

ASEAN and Its Impact on U.S. Companies

Focus on: Singapore, Vietnam,
Malaysia, Philippines



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ASEAN

(Association of South-East AsiAn Nations)

- Formed in 1967 by Indonesia, Malaysia, Philippines, Singapore, and Thailand.
- Joined by Brunei, Cambodia, Myanmar, Laos, and Vietnam over the years.
- Divided between 'rich' (Singapore, Malaysia, Thailand, Indonesia, Brunei and Philippines) and 'not so rich' (Cambodia, Myanmar, Laos, and Vietnam).
- ASEAN was designed to be first and foremost an association of states actively engaged in nation building.
- ASEAN was established to ensure sovereignty remained firmly located at the national level.

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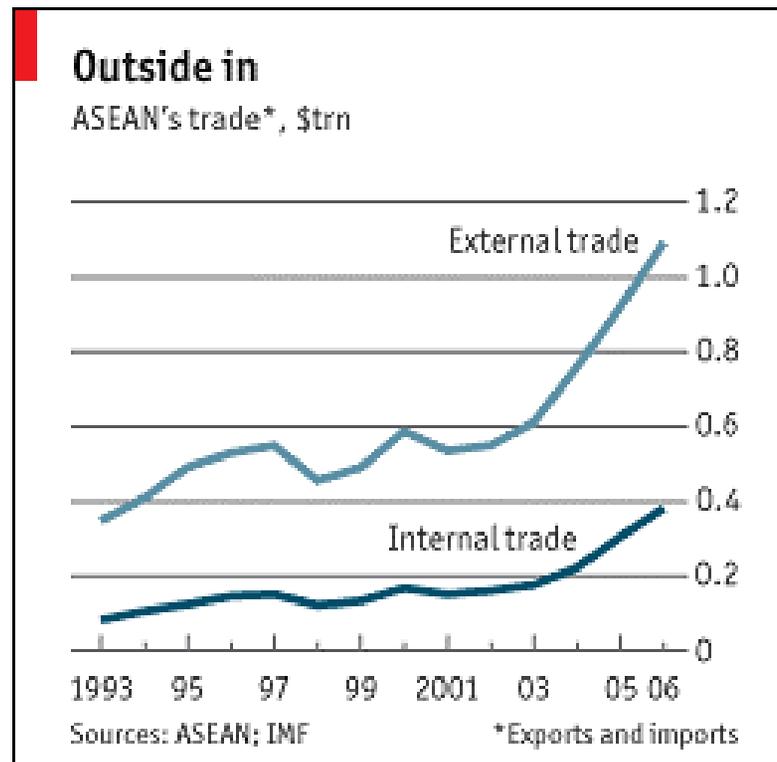
- Non-interference and consensus are the cardinal principles of the organization. Members are committed to the norm of non-use of force and non-confrontation.
- Reluctance to institutionalize and legalize regional cooperation.
- How to stay relevant and counter growing competition from China and India?
 - A planned economic union has fizzled. ‘Not so rich’ countries object to decision by majority vote.
 - ASEAN plus 3 (China, Japan, South Korea) was formed after the currency crisis of 1997 to maintain financial stability of the region.
 - East Asia Summit (ASEAN, ASEAN plus 3, and India, Australia, and New Zealand).

Some Key Statistics (2007 estimates)

- GDP (Purchasing Power Parity): \$3.184 trillion
- GDP (PPP) per capita: \$5541
- GDP nominal : \$1.173 trillion
- GDP (nominal) per capita: \$2041
- Population is 566.3 million (2006)
- Population density is 125/square mile

ASEAN Internal and External Trade

- Source: Economist, August 4, 2007, page 36.



ASEAN Statistics (as of August 13, 2007)

Source: ASEAN Directorate

Table 1
Selected basic ASEAN indicators
as of 13 August 2007

ASEAN Statistics

Country	Total land area	Total population ^{1/}	Population density ^{2/}	Annual population growth ^{3/}	Gross domestic product ^{4/} at current prices	Gross domestic product per capita at current prices		Merchandise trade ^{5/}			Foreign direct investments inflow ^{7/}	
	km ²	thousand	persons per km ²	percent	US\$ million	US\$	US\$ PPP ^{6/}	Exports	Imports	Total trade	US\$ million	US\$ million
	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2005	2006
Brunel Darussalam	5 765	383	66	3.5	11 671.0	30 213.0	26 094.1	7 010.4	1 400.0	0 100.3	288.5	433.5
Cambodia ^{1/}	181 035	14 163	78	2.5	7 266.3	612.3	3 226.0	3 614.4	2 023.0	6 437.4	381.2	403.2
Indonesia	1 890 754	222 051	117	1.3	364 258.8	1 640.4	4 321.3	100 790.0	01 006.6	101 004.1	8 336.0	6 666.2
Lao PDR	236 800	6 135	26	2.5	3 521.8	574.0	2 332.1	402.7	607.6	990.2	27.7	187.4
Malaysia	330 252	26 686	81	2.1	156 924.2	5 880.4	12 104.0	167 226.0	120 316.1	206 643.0	3 004.0	6 059.7
Myanmar ^{2/}	676 577	57 289	85	2.3	11 951.0	208.6	1 060.0	3 514.8	2 115.5	5 630.3	235.9	143.0
The Philippines	300 000	86 910	290	2.0	117 457.1	1 351.5	6 332.7	47 410.1	61 773.7	90 103.0	1 854.0	2 345.0
Singapore	704	4 484	6 369	3.3	132 273.4	29 499.6	32 370.0	271 007.9	230 402.0	610 009.9	16 001.9	24 066.4
Thailand	513 254	65 233	127	0.7	206 646.1	3 167.8	9 103.6	121 670.6	127 100.0	240 000.3	0 967.0	10 766.1
Viet Nam	329 315	84 222	256	1.3	60 966.2	723.9	3 373.3	37 033.7	40 236.0	77 270.6	2 020.8	2 360.0
ASEAN	4 484 468	687 667	127	1.6	1 072 824.7	1 890.3	6 210.2	750 708.0	654 097.8	1 404 805.8	41 067.8	52 379.5

Sources: ASEAN Finance and Macro-economic Surveillance Unit Database and ASEAN Statistical Yearbook 2006 (compiled/computed from data submission and/or websites of ASEAN Member Countries' national statistical offices, central banks, and other relevant government agencies)

ASEAN Trade Database as of 13 July 2007
IMF World Economic Outlook Database as of April 2007

Symbols used

- not available as of publication time
x not available/not compiled
Data in *italics* means it has been revised from the previous posting.

Notes

- 1/ GDP per capita is preliminary figure computed using the latest revised GDP estimate per Cambodia's submission dated 16 July 2007 and population projection (high estimated) from NIS, based on Intercensal Population Survey 2004
- 2/ Myanmar's GDP is based on fiscal year from April to March of the following year, and computed using derived foreign exchange rate based on IMF WEO database April 2007.
- 3/ Refers to/ based on mid-year total population based on the latest updates from AMCs as of 25 July 2007
- 4/ Brunei Darussalam data is based on the official revised GDP data per Brunei Darussalam submission dated 19 June 2007 and average annual foreign exchange rate, using official country data for Q1-Q3 2006 and Singapore's data as proxy for Q4 2006.
- 5/ Recomputed based on IMF WEO Database April 2007 estimates and actual country data
- 6/ Based on country updates as of 16 July 2007
- 7/ Figures include equity and inter-company loans. Brunei Darussalam, Cambodia, Malaysia, and Indonesia (2004-2006 Q1), Philippines (1999-2006 Q1) and Myanmar as well as Viet Nam (2003-2006) include reinvested earnings. Indonesia (2006), Philippines (2006), Singapore (2002-2006) and Thailand (2001-2006) had been revised due to their BCP survey.

Key Statistics on Focus Countries

<u>Country</u>	Population (thousand) 2006	Pop. Density (per sq.mi)	GDP (US \$) Million 2006	GDP Per capita US \$ 2006	Exports US \$ Million 2006	Imports US \$ Million 2006	FDI US \$ Million 2006
Singapore	4484	6369	132273.4	29499.6	271607.9	238482	24055.4
Malaysia	26686	81	156924.2	5880.4	157226.9	128316.1	6059.7
Vietnam	84222	256	60965.2	723.9	37033.7	40236.8	2360
Philippines	86910	290	117457.1	1351.5	47410.1	51773.7	2345

Source: Table in previous slide

Comparison of Focus Countries

Country	Singapore	Malaysia	Philippines	Vietnam
Growth-oriented economic policies	Yes	Yes	No	Yes
Cost of living	High	Medium	Low	Very low
Access to talent	High	Medium	Low	Low
Infrastructure (roads, phones, water, power, etc.)	Excellent	Good	Poor	Poor
Business risk (risk of interruptions to business)	Very low	Very low	High	Low
Safety for U.S. nationals	Excellent	Excellent	Be careful	Good and getting better

Conclusions

- To grow and prosper, ASEAN will have to come to terms with China and India.
- An ASEAN – India FTA is close to being completed.
- ASEAN wants to be like the EU by 2015. Not likely.
- ASEAN has potential but it may need to abandon its doctrines of consensus and non-interference in members' internal affairs.
- Currency appreciation in the past few years can be attributed to yen carry trade.
- Higher returns possible in Philippines and Vietnam though risk is proportionately higher.
- For manufacturing, consider using Malaysia as a base to export to Philippines, Vietnam and Thailand.
- For stability and access to the best talent, consider Singapore as a base.