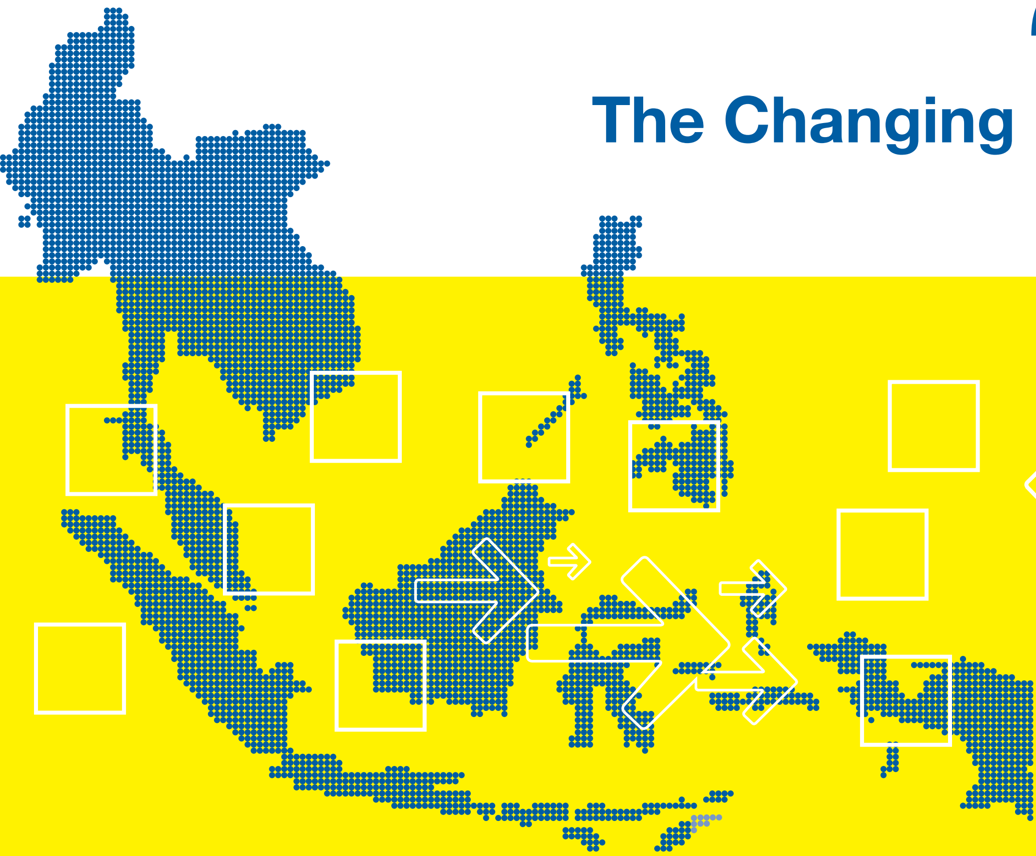
ASEAN Investment Report 2012

The Changing FDI Landscape



one vision
one identity
one community

ASEAN Investment Report 2012

The Changing FDI Landscape

The ASEAN Secretariat
Jakarta

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.
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The map in this publication is only indicative and is not drawn to scale.

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The ASEAN Investment Report is produced to facilitate a better understanding of FDI developments in ASEAN. The findings, interpretations and analysis in the Report should be treated with care, as work on harmonizing and improving FDI data quality across the region is on-going.

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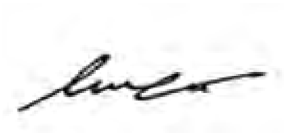
PREFACE

The ASEAN Investment Report (AIR) as an annual publication of ASEAN aims to provide a better understanding of the trends and developments in foreign direct investment (FDI) in the region. This year, the AIR gives additional focus on the significant contributions of ASEAN's economic integration efforts to the transformation of the region as an investment destination.

In 2011, ASEAN witnessed an all-time high level of FDI inflows amounting to US $114.1 billion, which represents an increase of 24 percent over the FDI inflows recorded in 2010. It is also worth noting that the FDI inflows in 2010 rose by 97 percent compared to the previous year. The two consecutive years of increase in FDI inflows, especially following the global economic slowdown in 2008-2009, suggests the growing confidence on ASEAN as an investment destination.

It has also to be recognized that the FDI landscape in ASEAN has gone through significant changes over the past decade due to the dynamics of the ever changing business environment. These changes, amongst others, include a strong FDI growth momentum; the emergence of new sources of FDI; a boost in intra-regional investment and enterprise internationalization by ASEAN companies; increasing maturity of the M&A environment; greater influence of regional integration on FDI location and transnational corporations' operational strategies; increase in regional production networks activities; and increasing prominence of the region in global value or supply chains. These changes are shaping a new regional FDI landscape with important policy implications for the development of ASEAN.

As ASEAN pursues its economic integration goals in the face of changing economic and FDI landscapes, ASEAN must remain vigilant against complacency and ensure that its investment policies continue to be relevant and effective to support sustainability and growth of investment inflows into ASEAN.



Le Luong Minh
Secretary-General of ASEAN

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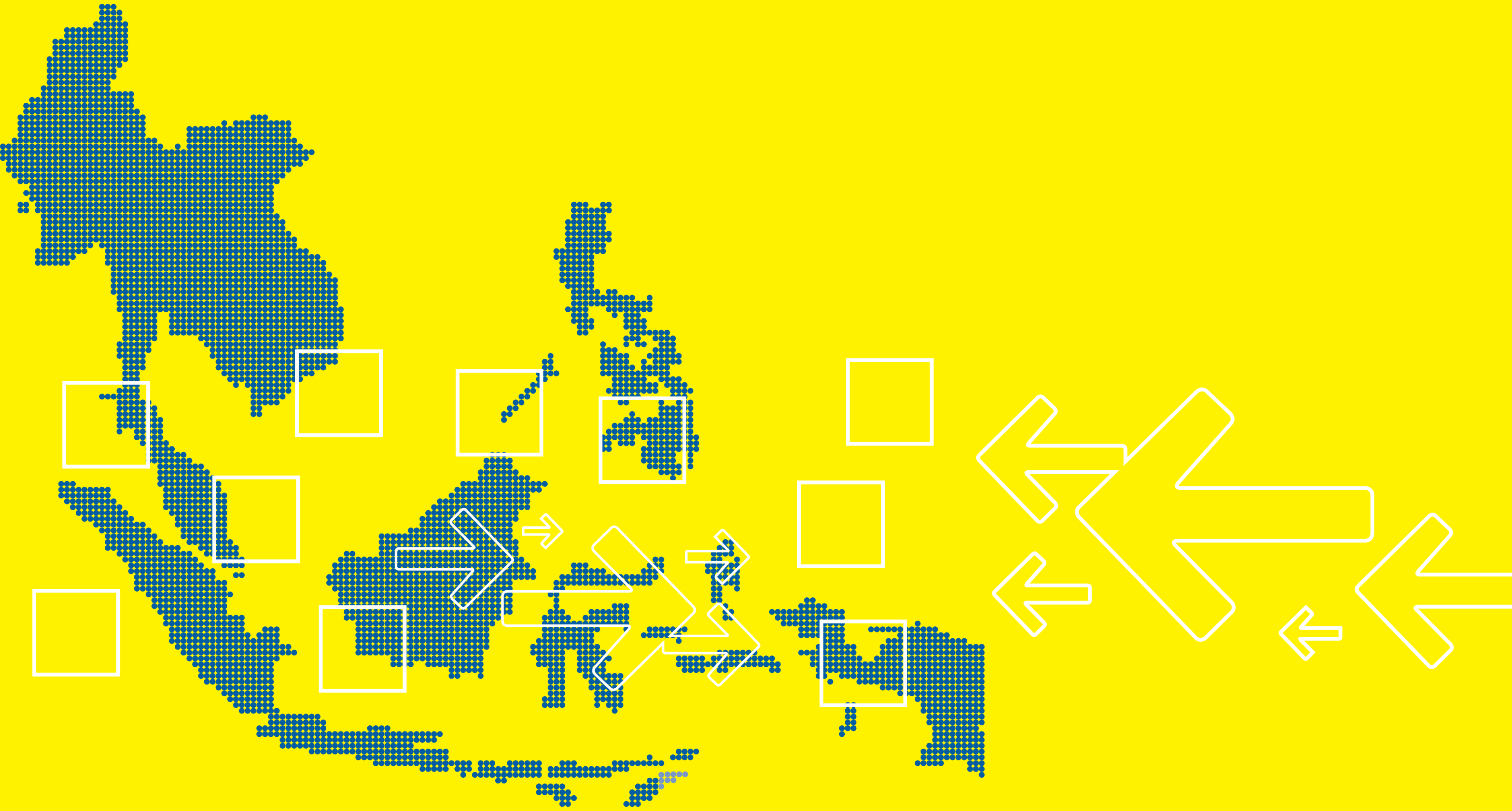
ABBREVIATIONS

ACIA	ASEAN Comprehensive Investment Agreement
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AICO	ASEAN Industrial Cooperation
AIF	ASEAN Investment Forum
AIR	ASEAN Investment Report
ASEAN-BAC	ASEAN Business Advisory Council
ASEAN-BIS	ASEAN Business and Investment Summit
ATIGA	ASEAN Trade in Goods Agreement
BITs	bilateral investment treaties
CEPT-AFTA	Common Effective Preferential Tariff Scheme for AFTA
DTTs	double taxation treaties
FDI	foreign direct investment
FTAs	free trade agreements
GLCs	Government-linked companies
GVCs	global value chains
M&A	merger and acquisition
OFDI	outward foreign direct investment
SOEs	State-owned enterprises
SMEs	small and medium-sized enterprises
TNCs	transnational corporations
WIR	World Investment Report

OVERVIEW



OVERVIEW

FDI Trends and Developments

FDI flows to ASEAN in 2011 rose to a record level of $114 billion.

FDI flows to the region in 2011 rose by 24% to $114 billion, compared with 2010. This all-time high in FDI inflows is impressive given concerns about global economic conditions. Moreover, FDI inflows in 2010 rose by 97%, compared with a year earlier. These two consecutive years of increase, and the high absolute level of inflows, suggest the growing confidence in – and attention given to – ASEAN as an investment destination. New investment and expansion of existing operations by TNCs continued to surge to unprecedented levels.

The strong FDI performance in 2011 was contributed to by a number of factors, including a surge in M&A sales, a record increase in intra-ASEAN investments and a rise in FDI from emerging sources, such as China. FDI to all economic sectors –primary, manufacturing and tertiary – rose. The improving investment environment contributed by policy measures taken at regional and national level also helped.

Inward FDI stock exceeded $1 trillion for the first time in 2011…

The high inflows in the past few years, in particular 2010-2011, contributed to a rapid growth in the FDI stock to more than $1.1 trillion in 2011 as compared with only $266 billion in 2000. FDI stock in the region has quadrupled within a little more than a decade, contributing to a rapidly changing regional investment landscape.

… and ASEAN's share of global FDI flows has increased further.

ASEAN's share of global FDI inflows and its share among developing economies rose. In 2010-2011, ASEAN received 7.4% of global FDI inflows and 16.1% of inflows to developing economies as compared with only 2.7% and 11% respectively in the early part of the decade (2000-2003). With the exception of 2007-2009 (the global financial crisis period), ASEAN's share of both global and developing economies FDI inflows rose unabated.

The FDI outlook for the region in 2012 is likely to be flat, against the backdrop of a significant global FDI decline…

Global FDI flows are estimated to decline by 18% to $1.3 trillion in 2012. Against this background, FDI flows to ASEAN in 2012 are expected to remain at a high level but flat – about the same level as 2011. The region remains an increasingly attractive location for TNCs. Many TNCs, both foreign and ASEAN companies, have expressed strong interest in investing and expanding in the region over the next few years. This observation is corroborated by findings of surveys conducted by international organizations and major consultancy companies.

… but the medium term horizon will see higher inflows of FDI into the region, surpassing the peak of 2011.

The medium term FDI outlook for ASEAN is promising given the region's market size and potential, and the increasing interest of TNCs in the region. The improving regional business and investment environment will also continue to increase the attractiveness of the region for investors. Regional integration and strong economic growth of ASEAN countries will continue to help attract investment, and at the same time encourage further growth in regional production networks including expansion of operations by TNCs. In addition, an improvement in the health of the global economy will further improve this positive outlook.

The Investment Environment

Strong FDI flows are due to favourable economic conditions, regional integration and an improving policy environment.

Strong macroeconomic fundamentals, a favourable investment climate, rising investment opportunities and an improving policy environment in ASEAN, have contributed to high inflows of FDI in recent years.

Regional measures undertaken in the past two years have strengthened further the region's investment environment. They include measures to implement the ASEAN Comprehensive Investment Agreement (ACIA) and to realize the ASEAN Economic Community (AEC). ASEAN's cooperation in the area of trade in goods under the ASEAN Trade in Goods Agreement (ATIGA) and trade in services under the ASEAN Framework Agreement on Services (AFAS) have also contributed to increasing the region's attractiveness for investment, production and trade.

Under ACIA, a number of measures to further promote the region as a single investment area have been implemented or initiated. The ACIA entered into force on 29 March 2012, with ratification by all Member States. A modality for the elimination and improvement of investment restrictions and impediments was developed in 2011. Work on investment liberalization under ACIA continues to proceed. In 2012, further efforts were initiated to streamline and simplify procedures for investment applications and approvals through enhancing procedures on business licensing in the CLMV countries. The ASEAN Agreement on the Movement of Natural Persons (MNP) was signed in November 2012 to facilitate movement of business persons in the region. A set of activities to promote a greater awareness of ACIA to the investor community started from March 2013. Institutional capacity was further strengthened with the establishment of the ASEAN Investment Forum (AIF) in 2011, which was participated by the heads of investment agencies of each ASEAN country.

Each ASEAN member country has also introduced measures to further improve their respective investment environment. Between 2009 and 2012, ASEAN countries have taken actions to further liberalize their investment regime, open up more industries for investment, streamline and simplify investment procedures, provide incentives to promote FDI in new industries, sign avoidance of double taxation agreements with more countries, reduce corporate tax rates, establish new economic zones, strengthen investment institutional capacity with wider promotional scope and mandate, and introduce measures to reduce the cost of doing business, including facilitating investment flows.

TNCs: Scenario and Operations

TNCs are strengthening their regional footprint…

TNCs operating in ASEAN are increasingly adopting production strategies that involve horizontal and vertical multi-plant operations in two or more ASEAN countries, for various strategic and economic reasons. These TNCs use production networks to benefit from regional economic complementarity and to use ASEAN as a single production base rather than a single country model of operation. Some use production network as part of their regional value chains within an integrated business arrangement, linking various business functions and operations together (e.g. downstream and upstream activities, marketing and distribution, production, research and development). Some produce products and components at different segments of the value chains.

ASEAN's integration, emerging opportunities, locational complementarity and a zero common internal tariff regime have encouraged TNCs to adopt regional production networks and expand across the region. The potential and attractiveness of ASEAN as one large regional market attracts market-seeking, efficiency-seeking as well as strategic asset-seeking FDI.

FDI and TNC activities in ASEAN have grown to cover an increasing range of products, components manufacturing, production processes and services. They range from simple, light and labour intensive manufacturing (textiles and garments, oil palm, electronics) to high-tech (e.g. bio-technology, life sciences), knowledge based (e.g. ICT and education), R&D functions, regional headquarters operations and other more complex high value added activities.

…major global players are in ASEAN and many of them are expanding in the region.

Many global players in various industries have a presence in ASEAN. They include TNCs such as Abbott Laboratories, Acer, Agilent Technologies, BASF, Bayer, BenQ, BMW, Canon, Cargill, Carrier, Coca-Cola, Delta Electronics, DiamlerChrysler, Dow Chemical, Du Pont, Electrolux, Ericsson, Ford, Foxconn, Fujitsu, General Motors, Hankook Tires, Hewlett-Packard, Hitachi, Honam Petrochemical Corporation, Honeywell, IBM, Infineon, JVC, LG, Merck, Microsoft, Mitsubishi, Mosanto, Motorola, Nikon, NXF, Oracle, Panasonic, Pepsi, Philips, POSCO, Qualcomm, Sanyo, Schneider, Seagate Technology, Sharp, Siemens, Syngenta, Tatung, Time Warner, Toshiba and Unilever.

Many of them, such as Aeon, Ajinomoto, AMD, British Telecom, Daihatsu, GE, Google, Intel, Lenzing, Nestle, Nissan, Novartis, Procter and Gamble, Samsung, Sony, Suzuki, Toyota and Wilmar have recently expanded or are planning to expand their operations in the region.

More than 80% of the global Fortune 500 companies have operations in the region including via non-equity modalities (NEMs) of operations through contractual arrangements (e.g. contract manufacturing, contract farming, licensing and franchising). The top 10 global automotive companies have operations in ASEAN as do the top 10 global auto parts manufacturers.

All of the top 10 global consumer electronics are in ASEAN. TNCs such as Samsung, HP, Sony, LG, Toshiba, Nokia, Panasonic, Apple, Microsoft and Dell have multiple plants in a number of ASEAN countries. Other electronics TNCs such as Lexmark, Texas Instruments, Jabil Circuits, Compal Electronics, Farmosa, Qimonda and Western Digital also have significant operations in the region.

ASEAN is host to an increasing number of global pharmaceutical and chemical companies. All of the top 10 global pharmaceutical companies have production or R&D facilities in the region. They include Pfizer, Novartis, Sanofi, Merck, GlaxoSmithKline, AstraZeneca, Johnson and Johnson and Eli Lilly.

ASEAN is a key player in global supply chains in an increasing range of product categories.

The region has become an important global production centre for the manufacture of an increasing number of products and components, and has emerged as a key player in global supply chains. TNCs have played an important role in helping ASEAN produce world-class industries, participate in global value chain and put the region on the world map as a world-class exporter and manufacturer of these products.

For instance, the region is the world biggest exporter of electronic integrated circuits, transistors, computer data storage, magnetic equipment for sound recording, telephone sets, parts and components for auto brake system, cameras and cathode-ray tubes monitors, rubber sheets, milled rice, frozen shrimps and prawns and rubber gloves. The region is also a leading producer of many consumer electronics, hard disk drives, automotive and automotive components, textiles and garments and footwear. In agriculture, ASEAN remains a major global producer of palm oil, rubber and other agricultural crops.

Electronics

ASEAN is today a major producer and exporter of a wide and increasing range of electrical and electronic products, such as air conditioners, refrigerators, cameras, rice cookers, computers, TV and computer key boards, including parts and components for the manufacturing of these items. Again, TNCs and contract manufacturers play a key role in this regard.

Hard disk drives

More than 80% of global disk drive production comes from ASEAN, and this is associated with TNCs operating in the region. The world's largest hard disk drive manufacturers such as Western Digital, Toshiba, Samsung and Intel are present in the region. Other major players such as Hitachi and Seagate Technology also have significant operations in ASEAN.

The regional presence of hard disk drive manufacturers have also helped attract TNCs which produce related parts and components in the region. Many of them operate as contract manufacturers and have multiple plants located across the region. These hard disk drive parts and components suppliers with a presence in ASEAN include Nidec (manufacturing motors), Minebea (a supplier of HDD spindle motors), Hutchinson Technology and Magnecomp Precision Technology (makers of suspension), Dufu Technology Corporation (spacers and clamps), TDK (processes and manufactures rare-earth metals and sensors), Furukawa (supplier of coating materials) and many other electronics contract manufacturers from Asia.

Some hard disk drive producing TNCs are linking their operations in ASEAN as part of their production networks with marketing functions located in Singapore, R&D activities in the home country and manufacturing operations in a number of ASEAN countries such as in Malaysia, Thailand and the Philippines.

Automotive

ASEAN is the world's largest producer and exporter of one tonne pick-up trucks, and a major producer of certain automotive models. Many global auto firms are involved with regional production networks in the region (e.g. Toyota, Nissan and Volvo), involving also local suppliers in the value chains.

The region is increasingly an important part of automotive global supply chains. Many global automotive manufacturers have multiple production facilities across the region, with plants located in different ASEAN countries. Aside from the top 10 global auto makers, other major auto companies such as Hyundai, Suzuki, Mazda, Mitsubishi, Dongfeng and Tata Motor also operate in the region.

Many major global auto parts and components manufacturers are in ASEAN. Many of them are contract manufacturers for the automotive industry. They have multiple subsidiaries, manufacturing and non-manufacturing, located in a number of ASEAN countries to service the region's rapidly expanding auto markets. These companies include Denso, Delphi, Valeo, Lear, GKN, NSK, Calsonic Kansei and JTEKT. Their presence and operations contribute to strengthening the region's automotive supporting industry.

Textiles and garments

In textiles and garments, major retailers and brand owners such as Adidas, Benetton, Disney, Levi, Gap, Target, H&M, Marks and Spencer, Sears and Wal-Mart outsource or manufacture their garments or footwear in the region. They have significant links with the region through countries such as Cambodia, Indonesia and Viet Nam. While some of these global companies do not own factories in the region, they are involved with contract manufacturing directly or through a third-party. Some major brands such as Columbia, Gap, LL Bean and Nike source through their agents operating in the region.

The Changing FDI Landscape

ASEAN's FDI landscape is fast changing with a number of significant developments.

The FDI landscape in ASEAN has been going through significant changes over the past decade. Such changes include a momentum towards higher FDI levels, the emergence of new sources of FDI, an increasing maturity of the M&A environment, the rise of enterprise regionalization and outward FDI (OFDI) from ASEAN, a greater influence of regional integration in FDI decisions and TNCs' operational strategies, an increase in regional production networks, and the increasing prominence of the region as a key player in global value or supply chains in a growing number of industries. These changes are shaping a new FDI landscape with important policy implications for the region.

Regional factors are becoming more prominent FDI determinants.

The investment environment in ASEAN continues to improve with continued policy changes and reforms at regional and national level. Regional integration and the AEC are attracting the attention of TNCs. Many of them are planning to establish a stronger foothold in the region.

The implementation of the major regional economic agreements increases the coverage of industries open for investment, liberalizes the investment regime, provides a considerably larger market, and facilitates investment and access to production facilities across the region. Under the ASEAN Investment Area (AIA) Agreement, later superseded by ACIA, Member States have continuously taken collective and individual measures to improve the investment environment and meet commitments on liberalization, facilitation, promotion, transparency and information provision.

Specific regional policy measures such as AICO have played a role, and ATIGA is contributing to the growth of regional production networks and regional value chains. TNCs such as Toyota, GE and P&G see ASEAN's integration as offering a significant opportunity for them to further engage with the region.

Zero tariffs under ATIGA reduce cost of doing business and facilitate regional production networks.

In 2012, some 98.6% of the total tariff lines under ATIGA schedule have tariff rates between 0-5% for intra-ASEAN import. Apart from tariff reduction, the region has been implementing trade and investment facilitation measures, which include harmonization of standards and quality in a range of product categories and services, and in the area of customs. The realisation of the AEC is expected to encourage firms to think regionally. It offers an attractive regional market of over 600 million people with a combined GDP exceeding $2.2 trillion in 2011, which consists of rapidly growing economies with rising purchasing power and affluent consumers.

Strong FDI growth momentum at high inflows level contributes to the changing landscape....

Strong FDI growth, at higher inflow levels than earlier periods, is having consequences on the investment landscape. The region has also rebounded strongly from the 1997-1998 financial crisis with annual average inflows in 2007-2011 three times greater than the average of 1998-2001 (the "financial crisis impact period"). These statistics suggest an increasing attractiveness, resilience and competitiveness of ASEAN over time as an important global investment destination.

…as do a wider group of emerging sources of FDI.

The sources of FDI for ASEAN are now more diversified than in the past. New players and emerging sources of FDI from developing economies are contributing to the region's changing FDI landscape. The strong growth of intra-regional investment is an important development. In 2011, intra-ASEAN investment was the largest investment source in the region, considerably more than the EU, the second largest investing group. Companies from China and India are becoming significant investors in a wider range of industries in the region, from manufacturing to services to agricultural production.

Strong reinvestment is another contributory factor and the high return on FDI encourages expansionary activities by TNCs.

Reinvestment has become a strong feature of the FDI pattern in ASEAN. High reinvestment in ASEAN is not a new phenomenon, but it has grown rapidly in recent times. ASEAN provides one of the highest rates of return on FDI in the world. This relatively high return generates favourable experiences and encourages TNCs to reinvest and expand in the region. This development suggests that while attracting new investments is important, measures targeted at attracting and retaining existing investors are just as important for ASEAN.

Maturity of the M&A environment is leading to a rapid growth in the number and value of M&A transactions.

The increasing maturity of the M&A environment in some ASEAN countries has also influenced TNCs in utilizing M&A as an entry strategy. This includes the economic and financial environment, infrastructure factors and availability of assets. Between 2007 and 2011, annual average M&A sales in ASEAN were $17 billion as compared with only $5.9 billion in 1997-2001.

The number of M&A deals has also increased over time. The rapid rise in the number of transactions exceeding $500 million in the recent five years (2008-2012) further highlights the changes in the M&A environment, compared with earlier periods. For instance, there were 61 such transactions in 2008-2012 as compared with only 18 between 1997 and 2001.

The Rise of Enterprise Regionalization and Internationalization from ASEAN

A key feature of the changing FDI landscape in ASEAN is the recent rapid growth in enterprise regionalization and internationalization. ASEAN companies are investing abroad and in the region considerably more than in the past. This new wave is expected to continue, driven by regional integration factors, corporate strategies and increasing strong support from national governments.

Enterprise regionalization rose to a new record level, with $26 billion of intra-regional investments.

Intra-regional investment in 2011 rose strongly to $26.3 billion – the highest ever in the history of intra-ASEAN investment – contributing to some 23% of total FDI flows in ASEAN. The growing desire of ASEAN companies to invest and expand in the region, including cross-border M&A purchases, contributed to the record level.

The annual average of intra-regional investment between 1995 and 1997 (pre-financial crisis period) was only $4.7 billion: $2.4 billion between 1998 and 2002 (financial crisis and impact period): $6.3 billion in 2003-2008 (recovery and growth period): rising to $20.3 billion in 2010-2011 (new wave period).

The recent surge in intra-regional investment differs from those in the early 1990s and in the period between 2003 and 2008 in terms of the nature, environmental setting, magnitude and share of OFDI flows. The recent wave is more significant due to the rapid growth, and is expected to remain strong because of growing capacity and an increasing pool of companies in ASEAN willing and able to be regional players. The list of ASEAN companies or ASEAN TNCs going abroad is expanding and many are giving greater attention now than in the past to emerging opportunities in the region.

Companies have different reasons to regionalize or internationalise.

OFDI by ASEAN TNCs involves a wide range of firms in terms of size, type, industry and aspiration. They include large public listed companies, State-owned enterprises (SOEs), Government linked companies (GLCs) and SMEs. Some have little choice but to venture abroad because the home market is small, or land and the labour force are limited. Some started from humble beginnings as contract manufacturers or SMEs, and grew to become sizeable enterprises at home with capabilities that subsequently led them to internationalise. Some evolved from national champions or leading public listed corporations that have the natural capacity to internationalise. In some cases, increasing factor costs at home have pushed many ASEAN TNCs to venture abroad.

Regional integration and the corresponding increase in business and investment opportunities in ASEAN have encouraged and inspired many to become regional players, or increase their presence across the region. Some already have a significant presence in the region, but are now aspiring to become global players in their respective industries. Whatever their reasons or backgrounds, these ASEAN companies, by investing in the region, play an important role in strengthening regional integration and connectivity through their presence in other ASEAN countries; this in turn helps to bolster trade, investment and production ties. When these companies regionalize or internationalise, they help the region better integrate into the global economy through participation in global value or supply chains.

The list of regional players is expanding…

Almost all of the top 50 largest ASEAN companies, by revenue, have a presence overseas and across the region. They include companies operating in oil and gas, mining, agri-business, telecommunications, food and beverages, manufacturing, banking, power generation, infrastructure, real estates and healthcare services. The top 50 largest companies are dominated by Thailand, Singapore, Malaysia and Indonesia. Companies from Viet Nam are beginning to spread their wings too in the region.

Banking players such as CIMB and Maybank from Malaysia; DBS, UOB and OCBC from Singapore, and Bangkok Bank (Thailand) have been actively investing and expanding in the region. Indonesian banks such as Bank Central Asia have operations in neighbouring countries. Many other ASEAN banks are planning to expand their operations in the region in anticipation of the AEC. These include Thai Krungthai Bank and Kasikorn Bank, and Malaysian Hong Leong Bank. Some other banks such as Public Bank (Malaysia) and Siam Commercial Bank (Thailand) have also recently expressed interest in strengthening their foothold regionally because of market potential and economic integration.

…and covering a wide range of industries.

In real estate, property developers from various ASEAN countries contributed to the steady growth in intra-regional real estate investment and development. They include, **Malaysia**: IOI, SP Setia, Glomac, UEM Group, Sime Darby, IJM Group, IGB Group, Lion Group; **Singapore**: City Development, CapitaLand, Keppel, United Overseas Land, GuocoLand Limited, Hotel Properties Limited and Far East Organisation Group; **Indonesia**: Lippo Group and Ciputra; **Thailand**: Preuksa Real Estate and Sansiri; and **Philippines**: Ayala Group. In medical services, hospital groups such as Bumrungrad (Thailand), Bangkok Hospital (Thailand), IHH (Malaysia), KPJ Healthcare (Malaysia) and Thomson Medical (Singapore) have presence in other ASEAN countries.

Many major ASEAN companies operating in extractive industry invested heavily in the region, as well as in other resource rich countries as far afield as Africa, Canada and Australia. The need to secure natural resources does not limit their geographical reach. These companies include Petronas (Malaysia), Lion Group (Malaysia), PTT (Thailand), Banpu (Thailand), Lanna Resources (Thailand), Bumi Resources (Indonesia), Petron Corporation (Philippines) and Medco Energi (Indonesia).

ASEAN TNCs are internationalizing through M&A strategies, which highlight their growing financial capacity.

ASEAN TNCs have been buying assets in more than 65 economies between 2007 and 2011, which amounted to some $80 billion. ASEAN TNCs have also been making mega deals exceeding $1 billion transactions, highlighting the growing financial capacity of ASEAN companies to internationalise through M&As.

For instance, in finance, Temasek Holdings (Singapore) bought an interest in Merrill Lynch (United States) for $4.4 billion; Malayan Banking (Malaysia) acquired Sorak Financial Holdings (Singapore) for $1.2 billion. In power and electric services, YTL Power (Malaysia) acquired PowerSeraya (Singapore) for $2.3 billion, CitySpring Infrastructure Trust (Singapore) acquired National Grid-Basslink Project (Australia) for $999 million.

In natural resources and extractive industries, an investor group in Singapore acquired Alinta (Australia) for $7.5 billion; Petronas (Malaysia) bought a 40% stake in GLNC Project, Brisbane (Australia) for $2.5 billion, a 50% interest in Progress Energy-Altares (Canada) for $1.1 billion, a controlling interest in FL Selenia ((Italy) for $1.4 billion; and PTTEP (Thailand) bought a 40% stake in Statoil (Canada) for $2.3 billion.

The key drivers and motivations of ASEAN enterprise regionalization and internationalization are the need to increase competitiveness, grow and survive and ASEAN's integration is accentuating the process.

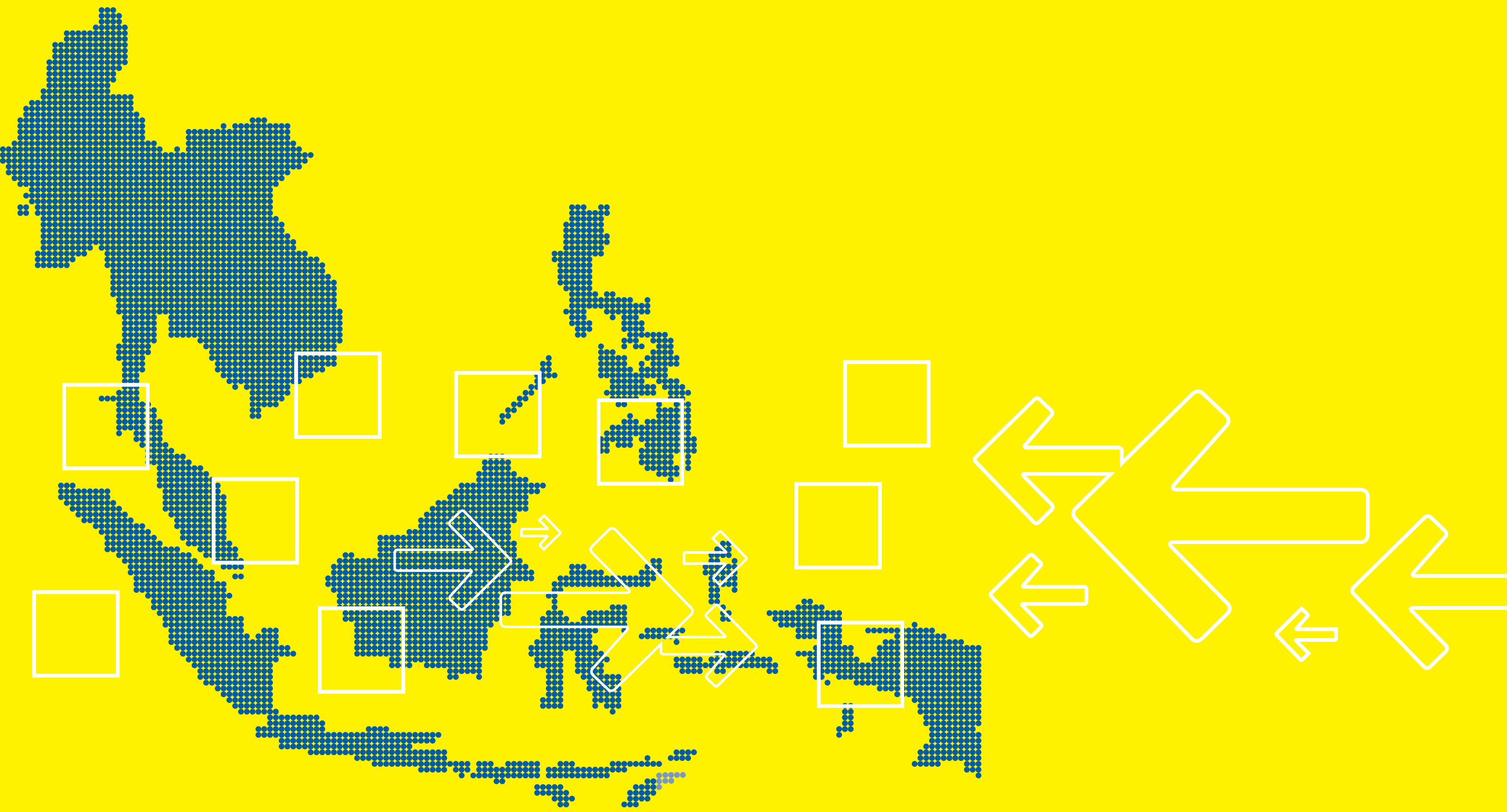
A key driver of OFDI is competitive pressure. In a rapidly globalizing world, companies cannot afford to count on their home markets as a relatively secure revenue source. Competition is everywhere – through imports, inward FDI and non-equity forms of participation. Going abroad can become an important aspect of survival and to increase corporate competitiveness.

Other common reasons include market- and efficiency-seeking motives, access to resources and strategic assets, developing and exploiting brand reputations, exploiting network relationships, the pursuit of an integrated business model and to benefit from emerging business opportunities arising from regional integration.

There are risks in internationalization or going regional. Companies need to assess the costs and benefits in going abroad. Success is not automatic. They need to do their homework and identify the risks, including knowing how to manage or mitigate them. Governments and regional institutions can also play a role to reduce such risks through a greater transparency and dissemination of information including measures to facilitate intra-regional investment flows. However, there are increasing numbers of success stories in the internationalization of ASEAN companies. These stories are inspiring others to go regional, and AEC is hastening their process in doing so.

PART ONE

FDI TRENDS AND POLICY DEVELOPMENTS IN ASEAN



CHAPTER I

FDI TRENDS AND DEVELOPMENTS IN 2011

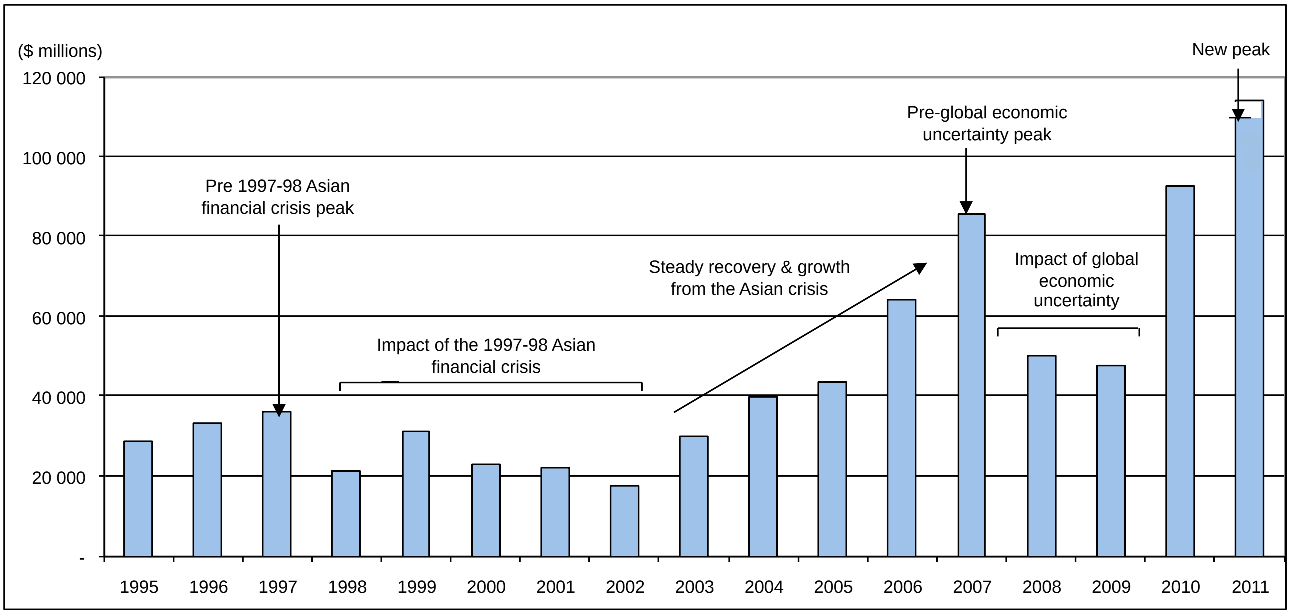
1.1 FDI in 2011

FDI inflows to ASEAN in 2011 rose to a record level despite the challenging global economic situation.

2011 ushered in an all-time high level of FDI inflows into the region at $114.1 billion -- a 24% increase over the level in 2010 (figure 1.1). FDI inflows in 2010 rose by 97%, as compared with a year earlier. The 2011 level exceeded the peak of 1997 by 2.2 times and 36% from the peak of the pre-global financial crisis in 2007.

These two consecutive years of increase (2010-2011), and the high absolute level of inflows, suggest a growing confidence of investors in ASEAN as an investment destination of choice. New investment and expansion of existing operations by TNCs continued to surge to a level not witnessed before. The solid FDI performance in 2011 was also contributed to by strong M&A sales, a record increase in intra-ASEAN investments and a rise in FDI from emerging sources, in particular China.

Figure 1.1. ASEAN: FDI flows, 1995-2011



Sources: ASEAN Secretariat, ASEAN FDI database and UNCTAD FDI database.

FDI to the three economic sectors, namely the tertiary, primary and manufacturing rose, which also helped push up inflows in 2011.

This increase is significant in four respects that suggest the emergence of a new period of sustained high FDI inflows at levels exceeding those in the preceding period. First, FDI inflows maintained the strong growth momentum of 2010. Second, the significant increase took place against the backdrop of a global economic slowdown and fiscal crises in some major economies. Third, reinvestment[1] remained high, which suggests

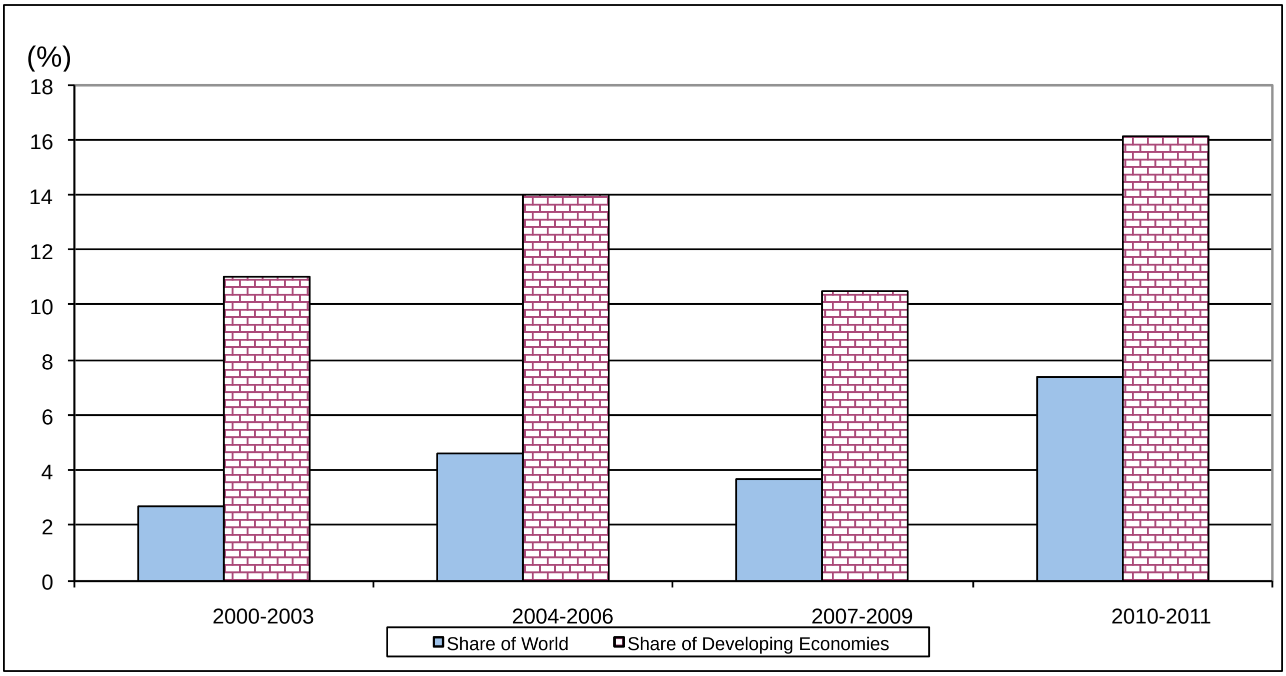
1 Measured by reinvested earnings.

a favourable experience by existing investors, deeper TNC engagement with the region and that ASEAN is increasingly regarded as a competitive place to do business and invest. A number of business surveys have found that firms have recently increased or plan to increase their investments and operations in ASEAN (AmCham-Singapore and US Chamber of Commerce 2012, Wong and Wirjo 2012, and UOB 2012). Fourth, the rise in M&As and the increase in the number of mega deals imply the growing maturity of the region's M&A environment.

High inflows contributed to a rapid growth in the FDI stock to more than $1.1 trillion in 2011, as compared with only $266 billion in 2000. FDI stock in the region has quadrupled in little more than a decade, contributing to strong FDI growth and a rapidly changing regional investment landscape (Chapter 3).

The solid FDI performance in the last two years pushed up ASEAN's share of global FDI inflows and its share among developing economies. In 2010-2011, ASEAN received 7.4% of global FDI inflows and 16.1% of inflows to developing economies, as compared with only 2.7% and 11% respectively in the early part of the decade (2000-2003). With the exception of 2007-2009 (because of the global financial crisis), ASEAN's share of both global and developing economy FDI rose, reflecting the growing attractiveness of the region and the increasing level of attention given by investors (figure 1.2).

Figure 1.2. ASEAN's share of FDI flows, 2000-2003, 2004-2006, 2007-2009, 2010-2011
(Percentage)



Source: UNCTAD, FDI database.

A majority of Member States attracted higher FDI inflows (table 1.1). Most countries saw inflows increase by more than 30%, compared with 2010. Two countries received inflows that hovered around the level of 2010 despite the difficult global economic situation, underscoring their resilience as locations for FDI.

Some Member States attracted considerable inflows in industries that reflected their locational strength and resource endowments (table 1.2). About 88% of inflows in 2011 in Brunei Darussalam were in the extractive industries, predominantly petroleum mining. The lion's share of FDI in Cambodia went to the manufacturing, finance and agriculture industries. The garment industry continued to receive strong inflows, and FDI in agriculture has increased steadily for three consecutive years. In Indonesia, FDI in manufacturing and extractive

Table 1.1. ASEAN: FDI inflows, 2006-2011
(Millions of dollars)

	2006	2007	2008	2009	2010	2011p/
ASEAN	**63,689.2**	**84,152.4**	**49,289.7**	**46,896.7**	**92,278.6**	**114,110.6**
Brunei Darussalam	434.0	260.2	330.1	371.4	625.4	1,208.3
Cambodia	483.2	867.3	815.2	539.0	782.6	891.7
Indonesia	4,913.8	6,928.3	9,318.1	4,876.8	13,770.9	19,241.6
Lao PDR	187.4	323.5	227.8	318.6	332.6	300.7
Malaysia	6,072.4	8,538.4	7,248.4	1,405.1	9,155.9	12,000.9
Myanmar [1]	427.8	714.8	975.6	963.3	450.2	0.0
Philippines	2,921.0	2,916.0	1,544.0	1,963.0	1,298.0	1,262.0
Singapore	36,389.9	45,534.6	10,712.2	24,006.1	48,751.6	63,997.2
Thailand	9,459.6	11,330.2	8,539.5	4,853.5	9,111.6	7,778.1
Viet Nam	2,400.0	6,739.0	9,579.0	7,600.0	8,000.0	7,430.0

/p: Preliminary
1 Myanmar's fiscal year starts on 1st April and ends on 31st March of the following calendar year. Data for 2011 is not yet available.

Sources: ASEAN Secretariat, ASEAN FDI database (extracted on 30 September 2012) and UNCTAD, FDI database.

Table 1.2. FDI flows to ASEAN countries, by industry, 2010 and 2011
(Millions of dollars)

					2010						
Host country	BND	CAM	IND	LAO	MAL	MYA	PHI	SIN	THA	VIE	Total
Agriculture, fishery and forestry	0.0	156.9	337.2	2.1	27.6	0.2	2.4	2.3	5.7	9.0	543.3
Mining and quarrying	482.7	0.0	1,896.6	5.3	991.7	448.2	282.1	325.0	419.2	0.5	4,851.2
Manufacturing	26.7	174.2	4,971.3	50.3	5,029.6	1.4	-1,275.2	9,112.3	4,622.7	2,444.9	25,158.2
Construction	15.2	0.0	-49.6	0.0	-40.9	0.0	-1.6	-45.1	27.2	804.5	709.8
Trade and commerce *	87.8	-36.2	2,463.1	4.8	913.2	0.4	138.1	4,607.5	54.7	115.9	8,349.4
Finance	3.1	300.1	404.9	53.8	2,043.7	0.0	59.6	17,166.7	2,279.9	35.2	22,347.0
Real estate	0.6	0.0	-76.6	0.0	-0.3	0.0	181.5	10,407.5	984.2	2,340.3	13,837.3
Services **	9.4	83.1	3,619.3	135.4	220.7	0.0	218.6	7,175.4	773.0	2,158.3	14,393.3
Others (Not Elsewhere Classified) ***	0.0	104.5	204.3	80.8	-29.5	0.0	-1.5	0.0	-55.1	91.3	394.8
Sub Total	625.4	782.6	13,770.5	332.6	9,155.9	450.2	-396.0	48,751.6	9,111.6	8,000.0	90,584.3
Unspecified							1,694.0				1,694.0
Total	625.4	782.6	13,770.5	332.6	9,155.9	450.2	1,298.0	48,751.6	9,111.6	8,000.0	92,278.3
					2011						
Host country	BND	CAM	IND	LAO	MAL	MYA	PHI	SIN	THA	VIE	Total
Agriculture, fishery and forestry	0.0	187.8	344.4	37.1	40.5	..	4.0	0.3	10.9	77.4	702.3
Mining and quarrying	1,058.0	0.0	3,882.0	78.9	2,410.9	..	-240.4	1.4	296.2	37.9	7,524.8
Manufacturing	46.9	262.7	8,157.0	15.1	5,317.7	..	102.3	3,222.2	4,296.2	3,601.7	25,021.9
Construction	7.1	0.0	411.4	3.6	34.7	..	28.1	284.5	-79.2	1,278.2	1,968.4
Trade and commerce *	87.5	119.5	2,881.8	0.0	1,154.8	..	33.5	13,112.2	321.6	216.6	17,927.6
Finance	3.1	216.4	558.5	0.0	1,797.2	..	211.9	8,876.3	1,337.2	0.0	13,000.7
Real estate	0.0	0.0	687.3	0.2	161.6	..	118.7	8,447.4	1,110.1	372.4	10,897.6
Services **	5.6	-66.1	1,953.7	155.9	1,012.8	..	275.5	3,779.2	413.8	1,598.7	9,129.1
Others (Not Elsewhere Classified) ***	0.0	171.4	365.5	10.0	70.7	..	-20.5	0.0	71.3	247.0	915.4
Sub Total	1,208.3	891.7	19,241.6	300.7	12,000.9	..	513.0	37,723.5	7,778.1	7,430.0	87,087.8
Unspecified							749.0	26,273.7			27,022.7
Total	1,208.3	891.7	19,241.6	300.7	12,000.9	..	1,262.0	63,997.2	7,778.1	7,430.0	114,110.5

Note: Data as of 30 September 2012. Singapore's data for 2011 excludes intra-company loans as geographical and industry breakdown are presently not available.The size of the intra-company loans is significant and primarily relates to manufacturing and services activities.
* includes Section G and I of ISIC Rev 4
** includes Section H,J,M,N,O,P,Q,R and S of ISIC Rev 4
*** includes Section D, E, T, U of ISIC Rev 4

Source: ASEAN Secretariat, ASEAN FDI database.

industries dominated (e.g. a number of significant M&A sales in mining related assets in 2011 helped push up FDI in Indonesia). These two industries accounted for 63% of inflows in that country.

FDI in services contributed more than 50% of the total inflows in Lao PDR. Investments in hydro power projects remained strong for that country. While manufacturing and services were key recipient industries for Malaysia, FDI into mining and quarrying ($2.4 billion) rose significantly to a level not witnessed since the beginning of the decade.

Myanmar with its rich resource endowment continued to attract significant FDI flows into the extractive industries. FDI in services, including finance, dominated flows in the Philippines. As with previous years in Singapore, the services sector as a whole received the majority of inflows in 2011. Thailand received $4.3 billion of FDI in manufacturing, which accounted for 55% of inflows. In addition, the electronics and automotive industries remained the major recipients of FDI within the manufacturing industry. In Viet Nam, three key industries (namely manufacturing, services and construction) accounted for 87% inflows. FDI into manufacturing activities rose by 47% and construction by 59% in that country.

Sustained growth of FDI in the services industry also contributed to the solid performance.

The services sector continues to dominate FDI flows to the region. In 2011, the tertiary sector accounted for more than 46% of total inflows with most investment concentrated in finance, telecommunications, commerce and real estates. Investments in new service industries are emerging in some Member States. They are in R&D functions, education and medical services, including in outsourcing and software programming and animation.

Increased inflows in the primary sector reflect the region's strength in natural resource endowment.

FDI flows to the primary sector (i.e. agriculture and mining) rose by 52% to $8.2 billion in 2011, with significant investment from intra-regional sources, European Union and China. Resource-rich countries such as Brunei Darussalam, Indonesia, Malaysia and Myanmar attracted significant mining investments. Lao PDR continued to attract significant investment in electricity and hydro-power projects.

FDI in manufacturing continued to grow.

FDI in manufacturing is expected to rise in 2011.[2] Inflows continue to be concentrated in traditional industries such as electronics and automotive, where some ASEAN countries are major global production centres and have become a major link in the global value and supply chains within these industries (Chapter 3).

Traditional sources continue to dominate flows to ASEAN but the contribution from new sources grew stronger.

About 77% of FDI inflows in 2011 came from outside ASEAN. Flows from the dialogue partners of ASEAN are significant, accounting for more than 40% of total inflows (table 1.3). The top 10 investors contributed some 73% to the total inflows (figure 1.3). While developed countries (e.g. EU, Japan and United States) remained the largest group of investors, FDI from developing economies rose rapidly. The significant rise in FDI flows from intra-ASEAN sources and China contributed to the latter development. FDI from China and ASEAN combined grew by 89%, from $17.1 billion in 2010 to $32.3 billion in 2011. The source of FDI flows to ASEAN is now less concentrated than a decade ago.

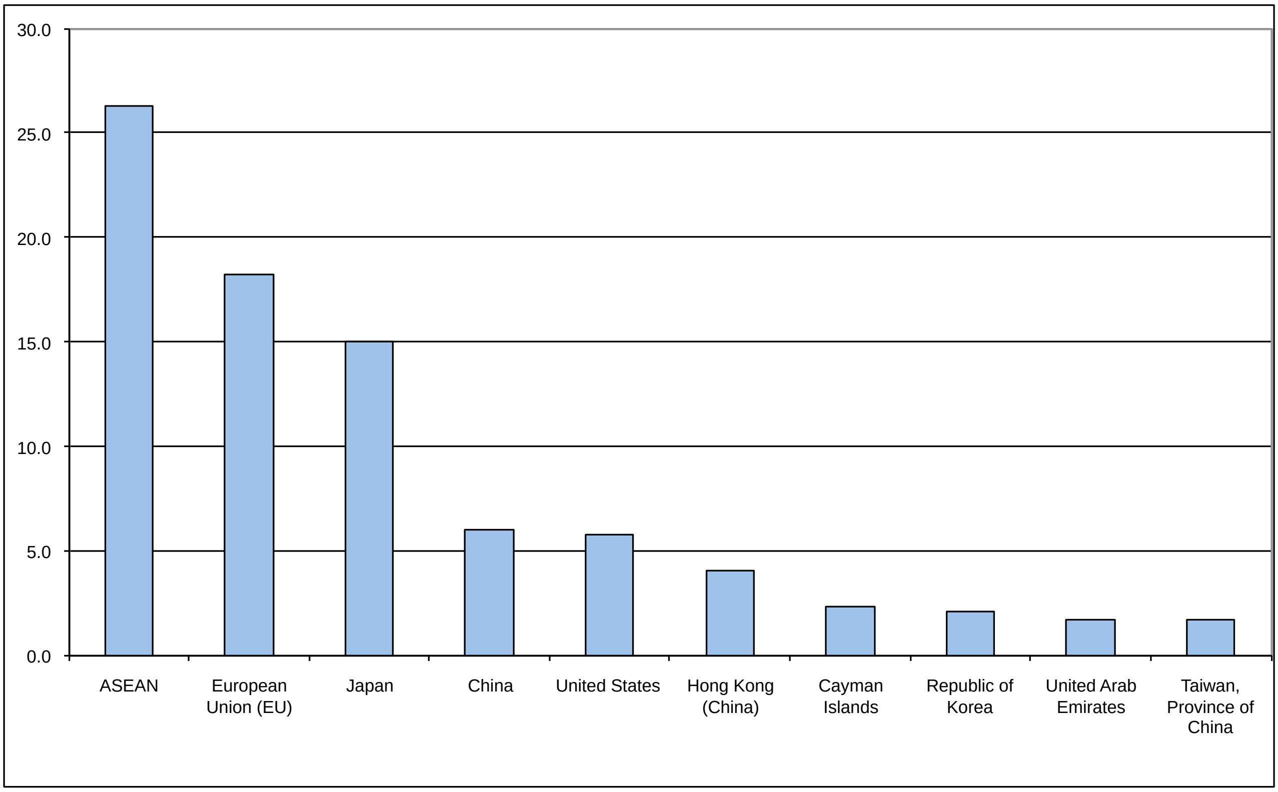
2 Singapore's FDI inflows data, by industry, for 2011 excludes intra-company loans breakdown as such detailed data are not yet available. However, a large proportion of the intra-company loans relates to manufacturing and services activities.

Table 1.3. FDI flows in ASEAN: Sources from intra-ASEAN and Dialogue Partners, 2005-2011
(Millions of dollars)

	2005	2006	2007	2008	2009	2010	2011
Intra-ASEAN	**4,210.6**	**8,641.9**	**9,113.0**	**9,728.9**	**6,300.2**	**14,322.7**	**26,270.7**
Dialogue Partners	**24,717.2**	**33,461.5**	**50,870.6**	**22,280.7**	**23,772.2**	**54,482.1**	**47,720.8**
Australia	257.0	569.3	2,170.3	1,042.4	993.0	2,584.9	1,338.0
Canada	682.7	364.5	408.7	636.7	720.3	1,393.0	985.4
China	615.6	1,938.5	2,069.2	1,208.4	1,852.6	2,784.6	6,034.4
European Union 27	11,722.3	15,808.2	21,902.1	8,871.7	8,063.1	17,012.1	18,240.5
India	471.5	-96.1	2,615.4	1,400.8	616.4	3,351.5	-1,848.5
Japan	6,581.7	10,758.7	8,723.5	4,335.5	3,789.9	10,756.4	15,015.1
New Zealand	595.0	-144.4	114.0	-106.1	98.9	3.4	13.4
Republic of Korea	528.7	1,290.3	2,444.9	1,550.8	1,794.0	3,764.2	2,138.3
Russian Federation	0.0	1.2	31.0	81.3	139.8	60.3	21.6
United States	3,262.6	2,971.4	10,391.6	3,259.1	5,704.3	12,771.6	5,782.7
Total FDI flows	**42,556.4**	**63,689.2**	**84,152.4**	**49,289.7**	**46,896.7**	**92,278.6**	**114,110.6**

Source: ASEAN Secretariat, ASEAN FDI database (extracted on 30 September 2012).

Figure 1.3. Top 10 investors in ASEAN, 2011
(Billions of dollars)



Source: ASEAN Secretariat, ASEAN FDI database.

FDI from China and India on the rise.

China is rapidly becoming a significant source of FDI for the region. Despite the decline in Indian FDI in ASEAN in 2011, India is also an emerging source of investment for the region. They together provide an opportunity for ASEAN to receive FDI from a more diversified set of source countries. Chinese and Indian firms are stepping up their presence in the region in a wide range of industries, through both equity investment and M&As. The various economic arrangements and developments under the ASEAN-China FTA and ASEAN-India FTA have accentuated investment and trade ties between ASEAN and the two economic partners (Chapter 2). These FTA arrangements increase Chinese and Indian investors' interest and confidence in investing in ASEAN. A series of investment promotion events, and a greater cooperation among the private sector from ASEAN, China and India, has facilitated investment and raised awareness of investment opportunities in the region.

In addition, the relaxation of outward foreign direct investment (OFDI) policies and encouragement by the respective governments has also contributed to Chinese and Indian investment in ASEAN. The increasing cost of doing business in China's coastal areas has also led to some divestment and relocation by Chinese and foreign firms to comparatively low cost neighbouring countries (JETRO 2012a). Given its geo-cultural proximity and affinity, ASEAN has benefitted from this relocation phenomenon. The growing financial prowess of Chinese and Indian firms and their strong aspirations to strengthen competitiveness through internationalization further explains the steady rise of Chinese and Indian investments in the region in recent time.

Intra-ASEAN investment rose by 83% and accounted for 23% of total inflows.

Intra-ASEAN investment rose by 83% to $26.3 billion in 2011, which accounted for 23% of the region's total FDI inflows as compared with an annual average of only 10% in 2000-2005 and 14% in 2006-2009 (Chapter 4). This strengthening of intra-ASEAN investment can be attributed to a number of factors, including: (i) the maturity of a growing number of companies in ASEAN venturing abroad, often to neighbouring countries; (ii) closer business investment and trade ties between home and host countries in the region; (iii) regional integration provided opportunities for investment and businesses; (iv) improving financial capacities of ASEAN companies; (v) an increase in intra-regional M&A transactions and (vi) home country measures encouraging and promoting OFDI, such as institutional and information intelligence support through which some Member States have been assisting their national companies to go regional.

Singapore, Malaysia and Thailand in that order remain the largest regional investors with significant intra-regional investment in manufacturing, finance, real estate and telecommunications. The CLMV countries continued to receive a high level of investment from the other ASEAN countries.

Strong FDI flows due to various favourable economic factors, including regional integration influence and TNCs' regional oriented strategies.

The robust FDI performance of the region was supported by strong macroeconomic fundamentals (table 1.4), relatively high economic growth, an improving investment environment (Chapter 2), investment opportunities arising from regional integration contributed by liberalization and an improved M&As environment.

Against the backdrop of a global economic slowdown, most ASEAN countries achieved an annual GDP growth rate substantially above the global average in 2011. While economic growth rates vary between Member States, the region as a whole saw a growth rate of 4.7% in 2011 as compared with the world average of 3.8%. The strong growth in 2010 and 2011 suggests an expanding market, an attractive business environment and a dynamic industrial setting. The combined market size of the region stood at some $2.2 trillion in 2011, more than 2.5 times the size in 2004. Aside from a large growing regional market, ASEAN offers locational complementation between the Member States (e.g. supply of competitive low cost skilled and unskilled labour force, and natural resources). This confluence of factors helps to attract market-seeking and efficiency-seeking FDI and encourages firms to increase regional value chains or production networks made more efficient by regional integration, 0% internal tariff rate under AFTA and locational complementation that supports regional division of labour.

Table 1.4. Economic growth in ASEAN and market size, 2004-2011
(Percentage; Billions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011
World	**4.9**	**4.6**	**5.3**	**5.4**	**2.8**	**-0.6**	**5.1**	**3.8**
ASEAN's rate of growth	**6.5**	**5.9**	**6.2**	**6.8**	**4.7**	**1.7**	**7.8**	**4.7**
Brunei Darussalam	0.5	0.4	4.4	0.2	-1.4	-1.8	2.6	2.2
Cambodia	10.0	13.6	10.8	10.2	6.7	0.1	6.0	6.4
Indonesia	5.0	5.7	5.5	6.3	6.0	4.5	6.3	6.5
Lao PDR	6.9	7.3	8.3	6.0	7.8	7.5	8.1	8.0
Malaysia	7.2	5.3	5.8	6.6	4.8	-1.6	7.2	5.1
Myanmar	13.8	13.6	13.6	13.1	12.0	10.3	10.6	10.4
Philippines	6.4	4.9	5.3	7.4	4.2	1.1	7.6	3.9
Singapore	9.2	7.4	8.6	8.5	1.8	-0.8	14.9	4.9
Thailand	6.3	4.7	5.1	5.0	2.5	-2.3	7.8	0.1
Viet Nam	7.8	8.4	8.2	8.5	6.3	5.2	6.8	6.0
ASEAN's market size[1] ($ billion)	**812.8**	**905.9**	**1,087.7**	**1,303.9**	**1,522.9**	**1,511.8**	**1,882.7**	**2,178.2**
ASEAN's population (million persons)	**550.3**	**558.9**	**567.2**	**575.3**	**582.4**	**589.6**	**597.2**	**604.8**

Notes: ASEAN GDP growth is calculated as a weighted average using PPP-GDP share as used in the IMF-WEO Database of April 2012.
1. As a proxy, the combined GDP of ASEAN is computed as the sum of GDP at current market price of ASEAN Member States.

Sources: ASEAN Secretariat, ASEAN Macroeconomic database (computed based on GDP constant price) and IMF-WEO October 2012.

ASEAN's investment policy environment improved further with more favourable regional measures and individual actions announced or becoming effective.

A conducive investment climate, including an investment-encouraging policy environment, is an important determinant of FDI (WIR 2011). ASEAN's regional investment environment was enhanced with the implementation of a number of significant policy measures made in past years and in 2010-2011. They include measures implemented and announced collectively at regional and national level (Chapter 2). Some Member States in 2011 have further opened up more industries for investment and introduced other liberalization measures. In some cases, corporate taxes have been reduced, investment procedures streamlined and foreign equity ownership further relaxed.

Consistently high returns on investment increase the region's attractiveness.

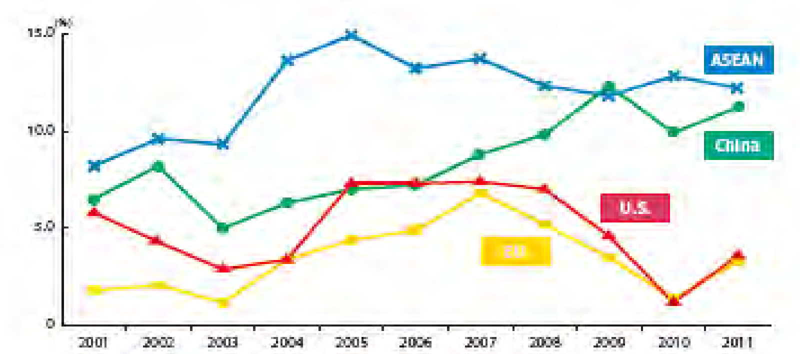
The attractiveness of the region is also supported by a consistently higher rate of return on FDI, as compared with the world average and that of developing countries. For instance, in the period 2005-2011, the annual average rate of return of FDI was 11% for ASEAN while the world average was only 6.9% and 9.4% in developing countries (table 1.5 and figure 1.4). The supportive regional investment climate, economic integration, a relatively low cost environment, locational complementation and a pro-investment attitude of ASEAN Member States continues to enable foreign investors to generate high returns on investment. The increasing and high rate of reinvestments in the region is also a testament to investors' commitment and continuing plans to operate and expand in the region, partly because of this favourable profitable experience. Many Japanese companies in a survey by JETRO have stated strong profitability of their operations in ASEAN as a key driver for them to invest and expand in the region (JETRO 2012b). In a recent survey of 356 American companies with operation interest in ASEAN, 70% of the respondents expect their companies' profits to increase in 2012 and 85% expects an increase in profits in 2013 in the region (AmCham-Singapore and US Chamber of Commerce 2012).

Table 1.5. Rate of return on inward FDI, 2005-2011
(Percentage)

Region	2009	2010	2011	Annual Average 2005-2011
World	5.6	6.3	7.1	6.9
Developing economies	8.3	8.1	9.0	9.4
ASEAN	8.3	8.9	9.8	11.0

Note: Calculated on a harmonized basis using data only for countries where stock and income data are available.
Source: UNCTAD, FDI database.

Figure 1.4. Japanese investors' rate of return on outward FDI, 2001-2011



Source: "Balance of Payments Statistics" (Ministry of Finance, Bank of Japan) cited in JETRO 2012b.

1.2 Cross-border M&As

Increase in M&As bolstered the rise in FDI in the region.

Cross-border M&A sales rose by 114% to $20.1 billion, from $9.4 billion in 2010. While M&A sales rose in the Philippines, Thailand and Viet Nam, more than 76% of the M&A transactions were concentrated in Indonesia, Singapore and Malaysia (table 1.6).

Table 1.6. M&A sales in ASEAN, 2009-2011
(Millions of dollars)

	2009	2010	2011
ASEAN	12,913.2	9,444.8	20,139.3
Brunei Darussalam	3.2	0.0	0.0
Cambodia	-336.1	4.5	50.0
Indonesia	1,332.5	1,672.4	6,466.6
Lao PDR	0.0	110.0	5.4
Malaysia	354.3	3,442.6	4,517.1
Myanmar	-0.3	0.0	0.0
Philippines	1,291.4	-270.2	2,586.0
Singapore	9,692.5	3,940.7	4,483.8
Thailand	346.1	443.4	569.9
Viet Nam	229.6	101.4	1,460.4

Source: UNCTAD, M&A database.

The maturity of the M&A environment and the emergence of attractive assets in some Member States were key drivers behind the rise in M&As. The M&A Maturity Index 2012 ranked Singapore the second most mature location for M&A activities out of 148 countries, while the ranking score for Malaysia and Thailand has improved to about the world average (table 1.7; Ernst and Young, 2012). The Index applied 23 factors grouped under 5 categories to analyse M&A maturity of countries.[3]

Table 1.7. M&A maturity rankings (top 10 and selected rapid-growth markets), 2012
(Percentage)

			Factors				
Rank	Country	M&A Maturity Score	Regulatory & political factors	Economic & financial	Technological	Socio-economic	Infrastructure & assets
		%	%	%	%	%	%
1	United States	85	84	81	92	80	89
2	**Singapore**	**84**	**96**	**75**	**90**	**68**	**92**
3	United Kingdom	82	80	77	93	71	90
4	Hong Kong, China	81	87	76	83	72	88
5	Republic of Korea	81	76	65	95	91	78
6	Germany	80	76	66	91	73	95
7	Canada	80	84	76	89	81	71
8	France	80	80	70	92	67	90
9	China (RGM)	79	44	87	81	97	87
10	Japan	79	73	75	92	69	87
Rapid-growth markets (RGM)							
17	**Thailand**	**73**	**53**	**76**	**70**	**87**	**79**
18	**Malaysia**	**73**	**64**	**82**	**86**	**61**	**71**
28	Russia	68	36	52	77	94	79
34	Brazil	65	41	66	74	82	63
38	India	63	36	75	56	72	79
50	**Viet Nam**	**60**	**36**	**59**	**57**	**89**	**60**
51	**Indonesia**	**60**	**38**	**64**	**51**	**82**	**67**

Note: 148 economies for M&As were assessed on their level of M&A maturity. The higher the M&A Maturity Score the lower the perceived risks for undertaking a transaction.

Source: M&A Research Centre, Cass Business School.

Another significant development is that the number of mega M&A sales with transaction values exceeding $500 million has risen rapidly from an average of 3.6 deals in 1997-2001 to 10 and 16 such deals in 2010 and 2011 respectively. M&As is increasingly a preferred choice of market entry or expansion into ASEAN by TNCs. A majority of the mega M&A sales between 2010 and 2012 are in food and beverages, medical services, extractive and financial services industries (table 1.8).

The vast majority of the M&A sales in 2011 took place in finance and mining (figure 1.5). These two industries together accounted for 60% of the total transactions in 2011. In that year, Aabar Investments (UAE) acquired a 25.3% stake of RHB Capital (Malaysia) for $1.9 billion, Mitsui Sumitomo Insurance (Japan) acquired a 50% interest in Asuransi Jiwa Sinarmas (Indonesia) for $819 million and Standard Chartered (United Kingdom) acquired GE Money (Singapore) for $695 million. In mining, Vallar (United Kingdom) acquired a 25% stake of Bumi Resources (Indonesia) for $1.9 billion and Berau Coal Energy (Indonesia) for a 40% interest for $808 million. In manufacturing, more than $1 billion worth of M&As took place involving target companies that produce radio, television and communication apparatus. Power producers have also been active in making acquisition in electricity generation and distribution assets, which amounted to $2.3 billion in 2011.

3 The 5 categories are regulatory and political; economic and financial; technological; socio-economic; and infrastructure and assets.

Table 1.8. Mega deals in M&A sales in ASEAN, 2010-2012[1]
(Millions of dollars)

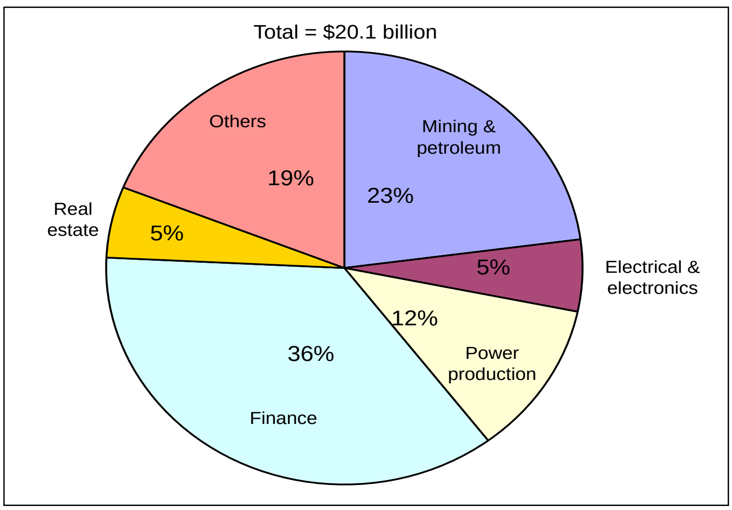
Acquiring company	Acquiring nation	Target company	Industry	Target nation	Value	Shares	Year
Heineken International	Netherlands	Asia Pacific Breweries	Malt beverages	Singapore	4336.8	39.7	2012
Integrated Healthcare Holdings	Malaysia	Parkway Holdings	General medical and hospitals	Singapore	2379.7	69.6	2010
Thai Beverage	Thailand	Fraser & Neave	Bottled & canned soft drinks	Singapore	2210.7	22.0	2012
Aabar Investments PJSC	UAE	RHB Capital	Investment advice	Malaysia	1941.9	25.3	2011
Vallar	United Kingdom	Bumi Resources	Coal mining	Indonesia	1912.8	25.0	2011
American International Assurance	Hong Kong, China	ING Management Holdings	Life insurance	Malaysia	1718.8	100.0	2012
Universal Resource Development	United States	True Green Energy Group	Cogeneration-energy	Philippines	1689.4	25.5	2011
Perenco	France	ConocoPhilips Co-Oil&Natural Gas Assets, Vietnam	Crude petroleum and natural gas	Viet Nam	1290.0	100.0	2012
RBC Dexia Trust Services	Singapore	Ocean Properties	Land and real estate	Singapore	1233.6	87.5	2011
Big C Supercenter	Thailand	Carrefour (Business Operations)	Grocery stores	Thailand	1188.9	100.0	2011
MBK Healthcare Partners	United Kingdom	Integrated Healthcare Holdings	Offices of holding companies, nec	Malaysia	1089.8	30.0	2011
Advantest Corp	Japan	Verigy	Semiconductors and related devices	Singapore	1078.5	80.5	2011
Kirin Holdings	Japan	Fraser & Neave	Bottled & canned soft drinks	Singapore	974.6	14.7	2010
Honam Petrochemical	Korea, Republic of	Titan Chemicals Corp	Chemicals	Malaysia	918.3	72.3	2010
Mitsui Sumitomo Insurance	Japan	Asuransi Jiwa Sinarmas	Life insurance	Indonesia	819.0	50.0	2011
Vallar	United Kingdom	Berau Coal Energy	Coal mining	Indonesia	808.0	40.0	2011
Kindest Place Groups	Thailand	Asia Pacific Breweries	Malt beverages	Singapore	794.8	8.6	2012
Meadow Asia	Hong Kong, China	Matahari Department Store	Department stores	Indonesia	766.6	90.8	2010
Vallar PLC	United Kingdom	Berau Coal Energy	Coal mining	Indonesia	739.0	35.0	2011
Standard Chartered	United Kingdom	GE Money	Personal credit institutions	Singapore	695.0	100.0	2011
Aseam Credit	Malaysia	Kim Eng Holdings	Offices of holding companies, nec	Singapore	687.6	49.8	2011
Fortis Healthcare	India	Parkway Holdings	General medical and hospitals	Singapore	685.3	23.9	2010
PTT Mining (Ult Parent: Thailand)	Hong Kong, China	Sakari Resources	Coal mining	Singapore	679.1	39.4	2012
Fortis Healthcare	India	Fortis Healthcare International	General medical and hospitals	Singapore	665.0	100.0	2012
Aseam Credit	Malaysia	Kim Eng Holdings	Offices of holding companies, nec	Singapore	616.5	44.6	2011
Mizuho Corporate Bank	Japan	Foreign Trade Of Vietnam {Vietcombank}	Bank	Viet Nam	567.3	15.0	2012
Industrial & Commercial Bank of China	China	ACL Bank	Bank	Thailand	539.1	97.4	2010
CIMB Group	Malaysia	Bank CIMB Niaga	Bank	Indonesia	528.7	17.1	2010
Korea Electric Power Corp	Korea, Republic of	Bayan Resources	Coal mining	Indonesia	522.7	20.0	2010

1. Deals exceeding $500 million.

Source: UNCTAD, M&A database.

Developed country TNCs accounted for two-thirds of M&A sales in ASEAN (table 1.9). Japan, the United Kingdom and the United States together made nearly $12 billion worth of M&A transactions in the region, which represented nearly 60% of the total. This is in contrast to the scenario in 2007-2010 where developing countries' firms dominated M&A deals in the region. The impact of the financial crisis in 2007-2008, budgetary concern in Europe and the United States, and weak corporate earnings of firms from developed countries explained the dominance of Asian firms, including from some ASEAN countries, in M&A activities in the region during this period.

Figure 1.5. M&A sales in ASEAN, by industry, 2011
(Percentage)



Source: UNCTAD, M&A database.

The United Arab Emirates, Malaysia, Singapore and Thailand were the largest developing country buyers of assets in the region, suggesting the growing aspirations of firms from the latter three countries to regionalize and to establish a rapid local market presence in target host countries. However, firms from these three countries made M&A deals in quite different industries (Chapter 4).

Table 1.9. M&A sales in ASEAN, by selected acquiring economies, 2010 and 2011
(Millions of dollars)

	2010	2011
World	9,444.8	20,139.3
Developed economies	**862.4**	**13,336.2**
Europe	-463.4	4,518.3
European Union	-535.4	4,357.3
France	-132.9	235.5
Germany	612.9	-615.6
Greece	0.0	227.3
Italy	-68.2	-6.6
Netherlands	-1,472.5	66.4
United Kingdom	882.4	4,360.4
North America	-438.4	3,368.5
Canada	-17.3	1,231.7
United States	-421.1	2,136.9
Other developed countries	1,764.2	5,449.4
Japan	1,807.2	5,375.1
Developing economies	**8,192.7**	**6,746.2**
Asia	8,142.6	7,157.0
South, East and South-East Asia	8,228.6	5,277.0
China	995.3	44.6
Hong Kong, China	23.3	556.1
Korea, Republic of	1,982.5	551.0
India	996.0	84.6
ASEAN	**4,102.5**	**3,979.5**
Indonesia	71.5	417.0
Malaysia	2,529.1	1,524.7
Singapore	1,181.8	1,250.8
Thailand	320.0	787.0

Source: UNCTAD, M&A database.

1.3 FDI outlook

The FDI outlook for the region in 2012 is that inflows will remain high, but flatten out.

FDI flows to ASEAN in 2012 are expected to remain at a high level, but will flatten out. Such a performance level is credible given that global FDI flows are estimated to decline by 18%, to $1.3 trillion in 2012 (UNCTAD 2013). Based on preliminary data of 8 ASEAN countries, UNCTAD estimated that FDI flows in 2012 in the region will decline by about 7%, from $114.1 billion in 2011 to $106.5 billion. A contributory factor for the flat level is a slowdown in cross-border M&A sales activities in the region. The increasing concern of companies over the health of the global economy is also playing a role.

Despite this outlook, ASEAN remains an increasingly favoured location choice for TNCs as corroborated by findings of various recent surveys. However, UNCTAD's inward FDI potential index reveals that despite higher regional inflows many ASEAN countries are not attracting FDI to a level commensurate with their potential (WIR 2012). This suggests that under the current favourable regional economic and policy environment, ASEAN can expect to attract more FDI flows if the potential of ASEAN countries is fully realized.

Further, TNCs are increasingly placing ASEAN countries as important locations for FDI, as indicated in the UNCTAD's survey of TNCs' top prospective host economies for 2012-2014 (UNCTAD 2012a). Similarly, in the 2012 FDI Confidence Index reported by AT Kearney, ASEAN, with its large and growing consumer base, is becoming more appealing as a location of choice for FDI. A study by Accenture expects the ASEAN region to emerge as a prime business and investment destination in the next three to five years.[4] The 2011-2012 ASEAN Business Advisory Council (ASEAN-BAC) Survey of some 405 companies found that the ASEAN region has good prospects for attracting FDI and 88% of them planned to invest or expand their investments in at least one ASEAN country (Wong and Wirjo 2012). An overwhelming number of American companies (92% respondents) in the 2012-2013 ASEAN Business Outlook Survey support a positive outlook for FDI across the region (AmCham-Singapore and US Chamber of Commerce 2012). The report also highlighted that 70% of American companies surveyed plan to expand their operations in the region, citing further ASEAN economic integration as a very important factor. Some 90% of respondents expect to see an increase in trade and investment in the region over the next five years.

The medium term horizon will see a higher inflow of FDI into the region, surpassing the peak of 2011.

The medium term outlook for ASEAN is promising, given the market potential, increasing interest by TNCs, and the improving perception by the international investment community on the region. ASEAN had performed well in attracting high levels of FDI in the past few years and this strong growth momentum is expected to continue into the next few years. The findings reported by various surveys mentioned above also suggest an increase investment to the region in the medium term. Regional economic integration, in particular the ASEAN Economic Community, continues to be a key force helping the region attract investment and, at the same time, encourages further growth in regional production networks and expansion of operations by TNCs.

4 See "Catching the ASEAN wave", Outlook, Accenture, Issue No.1, 2012.

CHAPTER II

THE INVESTMENT POLICY ENVIRONMENT AND DEVELOPMENT

2.1 Introduction

Regional economic integration and implementation of various major agreements further strengthened the region's investment environment in 2011-2012, increasing ASEAN's attractiveness to investors.

Regional measures and individual actions taken by the Member States in the past two years have further improved the investment environment in ASEAN. They include at the regional level measures to implement the ACIA and to realize the AEC. ASEAN's cooperation in the area of trade in goods and trade in services has also contributed to increasing the region's attractiveness for production and investment. The economic integration of the region has become an increasingly important determinant for FDI in ASEAN.

Each ASEAN member country has also taken individual actions to further improve their respective investment environments. Between 2009 and 2012, this included steps to liberalize their investment regimes, opening up more industries for FDI, the streamlining and simplification of investment procedures, provide incentives to promote FDI in new industries, the signing of double taxation agreements with more countries, reduction of corporate tax rates, the establishment of new economic zones, strengthening investment institutional capacity with wider promotional scope and mandate, and the introduction of measures to reduce cost of doing business, including facilitating investment flows.

2.2 Regional measures

ASEAN has been implementing various major economic agreements which have significant implications on the improvement of the region's investment environment (box 2.1). These agreements aim to increase, among others, the region's competitiveness and attractiveness for investment, production, trade, and business in general. From the perspective of investors, these agreements increase the coverage of industries open for investment, liberalize the investment regime, provide a considerably larger market size, and facilitate easier movement of investment and access to production facilities across the region. For instance, through ATIGA, ASEAN has achieved some 98.6% of the 88,152 combined tariff lines with tariff rates of intra-ASEAN import not exceeding 5% (where a majority of these lines are already at 0% tariff).

Under ACIA, a number of measures to promote the region as a single investment area have been implemented or initiated. The ACIA entered into force on 29 March 2012, with ratification by all Member States. A modality for the elimination and improvement of investment restrictions and impediments was developed in 2011. The modality sets out the approach and procedures to remove impediments or improve the investment regime in the region. Work on investment liberalization under ACIA continues to proceed.

Investment facilitation and promotion included actions such as provision of information to increase transparency. Efforts were initiated in 2012 to streamline and simplify procedures for investment applications and approvals through enhancing procedures on business licensing in the CLMV countries. The ASEAN Agreement on the Movement of Natural Persons (MNP) was signed in November 2012 to facilitate movement of business persons in the region.

Box 2.1. Selected major economic agreements of ASEAN with important implications on investment

Investment: The ASEAN Comprehensive Investment Agreement (ACIA)
This Agreement was signed on 26 February 2009. ACIA superseded the former ASEAN Agreement for the Promotion and Protection of Investment, which was signed on 15 December 1987 and the Framework Agreement on the ASEAN Investment Area (AIA), signed on 7 October 1998. ACIA is today the main regional agreement governing investment matters in the area of liberalization, facilitation, promotion, protection and institutional cooperation.

Services: The ASEAN Framework Agreement on Services (AFAS)
This agreement was signed on 15 December 1995. AFAS cover liberalization of the services sector and facilitates trade in services in the region.[a] On 28 October 2010, a Protocol to Implement the Eight Package of Commitments under AFAS was also signed.

Trade in Goods: The ASEAN Trade in Goods Agreement (ATIGA)
ATIGA was signed on 26 February 2009. This Agreement superseded the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA) signed in January 1992. ATIGA also covers customs facilitation and the mutual recognition of standards.

ASEAN Economic Community (AEC)
The Declaration on the ASEAN Economic Community Blueprint was signed on 20 November 2007. The AEC is to be established by end of 2015. It presents the realisation of the end goal of ASEAN's economic integration, encompassing ASEAN as a single market and production base; a competitive economic region; equitable economic development; and integration into the global economy.

Note:
a. The broad areas of services covered under AFAS include business services, communication, construction and related engineering, distribution, education, environmental, financial, health-related and social services, transport, tourism and travel-related services, and recreational, cultural and sporting services.

Source: ASEAN Secretariat and various ASEAN documents.

A set of activities to promote a greater awareness of ACIA to the investor community are to be held starting in March 2013. A guidebook on ACIA for businesses has been launched at the ACIA Forum held in Kuala Lumpur, Malaysia in March 2013 along with a Handbook on ACIA for Investment Promotion Agencies. An initiative to develop an AEC Investment Website/Portal as a main gateway for stakeholders to access a wide range of information on investing and doing business in ASEAN was undertaken in 2012. ASEAN also continues to strengthen regional cooperation in the collection and reporting of harmonized FDI statistics to support policy development and to more accurately capture FDI activities in the region.

In promoting investment opportunities in ASEAN to investors, a series of regional investment promotion events in major countries were organized between 2009 and 2012. These events included the annual ASEAN Business and Investment Summit, and outbound investment missions to the CLMV countries organized in Cambodia and Viet Nam in 2012. More such events are being planned for 2013 to be held in Myanmar and Lao PDR. ASEAN has also conducted inbound investment seminars outside the region, especially with its Dialogue Partners; for instance, holding of an annual ASEAN-China Business and Investment Summit and China-ASEAN EXPO (CAEXPO). The 9th CAEXPO and the ASEAN-China Business and Investment Summit were held in Nanning in September 2012.

Institutional capacity was further strengthened with the introduction of the ASEAN Investment Forum (AIF) participated by the heads of investment agencies of each ASEAN country. The forum provides a platform to exchange experiences and foster a greater cooperation among the ASEAN investment agencies including jointly reviewing investment related issues relevance to increasing the competitiveness of the region in attracting FDI. The first of such forum was held in Indonesia in 2011 and subsequently in Cambodia in 2012.

In addition, a number of major economic agreements with Dialogue Partners, which include establishing free trade areas, have important implications on FDI decision in terms of the market size of the integrated region, liberalization, facilitation, investment encouragement and other elements (box 2.2). In addition, the number of such regional agreements involving ASEAN has expanded rapidly in the last decade. ASEAN as a group has been actively negotiating and discussing investment cooperation with countries such as China, India, Republic of Korea and Australia-New Zealand under the respective FTA.

Box 2.2. Selected major economic agreements between ASEAN and its Dialogue Partners

Major economic agreements entered into between ASEAN and the respective Dialogue Partners have important implications in promoting FDI between the parties.

ASEAN-China FTA
- Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the People's Republic of China signed on 4 November 2002.
- Agreement on Trade in Goods signed on 29 November 2004, which covers implementation of trade liberalization under the ASEAN-China FTA (ACFTA).
- Agreement on Dispute Settlement Mechanism, signed in November 2004.
- ASEAN-China Trade in Services Agreement, signed on 14 January 2007. A Protocol to Implement the Second package of Specific Commitments under the Agreement on Trade in Services was signed on 16 November 2011.
- ASEAN-China Investment Agreement, signed on 15 August 2009.

ASEAN-India
- Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of India was signed on 8 Oct 2003.
- ASEAN-India Trade in Goods Agreement, signed on 13 August 2009.
- ASEAN and India are currently finalizing the Agreements on Trade in Services, and Investment.

ASEAN-Japan
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement was signed on 14 April 2008. The Agreement covers key areas of Trade in Goods, Trade in Services, Investment and Economic Cooperation.
- Chapters on trade in services and investment are currently being negotiated by ASEAN and Japan.

ASEAN-Republic of Korea
- ASEAN-Korea Framework Agreement on Comprehensive Economic Cooperation was signed on 13 December 2005.
- ASEAN-Korea Agreement on Dispute Settlement Mechanism, signed on 13 December 2005.
- ASEAN-Korea Agreement on Trade in Goods, signed on 24 August 2006.
- ASEAN-Korea Agreement on Trade in Services, signed on 21 November 2007.
- ASEAN-Korea Agreement on Investment, signed on 2 June 2009.

ASEAN-Australia and New Zealand
- Agreement Establishing the AANZFTA was signed on 27 February 2009. The Agreement covers trade in goods and services, movement of natural persons, investment, economic cooperation, dispute settlement mechanism and specific provisions on customs procedures, sanitary and phyto-sanitary measures, standards and technical regulations, electronic commerce, intellectual property rights and competition.

Source: ASEAN Secretariat.

2.3 Individual actions

ASEAN countries have been undertaking continuous reforms to improve their business and investment environment. They have liberalized further their respective investment regimes through a series of individual actions taken between 2010 and 2012 (Annex table 2.1; AIR 2011). They have introduced further measures to promote and facilitate FDI, including liberalization and the streamlining of procedures.

Each ASEAN country has also signed double taxation treaties (DTTs) and bilateral investment treaties (BITs) with many countries. As of the beginning of 2012, ASEAN countries have between them signed some 370 DTTs and 336 BITs with the rest of the world. Some Member States initiated or entered into further bilateral investment treaties making with other countries in 2011-2012 (table 2.1).

Table 2.1. Selected investment treaties signed or announced by ASEAN countries, 2011-2012

Bilateral and plurilateral treaties
Brunei Darussalam is currently negotiating an Investment Chapter under the Trans-Pacific Partnership Agreement (TPP). The TPP negotiations are expected to be concluded in 2013. It is also negotiating bilateral agreements on promotion and protection of investments with United Arab Emirates and Qatar.
Cambodia signed a Protocol to amend the Agreement between the Government of the Kingdom of Cambodia and the Government of the Socialist Republic of Viet Nam concerning the Promotion and Protection of Investments on 24 June 2012. It is also negotiating bilateral agreements with several other countries.
Indonesia: None reported for the period.
Lao PDR has 28 bilateral investment agreements entered into force. In 2012, Lao government has been in the process of drafting and amending some of its bilateral investment agreements.
Malaysia signed the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) with India on 18 February 2011. The Agreement entered into force on 1 July 2011. MICECA covers facilitation, promotion, liberalization and protection elements. Malaysia also signed a comprehensive bilateral free trade agreement with Australia (the Malaysia-Australia Free Trade Agreement (MAFTA)) on 30 March 2012.
Myanmar signed the Agreement between the Kingdom of Thailand and the Republic of the Union of Myanmar. Myanmar completed its internal procedures for the entry into force of this Agreement on 8 August 2011. It is also negotiating bilateral investment promotion and protection agreements with a number of other countries.
Philippines: None reported for the period.
Singapore is currently involved in the EU-Singapore FTA (EUSFTA) and Trans-Pacific Partnership Agreement (TPP) negotiations.
Thailand signed the Investment Promotion and Protection Agreement between the Kingdom of Thailand and the Republic of the Union of Myanmar. The Agreement entered into force on 8 June 2012.
Viet Nam signed the following agreements: • Agreement on Promotion and Protection of Investments between Viet Nam and Oman on 16 January 2011; • Agreement on Promotion and Protection of Investments between Viet Nam and Morocco on 15 May 2012; • Protocol amending the Agreement to encourage and protect investment between Viet Nam and Cambodia on 24 June 2012; and • FTA Agreement with Chile in November 2011. *Source: ASEAN Secretariat.*

The improved investment policy environment as a result of individual actions increased further the attractiveness of ASEAN and the Member States for FDI (AIR 2011). This improved policy environment contributed to the increasing inflows of FDI in ASEAN in recent years. In 2010-2012, ASEAN countries have individually further implemented or announced a number of investment measures which include, among others, the following:

- **Brunei Darussalam** in 2011 liberalized the registration requirements for establishing corporate entities; reduced corporate income tax to 22%; and foreigners can now hold title of a leasehold property up to 99 years instead of 60 years. In 2012, the Government announced a series of investment related measures which include tax exemption for qualifying projects under pioneer industries and signed Double Taxation Agreements with a number of countries. Brunei Darussalam now allows full foreign equity ownership investment in manufacturing and fisheries activities for export purposes.

- **Cambodia** in 2011 issued Prakas No. 288 which authorized the use of the tax removal/reduction programme under the Agreement on ASEAN Merchandise Trade. Cambodia also announced the following tax incentives for securities activities: (i) 10% tax on profit for securities companies, and (ii) 50% reduction of withholding taxes on interest and dividend distribution for public investors. In 2012, some measures were taken by the Government which included the streamlining of investment procedures, increasing transparency and clarity of regulations, and provision of tax incentives for projects related to paddy production. Cambodia has also taken steps to improve the country's business environment through a forum that facilitates consultation with the private sector on new initiatives of the Government and addresses issues faced by the former. It established the Government-Private Sector Forum under the chairmanship of the Prime Minister.

- **Indonesia** further improves the country's investment environment through de-bureaucratization and deregulation. In 2010, it set out the extent to which foreigners can invest in specific industries. Some business fields were made more open, including construction services, film technical services, hospital and health care, and small-scale electric power plants. Through Government Regulation No. 94/2010 a tax holiday incentive can be provided to new investors in certain industries and locations. In 2010, Indonesia also increased regulation on FDI, which requires companies in the mining sector to sell a certain share of their production in the domestic market. In 2011 and 2012, further investment incentives were announced for a number of industries, further special economic zones were identified, some rules and regulations were made clearer, and investment application or approval processes were further streamlined or made easier for investors.

- **Lao PDR** in 2011 introduced a set of new tax rates, which include (i) Business Turnover Tax to be at 10%; (ii) reduced profit tax for foreign and domestic companies from 35% to 28%, and (iii) new personal income tax rates including for foreigners and expatriates based on a progressive rate from 0% to 28%. Lao PDR liberalized further the manufacturing sector for FDI under the ACIA commitment.

- **Malaysia** in 2009 further liberalized the services sector for FDI. 27 services subsectors were liberalized with no equity conditions imposed, including health and social services, tourism services, transport services, business services, and computer and related services. In 2012, MIDA has been renamed and authorized with a wider promotional scope covering manufacturing and services industries. The intellectual property environment of the country improves further with the amendment of the Industrial Designs Regulations. Malaysia created the Special Task Force to Facilitate Business (PEMUDAH) with the aim of simplifying business operations in Malaysia by improving the government delivery system.

- **Myanmar** in 2011 introduced the Special Economic Zone Law, which is aimed at attracting investment into the country. Twenty four development zones were designated throughout the country. A ”one-stop” service centre was established to facilitate investment and foreign investors can take leasehold interests in privately owned land. In 2012, the double taxation agreement with Thailand became effective and certain tax reforms were announced. The country revised its Foreign Investment Law and liberalized land utilization, which allows investors to lease land from government for a period of 60 years. It has also changed other policies that involve removal of the dual foreign exchange system, reduction of corporate income tax from 30% to 25 %; and removal of commercial tax for export except teak, natural gas, petroleum, hardwoods, jade and other precious jewellery in 2012. Myanmar has also deregulated the process and reduced the documentary requirements for company incorporation to two weeks for foreign investors.

- In 2011, **Philippines** established an “open skies policy” to liberalize the country’s aviation industry and ease restrictions on the domestic aviation market. A number of reform measures were taken to improve the country’s business environment. They included streamlining and simplifying procedures, registration process and other measures (e.g. licensing, registration and issuance of permits) to reduce cost of doing business in the country. In 2012, the Board of Invesment (BOI) was restructured to enhance the agency’s service delivery to investors and to facilitate investment. Business registration and license system were also streamlined. The country also reformed the mining sector and investment in gambling industry is now permitted subject to certain conditions.

- **Singapore** re-enacted the Electronic Transactions Act in 2010 to facilitate more effective delivery of e-Government services and enhance technology neutrality. In 2011, the country signed an double taxation agreement with Switzerland. Tax guidelines to ensure certainty and clarity on when a company will not be taxed on gains from disposal of equity investments were made in 2012. The list of items in the Control of Manufacture Act (COMA) that requires government approval for the manufacture of them has been shortened. Air-conditioners, pig iron, sponge iron, refrigerators, rolled steel products and steel ingots, billets, blooms, slabs and firecrackers, among others, have been taken out of the list in COMA. Singapore continues to streamline and simplify procedures for businesses. It introduced changes to (i) make starting businesses in Singapore easier; and (ii) expedite the process for dealing with construction permits. The average time taken to start up a business in Singapore has been reduced from 5 days in 2007 to 3 days in 2012.

- In 2011, **Thailand** announced and introduced a set of incentives for the establishment of Regional Operating Headquarters. In an effort to support outward FDI, new measures such as relaxation of approval requirements on foreign exchange were introduced. In 2012, the country reduced corporate tax to 23%. Double taxation avoidance agreement with Myanmar became effective in 2012 and Investment Promotional Zones were extended to cover the entire country with the exception of Bangkok. Tax measures to rehabilitate flood-affected investment and industrial estates were also introduced.

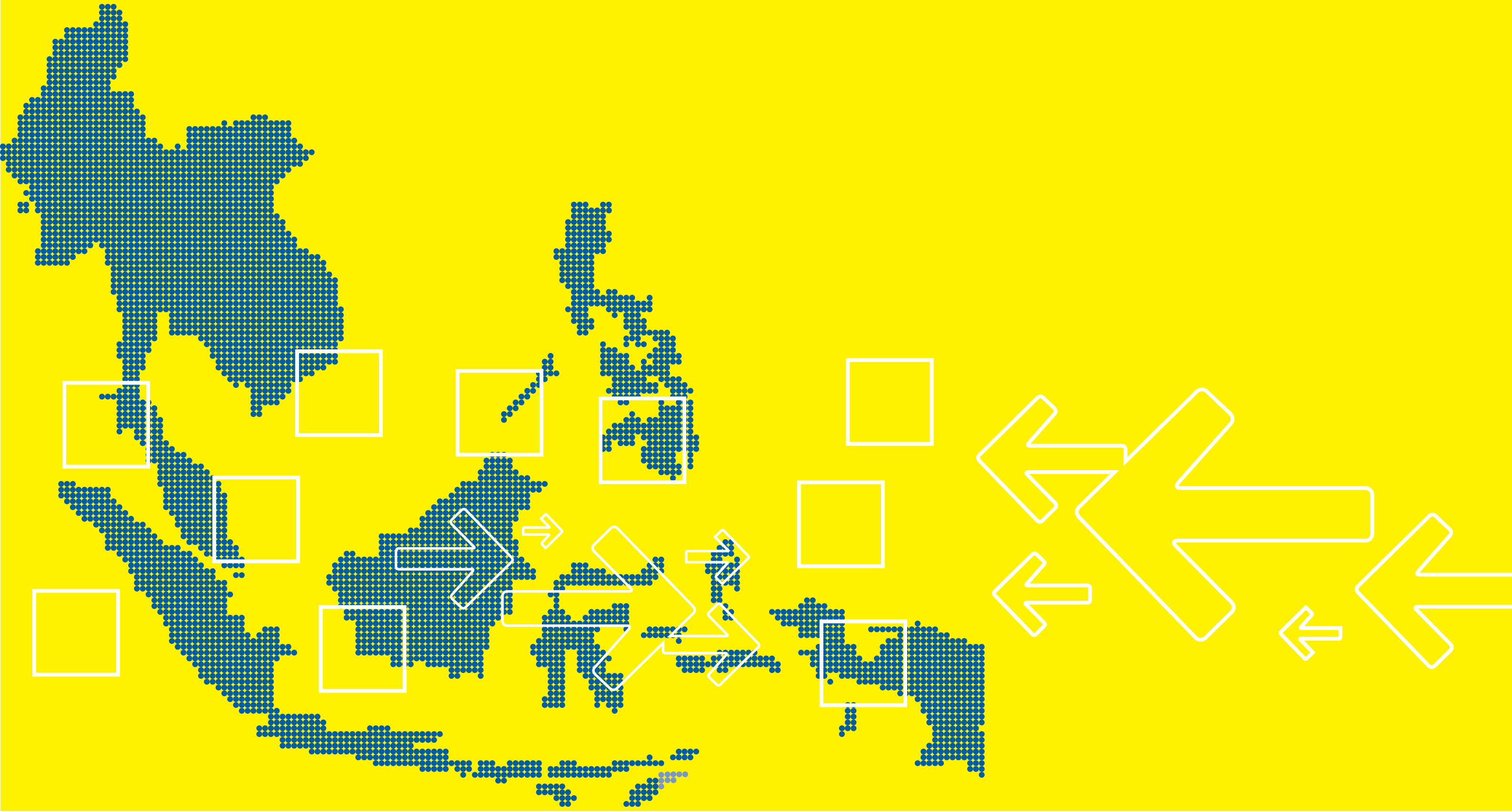
- In **Viet Nam**, the Law on Natural Resources Tax came into effect and applies to new investment projects in natural resource businesses as of 1 July 2010. They include exploitation of precious stones and coal, forest products, marine products and natural water. In 2011, Viet Nam made clearer the application of investment incentives to expanded projects. In 2011, a number of laws governing securities business and securities market and credit institutions came into effect. Conditions for foreign investment exceeding 15% interest in State-owned bank were introduced and investment incentives for wind power projects were introduced in the same year.

2.4 Private sector contributions

The ASEAN private sector has also supported the promotion of a greater awareness of the ASEAN Economic Community and investment opportunities in the region. The ASEAN-Business Advisory Council (ASEAN-BAC) and the various regional industry clubs have taken steps to promote the region's improving investment environment to their members and the private sector outside the region. For instance, the ASEAN-BAC organizes the annual ASEAN Business and Investment Summit (ASEAN-BIS) to discuss policy issues with Leaders and high-ranking officials. The ASEAN-BIS also provides a platform for dissemination of investment information to both ASEAN and non-ASEAN business communities. Some of the private sector and industry clubs at national level also publish and disseminate information to help increase awareness of opportunities in an integrating ASEAN. They include commercial and EXIM banks, and chambers of commerce.

PART TWO

THE CHANGING FDI LANDSCAPE



CHAPTER III

THE CHANGING FDI LANDSCAPE

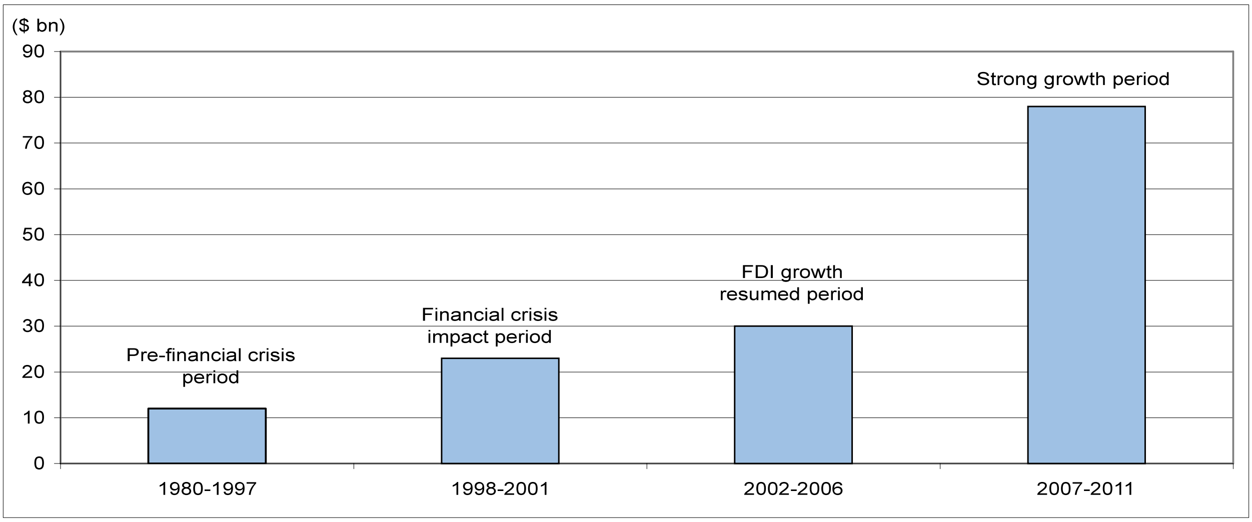
3.1 Introduction

The FDI landscape in ASEAN has been going through significant changes over the past decade. Such changes include strong FDI growth at high inflow levels, the emergence of new sources of FDI, increasing levels of M&As, the rise of enterprise regionalization and OFDI from ASEAN, an increase in regional production networks and the increasing prominence of the region as a key player in global value or supply chains in a growing number of industries. These changes are shaping a new FDI landscape with important policy implications for the region (UNCTAD 2012b).

3.2 Strong FDI growth momentum

ASEAN has become a more attractive destination for FDI in the last decade, with an FDI growth momentum towards higher inflow levels than in any earlier periods (figure 1.1 and figure 3.1). For instance, the annual average FDI flows in 2007-2011 is significantly more than the combined annual average of the three earlier periods (i.e. “pre-financial crisis period”, “financial crisis impact period” and “FDI growth resumed period”) (figure 3.1). The region rebounded strongly from the 1997-1998 financial crisis with annual average FDI inflows in 2007-2011 three times greater than the average of 1998-2001 (the “financial crisis impact period”).

Figure 3.1. ASEAN: Growth of FDI Flows, 1980-1997, 1998-2001, 2002-2006, 2007-2011
(Annual average flows)



Source: UNCTAD, FDI database.

The high inflows of FDI in the 2000s, and in particular in 2010-2011 (Chapter 1), have contributed to the rapid rise in stock, from $152 billion in 1995 to about $1.1 trillion in 2011 (table 3.2). This strong FDI growth scenario has contributed to the new FDI landscape in ASEAN, and suggests a growing interest by investors on the region.

FDI growth in ASEAN between 2005 and 2011 rose faster than the world and developing economies averages (table 3.1). ASEAN recorded a compound average FDI growth rate of 17% in the period, compared with the world and developing economies average growths of 10% and 16% respectively. This double digit FDI growth was experienced by nearly all Member States in the recent period (2005-2011), as compared with only 4 countries in 2000-2005. These statistics indicate the increasing attractiveness, resilience and competitiveness of ASEAN over time as an important global investment destination.

Table 3.1. Growth of FDI stock, 2000-2005 and 2005-2011
(Compound average growth rate CAGR over period)

Economy/region	2000-2005	2005-2011
World	9%	10%
Developing economies	9%	16%
ASEAN	9%	17%
Brunei Darussalam	19%	5%
Cambodia	9%	19%
Indonesia	10%	27%
Lao PDR	3%	24%
Malaysia	-3%	17%
Myanmar	8%	12%
Philippines	-4%	11%
Singapore	13%	17%
Thailand	15%	15%
Viet Nam	9%	15%

Source: UNCTAD, FDI database.

Table 3.2. FDI stock in ASEAN, 1995, 2000, 2005, 2011
(Millions of dollars)

Economy/region	1995	2000	2005	2011
ASEAN	152,402.7	266,292.0	409,605.8	1,077,283.8
Brunei Darussalam	641.8	3,867.6	9,222.7	12,452.3
Cambodia	355.9	1,579.9	2,471.0	6,850.1
Indonesia	20,626.5	25,060.5	41,187.0	173,064.0
Lao PDR	211.5	588.3	680.8	2,520.7
Malaysia	28,730.6	52,747.5	44,459.5	114,554.6
Myanmar	1,209.7	3,211.0	4,714.9	9,122.7
Philippines	10,148.2	18,156.2	14,978.0	27,581.0
Singapore	65,644.2	110,570.3	200,414.4	518,625.4
Thailand	17,684.4	29,915.0	60,408.2	139,734.6
Viet Nam	7,150.0	20,595.6	31,069.2	72,778.2

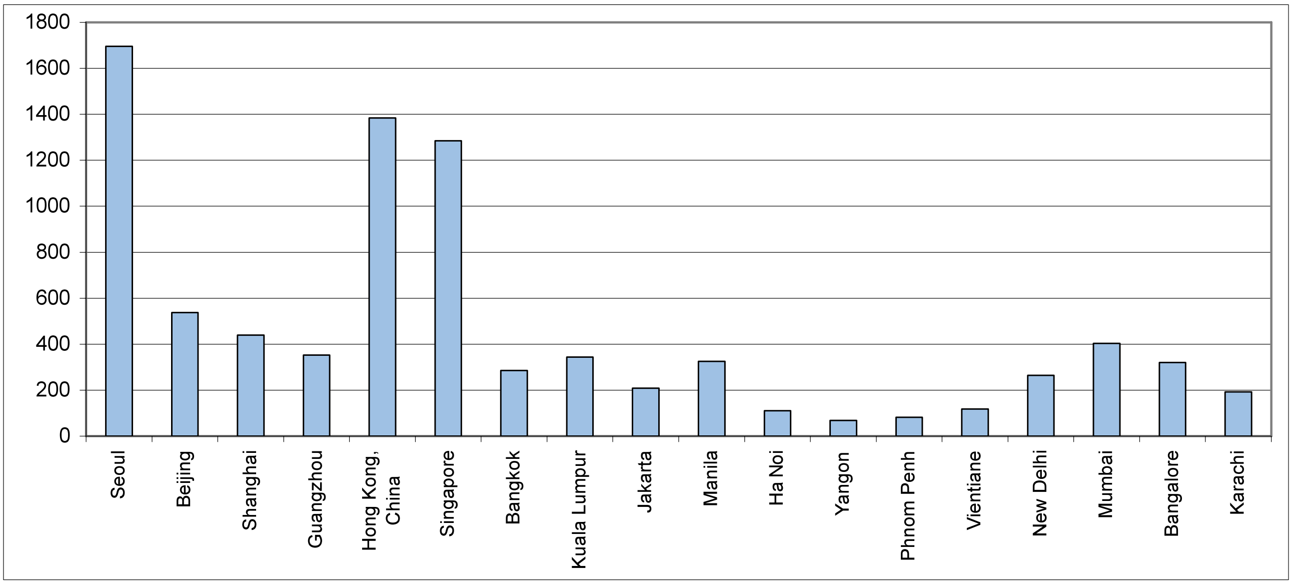
Source: UNCTAD, FDI database.

Cost competitive advantages play a role

A key contributory factor to increasing FDI flows is the competitive advantage of the region in terms of the supply of low cost skilled and unskilled labour. A number of studies reveal that some ASEAN countries offer labour cost competitive advantages over many other Asian countries, including the coastal cities of China (tables 3.3 and 3.4; JETRO 2011 and 2012a)[5]. Some Chinese companies are investing in ASEAN because of increasing cost pressures in China. Many Chinese textiles and garments manufacturers in the Pearl River Delta have relocated to ASEAN.[6] Some foreign companies in China are also relocating to lower cost locations, including to low labour cost ASEAN countries.

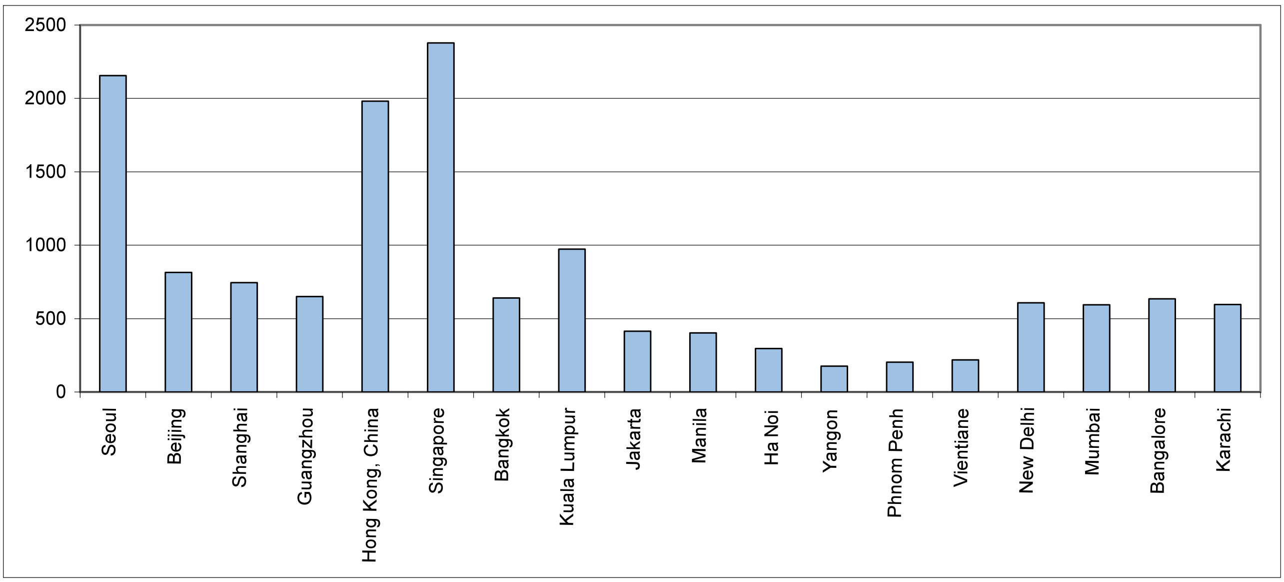
5 "China now has third highest labour costs in emerging Asia", China Briefing, 19 January 2011 (http://www.china-briefing.com/news/2011/01/19/china-near-top-of-the-list-for-wage-overheads-in-emerging-asia.html).
6 "Higher costs forcing firms to relocate", China Daily, 21 October 2012 (http://europe.chinadaily.com.cn/business/2012-10/21/content_15834959.htm).

Table 3.3. Factory worker's monthly base salary: selected cities in Asia, JETRO FY 2012 survey
(US Dollar)



Source: JETRO (2012a).

Table 3.4. Engineer's monthly base salary: selected cities in Asia, JETRO FY 2012 Survey (Mid-level engineers)
(US Dollar)



Source: JETRO (2012a).

High rates of FDI return continue to be a key feature.

The attractiveness of the region is consistent with the high rates of return on FDI for many years (Chapter 1). The high rate of reinvestments in the region is testament to investors' commitment and continuing plan to operate and expand in the region, partly because of this favourable profitable experience.

Major global players are in ASEAN and many are expanding in the region in recent years.

Many global players in various industries have a presence in ASEAN. They include TNCs such as Abbott Laboratories, Acer, Agilent Technologies, BASF, Bayer, BenQ, BMW, Canon, Cargill, Carrier, Coca-Cola, Delta Electronics, DiamlerChrysler, Dow Chemical, Du Pont, Electrolux, Ericsson, Ford, Foxconn, Fujitsu, General Motors, Hankook Tires, Hewlett-Packard, Hitachi, Honam Petrochemical Corporation, Honeywell, IBM, Infineon, JVC, LG, Merck, Microsoft, Mitsubishi, Mosanto, Motorola, Nikon, NXF, Oracle, Panasonic, Pepsi, Philips, POSCO, Qualcomm, Sanyo, Schneider, Seagate Technology, Sharp, Siemens, Syngenta, Tatung, Time Warner, Toshiba and Unilever (Mirza, Bartels et.al.1997). Many of them such as Ajinomoto, AMD, British Telecom, Daihatsu, GE, Intel, Lenzing, Novartis, Procter and Gamble, Sony, Suzuki, Toyota and Wilmar have recently expanded their operations in the region. Google, which already has an operation in Singapore, has recently opened up a new office in Malaysia and is planning to have one in Thailand. Nissan plans to expand its regional footprint in ASEAN with new investment in R&D functions.[7] Aeon with facilities in Malaysia and Thailand is planning to expand its operation in the region to various other ASEAN countries.[8] Other TNCs such as BASF,[9] Nestle, Samsung and Toyota which already have a significant presence in the region are building new plants and facilities in light of an increasingly integrating ASEAN market. Companies in luxury goods business such as Hermes International, Gucci, Galeries Lafayette and Louis Vuitton which already have stores in different ASEAN countries are planning to open more stores in the region.[10]

Many other TNCs, ASEAN and non-ASEAN, have expanded in the region in recent years, and some are planning to expand their operations in the region over the next few years.[11]

Most of them stressed the opportunities arising from ASEAN's economic integration as a key driving force. The potential and attractiveness of ASEAN as a single, large regional market attracts market-seeking, efficiency-seeking as well as strategic asset-seeking FDI (Giroud and Mirza 2010).

More than 80% of the global Fortune 500 companies have operations in the region including via non-equity modalities (NEMs) of operations through contractual arrangements (e.g. contract manufacturing, contract farming, licensing and franchising). The top 10 global automotive companies have operations in ASEAN as do the top 10 global auto parts manufacturers. All of the top 10 global consumer electronics manufacturers ranked by revenues are in ASEAN. These TNCs such as Samsung, HP, Sony, LG, Toshiba, Nokia, Panasonic, Apple, Microsoft and Dell have multiple plants in the region and in a number of ASEAN countries. Other TNCs manufacturing electronics goods or components such as Dell, Intel, Lexmark, Texas Instruments, Jabil Circuits, Compal Electronics, Farmosa, Qimonda and Western Digital also have operations in the region. Many global manufacturers of disk drives such as Western Digital, Seagate Technology, Hitachi, Toshiba and their contract manufacturers such as Nidec, Pegatron and Minebea have a significant presence in the region. Major

7 See Nissan, News Release (http://www.nissan-global.com/EN/NEWS/2013/_STORY/130206-01-e.html).

8 See "Aeon to expand into ASEAN via Malaysia", The Edge, 1 November 2012 (http://www.theedgemalaysia.com/business-news/224185-aeon-to-expand-into-asean-viamalaysia.html); "Aeon eyes major ASEAN expansion", Bangkok Post, 29 November 2012 (http://www.bangkokpost.com/business/economics/323617/aeon-eyes-major-asean-expansion);

9 See "Catching the ASEAN wave", Outlook, Accenture, Issue No.1, 2012.

10 See "Indonesia lures more luxury brands", 11 October 2012 (http://www.cpp-luxury.com/indonesia-lures-more-luxury-brands/).

11 See "Japanese firms plan to expand production", Viet Nam News (http://Viet Namnews.vn/Domestic-PressHighlight/235691/japanese-firms-plan-to-expand-production.html);"Major Japanese companies confirm Thailand investment plans", ASEAN Affairs, 13 March 2012 (http://www.aseanaffairs,com/thailand_news/economy/major:japanese_companies_confirm_thailand_investment:plans);
"Team Group in ASEAN expansion", The Nations, 20 August 2012 (http://www.nationmultimedia.com/business/Team-Group-in-Asean-expansion-30188646.html);
"Japanesemanufacturers move to Philippines", Philippines Daily Inquirer, 17 September 2012 (http://business.inquirer.net/82418/japanese-manufacturers-move-to-philippines);
"Thai banks expand network ahead of ASEAN integration", The Nations, 7 January 2013 (http://www.asianewsnet.net/news-41027.html); "May bank plans 100 branches in ASEAN", Star Online, 7 November 2012 (http://biz.thestar.com.my/news/story.asp?file=/2012/11/7/business/12282698&sec=business#136152731801422&if_height=699).

garment retailers and brand owners such as Adidas, Benetton, Disney, Levi, Gap, Nike, H&M, Marks and Spencer, Sears and Wal-Mart outsource or manufacture their garments or footwear in the region.

ASEAN is also host to an increasing number of global pharmaceutical and chemical companies. All of the top 10 global pharmaceutical companies ranked by revenues have production or R&D facilities in the region. They are Pfizer, Novartis, Sanofi, Merck, GlaxoSmithKline, AstraZeneca, Johnson and Johnson, and Eli Lilly. In addition, many of the top 10 global chemical companies have a presence across the region. They include BASF, Saudi Basic Industries, Du Pont, Bayer, Dow Chemical and Lyondell Basell Industries.

3.3 New sources of FDI

New sources of FDI from emerging markets and industries are key elements in the changing landscape.

The sources of FDI for ASEAN are now more diversified than in the past. New players and emerging sources of FDI from developing economies are contributing to the region's changing FDI landscape. The strong growth of intra-regional investment is also an important development (Chapter 4). In 2011, intra-ASEAN investment was by far the single largest investor in the region, considerably more than the EU, the second largest investor group (table 3.5). However, FDI from the other traditional sources such as Japan, United States and the Asian Newly Industrialised Economies continues unabated (Giroud, Mirza and Wee 2012).

Table 3.5. Top 10 investors in ASEAN, 2005-2011
(Millions of dollars)

Annual Average 2005-2008		2009		2010		2011	
Source country	Value	Source country	Value	Source country	Value	Source country	Value
European Union	14,576.1	European Union	8,063.1	European Union	17,012.1	ASEAN	26,270.7
ASEAN	7,923.6	ASEAN	6,300.2	ASEAN	14,322.7	European Union	18,240.5
Japan	7,599.9	USA	5,704.3	USA	12,771.6	Japan	15,015.1
USA	4,971.2	Hong Kong	5,667.4	Japan	10,756.4	China	6,034.4
Cayman Island	2,280.9	Japan	3,789.9	Cayman Islands	5,601.6	USA	5,782.7
China	1,457.9	China	1,852.6	Republic of Korea	3,764.2	Hong Kong (China)	4,095.6
Republic of Korea	1,453.7	Republic of Korea	1,794.0	India	3,351.5	Cayman Islands	2,424.7
Hong Kong (China)	1,378.0	Cayman Island	1,402.9	China	2,784.6	Republic of Korea	2,138.3
India	1,097.9	Taiwan, Province of China	1,130.5	Australia	2,584.9	United Arab Emirates	1,728.1
Australia	1,009.7	Australia	993.0	Canada	1,393.0	Taiwan, Province of China	1,718.9

Source: ASEAN Secretariat, ASEAN FDI database.

China and India are growing sources of FDI for ASEAN.

Companies from China and India are becoming significant investors in a wider range of industries in the region, from manufacturing to services, including agricultural production. The Chinese share of total FDI inflows in ASEAN has increased significantly from a negligible level in 2000-2005 to an average of 3.5% in the period 2006-2011. In 2011, Chinese FDI flows in the region rose to $6 billion, representing a 5.3% share of total inflows, on a par with the share from the United States; and greater than the combined share of Australia, Canada, New Zealand and the Republic of Korea. The list of Chinese companies investing in ASEAN is growing. These companies include Aluminium Corporation of China, Anhui Conch Cement, Bank of China, Baosteel, Beijing Tong Ren Tang Chinese Medicine, China Gezhouba Group, CNOOC, Haier, Huawei Technologies, Lenovo, MinMetals, Sichuan New Hope Agribusiness and Sinochem. Most other Chinese companies in the Global Fortune 500 are also in ASEAN.

Indian companies have also been active in investing in the region, through both greenfield and M&As. In 2006-2011, Indian companies invested an annual average of $1 billion in ASEAN as compared with only $152 million in 2000-2005. Major Indian pharmaceutical and IT companies are present in the region. They include Biocon, Cipla, Dr. Reddy's Laboratories, HCL Technologies, I-Flex Solutions, Infosys Technologies, Mahindra Satyam, Mphasis, NIIT Technologies, Ranbaxy, Strides Arcolab and Tata Group.

FDI from China and India is expected to continue to rise with the establishment of respective free trade areas (FTA) linking ASEAN with each of these two countries.[12] Geographical proximity, investment cooperation and increasingly closer business and economic ties under the respective FTA arrangements are expected to encourage more FDI from these countries to ASEAN.

Services are an important source of FDI.

FDI in the services industry continues to be high and growing steadily. In 2000-2002, services accounted for more than 50% of total inflows into the region with most investment concentrated in finance and telecommunications. FDI in services grew by 3 times, from an annual average of about $12 billion in 2000-2002 to an annual average of about $48 billion in 2009-2011. But the prevalence of FDI in services differs by country, according to the stage of economic development and the availability of services-oriented infrastructure facilities. For instance, in some service industries such as call centres or business process outsourcing (BPO), language skills are an important prerequisite condition to attract such investment. In the same vein, availability of IT skills and IT related infrastructure facilities is crucial for a country to attract IT services FDI. For these reasons, some countries in the region have been able to attract an increasing number of FDI in such services.

New service industries are emerging in the region alongside old ones, in particular in the more developed Member States. These industries include healthcare, life sciences, software and programming, information technology, biotechnology and education. FDI in real estates including township development and commercial facilities in the region is on the rise.

Strong reinvestment is another contributory factor.

Reinvestment has become a strong feature of FDI pattern in ASEAN. High reinvestment in ASEAN is not a new phenomenon but it has grown rapidly in recent times. In 2009-2011, reinvested earnings accounted for about 29% of total FDI financing in the region (table 3.6). However, in some countries reinvested earnings contributed to more than 40% of the FDI financing in the same period. This suggests that while attracting new investments is important, measures targeted at retaining existing investors and encouraging expansion of operations are just as important for ASEAN.

Table 3.6. FDI flows to ASEAN, by financing components, 2009-2011
(Billions of dollars)

Components	2009	2010	2011	Annual Average 2009-2011
Equity	28.9	55.5	51.2	45.2
Loan	4.8	5.0	34.6	14.8
Reinvested earnings	12.9	31.5	28.0	24.1
	0.3	0.3	0.3	0.3
Total	46.9	92.3	114.1	84.4

Source: ASEAN Secretariat, ASEAN FDI database.

12 "China encourages companies to invest in ASEAN countries", China Daily, 22 October 2011 (http://www.chinadaily.com.cn/china/2011caexpo/2011-10/22/content_13973763.htm).

Equity financing of FDI activities (excluding through reinvested earnings) has been conspicuously high in recent years. In 2009-2011, annual equity investment accounted for more than 53% of total FDI financing, which implies that investors are either expanding their existing operations in the region through new injection of capital or undertaking new FDI projects including by first time investors to the region.

3.4 Increasing maturity of M&A environment

The increasing maturity of the M&A environment in some ASEAN countries has also influenced TNCs' choice of entry strategy favouring M&As. This includes economic and financial environment, infrastructure factors and availability of assets (Ernst and Young, 2012). Between 2008 and 2012, annual average M&A sales in ASEAN were $15.2 billion as compared with only $5.9 billion in 1997-2001.

Five industries accounted for the vast majority of M&A sales in ASEAN (table 3.7). These industries were finance, electricity generation and distribution, food and beverages, electronics and mining which together received 64% of the $76 billion M&A sales in the region in 2008-2012.

The global financial crisis in 2007-2008 has impacted M&A purchases in ASEAN by firms from developed countries. In 2007-2010, developing economies dominated M&A sales in ASEAN, while the developed countries saw the value of transactions decline in each consecutive year; falling from $8.5 billion in 2007 to less than $1 billion in 2010 (table 3.8). However, M&A sales in ASEAN made by companies based in developed countries rose significantly to $13.3 billion in 2011 – almost double that from the developing economies.

Table 3.7. Cross-border M&A sales in ASEAN, annual average, 1997-2001 and 2008-2012
(Millions of dollars)

Target Industry	1997-2001	2008-2012
Total industry	**5,956.1**	**15,184.4**
Primary	**132.5**	**1,240.7**
Agriculture, hunting, forestry and fishing	12.3	162.6
Mining, quarrying and petroleum	120.2	1,078.1
Secondary	**2,538.2**	**5,582.6**
Food, beverages and tobacco	634.0	2,343.1
Textile, clothing and leather	-60.0	69.5
Coke, petroleum products and nuclear fuel	27.7	584.8
Chemicals and chemical products	264.3	345.3
Rubber and Miscellaneous Plastic Products	18.1	220.6
Machinery and equipment	11.0	168.9
Electrical and electronic equipment	758.2	1,088.3
Motor vehicles and other transport equipment	56.6	389.1
Tertiary	**3,285.4**	**8,361.1**
Electric, Gas, and Water Distribution	334.3	2,398.5
Construction	5.0	121.8
Transport, storage and communications	946.9	706.2
Finance	1,179.4	2,790.8
Business activities	258.2	1,063.1
Health and social services	59.1	749.2

Source: UNCTAD, M&A database.

Table 3.8. ASEAN: Selected cross-border M&A sales, geographical distribution, 2007-2011
(Millions of dollars)

	Net sales					
Region / economy	**2007**	**2008**	**2009**	**2010**	**2011**	**2007-2011**
World	20,060.5	22,742.6	12,913.2	9,444.8	20,139.3	85,300.4
Developed economies	8,473.3	6,624.2	2,940.3	862.4	13,336.2	32,236.5
European Union	2,252.8	1,162.4	1,430.4	-535.4	4,357.3	8,667.5
United Kingdom	1.6	-115.0	1,474.9	882.4	4,360.4	6,604.4
North America	-398.9	2,355.9	-63.0	-438.4	3,368.5	4,824.1
United States	-487.8	2,331.8	-298.1	-421.1	2,136.9	3,261.6
Other developed countries	6,554.1	3,425.1	1,662.8	1,764.2	5,449.4	18,855.5
Japan	5,120.1	3,354.5	1,677.7	1,807.2	5,375.1	17,334.5
Developing economies	11,307.3	15,525.5	9,857.5	8,192.7	6,746.2	51,629.2
Asia and Oceania	11,262.1	14,966.4	9,837.9	8,142.6	7,157.0	51,366.0
China	124.2	3,099.3	2,247.4	995.3	44.6	6,510.9
Hong Kong, China	1,995.1	2,073.9	-17.2	23.3	556.1	4,631.1
Korea, Republic of	49.8	-22.3	39.3	1,982.5	551.0	2,600.4
India	1,988.0	188.4	161.8	996.0	84.6	3,418.8
ASEAN	**2,068.2**	**3,176.0**	**2,553.2**	**4,102.5**	**3,979.5**	**15,879.3**
Brunei Darussalam	-	-	1.9	-	-	1.9
Cambodia	-	-	-	-	-	-
Indonesia	-34.3	162.6	-104.2	71.5	417.0	512.6
Lao PDR	-	-	-	-	-	-
Malaysia	-260.2	3,526.1	2,558.7	2,529.1	1,524.7	9,878.5
Myanmar	-	-	-	-	-	-
Philippines	6.5	-	-22.0	-	-	-15.0
Singapore	2,368.9	-853.9	116.1	1,181.8	1,250.8	4,063.8
Thailand	-12.8	341.3	2.7	320.0	787.0	1,438.0
Viet Nam	-	-	-	-	-	-

Source: UNCTAD, M&A database.

In 2007-2001, Japan, Malaysia, United Kingdom, China and Hong Kong-China were the top 5 acquirers of assets in ASEAN. Intra-ASEAN M&A deals accounted for nearly 20% of total transactions made in the period.

The number of M&A deals has also increased over time suggesting that investors prefer to use an M&A entry strategy, due to the existence of more suitable assets for acquisition and because corporate strategic decisions favour immediate access to markets or natural resources (table 3.9). The rapid rise in the number of mega deals exceeding $500 million in the recent five years (2008-2012) highlight the changes in the M&A environment as compared with earlier periods. For instance, there were 61 mega deals in 2008-2012 as compared with only 18 between 1997 and 2001 (table 3.10).

Table 3.9. Cross-border M&A sales in ASEAN, 1991-1995, 1997-2001, 2003-2007 and 2008-2012
(Annual average number of deals)

	1991-1995	**1997-2001**	**2003-2007**	**2008-2012**
ASEAN	63.2	176.6	231	272.6
Brunei Darussalam	0	0.8	1.6	0.8
Cambodia	0.4	0.6	2	1.8
Indonesia	7.2	22.2	28	59.8
Lao PDR	0.2	0	0.4	0.4
Malaysia	16.8	41.8	69.2	58.2
Myanmar	0.2	0	0.4	0
Philippines	10.4	20.6	11.4	15.2
Singapore	22	45.6	80.6	77.6
Thailand	4.8	43.4	31.8	24.4
Viet Nam	1.2	1.6	5.6	34.4

Source: UNCTAD, M&A database.

Table 3.10. Mega M&A sales in ASEAN, 1997-2001 and 2008-2012[1]
(Number of deals)

	1997-2001	2008-2012
Indonesia	3	16
Malaysia	1	5
Philippines	6	6
Singapore	5	29
Thailand	3	2
Viet Nam	0	3
ASEAN	18	61

1 Deals exceeding $500 million.

Source: UNCTAD, M&A database.

3.5 Rise of enterprise regionalization and OFDI

ASEAN is now both a major recipient and source of FDI among developing economies.

ASEAN is not just a major recipient of FDI, but it has evolved into an important source of investment to many developing countries, including within the region. There has been a rapid rise in enterprise internationalization from ASEAN (table 3.11; Mirza, Giroud and Wee 2011). Outward FDI from the region rose rapidly by over five-fold, from $84.5 billion OFDI stock in 2000 to $495.7 billion in 2011. Some ASEAN countries have experienced annual OFDI flows consistently exceeding inward FDI in recent years. The gap in OFDI flows between the largest regional investor (Singapore) and the other ASEAN countries such as Malaysia, Thailand and Indonesia are narrowing (Chapter 4). Investors from some countries in the region are more regionalized than others.

Table 3.11. OFDI flows from ASEAN, annual average, 1990-1995, 2000-2005, 2006-2011, 2009-2011
(Millions of dollars)

	1990-1995	2000-2005	2006-2011	2009-2011
ASEAN	**5,538**	**1,2189**	**42,350**	**44,545**
Brunei Darussalam	35	26	9	8
Cambodia	0	8	15	21
Indonesia	967	1,190	4,321	4,209
Lao P DR	1	2	-3	5
Malaysia	1,050	1,784	11,445	12,123
Myanmar	0	0	0	0
Philippines	154	187	814	328
Singapore	2,981	8,682	21,082	21,382
Thailand	350	299	4,147	5,619
Viet Nam	0	11	520	850

Source: UNCTAD, FDI database.

Rise of enterprise regionalization from more ASEAN countries.

More companies from ASEAN are going regional or strengthening their regional footprint in light of closer economic integration. They are doing so more rapidly than a decade ago, hence the strong growth in intra-regional investment in recent years. After a decade of limited activity in the period 1995-2005, intra-ASEAN investment took off from 2005, rising from about $4 billion in that year to reach $26 billion in 2011.

An increasing number of companies in the region have expressed strong interest in regionalizing. For instance, companies such as CIMB, Maybank, Axiata, Air Asia, Sime Darby, IHH, Siam Cement, PTT, Thai Beverage, S&P, Central, Ayala, San Miguel, Lippo, Ciputra, DBS, Far East Hospitality Group, Keppel Group, CDL, BreadTalk, Petrovietnam, many Thai banks and real estate companies in the region are expanding their operations across ASEAN. The growing number and size of cross-border M&A purchases made by ASEAN firms in recent decade suggests their growing financial prowess and capacity to regionalize or internationalize. Member States have also been actively encouraging their national companies to go regional in order to take advantage of the benefits of the forthcoming AEC (box 3.1). In addition, the aspiration of companies to regionalize, their increasing financial resources and locational/economic complementarity between the ASEAN countries will continue to drive forward the current wave of enterprise regionalization. Intra-ASEAN investment will remain an important source of investment for the region but will not replace the traditional sources.

Box 3.1 ASEAN Economic Community: Key characteristics and elements

The ASEAN Economic Community (AEC) has, as the end goal, the region's full economic integration by year end 2015. The AEC deepens and broadens the economic integration of Member States based on the principles of an open, outward-looking, inclusive and market-driven economy consistent with multilateral rules and adherence to rules-based systems.

The AEC will have the following key characteristics and elements:

- a single market and production base, which promotes a free flow of goods, services, investment, skilled labour and a freer flow of capital.
- a highly competitive economic region, that supports and facilitates competition policy, consumer protection, intellectual property rights, infrastructure development, bilateral agreements on avoidance of double taxation and e-commerce.
- a region of equitable economic development, involving SME development and initiatives for ASEAN integration to narrow the development gap within and outside the region.
- a region fully integrated into the global economy, by making ASEAN a more dynamic and stronger segment of global supply chains, and by ensuring that the region remains attractive for foreign investment. It also entails adopting a coherent approach towards external economic relations.

Many specific programmes and measures have been and are being implemented to realize the AEC. An AEC Scorecard system has been introduced to monitor the implementation of the many targeted measures under each of the above 4 AEC pillars.

Source: ASEAN Secretariat (2011).

3.6 Regional integration and its influence on FDI

Regional factors becoming more prominent FDI determinants.

Regional integration and the AEC are attracting the attention of TNCs intending to establish a stronger foothold in the region. In particular, regional integration is beginning to assert a more significant influence in FDI decision making and is increasingly being referred to in corporate investment plans. Many ASEAN and non-ASEAN TNCs have in recent years increased their presence with further investment and expansion in the region.

Specific regional policy measures such as AICO[13] have played, and ATIGA[14] is playing, a role in encouraging the growth of regional production networks and regional value chains. Major TNCs such as Toyota, GE and P&G see ASEAN's integration as offering a significant opportunity for them to further engage with the region (section 3.6.1).

Regional integration contributed to the attractiveness of ASEAN for investment (Mirza, Giroud et.al. 2003). For instance, the ASEAN Free Trade Area (AFTA) was realized in 2010. In 2012, some 98.6% of the total tariff lines under ATIGA schedule had tariff rates between 0-5% for intra-ASEAN import (table 3.12).[15]

By 2013, ASEAN will have about 88% of the total tariff lines with 0% tariff for all goods traded. Apart from tariff liberalization, the region has been implementing trade and investment facilitation measures, which include the harmonization of standards and quality in a range of product categories and services, and in the area of customs. The realization of AFTA has, and will continue to, influence firms to think regionally based on the benefits that AFTA brings. Apart from lowering the cost of doing business, AFTA offers an attractive regional market of more than 600 million consumers with increasing purchasing power.

Table 3.12. Number of tariff lines at 0-5% in the ATIGA Tariff Schedule of 2012

Country	Number of Tariff Lines				Percentage			
	0-5 %	> 5 % [2]	Other [1]	Total	0 - 5 %	> 5 %	Other	Total
Brunei Darussalam[3]*	9,844	..	72	9,916	99.27	..	0.73	100
Indonesia[3]	9,899	17	96	10,012	98.87	0.17	0.96	100
Malaysia[3]	12,242	13	82	12,337	99.23	0.11	0.66	100
Philippines[3*]	9,759	35	27	9,821	99.37	0.36	0.27	100
Singapore[3]	9,558	..	..	9,558	100.00	..	..	100
Thailand[3]	9,558	..	..	9,558	100.00	..	..	100
ASEAN-6	**60,860**	**65**	**277**	**61,202**	**99.44**	**0.11**	**0.45**	**100**
Cambodia (AHTN 2007)	8,160	140	..	8,300	98.31	1.69	..	100
Lao PDR[3*]	9,110	361	87	9,558	95.31	3.78	0.91	100
Myanmar[3*]	9,496	..	62	9,558	99.35	..	0.65	100
Viet Nam[3]	9,234	134	190	9,558	96.61	1.40	1.99	100
CLMV	**36,000**	**635**	**339**	**36,974**	**97.37**	**1.72**	**0.92**	**100**
Total ASEAN	**96,860**	**700**	**616**	**98,176**	**98.66**	**0.71**	**0.63**	**100**

Notes:
[1] Item with no tariffs.
[2] Item that have moved from GEL/SL/HSL into IL.
[3] AHTN 2012.
* Tentative

Source: ASEAN Secretariat.

Regional investment agreements have also led to the faster opening up of a growing number of industries for investment. Under the ASEAN Investment Area (AIA) Agreement, and today the ASEAN Comprehensive Investment Agreement (ACIA), Member States have continuously taken collective and individual measures to improve the investment environment and to meet a commitment to liberalization, facilitation, promotion, protection, transparency and information provision.

13 The Basic Agreement on the ASEAN Industrial Cooperation (AICO) Scheme has been discontinued since August 2011.
14 Stands for ASEAN Trade in Goods Agreement, which now supersedes the Common Effective Preferential Tariff (CEPT) Scheme.
15 The newer Member States (i.e. Cambodia, Lao PDR, Myanmar and Viet Nam) have until 2015 with flexibility up to 2018 to bring their tariff levels to 0%.

Various regional investment promotion and facilitation measures taken over the years have helped improve the overall FDI environment (Chapter 2). The on-going implementation of measures to realize the AEC will continue to shape the future FDI landscape in the region. In particular, FDI will become even more regionally oriented, amid a greater division of labour and a larger number of production networks. ASEAN has also entered into a growing number of FTAs and similar agreements with various major partner countries. These FTA arrangements with various countries have strengthened further ASEAN's competitiveness and attractiveness for investment and production. Hence, linking ASEAN with these countries and providing investors with greater opportunities in a larger combined market, including scope for exploitation of locational complementary advantages. For instance, the ASEAN-China FTA is the world's largest free trade area in terms of population and involves economies that are among the fastest growing internationally.

Locational complementarity in ASEAN encourages investment; and FDI pattern reflects locational strengths of countries.

TNCs are expanding their operations in the region with different parts of value chains located in a number of ASEAN countries. The choice of plant location is influenced by the strengths or complementarity of the different host countries or between home and host countries in ASEAN. The newer Member States of ASEAN are attracting more efficiency-seeking FDI, because of their comparative labour cost competitiveness. ASEAN countries with labour shortages have been encouraging overseas labour-intensive investments in labour-abundant economies in the region. For instance, in recent years Cambodia, Indonesia and Viet Nam benefitted from receiving FDI from Malaysian, Singaporean and Thai companies in textiles and garments, which require an ample supply of low cost labour.

Similarly, some land constrained Member States are encouraging their agriculture or plantation firms and foreign companies to operate in land abundant ASEAN economies. Such countries continue to attract agriculture FDI, especially from plantations companies based in Singapore and Malaysia.

3.6.1 Regional influence on FDI decision and value chain arrangements: Selected cases

The following cases highlight the role of regional integration in influencing TNCs' decision to deepen their engagements within ASEAN. They also highlight the use of integrated value chain business model by TNCs, including regional production networks encouraged by a stronger regional integration arrangement and policy measures such as the AICO scheme.

3.6.1.1 Procter and Gamble

As the world's largest consumer packaged goods company, Procter & Gamble's presence in ASEAN dates back more than 77 years, with the opening of its Philippines affiliate in 1935 – the second oldest P&G subsidiary in the world outside of North America. Today P&G is one of the largest consumer goods companies in ASEAN, employing more than 4,500 people across 6 countries in the region. It has 8 manufacturing sites, 8 mega distributions centres and a business service centre in ASEAN.

ASEAN's integration provides further opportunities for P&G to expand in the region and support its value chain arrangements, involving a network of different. While much of P&G's production in ASEAN is internalized, in some situations third party contract manufacturers are used.

Regional and Global Business Hub

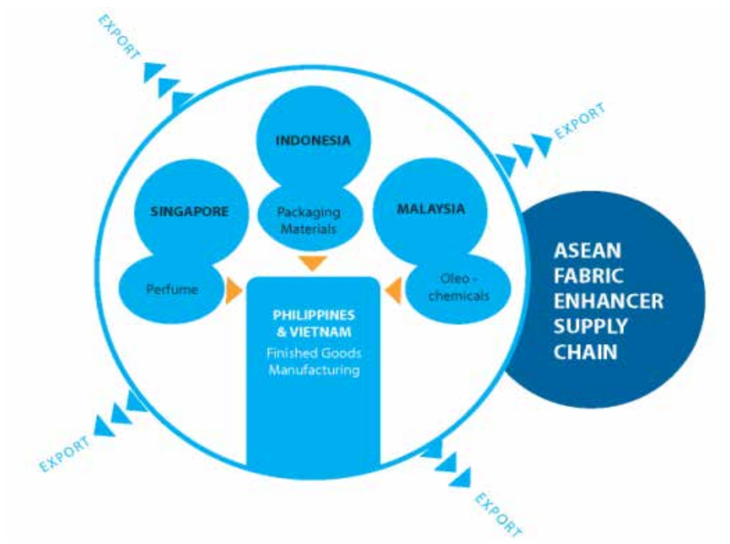
Singapore is the regional headquarters for P&G in the Asia-Pacific, home to nearly 2,000 P&G employees. Singapore hosts regional business units (Hair Care & Color, Skin and Personal Cleansing, Blades & Razors, Healthcare, Batteries, Fabric and Home Care, Oral Care, Batteries and Appliances), as well as global business units of SK-II and Babycare. Singapore will also be home to the P&G Singapore Innovation Centre, a $250 million purpose-built R&D centre, which will be completed in October 2013. The Philippines hosts the company's business service centre, which serves one-third of P&G's global operations. Thailand serves as the ASEAN marketing hub for beauty and fabric and homecare products.

Diversified Manufacturing Footprint

In addition to P&G's country-based sales and marketing offices, P&G has invested in manufacturing operations in Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam, which cover the full spectrum of the company's value chain. P&G is involved with regional value chains in a range of product categories. For instance, P&G's $50-million oleo-chemicals plant in Kuantan, Malaysia is its largest such plant in Asia, processing feedstock from Indonesia and Malaysia into chemicals that go to other P&G plants in ASEAN and other parts of the world as raw materials (figure 3.2). Similarly, Singapore hosts P&G's only perfume manufacturing plant in Asia, which supplies fragrances and scents for other P&G products to P&G's other plants across Asia (figure 3.3).

Figure 3.2. P&G: ASEAN hair care supply chain

Figure 3.3. P&G: ASEAN fabric enhancer supply chain



Source: Procter and Gamble.

In Thailand, P&G's haircare manufacturing plant is P&G's largest haircare export plant in the world while P&G's Cabuyao plant in the Philippines is one of P&G's largest multi-category manufacturing in Asia. In Indonesia, P&G is building a state-of-the-art babycare plant that will be operational by mid-2013.

These examples illustrate how ASEAN's strengths as an integrated, as well as diverse economic region, has enabled P&G to invest in a diversified footprint of business management, R&D, manufacturing and supply chain operations across the region.

3.6.1.2 Toyota

Toyota is one of the leading automotive companies in the world, with a significant presence in ASEAN. Toyota's first automobile plant in the region dates back to the 1960s. Since then, Toyota has been expanding and reinvesting in the region. Toyota has production facilities and auto parts and components manufacturing activities in Malaysia, Indonesia, Thailand, the Philippines and Viet Nam, and service operations in Singapore (tables 3.13 and 3.14).

Table 3.13. Toyota: Production companies in ASEAN, 2012

	Malaysia	Indonesia	Thailand	Philippines	Viet Nam
Company	Assembly Services Sdn. Bhd.* ("ASSB")	PT. Toyota Motor Manufacturing Indonesia** ("TMMIN")	Toyota Motor Thailand Co., Ltd. ("TMT")	Toyota Motor Philippines Corporation ("TMP")	Toyota Motor Viet Nam Co., Ltd ("TMV")
No. of Employees	2,800	5,700	13,500	1,500	1,500
Models Produced	Camry, Fortuner, Hilux, Hiace, Innova and Vios	Fortuner and Innova	Camry, Camry Hybrid, Corolla, Fortuner, Hilux, Prius, Vios and Yaris	Innova and Vios	Camry, Corolla, Fortuner, Innova and Vios
Annual Capacity	75,000	110,000	650,000	25,000	30,000

Notes:
* ASSB – Subsidiary of UMW Toyota Motor
** TMMIN / Establishment Period – PT. Toyota-Astra Motor was established in 1971 as the sole agent, importer and distributor of Toyota vehicles in Indonesia. It was later split into PT. Toyota-Astra Motor, in charge of domestic sales and after sales service and PT. Toyota Motor Manufacturing Indonesia, in charge of manufacturing and export since 2003.

Source: Toyota.

Table 3.14. Toyota: Selected auto parts production plants in ASEAN, 2012

	Malaysia	Indonesia	Thailand	Philippines
Company	Assembly Services Sdn. Bhd.* (“ASSB”)	PT. Toyota Motor Manufacturing Indonesia (“TMMIN”)**	Siam Toyota Manufacturing Co., Ltd.	Toyota Autoparts Philippines, Inc.
No. of Employees	2,800	5,700	3,000	900
Major Parts Produced	Engine Control Units	Gasoline Engines	Diesel Engines / Gasoline Engines	Transmission

Notes:
* ASSB – Subsidiary of UMW Toyota Motor
** TMMIN / Establishment Period – PT. Toyota-Engine Indonesia was established in 1982. It was later merged into PT. Toyota-Astra Motor in 1989 and split into PT. Toyota Motor Manufacturing Indonesia in 2003.

Source: Toyota.

Toyota’s production networks in an integrating ASEAN

ASEAN’s regional integration has been a key factor in encouraging Toyota’s expansion in the region, and has facilitated integrated production networks and supply chains linking different facilities across ASEAN and with other countries outside the region.

During Toyota’s growth period in the 1990s, ASEAN countries were transitioning from country-based production to mutually complementary regional production, due to the implementation of the Brand-to-Brand Complementation (“BBC”), AICO scheme and CEPT-AFTA, as well as the difficulties in achieving mass production and cost reduction at the single country-market scale.

Since then, Toyota has benefited from economies of scale because of locational complementarity, a larger market, lower cost of operation and an opportunity for a greater integration of Toyota’s supply chain facilities across the region.

Figure 3.4 illustrates part of the Toyota’s regional production networks and supply chains in ASEAN in the production of transmission, engines and engine control units, which are used in the assembly of completely-built-up models for sales in the region and export.

Figure 3.4. Toyota: Auto parts production and supply chains in ASEAN

Source: Toyota.

In addition, Toyota Motor Asia Pacific (TMAP Thailand) supports Toyota production operations and supply networks in Asia, which include Thailand, Indonesia, Malaysia, Philippines, Viet Nam and India.[16] TMAP (Thailand) also assumes the role of providing support related to production, purchasing and logistics for the group in ASEAN and other Asian economies. TMAP (Singapore) supports Toyota marketing and sales operations in Asia.

There exist also close collaboration between TMAP (Thailand) and TMAP (Singapore), which helps Toyota to respond to the customers' needs in Asia more effectively and through better integration of development, production and marketing processes among the subsidiaries and associates in the region.

Significance of ASEAN to Toyota

The significance of ASEAN and how the region is part of Toyota's global value chains can best be illustrated by the Toyota's Innovative/International Multi-purpose Vehicle (IMV) project.[17] The IMV series is manufactured in 11 locations, including four countries designated as global IMV supply bases: Thailand, Indonesia, Argentina and South Africa. These four bases provide vehicles to over 140 countries and regions including Asia, Europe, Africa, Oceania, Central and South America, and the Middle East.

Under the IMV project, Indonesia and Thailand produced a total of 445,000 vehicles in 2011, which represented 58% of Toyota's global IMVs sales and 54% of IMVs production in ASEAN was exported to Asia, Europe, Oceania and Middle East. ASEAN plays a very significant role in Toyota's IMVs global value and supply chains (table 3.15).

Table 3.15. Toyota: IMV production and supply bases in ASEAN, 2011

	Indonesia	Thailand
Company	PT. Toyota Motor Manufacturing Indonesia	Toyota Motor Thailand Co., Ltd.
Production Models	Innova Fortuner	Hilux Fortuner
Production Figures	107,000	338,000
Export Sales	38,000	202,000
Main Export Destination	Middle East	Asia, Europe, Oceania and Middle East

Source: Toyota.

Toyota's long history of conducting business in ASEAN reflects the group's overseas business strategy, which has evolved from producing in Japan and exporting, to producing in regions where demand exists, and to pursuing efficient global production and supply chains.

ASEAN's initiative aiming to create an ASEAN Economic Community by year end 2015 will further strengthen the region's attractiveness as a major market and production hub in Toyota's global value chains. An integrating ASEAN presents Toyota with opportunities for investment, expansion and deeper production networks in the region.

16 New company to support Toyota production in Asia", PRN Wire, 3 July 2006 (http://www.pressreleasenetwork.com/newsroom/news_view.phtml?news_id=1760).
17 IMV introduced in 2004 consisted of 3 pickup trucks, a minivan and an SUV.

3.6.1.3 Wilmar International

Wilmar, headquartered in Singapore, is one of Asia's leading agribusiness groups and one of the most internationalised ASEAN companies. The company's core activities include oil palm cultivation, oilseeds crushing, edible oils refining, sugar merchandising and refining, specialty fats, oleo-chemicals, biodiesel and fertilizers manufacturing, grains processing.

In 2011, it generated $44,710 million revenue worldwide and employed over 90,000 people. More than 70% of this global workforce is in Indonesia and Malaysia. Over 98% of the company's oil palm plantations are in ASEAN and about 5% of the company's revenues came from plantations and milling operations, which are concentrated in the region.

Wilmar's operations in ASEAN span across the entire region, with plantations primarily in Indonesia and Malaysia, in that order. The company's production and distribution networks extend to, Philippines, Thailand and Viet Nam; while research and development activities are in Singapore, Malaysia, Viet Nam, and Indonesia.

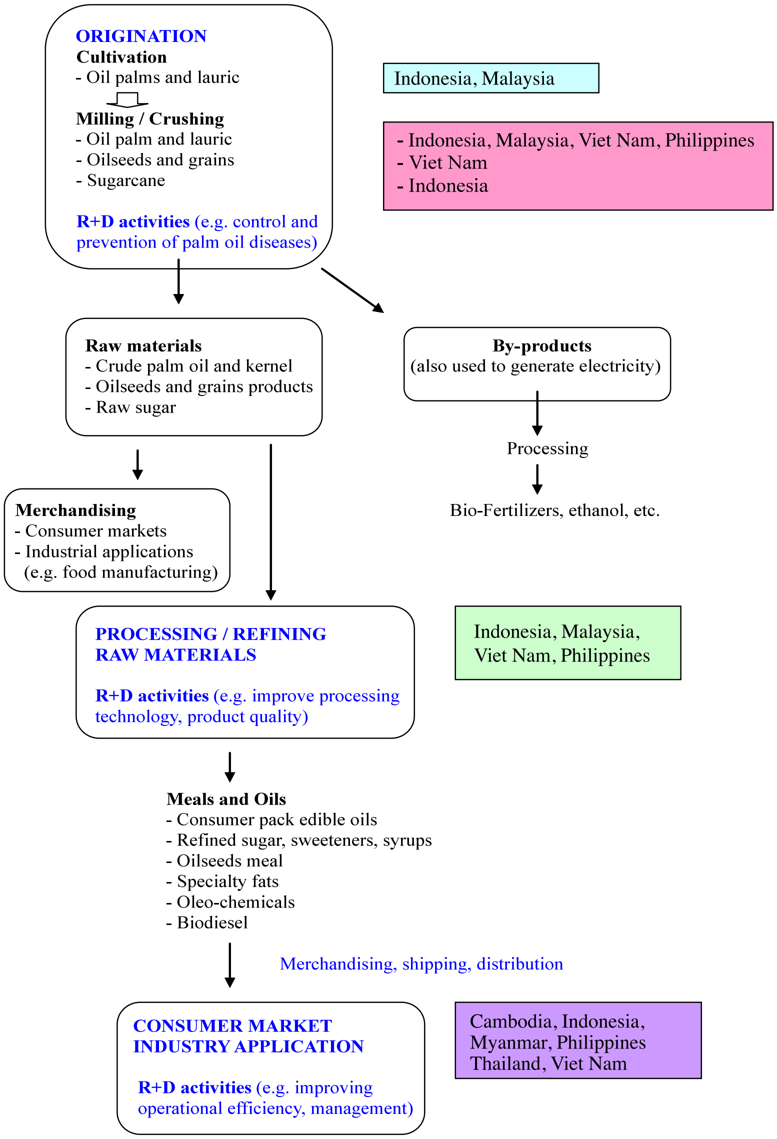
Regional value chains and production networks link up countries in the region, hastening regional integration.

Wilmar's business strategy is based on an integrated agribusiness model that captures the entire value chain of its agricultural commodity operations in oil palm – from harvesting, processing to branding, merchandising and distribution of a wide range of intermediate and final products. This integrated business model is encouraging regional value chain activities that link Member States through a regional operation network pursued (figure 3.5).

The lion's share of the company's palm plantations is in Indonesia and Malaysia. Cultivation and milling are also done in these countries. In addition, the company is involved in outgrower schemes and contract farming. The company owns mills to process fresh fruits from surrounding plantations. Crude palm oil and crude palm kernel oil are sold and processed in the company's own facilities. Wilmar owns and operates processing plants in Indonesia and Malaysia to produce palm and lauric oils and related products, including refined palm oil, oleo-chemicals, specialty fats and biodiesels. These activities also take place in other ASEAN countries, such as in the Philippines and Viet Nam, where the Group has processing capacity.

Processing and refining plants are strategically located both in production and consumption markets as well as ports. The Group's products are sold through a global network of distributors and brands. These products also have industrial applications, e.g. in food manufacturing, cosmetics and pharmaceuticals, and may also be directly exported from its production facilities. The shipping operation is managed by a company's subsidiary based in Singapore. R&D activities form an integral part of the company's value chain and they are conducted at various stages of the chain. For instance, R&D is undertaken to improve the processing technology and quality of products, including controlling and preventing palm diseases. Among ASEAN countries, Wilmar's R&D activities are conducted in Singapore, Malaysia, Viet Nam and Indonesia. The company also manufactures and sells bio-fertilizers in addition to its core business. The main customers of fertilizers produced by the Group are the Company's suppliers of raw materials. The majority of this product is sold in Indonesia and Malaysia, where Wilmar taps into a captive market, while reducing the logistic costs and credit risks, as the Group is committed to purchasing all fruits produced by small landholders' plantations and contract farmers.

Figure 3.5. Wilmar integrated business model in ASEAN



Source: Wilmar.

3.6.1.4 General Electric

General Electric (GE) is a global technology and infrastructure company. It is a Global 500 company, with a global footprint that spans across 150 locations. ASEAN is an important region for GE's operations and markets, where it employs more than 7500 people and generated over $3 billion revenues in 2011.

GE has been in ASEAN since the 1960s. It has a significant presence in the region with operations in Brunei Darussalam, Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, Viet Nam, as well as a forthcoming office in Myanmar. GE provides a wide range of region-specific products and services in ASEAN in the energy, oil and gas, healthcare, water, air and land transportation sectors, including financial services. Revenues in the region grew by over 30 per cent in 2011.

Why ASEAN?

ASEAN has emerged as a key hub in the company's global supply chain, hence GE has significant manufacturing plants and service operations across the region. The AEC will be a major factor that will drive GE's further expansion. Regional integration has also created, among others, an opportunity for GE to streamline its lighting manufacturing facilities from three to one, thus creating one large facility with the ability to serve the entire region with lower costs.

GE participates in regional value or supply chains in ASEAN. It operates a dozen manufacturing and service operations in the Aviation, Energy, Oil & Gas and Lighting supply chain in the region. This presence gives GE an advantage in being closer to customers, as well as leveraging a network of local ASEAN suppliers. For instance, GE's customers in the transportation sector, include all ASEAN national carriers, Air Asia, Lion Air, other Asian airlines and the Indonesian national railways. GE also supplies equipment, products and services to many power utility firms in the region.

GE's experience in ASEAN has been very encouraging, which has led to a continuous expansion of GE's operations in the region over time. For example, GE established an aviation engine component repair facility in Singapore over 30 years ago, which has grown to encompass two major facilities with over 1500 employees, providing advanced repair services relevant to the region and to airlines in Europe and the US. This has also led to an upstream investment in an engine repair and overhaul facility in Malaysia. Similarly, GE has leveraged its Singapore oilfield equipment manufacturing centre to establish and grow a manufacturing site across the Straits in Batam, Indonesia. In Viet Nam, GE invested in a wind turbine manufacturing facility that allows the company to optimize supply chains in this region and establish long term partnerships with other power producers. In the energy sector in the Philippines, GE has a strong presence in the utility value chain from power generation, transmission and distribution, to water and process technologies. In Cambodia, GE produces renewable energy for the Rural Electrification Program involving rice husk biomass.

3.6.2 Regional production networks: the influence of AICO

TNCs operations in ASEAN are increasingly adopting production strategies that involve horizontal and vertical multi-plant operations in two or more ASEAN countries for various strategic and economic reasons. TNCs use production networks to benefit from regional economic complementarity and to use ASEAN as a single production base rather than a multi-country model. Some use production networks as part of their regional value chains, within integrated business arrangements, linking various business functions and operations together (e.g. downstream and upstream activities, marketing and distribution, production, research and development).

Production network arrangements enable specialization and economies of scale, which is made more conducive by the region's continuous efforts to integrate more closely the 10 Member States through a harmonization of policies, closer economic cooperation and integration.

Regional policy measures and agreements such as the CEPT-AFTA and the AICO scheme have had an impact in encouraging TNCs to undertake network productions and investments in ASEAN. These agreements include reduction of internal tariffs within ASEAN to 0-5% under AFTA, and the advancement of the AFTA tariff benefits under the AICO scheme, which now no longer used by investors (box 3.2). The internal 0-5% tariff under AFTA made possible the movement of goods across the region, for used as production inputs in the regional supply chains established by TNCs.

Box 3.2. AICO

The ASEAN Industrial Cooperation (AICO) scheme promotes joint manufacturing industrial activities between companies in two or more ASEAN countries. Since its introduction in 1996, the scheme has encouraged many TNCs to undertake production networks involving two or more affiliates and/or associates' plants based in two or more ASEAN countries.

Approved AICO projects and the associated outputs of the participating companies enjoyed an advanced preferential tariff rate in the range of 0-5%, given ahead of the committed AFTA schedule. The scheme is no longer used by companies as tariffs for most products are now at 0%. The Basic Agreement on the AICO Scheme has been discontinued since August 2011. Approved AICO products take the form of finished products, intermediate parts and components or raw materials.

The AICO scheme encourages physical movement of products between participating companies and countries, including resource sharing and pooling and strengthen industrial complementation.

Source: ASEAN Secretariat and (http://www.asean.org/communities/asean-economic-community/item/asean-industrial-cooperation-scheme).

There were some 130 AICO projects, primarily involving the production of automotives, exchange of auto and electronics parts, and food processing by TNCs based in different countries in the region (table 3.16). Regional production networks linked with AICO are concentrated mainly in Indonesia, Malaysia, Philippines and Thailand (table 3.17). This locational bias is partly due to the dominant participation by the companies from these four countries in automotive production.

Table 3.16. Approved AICO applications, by product category, as of January 2011
(No. of applications)

Product Category	# Approved Applications	%
Agricultural machinery	1	0.66
Automotive CKD pack	113	74.34
Automotive CKD & CBU*	1	0.66
Automotive CBU	1	0.66
Automotive Components	18	12.50
Consumer Products	2	1.32
Electronic products	5	3.95
Food processing	5	4.61
Safety Glass	1	0.66
Electrical	1	0.66
Safety Glass	1	0.66
Total	**153**	**100**

Note: * CKD – Completely knocked down; CBU – Completely built up

Source: ASEAN Secretariat.

Table 3.17. Approved AICO applications, by participating country, as of January 2011
(No. of projects)

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	Indonesia, Malaysia, Philippines, Thailand
Indonesia		21	17	1	28		
Malaysia	21		17		35	1	
Philippines	17	17			28		
Singapore	1				2	1	
Thailand	28	35	28	2		1	
Viet Nam		1		1	1		
Indonesia, Malaysia, Philippines, Thailand							1
Total	67	74	62	4	94	3	1

Source: ASEAN Secretariat.

In the automotive industry, subsidiaries and affiliates of big players such as Toyota, Honda, Volvo, Nissan, Ford and Mitsubishi participated actively in the AICO arrangements through completely-knock-down packs (table 3.18). These affiliates produced and exchanged auto parts among themselves, which involve two or more ASEAN countries producing different automotive models in different locations for local market consumption, or intra-regional trade and for exports outside the region. Companies that produced automotive parts and components such as Denso, Sanden, Kayama Engineering, Mitsubishi Electric, Asahi Glass Corporation, Hino and indigenous ASEAN firms added to the increase in regional production networks through their participation in the AICO arrangement. In the electrical and electronics industry, companies such as Sony, Matsushita, TM Air Conditioning, Samsung and Panasonic utilised AICO arrangements.

While the impact of AICO arrangements has not involved a wide range of industries, it has nevertheless within a short time span contributed to shaping stronger regional production networks involving TNCs, in particular in the automotive industry. It must be emphasized that the 0-5% tariff level under AFTA has also created an environment encouraging many TNCs to adopt a regional production network operation, to benefit from scale economies or production complementarities more efficiently. The intensity of automotive production networks in ASEAN has also helped the region emerge as an automotive hub that links the region into GVCs controlled by many leading global automotive companies. This is evident from increases of exports of auto CKD and parts and components within ASEAN and from ASEAN to different parts of the world.

Table 3.18. Selected companies participating in AICO arrangement, as of January 2011

Company	No. of AICO arrangements	Product category	Participating countries
Universal Integrated Corporation Consumer Products Pte. Ltd & PT Indo Sukses Makmur	2	Consumer Products (detergent)	Indonesia, Singapore
Sanden	1	Automotive components	Singapore, Thailand
Denso	12	Automotive components	Indonesia, Malaysia, Philippines, Thailand
Toyota	38	Automotive CKD pack	Indonesia, Malaysia, Philippines, Thailand
Honda	51	Automotive CKD pack	Indonesia, Malaysia, Philippines, Thailand
Volvo	8	Automotive CKD pack	Malaysia, Thailand
Sony	2	Electronics	Singapore, Thailand, Viet Nam
Thai Steel Cable/Armstrong	1	Automotive components	Malaysia, Thailand
Clipsal/Bowden	1	Electrical	Indonesia, Malaysia
Isuzu	2	Automotive CKD pack	Indonesia, Philippines, Thailand
Yanmar	1	Agriculture machinery	Indonesia, Thailand
Matsushita	2	Electronics	Indonesia, Malaysia, Thailand, Philippines
Nissan	6	Automotive CKD pack	Indonesia, Malaysia, Thailand, Philippines
Nestle/Goya	5	Food processing	Indonesia, Malaysia, Thailand, Philippines
Ford	2	Automotive CKD pack & CBU	Philippines, Thailand
Mistubishi Electric/Lippo Melco	3	Automotive components	Indonesia, Philippines, Thailand
Showa	1	Automotive components	Indonesia, Thailand
Mitsubishi	2	Automotive CKD pack	Indonesia, Philippines, Thailand
Asahi Glass	1	Safety glass	Philippines, Thailand
Daihatsu	1	Automotive CKD pack	Indonesia, Malaysia
Mistuba	1	Automotive components	Philippines, Thailand
Yamaha	1	Automotive CKD pack	Indonesia, Malaysia
Samsung	1	Electronics	Malaysia, Viet Nam
Hino	3	Automotive CKD pack	Indonesia, Malaysia, Thailand
Titan	1	Petrochemical	Malaysia, Indonesia

Source: ASEAN Secretariat.

While AICO's life span was limited, it was intended to be an interim scheme to bridge the tariffs reduction process under the previous CEPT scheme for AFTA. It has nevertheless encouraged firms to participate in regional production networks within ASEAN.[18] With the internal tariff under AFTA now at 0% for 98.6% of the 98,176 tariff lines, the challenge is to identify an arrangement similar to AICO that can encourage more firms in a wider range of industries to undertake network productions or value chains across the region.

3.7 ASEAN: Increasingly an important player in global value chains

ASEAN today is a major player in global supply or value chains in an increasing number of product categories and industries. The region is the world's biggest exporter of a number of product categories (table 3.19).[19] These products include, for instance, electronics, automotive, business process outsourcing, textiles and garments. TNCs played an important role in helping ASEAN achieve this global status. They helped ASEAN countries generate exports, employment and contribute to industrial development and contract manufacturing activities.

FDI and TNCs are instrumental for developing a number of world class industries in ASEAN.

TNCs have played a role in putting ASEAN countries on the world map for an increasing number of product categories and industries. ASEAN is increasingly a location choice for many world class companies and with them the region participates actively in various global value chains. In 2011, ASEAN was the biggest exporter of electronic integrated circuits, computer data storage, transistors, magnetic equipment for sound recording, telephone sets, cameras, cathode-ray tube monitors, parts and components for auto brake system, frozen shrimps and prawns, rubber gloves, natural rubber, rubber sheets, palm oil and milled rice. TNCs, including from ASEAN, contributed to developing the region into a major global supply chain of these and other product categories.

Electronics

In the electronics industry, ASEAN remains an attractive location for FDI in the assembling and manufacturing of electronics products and components. Thanks to the operations of many TNCs and contract manufacturing involving local and foreign suppliers, ASEAN is today a major producer and exporter of an increasing range of electrical and electronic products such as air conditioners, refrigerators, camera, rice cookers, computers, integrated circuits, TV and computer key boards including parts and components for the manufacturing of these items.

Hard disk drives

More than 80% of the global disk drive production is in ASEAN, and this is significantly associated with TNCs operating in the region. The world's largest disk drive manufacturers, such as Western Digital, Toshiba, Samsung, Seagate Technology and Intel are present in the region.

The regional presence of hard disk drive (HDD) manufacturers has also helped attract many parts and components TNCs to the region. Many of them operate as contract manufacturers, and also have multi-plants located across the region. These HDD parts and components suppliers with presence in ASEAN include Nidec (manufacturing motors), Minebea (a supplier of HDD spindle motors), Hutchinson Technology and Magnecomp Precision Technology (makers of suspension), Dufu Technology Corporation (spacers and clamps), TDK

18 Given that nearly all the internal tariffs under CEPT-AFTA are 0-5%, there are now few benefits for companies to participate in AICO.
19 Excluding services industries such as tourism and business process outsourcing.

Table 3.19. ASEAN: The world largest supply chain player in a growing number of product categories, 2011

(Billions of dollars)

Product categories	ASEAN Exported value in 2011	WORLD Exported value in 2011	ASEAN share of world export	ASEAN ranking in the world	Remarks
Electronic integrated circuits as processors and controllers, whether	48.8	156.1	31%	1	
Electronic integrated circuits (excl. such as processors, controllers,	44.4	157.0	28%	1	
Natural gas, liquefied	40.1	134.3	30%	2	After Qatar
Technically specified natural rubber (TSNR)	22.8	26.1	87%	1	
Palm oil and its fractions refined but not chemically modified	22.4	25.7	87%	1	
Parts&accessories of automatic data processg machines&units thereof	22.2	124.1	18%	2	After China
Computer data storage units	21.1	72.1	29%	1	
Palm oil, crude	12.9	14.8	87%	1	
Coal nes, whether or not pulverised but not agglomerated	10.5	14.5	72%	1	
Parts of electronic integrated circuits and microassemblies	9.8	17.6	56%	1	
Parts and accessories of printers, copying machines and facsimile mach	8.2	63.8	13%	2	After Japan
Rice, semi-milled or wholly milled, whether or not polished or glazed	8.1	18.5	44%	1	
Natural rubber in smoked sheets	5.1	5.3	95%	1	
Shrimps and prawns, frozen, in shell or not, including boiled in shell	4.7	13.1	36%	1	
Transistors, other than photosensitive transistors, nes	4.2	14.9	28%	1	
Gloves nes of rubber	4.2	5.2	80%	1	
Footwear, outer soles of rubber/plastics uppers of leather, nes	4.0	28.8	14%	2	After China
Coffee, not roasted, not decaffeinated	4.0	26.2	15%	2	After Brazil
Parts of electrical machines & apparatus havg individual functions,nes	3.7	11.5	32%	1	
Veg fats &oils&fractions hydrogenatd,inter/re-esterifid,etc,ref'd/not	3.3	6.0	55%	1	
Air conditioning machines window or wall types, self-contained	3.3	13.7	24%	2	After China
Magnetic media for the recording of sound or of other phenomena (excl.	3.3	7.4	44%	1	
Units of automatic data processing equipment nes	3.2	21.1	15%	2	After China
Parts of mounted piezo-electric crystals and semiconductor devices	3.0	7.5	40%	1	
Natural rubber latex, whether or not prevulcanised	2.9	3.7	79%	1	
Machines which only perform one of the functions of printing, copying	2.9	18.1	16%	2	After China
Shrimps and prawns,prepared or preserved	2.8	5.5	51%	1	
Semiconductor devices, nes	2.2	6.1	36%	1	
Footwear, outer soles/uppers of rubber or plastics, nes	2.1	21.7	10%	2	After China
Frozen fish fillets (excl. swordfish and toothfish)	2.1	13.9	15%	2	After China
Palm kernel or babassu oil, crude	2.0	2.3	88%	1	
Video recording or reproducing apparatus nes	1.8	15.5	12%	2	After China
Monolithic integrated circuits, digital (excl. cards incorporating an	1.7	1.7	100%	1	
Parts for diesel and semi-diesel engines	1.5				
Mens/boys shirts, of cotton, not knitted	1.4	12.5	12%	2	After China
Automatic data processing equipment nes	1.3	6.6	19%	1	
Telephone sets (excl. line telephone sets with cordless handsets and t	0.9	4.1	22%	1	
Electronic integrated circuits, monolithic, analogue or analogue and d	0.9	0.9	100%	1	
Refrigerators, household type, compression-type	0.9	4.7	18%	2	After China
Air or gas compressors, hoods	0.8				
Microwave ovens	0.8	4.2	18%	2	After China
Brake system parts nes for motor vehicles	0.7	0.7	100%	1	
Cards incorporating one or more electronic integrated circuits smart c	0.5	4.9	10%	2	After China
Optical instruments for checking semiconductor wafers	0.5	3.0	16%	2	After USA
Loudspeakers, nes	0.5	4.1	12%	2	After China
Vacuum cleaners, incl. dry cleaners and wet vacuum cleaners, with self	0.5	4.0	12%	2	After China
Parts and accessories for photographic cameras	0.4	1.3	30%	1	
Air cond mach nes inc a ref unit&a valve f rev of the cool/heat cycle	0.4	2.5	15%	2	After China
Cathode-ray tube monitors, not incorporating television reception apparatus	0.4	0.6	67%	1	

Source: UNCTAD, based on Comtrade data and ITC database.

(processes and manufactures rare-earth metals and sensors), Furukawa (supplier of coating materials) and many others. Some HDD TNCs are linking their operations in ASEAN as part of their production networks, with marketing functions located in Singapore, R&D activities in the home country and manufacturing operations in a number of ASEAN countries such as in Malaysia, Thailand and the Philippines.

Automotives

ASEAN is also the world's largest exporter and producer of one ton pick-up trucks and a major producer of some other automotive models (section 3.6.1.2). Most global auto firms are in ASEAN and many possess regional production networks in the region, involving local suppliers in the value chains in addition to their own affiliates.

The region is an important part of auto global value chains. The top 10 global auto manufacturers, accounting for about 80% of global production, have a significant presence in ASEAN (table 3.20). Many of them have multiple production facilities across the countries in the region, with various plants located in different ASEAN countries. While many auto companies in the region produce their own CBUs in their facilities in the region, some produce their brands through partnerships and joint venture with local automotive companies. For instance, Naza Motors (Malaysia) assembles Kia Motors and Peugeot vehicles. In addition to production facilities, some of these global auto makers have other subsidiaries in the region covering marketing, sales and distribution, the production of parts and components, and regional headquarters function for ASEAN or the wider Asian economy. Toyota and Hyundai have subsidiaries manufacturing parts and components, supplying members of their respective groups in the region and beyond, as well as to other auto manufacturers operating in the region. Toyota manufactures CBUs in ASEAN for global exports, with parts and components sourced from different parts of the world (including in ASEAN).

Table 3.20. Top 10 global automakers operate in ASEAN, ranked by revenue, 2011
(Billions of dollars; Number of subsidiaries)

Rank	Corporation	Home economy	Global revenues (2011)	Production facilities in ASEAN	Note
1	**Volkswagen**	Germany	236.2	Malaysia, Indonesia	The company also operates through local partners in Malaysia and Indonesia.
2	**Toyota**	Japan	235.8	Indonesia, Malaysia, Thailand, Philippines, Viet Nam	Has 8 production facilities and other non-manufacturing subsidiaries in the region.
3	**General Motors**	United States	150.1	Indonesia, Thailand, Viet Nam	Has 3 production facilties and non-manufacturing subsidiaries in the region.
4	**Daimler**	Germany	149.0	Indonesia, Philippines, Malaysia, Thailand, Viet Nam	Has 7 production facilities and non-manufacturing subsidiaries (including a regional headquarters in Singapore) in the region.
5	**Ford**	United States	133.3	Thailand, Philippines, Malaysia, Viet Nam	Has 4 production facilties and non-manufacturing subsidiaries in the region.
6	**Nissan**	Japan	119.3	Thailand, Indonesia, Malaysia, Philippnes, Viet Nam	Has 8 production facilities and other non-manufacturing subsidiaries in the region.
7	**Fiat**	Italy	105.4	..	The company is present in ASEAN through partnership with local and external partners.
8	**Honda**	Japan	100.8	Indonesia, Philippines, Malaysia, Viet Nam, Thailand	Has 10 production facilities and non-manufacturing subsidiaries in the region.
9	**Bayer Motoren WK (BMW)**	Germany	96.7	Indonesia, Malaysia, Thailand	Has 3 production facilties and non-manufacturing subsidiaries in the region, and other operations through partnership with local partners.
10	**Peugeot**	France	78.1	Indonesia, Thailand, Malaysia	Has 3 production facilties and non-manufacturing subsidiaries in the region, and other operations through partnership with local partners.

Sources*: UNCTAD, Bloomberg and companies' websites.*

Aside from the top 10 global auto makers, other major auto companies such as Hyundai, Suzuki, Mazda, Mitsubishi, Dongfeng and Tata Motor have operations in ASEAN.

The impact of automotive FDI and TNCs on the major ASEAN countries are noticeable in terms of employment, exports and the development of the industry. For instance, in the case of Thailand, there are about 2300 auto parts and component firms, some 58% of them are locally owned – a majority of which operate in Tier 2 and 3 of the parts and components category.[20] The other 42% are foreign owned companies with production facilities concentrated in Tier 1 auto part production or in joint venture with local partners. Assemblers are dominated by global auto companies, such as Toyota, Ford and Honda. The auto assembling is done by 17 firms, involving 23 factories and generating some 100,000 direct jobs.[21] Overall, the 2300 auto part manufacturing firms also generate some 450,000 jobs, with a further 100,000 associated with supporting industries.

The presence of many major auto manufacturers has also attracted many of their TNC suppliers to establish operations in the region so as to operate close to the former and in an industry that is rapidly growing. Local companies have also emerged as contract manufacturers, establishing business linkages with TNCs, increasing productive capacities and contributing to strengthening the region's automotive supporting industry.

Table 3.21. Top 10 global auto parts and components manufacturers are significantly present in ASEAN, ranked by revenue, 2011
(Billions of dollars)

Rank	Corporation	Home economy	Global revenues (2011)	Selected major production bases in ASEAN	Note
1	**JOHNSON CONTROLS**	United States	42.4	Indonesia, Malaysia, Philippines, Thailand	Has 4 manufacturing subsidiaries and many other non-manufacturing operations in the region, including a regional office based in Singapore.
2	**DENSO CORP**	Japan	40	Thailand, Indonesia, Malaysia, Philippines, Viet Nam	Has 15 manufacturing subsidiaries in ASEAN. Operates multiple production facilities in at least 5 ASEAN countries and many other non-manufacturing subsidiaries in the region, including a regional headquarter for Asia and Oceania for aftermarket products located in Singapore and a regional headquarter for Asia and Oceania for engineering services, design, testing and R&D based in Thailand.
3	**MAGNA INTERNATIONAL**	Canada	29.6	Thailand	Has production facilities in 1 ASEAN country and other non-manufacturing subsidiaries in the region.
4	**AISIN SEIKI CO**	Japan	29.2	Thailand, Indonesia	Has 14 production facilities and many other non-manufacturing subsidiaries in the region. ASEAN accounted for at least 20% of the group's subsidiaries.
5	**SUMITOMO ELECTRIC**	Japan	26.1	Malaysia, Philippines, Cambodia, Thailand, Indonesia, Viet Nam	Has many production facilities and other non-manufacturing subsidiaries in the region. ASEAN is host to some 20% of the group's subsidiaries.
6	**HYUNDAI MOBIS**	Republic of Korea	23.8	Malaysia	..
7	**FAURECIA**	France	22.5	Thailand	Has 2 production facilities in ASEAN.
8	**ASTRA INTERNATIONAL**	Indonesia	20.2	Indonesia	Has 24 manufacturing facilities with a majority of them located in Indonesia. The company also has non-manufacturing subsidiaries and joint-venture partners with other auto makers operating in the region.
9	**TOYOTA INDUSTRIES**	Japan	19.6	Indonesia, Viet Nam	Has 2 manufacturing facilities and non-manufacturing subsidiaries in ASEAN.
10	**TRW AUTOMOTIVE**	United States	16.3	Malaysia, Thailand	Has a number of manufacturing facilities, regional heardquarter in Thailand and non-manufacturing subsidiaries in ASEAN.

Sources: UNCTAD, Bloomberg and companies' websites and annual reports.

20 See Achana Kimpaitoon, "A path of Thai auto parts manufacturers towards ASEAN Economic Community" 21 June 2012 (https://webapp.reedtradex.co.th/enews/me12epostshow/image/achana_automotive.pdf).
21 Ibid.

The top 10 global auto parts and components manufacturers have a significant presence in ASEAN (table 3.21). Many of these companies are also major global contract manufacturers for the automotive industry (WIR 2011). They have multiple subsidiaries, manufacturing and non-manufacturing, located in ASEAN to service the region's rapidly expanding auto industry and consumer market. Some companies produce parts and components to service members of the same group, and others to service major auto customers in the region (including for exports and aftersales markets). Major auto parts and components manufacturers such as Denso (table 3.22), Delphi, Valeo, Lear, GKN, NSK, Calsonic Kansei and JTEKT have multiple production plants located across ASEAN.

Textiles and garments

In textiles and garments, major brands such as Nike, Adidas, H&M, Target, and Marks and Spencer have links with the region in countries such as Cambodia, Indonesia and Viet Nam. While some of these global companies do not own factories in the region, they utilise contract manufacturing directly or through a third-party. For instance, garment production is a major export industry in Cambodia, generating more than 350,000 employments in 2011. A majority of the firms in the industry are foreign owned with investors from ASEAN and other Asian economies.

Similarly, TNC presence in the industry has helped put Viet Nam on the world map. Viet Nam is today a major garments, textiles and footwear exporter with TNCs operating directly or as contract manufacturers in the country. The industry is dominated by these TNCs, which have helped provide market access and export revenues. The textiles and garments industry is significant to the Vietnamese economy. It is the country's second largest in terms of export revenues and employs 2 million people, many in foreign affiliates or garment contract manufacturers working for TNCs. Some major brands such as Columbia, Gap, H&M, LL Bean, Nike and Wal-Mart source through their agents from Viet Nam.[22]

The garments, textiles and footwear manufacturing industry is also important in other ASEAN countries in terms of employment generation, gender development and export revenues. For instance, there are more than 200 Korean owned garment factories in Indonesia supplying to major brands.[23] These represent more than 60% of the total number of garment factories in the country that supply to the export markets. Some major companies in this industry, such as Hansae, Pan-Pacific and ShinSung TongSang, have a number of factories located in different parts of Indonesia.

22 ILO, "Viet Nam: Serving markets and workers", Report, 20 July 2011 (http://www.ilo.org/global/about-the-ilo/press-and-media-centre/insight/WCMS_184914/lang--en/index.htm).
23 ILO, "Indonesia – Korea to promote responsible business practices and CSR", Press Release, 3 July 2012 (http://www.ilo.org/jakarta/info/publics/pr/WCMS_184600/lang--en/index.htm).

Table 3.22. Denso operates in ASEAN with 15 manufacturing subsidiaries and multiple production facilities across the region, 2012

Name of subsidiary	Host country	Types of operations: Manufacturing	Types of operations: Sales	Types of operations: Regional Headquarters	Types of operations: R&D and Design	Employment	Ownership (%)
Denso International Asia Pte. Ltd	Singapore			Asia and Oceania for sale and aftermarket products.		75	100
Denso International Asia Co. Ltd	Thailand			Asia and Oceania for engeneering services, design, testing and R&D.		245	100
Denso (Thailand) Co. Ltd	Thailand	Manufacture electrical automotive components, car air conditioners, magnetos and spark plugs.				3124	51.3
Denso Tool & Die (Thailand) Co. Ltd	Thailand	Manuafcture and sale of dies and jigs for automotive equipment.				124	100
Siam Denso Manufacturing Co. Ltd	Thailand	Manufacture fuel injection system products.				2475	90
Toyota Boshoku Filtration System	Thailand	Manufacture oil filters				882	40
Denso Sales (Thailand) Co. Ltd	Thailand		Sale of automotive components in Thailand.			121	100
Anden (Thailand) Co. Ltd	Thailand	Manufacture relays and flashers.				181	100
Siam Kyosan Denso Co. Ltd	Thailand	Manufacture fuel pump modules.				508	100
P.T. Denso	Indonesia	Manufacture and sale of car air conditioners, radiators, spark plugs and filters.				1492	68.3
PT Denso Sales Indonesia	Indonesia		Sales of automotive components.			107	100
PT TD Automotive Compressor Indonesia	Indonesia	Manufacture of compressors for car air conditioners.				321	20
PT Asmo Indonesia	Indonesia	Manufacture of power window regulator motors.				2480	100
PT Hamaden Indonesia Manufacturing	Indonesia	Manufacture horns.				161	100
Denso (Malaysia) Sdn Bhd	Malaysia	Manuafcture and sale of electrical automotive components, car conditioners, engine ECUs, and programmable logis controller units.				1235	72.7
Nippon Wiper Blade (M) Sdn Bhd	Malaysia	Manufacture wiper arms and wiper blades.				779	93.3
Philippine Auto Components, Inc	Philippines	Manufacture and sale of instrument clusters and car air conditioners.				1153	100
Denso Techno Philippines, Inc	Philippines				Design and development of software.	153	100
Denso Manufacturing Vietnam Co. Ltd	Viet Nam	Manufacture and sales of air flow meters, VIC actuators, and other engine-related products.				1792	95
Hamaden Vietnam Co. Ltd	Viet Nam	Manufacture automotive sensors and solenoid valves.				323	100
Total Employment in ASEAN						17731	

Source: Company's website (http://www.globaldenso.com/ en/aboutdenso/globalnetwork/groupcompanies/asia_oceania/index.html).

CHAPTER IV

THE RISE OF ENTERPRISE REGIONALIZATION AND INTERNATIONALIZATION FROM ASEAN

4.1 Introduction

A key feature of the changing FDI landscape in ASEAN is the recent rapid growth in enterprise regionalization and internationalization (Chapter 3). ASEAN companies are today investing abroad and in the region to a greater degree than in the past. This new wave is expected to continue, driven by regional integration, corporate strategies and strong support from national governments.

Enterprise regionalization and internationalization highlights the increasing maturity of ASEAN companies, which both aspire, and are able, to expand beyond their national borders. The list of ASEAN companies or ASEAN TNCs going abroad is expanding and many more are giving greater attention to emerging opportunities in the region. These companies are investing or taking steps to strengthen their regional presence, so as to benefit from stronger regional integration when the ASEAN Economic Community (AEC) is fully realized. Common motives for outward FDI (OFDI) by ASEAN companies include market- and efficiency-seeking strategies, as well as the desire to access resources and strategic assets, develop and exploit brand reputation, exploit network relationships and benefit from emerging business opportunities arising from regional integration.

OFDI by companies from ASEAN involves a wide range of firms in terms of size, type, industry and aspiration. They include large public listed companies, State-owned enterprises (SOEs), Government linked companies (GLCs) and SMEs. Some enterprises already have the capacity and capabilities to venture abroad, but others have little choice because of factors such as a small home market, or limited amounts of land and labour. Some of these companies have started from humble beginnings, as contract manufacturers or SMEs, and grew to become sizeable, formidable enterprises at home with capabilities that subsequently leading them to internationalise. Some evolved from national champions or leading public listed corporations that have significant investments in the region and aspire to establish a greater global footprint. Increasing costs at home has also pushed many companies to venture abroad.

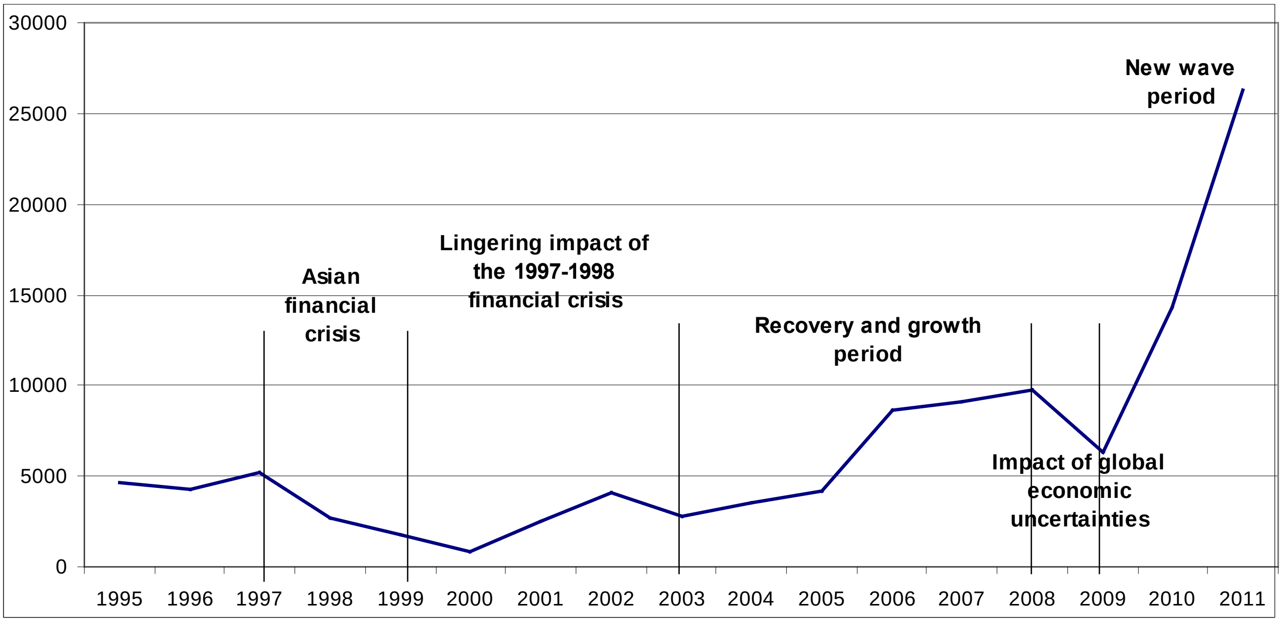
Regional integration and the corresponding increase in business and investment opportunities in ASEAN have encouraged and inspired many to be regional players or increase their presence across the region. Some already have significant presence in the region and are now aspiring to become global players in the industry in which they operate. Whatever their reasons or backgrounds, these ASEAN companies, by investing in the region, play an important role in strengthening regional integration through their presence in other ASEAN countries, which helps to bolster trade, investment and production ties. When these companies internationalise beyond ASEAN, they help the region better integrate into the global economy through participation in global value or supply chains.

The rise in enterprise regionalization or internationalization by ASEAN companies reveals an increasing maturity and expansionary strategy of ASEAN’s firms. But not all ASEAN countries possess a large pool of mature companies that are willing and able to internationalise or go regional. Nevertheless, the growth in the number of such companies is expected to increase as more companies adopt a regional business stance in anticipation of AEC. This also includes many SMEs.

4.2 Rise of enterprise regionalization

Intra-regional investment has been increasing steadily on an annual basis since 2003, with a dip experienced in 2009 because of concerns over the global economic outlook (figure 4.1). ASEAN companies, having built up financial resources and recovered from the impact of the 1997-1998 financial crisis, are investing more actively now in the region and abroad than in the past.

Figure 4.1. Rapid growth in intra-ASEAN investment flows, 1995-2011
(Million of dollars)



Sources: ASEAN Secretariat, ASEAN FDI database and UNCTAD, FDI database.

2011 witnessed a strong rise in intra-regional investment to $26.3 billion – the highest ever in the history of intra-ASEAN investment. Strong cross-border M&A purchases also contributed to the record figure as did a growing desire by ASEAN companies to invest and expand in the region for various reasons (section 4.2.3).

This rise in intra-regional investment contributed to the significant increase in FDI inflows to the region. While intra-regional investment accounted for 23% of total inflows in 2011; this took place against the backdrop of record inflows in ASEAN's FDI history. However, intra-ASEAN investment as a percentage of outward FDI flows was much higher (exceeding 40%) in the same year.

Annual average intra-regional investment between 1995 and 1997 (pre-financial crisis period) was only $4.7 billion and $2.4 billion between 1998 and 2002 (financial crisis and impact period), compared with $6.3 billion in 2003-2008 (recovery and growth period) and $20.3 billion in 2010-2011 (new wave period) (figure 4.1). The wave presently taking place is encouraged by a stronger level of regional integration development than was the case in the 1990s and 2000s.

The recent surge in intra-regional investment differs from that in the early 1990s, and in the period between 2003 and 2008, in terms of nature, environmental setting, magnitude and share of OFDI flows. The latest wave is more significant in light of the rapid growth of OFDI by ASEAN TNCs, and is expected to remain resilient because of growing capacity and an increasing pool of companies in ASEAN willing and able to be regional players.

The rapid rise in intra-regional investment by companies from ASEAN is also changing the region's FDI landscape in terms of investment sources, players, FDI trends and dynamics of the region.

4.2.1 Trends in intra-regional investments

Intra-regional investment was dramatically affected by the 1997-1998 Asian financial crisis, which saw intra-ASEAN investment plummeted to as low as $853 million in 2000 (table 4.1). Economic and business uncertainties, exposure to significant currency risks including a considerably reduced balance sheet and financial position of companies in ASEAN were the key reasons for the downturn. Companies in the region continued to feel the impact of the crisis throughout the early part of the 2000s. Intra-regional investment only started to recover from 2006 (i.e. exceeding the earlier peak of $5.2 billion in 1997).

Table 4.1. Intra-ASEAN investment flows, by host country, 1995-2011

(Millions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1995-2011
Intra-ASEAN investment	**4,654.4**	**4,271.8**	**5,235.7**	**2,730.8**	**1,784.2**	**853.0**	**2,541.4**	**4,084.9**	**2,831.1**	**3,516.6**	**4,210.6**	**8,641.9**	**9,113.0**	**9,728.9**	**6,300.2**	**14,322.7**	**26,270.7**	**111,091.8**
Brunei Darussalam	311.3	353.1	384.9	247.2	4.3	10.6	10.6	21.2	36.0	19.1	19.6	9.8	62.1	0.9	3.1	89.5	67.5	1,650.7
Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	37.2	8.5	19.9	31.9	129.2	155.5	271.2	240.9	174.0	349.0	223.8	1,641.2
Indonesia	608.9	193.3	272.5	-38.4	-427.8	-232.6	-221.3	1,296.6	383.5	204.2	883.3	1,353.9	1,108.2	3,398.0	1,380.1	5,904.4	8,338.2	24,405.0
Lao PDR	6.5	102.6	64.4	28.3	31.4	13.7	3.1	2.9	3.0	7.8	6.7	10.6	100.4	47.7	57.3	135.4	54.0	675.6
Malaysia	1,676.5	1,475.8	2,261.5	469.9	536.0	258.1	80.0	0.0	251.1	980.2	720.9	461.6	3,780.1	1,645.5	-60.2	525.6	2,664.3	17,727.0
Myanmar[1]	96.7	228.6	323.3	153.9	41.2	74.0	67.4	25.1	24.3	9.3	38.4	71.0	93.5	103.5	67.8	171.7	0.0	1,589.6
Philippines	241.6	74.9	142.9	106.9	105.8	125.4	199.0	87.4	175.4	71.1	3.4	705.4	-705.1	307.8	-4.9	40.2	-107.0	1,570.2
Singapore[2]	1,165.1	1,206.7	941.6	794.6	632.1	12.3	413.3	1,034.3	777.2	1,261.5	1,143.1	1,065.6	1,366.8	771.2	2,791.1	4,569.0	13,213.4	33,158.8
Thailand	160.6	308.1	297.5	569.6	572.0	389.0	1,710.7	1,408.3	1,060.4	688.7	1,101.3	4,626.5	2,489.4	508.4	1,463.2	1,236.9	317.1	18,907.8
Viet Nam	387.3	328.7	547.2	398.7	289.3	202.4	241.5	200.4	100.4	242.9	164.7	182.0	546.3	2,705.0	428.7	1,300.9	1,499.4	9,765.7

Notes:

1. Myanmar's fiscal year starts on 1st April and ends on 31st March of the following calendar year. Data for 2011 is not available.
2. Singapore's data for 2011 excludes inter-company loans as geographical and industry breakdown are presently not available. Inter-company loans with intra-/extra-ASEAN breakdown for 2011 shown are estimated by the ASEAN Secretariat.

Source: ASEAN Secretariat, ASEAN FDI database (extracted on 30 September 2012).

In 2012, more companies in ASEAN expressed a strong interest to expand or invest in the region because of increasing investment opportunities and promising regional prospects and benefits associated with the AEC, including the perceived benefits of FTAs with major partner countries such as China, India, Republic of Korea, Japan, Australia and New Zealand (Chapter 2).[24]

A few countries dominate as host locations to intra-regional investment. Singapore and Indonesia were the two largest recipients between 1995 and 2011. They together accounted for about 52% of total intra-regional investment flows. Thailand and Malaysia respectively ranked third and fourth major recipients of intra-regional investment, followed by Viet Nam. These five ASEAN countries accounted for some 93% of intra-regional investment flows in the same period.

A significant percentage of OFDI from ASEAN countries is within ASEAN. More than 35% of Thai OFDI flows between 2006 and 2011 and about 40% of Malaysian OFDI flows in 2008-2011 are intra-regional. Nearly one-quarter of Singapore OFDI stocks in 2010 are in ASEAN. A significant proportion of OFDI from Viet Nam is in Cambodia and Lao PDR. About 33% of FDI flows into Cambodia and 25% in Lao PDR between 2008 and 2011 are from ASEAN.

Intra-regional investment is concentrated in three key sectors -- manufacturing, real estate and finance -- which together accounted for at least 65% of total intra-ASEAN investment in the period 2002-2011 (table 4.2).

24 "Thai banks expand networks ahead of ASEAN integration", The Nation, 7 January 2013 (http://www.asianewsnet.net/Thai-banks-expand-networks-ahead-of-Asean-integrat-41027.html); "AEC: Opportunities, challenges lie ahead", The Nation, 7 May 2012 (http://www.nationmultimedia.com/business/Opportunites-challenges-lie-ahead-30181409.html); "ASEAN offers firms chance to expand", Bangkok Post, 22 November 2012 (http://www.bangkokpost.com/business/economics/322468/asean-offers-firms-chance-to-expand); "Maybank steadily building pan-ASEAN business", Bangkok Post, 21 January 2013 (http://www.bangkokpost.com/business/news/331868/maybank-steadily-building-pan-asean-business).

Table 4.2. Intra-ASEAN investment flows, by industry, 2002-2011
(Millions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-2011
Agriculture, fishery and forestry	175.1	78.9	105.1	29.6	63.3	2,103.3	297.3	101.3	373.6	443.8	3,771.3
Mining and quarrying	145.0	191.4	44.0	37.5	-70.1	718.3	768.2	304.5	608.4	772.1	3,519.2
Manufacturing	3,714.2	-33.1	558.7	1,546.5	1,562.5	2,242.4	3,292.8	871.9	2,801.5	5,926.2	22,483.6
Construction	-22.0	119.9	8.5	50.8	186.1	444.0	828.9	136.1	56.6	332.7	2,141.4
Trade/commerce	870.6	812.5	449.4	72.7	176.1	-232.6	939.2	-204.0	1,637.2	2,488.3	7,009.4
Finance	1,189.6	377.7	-146.5	654.6	2,826.6	2,426.7	2,348.2	1,546.2	2,889.1	2,709.6	16,821.8
Real estates	847.9	788.6	1,398.2	627.4	958.5	816.8	1,511.6	3,085.8	3,750.1	3,937.0	17,721.9
Other services	263.7	160.7	198.9	1,075.2	491.7	866.2	-630.8	294.8	2,202.2	302.0	5,224.7
Others (Not Elsewhere Classified)	-3,926.1	37.7	238.5	-53.8	1,543.7	176.4	205.9	193.3	20.0	99.9	-1,464.6
Unspecified				158.3	903.8	-448.6	167.5	-29.6	-16.0	9,259.1	9,994.5
Total	3,257.9	2,534.2	2,854.8	4,198.8	8,642.1	9,113.0	9,728.9	6,300.2	14,322.7	26,270.7	87,223.2

Note: Unspecified refers to data where details breakdown by industry are not available.

Sources: ASEAN Secretariat, ASEAN FDI database and UNCTAD, FDI database.

Singaporean and Malaysian companies dominated in intra-regional investments, in particular in finance and real estate. Among the top 10 ASEAN banks, all of them have a presence or are planning to strengthen their presence across the region (table 4.3). Banking groups such as CIMB, Maybank from Malaysia and DBS, UOB, OCBC from Singapore have been actively investing and expanding across ASEAN. Among the top Thai banks, only Bangkok Bank has an extensive regional reach. However, many Thai banks are expanding or planning to expand their operations in ASEAN in anticipation of a surge in Thai OFDI in the region because of AEC.[25] Krungthai Bank and Kasikorn Bank have each established an operation in Myanmar recently. Malaysian Hong Leong Bank has also done the same. Other ASEAN banks that are not in the top 10 list also have operations in other ASEAN countries such as Bank Central Asia (Indonesia). Some other banks such as Public Bank (Malaysia) and Siam Commercial Bank (Thailand) have also recently expressed interest in strengthening their foothold regionally because of market potential and economic integration.

Table 4.3. Top 10 ASEAN banks with significant regional presence, by assets, 2012
(Millions of dollars)

Bank	Total assets[1]	Market Cap[1]	Home country	Operations in selected ASEAN countries[2]
DBS Group	294.2	29.5	Singapore	Indonesia, Malaysia, Thailand, Philippines, Viet Nam
OCBC	235.2	27.0	Singapore	Brunei Darussalam, Indonesia, Malaysia, Thailand, Viet Nam
United Overseas Bank	198.6	24.9	Singapore	Brunei Darussalam, Indonesia, Malaysia, Myanmar, Philippines, Thailand, Viet Nam
Malayan Banking	155.7	25.0	Malaysia	Brunei Darussalam, Cambodia, Indonesia, Myanmar, Philippines, Singapore, Thailand, Viet Nam
CIMB Group	105.0	18.5	Malaysia	Brunei Darussalam, Cambodia, Indonesia, Philippines, Singapore, Thailand, Viet Nam
Public Bank	88.2	18.3	Malaysia	Cambodia, Lao PDR, Viet Nam
Bangkok Bank	76.6	11.9	Thailand	Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Viet Nam
Siam Commercial	70.5	19.5	Thailand	Cambodia, Lao PDR
Krung Thai Bank	67.9	8.5	Thailand	Cambodia, Lao PDR, Singapore
Kasikorn Bank	65.1	15.4	Thailand	None, but plans to enter Cambodia, Lao PDR and Myanmar soon.

Notes: [1] Data relates to 2011. [2] includes branches.

Sources: UNCTAD, FDI database; Bloomberg and companies' websites.

25 "Thai banks expand networks ahead of ASEAN integration", The Nation, 7 January 2013 (http://www.asianewsnet.net/Thai-banks-expand-networks-ahead-of-Asean-integrat-41027.html

When banks from ASEAN countries expand regionally, they encourage their service providers to do so too. For instance, SMEs such as GHL (Malaysia) ventured into Philippines, Singapore and Thailand (and is planning to enter Indonesia and Viet Nam) to follow bank customers that have done so. GHL provides solution to banks in hardware and software support in electronic payment system.[26]

In real estate, property developers from various ASEAN countries contributed to the steady growth in intra-regional real estate investment and development. They include, **Malaysia**: IOI, SP Setia, Glomac, UEM Group, Sime Darby, IJM Group, IGB Group, Lion Group; **Singapore**: City Development, CapitaLand, Keppel, United Overseas Land, GuocoLand Limited[27] , Hotel Properties Limited[28] and Far East Organisation Group; **Indonesia**: Lippo Group and Ciputra; **Thailand**: Preuksa Real Estate and Sansiri; and **Philippines**: Ayala Group.

All the top 10 Singapore corporate brand names have a strong presence in ASEAN (table 4.4). The top 20 Malaysian corporate brand names also have operations across the region (table 4.5).

Many major ASEAN companies operating in extractive industry have invested heavily in the region, as well as in other resource rich countries and regions as far afield as Africa, Canada and Australia. The need to secure natural resources does not limit their geographical reach. These companies include Petronas (Malaysia), Lion Group (Malaysia), PTT (Thailand), Banpu (Thailand), Lanna Resources (Thailand), Bumi Resources (Indonesia), Petron Corporation (Philippines) and Medco Energi (Indonesia).

Table 4.4. Singapore: Top 10 corporate brands with operations in ASEAN, 2012
(Billions of dollars)

Rank	Company[1]	Industry/business	Brand value	Total assets		Operations in selected ASEAN countries
1	Singapore Airlines	Air Transport	3.2	17.5		Nearly all ASEAN countries.
2	Wilmar International	Agribusiness, oil palm value chain	3.2	39.6		Indonesia, Malaysia, Philippines, Thailand, Viet Nam.
3	DBS Group	Banking, Finance	2.3	294.2	[2]	Indonesia, Malaysia, Philippines, Thailand, Viet Nam.
4	Singapore Telecommunications	Telecommunication	1.7	32.2		Indonesia, Malaysia, Philippines, Thailand, Viet Nam.
5	United Overseas Bank	Banking, Finance	1.6	198.6	[2]	Brunei Darussalam, Indonesia, Malaysia, Myanmar, Philippines, Thailand, Viet Nam.
6	Keppel Corporation	Conglomerates	1.4	24.5		Indonesia, Malaysia, Thailand, Viet Nam.
7	OCBC	Banking, Finance	1.3	235.2	[2]	Brunei Darussalam, Indonesia, Malaysia, Thailand, Viet Nam.
8	Fraser and Neave	Drinks, property, printing and publishing	1.1	11.9		Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Viet Nam.
9	Sembcorp Industries	Energy, water and marine	0.9	9.0		Indonesia, Philippines, Viet Nam.
10	Olam International	Agriculture products and food ingredients	0.6	10.9		Cambodia, Indonesia, Lao PDR, Philippines, Thailand, Viet Nam (Plan to invest in Myanmar soon).

Notes:
1. The following corporate brand names were excluded because they were either a subsidiary of another company or that they are not indigenously Singapore company or the nature of their operations are almost entirely domestic. These corporate brand names include Genting Singapore, which was ranked 4: Great Eastern ranked 9; Asia Pacific Breweries ranked 10 in the Brand Finance 2012 ranking.
2. 2011 figures.

Sources: UNCTAD, FDI database; Bloomberg and Brand Finance.

26 See "GHL plans for expansion in ASEAN, goes for M&As", Star Online, 3 December 2012 (http://biz.thestar.com.my/news/story.asp?file=/2012/12/3/business/12388462&sec=business#1355837681081821&if_height=880).
27 A member of the Hong Leong Group.
28 Runs a number of prestigious hospitaly brands.

Table 4.5. Malaysia: Top 20 corporate brand names with operations in ASEAN, 2012
(Billions of dollars)

Rank in brand values	Company	Industry/business	Total assets	
1	Petronas	Oil and gas	145.5	
2	Genting	Conglomerate, leisure	20.5	
3	CIMB	Banking	105.0	1
4	YTL Corporation	Power, utilities	16.4	
5	Malayan Banking	Banking	155.7	1
6	Sime Darby	Conglomerate	15.3	
7	Public Bank	Banking	88.2	1
8	Tenaga Nasional	Power, utilities	28.4	
9	Malaysian Airline System	Air Transportation	3.9	
10	Digi.Com	Telecommunication	1.5	
11	Telekom Malaysia	Telecommunication	6.7	
12	IOI Corporation	Conglomerate	7.3	
13	Axiata Corporation	Telecommunication	12.8	
14	RHB Capital	Banking, finance	48.1	
15	AMMB Holdings	Banking, finance	36.5	
16	Maxis	Telecommunication	5.9	
17	Berjaya Corporation	Conglomerate	3.4	
18	AirAsia	Air Transportation	1.2	
19	Parkson Holdings	Retail, supermarket	2.5	
20	Plus Expressways	Expressway operation services including design, construction, management, financing, operation, maintenance, and toll collection of expressways and highways.	5.8	

Notes:
1. 2011 figures.
2. Parkson Holdings is a member of the Lion Group, which has operations in a wide range of industries.
3. Plus Expressways is a member of the UEM Group. Ranking of brand names based on brand values.

Sources: UNCTAD, FDI database; Bloomberg and Brand Finance.

Faced with increasing cost pressures at home, many manufacturing companies in Singapore and Malaysia have established production facilities in lower cost neighbouring countries. These companies often operate in labour intensive industry, such as textiles, garments, and electronics. Their need to go abroad to improve competitiveness and to survive is compelling. Thai companies are also increasingly facing similar pressures to invest abroad.

4.2.2 Regional players

Regional players in ASEAN vary in size, financial capacities and other capabilities, which determine their extent of internationalization and regionalization. They can be found in a wide range of industries, from agribusiness, healthcare, food and beverages, mining to construction and property development (table 4.6 and section 4.2).

Large companies and SMEs in ASEAN are investing in the region. The former are more internationalised and have a regional footprint spanning many ASEAN countries. The latter tend to concentrate in fewer ASEAN countries and are more narrowly focused. The lack of financial resources, and to an extent internationalization experience or brand reputation, limits SMEs capacity to have a more extensive regional spread. SMEs in ASEAN are increasing their regional presence, driven by issues compelling them to venture beyond national boundaries. They need to expand their revenue and market base, including gaining access to competitive factors (e.g. low cost labour and production inputs).

Table 4.6. Selected non-bank regional players in ASEAN, 2012

Industry	Companies	Home country	Industry	Companies	Home country
Agriculture &	Wilmar International	Singapore	**Healthcare and**	Bumrungrad	Thailand
Agri business	Olam International	Singapore	**Hospitals**	Bangkok Hospital	Thailand
	Vietnam Rubber Company	Viet Nam		IHH	Malaysia
	Sime Darby	Malaysia		KPJ Healthcare	Malaysia
	IJM	Malaysia		BP Healthcare Group	Malaysia
	IOI Corporation	Malaysia		Thomson Medical[2]	Singapore
	Felda	Malaysia		Singapore Medical Group[3]	Singapore
	Lion Group	Malaysia			
	PBB Group	Malaysia			
	CP	Thailand			
Food and Beverages	S&P	Thailand	**Power, Electricity, Utilities**	YTL	Malaysia
	Thai Beverage	Thailand		Mudajaya Group	Malaysia
	Thai Union	Thailand		IJM	Malaysia
	Thai President Foods	Thailand		Genting	Malaysia
	Jollibee	Philippines		Electricity Generating Company	Thailand
	San Miguel	Philippines		Saha Union	Thailand
	Indomie Sukses	Indonesia		Hyflux	Singapore
	Mayora Group	Indonesia			
	F&N	Singapore	**Extractive**	Petrovietnam	Viet Nam
	Yeo Yiap Seng	Singapore		PTT	Thailand
	BreadTalk	Singapore		Lanna Resources	Thailand
	Bee Cheng Hiang	Singapore		Banpu	Thailand
	RotiBoy	Malaysia		Petron Corporation	Philippines
	Munchy Food	Malaysia		Pertamina	Indonesia
	Old Town White Coffee	Malaysia		Vietmindo Energitama	Indonesia
				Petronas	Malaysia
				Lion Group	Malaysia
Telecommunication	Viettel	Viet Nam	**Construction, Property Development and Infrastructure**	Song Da	Viet Nam
	Axiata	Malaysia		Far East Organisation	Singapore
	Singapore Telecommunication	Singapore		Keppel Construction[4]	Singapore
	Telekomunikasi Indonesia	Indonesia		CDL	Singapore
	Alita Group	Indonesia		United Overseas Land	Singapore
				GuocoLand Limited[5]	Singapore
				SP Setia	Malaysia
Manufacturing	Siam Cement	Thailand		Parkson Holdings[6]	Malaysia
	Banpu	Thailand		IOI Group	Malaysia
	Indorama Venture	Thailand		IJM Group	Malaysia
	VC Fabric	Thailand		Sime Darby	Malaysia
	Saha Union	Thailand		IGB	Malaysia
	Micro Electronics[1]	Philippines		Amata	Thailand
	Flextronics	Singapore		Preuksa Real Estate	Thailand
	Armstrong Industrial	Singapore		Sansiri	Thailand
	Creative Technology	Singapore		Ayala	Philippines
	Chartered Semiconductor	Singapore		Ciputra Group	Indonesia
	Venture Corporation	Singapore		Lippo Group	Indonesia
	Ingress	Malaysia		Semen Gresik	Indonesia
	Hong Leong Group	Malaysia		Sinarmas	Indonesia
	Top Glove	Malaysia			
	Engtek	Malaysia			
	YCL International	Malaysia			
	Globetronics	Malaysia			

1. A subsidiary of the Ayala Group.
2. A company of the Sasteria Group.
3. Through strategic partners, has presence in a number of ASEAN countries.
4. A subsidiary of the Keppel Group.
5. A member of the Hong Leong Group.
6. A subsidiary of the Lion Group.

Source: UNCTAD.

Many ASEAN companies with revenues below $1 billion, as listed in Forbes Asia 200 in 2012, have operations in other ASEAN countries (table 4.7). These companies are headquartered in Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam; and some of them are subsidiaries of a parent company headquartered in another ASEAN country.

Table 4.7. ASEAN SMEs[1] listed in Forbes Asia, 2012
(Millions of dollars)

Name	Country	Sales	Net Income	Market Values[2]
Harum Energy	Indonesia	805.0	161.0	1,603.0
MSM Malaysia Holdings	Malaysia	725.0	83.0	1,148.0
UEM Land Holdings	Malaysia	537.0	95.0	2,802.0
London Sumatra Indonesia	Indonesia	517.0	188.0	2,112.0
Mudajaya Group	Malaysia	425.0	73.0	468.0
Lanna Resources	Thailand	412.0	33.0	279.0
Lian Beng Group	Singapore	411.0	39.0	165.0
SM Development	Philippines	369.0	95.0	1,353.0
Philex Mining	Philippines	349.0	132.0	2,719.0
Hartalega Holdings	Malaysia	304.0	66.0	1,016.0
Resource Alam Indonesia	Indonesia	235.0	50.0	453.0
Xingquan International Sports Holdings	Malaysia	231.0	39.0	85.0
UOA Development	Malaysia	194.0	121.0	548.0
Miclyn Express Offshore	Singapore	175.0	57.0	529.0
Sino Grandness Food Industry Group	Singapore	153.0	23.0	93.0
Kreuz Holdings	Singapore	149.0	26.0	120.0
SKP Resources	Malaysia	137.0	12.0	99.0
DHG Pharmaceutical	Viet Nam	118.0	20.0	187.0
Societe De Bourbon Tay Ninh	Viet Nam	97.0	26.0	107.0
Lam Son Sugar	Viet Nam	96.0	20.0	58.0
Consciencefood Holding	Indonesia	82.0	14.0	54.0
Jaya Agra Wattie	Indonesia	71.0	20.0	150.0
Benalec Holdings	Malaysia	70.0	32.0	293.0
Tecnic Group	Malaysia	66.0	6.0	52.0
Metropolitan Land	Indonesia	60.0	17.0	345.0
Workpoint Entertainment	Thailand	58.0	10.0	218.0
Jasuindo Tiga Perkasa	Indonesia	56.0	9.0	74.0
Tan Binh Import-Export	Viet Nam	50.0	5.0	23.0
Boilermech Holdings	Malaysia	49.0	6.0	63.0
United Palm Oil Industry	Thailand	47.0	12.0	107.0
Digistar	Malaysia	31.0	6.0	30.0
Vietnam Container Shipping	Viet Nam	31.0	9.0	39.0
Mekong Fisheries	Viet Nam	30.0	3.0	12.0
Philweb	Philippines	27.0	21.0	505.0
M-Mode	Malaysia	24.0	4.0	20.0
Master Ad	Thailand	20.0	3.0	27.0
Thanh Nam Construction & Investment	Viet Nam	19.0	2.0	3.0
CBSA	Malaysia	17.0	4.0	27.0
Binh Dinh Minerals	Viet Nam	15.0	4.0	28.0
Sub Sri Thai	Thailand	13.0	13.0	104.0
EA Holdings	Malaysia	12.0	3.0	15.0
Qualitech	Thailand	11.0	3.0	23.0

1. Companies with less than a $ billion revenue. Some of these SMEs are subsidiaries of large companies such as MSM Malaysia Holdings and United Palm Oil Industry (Thailand). Some of these SMEs have parent companies headquartered in another ASEAN countries.
2. Values calculated July 2012.

Source: Forbes Asia, "Asia's 200: Best under a billion".

A survey of some 1507 Singapore-based companies (mostly SMEs) that have overseas operations, or intend to venture overseas, indicated that 75% of them[29] already have presence in other parts of ASEAN; and their outlook for internationalization to ASEAN is strongly positive (IE 2012). Most of the E-50 enterprises of Singapore have a growing presence in ASEAN and China. A majority of them are going abroad to grow and expand. A recent UOB study on Malaysian SMEs concluded that these companies have resources favouring regional expansion.[30]

4.2.2.1 Cases of selected regional players

This section presents some cases and profiles of ASEAN companies that have a significant presence in the region. It also highlights some of the key drivers and motivations of these companies' regionalization or internationalization.

Malaysia

Integrated Healthcare Holdings (IHH)
IHH is a GLC owned by Malaysia's Khazanah Nasional. IHH owns the Parkway Group (Singapore), one of Asia's largest private healthcare providers with a network of 17 hospitals, most of which are in Singapore and Malaysia. The Parkway Group also has operations in Brunei Darussalam and Viet Nam. Outside ASEAN, the Group operates in China, India and Hong Kong (China). In Singapore, the hospitals include Gleneagles and Mount Elizabeth.

Potential for growth and greater revenue are the key reasons for Parkway Group to venture abroad. The reputation and brand names of Parkway hospitals also plays an important role in the group's overseas expansion, as does market opportunities and business potential in target host countries. For IHH, acquisition of the Parkway Group provides a rapid access to strategic assets and networks in established healthcare business.

Lion Group
The Lion Group is involved in the property development, mining, steel, agriculture and computer sectors. It has operations in many countries, which include Cambodia, Indonesia, Singapore, Viet Nam, Sri Lanka, China, United States and Mexico. It owns the Parkson retail group which has retail and mall operations in Cambodia, Indonesia, Viet Nam and China. The Parkson Group had about 107 department stores and outlets in 2012 and 69 of them are overseas. The Group also has mining and plantation operations in Cambodia and Indonesia. In plantation activities overseas, the Group is involved with oil palm, rubber and other commercial crops. In electronics manufacturing services, the Group has production facilities in Singapore and Mexico. The Lion Group employs some 22,000 people worldwide.

Market factors and diversification of its revenue base play an important role in the company's overseas investment, as did access to natural resources, especially in exploration for iron ore. Operating in strategic markets where clients are present influences the Group's overseas investment decision.

Engtek Group
Engtek Group started as a precision engineering manufacturing and technology company. It designs and manufactures quality precision components and assemblies which include hard disk drives, tape drives for data storage and industrial products and devices such as cast engine block and cast components. In addition to Malaysia, the Group's manufacturing facilities span across Thailand, Philippines and China. It also has a presence in Singapore and Hong Kong, China.

29 Representing 91% of the 1507 respondents in the survey.

30 "Malaysian SMEs optimistic about expansion plans", UOB News Release, 25 September 2012.

The Group employs about 5,000 employees and has become a major supplier of hard disk drives and components to major players such as Fujikura, Hitachi, Minebea, Nidec, Sumitomo, Seagate, Toshiba, Western Digital and Samsung.

CIMB

CIMB Group, a GLC, presents itself as a regional universal bank with over 1,110 retail branches network across ASEAN. It has a presence in 17 countries including in Brunei Darussalam, Cambodia, Indonesia, Myanmar, Singapore, Thailand and Viet Nam. Outside the ASEAN region, CIMB is present in China, United Kingdom, United States, India, Sri Lanka, Republic of Korea, Hong Kong (China) and Taiwan Province of China. The Group employs some 42,000 people worldwide.

Going regional helps expand its market base and has been a key driver for the Group's rapid expansion in ASEAN. Regional market potential and regional economic integration are encouraging CIMB to further strengthen its presence across ASEAN. CIMB has been investing abroad through the use of M&As. For instance, it has acquired Bank Thai in Thailand, Bank of Commerce in the Philippines and Bank Niaga in Indonesia.

SP Setia

SP Setia is a home grown property developer with operations and presence in Indonesia, Singapore, Viet Nam, as well as China, United Kingdom and Australia. The company's strategy for sustained growth is by increasing presence in other global cities and in populous nations. SP Setia successful experiences with big township developments and other real estates activities in Malaysia are among the key drivers supporting the company to venture abroad.

Investing abroad has helped the company increase revenues and market base, including land bank for future growth. About 16% of the company's revenues from property development in 2012 came from overseas operations and 11% of the company's land bank is in those countries it has invested.

Top Glove

Top Glove started in 1991 with a single factory manufacturing gloves; today, it has 21 factories in total, with 2 in Thailand and another 2 in China. In Thailand, Top Glove also has 2 latex concentrate plants, which supply 60-70% of the group's requirement. It has recently ventured in rubber plantation through acquisition of PT Agro (Indonesia) in 2012. Top Glove has a presence in Germany and the United States, through sales and marketing offices. The company adopts an integrated business model to increase control of value chains through integration of downstream and upstream operations.

The company has about 25% of the global market share in the glove industry and targets to increase the share to 30% by 2015. Market expansion is key for the growth of the company. Other important factors for going abroad include to increase production capacity, improve cost efficiency and to move upstream into rubber plantation to secure inputs.

Axiata Group (formerly TM International)

Axiata is one of the largest Asian telecommunications companies. Outside of Malaysia it has operations in a number of ASEAN countries including Indonesia, Cambodia, and Thailand; and also possesses significant strategic stakes in companies in Singapore. Outside ASEAN, Axiata also has telecommunications operations in Bangladesh, Sri Lanka and strategic stakes in Indian companies. Market considerations and expansion of its revenue base are important factors for the internationalization drive of the Group.

The Group's mobile subsidiaries and associates operate under the following brands: Celcom in Malaysia, HELLO in Cambodia, XL in Indonesia, M1 in Singapore; and Robi in Bangladesh, Idea in India and Dialog in Sri Lanka. The internationalization strategy of Axiata is focused on high growth low penetration emerging markets. Today, the group has a mobile subscribers of over 200 million users based in Asia. In 2011, the Group generated a total revenue of $5.4 billion employing over 20,000 employees in the Asian region.

Air Asia
AirAsia Group started from humble beginning in Malaysia, expanding from a domestic airline to a recognised international carrier serving more than 55 destinations. It is one of the largest low cost carriers in Asia in terms of fleet size and number of passengers carried. The Group has significant operations and bases across ASEAN, with significant operational hubs in Indonesia, Philippines and Thailand.

Philippines

Jollibee Foods Corporation
Jollibee, headquartered in the Philippines, is a leading fast food chain brand in the country. The company has been expanding rapidly internationally in recent years. It had a total of 2,581 stores worldwide in 2011, employing more than 39,000 people. Outside the Philippines, it has significant international operations in terms of the number of stores in the United States and China. The company also operates in other Asian countries and in the Middle East. In ASEAN, Jollibee has more than 32 stores in Viet Nam and 11 in Brunei Darussalam. The company's vision is to operate over 4,000 stores worldwide by 2020 and to be a global brand name.

In 2012, Jollibee completed the process of purchasing a 50% share of SuperFoods Group in Viet Nam. SuperFoods owns and operates various brands, mainly Highlands Coffee Shops and Packaged Coffee Products in Viet Nam, and the Pho 24 Vietnamese noodle outlets that SuperFoods eventually acquired in January 2012 with restaurants in Viet Nam, Indonesia, Philippines, Cambodia, Hong Kong (China) and Japan.

Integrated Micro-Electronics Inc (IMI)
IMI was established in 1980 and is a subsidiary of the Ayala Group in the Philippines. IMI is a vertically-integrated provider of electronics manufacturing services (EMS) and power semiconductor assembly and test services (SATS). It serves diversified markets that include those in the automotive, industrial, medical, solar energy, telecommunications infrastructure, storage device, and consumer electronics industries. IMI has 17 manufacturing sites worldwide with overseas facilities in Singapore, China, United States, Mexico, Bulgaria and Czech Republic. The company has over 16,000 employees worldwide and generated a global revenue of $575 million in 2011.

IMI international operations expanded rapidly through a series of acquisitions and greenfield facilities. In 2005, it acquired Speedy-Tech Electronics, a Singapore based company, and EMS assets of Saturn Electronics and Engineering.

Through its subsidiaries in different global locations, IMI offers clients vertically-integrated value chains service in EMS and semiconductor assembly and test service facilities. Speedy-Tech Electronics provides EMS and power electronics facilities for operations in Singapore and China. IMI in the United States specializes in new product introduction, advanced manufacturing technologies, and renewable energy solutions. IMI in Japan offers technical, quality assurance, sales and commercial support in a broad range of industries for Japan-based clients. PSi Technologies Inc., another subsidiary of IMI, provides assembly and test services to major semiconductor companies operating in the Philippines, serving niche markets. It provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices.

Singapore

Wilmar International Limited
Wilmar, headquartered in Singapore, is one of Asia's leading agribusiness group. The company's core activities include oil palm cultivation, oilseeds crushing, edible oils refining, sugar merchandising and refining, specialty fats, oleo-chemicals, biodiesel and fertilizers manufacturing, grains processing. In 2011, it generated $44.7 billion revenue worldwide and employed over 90,000 people. More than 70% of this global workforce is in Indonesia and Malaysia. Over 98% of the company's oil palm plantations are in ASEAN (i.e. Indonesia and Malaysia) and about 5% of the company's revenues came from plantations and milling operations, which are concentrated in the region (Chapter 3).

Wilmar's operations in ASEAN span the entire region, with plantations primarily in Indonesia and Malaysia. The company's production and distribution networks extend to the Philippines, Thailand and Viet Nam; while research and development activities are in Singapore, Malaysia, Viet Nam and Indonesia. Processing and refinery operations also take place in Indonesia, Malaysia, Philippines and Viet Nam.

Wilmar's investments in ASEAN are driven and motivated by a combination of factors, depending on the segment of the agribusiness value chain. In general, they include a variety of market-seeking, resource-seeking and efficiency-seeking motives. In plantations, access to land for cultivation, favourable policies and low cost environments are important determinants. Availability of efficient infrastructure that can support high quality processing activities, including proximity to raw materials, influence the location of mills, refinery and processing operations such as in Malaysia and Indonesia. Market growth opportunities, regional integration that facilitates an integrated business model and the need to secure vertical integration of its business value chain, including government incentives has motivated the company to invest and expand in ASEAN.

Far East Organization

Far East Organization is one of the largest private property developers in Singapore. It owns and manages a wide portfolio of real estate, including medical and retail space segments and food and beverages businesses. Through its subsidiaries, Far East Orchard and Yeo Hiap Seng, it has presence in Malaysia in real estate, hospitality services and food and beverages operations. The latter subsidiary has a wide-spread supply chain networks in the region. The group plans to expand into other ASEAN countries in real estate and hospitality services within the next three years.

Far East Hospitality, a division of Far East Orchard, operates a portfolio of hotels and serviced residences in Singapore and Malaysia. This hospitality division plans to expand in a number of ASEAN countries, which include Indonesia, Malaysia, Myanmar, Thailand and Viet Nam. Far East Orchard currently has real estate investments in Kuala Lumpur, Malaysia. Yeo Hiap Seng has production and packaging operations in Malaysia and marketing and distribution outfits in a number of ASEAN countries.

Market factors and investment opportunities play an important role in Far East Organisation's internationalization. Emerging opportunities in ASEAN countries for business expansion is among the key drivers. Geographical proximity and cultural affinity have also influenced the company's investment location in neighbouring countries, including in China. ASEAN's regional integration and rapid growth in the Member States, including the region's tourism industry, have encouraged the company to expand in ASEAN.

Thomson Medical Limited (Singapore)

Thomson Medical Limited is a SME specializing in Obstetrics and Gynaecology, and paediatric services. The Sasteria Group owns Thomson Medical Limited and has a significant interest in TMC Life Sciences in Malaysia, which in turn owns the Tropical Medical Centre in Kuala Lumpur. In 2011, Thomson started a hospital for women and children in Viet Nam. Thomson Medical plans to venture outside of Singapore for growth, and the group is looking at expansion options in Viet Nam, China, the Middle East and other ASEAN countries.[31]

Olam International

Olam International is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, supplying various products and commodities across 16 platforms in 65 countries. Olam has a direct sourcing and processing presence in most major producing countries, including in ASEAN. The products it is involved in include cocoa, coffee, cashew, sesame, rice, cotton and wood. In ASEAN Olam has extensive operations in Indonesia, Lao PDR, Thailand and Viet Nam. Olam also has operations in Cambodia and plans to operate in Myanmar.

31 See "Peter Lim to splash $400m on health care buys", 14 January 2011, The Straits Times (http://www.timesdirectories.com/biotech/news(Peter%20Lim2%20to%20splash%20$400m%20on%20health%20care%20buys/688251)

In Indonesia Olam directly employs over 500 employees in cocoa, sugar and coffee operations. Through contract farming and its own direct operations, Olam's operations in Indonesia involve more than 400,000 farmers, collectors and suppliers. Olam's turnover in Indonesia has been on a growth path. In 2011, the company's revenues in the country, which include sugar refinery, increased to over $550 million. The company plan to expand its operations in Indonesia in both upstream and downstream initiatives.

Through a subsidiary in Lao PDR, Olam manages a greenfield coffee plantation project which integrate its operations into upstream plantations, including processing operations. The operations in Lao PDR produce high quality estate-specific coffee for niche markets worldwide. Olam plans to farm 3,000 hectares of land for coffee production of which 1,750 hectares have already been planted. An 'outgrower' programme for coffee farmers is also being planned.

Olam first began global rice operations in Thailand in 1994. A subsidiary was established in 2009 in the country to function as an exporter with a processing and export facility. Olam is among the top 10 rice exporters in Thailand, working with more than 100 rice mills in its rice supply chain. Apart from the aggregation-export activities in Thailand, Olam also act as a single-point origination contact for other exporters.

Olam commenced operations in Viet Nam in 2000 with a coffee factory. The company has expanded its operations rapidly in Viet Nam. Today, Olam is the largest exporter of cashews, pepper and instant coffee in Viet Nam, with $45 million invested in a state-of-the-art instant coffee facility and running seven large factories with 1,000 employees in the country.

Armstrong Industrial

Armstrong Industrial, headquartered in Singapore, was established in 1974. It started as a contract supplier of rubber foam parts for the marine industrial sectors and later grew to be a leading foam and rubber components maker servicing the automotive, consumer electronics, data storage and office automation industries. Today, the group has 18 plants with a majority of them are in ASEAN. The geographical spread of the company includes 4 plants in Thailand, 4 in Malaysia, 1 in Singapore, 1 in Viet Nam, 1 in Indonesia and 7 in China. About 73% of the group's revenues are generated outside of the home country.

The group ventured abroad because of a combination of factors. Cost factors and market growth opportunities played a major role. The influence of business networks and the aspiration to be a recognised international company were also important.

BreadTalk

The company was founded in 2000 and has expanded rapidly to become a recognised brand in bakery, restaurant and food. The company is present in 16 countries, many of which are in Asia including 5 other ASEAN countries. The company continues to internationalise and has more than 500 boutique bakeries, 40 food atriums and restaurants, employing a global staff strength of more than 6000 people. The company's vision is to be an international trend-setting lifestyle brand. Market growth and opportunities for expansion in large host countries are important determinants. The brand and reputation of the company contributes to the company's aspiration to internationalise.

Keppel Group

The Keppel Group has a global footprint in more than 30 countries. The group leverages its international network, resources and talents to grow its key businesses in Offshore & Marine, Infrastructure and Property.

In Power and Gas, *Keppel Energy* develops, owns and operates power plants in Brazil, China, the Philippines and Nicaragua. *Keppel Telecommunications & Transportation* (Keppel T&T) has significant business interest in the Asia-Pacific region and Europe.

Keppel Land is actively involved in property development in ASEAN, China, India, Europe and Australia. In ASEAN, its property development is concentrated in Singapore, Malaysia, Viet Nam and Indonesia. It is involved in major township development projects across the ASEAN region in particular in Malaysia, Indonesia and Viet Nam, including residential development projects in Thailand. Keppel Land has also been involved with the development of commercial projects in Indonesia, Philippines, Viet Nam and China. The company has significant land banks in other ASEAN countries (table 4.8).

Table 4.8. Keppel Land: Land bank in selected ASEAN countries, 2012

Residential Landbank in Vietnam	
Site	Total Land Area (sm)
Saigon Sports City, HCMC	640,477.0
The Estella, HCMC	47,906.0
Riviera Point, District 7, HCMC	89,712.0
Waterfront Township, Dong Nai Province	3,667,127.0
Prime (Condo), District 2, HCMC	51,000.0
Riviera Cove, District 9, HCMC	97,000.0
South Rach Chiec, District 2, HCMC	302,000.0
Riviera Gardens, District 12, HCMC	113,098.0
Villa Devt., Saigon South, HCMC	135,000.0
Villa Devt., District 9, HCMC	98,000.0
Total	**5,241,320.0**
Residential Land Bank in Indonesia	
Site	Total Land Area (sm)
Jakarta Garden City, Jakarta - Ph 1	266,939.0
Jakarta Garden City, Jakarta - Ph 2 (Cluster E)	69,970.0
Jakarta Garden City - Remaining Phases	804,109.0
Total	**1,141,018.0**
Residential Landbank in Thailand	
Site	Total Land Area (sm)
Villa Arcadia at Srinakarin, Bangkok	159,706.0
Villa Arcadia at Watcharapol, Bangkok	124,912.0
Total	**284,618.0**
Residential Landbank in the Philippines	
Site	Total Land Area (sm)
SM-KL residential devt., Manila	12,932.0
Total	**12,932.0**

Source: http://www.keppelland.com.sg/RE-CN-Land-Bank.asp (extracted 31 December 2012).

Thailand

Bangkok Bank
Bangkok Bank is one of the most internationalised finance and banking companies in Thailand. The bank has an overseas network of more than 20 branches. Most of these branches are in ASEAN (Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore and Viet Nam). The bank also has operations in Hong Kong (China), Tokyo, United Kingdom and United States.

One of the visions of the bank is to be a leading international bank in ASEAN. The internationalization drive of the bank allows it to expand into new markets, to increase business volumes and to grow customer bases. Liberalization and new business opportunities in host countries influence the bank's overseas activities. The intensity of Thailand's trade with certain partner countries also guided the overseas investment of the bank in host countries such as the United States, Japan, the United Kingdom, and neighbouring countries in Asia to provide services to clients in these markets.

Charoen Pokphand (CP)
CP started as a family-run company in the early 1920s and has since grown into a large agro-industrial conglomerate with extensive overseas investments, mainly in the production and processing of agricultural products.

CP has overseas investments in more than 15 countries, generating over $33 billion and employing over 250,000 people in 2012. The lion's share of its overseas activities is concentrated in neighbouring countries, including China. In ASEAN, CP has presence in Cambodia, Indonesia, Malaysia, Myanmar, Singapore and Viet Nam.

Selected CP activities in ASEAN, 2012

Host country	Activities
Cambodia	Animal feed Livestock farming Telecommunications
Indonesia	Animal feed Livestock farming Shrimp farming Integrated broiler business
Malaysia	Animal feed Livestock farming
Myanmar	Livestock farming
Philippines	Aqua feed Integrated hog projects (parent stock) Integrated broiler business
Singapore	Animal feed
Viet Nam	Animal feed Livestock farming

Source: CP website(http://www.cpthailand.com/Globalnetwork/OverseasInvesment.aspx).

Apart from investing overseas directly, CP has also internationalised through strategic alliances with other TNCs.

CP internationalization is driven by its vision "to become a global agrifood company", which it refers to as "Kitchen of the World", with a distinctive branding. It invests abroad to expand business activities, to diversify its market reach, to take advantage of investment opportunities and to become a more competitive company.

Over time it has diversified into other businesses such as in retail, property development, pharmaceutical, information technology and with a recent investment in insurance services in China. It has also moved into retail, telecommunications and recently in insurance by acquiring a stake in Ping An (China) for $9.4 billion in 2013. Its business networks and the connections of the chairman have also played a role in the expansion of the company's business activities, especially in China.[32]

S&P Group

S&P started as a small family-run ice cream and bakery shop in 1973. Its first international experience was in 1990 with the opening of a restaurant in London and another one in Singapore in 1995. S&P has operations in Switzerland, China, Austria and Taiwan Province of China. Its overseas restaurants are operated under its four restaurant brands, "Patara", "Siam Kitchen", "Thai" and "Patio". In 2012, the company had 21 international restaurant outlets, eight of which are in Singapore. A majority of overseas activities are through joint ventures with experienced local entrepreneurs. S&P selects its joint venture partners with relevant industry experience and local market knowledge.[33]

S&P Global Co., Ltd. is an affiliate of the Group that operates S&P's restaurant chains overseas. The company has ventured abroad for various reasons, which include entering new markets with potential and supporting and increasing revenue growth. The company aims to open additional branches in markets where it already has an established presence, as well as in new markets with promising potential.

Siam Cement Group[34]

Siam Cement Group (SCG) is a large industrial conglomerate with business activities in five key areas: chemicals, paper and packaging, cement, building products and distribution. While it has invested in many overseas locations, the group's activities are preponderantly in ASEAN. It has an extensive regional presence in 9 ASEAN countries, including Thailand. In chemicals, outside of the home country the company has operations in Indonesia, Singapore and Viet Nam. In paper and packaging, SCG has operations in Malaysia, Philippines, Singapore and Viet Nam. In Cement production, the company has operations in Cambodia, Indonesia, Lao PDR, Myanmar, Singapore and Viet Nam. SCG has also invested overseas through strategic alliances with foreign TNCs.

SCG continues to expand in ASEAN. In 2012, SCG expanded its operations in Indonesia. The company also expanded with an additional cement manufacturing facility in Cambodia and an increase in its stake in Mariwasa-Siam Ceremics in the Philippines (from 48% to 83%). In the same year, SCG also acquired a 85% stake in Prime Group Joint Stock Company, a 23% interest in Tien Phong Plastics Joint Stock Company and a 20% stake in Binh Minh Plastics Joint Stock Company, adding to a list of companies it already owned in that Viet Nam. In 2012, SCG's assets in ASEAN accounted for 14% of the Group's total assets.

The international business strategy of SCG is to increase the competitiveness and growth of the Group by strengthening its core businesses in foreign countries, in particular in the ASEAN region, and by boosting investment and expanding market bases. Regional integration and industry growth potential in ASEAN has played a role in influencing the direction of the company's overseas investments.

Investing overseas has extended the company's market reach, allowing it to operate closer to customers, to strengthen export channels and, to increase its competitive advantage through reducing transport and

32 "Anxious giant: How Charoen Pokphand plans to ride out Asia slump", Business Week (Asian edition), 6 October 1997.
33 S&P Syndicate Public Company Limited, Annual Report 2005, p. 111.
34 Information based on the company's Annual Report 2012.

distribution costs.[35] Other motives for outward FDI include diversification, taking advantage of investment opportunities to strengthen the value chain through backward and forward linkage activities, such as trading, distribution and warehousing. In the paper and packaging business, it aspires to be a regional leader with a focus on consolidating the business and seeking opportunities to make new investments.[36] Regional integration has opened investment opportunities for SCG to extend its paper and packaging businesses in Malaysia, the Philippines and Viet Nam.[37]

Thai President Foods (TPF)

TPF is a leading manufacturer of instant noodles in Thailand. Its business has expanded to other food product related businesses such as in bakery and confectionery. It has invested abroad, through joint ventures in the manufacturing of instant noodles and marketing and distribution activities. It has operations in Cambodia, Myanmar, Viet Nam, China and Nepal.

Its motives for going abroad are market-seeking, including strengthening sales and distribution channels. Exploiting its skills and technological know-how in making instant noodles abroad has influenced the company's overseas investment strategy. The company has invested in businesses that supply materials for the company's production, which will allow TPF to effectively control the price and quality of the products. TPF has invested abroad through joint ventures to handle marketing and distribution in key markets.

Viet Nam

Vietnam Rubber Group

The Vietnam Rubber Group (VRG) is a SOE established in 2006 after the restructing of the former Vietnam Rubber Corporation. The Group operates in rubber cultivation, raw rubber processing, rubber product manufacture, agriculture, mechanics and construction.

The company has more than 25 facilities in Viet Nam covering more than 263,000 ha, as well as 70,000 ha in Cambodia and Lao PDR. The Group plans to expand its plantation operations in ASEAN countries to 400,000 ha by 2015. The company is presently considering developing cultivation projects in Myanmar and Brunei Darussalam.

VRG's motivation to invest abroad is directly linked to market opportunities generated by the demand for rubber from fast-growing industries in Asia (e.g. India, Malaysia and China). Investment opportunities, growth prospects and expansion of markets were important determinants for VRG's investment in ASEAN. Access to plantation land also plays an important role.

Although the company's decision to enlarge operations in the ASEAN region is driven by market growth, other factors have also influenced its plans, notably the more favorable conditions established by host countries to facilitate operations efficiency. Some of these conditions are related to changes in land use, concessions for large-scale plant projects and investment rights protection. The possibility of operating through contract-farming, tax incentives and proximity to supply sources of natural rubber and processing facilities have also played a key role in the company's determination to increase its presence in the region.

Viet Nam Oil and Gas Group (Petrovietnam)

Petrovietnam is a State-owned enterprise, which dates back to 1977. The Group operates in oil and gas exploration, production, transport and trading of petroleum materials and equipments, including distribution. Petrovietnam is a leading petroleum company in the country.

35 See "Siam Cement Group: Business Group - Cement" (http://www.siamcement.com/).
36 See "SCG's Paper Business, leader in paper and packaging, makes aggressive move into ASEAN market, furthering its objectives in becoming regional leader", Siam Cement Group, News& Media, 8 August 2005 (http://www.siamcement.com/).
37 Ibid.

Petrovietnam operates in more than 17 countries in ASEAN, the Middle East and North Africa. In ASEAN, the company operates in Cambodia, Lao PDR, Indonesia, Malaysia, Myanmar, Singapore and Thailand. The company has a contract to trade crude oil with Shell Brunei Darussalam through its subsidiary (Petrovietnam Oil Corporation) in Singapore. Through its various subsidiaries, the Group plans to further expand in the region between 2012 and 2015. Aside from oil and gas activities, the Group has projects to develop a thermo-electricity plant in Thailand, a hydro-electricity plant in Lao PDR, and bio-petroleum production plant in Cambodia. The Group has expressed interest in penetrating the Philippines' market through local partnerships, in light of the host Government's decision to open the bio-fuels industry to foreign investors. The Group aims to connect to the ASEAN gas supply network.

Petrovietnam aspires to become a leading petroleum group in the region through the expansion of its production and distribution capacity. Some of the factors influencing the expansion of the company's offshore operations include political and economic stability in host countries, favorable conditions for overseas investments regarding its core business, including issues related to entry, ownership, operations and trade agreements. The potential in emerging markets to grow and expand production capacity, including securing energy reserves are crucial to the company in going abroad.

Petrovietnam's investment strategy is aimed at enhancing the competitiveness of its business model, based on the production and distribution capacity of oil and gas, its regional presence and the vertical integration of its core business value chain.[38] The economic growth experienced in the last decade in ASEAN has boosted energy demand significantly in the region. Petrovietnam is responding to this increasing demand and regional opportunities.

Viettel Telecom Group (Viettel)

Viettel, a State-owned enterprise incorporated in 1989, is the biggest telecommunication provider in Viet Nam with about 50% market share. Viettel is present in 6 markets across Asia, Latin America and Africa, which generated $6 billion revenues. The company expects its overseas revenues to increase by 50% by 2015.

Asia accounted for 14% of the Group's total offshore investment in 2011, concentrated in the ASEAN region. Its presence in the region includes Cambodia and Lao PDR through its subsidiaries, Metfone and Unitel. The company plans new investments into Myanmar and Thailand; and aspires to be within the top 10 largest global telecom investors by 2015.

Growth opportunities and market size are crucial for the company's investment strategy in new markets. In ASEAN countries, the Group has made significant inroads in terms of revenues, market penetration and coverage. The company's expansion strategy targets markets in rural and remote areas that concentrate 50% (or more) of the host country's total population that do not have access to telecom services and where telecom facilities and infrastructure are yet to be developed. A more open policy in the telecom sector in host countries has been a key determinant for the company's investment in ASEAN countries.

Viettel is becoming a regional player, which urges more liberalization in ASEAN countries' telecom sectors and regional integration to expand its investment.

Song Da Group

Song Da Group, a State-owned enterprise, was established in 2010.[39] It is one of the leading companies in the construction and industry in the country. The Group builds hydropower plants in Viet Nam and in Asia. It also specializes in transport engineering, installing power transmission lines, infrastructure construction,

38 PVN's value chain (core business) includes oil and gas exploration, production, transport, storage, processing, distribution, mainstreamed R+D+I and electricity generation.

39 The establishment of Song Da Group was followed by the creation of Song Da Holdings that inherited all rights and obligations of Song Da Corporation, its predecessor, established in 1960.

machinery installation, industrial (electricity, mining, oil) and mechanical production, real estate development and industrial zones infrastructure.

The Group has global operations and activities through its subsidiaries and partners. In Asia, the Group's operations are spread throughout the ASEAN region: in Cambodia, Singapore, Thailand, Malaysia, Lao PDR and the Philippines. Song Da is building two hydropower plants in Lao PDR, which are expected to be fully operational at the end of 2014. Of the total expected output, 80% will be exported to Viet Nam and 20% will be for the Lao PDR's market.

The high potential to capitalize growth opportunities in the construction and industry sectors in emerging markets constitutes one of the Group's main drivers to invest in the ASEAN region. Other factors such as access to resources and specific trade agreements with the host country in the sector where the company operates also influence its decision to expand abroad.

Indonesia

Pertamina

Pertamina is a State-owned company operating in the exploration, production and distribution of oil and gas. It has overseas operations through joint ventures with Petronas and PetroViet Nam in production facilities in Malaysia and Viet Nam. Outside of ASEAN, Pertamina has operations in Libya, Sudan, Iraq, Qatar and Australia. In 2012, the company acquired a lubrication factory in Thailand with the aim of serving markets in Cambodia, Lao PDR, Myanmar and Viet Nam. Pertamina's interest in ventures abroad has grown visibly in recent years.

One of the key reasons for going overseas is to gain access to natural resources, to grow and for some projects because of strategic partnerships.

Sinar Mas Group

Sinar Mas is a significant conglomerate in Indonesia with interest in pulp and paper, real estate, agribusiness, telecommunications and mining. In the real estate business, the activities of the Group cover residential, commercial properties, shopping centres, industrial estates and township development. Through its subsidiary, Sinar Mas Land, headquartered in Singapore, the Group's operates in Malaysia, Singapore, Indonesia and China.

Alita Group

Alita Group operates in the ICT industry, where the founder started the business first in Cambodia and later in Indonesia. The Group is planning to expand into other ASEAN countries and in Europe. An early reason for venturing overseas was because of business opportunities and business networks. Over time, the company has ventured abroad to grow and to exploit its business knowledge in countries where there are potential to grow.

Semen Gresik

Semen Gresik is the largest cement company in Indonesia. It has a joint venture operation in Viet Nam and will soon start an operation in Myanmar. In recent years, it has started to consider going more regional with more investments in other ASEAN countries such as in Cambodia. Growth and investment potential in new markets within the region encourages the company to go abroad. Regional integration also plays a role.

4.2.3 Regional factors driving intra-ASEAN investment

Aside from corporate-specific and "push" factors driving ASEAN companies to invest in the region, regional "pull" factors are also contributing to the rise in intra-regional investment (figure 4.11). In particular, ASEAN's regional integration presents companies with opportunities for a single market and production base. The AEC 2015 is a powerful "pull" factor increasingly influencing more ASEAN companies to invest across the region (box 3.1).

Some of the specific regional factors encouraging intra-regional investment include internal tariff rates not exceeding 5%; indeed a majority of the tariff lines in the region already have 0% rate for goods traded under AFTA. The opening up of industries under ACIA and AFAS has also brought about a rapidly improving policy environment and opportunities for investments.

ASEAN is a market of over 600 million people with a combined GDP of $2.2 trillion (in 2011), which consists of rapidly growing Member States with rising purchasing power and a significant number of affluent consumers (table 1.4). By 2015, the region's market size will be about 630 million people with a combined GDP of over $2.5 trillion involving rapidly growing economies. In addition, ASEAN has established FTAs with a number of major Asian countries, Australia and New Zealand (Chapter 2). These factors and a rapidly integrating ASEAN help attract efficiency-seeking intra-regional investment with a wider potential. Moreover, while companies in some Member States are faced with "push" factors to go abroad because of limited land and labour including rising cost, others are able to offer an investment environment that can help them address such economic constraints faced at home. For instance, a number of countries in the region are resource rich and are attracting sizeable intra-regional resource-seeking investment. These countries include Indonesia, Lao PDR, Malaysia and Myanmar.

Governments in the region have also stepped up efforts in recent years to encourage their companies to invest in the region. Some countries have introduced specific promotion activities such as information dissemination seminars and investment opportunities in the region to encourage their national companies to invest in ASEAN. Some countries have taken steps to provide institutional support (for instance Malaysia, Singapore and Thailand), organize OFDI missions to target host countries and provide market intelligence information (e.g. Singapore, Thailand) to help their firms invest in the region and in other overseas locations.

Singapore is traditionally the largest investor in ASEAN due to its small market size and limited opportunities for growth at home. Apart from these factors, the country's OFDI policy supporting Singaporean firms to go abroad has played an important role. For instance, International Enterprise (IE) and Standards, Productivity and Innovation Board (SPRING) of Singapore frequently organize seminars and provide information on investment opportunities in prospective host countries in support of Singapore firms' to internationalization efforts. In 2012, IE alone assisted over 15,500 companies in their internationalization drive, of which some 85% were SMEs.[40] Thailand has in recent years also taken similar actions in facilitating Thai investment in ASEAN. However, the services provided by IE and SPRING go beyond just providing information. In 2012, about 6,000 companies benefitted from IE's incentive schemes to develop and grow overseas market.[41]

When some ASEAN companies go regional, they in turn encourage their suppliers at home to follow them to host ASEAN countries. Firms in service industries and service providers follow their customers abroad so as to better serve the needs of their clients and to keep customs. For instance, IT solution companies also go regional operating close to their customers have followed a number of banks to other ASEAN markets.

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40 "Singapore companies continue to invest overseas", EnterpriseOne, 25 January 2013 (http://www.enterpriseone.gov.sg/en/News/2013/Jan/130125%20Singapore%20Companies%20Continue%20To%20Invest%20Overseas.aspx).

41 "Singapore firms continue to increase investment overseas", channelnewsasia.com, 24 January 2013 (http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1249902/1/.html).

Geo-cultural affinity and proximity favours investment by ASEAN companies in the region. This proximity factor is more important for SMEs than large companies. SMEs from Indonesia, Malaysia, Singapore and Thailand tend to invest regionally in nearby host countries where costs of production are lower and which are culturally closer.

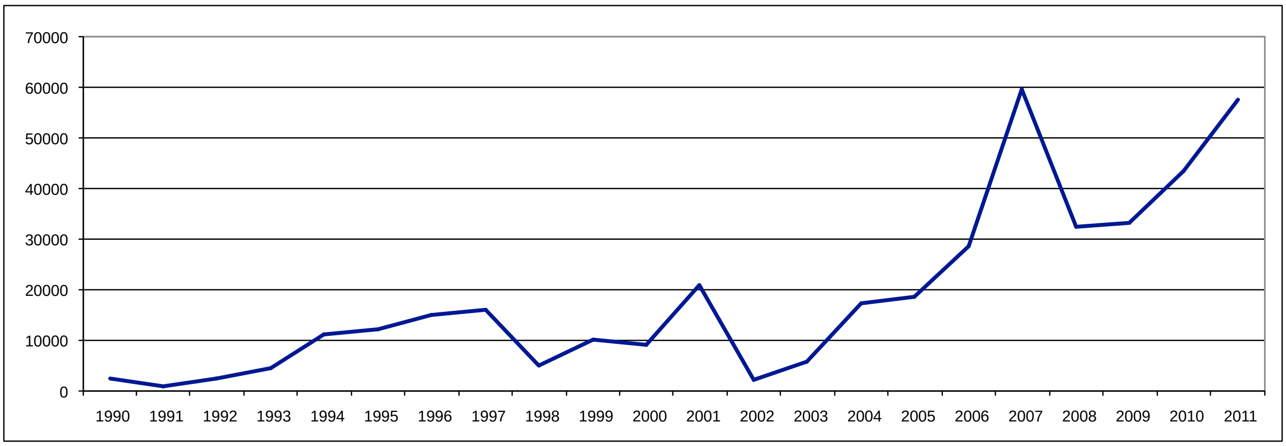
Private-sector cooperation and networking in the region also contributes to intra-regional investment. Malaysian South-South Corporation Berhad (MASSCORP), ASEAN Business Advisory Council and Singapore Business Federation are some of the instances. Commercial and EXIM banks in the region contributed to intra-regional investment (UNCTAD 2007, Wee 2007). Industry clubs in the region provide business opportunities, information and updates to their members.

4.3 Rise of OFDI from ASEAN

4.3.1 OFDI trend

The rise in intra-regional investment contributed to the rapid increase in OFDI stock and an upward trend in OFDI flows from ASEAN. OFDI flows from ASEAN have risen rapidly, from $2.3 billion in 1990 to $60 billion in 2011 – an all time high in the history of OFDI flows from the region (figure 4.2). After the recovery from the impact of the financial crisis that beset the region in 1997-1998, OFDI took off after 2003. Companies in the region, encouraged by robust corporate recovery and strengthening financial positions, have exhibited a strong interest to internationalise. The number and size of mega cross-border purchases made by ASEAN companies in recent years is a strong indication of their growing financial prowess and internationalization drive. OFDI from ASEAN, however, declined in 2008 and stagnated in 2009, partly because of caution due to global economic uncertainty.

Figure 4.2. ASEAN: Rising outward FDI flows, 1990-2011
(Millions of dollars)

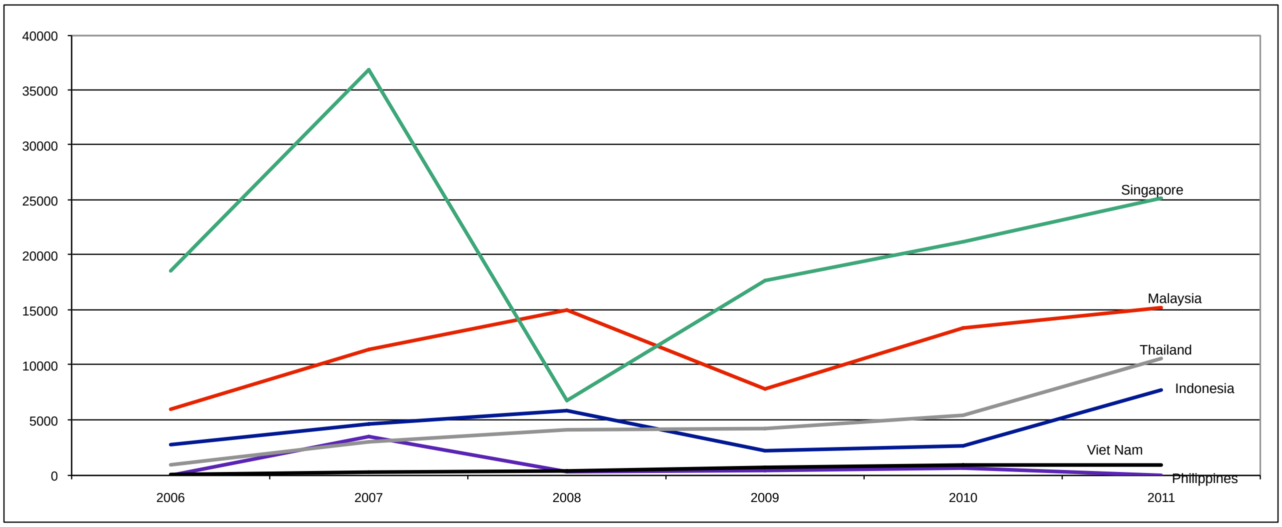


Source: UNCTAD, FDI database.

The present wave of OFDI flows has contributed to a rapidly growing stock of outward FDI by ASEAN countries, rising from $84.5 billion in 2000 to $495.7 billion in 2011.

Geographical distribution. Not all ASEAN countries participate equally in OFDI, but companies from a rising number of ASEAN countries are investing abroad. The biggest proportion of OFDI from ASEAN comes from four countries: Singapore, Malaysia, Thailand and Indonesia (figure 4.3). However, OFDI from companies in Viet Nam is beginning to be visible, with their investment concentrated in the Indo-China region. OFDI flows from Viet Nam grew steadily in 2006-2011. These five countries witnessed record levels of OFDI flows in 2011. Partly because of the lack of a strong private sector base in Member States such as Brunei Darussalam, Cambodia, Lao PDR and Myanmar, OFDI from these economies is limited or negligible; and OFDI from the Philippines is presently subdued.

Figure 4.3. FDI outflows from selected ASEAN countries, 2006-2011
(Millions of dollars)



Source: UNCTAD, FDI database.

Some ASEAN companies are also expanding to Africa and Europe, for various reasons. For instance, some plantation or agri-based companies have a significant presence in African countries because of opportunities, agro-climatic environment and sourcing of crops. In Europe, ASEAN investments tend to be concentrated in a few countries, such as in the United Kingdom and Germany.

Overall, OFDI from ASEAN is widespread in Africa, Asia, Europe, the Americas and Australia, and is present in over 65 economies. In addition to a significant regional presence, companies from Singapore have a wide global footprint as compared with those from other ASEAN countries. However, most companies from Thailand, Malaysia and Viet Nam are more regionally focused.

Countries with high OFDI flows are closely associated with three key elements:

(i) the existence of policies, measures and institutional support encouraging OFDI;
(ii) the existence of a strong private sector, with the capacity to internationalise or a growing pool of enterprises ready to venture abroad; and
(iii) the pressing need and aspiration of firms to go abroad in order to take advantage of emerging opportunities, growth possibilities and boosting competitiveness.

Sectoral distribution. The areas in which OFDI by ASEAN firms is significant includes the extractive, manufacturing and services sectors. OFDI in extractive industries is significant from Malaysia, Thailand and Viet Nam. Internationalization by Singapore, Malaysia and Thailand enterprises is occurring in a wide range of industries such as mining, manufacturing and services, including the establishment of quality hotels, medical services and real estate.

In extractive industries, Sakari Resources (Singapore), PTT (Thailand), Banpu (Thailand), Lanna Resources (Thailand), Petronas (Malaysia), Pertamina (Indonesia) and Petrovietnam (Viet Nam) have significant investments abroad. Similarly, in the case of food and beverages, companies from Singapore (F&N, Yeo Yiap Seng), Thailand (Thai Beverage, S&P), Malaysia (Munchy Food), Indonesia (Indofood, Mayora Group), Philippines (San Miguel, Jollibee), and Viet Nam (Vinamilk) have operations overseas.

In manufacturing, companies from Malaysia such as Top Glove, Ingress, Munchy Food Industries, JCY International, EngTek and Globetronics have grown to sizable international enterprises; and in the case of Thailand: Siam Cement, Saha Union Group (textile and garments products) and Mitrphol Sugar (UNCTAD 2007, Wee 2007) have a significant overseas presence. Many Singapore SMEs and large public listed companies in the manufacturing industries have significant regional and global footprints (IE 2012).

In services, healthcare companies and hospitals from Singapore, Thailand and Malaysia have gone abroad led by prospective market growth (section 4.2). OFDI in the real estate sector remains strong with a number of high profile cases, such as that of Malaysian and Singaporean companies' investment in the United Kingdom and Australia. Infrastructure including power generation companies from Malaysia, Singapore, Thailand and Viet Nam are actively investing abroad and have been successful in securing contracts overseas.

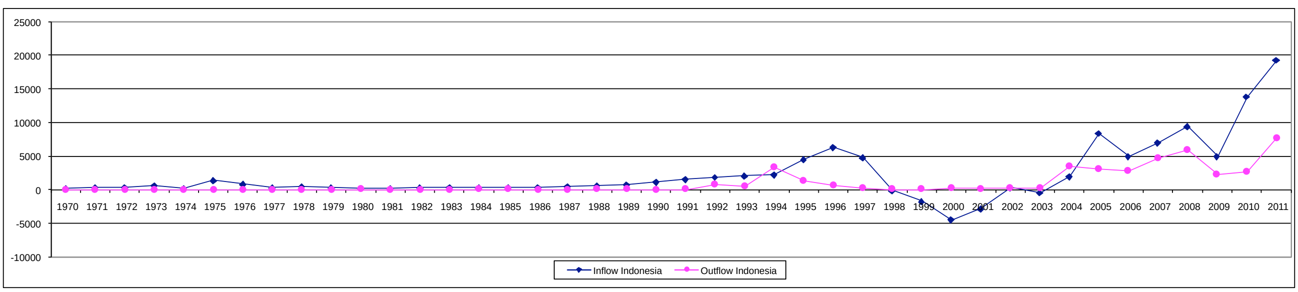
Types of enterprises. In addition to the pure private sector, Government linked companies (GLCs) contributed significantly to enterprise internationalization in the region. Their size, financial resources and public status have facilitated their internationalization as compared with the non-GLCs, in particular SMEs. Example of GLCs with major overseas holdings include: **Malaysia**: Petronas, Sime Darby, Maybank, CIMB, UEM World, Axiata; **Singapore**: DBS, Singapore Telecommunication, Singapore Airlines, SembCorp, Keppel Corporation, Singapore Technologies Engineering; **Thailand**: PTT, Thai Airways International, Electricity Generating Authority of Thailand, Krung Thai Bank. In **Viet Nam**, SOEs such as Song Da, Petrovietnam, Petrolimex, Vietnam Rubber Group and Viettel have been investing abroad.

4.3.2 Home country analysis

Indonesia

Indonesia witnessed more OFDI than IFDI flows for the first time in 1994 and was the earliest among all the ASEAN countries to experience considerable investment outflows (figure 4.4). During the impact of the financial crisis period (1998-2002), OFDI was flat and negligible but was higher than IFDI flows. Since 2003, OFDI has been fluctuating, but is on an upward trend with a growth pace slower than inward flows.

Figure 4.4. Indonesia: FDI inflows and outflows, 1970-2011
(Millions of dollars)



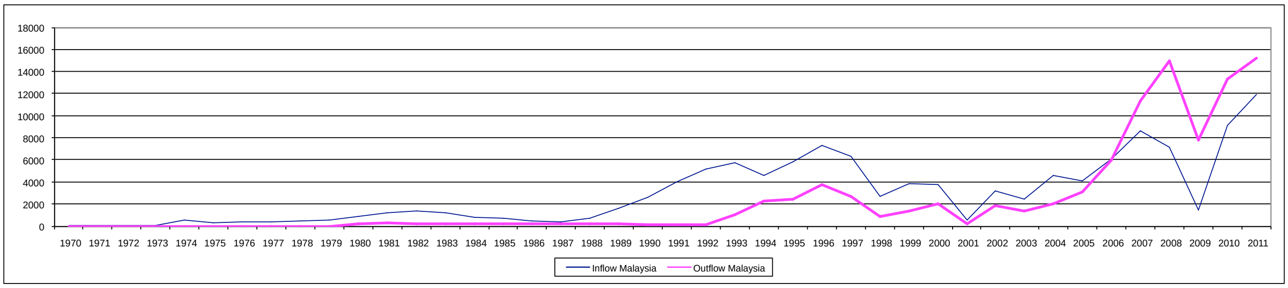
Source: UNCTAD, FDI database.

Despite the existence of many large Indonesian conglomerates, OFDI from Indonesia is today low, compared to the other major ASEAN countries.

Malaysia

OFDI from Malaysia exceeded inward flows for the first time in 2006 (figure 4.5). Since then Malaysia has emerged as a net investor with OFDI flows growing steadily, except in 2009, and OFDI flows have exceeded inward flows in each subsequent year. A significant increase in overseas investments in recent years by large Malaysian companies and SMEs has contributed to this trend. In addition to the examples of Malaysian companies with OFDI above, the list of those involved in international investment is expanding rapidly.

Figure 4.5. Malaysia: FDI inflows and outflows, 1970-2011
(Millions of dollars)

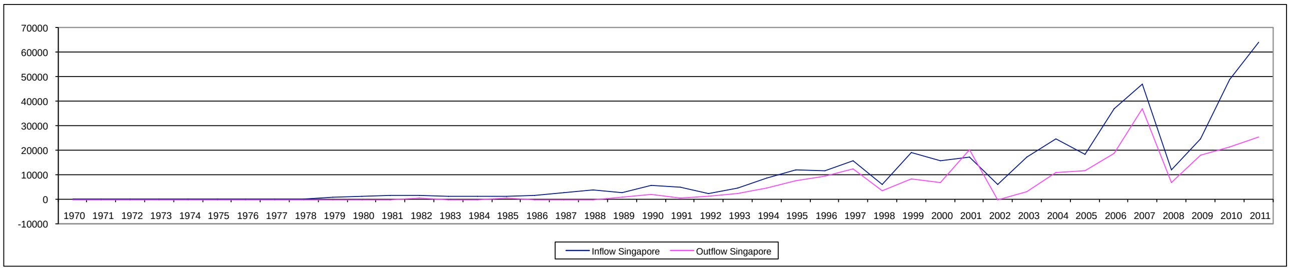


Source: UNCTAD, FDI database.

Singapore

Singapore remains the largest investor in and from ASEAN. In 2001, OFDI flows from Singapore exceeded inflows for the first time (figure 4.6). Since 2009, OFDI flows have been increasing steadily, but by a slower pace as compared with inflows.

Figure 4.6. Singapore: FDI inflows and outflows, 1970-2011
(Millions of dollars)



Source: UNCTAD, FDI database.

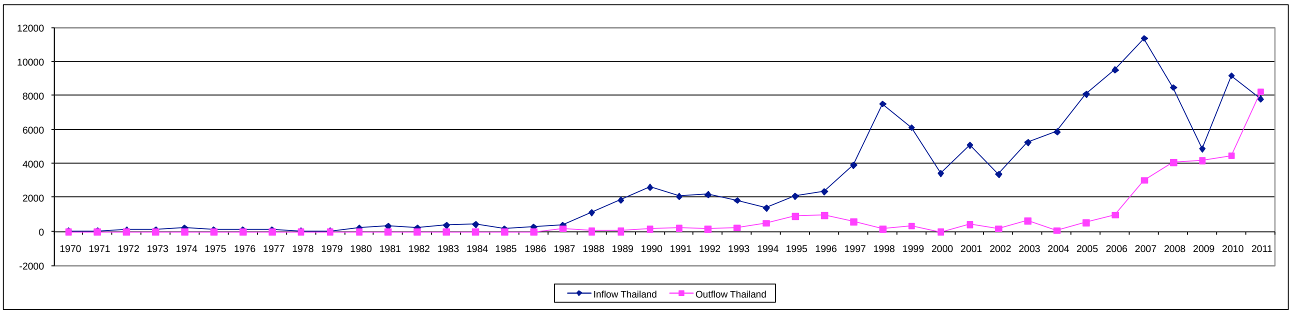
In the 1990s, Singapore companies were investing abroad primarily in neighbouring Asian countries and China. Rising investment opportunities in China and ASEAN at that time, coupled with the Government's 1993 regionalization drive including involvement in the development of large industrial estates and infrastructural projects in Indonesia and China, encouraged Singaporean expansion (UNCTAD 2007). In the 2000s, OFDI from Singapore has gradually diversified to become more global in scope, with increasing attention given to developed countries and other regions. Large Singapore companies such as Keppel Corporation, Sembcorp Industries, Neptune Orient, Olam International and Wilmar have significant global footprints.

On the other hand, Singapore SMEs' internationalization is concentrated in ASEAN and China. For instance, SMEs in garment and electronics from Singapore are present in low cost countries such as Cambodia and Viet Nam. SMEs in retail, manufacturing, wellness and energy such as Hour Glass, Banyan Tree, Eu Yan Sang, Enersave, OSIM, Jason Marine, Kingsmen, Phoenix Solar, Grenzone, Bioplas Energy and Armstrong Industrial have significant operations outside Singapore.

Thailand

OFDI flows from Thailand took off in 2004, and have been increasing steadily since. In 2011, OFDI surpassed inflows for the first time (figure 4.7). Thai companies have been very active in recent years in investing abroad, including through M&As. In 2011-2012, some Thai companies made a number of mega cross-border M&A purchases exceeding $500 million. For instance, Thai Beverage acquired a 22% stake in F&N (Singapore) for $2.2 billion and has recently offered to acquired the equity stake of F&N that it does not yet own for a further $11.2 billion; PTT-EP acquired a controlling interest in Cove Energy (United Kingdom) for $1.9 billion; Banpu acquired a 80% equity stake of Centennial Coal (Australia) for $1.6 billion; Thai Union Frozen Products acquired MW Brands (France) for $884 million; and CP has recently successfully acquired an interest in Ping An (China) for $9.4 billion.

Figure 4.7. Thailand: FDI inflows and outflows, 1970-2011
(Millions of dollars)



Source: UNCTAD, FDI database.

Table 4.9. Top 20 investors from developing and transition economies, 2010 and 2011
(Millions of dollars)

Rank	2010		2011	
1	Hong Kong, China	95,396.2	Hong Kong, China	81,607.0
2	China	68,811.0	Russian Federation	67,283.0
3	British Virgin Islands	58,716.8	China	65,117.0
4	Russian Federation	52,523.0	British Virgin Islands	62,507.5
5	Korea, Republic of	23,278.4	**Singapore**	25,227.5
6	**Singapore**	21,214.9	Korea, Republic of	20,354.9
7	Cayman Islands	13,857.5	**Malaysia**	15,257.5
8	Mexico	13,570.1	India	14,752.0
9	**Malaysia**	13,328.5	Taiwan Province of China	12,766.0
10	India	13,151.0	Chile	11,822.1
11	Brazil	11,587.6	**Thailand**	10,634.2
12	Taiwan Province of China	11,574.0	Mexico	8,946.0
13	Chile	9,230.9	Kuwait	8,711.5
14	Kazakhstan	7,837.0	Colombia	8,289.0
15	Colombia	6,561.7	**Indonesia**	7,771.0
16	**Thailand**	5,414.9	Qatar	6,027.5
17	Kuwait	5,065.3	Kazakhstan	4,530.4
18	Saudi Arabia	3,906.8	Cayman Islands	4,455.7
19	Libya	2,722.0	Saudi Arabia	3,442.0
20	Venezuela, Bolivarian Republic of	2,671.0	Turkey	2,464.0

Source: WIR 2011.

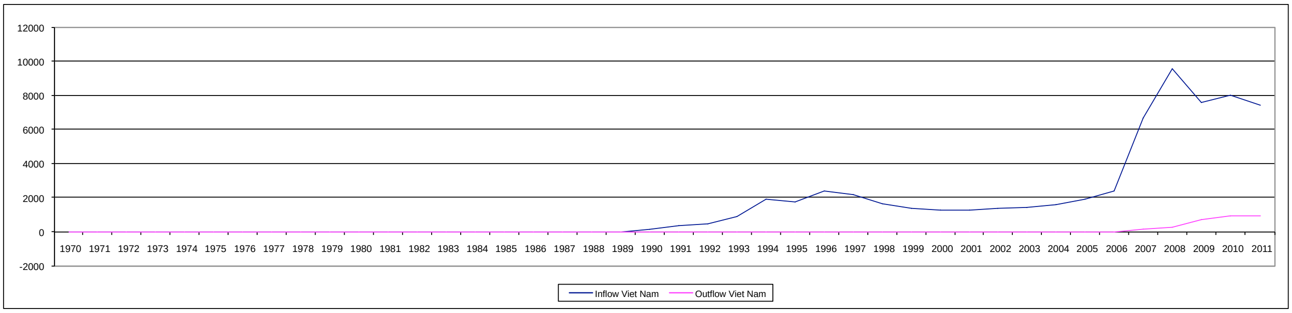
A rising number of Thai firms are internationalizing to grow markets, expand productive capacities and build their competitiveness. OFDI from Thailand has been increasing steadily in the last decade, slowly nudging the country not just as a major recipient of inflows but also a source of investment to other developing countries in

ASEAN. Indeed, In 2011 Thailand emerged as among the top 20 OFDI countries recording $10.6 billion (table 4.9).

Viet Nam

OFDI from Viet Nam is relatively small compared to countries such as Singapore, Malaysia and Thailand. However, it is beginning to rise and become more noticeable since 2009 (figure 4.8). As of the beginning of 2012, Vietnamese companies invested in some 55 countries and territories with 627 registered overseas investment projects worth $10.8 billion.[42]

Figure 4.8. Viet Nam: FDI inflows and outflows, 1970-2011
(Millions of dollars)



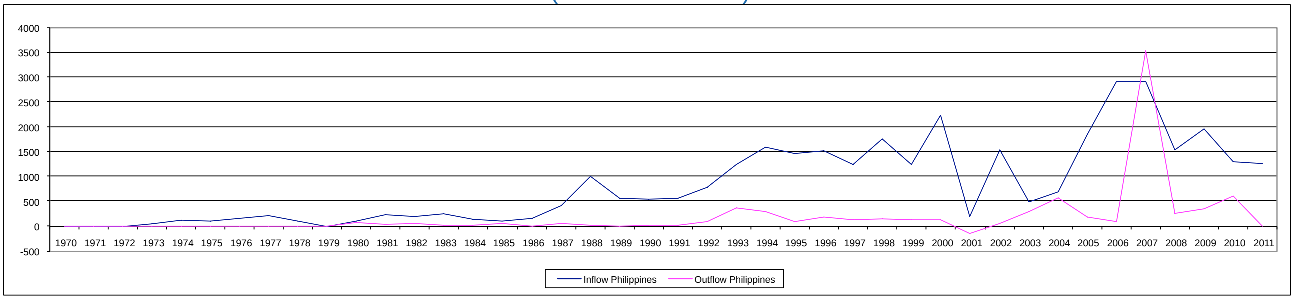
Source: UNCTAD, FDI database.

The key players in Vietnamese OFDI are dominated by SOEs; and their overseas activities are concentrated in a small number of industries, such as energy, forestry, agriculture and telecommunication. For instance, Vietnamese companies have invested in Lao PDR's agriculture sector through Tin Nghia-Laos Joint Stock Company and Viet Nam-Laos Coffee Joint Stock Company for production of coffee. Similarly, Saigon Agriculture Corporation, Hoang Anh Gia Lai Group and Ou Phu Ko Company have investments in Lao PDR crops in corn, sugar and cassava respectively. In rubber, also in Lao PDR, Vietnamese companies are represented by Dau Tieng Viet-Laos Rubber Joint Stock Company, Dak Lak Rubber Company, Saigon Agriculture Corporation and Lao Thaihua Rubber Company.

Philippines

Although a pioneer in some respects, OFDI from the Philippines remains small and the number of Philippines companies with overseas investment is limited as compared with the other ASEAN countries. In 2007, OFDI exceeded IFDI but this took place at a time of low IFDI and OFDI flows (figure 4.9).

Figure 4.9. Philippines: FDI inflows and outflows, 1970-2011
(Millions of dollars)



Source: UNCTAD, FDI database.

42 See "Firms invest $2 billion in foreign projects", Viet Nam News, 30 January 2012 (http://Viet Namnews.vn/Economy/220078/firms-invest-2-billion-in-foreign-projects.html)

4.3.3 Cross-border M&A purchases by ASEAN companies

ASEAN companies bought assets amounting to some $80 billion in more than 65 economies world-wide between 2007 and 2011. More than 50% of the cross-border purchases by ASEAN companies in this period were in developed countries, in particular Australia, United States, United Kingdom and Canada. This M&A geographical bias is partly due to the maturity of the M&A environment in these countries, and the availability of suitable strategic targets for acquisition. The importance of M&As in securing quick access to markets, and technology plays a role favouring developed countries. In developing economies, ASEAN companies acquired most assets in Singapore, Hong Kong (China), China, Malaysia and Indonesia in that order (table 4.10).

Some 72% of M&A purchases made by ASEAN companies in 2007-2011 were in the tertiary sector, dominated overwhelmingly by purchases of assets in finance and banking activities ($50.8 billion) followed by transport and port infrastructure ($3.7 billion) and power ($3.6 billion) (figure 4.10).

During 2007-2011, in finance, Temasek Holdings (Singapore) bought an interest in Merrill Lynch (United States) for $4.4 billion; Malayan Banking (Malaysia) acquired Sorak Financial Holdings (Singapore) for $1.2 billion, a stake in MCB Bank (Pakistan) for $673 million, a controlling interest in Bank Internasional Indonesia for $670 million and the remaining shares of Kim Eng Holdings (Singapore) that it does not hold for $688 million. UOB (Singapore) bought a stake in Evergrowing Bank (China) for $202 million; Hong Leong Bank (Malaysia) acquired a 20% stake in Chengdu City Commercial Bank (China) for $261 million; CIMB (Malaysia) acquired a 42% interest in Bank Thai (Thailand) for $177 million and OCBC (Singapore) acquired Pac Lease (Malaysia) for $145 million.

Many cross-border M&A purchases were made by ASEAN companies operating in the construction and real estate industries (table 4.11). M&A purchases in this industry are dominated by Singapore followed by Malaysia, although Indonesian and Thai companies are also active. Sovereign wealth funds such as the Government of Singapore Investment Corporation and Permodalan Nasional (Malaysia), as well as GLCs in Singapore and Malaysia, have been active in acquiring real estates and commercial properties abroad.

In power and electric services, YTL Power (Malaysia) acquired PowerSeraya (Singapore) for $2.3 billion, CitySpring Infrastructure Trust (Singapore) acquired National Grid-Basslink Project (Australia) for $999 million; Tanjong (Malaysia) bought Globeleq (Bermuda) for $543 million; and Electricity Generating Company (Thailand) acquired a stake in Quezon Power (Philippines) for $215 million.

ASEAN companies also made about $10 billion worth of cross-border M&A purchases in natural resources and extractive industries during 2007-2012, in particular in oil and gas including mining of coal in the same period. For instance, an investor group in Singapore acquired Alinta (Australia) for $7.5 billion; Petronas (Malaysia) bought a 40% stake in GLNC Project, Brisbane (Australia) for $2.5 billion, a 50% interest in Progress Energy-Altares (Canada) for $1.1 billion, a 100% ownership in Star Energy Group (United Kingdom) for $430 million, a controlling interest in FL Selenia ((Italy) for $1.4 billion; and PTTEP (Thailand) bought a 40% stake in Statoil (Canada) for $2.3 billion, PTT Mining (Thailand) acquired Straits Resources (Australia) for $545 million; Banpu (Thailand) acquired Centennial Coal (Australia) for $1.6 billion and Hunnu Coal (Australia) for $403 million; San Miguel (Philippines) acquired ExxonMobil Malaysia for $404 million and a 65% stake in ESSO Malaysia for $212 million.

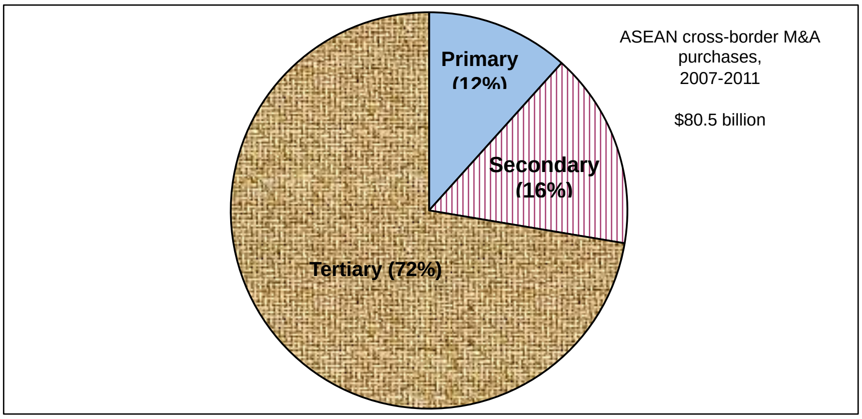
ASEAN companies in manufacturing have also ventured overseas through M&A channels. Companies such as Sahaviriya Steel (Thailand) acquired Corus Group – Steel Plant (United Kingdom) for $469 million, Siam Cement (Thailand) acquired a 30% stake in Chandra Asri Petrochemical (Indonesia) for $425 million; PTT (Thailand) acquired a 50% interest each in Cognis Oleochemicals (Malaysia) for $152 million and NatureWorks (United States) for $150 million.

Table 4.10. ASEAN: Cross-border M&A purchases, 2007-2011
(Millions of dollars)

Region / economy	Net purchases					
	2007	2008	2009	2010	2011	2007-2011
World	25,936.3	18,922.4	4,325.3	13,730.0	17,562.9	80,476.9
Developed economies	18,210.2	10,097.2	1,682.8	8,011.1	9,939.0	47,940.3
Europe	4,420.7	1,781.2	192.1	2,264.7	1,742.0	10,400.7
European Union	4,310.2	1,781.1	189.6	2,247.2	1,331.7	9,859.8
France	0.0	0.0	11.0	1,104.5	0.0	1,115.5
Germany	82.6	710.1	0.0	27.9	38.6	859.3
Italy	1,407.5	0.0	0.1	2.3	398.5	1,808.4
Netherlands	44.7	44.6	0.0	854.9	0.0	944.3
United Kingdom	2,447.0	789.8	-2.8	235.6	849.5	4,319.1
North America	5,204.0	4,516.5	57.7	741.1	8,785.0	19,304.3
Canada	24.7	27.7	8.7	496.0	3,481.2	4,038.3
United States	5,179.4	4,488.8	49.0	245.1	5,303.8	15,266.0
Other developed countries	8,585.5	3,799.5	1,433.0	5,005.3	-587.9	18,235.3
Australia	6,919.7	3,049.5	1,224.7	4,648.6	2,109.0	17,951.5
Japan	1,074.7	693.3	197.7	285.4	225.0	2,476.2
Developing economies	7,726.1	8,825.2	5,246.4	5,718.9	7,602.9	35,119.5
Africa	98.6	-0.1	40.8	273.4	-292.4	120.4
Gabon	0.0	0.0	0.0	0.0	-290.0	-290.0
Mauritius	0.0	0.0	188.1	0.0	0.0	188.1
Nigeria	0.0	0.0	0.0	107.6	0.0	107.6
South Africa	0.0	-0.1	-147.3	165.7	0.0	18.3
Latin America and the Caribbean	456.4	490.2	-6.4	519.3	253.6	1,713.0
Argentina	347.6	0.0	0.0	0.0	0.0	347.6
Brazil	0.0	14.2	0.0	450.0	0.0	464.2
Caribbean	108.8	476.0	-10.6	69.3	100.9	744.3
British Virgin Islands	108.8	0.0	-10.4	10.3	78.7	187.3
Cayman Islands	0.0	476.0	-0.2	0.0	22.2	498.0
Asia and Oceania	7,171.1	8,335.1	5,212.0	4,926.2	7,641.7	33,286.1
West Asia	11.5	23.4	150.0	5.1	88.1	278.1
Qatar	0.0	0.0	0.0	0.0	37.4	37.4
Saudi Arabia	0.0	76.1	0.0	0.0	18.5	94.6
Turkey	4.5	55.9	0.0	0.0	37.0	97.4
United Arab Emirates	7.0	-108.6	150.0	2.1	-4.8	45.7
South and East Asia	7,159.6	8,310.8	5,038.3	4,745.6	7,534.7	16,865.0
China	1,431.6	1,278.2	1,870.5	174.2	1,613.8	6,368.4
Hong Kong, China	1,920.0	797.3	292.5	2,039.8	1,766.8	6,816.6
Korea, Republic of	34.6	297.3	223.7	187.5	82.8	826.0
Taiwan Province of China	188.9	300.6	28.9	-7.6	0.0	510.8
Bangladesh	3.2	-350.0	0.0	0.0	0.0	-346.8
India	373.2	1,834.2	66.6	-1,751.0	91.7	614.7
Pakistan	1,097.1	673.2	0.0	0.0	0.0	1,770.3
Sri Lanka	1.2	301.1	2.8	0.2	0.0	305.3
ASEAN	2,068.2	3,176.0	2,553.2	4,102.5	3,979.5	15,879.0
Brunei Darussalam	0.0	0.0	2.5	0.0	0.0	2.5
Cambodia	-28.3	-0.7	2.0	4.5	0.0	-22.5
Indonesia	187.3	277.5	-46.0	615.9	1,044.6	2,079.3
Lao PDR	0.0	0.0	0.0	110.0	0.0	110.0
Malaysia	1,806.9	264.6	88.8	796.0	625.6	3,581.8
Myanmar	0.0	0.0	-0.3	0.0	0.0	-0.3
Philippines	54.5	122.8	-16.0	44.1	382.1	587.5
Singapore	46.9	2,216.2	2,253.5	2,501.2	1,785.2	8,803.0
Thailand	72.6	191.3	231.3	17.4	125.2	637.7
Viet Nam	-71.7	104.3	37.4	13.4	16.8	100.2
Oceania	0.0	0.8	23.7	175.5	18.9	218.9
Papua New Guinea	0.0	0.0	20.1	175.0	0.0	195.1
South-East Europe and the CIS	0.0	0.0	-2,603.9	0.0	21.0	-2,582.9
Kazakhstan	0.0	0.0	-2,603.9	0.0	0.0	-2,603.9

Source: UNCTAD, M&A database.

Figure 4.10. ASEAN cross-border M&A purchases dominated by services industries, 2007-2011
(Billions of dollars; Percentage)



Source: UNCTAD, M&A database.

Table 4.11. Selected real estate M&A purchases made by ASEAN companies, 2007-2012
(Millions of dollars; Percentage)

Acquiror Name	Acquiror Nation	Target company	Industry of target company	Target Nation	% Owned After Trans-action	Value ($mil)
Investor Group	Singapore	Festival Walk	Operators of nonresidential buildings	Hong Kong	100.00	2,412.7
CapitaLand China (RE)	Hong Kong	Orient Overseas Dvlp	Land & Real Estate	Hong Kong	100.00	2,200.0
GIC Real Estate	Singapore	ProLogis-China Operations	Land & Real Estate	China	100.00	1,300.0
GIC Real Estate	Singapore	Chapterhouse Holdings	Real estate investment trusts	United Kingdom	100.00	954.2
Government of Singapore	Singapore	Hawks Town Corp	Department stores	Japan	100.00	862.2
GIC Real Estate	Singapore	CSC-MetroCentre	Operators of nonresidential buildings	United Kingdom	40.00	821.5
Permodalan Nasional	Malaysia	KanAm-Portfolio of Offices	Operators of nonresidential buildings	United Kingdom	100.00	787.0
GIC Real Estate	Singapore	Westin Tokyo	Hotels and motels	Japan	100.00	721.8
GIC Real Estate	Singapore	WestQuay Shopping Center	Operators of nonresidential buildings	United Kingdom	50.00	612.0
Ascott Residence Trust	Singapore	The Ascott Ltd-European Ppty	Operators of apartment buildings	France	100.00	600.6
GIC Real Estate	Singapore	Westfield Parramatta	Operators of nonresidential buildings	Australia	50.00	595.6
Genting Worldwide (UK)	United Kingdom	Nedby,Palomino Star,Palomino	Offices of holding companies, nec	Isle of Man	100.00	515.6
Showy International	Singapore	Fortune Court Holdings	Land and real estate	Hong Kong	100.00	485.2
GIC Real Estate	Singapore	InterContinental Chicago	Hotels and motels	United States	49.00	450.0
Perennial China Retail	Singapore	Chengdu Longemont Mall Dvlp	Operators of nonresidential buildings	China	80.00	406.7
Central Retail Corp	Thailand	La Rinascente SpA	Department stores	Italy	100.00	372.5
Kyodo-Allied Industries	Singapore	Great Spirit Management	Land & real estate	China	100.00	361.9
GIC Real Estate Pte Ltd	Singapore	GPT Group	Real estate	Australia	12.00	269.7
Permodalan Nasional Bhd	Malaysia	Santos Place	Operators of nonresidential buildings	Australia	100.00	263.5
Investor Group	Singapore	Ever Bliss International	Operators of nonresidential buildings	China	50.00	263.2
Fortune REIT	Singapore	Marvel Point Investments	Real estate	Hong Kong	100.00	263.1
Pikko Land Corp	Singapore	Royal Oak Development Asia	Land & real estate	Indonesia	68.02	241.3
Kumpulan Wang Simpanan Pekerja	Malaysia	Union Investment-Whitefriars	Operators of nonresidential buildings	United Kingdom	100.00	235.0
ADF Phoenix IV	Singapore	Nanjing International Finance	Operators of nonresidential buildings	China	100.00	232.8
CIMB Group	Malaysia	Walker Corp-Office Bldg	Operators of nonresidential buildings	Australia	100.00	232.8
CapitaRetail China Trust	Singapore	Xizhimen Mall	Operators of nonresidential buildings	China	100.00	229.3
CapitaMalls Asia	Singapore	Queensbay Mall, Penang	Operators of nonresidential buildings	Malaysia	100.00	208.2
GIC Real Estate	Singapore	Salta Ppty-Industrial Ppty	Land & real estate	Australia	100.00	194.4
GIC Real Estate	Singapore	Iso Omena	Operators of nonresidential buildings	Finland	40.00	191.8
Starhill Global REIT	Singapore	Starhill Gallery	Operators of nonresidential buildings	Malaysia	100.00	187.0
LMIR Trust	Singapore	Grandley Invest,Kindall Invest	Operators of nonresidential buildings	Indonesia	100.00	182.4
Asia Silk Holdings	Singapore	Chaswood Resources	Eating places	Malaysia	100.00	176.7
GIC Real Estate	Singapore	Lasalle-Kungshuset Office	Operators of nonresidential buildings	Sweden	100.00	169.1
Star Eagle Holdings	Singapore	Resorts World at Sentosa	Amusement parks	Singapore	100.00	168.2
CapitaRetail China	Singapore	Xihuan Plaza	Department stores	China	100.00	165.2
Lippo Karawaci	Indonesia	Lippo-Mapletree Indonesia	Real estate investment trusts	Singapore	29.50	159.1
CDL Hospitality REIT	Singapore	Novotel Brisbane	Hotels and motels	Australia	100.00	156.9

Source: UNCTAD, M&As database.

Cross-border M&A purchases are increasingly a preferred mode of internationalization channel by ASEAN companies, both within and outside the region. The strengthening financial position of companies in ASEAN supports an increasing number and bigger value of M&A purchases. In some recent transactions, these ASEAN companies challenged established companies in the Global Fortune 500 in making bids, suggesting the growing maturity of ASEAN companies, as well as their financial prowess and appetite to have a stronger global footprint. PTT won over Royal Dutch Shell in a barrel to purchase Cove Energy (Ireland) (the acquisition was valued at $1.9 billion). Thai Beverage has recently acquired F&N (Singapore) for $11.2 billion on the other shares that it does not own.[43] Petronas (Malaysia) purchased Progress Energy Resources Corporation (Canada) for $5.2 billion in 2012. Indorama Ventures, headquartered in Thailand, acquired the ethylene producing unit of Old World Industries (United States) for $795 million.

Companies from ASEAN have recently made more mega purchases than in the past, with total deals exceeding $1 billion in transactions. The number of mega purchases rose from 10 in 2007-2009 to 13 in 2010-2012 (table 4.12). A few of these mega purchases are in ASEAN. Nine of the purchases between 2007 and 2012, amounting to $26.6 billion, were in extractive related industries concentrated in the United States, Canada and Australia. This suggests that distant does not limit these ASEAN companies in seeking access or securing natural resources.

Table 4.12. Selected mega M&A purchases made by ASEAN companies, 2007-2012

(Millions of dollars)

Year	Value ($mil)	Acquired company	Host country	Industry of the acquired company	Acquiring company	Home country	% share
2012	9400.0	Ping An Insurance Group	China	Insurance	Charoen Pokphand	Thailand	15.6
2007	7501.0	Alinta Ltd	Australia	Natural gas distribution	Investor Group	Singapore	100.0
2012	5200.0	Progress Energy Resources	Canada	Oil and gas	Petronas	Malaysia	100.0
2008	4400.0	Merrill Lynch	United States	Security brokers, dealers, and flotation companies	Temasek Holdings	Singapore	10.7
2007	3674.6	Solectron Corp	United States	Printed circuit boards	Flextronics International	Singapore	100.0
2011	3500.0	Frac Tech Holdings	United States	Oil and gas field services, nec	Investor Group	Singapore	70.0
2008	2489.2	GLNG Project,Brisbane	Australia	Natural gas liquids	Petronas	Malaysia	40.0
2011	2412.7	Festival Walk	Hong Kong (China)	Operators of nonresidential buildings	Investor Group	Singapore	100.0
2010	2379.7	Parkway Holdings	Singapore	General medical and surgical hospitals	Integrated Healthcare Holdings	Malaysia	93.0
2009	2356.6	PowerSeraya	Singapore	Electric and other services combined	YTL Power International	Malaysia	100.0
2011	2280.0	Statoil Canada	Canada	Crude petroleum and natural gas	PTTEP	Thailand	40.0
2010	2200.0	Orient Overseas Dvlp	Hong Kong (China)	Land subdividers and developers, except cemeteries	CapitaLand	Singapore	100.0
2011	1954.3	Vallar	United Kingdom	Investment offices, nec	Vallar PLC (Bakrie Group)	Indonesia	100.0
2012	1900.0	Cove Energy	Ireland	Gas resources	PTTEP	Thailand	100.0
2010	1838.8	Sucrogen	Australia	Sugarcane and sugar beets	Wilmar	Singapore	100.0
2008	1708.7	Idea Cellular	India	Radiotelephone communications	TM International	Malaysia	15.0
2010	1646.1	Centennial Coal	Australia	Bituminous coal and lignite surface mining	Banpu	Thailand	100.0
2007	1407.5	FL Selenia	Italy	Lubricating oils and greases	Petronas	Malaysia	100.0
2009	1300.0	ProLogis-China Operations	China	Land subdividers and developers, except cemeteries	GIC Real Estate	Singapore	100.0
2008	1255.7	Sorak Finl Holdings	Singapore	Offices of holding companies, nec	Malayan Banking	Malaysia	100.0
2007	1124.6	PPB Oil Palms	Malaysia	Vegetable oil mills, nec	Wilmar International	Singapore	99.0
2011	1096.8	Progress Energy-Altares	Canada	Crude petroleum and natural gas	Petronas	Malaysia	50.0
2012	1000.0	Bumi	United Kingdom	Investors, nec	Borneo Lumbung Energi	Indonesia	23.8

Source: UNCTAD, M&A database.

4.3.4 Selected internationalised ASEAN companies and their global footprints

Almost all of the top 50 largest ASEAN companies by revenues have a presence overseas and across the region (table 4.13). They include companies operating in oil and gas, mining, agri-business, telecommunications, food and beverages, manufacturing, banking, power generation, infrastructure, real estates and healthcare services. The top 50 are dominated by Thailand, Singapore, Malaysia and Indonesia in that order. Most of the companies in the list have subsidiaries, which in turn have extensive overseas operations. All of these top 50 are public listed companies and major local players in the industry at home. Some of them are also GLCs, with strong resource-backing including the availability of finance to expand abroad. Many of the top 50 ventured abroad a long time ago and have, over time, expanded their operations overseas to a global level. Such companies include Sembcorp, Singapore Telecommunication, Keppel, Neptune Orient, Olam, Wilmar, Sime Darby, CIMB, SP Setia, IOI Group, Maybank, Petronas, San Miguel, Ayala, Jollibee, Ciputra, Lippo, Pertamina, PTT, Thai Beverage, Bangkok Bank, CP and Saha Union.

43 "Thais set to win F&N battle after Overseas Union bows out", Reuters, 22 January 2013 (http://www.reuters.com/article/2013/01/22/us-fraserandneave-takeover-idUSBRE90K02220130122)

In addition, many ASEAN companies, including the top 50, are fast becoming transnationalised corporations with a significant percentage of their assets, sales and employment generated outside the home country. The top 13 largest non-financial ASEAN TNCs are dominated by companies from Singapore and Malaysia (table 4.14). Almost all of them have a transnationality index greater than 30%, which is calculated based on the average ratios of foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment (WIR 2011).

The recent list of Singapore's International 100 companies also lends support to the increasing transnationality of Singapore companies. The list shows an increasing level of revenues generated from the overseas operations of these firms; on average overseas sales accounted for 30% of their total revenues in 2012. A majority of the annual revenues of companies such as Eu Yan Sang and Transview Golf came from their overseas operations.

Table 4.13. Top 50 listed companies in ASEAN with overseas operations, by revenues, 2012[1]
(Millions of dollars)

				Sales		Assets		Total
	Company Name[2]	**Country**	**Business/industry**	**Foreign**	**Total**	**Foreign**	**Total**	**employe**
1	Petronas	Malaysia	Fully integrated oil and gas corporation					
2	PTT	Thailand	Petroleum Refining	N/A	76,962.5	N/A	43,838.2	22,010.0
3	Wilmar International	Singapore	Agribusiness group	33,371.8	43,205.6	8,654.5	39,423.5	90,000.0
4	Flextronics International	Singapore	Electronic Components and Accessories	14,573.1	30,126.1	1,009.1	11,589.8	176,000.0
5	Singapore Telecommunication	Singapore	Telephone Communications	9,258.2	14,336.1	27,125.8	30,558.0	N/A
6	Thai Oil	Thailand	Petroleum Refining	N/A	14,143.9	N/A	4,898.1	816.0
7	Sime Darby	Malaysia	Conglomerates	9,499.0	13,862.8	2,531.6	13,987.1	100,000.0
8	Olam International	Singapore	Food and Agriculture Commodities	8,627.3	12,873.4	1,242.1	10,212.7	17,000.0
9	San Miguel Corporation	Philippines	Food and Beverages	N/A	12,217.0	N/A	20,118.6	12,566.0
10	Siam Cement	Thailand	Industrial Organic Chemicals	N/A	11,682.4	N/A	11,755.5	34,725.0
11	Tenaga Nasional	Malaysia	Electric Services	0.0	10,796.8	0.0	25,002.1	31,000.0
12	Neptune Orient Lines	Singapore	Sea Transportation	6,691.3	8,900.8	350.8	6,959.1	11,388.0
13	Telekomunikasi Indonesia	Indonesia	Telephone Communications	0.0	7,858.1	0.0	11,357.8	26,023.0
14	IRPC Public Company Limited	Thailand	Petroleum Refining	N/A	7,825.3	N/A	4,189.4	5,327.0
15	Keppel Corporation	Singapore	Ship Building, Repairing and Engineering	1,948.7	7,775.8	1,955.4	18,881.4	31,914.0
16	DBS Group	Singapore	Commercial Banks	2,245.8	7,453.1	99,236.5	262,752.5	18,000.0
17	Malayan Banking	Malaysia	Commercial Banks	1,263.3	7,218.5	N/A	141,913.9	N/A
18	Sembcorp Industries	Singapore	Ship and Boat Building and Repairing	3,432.9	6,977.3	3,085.7	9,017.1	N/A
19	Charoen Pokphand	Thailand	Conglomerate, Agri-business	2,552.9	6,532.5	N/A	5,023.7	24,743.0
20	Petron Corporation	Philippines	Petroleum Refining	641.8	6,246.9	N/A	4,008.2	2,111.0
21	Genting	Malaysia	Hotels, resorts, plantations, electricity	3,719.6	6,170.0	8,063.0	17,097.2	58,000.0
22	YTL Corporation	Malaysia	Electricity Services and Infrastructure	4,846.5	6,078.7	5,997.2	15,984.8	N/A
23	Bank Mandiri	Indonesia	Commercial Banks	12.6	6,001.8	1,308.8	60,445.7	27,907.0
24	Bank Rakyat Indonesia	Indonesia	Commercial Banks	9.3	5,947.2	738.2	51,532.1	40,044.0
25	Indorama Ventures	Thailand	Plastics Materials and Synthetic Resins & Rubber	N/A	5,898.4	N/A	4,622.1	8,741.0
26	United Overseas Bank	Singapore	Commercial Banks	1,820.1	5,889.8	67,884.9	182,488.6	23,136.0
27	Manila Electric	Philippines	Electric Services	0.0	5,855.8	0.0	4,808.7	6,071.0
28	OCBC	Singapore	Commercial Banks	1,709.8	5,804.6	80,388.7	214,178.2	22,892.0
29	CIMB Group	Malaysia	Commercial Banks	1,090.7	5,539.6	30,277.8	94,685.4	40,244.0
30	IOI Corporation	Malaysia	Real Estate Agents and Managers	3,600.4	5,350.0	1,724.6	6,492.9	N/A
31	Axiata Group	Malaysia	Telephone Communications	2,925.5	5,188.6	N/A	12,692.6	N/A
32	Bangchak Petroleum	Thailand	Petroleum Refining	N/A	5,027.3	N/A	1,946.9	N/A
33	Indofood Sukses Makmur	Indonesia	Food Preparations and Kindred Products	547.0	4,999.4	N/A	5,836.0	67,581.0
34	Fraser and Neave	Singapore	Food & Beverages, Property	3,126.6	4,814.9	1,954.6	10,557.8	N/A
35	Singapore Technologies Engineering	Singapore	Aircraft and Parts	1,869.5	4,620.3	N/A	5,625.3	22,193.0
36	Gudang Garam	Indonesia	Cigarettes	0.0	4,619.2	0.0	4,306.7	44,669.0
37	UMW Holdings	Malaysia	Motor Vehicles and Equipment	310.5	4,270.0	672.6	3,307.4	N/A
38	Sri Trang Agro-Industry	Thailand	Gaskets, Packing, and Sealing Devices	1,644.5	4,237.8	191.4	1,263.9	6,214.0
39	Thai Beverage	Thailand	Beverages	154.6	4,189.7	N/A	3,155.3	N/A
40	Advanced Info Service	Thailand	Communications Services, NEC	N/A	4,007.5	N/A	2,543.6	9,540.0
41	Bumi Resources	Indonesia	Bituminous Coal and Lignite Mining	0.0	3,870.6	3,666.8	7,387.1	6,969.0
42	Adaro Energy	Indonesia	Bituminous Coal and Lignite Mining	N/A	3,857.4	N/A	5,668.0	7,476.0
43	SM Investments Corp	Philippines	Department Stores	N/A	3,786.5	N/A	10,223.9	N/A
44	Public Bank	Malaysia	Commercial Banks	313.6	3,732.1	5,967.4	78,664.0	17,511.0
45	Siam Commercial Bank	Thailand	Commercial Banks	N/A	3,678.0	N/A	59,519.4	N/A
46	Bangkok Bank	Thailand	Commercial Banks	N/A	3,653.6	N/A	66,780.1	21,503.0
47	Philippine Long Distance Telephone	Philippines	Telephone Communications	N/A	3,570.9	N/A	8,885.4	34,116.0
48	Hong Leong Asia	Singapore	Engines and Turbines	3,372.1	3,567.3	1,096.2	4,136.2	N/A
49	Banpu	Thailand	Mining and power	3,545.9	3,562.7	3,129.6	7,131.9	6,477.0
50	Bank Central Asia	Indonesia	Commercial Banks	1.8	3,496.7	37.5	42,030.3	19,962.0

Notes: 1. Based on 2011 revenues. 2. Some of the companies are subsidiaries of a group of companies.
Airlines are excluded from this list.

Sources: UNCTAD and Bloomberg.

Companies from Indonesia such as Salim Group, Sinar Mas Group, Mayapada Group, Lippo Group and CT Group are also significant players from the region. SOEs from Viet Nam are adding to the list of internationalised ASEAN companies but a significant of their investments are regionally focused in neighbouring countries such as Cambodia and Lao PDR.

Table 4.14. Top ASEAN non-financial TNCs, ranked by foreign assets, 2010[a]
(Millions of dollars and number of employees)

Ranking by:					Assets		Sales		Employment		
Foreign assets	TNI [b]	Corporation	Home economy	Industry [c]	Foreign	Total	Foreign	Total	Foreign [d]	Total	TNI (Per cent)
1	13	Petronas - Petroliam Nasional Bhd	Malaysia	Petroleum expl./ref./distr.	35 511	145 099	31 563	76 822	8 325	41 628	28.5
2	5	Singapore Telecommunications Ltd	Singapore	Telecommunications	25 877	31 134	8 759	13 563	10 417	23 000	64.3
3	3	Wilmar International Limited	Singapore	Food, beverages and tobacco	17 280	33 969	22 934	30 378	85 705	88 000	74.6
4	4	Genting Bhd	Malaysia	Other consumer services	11 938	15 896	2 539	4 703	32 352	43 077	68.1
5	8	CapitaLand Ltd	Singapore	Construction and real estate	11 748	24 622	1 600	2 481	3 093	6 482	53.3
6	1	Flextronics International Ltd	Singapore	Electrical & electronic equipment	11 539	11 633	28 102	28 680	171 901	176 000	98.3
7	2	Axiata Group Bhd	Malaysia	Telecommunications	10 205	12 356	2 741	4 849	21 250	25 000	74.7
8	6	Fraser and Neave Ltd	Singapore	Food, beverages and tobacco	5 083	10 273	2 579	4 034	8 412	17 000	54.3
9	10	Sime Darby Bhd	Malaysia	Diversified	4 493	11 536	6 526	9 711	25 432	100 000	43.9
10	7	City Developments Ltd	Singapore	Other consumer services	3 845	10 969	976	2 295	16 576	19 668	54.0
11	12	Keppel Corp Ltd	Singapore	Transport and storage	3 546	16 296	1 853	7 395	20 453	36 718	34.2
12	11	Sembcorp Industries Limited	Singapore	Utilities (Electricity, gas and water)	2 585	8 459	3 326	6 427	4 561	13 415	38.8
13	9	Neptune Orient Lines Ltd	Singapore	Transport and storage	2 444	6 451	7 210	9 422	3 532	11 257	48.6

a All data are based on the companies' annual reports unless otherwise stated; corresponds to the financial year from 1 April 2010 to 31 March 2011.
b TNI, the Transnationality Index, is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.
c Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).
d In a number of cases foreign employment data were calculated by applying the share of foreign employment in total employment of the previous year to total employment of 2010.

Source: UNCTAD based on "The top 100 non-financial TNCs from developing and transition economies, ranked by foreign assets, 2010" listed in the World Investment Report 2011.

4.4 Drivers and motivations

A key driver of OFDI is competitive pressure (WIR 2006). In a rapidly globalizing world, companies can no longer count on their home markets as a relatively secure base or source of profits (UNCTAD 2007). Competition is everywhere – through imports, inward FDI and non-equity forms of participation. Going abroad can become an important aspect of survival and to increase corporate competitiveness. ASEAN companies venturing overseas have been driven and motivated by a combination of factors (table 4.15; Mirza and Giroud 2004; Park et.al. 2008).

Table 4.15. Potential benefits from OFDI

Benefits
• Market expansion and greater market reach • Securing contracts overseas and strengthening trade channels • More effective or efficient supply chains • Access to knowledge, management skills and technology • Acquisition of brand names • Brand development • Improved corporate image • Increased international experience and exposure • Access to natural resources Ultimately: • Improved enterprise competitiveness • Increased profitability, revenues and assets

Source: UNCTAD 2007.

In general, the main motivations of OFDI by ASEAN companies or ASEAN TNCs are largely related to efficiency-, market- and resource-seeking reasons for going abroad (WIR 2006). In recent years, the reasons for OFDI by ASEAN companies have expanded to include strategic motives, i.e. the acquisition of assets regional and international markets that provide access to brand names, technology and skills, including strategic business networks and land banks (WIR 2008; Mirza, Giroud and Wee 2011).

The ability to develop brand names and reputation at home has also become an important driver for ASEAN firms to internationalise or regionalise. For instance, some property developers and construction companies from Malaysia, Singapore and Indonesia have ventured abroad aided by the experience, reputation and brand name built at home. S&P and Siam Cement from Thailand invested abroad partly to exploit their brand names or increase brand awareness (Wee 2007). internationalizing hospitals and healthcare groups from Malaysia, Singapore and Thailand have also built on their reputation. Moreover strong growth at home has contributed to many ASEAN companies building up the financial resources needed to go abroad.

The drivers of internationalization for ASEAN firms vary by firm, home country and industry. SMEs from ASEAN are less internationalised in terms of their global reach compared to large companies, which have greater access to internal and external resources. ASEAN SMEs are more regionally, oriented and a significant reason for this is geo-cultural proximity and affinity. Companies from various home countries also differ in their reasons for going overseas. For instance, companies in Malaysia and Singapore have a strong urge to invest abroad because of a relatively small home market size, saturated markets, limited opportunities for growth and the need to secure resources, which include land and labour forces.

Similarly, companies in different industries are driven by varying factors for going abroad. For example, companies in the extractive industries invest abroad such as Petronas (Malaysia), Pertamina (Indonesia), Banpu (Thailand) and PTT (Thailand) are concerned to access or secure natural resources in the region and further afield. They are increasingly using M&As to secure access to natural resources, such as oil and gas, and the mining of other natural resources. Further, ASEAN TNCs operating in agriculture are compelled to go abroad in order to access agricultural land and utilise low cost labour. Some Malaysian plantation companies have invested in Indonesia, Thailand and Viet Nam; Vietnam Rubber Group (VRG) invested in Lao PDR and Cambodia; and palm oil companies from Singapore (Wilmar) and Malaysia (Sime Darby, IJM, PBB, IOI) have spread to Indonesia.

As indicated earlier, companies in the healthcare industry, such as IHH (Malaysia), Raffles Group (Singapore), Bangkok Hospital (Thailand), Singapore Medical Group, Bumrungrad Hospital (Thailand), and KPJ Healthcare (Malaysia) are involved in OFDI to grow by exploiting brand reputation built up at home. In some cases this is by acquiring existing medical facilities in host countries. For example, IHH's (Malaysia) acquisition of Parkway Group (Singapore) helped the Group establish a strong regional footprint in the healthcare industry faster.

Infrastructure, real estate and construction companies are venturing overseas to diversify their markets and revenue base, including by building up their land bank. This move is supported by their expertise accumulated at home in building roads, power plants, industrial estates, prime property and mega township development. These companies have the aspiration to replicate their success at home in new markets. Examples include, SP Setia, IOI Group from Malaysia; Lippo and Ciputra Group from Indonesia; Far East Organisation and Keppel Construction from Singapore; Amata and Preuksa Real Estate from Thailand; Ayala Group (Philippines) and Song Da (Viet Nam).

“Push” and “Pull” Factors

The drivers and motivations of OFDI by companies from ASEAN can be grouped under a combination of “pull” and “push” factors (figure 4.11). The most important of these are:

“Push” factors

1. The home-country environment. *This includes economic and policy factors, the size of the home market growth constraints, currency appreciation, improvements in the home country OFDI regulatory framework, capital account liberalization (relaxed exchange controls), and trade and investment agreements.*

Figure 4.11. Intra-regional investment in ASEAN: Drivers and motivations; “Push” and “Pull” Factors

Drivers ("Push" factors)		Motivations ("Pull" factors)		
Proprietary advantages & assets (Factors of the firm)	**Environment setting at home**	**Motives**	**Regional development & integration**	**Host country specific factors**
Financial prowess & strong balance sheet	Increasing cost	Need to diversify revenue and market growth	Regional market size and growth potential	Availability of competitive resources (land, labour, oil & gas, coal, etc)
	Limited labour force			
Brand names, business reputation & recognition	Limted land	Inducive opportunities	Economic and locational complementation	Opportunities for investment
Rapid growth and success at home	Market saturation			
	Slow economic growth	Strategic alliances & networks benefits	Liberalisation & integration - single market & production base environment.	Availability of strategic local partners
Slow growth & competition at home	Increasing competition			
Aspiration to be regional players or internationalise	Increasing cost	Need to survive & increase competitiveness		Availability of strategic assets (e.g. established distribution networks, hospital chains)
Maturity and readiness to internationalise or regionalise		Secure production inputs & natural resources	Integrated regional production networks opportunities	
Networks and personal connection, alliances		Home country measures, support & encouragement	Opportunities to develop and tap into regional value chains, and linking to China, India & globally	Availability of strategic assets for M&As, which brings synergy
Member of a large corporate group				
		Success of others		Language skills & work cultures
		Follow customers & operate close to them	Gateway to other larger markets and resources (e.g. China & India) through FTAs	Talent pools & skilled labour
				Environment suitable to transfer or replicate success at home in host country
		To gain contracts in host market		
			Geo-cultural proximity and affinity	
		Easier to build brand names in less developed member countries.		Economic and political stability
		To move up or downstream to be an integrated business group		Offers low internationalisation risks
				Overall conducive investment environment
				Increasing affluent consumer base
				Rapid economic growth

Source: UNCTAD.

2. Corporate-specific or proprietary advantage influences. *These include:*

    - Specific push drivers (e.g. rising costs in the home market, the need to follow competitors and suppliers, corporate internationalization strategy).
    - Management and skill factors (e.g. availability of skills and knowledge that can contribute to successful internationalization and acquisition of certain skills set).
    - The exploitation of proprietary advantages, to replicate success abroad and to grow brand names overseas.
    - Chance factors or opportunistic factors (e.g. being invited to supply a customer abroad) and business networks or connection.

"Pull" factors

3. The host-country environment: *pull factors associated with host country attractiveness or opportunities for investment, such as growth prospects and privatization, lower production costs, availability of natural resources, abundant labour force, and host Government incentives.*

4. Regional integration and development, which includes a larger regional market size and potential; economic complementation that allows for integrated operations; and easier deployment of regional value chains. These factors enable firm access to a single regional market and production base.

The factors driving companies from ASEAN to internationalise or regionalize can also be clustered under four key types of OFDI:

1. *Market seeking*. This relates to securing markets abroad, diversifying their revenue base, following customers, supporting trade and distribution channels, and establishing new markets. Some 1507 Singapore-based companies surveyed by IE (about 91% SMEs) indicated that their overseas operations contributed significantly to the company's overall revenue growth and accounted on average for 74% of the total revenues in 2011 (IE 2012). The 2012 survey of Singapore International 100 by DP Information found that these companies saw increasing revenues from their overseas operations, which on average accounted for about 30% of the total revenue in 2012.[44]

    ASEAN companies with significant market-seeking OFDI include: **Malaysia**: Axiata, CIMB, Maybank, GHL System; Top Glove, Royal Selangor, Hong Leong and many Malaysian construction, infrastructure and property developers. **Singapore**: Wilmar International, Singapore Telecommunication, CapitaLand, Nepture Orient Lines, Sembcorp Industries, Hong Leong Asia, Keppel Corporation, Fraser and Neave. **Thailand**: PTT, Thai Beverage, S&P, Siam Cement, Saha Union, Thai Union. **Philippines**: San Miguel, Jollibee, Ayala, SM Group. **Indonesia**: Lippo Group, Sinar Mas group, Ciputra Group. **Viet Nam**: Song Da, Petrovietnam, Vietnam Rubber Group.

2. *Efficiency seeking*. Companies invest in low-cost locations to increase cost competitiveness (Giroud and Mirza 2006). Many manufacturing companies from Singapore and Malaysia have invested in Cambodia, Indonesia, Thailand and Viet Nam for this reason. Globetronics, Press Metal and Top Glove of Malaysia have operations in other ASEAN countries and China to improve cost competitiveness and access low cost environment.

    Efficiency seeking outward FDI is a relatively recent development for Thai companies. Increasing cost at home are now encouraging Thai companies in textiles, garments and jewellery to invest in lower cost

44 See DP Information, News and Events "Be prudent and wise – the impact of global financial crisis on Singapore companies" (http://www.dpgroup.com.sg/s1000/NewsEvent/ArticleNPapers/2012/12February2012.pdf).

neighbouring countries, including parts of China. Pranda Jewelry has invested in China, Indonesia and Viet Nam, partly because of cost reasons, as did Saha Union in textiles manufacturing in China.[45] However, costs alone are not the major reason for Thai outward FDI. Labour-intensive production (e.g. garments) is gradually being relocated to countries with abundant low-cost labour, such as Cambodia and Lao PDR (Ministry of Foreign Affairs of Thailand and the United Nations Country Team in Thailand 2005, p. 40).

3. *Strategic-assets seeking*. Strategic-assets seeking FDI includes the intention to enhance existing corporate competitive advantages by acquiring new advantages. ASEAN companies invest abroad to acquire business networks, brand names and strategic production facilities, including agricultural land. Agriculture-based companies such as Sime Darby, Wilmar, PPB Group and property developers from Singapore and Malaysia have gone abroad to access to land banks for future development purposes. Some healthcare groups (e.g. IHH) have similarly acquired hospitals in other ASEAN countries for strategic purpose. The acquisition of banking assets by Malaysian and Singaporean banks in other ASEAN countries, as well as the recent moves by Thai Beverage in acquiring control of F&N are further examples.

4. *Resource seeking*. A main force driving OFDI has been the desire to secure long-term supplies of natural resources (particularly oil and natural gas, coal and other minerals). Companies such as Petronas, PTT and Petrovietnam have extensive overseas operations, covering many countries in various continents.

4.5 Conclusion

Companies from ASEAN countries are increasingly going regional and global. ASEAN Governments, directly or indirectly, for instance through the provision of institutional support, are encouraging their firms in this move. Some companies have been regional players for some time, but are now strengthening their presence in ASEAN further. Regional economic integration is a key factor contributing to the present wave of strong intra-regional investment.

The prospect for enterprise regionalization in ASEAN is promising, given the increasing capacities and a wider pool of firms aspiring, willing and able to invest in the region. Going regional increases their market reach and customer base, as well as opportunities to tap into locational complementation available across ASEAN. Regional integration and emerging business opportunities are providing an impetus not seen before in driving intra-regional investment. As more ASEAN companies position and prepare for AEC 2015, this intra-regional investment wave is expected to strengthen.

The rise of OFDI (including intra-regional investment) contributes to the changing geography and investment landscape in ASEAN. Increasing competition, saturated markets, the need to secure natural resources, and the decline in competitiveness of industries at home are driving ASEAN companies to go abroad in order to overcome these problems, improve competitiveness, increase efficiency and to survive. In some cases, ASEAN companies have gone regional to exploit brand reputation and recognition developed at home. Strong business networks and connections have also helped them to venture abroad.

The desire to be global players or key players in global industries also drives OFDI from ASEAN countries. Some SMEs have grown through internationalization, which has in turn facilitated their growth to a critical size. Unlike in the past, firms do not now need to grow to a certain size before they internationalize; they now internationalize to grow and investing abroad facilitates this process.

45 See Saha Union Public Company Limited Annual Report 2005 and “Viet Nam a ‘Gold Mine’ for Pranda Jewelry plc”, Investment and Trade Promotion Centre(http:itpc.hochiminhcity.gov.vn/ en/business_news/business-day/2004/03/Folder.2004-03-30.4815/News_Item.2004-03-30.0423.

The significance of enterprise regionalization (i.e. the drivers, motivations, players and implications) in strengthening regional integration cannot be underestimated. These companies, by going regional, play a vital role in reinforcing further regional connectivity and integration. They are the key players for regional integration. Otherwise the various bold and credible ASEAN economic agreements would just be but a wonderful “stage” with limited players. These players make possible the envisaged ASEAN Economic Community.

There are challenges to internationalization or in going regional. Companies need to assess the costs and benefits of going abroad. Success is not automatic. They need to do their homework and identify the risks, including knowing how to manage or mitigate them. Governments and regional institutions can also play a role in reducing such risks through greater transparency and dissemination of information, including measures to facilitate intra-regional investment flows. However, the numbers of success stories on internationalization by ASEAN companies are steadily increasing. These stories are inspiring others to go regional, and AEC is hastening their process in doing so.

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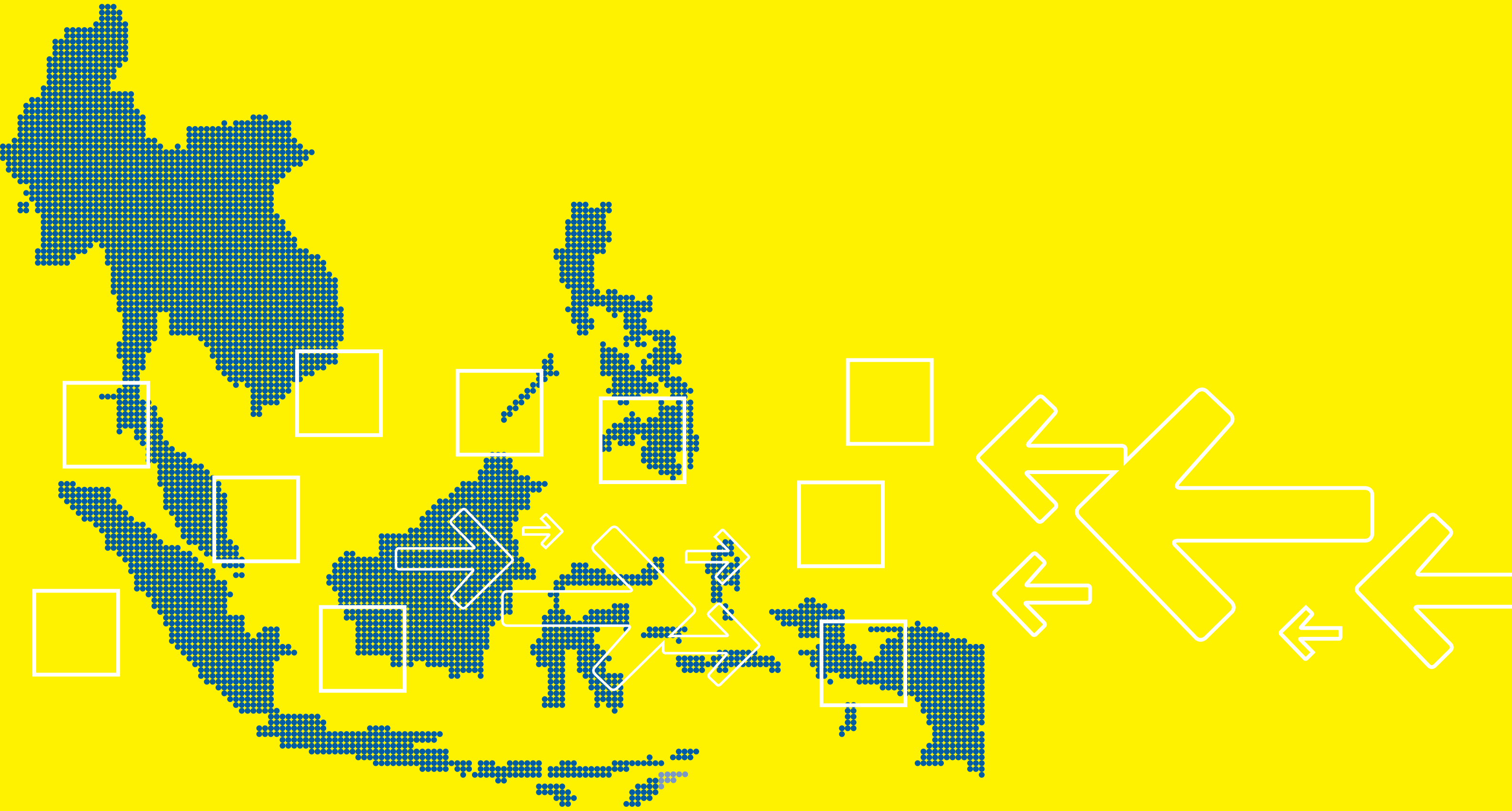

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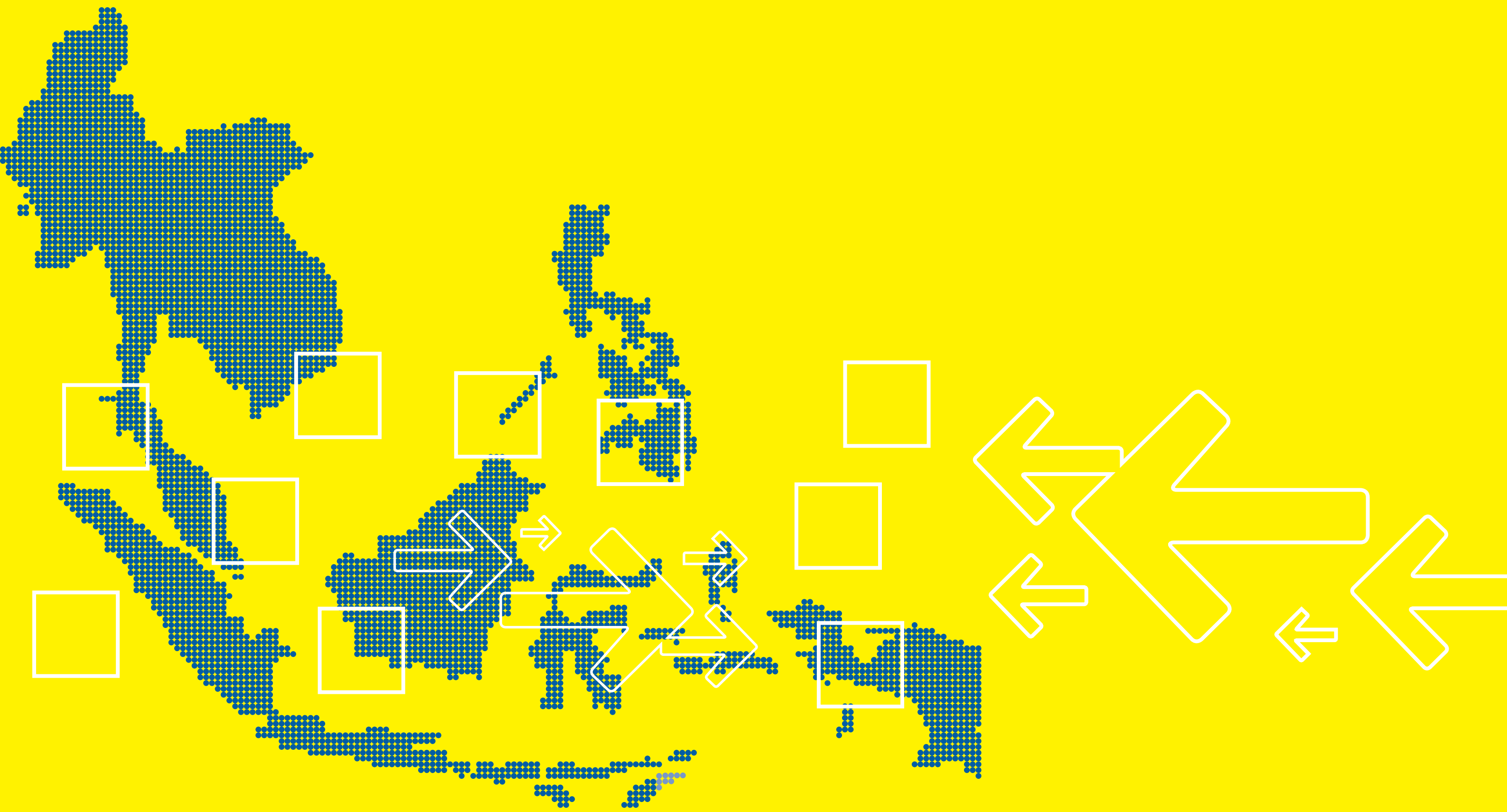
ANNEX



ANNEX

Annex table 2.1. Investment Policy Measures in ASEAN: Selected individual actions, 2011-2012

Country	Selected Investment-Specific Measures	Selected Investment-Related Measures
Brunei Darussalam	• A tax exemption is available for pioneer industries companies. A 15 per cent credit can be claimed on new investment of new plant and machinery made between January 2012 and December 2017. The credit may be carried forward for 2 years. • 30 per cent of local equity participation is required for foreign investment in manufacturing and fisheries sectors.	• On 1 January 2012, the Tax Administration and Revenue Services (STARS)was launched to facilitate e-filling system on taxation. • Other facilitating laws were put into force since January 2012 i.e., Brunei Darussalam's Patents Order 2011, and Consumer Protection (Fair Trading) Order 2011. • Brunei Darussalam has also signed Double Taxation Agreements (DTA) with Qatar, Sweden, Denmark, Norway, Finland, Iceland, Greenland, and the Faroe Islands.
Cambodia	Issuance of the following prakas/circulars/orders: • Instructive Circular No. 365 (issued: 4 April 2011): procedure to apply for extension, suspension or cessation of a company's investment activity. • Prakas No. 242 (4 March 2011): procedure to implement the regulation on the operation of factories and handicrafts in accordance with existing laws. • PrakasNo. 7-011-242 (27 Dec 2011): licensing of financial lease companies; aims to provide guidance for the licensing and regulation of companies engaged in financial leasing. • 16 January 2012: Order #001 (16 Jan 2012):compliance by factory and handicraft operations to Law on Management of Factories and Handicrafts, and the Prakas on Procedure for Implementing Provisions on Operation of Factories and Handicrafts. • Decision #03 (13 Jan 2012) on the establishment of Neang Koh-Koh Kong as a Special Economic Zone Administration. • Instructional Circular # 01 (3 Feb 2012): all assignments for the private investment and development in the coastal areas of the Kingdom of Cambodia shall comply with the determined principles of the Government on public, social and environmental safety. • Special Order (7 May 2012): measures to strengthen and increase the effectiveness of the management of Economic Land Concessions (ELCs).	Issuance of the following prakas/circulars/orders: • Prakas No. 288 (31 March 2011): authorization to use tax removal/reduction programs of Cambodia under the Agreement on ASEAN Merchandise Trade. • Sub-Decree No. 70 (22 April 2011): sets out the following tax incentives: (i) 10% of tax on profit for securities companies; and (ii) 50% reduction of withholding taxes on interest and dividend distribution for public investors. • Sub-Decree No.88 (11 June 2012): increase in the specific tax and export duty rates of certain motorcycles and seafood; effective from 1st July 2012. • Cambodia has brought down the import tax rate to 0 per cent and VAT exemption for agricultural equipment and machinery. • Additional tax incentive for paddy production is offered with additional 3 years of tax exemption on profit.

Country	Selected Investment-Specific Measures	Selected Investment-Related Measures
Indonesia	• On 28 November 2011, Rule of Indonesia Capital Market IX.E.2 was issued to provide clearer definitions and clarifies ambiguities under the previous rules of Material Transaction as well as the quorum of a General Meeting Shareholders. • In August 2011, Regulation of the Minister of Finance Number 130/PMK.011/2011 was issued to grant a tax holiday for pioneer industries, including the following industries: basic metal, oil refinery, machinery, renewable resources, and/or communication equipment. • In 2011, Regulation of Head of Investment Coordinating Board No.14/2011 was issued on minimum services standard of investment coordinating board at provincial/municipal • On 7 February 2012, the Presidential Regulation (PR) No.16/2012 was issued on general plan of capital investment (RUPM), as basis in formulating policies related with investment activities. • On 21 February 2012, GR No. 24/2012 was issued on the Mineral and Coal Mining Business in Indonesia. Foreign-owned mining companies operating in coal, minerals and metals progressively divest their holdings to Indonesians – including the central government, regional governments, State-owned enterprises or other domestic investors – to reach the maximum authorized ceiling of 49% by the tenth year of operation. • TanjungLesung and SeiMakei Kei stipulated as a special economic zones through GR No. 26/2012 and No. 29/ 2012, respectively. • Government requires exporters to receive export proceeds through domestic banks and that debtors channel the proceeds of foreign borrowing through domestic banks (the policy does not involve any holding periods or requirements for Rupiah conversion). • Indonesia has enhanced the role of regional government to facilitate foreign investment in those specific areas; Based on Head of Investment Coordinating Board Regulation No.1/2012, 10th of May 2012 foreign investor can submitt Investment Application directly to the Council of Sabang Area throughManagement Board of Sabang Areaon a one stop shop system for new investment, changes in investment, expansion, revocation and cancellation of principle license in Sabang Area.	• On 28 February 2011, Tax treaty between Indonesia and Serbia was signed. • On June 2011, a Tax Information Exchange Agreement (TIEA) between Bermuda-Indonesia was signed to provide for the full exchange of information on criminal and civil tax matters • On 4 October 2011, Government Regulation (GR) No.43/2011 on the procedures for filing and use of the name of PT has been issued. • On December 2011, GR No. 52/2011 was issued as a new round of tax incentives for downstream investment. • Central Bank of Indonesia (BI) to roll out the new rule barring ownership of a majority stake in the national banking system in late July 2012. In the new regulation, BI plans to restrict ownership of bank shares by bank and nonbank investors up to a maximum of 40 per cent, for non-financial institutions are legal entities and a maximum of 30 per cent for sole proprietorships or family maximum of 20 per cent. • BI also announced to set up new caps on single foreign shareholders' stakes in the country's commercial banks so as to prevent foreign investors from acquiring majority stakes.

Country	Selected Investment-Specific Measures	Selected Investment-Related Measures
Lao PDR	• On 20 April 2011, Decree on the Implementation of the Law on Investment Promotion No. 119/PM was issued to provide lists profit tax incentives. Education and mixed farming are among the priority areas for profit tax incentives while investments into concession activities, such as telecommunications, are subject to specific negotiation with the government.Upon the implementation of the Decree, tax is expected to reduce up to 28%.	• The Government of Laos opened a stock exchange in October 2010, and trading began in January 2011 with technical assistance provided by the South Korean Korea Exchange.
Malaysia	• Malaysian Investment Development Authority (MIDA) has been renamed with the wider scope in promoting investment in manufacturing and services sectors.	• On 15 February 2012, the Intellectual Property Corporation of Malaysia (MyIPO) announced the amended Industrial Designs Regulations. With the Amendment, industrial design applications to be filed electronically while previously only patent and trademark applications were accepted. • On 1 June 2012, Regulation pertaining to voluntary notification of copyright was entered into force. There was no formal copyright registration process prior to the Regulation. Being a party to the Berne Convention, copyrighted works are protected immediately upon creation and the fulfilment of certain conditions in the Copyright Act.
Myanmar	• On September 2011, the Investment Commission established the Investment Information Collection and Promotion Team (the “Investment Team”). The Investment Team offers a “one-stop” service for investment approval. • On September 2011, a notification was issued to liberalize rights of foreign investors to take leasehold interests in privately owned land while previously only state land was available. The Order gives foreign investors a maximum leasehold right for 30 years, which is renewable for two additional terms (60 years in total). • The Central Bank of Myanmar issued “Authorized Dealer Licenses” to 11 private banks on 25 November 2011. Prior to the issuance of these licenses, only the Myanmar Foreign Trade Bank and the Myanmar Investment and Commercial Bank, both state owned banks, were authorized to conduct foreign exchange transactions. The newly licensed private banks can now trade three hard currencies: United States dollars, Euros and Singaporean dollars.	• On August 2011, Notification No. 32/2011, which provided commercial tax exemption on seven export items (i.e., rice, beans and pulses, corn, sesame, rubber, fresh water, saltwater products, and animal and animal product), and No. 156/2011, which reduced the income tax levied in foreign currency on income earned in foreign currency of CMP enterprises (such as garment manufacturers) from 10 % to 2%, were issued, effective for a period of six months up to February 2012. • DTA between Thailand and Myanmar became effective for tax periods beginning on or after January 1, 2012. • On 26 March 2012, the Ministry of Finance and Revenue unveiled tax reforms in Yangon. The reforms have been officially published in a series of 16 separate Notifications on income tax and commercial tax which is effective on 1 April 2012. • The corporate income tax is reduced from 30% to 25%. • Notification No.40/2011 concerning foreign exchange currency was issues to facilitate foreign investors.

Country	Selected Investment-Specific Measures	Selected Investment-Related Measures
Philippines	• The Board of Investment (BOI) strengthened its National Economic Research and Business Action Centre (NERBAC) to reduce the cost of doing business by streamlining procedures and facilitating business transactions. • The BOI was restructured to enhance the delivery of its services. There are about 15 Regional NERBAC and 5 Provincial NERBAC, which serve as the one stop business registration, investment promotion and information centres in the countryside. • To shorten transaction period, the Philippines launched electronic business name registration (eBNRS), Philippine Business Registry (PBR) as well as streamlined the business permits and license system (BPLS) in cities and municipalities • The BOI also introduced the BOI's TURBO program to streamline the registration process under Book I of E.O. 226 to cut down the processing application period. • The BOI is crafting Industry Roadmaps which include the PIS and will serve as a basis in achieving the country's development goals consistent with the Philippine Development Plan for 2011-2016. • The BOI developed a program for micro and small entrepreneurs in facilitating the registrations of their projects. • The Eight Regular FINL or Executive Order No. 858, signed on 05 February 2010, includes amendments specifically to List B wherein investments in gambling are now permitted only if they are covered by Investment Agreements with Philippine Amusement and Gaming Corporation (PAGCOR) operating within special economic zones administered by the Philippine Economic Zone (PEZA). The Eight FINL is currently under review.	• The Bureau of Internal Revenue(BIR) issued rules on taxation of real estate investment trusts (REITs), including a 12 per cent value added tax (VAT) on transfer of assets. BIR also set a 30 per cent income tax rate on REITs under its implementing rules, awaited by property companies seeking to set up investments trusts after Congress passed the REIT law two years ago. • The Philippines launched its Public-Private Partnership(PPP) Centre. The Centre will facilitate the coordination and monitoring ofPPP programs and projects. • On 6 July 2012, Pres. Aquino signed Executive Order No. 79 institutionalizing and implementing reforms in the Philippine mining sector. • Senate Resolution No. 639 (Introduced by Senator Villar) Urging the Committee on Economic Affairs and Trade and Commerce to Conduct an Inquiry, In Aid of Legislation, on the State of the Philippines' Business Climate vis-à-vis its Conduciveness and Competitiveness to Accept Foreign Investors with the End View of Increasing Foreign Direct Investment (FDI) in the Country thereby Increasing National Economic Growth.
Singapore	• On 20 April 2011, the Monetary Authority of Singapore (MAS) issued a revised Code on Collective Investment Schemes (the "Revised Code") to provide greater clarity and increase flexibility for managers in managing their funds, while enhancing safeguards for retail investors. The effective date of the Revised Code is October 1, 2011. Authorized schemes are to comply with the Revised Code by October 1, 2011.	• The Income Tax Treaty between Singapore and Switzerland was signed on 24 February 2011. • On taxation measures, Singapore has made an improvement in its recent 2012 Budget to specify clear guidelines as to when a company will not be taxed on their gains from disposal of equity investments to provide upfront tax certainty.

Country	Selected Investment-Specific Measures	Selected Investment-Related Measures
Thailand	• Thailand allowed foreign banks operating branches in the country to convert such branches into subsidiaries, which can have a maximum of 20 branches and 20 off-premise automated teller machines, without limitation on the location. • The Board of Investment (BOI) announced that all areas throughout the country (except Bangkok) shall be designated as Investment Promotional Zone until December 31, 2012.	• The corporate income tax was reduced from 30% to 23% in 2012 and will be further reduced to 20% in 2013. • Thailand has called for the commencement of negotiations towards a DTA with Cambodia. • On June 2011, the Bank of Thailand (BOT) promulgated a new law related to the regulation of operations of Treasury Centres for Enterprises (CTE). TECs are intended to assist international companies with headquarters in Thailand and import-export companies, allowing them to better manage their funding. • The BOI announced an additional tax measure to rehabilitate flood-affected investment to stimulate investments within the industrial estates or promoted industrial zones in Ayutthaya and Pathumthani provinces. • DTA between Thailand and Myanmar became effective for tax periods beginning on or after January 1, 2012.
Viet Nam	• Foreign investors seeking to buy 15 per cent or more of a Vietnamese State-owned bank must have total assets of at least $20 billion in the year before they buy a stake. In addition, strategic, major or founding investors in other banks in Viet Nam will not be allowed to exceed the strategic 15 per cent level in State-owned banks being privatized on 22 April 2011. • On 18 July 2011, the government issued Decree No.59 on conversion of 100% state owned enterprises into joint stock companies. Pursuant to the Decree, state-owned enterprises shall comply with the certain conditions to be able to engage in an equitization process.	• On 28 February 2011, Circular 28/2011/TT-BTC was issued to provide guidance on the Law on Tax Management, and superseded Circular 60/2007/TT-BTC. The specific changes in Circular 28 are DTA exemption procedures for capital assignment and tax declaration procedures for re-insurance . • On 16 March 2011, the Ministry of Finance issued Circular No.37 on fine provision for any registered trading organization, joint stock company, organization or individual found to intentionally have provided false information or concealed the truth in a trading application. • On 29 June 2011, the Prime Minister Decision No. 37 provided incentives to wind power projects, including: (i) exemption from import duties on goods used to create fixed assets of the relevant project and to serve for the operations of the project; (ii) reduced rates on and exemptions from corporation income tax; and (iii) exemption from land use fee and land lease fee. • On 1 July 2011, Decree No. 53 was issued on non-agriculture land use tax. Under the Decree, residential land, production and business of non-agriculture land, and agriculture land used by individuals and organizations for the purpose of business are subject to relevant taxation.

Country	Selected Investment-Specific Measures	Selected Investment-Related Measures
		• On 17 June 2011, Decree No. 46/2011/NĐ-CP was issued to amend several provisions of the Decree 34/2008/NĐ-CP regarding recruitment and aministration of foreigners working in Viet Nam. • On April 18, 2012, Viet Nam and Singapore initiated negotiations towards a DTA. • To attract investment capital into infrastructure development; to implement Decision No.71/2010/QD-TT dated11 September 2010 on providing the regulation on Investment Pilot Project in Public-Private Partnership (PPP)

Sources: ASEAN Member States and ASEAN Secretariat.

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