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

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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 4th 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 world’s 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
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 21st largest trade partner of NZ in 2016
Projected GDP Growth in Latin America for 2018

http://americasquarterly.org/content/projected-gdp-growth-latin-america-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

Panel A. Satisfaction with quality healthcare

Panel B. Satisfaction with the educational system

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

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

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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'.

Capital thinking. Globally minded.

VICTORIA UNIVERSITY OF WELLINGTON
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

- **Effective Institutions**
  - Fair law enforcement & appropriate protection of equal shareholders’ rights
  - US <3%
  - UK 5%
  - Singapore 23%
  - Germany 21%
  - France 29%
  - Hong Kong 32%
  - Spain 11%
  - Japan 3%
  - Italy 20%
  - Malaysia 25%
  - Taiwan 18%
  - Korea 37%

- **Institutional Voids**
  - Weak legal enforcement & weak protection of equal shareholders’ rights

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**
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-up-to-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/
Mobility Initiatives for Students and Businesses
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