Southeast Asia
New Markets—
New Customers

Why ASEAN, why now?

BY ALEX SALOV

Southeast Asian countries are
sometimes more familiar to ad-
venture travelers than to busi-
ness people—but they are filled with
opportunities for Alaskan companies
to do business. Ten of these countries
are members of the Association of
Southeast Asian Nations—a political
and economic union of these nations.
The members of ASEAN are: Brunei,
Cambodia, Indonesia, Laos, Malaysia,
Myanmar (Burma), Philippines, SIngap-
ore, Thailand and Vietnam.

With a total population of around
600 million and steady GDP growth of
5 percent on average in 2011 (compared
to 3 percent or less average growth of de-
veloped countries worldwide), ASEAN
countries have become one of the most
important growing markets for the Unit-
ed States. U.S. exports to ASEAN reached
$76.24 billion in 2011 and, if considering
ASEAN as a single country, it would be
the fourth largest U.S. trading partner
after Canada, China and Mexico.

Several ASEAN countries follow an
export-led growth strategy with which
they identify and focus on specific com-
ommodities for export. To do that, they se-
lect commodities that can be produced
cheaply and with a competitive advan-
tage. For example, Indonesia is a large
exporter of minerals and the world’s
The total population of ASEAN countries is about 600 million people. Indonesia is the world’s fourth most populous nation (248.5 million people) and the world’s third largest democracy.

GDP Growth

GDP per capita in Singapore and Brunei is already on par with the world’s leading nations. Meanwhile, in other countries of the region the growth of GDP per capita is significant. In 2010, the region’s average GDP per capita was 322 percent higher than in 1998. This increase is only second to China (536 percent). By comparison, the United States 2010 GDP per capita was 148 percent of the 1998 figures. It may be unfair to compare the U.S. growth numbers to these countries directly because the U.S. economy is so large. However, in order to attain the current growth rates, ASEAN nations have been investing heavily in infrastructure and industry development as well as growing their export capabilities. The result of these efforts is their growing middle class with higher disposable income, education

leading producer and exporter of thermal coal (used for power generation). It currently supplies half of China’s coal imports. Thailand is becoming a center for automobile manufacturing in Southeast Asia and is among the top ten automobile exporting nations in the world.

Overarching Trends

China is an active player in the ASEAN region. China and ASEAN established a free trade agreement in 2010: the ASEAN-China Free Trade Area—the third largest free trade bloc in the world after the European Union and NAFTA. In 2012, ASEAN overtook Japan to become China’s third largest trading partner after the EU and the United States. China-ASEAN trade increased 24 percent to $362.3 billion in 2011 and is expected to exceed $500 billion by 2015. According to China Daily, Chinese officials expect the ASEAN region to become China’s top trading partner within the next several years.

Members of ASEAN are very diverse in their political, economic and cultural aspects; however, there are several features that most of them share: relatively young populations, urbanization, growing middle class, rapid industrialization and strong demand for infrastructure. These overarching trends make ASEAN members attractive export markets for Alaska.

Let’s focus on these trends. As mentioned above, the total population of ASEAN countries is about 600 million people. Indonesia is the world’s fourth most populous nation (248.5 million people) and the world’s third largest democracy. Vietnam has a population of 90 million people of which 25% are 14 years old or younger. This young age group is representative of most countries in the region. When paired with available urban employment opportunities, this age group will have disposable income and will attract new consumer goods and services. Since American products are typically considered popular in ASEAN markets, there may be opportunities for Alaskan companies to meet some of this growing demand.

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and standard of living. According to the U.S. Department of Commerce, 60 million Indonesians are projected to move up into the middle class in the next 10 years. Another current trend is that governments in the region are beginning to drive their economy with domestic spending rather than relying solely on exports.

Several ASEAN countries position themselves in a somewhat similar way to Anchorage—a transportation crossroads of the world. Since ancient times, the Strait of Malacca, which connects the shipping lanes of the Indian and Pacific oceans, has been a vital trans-Asian trade route. Indonesia, Malaysia, Singapore and Vietnam, as well as other countries in the region, are strategically located between Australia, South America and Northeast Asia. Singapore, for example, is a world renowned logistics hub: it is one of the busiest container ports in the world, the busiest transshipment port of the world, and one of the major cargo airports in the world. Approximately 60 percent of all exports to Singapore are re-exported to the ASEAN region. Other countries have ambitious infrastructure projects being developed both to take advantage of their locations and to prevent falling behind the region-wide industrialization that is taking place.

Consider the following examples:

- **Vietnam** Long Thanh International Airport is designed to serve 100 million passengers annually when construction is finished.
- **Malaysia-Singapore** An agreement is expected this year on the proposed Malaysia-Singapore Rapid Transit System, which would add a link between the two nations via either an above ground or undersea tunnel route across the Johor Strait. The link is part of a larger plan to link the two countries via high-speed rail.
- **Indonesia** in addition to expanding the country’s main international airport in Jakarta (which is handling far more than double its original design capacity), Indonesia will be constructing Karawang International Airport, which is expected to have the capacity for up to 70 million passengers per year. In addition to Karawang International, there are about 15 new airports on Indonesia’s drawing board as part of its Expansion of Indonesian Economic Development program. Indonesia is planning on spending $45 billion in 2012 alone on multiple infrastructure projects with a combination of public-private partnerships. These projects would represent about 4.5% of Indonesia’s GDP. The government plan extends to 2025 and could total up to $450 billion in infrastructure investment.
The Trans-Asian Railway Network

TARN has been growing in multiple phases since the 1960s with the long-term goal of linking together Southeast Asia in a massive rail network. It is divided into four geographic sections that will ultimately be connected through Iran and Pakistan to Turkey. The completed rail network would connect Northern Europe to Singapore. Currently the TARN has more than 65,000 miles of interconnected rail in operation. Twenty-three nations have signed the United Nations Intergovernmental Agreement on the Trans-Asian Railway, which lays out a framework for completion of the project. According to the U.N., constructing the remaining interconnecting links will require an estimated $25 billion.

Financing Infrastructure

Last year, ASEAN assembled $485 million as part of the ASEAN Infrastructure Fund to help finance major infrastructure projects. The fund plans to finance $13 billion in infrastructure spending by 2020. This is a fraction of the money it conceives of mobilizing in the coming years. According to the Asian Development Bank, which administers the fund, over the next decade ASEAN nations will require approximately $60 billion a year to fully address the region’s infrastructure needs. With these substantial sums in the air and the possibilities for massive global investment in Southeast Asian infrastructure, Alaska companies should keep a close eye on the ASEAN region not only for opportunities in design and construction, but also selling goods and services in the growing economies that will benefit from these projects.

Currently, Alaska companies do very little business with ASEAN countries. The secular trends previously discussed make ASEAN countries good potential customers for Alaska businesses. In 2011, China became Alaska’s largest trading partner surpassing Japan. The recent growth of China as a market for Alaska’s products and services was based on similar trends we are seeing in ASEAN now. As we have seen with China, Alaska can expect a significant growth in trade with ASEAN in the next decade.

Since 2006, World Trade Center Alaska has pioneered trade development work to open Southeast Asian opportunities for Alaska businesses. We conducted a conference on business opportunities in India and Singapore in 2006 and the first Alaska trade mission to Southeast Asia in 2010. In addition, WTCAK, through its extensive network within the U.S. Department of Commerce and World Trade Center Association, produces market reports, generates business leads for our members and Alaska companies interested in doing business in Southeast Asia. Contact World Trade Center Alaska | Alaska U.S. Export Assistance Center if you are interested in further exploring new opportunities in this rapidly developing region.

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The Pebble Partnership’s Environmental Baseline Document is one of the most extensive environmental research study programs ever conducted in the state of Alaska. Good science takes time.