

Regional Outlook: Southeast Asia

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Bounded by one behemoth to the north and another to the west, the countries of Southeast Asia have not received adequate coverage since the financial crisis of 1997. Most of the nations in the region have excellent growth potential and present excellent business opportunities for the firm that exercises prudence in their investment strategy. Growth in the region is as strong as that for both China and India. With many countries in the region providing very attractive business climate and growth rates double those of the US or Australia and 3-4 times as high as those in Europe and Japan over the last decade.

Annual GDP Growth (%)											
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average Annual Growth
Southeast Asia											
Bangladesh	4.62	5.39	5.23	4.87	5.94	5.27	4.42	5.26	6.27	5.40	5.27
Cambodia	5.35	5.65	4.96	12.55	8.43	5.49	5.25	7.05	7.68	7.03	6.94
Indonesia	7.64	4.70	-13.13	0.79	4.92	3.83	4.38	4.72	5.05	5.60	2.85
Lao PDR	6.89	6.91	3.97	7.31	5.78	5.79	5.85	6.10	6.44	6.97	6.20
Malaysia	10.00	7.32	-7.36	6.14	8.86	0.32	4.35	5.42	7.14	5.25	4.74
Myanmar	6.44	5.65	5.87	10.95	9.85	11.30	12.00	13.80	3.00	5.00	8.39
Philippines	5.85	5.19	-0.58	3.40	5.97	1.76	4.45	4.50	6.03	5.13	4.17
Singapore	7.78	8.33	-1.41	7.18	10.03	-2.28	4.04	2.93	8.72	6.38	5.17
Thailand	5.90	-1.37	-10.51	4.45	4.75	2.17	5.32	7.03	6.17	4.46	2.84
Vietnam	9.34	8.15	5.76	4.77	6.79	6.89	7.08	7.34	7.69	8.42	7.22
East Asia & Pacific											
China	10.00	9.30	7.80	7.60	8.40	8.30	9.10	10.00	10.10	9.90	9.05
India	7.39	4.48	5.99	7.13	3.99	5.28	3.63	8.28	8.53	8.53	6.32
Advanced Industrials											
Australia	3.79	4.46	5.31	3.76	2.06	3.88	3.21	3.77	3.00	2.60	3.58
European Monetary Union	1.54	2.63	2.94	2.87	3.70	1.82	0.97	0.71	2.04	1.33	2.05
Japan	3.43	1.77	-1.05	-0.14	2.39	0.20	-0.30	1.31	2.70	2.70	1.30
United States	3.75	4.55	4.22	4.49	3.69	0.76	1.88	3.06	4.20	3.50	3.41

Source: World Bank 2006

Indonesia, which has been plagued by corruption scandals and a poor business climate since the fall of President Soeharto in 1998, is moving toward reform. President Yudhyono has moved to strengthen the judiciary and legal system to foster more open and transparent judicial procedures. These changes will strengthen property and contract rights enhancing the current business climate

and fostering more foreign investment. The current case involving the Indonesian subsidiary of Total SA and two local contractors for failure of payment will signal to the rest of the business community whether or not Indonesia is really ready to reform its legal system and support strong, transparent market-based institutions.

Viet Nam, on the other hand, presents the best opportunities in the region as it gears up to join the WTO. It has completed many of the obstacles barring its ascension as well as normalizing trade relations with the US. The terms of the ascension are favorable to Viet Nam and should have minimum impact domestically while spurring new opportunities for trade and business. The government has been very proactive in reforming legal impediments to foreign investment and the business climate is greatly improving. Viet Nam has seen consistent steady growth of 7.2% per annum since it normalized relations with the US in 1995.

Growth opportunities abound in the region. Its business climates are favorable and its legal and judicial procedures are being reformed continuously. Greater transparency and streamlined procedures make this region highly attractive for new business development. Concerns raised by the financial crisis of 1997 have been largely addressed, creating a strong foundation for continued growth in the region.