

Country Guide ASEAN





ASEAN Country Guide

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Situation

ASEAN, otherwise known as the Association of South East Nations includes the 10 member states of Brunei, Cambodia, Malaysia, Indonesia, Laos, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. Together, these nations have a total of over 600 million inhabitants, making it the third largest population in the world behind China and India. Each nation is at a different stage in terms of economic group, although they all have the potential for vast future growth. ASEAN have one of the world's fastest growing consumer societies which thrive off the regions manufacturing and production industries.

Situated in South East Asia, the ASEAN community is surrounded by the North Pacific, South Pacific and Indian Oceans. The 10 regions cover a vast total of 4,400km² of land and 173,000km of coastline which accounts for 14% of the global total. Due to the location of ASEAN, they regions are prone to many natural hazards such as droughts, floods, typhoons, tsunamis and monsoons, factors which will continue to worsen as a result of climate change and global warming. 34% of the world's total coral is situated among the ASEAN islands as well as over 60% of earths total peat planes.

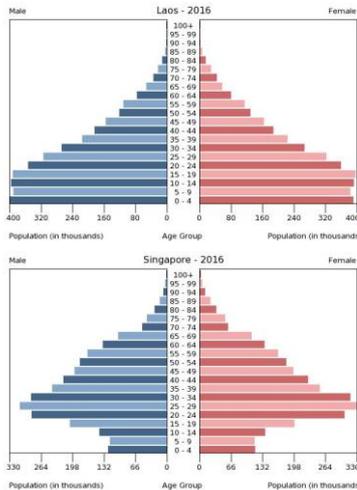
DEMOGRAPHICS AND SOCIETY

The demographics and society differ greatly between each nation given that some islands are more developed than others. Indonesia is the country with the highest population of 246.8 million which constitutes for 40.5% of the total ASEAN population. At the opposite end of the spectrum is Brunei, one of the smallest nations with a population of 0.4 million and a total of just 0.7% of the total ASEAN population.

When analysing the population pyramids for each nation, there are two distinctive patterns that seem to occur. In one pattern, the population is significantly higher in young people compared to that of older generations which implies that the death rate is lower whilst the birth rate continues to increase. An example of this situation is in Laos, where the population of men and women aged 24 and below is approximately 32,000 thousand in comparison to the population of men and women aged over 90 years old is around nil.

Country	Currency
Philippines	Philippine Peso
Myanmar	Kyat
Malaysia	Malaysian Ringgit
Indonesia	Indonesian Rupiah
Singapore	Singapore Dollar
Thailand	Thai Baht
Vietnam	Vietnam Dong
Lao	Lao Kip
Brunei	Brunei Dollar
Cambodia	Cambodian Riel

Laos and Singapore population pyramids



Source: Census.gov, Population Pyramid

On the other hand, the other pattern suggests a recent fall in birth rate. The most dramatic example is with Singapore, where the population below 10 years is almost 2 thirds less than the population aged 25-35. Other nations which follow this pattern include Thailand, Vietnam, and Indonesia. There are several reasons behind the low birth rate in these countries, with the main reason being that they are more developed, and younger generations have different priorities. The quality of the education system in Singapore for example is very high, which prevents young couples from getting married and having children as they are more focused on maintaining a strong career. Similarly, the cost of raising a child is increasingly high and this factor alongside higher property prices is another reason to suggest a low birth rate in these nations.

The ASEAN region is religiously very diverse, with the most common religions being Islam and Buddhism, although Christianity and Hinduism are still present in some countries. Indonesia has the highest population of Muslims both worldwide and across ASEAN, and the Islamic religion is also dominant in Brunei. On the other hand, Islam occupies the smallest percentage of religion in Thailand, where the majority are Buddhist. In contrast, Christianity is the most practiced religion in the Philippine Islands. Given the close proximity between the ASEAN nations, the peace between the countries will depend highly on the Buddhist-Muslim relations.

English is the most commonly spoken language across ASEAN, although each of the 10 individual regions has its own language. The high level of English has been encouraged due to an increase in both tourism and international trade.

Over 44% of the total ASEAN population is urbanised, a figure which is expected to increase to around 58.3% by 2015.

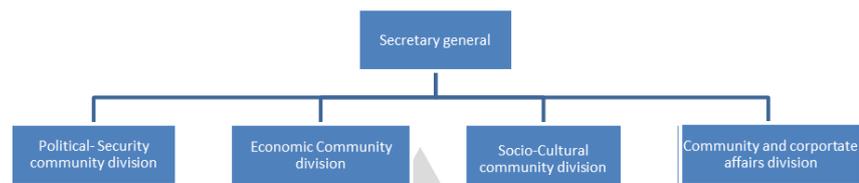
Employment

ASEAN has the 3rd largest labour force in the world; however the member countries differ greatly in terms of labour supply, skills, education levels and salaries. Generally speaking, the literacy level across ASEAN is high. The level of productivity is another factor which differs greatly depending on the work force. People in Thailand for example work 4 times more efficiently than those in Cambodia, and the average Malaysian salary is on average 3x more per month than the monthly salary in Indonesia.

Gender inequality within the workplace is still an issue across ASEAN, where there are on average 23% more male employees than female. In terms of employment, the rate has slowed over recent years from 1.9% in 2012 to 1.3% in 2013. Nevertheless, the unemployment rate has improved from 4.7% in 2010 to 4.2% in 2013, and the figure is expected to further improve over the next few years, although poor working conditions continue to be a problem. Like with most countries worldwide, the majority of the unemployed population across the ASEAN are youths.

Politics

The head of the ASEAN government system is the Secretary-General, which is then split into 4 main sub divisions; The Political-Security Community, The Economic community, the Socio-cultural Community, and the division of Community and Corporate Affairs. The system is governed by representatives of each member country to ensure that the community lives harmoniously in a democratic environment.



Each of the 4 main divisions is then split into separate subcategories so that each board is assigned to an individual objective, thus assuring that each issue is dealt with appropriately and accordingly.

Economic Structure

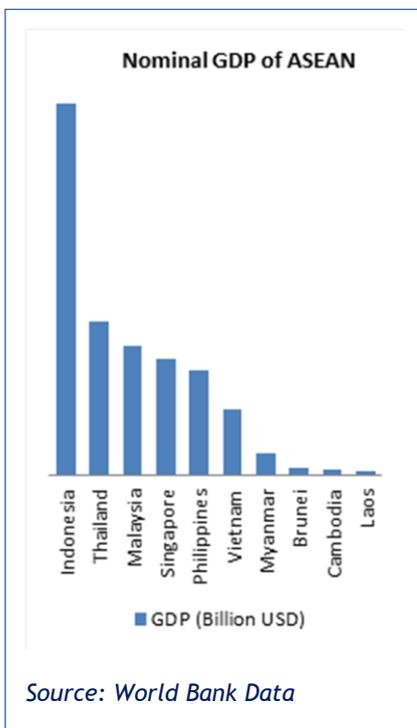
Economic Structure

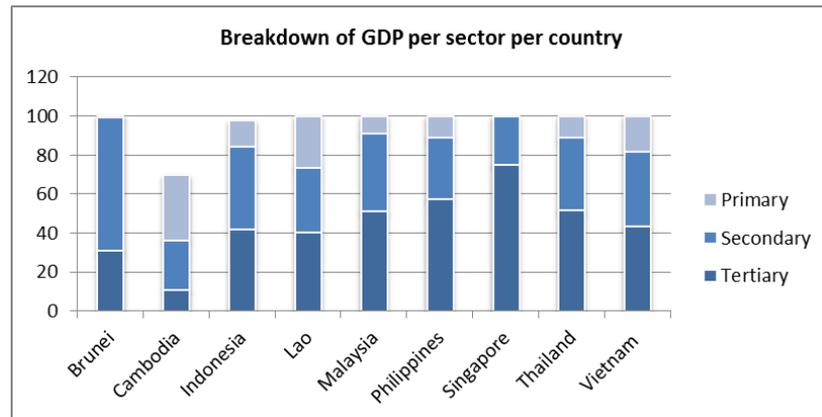
With a combined GDP of \$2.3 trillion, ASEAN is ranked as number 8 in the most affluent economies in the world, and is expected to reach 4th place in the global positions before 2015. It is therefore one of the world's strongest economic powers and is constituted of 10 distinctive, uneven economies. The strongest 6 economies in ASEAN account for over 95% of the total GDP, where Indonesia generates the highest proportion of GDP and Laos accounts for the smallest proportion with \$887,000 billion and \$9,419 billion respectively.

Given that ASEAN is formed from 10 different countries, the nation's national GDP vary in terms of annual real growth rate. The majority of the countries are expected to have a lower annual growth rate from 2012-18, with the only regions who are on target for annual growth being Singapore (1.8%), Vietnam (0.8%) and Brunei (1.4%).

Breakdown of Sectors

The composition of sectors in ASEAN has changed over recent years due to globalization and the growth of consumer society. As a consequence, the secondary and tertiary sectors have grown whilst the primary sector has suffered a loss. An increase in consumer society and the use of digital technology have led to increased activity in the secondary sector whilst rising tourism figures have boosted activity in the tertiary sector.





The Primary Sector.

The primary sector, which is the extraction of raw materials and agriculture, is the sector which is generally less profitable across ASEAN, with the exception being in Cambodia where the sector accounts for over 33% of the country's GDP.

The agricultural industry: This industry has shown an unprecedented growth over recent years, and has contributed to a significant decrease in poverty, helping around 4 million people improve their financial situations. With a growth rate of 5.3% over the last decade, the agricultural industry in Cambodia has been one of the most prosperous in the world. Although rice farming generates the majority of revenue for the country, over recent years there has been an increase in the harvesting of more profitable crops such as vegetables, cassava and maize.

The mining industry: Given that the success of the secondary sector depends greatly on the mining industry and the extraction of raw materials, the mining industry is vital in ASEAN despite its small contribution to GDP (1.2% in 2015). The territory is very rich in minerals including aluminium, bauxite, lead, zinc, iron ore, tin, nickel gold and some precious gemstones, and so the sector has the potential to be one of the main growth drivers in the Asian economies.

The Secondary Sector

The secondary sector, otherwise known as the industry sector, contributes to around 20-40% of the GDP of the majority of ASEAN. ASEAN is already a major manufacturing hub but the sector will continue to thrive over the coming years with the introduction of 3 important reforms; The AEC (ASEAN Economic Community) is finally becoming a reality which aims to attract global trade and therefore boost the manufacturing sector to provide for the high trade demand. The manufacturing industry in China has slowed down over recent years as they are focusing more on domestic consumer than exporting products worldwide, and so a great opportunity has opened for ASEAN to take advantage of to some of the opportunities left by China. Finally, technology has yet to fully establish in ASEAN, and therefore the future potential for businesses and manufacturing services in relation to consumer demand will no doubt increase massively with the introduction and evolution of Big Data and other important technologies.

Oil and natural gas: Among ASEAN, Brunei is the country in which the secondary sector has the highest contribution, accounting for almost 70% of GDP. The majority of Brunei's GDP is generated by the oil and natural gas industries, where although it is one of the smallest countries in the region, it is also the 4th largest oil producer in South East Asia. Currently, the country is heavily dependent on its oil reserves, and new measures are being enforced to encourage the productivity of the other sectors given that the oil reserves are only to last a further 24 years.

Construction: The construction industry in ASEAN is to be greatly affected by the ASEAN Economic Integration scheme (AEC). Due to the increased tourism levels across the region, the construction industry has grown significantly over the last few years, and between 2012-13 the sector had a real growth rate of 24%. Following this in 2014 the Philippine construction industry alone increased by 46%, which has meant that construction workers from other ASEAN countries have been employed to engage in construction in order to meet the increase in demand.

Consumer products: ASEAN is a growing hub for consumer demand and has outpaced the rest of the world on the growth of GDP per capita since the 1970's. Poverty continues to decrease as the middle class grows and today, over 67 million households across ASEAN form part of the growing consumer society as they have more money to spend on consumer or desirable products. For this reason, the demand for the production of consumer goods is on the rise, and this is therefore an industry which will continue to thrive over coming years.

The Tertiary Sector

The tertiary sector appears to be the driving force behind the combined ASEAN GDP, where most countries show GDP contributions surpassing 40%. It is therefore the sector which is seen as a catalyst for economic growth and shows enormous potential for ASEAN. The exceptions however are Brunei (31%) and Cambodia (10.8%), where although both countries have seen increases in figures over recent years, further reforms are needed to boost the success of the service sector.

Tourism: The majority of success from the tertiary sector comes from tourism where over the last few decades, figures have risen significantly. Since 2007, there has been an increase in over 30% of the number of tourists visiting ASEAN, a figure that will continue to grow over coming years as it has become a popular place for travelers with its many attractions and destinations. ASEAN still shows great potential for development in the tourism industry, although some factors such as poor infrastructure and lack of public healthcare often stand as obstacles to the rise of the industry's success.



Manila. Tourism is one of the pillars of the ASEAN economy
Source: Wikipedia

Healthcare: The evolution of society has led to driving changes in the healthcare sector. Life expectancy in ASEAN has increased and economic growth has allowed the introduction of better healthcare facilities. The average healthcare expenditure per capita in ASEAN is around 4% of GDP, where Brunei and Singapore are at the top of the list spending US \$1,449 and US \$2,273 respectively, in order to expand and improve their current healthcare facilities.

Education: The AEC is also pushing huge transformations within the education sector. Across the 4,181 international schools which make up 55% of the global market there are currently over 2.4 million students, where English is the official language of study. Predictions show that by 2024, there will be over 7,000 international schools with more than 5 million students.

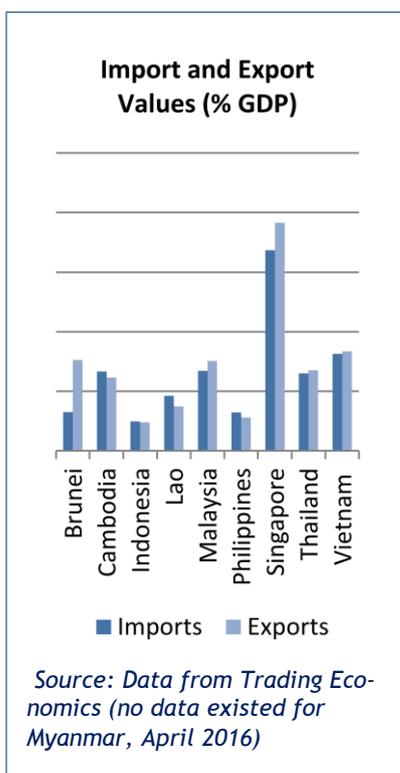
Exterior sector

Free trade agreements

A Free Trade Area exists across ASEAN with the intention to lower inter regional tariffs for the member countries through the Common Effective Preferential Tariffs (CEPT). More than 99% of products are listed on the CEPT inclusion list for the ASEAN-6 (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) meaning that these products have import tariffs less than 0.5%. The newer, remaining members of ASEAN have almost reached the same stage in the agreement with over 80% of their products listed, and 66% of these products are eligible to the 0.5% tariff.

Imports

The main trade partners for exports in ASEAN are China, Japan, the EU, the US, Taiwan, Korea, and the United Arab Emirates, and in 2015 had a total import value of 1,292,399 \$USD, of which 1,054,047 \$USD was generated from the top 10 import destinations alone. The majority of goods imported to ASEAN appear to be capital goods such as machinery, chemical equipment and transport or aircraft parts, although some agricultural and textile products are also imported into some parts of ASEAN.



Exports

ASEAN is the 4th largest export region in the world following China, North America and the European Union, and accounts for 7% of all global exports. Exports generate a considerable amount of the ASEAN economy, where Singapore and Brunei have export values that are considerably higher than the import values. Although 25% of the total exports remain within ASEAN, the other 75% go to countries around the world with the final destination usually depending on the product in question. The main destination countries for ASEAN exports outside of the region are China, the USA, Japan, Europe, and India. Today, ASEAN is the 4th largest exporter to the USA, and China used to be a strong competitor of ASEAN in terms of exports however over time it has become one of the top consumers, especially for Malaysia and Singapore. The range of goods produced vary across ASEAN although the main exports are of free goods and natural resources including oil, coal and natural gas, consumer products such as textiles, electronics, and automobiles, as well as some capital goods and machinery.



ASEAN building.
Source: Wikipedia

Establishing in ASEAN

The Market

ASEAN is one of the fastest up and coming regions of the world both socially and economically, and has seen continued growth and development since 2000. A growth in consumer society across the region is correlative with the rate of urbanization, as over 22% of the ASEAN population live in urbanized areas. These areas alone account for 54% of the regional GDP and by 2025 this figure is expected to rise to 40%, using the data of just 142 cities. If ASEAN were to be considered a country, it would have the 7th largest global economy with a combined GDP of \$2.4 trillion.

One of the main reasons behind the growth of the regions GDP is due to the expansion of labor forces and an increase in productivity levels. Since 1990 over 60% of the regional growth has been as a result of these productivity gains, however the region as a whole still needs to focus on the development of human capital and workforce skills if it wishes to see further economic improvement.

With a population of over 625 million people, this constitutes for over 8.8% of the global total, the countries with the highest economic capital are Indonesia, Thailand, Malaysia, and Singapore.

Distribution Networks

Given that the business climates differ greatly across ASEAN, the best modes of entry also vary from country to country. It is always recommendable to conduct a due diligence report which is an investigation of any potential investment. Although in many cases this is voluntary rather than a legal requirement, it is always advisable since as it reduces risks.

Local Agent or Distributor: Using a local agent or distributor is one of the most common entry methods for businesses who wish to establish in ASEAN as they can often provide useful information and knowledge about the business climate in the country. Countries in the ASEAN network such as Singapore welcome the opportunity to provide local distributors or agents as they are keen to respond quickly to new opportunities, and are generally very successful at welcoming new products into the market.

Franchising: As in most markets, franchising is an increasingly popular method of distribution across the ASEAN given that it is one of the fastest and most effective methods to raise brand awareness. Franchising allows new business owners the chance to either be part of a well-known brand or be a first market mover; however it is important to obtain intellectual property rights to be allowed an exclusive right over the use of a brand or creation. The main sectors of franchises in ASEAN include food and beverages, services, retail and education.

Representative and branch offices: A common method of exploring business opportunities is to establish a representative or branch office in the region. However, a representative office can only conduct market research and work as a liaison on behalf of the parent company and cannot conduct any official business. A branch office is similar yet it requires a foreign company to appoint two local agents in the country who are legal residents or citizens to act on behalf of the company.

Foreign Direct Investment (FDI): FDI in ASEAN has grown significantly since 2010 and is home to 227 of the world's most prosperous companies which have a net value of more than US\$ 1 billion. In 2013 the ASEAN 5 (Indonesia, Malaysia, Philippines, Singapore and Thailand) had higher levels of FDI than China, with US\$ 128 billion compared to US\$ 117 billion respectively. In 2013, the largest investors came from Japan, followed by investors from the European Union, other ASEAN countries and latterly the Republic of Korea.

Doing Business

RANKING'S ASPECTS 2016	Singapore	Malaysia	Thailand	Brunei	Indonesia
Starting a Business	10	14	96	74	173
Dealing with Construction Permits	1	15	39	21	107
Getting Electricity	6	13	11	68	46
Registering Property	17	38	57	148	131
Getting Credit	19	28	97	79	70
Protecting Minority Investors	1	4	36	134	88
Paying Taxes	5	31	70	16	148
Trading Across Borders	41	49	56	121	105
Enforcing Contracts	1	44	57	113	170
Resolving Insolvency	27	45	49	98	77
DOING BUSINESS	1	18	49	84	109

RANKING'S ASPECTS 2016	Lao PDR	Myanmar	Philippines	Vietnam	Cambodia
Starting a Business	153	160	165	119	180
Dealing with Construction Permits	42	74	99	12	181
Getting Electricity	158	148	19	108	154
Registering Property	66	145	112	58	121
Getting Credit	70	174	109	28	15
Protecting Minority Investors	178	184	155	122	111
Paying Taxes	127	84	126	168	95
Trading Across Borders	108	140	95	99	98
Enforcing Contracts	92	187	140	74	174
Resolving Insolvency	189	92	53	123	82
DOING BUSINESS	134	167	103	90	127

In terms of ease of doing business, the ASEAN economies vary massively, with Singapore ranked as the best country in the world in contrast with Myanmar which is ranked 167 of 189, one of the least favorable destinations. Similarly, Singapore has been awarded the highest rating for both country risk assessment and business climate in contrast once again with Myanmar who has the highest risk factor of D for both assessments.

This contrast can be as a result of a number of factors including geographic location, sociological development and political stability, however this represents that not all countries in ASEAN are as appealing as others in terms of doing business, despite being recognized as one of the ASEAN 10.

Setting up a business in ASEAN

Malaysia

There must be at least two shareholders, two resident directors and a qualified company secretary in the company and a registered office within Malaysia. 100% foreign ownership is allowed, except where equity diversification is imposed for specific industry and regulatory purposes.

Indonesia

There must be two shareholders and they must execute a Deed of Establishment before a public notary which is to be approved by the Ministry of Law. A company must have board of directors and board of commissioners.

Myanmar

Foreign investors may register their companies under the Myanmar Companies Act (CA) or in conjunction with the Union of Myanmar Foreign Investment Law (MFIL). At least two shareholders and two directors are required although they don't need to be nationals of Myanmar.

Singapore

There must be at least one shareholder (this can be a corporate body or an individual) and one resident director in the company. 100% foreign ownership is allowed in Singapore.

Philippines

Between 5 and 15 individuals must act as incorporators to start a business. The members must each subscribe to at least one share, and majority of them must be national residents.

Thailand

At least 3 shareholders are required to create a private company and at least 15 shareholders are required for a public company. Only a public company can be listed on the Thailand Stock exchange.

Vietnam

Members of the company need to undergo an inspection or evaluation in order to obtain a registered certificate, although this depends on the business sector. The general director does not need to be of Vietnamese nationality.

Cultural implications



Business Relationships in ASEAN

Culturally, ASEAN is very diverse it is therefore important to keep in mind that eastern values differ greatly from western values:

Deep religious influences

Religions vary across ASEAN and it is therefore important to respect the beliefs of the people of each country. Given that many ASEAN have a large Muslim community, one should keep in mind that drinking alcohol or showing skin could cause offence.

Respect the Hierarchy

The people of ASEAN are great believers of hierarchy, both at home and in the workplace, meaning that there is an appropriate protocol to follow depending on social status. Failing to comply with the protocol could have adverse effects on business relationships.

Formality

Unless amongst close friends or family, both social and professional events are kept formal, and so factors such as posture and language should be kept professional unless an indication is received to act otherwise.

Greetings

It is common to shake hands on the first meeting, although the handshake should not be too firm and intense eye contact should be avoided. Always carry business cards and exchange them on the first meeting, ensuring to carefully read the card on reception. If possible keep the business card in view until the meeting has finished.

Decision making

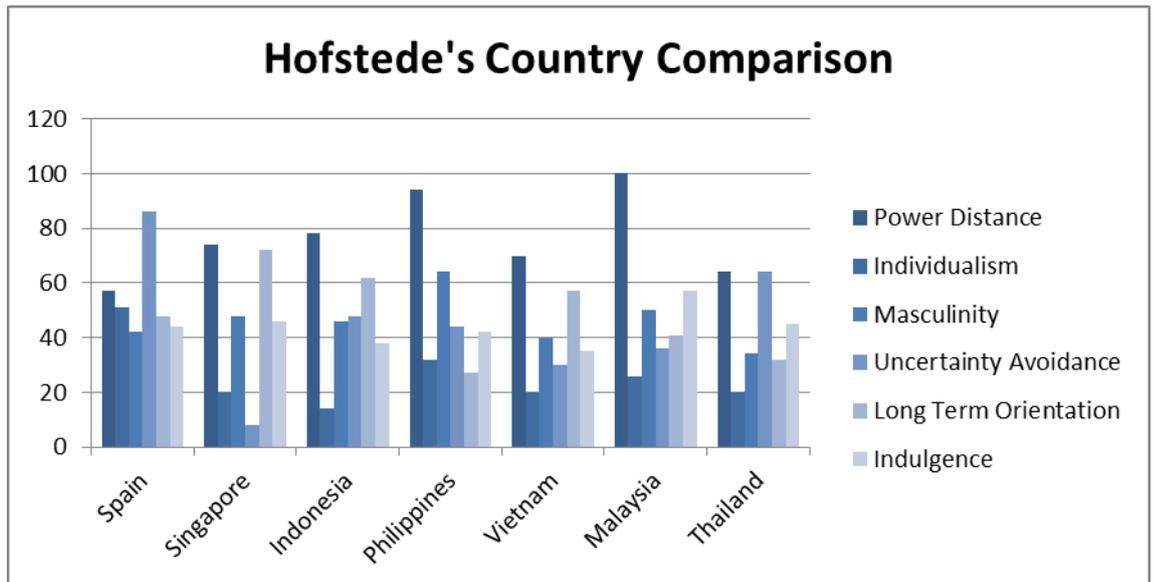
Given that ASEAN are generally a collective society, it is necessary to gain full consensus of the team before a final decision is made. As a result of this, the decision making process may take longer than expected.

Communication

ASEAN people are less direct than westerners and make often subtle interactions to imply what they mean. It is therefore important to read the context of the situation and be careful to not make concrete decisions based on words alone.

Comparison Spain vs ASEAN

A strong understanding of business culture is key before starting any negotiations with international partners, as the message given can have serious implications on the success of the business venture.



Generally, the ASEAN countries share similar cultural qualities when it comes to doing business however their methods of negotiation differ greatly from that of Spain. Spain as a country tends to be hierarchical in the workplace which mean that people tend to have a set place or ranking within the company. This is similar across ASEAN, in particular in Malaysia where the country reached the maximum score of 100 on the Hofstede Centre website, implying that the country is extremely hierarchical.

Although Spain is generally considered to be a collectivist society when compared with other countries within the European Union, when compared with ASEAN it is in fact considered an individualist society, which would imply that Spanish people tend to work more towards their personal goals rather than collective goals which are more common in ASEAN.

In terms of masculinity, Spain and ASEAN are similar, given that in both regions consensus is key. This means that both share an equal balance of the desire to succeed but equally to enjoy life.

One factor in which Spain and ASEAN differ significantly is with uncertainty avoidance. Spain have a very high level of uncertainty avoidance which means that generally they like to have plan and structure in their life. On the other hand, the figure for ASEAN was much lower, particularly in Singapore where the figure was 8 out of 100. This shows that the working communities in Singapore have very little desire to plan and have a more relaxed approach to life.

Similarly, both Singapore and Indonesia differ from Spain and the other ASEAN as they have the highest levels of Long Term Orientation. This factor implies that people are not so fixated on traditions and values, and are however much more keen to adopt a modern approach to education and learning. The other nations, including Spain, are more inclined to follow their traditions and values.



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