ASEAN in the Global Investment Landscape: A Perspective from OECD Countries

Andrea Goldstein
(with Misuzu Otsuka & Stephen Thomsen)
Structure of the presentation

1. **OECD FDI in ASEAN** – balance of payments
2. OECD FDI in ASEAN – activity data
3. OECD FDI in ASEAN – the auto industry
4. ASEAN FDI in OECD – a brief overview
FDI Inflows to ASEAN

FDI inflows from OECD into ASEAN account for 45% of total FDI inflows into ASEAN.
FDI Outflows from OECD by Region

[Graph showing FDI outflows for ASEAN, China, and OECD regions from 1993 to 2008.]
FDI Outflows from OECD by Region (Share)
Investment Positions of OECD Countries by Region

- Total in OECD
- in ASEAN
- in China

Years:
- 1996
- 2003
- 2008
Top 10 OECD Investors in ASEAN

- Canada
- Australia
- UK
- France
- Korea
- Germany
- Netherlands
- Swiss
- Japan
- US

[Bar chart showing investment amounts for 1996 and 2008]
US FDI Flows (USD billion)

Source: Bureau of Economic Analysis, US Department of Commerce
OECD Investors with highest ASEAN exposure

Japan
Korea
Norway
New Zealand
Australia
Distribution of OECD Investors’ FDI Stock across ASEAN

- Singapore: 54%
- Thailand: 13%
- Indonesia: 13%
- Philippines: 6%
- Vietnam: 3%
- Cambodia
- Myanmar
- Laos
- Brunei
OECD Investors’ Share of FDI Stock in Individual ASEAN Economies

<table>
<thead>
<tr>
<th>Country</th>
<th>Share</th>
</tr>
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<tbody>
<tr>
<td>ASEAN</td>
<td>50.4%</td>
</tr>
<tr>
<td>Brunei</td>
<td>0.4%</td>
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<tr>
<td>Myanmar</td>
<td>4.1%</td>
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<tr>
<td>Laos</td>
<td>9.3%</td>
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<tr>
<td>Vietnam</td>
<td>21.2%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>25.6%</td>
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<tr>
<td>Thailand</td>
<td>46.0%</td>
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<tr>
<td>Malaysia</td>
<td>48.4%</td>
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<tr>
<td>Singapore</td>
<td>53.8%</td>
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<tr>
<td>Indonesia</td>
<td>62.6%</td>
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<tr>
<td>Philippines</td>
<td>95.3%</td>
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</tbody>
</table>
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US MNE Employment in Emerging Asia
(majority-owned, non-bank affiliates; thousands)

Source: Bureau of Economic Analysis, US Department of Commerce
US MNEs Employment in ASEAN (thousands)

Source: Bureau of Economic Analysis, US Department of Commerce
US MNEs in ASEAN are focusing on the domestic and regional markets (distribution of sales of majority-owned, non-bank affiliates)

Source: Bureau of Economic Analysis, US Department of Commerce
Japan MNEs Employment in Emerging Asia
(Thousands)

ASEAN4  China  NIES4
Japanese MNEs in ASEAN more likely to sell to third markets
Japanese MNEs in ASEAN more likely to source from host market
ASEAN5 in the Global Business Geography of Selected EU Investors

By Sales

By Jobs

OECD elaboration on Eurostat data
Selected EU Investors in ASEAN5: Distribution of Sales by Nationality

OECD elaboration on Eurostat data
Selected EU Investors in ASEAN5: Distribution of Sales by Country

OECD elaboration on Eurostat data
Selected EU Investors Business Activity in Individual ASEAN Countries
Ranked by Sales

OECD elaboration on Eurostat data
US MNEs: ASEAN’s Contribution to Global Business Prospects

Source: American Chambers of Commerce, ASEAN Regional Business Outlook Survey
US MNEs: ASEAN Profits Expectations

Source: American Chambers of Commerce, ASEAN Regional Business Outlook Survey
## Local Business Environment Factors, from 2006 to 2010

<table>
<thead>
<tr>
<th></th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>The Philippines</th>
<th>Singapore</th>
<th>Thailand</th>
<th>Vietnam</th>
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<tr>
<td>Infrastructure</td>
<td>X</td>
<td></td>
<td>X</td>
<td>√</td>
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<tr>
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<td>Office rent</td>
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<td>was √</td>
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<tr>
<td>Housing cost</td>
<td>was √</td>
<td></td>
<td></td>
<td>X</td>
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<tr>
<td>Governance</td>
<td>X (worse)</td>
<td>was X</td>
<td>was X</td>
<td>√</td>
<td>was X</td>
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<tr>
<td>Corruption</td>
<td>X</td>
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<td>Protectionism</td>
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<td>was X</td>
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<td>X</td>
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<td>Taxes</td>
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<td>√</td>
<td>was X</td>
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<tr>
<td>Security</td>
<td>X (was √)</td>
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<tr>
<td>Politics</td>
<td>was √</td>
<td>was X</td>
<td></td>
<td>√</td>
<td>was X</td>
<td>√</td>
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<tr>
<td>Incentives</td>
<td>X (worse)</td>
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<tr>
<td>Regionalism</td>
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<tr>
<td>US friendliness</td>
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<td></td>
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</tbody>
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Source: American Chambers of Commerce, ASEAN Regional Business Outlook Survey
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Why the auto industry?

• key sector for most of the world’s large economies
  – 10 million jobs directly (5% of global manufacturing employment)
  – another 50 million indirectly

• source of innovations that have radically transformed many manufacturing processes

• Production offshoring from OECD to a select group of emerging economies
  – access to large domestic markets
  – lower production costs
  – proximity to important export markets
Car production in ASEAN
Car production in ASEAN: Japanese vs. US manufacturers
Major car manufacturers’ production in ASEAN
Japanese and US car manufacturers: relative car production in ASEAN and China
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Inward Investment Positions in OECD Countries
ASEAN and China Shares in Total Investment Positions from Non-OECD Sources

- ASEAN Share
- China Share

2003:
- ASEAN Share: Approximately 15.0%
- China Share: Approximately 0.0%

2008:
- ASEAN Share: Approximately 20.0%
- China Share: Approximately 4.0%
Top 10 OECD Recipient of ASEAN Investment

- Germany
- Netherlands
- Norway
- New Zealand
- France
- Korea
- Japan
- Australia
- US
- UK

1996 vs 2008
Thanks for your attention!
US Imports Shipped by US MNEs in Asia
(USD billion)

Source: Bureau of Economic Analysis, US Department of Commerce
EXPORTS TO THE UNITED STATES FROM US MNEs IN ASEAN
(majority-owned, non-bank affiliates; USD billion)

Source: Bureau of Economic Analysis, US Department of Commerce
Japanese MNEs investing locally (JPY billion)

- China
- ASEAN4