

TRADE

IS OUR BUSINESS



Ho Chi Minh City, Vietnam

BRIGHT FUTURE FOR VIETNAM

David Cunningham, president and CEO, FedEx Express, discusses how APEC's commitments to economic reform, open markets and regional integration are helping fuel growth in Vietnam and APEC member economies.

In 2006, Vietnam hosted its first APEC CEO Summit. The theme: "Towards a Dynamic Community for Sustainable Development and Prosperity." Vietnam quickly put these words into action.

In the 10 years following that summit, Vietnam's exports have grown an astounding 500 percent, and its per capita GDP increased 175 percent. Last year the economy attracted nearly \$16 billion in foreign direct investment, helping turn Vietnam into the 24th-largest export economy in the world.

As good as the last decade was for Vietnam, the future is even brighter. Vietnam has one of the youngest populations in the world, with more than half of its citizens under the age of 30. The country's

dynamic, well-educated and hard-working people are its biggest advantage and also one of the main reasons the country is moving rapidly up the value chain.

Vietnam is a prime example of the benefits of APEC's vision of economic reform, open markets and regional integration. We've even seen the results at FedEx. Last year, for instance, over 87 percent of FedEx shipments from Vietnam were exported to APEC member economies, and 90 percent of our shipments to Vietnam were imported from APEC economies.

FedEx has been a strong supporter of APEC for many years primarily because of its dedicated focus on the trends shaping the future of the global economy. One such trend, e-commerce, has created enormous opportunities for small businesses and has enabled the rise of a new "micro-multinational" that can sell goods to the world with only a website and a FedEx account. Vietnam has experienced the

e-commerce boom firsthand. Just within the last four years, e-commerce has doubled in Vietnam and is now a nearly \$2 billion market.

Another trend is the move to reduce administrative costs, or "red tape," associated with trade. Administrative rules written for 40-foot containers can become a real barrier to trade when applied to a single package crossing a border. Small businesses don't have the resources to navigate complex border rules. We need to find new ways to simplify trade for these small businesses — our customers.

So we are glad that Vietnam has highlighted e-commerce and small and medium-sized enterprises (SMEs) during its APEC year. This focus will no doubt help Vietnam and other APEC economies compete in that rapidly expanding marketplace. Perhaps more importantly, e-commerce can help APEC achieve its goal of more inclusive trade and economic growth throughout the region.



DAVID CUNNINGHAM

FedEx recognized Vietnam's amazing potential when we sponsored the APEC CEO Summit in 2006.

We have been proudly serving Vietnam since 1994, and we are excited to return to Vietnam as a Platinum sponsor of the 2017 APEC CEO Summit. FedEx believes strongly in this year's APEC theme, "Creating New Dynamism, Fostering a Shared Future," as we remain committed to contributing to Vietnam's bright future and to the larger APEC vision of greater economic integration and prosperity throughout the Asia Pacific region.

Congratulations to the people of Vietnam for hosting APEC this year. I hope you enjoy the stories and perspectives in the pages that follow.

Learn more at trade.fedex.com and follow us on Twitter at @FedExPolicy.

The Cau Rong, or Dragon Bridge, crosses the River Hàn at Da Nang, Vietnam. Designed in the shape of a dragon, the bridge breathes fire and water every Saturday and Sunday evening.

IN BRIEF



Helping Businesses Move Freight Forward

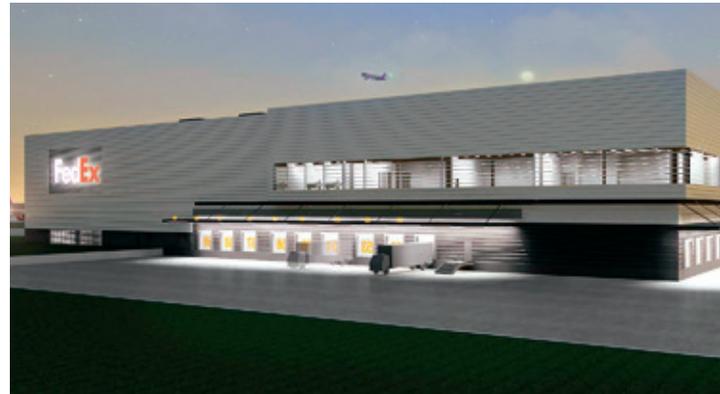
This summer's openings of FedEx Trade Networks offices in Vietnam and Japan bring international freight-forwarding services to customers in both countries, helping them optimize their supply chains for faster speed to market with lower costs. Services include expanded regional access to international direct distribution, customized multi-modal solutions, and trade and customs expertise. "We believe in making the complexities of global shipping simple, and we strive to provide unparalleled freight-forwarding

solutions and supply chain visibility to help businesses of all sizes move forward," says Richard W. Smith, president and CEO, FedEx Trade Networks. Both openings represent strategic investments in markets with growth potential. In Vietnam, the freight-forwarding market is expected to grow to \$1.4 billion by 2019, and in Japan, it's expected to grow to more than \$6 billion by 2019. The new offices — in Ho Chi Minh City and Tokyo — bring the total of FedEx Trade Networks offices in 16 APEC member economies to 106.

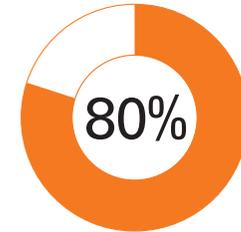
New Facility Takes Flight in Shanghai

Shanghai has set its cargo sights high: The city's Pudong International Airport, already the world's third-busiest airport by cargo traffic, is on track to rise to the top of the list by the end of the decade — and as the airport becomes an increasingly important player in logistics and trade, FedEx is growing with it. Our new \$100 million International Express

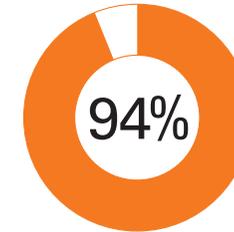
and Cargo Hub set to open in November 2017 more than triples the capacity of our old facility — allowing us to process up to 36,000 documents and parcels per hour. With the economy of Shanghai and China continuing to boom, it ensures we're providing our global customers the connectivity they need to help their businesses grow.



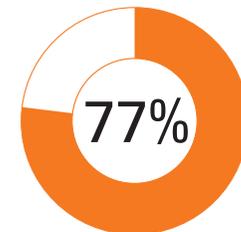
By the Numbers: Asia Pacific E-Commerce



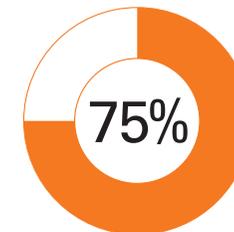
HONG KONG
80% of small and medium-sized enterprises (SMEs) are engaged in e-commerce



CHINA
94% of SMEs are generating revenue through m-commerce



SOUTH KOREA
77% of SMEs are generating revenue through e-commerce



SINGAPORE
75% of SMEs are generating revenue from e-commerce

Source: "Global Trade in the Digital Economy: Opportunities for Small Businesses," a commissioned research study conducted by Harris Interactive on behalf of FedEx, September 2016.

Flying Lab

FedEx Express and Boeing are teaming up to test advanced flight deck systems and fuel-saving technology starting in early 2018. The three-month program will convert a 777 FedEx aircraft into a flying aeronautics laboratory.

The goal of the 2018 eco-Demonstrator program will be to test emerging technologies, including a new, fuel-saving compact thrust reverser developed by Boeing; flight deck improvements in and out of busy airports; and prototype airplane parts using cutting-edge manufacturing

technologies that reduce material waste.

"FedEx is committed to developing and implementing innovative solutions that connect the world responsibly and resourcefully," says David Cunningham, president and CEO, FedEx Express. "We're proud to work with Boeing and use our 777 Freighter to play a key role in bringing future benefits to the aviation industry."

FedEx has a companywide environmental objective to reduce aircraft emissions intensity 30 percent from a 2005 baseline by 2020.





Motorbikes are the most popular and convenient mode of transportation in Hanoi, Vietnam.

Vietnam on the Move

Global trade has transformed Vietnam since FedEx started operations there in 1994. Here's a quick look at the impact, from logistics to little robots.

HANOI'S TOSY ROBOTICS has only four products to its name — but those four products have sold millions, broken world records and put the company on the high-tech map. The popularity of TOSY's toys — designed and manufactured in Vietnam and sold in 55 countries — is because “they're different from anything else in the marketplace,”

says Trang Pham, international public relations manager. Take the top-selling AFO, which the company calls a modern circular boomerang. “You see flying toys everywhere, but what makes ours different is, after you launch it into the air, it flies really far and high, and comes back to exactly where you are,” Pham says. It can also spin on

the ceiling or hang on a wall. With more than 1 million AFO units sold and patents in several countries, including the U.S., the company has added TOOP (a mechanical spinning top that set a Guinness World Record with a spin that lasted 24 hours, 35 minutes and 15 seconds) and DiscoRobo (an innovative little



robot that detects beats and shows off 56 dance moves).

Ingenuity comes from an innovative spirit at the company.

Over half of the TOSY staff in Vietnam works in R&D, many as hardware and software engineers. The team's tech savvy is fueling what will be the company's fifth toy, a sparring robot due out at the end of 2017. It's also created a huge and growing B2C demand, which TOSY is addressing by launching its first e-commerce channel, also at the end of this year.

“FedEx has played a great role in helping bring our products to a wider audience across the world,” Pham says. It's a global consumer base that has helped create demand for the high-tech toys popular with adults and children alike. “Adults use their kids as an excuse,” Pham laughs, “but adults like the toys too.”

AN ECONOMY BUILT ON TRADE

Thousands of products like robotic toys and sophisticated medical devices — often from small and medium-sized enterprises (SMEs) — have helped Vietnam steadily move up the trade-partner list for many countries, including the U.S. Vietnam's second-largest trading partner is the U.S., totaling over \$50 billion in two-way trade. Top Vietnamese exports include electronics, apparel, shoes, coffee and seafood.

Ten years ago, Vietnam joined the World Trade Organization, and since then, exports have continued to grow rapidly. Global trade now represents over 80 percent of Vietnam's GDP, and Vietnam's growth per capita has averaged 6 percent per year over the last decade.



TOSY's spinning toys include the TOOP tops with LED lights (above) and the AFO circular boomerang (below).



500%

Increase in Vietnam's exports 2005–2015

Source: World Bank

175%

Increase in Vietnam's GDP per capita 2006–2016

Source: World Bank

#24

Vietnam ranking in world export economies — 2016

Source: Atlas/MIT



Farmers in Vietnam can monitor growing conditions via smartphone.



FEDEX IN VIETNAM

FedEx has served Vietnam since diplomatic relations with the U.S. were re-established in 1994, and we were the first international express transportation company to operate our own flights into and out of Vietnam. FedEx now has over 160 vehicles and nearly 500 team members in the country. Our first team member in the country still works for us today. In Ho Chi Minh City, Hang Cong, now a senior human relations specialist, has had a front-row seat to the country's transformation. "Back then after the war, Vietnam was closed off," she recalls. "When the embargo was lifted and we joined the market, Vietnam was very simple and the economy was very

slow — it's not like it is now!" Cities are more crowded and energetic, she says, as global connections have grown.

One of the qualities Cong values most is how those connections have benefited Vietnam beyond business numbers, which includes a long-term commitment by FedEx to invest in communities where we do business. In cooperation with the Vietnam Children's Fund, more than 2,000 children are currently attending schools in the country that are funded by FedEx. It started 18 years ago in Chu Lai. "I handled the logistics activities for the grand-opening ceremony of the first school we built," Cong says. Since then, she's helped open schools funded by FedEx in the

The first school funded by FedEx opened in Chu Lai in 2000 (above, left). Loading an MD11 in Ho Chi Minh City (above, right).



provinces of Nam Dinh and Yen Bai. Last year, the Vietnam Children's Fund and FedEx inaugurated a second primary school in Quang Nam province — the Nguyen Thi Minh Khai school. Located in a flood-prone district, it also serves as a disaster relief center when monsoon rains hit the area. "I appreciate what the company has brought to our people, especially the way it provides support," Cong says. "It's for the children and young people who will be the key forces in the country's development."

Small Business, Big Purpose

The FedEx Small Business Grant Contest helps small businesses go global. Here are six top finalists from this year's contest.

IN THE MIDST OF GLOBAL TRANSFORMATION, it's often the smallest businesses that have the most lasting impact on their customers and communities. The finalists and winners of this year's FedEx Small Business Grant Contest in China, Hong Kong and Singapore have a shared characteristic: an entrepreneurial spirit that drives them to grow their global footprint.

WEAVING AN EMPOWERED FUTURE

Ana by Karma, Ltd.,
Hong Kong
From June 2014 through the end of December 2015, this company enabled its team of scarf weavers in Bhutan to collectively earn the equivalent of 34 years' worth of income of a low-income Bhutanese family.



INNOVATING THE FUTURE OF HEALTHCARE

eNano Health, Hong Kong
This company's saliva-based tests are a non-invasive, affordable alternative to blood tests. Solutions include a first-of-its-kind rapid glucose monitor that can check levels of various biomarkers.

GROWING PRINT IN THE DIGITAL AGE

ZHENGZHOU YUHE PRINT & DESIGN CO., LTD, China
Recognizing a gap in quick-turn printing for B2B needs, Zhengzhou Yuhe prints products using environmentally friendly raw materials and suppliers.



PROVIDING LIFE-CHANGING LIGHT

Nokero, Ltd., Hong Kong
Across the globe, approximately 1.3 billion people rely on burning kerosene as their light source every night — an activity that's expensive and pollutes the air. Since 2010, Nokero (no kerosene) has been providing an environmentally friendly solar alternative to people in 120 countries.

CREATING POSITIVE NOISE

E-TracX DJ Skool, Singapore
Equal parts computer science and music theory — that's the unique amalgam of skills necessary to become a professional DJ. E-TracX DJ Skool has helped thousands of young artists develop this skill set and build their DJ careers.

High-Tech Textiles

Hyperbola fabrics are designed for pursuits from hot yoga to high-altitude trekking to just hanging out.

MOST FABRICS AREN'T MADE to withstand the worst possible weather and activity conditions, much less perform perfectly in them. But that's what makes Hyperbola special. Its name a combination of English words meaning "super" and "fiber," 16-year-old Hyperbola creates innovative performance fabrics for some of the world's best-known brands and is an upstart in the textile marketplace in Chinese Taipei, where its major competitors have all been in business for more than a century. Founder and CEO Tina Wang's vision is unusual in its combination of keen design sense with functional newness, resulting

in fabrics such as soft "function wool" that's both windproof and waterproof. "The products in the medical, fashion and outdoor fields are all different, but they all need textiles," Wang says.

New fabrics are born during brainstorming sessions with a team of 30 at the company's loft in Neihu, the tech hub in Taipei where Wang says she's been able to "find the talented people who have an international view" she needs to build her innovative team. "Some of our team members have a background in textiles, some with PhDs in that field," she says. Wang's relentless commitment to R&D sets Hyperbola apart. Thanks

to her embrace of digital supply chain management, the speed with which she's able to get to market is another important differentiator.

FROM START TO FINISH IN A FLASH

Bringing the designers' ideas to life means collaborating closely with subcontractors who have the expertise and leading-edge equipment to quickly mill the products to their exact specifications. FedEx automation makes it seamless for Hyperbola to coordinate global shipping of fabric samples to clients and then shipping of finished fabrics directly to garment manufacturers. A few clicks to set up and manage the shipping process saves time and enables the team to focus on innovative design, rather than worrying about logistics.

Speed is essential, Wang says, because retailers' design teams will often start choosing fabrics as soon as their vendor samples begin to arrive. "Time is crucial for our clients, so they can be competitive in the market," Wang says. "FedEx has really helped us in this way."

A VALUABLE LESSON

Time is also crucial when Hyperbola is shipping samples to global trade shows, which is where Wang meets potential customers face to face — and where she lived an entrepreneur's worst nightmare when a previous delivery company lost a shipment in a snowstorm. Instead of meeting prospective clients in Hyperbola's custom-designed exhibit space surrounded by hundreds of samples, she met them in a totally empty booth. "With FedEx, we never have these kinds of problems. If issues do arise, we can count on FedEx to help us to overcome them."

Hyperbola's unique combination of high fashion and high performance has won it customers all over the world, but Wang has chosen to keep the business in Taipei, where fabric manufacturers offer the agility and innovation her business requires. The company has designed textiles that are waterproof, windproof and even reflective of light. "We want to promote functional textiles across an international platform," Wang says. Imagine traveling the world and never even caring if your suit gets wet.



Hyperbola Founder and CEO Tina Wang, along with her team, designs textiles that are waterproof, windproof and light-reflecting.



Most of Hyperbola's team members have deep expertise in textiles — so much so that R&D has become one of the company's top differentiators.

Designing One of the World's Smartest Cities

Songdo, South Korea, is packed with ideas for how cities around the world can boost sustainability, efficiency, quality of life and trade.

THIS SUMMER'S OPENING OF "MONSTER VR" — South Korea's large virtual reality theme park, where visitors experience car racing, bobsledding and traveling to outer space via virtual reality — was the latest event to make headlines in Songdo, about 40 miles outside of Seoul.

Considered by many urban designers as a leading example of a smart city, Songdo has been rising rapidly since building began in 2005. As significant phases of construction near completion over the next couple of years, people are taking a closer look at what's worked, what hasn't and what it means for cities around the world.

CITY IN A SNAPSHOT

Songdo — a name that translates to "Pine Island," inspired by the area's trees — wasn't much more than marshland at the turn of the last century. Built on 1,500 acres of reclaimed land jutting into the Yellow Sea, it counts proximity to nature as a big appeal. But manmade features incorporate nature, as well: The new 101-acre Central Park sits at the center of the development.

The city's focus on trade and innovation, however, is what is attracting the most attention. South Korea's tallest building — the stunningly sleek, 65-story Northeast Asia Trade Tower — was built here. Part of the Incheon

Free Economic Zone (IFEZ) near Seoul's Incheon International Airport, Songdo was designed to serve as a hub for international business. Recently, FedEx announced plans to construct a new cargo terminal facility at Incheon International Airport with advanced logistics capable of sorting up to 18,000 packages per hour.

Technology factors into nearly every aspect of living and is mostly invisible. Sensors, for example, optimize the flow of traffic and aid in security. Building systems (lighting, heating and air conditioning, water) also link to sensors, maximizing efficiency. Even the trash systems are high-tech, sucking

refuse directly from apartments and office buildings into an underground system of pipes (eliminating trash cans and garbage trucks), where it's separated to be buried, recycled or burned for fuel.

From the start, Songdo was built with sustainability in mind. Some 22 million square feet of its buildings are LEED-certified (the certification by the U.S. Green Building Council), and Songdo is now home to the Global Green Growth Institute, a United Nations organization. More than 20 miles of paths accommodate bicyclists, walkers and joggers.

But make no mistake, Songdo was built to be massive. Development so far includes 80,000 apartments, 50 million square feet of office space and 10 million square feet of retail space. More than 100,000 residents call the city home.

PROMISE AND POTENTIAL

Not surprisingly, Songdo has its critics. Although the city sits a mere 15 minutes from Seoul's Incheon International Airport (accessible by car and subway), getting from Seoul to Songdo itself

takes well over an hour (with no subway). That makes for a tough commute, which explains why Songdo has only 70,000 or so daily commuters, versus the 300,000 commuters that planners envisioned. The same goes for residents: The 100,000 figure falls short of the goal of 300,000.

While Samsung, Daewoo and other South Korean companies have bases in Songdo, the city has yet to attract major development from foreign companies. One exception is Cisco, which opened a Global Innovation Lab here.

Songdo's planners say the city still holds tremendous potential. Office buildings are starting to fill up. And the planned development of the National Museum of World Writing — which includes a library and archive — is set to join the futuristic Tri-Bowl exhibition and performing arts space, boosting Songdo's cultural value.

More than anything, though, Songdo serves as a living lab, teaching the world what's possible for a connected city. Major universities from around the world have opened satellite campuses here. Their students, not to mention other observers, are taking note — and, more than likely, taking the city's ideas to a city near you.



The connected city of Songdo, near Seoul's Incheon International Airport, serves as a hub for international business.



CONNECTING THE GLOBAL MARKETPLACE

Karen Reddington, regional president, FedEx Express Asia Pacific, discusses the importance of APEC efforts in boosting Asia Pacific economies.

FedEx is pleased to continue its support of APEC in 2017, and we congratulate Vietnam on a successful host year. We support APEC because trade is our business, and we operate across every APEC economy with 26,000 FedEx team members in the Asia Pacific region alone. APEC economies are home to nearly 3 billion people, who conduct half of the world's trade, and our commitment to those people, the entire region and to the mission of APEC has never been stronger.

We are also happy to be a part of Vietnam's growth story. Our FedEx team members here are all part of Vietnam's vibrant economy and help to create its bright future. They enable exports from Vietnam's strong manufacturing sector and facilitate imports driven by burgeoning e-commerce activity. In Vietnam,

just as in all APEC economies and around the world, the global FedEx team is dedicated to harnessing the full potential of global trade. We do that by promoting innovation, seeking policies that are pro-business and supporting infrastructure development.

INNOVATION

Small and medium-sized enterprises (SMEs) make up on average 95 percent of firms in most countries. Those SMEs are innovation drivers: They create new products, new economic opportunities and new social paradigms. They boost participation in the global economy, including by women. They can account for the majority of exports from an economy, especially with the emergence of global e-commerce. We recognize the increasing importance of SMEs in delivering innovation and economic prosperity, and we work hard to help them expand into global markets.

DEREGULATION AND POLICY SUPPORT

To foster innovation and unleash the true potential of global trade, economies must be prepared to create a policy and regulatory environment that facilitates trade and investment. APEC has an important role to play here. We congratulate APEC leaders on the ratification of the Trade Facilitation Agreement in February this year and welcome their focus on supply chains and connectivity. With the growth we are seeing in cross-border e-commerce shipments, these initiatives — especially streamlining customs procedures and tax rules — are now more important than ever.

INFRASTRUCTURE

At FedEx, we operate a global network of people and vehicles that connects 99 percent of the world's GDP. We rely on the physical infrastructure that connects economies to each other. That is why we support APEC's efforts to



KAREN REDDINGTON

accelerate the development of infrastructure — roads, airports, seaports — that is really the backbone of an efficient global trading system.

Without a robust infrastructure network, exporters lose their global audience and consumers cannot access imports from around the world.

I am delighted to attend this year's APEC CEO Summit. FedEx Express shares APEC's vision to connect member economies for the benefit of all. We applaud APEC leaders for promoting pro-business environments that spur innovation in their own economies and for supporting trade policies that leverage physical infrastructure to streamline cross-border trade. When those efforts are aligned across all APEC economies, we believe there is no limit to realizing this year's theme of creating a new dynamism and a shared future in Asia Pacific.



Hong Kong bustles, even during a rain. For more on the city's e-commerce economy, see page 3.

The world is your customer

At **FedEx**, we help businesses throughout Asia expand their reach and connect to global markets. Because trade is our business, we help you make the most of yours.

FedEx®

