ASEAN Economic Integration and Outlook for Investment

Suan Teck Kin, CFA

UOB Economic-Treasury Research

April 2014

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Agenda 议程

1. Outlook for Asia 亚洲经济前景
2. Overview of ASEAN Integration 东盟经济一体化
3. Conclusion 总结
Singapore Airshow 2014: A Glimpse into Asia’s Future 2014

- Record US$32 billion plane orders
  320亿美元订单 – 刷新航展纪录

- “One of world’s most dynamic aircraft markets... increased urbanization, rising middle income, desire for air travel ...” – Bloomberg News

- Just 2% of India’s 1.2 billion population is flying now 搭乘过飞机的印度人口：2%

Sources: Bloomberg; UOB Economic-Treasury Research estimate
ASEAN: Encouraging Business Headlines Continue ...

US 美国
3.15亿
7,185

Asia 亚洲
30亿
6,800

Demand 需求:
11,000~12,000 in 20 years
1.6 delivery every day

Sources: Google Images; Bloomberg
This Is The Century For Asia
亚洲的世纪：经济重心往东移

Shift In Economic Centre Of Gravity, AD1 to AD2025

Source: McKinsey Global Institute, June 2012, Urban World: Cities and the rise of the consuming class
Opportunities in Asia – Increasing Share of Global GDP

**Nominal GDP 2013**

<table>
<thead>
<tr>
<th>Region</th>
<th>% of Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>23%</td>
</tr>
<tr>
<td>EU-27</td>
<td>23%</td>
</tr>
<tr>
<td>Japan</td>
<td>7%</td>
</tr>
<tr>
<td>ROW</td>
<td>8%</td>
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<tr>
<td>CIS</td>
<td>4%</td>
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<tr>
<td>SSA</td>
<td>2%</td>
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<tr>
<td>MENA</td>
<td>4%</td>
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<tr>
<td>LatAm</td>
<td>8%</td>
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<tr>
<td>China</td>
<td>12%</td>
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<tr>
<td>India</td>
<td>2%</td>
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<tr>
<td>Asia ex CIJ</td>
<td>7%</td>
</tr>
<tr>
<td>US$73tln</td>
<td></td>
</tr>
</tbody>
</table>

Source: IMF, UOB Economic-Treasury Research

**Nominal GDP 2020**

<table>
<thead>
<tr>
<th>Region</th>
<th>% of Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>21%</td>
</tr>
<tr>
<td>EU-27</td>
<td>22%</td>
</tr>
<tr>
<td>China</td>
<td>15%</td>
</tr>
<tr>
<td>India</td>
<td>3%</td>
</tr>
<tr>
<td>Asia ex CIJ</td>
<td>7%</td>
</tr>
<tr>
<td>SSA</td>
<td>7%</td>
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<tr>
<td>MENA</td>
<td>2%</td>
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<tr>
<td>LatAm</td>
<td>8%</td>
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<tr>
<td>CIS</td>
<td>4%</td>
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<tr>
<td>US$108tln</td>
<td></td>
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</table>

Source: IMF, UOB Economic-Treasury Research
Opportunities in Asia – Growing Population and Consumer Affluence

Growing Global Middle Class

<table>
<thead>
<tr>
<th>Year</th>
<th>Asia Pacific</th>
<th>LatAm</th>
<th>MENA</th>
<th>SSA</th>
<th>Europe</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>500 m; 28% share</td>
<td></td>
<td></td>
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<tr>
<td>2020</td>
<td>1,740 m; 66% share</td>
<td></td>
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<tr>
<td>2030</td>
<td>3,000 m; 54% share</td>
<td></td>
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</tr>
</tbody>
</table>

Spending by Global Middle Class

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>5,602</td>
<td>8,138</td>
<td>14,798</td>
</tr>
<tr>
<td>LatAm</td>
<td>4,952</td>
<td>10,301</td>
<td>32,596</td>
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<tr>
<td>MENA</td>
<td>5,863</td>
<td>11,337</td>
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<tr>
<td>SSA</td>
<td>21,278</td>
<td>35,046</td>
<td>55,680</td>
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</tbody>
</table>

Source: UN, OECD, The Brookings Institution, UOB Economic-Treasury Research
Opportunities in Asia – Growing Population and Consumer Affluence

东盟富裕及中产人口也逐年增加

**Growing Middle Class (Size)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2030</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>172</td>
<td>454</td>
<td>2.6x</td>
</tr>
<tr>
<td>China</td>
<td>251</td>
<td>1,110</td>
<td>4.4x</td>
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<tr>
<td>India</td>
<td>65</td>
<td>1,053</td>
<td>16.2x</td>
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<tr>
<td>Latin Am</td>
<td>227</td>
<td>336</td>
<td>1.5x</td>
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</table>

Source: ADB Institute  Middle income = daily expenditure of US$10 to US$100

**Growing Middle Class (%)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2030</th>
<th>Increase</th>
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<tbody>
<tr>
<td>ASEAN</td>
<td>29</td>
<td>65</td>
<td>2.2x</td>
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<tr>
<td>China</td>
<td>19</td>
<td>79</td>
<td>4.2x</td>
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<tr>
<td>India</td>
<td>5</td>
<td>69</td>
<td>13.8x</td>
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<tr>
<td>Latin Am</td>
<td>47</td>
<td>53</td>
<td>1.1x</td>
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Source: ADB Institute  Middle income = daily expenditure of US$10 to US$100
### Demographic ‘Sweet Spot’

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</table>

Source: Data and projections from UN World Population Prospects; UOB Treasury-Econ Research est

**ASEAN Set To Benefit From Strong Demographic Profile**

人口结构有利于东盟

"sweet spot": Period when a country’s dependency ratio (抚养比率) is 45% or less
Agenda 议程

1. Outlook for Asia 亚洲经济前景

2. Overview of ASEAN Integration 东盟经济一体化

3. Conclusion 总结
东盟十国

Source: Baidu
ASEAN urban centers are within 2-4 hour flight time
地理位置：主要人口中心都在2-4小时航距内

Singapore: Global Air and Transport Hub
新加坡空中枢纽：四通八达 畅通无阻

What is the ASEAN Economic Community?
东盟经济一体化：东盟经济共同体(AEC)

- ASEAN Economic Blueprint adopted in 2007*
- To establish economic integration in ASEAN by 2015.12.31
  - A single market and production base of 600 million population
    6亿人口的市场和生产基地
  - A highly competitive economic region: average growth rate 5.4%
    高度竞争力的经济区域
  - A region of equitable economic development
    公平的经济发展
  - A region fully integrated into the global economy
    世界经济接轨

- **A region with free movement of goods, services, investment, and freer flow of skilled labour and capital**
  目标：货物，服务，投资，人员，资本的（较）自由流通

* At the 13th ASEAN Summit on 20 November 2007 in Singapore
Main differences between ASEAN Economic Community (AEC) and European Union

东盟经济共同体和欧盟的差别

- **AEC Is:** Not a EU-style Common Market (barrier-free movements of goods, people, and resources), or even Customs Union (all members have common external tariffs) 东盟经济共同体不是欧盟共同市场

- **AEC has its unique characteristics, goals, interests, and principles, vs.** other regional groupings: Gulf Cooperation Council, Mercusor (South America), SAARC (South Asia) or Nafta (North America)

- **AEC Is:** the realisation of a competitive and dynamic region which allows for free flow of goods, services and investment, and freer flow of capital and skilled workers by end-2015. Tariff and non-tariff barriers are to be **gradually eliminated.** 目标：货物，服务，投资，人员，资本的（较）自由流通
Main differences between ASEAN Economic Community (AEC) and European Union

- **AEC vs. EU:**
  - Member states’ development divide imposes different policy demands on different countries
  - European economies were sufficiently dissimilar in specialisation to enable closed regionalisation.
  - AEC Member countries are focusing on lowering business transaction costs and reducing non-tariff barriers through gradual synchronisation of administrative and procedural requirements, to become a regional market and production base
AEC On Track for Implementation by 2015

AEC 2015 年底目标落实概况

✓ Free flow of goods 货物  Advanced 进度顺利
✓ Free flow of investment 投资  Commenced 开始
✓ Freer flow of capital 资本  Commenced 开始
✓ Free flow of skilled labour 技术人员  Commenced 开始
✓ Free flow of services 服务  Behind schedule 落后于预定计划

Source: Joint Foreign Chambers of Commerce in Thailand, March 2012
How Will the AEC Affect Your Business?

A E C 最终成果：

- The creation of a single market and production base:
  - Lower costs and higher efficiency and productivity: lower tariffs 减低成本 提高效率
  - Enlarged market opportunities: 600 million population with rising incomes 扩大市场机会：6亿人口
  - Increased connectivity and integration with the region and the world 和世界经济接轨
# ASEAN – Trade to be Increasingly Intra-Regional

<table>
<thead>
<tr>
<th>Country</th>
<th>2000</th>
<th>2011</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIA, of which</td>
<td>52.3</td>
<td>65.5</td>
<td>80.0</td>
</tr>
<tr>
<td>- ASEAN 东盟</td>
<td>22.8</td>
<td>25.0</td>
<td>30.0</td>
</tr>
<tr>
<td>- China+TW+HK</td>
<td>8.8</td>
<td>20.8</td>
<td>25.0</td>
</tr>
<tr>
<td>- India</td>
<td>1.6</td>
<td>3.6</td>
<td>6.0</td>
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<tr>
<td>- Japan</td>
<td>13.6</td>
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<tr>
<td>EU 27</td>
<td>14.9</td>
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<tr>
<td>North America</td>
<td>20.1</td>
<td>9.9</td>
<td>8.5</td>
</tr>
<tr>
<td>Middle East</td>
<td>1.9</td>
<td>2.7</td>
<td>3.5</td>
</tr>
</tbody>
</table>

ASEAN – Rising Middle Income Population

Rise of Middle Income

Source: ADB Institute  Middle income = daily expenditure of US$10 to US$100

Produced by UOB Economic-Treasury Research
April 2014
ASEAN – Rising Middle Income Population

Rise of Middle Income

% of population

ASEAN
65 = 2.2x
29

China
79 = 4.2x
19

India
69 = 13.8x
5

Latin Am
53 = 1.1x
47

Source: ADB Institute  Middle Income = daily expenditure of US$10 to US$100
ASEAN: Uneven Economic Development Currently
东盟：现阶段经济发展不均衡

Per Capita GDP
人均GDP

Source: IMF; UOB Econ-Treasury Research est
ASEAN – Production Platform

Minimum Wage Per Hour

Source: Wikipedia, UOB Econ-Treasury Research est
长城汽车将在马来西亚生产

2014年04月09日 20:24 新浪财经  

新浪财经讯 北京时间4月9日晚间消息，马来西亚政府周三向当地汽车生产商Go Automobile Manufacturing Sdn Bhd发放了首个节能型汽车生产许可证，该公司未来四年将投资20亿林吉特（约合6.18亿美元）生产中国长城汽车[微博]公司的节能型SUV。

Go Automobile首席执行官Ahmad Azam Sulaiman表示，该公司在马来西亚北部吉打州（Kedah）的工厂将生产长城汽车的两款车型——长城M4和哈弗H6运动型多功能车（SUV），首批汽车预计将于今年9月走下组装线。到2018年，该厂产能预计将达10万辆，其中60%将出口到其他东南亚国家。

长城汽车是国产品牌汽车公司和大额生产商。Global automotive manufacturer, Great Wall Motor Co., Ltd, has received its first energy-saving car production license in Malaysia. The company plans to invest RM2 billion over the next four years to produce energy-saving vehicles from Chinese giant Great Wall Motor. The first models will hit the market in September this year, with production capacity expected to reach 100,000 vehicles by 2018, with 60% of production expected to be exported to other Southeast Asian countries.
ASEAN: Encouraging Business Headlines Continue ...

南洋网
您的创富伙伴

ASEAN: Encouraging Business Headlines Continue ...

传福士伟根泰国设厂
财经 天下 2014-04-03 13:06

〈法兰克福2日讯〉知情人士透露，欧洲最大车商福士伟根汽车集团
〈Volkswagen AG〉申请在泰国设厂，希望缩小与丰田汽车公司〈Toyota〉在
东南亚的差距。

彭博社报道，因最后决定尚未出炉而希望不具名发言的消息说，泰国政府笑
出吸引车商投资方案，在泰国当地制造车辆，投资至少65亿泰铢〈约6.6亿令
吉〉的车商可获减税优惠，总部设于德国沃尔夫斯堡的福士伟根也可能参
与。
ASEAN: Favoured Investment Destination
东盟对外资非常有吸引力

US: Stock of Outward Direct Investments, 2011
美国对外投资累计总额，截至2011年

Source: US Bureau of Economic Analysis, UOB Economic-Treasury Research estimates

Produced by UOB Economic-Treasury Research
April 2014

FDI Advisory China Conferences
ASEAN – Drawing in Foreign Direct Investment (FDI)

FDI Inflows into ASEAN: 2007 vs. 2012

- Brunei: 0.9 USD billion
- Cambodia: 1.6 USD billion
- Indonesia: 19.9 USD billion
- Lao PDR: 0.3 USD billion
- Malaysia: 10.1 USD billion
- Myanmar: 2.2 USD billion
- Philippines: 2.8 USD billion
- Thailand: 8.6 USD billion
- Vietnam: 8.3 USD billion

For 2012:
- Asia: 406bn
- ASEAN: 111bn
- China: 121bn
- Singapore: 57bn

Source: World Investment Report, 2013, UOB Econ-Treasury Research est
ASEAN: Favoured Investment Destination
中国政府鼓励企业“走出去”

China: FDI and ODI
中国: “引进来”、“走出去”

Source: CEIC; UOB Econ-Treasury Research est
ASEAN: Favoured Investment Destination
东盟对外资非常有吸引力

FDI into China and ASEAN5
外商投资趋势

Source: CEIC; UOB Econ-Treasury Research est
ASEAN: Favoured Investment Destination
中国企业“走出去”：投资热点倾向亚洲

China: ODI Destinations
中国: 对外投资流向

Source: CEIC; UOB Econ-Treasury Research
ASEAN: Favoured Investment Destination
中国企业“走出去”：对东盟投资量逐年增加

China: ODI Destinations in ASEAN
中国：对东盟诸国投资流向

Source: CEIC; UOB Econ-Treasury Research estimate
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3. Conclusion 总结
ASEAN Integration – So Much Potential
东盟一体化：激发无限潜力

- Shifting of growth gravity to Asia: rising income and middle class 经济重心转移
- AEC by 31 Dec 2015: enlarged market and production base 东盟一体化：市场和产能扩大
- ASEAN a familiar investment destination for China 东盟为中国熟悉的投资点
Investing in ASEAN: Challenges

- Varying cultural, social, education, languages, religion, customs, political, legal, etc
- Uneven economic development
- ASEAN members have different political systems

不同文化，社会，教育，语言，宗教，习俗，政治，法律等
经济发展不均衡
东盟成员存在各自的政治系统，但大致上相当稳定
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