

THE RISE OF ASEAN

Corporate investors are plotting strategies in Southeast Asia, as the region bounces back from the recession and starts booming again.

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TRADE HUB: A THAI WORKER AT FORD'S ATA FACTORY IN RAYONG PROVINCE CHECKS PICKUP TRUCKS TO BE EXPORTED.

litical unrest earlier this year, Thailand has a tourism sector that has started to show signs of a rebound, and exports are up much more strongly than expected. Thailand—where the economy is primarily reliant upon exports—is therefore forecasting GDP growth of 7% to 8%, the second-highest rate in the region after Singapore.

The economic vigor of Southeast Asia is largely due to its growing status as a production hub. With labor strikes affecting foreign-owned factories in southern China, and consequent rising wages there, a number of multinationals are increasingly considering Southeast Asia as either an alternative manufacturing base or a key area in which to expand existing operations.

The free-trade agreement that went into effect between ASEAN and China in January 2010 means reduced tariff barriers to exporting the manufactured goods made in Southeast Asia to the Chinese market. The pull from China's booming economy—forecast to grow 10.5% this year—has been essential to the recovery of the ASEAN nations, as China remains a key destination for the region's imports, including component products that are assembled in China and exported onward to the West. Yet Southeast Asian domestic demand is, of course, also rising. Thai government tax incentives for fuel-efficient cars encourage automakers to invest and expand, using Thailand as a regional base. For these reasons, both Nissan Motor Co. and Mitsubishi Motors Corp. are opening new automobile factories in Thailand that will serve as hubs to export small cars to the rest of Southeast Asia, Japan, the United States, and Europe.

This potential is also what led Ford Motor Co. to announce in June a \$450 million plan to produce its Focus car in a manufacturing center 165 miles south of Bangkok. GM is also expected to announce an increase in its production facilities in Thailand.

When companies think about the great market opportunities of the world, China and India are usually what spring to mind. But there's another part of Asia that is exhibiting stellar growth and becoming increasingly attractive to savvy investors: Southeast Asia.

The region, comprising the 10 countries of the Association of Southeast Asian Nations (ASEAN), has been among the quickest to bounce back from the global financial crisis. Singapore, for example, is expected to become one of the fastest-growing economies in the world this year, with forecasts of GDP growth as high as 15%—a pace four times higher

than that of the United States. The five largest ASEAN economies as a whole are expected to grow 6.7%, according to the Asian Development Bank, on the back of stronger exports, robust industrial production, and improved consumer confidence. "These markets are growing at an incredible click," says Alexander Feldman, president of the U.S.–ASEAN Business Council. "ASEAN represents 600 million people across ten countries. It's strategically located between China and India and has free-trade agreements with both. So it offers U.S. business access to an incredible, growing market. It's a great place for people to make money now."

Thailand is a perfect example of robust growth in the region. Despite po-



Think Asia, Invest Thailand

GEARED FOR THE FUTURE

Thailand, the Gateway to Asia

Strategically located in the heart of a booming and bustling region, with its rich supply of natural resources; coupled with tariff-free market access to billions of Asian consumers through an extensive network of Free Trade Agreements, Thailand offers unparalleled opportunity for investors who want to undertake business in Asia.

Strong Economic Fundamentals and Resilience

For almost two decades, Thailand has had one of the fastest-growing economies in the world. A consistently strong, market-oriented financial and banking system, a strategic location at the center of Asia, well-developed, modern infrastructure and logistics systems and a large, skilled workforce come together to ensure stable growth and prosperity. Thanks to these unique qualities, Thailand has rebounded strongly from the international economic crisis. Despite global economic uncertainties and the recent political difficulties, Thailand enjoyed a 15-year-high growth of 12% in the first quarter of 2010. Thailand stands ready to be a part of the rise of Asia.

Opportunities in the Land of Diversity

Benefitting from an extensive agricultural range, multi levels and skills of human capital and robust economic development, Thailand's industrial sector has grown and diversified rapidly among both long-established and newly emerging industries. Reinforced by diversification into varied sectors, be it agriculture, automotive, electronics, IT or services, Thailand's excellence as an investment destination has been established time and again on the international stage.

- ▶ World's top five net food exporters
- ▶ World's largest natural rubber producer
- ▶ World's largest exporter of rice, cooked chicken, shrimp, processed tuna, and canned pineapple
- ▶ World's largest hard disk drive producer
- ▶ World's 13th largest automotive producer

Shift to a Knowledge-Based Economy

Thailand has consistently maintained a global visionary outlook. The country has formulated policies for a new wave of sustainable development in what will be the industries of tomorrow - the green, creativity related and value-creation industries. Fields such as entertainment, healthcare, biotechnology, renewable energy, fashion design and ICT present great opportunities for investment.

Where Modernity and Traditional Hospitality Meet

Thailand is a country rich in culture and tradition. Our hospitality and service have become legendary throughout the world. We offer an ideal destination for investment and for enjoying a happy and rewarding life. Thailand has been ranked among the top 3 destinations preferred by expatriates the world over in the prestigious HSBC expat lifestyle survey of 2009.

Feel at home while you help your business to prosper.

Ease of Doing Business

Thailand is ranked #12 in the World Bank 2010 ease of doing business survey. PERC's recent report on bureaucracy efficiency puts Thailand in the top three of Asia.

The Thailand Board of Investment (BOI) is ready to provide you with comprehensive information and services. Its **attractive tax and non-tax incentive packages** help investors increase their competitive edge and will surely help you capitalize on the burgeoning Asian market.

Its **One Start One Stop Investment Center (OSOS)** brings together representatives from over 20 government offices under one roof, to make the setting up and expansion of businesses as smooth and easy as possible.

The future starts here...



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A Burgeoning Middle Class

But it's not just an export story: The Thai automotive market is seeing its highest rate of growth in a decade—representing a 75.6% increase in passenger car sales over June 2009. It's a similar case in Indonesia, where nationwide vehicle sales also soared 76% during the first half of the year. Buyers from the emerging middle class are increasingly opting for comfort and status over affordability, as passenger cars and SUVs outsold low-end multi-purpose vehicles, according to the Association of Indonesian Automotive Industries. "ASEAN's 600 million consumers are rising quickly up the value chain, up the ladder of income, and are creating a market which is buying more and more," notes Feldman of the U.S.–ASEAN Business Council.

Multinational corporations are taking advantage not just of the opportunities presented by this growing middle class,

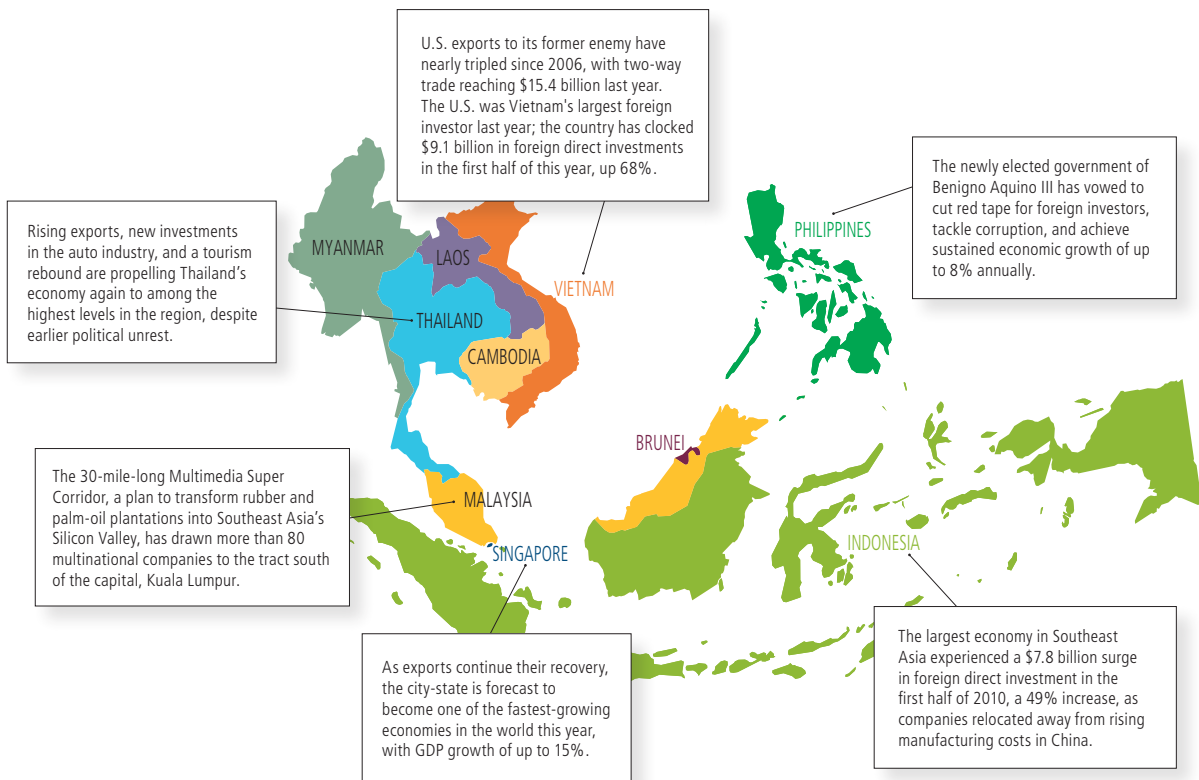
but also of Southeast Asian countries' other advantages: skilled, low-cost labor as well as high-tech and biotech skills; solid infrastructure and easy access to deep-water shipping ports; geographic proximity to the markets of India and China; regional diversity; population growth; rising income levels; and democratic institutions in the strongest and most open of the region's economies, including Thailand, Indonesia, Malaysia, Singapore, and the Philippines.

American companies have more than \$150 billion already invested in ASEAN countries, making the United States the fourth-largest investor after the European Union, Japan, and fellow ASEAN countries. Chartis, the worldwide property-casualty and general insurance operations formerly known as AIU, has been in Asia since its origins in Shanghai in 1919. It is now growing its direct sales channels to take advantage of opportunities created by the emerging middle

class—and to create new products to serve this market. These include safeguards against identity theft, golf club damage, and travel disruptions. One new means of reaching consumers is through the region's low-cost startup airlines, according to Nicholas C. Walsh, president and CEO of Chartis International as well as vice chairman of Chartis. The region's growing population and high growth rates bode well for low-cost airlines, as millions of Asians are lifted out of poverty and traveling abroad for the first time. Low-cost airline Tiger Airways, based in Singapore, raised \$178 million with an initial public offering earlier this year, as stock markets around the region, including the Stock Exchange of Thailand, have registered double-digit and even record returns.

Regional Cooperation

Southeast Asia's long-term plans for further economic integration are expected



to boost growth even more. In 2015—a date that Feldman calls “a magic number”—the region plans to come together as a more cohesive economic whole under the ASEAN Economic Community. It’s considered the first step toward creating the types of economic benefits enjoyed by the European Union. While an EU-style economic market is a long way off, initiatives for customs reforms to facilitate the movement of goods are already underway. All tariff barriers among the countries are ultimately to be removed and customs processes standardized. Yet even this early progress is now creating new opportunities for business and investment, as well as freer financial markets and export markets for U.S. goods.

“One statistic that usually floors people is that our exports to Southeast Asia as a collective whole are on par with our exports to China,” says Feldman. “ASEAN is half the size of China in terms of population, but its consumers buy

“ ASEAN is half the size of China, but its consumers buy almost twice as much [American goods] per capita as their Chinese counterparts.”

almost twice as much [American goods] per capita as their Chinese counterparts.” In 2008, U.S. exports to ASEAN totaled \$68.4 billion, and to China they amounted to \$69.7 billion. Indian consumers buy just one-quarter the amount of American goods, or \$17.7 billion. After dipping in 2009, U.S. exports are expected to return to their 2008 peak. Data from the first five months of this year show exports to ASEAN of \$28 billion, a 44.6% increase over last year.

It’s clear that the region has learned significant lessons from its previous financial crisis of 1997–98. It has put into place stable institutions and rule of law, and reformed its financial and bank-

ing sectors, emerging leaner, stronger, and more able to bounce back quickly. “The countries’ ambition to come together in 2015 to form a more cohesive, connected Southeast Asia through the ASEAN Economic Community shows they’re not just standing still,” says Feldman. “They’re growing. They’re realizing their strength—and part of their strength is their ability to come together as a diverse group of 10 nations to offer a full range of opportunities for American business.” ●

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Insuring Regional Growth

Chartis is at the forefront of managing corporate risk in Southeast Asia.



As the largest, most comprehensive insurance company with the longest experience in Asia, Chartis is leading the way in pioneering new opportunities. Its general insurance products have become market-leading among countries of the Association of Southeast Asian Nations (ASEAN), serving 10,000 corporate customers and more than two million individuals. Chartis traces its roots to 1919, in Shanghai. Its new name derives from the Greek word for map, implying expert navigation of new markets and complex risk.

As the region’s phenomenal growth continues and its emerging middle class finds increasing need to insure its future, Chartis is at the forefront of designing and providing new ways of managing risk. Its diverse plans cover personal and business property—including homes, personal effects,

automobiles, personal identity, accidents, travel planning, damaged golf clubs, and even reimbursements for hole-in-one celebrations. “We have an enviable history and culture of innovation and client service that we intend to continue as the region develops,” says Chris Townsend, president and CEO of Chartis Asia Pacific. “Our vision is to be the premier global insurance carrier by providing customer-valued solutions.”

Chartis is also reaching new customers among ASEAN-based corporations that are expanding overseas, and among the small and medium-sized enterprises that provide the economic backbone of regional growth. “Enormous opportunities are going to come for everyone out of this market,” notes Nicholas C. Walsh, president and CEO of Chartis International and vice chairman of Chartis. Count on Chartis to be there, leading the way.