Twenty years later, almost a half million units are still sold annually in Japan and almost 1 million units in Europe. It is especially popular in Germany and the Netherlands. We are creating these new innovations through our unique combination of existing technologies.

If we look at Yamaha Motor's results for 2014, its



Hiroyuki Yanagi, President, CEO and Representative Director of Yamaha Motor Co., Ltd

net sales rose by 7.9 percent year-on-year in what was globally an uncertain time. Its share price has risen from 1,329 yen in early 2011 to more than 2,300 yen today. What in your opinion have been the key reasons behind such impressive growth?

Indeed, this has been our performance track record for the last several years now. We have now come to the end of our 2015 medium-term plan, which was concluded with reasonably good figures and indicators. Our net sales revenues have grown by approximately 157 percent, including all foreign currencies, which is better than the average for most Japanese companies. In developed markets, this growth can be explained by the yen, which is much weaker now compared to previous years. About 60 percent of our business today comes from emerging economies, while 40 percent comes from advanced economies, similar to most Japanese automobile manufacturers.

With regards to market share, Yamaha Motor has grown its market share in both advanced and emerging economies. In the last three years, we have gained significant market share in advanced economies, especially the United States and Europe. We are offering a vast array of best-selling models in the big motorcycle category, so we are strong in this segment. Production volumes were a bit down this year due to the general economic slowdown in most emerging markets. Production in Asia and mainland China declined almost 10 percent. Yet, in spite of generally declining production,

we managed to grow sales in other advanced economies, and, compared to emerging markets, we grew business in advanced economies through higher prices. Yamaha business is strong in the premium categories, for example, in motorcycles. In Asia, customers are stepping up to high-end motorcycles, so that's why our sales were up even though volume was down.

Our market cap is almost 300 percent compared to three years ago, so we have tripled it to surpass the average Japanese market cap of almost 200 percent. The results that we achieved last year are quite a success for us. We have taken action in a number of variables these past three years in terms of products, cost reduction and business restructuring, which have contributed to our strong performance. In addition, we were successful in motorcycle racing, such as MotoGP, and in rugby and football. Overall, this great combination of factors and events has helped us improve performance despite slower business in emerging economies.

As we come to the end of this year and as Yamaha Motor starts its new medium-term plan through 2018, what are the challenges you anticipate over the next two years?

We are assuming that growth in emerging economies will remain sluggish for the next two to three years, meaning that our business in these regions will be slow. At the same time, we anticipate that advanced markets will remain strong enough to overcome the emerging markets and enable us to achieve the same level of global profits as in this last year.

Within the next three years, we hope to reach sales of 2 to 3 trillion yen and at least 9 percent operating profit, if not 10 percent. But we also will have to consider what Janet Yellen will say about the Federal Reserve Rate going down or up, which will affect our business over the next two to three years.

Innovation is also key for Yamaha Motor's future. You said you have earmarked 130 billion yen (\$1.1bn) for new growth strategies. How are you going to utilize this money over the three-year period of the new medium-term plan, and what is Yamaha Motor's strategy to stimulate creativity and innovation in your products?



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Indeed, an additional 150 billion yen has been earmarked for new growth strategies in our new plan from this year.

Right now, we have identified four themes for new growth. The first theme is mobility. We are working to grow the concept of personal mobility through bicycles, motorcycles, scooters, multi-wheelers, recreational vehicles and compact four-wheelers, all featuring the 'unique style of Yamaha.' The second theme is marine business. Yamaha is the #1 brand in world in the marine market. Our marine business currently accounts for sales of almost 500 billion yen and 20 percent operating profit, which is a unique business model. But we must continue to improve and develop this business. The third theme is our solutions business, which includes robotics, surface mounters and unmanned systems, such as drones, which we are continually trying to expand. The fourth theme is foundational technology development.

We will spend the additional 70 billion yen to continue building on our product leadership and technological edge in the four fields, or themes, that I just mentioned. In the growing world of personal mobility, for instance, we are now advancing research on compact four-wheelers and multi-wheelers, such as twin-front-wheel systems. In the marine business, where Yamaha Motor already has solid market leadership and strong engine know-how, we are developing more integrated controls for total boat systems, as well as advanced on-board IT systems to further improve performance and customer experiences.

What kind of strategies do you have in place to further increase your position and leadership in the marine business?

We are also developing the marine business as a system supplier. Being a system supplier means that we supply not only engines, but also boat packaging, boat control systems, IT systems, and marine-life value. That is a direction we will pursue for the next several years.

The core part of your business remains the motorcycle business, even if it derives only 6 percent operating profit compared to 20 percent in the marine business. What initiatives are you promoting, especially in the motorcycle business, in developed economies, to remain ahead of competitors like Honda or Suzuki?

Over the next several years, we will launch new initiatives to consolidate our position in the motorcycle industry. In Japan, we need to continue restructuring our business, as we are still importing most of our motorcycles and scooters from Taiwan, so we are suffering from currency fluctuations. As the Taiwanese currency is linked to the U.S. dollar, importing items from Taiwan turns out to be very expen-

sive for us, since the dollar is very strong and the yen is weak against the dollar. A number of negative factors are requiring us to restructure our business. In Europe, we are now facing a new emissions regulation, called Euro 4, which will require us to spend much more on R&D to further upgrade the emissions performance of products.

But developed markets still account for the core of our business and sales. The Yamaha brand was really created in the United States and Europe and shaped in these markets before spreading out across the world. So we are spending more money in developed markets to strengthen our brand there first, after which it will spread to emerging markets.

Let's talk about AI and robotics. The majority of the world's large automobile operators or motor producers are taking this direction. Toyota just announced a new \$50 million deal with Stanford University and MIT for the development of AI and robotics. What can you tell us about Yamaha Motor's efforts in regard to AI and robotics?

At the Tokyo Motor Show this year we presented the robotics and automated systems that we have developed and embedded in our new products. We call them the 'Motobot.' We have already been working on this project for a couple years, so we are developing autonomous motorcycle-riding robots in collaboration with Stanford University. The point for us has been to gain technological expertise and know-how in this field and then apply this technological know-how to develop rider-support systems. In markets such as Europe, where motorcycles and advanced safety technologies are well embraced by consumers, we wanted to provide enhanced rider-support systems. Generally, motorcycle riders spend almost 50 percent of their time on operating the machine; 20 percent on selecting the best track on the road; and the last 30 percent on safety, viewing and controlling. With our new automated systems, we are trying to reduce machine-operation time from 50 percent to 20 percent, so the rider can use the remaining 30 percent for safety control or safety viewing. This is the concept we are working on right now.

We are trying to implement more automation within the machine-operation process, which is something we have implemented in our new 'YZF-R1' model. The R1 is Yamaha's flagship super sports model. This year, we launched our fifth-generation R1. The new model features ultra-high-performance technology and highly advanced control systems with its rider-support system. Riders have the same feeling of motorcycle riding as before, but our new rider-support system reduces machine-operation time, allowing them to concentrate on safety and controlling. The system

senses and determines the machine's position at any point of time to automatically control the engine, suspension and brakes. Riders are supported in every sense, so they can focus less on machine operation.

We want to introduce this concept and technology across all our entire range of motorcycles, even in emerging markets if we can implement it optimally and at minimum cost. We believe that the system won't be too expensive to introduce in all products, which is why we are developing Motobot with the goal of exceeding human capabilities. Next year, when Valentino Rossi visits our San Francisco lab, we want him to challenge Motobot in a showdown on the track. We shall then see who is the better rider, Mr Rossi or Motobot.

The US market represents about 20-25 percent of your global sales. What steps are you taking to grow your presence and deepen partnerships there?

The United States is a special market for Yamaha Motor. In Europe, 80 percent of our business comes from motorcycles, but in the United States, our business comes from a variety of segments. The US marine market is the biggest in the world and offers us high volume and high sales. The US motorcycle market also offers high business volume based on large motorcycles. Recreational vehicles, like the ones we call All-Terrain Vehicles (ATVs) and Recreational Off-highway Vehicles (ROVs), are another substantial market for Yamaha Motor in the United States; we expect to deliver more than 400,000 units this year alone, which makes this an important market for us.

Our challenge is to create a new category of vehicles in United States, so we need to be creative and launch new concepts. In 2004, we introduced ATVs and ROVs as new types of recreational vehicles in the United States. The category grew bigger and bigger, but suddenly we encountered product liability issues and had to pull them from the market. Just after I became president of Yamaha Motor, we decided to suspend the business for three years, from 2010 to 2012, to sort out our court cases one by one. We were able to win all of our court cases and resolve the product liability issues, so we resumed the business in 2015. Yamaha Motor created the market, so we had to reclaim and regain that market.

The United States is a market that offers many opportunities for growth and many chances for new business launches, not only in the automotive or marine segments, but also in the off-road market and new-vehicle markets that have not been developed yet. If we can succeed with a new business in the US, we can expand it to other markets. So this is a field where we try hard to leverage our innovation.

HISTORIC ENERGY REFORM

TO FUEL GROWTH AND INVESTMENT

In February at the 55th IHS CERAWEEK, Houston's premier annual international gathering of oil industry leaders, Mexican president Enrique Peña Nieto was presented with the Global Energy Lifetime Achievement Award, in recognition of his role in overseeing the unprecedented overhaul of Mexico's energy sector, which he hailed as "the most important economic change in the country of the last 50 years."

The energy reform – which forms part of a wider plan to introduce legislative and constitutional changes that have impacted everything from telecoms and finance to the education, judicial and tax systems – opens up the state-dominated industry to the private sector like never before. By giving investors a stake in the exploration, production, distribution and commercialization of energy resources, Mexico – the fourth-largest oil producer in the Americas after the United States, Canada, and Brazil – hopes to boost its oil and gas production, increase its use of natural gas and renewables, and deliver cheaper and more reliable power supply to homes and businesses across the entire nation.

"No country has more profoundly modernized every aspect of its energy sector – from oil and gas, to power and renewable energy, to the sale of refined products – in such a short time," said Daniel Yergin, conference chair and vice chairman of IHS Inc. "Already these changes are bringing lower electricity prices to the Mexican people. They promise to capture the best technologies to restore Mexico's position as a world leader in oil and gas. It took profound leadership to put Mexico on this course and to make this transformation real. For this we honor President Enrique Peña Nieto."

These changes to the energy sector are expected to lead to renewed growth and investment in Latin America's second largest

economy and one of the troubled region's best economic performers last year, with growth of 2.5 percent. Mexico's Secretary of Energy Pedro Joaquín Coldwell last year estimated that the reforms will add up to 3 percent to GDP growth by 2025 and will attract more than \$60 billion of investments over three years in oil block contracts and infrastructure such as pipelines, power stations and transmission cables. Meanwhile the *Comisión de Energía del Senado* (Senate Energy Commission) predicts that the reforms will spur the creation of half a million jobs over the next four years and 2.5 million in the next 10 years.

"No country has more profoundly modernized every aspect of its energy sector – from oil and gas, to power and renewable energy, to the sale of refined products – in such a short time"

Daniel Yergin, vice chairman of IHS Inc.

In a country where there is a national holiday each year to mark the events of March 18, 1938, when President Lázaro Cárdenas removed international oil companies and nationalized Mexico's reserves and facilities, President Peña Nieto's proposal to once again allow foreign firms to have their share of Mexico's vast oil wealth was always going to be a hard sell to the Mexican people. But somehow he has managed it, bringing all sides of the table together to pass a bill that ends the 77-year monopoly of *Petróleos Mexicanos* (Pemex), the state-owned company set up by President Cardenas in June 1938. "These reforms are the

In an international conjuncture where prices of raw materials are near record lows, Mexico faces the future with more optimism and better prospects than other countries in the region, due to energy reform that has opened the sector to national and international investment.

So far numbers are impressive: 30 contracts have been awarded in the hydrocarbon exploration and extraction sector, which represents a long-term investment of \$7 billion

fruit of the collective effort of an entire nation that is transforming itself," said President Peña Nieto in his speech at the IHS conference.

Since the legislation was passed, several international and Mexican firms have competed in Round 1 of the auction to sell off oil blocks on and offshore. In the first three phases, 30 contracts were signed with both Mexican and foreign companies, including BP and Italy's Eni. Phase four will be the most interesting as the first of the country's assets in deep waters, the "crown jewels" believed to hold billions of barrels of crude, will be up for bidding this December. The extraction of these resources will mean billions of additional dollars in state coffers, money which will be used for investment in infrastructure, health services, education and other areas of the economy.

The mass overhaul of the industry also includes an overhaul of Pemex itself. In February new CEO José Antonio González Anaya was brought in to reshape the company and sort out its finances. On his appointment, Mr. González said he would "revise the spending program and strengthen the investment processes, making use of the new joint venture and investment schemes provided by the energy reform," in a bid to transform the heavily debt-burdened, loss-making energy giant (the 8th largest in the world) into a profitable, efficient and well-oiled machine.

Pemex's monopoly in the importation and selling of gas and diesel has also come to an end. This year saw the passing of legislation which allows private companies to import, transport and sell gas and diesel products, and to open gas stations, a move which is expected to lead to lower prices at the pumps for consumers.

Aside from oil, the government hopes to increase the supply of natural gas, once again by giving the private sector a stake. According to the U.S. Energy Information Administration (EIA), Mexico's consumption of natural gas is expected to increase 64 percent between 2015 and 2027. To meet the increased demand the government wants to exploit the country's 545 trillion cubic feet of estimated shale reserves, and has signed contracts with a number of Mexican, U.S. and Canadian firms to construct a network of pipelines that will transport gas from the U.S. to several Mexican states. The tender process for these pipeline projects was overseen by the *Comisión Federal de Electricidad* (The Federal Electricity Commission, CFE), which like Pemex is undergoing a massive restructuring program to make it more efficient.

The gas pumped from the U.S. will be used to replace oil in the generation of electricity, which the CFE says will lead to cheaper electricity for consumers. A cheaper and more reliable energy supply for the country's man-

ufacturers will indeed have a significant impact on output and the economy as a whole. Cheaper power will also make Mexico – already the best place to do business in Latin America according to the World Bank's Doing Business Index, in which it ranks 38 out of 189 countries – an even more attractive destination for foreign investors.

Mexico also hopes to exploit other clean energy resources to meet its demand for electricity. In March more than \$2.6 billion worth of contracts were signed for wind and solar projects in the first round of auctions in the electricity sector. A second auction will take place later this year, as Mexico aims to add 20 GW of clean power to the national grid over the next 15 years. "The energy reform has a very important environmental component. Clear commitments have been set so that we can have 55 percent of energy supply coming from clean sources by 2024," says Enrique Alba, CEO of Iberdrola México, which has \$2 billion worth of energy generation projects under construction in the country.

Over the same 15-year period, 25,000 km of high-voltage power lines will be constructed with investments of more than \$15.4 billion. The tender for construction of 1,250 km of these lines will be launched this year, the first of its kind in the transmission sector.

Of course the success of Mr. Peña Nieto's energy reforms depends heavily on the in-

stitutions tasked with implementing them, particularly CFE and the *Comisión Nacional de Hidrocarburos* (National Hydrocarbons Commission, CNH) which have been praised for carrying out the bidding processes with openness and complete transparency, an important consideration for potential bidders. "Implementing these reforms requires solid institutions," says Carlos Morales Gil, CEO of Petrobal, one of the domestic companies that has been awarded contracts in Round 1. "This is something that has always distinguished Mexico: having institutions that command respect, that exhibit respect, and that are respected by all of us who operate within the different environments in the country – and having those institutions implement the reform processes in a transparent way."

But the ultimate beneficiaries of these reforms will not be energy companies primed to profit from these new contracts signed with the CFE and CNH, but the Mexican people. This new energy industry will generate jobs, generate new revenue for investment in roads, schools and hospitals, and provide Mexicans with cheaper and plentiful energy. "It is clear that the primary objective in Mexico is to have better living conditions for everyone," says Mr. Morales. "That is the fundamental objective of everything that is being done in the country."



TAKE A TRIP TO THE LAND OF ETERNAL SPRING

Bordered by no less than four countries – Mexico, Belize, Honduras and El Salvador – Guatemala is the largest of the Central American republics and the only one that is dominantly Indian in language and culture (roughly half of the 16 million population is pure Maya). It is known as “The Land of Eternal Spring” because of its mainly benign climate and two thirds of the hinterland consists of volcanic mountains rising to 12,000 feet at the Sierra Madre’s Tajumulco, the highest peak in the land. The lower slopes (2,000-4,000 feet) are in turn filled with coffee plantations, while the sea level plains, lush with tropical woodlands, cultivate bananas, cotton and sugar. Guatemala extends over 42,000 square miles, much of which is still uninhabited, and boasts not just one shoreline but two: the Caribbean Gulf in a narrow strip to the north east and the Pacific Ocean in a wider belt lined by black volcanic beaches to the south west.

It is an exotic and atmospheric land that’s long appealed to adventurous “Indiana Jones” spirits, nature lovers and seekers of the exotic; and its Hispanic heritage has left a range of colonial-era architectural gems that vie with traditional ancient Mayan pyramidal sites like Peten province’s Tikal where a vast array of fourth-century temples and public buildings sprawl mystically in the very heart of the jungle. Other key Mayan sites include Quirigua in Izabal – home of the famed 50-foot-high Estela monument – and Iximche in Tecpan, but the largest of them all, near the Mexican border in the north, is El Mirador, whose two pyramids – timeless monuments set, like Tikal, amid emerald green forests – are among the world’s highest.

Up among the peaks, volcano tours are popular with the energetic walker, especially to the highest, Pacaya, whose still-active

Mackenny crater is easily reached by a two-hour walk from the village of San Francisco de Sales. Petrified lava formations in the neighborhood bear witness to recent eruptions. In serene contrast, an off-the-beaten-track paradise well worth seeking out is Semec Champey where a natural limestone bridge crosses the River Cahabón near Lanquin in Alta Verapaz province. Here you can swim in a series of stepped turquoise pools made of limestone.

Mountains, forests and secret Edens apart, the country also abounds with breathtakingly beautiful lakes. The largest of them, Izabal, is watched over by the imposing Castillo San Felipe at the point where the Rio Dulce enters the lake and adjoining Gulf of Honduras. Top on most visitors’ list, though, is the 4,500-foot-high Atitlán, which lies a hundred miles east of the capital. It’s

GUATEMALA HAS IT ALL



NATURE TOURISM

The flora and fauna of Guatemala is varied enough to fill any earthly paradise. One of the best ways to enjoy its natural attractions is to take a tour through the country’s largest unspoilt protected area, the Reserva de la Biosfera Maya (or Corazon del Mundo Maya) and into the very heart of ancient Mesoamerica. This fauna-rich biospheric nature reserve covers 1.9 percent of the entire country and is the home for up to 17 percent of all known living species. Top feathered friends to look for in the jungle are the toucans which come in various colorful guises (the “Banana Bill” variety is an all-time favorite).



WELLBEING TOURISM

The two most popular spas for health-seeking visitors both lie close to Guatemala’s second largest city, the 7,000-foot-high Quetzaltenango. Nearest of these, just four miles away on the edge of the picturesque town of Amolonga (noted for its fine costumes and fine 16th-century church), are the thermal baths of Cirilo Flores, where you can soak and relax at leisure. At Zunil (six miles from Quetzaltenango) the Fuentes Georginas opaque blue waters steam invitingly amid volcanic rocks and lush tropical vegetation. Local bungalow accommodation also provides individual hot spring baths, and further up the mountain you can reach sulphuric springs and steam vents on foot in 45 minutes via a steep winding path.



The UNESCO-awarded town of Antigua

backed by purple-grey mountains, which are crowned by three spectacular volcanoes, Tolimán, Atitlán and San Pedro, and bordered by tiny villages named after some of the apostles. Much admired by international visitors in the past, such as the distinguished British novelist and essayist Aldous Huxley, it's one of the most picturesque lakes on earth, with mesmerizing watery hues that

constantly fluctuate between azure, purple and even green. On a more practical sporty note it also offers fishing, sailing, kayaking and waterskiing facilities.

Capital Guatemala City, with over a million inhabitants, is the country's economic and cultural hub and offers plenty of parks, museums, theatres, restaurants, hotels and shops, and even a few old colonial ed-

ifices amid the general bustling modernity. For smaller-scale charms and a wealth of mansions, palaces and plazas dating from the Spanish colonial era, check out the UNESCO-awarded town of Antigua, and if you enjoy the bustling atmosphere of local markets then head for the biggest of them all at Chichicastenengo, a traditional highland town specializing in colorful handicrafts.



RELIGIOUS TOURISM

For visitors interested in checking out the country's more recent Christian religious past, which dates from the era of its Spanish colonizers, there are two key itineraries to follow. One is the Ruta del Hermano Pedro which takes you on a tour around the churches, palaces and squares of historic Antigua where Canary Island-born Pedro de San José de Betancur, a 17th century Franciscan missionary, founded the order of the Betlemitas. The other is the 500-year-old Ruta Santa del Peregrino (the Holy Pilgrims' Route) in which up to 3 million faithfuls a year come in romerías (processions) and peregrinaciones (pilgrimages) from all over Central America to the small town of Esquipulas whose magnificent white basilica features a black Christ carved by Quirio Catano in 1594.

WEDDINGS AND HONEYMOONS

Many tour operators are now promoting weddings and honeymoon breaks to this wonderfully laidback but exotic location. The aforementioned old colonial town of Antigua is among the most popular destinations and two of its most beautifully preserved convents, Los Capuchinos and Santa Clara, are a perennially popular choice for wedding celebrations, while the magnificent facade of the ruined 17th-century La Ermita has served as a backdrop for many nuptial occasions. Honeymoon hotel choices, in turn, may range from the charming Meson Pancho Verde in Antigua to the elegant Barceló Guatemala City Hotel in the capital itself.

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A NEW ERA FOR GUATEMALA

Jimmy Morales was elected President of Guatemala in October 2015, after huge anti-corruption demonstrations that led to the prosecution of a former president and vice-president. In this interview with The Worldfolio, he discusses his government's efforts to stamp out corruption since coming to power, the reduction of violence and crime, and the country's growing attractiveness as both an investment and tourism destination.



Jimmy Morales, President of Guatemala

2016 marks 20 years of the end of an armed conflict in which Guatemala has evolved. However, it is now in the process of change and you are taking the lead in this historic transformation which the people of Guatemala claimed for their country. From your point of view, what are those factors that Guatemala can boast today with respect to other countries in the region?

In 2015 there were peaceful civic demonstrations that lasted 22 weeks, where public and private university students, professionals, farmers, workers, women, the elderly and young people came together to sing the national anthem in the Plaza de La Constitución and to repudiate one of the scourges that had been destroying the

social and civic fabric, corruption. Due to these demonstrations, the world turned to observe us in 2015. And many people said that there would not even be elections and that the democratic system had collapsed completely. But on the contrary, participation at the polls broke all records and I had the privilege of being elected.

This citizen drive that Guatemala has demonstrated in several chapters of its history is something of which we are humbly proud.

In 2016 we proved that this civil demonstration in 2015 continues to bear fruit. We have strengthened our institutions such as the Public Prosecutor's office, the judiciary and the SAT (Tax Administra-

tion), which all show a firm stand against corruption. And of course the Presidency has given support to get the financial resources to these institutions and to introduce the necessary reforms.

For example, through the SAT, we managed to remove the board and appoint a new Superintendent that could be considered today a national hero. He has managed to recover a lot of money that one could not have thought of recovering at other times.

In addition to these reforms, the removal of bank secrecy was achieved, which until a year ago was unthinkable. The government has been trying to bolster to strengthen institutions. We can say that the strengthening of our institutions and

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the institutional character that we want to give to the government is also something we are proud of.

A UN report pointed out that there are more violent deaths in Guatemala than in war zones. How is the government working to eradicate this problem?

Today we have 170 fewer violent deaths than in 2015. In addition more than 50 bands of extortionists and organized criminals have been dismantled in 6 months. The two most important police operations in history have already taken place. The last one consisted of 150 raids on the same day, in which more than 100 people dedicated to extortion and organized crime were captured. In addition, a seizure of 580 kilos of cocaine was made, adding to the 8,733 kilos which had already been seized; it is a historic record.

Foreign direct investment (FDI) that the country received last year dropped by 13 percent with respect to 2014. Is it reliable to invest in Guatemala?

It is now more reliable than before. At least corruption has been eradicated from the Presidency, the ministries and senior officers.

Whoever wants to come and invest will not need to bribe anyone. Now one sees more legal certainty. The investment made in Guatemala will now be a much cleaner investment that will not face the cost of corruption, which was high for the government, for the population and the investor. Guatemala is a very good destination for investment.

The United States is Guatemala's main investment partner. are you working to strengthen, improve and encourage investment from the U.S.?

The U.S. government, through its Embassy in Guatemala, released a statement extolling the achievements of the current Administration. We are working hand in hand towards solving problems that affect us in both ways. Migration is one of the major problems being faced today and I believe that the United States is also concerned by this issue, especially migration of unaccompanied minors.

As President of Guatemala the issue of migration is also of great concern for two reasons: firstly, because it puts the lives of fellow Guatemalans at risk and secondly because we are losing our human talent. A country that loses its human talent loses its most important asset, which is the only

one able to give added value to materials. Here we share a common interest, and we are working hand in hand to improve the conditions of Guatemalans by reducing poverty, chronic malnutrition and violence - many of the problems currently affecting the population.

While it is true that Guatemala produces and has today an excellent energy matrix, we cannot neglect the possibility of having a gas pipeline in the country. Today we have three suppliers from Mexico, which is very costly; we need to have a better option.

"In 2016 we proved that this civil demonstration in 2015 continues to bear fruit. We have strengthened our institutions such as the Public Prosecutor's office, the judiciary and the SAT (Tax Administration), which all show a firm stand against corruption. And of course the Presidency has given support to get the financial resources to these institutions and to introduce the necessary reforms"

Secondly, if we had a production plant, we would be able to make a more competitive electricity market and also consider not only energy but capacity too. If we add to that the possibility that this will allow us to increase connectivity to other Central American countries and become true exporters of electricity, I think that any investor would want to come and invest in Guatemala.

I would like to talk about brands now. If we mention Argentina, meat comes to my mind; if we talk about Chile, wine and meat too; as for Colombia, it's the coffee. I would like to ask you about the Guatemala brand. Do you think the country brand of Guatemala has the image and prestige that it deserves?

Zacapa Centenario is considered by many the best rum in the world. It is a 25-year-aged rum. It is exported to 15 destinations worldwide but the brand name Guatemala still needs to be bolstered. The difference is that it is a brand of rum while, for example, tequila is a drink that is identified with a country of origin, which is Mexico.

We have not succeeded in reaching that level; perhaps the closest we could have gotten was with coffee. But coffee is a generic product, which is grown in all countries. The same thing happens with cocoa. We, in Mesoamerica were the principal producers; however, we continue with traditional rudimentary forms; we haven't managed to cross over to industrialization.

Why don't more tourists come to Guatemala despite it having such attractive destinations?

There are four ways to develop a country: manufacturing; we are not big manufacturers and our ability in this area is lost because we are absolute beginners. Agriculture; this ceased to be, long ago, a way of generating wealth and large areas of land would be needed to generate it but over 65% of the territory is forest. The third way is trade; we have an enviable geo-strategic position but Panama beat us 100 years ago when they built the canal, and now that they have added another canal. They have the maritime passage, and, moreover, in the last 20 years they became the hub of the Americas in air connection. With our airline which was sold 50 years ago, we were unable to compete in trade. The fourth way for development that we have left is tourism.

We have everything we need to offer tourists: coastlines on the Atlantic and on the Pacific. On the Atlantic we have access to the second largest barrier reef in the world. On the Pacific we have the possibility to develop sailfishing, which could be a popular sports tourism attraction. We have the river rapids in Alta Verapaz, we have the Maya Biosphere, the second largest forest reserve in Latin America, and within it, larger than the entire forest that Costa Rica has to offer, we have an architectural wealth of more than 1,200 Mayan monuments, including the largest cities like Tikal and the Mirador.

If we add to that the volcanoes (Now the Pacaya volcano is active, from a 100 meters away you can see lava). If you add to this that we have lakes that have at their feet volcanoes such as Lake Atitlán which has the Santiago, San Pedro, and Santa Maria volcanoes. If we add to that 21 live Mayan languages; if we add to that 340 beautiful municipalities; adding to that we have a Garifuna Afro-American culture.

Six months ago we launched the sustainable tourism plan, which will become one of the main tools for development promotion.



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LANDMARK REFORMS EXPECTED TO BOOST DEVELOPMENT AND INVESTMENT IN INDONESIA

In 2014, former small-business owner Joko Widodo became Indonesia's first elected president outside of the country's political and military elite. Since September 2015, he has laid out 13 economic reform policy packages that aim to transform the business environment and boost investment in critical areas such as infrastructure



Mr. Widodo wants to go a lot further, including cutting corporate taxes to 17 percent from the current 25 percent, introducing a new value-added tax regime, bringing his country into the 12-nation Pacific Trade Partnership and a rapid conclusion on E.U. trade and cooperation pact talks

Photo Credit: Provincial Government of Jakarta

In late October, as Indonesian President Joko Widodo and his government celebrated two years in power, the central bank unveiled an anniversary present – its sixth cut in interest rates so far in 2016.

Bank Indonesia's governor explained this was due to prices being stable at the lower end of the target range, an improving current account deficit, above-expectation trade surpluses and rupiah exchange rate stability – all signs of the government's success in navigating through difficult global and domestic currents.

For many years Indonesian and foreign investors have struggled with red tape, protectionism, unclear business rules, poor logistics and corruption, and more recently by sharply reduced commodity export earnings, the mainstay of the economy.

Now, with 15 economic reform and stimulus packages introduced in the past year, huge state investment underway to improve its creaky infrastructure, and gross domestic product (GDP) on track

for albeit modest growth in 2016 after five years of declines, government efforts to transform the business environment are starting to bear fruit.

But there is no room for complacency as economic growth is slower than the rise in Indonesia's 285-million-strong population, bureaucratic paper-filling still chokes innovation, infrastructure projects are struggling with deadlines, revenues from commodity exports are still weak and a hoped-for influx of direct foreign investment (FDI) has not happened.

Forecasters expect GDP 2016 expansion of around 5 percent, from 4.8 percent registered in 2015. This is still far from Mr. Widodo's ambitious 7-percent growth target set two years ago.

Given a history of current account and budget deficits, the president's moves to free up fiscal space are seen as positive. The late-2014 abolition of gasoline subsidies freed up billions to be ploughed into stimulus and reform programs.

Mr. Widodo initially lacked political support needed to move rapidly. With first-half 2016 tax income below year-earlier levels, he struck deals in July with opposition parties to bring in a tax amnesty for overseas assets. This has so far raked in \$7 billion, against a total tax collection goal for the year of \$100 billion.

A driver of economic growth is the \$22 billion allocated to infrastructure development. Presidential chief of staff Teten Masduki said in a recent interview that this, in part using money previously spent on fuel subsidies, is going mainly to power generation, highways, a high-speed railway, airports, harbors and ports. The aim is to encourage development in areas of Indonesia where growth has lagged.

"Currently we have some issues regarding the cost of logistics, for example the distribution of the logistics from west to east...this has led to uneven economic growth between the western and eastern islands of Indonesia. The high cost of lo-

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gistics also makes us less competitive. So, building infrastructure will have a huge positive impact on our economic growth,” said Mr. Teten.

As an archipelago nation of over 17,000 islands, improving transport links is particularly important. Thanks to recent reforms and investment, the average shipping turn-around time in the country’s largest port, Tanjung Priok near Jakarta, has been cut from seven to three days, Rizal Ramli, Coordinating Minister of Maritime Affairs said recently.

Markets are showing some enthusiasm for the changes. In the first 10 months of 2016, Indonesia’s benchmark JCI stock exchange index rose more than 17 percent and the rupiah has arrested a multi-year slide against the dollar, with some financial pundits predicting a gain of 4 percent over the year.

Indonesia’s 55-year-old president is from humble origins, growing up in a slum in central Java where his father was a carpenter, which could explain his choice of a university degree in forestry. Mr. Widodo later set up a furniture export business, before entering politics.

In 2005 he was elected mayor of the city of Surakarta, where his efficient administration resulted in him seven years later being selected Indonesian Democratic Party of Struggle, PDI-P, candidate for the governorship of the capital, Jakarta, which he won in 2012.

His subsequent victorious presidential campaign, where he pledged major reforms and a rooting out of corruption, came two years later. His election in 2014 was a watershed as he was the first president since the UN recognized its independence in 1949 not to come from the military or the country’s political elite.

His creation of a minority government was followed by a rough year, when the rupiah slumped to a 17-year low and critics questioned his ability to govern. Planned reforms were slowed or watered down, partly due to opposition from former president and PDI-P head Megawati Sukarnoputri, and to difficulties in garnering enough parliamentary support to make changes.

He strengthened his power base in early 2016 when Golkar, the country’s second-largest party, threw its support behind Mr. Widodo’s coalition. Then,

through a July cabinet reshuffle, he cemented support from other parties, giving him the backing of nearly 70 percent of parliamentarians.

Most of his reforms have been introduced in the past 15 months, in part reflecting the administration’s increased influence in parliament. However, some political commentators say the price of this has been a watering down of some of Mr. Widodo’s more ambitious political and economic reforms and uncertainty whether or when protected business sectors will be opened up.

Among measures introduced in 2015 were accelerated licensing and lower taxes on capital goods imported for new industrial estates, soft loans and reduced energy tariffs for labor-intensive industries, deregulation of Islamic banking, tax incentives for investment in special economic zones, free leasehold certificates for street vendors operating in designated state-owned areas and incentives for the development of oil refineries by the private sector.

Making the world’s most populous Muslim country more open to Islamic finance such as sometimes tiny sukuk loans to small and medium-sized enterprises will, the government hopes, fertilize the grass roots economy, and employment. Islamic microfinance has played a big role in boosting start-up businesses in other economies similar to Indonesia, where 87 percent of the population is Muslim.

The reform process gathered pace this year with a host of additional changes. New rules introduced so far in 2016 include relaxing foreign ownership restrictions in certain industries, mandatory use of Indonesian rupiah for payments related to transportation activities, harmonization of customs checks, government subsidies and loans for export-oriented small and medium enterprises, the hacking back of permits needed to do business in Indonesia, and relaxing laws governing residential property projects for low-income families.

Mr. Widodo wants to go a lot further, including cutting corporate taxes to 17 percent from the current 25 percent, introducing a new value-added tax regime, bringing his country into the 12-nation Pacific Trade Partnership and a rapid conclusion on E.U. trade and cooperation pact talks.

In a survey released in October, the UN Conference on Trade and Development put Indonesia in ninth position on its list of top prospective host countries for FDI from 2016 to 2018, up from 14th in its business survey in 2014

The largest buyers of Indonesia’s \$150 billion worth of exports in 2015 were Japan, the U.S., and China. Export values have been sharply down due to the slump in energy, mining and agricultural commodity prices that started in 2011.

Due to recent modest price recoveries and lower imports, Indonesia had a trade surplus of \$1.2 billion in September, its largest in 14 months. It is the world’s second-largest coal exporter, is fifth-ranked in liquefied natural gas export, second in rubber, and takes top slot in palm oil.

Indonesia is increasingly being seen as an island of relative stability in a rough neighborhood, despite outbursts of radical religious extremism and occasional terror attacks.

Malaysia is enmeshed in a massive corruption case, Thailand remains under military rule following its latest coup in 2014, while in Vietnam and Laos, commitments to economic and political reform are under question following clampdowns.

Indonesia’s leaders hope that their reforms will prompt an inrush of foreign direct investment, which in turn will spur more growth. So far, though it hasn’t happened, partly due to unfulfilled pledges to eliminate red tape. FDI in the first half of 2016 was largely flat from year-earlier levels, in dollar terms, although it is up 4.5 percent in the two years of Mr. Widodo’s administration.

That said, international business executives are playing closer attention to the country. In a survey released in October, the UN Conference on Trade and Development put Indonesia in ninth position on its list of top prospective host countries for FDI from 2016 to 2018, up from 14th in its business survey in 2014.

MAYOR KAMIL LOOKS TO PPPS FOR BANDUNG'S INFRASTRUCTURE FUTURE

The city of Bandung is the capital and economic heart of West Java. In this interview with The Worldfolio, Mayor Ridwan Kamil, a former architect and lecturer, discusses how Bandung has become Indonesia's 'smart city' and a hub for ICT and the creative economy. He also discusses infrastructure project financing and invites investors to be a part of the city's remarkable transformation

Before you were Mayor of Bandung, you were a professional architect and academic. How did you come to be mayor? Within the context of the World Islamic Economic Forum, what role can Bandung play in creating better relations and understanding around Islam?

I have never considered myself a smart person, but I have always been a quick learner, I love to learn. Before I was Mayor of Bandung, I was an architect and a university professor, so bureaucracy is something new for me. After three years in the job, I am amazed to see how power can change civilization when it is practiced in the right way.

I am the product of direct elections. In Indonesia we are adopting this Western form of democracy, which means people like me, who are outside the political norm, have a chance to be elected. I am not a political party member, I am not a movie star, I'm just a regular guy, but I was the only one in the campaign using Youtube, Facebook, Instagram and Twitter. This is an important message to the West, that in a Muslim country, we have direct elections that are peaceful and democratic.

I was educated in the U.S. at UC Berkeley and I am part of a generation that was educated overseas and then returned to the country with a global perspective. In that sense I see Bandung as the perfect diplomatic vehicle to the world in a time of global uncertainty around Islam. I really want to send a message to the West: come to Indonesia, come to Bandung to talk about Islam. When people think about Islam, the West always thinks about the Middle East, they never speak to the silent majority, which is me. Indonesia's Muslim population outnumbers the entire Muslim population of the Middle East. Despite this, in terms of dialogue, we are never really invited to the table for these discussions.

In the future Indonesia needs to be included as a larger part of the dialogue, and Bandung should be used as a setting for this. Bandung is well qualified for the position; in 1955 Bandung hosted the Asia-Africa confer-



Ridwan Kamil, Mayor of Bandung

ence that liberated many countries in Asia and Africa. For this reason we are called the solidarity capital of Asia and Africa. We need to talk about Indonesia beyond just the economic perspective; let's send a message to the world that we have an open invitation to discuss these complex issues.

Well one example is that I built the city square not using public money but using CSR (corporate social responsibility) money. As you say, a key strength of Indonesia is its democracy and stability, especially with so many diverse cultures in one country. How is it possible to have such a harmonious society?

There is no economy if there is no political stability. Compared to the instability in places such as the Middle East, we have not seen instability in Indonesia because we are unique. We are bonded not by religion or languages, but by one universal

value system and that is Pancasila. Without Pancasila I have no idea how we can bring together 700 languages, 400 ethnicities and 17,000 islands.

Bandung is a model city, it is representative of Indonesia, we have 4,000 mosques, the highest per capita in the country, but we also have bars, clubs and karaoke. We are an open-minded society, so it all works together. Bandung is also very open to social media; of the 2.4 million people living in the city, 2.1 million are Facebook users. We are lucky to have such a connected and engaged society, Bandung loves to be engaged through public participation, so we need to be accountable to them.

Bandung has undergone a remarkable transformation during your time as mayor, how have you initiated and funded your projects?

Well one example is that I built the city square not using public money but using CSR (corporate social responsibility) money. This year I also built four junior high schools, a record number for schools in one year, also with CSR money. This shows that building the country does not necessarily need to be dependent on government resources. I was part of an international business before this, I had projects in the Middle East, in China and I have used this network to help Bandung, which is why in the last three years I have received more than 50 international institutions that want to engage Bandung.

Now as a city of 2.4 million, and with six million people visiting the city every year, we require better infrastructure. I am focusing on transportation projects including the monorail, LRT, cable car, electric buses, highways and hospitals. Bandung is the capital of West Java, so with healthcare and education, we also need to cater to the surrounding areas.

These projects will require a significant budget, but in the last few years I have found a problem in the way Indonesian cities spend their money. Our cities are not

progressive enough; we finance 100 percent mostly through the central government, which is not nearly enough. For example, my annual budget for development is \$300 million. Now, over five years that is \$1.5 billion to spend on everything, however my planning team translated my vision for Bandung and it was more or less \$6 billion. I am short \$4.5 billion, so Bandung either needs to wait for nine mayors to finish the job, or you fund things in a creative way.

Last year I flew to London and I learned about public-private partnerships (PPPs) in Nottingham. I went to Spain and many other places to find a way to build a city without relying too much on government funds. There are really two options, municipal bonds or PPPs. Indonesia is not really ready for municipal bonds, but with PPPs you bring the products and you already deliver the highway and the monorail and then we pay for the long-term lease.

Bandung is the first city to really push this agenda. I lobbied the President and I said that Bandung needs at least \$4 billion, and if you multiply that by the 500 cities in Indonesia, that is \$2 trillion for city infrastructure. That number needs to be communicated to the world, we need to invite investors to Indonesia and tell them that besides federal projects there are city projects. So in Bandung we have set up a PPP center so investors will have an independent unit set up to accommodate the process.

So with 2 trillion opportunities, I am inviting investors all over the world to come to Indonesia to take this opportunity and get involved in city and regional infrastructure projects. Bandung is growing at nearly 8 percent and economically it is a great city to be a part of. That. Perhaps more importantly, we are happy. To me, this is the most important indicator.

What is the main strength of Bandung in terms of its people? What makes it such an attractive investment destination?

In terms of the economy, Bandung does not have natural resources or energy resources, so human capital resources are our focus, which means I am focused on having a more creative economy in Bandung. Part of this is our aim to become the Mecca for Muslim fashion. This is only logical as the biggest Muslim population is Indonesia and the most fashionable city here is Bandung. We have the talent and we have the fashion industry nearby. So we can become the Paris of Indonesia, a real Muslim fashion hub in the next five to 10 years.

Another part of this creative economy is attracting international businesses to Bandung to use it as a base. What success have you had with this so far?

Anything related to creative economy should be based in Bandung. The creative economy has 13 different sectors and one of the 13 is ICT. I am creating these ICT hubs everywhere, much of it hidden, where we have fitted out old buildings with the best technology. They are our so-called 'guerilla workshops'. Beyond this, one of our flagship projects is the new ICT park, which is six hectares dedicated solely to technology and called Bandung Technopolis.

This year I secured \$100 million in investment from UTC, an aerospace production company in the U.S. They are going to be based in Bandung Technopolis. They chose our city because we have world-class engineers that live in Bandung and beyond that our population is young; 60 percent are under 40, and highly educated, as we have 50 universities and research institutes here. Investors can use Bandung to tap into the 50 million middle-class Indonesian consumers, or they can use it like UTC, which does not actually sell into the Indonesian market.

Currently, I am in talks with Apple, which is thinking about opening a startup workshop in Bandung, similar to the ones they have in Brazil. I am coordinating with MENKOMINFO (the Ministry of Communication and Informatics) to use Bandung as the base. Additionally, I have already secured an animation business for Bandung with 600 employees. It is clear that investors are already seeing the value.

Bandung is Indonesia's smartest city, with innovation at the center. How will you take Bandung to the next level of smart city?

I define smart cities into three types, 1.0, 2.0, 3.0. For 1.0, which is already finished, we digitized data and made that data open to the public so people in Bandung can now see how much I spend in my budget. For 2.0, which is what we are doing now, it is about interaction with the public. Initiatives include the scorecard for feedback and checking the progress of projects online. Another thing is transportation apps for people to check bus schedules and capacity. These are simple things that help people in their daily lives and create less stress. The next level is the smart city 3.0, which is building machine-to-machine communication. For example, I am building apps that can check things like a leaking pipe, which would be sent to the relevant maintenance

crew and fixed. This is very exciting for us in terms of the amount of things we will be able to handle.

Bandung is certainly a model city, how are you sharing this success with the rest of Indonesia?

Of course, I do not want the success of Bandung to be ours alone, I have reached out to and spoke with all the Mayors of Indonesia and told them that we have 300 apps, and they don't have to budget them for themselves. Twenty cities have already signed MOUs (memorandums of understanding) with me to use my software. Two months ago the Ministry of Internal Affairs, and MENKOMINFO voted us the smartest city in Indonesia. Now, my mission this year is to spread the smart city to all underprivileged cities that do not understand the smart city concept. Of course, when I say I saved \$150 million because of the e-budgeting software, they are very interested.

Bandung is also the President of the Smart City Alliance for Asia and Africa and that is where my practice of smart cities is being spread globally. This really supports our position as the solidarity capital of Asia and Africa; in 1955 it was about decolonization, now it will be about smart cities.

Businesses have already felt the impact of some of these smart city initiatives. How do you see the ease of doing business in Bandung?

Previously, we would frequently receive complaints about how difficult it was to register an SME in Indonesia. I knew that I needed to find a revolutionary way to have SMEs register here problem free. With the decentralization of power to my office, I was able to push these reforms through on a local level. I made registration free, no permit and everything to be done online. After six months we have 30,000 businesses registered, so it speaks for itself.

What lessons could WIEF delegates take away from your leadership strategies?

I think number one is visionary political will. Sometimes you can be smart but if you do not have political will, there is no change. Political will needs a concept, a master plan and clear blueprint. Bandung is a success because its innovation inspires others. The Mayor himself has to do the trailblazing, but my leadership is always from the middle. This is the best place to lead from. If you are in front, you might leave people behind because you can't see them. In the middle you can push those out in front of you and drag along those lagging behind you.

ENORMOUS UNTAPPED

POTENTIAL FOR SMES

Indonesia's West Nusa Tenggara province, whose two largest islands are Lombok and Sumbawa, is encouraging its youth and SMEs with a plan to create 100,000 new entrepreneurs. It is also looking to maximize the maritime potential of the Lombok Strait, and in tourism it sees no problem in hitting its target of boosting visitor numbers by 50 percent. Governor Muhammad Zainul Majdi has the details

As Governor of West Nusa Tenggara (NTB), how has the region changed during your time in office?

We have had a lot of changes, for example our economy now is relatively stable, and in the last two years it has performed above the national average. We are ambitious about how the growth in West Nusa Tenggara (NTB) can contribute positively to the national growth of Indonesia. Furthermore, we are hoping to have more sustainable growth. One of our main priorities is ensuring that the environment in NTB can support our growth in the long term.

In terms of stable economy and sustainable growth, how are your programs with entrepreneurs and young people contributing to the economy of West Nusa Tenggara?

Since 2008 we introduced our program called "100,000 Wirausaha Baru" (100,000 New Entrepreneurs). The backbone of this program is our youth and we aim to empower the young generations of NTB through its implementation. I believe that NTB's economic structure can be strengthened not only in the agriculture sector, but also in the entrepreneurial sector. Through this strengthening we can create sustainable growth through micro and small-medium enterprises.



"Our President has declared creating the global maritime axis as one of his administration's priorities, and of course we will contribute to do that. In fact, to achieve this global maritime axis, a key factor would be the utilization of Lombok Strait (Selat Lombok). Lombok Strait has several characteristics that Malaka Strait does not have"

*Muhammad Zainul Majdi
Governor of West Nusa
Tenggara*

This is very much in tune with the World Islamic Economic Forum, which is focused on decentralizing growth and improving future business by creating opportunities for SMEs. One of the factors that will contribute to the success of SMEs is connectivity. How is connectivity being improved in NTB?

Our President has declared creating the global maritime axis as one of his administration's priorities, and of course we will contribute to do that. In fact, to achieve this global maritime axis, a key factor would be the utilization of Lombok Strait (Selat Lombok). Lombok Strait has several characteristics

that Malaka Strait does not have. Firstly, Lombok Strait's sea is very deep, so it could accommodate very large vessels. Secondly, Lombok Strait is already well known internationally. There are already a lot of vessels from Europe, Japan and China going through this strait. If we focus on making it a global hub, I believe we would attract even more from the shipping and logistics industry. We have a very good location for a potential port in Lombok called "Kayangan". We have already started talking with the people there, so I believe the needs of land acquisition could be fulfilled. We will be preparing the regulations that will accommodate this plan now, and we are communicating with the central government to make the territory a Special Economic Zone (SEZ). This aims to give incentives for investors who plan to build and develop Kayangan area.

What would you like to communicate to the international investors who are considering investing in the Special Economic Zone or tourism businesses of West Nusa Tenggara?

We would like to communicate the potential that NTB has; we have already become a major destination, but we still have much to develop. We are just next to Bali and we can use this to our advantage to leverage our tourism potential. We also have very diverse tourism attractions here, from mountains such as Rinjani and Tambora, to the deep ocean. Lombok is really a one-stop destination.

Beyond this, our Mandalika Special Economic Zone is one of the 10 main destinations for tourism development beyond Bali. Our geostrategic position in terms of sailing makes it possible to be developed as a global hub, especially in the northern area of Lombok.

NTB also has amazing potential in agriculture, particularly in products such as paddy, corn, seaweed, and fisheries. We would like to say that Lombok and Sumbawa, as a part of NTB, are very conducive to investment. We want to give the best incentives for investors to invest long term in our area.



Your work in attracting “Muslim or family-friendly tourism” has been lauded by the Minister of Finance, Minister of Tourism and Coordinating Minister of Maritime Affairs. What role do you think halal tourism or family-friendly tourism will play in Lombok’s future?

Objectively family-friendly tourism is a huge market and it keeps on growing year after year, yet Indonesia has never really taken this market seriously. Starting from last year, Indonesia has decided to take this market more seriously and NTB has declared to the central government that we are willing to be the first province to develop this family-friendly tourism, or Muslim-friendly tourism.

We believe that this will be very good for NTB’s tourism development, because we are still going to facilitate conventional tourism. We have already prepared the local regulations and we invite our partners and stakeholders to prepare themselves to move ahead with these developments. We believe the new market of Muslim-friendly tourism in NTB will contribute immensely to national development and recognition.

In 2008, NTB received 480,000 tourists, and then by 2015, we reached 1 million tourist arrivals. In the year of 2016, we have already achieved 2 million tourists. As we can see, the growth accelerates very quickly under the right conditions. Our target from the Minister for this year is very ambitious, 3 million tourists. Other regions had targets of a 20 percent increase, the Ministry gave us the target of a 50 percent increase and we are very optimistic about reaching that target.

What could people learn from what Lombok has been doing in the tourism industry?

Tourism in NTB has one very important lesson for us; the values of Islam are compatible with tourism. So it is wrong if people say that tourism cannot grow in an area with a Muslim majority. It shows that Islam actually teaches people to be open, live in harmony and contribute to the society for their shared interest. NTB sets an example as the majority of the people here are Muslim, but other religions live in peace and harmony in NTB. With this we would like to say that harmony is our most precious asset. In Indonesia you see that Islam contributes

positively, unlike in other countries that make Islam’s teaching the base of their conflicts and destruction. In Indonesia, our diversity makes us stronger.

Second, I would also like to say that the potential for the small and medium enterprises to develop in NTB is enormous. We just need the financial access. We believe with enough capital we could really see decentralized growth, but this is only possible if there is inclusive financial access. It is very important that everyone can access financial services. Here, we are trying to create a bridge between SMEs and existing financial and banking services. We hope that countries attending the WIEF can work to create a model that ensures financial access to everybody. Huge capital cannot give any benefit to society if the people cannot access it. It is very important to create a model that gives people the opportunity of financial access.

What makes Lombok so unique?

I think it is about harmony in Lombok. It is our culture and we are doing our best to maintain it. It is our most important asset, yet it is intangible.



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SOUTH KOREA RIDES NEW WAVE OF CREATIVITY AND INNOVATION

Strategically located at the mouth of the Hangang River, Incheon is a city that will be forever linked with a seismic event that changed the destiny of the Korean peninsula. It was here in 1950 that U.S. and South Korean troops were able to make a surprise amphibious landing that enabled them to recapture the city of Seoul, reversing a string of losses to North Korean Communist forces who had swept through most of the country. Six decades later, Incheon is once again poised to serve as a springboard for cataclysmic change in a country that has risen from the ashes of the Korean War to become the world's 11th biggest economy. Now home to South Korea's main international airport and second busiest seaport, this city of three million inhabitants offers a glimpse into the future of a country that is firmly focused on addressing the gradual decline of its much-vaunted export-led growth model.

Hit hard by falling oil prices, the slowdown in emerging markets and increased competition from China and Japan in its core industries, the government of President Park Geun-Hye has concentrated much of its efforts on fostering a "Creative Economy" that will enable South Korea to become a "first mover" in the Fourth Industrial Revolution and the convergence industries of the 21st century, such as biotechnology, Internet of Things (IoT), artificial intelligence and smart vehicles.

Incheon is, in many ways, the physical embodiment of this paradigm shift. The city boasts Incheon Free Economic Zone (IFEZ), a sprawling business and residential area spanning three districts. Since its inception in 2005, IFEZ has served as magnet for domestic and foreign investment in high-tech industries and services. Last year, IFEZ attracted some \$1.2 billion in FDI, accounting for 88% of the total international investment in all eight free economic zones in South Korea.

"Incheon Free Economic Zone is a new growth engine for the whole country," explains Mayor Yoo Jeong-Bok. "Differentiated future cities are being developed in the districts of Songdo, Yeongjong and Cheongna. Songdo International Business District alone is home to the offices of 15 international bodies and a total of 36 foreign companies."

Many of these companies operate in sectors that have been identified locally and nationally as "new growth engines" that will counteract the decline in some traditional industries such as shipbuilding and petrochemicals. They are drawn not only by the attractive investment incentives offered by IFEZ, but also by other favorable strategic advantages.

"Let us be clear, Incheon is a prime investment destination with easy accessibility, excellent human resources and outstanding infrastructure," says Mayor Yoo. "It enjoys an extraordinary geographical location at the center of Northeast Asia, a region that accounts for 20 percent of the global economy. In fact, the city of Incheon is located within a two-hour flight from 84 major cities with populations of more than one million people. We are in the best position to take

"When the basic needs of society are fulfilled, people wish for continued health and longevity. These needs can only be fulfilled by the biotechnology industry and its growth is of absolute importance"

*Dr Jeong-Sun Seo,
President of KoreaBio and
Chairman of Macrogen*

Ranked as the world's top innovator in the 2015 Bloomberg Innovation Index, South Korea is investing heavily in R&D as it looks to nurture a "Creative Economy" at the forefront of the 4th Industrial Revolution

advantage of Korea's extensive free trade network, including the Korea-China FTA, which recently took effect."

Fostering new growth engines

Last year, under the project name, "Eight Strategic Industries of Incheon City: Vision 2050", the metropolitan government selected eight industries that will underpin the city's emergence as the new business hub of Northeast Asia. These are high-tech automobiles, robotics, biotechnology, cosmetics, tourism, aviation, marina and services (logistics, medical and education).

The city government is backing up its vision with bold targets and investment plans. In collaboration with the national government and private investors, Incheon is building Robot Land, a robotics theme park which is scheduled to be completed by the first half of 2017 at an estimated cost of \$625 million. Besides being a tourist attraction, Robot Land will feature a robotics R&D center, a post-graduate robotics school, a Robotics Institute and various educational and industrial development facilities. Mayor Yoo pointed out that the metropolitan government has also invested around KRW 30 billion (\$27.3 million) from its own budget in the robotics industry this year, which is a relatively large investment for a single sector.

Aside from this, Incheon is aiming to become one of top five cities for biotechnology in the world. Songdo has emerged as a major production base for Korean and global biopharmaceutical companies and the metropolitan government's target is to create 250,000 new biotech jobs and reach KRW 33 trillion in annual biotech exports.



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First mover in biotechnology

Whilst South Korea's rapid economic development was built on being a "fast follower" in industries such as electronics, Dr. Jeong-Sun Seo, President of the Korea Biotechnology Industry Organization (KoreaBio), points out that biotech is one of the sectors where the country has the potential to seize the initiative as a "first mover".

"In biotech, no one quite knows the way forward. All countries involved in biotech are starting on the same line," says Dr. Seo, who is also the founding chairman of Macrogen, a highly successful biotech company specialized in genomic research.

"There are two main sectors that can be future growth engines of major economies: the entertainment business and the health-care business," Dr. Seo continued. "When the basic needs of society are fulfilled, people wish for continued health and longevity. This is especially the case in countries like Korea, which has an increasingly aging population. These needs can only be fulfilled by the biotechnology industry and its growth is of absolute importance."

From Dr. Seo's perspective, South Korea is well positioned to spearhead a revolution in predictive healthcare through the use of genomic information, potentially saving the government billions of dollars by enabling patients to avoid chronic health problems before they occur. Dr. Seo pointed out that South Korea benefits from state-of-the-art IT infrastructure with standardized and transferable electronic medical records that can be easily integrated with genomic information. At the same time, Dr. Seo's company, Macrogen, is at the forefront of efforts to understand Asia-specific genomic variations through the Genome Asia 100K project, which could pave the way for implementing precision medicine across the continent.

"The establishment of precision medicine in Korea could be a major stepping-stone for initiating precision medicine across Asia, which would be of immense benefit for the 4.5 billion people across our continent. We have to focus on China, Japan and Korea first, and then we can look at the rest. This should be our national biotech target," Dr. Seo said.

Improving the startup ecosystem

There were a total 975 biotech companies in Korea as of 2014, but 60 percent of these were start-ups with limited financial resources. According to Dr. Seo, who founded Macrogen as a bio-venture in 1997 before

listing it on the KOSDAQ market three years later, the Korean government understands the need to support startups and venture companies. "However, government initiatives by themselves are insufficient. We also need to learn as a society to tolerate failure, because ventures by their nature are highly risky endeavors. We need young Koreans with imaginative ideas for startup companies. We need to adapt our education system to foster creative minds and fearless entrepreneurs."

"Incheon is a prime investment destination with easy accessibility, excellent human resources and outstanding infrastructure. It enjoys an extraordinary geographical location at the center of Northeast Asia, a region that accounts for 20 percent of the global economy"

Yoo Jeong-Bok, Mayor of Incheon

According to a study by the Korea International Trade Association published last year, 59 percent of Korean start-ups closed their doors after three years and nearly 75 percent closed within five years. Only 8 percent of Korean start-ups stayed in business for 10 years or more. In response, one of the flagship policies of the Park Geun-Hye administration has been to establish a network of 18 Creative Economy Innovation Centers across the nation in collaboration with South Korea's largest and most successful companies. The integrated facilities are focused on region-specific industries with the highest growth potential. They serve as incubation hubs that support start-ups and small and medium-sized enterprises (SMEs) in overcoming bottlenecks and obstacles to their development. According to government figures released in May 2016, the number of companies supported by the nationwide network of Creative Economy Innovation Centers since the first one opened in September 2014 totaled 2,105, including 929 start-ups and 1,176 SMEs. Start-ups supported by the centers said that their sales increased by a total of KRW 77.7 billion

(\$70.6 million) and they had employed 758 new employees during that period.

Globalization of Korean firms

One of the primary objectives of the Creative Economy Innovation Centers is to help startups and SMEs to globalize. Whilst the nation's flagship brands such as Samsung and Hyundai are known the world over, South Korea has long suffered from a significant productivity gap between SMEs and the conglomerates which dominate the national economy. However, as South Korea begins to feel the demographic squeeze caused by an aging population, companies across all sectors are being forced to look abroad for future growth.

One company leading the international charge in its sector is SAMOOCM Architects & Engineers. In 2014, the design part of the company was spun off to become an affiliate of Samsung, whilst the remaining rump transformed itself into an expert construction management firm. Last year it was ranked by Engineering News Record as the largest construction management company in South Korea and the 15th largest in the world outside of the U.S.A.

Not content with this, SAMOOCM Architects & Engineers CEO, Hur In, explained that the company has created an Infrastructure Business Team this year with the remit of converging civil engineering and architecture and expanding its local and international business lines into power plants, railways, roads and water treatment.

"Based on our cumulative know-hows in healthcare and industrial facilities, we already entered into markets in the Middle East, Africa, and Eurasia. Also, through overseas affiliated companies in Philippines and Vietnam, we are building key bases in order to expand our service lines to the global construction management/engineering market. We aim to create a 100-year company by not only quantitatively expanding our core businesses, CM and design, but also by exploring new engines of growth and qualitatively enhancing our sound management practices," Mr. In says.

Just as South Korea has successfully extended its cultural influence abroad thanks to the global popularity of Korean pop music, drama and film – known as the 'Korean Wave' – Korea Inc. is also determined to make bigger splash internationally through a cross-sectorial commitment to innovation combined with renewed confidence in South Korea's ability to compete amongst the world's best.

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A CLOSE UP WITH NIKON

President of the renowned Japanese camera maker, Kazuo Ushida, discusses the company's origins, his optimistic view on the smartphone's impact on the digital camera market, as well as Nikon's other hi-tech business segments



Kazuo Ushida, President & Representative Director of Nikon Corporation

In 1917, three of Japan's leading optical manufacturers merged to form a comprehensive fully integrated optical company known as Nippon Kogaku K.K., Nikon has today gained a solid recognition around the world as a world-class camera manufacturer but few people know why Nikon began manufacturing cameras and what was a springboard for gaining popularity among world. What would you say are the core values that still run in the company's DNA today?

1945 was a major turning point for Nikon. After World War II, Nikon decided to create optical equipment for civilian purposes. In 1948 we launched our first camera product called the Nikon Model I. Since then, our prestige has not stopped growing.

Mr. David Douglas Duncan, who is well-known for his photographs of Pablo Picasso, is a photographer with a really strong relationship with our company. In 1950, Mr. Duncan was a photographer for

Life Magazine, one of the biggest photo magazines in the United States. During the Korean War he and some other photographers used our Nikon cameras and NIKKOR lenses to take pictures of the war. Those pictures were released and published in Life Magazine. Because of the quality of these pictures, Nikon started to receive a close up.

At that time, Japanese cameras were considered to be copy products of German cameras. However, in 1950, the New York Times created a special feature, citing the pictures of Life Magazine taken by Mr. Duncan, on how Japanese camera manufacturers have caught up, offering very good quality, putting the spotlight on Nikon. That was when Nikon came onto the world stage and was introduced as a reputable manufacturer of cameras. As a company we feel very indebted to Mr. Duncan for giving us the opportunity to come onto the world stage.

The big transformation came when

the world became digital. The 20th century was the era of film cameras, but the 21st century is undoubtedly the era of digital cameras. From the very beginning Nikon was an optics company and a precision manufacturing company, based on observing things, and with strong expertise at 'looking at things' - whether through cameras, binoculars or optical machinery for medicines. Our strength and the whole concept behind our company is to look at things. Humans can see visible light on the wavelength about 400nm to 800nm - the strength of Nikon obviously is that we possess optical technology utilizing light covering all wavelengths, from X-rays to infrared.

Your most iconic product, digital single-lens reflex cameras, is a market dominated by both you and Canon. What make your products stand apart and explain this high market share?

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not changed the lens mount called the F Mount on all of our single-lens reflex cameras that we have produced since the beginning until now. The mounting of the lens is the same, so once you purchase a Nikon lens you can use it for any of the Nikon single-lens reflex cameras that we produce. This is a very strong strength because at the end of the day these customers can update or purchase a newer model camera but they use the same lens that they originally purchased.

Our quality is our competitiveness and we consider that all of our products deliver a stable performance. We believe that the quality is recognized by our customers. Individual customers around the world believe and understand the strength of Nikon's lenses and our good product performance.

The camera market is being swiftly eaten up by smartphones and is now half as big as it was at its peak. However, Nikon is determined to see this as an opportunity, and you said that this trend to take pictures all the time at the end will inspire lots of people to become photographers. What new value do you think you can offer with your cameras to entice consumers to go one step further and acquire a real camera?

In regards to the compact cameras market we recognize that this market is shrinking mainly because people have their smartphones in their pockets and bags at all times and there is no point in having a separate compact camera. Sales of compact cameras have gone down considerably. It is amazing when you look at the actual number of photos that are being taken by these new photographers, usually in primary school or middle school. They love to share them with the rest of the world. I consider this trend very positive. Personally I believe that, even if these young people, who are born using smartphones to take pictures, are always going to use their smartphones to take pictures.

In Nikon, we have products available that communicate between the smartphone and the camera, the pictures are taken by the camera and transferred to the smart phone and cloud service – these pictures will offer an absolutely higher quality compared to the smartphone picture. Users will be able to take pictures that they cannot take with a smartphone, and I hope that this trend

will eventually result in a migration of these young smartphone users wanting to have a new Nikon camera. It is also important to understand that these young consumers have scarcely read the user setup manual for a smartphone; everything is very intuitive. Today, when you purchase a camera, it comes with a thick manual. From my point of view, we should ensure that our products do not need a user manual so that these users can adopt our products with the same ease as a smartphone.

Beyond cameras and your other existing business that have already matured, Nikon has been developing new businesses. What kind of areas is Nikon about to enter at this moment?

In Nikon we have six-business portfolio: the Imaging Products Business, the Semiconductor Lithography Business, the FPD Lithography Business, the Microscope Solutions Business, the Industrial Metrology Business, and the Medical Business. Of that six-business portfolio the Imaging Products, the Semiconductor Lithography, and the FPD Lithography are considered a matured industry with mature markets. With regards to the Industrial Metrology Business, Nikon has historically been very good at the measuring small objects in micron order. In 2009, we acquired a European company specialized in measuring large objects such as automobiles and aircrafts. Thus, as a company, we can provide measuring systems for not only small objects but also large objects. We believe this is a strong driver of growth going forward.

Industry 4.0 or the robotics revolution is coming: production facilities will be soon fully automated by system. The system at factory will manage a production facility, needing to get information from all the different areas on an automated basis. In order to do this, the system will need to be able to see and measure all the different activities that are happening in a factory. This measurement is the key to the success of the Industry 4.0 and a product we are very strong in. In this case Nikon would like to become the eyes of the new system at factories.

One of the most astonishing innovative products we have seen is your compact digital camera COOLPIX P900 with ultra-high-power zoom capability that covers

up to 2000 mm. For a reasonable price you can take pictures of the surface of the moon with an amazing quality. How do you nurture a culture of innovation? What kind of new innovation or next generation products are you working on at the moment?

We have a number of businesses that we are currently nurturing and we feel very excited about. To give you an example related to our microscope solutions business, we recently partnered with a Swiss company called Lonza, the world's largest manufacturer of cells for regenerative medicine therapeutics. We have established a new company, wholly-owned by Nikon, dedicated to regenerative medicine contract manufacturing in Japan.

By entering into the cell product contract manufacturing business, we will acquire the know-how to manufacture cells, including somatic stem cells, and will accelerate efforts to realize future practical applications of iPS cells in the field of regenerative medicine. Furthermore, we will prepare for the major breakthrough in the regenerative medicine market driven by iPS Cells and will also be developing equipment and disposables needed to optimize the manufacture of high-quality cells and to provide clinical solutions including both hardware and software from Japan to the international market.

In regards to your global expansion strategies, what are your target markets?

We have recently acquired a UK-based company named Optos, which is a leading company in the retina diagnostic imaging equipment market. Optos has a very unique and distinct ultra-wide-field (UWF) technology. This technology enables the instant capture of images of approximately 82 percent of the retina, which is 50 percent more of the retina when compared with other conventional fundus cameras. This is important for example when a person has diabetes and gradually starts to lose their eyesight. The person gradually starts to lose eyesight from surrounding areas but this is not something they can usually pick up because people are always looking at the areas in front of them. By using this technology that covers 82 percent of the retina, doctors would be able to promote an earlier prevention of diabetes and the loss of eyesight.

PHILIPPINES LOOKS TO STAY ON COURSE

One of the fastest growing economies in the world is poised to keep on track, but many issues remain, such as environmental concerns in the mining industry and security – issues which President Rodrigo Duterte must work to resolve. The government also aims to streamline bureaucratic processes to attract more foreign investment



Today, many claim, the net result [after 17 years of uninterrupted economic expansion] has been higher incomes and an improved standard of living among the greater part of the population

The good news for investors is that the Philippine economy is robust and healthy. For the second year running it has emerged at the head of the five major economies of South East Asia Nations – the ASEAN-5, which also includes Indonesia, Malaysia, Thailand and Vietnam, and is second only in the whole of Asia to India. The country expects to see further growth of 6.1 percent by 2017, a rate of increase only equaled by Vietnam. These encouraging statistics were revealed by María Teresa Lazaro, the country's ambassador to France, for OECD Economic Outlook, an annual publication on economic growth in Asia, at the ASEAN Business and Investment summit in Vientiane, Laos earlier this year.

The central bank Deputy Governor Diwa Guinigundo anticipates a further rise to between 7 and 8 percent by 2018, up until when the Philippines will co-chair the OECD, and sees stability and resilience as the main reasons for this positive progress. The National Economic and Development Authority (NEDA) deputy director general Rosemarie Edillon, in turn, hopes to see a reversal in the contraction of the agricultural sector and an

increase in spending on infrastructure and social services.

The main question now, according to NEDA director for national policy and planning, Reynaldo Cancio, is how to effectively distribute the gains for the country's economic growth, which have been accrued after 17 years of uninterrupted economic expansion. Today, many claim, the net result has been higher incomes and an improved standard of living among the greater part of the population.

Moving ahead: the country boasts competitive advantages for continued growth.

Another boost to the country's financial status is its low debt-to-GDP ratio – only 48 percent compared with China's 280 percent and U.S.' 100 percent. Finance secretary Carlos Dominguez III points out that this puts the Philippines in a better position to borrow funds to bankroll its increased spending on infrastructure, human capital and social protection programs under President Rodrigo Duterte's government's budget proposals for 2017. Such borrowing, he notes, would be more beneficial from the domestic market

than from the foreign market, as the latter is subject to exchange fluctuations that could overly strengthen the peso against the dollar, which in turn would adversely affect overseas Filipino workers (OFWs) and Filipino exporters. He would like to see the high liquidity of pesos invested in more productive activities.

President Duterte, in turn, is anxious to reform tax revenue collection, streamline bureaucratic processes within tax agencies to shore up revenue and ease restrictions on foreign ownership to attract foreign investment.

With interest rates now favorable worldwide, local rates have correspondingly reached a record low (aided largely by the judicious reforms carried out by past administrations). The current economic situation – fancifully referred to by Mr. Dominguez as a "Goldilocks moment" – is characterized by moderate stable growth strongly aided by these low interest rates, which currently stand at just 1.8 percent per year for treasury-floated bills and bonds. Furthermore, the country's inflation level, also encouragingly low, permits a market-friendly monetary policy.

Environmental issues in the mining sector

A controversial issue deterring many outsiders from investing is the environmental harm caused by its mining industry. The Philippines is the world's top supplier of nickel ore and, in addition to the ten mines already closed down in recent months (eight of them nickel producing), twelve more are likely to be suspended in an environmental crackdown after the damaging revelations of an audit carried out on forty large-scale metal mines by the Natural Resources secretary Regina Lopez. She and her team found that both social development efforts and mining practices were "inadequate" and "very, very lax". In spite of incurring the opposition of the miners themselves – who see their own jobs at risk and resent the presence of anti-mining activists in the review teams – she nevertheless aims to continue combatting violations and progressively rehabilitating the country's mining sites.

Tackling drug, crime and security problems

The country's notorious drug problem has spiraled at an alarming rate. In 2015 the total number of addicts in the Philippines was estimated at 1.8 million. This figure has risen by 40 percent in just under half a decade and

The current economic situation – fancifully referred to by Finance Secretary Carlos Dominguez III as a "Goldilocks moment" – is characterized by moderate stable growth strongly aided by these low interest rates, which currently stand at just 1.8 percent per year for treasury-floated bills and bonds

its diverse sufferers are aged anywhere between 10 and 69.

President Duterte's current war on the pushers and drug barons, which is being tackled with characteristic no-nonsense toughness, has so far resulted in over 3,000 deaths, caused either during police operations, or in extrajudicial or vigilante situations. In September Mr. Duterte requested an extension of six months in his attempts to bring the problem, with its consequent rocketing crime, under control. This time he's using a more open pragmatic approach that

attempts to counter standard strong arm law enforcement techniques with non-aggressive treatment and rehabilitation strategies. It is not an easy balancing act, but Mr. Duterte feels he's getting there.

Outside of the cities he is also planning a more humane approach by arranging for barangay (village) leaders to implement and supervise their own anti-illegal drugs programs. As heads of their respective communities they are largely respected and trusted by the villagers and know the extent of the problems in their area far better than outsiders ever could. Accordingly, they are able to help their own people on a daily personal, face-to-face basis rather than leave the villagers feeling they are being judged sporadically by some distant, anonymous, authoritarian body.

A further great security headache is the now decades-old terrorist problem. To tackle these militant extremists more effectively an additional defense budget of 14 percent has been proposed. This will be used to buy two frigates and three radar systems which will help monitor movements in the South China Sea, enhance maritime security and also help provide for the purchase by instalments of 12 FA-50 Korean made jet fighters.



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WITHIN THE REGION

In 2015, Tabaré Vázquez became President of Uruguay for a second time, after having previously served a term from 2005 to 2010. In this interview with The Worldfolio, Mr. Vázquez speaks about the country's progress since 2005 and how it has remained resilient in the face of external pressures. He also discusses Uruguay's competitive advantages, as well as the landmark Uruguay v Philip Morris court case, in which the World Bank's International Centre for Settlement of Investment Disputes (ICSID) ruled against the tobacco company, which was seeking compensation for economic damages caused by the nation's anti-tobacco measures

What are the main priorities in your Cabinet's agenda for the next few years?

Let me first take you back to 2005, when the country was struggling from a crisis situation and urgently needed to make a number of structural changes. By moving forward with tax, healthcare and educational system reforms, which were undoubtedly successful in my humble opinion, we put Uruguay in a privileged position within the region.

We were able to start a very important phase of growth to such an extent, that during those five years from 2005 to 2010, we were always above the region's average growth. While external conditions were similar for all the countries in the region, Uruguay managed to overcome the disadvantages, gain strength and capitalize on this strength to achieve 7 percent to 8 percent GDP growth for those years. Then came the second administration of the Frente Amplio (Broad Front, a Uruguayan center-left coalition of political parties), from 2010 to 2015, which made further progress in these types of policies, and now it is our turn in this third administration.

International uncertainty is exacerbated by the problems our neighboring countries, such as Argentina or Brazil are facing; or the situation in Venezuela, which is, or at least was, one of the main buyers of some of our products; as well as China, nowadays our main trading partner. However, Uruguay gained strength in spite of these existing regional and global disadvantages and never went into recession. Uruguay continued growing at a slower pace—very modestly, but while other countries in the region fell into recession—some of them quite severely.

We have set out strategic lines that we will follow and I would like to high-



Tabaré Vázquez, President of Uruguay

light one in particular: Uruguay must strongly, decisively and rapidly open up to the world and seek markets for its products. Uruguay is a net exporting country, basically a food exporter. We export 90 percent of what we produce.

We have focused on recovering and improving already existing but weakened

markets, opening up new ones and seeking a better insertion of Uruguay at international level through trade agreements.

One of the things that Minister of Foreign Affairs Rodolfo Nin Nova told us is that Uruguay produces significant surpluses, which must be necessarily sold abroad.

Yes, but more specifically, in Uruguay we also need to add labor. For example, as regards the wood sector, in which Uruguay has strong foreign investments, we also need to aim at expanding the industrialization of the raw material we produce, and this is one of the challenges we face. The Ministry of Economy will surely provide a much better explanation.

(Minister of Economy, Danilo Astori, speaks) We are working on continued improvement of quality and excellence of investments and trade as a basis for the country's competitiveness, as in order to be successful in foreign markets you need to compete and, naturally, the main pillar of competition is innovation and integration of technological know-how. And Uruguay has made great progress in its entire economy, and particularly in the primary economy to which knowledge and innovation are gradually being added.

(President Vázquez continues) I would like to highlight three of our strategic lines. The first one is the comparative advantage Uruguay has, which is its capacity for innovation and promotion of scientific research. One of the major reforms we introduced during the first administration was the creation of the National Agency for Research and Innovation, and the support given to several organizations that work towards that goal.

Uruguay is a strong exporter of knowledge; in fact, we rank among the first countries in Latin America exporting knowledge and the U.S. is our main market

The second strategic line for Uruguay to continue growing has been the design of a National Infrastructure Plan. During the first administration we had designed an Energy Strategic Plan, and within a few years Uruguay went from being an importer of oil-based energy or depending on the weather to currently being an energy exporter. We sell energy to Argentina and we will probably be selling energy to Brazil as well. This National Energy Strategic Plan, which was very successful, served as a model for the development of the National Infrastructure Strategic Plan.

The third line involves studying the issues that not only affect Uruguay but also many other countries as a result of the changes in age or population pyramids.

What will be the amount of the investment for this plan?

It will cost \$12.5 billion. And this has drawn worldwide attention. Therefore,

we will be traveling to China but also to Galicia in Spain in order to present our Strategic Plan to Spanish and European investors at large, reinforced by (Finnish forest industry firm) UPM's recent announcement to install its second wood processing plant with a \$5 billion investment. This will have a positive impact on the country's economy and on job opportunities.

“The second strategic line for Uruguay to continue growing has been the design of a National Infrastructure Plan. During the first administration we had designed an Energy Strategic Plan, and within a few years Uruguay went from being an importer of oil-based energy or depending on the weather to currently being an energy exporter. We sell energy to Argentina and we will probably be selling energy to Brazil as well”

How has the victory in your lawsuit against Philip Morris been received by the Uruguayan people and how can it serve as a precedent for other countries fighting to stamp out tobacco use?

Uruguay has taken it with great responsibility and very seriously. Actually, we do not like to talk about “victory” in relation with this subject, as there were many lives lost along the way and much suffering. But I believe that beyond the fact itself, and the relationship of tobacco use with the different types of chronic diseases, there are two substantial aspects to this dispute. The first one is that the right to life and the right to health should prevail over commercial rights. This may imply substantial changes to investment protection treaties that will certainly require the addition of a chapter involving the protection of only those investments which do not affect or harm society's health.

The other aspect which I do not consider minor is the sovereign right of citizens and their governments to defend people's health from the interests of multinational companies, because

this is what was at stake in this lawsuit. If Philip Morris had won this lawsuit, it would have meant that it ruled over Uruguay, but it was made very clear that the Uruguayan people rule over Uruguay and defend the fundamental and principal rights, namely, the right to life and the right to health. This lawsuit marks a historic landmark. The fear of multinational tobacco companies has somewhat subsided.

The U.S. is one of Uruguay's important business partners. What are the steps the two countries should be taking to improve and optimize their cooperation?

We want to work on this relationship. For example, we have meetings with the Council of America where we meet U.S. and Uruguay entrepreneurs and investors. We have been doing this for 4 years. On the other hand, we have the Uruguay-U.S. Chamber of Commerce, which also plays a key role in this respect.

(Minister of Foreign Affairs, Rodolfo Nin Novoa, speaks) We truly have many shared values that already bring us closer to the U.S. Values endorsed by Uruguay involving the right to international respect and legal certainty have resulted in the U.S. becoming one of the main players in foreign direct investment in our country. American companies trust us and they establish branches in Uruguay. The same happens with trade, because trade between Uruguay and the U.S. has been growing steadily and is based on the quality offered by Uruguay. Uruguay is a country that provides credibility. It is a trustworthy country.

What will be the focus points for the CELAC (Community of Latin American and Caribbean States) Summit in 2017?

(President Vázquez continues): Firstly, strengthening our relations with China, not only from a trade perspective but also from a cultural perspective. From the commercial perspective we need to determine whether, at some point in time, we will be able to sign a Free Trade Agreement (FTA) with China, or at least a state-of-the-art trade agreement enabling us better positioning to compete against other countries who already have FTAs with China and are strong competitors. We are referring to Australia and New Zealand. In this regard, we strongly desire to be able to achieve our goal within the shortest possible time.

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URUGUAY LOOKS TO BUILD A THRIVING MANUFACTURING BASE AND REGIONAL LOGISTICS HUB

Plans are in motion to turn the small Latin American nation into a logistic hub for the region. Meanwhile the industrial base continues to strengthen and diversify

A small country nestled between South America's giants, one may think that the economic fate of Uruguay is inevitably linked to that of Argentina and Brazil. But as its two big neighbors struggle, Uruguay soldiers on with its own narrative of discreet stability, legal certainty, investor-friendliness and macroeconomic discipline. The small country has clearly differentiated itself from its much bigger, instability-prone neighbors with sober policies that have enabled it to escape almost unscathed from the nearby turmoil.

Rodolfo Nin Novoa, the country's Minister of Foreign Affairs, is well aware of Uruguay's reputation for stability: "Here there is a lot of juridical certainty. This is an intangible value that is essential for us. Here contracts are respected and there are no surprises. And this is what allows us to be who we are in the region."

Investors undoubtedly love the kind of stability that Mr. Nin Novoa talks about, but peace of mind is not enough if you are a tiny nation encircled by colossuses. Now it is time to look further ahead and to identify the ways in which the country can prosper in the midst of increasingly fierce global competition.

The answer lies partially in diversification. Uruguay has traditionally thrived on its lucrative agribusiness industry, which accounts for around 80 percent of the country's exports (if we include both the agricultural products themselves and agriculture-based manufactured items).

Being a primarily agricultural country, manufacturing is still lagging behind in Uruguay. Furthermore, industrial activity has been falling steadily for the last few months. Putting the oil refinery sector aside, industrial activity in the first half of this year shrunk by 3.8 percent compared with the same period in 2015.

However, a deeper analysis reveals a more positive picture: beyond the latest setbacks, the country has made a consistent effort to reinforce and diversify its industrial base, especially thanks to the cellulose industry. The latter has multiplied its production by 20 in the last few years; it accounted for 1 percent of Uruguay's total industrial output in 2006, and has risen to 13 percent today.

While cellulose has been the indisputable protagonist of the country's recent industrial push, other manufacturing sectors have flourished, including non-alcoholic beverages, bread-based products, chemical substances, dairies and medicines. All of them are gradually displacing traditional Uruguayan manufacturing industries such as metallurgy and clothing.

It is not the first time that the country has undergone a major industrial transformation. Back in the 1940s, a protected national industry emerged to cater to internal demand; three decades later, the situation changed completely and the manufacturing sector oriented itself to the international markets as a result of the signing of trade agreements with neighbors.

The latter formula has prevailed and, in today's globalized world, greater emphasis has been given to those industries that go beyond the country's borders, even if some sectors like beverages and bread are fundamentally bound for the internal market.

Efficiency also matters greatly, and those industries capable of achieving economies of scale are also the most successful. An interesting example of a major efficiency-oriented internal reform is that of the National Administration of Fuels, Alcohol and Cement (ANCAP), a state-owned multinational tasked with managing and administering some national monopolies and with importing, refining and selling petroleum-based products.

Last year ANCAP lost \$198 million and now is busy reducing its expenditures. This process is being led by its President, Marta Jara, who, despite the organization's difficulties, highlights the wide acceptance of ANCAP among her fellow citizens. "It is clear that, for Uruguayans, ANCAP is the country's most important company due to its turnover, but also because this company is an engine for growth. ANCAP has the backing of Uruguayans, who have expressed themselves in plebiscites in favor of ANCAP staying in the hands of the state". This popular trust, however, could evaporate if there is a perception that ANCAP is being mismanaged by the authorities.

The national administration is aware of the need to further develop and diversify the country's manufacturing base, and has launched different support schemes. The government's industrial fund, for instance, is allocating \$50 million to different small and medium industrial companies, especially to those which are seen as most capable of associating with other companies and those that are located in strategic industrial clusters. Priority is given to cutting-edge sectors such as biotechnology, nanotechnology, electronics and software, but also to more traditional sectors like the chemical, pharmaceutical, naval, automotive and paper industries.

All the aforementioned efforts are giving rise to a new industrial reality which can make the country more competitive and lay the foundations for Uruguay's transition to a research-focused and



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knowledge-based economy. However, these new industries are not labor-intensive and therefore are failing to create sufficient employment.

In the first semester of 2016, employment in the Uruguayan manufacturing industry fell by 7.3 percent, something that can easily be blamed on a mismatch between the requirements of the new industry and the profile and preparedness of Uruguay's industrial workers, whose training and abilities are evolving at a slower pace. This scenario is potentially damaging, as an increasingly sophisticated manufacturing sector could easily become a scapegoat for transitory evils that often occur during major industrial transformations.

In sum, Uruguay's industrial revamp presents plenty of opportunities along with some threats that must be tackled well in advance. However, the country is envisaging other sources of future economic prosperity. A lot of attention is going to the logistical business, a sector where Uruguay has huge potential.

Aside from its strategic location, its proximity to massive exporters and favorable natural conditions, the country has a legal regime that is very advantageous for companies wishing to use the country's ports to send their produce across the world: cargo can move freely inside port customs facilities without the need to obtain special authorizations, and is exempted from import duties.

In addition, the authorities are undertaking major infrastructure development projects to ensure that the country's ports increase their capacity and are capable of handling an increasing volume of cargo. Last year the government called for international tenders for the construction of logistical infrastructures under a public-private partnership regime.

Uruguay is also striving to become a regional telecoms hub. Antel, the country's main operator and the first Latin American company to launch a commercial 4G/LTE network, has a lot to do with this ambitious endeavor. Antel is working with global leaders such as Google to build a submarine cable connected with the U.S. Around 80 percent of the Internet contents consumed by Uruguayans are expected to circulate through the cable.

Until now, Uruguay has been using cables ending in some neighboring countries, because it lacks one of its own. This project, to be completed at the end of 2017, is meant to be a game-changer. "It represents a new degree of sovereignty, because nowadays sovereignty depends on being connected. It also represents freedom and independence



The country has a legal regime that is very advantageous for companies wishing to use the country's ports

from prices established by other companies which can limit the country's development in this field. Having a lot of capacity at a cost that is decided by our country gives us the chance to develop more services without depending on other companies or countries," Antel President Horacio Andrés Tolosa explains.

Antel has also developed a massive high-security data center that is servicing other companies. This reflects a growing trend, as most companies, instead of having their own data centers, which are expensive to maintain, rely on big-scale facilities such as this one. This, coupled with the cable, will enable Uruguay to become a regional telecoms hub, as many international companies are expected to make the most of both facilities and choose Uruguay as the headquarters of their South American business. In addition, improved Internet facilities will lend themselves greatly to national development, and could help Uruguay reach 100 percent connectivity by 2020, as Mr. Tolosa expects.

Beyond the necessary innovative measures adopted by Uruguayan companies, one thing is clear: the world must be their market. They cannot rely solely on internal demand, nor can they depend on a regional market that is highly volatile. Fortunately, Uruguayans have been aware of that necessity for a long time, and the country's exports do not entirely rely on its immediate neighbors or on Mercosur, South America's largest trading bloc.

"We are doing a great job inside and outside Uruguay in having access to markets without tariff restrictions, because tariffs cost us a lot of money. Mercosur has ceased to be Uruguay's main market, as less than 22

percent of our exports go to Mercosur," says Minister Nin Novoa.

Minister Nin Novoa is also adamant that a small country like Uruguay must not try to compete in terms of quantity in the international markets. Instead, it needs to strive for the maximum quality and competitiveness. "We have some competitiveness issues related to the cost of producing each unit, and that is something we need to improve, because there are some grey areas there," the Minister admits.

Some companies are already implementing far-sighted cost-saving process in their industrial production as a means of remaining competitive. An interesting case is that of chemical group Efice, which is transforming its productive system and has launched new plant called Omega that is capable of tripling the company's output while drastically reducing electricity consumption.

This matters hugely not just for the company but for the country, as Efice is Uruguay's largest energy consumer. "The Omega Project plant has a great added value for us because, once the investment is written off, the cost of power generation will be very low. During the first 10 years almost all energy billing will go to repay the investment, but after that we will see an 80 percent reduction in our energy cost," says its President, Néstor Gómez Alcorta.

Diversifying its industrial base, implementing efficient cost-saving models, looking for foreign markets, investing in innovation and maintaining its reputation for macroeconomic stability and investor-friendliness will help Uruguayan industry reach new heights.

FOOD EXPORTS

GROW AS AGRO-INDUSTRY CONTINUES TO DRIVE ECONOMY FORWARD

The Minister of Agriculture wants to see the nation of 3 million people produce food for as many as 50 million in the next 15 years. But as Uruguay continues to increase the quantity of exports and reach new markets, it aims to maintain the high quality for which its agricultural and meat products are renowned

Financial experts have long been bullish over the state of Uruguay's economy, praising the nation for developing a strong institutional framework that has helped it weather external shocks.

Last year the World Bank categorized Uruguay's macroeconomic policy as "prudent," though the global finance overseer expressed concerns over "relatively high" debt and an export system that is based largely on connections to other countries in the region. With this in mind, officials in Uruguay have expressed a desire to widen the reach of its agriculture industry outside of its neighboring states.

"Uruguay is a country that in 2005 produced food for 9 million people, and we were a country of 3 million," says Uruguay's Minister of Agriculture Tabaré Aguerre. "Today we produce food for 28 million people, and we are still 3 million. My goal is to produce food for 50 million people in 15 years."

According to Mr. Aguerre, 55 percent of Uruguay's industrial output is made up of agro-industries, along with 47 percent of all industrial sector jobs. The agriculture minister explained this relative leg-up on the competition was due in part to Uruguay's place in the world and a wide range of recent changes in Uruguay's economy.

"In the same way that investment have increased, the rate of exportation has also increased from Uruguay. Uruguay tripled the value of its exports, not in volume, but rather in value. We are a country that exports close to \$10 billion in goods and services, with 80 percent of those being goods. And inside of that 80 percent, 78 percent of the exports are agriculture or livestock or agro-industry," Mr. Aguerre says.

"Uruguay has comparative natural advantages, but beyond these, we have developed intelligent competitive advantages by improving genetics, the production system, research [...] the national seed certification program [or] the national quality fertilizer program."

Originally made agriculture minister in 2010, Mr. Aguerre has made a career as an agronomist researching everything from rice cultivation to cattle breeding in Uruguay. He was recently reappointed to the role in 2015 by Uruguayan President Tabaré Vazquez.

"That is how we are taking advantage of the window of opportunity that the decade from 2005 to 2015 gave us. [It has been] a time of great structural transformation in the world, particularly in the world of food production."

Mr. Aguerre also highlighted an accelerated process of economic convergence during that time period, when "the growth rate for devel-

oped countries [was] less than the growth rate for developing countries."

Because of that, he said, "the gap between the two is continuing to close."

Executives in Uruguay have also pointed to the agricultural industry as a source of advantages in the world of business and economics.

"A few years ago, after several attempts to identify which would be the economic sectors that would push Uruguay to development, it was reconfirmed that the agro-industry was an extremely important for the economy of this country. The sector is not seasonal, gives activity the whole year and also invigorates other complementary sectors such as transport, or retail," says Gastón Scayola, Vice President of Frigorífico San Jacinto NIREA S.A., a meat producer and exporter located in Montevideo.

"We have a great responsibility in terms of employment and the sector is the answer for most of the growth in the last few years. Obviously other activities such as the financial sector and tourism are



also key activities for Uruguay, but our livelihood is agriculture for the long-term bet. In a world where much food will be needed over the coming years, this area of South America is destined to produce more and better.”

Frigorífico San Jacinto has billed itself as a producer of high-quality beef products. In September 2015, the company made its first shipment of naturally produced Uruguayan beef certified by the U.S. Department of Agriculture as “Never Ever 3” grade. This marking denotes that the meat is free from antibiotics and growth hormones, a fact which has reportedly helped to consolidate Uruguay’s exports in a market where demand for naturally raised and processed meat is growing steadily.

Mr. Scayola has also lauded Uruguay as a hub of traceability, a system whereby animals are monitored via a microchip attached to their ear. These microchips tell agricultural experts the dates when the animals passed inspection, the place they came from and where they are going.

He explains that only a country as small as Uruguay could maintain such a close eye on their cattle and adds that his company has been the recent benefactor of a U.S. decision to allow ovine meat on the bone to be exported from Uruguay.

“The United States enabled us [to export] boneless meat a few years ago and now [they] have just approved the entry of meat with bone, thanks to the separation of sheep and cattle in the fields,” he says.

“With regards to sheep, we [have] 30 percent market share. We are the leading

company and the one that has been the most aggressive in developing new markets and producing premium meat. San Jacinto are the only U.S. enabled sheep plant.”

“It means a lot to get into the United States. [We can] enter the U.S. market and fight with Australia, but also, once the United States approves the original mechanism theme compartment, immediately there is a high probability that Canada and Mexico [will also start accepting our goods], and that process can also open Europe. So we have many fronts and the United States is the first step of many.”

Executives elsewhere in Uruguay also highlighted a need to make the nation a more lucrative player in international trade. Álvaro Silberstein, General Manager of Paycueros-Sadesa, a leather exporter based Paysandú in western Uruguay, says that the country must specifically focus on agro-industry productivity.

“We have always considered that Uruguay should grow by relying on its export sector,” Mr. Silberstein says.

Founded in 1948, Paycuwas created with a “vision” that would advance exportation. As a part Sadesa, one of the leading group of tanners in the world, the company specialized in high-quality leather production for some of the “most prestigious” companies around the globe.

Mr. Silberstein explains the factors behind the quality of the hides the company uses.

“Meat companies operating in Uruguay are the largest exporters. Many also sell in the local market but they are basically exporters.

Therefore, they are very technologically up to date. That makes the extraction of hides very precise – all machining and no knife. The hides are removed very healthily and that is also very important for us,” Mr. Silberstein says.

“In addition, because of the type of pasture we have and the type of production that is done, hides do not suffer as much as in tropical areas, where problems can affect the value of the material. That makes Uruguayan and Argentinian hides a sought after commodity in the world.”

Today the company boasts offices on five continents and a global export network that spans from South America to Asia.

“Our vocation is as an exporter. In the case of hides, Uruguay does not have a market of significant consumption, and therefore the strategy is to add value to domestic raw materials and export them to the world.

“This new situation of slower growth should be seen as a new opportunity to relook at export markets, and how to create the conditions for growth based on those exports. We have the conditions to do so because we have raw materials that will continue to be demanded around the world, and the ability to convert and add value that may be appropriate for the country through exports.”

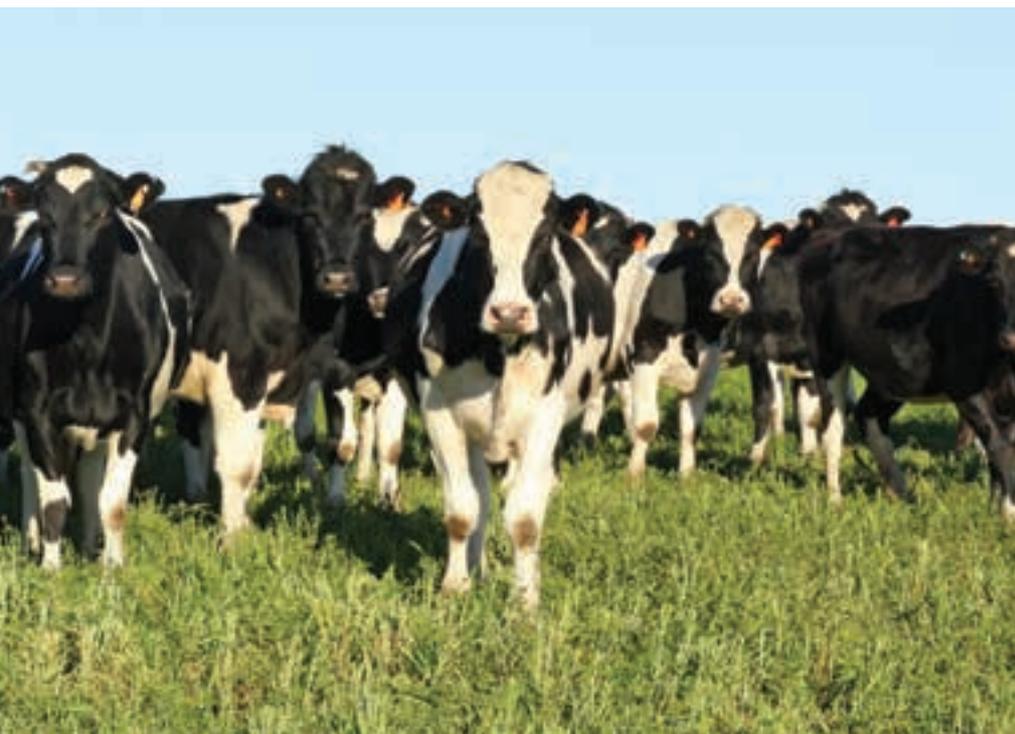
However, others have urged an element of caution in Uruguay’s long-term export strategy. According to a study by the Observatory of Economic Complexity, Uruguay’s annual exports amount to more than \$9 billion, with agro-industry staples like bovine meat, rice and soybeans being the largest export earners. The main importers of these Uruguayan goods are neighboring Brazil and Argentina, along with the U.S. and China.

Industry insider William Johnson says this dependency on importing nations makes keeping a wary eye on economic activity outside of Uruguay crucial.

“Our goal is to eventually get to a point where we are not only exporting [material], but we want to add value [too],” he adds.

“We are a services country and we have to be tied a bit to the forces that guide the world.

“When Argentina goes off the rails, we have to look to our side to Brazil. When Brazil goes off the rails, we have to look to our side to Argentina. And when both are off the rails, it’s when we suffer big problems. We can’t export so much and then let sales and production fall. Because we are such a small country it’s difficult to compete in the rest of the world without the support of Argentina and Brazil.”





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South Korea's third most populous city and gateway to the world, Incheon is emerging as the economic growth engine of the country and the business and logistics hub of Northeast Asia. Following the establishment of the Incheon Free Economic Zone in 2003, the bustling port city has become a magnet for FDI and the home of large local companies and global enterprises in areas such as biotechnology, cosmetics, logistics, aerospace, high-tech automobiles and ICT. With South Korea's main international airport located within Incheon, the city is ideally situated within two hours' flight of 84 major cities with a population of at least one million, making it the beating heart of Northeast Asia, a region that makes up one fifth of the global economy.

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SEOUL 'UPHOLDS THE FLAG OF HOPE'

AS IT LEADS THE CHARGE TOWARDS THE FOURTH INDUSTRIAL REVOLUTION

Seoul's Mayor, Park Won Soon, has won national and international plaudits for his radical approach to citizen engagement and economic development. Here, he expands on his vision for the "hot and trendy" South Korean capital as a global leader in technology and creativity that is underpinned by the "two wings" of innovation and collaborative governance

South Korea's economic progress over the past six decades is known as the "Miracle on the Han River", and now the national government is trying to conjure up a second miracle based on technological innovation and the so-called "creative economy". How effective has the creative economy policy been on a national level, and how are you managing this transition towards a creative economy here in the capital city?

As you mentioned, Korea achieved the "Miracle of the Han River", but we were just catching up with the first, second and third industrial revolutions that were led by the U.S.A. and Europe. Korea and Seoul want to lead the Fourth Industrial Revolution. What we're going to do is focus our advances on ICT, biomedicine and R&D. We also want to push forward on big data, IoT and automatization so we can really take the lead in the Fourth Industrial Revolution.

Seoul is a very knowledge-based society; it's a very much brain city with more than 60 universities located here, so we have the human resources to match our ambition.

For example, we are ranked number one in the world in semiconductors, batteries for electric cars, ICT and electronics. You can walk around the city and notice that we have world-class infrastructure in these areas, and we are number one in terms of e-government as well. What Seoul wants to do is strengthen and solidify our leadership in these areas and also minimize the possible side effects of the Fourth Industrial Revolution on the working population.

Seoul is the birthplace of K-pop and the Korean Wave. In this period when traditional exports are in decline, we observe that Korea's cultural and entertainment exports are booming, together with related industries such as cosmetics. How important are the culture and entertainment industries to the future economy of Seoul, not only in terms of direct revenue and job creation, but also in terms of your global image and soft power influence?

In the past, Korea was led very much by the manufacturing industry but that sec-



Park Won Soon, Mayor of Seoul

tor is unfortunately diminishing, and now 'Hallyu'—or the 'Korean Wave'—is offering new economic opportunities. This encompasses a variety of cultural industries such as K-pop, K-drama, K-food, and K-animation. These soft power industries are spreading the Korean Wave beyond Asia to Europe and even to South America. Seoul is the cradle of the Korean Wave. In the past, we allowed it to grow naturally but now we are going to support it actively. We are also supporting e-sports, and we have created an e-sports stadium in a district of Seoul as well.

In the 18th century, at the very end of the Joseon Dynasty, many foreign missionaries would come to Korea and they would refer to it as the "Land of the Morning Calm", but nowadays foreigners come and experience a very different vibe. It's a very hot and trendy city. I met with the executive chairman of Google, Eric Schmidt, and he said that he didn't realize what a hot and trendy city it is until he visited. Google have since set up a Google campus for startups in Seoul, the third such campus in the world.

This is no longer the Land of the Morning Calm; Seoul is a city that never sleeps. There

is always something happening 24 hours a day, 7 days a week.

When we talk about innovation we want to touch on innovation in all aspects of life, including governance. You have been referred to as the "Listening Mayor" and you have pioneered a new era of citizen engagement here in Seoul, as evidenced by the giant ear outside City Hall. Indeed, your campaign slogan was "Citizens are the Mayor". Why did you feel it was necessary to enter an era of deep and sustained engagement with citizens, and what is your response to critics who say this commitment to citizen engagement slows down the decision making process?

Confucius said that every day we need to change and innovate for the better. These days we are really seeing changes and innovations that are unprecedented in the history of mankind. We are seeing innovations in the economy and business, and even in our daily lives and lifestyles, and Korean people are really creating a hot and trendy culture and civilization.

In the past we were very much suppressed in our freedom and creative activities due to the dictatorship, but nowadays we are free and bursting with creative ideas. What the government needs to do is encourage and support this creativity for society to grow and change for the better. There is no magic key to this. We need to, as a government, create an environment that unleashes the creative potential of the people.

Although Korea is recognized as having one of the best education systems in the world, one of the major issues facing the country nationally is the high youth unemployment rate, which means you have a highly educated young population that feels they do not have a stake in the future of the country. How effective have your efforts been to tackle this problem and create a more hopeful future for young people here in Seoul?

I believe that Korea and Seoul are very much in transition. In the past we have focused on manufacturing; nowadays it's R&D. In the past

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we were focused on hardware development and GDP. Today, it's software and GNH, the gross national happiness index. We are, as I mentioned earlier, watching our manufacturing sector diminish due to low labor costs in China, and so we are seeing the emergence of R&D and the convergence of biomedicine and tourism and cultural industries as the main new growth engines in Seoul.

Our economy has for many years been underpinned by a few major conglomerates, but nowadays we are seeing the emergence of venture companies based on creation and innovation. I think that the Seoul government's policies and initiatives differ somewhat from that of the central government. We believe that if we focus on areas where Seoul has strengths, job creation will naturally follow. In other words, in the past it was all about increasing the size of the pie so that pieces could be distributed to everyone, but we now know this approach is no longer effective.

We are focusing on people and on increasing the happiness levels of our citizens. After my inauguration, I increased the budget allocation for welfare by 4 trillion Korean won (approx. \$3.35 billion). I believe that welfare is an investment in the future wellbeing of the people. With this additionally allocated 4 trillion won, I believe that we can ensure happy lives for our citizens, especially the most vulnerable in our society. This is connected to the creation of jobs. In fact, our welfare policy created 240,000 jobs.

Last year we also welcomed 12 million tourists to Seoul. We hope that we can reach 20 million tourists by 2018, which will lead to 400,000 new jobs.

Our human resources are very strong. South Korea is one of the biggest contributors of foreign students to the United States. I actually grew up in the rural countryside and my parents were educated only in elementary school, and yet they encouraged me and sacrificed a lot so that I could have a great education at Seoul National University (SNU), LSE and Harvard. My older brother is also highly educated and he's now a professor at a university in Seoul. One person said that we have more than 5,000 people in Seoul with doctorate degrees from SNU. I believe that we are very rich and talented individuals.

In the past, we had an economic model that focused on catching up with advanced countries, but now we are pursuing a creative economy model that focuses on leading the Fourth Industrial Revolution and the convergence of culture and arts. I think that the brainpower of Seoul can really come to the fore in this era.

Mayor, you touched on the deep links that this country has with the United States. Last year was a record year for FDI in Seoul, largely on the back of a huge increase in Chinese investment. Nevertheless, the U.S.A. remains the second largest source of FDI inflows and is a market leader in many of fields that you have identified as future growth engines of Seoul's economy. What is your assessment of the potential for increased American investment in Seoul?

I think Seoul boasts many strengths. First is its geo-political location. It is located between China and Japan, which are two of the biggest economies in the world. Also there are 30 cities within a three-hour flight from Seoul that have a population of more than 5 million people.

The second strength is the intelligent and highly educated people here. There are, as I mentioned earlier, more than 60 universities located in Seoul. In America, we see one university located in one city but I don't think there's any other city like Seoul that has more than 60 universities located within it.

The third strength is that we have the unique experience of growing the economy from practically nothing and of managing the systems for it.

Many foreigners are not very familiar with Korea but once they reside here, perhaps as an employee at an embassy or perhaps as an employee at an office of one of the foreign companies, they discover Seoul and they realize just how great it is to send their kids to school here. The high level of education and safety, and the efficiency of public transport, are major benefits. In fact, CNN said that the public transportation system of Seoul was one of the 10 miracles of the world. Also, Seoul has a very well connected and fast internet system. Seoul really is a great place for global people to reside in.

If I may add, Seoul is a really great test bed city. Seoul citizens wait in long lines to purchase the latest models of smartphones and new technologies, whilst e-commerce and online shopping are also very popular in Korea.

"We are focusing on people and on increasing the happiness levels of our citizens. After my inauguration, I increased the budget allocation for welfare by 4 trillion Korean won (approx. \$3.35 billion). I believe that welfare is an investment in the future wellbeing of the people"

A U.S. magazine, Business Traveler, said that Seoul was the number one city in terms of holding business meetings. I think it was AP or another source that said that Seoul is the number one city for wealthy people to spend time and money.

Seoul has so many different elements. We have the history of the ancient kingdoms, we have the history of the Middle Ages and the Joseon Dynasty, and today we see the innovative and modern companies and technologies of Samsung, Hyundai and LG. I think that people come here and rediscover these different elements and then they want to come back again and again.

You said earlier that Eric Schmidt came here and had no idea that Seoul was such a modern, creative city. Chinese people may be very familiar with Seoul but Americans less so. We know you have a new brand image launched last year, I Seoul You. What is the overall image of Seoul that you want to project to an American audience?

I don't think that we can create an image overnight. The visitor needs to come and they should tell their family and friends what is best about Seoul. In addition to that, we need to take measures for international promotion and marketing. Unfortunately, in the past we haven't made a lot of investments in international promotion and marketing. That's why today's interview is so important and we need to invite more columnists to Seoul to look around the city.

We are actually in the process of making a database for people and companies that are interested in Seoul or who want to grow their businesses here. We will pursue customized marketing according to this database. I think that if we accumulate these experiences we will be able to reap the benefits soon.

Recently we had a world fashion leader, Miss Suzy Menkes, visit Seoul and she completely fell in love with the city. She said that the fashion of Seoul was very fun and interesting and so she posts images and videos on her Instagram account very often about Seoul and its fashion industry. Also, this year we hosted Suzy Menkes's conference, the Conde Nast Luxury Conference, in Seoul as well. What we learnt from this experience is that one person can have an enormous effect by simply visiting our city and falling in love with it. If we can have international movies shot in Seoul that would also have a very positive promotional effect. We invited 'The Avengers' to shoot a scene in Seoul, which was very popular, and I also tried to contact the famous director Woody Allen about producing something here, but we have not received a response from him so far.

INCHEON EMERGES

AS ECONOMIC HUB OF NE ASIA

Mayor Yoo Jeong-bok explains how his city is capitalizing on the advantages of its international airport, bustling port and free economic zone to establish itself as South Korea's new economic growth engine and a magnet for FDI in the region

Incheon is home to the Incheon Free Economic Zone (IFEZ), as well as the country's main international airport and second busiest port. How do you assess Incheon's regional and global competitiveness as a city for business, trade and investment at present?

Incheon is arguably the transportation and logistics hub of Northeast Asia, being home to Korea's main international airport and Incheon Harbor, the second largest cargo handling port in the country. We consider the airport not just as an air transportation facility but as an industrial complex of convergence between manufacturing, commerce and services.

Incheon Harbor is an important component in our emergence as a logistics hub as it plays a key role in trade with China. Indeed, the port logistics industry accounts for 35.8 percent of the gross regional product. In 2015, Incheon Harbor handled around 2.4 million TEU, achieving 157 million tons in total, making it the second biggest port in Korea. Currently, several large-scale port hinterland development projects are underway including the construction of Incheon New Port, a new international passenger terminal, golden harbor, and the second Aam logistics complex.

Incheon is a prime investment destination with easy accessibility, excellent human resources and outstanding infrastructure. Firstly, it enjoys an extraordinary geographical location at the center of Northeast Asia. This region accounts for 20 percent of the global economy. Secondly, our city is equipped with perfect logistics and transportation infrastructure, as I have already mentioned.

Thirdly, we have the Incheon Free Economic Zone, which is a new growth engine for the whole country. Fourthly, Incheon has the perfect residential conditions for global citizens. Incheon Free Economic Zone is home to international schools, as well as world-class medical and welfare facilities. In addition, there are various leisure and cultural facilities such as exhibition and performance venues, golf courses and shopping centers.

Finally, Incheon is a rich industrial complex with high-quality manpower and tourism resources. There are 10 industrial complexes



Mayor Yoo Jeong-bok

(3 national and 7 regional) and two more will be built. This is enabling the transition from traditional manufacturing into value-added and knowledge service industries.

Over the past 13 years, IFEZ has attracted international corporations in aerospace, next-generation semiconductors, bioengineering, and other advanced industries, as well as global universities. Which sectors have the most potential for further development and investment in Incheon?

Incheon City is currently enhancing the competitiveness of industrial sites by improving the ecosystem for the beauty industry in Namdong Industrial Complex; the Bio Research Complex in Songdo; the cutting-edge automobile parts cluster connecting GM Korea R&D center in Seo-gu and Cheongna Industrial Complex; and Cheongna Robot Land, where robot industry infrastructure is being built with robot industry support centers and robot research institutes.

Last year, under the project name "Eight Strategic Industries of Incheon City: Vision 2050", the city selected eight industries as future growth engines of our economy. These include high-tech automobiles, robotics, biotechnology and beauty.

In order to upgrade the automobile parts industry, a bedrock of our economy, we will build Incheon High-tech Park, which will fo-

cus on R&D for high-tech automobile parts by utilizing ICT convergence technology.

To secure global competitiveness in the robotics industry, Incheon City is building Robot Land, which is scheduled to be completed by the first half of 2017 with a KRW 120 billion (approx. \$105 million) budget from the central and city governments.

Aside from this, Incheon City aims to become one of the five major biotechnology cities in the world, centered on Songdo, a production base for global biopharmaceutical companies. To this end, we will attract global bio companies such as Samsung Bioepis and Celltrion, create 250,000 new jobs, and reach 35 trillion won in biotech exports. Additionally, thanks to synergies between the beauty industry and the Western food industry, we are emerging as a global bio-health specialized city.

In an era when a city can determine a nation's competitiveness, the city's branding policy is really important.

As you can see from NYC, Berlin and Copenhagen, we need to make the best use of the city's brand from a strategic point of view to differentiate our advantages and overcome regional limitations. However, for Incheon City, there are certain shortcomings in that sense.

Incheon City has used "Fly Incheon" as its brand since 2006. However, that brand is insufficient to represent the future of Incheon, which has been rising very fast as an international city through extraordinary growth.

Accordingly, the city government has been working on a new brand identity, which will symbolize the status of Incheon today. The brand identity is set to be unveiled in September 2016.

Through citizen participation and phased development, we will come up with a comprehensive strategy of boosting PR, tourism, sports, and marketing with our new brand identity, and prepare guidelines that can allow companies and citizens to utilize it at home and abroad.

Under a uniformed city branding policy, we will continue to communicate the hidden treasures of Incheon City, including our unique history, culture, art and tourism.

INDONESIAN INTEGRATED CONSTRUCTION GIANT

TO BE REGIONAL LEADER WITHIN 2 YEARS

In this interview with The Worldfolio, Ir. Tumiyana, President Director of PT PP, one of the largest construction and investment state-owned enterprises (SOEs) in Indonesia, discusses his vision for the future of the company, the impact of new government policies, as well as positioning PT PP as a one of the ASEAN's premier companies

After the Presidential elections in 2014 there was a tremendous sense of hope in the new administration and what they could achieve. From your perspective, and specifically in terms of infrastructure development, where have you seen real changes?

I think it's important to understand the President's vision when it comes to infrastructure and how it will be implemented. This is especially the case when it comes to the Nawa Cita or 'nine priorities'. All of these important programs are being carried out according to timeline and budget and it is important to understand the resources involved in doing this and what they will mean for state owned enterprises (SOE), such as PT-PP.

In terms of spending the forecast for the next 5 years is IDR 4.9 trillion (approx. US\$576 million), and approximately IDR 1.5 trillion of that is coming from Government spending. This means that the SOE capex will amount to some IDR 2.4 trillion, with the balance made up by the private sector. This has been allocated to the overarching infrastructure plan, including power, roads, bridges, ports and airports.

This is a vast and complex series of national upgrades that can not be carried out successfully with highly motivated and capable leadership. I would like to give you an example of my experience with the President that demonstrates just how committed this administration is to getting things done. One of the major areas we are operating in is power generation, and I was recently tasked with building 8 units together.

Around two months before a big event I met with the President in Lombok. The President asked me, whether PT PP could finish the power project in 2 months. I informed him that it would take at least 6 months based on the engineering calculations we had made. The President replied 'if your engineers have calculated and say it cannot be done, you should ask them to recalculate again and again'. That is what we did, and we confirmed that the project could technically be done in 2 months and we made sure there were no delays and maximum efficiency.



Ir. Tumiyana, President Director of PT PP

So based on this guidance, on the 27th of July 2016, during the event scheduled, the power project was completed. The President could see what was really achievable with the right motivation, and with the project being carried out by the right people.

A critical part of the infrastructure acceleration plan is empowering SOE's through direct funding. How has this impacted on your company's work capacity?

Based on estimates, total SOE assets now amount to around IDR 5 trillion, close to three times the Indonesian budget. This is how we can improve our capacity; we can accelerate capex spending and get more done. Accelerating infrastructure development is a top priority for the government, and a top priority for PT PP. With the resources behind us we can undertake the ambitious infrastructure upgrades that are needed to strengthen the country's macro-economic standing.

The government is also trying to get the private sector more involved. How do you see your colleagues from privately-owned companies contributing to infrastructure development?

The private sector is certainly boosting its participation and contribution to infrastructure, however we at PT PP remain the trailblazers. However, when our spending is done and SOE capex spending is done, the private sector will start to really get involved to a much larger extent in the infrastructure development process investing in new projects.

How do you think the deregulation drive by the government will affect the ability of multinationals to operate in Indonesia?

The deregulation is certainly a step in the right direction. We certainly welcome the competition, and in the region we are competitive; construction companies normally maintain margins of 1.45-2 percent. But at PT PP we are looking at raising this to 6-7 percent net. At present we are already achieving 5.7 percent this year.

The tax amnesty program that the government is undertaking is also set to have an impact on property and capital markets. What impact will the tax amnesty have on PT PP?

When you have available, fresh money, you are going to choose investments that give you a greater yield. You are going to buy shares on a bourse, and maybe you are going to get an average return of 30 percent. But if you invest in property, how much return on investment will you make? Maybe more than that, except PT PP property gives you a return of around 55 percent! So certainly we will be a sought as investment partners following the tax amnesty.

The President and Minister of State Owned Enterprises have announced that the State Owned Enterprises are to be restructured into 6 separate holding companies. What opportunities and challenges do you see in this new structure?

I think this will be a good move in terms of building capacity, especially balanced capacity in terms of engineering, technical expertise and business flow. It will take time to consolidate, but this will be an important step in terms of improving competitiveness as well.

For example, at the moment we cannot compete in tenders with European companies on big power generation projects. This is despite the fact that we have carried out 15 power generation projects over the last 5 years.

The issue is that when we are tendering for a 200 megawatt bid, the Indonesian company is the best option. However if you look at 1,000 megawatts, we cannot compete with foreign companies. Even with our strong balance sheet we cannot meet requirements and that is why we need a holding company to strengthen our synergies.

With a bigger company, we can execute bigger projects, which at the end of the day serves Indonesia better.

In terms of the structure itself, would each of the subsidiary companies retain independent management? What time frame do you see for this consolidation?

Well first of all SOEs are not managed like private companies. If we were a private company that is to be consolidated, it would not take much time, and the process would be quite simple and straightforward.

However, with SOEs there is a different corporate culture, various stakeholders and a long history to be taken into consideration. We need to find the right balance of decision-making to meet the requirements of our stakeholders, and we have to consolidate the balance sheet first. We also have to meet the most stringent levels of transparency, similar to a publically owned investment company, in terms of auditing. The next step after that is to take one or two years after to consolidate with sister companies that have the same business.

We positively agree that the holding must be created, but it will take some time, and it needs to be done right.

For our international readers who are looking at gaining some exposure to Indonesia's big infrastructure drive, what advice would you give them?

Buy my shares. This is the best exposure to Indonesia's development, because first you get the margin from my investment, second you get the margin from my construction business, and third you can benefit from the downstream business. You won't find a margin of 6 percent anywhere else in the construction industry.

If I wasn't a director I would be buying as many shares as I could. As it is, all of my employees have share options. As a form of reward to employees, the company provides an opportunity to have employees share the success of the company through an incentives program.

You started out as an engineer here many years ago and you have worked your way up to become the President Director. How has that shaped your approach to management at PT-PP?

I've been here 30 years already and as a result I know how to really deliver projects.

My experience is not just in the technical field, but also in management. I started out as an engineer and then a supervisor, and a project supervisor and then when the company went public I became the Finance Director. As a result I really know this company from top to bottom.

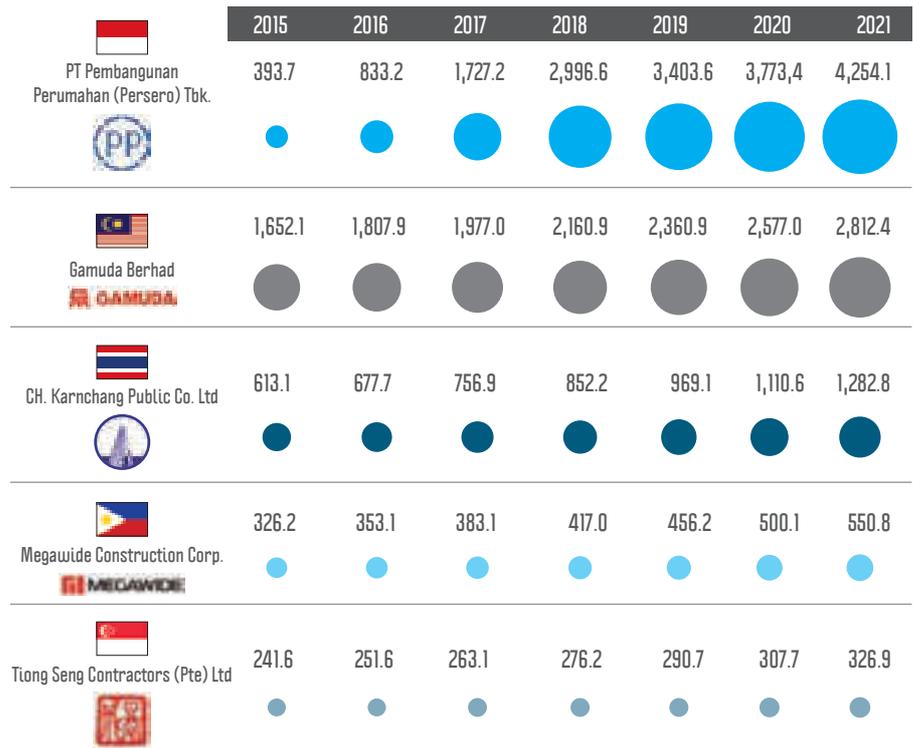
I learned much during my time as the Finance Director. Colleagues challenged me all the time, and that is how I improved and I respect them for it. As the old saying goes, "Challenge a



COMPARISON OF EQUITY PROJECTION OF ASEAN CONTRACTORS

EQUITY 2021
4,254.1

(in Million USD - per October 2016)



* Dividend payout assumption = 20% EAT

** Equity = previous equity + 80% EAT

fool and he will hate you, challenge a wise man and he will appreciate you".

I knew that leading this company would be a big responsibility because PT-PP has become a very diversified and integrated company since it was established 65 years ago. We have completed a lot of very important and diversified projects during this time, which required corporate change and new innovations.

As a leader, I have an obligation to continue this tradition of striving for innovation and there is no better example of that than the 'metro capsule' transportation system. This project, outside of the usual scope of work we engage in, was 100 percent engineered in Indonesia and has huge potential. It can really meet both domestic and foreign demand, as it is highly competitive on pricing and quality.

I know PT PP is a source of national pride, but you are now looking to make it a regional and international player. The company was recently awarded numerous regional accolades in 2016, which is important for PT PP to become a sustainable ASEAN class company. With this being said, where do you see PT PP moving in the future?

When I retire I want to leave behind the biggest company in South East Asia.

I have already explained this to all of my employees. This is our target and this is the work we are going to do. Building PT PP into such a company will be my legacy.

We have received many awards in 2016, and I know we are heading in the right direction. One of the awards received was PP as the Best Managed Company in Indonesia and Best Investor Relations awarded by Finance Asia and Credit Suisse.

Furthermore when we talk about our growth in the region we received the Gold Award for Dual Fuel Power Plant of the Year at the ASIAN Power Awards 2016, held in Seoul. Another regional award was the Best Civil Engineering Project award for an outstanding and remarkable contribution for the advancement of Civil Engineering and Development in Asia (Project: Kalibaru New Port) awarded by the Asian Civil Engineering Council, held in Hawaii. So you can see that just from the awards and accolades this year, we are really building a strong presence in ASEAN.

More importantly though is our balance sheet, and this is something that investors and the business community needs to take note of.

Last year in 2015, our equity stood at IDR 5.12 trillion. Our projection is that by 2018 this figure will increase to IDR 38.97 trillion. This 690-percent increase will be driven by our corporate action (extensive long-term corporate diversification strategy, such as taking our business from six pillars to eight pillars by adding energy and infrastructure lines) and also the acceleration of infrastructure priority program by the Indonesian government. By this measure we will be larger than every other major construction company in the ASEAN.

FROM FOOD STALLS TO INNOVATORS: APEC RECOGNIZES THE ROLE OF SMES

The plight of SMEs rightfully takes prominence on the APEC agenda, which will look at how small businesses can tap into cross-border opportunities and better avail of the benefits of increasing market integration amongst APEC member states

Asia-Pacific Economic Cooperation (APEC) leaders meet in Lima on November 19-20, and as has happened in most of the previous gatherings of the 21-nation group, they will discuss how to further cut back international trade barriers.

This time, though, they will also be focusing on how they can ensure that small and medium-sized enterprises, SMEs, can better contribute to and benefit from trade growth, a topic that has only recently come to the forefront despite an-

nual minister-level talks on promoting the sector that started as far back as 1993.

SMEs account for some 98 percent of all businesses, 40 to 80 percent of employment and up to 60 percent of the gross domestic product of APEC member economies, but are responsible for only 35 percent or less of their direct exports.

The summit talks at APEC, long a champion of globalization and free trade, will be held at a time of growing criticism and unhappiness at how the undoubtedly huge benefits these can generate disproportionately advantage big companies at the expense of small ones unable to compete with floods of cheap mass-produced imports.

Several market-opening trade pacts that have taken years to negotiate have run into strong headwinds and public dissatisfaction recently, culminating, for example, in the stalling of the U.S.-E.U. Transatlantic Trade and Investment Partnership, and the blocking by a small Belgian region of a similar E.U.-Canada deal.

Some critics argue that secret talks in which trade pacts are usually hammered out are undemocratic and result in unbalanced agreements that undermine small companies, force unpopular policies on consumers and, counter-productively, bolster trade protectionist sentiment.

One major agreement of particular interest to many APEC countries, the Trans-Pacific Partnership between the U.S. and 11 other Pacific Rim nations, is under threat because of the refusal of the U.S. Congress to ratify it.

Acknowledgement that more needs to be done emerged in Washington in September, when G20 leading economic nation finance ministers agreed collectively

that the benefits of liberalization and lowered borders had not been "equitable".

"Given that these (SME) businesses are out of the formal market, the possibilities for them to export their products and trade internationally are reduced and therefore the capacity for growth is greatly limited," Peru's Second Vice President Mercedes Aráoz said recently. "Around 40 percent of SMEs in the (APEC) region are still isolated and many more are at risk of losing out on the benefits of increasing market integration."

Preparatory meetings organized by this year's APEC host Peru on how to ensure SMEs can better tap cross-border trade opportunities by more actively participating in Asia-Pacific regional output and supply chains culminated in ministerial talks in Lima in September, and agreement on proposals for leaders to debate and approve.

Measures identified by ministers that have been forwarded to the summit include how to mitigate the impact of rising protectionism that hinders small business internationalization, how to support SMEs' adoption of sustainable production to reduce carbon emissions and improve green growth, how to narrow gaps in the use of mobile technology and electronic commerce and improve access to financing, and how to supply education and training needed to cultivate entrepreneurship and improved management capacity.

Typically, SMEs have between 10 and 250 employees, although definitions of what constitutes an SME vary across APEC. Sometimes the SME name is expanded to include micro-businesses with only a handful of workers, using the abbreviation MSME.

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Their activities range across a wide spectrum, from farming, street vending, small mining operations and restaurants to low technology manufacturing and high-tech, innovative and sometimes well-financed ventures, which makes it difficult to design broad catch-all strategies to enhance their role.

A 2015 APEC report on obstacles facing MSMEs trying to enter regional and global markets cited “underdeveloped infrastructure; inadequate information especially regarding market opportunities across borders; existing international trade policy frameworks and regulations that are less suited for the MSMEs; lack of facilities needed to comply with such border measures; limited access to competitively priced and internationally acceptable inputs; and lack of access to financing.”

“Modern small businesses will have to adapt to the growing demands of an interconnected world,” said Peru’s Minister of Production Bruno Giuffra, Chairman of the Lima 2016 APEC SME ministerial meeting in September. “Such a vision requires a high level of government com-

mitment and private sector engagement to set the right policy framework and incentives, which APEC is well-suited to take forward.”

Many APEC nations have long-established programs supporting small startups, while in others, the launch and growth of SMEs is still hampered by a lack of access to finance, choking red tape and corruption.

Indonesian President Joko Widodo, who was a self-starter small businessman himself, is pushing through parliament a raft of policies designed to make it easier for SMEs to do business, although his focus has been more on the domestic economic and social benefits these will generate than on improving their capacity to export.

A core problem is that many SMEs do not have the capacity to obtain, understand and then act on cross-border opportunities that are available, an APEC SME workshop held in Hanoi this January was told.

While large companies and multinationals could easily benefit from the 148 Free Trade Agreements involving APEC nations in force at the end of 2014, due to a lack of staff and skills, the bulk of

“Modern small businesses will have to adapt to the growing demands of an interconnected world. Such a vision requires a high level of government commitment and private sector engagement to set the right policy framework and incentives, which APEC is well-suited to take forward”

Bruno Giuffra, Peru’s Minister of Production, and Chairman of the Lima 2016 APEC SME ministerial meeting

Vietnamese SMEs “have no clear knowledge about regulations of the FTAs,” said senior Industry and Trade ministry official Tran Ba Cuong. This is something APEC leaders hope they can change in the future, and ongoing high-level talks on the plight of SMEs will certainly go a long way in making that happen.

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MASRAF AL RAYAN

MACROGEN SPEARHEADS A REVOLUTION IN HEALTHCARE BASED ON PREVENTATIVE MEDICINE

In South Korea, where the failure rate of start-ups has been traditionally high, Macrogen stands out as the first ever bio-venture company that has successfully expanded across the globe. Founding Chairman, Dr. Jeong Sun Seo, explains his vision for the company as a world leader in genomic research and preventative medicine

There have been major medical and scientific breakthroughs since the foundation of Macrogen in 1997. For example, the Human Genome Project, an attempt to discover the entire human genomic structure, has allowed new approaches to biological phenomena. In terms of the Asian Genome Project, in which Macrogen plays a key role, what potential does this have to make a difference to the lives of people across Asia?

We can find the genetic causes of hereditary diseases by looking at genes and this will help people tremendously. However, what is more important is to help people avoid the lifestyle choices that contribute to the development of certain chronic diseases in the first place. We can let people know if they have genes susceptible for asthma and diabetes, for example. Then they can make conscious decisions to adapt their lifestyles or living arrangements to avoid the onset of such diseases. That's preventative medicine and that's what we are trying to achieve.

Before we started the interview, you said that Macrogen is aiming to be the "Microsoft of the bio-venture era." Where do you see this company in five years from now?

When we first began our business, we did not have any technology that could be a game-changer. However, by using technology over and over again, we have been able to accumulate experience in optimizing this technology. With optimized technology, we have engaged in global marketing activities. Our priority was to provide low-cost services for many people around the world. Our ultimate goal is to accelerate the era of preventative medicine.

We now own a total of 21 Illumina HiSeq X machines. One machine can map the genome of 2,000 people per year. This means we can take care of over 40,000 people a year. Last year, we operated our machines full-time and we operated more machines than any other company.

There are only 30 companies and organizations in the world with these Illumina machines. Macrogen is number 1 in terms of using these machines efficiently, and this allows us to reduce some operation costs. In



Founding Chairman, Dr. Jeong Sun Seo

turn, this allows us to reduce the prices of our products and services, but the quality remains superior. An accurate analogy would be that we intend to sit on the shoulder of the giants. We are interested in the data, not the technology. We accumulate the data. Finally, we will use this data for business.

One of our specific advantages is that I am a medical doctor and I understand the problems in hospitals. Korea is not a big country but we have a large network of hospitals and insurance companies, so we can predict what will happen with the healthcare system.

You have said yourself that in order to complete the medical revolution of the 21st century, characterized by regenerative and informatic medicine, supporting tools are indispensable. In the light of this, Macrogen Inc. has developed and commercialized basic tools for genome medicine. How important are these commercial services to the future growth of your company, and what are your expectations in terms of sales of such services in the years ahead?

One big market is the research market, where we operate through government

grants. The other big market is the clinical market, which we are now moving into with preventative medicine products, such as pre-tests for pregnancy and cancer screening. Now women are giving birth at a much later stage in their lives, which means that the risks for mother and child are higher. This means there is a huge market for pregnancy pre-tests, especially in China. We even have products for pet genomes. This is how we are diversifying our business.

Last year you merged your three Macrogen affiliates in the U.S. into one company, Macrogen Corp. How will this merger affect your operations and your competitiveness in the U.S. market?

In the future, Macrogen will need to conform with Clinical Laboratory Improvement Amendments (CLIA). If we get CLIA approval, then we can start producing data for medical doctors. Without CLIA, we cannot provide such genome data to doctors, due to legal restrictions, which is why CLIA is very important.

In Rockville, Macrogen Corp U.S.A. already has a CLIA-approved lab, which makes us a viable partner for researchers and pharmaceutical companies. The merger will enable us to streamline our operations across all of our facilities in the U.S.A. and to operate more efficiently.

Your slogan, "Humanizing genomics", was unveiled last year. What message is this slogan trying to convey?

We want to use genomic information for the benefit of people. We want to be closer to our customers.

The Korean government wanted to support the development of Macrogen as a promising venture company and they provided the services of branding experts, but I did not like any of their suggestions. Then one day I was visited by a Korean friend who lived in New York. We discussed some ideas and the next day he suggested "Humanizing something." And then it dawned on me, "Humanizing genomics", and that is how it came about.



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CAN INDONESIA REACH 5.4 PERCENT INDUSTRIAL GROWTH?

Indonesia's industries contribute 30 to 40 percent to GDP and that is set to grow with the further development of new strategic sectors and manufacturing. Indeed, the Government is making concerted steps to move away from a commodities-driven economy, prioritizing infrastructure spending and investment in manufacturing to push Indonesia over 5 percent annual GDP growth. Minister of Industry Airlangga Hartarto discusses the implementation of policies to boost industrial development and attract foreign investment in manufacturing



Minister of Industry Airlangga Hartarto

For the first time in ten years, Indonesia is welcoming foreign investment in an unprecedented number of sectors and businesses. This so called “big bang” liberalization is set to be a game changer in the pursuit of a more diversified and resilient economy. What impact will this have on foreign direct investment and on the business environment?

The government strives to enlarge the market and improve cooperation for national industry. This is materialized in the comprehensive implementation of free trade agreements. More opportunities for international industrial cooperation are expected to increase the performance of exports, as well as increase employment in Indonesia.

We entered the era of the ASEAN Economic Community in December last year. In 2018, another agreement, the Regional Comprehensive Economic

Partnership (RCEP), is going to be implemented. Meanwhile, the government is also committed to creating a conducive business climate in order to attract more investment, by introducing a package of economic policies and deregulation to make doing business in the country easier.

So far the government has launched 15 economy policy packages. One of these is related to investment in the industrial and trade sector, which is expected to boost the economic activity, and particularly to promote FDI.

As the newly appointed Minister of Industry, what is your primary focus for 2016-17?

Firstly, according to the National Medium-Term Development Plan (2015-2019), the priority focus of the Ministry of Industry includes the development of industrial zones outside Java by facilitating

“The Ministry of Industry has several centers for research around the country—each specializing in different areas such as agriculture, metals and textiles—that offer research and development services for industry”

the development of 14 industrial estates and 22 centers for small and medium scale industry around the country; and increasing competitiveness and productivity through enhancement of technical efficiency, technology and innovation, and the development of new products.

For the 2016-2017 period, one important priority is lowering the price of en-

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West Nusa Tenggara is known for its beauty through destinations such as Lombok and the Sumbawa Islands. Of course its real beauty is in the harmony of its people. The Government of West Nusa Tenggara has opened up to unprecedented foreign investment, with a focus on increasing infrastructure connectivity, developing agro-industries and creating a more inclusive economy through entrepreneurs and SMEs.

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ergy for industry. The Ministry of Industry is making every effort to reduce the price of gas for 10 industrial sectors, including fertilizer, petrochemical, oleochemical, iron and other metal, ceramics, glass, tire and rubber gloves, pulp and paper, food and beverages, and the textile and garment industry.

Another priority is the establishment of infrastructure in Sei Mangkei, Morowali, Palu and Bantaeng industrial estates, including axis roads and tank farms, polytechnics and community colleges, and also development of small and medium scale industry in Seruyan and Sumbaya.

We are also working on developing five industrial techno parks for electronics and telematics; facilitating new small and medium scale entrepreneurs; facilitating machinery and tools restructuring for 65 industry units; and developing 19 centers and clusters for small and medium scale industry.

What is the importance of technical research and development in the industry?

Technology mastering is absolutely vital. The goals of research and development are to increase the efficiency, productivity, added value, competitiveness and independence of national industry. While industry struggles with daily production activity, research institutions could contribute by implementing the research results. The implementation of research results in industry helps to solve problems without having to add more investment or depend on foreign countries. Furthermore, through research in industrial technology, natural resources could be processed in the country.

The Ministry of Industry has several centers for research around the country—each specializing in different areas such as agriculture, metals and textiles—that offer research and development services for industry. The centers have qualified human resources, tools, standards and competency for conducting research. They offer ‘one-stop-shop’ services for industry, including testing, calibrating, standardizing, training, certification and research.

Can you discuss the aggressive expansion of the textile and garment industry?

The textile and garment industry is amongst the strategic industrial sectors because of its ability to be a motor that moves the manufacturing sector. In Indonesia, the sector has been integrated from upstream to downstream and well-known for the quality it produces in international market.

In 2015, textile and garment industry employed 5 million workers—10.6 percent of total employees in the manufacturing sector—with an investment value that reaches 8.45 trillion (US\$550 million). The contribution is also significant to national income with exports valued at US\$12.28 billion in 2015. To raise the exports, the government facilitates the industry with potential incentives; including tax exemptions for raw materials used in exported products from value added tax and lower gas prices.

The development of the Kendal Industrial Park in central Java is also a manifestation of the government’s commitment to promoting the textile and garment industry. The Ministry of Industry projects the industrial estate will be the center of labor-intensive industry. An integrated ‘fashion city’ is also going to be built over an area of 100 hectares on the estate.

What other key industrial sectors are priorities for investment?

To achieve the 5.4 percent industrial growth target in 2017, small and medium-scale industry is being promoted in order to attract investment. This includes the development of 22 small and medium-scale industry centers.

Creativity is the main capital needed for small and medium-scale industry. In Indonesia, the creative industry is rapidly growing. Therefore, the development of human resources in the industrial sector is considered a strategic step for entrepreneurship development in order meeting the industrial growth target.

President Joko Widodo has also proposed that the private sector needs to contribute to vocational education in industry. The Ministry of Industry promotes cooperation with other institutions and companies to create and implement training programs that are applicable for industry.

“To achieve the 5.4 percent industrial growth target in 2017, small and medium-scale industry is being promoted in order to attract investment. This includes the development of 22 small and medium-scale industry centers”

What are the regulatory challenges that most addressed to encourage FDI?

Some barriers in increasing Foreign Direct Investment (FDI) include:

- Limited raw materials supply
- Lack of infrastructure facilities
- Limited supply of energy, electricity and connectivity of roads and ports, especially for areas outside Java
- The price of land, which increases rapidly, and the complicated procedures in land procurement
- The slow progress of industrial estate development due to land acquisition issues

The Ministry of Industry has facilitated the development of industrial estates, especially outside Java for the sake of economy equity. Fourteen industrial estates located outside Java that are focused on natural resources manufacturing industries have been offered to investors.

As I said before, industrial growth in 2017 is expected to reach 5.4 percent, or 0.1 percent higher than economic growth. This target could be reached by deepening the industrial structure, enacting a competitive gas price policy, giving tax allowance and tax holiday incentives, and harmonizing tariffs.

The contribution of the industrial sector toward GDP is around 30 to 40 percent. It is projected to increase along with the growth of manufacture sector and other new strategic sectors. The government has prioritized infrastructure spending and investment in the manufacturing industry to boost GDP growth to beyond 5 percent. The Ministry of Industry is going to play the major role in the implementation, expansion and development of these policies.

ENTREPRENEURSHIP AND INFRASTRUCTURE

The Worldfolio sits down with President Director of tobacco company, PT. Wismilak Inti Makmur, Mr. Ronald Walla to discuss his ambitions for Wismilak, the company's contribution to Indonesia's economy, as well as the importance of fostering entrepreneurship. After studying in the U.S. and returning to Indonesia, Mr. Walla has taken a particular interest in entrepreneurship, being awarded the 'Most Promising Category' at the prestigious Asia Pacific Entrepreneurship Awards 2015

The government of Indonesia has been committed to ensuring ease of doing business since its election in 2014, including announcing 13 economic policy packages. How have you seen these impacting on the business environment?

Some of the packages are impacting indirectly, and certainly there are positive steps that have been taken by the President, and although I haven't studied all of the packages in detail, I am looking forward to seeing the effects after implementation. We won't really see the impact short-term, it will be over the medium and long term that we see results.

With many years in the tobacco industry, Wismilak will be facing increasing pressure including taxation and pricing directives from the government. How do you approach these issues?

In the cigarette industry we are directly affected by taxation changes and we pass it to the consumer, but from our perspective, as long as the increase is calculated carefully, the industry will be ok. Because this is not something that just affects us, this also has a direct affect on farmers, and you will see that when the demand for cigarettes decrease, farmers and traders are often the ones that suffer. Illegal cigarettes will grow, while our authority has not been seriously paying attention to this issue.

Further to this, on the plantation of tobacco, it's important that the government improve the education of the farmers and growers, and also improve infrastructure for farming, for example, because irrigation is very important. So we need help on that side and ultimately education will improve their productivity and livelihoods.

A proposed excise tax scheme that is progressive, so the more you produce, the more you pay and that is something that deserves serious consideration. At the moment the price will have to be increased, and in the past, this has been by around 10



Ronald Walla, President Director,
PT. Wismilak Inti Makmur

percent per year, while the inflation increment is about 5-6 percent, so we have been increasing more than inflation already, but it's important that we do not go beyond that.

The tobacco industry has been a big contributor in terms of employment. How do you view Indonesia's human resources?

The industry is very labor intensive as we have both the machine made and hand made cigarettes, however we have had recent challenges in that our factory has been exceeding capacity in Surabaya, and minimum wages have been increasing very rapidly. This has meant we have had to move to suburban areas. While this is very hard for the business operators, I think it's a good move for the long term.

In terms of our own human resources development, our company is over 50 years old; my grandfather founded it in 1962, so we have gone through generations. At the moment our top management is at a senior age, and we need to re-map and transform and keep up with the new generation. So we have been working with our HR department as well as consultants and we try to make our organization more agile, more flexible, fewer boundaries, fewer rigid organizational structures, almost like decentralization. This will be critical in ensuring efficiency as well as creativity, innovation and speed, which will be critical for our continued success.

One of APEC's focuses is on SMEs, and Wismilak is an SME that has some distinct advantages. Where do you see your advantages as an Indonesian SME?

I believe that the great advantage of being an SME in Indonesia is our potential, because if we implement the best industry practices of multinationals, moving away from more traditional structures, we will see instant, almost magical changes. This is true more broadly of Indonesia, it really doesn't take long to catch up, and I think we were lagging behind our neighbors for so many decades, but now we are getting on the right track. Besides the demographic dividend we have natural resources, and lots of land to develop. The issues what the government is facing now is the lagging of human resources, and that challenge really needs to be addressed immediately.

What sort of corporate social responsibility projects are you currently undertaking in the education and entrepreneurship spheres?

At the moment we are promoting people



“On the plantation of tobacco, it's important that the government improve the education of the farmers and growers, and also improve infrastructure for farming, because irrigation is very important. So we need help on that side and ultimately education will improve their productivity and livelihoods”

to follow their passions, and as long as it is positively contributing to the society, this will be good and also for themselves and our country. We also run an entrepreneurship competition and we don't give the winner a one-time prize, we give them mentorship over a number of years, as well as funding.

Internally our organization is trying to adopt an ethos of continuous improvement, which is important and keeps us learning; to learn and grow is very important. Once we have accomplished that kind of culture, meaning we are doing a lot of things to develop ourselves personally, and as an organization together, then we can spread the word and spread the influence and continuous learning programs, which is good for the surrounding society.

Entrepreneurship is something very important to you on a personal level. What are you personally focused on at the moment?

I think as an entrepreneur you have to think of ways of making a big positive impact, so

personally I love infrastructure projects, in a small way or in a big way, lot of people see cigarettes as a consumer good, but the way I see it, is that its infrastructure. We are facilitating smokers and with this industry we can do many things, from entertainment to education. It's a social product.

On my own side, I have also run an IT computing business, because I studied in 1991 in the U.S., which was really the glorious start of the Internet. So that was also infrastructure to me, because we were connecting everyone.

I would love to go further into education as well, right now I am partnering with my friend who is running a children's playgroup, its called Chipmunks. We are really trying to get some educational products in there, so that they can study and have fun together. Its not there yet, but its under exploration.

When we look at Indonesia and its natural assets, I'm interested in how you see the ongoing efforts to rebrand Indonesia. Do you see them taking it in the right direction?

They have not really found their national campaign yet, but I think it will be something about developing and embracing Indonesian assets to prosper, which I would say is coincidentally in line with what we have been doing now, especially with President Jokowi's team. I have seen very positive movement within his Cabinet as well, the re-shuffling, the packages, everything is going very fast, and I understand there are a lot of complaints internally there, but I see that President Jokowi is visionary, so I mean he always moves far ahead of everybody else. He really needs executors, somebody who can bridge the gap to innovate.



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APEC TRADE REFORMS AIMED AT STRENGTHENING REGIONAL COMMERCIAL INTEGRATION

APEC said it was still able to maintain a solid program of trade reforms in 2015 that have helped to increase foreign direct investment into the region

Businesses and countries around the world are starting to notice the increasingly crucial role the Asia Pacific region is taking in the global economy.

Shipping giant DHL wrote in a May report that the area is a source of “optimism,” highlighting gross domestic product growth of 6 percent. APAC’s importance in global trade is growing and will continue to grow,” DHL stated in its report entitled “Demystifying Asia Pacific Trade Trends”.

“Intra-APAC (the Asia Pacific region) trade is projected to account for approximately 50% of key global trade lanes by 2030. Strong export growth is anticipated with China, India, and Vietnam projected to lead merchandise exports growth globally between now and 2030. To exploit this increase in regional movement of goods, companies must get more involved in regional value chains and markets.”

But the paper also noted that the region does still face significant challenges.

“While opportunities are abundant, APAC is a complex region,” DHL stated. “Countries with high potential rank lower on the World Bank’s Ease of Doing Business index. Poor infrastructure and complexity in regulations and customs cause inefficiency and add cost to supply chains. Governments are addressing these issues through infrastructure and trade policy initiatives. By leveraging these initiatives, companies can exploit better connectivity and service levels to make gains in APAC markets.”

DHL recommended that businesses interested in the area focus on developing talent that can help improve “supply chain facilities and connectivity.”

APEC into focus

The 21-nation Asia Pacific Economic Cooperation (APEC)—a forum focused on promoting financial growth in the region—has been promoting fresh strategies to address these and other concerns.

APEC, which represents almost 50 percent of the world’s gross domestic product and trade, has stated that it is particularly aiming to reduce trade costs across the Asia Pacific area. In a May report on the economic status of the region, APEC wrote that bilateral trade costs with its 10 largest trading partners has gone from 12 percent to 6 percent between 2010-2014.

“If a simple average is used, ad-valorem trade costs have fallen from 96.4 percent of the value of goods traded in 2010 to 90.7 percent in 2014. If a trade-weighted average is used, trade costs have fallen from 74.4 percent in 2010 to 65.8 percent in 2014,” the forum stated in the report.

APEC said it was still able to maintain a solid program of trade reforms in 2015 that have helped to increase foreign direct investment (FDI) into the region.

“APEC implemented 68 trade-related measures in mid-May to mid-October 2015, of which 28 measures were trade-facilitating and 40 measures had the effect of discouraging trade. During the period

May 2015 to February 2016, APEC implemented more measures to ease the entry of FDI rather than restrict it,” it wrote.

However, 2015 did see a downturn in trade for APEC, according to the paper. Pinning the decline to structural and cyclical factors like Chinese economic policy and a fall in commodity prices, APEC wrote that the value of exports of merchandise trade fell by 8.7 percent last year.

Imports also declined by 11.5 percent in the same period.

Although APEC maintained that the area’s overall economic performance in 2015 was “boosted,” it still faces considerable challenges from outside shocks.

“The APEC region has been affected by the downward trend in commodity prices since some APEC economies are major exporters of oil and energy products, metals and minerals, as well as agriculture products,” the group wrote.

“The all-commodity price index declined by 35.3 percent year-on-year in 2015, with crude oil prices significantly down by 47.2 percent due to a combination of a glut in supply and a slowdown in demand.”

APEC recommended that the area’s nations need to come together over issues like transport development and infrastructure improvements. They argued that these actions would aid the region’s “connectivity” and make value chains more resilient.

“To enhance these efforts, an end-to-end supply chain framework to view trade facilitation is necessary,” APEC stated.

“This means focusing on the common ‘at the border’ trade facilitation efforts and facilitating efforts on improving logistics efficiency and connectivity both within and across the borders. This also means focusing on the flows and security of finance and information in addition to the flows of goods.”

Trade pacts fuel integration debate

APEC leaders have long been supportive of further regional integration. At a 2015 group conference in Manila, then Philippines president Benigno Aquino praised APEC for continuing to promote cooperation across the area.

“Since inclusive growth has always been the guiding principle of our administration, we are proud to have put this approach front and center throughout our hosting APEC this year,” said Aquino at the time.

Divisions still exist between many APEC countries regarding recent proposed free trade deals, particularly with the Trans Pacific Partnership (TPP). Although APEC is not formally involved with TPP, the U.S.-backed plan has faced criticism from some group members.

U.S. officials have said TPP could liberalize trade in the region, which would promote growth and create jobs. Detractors have argued that TPP is “confidential” in nature and will not bring “sustainable development” to the region.

Russian representatives at an APEC conference in 2015 recommended trade rules be created under the auspices of the World Trade Organization rather than on a regional level.

TPP supporters have said the partnership would a “new and compelling model of trade.”

China, a major player in international trade and APEC member, used the November 2015 conference to call for the speedy creation of the Free Trade Area of Asia Pacific (FTAAP). First put forward in 2006,

FTAAP would create the world's largest free trade area if instituted.

"We need to devote ourselves to win-win cooperation, resist protectionism and facilitate fair competition," said Chinese president Xi Jinping in address to APEC member at the time.

He added that "We need to devote ourselves to win-win cooperation, resist protectionism and facilitate fair competition."

Commentators have stated that the debate over free trade deals could be viewed as a device that serves only certain interests, with one writer at the East Asia Forum saying "the United States and China advanced their own interests with respect to trade agreements in the Asia Pacific region."

"Economics aside, what do each of these trade agreements mean for the United States, China and ASEAN (Association of Southeast Asian Nations) from a strategic perspective?" wrote Sanchita Basu Das, an economic researcher at the Singapore-based ASEAN Studies Centre, in an editorial for East Asia Forum.

"The United States and China view trade agreements [...] as ways to limit each other's ability to compete in their respective areas of interest. China, as a growing economic power, has an interest in leading the East Asian institutional architecture and needs to ensure that neither the United States nor Japan will dominate the region."

"The United States seems determined to use the TPP to connect its economy to the growth centers of Asia. It has been long complaining about unfair trade practices among developing countries leading to significant trade imbalances between the West and the East."

For its part, APEC's organizational leadership has demurred in the past on a possible overlap between the two free trade agreements. APEC Secretariat Executive Director Alan Bollard told reporters at a

news conference ahead of the group's November 2015 meeting that FTAAP in particular must be considered as a part of a number of regional trade pacts.

"We see the FTAAP study as the way to judge where all these (free trade agreements) are going, how much they fit together, could they conflict with one another, and what might come to help integrate that, moving together in the future. That's the main aim of the study," he said.

Bollard added that APEC is closely monitoring any TPP-related developments.

"We'd all be pleased to see the text [on the TPP] out in the public arena so we can judge that. I think it's fair to say that APEC doesn't want to see different trade agreements going off in different directions."

Looking ahead

The debate has carried on into 2016. At an August APEC meeting in Lima, Peru, Chinese officials continued their support FTAAP while expressing concern over backing of protectionist policies in recent international policy debates.

"The trend of protectionism is on the rise," said China APEC Senior Official Tan Jian in an interview with state broadcaster CCTV.

"This year the trade ministers they assure the world that they remain committed to free and open trade, and affirm their commitment to extend until the end of 2020, is kind of commitment to rolling back protectionism and trade distorting measures," Jian said, hailing FTAAP as a "a big deal."

Yet with these momentous trade decisions still to be finalized, APEC's future role—and indeed that of the Asia Pacific region as a whole—remains to be decided.





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RENOWNED SOY SAUCE MAKER LOOKS TO LEVERAGE POPULARITY OF JAPANESE FOOD FOR GLOBAL GROWTH

What's in store for both Japan's economy and one of its most renowned and respected companies, Kikkoman, is discussed by its Honorary CEO & Chairman of the Board of Directors, Yuzaburo Mogi, as well as the buildup of the company's success and the importance of sharing and understanding culture and experiences when it comes to international business

Kikkoman is one of Japan's most highly respected and well-recognized companies with a rich history stretching back more than 300 years. What in your opinion has been the secret of such a globally successful entity?

I believe that Kikkoman's global success can be explained to a large extent by the high-quality focus that you find in our products which has generated trust from our customers all over the world.

We started our global business back in 1957 when we established a sales company in San Francisco, California. Then we opened a branch office in Los Angeles in 1958. After that, we then went to the East Coast where we opened a new branch in New York in 1961 and started marketing. Then we opened a branch in Chicago in 1965 and started marketing in the Midwest. Later on, we opened a branch in Atlanta, Georgia as well to develop the southern market. This is how we gradually opened branches in the American market.

Fortunately for us, our sales have grown, and one of the reasons why I think the sale of soy sauce was accepted by American consumers is that soy sauce goes well with meat. American consumers started using soy sauce with meat dishes originally in the kitchen, and they understood how to cook with our products and what it tastes like. They then gradually expanded the usage to other foods.

Since 1957, when we started and opened our sales company in San Francisco, our soy sauce business has shown significant growth. American consumers gradually understood more and more the high quality of our product, so I think quality is the key to our growth.

Fiscal year 2015 was another landmark year for Kikkoman. You registered a group operating profit of more than 25 billion yen and passed the landmark of 371 billion yen in sales. What in your opinion has contributed most to the impressive landmarks reached last year?



Yuzaburo Mogi, Honorary CEO & Chairman of the Board of Directors at Kikkoman

I believe that our international business has been showing steady growth, which is what I believe is the most important reason for the healthy performance of our company. Our U.S. business has been growing, as well as our European business. In 1979, we opened a sales company in Düsseldorf, Germany and started marketing there as well. Since the establishment of the sales company, our sales have grown substantially, and in 1997 we decided to have a manufacturing plant in the Netherlands. Since then, we have been enjoying an average of double-digit growth in the European market. Because of these factors, we are now enjoying growing profits from those and other operations at a landmark level.

Where do you believe the company's next best opportunities lie and what are the risks that you must now face to grasp them?

Internationally, we were able to develop a good business model in the U.S. market, and we are now trying to expand that model to the European market. The next step for us will be to expand that business model into the Asia Pacific, South America, and then eventually to the African market. We have also been able to take our oriental food distribution business worldwide. Japanese

food is currently very popular and Japanese food culture has expanded in popularity globally.

These factors create a favorable environment where we can expand our oriental food distribution business. We have business in the U.S., Europe and Asia, but there is a big opportunity for us to expand our business further. Globally soy sauce has been popular, but in the future, we may add a different business segment. Although we don't know yet what other business opportunities are available, we are currently studying our options.

How do your branding and marketing strategies currently help with raising awareness of Kikkoman to new customers or new businesses?

Of course, we are making an effort always to approach new customers; therefore, we still have in-store demonstrations as well as developing new recipes for using soy sauce. This is a continuous task that will never stop.

How do you plan to leverage your global network and increase sales to create a stronger market position?

We have two manufacturing plants and two sales companies in the U.S. In Europe, we have one sales company for soy sauce and four sales companies for oriental food, and one plant in the Netherlands. In Asia, we have several sales companies, two plants in China, and one in Taiwan and Singapore. We also have a Del Monte plant in Thailand and China. We currently cover the U.S., Europe and Asia Pacific, but in the future, we hope to cover South America as well. I don't know yet about installing a plant there, but we have a strong interest in South America and Africa. Currently, the population of the African continent is approximately 1.1 billion, and is continuing to grow rapidly. This kind of population growth represents good sales potential. Therefore, in the future we would like to expand into the South American and African markets.

APEC LOOKS TO REVERSE FALLING FDI TRENDS

‘APEC as a group can help instill global growth amid concerns of lower trade volumes and weakening productivity,’ says Dr. Alfredo Thorne, Peru’s Minister of Economy and Finance



The latest UNCTAD projections do not bode well for the immediate future of global foreign direct investment. FDI flows are expected to drop this year by around 10 percent from 2015, and the 21-strong Asia-Pacific Economic Cooperation (APEC) is not poised to emerge unscathed from this global trend, with FDI among its members predictably falling by at least 15 percent.

However, one must not underestimate the inner strength and potential of this enormous trade and investment platform which brings together America and Asia and includes the likes of the United States, China, Japan, South Korea, Indonesia, Canada and several Pacific Latin American economies,

Its member-countries announced the launch of a partnership between APEC economies and the Global Infrastructure Hub, an institution created by the G20 whose mandate is to grow the global pipeline of quality, bankable infrastructure projects through public-private schemes

accounting for 57 percent of global production and 46.5 percent of world trade. Thanks to all the above, APEC has in itself the clout and resources to help global investment thrive again after the 2016 blues.

The words of Dr. Alfredo Thorne, Peru’s Minister of Economy and Finance, following an APEC meeting in Lima, are a testament to the group’s ability to reverse gloomy investment scenarios across the world: “APEC as a group can help instill global growth amid concerns of lower trade volumes and weakening productivity”.

The numbers are certainly on APEC’s side. Its Asian members account for more than 50 percent of global FDI outflows, with China as the indisputable biggest actor, followed by Singapore and South Korea. On the other side of the ocean, Latin American countries in the Pacific seem to have been spared the recession and slowdown that is burdening its Atlantic neighbors. APEC’s numbers are reinforced by its largest member, the U.S., which plays a pivotal role between both sides of the Pacific.

Despite its strength in numbers, APEC will need to make extraordinary efforts to increase currently reversing FDI figures and also to ensure that investment recovers its vigor globally. This is why, since the moment

of its creation in 1989, APEC has sought to gradually implement and enforce a unanimously adopted set of principles aimed at making investment balanced and predictable.

Those principles include non-discrimination, national treatment (i.e., treatment that is no less favorable than that accorded to domestic investors), removal of barriers to capital exports, appropriate dispute settlement mechanisms, and safeguards against expropriation (with adequate compensation whenever expropriation occurs nonetheless). Those principles are the staple of Western liberal economies, but it was not easy to implement them across the board in a 21-strong group that includes countries like China and others which have different views on economic policy.

On the basis of those principles, APEC has been gradually developing investment facilitation tools to ensure that governments do their utmost to ensure the attraction of FDI flows. The actual implementation of these facilitation mechanisms has contributed to steadily reducing the costs of business transactions across the region.

Facilitation involves basic measures aimed at making investors feel welcome. This includes enhancing the predictability and consistency in investment-related poli-

cies, improving the efficiency of investment procedures or increasing international cooperation.

More specific measures have been recently adopted by APEC during its October meeting in Peru. Its member-countries announced the launch of a partnership between APEC economies and the Global Infrastructure Hub, an institution created by the G20 whose mandate is to grow the global pipeline of quality, bankable infrastructure projects through public-private schemes. The latter will be instrumental in financing the region's infrastructure needs, estimated by the Asian Development Bank at \$800 billion a year.

APEC encompasses several important free trade agreements among some of its members. One of them is the ASEAN Free Trade Area, which comprises ten Southeast Asian nations and can prove a boon to intra-APEC investment. In addition, many APEC members are moving towards other major – and often competing – free trade agreements.

One treaty that could potentially reshape APEC is the Trade Area of the Asia Pacific (FTAAP), an ambitious Beijing-sponsored initiative which seeks to compete with the U.S.-backed Trans-Pacific Partnership (TPP).

China, which is not part of the TPP and fears that the latter could give Washington the upper hand in economic developments across the region, wants to see quick progress in FTAAP as a means of counteracting what Beijing could perceive as an excessive U.S. presence in China's neighborhood.

Although FTAAP is still a distant prospect – while TPP also looks increasingly unlikely to move forward swiftly – the shadowy rivalry among its largest members prove that APEC is still far from being a cohesive alliance of like-minded powers. In fact, APEC permeates rivalries between some of its most powerful members, and needs to harmonize its views so that no disagreements between countries can jeopardize its ambitious trade and investment agenda.

The mere fact of having a trade-facilitating group that includes major competing powers of both sides of the Pacific means that some of the most relevant economic decisions will have to be made on the basis of consistent consultations between rivals. This is encouraging, but APEC is also a warning that Europe and North America will no longer be the only actors that shape international investment rules and standards in the future.

The shadowy among its largest members prove that APEC is still far from being a cohesive alliance of like-minded powers. In fact, APEC permeates rivalries between some of its most powerful members, and needs to harmonize its views so that no disagreements between countries can jeopardize its ambitious trade and investment agenda

Up until now, the standard model of bilateral investment treaties and international investment law has been forged by transatlantic forces. As the center of economic gravity tilts towards Asia, the immediate future of the rules governing investment will increasingly have a transpacific flavor.

It remains to be seen which APEC country will offer the most globally attractive set of investment rules for the decades to come.

A promotional graphic for Viz Media's 30th anniversary. The background is black with white, radiating lines. In the center, the word "viz" is written in a white, lowercase, sans-serif font. Below it, a red banner contains the word "celebrates" in white. Underneath that, the number "30" is written in a large, white, bold font, with a red banner below it containing the word "years" in white. At the bottom, the text "Three Decades of the Best in Manga and Anime" is written in white. Surrounding the central text are several anime DVD/Blu-ray covers, including Naruto, Dragon Ball, One Punch Man, Sailor Moon, and Bleach. In the top left corner, there is a red box with the text "viz.com/30th" in white. In the top right corner, there is a red box with the text "#viz30" in white. At the bottom left, there is small white text: "NARUTO © 1999 by Shueisha Inc. All Rights Reserved. DRAGON BALL © 1984 by SHUEI SHOTEN CO. LTD. ONE PUNCH MAN © 2017 by ONE, Yusaku Kurosawa/Shueisha Inc." At the bottom right, there is small white text: "SAILOR MOON © 1991 by Naoko Takeuchi/SEIYA SHINJI. BLEACH © 2002 by Tite Kubo/Shueisha, Inc. Tokyo, Japan. Viz Media Inc. All Rights Reserved." The overall design is dynamic and celebratory.

WHAT DO INVESTORS SEE IN THE 'LOMBARDY MODEL'?

Let's begin our conversation with the potential effects of Brexit. Some observers say Italy may benefit out of it. When it comes to the Lombardy Region, what role can it play in the high-growth corridor linking Africa and the Middle East to northern European countries?

Brexit is the start of a new process. I don't look at Brexit as a problem, but rather as an opportunity for Italy and Europe, for the new Europe. Something has to change if Europe wants to survive Brexit. Otherwise, we will go back to the individual member states, and that would be a disaster for everybody.

We are working to get all the opportunities connected with Brexit. Italy has a great role to play and naturally Lombardy is at the forefront of these new opportunities. Lombardy is the most important region in Italy. 10 million people live in Lombardy out of 60 million in Italy. Lombardy has one-fourth of the Italian GDP with 800,000 companies. In Lombardy, we have all the most important international multinational companies from Europe and the world. Milan is the number one city in the world in terms of number of consulates. The number two is New York City, so just imagine!

Lombardy is not only the engine of Italy, but also of Europe. The region has been part of an association for 25 years, which is called the "Four Motors for Europe" – along with Catalonia, Rhône-Alpes and Baden-Württemberg. The *Wall Street Journal* a few months ago said that last year Lombardy was the number one region within the Four Motors in attracting cross-border investments.

What would you say are the key drivers attracting international investors?

We are the center of innovation. The vocation of Lombardy is research and innovation in healthcare, welfare, and manufacturing. We have 15 universities, both private and public. We have more than 40 hospitals, both private and public. We have 500 research centers in Lombardy, private and public. We have eight technology parks that are fundamental incubators where young people can develop their ideas into projects and create start-ups.

The key of the success of Lombardy lies in our capability to strongly integrate the public with the private sector. We work together and we create fruitful synergies.

All these conditions are unique to Lombardy; you will not find the same ecosystem in other regions. We are the number one region

for manufacturing. We are the number one region for innovation. Lombardy's GDP is €300 billion (approx. \$328 billion), and we invest 1.8 percent in innovation and research, which is twice as much as the Italian average. We want to reach 5 percent in a couple of years.

Even when I talk about investment in research and innovation, I mean both public and private resources. This strong integration is what we call the "Lombardy model."

We put public money to finance applied research. I don't want to finance researchers, but a project. To do this, we have to involve the private sector. We have to involve international companies, for instance. And I can tell you that thanks to our model, many of them decided to relocate their R&D centers to Lombardy. Consider Whirlpool, for instance. They picked Lombardy despite the fact that labor cost and the level of taxation in Italy is higher than in other countries.

What would you identify as the main economic sectors with the highest growth potential for FDI in Lombardy?

One is healthcare innovation, namely the future of the human care and medicine. We are making very important investments in the Expo area and creating a tax-free zone. The Italian government decided to invest €1.5 billion in 10 years in order to create the so-called Human Technopole, which will be the most important and innovative research center on genomics worldwide. It will be a point of reference for scientists from all over the world. Lombardy will be one of the most important global centers for healthcare and medicine.

The second sector is manufacturing, all kind of manufacturing. Digitalization and high-tech sectors create opportunities for us, as devices must be manufactured by someone. We are investing in this direction and we are getting more and more under the international spotlight. From next year, Lombardy will permanently host the World Manufacturing Forum, which is currently hosted in different countries all over Europe.

The third sector is infrastructure, both material and immaterial. Lombardy is 99 percent covered by broadband, 20 percent of which is ultra-broadband. We are going to invest €500 million in the upcoming months to extend the ultra-broadband to the rest of Lombardy. This is something useful for industry of course, especially for young people who live in villages,

The Italian region of Lombardy is the number one region within Europe's "Four Motors" in attracting cross-border investments. Geographically on the principal east-west axis of Europe and at the heart of its most economically advanced area, the region is not only the engine of Italy, but also the continent. Major internationals have already established long-term investments in Lombardy and interest from Chinese firms in setting up here is rising substantially – and for multiple good reasons. So, what exactly is its appeal and future potential? Governor Roberto Maroni explains what makes it so unique



"Lombardy is the real land for tourism. Italy is the county with the highest number of UNESCO World Heritage Sites in the world, 51. Lombardy has 10 of these 51 UNESCO sites"

Roberto Maroni, Governor of Lombardy Region

small towns, or even on the mountains. I want everyone in Lombardy to be able to fulfill their dreams from where they are. They don't have to come to Milan to do what they want to do.

We have 1,500 cities and villages. The largest city, which is the metropolitan city of Milan, has 2.5 million people. The smallest village, which is Pedesina in the Sondrio province, has 32 inhabitants. Even these 32 have equal rights to enjoy the same level of services as the rest of the population and we, as the regional government, have the obligation to reach out to them as well.

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What about in terms of transport infrastructure? How is Lombardy positioned in the strategic European trans-national network of the TEN-T corridors?

In terms of transport infrastructure, consider that 90 percent of the goods distributed in Italy come from Rotterdam, not from Genoa. It's unbelievable.

We are at the center of all the most important European corridors. Here, we are taking advantage of European funds but also other long-term strategic investors such as sovereign wealth funds that are allocating important resources into these projects.

Not to mention the growing appetite of Chinese investors we are registering. This is a very important and very new trend. Almost every week I meet people coming from China saying they want to invest. They don't want to buy companies and move them to China. They want to invest here and leave the company in Italy and be led by Italian management. This is something exciting and new for me. It's fantastic.

When we look at Expo Milan 2015, it's been a global event that put Italy back on the global map. What is your personal perspective about the legacy of Expo Milan in shaping a new image of Italy?

I believe Expo Milan contributed to shaping a new image of Italy internationally, as the "Wellness Nation". Made in Italy is fashion, food, but we also want Made in Italy to be wellness. There is a strong interlink between the theme of Expo and the planet, energy for life, and wellness.

The Italian style, the Italian way of living – which means you eat something good, you eat something that makes you happy and it's healthy for you – it's unique. That's why the legacy of Expo will be devoted to wellness generally speaking with a particular focus on what I said before, namely the creation of the Human Technopole. Here you will find everything that is necessary to help us living longer and happier. The region already put €150 million into that project.

I also see an opportunity coming from Brexit in this context, as I strongly believe that it is thanks to visions like these that we will be able to shape a 'brain gain' of many researchers and young scientists that have gone to London to seek fortune years ago. We allocated €50 million to create a program to attract the best human capital for the Human Technopole.

Let's talk about Lombardy from a cultural or touristic point of view. What makes Lombardy unique?

You talk of Tuscany and you immediately think of tourism. It is perceived as the natural region



of tourism. Is it true? Yes, but also only in part.

Lombardy is the real land for tourism. Italy is the county with the highest number of UNESCO World Heritage Sites in the world, 51. Lombardy has 10 of these 51 UNESCO sites.

What we need to do in this area is invest more in marketing and to raise awareness about the richness we have in our region.

Therefore, we launched the Lombardy Year of Tourism from May this year to May next year. We put €60 million on the table to promote the territory. For instance, not many people know that we have 50 golf courses. Most of them are located in unique places in the world.

So, for instance, American tourists can come to enjoy playing golf in gorgeous places and then visit incredible UNESCO sites. Ten days in Lombardy, every day a different UNESCO site and a different golf course. This is something that only Lombardy and a few other regions in the world can offer. Add on top of that Italian food, fashion, and the beauty of our lakes and mountains, and it becomes an experience like no other.

Lombardy is the land to visit. In Milan, you can see one of the most famous paintings in history, "The Last Supper" by Leonardo da Vinci. We have the rock inscriptions in Val Camonica dating back 7,000 years, which is something unique in the world. We have a huge heritage that deserves more global attention. In the south of Lombardy there is Mantua that this year is Italy's capital of culture: definitely another historical town worth visiting.

Moreover, in terms of gastronomy, every small village has something peculiar to offer.

But to highlight our flagship dish, we have "Risotto alla Milanese", a yellow risotto with saffron, which is now cultivated in Lombardy.

Valtellina is a valley famous for wine. We have different kinds of wines. For instance, we produce Franciacorta – our sparkling wine that is recording tremendous success. And allow me to say, much better than champagne!

So, as a final tip for our American friends, I'd suggest to try a Risotto alla Milanese with some great Grana Padano and a good glass of Franciacorta.

When it comes to the relations between the Region of Lombardy and the American market, what is the role of the U.S. for Lombardy's export and tourism?

I think that we are now at no more than 20 percent of the overall potential we can unleash with the U.S. in terms of commercial and investment interests, but also in tourism. We can do much better and create more synergy in all segments. It has been enough that George Clooney went to live on Lake Como for it to become a major tourism destination. Lake Como is beautiful of course, but Lake Garda is nothing less, and Lake Maggiore is the same. The valleys all around are beautiful. We have to promote Lombardy more so that more people from the U.S. come and start a snowball effect on our tourism sector.

I also see major opportunities in the agri-food sector. We are fighting against counterfeiting and "Italian-sounding" products that because of the packaging make people believe they are made in Italy, but they have nothing to do with Italy and the quality of our products.

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TRULY FASCINATING: ‘PERU OFFERS COUNTLESS EXPERIENCES, AND WE WILL BE DELIGHTED TO WELCOME VISITORS’

Peru has led economic growth in the region for the last decade. Tourism, with average growth of 9.6 percent, has become positioned as one of the fastest growing industries with the greatest potential in Peru’s economy. Eduardo Ferreyros Küppers, Minister of Foreign Trade and Tourism, discusses the government’s plan to increase tourism arrivals to 7 million by 2021, how hosting APEC gives the country the perfect opportunity to promote its products, and trade relations with the U.S.

What do you believe have been the key factors in the growth of Peru’s tourism industry?

The tourism industry in Peru has undergone sustainable growth in recent years. A series of strategies were followed to make this possible. For example, there has been development of the Peru Brand, the “¿Y tú qué planes?” website, the rediscovery of tourist attractions, new investments, the promotion of gourmet cuisine, handicrafts and other efforts, all making it possible to showcase our country to the world. Remember that Peru is a country with an age-old culture, and its positioning on the world stage is one of a country with great opportunities.

President Pedro Pablo Kuczynski’s government has implemented a series of proposals to strengthen the tourism industry and has set the goal of doubling the number of visitors per year

by 2021, reaching 7 million. What is the “road map” for this ambitious plan? What strategies are going to be put into practice?

We are pursuing an ambitious goal, and we will make every possible effort to reach 7 million visitors per year by 2021. The Peruvian government has been working as a whole to achieve this target. This is a task that depends on many different sectors, and we have been giving structure to the efforts made.

For example, work has been done to improve the infrastructure at airports in order to increase the number of flights and visitor arrivals that they can handle. We are also searching for new international airlines, promoting investments, seeking out new destinations and promoting new types of tourism (like convention tourism), along with other efforts.

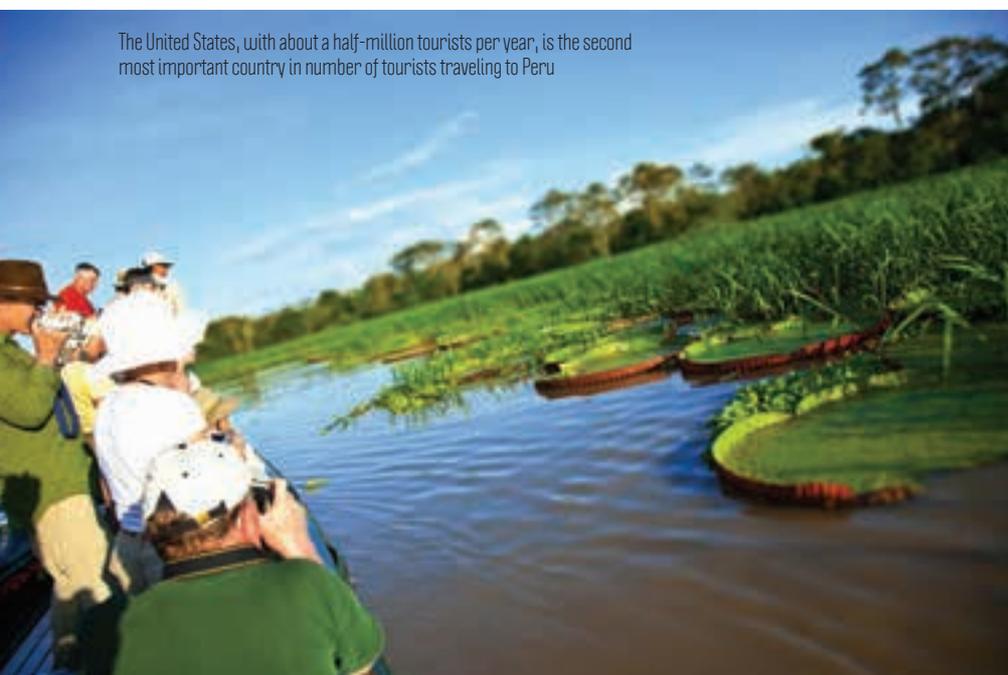
Peru is preparing to host the APEC Leaders’ Summit. The 21 member economies account for 57 percent of world GDP as a group, and nearly half of all global trade. How can Peru take advantage of this moment of international exposure to promote tourism and trade?

The APEC Leaders’ Summit is a major event that will have the whole world’s eyes on our country. The Peruvian government as a whole has been working to achieve the greatest possible benefits for the country.

As for tourism, we will be showing visitors the wide range of tourist attractions which our country possesses, as well as its culture, handicrafts and gourmet cuisine. We must remember, too, that Peru is an extremely diverse country that has 11 eco-regions and is home to 84 of the 117 life zone types existing in the world. It is truly fascinating.

Eduardo Ferreyros Küppers, Minister of Foreign Trade and Tourism
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The United States, with about a half-million tourists per year, is the second most important country in number of tourists traveling to Peru





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Machu Pichu, Peru's most famous tourist site



As for trade, we will continue to promote our products, mainly agricultural exports and value-added goods. Remember that we have trade agreements with the wide-ranging APEC economies, which drives us to keep promoting our products.

You were one of the predecessors to the free trade agreement (FTA) with the United States. The reality is that since the FTA took effect, traditional exports to the United States have increased by 30 percent and non-traditional exports by 90 percent. How would you weigh up the FTA with the U.S., and in what way do you think trade relations between the two countries can be strengthened?

The FTA with the U.S. has been resoundingly favorable to our country. It has allowed us to increase our non-traditional exports, such as textiles, fish, coffee, cocoa, handicrafts, paprika, artichokes, grapes, mangoes, tangerines, asparagus and others. However, much work has yet to be done so that a larger number of Peruvian companies can benefit from the agreement. Our relations with the U.S. are more than just trade relations. We have a special affinity with each other.

The United States, with about a half-million tourists per year, is the second most important country in number of tourists traveling to Peru. How important is the U.S. market to Peru's tourism, and how does Peru promote itself in that market?

The U.S. is one of the main countries from which tourists arrive. It is quite a diversified set of tourists, and we have made great strides in that sense. We will continue to develop gourmet cuisine tourism, tourism specializing in activities like birdwatching and the cultural tourism for those who come to visit our archeological heritage, and we are going to keep promoting this through campaigns in the largest cities where we hope to attract tourists in the United States.

Assume for one moment that I am an American citizen, and I know hardly anything about Peru. A friend invites me to go on a trip to Peru with him. Why should I accept the invitation? What is going to make my trip a unique experience?

Because of the Peruvians' traditional hospitality, our cuisine and the endless unique options it provides as a space with culture and authentic nature. The importance of American visitors to Peru is great, which

is why we have been working so hard to improve tourism sites and airports, so that people leave with a better impression and tourism grows more dynamic. In recent years, we have been promoting our country through Promperú. Now we are working on a strategy to increase arrivals. Peru offers countless experiences, and we will be delighted to welcome visitors.

The U.S. is not only Peru's number two trade partner, but also a notable investor. How can U.S. investors get more involved in Peru's tourism industry? What investment opportunities would you highlight?

The economic stability offered by the country is a good sign for American investors, and the tourism industry is appealing in many different ways. We are currently completing the first cable car in Peru, in Kuélap, which will soon become a new focal point of tourism in the northern part of the country. Moreover, we believe there is great room for regional airlines and direct investment in tourism in priority destinations like Lima, Tacna, Tumbes, Piura, the northeastern corridor and others.



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UNPRECEDENTED INFRASTRUCTURE INVESTMENT FUELS INDONESIA'S MARITIME AMBITIONS WITH UNITY AND COOPERATION

For decades Indonesia had its back turned away from the sea that makes up 70 percent of its territory. But under President Joko Widodo, the archipelago nation will create a global maritime axis, while at the same time cutting red tape, building vital infrastructure and inviting foreign investors to participate in the exploitation of its oil and gas resources. In this interview, Coordinating Minister for Maritime Affairs, Luhut Binsar Pandjaitan discusses these issues, as well as Indonesia's role in the ASEAN region and why he believes President Widodo is the ideal man to take the country forward

What role can Indonesia play in ASEAN in the coming years, especially with the 50-year anniversary coming up next year?

Indonesia is the largest Muslim population in the world and the largest in terms of population in ASEAN; our GDP is nearly \$1 trillion, and we are a member of the G20, so of course we will have a role to play. So if we make this country more efficient and we improve the quality of education, because our country is very rich, I think we can play a role in really stabilizing the region.

ASEAN's population is around 600 million and Indonesia is 250 million, so almost half, and our middle class is also growing, currently it's around 50 million. We can be a big part of the region's future growth, especially as we have a huge demographic bonus with 60 percent of the population of young people in ASEAN.

Some have also seen this demographic bonus as a challenge; how is the Government seeking to take advantage of this?

I think right now we are seeing an unprecedented government infrastructure program, this is a historical first, we are spending \$500 billion per year for the next 5 years and this is creating many job opportunities. However we don't just want to talk about growth, we also want to ensure equality. You have to create programs across the country, especially in the 74,000 villages, for the ordinary people. If we don't tackle this problem in the regions, there is a greater chance of radicalism due to poverty. We need urban and rural development to occur in parallel, which will reduce the extremism and boost the economy.

These programs focused on equality will be very important in reaching the eventual 7 percent GDP growth target. How have the



Coordinating Minister for Maritime Affairs, Luhut Binsar Pandjaitan

13 economic policy packages contributed to this goal?

When talking about the challenges in this country, number one has been the regulation, which is overlapping. We need to make it easier and more efficient and to do this the Government has really been cutting this red tape. What we say is that simplicity is the best; we don't want it to be complex for those people that want to invest in Indonesia. We can talk about economic packages one to thirteen, but the bottom line is cutting regulation. An example is that local and national regulations are overlapping, so the President has ordered that this be tackled as a priority. Around 3,000 to 5,000 regulations have already been cut. And we will continue to cut more; right now we have 42,000 regulations and laws and we are going to cut these in half.

In a speech you gave at the Center for Strategic Studies in 2014, you mentioned that one of the key problems has been working with the DPR (People's Representative Council) to get new legislation and policies through. Is that still the case?

If you look back to 2014, there were major political problems and people were very concerned as to whether Jokowi could manage as President, as he had only 38 percent support in the parliament. After one year people could see he knew how to deal with this relationship, and now he controls more than 75 percent of the parliament. Jokowi has been successful in bridging the gap between the opposition and the government, by just communicating his programs to alleviate poverty and help the ordinary people. Disagreeing with his programs is really disagreeing with the Indonesian people.



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Indonesia has a maturing democracy, a success in a region where democracy has found limited success. How is that working on a practical level? What benefits is it bringing to the people?

At the last local election 269 districts elected officials in one day without a problem or incident and this is perhaps even a world first to have elections on such a large scale. This is the real democracy; sometimes I have told my friends that too much democracy is not good, especially in a country like Indonesia, which is so diverse and geographically expansive. To govern Indonesia is not easy, there are over 17,000 islands, and so we can't be compared to Singapore for example, we are on a completely different scale. We are moving in the right direction when it comes to democracy, and it is very promising because the leadership has given a good example to the people. If the leader gives a good example, the people will follow; this is the case all over the world.

Communicating this success internally can sometimes be a real challenge, but also externally, communicating it to the world. How are you overcoming these challenges?

Of course it is a challenge, but we recently attended the G20 and it was very successful. Of course we collectively admit our problems and mistakes, but we are working hard to address these problems. If you see any problem, I just say that 'this is my name card, do not hesitate to contact me any time. I will personally help solve the problems'. And at the panel discussion after G20 in Shanghai, I made sure that investors could approach me and talk directly about these issues. We have Pak Purbaya in charge of the 'de-bottlenecking' program and we have people complaining, but we will solve these problems one by one.

Turning now to one of the Jokowi administration's core policies, which is the creation of a global maritime axis. Has Indonesia neglected its waters for too long?

This is the problem with Indonesia, when you look at the history, at first, President Sukarno (Indonesia's first president, serving from 1945 to 1967), he declared Indonesia as a maritime country, but since then we have really forgotten the sea. We began to talk about Indonesia the same as a continental country, which is incorrect given 70 percent of our territory is water. Today Jokowi has said that we need to go and restore the dream of the first president, so we are working hard to create the sea toll at this time. Right now we already have 77 programs

concerning Indonesia as a maritime nation, we understand that seabed mining and the maritime economy will be increasingly important in the future.

We need to explore this area and these resources, and we need to make it attractive to explore. We have now fixed regulation 79, which was previously an issue, and next week we will sign that. We are also going to launch seismic data 2D program and we are mobilizing vessels, it may take up to six years to gather the data, but if we have the data and the regulations, we will offer it to foreign investors. If they can get 15 percent ROI (return on investment) then of course they will do it.

Maritime sovereignty has also been an issue in the region, particularly in the South China Sea. How is that playing out from Indonesia's perspective?

The Chinese claim the South China Sea on the basis of the historical territories explored by Admiral Cheng Ho, as well as traditional fishing grounds. I recall mentioning to my Chinese counterpart that if everything was based on history we could claim Sri Lanka, due to our own exploration. We can say that by international law they do not recognize the arbitration, so we have to respect that, but also we must maintain our good relations with China. In the case of our own interests, we will expedite the exploitation of natural resources in the Natuna block and we will be offering close to 51-49 on these production-sharing contracts.

You also have a big focus on infrastructure development to improve connectivity. Much of this work is being done through the state-owned enterprises (SOEs). How has this strategy found success?

Well yes SOEs will play an important part, but it is very important that the private sector is involved as well, because if we try and do everything ourselves we would be turning into a communist country. So it needs to be mixed. In Lombok in West Nusa Tenggara, we discovered that they can produce 800,000 tons of corn, but we can double that just through creating a dam. So then we can reduce the price and produce cattle and other things. Also, with a seaport, we can transport anywhere from this island on low cost vessels.

This is where the concept of creating the 'sea toll' is so important, as it allows for far greater connectivity throughout the island. Even at the early stages, this has shown good results, and you can see it in South Sulawesi where the economic growth

is 8.05 per cent. Bitung as well, now we have full authority on that, with direct connections to export market. It is the same for fishing; there is no reason for produce to go to Jakarta first, it should go direct to the market and buyer. This is very important in ensuring equality, so that more than just Jakarta gets to feel the positive changes. The cost structure for things such as gas is extremely disadvantageous to the people in the regions, and we are now working to combat this. For something like gas, if we can structure it right, it can become the real prime mover of the economy, creating many jobs.

You are currently the caretaker for the ever-important energy portfolio. Particularly on the downstream there have been delays, with not one refinery finished. How are you looking to rectify this?

Since I have only been there one month, I have identified the key issues, including the underperformance. You're right we have built no new refineries in the last 15 years, and consequently we don't have downstream petrochemicals, which means we need to import.

In terms of Pertamina, we want greater efficiency and we want to see more local content used. When (Japanese oil company) Inpex came here the other day, they asked for a ten-year extension as they lost 10 years because of studies. They put forth their case that they will create jobs and it will be a positive thing, and that was it, we just shook hands and agreed there and then.

Looking towards 2019 and considering your recent appointment as Coordinating Minister of Maritime Affairs, what are your main priorities?

Well of course I would like to see the global maritime axis established and the connectivity within the country improved. I believe that 7 percent growth for 2019 is very achievable and even more to 8 or 9 percent by 2023. I am confident we will be a better country tomorrow, as we have such good leadership in Jokowi today.

Indonesia is vastly different from the year before and we just need to increase efficiency and boost growth. We can add value and manufacture electronics, as there are so many opportunities here in Indonesia. I am confident that in my own experience, we are moving in the right direction. I have confidence in the unity and cooperation we have today and with the leadership of Jokowi, I'm not saying we don't face obstacles, but I'm still confident.

UNLEASHING THE POTENTIAL OF THE 52%: EMPOWERING WOMEN IN BUSINESS, POLITICS AND SOCIETY

Women are both drivers and beneficiaries of inclusive economic growth. APEC economies are working to ensure they meet their potential across the region as part of a greater focus on sustainable development

The Asia-Pacific Economic Cooperation (APEC) region has made laudable progress in breaking down gender barriers since its first-ever High-Level Policy Dialogue on Women and the Economy in 2011. Basic female health indicators are improving across APEC economies, as are areas such as access to technology, infrastructure and legal rights. However, women still lag men when it comes to economic participation, as officials recognized during the APEC Women and the Economy Forum in June this year, spurring a renewed focus on policy efforts to provide equal opportunities for women.

Uneven access to financial services, healthcare, education and employment means only 60.8 percent of the eligible female population in APEC participates in the

labor force, versus 77.7 percent of the male population, representing a huge amount of untapped productivity. The UN estimates that closing this gap could add almost \$90 billion to the regional economy.

Across the Pacific in Japan, women's empowerment in the workplace has gained serious momentum ... Japanese female workers had increased by a million over the last three years, adding that the number of women in executive roles increased by 40 percent in 2015

To address this, APEC economies have developed a raft of new policies and coordinated cross-region initiatives. These include boosting female use of financial services; working to create better legal frameworks around gender access in labor markets; ensuring the implementation of legislation on domestic violence; and opening the path for women in business leadership and in so-called STEM careers – those involving science, technology, engineering and mathematics.

One such initiative is the APEC Business Efficiency and Success Target Award (APEC BEST Award), which took place for the first time in June this year on the margins of the APEC Women and the Economy Forum in Lima, Peru. The event, the first APEC contest for female entrepreneurs, acted as a platform for sharing success stories, and provided participants with visibility into new markets, connections with international business partners and linkages with existing mentoring programmers.

“Spreading the best practices of women-owned companies among the APEC economies provides an opportunity to attract a larger number of women into entrepreneurship, create new jobs and support economic growth and development,” said Natalia Strigunova, Deputy Director of the Asia, Africa and Latin America Department at the Ministry of Economic Development of the Russian Federation, which initiated the BEST Awards.

Submissions ranged from oChat, a company developed by Peruvian Ursula Salazar Roggero, which offers technology that allows people with physical disabilities the ability to communicate via instant message applications; to Kidsrockfest, a children's rock festival in Russia. The overall winner



was Chinese company Lanchao, set up by Xiao Wei. This specialized women's clothing line creates body-shaping underwear for breast cancer patients.

While the APEC BEST contest helps put female entrepreneurs in touch with each other, the lack of women's entrepreneurial networks in the region remains a barrier for growth for woman-owned businesses. The APEC Policy Partnership on Women and the Economy (PPWE)'s Women's Entrepreneurship (WE-APEC) initiative hopes to change that. It has created a directory of service providers that support women's entrepreneurship across the APEC region, and focuses on connecting women entrepreneurs to each other and to government services that help businesses grow.

Individual APEC members are also creating wide-reaching programs. Let Girls Learn, led by United States First Lady Michelle Obama, is a government initiative to help girls overcome physical, cultural, and financial barriers in accessing education. It brings together the Department of State, the U.S. Agency for International Development (USAID), the Peace Corps, and the Millennium Challenge Corporation (MCC), as well

as other agencies and programs to provide the necessary political will, diplomacy, grassroots organizing, and development expertise to create lasting change.

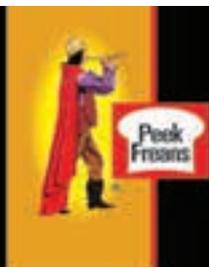
Across the Pacific in Japan, women's empowerment in the workplace has gained serious momentum. Speaking in Lima in June, parliamentary vice-minister Hirohisa Takagi highlighted that Japanese female workers had increased by a million over the last three years, adding that the number of women in executive roles increased by 40 percent in 2015.

Sharing best practice among APEC economies was a major feature of the Lima talks, and the vice-minister explained Japan's Fourth Basic Plan for Gender Equality, which was recently approved by the Cabinet. It emphasizes the reform of current labor practices away from on what the Japanese government calls "men-oriented working styles", and fosters measures to increase the recruitment and advancement of women. Japan has also been working on the promotion of women's business leadership within APEC. "We expect that through the steady implementation of these projects, we can

foster and promote awareness about these effects in APEC," said the vice-minister in a statement.

Achieving the goals set on the APEC agenda will not be possible without the inclusion of women. To ensure that any action taken is measurable, and that member economies can be held accountable for the progress made, APEC members have created the Women and the Economy Dashboard which provides a snapshot of the status of women in APEC by looking at a set of indicators in recent years.

The APEC Policy Support Unit reported on the indicators under the Dashboard for the first time in September 2015, using international data sources such as the United Nations, the World Bank, the International Labor Organization, the World Economic Forum, and the World Health Organization. All indicators show that by the time the Dashboard's indicators are assessed and reported on for the second time in 2017, APEC will be yet another step closer to unleashing the potential of its female population, ensuring that women, too, benefit from and contribute to growth and sustainable development.



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TOYO BEAUTY CO. LTD.

QUALITY COSMETIC OEM EYES OVERSEAS EXPANSION

Major international partners rely on Toyo Beauty Co. Ltd. to provide comprehensive OEM cosmetic contract manufacturing services, from planning and formulation to production. Its President Ryohei Takimi explains how utilizing state-of-the-art R&D capabilities to produce high-quality 'Made in Japan' products has garnered the company an expanding client base

What in your view have been the key factors that have contributed towards the company's extended success over the last century?

We have a long history of 76 years. Within those 76 years, we have been focusing on manufacturing and production. Most of our employees are geared towards the technical side. We started as a manufacturing and selling company, to secure stable production and reduce sales cost, and we switched to the OEM business. We laid down our groundwork as an OEM through the business with Max Factor 45 years ago. At that time, Unilever started stepping forward into the Japanese market; we started manufacturing Unilever's entire product line from our factory (currently the Innovation Center Central Research Center) in Osaka.

In addition to Unilever, we started to work with other businesses and Toyo Beauty's revenue started growing. Forty years ago, about 90 percent of our sales were commissioned from Unilever; now this ratio is much lower, and we have greatly diversified our client base. We founded a new factory in Mie prefecture in 1999, opened an office in Tokyo, and started up the Utunomiya factory in 2001. Our performance increased greatly from this point. From 2009 we diversified outside of Unilever and added big names to our portfolio, such as Shiseido and Kosé. This forced our revenues to increase further – all of this of course with permission from Unilever. As of now, we are also looking for new opportunities to ensure our business continues to grow.

How is Toyo Beauty positioned to continue fluid and profitable operations within what is a more complicated domestic and international market today?

The Japanese yen is currently undergoing depreciation. However, since we don't have factories overseas as of yet, we are not that impacted by exchange rate risks or soaring personnel costs. A few years ago, when the oil prices were higher, our business was being affected, however this is becoming more stable. I'm not thinking of constructing an overseas factory for now; I'll put it into practice in the near future. The most im-



Ryohei Takimi, President of Toyo Beauty Co., Ltd.

portant thing now is to secure and enhance the domestic production first.

You harbor a strong desire to become the global no.1 in cosmetics contract manufacturing. How does Toyo Beauty keep itself competitive and attractive over other cosmetic OEMs like Cosmescience or Nihon Kolmar example?

As I mentioned just now, we want to focus on the Japanese market, but we also want to further leverage the qualities of the 'Made in Japan' products. We hope we can do more in the next five years, to directly reach customers abroad. I think that our products' quality is one of the most important factors.

We also have to make sure that we create the best products to fit our customers' needs. Since we are an OEM business, we are not working on our own, but alongside and with our customers. Based on their inquiries and requests, we work to produce the most suitable products for them. We always work together with companies, our partners, and this gives us the opportunity of suggesting ideas for new products.

For example, through our research, we can come up with new products for whitening, skin care and propose those to our partners. We are also able to develop new types of materials that can be used as ingredients for new products. If they have good results, they have the potential to be introduced at international and national conferences.

This illustrates our great efforts towards R&D, production, and marketing sales.

Can take us through your R&D activities, and some of the ways in which Toyo Beauty is bringing to the market next generation products, which you are either releasing or set to release in the near future?

We have a two-step approach to ideas and innovation. First we propose to our client a concept of new production; once our concept is accepted, we move on toward product commercialization for the next step. This step is not easy – only cultivated development projects that passed various examinations can be commercialized. Through this process, we developed and commercialized our original ingredient, called Funcos C-IS (disodium isostearyl ascorbyl phosphate). Furthermore, the ingredient had a skin-lightening effect that acquires overseas patents as a new ingredient.

The value of cosmetics largely depends on how the consumer or business views and understands the product. How important is it for you to educate your customer base about your products and what makes them special?

In the past, the OEM company mission was to produce with accuracy simply. We can provide a one-stop total service, encompassing all the processes of product manufacturing, from marketing support, planning, production, shipment, and sales support. We'll respond certainly to our customer's request.

Toyo Beauty has ties in Korea, China and South-east Asia and importantly in the U.S., as well as major relationships, such as with Unilever for example. How are you looking to establish more new partnerships with similar giant companies?

We have lots of new projects going on, including overseas companies. We cannot disclose the name of the companies we are currently working together with yet. Furthermore, we're planning to launch our original prescription products all over the world including Asia. We are proceeding at our own pace and have some products coming up probably next May. As a future goal, we are aiming to have 10 percent of our total revenues come from overseas transactions.

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BANCA POPOLARE DI MILANO

KOSÉ CORPORATION

R&D AND NEW PRODUCTS ADD AN EDGE TO JAPANESE COSMETICS LEADER'S GLOBAL PUSH

Kosé Corporation is one of Japan's flagship cosmetics names. For the past 70 years, the company has built a long-standing and well deserved reputation for quality across every aspect of its business, mainly in Asia. As Kosé's President and CEO Kazutoshi Kobayashi explains, the R&D focus that's part of the company's DNA is helping it gain greater global reach and recognition

Having guided Kosé as its President & CEO for almost a decade, can you share with us what you think have been the key contributors to the company's success?

I took over Kosé nearly 10 years ago, in 2007. Kosé was celebrating its 60th anniversary and had acquired a good and solid reputation in the Asian markets, producing advanced cosmetics and great business results. In 2007 things started to get frenetic for Kosé. The company had expanded its business very smoothly for the past 60 years, and from 2007, when I took over the company, it was facing a landscape that was tough to sustain because of the rapidly changing market.

In 2012, Kosé started an aggressive 'Offensive Reform' process, which led to a successful performance in the domestic market, while simultaneously and effectively expanding its business to several other countries.

Back in February we started a new strategy in the American market to sell and distribute our luxury brand, Decorté, featuring supermodel Kate Moss as our brand ambassador. We have an exclusive distribution agreement with Saks Fifth Avenue to roll out in their North American stores as well as their online site. We went into Toronto in February, California and New Jersey in March, and we are now expanding with five more locations in the U.S. and Canada. Last October, I went to NY for a press event with beauty editors and the overwhelming response was very positive and encouraging. Journalists asked why after 70 years, we were coming to America. It was incredible to hear such feedback. I think the American beauty landscape is more than ready for us to bring back Japanese products.

Your Vision 2020 is expected to help you grow into a company that has a truly global presence, with management targeting sales of 250 billion yen (approx. \$2.4 billion) by 2020. What are the key strategies in place to aid you in achieving such targets and what do you believe are the key opportunities for Kosé's expansion over the next four years?



Kazutoshi Kobayashi, President and CEO of Kosé Corporation

Compared to competitors in Japan, only about half of our brands are labeled with the name Kosé. We have a lot of brands (for example Jill Stuart) that not many people recognize as being under Kosé, so this might be our marketing strategy. For 40 years we had a joint venture with L'Oréal in Japan.

From my grandfather to myself, this is our third generation working in the company. Throughout the years we have learned alongside a number of different valued brands like L'Oréal. A cornerstone in our strategy is to diversify our products and create various values to help us consolidate our position in the market. Many Japanese companies post the same company name on their brands, but we use different names, and some of our products are labeled without the company name.

We think the cosmetics world is about innovation, and we are constantly looking at diversifying and improving our products, while trying to better our business practices. So when we compare to other brands in Japan, Kosé has the strength to create high-prestige products with very profitable results. We are currently exploring global markets like India and Brazil. We are not only looking at regions, but also pursuing expanding our e-commerce channels. By 2020, we are looking to utilize our strengths to fully expand our global imprint.

Another key factor for the Vision 2020 and the company overall, is the strengthening and further reinforcing of the company's brands on a global basis. How do you communicate your brands' quality and superiority when entering new markets?

We do an incredible amount of research when we want to enter a new market in a new country. We conduct numerous studies in our R&D department, especially to test the effects of using our cosmetics. If you look at China for instance, although we are quite close geographically, products and consumer requirements differ significantly there. China has different climates and different preferences than Japan, and Chinese customers like different types of texture.

Our philosophy is a combination of intelligence and sensuousness so that in the creative process, we don't just think about technology but also the sensory experience. It's a precise Japanese-style method, where the final result is a very carefully fine-tuned product in order to give the customer the highest level of satisfaction.

For the last 70 years, Kosé has placed a great focus on its R&D activities, operating three research labs in Tokyo, which are close enough to one another that synergies and face-to-face communication is facilitated and promoted. How does your increased focus on R&D help Kosé add value to its wide range of cosmetic products?

Kosé was founded by my grandfather and my father was the chemist. Therefore, he put a lot of effort into R&D. If you visit our laboratory, you will feel the difference immediately. He graduated from Waseda University with a Ph.D. Normally in Japan, it is quite unusual to see laboratories in the Tokyo area, but Kosé has three lab premises located in Tokyo. The proximity between our research centers nearby and our marketing department enables a close relationship between our researchers and our marketers. These direct face-to-face exchanges help us gain efficiency and we can really observe how the reputations of our companies start and grow with new products.



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INBOUND TOURISM

LEADER EYES GLOBAL GROWTH

One of the world's largest travel companies, JTB Corp. was ahead of the competition in targeting Japan's inbound tourism sector a decade ago and encouraging tourists to go beyond its main cities and discover its regional diversity, thereby gaining a wider view of Japan and boosting its local economies and communities. President and CEO of JTB Corp. Hiroyuki Takahashi discusses the new, globally focused business model the company is now looking at and where Japan's tourism sector is heading

What do you see as the key elements to sustaining the rapid growth in tourism Japan is experiencing and maintaining it as a tourism center?

Along with the increase in the number of visitors come a number of new challenges that Japan must confront. First of all, I believe strengthening the environment as well as infrastructure is rising as a key issue that needs to be addressed. Although we are already seeing many signs of improvement, things like Wi-Fi availability, multilingual signage around the city, and basic infrastructure need be sorted out. In addition, I believe that it is important to ensure that the appeal of Japan, or the so-called 'Cool Japan', is also strengthening too.

We are also facing capacities issues, for example the golden route – between Tokyo through Mt. Fuji, Kyoto and Osaka – is sometimes very saturated, with not enough hotels for the large number of visitors. That is a challenge for us, to ensure that these visitors can be directed properly towards the more local areas from outside Tokyo.

JTB is taking lots of initiatives in this regard. For example, we are diverting visitors towards the Hokuriku area, where Kanazawa city is located, utilizing the Shinkansen bullet train. We decided to use this area as a key part of our product offering and proposed a different model for visitors. I believe it is possible to divert Tokyo visitors to other parts of Japan, taking advantage of such a scheme.

Japan is to hold a number of prestigious events over the coming years including the G7 in a couple of months, and the RWC in 2019 and of course the Olympics & Paralympics in 2020. How do you see such events as opportunities to showcase what Japan has to offer the world?

Such events as the G7 summit, the Rugby World Cup and the Olympics will lead to



President and CEO of JTB Corp. Hiroyuki Takahashi

an eventual success. They are key factors. One of JTB's key goals is to contribute to the growth of inbound tourism to Japan and to tourism as a whole, as well as to ensure that foreign visitors will not just visit Japan for the purpose of gaming or shopping, but also to encourage them to go for touristic tours throughout the country. Promoting this diversity contributes to further increasing inbound tourism and further revitalizing our local economies across the country.

Sports tourism is also a new form of tourism that needs to be introduced in the country – not just viewing, but also engaging as players in sports. It is important to establish an environment that allows you to do this. I also believe that we need to develop and promote a universal form of tourism, to allow all people, old and young, able and disabled, to enjoy visiting Japan. I believe it is important to lay the ground for such an environment to be established.

How is JTB aiming to further consolidate its position as the leading travel agency

in Asia and further establish its global ambitions?

The Japanese population is aging; this is true in the Asian society as a whole. The domestic market is on its way to shrinking, and this forecast has prompted us to look at the overseas market for our growth – and this is a central part of JTB's global strategy. JTB is switching its operating business model and looking into multi-way business models, where we will assist for example American customers to travel to Europe, or people from China to visit Australia – and not only assist Japanese customers traveling outside Japan and outside visitors to travel to and inside Japan. We call this a 'departing globally and arriving globally' model. This is the kind of business model that we are looking into now.

What steps would you take to contribute to the internationalization of the Japanese tourism industry?

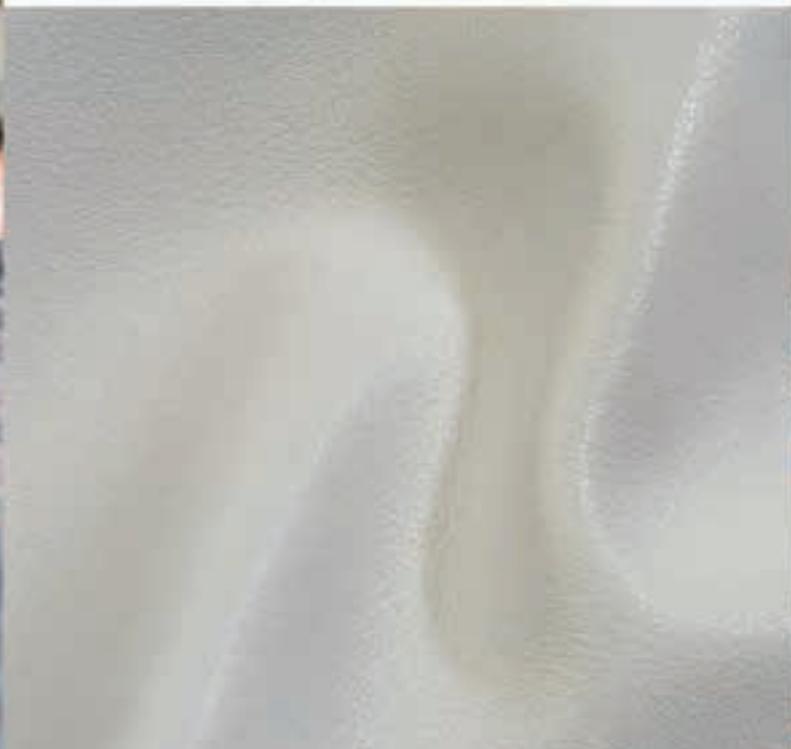
One important thing is to continue communicating the unique appeal and experience that Japan is capable of offering as a destination. This is precisely what the Cool Japan initiative aims to communicate: the originality of Japan, which is incredible and ranges from the "WA" culture, which is a Japanese word for peace, the Japanese style, and the authentic Japanese culture, to the Japanese hospitality, arts, anime culture and manga cartoon culture for instance. Japan has a variety of unique charms that could be further communicated and shared with the outside world. The same can be said for Japan's regions as well: Japan's regions boast stunning cultural and touristic attractions that should be better promoted. This is an important point if we want to attract and divert visitors from the central locations to the regional economies and local areas.



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ZEAL COSMETICS INC.

THE BEAUTY OF UNIQUE OSTRICH ANTIBODY TECHNOLOGY IS MORE THAN SKIN DEEP

Pioneering a new approach to treating problem skin conditions and researching wider healthcare applications for its unique ostrich antibody technology, in just five years Zeal Cosmetics has fast risen to become a well-respected and innovative member of the highly competitive world of skin care, with its own product line and a provider of OEM services for a wide client base. President Osamu Maeda explains how by using antibodies, Zeal and its partners can develop products in a way that has not been thought of before, giving it a unique competitive edge in the market

The Japanese cosmetic market is the world's second largest, behind the U.S. How would you evaluate the Japanese cosmetic industry today?

Japan's cosmetic market is entering a phase of maturity, and is unlikely to expand much further. In addition, the purchase of high-ticket items has decreased due to the influence of the domestic economy, to the extent that nowadays, there is a demand from foreign tourists to cover the same market scale. Also, about half of the Japanese market is made up of skincare products.

Our activities differ from the mass consumer market that focuses on drugstores and department stores, because we are focusing on the professional market instead. We have developed products that have been created through consultation with therapists and beauticians to understand their needs and to understand the end-user demands. As a manufacturer, we work on creating the right products that are both reliable and effective for specific conditions.

How is Zeal positioned to continue fluid and profitable operations within what is an increasingly complicated domestic and international market?

Of course, it is undeniable that we have been affected by overall market trends. Mass-market brands in particular will have been affected more. Our company's main target is those with problem skin. With the economic downturn, there will be an increase in stress levels, and that will have an impact on the skin. On the other hand, the demand for our company's skincare products will increase.

Our products provide psychological satisfaction with one's image. For example, there are atopic dermatitis (eczema) sufferers with patchy skin on their face who are unwilling to go out in front of other people and hole themselves up at home, as such they are unable to socialize well with others because of their condition. We have received an abundance of thank you letters from some of these people who have said that by using our products they



Osamu Maeda, President of Zeal Cosmetics Inc.

have been able to improve their skin condition, regain confidence and have a more cheerful personality. Especially in the face of an uncertain global economy, we believe we can contribute something to the world, and it is possible that our sales may even increase in these tough times.

How does Zeal keep itself competitive and attractive both in terms of performance but also image to its client base?

We intend to continue making even better products in the future. Our company's greatest strength is being the only company in the world that makes products containing antibody ingredients targeting specific symptoms for a variety of skin conditions. By using antibodies, we can develop products using an entirely new approach that has not been thought of before, and this gives us a unique competitive edge in the market.

How did you find out about ostrich antibodies?

As an entrepreneur, I started many businesses in my 20s. In particular, I set up many new businesses related to projects where we collaborated with scientists and businessmen holding patents in fields where Japan had been conducting world-leading research. In one of those, a food company's industrial waste

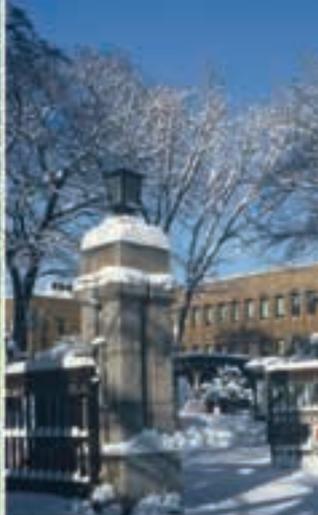
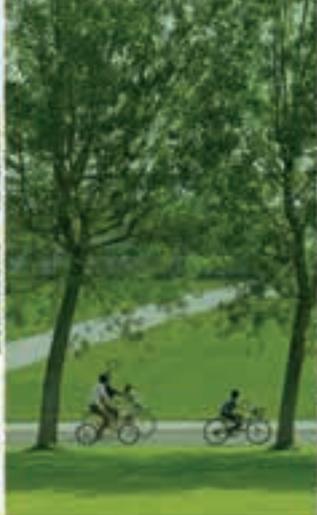
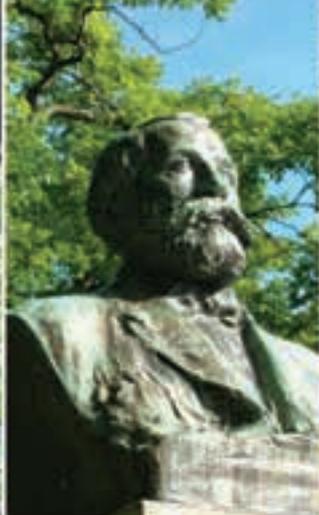
(bean sprouts) was used as ostrich feed, and that project led to my fateful meeting with Professor Tsukamoto, who was conducting research on ostriches. As I learned more about his research, we saw potential in commercializing his work and embarked on joint research together.

And how effective are the antibodies?

The basic idea of antibodies is that the immune system creates antibodies in response when foreign pathogens invade the organism. What has been found is that the antibodies extracted from ostriches are extremely strong and that the extractable amount is almost 1,000 times greater than the yield of traditional methods

When foreign particles like pathogens enter the body, your immune system produces antibodies to stop their activity. Our concept is to use ostriches to produce antibodies like these and use them to prevent or improve various problems. By extracting antibodies from one unfertilized egg of an ostrich, we can manufacture a quantity of antibodies equal to what would be obtained from 800 rabbits, and we are able to preserve the animal's life, also dramatically reducing costs. This allows for commercial applications, such as cosmetic products. Also, ostrich antibodies possess special properties that other antibodies do not, for example, they are highly heat-resistant and resistant to pH changes; these are extremely important factors in commercialization.

A primary cause of troubled skin is a disturbance in the bacteria levels of the skin. Internal and external factors cause the abnormal growth of particular bacteria, and the toxins that are produced by the additional bacteria cause skin problems. However, it is bacteria that protect your skin originally. By using antibodies, we control and treat only the problem-causing bacteria, without affecting the good bacteria. This world-first approach of restoring the original levels of bacteria on your skin has produced great results, and we are receiving wide support from the medical and beauty industries in Japan. So, antibodies are effective!



HOKKAIDO UNIVERSITY

Originally founded in 1876 by American educational innovator William Smith Clark, Hokkaido University (HU) is one of the oldest, largest and most prestigious universities in Japan. HU presently comprises 12 undergraduate and 18 graduate schools, spanning almost all academic realms. With superb facilities on beautiful campuses, HU provides an ideal environment for research and education, and was included among Reuters Top 100 Innovative Universities in 2015.

A CALL FOR COLLABORATION

Universities share a common responsibility to help solve global issues, such as the spread of infectious diseases and a dearth of natural resources and food. Hokkaido University is taking the initiative to help devise innovative solutions to such problems through its pioneering research and educational activities.

The time has come to create a "universal campus" that encourages exceptional researchers and potential leaders to study in parts of the world where global challenges prevail, and share their knowledge to help address outstanding problems. Hokkaido University is currently increasing its international collaborative partnerships to realize this concept and so fulfill our social responsibility to current and future generations. Join us in creating a universal campus.



Keizo Yamaguchi
President,
Hokkaido University

Strong focus on research

Hokkaido University has established a number of unique and strategic research programs in quantum medical science and engineering; zoonosis control; food, land and water resources; soft matter sciences; big data and cybersecurity; and arctic research. Under these programs, the university strongly promotes collaborations with distinguished research groups around the world.

Education open to the world

Hokkaido University offers international students a range of degree programs in the liberal arts and sciences, short-term programs and scholarships. In 2016, the newly launched Hokkaido Summer Institute (HSI) welcomed more than 970 students from around the world, providing special learning experiences in areas ranging from robotics to art. HSI plans to increase the number of courses up to 300 to cover more diverse areas.



THE BRAND BEHIND

THE BRANDS

You might not have heard about Onward Holdings, but you will surely recognize names such as Jean-Paul Gaultier, Michael Kors or Jil Sander – all of them related to Onward Holdings. Today, as Chairman and Representative Director Takeshi Hirouchi explains, after years producing leading luxury brands all over the world, Onward Holdings aims for fashion conglomeratization and pushing the image and quality of Japanese products in overseas markets

Could you begin by giving us a brief history of the company? How have its origins shaped the company's business operations and what have been your key milestones?

Next year will mark the 90th anniversary since Onward Holdings' was founded by Junzo Kashiyama in 1927. Now Onward Holdings Co. Ltd. has 104 affiliate companies in Japan and overseas, as Onward Kashiyama Co. Ltd. as central.

From suits, Onward expanded to sports and casual wear for men, then opened up to women's wear including suits, dresses and casual wear, then lastly children's wear as well. We are the first ready-made-to-wear company in Japan. We sold our products in department stores where we displayed, presented and introduced them, then sent our sales people to sell them. As department stores grew in Japan, so did Onward. We were growing together and business developed remarkably in the time of the "all-Japanese-are-middle-class" mentality.

With a shrinking domestic market, what strategies do you have for positioning yourself internationally?

Currently, our international division is focusing on the Italian market. We have established Onward Luxury Group S.p.A. in 2015, a former prestigious company called Gibo Co. S.p.A., which we have bought out in 1990.

In 2014, we unified the luxury brands Jil Sander, and Joseph Ltd. We also have a factory in Venice, Italy, which is called Erika s.r.l. Freeland of London Ltd is our sports shoes company, and Frassinetti s.r.l. is for luxury bags.

We also have a factory network in France, where we implemented a satellite system, to work on outerwear made in Italy. We had a ballet shoes maker, called Freed of London, which must be the number one ballet shoe maker. Recently, we bought a company called Moreau, a brand company in France, and it joined Onward Group.



Takeshi Hirouchi, Chairman and Representative Director and Chairman, Onward Holdings

Our focus is moving from apparel to shoes, sneakers, and bags, and as part of our strategy we are trying to buy these types of companies globally. As LVMH group and Richemont group, we are aiming for fashion conglomeratization.

What communication strategies do you have in place to ensure that when people all around the world think of Onward, they have a uniform image of high fashion and quality?

In Japan there are famous production areas where products such as wool, cotton, chemical fibers and knitwear are produced. From one generation to other, the expert craftsmanship, the techniques of sewing and knitting and dyeing procedures have been inherited.

However, in Japan, under long deflation and appreciation of yen, the production shifted from our factories to outside Japan and domestic products' rate downsized to just 3%.

This is a serious issue and we have to revitalize the middle-placed industrial area to not terminate Japanese craftsmanship. The middle-placed industrial area has supported Japanese high-end expenditure.

"Made in Japan" products enjoy a very strong label of quality ('J quality'), and that's very important; however, we can produce in China and Asean countries maintaining our quality. This is a strong business practice, and will be a good business strategy to maintain in the future.

As the TPP (Trans-Pacific Partnership) talks progress, we want to try to sell Japanese products overseas, not only Onward's products, but all Japanese products. We are pushing the image and quality of Japanese products in overseas markets.

On the other hand 'Made in Italy' is also significant for the Onward Group. Establishing Onward Luxury Group S.p.A. as the central core to sell the Italian products, the best in high fashion, would be connected to the best communication strategy of our company.

As a relatively fashion conscious society, Japanese consumers like not only the newest trends, but also high quality construction and materials.

One of the things that I observe is that people are losing focus on buying high-quality products. The shopping activity by Chinese people has been a rare case in the global society; the reality is that the fashion market loses steam. People prefer lower prices, and Japan is no exception. As the result, department stores' sales used to peak at 12 trillion yen (approx. \$114 billion) in sales in the past, but is currently standing at 6 trillion yen, it downsized to half of its peak.

The fashion business is a tense risky industry. People need enough time to relax, or else the industry cannot grow. When 9/11 happened, our business became really slow, so we needed peace for our business to be successful. We really appreciate Obama visiting Japan for the summit as well as Hiroshima City; it was historically remarkable. Fashion can make people feel rich and energetic. As the fashion industry grows, the country becomes more relaxed.

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NSK

MAYONNAISE LEADER PUTS

M&As ON THE TABLE

Japan's condiment king Kewpie is aiming for global expansion, starting with liquid seasonings and condiments. President and CEO Minesaburo Miyake explains how the company is raising its profile internationally, especially in the thriving U.S. market, where it has already been making a name for itself for quality and flavor for almost 35 years

Kewpie is one of Japan's flagship foods manufacturing companies that has been in existence for almost 100 years now. Can you please explain what have been the origins and founding philosophies of the company that enabled it to be so successful throughout the years?

Kewpie Corporation's story all started when our founder, Nakashima Toichiro, traveled to the United States as an exchange student in the 1910s. He ate potato salad and was very surprised by how inexpensive yet highly nutritious it was. Our founder wished that someday we would be able to sell the mayonnaise product in Japan for the Japanese people so that the product fits and that it would be welcomed by the Japanese people and match their taste. What the founder did was that he used double the amount of egg yolk to the comparable brands, which was very unique in taste and also much liked by the Japanese.

Those are the origins of our company Kewpie. The core of our business revolves around mayonnaise, but around it we have five other business segments and one logistics business. Today Kewpie is aiming for global expansion, starting with liquid seasonings and condiments.

Kewpie's financial performance can be described as a success over the last few years. What have been the key factors that have driven this success and more importantly how do you hope to sustain such impressive growth over the long term?

Our business style has changed from the division of work and the distinction of work, to integrating the smaller subsidiaries, but still making the most of each company's strengths. In Japan, for those who have difficulties shopping on their own, it will become an issue of how to deliver meals to them. Since we have our own logistics business, we believe we can provide a solution to this.

As per our global business, we have expanded and we are doing business in China and in Southeast Asian nations. In the condiment and seasonings business, we believe that it will take a decade to create one prod-



Minesaburo Miyake, President & CEO of Kewpie Corporation

uct that fits each local preference and market. For example, depending on the country, they don't consume or eat raw vegetable salad, so we have tried to develop products that will fit and cater to their locality. That is becoming one of our growth drivers for our overseas business.

In the United States and the European markets, there are already forerunners in the condiments and dressings business, so against that backdrop we would like to introduce Kewpie's taste and flavors while providing servings suggestions. We would like to differentiate ourselves in order to be successful in the American and European markets.

Kewpie is currently at the beginning of its eighth midterm management plan as we lead up to 2018. Alongside a vision to enhance cost competitiveness, strengthen your management base and create added value across your range of products, you have also established financial targets of 625 billion yen in net sales and 35.5 billion yen in operating income. Can you take us through the core strategies needed to realize these goals? What are some of the ways in which you will look to add value to your product base?

In Japan we are trying to cope with changing local lifestyles. The volumes will drop for

sure in Japan, and that is why we need to add value. That means adding more convenience to the products – perhaps by providing products in a kit style, so that you just need to put it in a pan or a pot to heat and cook, if that is easier to cook. Adding value can be done as well through product delivery. In Japan we already have the custom and business styles of delivering the daily newspaper to each home; milk is also delivered to each home.

In regards to our overseas strategies, we are developing some additional product lines in our Southeast Asia business, in addition to the condiments that we provide. For the European and American markets, differentiation will be the key. Our rich egg yolk content mayonnaise and our deep-roasted sesame dressing are our main products. Also, if we can find any company that can share our values and thoughts, maybe we will contemplate M&A opportunities. Our thinking towards M&A is that we're not so much focused on the size of the business, as much as on the business synergy and good coordination and cooperation that exists between both sides, and on how both sides can exert their strengths and contribute to the local culinary culture.

Almost 35 years ago, Kewpie began its operations in the U.S., since this time, Kewpie's success and reputation has grown substantially. The company outlined 18.9 billion yen in net sales by 2018. What steps are being taken to sustain U.S. market growth?

What we are looking to do now is to position Kewpie as a high-profile company brand in the U.S. Beginning on the West Coast, we are trying to create a more high-brand image, letting customers know about Kewpie mayonnaise and also to let them taste our actual products. We have just started that effort, so I don't think that we have established a high branding yet in the United States. Also, with the help of our American staff, we're starting the development of products that cater to local preferences.



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JAPANESE FOOD PRODUCER CATERS FOR CHANGING APPETITES AND US TASTES

Founded in 1942 Nichirei operates through around 80 subsidiaries and affiliates worldwide. It was the first Japanese company to export seeds, and today the company continues to remain at the forefront of business innovation in processed food and logistics, as well as marine products, meat and poultry, real estate and biosciences. Kunio Otani, Representative Director and President of Nichirei, explains the deep-rooted CSR ethics of the company, its acquisition of U.S. company InnovAsian, and what was behind its recent record-breaking year

What has been key to your success over the years?

Nichirei was established in 1942 during World War II as a company to distribute marine products to the populace under the state-controlled economy. After the war, in December 1945 we relaunched as a private company with the mission of serving the Japanese public by stably providing food to the people.

I believe that our success lies in a willingness to recognize social trends, and decisively shift from the established ways of doing things to new business models.

Last year marked the 70th anniversary of Nichirei. From a start in frozen fish and refrigerated warehousing, we have expanded our business operations to include processed foods, meat and poultry, marine products, frozen foods, logistics, and bioscience.

Nichirei's profitability was just announced to have risen by 20 percent, reaching around 21 billion yen and exceeding virtually every forecast. This may have been the strongest financial performance ever by Nichirei. Is this trend sustainable, and what have been the key drivers behind it?

I believe that our successful performance in fiscal 2015 was the result of the return on the investments we made in priority fields to strengthen production and storage capacity, issues that we had been working on to address. We are continuing to make investments, though we need be mindful of costs, such as the high cost of construction.

Nichirei's investments follow rules that require a prior assessment and follow-up review. We think that's important in order to make effective investments. We also need to conduct careful assessments of previous investments.

In what ways are you attempting to guarantee sustainability in your business model? How are you seeking to protect the environment?



Kunio Otani, Representative Director and President of Nichirei

The depletion of natural resources is an extremely difficult situation for our company. We consider ensuring sustainable resources to be of the highest priority.

Our corporate social responsibility program comprises three main pillars. The most important is preventing global warming. The second is enabling sustainable production in the global food supply, and the third is maintaining biodiversity. We rely on the bounty of nature to provide food, so we adhere to these three pillars. Nature's bounty is what allows us to continue as a company. That's why we believe we have to protect the environment.

We also place great importance on our purchasing policy. We have established a CSR policy that is reflected in our procurement activities. We ensure that suppliers to the Nichirei Group do not use slave labor or operate poor working environments, and that products are not produced under such conditions.

It is often said that corporations must continually generate earnings, and be sufficiently mindful of profits. My belief is that a corporation needs to act in accordance with

its philosophy, and generate appropriate earnings based on that philosophy. A corporation of course needs to be able to earn profit, but the most important point is that the profit is earned based on the corporate philosophy. A company that makes profits without a philosophy is the worst, but a company with a great philosophy that can't generate profit is nearly as bad.

Recently you said, "We should not simply focus on the Japanese market amid globalization. We need to develop and open up new markets both in Japan and internationally." What is driving this shift towards a more international strategy?

Japan is a mature market, and the size of that market is set to shrink going forward. Internationally, however, the global population and markets are growing. We need to aim for that growth potential.

Nichirei has acquired an excellent U.S. company, InnovAsian. We purchased the company because of its ability to develop products for the U.S. market, and combined it with our strengths as a Japanese food processing company. We are creating products for the American market as an Asian food company catering to American tastes.

Nichirei's European logistics business also continues to grow. We've expanded our operations in Europe by partnering with companies in Poland, Germany, and the Netherlands. Once we have logistic facilities and subsidiaries in a market, the transport of goods within the network is easy. The next phase of development will be seamless integration between our existing logistics facilities. After we achieve that, we will integrate new markets as well.

In terms of overseas sales, our goal is to generate at least 100 billion yen (approx. \$953 million) from the Nichirei Group overall, including 30 billion yen in Europe, 30 billion yen in North America, and 20 billion yen in Thailand, China and Asean countries.

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REVOLUTIONARY SOSEI WATER

COULD REDUCE CO2 EMISSIONS AND USE OF HARMFUL POLLUTANTS

An innovative Japanese company has developed a type of water with unique natural properties that enable it to be used to run engines and as a powerful household cleaner to replace detergents and shampoo

At the COP21 climate summit in Paris in December 2015, a landmark agreement was signed by 196 nations, including the U.S. and China, which obliges countries to reduce their carbon emissions dramatically over the coming years, in order to keep global warming under the important 2-degree Celsius threshold. But of course achieving this goal requires much more than just the political will demonstrated at the summit, it will require colossal imagination and innovation to develop and implement renewable energy and CO2-reducing technologies.

In Japan, where the previous milestone climate change agreement was signed in Kyoto in 1997, there is a large number of companies working to develop new technologies that could help nations across the globe to significantly reduce their carbon emissions. Perhaps the first that springs to mind is Toyota, which introduced the first mass-produced hybrid car to the world back in 2000. Since then it has gone on to become the world's top selling hybrid car, and is ranked among the cleanest vehicles sold in the United States based on smog-forming emissions.

But it isn't just household names like Toyota that are driving innovation to lower emissions. Less is known about the groundbreaking work of smaller Japanese companies like Sosei World Co., which has developed a way to turn water into a powerful energy source, by emulsifying it with fossil fuels, like heavy oil and kerosene, without the use of chemical emulsifying agents. This "burnable water" can produce as much energy as conventional fossil fuel, but CO2 emissions are sharply reduced as the emulsion is made up of 50-percent water-50 percent fossil fuel.

While emulsion fuels have been developed before, inefficiencies in combustion



Toshiharu Fukai, President of Sosei World Co.

and the use of chemical emulsifying agents meant there was practically no energy saving or reduction in CO2. Sosei says the difference with its 'Fukai Green Emulsion' is that it uses a specially conditioned water developed by the company, known as Sosei Water, which contains an "abundance of dissolved oxygen and active hydrogen" that "highly increases the efficiency of combustion."

In 2015 Sosei's water-based fuel emulsion was put into a diesel engine, which powered a fishing boat for 24 straight hours.

Sosei's breakthrough can be attributed to the vision and philosophy of President, Toshiharu Fukai, who speaks passionately about how water could replace fossil fuels in combustible engines.

"I'm a Buddhist, and that's how I came up with this idea. I'm not a scientist. It always starts with how to protect this planet," he says. "My belief is that water can become energy. Everybody thinks that water cannot be burned. However, in terms of the law of energy conservation, I really think we can

overturn this belief. Rain, snow and water that's surrounding us can be turned into a substitution for gas.

"My goal is to run the engine with water and contribute to the reduction of CO2 and global warming, and also eventually to be able to run the engine solely by water."

But Sosei Water is not only used to run engines. Its unique natural properties allow it to mix with oil and dirt easily, meaning it can be used to clean dishes, laundry, hair and skin, without the need for environmentally harmful detergents, shampoos and other cleaning products. Amongst Sosei Water's biggest users are ordinary households, where a special water generator is installed which transforms regular tap water into Sosei Water.

This remarkable water is also drinkable, and in fact tastes better than regular tap water. It can also be used in food preparation, enhancing the flavor of food and eliminating or reducing the use of harmful preservatives, and in food cultivation, limiting the need for pesticides.

"Aside from ordinary homes, there are many food service establishments, as well as dry cleaners and beauty salons, that use this water," says Mr. Fukai. "Now they can remove oil stains without using any kind of detergent whatsoever. In beauty salons, they can wash a client's hair with this water without using any shampoo or conditioner. Also, at drycleaners, they don't use any detergents or dry cleaning solvents."

In our environmentally conscious world, a revolutionary product like Sosei Water, which can reduce CO2 emissions and our use of harmful pollutants such as cleaning detergents and pesticides, could help to build a cleaner, greener and healthier future.

KIKKOMAN:

A GLOBAL SEASONING WITH A JAPANESE HERITAGE

In the hundred years from the mid-seventeenth to the mid-eighteenth centuries, the Mogi and Takanashi families began producing soy sauce in the city of Noda, Japan. This is where Kikkoman, one of Japan's oldest companies, was founded.

Noda is located in the Kanto plain, once one of the largest production centers for soybeans and wheat in Japan. Early on, due to Noda's abundance of natural resources and growing population following the establishment of nearby Edo (known today as Tokyo), it was easy to secure the necessary workforce to produce soy sauce in this region. Boat transportation also flourished in Noda, due to its access to two major waterways: the Tone and Edo rivers. These geographic advantages made it easy to transport ingredients and deliver manufactured product to Edo for mass consumption.

In 1917, the Mogi, Takanashi and Horikiri families, merged their businesses to form Noda Shoyu Co. Ltd., which was altered in 1980 to become the company's current name: Kikkoman Corporation. Based on historical documents, by the mid-nineteenth century, Noda had become the largest soy sauce producer in the Kanto region and Kikkoman Soy Sauce was being exported overseas.

To meet increasing consumer demand, in 1957, Kikkoman opened its first overseas sales base in San Francisco, California and in 1972 had built its first overseas production plant in Walworth, Wisconsin. Following its success in the U.S. market, Kikkoman began to establish production and sales networks across the world. Today, the company has three soy sauce production plants in Japan and seven abroad, and sells in over 100 countries worldwide.

Kikkoman's goal is to make Kikkoman Soy Sauce a truly global seasoning.

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A HEALTHY MOVE FOR CONFECTIONARY PIONEER

Staying ahead of the curve in satisfying sweet teeth and picky palates, Japan's Morinaga & Co. Ltd. enjoys a well deserved reputation as one of the leading manufacturers of consistently high-quality confectionary products for almost 120 years. As President and Representative Director Toru Arai explains, tastes are changing in international markets for not-so-sweet snacks with a healthier kick to them, and Morinaga is well positioned to satisfy the needs of this growing snack sector

What in your view makes Morinaga different from other manufacturers of confectionary, foodstuffs and health products?

Throughout our 117-year history, we have consistently been at the forefront of innovation, always bringing new products and new concepts to the Japanese customer. Morinaga was the one of the first companies to bring Western confectionaries into Japan, as before that the market only offered Japanese confectionaries. Since then we have introduced a wide variety of products to the Japanese citizen, such as instant coffee, soup and tea. Products that had never really existed in Japan before have become much more accessible items, and Morinaga contributed to the spread of such products amongst the Japanese people.

Confectionaries have been our main focus, however we have not just been copying Western confectionaries, we have also been producing original Japanese confectionaries too. I believe that Morinaga has built some solid foundations to spread a wide variety of products of this kind across Japan.

Throughout its long history Morinaga has consistently been confronting challenges and providing new value to its customers, and this is one of the reasons why we are so loved by our Japanese consumers today.

The company's management has set targets of net sales of more than 200 billion yen along with an operating income of more than 8 billion yen by 2018. What are the strategies in place to achieve such ambitious targets?

Regarding our operating income, we've actually almost reached our target, and are in the midst of readjusting our 2018 target for that reason. This is obviously a positive readjustment. Our target profit forecast has been raised and therefore now we are considering what else can be done to deliver and achieve this. I believe part of the answers lies in the overseas market.

When looking at the competitiveness of the industry, how does Morinaga compete with bigger and more established names, such as Nestlé and Meiji, and in how do you aim to add value to your products?



Toru Arai, President and Representative Director of Morinaga

One of our competitive advantages is undoubtedly the refined quality that you find in Morinaga's products. This is very obvious, but Japanese products in general are extremely quality-focused, and extremely tasty. Morinaga in this regard really stands apart from its competition.

As part of its future growth strategy, Morinaga is considering entering the health business. Indeed, in today's consumer society, most basic needs are already satisfied, materialistic needs are already saturated, and therefore there needs to be a keyword that should be pushed forward, and this is 'health'. Each of our competitors will have their own unique strategies for competing in the 'health food' business, and so will we.

Recently when I went to the United States I went to a supermarket, and I noticed many more health-bar types of products were displayed beside the cashier than before, and I imagine that this market has more growth potential than typical ordinary chocolates. This healthy food trend and health focus will surely grow in importance in Japan as well, and going forward, I believe that healthiness is something that will have to be provided in the products that we sell as well, so we have to start thinking of how we can add such kind of value in our products. I believe that there is still potential for further market growth with this sort of added value in our products, which ultimately will enable us to meet our new customers' needs.

The image of chocolate has been successfully re-established as a healthy snack that has strong health benefits and the emerging popularity of pre-

mium chocolate is also expected to support chocolate sales growth in the mid-term. One of the company's slogans is "delicious, fun and healthy." What focus does Morinaga implement on the health aspect of not only its chocolates but of its product lines?

Cacao products in Japan have witnessed a booming popularity recently. Even regular consumers know of the health benefits of the polyphenols that are in the chocolate, in the cacao. Manufacturing healthy and on top of that high-quality chocolate products in Japan, I believe that Morinaga has a lot of growth potential in this market. My generation was actually the first generation that was introduced to the joy that you can have from consuming chocolate. The older generation was eating Japanese confectionaries. This generation is exactly the generation that supported Japan's high growth in the past. The lifestyles of these people were such that they didn't even bother to go to the supermarkets because they were so busy working. These people have slowly started to retire and they're starting to go back to the supermarkets with their wives. If you look at the background research of chocolate market, the generation and the demographic that had the highest growth rate are both senior male citizens now. I believe that there are two factors to this. The first is that people are becoming increasingly aware of the health benefits of chocolate. Secondly, people from this generation are slowly going back to storefronts and having the opportunity to take a look at these products.

In terms of growth strategy in America, how are you looking at potential partnerships or M&A to aid you in breaking into new frontiers?

As of now we intend to go forward with this independently. Not to say that we are completely neglecting the possibility of future partnerships, but as of now we intend on continuing producing our original products, on establishing new distribution networks, and continuing with our own marketing efforts, to deliver quality Japanese products to the U.S. audience. In Japan we are already partnering with Kellogg's, and are actually the vendors of their Pringles product in Japan. If we find a good partnership opportunity, we'll go forward with it, but as of now we intend to take forward this initiative by ourselves.



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BRANDING AND KNOW-HOW SET SOLARE APART

By focusing on branding and capitalizing on its know-how in managing and operating hotels, the Solare Hotel and Resort group has built a large portfolio of properties under its charge and a wide variety of hotel brands to its credit, including, Loisir, Chisun and Hotel the M. President and CEO Tadashi Inoue discusses the company's modus operandi and provides an insight into Japan's growing tourism sector

What is your view of the current economic climate at this time and how do you see the outlook for Japan's domestic economy recovery under this administration?

As everyone knows, Japan's recession has lasted for the past 20 years while the revitalization process just started three years ago and the country has yet to fully recover. One of the big methods to influence the Japanese economy has been the depreciation of the Japanese yen. Actually, the scenario itself affected the economy, and currently the slowdown of currencies has caused problems as well. I believe in the future, the foreign exchange rates will be a vital element.

The depreciation of the yen has also directly impacted the tourism sector: last year for instance we saw inbound Chinese tourists increase quite a lot because of the depreciated yen. Chinese tourists account for 25 percent to 30 percent of overseas tourists; they are not much concerned about the culture or interested in visiting attractions and touristic spots, but mostly in shopping. Since the beginning of this year, the tourism growth has been slowing down, affected by the appreciation of the Japanese yen. So I believe that in the future, Abenomics will play an important role in bringing back tourists to Japan.

Tourism has been influenced greatly under the Abe administration, especially after they came up with the 'Visit Japan' campaign and programs, which have increased the visibility of Japan. Now we believe that the next step is to invest in tourism, as this will be the main point of appeal for visitors.

To what extent do you believe that tourism can become a key economic driver behind Japan's growth and revitalization?

When talking about tourism in Japan, I think that we should put more emphasis on content – especially on Japanese culture, Japanese history, and all these unique assets and facets that Japan has. This will add value to our tourism industry, and I see this as a key element for the sector's sustainable growth. We have to think what are the Japanese specificities and develop and articulate policies around them.



Tadashi Inoue, President and CEO, Solare Hotels

Communication is key when it comes to attracting or encouraging more visitors to Japan. What are the key strategies that could be put in place to best market Japan to a global audience?

Up until now, our position has been a submissive one; we are not actively promoting what we are doing. When planning big events in the future I believe that we must not wait for customers; instead we need to be much more pro-active in the market and be prepared to promote our activities.

Secondly, although Japan is not a big country, each different region and destination has its own culture and attractions. The key is not to promote Japan as a whole – we have to think more specifically about these local cultures and promote each region separately.

What in your view is going to be the key behind sustaining the tourism industry's growth over the long term?

The 2020 Olympics is a huge event, and I think it is a big chance for us. It is a big commercial way of promoting and advertising Japan. The Olympic Games in

2020 will provide us with the opportunity to let visitors know more about our country, and from there we hope that it will become a point where awareness begins to be spread throughout the world. Visitors who come to Japan can learn about our culture and history, and can bring that back to their countries and make Japan well known to other people surrounding them. If this goes well, we can show the world that Japan has the potential to be an attractive destination for everyone.

As a hotel business, we don't have enough influence over the tourism industry, so what we can do now is do our best to make sure that the customers who stay with us know more about Japan

The Solare Hotel and Resort chain operates in more than five locations in Japan and has one overseas operation in Korea. You manage just under 10,000 rooms in Japan, making you one of the leaders in the sector. What makes the Solare group a premier hotel management company?

First of all, I'd like to mention that Solare is focusing on the operations side – unlike most of the hotels which have their own properties and assets. From upper-grade to lower-grade, we have our own know-how to manage and operate our hotels, and we do it really well. This is the strength of our company. When negotiating with properties owners, we can easily persuade them.

Secondly, we have come up with some of our own specialities, such as branding for example. At the moment in Japan, most of our customers will choose the hotel based on price, but in the future we hope to come up with the best hotel brand in Japan. This kind of strategy is very unique. We change, innovate, add and come up with a new style and new branding.

Most of the hotels develop by putting efforts on how to broaden assets and properties to expand their chains. On the opposite, as I mentioned, we are more focusing on brand strengthening.

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TECHNOLOGY & SERVICE MAKE UNIQUE, INDEPENDENT TRAVEL EASY

From opening the world's first robot-staffed hotel to tailoring unique travel packages and theme park management, the H.I.S. Group is one of Japan's leading travel brands and has over 500 locations and more than 13,000 employees worldwide. It has expanded from individual trips into hotels, theme parks, and air travel, and has seen a 300-percent rise in share price during the last three years alone. Representative Director & President Akira Hirabayashi discusses the company's formula for success

Why do you think H.I.S. has been so successful, especially when travelers are continuing to use online-only booking agencies?

When H.I.S. started, most travel agencies in Japan mainly focused on all-inclusive group tours, and there wasn't really a concept of individual leisure travel. In the initial stages of our business, we concentrated on selling discounted air tickets to individual travelers who wanted to create their own travel experiences. The next step was to add on those activities, experiences, and package tours that individual travelers were looking for to make their own unique plans. Most importantly, instead of taking out the personality from travel and moving to an online-only model, H.I.S. has expanded to 500 locations in Japan and 215 retail locations outside of Japan in 64 countries, where the staff are all passionate travelers themselves and plan original products about the areas that they know best. We're really interested in what travelers want, and we think that is combining technology with service, all at the same price as an online-only service. We have online booking in 15 languages at hisgo.com and the hisgo app, and over 15,000 staff that you can talk to without waiting for 30 or more minutes on the phone. We're even available in person at our retail locations.

H.I.S. is assertive and we are constantly working to expand both our knowledge base and our network around the world, which is why we're so interested in hotels, theme parks, and airlines. We just opened the world's first robot-staffed hotel in Japan, located in one of our theme parks, and our flight and hotel deal with All Nippon Airways, called HANavi, arose from the drive to help travelers get to far-flung places in Japan like Okinawa and Hokkaido in ways that are affordable so they can really experience Japan off the beaten track. We're hoping to keep expanding our services around the world as we continue to keep pace with today's travel industry.



Representative Director & President Akira Hirabayashi

What do you believe has been the key reasons behind the new growth of inbound Japanese tourism?

Japan is a fascinating country with a really unique culture. Although it's a small country, its regions are incredibly diverse – from rugged mountain ranges and volcanoes in Hokkaido to ultramodern Tokyo to Kyoto's traditional temples and shrines, to tropical beaches in Okinawa – Japan has it all. The infrastructure of Japan is also a big draw for visitors, especially those from countries like America where trains don't have a huge presence outside of a few major cities. Most of Japan is easily accessible by bullet train, especially for a country with so many islands.

How do you believe that tourism can contribute towards the revitalization of Japan's economy?

Tourism has been an incredibly important source of revitalization for the Japanese economy, especially since the 2011 earthquake and tsunami in the Tohoku region. Local economies in Japan really benefit from tourism, especially as the population declines and not as much revenue is being circulated. The exchange rate has also been beneficial in this, and Japan is more affordable than ever before – travelers coming from the United States will find that prices

are lower and the exchange rate is favorable for U.S. dollars. Since the 1980s' "Bubble Economy," many people still have the idea that prices in Japan are exorbitant, but that simply isn't the case. H.I.S. is working to make Japan even more accessible and we hope to keep collaborating with local governments to show visitors Japan's hidden gems while boosting the economy.

Can you tell me about the inspiration behind the H.I.S.'s robot hotel in Nagasaki, Henn-na Hotel? What is it like to stay there?

In Japanese "hen" means both "strange" and "change," and we are striving to do both with Henn-na Hotel. Hotels can be really expensive to run between energy costs and labor costs, so we wanted to see how efficient we could possibly make the hotel. The design itself is really sustainable and uses the Radiant Panel Air Conditioning System, which is really cutting edge – it draws heat away from your body when it is hot to make you feel cool, and vice versa.

The experience is unlike any other hotel, too. At the front desk, multilingual robots help you check in or out. In the cloakroom, a robotic arm stores luggage for you, and a robot porter carries the rest to your room. At Hen-na Hotel, we also use face recognition instead of room keys so you never have to worry about carrying one or losing it. In the rooms themselves there is a tablet for all the functions of the hotel room like turning the lights on and off, calling the front desk, watching TV, etc.

Will you be looking for partners while expanding your robot hotel in Japan? Will you be looking at partnering with the big hotel chains or names?

H.I.S. has a lot of supporters in the Henn-na Hotel. A lot of the technology used in the hotel is from Tokyo University, Japan's leading university, and the actual construction was done by Kajima Construction Company, the largest in Japan. There is a lot of interest from other sources, but we definitely want to focus on improving and perfecting the prototype before we expand.

CHACO 'GENERATING OPPORTUNITIES AND CONDITIONS FOR COMPANIES TO GROW AND TO GENERATE JOBS'

With the election Mauricio Macri last December, Argentina looks set to see a return of foreign investors; and provinces like Chaco stand to benefit from the influx. Domingo Peppo, Governor of Chaco, explains where the potential lies for investors in the province, such as manufacturing, tourism and infrastructure, and biotechnology



Domingo Peppo, Governor of Chaco

There is currently an encouraging framework towards investment in Argentina: agreements have been reached with the holdouts and this has led to numerous provinces returning to the international credit markets. What is your point of view regarding the arrival of investments to the country's provinces?

In general, the governors have strongly contributed and supported the solution of the holdouts problem. This was a serious problem that had to be resolved in order for Argentina's reinsertion back into the world to occur, as well as for the concrete possibility of generating searches for financing to occur for the development and growth of the country.

How will Chaco focus itself in light of foreign investment?

Every public policy that we carry out has the vision of generating opportunities and conditions for companies to grow and to generate jobs. Whoever looks for work will have opportunities and will receive training from the government. We have a human resources structure in place so that companies and workers can find each other.

We have to develop in-origin added value. We are major producers of raw materials but we're still in the process of incorporating work and added value. We produce cereals, oilseeds and cotton. Our goal is to incorporate added value through an Industrial Parks plan spread out through the province, and transform these raw materials into products that can be sold in the country or abroad, or that can experience a second transformation into protein. We want the production of corn and sorghum to be used to produce balanced feed for cattle, and we're building and promoting the refrigeration industry towards this end.

We have nearly 200 works development projects, essentially regarding infrastructure (water, sewer, power, energy, fiber optics,

roads). Many of them are being financed by the national and provincial governments, and we're looking for international financing. Towards this end we have created a liaison office that centralizes all the projects and generates a space where businessmen can get to know the investment, development, and growth projects that Chaco has.

We've also placed tourism as an essential axis as part of three fundamental axes, what we call the "secrets" of Argentina. In the first place, we have the Paraná River wetlands where we can find an island called "El Cerro" that has a biodiversity related to humidity that allows for fishing there.

In addition to in-origin added value and tourism, there's also another axis which is biotechnology. We have a technological center located in Resistencia, and we want to develop a technological pole; the internationally known Argentinean firm of Globant is located in Chaco.

What is the level of human resources that Chaco contributes?

In terms of human resources, Chaco is completely valued and considered thanks to two matters. First, thanks to the capability and training quality that the people in the province already have. Second, thanks to the capability to improve and receive more training.

Chaco has more than 8,000 employees who work in the call-centers of several companies that provide international services. We have a Promotion Law so that these companies settle in the province. The first companies to do so did so with plenty of reservations, but their number has grown through the years.

Can you tell us more about the focus in investment sectors besides tourism?

In general, for investments. We want the commitment of investment. For example, there's a Brazilian company that's the largest denim manufacturer in Argentina. This

company manufacturers 60 percent of all the denim consumed in the country.

Cotton is the province's main agricultural product. Chaco developed together with this mono-culture, but then the price of cotton fell and it was necessary to start diversifying. Today, cotton is once again depressed. We try to sustain its production because our productive structure is based on cotton: we have cotton gins, spinning mills, fabric companies, fashion production. For example, Chacú is the program for the development of the clothing industry of the province.

You're trying to get more clothing companies to come to Chaco. What incentives do you offer international companies that are looking to come to the country, to come to Chaco?

The province has numerous strengths. In the first place, it is a strategic location in terms of the Mercosur and has great accessibility to the Paraná-Paraguay Waterway. We have a port, Barranquera, and we're building a second port in Las Palmas. In second place, our human resources. And in third place, the promotions that the provincial government offers. We accompany private investments from the government.

For example, investments are being made by Tres Arroyos, and a Russian capital refrigeration center.

You are collaborating with the plastic artist Milo Lockett to promote the Chaco brand.

Milo is one of the faces of Chaco; he works with us as part of the Province's image. We have other emblematic individuals besides Milo, such as comedian Luis Landrisina; race car driver Pato Silva; Betiana Brun and Florencia de la V. are our female faces; Tonolec, a band that blends the music of native peoples with electronic music; basketball players. The idea is to promote the slogan: "Chaco, the Argentinean secret".

We're still developing the products so we haven't begun to do any international promotions; we're polishing the diamond. We have \$5 million for the El Impenetrable, earmarked for installing inns, camping sites, and trails; this is a ten-year project at least. We want to be part of a tourist corridor that begins in the Iguazú Falls, continues through the Esteros del Iberá, and continues in the El Impenetrable. This is an eco-tourism corridor and we're looking for financing in order to build three important routes: Route 13, the El Impenetrable route, and the route that provides access to the wetlands.



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PERU SETS SIGHTS ON 7M TOURISTS BY 2021

Tourism is one of the most progressively expanding sectors of the economy with a mean growth of 9.6 percent per year



Cathedral of Arequipa, Peru

Tourism is the third largest industry in Peru after fishing and mining, and the most rapidly expanding of the three, having grown annually by 25 percent over the past five years and outstripped the performances of all other South American countries in this field. Currently it employs 10.8 percent of the labor force in the country, mainly in the hotel and transportation areas (last available figures were 484,000 direct and 540,000 indirect jobs), and comprises 7 percent of the country's GDP. It's presided over by PromPeru (Commission for the Promotion of Peru) which forms part of the Ministry of Foreign Commerce and Tourism, and their aim is to increase the current overall tourist arrival figure of around 3.5 million to double that figure by 2021.

The number of international visitors to Peru is already clearly on the rise. Currently, the highest number of foreign holidaymakers comes from Chile, with roughly 900,000 visitors a year, while the United States is second with around half a million. Next come Ecuador and Colombia, with around 175,000 and 150,000 annual visitors, respectively.

Their reasons for choosing Peru are varied, but it's clear that the cultural and history sectors enthrall up to 60 percent of all visitors. The country boasts no less than 11 classified UNESCO awarded locations and the Spanish-influenced colonial cities and ancient Inca sites are perennially packed with sightseers. These locations are closely followed in popularity by exploration-and-adventure style holidays, taken either individually or in groups, to the country's high mountains and dense jungles; and, finally, by ocean breaks beside one of Peru's multitude of Pacific beaches, where surfing and deepsea fishing are two of the most popular activities.

Few are disappointed with their stay. The government claims a 94 percent satisfaction response from visiting holidaymakers and the national tourist office Iperu aims to maintain the high standards of the country's increasingly appreciated cuisine and accommodation facilities. Major hotel chains of an international level, such as Hilton, Orient Express and QP Hotels, operate in the country and up to 30

The country boasts no less than 11 classified UNESCO awarded locations and the Spanish-influenced colonial cities and ancient Inca sites are perennially packed with sightseers

percent of visitors come on luxury oriented packages. Accordingly, to a profile research the average tourist tends to be well-educated, of a good income bracket, generally over 34 with no children and travelling alone or in groups. Across the board, it's been estimated that tourists spend around \$1,000 during a week's stay, including those from countries other than the U.S.A.

Investment in Tourism

Tourism is one of the most progressively expanding sectors of the economy with a mean growth of 9.6 percent per year. It ranks among

the leading four countries in South America most attractive to tourist investment alongside Mexico, Brazil and Colombia.

Looking ahead, Peru is hoping to increase links with China and encourage Chinese hotel chains in order to expand investment and joint business ventures. Plans are accordingly being considered to run publicity campaigns in major Chinese cities to promote Peru as a tourist destination. One strong incentive is that visa restrictions have been reduced to allow Chinese visitors to stay for up to 150 days.

At present 95 percent of all tourist arriving in the country have to land at Lima airport, and to ease pressure on the capital and take visitors instantly nearer to the heart of Inca culture spots direct flights to Cuzco, in the heart of the cultural heritage area, are now being considered. This will clearly involve a need to expand and improve Cuzco airport and outside investment will be welcomed here.

Travel and Tourism share of the total national investment is expected to gradually rise from the current 4.8 percent to 5 percent in 2025. The APEC Leaders' summit in Lima should further help focus world attention on the country's prospects and possibilities. There's been much admiration of the careful and tasteful way Peru has handled its sustainable tourist industry and recently LATA (the Latin American Travel Association) voted Promperu best tourist board in Latin America. The INMARK consultancy firm additionally highlights Peru as the most authentic destination in South America due to its cultural wealth, history and warmly welcoming people.

Main attractions

It's hard not to use superlatives when describ-

ing Peru's evocative historical sights. Most famous of them all is the remarkably well preserved Incan city of Macchu Pichu, recently chosen as one of the "seven new wonders of the world" in an online contest organized by the New Open World Corporation. Perched on a saddle-like ridge on a high mountain top, the site somehow escaped the attentions of the Spanish conquistadores. (It was left to an awe-struck Yale archaeological explorer, Hiram Bingham, to finally discover it in 1911).

No less than three major cities have been declared UNESCO heritage spots: modern capital Lima, charming former Incan capital Cuzco and coastal Arequipa (known as the "White City"), all renowned for their wealth of colonial gems. Smaller cities, too, are filled with a sometimes-surprising architectural variety. Ayacucho is said to have "a church on every corner"; Iquitos, in the heart of the Amazon jungle, (where Herzog's "Fitzcarraldo" was filmed, amazes with an array of Art Nouveau buildings erected during 19th century rubber boom; and Callao, Peru's largest port, boasts unexpectedly elegant Gothic and Renaissance edifices.

Outside of the cities, nature is king, and megadiverse Peru contains 74 of the 117 life zones recognized in world. The selection of wild fauna and flora includes 550 species of amphibians, 462 of mammals, 1730 of birds and 25,000 of plants, including over 3000 orchid varieties.

Largest of the legendary National Parks is Manu, of which zoologist Charles Munn observes: "No other park on earth can compare with it in terms of sheer variety of life forms." It's divided into a Culture zone where locals go about their traditional lifestyle, a Reserve zone

The country offers a splendid variety of sports options, whichever geographical region - coast, sierra or jungle - you happen to choose. On the coast, you can surf from Pacific beaches or ride a dune buggy amid the sand dunes at spots like Ica

used for ecotourism - best visited by organized tour - and a Park zone - totally protected and only open to scientists.

Other great parks include Huascarán, home of Peru's highest mountain, and Rio Abiseo, noted for its 36 archaeological sites and 900 species of fauna. Both have received UNESCO awards. Tambopata-Candamo, in turn, is noted for its huge diversity of butterflies and Yanachaga-Chemllén boasts 350 kinds of orchids, as well as over 500 bird species and many endangered animal species, including the jaguar and "spectacled" bear. Two of the country's individual natural wonders, meanwhile, are the Goeta Waterfall, third largest in world, and Titicaca, one of the most scenic lakes on earth

The country offers a splendid variety of sports options, whichever geographical region - coast, sierra or jungle - you happen to choose. On the coast, you can surf from Pacific beaches or ride a dune buggy amid the sand dunes at spots like Ica. Inland there's hiking and trekking on hill trails and climbing and skiing in the higher peak areas such as Huaraz. Jungle (and mountainside) river rafting is, in turn, becoming increasingly popular and suits all levels depending on the difficulty of the rapids.

The selection of wild fauna and flora includes 330 species of amphibians, 462 of mammals, 1730 of birds and 25,000 of plants, including over 3000 orchid varieties.





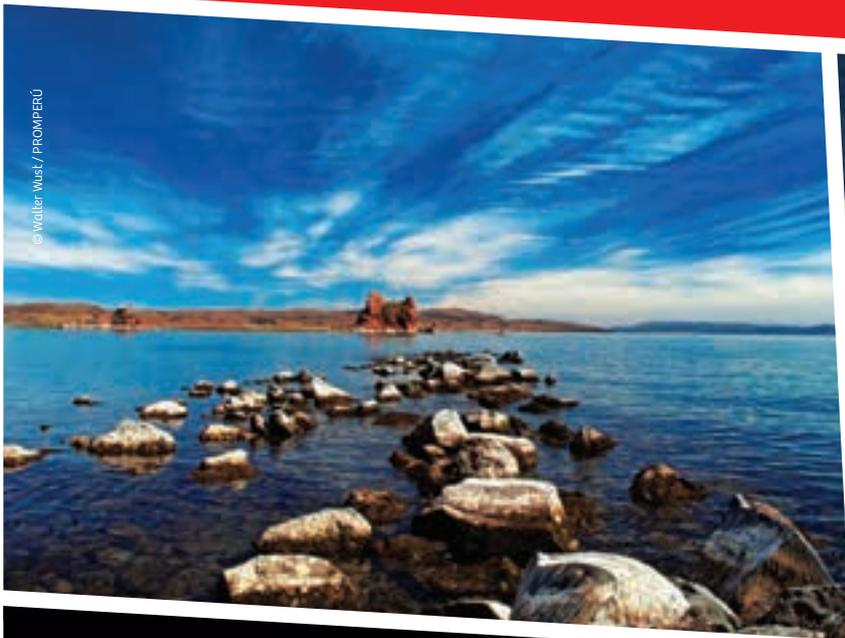
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