

# Doing Business in S.E. Asia and Latin America: Leadership Challenges and Opportunities

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Capital thinking. Globally minded.



## Doing Business in ASEAN Markets

Leadership Challenges  
and Governance Solutions  
across Asian Borders

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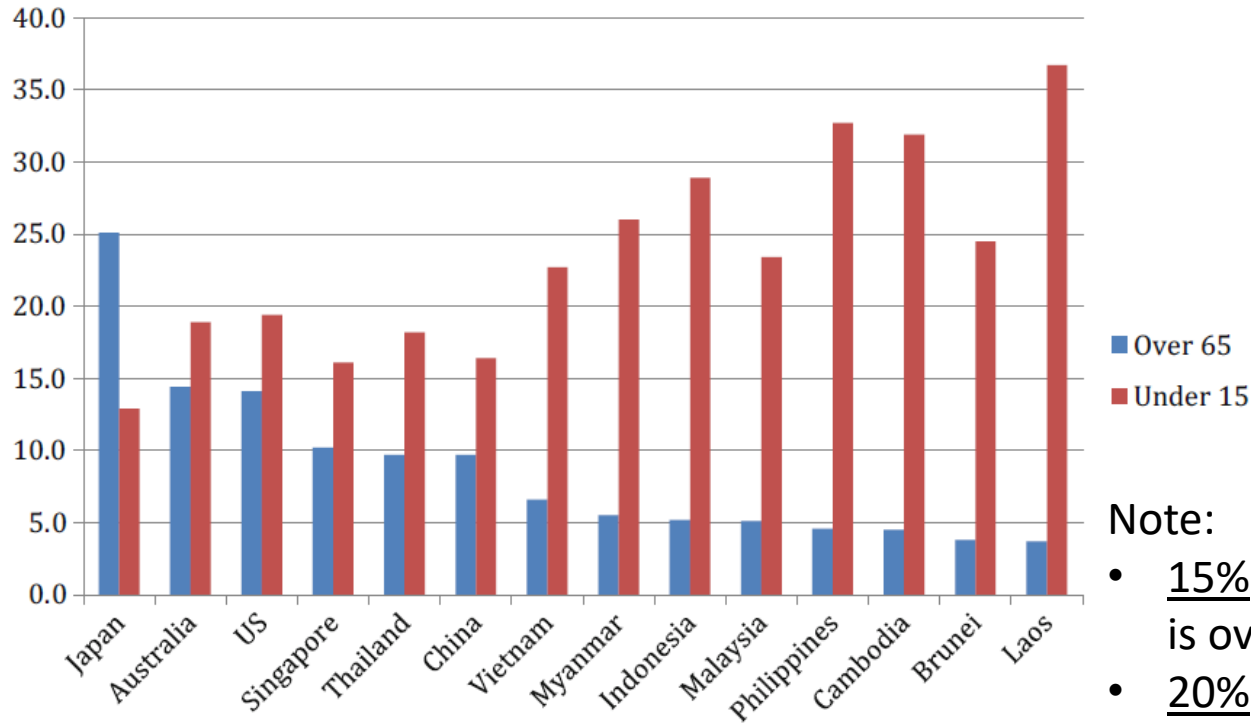
# South-East Asia and Latin America

- Opportunities
- Challenges
- Leadership

# Attributes of the ASEAN Market

- Population: 620 million

# ASEAN Demographics



Note:

- 15% of NZ population is over 65
- 20% of NZ population is under 15

**Fig. 2.1** The dependency burden

(Source: Population census and Asian Productivity Organization Data Workbook 2015)

# Attributes of the ASEAN Market

- Population: 620 million
- Combined Gross Domestic Product (or PDB) = USD\$ 2.7 trillion
- Expected Growth of 5.1% from 2017-2021
- Projected to be the 4<sup>th</sup> largest market in the world by 2030 (behind China, India and USA)
- ASEAN attracts more foreign investment than China
- 70 million “middle-income” households, expected to reach 125 million by 2025
- In 2016 there was NZ\$15.245 billion in two-way trade between NZ and ASEAN
- **According to the Asian Development Bank, developing economies in Asia contributed 60% of the worlds economic growth in 2017**



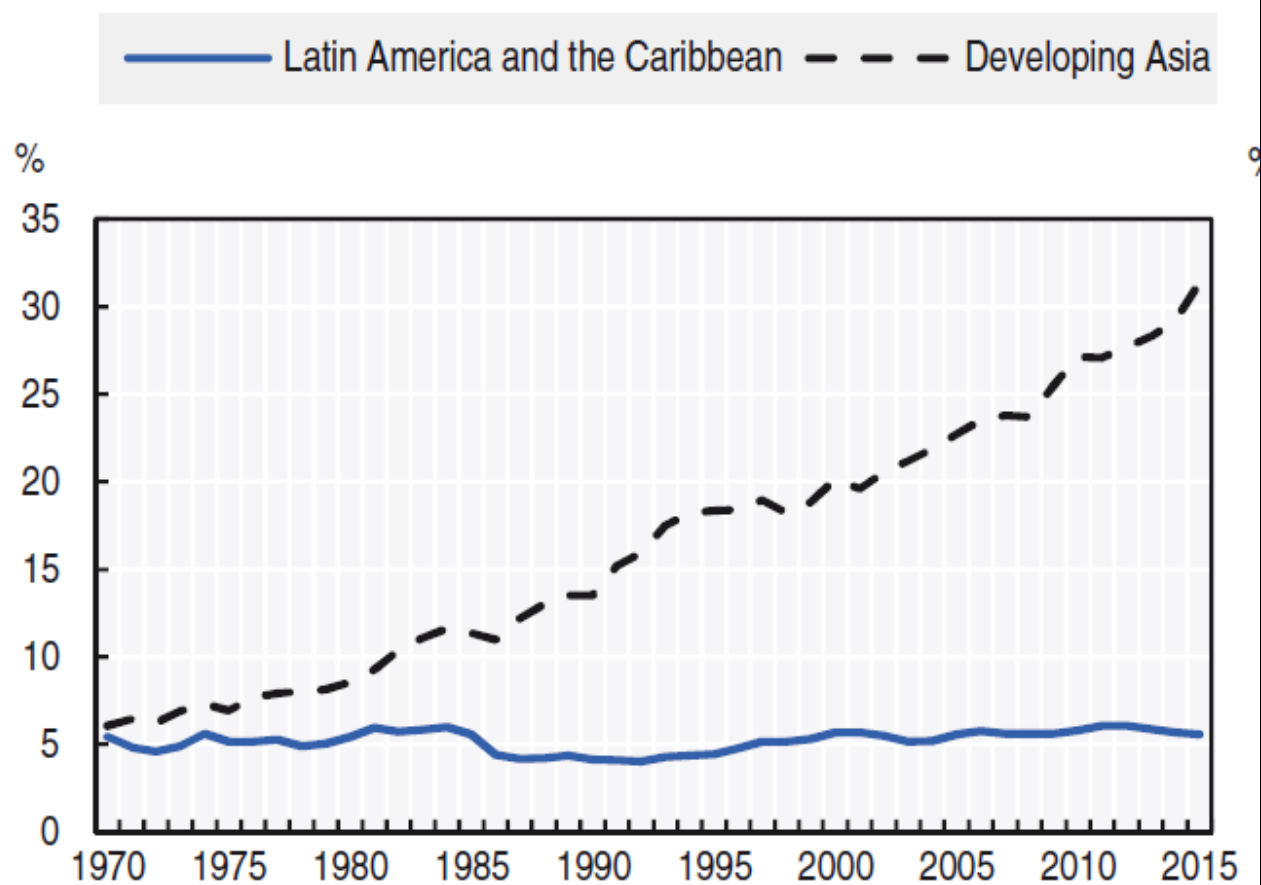
**ASEAN includes 227 of the world's companies with more than USD1 billion in revenues, or 3% of the world's total**

# ASEAN Agreement

- 2015 agreement designed to increase intra-regional trade
  - Freedom of labor movement
  - Free movement of goods
  - Free movement of capital
  - Ease in providing services
- Currently 25% of the regions exports are with other ASEAN nations
- Increased reduction in tariffs



Panel A. LAC and developing Asia: share in world exports of goods, 1970-2015



# Attributes of the Latin America Market

- Population: 626 million
  - In 2016, 25.25% were between 0 and 14 years old, 66.94% were between 15 and 64 and 7.81% percent were 65 years old and over.
- 34% of population is considered “consolidated middle-class” up from 21% in 2001
- Combined Gross Domestic Product (or PDB) = USD\$5.361 trillion
- Region is expected to grow by 2% in 2018 and 2.6% in 2019
- Mexico was the 21<sup>st</sup> largest trade partner of NZ in 2016

# Projected GDP Growth in Latin America for 2018



*“In the West, we want answers for everything. Everything is right or wrong, or good or bad. But in the shadow Wayang play, no such final conclusion exists.”*

Quote by a young Australian reporter (played by Mel Gibson) who tries to navigate the political turmoil of Indonesia during the rule of President Sukarno in the 1982 Oscar winning movie “The Year of Living Dangerously.”



# Challenges in South East Asia

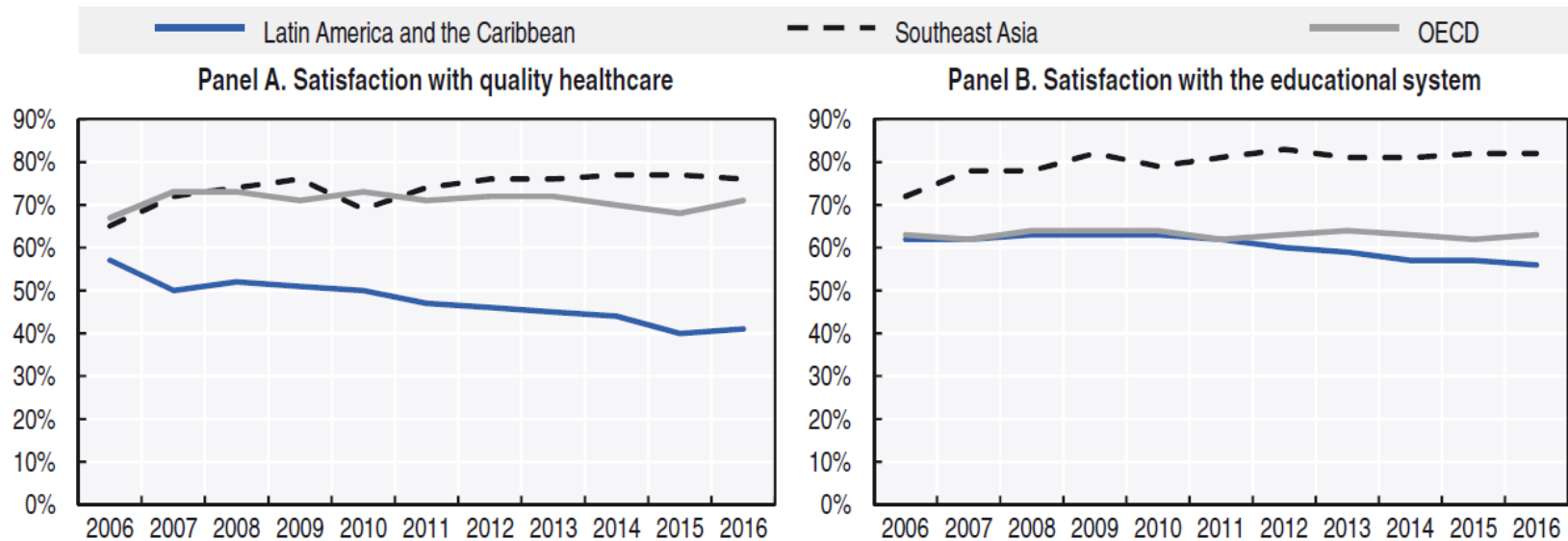
- Weak Institutions
- Concentration of Ownership
- Talent Pipeline

# Latin America

- **75%** of the population in Latin American countries reported little or no trust at all in government in 2017, 20 percentage points higher than in 2010.
- The perception of state compliance with the rule of law is low in Latin America, with an average score of -0.5 in 2016 (on a scale from -2.5 to 2.5), well below the OECD's 1.2.

Figure 2. Satisfaction with public services in Latin America, Southeast Asia and OECD

Percentage of population



Source: OECD/ECLAC/CAF, own elaboration based on Gallup World Poll (2016).


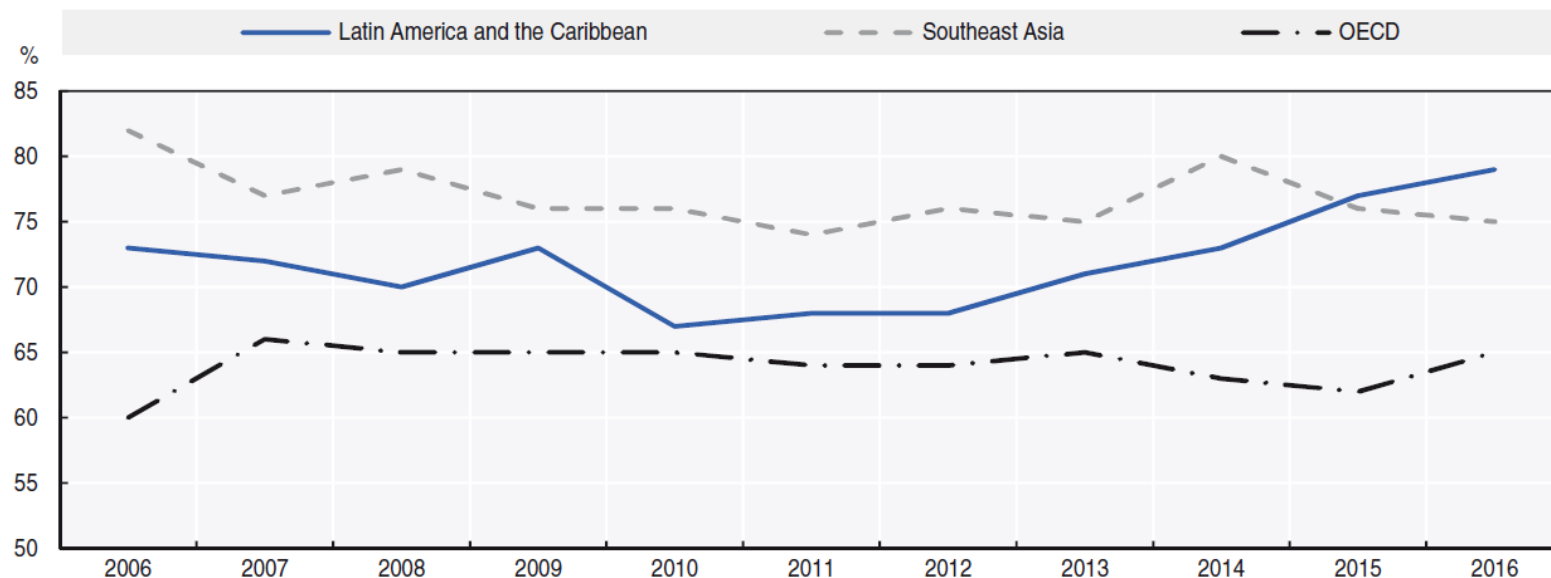

StatLink  <http://dx.doi.org/10.1787/888933649525>

Figure 9. Perception of corruption in government in Latin America, Southeast Asia and OECD



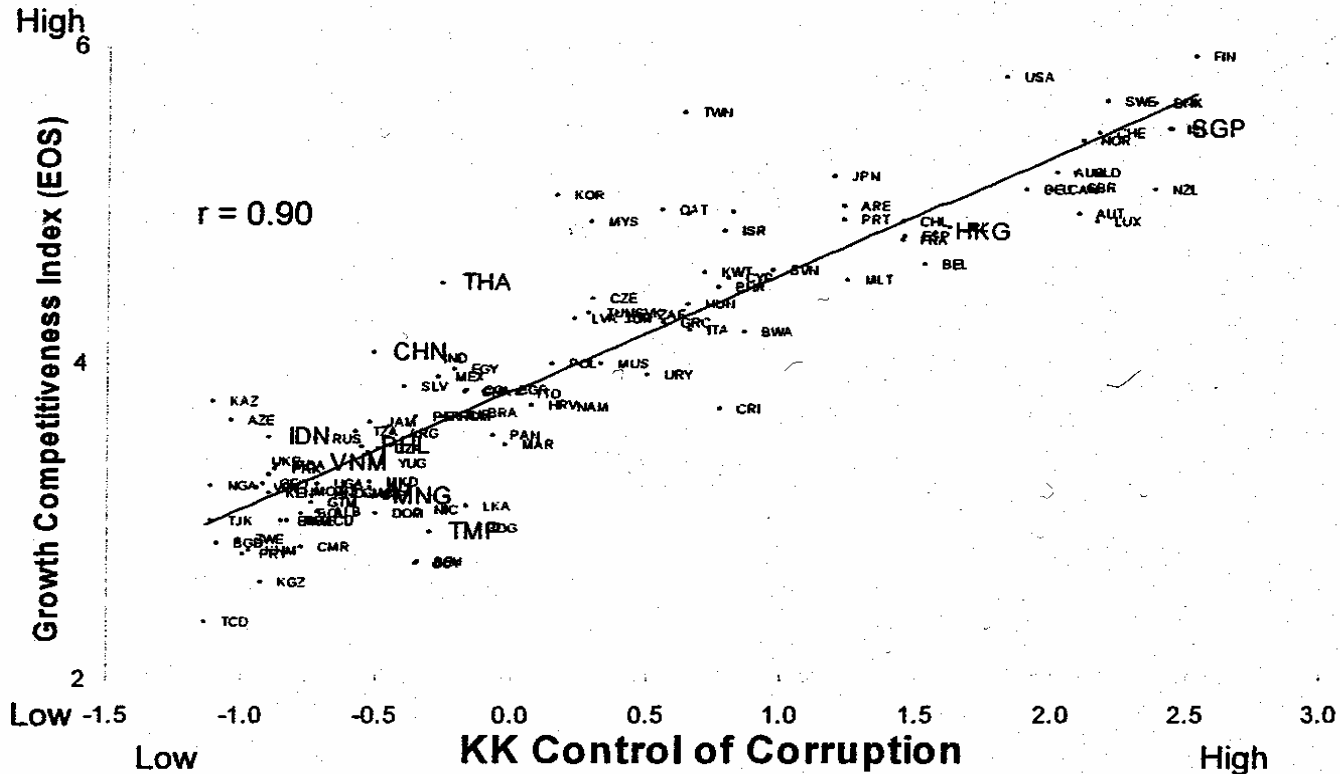
Source: OECD/ECLAC/CAF's own elaboration based on data from Gallup World Poll (2017).

StatLink  <http://dx.doi.org/10.1787/888933649658>



Country	CPI		Country	CPI Score	
	Score 2017	Rank 2017		2017	Rank 2017
New Zealand	89	<b>1</b>			
Singapore	84	<b>6</b>	Uruguay	70	<b>23</b>
Malaysia	47	<b>62</b>	Chile	67	<b>26</b>
India	40	<b>81</b>	Cuba	47	<b>62</b>
Solomon Islands	39	<b>85</b>	Argentina	39	<b>85</b>
Sri Lanka	38	<b>91</b>	Brazil	37	<b>96</b>
Timor-Leste	38	<b>91</b>	Colombia	37	<b>96</b>
Indonesia	37	<b>96</b>	Peru	37	<b>96</b>
Thailand	37	<b>96</b>	Panama	37	<b>96</b>
Vietnam	35	<b>107</b>	Bolivia	33	<b>112</b>
Philippines	34	<b>111</b>	Ecuador	32	<b>117</b>
Myanmar	30	<b>130</b>	Mexico	29	<b>135</b>
Laos	29	<b>135</b>	Paraguay	29	<b>135</b>
Papua New Guinea	29	<b>135</b>	Venezuela	18	<b>169</b>
Bangladesh	28	<b>143</b>			
Cambodia	21	<b>161</b>			

## Good Governance associated Country's Competitiveness



Sources: GCI drawn from EOS firm survey, WEF 2005 – 117 countries; Control of Corruption from Kaufmann, Kraay and Mastruzzi, 'Governance Matters IV: Governance Indicators for 1996-2004'.

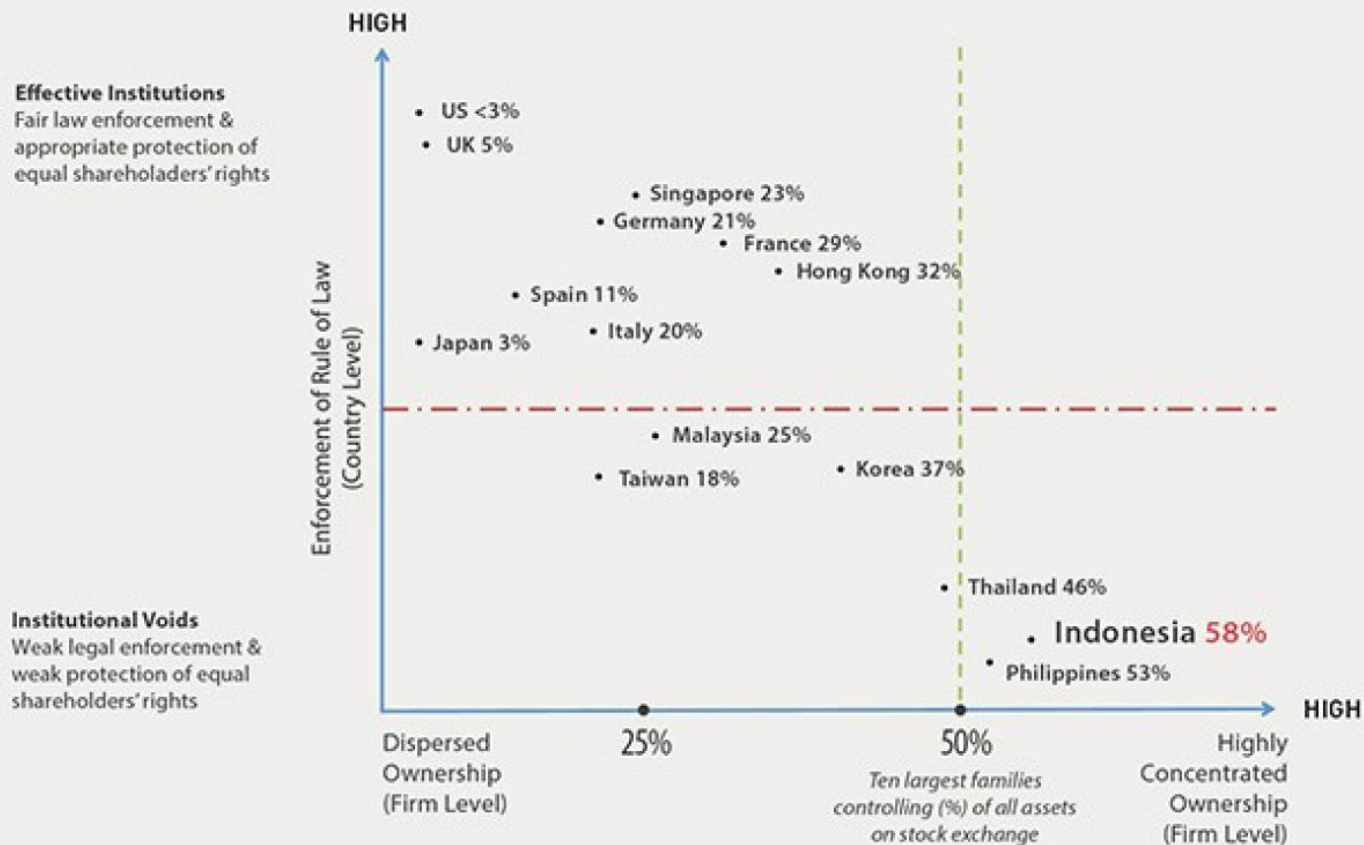
# Concentration of Ownership

- Role of State-owned enterprises
- Family-owned conglomerates
- Example of Indonesia
  - Over 70% of the 50 largest firms in Indonesia based on revenue (or market cap) are either state owned enterprises or family business conglomerates.
  - 58% of all the assets in Indonesia (listed on the Indonesian Stock Exchange) are controlled by 10 families.

# 2 Major Structural Challenges

## A Unique Market

### Legal Enforcement Versus Ownership Characteristics

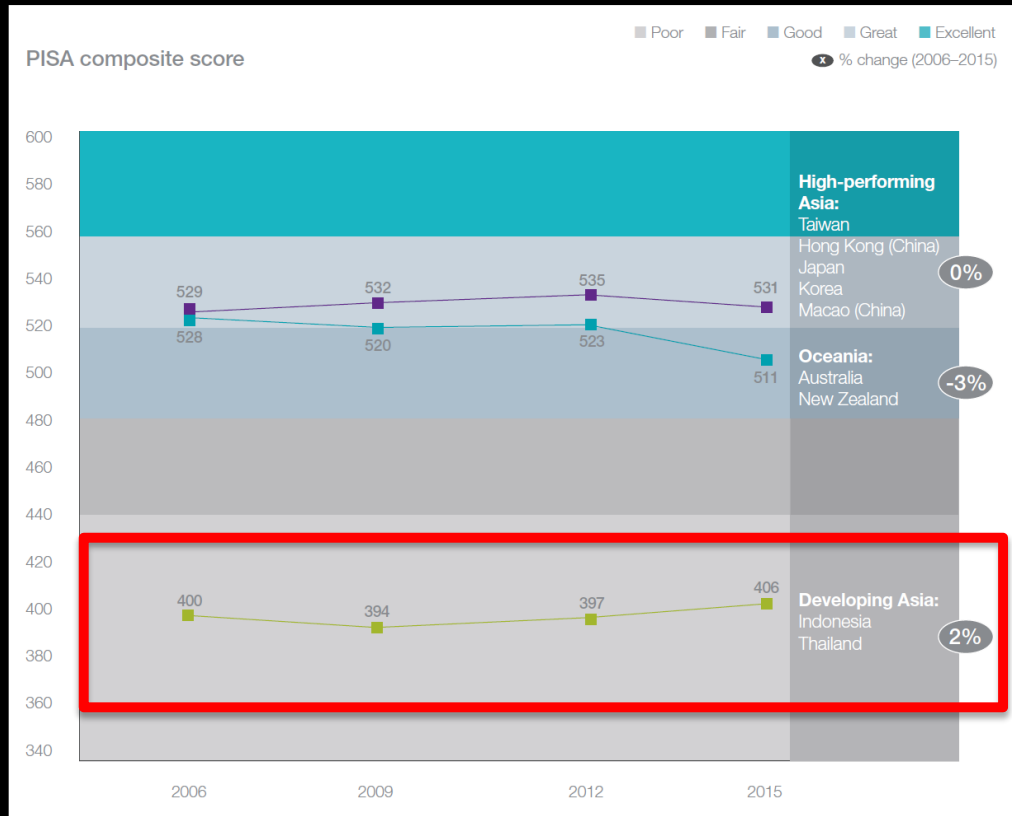


Source: Claessens, Djankov and Lang (2000)

# Implications of Structural Challenges

- Challenges in Getting Foreign Capital/Investors/Partners
- Unpredictable Regulatory Environment
- Increased Cost of Doing Business
- Corruption
- Reputational Risks

# OECD Program for International Student Assessment (PISA) scores



Taken from Chen, L.K., Dorn, E., Krawitz, M., Lim, C.S.H. & Mourshed, M (2017). Drivers of Student Performance: Insights from Asia, McKinsey & Company

“The build-up of a talent pool for the future and the success of any country in the long run depends on the quality and foresight of its education system.”

“As a leader, you can only move as fast as your team can move with you. Human capital becomes the scarcest factor. **It’s not money, it’s not technology. It’s human capital.** It’s one of the things that we in Malaysia have to be aware of and make the development of professional capabilities our number one priority”

*Alois Hofbauer,  
Managing Director of Nestlé Malaysia*

Verhezen, P., Williamson, I.O., Crosby, M. & Soebagjo, N., eds. (2016). Doing Business in ASEAN Markets: Leadership Challenges and Governance Solutions across Asian Borders. Palgrave Macmillan.

# Talent Pipeline

- 6 out of 10 C-suite level executives across the Asia Pacific (APAC) expect talent shortages over the next few years to adversely affect their businesses.
- A study by Korn Ferry reveals that, the Asia Pacific region faces an imminent labour shortage of 12.3 million workers by 2020, with the possibility of rising to 47 million by 2030 at an annual opportunity cost of US\$4.238 trillion.

<http://www.hrmasia.com/content/asia-pacific-business-leaders-forecast-talent-shortages>

<https://www.humanresourcesonline.net/asia-pacific-nations-could-face-talent-shortage-of-upto-12-3mn-workers/>



# Opportunities for Exports

- Data Analytics
  - Government
  - Market Analysis
  - Tourism
- Financial Services
  - Rise of the Middle Class
- Education

# Role of Leadership

- Innovation and Entrepreneurship
- Governance
- Talent Management

# Centers for Asia-Pacific Excellence (CAPE)

- South East Asia CAPE: <https://seacape.org.nz/>
- Latin America Cape: <https://latamcape.org.nz/>



# SEA CAPE Business Challenge

Skye Lunson-Storey is one of 10 high school students selected from across New Zealand to participate in a Business Challenge in April 2018. The Southeast Asia CAPE has partnered with the New Zealand High Commission in Singapore and Young Enterprise Trust in Wellington, NZ, to deliver this week-long experience in Singapore.



# Conclusions

- Latin America and S.E. Asia are largely untapped markets for NZ
- Structural challenges exist
- Leadership capability will play a key role in realizing the opportunities





# Thank You Kia ora

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