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ASIAN PERCEPTIONS

THE RESULTS OF A SURVEY ON THE VIEWS WHICH ASIA FOCUSED BUSINESS PEOPLE HOLD ON THE BUSINESS CLIMATE IN ASIA

This survey was conducted during December 2008, with the objective to evaluate the perceptions which business hold on the business climate in various Asian countries. It is one in an ongoing series which allow the perceptions to be monitored over time.

The survey was conducted by Glen Robinson and Mitchell Brown of Asean Focus Group. Glen Robinson is a founder and has been an executive director of AFG for over 17 years, and as such has advised and assisted many companies which wished to establish or enhance a commercial presence in Asia. He can be contacted on glen.robinson@aseanfocus.com.



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INTRODUCTION

Asean Focus Group undertakes an annual project designed to gauge the perception which business people have towards Asia as a commercial target for investment and trading, which may be different to the official position of the company. It has been undertaken for the last six years and is so constructed that some year by year comparisons can be made.

This year for the first time, we have broadened the geographic base of our target participants, and this has been particularly successful. Additionally, there has been sufficient response for us to categorise results into various subcategories.

As is usual, we have applied the minimum of interpretation to the results, just providing the facts as we find them and preferring to leave it to the reader to provide the interpretation in the light of his experience.

We believe this is an important study because there is little empirical information which provides insights into the experiences and perception of business people who operate in a number of Asian environments on a day today basis. Given the global focus of companies, the ethnic and geographic boundaries are becoming quite blurred, as it is perfectly logical to have a Norwegian owned company with a regional head office in Bangkok, an operating company in Indonesia which is staffed by Filipino executives

Overlay these ethnic considerations with the American-based financial crisis which has occurred over the last 18 months, and is at least to some extent effecting decisions and operating practices around the world. We chose not to focus on this financial phenomenon on this occasion, given that there is a plethora of commentary, but we chose instead to continue to focus on the target countries of Asia.

We offer our thanks for the cooperation and assistance given by the various Australian and New Zealand bilateral Business Council's, the Chambers of Commerce, but importantly the individual participants who took the trouble to complete the survey information.

We trust the results are of interest and a useful to you in your organisation in developing its forward plans.

1. POLITICAL AND ECONOMIC BACKDROP

This year has been an extremely interesting one both politically and economically. The American financial crisis which has permeated the globe, the bombings in India, the very confident moves to establish the Asean Charter, have dominated the international news, but there are many other, more localised matters which have dominated local news

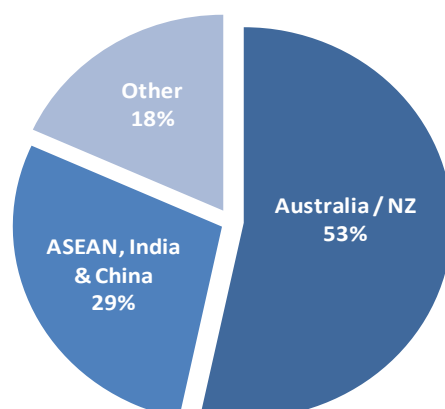
- Continued deregulation of the Indian economy
- the contraction of the economy in Vietnam partially due to overloaded infrastructure.
- Continued political upheaval in Thailand
- interesting move to free trade arrangements, both within and external to the region
- the ongoing political turmoil in Thailand
- growing confidence and interest in the Asean Charter

There were other more localised events which certainly had an impact on the various local economies and the attractiveness of that economy to investors.

2. LOCATION OF OPERATIONAL HEAD OFFICE

The location of the operational head office of participant companies is as below.

Location of Operational Head Office



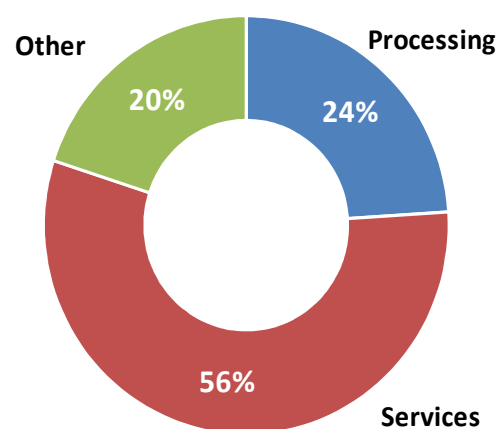
It is noted that the Regional Head Office is not necessarily the location of the organisations head office or the location of the participant.

3. SECTORAL PROFILE

The sectors in which the participants operate has been summarised in the following graphics

Sectoral Breakdown by Operational Head Office Location

Sector	Australia / NZ	ASEAN, India & China	Other	Total
Agriculture	3%	2%	0%	2%
Construction/Materials	4%	3%	0%	3%
Energy	2%	5%	3%	3%
Manufacturing/Industrial	11%	12%	15%	12%
Mining	4%	6%	3%	4%
Subtotal (Processing)	24%	27%	21%	24%
Advisor/Consultant	21%	29%	28%	25%
Distribution/Logistics	3%	4%	4%	3%
Education	20%	5%	9%	13%
Financial and HR services	7%	9%	15%	9%
Health care	3%	1%	1%	2%
Retail	1%	4%	3%	2%
Telecommunications	0%	1%	1%	1%
Subtotal (Services)	56%	52%	62%	56%
Government	7%	6%	3%	6%
Other	11%	16%	15%	13%
Industry Association	1%	0%	0%	1%
Subtotal (Other)	20%	21%	18%	20%
Total	100%	100%	100%	100%



Commercial activities appear to be dominated by the Service sector, and that is reasonably consistent across the various locations

4. COMPANY SIZE

The participants described the relative size of their companies

Size Breakdown by Operational Head Office Location

	Australia / NZ	ASEAN, India & China	Other	Total
Small	39%	40%	34%	38%
Medium	29%	36%	26%	31%
Large	32%	24%	40%	31%
	100%	100%	100%	100%

We chose not to try to define “size” but left it to the participant to describe the company as it was perceived. The results show a relatively even size distribution

5. COMMERCIAL ACTIVITIES

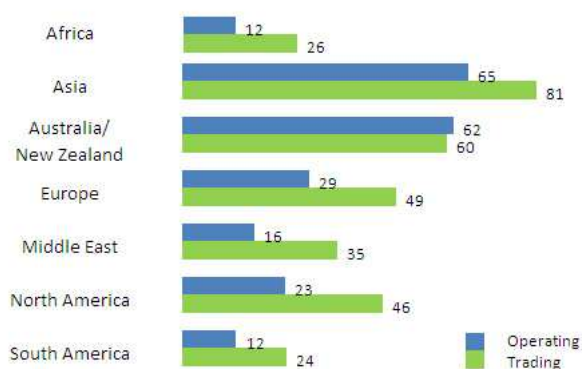
The nature of the survey is such that all participants all have some interest in Asia, even though there may not be commercial contact as yet. Approximately 15% of the participants are in the category of not yet having a commercial presence in the region.

In relation to the type of activity categorised as Trading or Operating, the location in which those activities were undertaken was investigated

Global Trading and Operating Activities

In response to the question of their global activities, the locations and activity are shown.

Global Locations in which Participants operate (%)

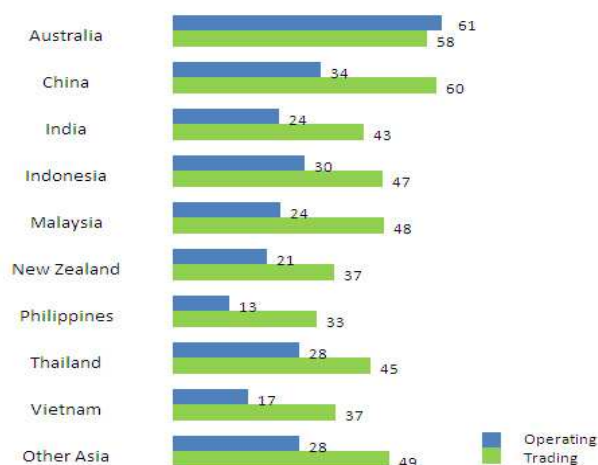


The participants are commercially represented in geographically diverse locations.

Asian Trading and Operating Activities

The various nominated Asian countries have been particularly popular as commercial targets. This analysis demonstrates the number of Asian countries in which the participants are represented.

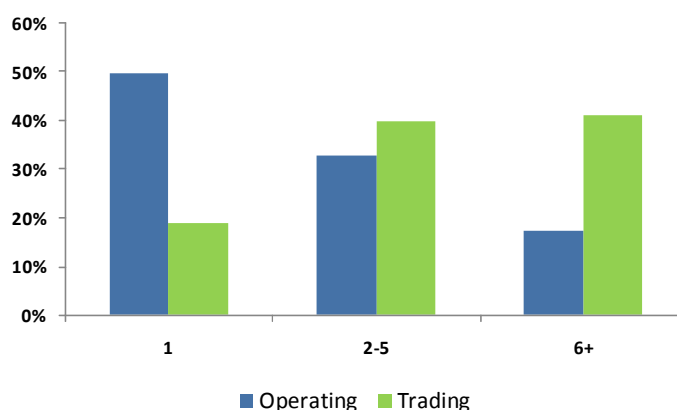
Asian countries in which (Asia active) participants operate (%)



There is a broadly based Asian activity by most participants, and this is further investigated in the next paragraph.

Number of Asian markets

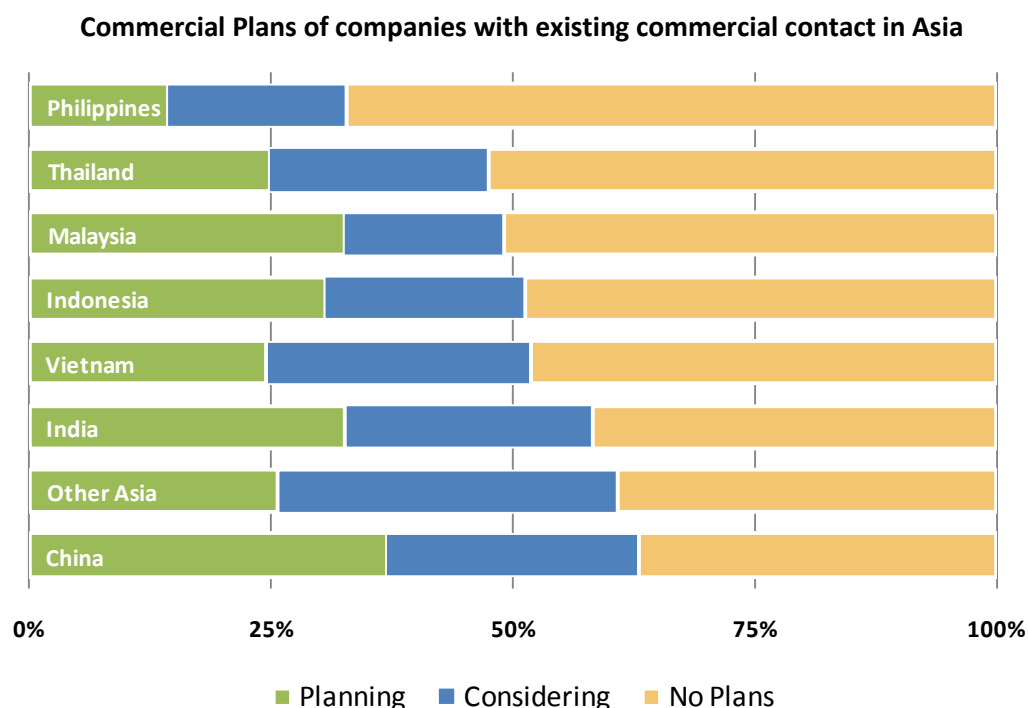
The number of Asian markets in which participants have an Operating Company or Trading Relationship has been shown in the following graph:



This further demonstrates the broadly based nature of the participants.

6. COMMERCIAL EXPANSION PLANS

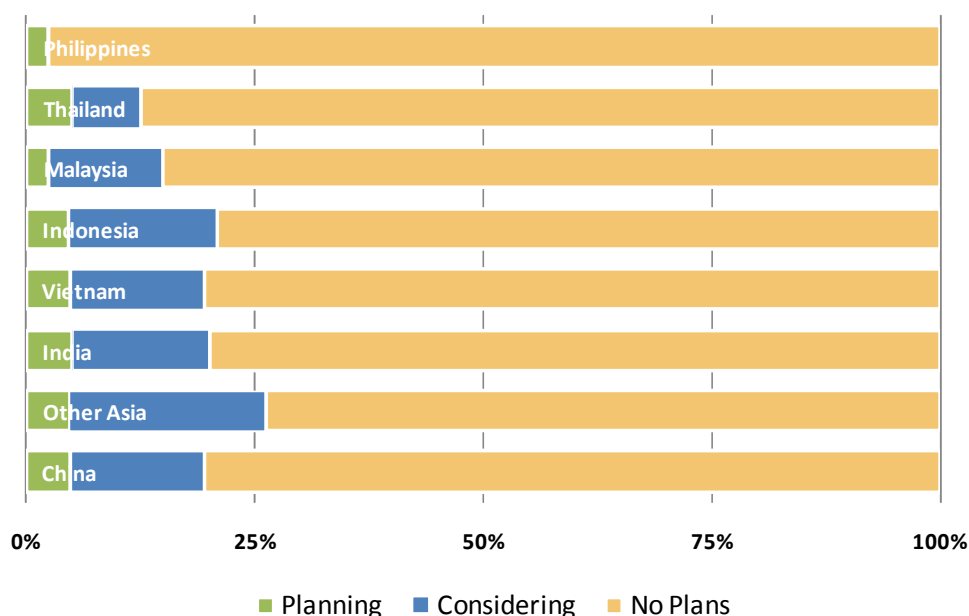
In response to the question “Are you considering an entry or expansion to the nominated country in the following year” the participants gave the answers as follows:



There is a significant number which are planning or considering an expansion or market entry, as the indications are that over 50 % are in this category. Given the economic conditions at this time, this may be regarded as surprisingly high.

Further those in which the planning has commenced averages over 25% once again, a significant proportion.

Commercial Plans of companies with no existing commercial contact in Asia

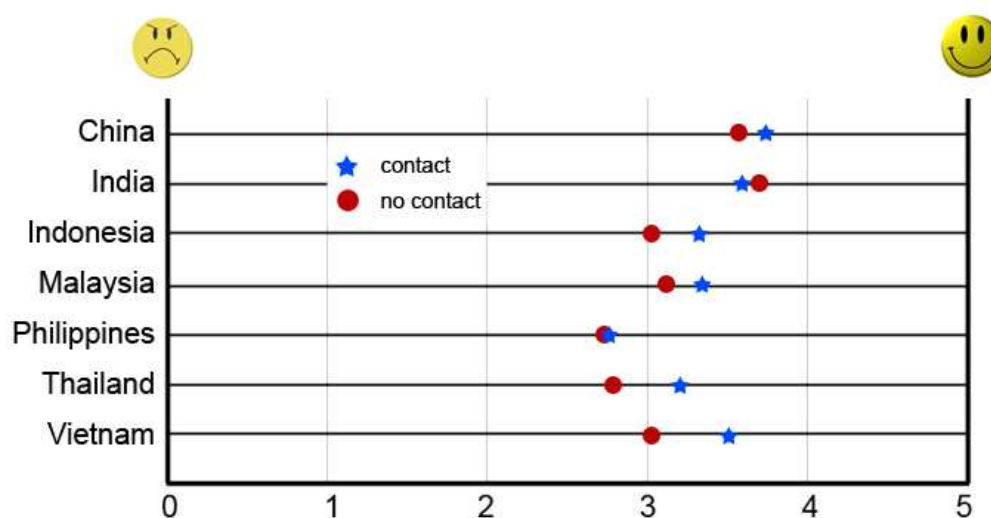


Of those organisations which have no existing commercial contact in Asia, almost 20% are actively considering an entry into Vietnam, followed by Indonesia then India and China.

Of general interest is the relatively high number of executives which are considering Asia as a commercial target.

7. ATTRACTIVENESS OF VARIOUS COUNTRIES

The relative attractiveness of each country has been analysed from various perspectives. The participants rated the nominated on a scale in which 5= very attractive and 1= very unattractive, and the average responses are shown.

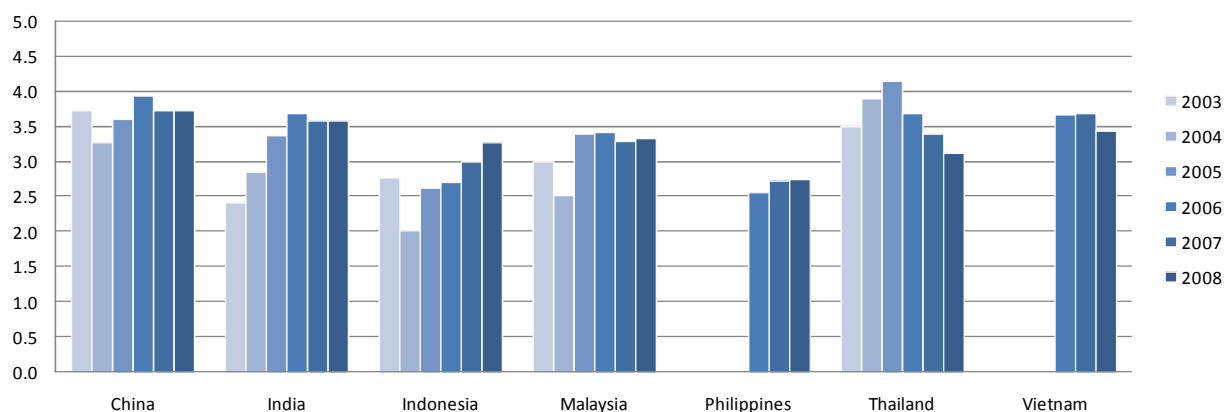


At the end of 2008, China and India are highly attractive to both those who have commercial contact with Asia and those which do not. Interestingly, Vietnam and Thailand are much more attractive to those which do have contact.

Long term Trend

This analysis has been undertaken each year since 2003 in order to track the changes in “attractiveness”. It should be noted that the participants have used their own definition or perception of attractiveness, but still applying the 5= Very attractive through to 1=very unattractive.

Long Term Trend Attractiveness



With that as background, there are some interesting factors which can be highlighted:

- Thailand has continued to decline, almost certainly related to the political disruption in the country
- India and China continues to be attractive but both have probably peaked
- The effect of the bombings in India does not seem to have had a significant adverse effect
- Indonesia continues to grow in attraction
- Malaysia is stable
- Philippines shows a very slight marginal increase from a low base
- Vietnam is has slightly declined

8. FREE TRADE AGREEMENTS

There has been considerable activity in creating Free Trade Agreements which are broadly based and include investment rules, trading and tariff considerations, and market entry factors, for both goods and services. In response to the question “How has the Thailand [Singapore] Australia [New Zealand Free Trade Agreement affected your commercial relationships?” the responses are as follows

Impact of the Thailand [Singapore]-Australia [New Zealand] Free Trade Agreement

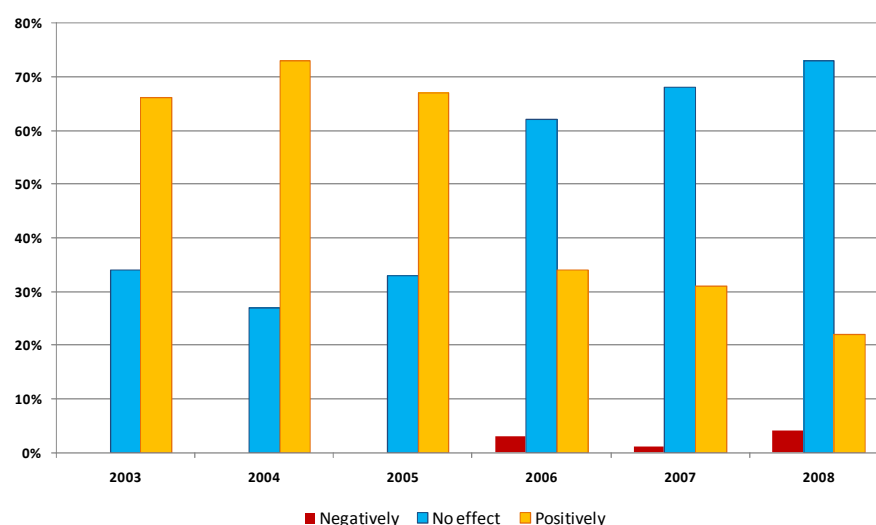
	Positive	No Effect	Negative
Small Business	19%	76%	5%
Medium Business	26%	68%	5%
Large Business	23%	74%	4%

The results in themselves are significant

Long Term Trend

Possibly of more interest is the development of realisations over time. The perceptions which are held about the FTA between Aus/Thailand and NZ/Thailand [both of which were amazingly consistent] are relevant and has been tracked.

It is only participants from Aus/NZ and Thailand, and by limiting the data to the responses of those ‘in the know’, i.e. those with a trading relationship or operating company in Thailand, and removing the “do not know” responses, the following analysis results:



The both the Free Trade agreements between Thailand and Australia and Thai and NZ came into effect in 2005. It is interesting that the EXPECTATIONS have been very high but the ACHIEVEMENT has been low. There may well be a case for an education process if Australian and Thai business are to take full advantage of the FTAs.

9. BILATERAL BUSINESS COUNCILS.

The authorities in most countries support Business Councils [BC] or Chambers of Commerce [CC] in order to impart information on commercial activities and opportunities in target countries and to gain feedback from specific industries.

Multiple Memberships

The memberships which the participants hold in BC or CC have been evaluated and it was surprising that such a high percentage were not members of any groups, but some were members of multiple groups

Participation in Business Councils and Chambers of Commerce

Member of:	Business Councils	Chambers of Commerce
0	55%	58%
1	23%	27%
2	12%	5%
3	4%	3%
4	2%	2%
5	1%	1%
6	2%	1%
7	0%	1%

Membership Expectations

The participants were asked to nominate the benefits or outcomes which BCs and CCs should provide, and multiple responses were received. The results are shown in the following table.

Reasons for Membership

Information	53%
Contact with those with experience	42%
Meet potential clients/customers	43%
Make a positive contribution	27%
Social	17%
Other	5%

10.SUMMARY & CONCLUSION

This survey was undertaken early in Dec 2008, and was directed to those companies which had a real or potential interest in Asia. For the first time it was a broadly based study with the participation invited from a range of countries and the source of results indicate that this has been successful. The response was extremely heartening and allowed subcategories to be analysed.

The region continues to attract commercial attention, despite the political vagaries of several countries and the “terrorist” activities in the region. The attempt of some governments in emerging and developing markets to open their economies and attract international activity continues to be successful.

We trust that this survey provides some insights into the perceptions and experiences which are held by those Asian experienced business people.