

Investment Opportunities in ASEAN



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Introduction

This year will be a significant year for ASEAN and Malaysia as the Chair. By the end of this year, the formation of an ASEAN Community comprising of three core pillars: Political Security Community; Economic Community and Socio-Cultural Community will be realized.

The ASEAN Economic Community (AEC) is the realisation of the region's end goal of economic integration. It envisions ASEAN as a single market and production base, a highly competitive region, with equitable economic development, and fully integrated into the global economy.

Once AEC is realised, ASEAN will be characterized by free movement of goods, services, and investments as well as freer flow of capital and skills. With harmonised trade and investment laws, ASEAN is set to become more interesting as a single investment destination.

ASEAN as an Attractive Investment Destination

According to PricewaterhouseCoopers (PwC), ASEAN countries are expected to post average annual GDP growth of 5.6% through to 2019. Consumer spending will grow by 45% between 2013 and 2020 giving the region an estimated USD2 trillion consumer market by 2020. PwC also reported that at least 58% of Japan's FDI was directed toward the four largest ASEAN economies. Japan is the largest source of foreign capital for Thailand and Indonesia and the second-largest in Malaysia and the Philippines. According to Japan External Trade Organization (JETRO) in their 2014 report, there has been a 120% increase in Japanese investment in ASEAN which now stand at nearly USD24 billion.

Robust Market

With more than 620 million people (with 60% of the population below 35 years of age), ASEAN is home to 10% of the world's population making it the third largest

single market in the world - surpassing the US and EU, and behind only China and India. If it were a single country, it would be the 7th largest economy in the world, with a combined GDP expected to reach USD4 trillion by 2020. ASEAN is without doubt, the world's greatest emerging economy.

ASEAN countries have a growing middle class that demands wide range of products and services. ASEAN workforce is a key factor that entices investors to our region. Human resources range from productive and cost-competitive labour, highly-skilled industry practitioners and licensed professionals. Labour force participation rate in ASEAN is estimated at 70%.

Global Players and Return of Investments

Global industry players are present in ASEAN. Many are expanding and seeing the emerging opportunities and potentials from ASEAN integration. More than 80% of the world's global Fortune 500 companies operate in the region. The top 10 global automotive companies and top 10 global auto parts manufacturers are in ASEAN.

ASEAN offers consistently high returns on investment as compared with the world average and that of developing countries. For the period 2005-2011, the annual average rate of return of FDI was 11% for ASEAN while the world and developing countries average were only 6.9% and 9.4%, respectively. JETRO in its 2014 report stated that in 2013, there was a significant rise in FDI return for Japanese companies from ASEAN and the United States.

Conclusion

With Asia and the Pacific maintaining its position as the world's economic growth engine, the establishment of the AEC by the end of the year can only be expected to power the world's economy further.