



The CEO files: Each month, CEO Europe shares its expertise and presents you an expert synopsis of a specific topic.

The “Asia opportunity” and Singapore

Asia is a huge growth market. China and India are the two frequently mentioned – high GDP growth, large populations with increasing purchasing power, relatively low cost of labour etc. Japan, of course is one of the largest economies. Other growth economies are Vietnam, Indonesia etc. So the opportunity beckons. Many companies have already established a presence (bigger mix of US companies) and more are figuring out how to enter.

A/ The opportunity

Based on IMF data (2004), here are some macro economic indicators including comparison with rest of the world:

	GDP % of WW GDP	% of WW Population	GDP as % of WW GDP		
			Nominal	PPP	
Japan	6.9%	2.0%	Asia Pacific	24%	36%
China	13.2%	20.7%	EMEA	39%	33%
India	5.9%	17.0%	North America	32%	23%
Other Asia	5.5%	14.4%	Latin America	5%	8%
US	20.9%	4.7%			
France	3.1%	1.0%			
Germany	4.3%	1.3%			
UK	3.1%	1.0%			

	GDP growth		GDP growth		
	2005	2006	2005	2006	
Australia	2.2%	3.2%	Malaysia	5.5%	6.0%
China	9.0%	8.2%	New Zealand	2.5%	2.5%
Hong Kong	6.3%	4.5%	Philippines	4.7%	4.8%
India	7.1%	6.3%	Singapore	3.9%	4.5%
Indonesia	5.8%	5.8%	Taiwan	3.4%	4.3%
Japan	2.0%	2.0%	Thailand	3.5%	5.0%
Korea	3.8%	5.0%	ASIA	6.1%	5.9%

B/ Options

Asia is complex and diverse – geographically, economically, politically and culturally. There are varying business practices, legal and fiscal frameworks differ, level of transparency could vary etc. When companies think of getting to Asia, they tend to follow one (or a combination) of these:

- **Cover the market from HQ to build critical mass.** This works for companies that are highly specialized with very high value products/services (e.g. aircraft manufacturer). For most others, remote management results in shallow coverage (missed opportunities); transactional approach hence deep relationships are difficult to build. Customers too, generally would like to deal with someone who shows commitment to Asia by having a local presence.
- **Appoint a partner (dealer, distributor, agent).** Finding the right partner could be a challenge, there could be partner conflict as and when the principal decides to come in direct. It is important for HQ staff to still visit regularly to avoid unforeseen problems e.g. partner switching to a competitor, unnecessary discounting, over commitments etc.
- **Relocate some of the HQ managers and staff to start an Asia office.** This is an expensive proposition to begin with. Local staff will need to be added on top of this to ensure local knowledge and for long term continuity. May not be an affordable solution

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unless it is a very specialized, high value offerings company. Asia has an established pool of executive talent (which some may not be aware of) and imparting company knowledge to new executives is mostly not as difficult as it is presumed to be.

- **Establish local presence with mostly local staffing.** Most successful expansions have taken this route. Typically the region head is either a current executive who is relocated or externally recruited with substantial due diligence (business ethics besides executive competency and local knowledge/relationships). Most of the rest locally recruited. It is important to ensure substantial mentoring in beginning and reasonable monitoring & oversight during the initial ramp up.

So, where should you locate your first Asian office? There are a variety of locations one can choose from. Singapore is one of the leading options.

C/ Singapore as Asia HQ

. Singapore offers some significant advantages.

- **More than 7,000 MNCs** are already present of which more than 4,000 conduct HQ activities from Singapore.

Ten of the latest companies who selected Singapore as International HQ and qualified for the IHQ award are: Atos Origin (S) Pte Ltd (France), Carmel Manufacturing Pte Ltd (Singapore), Consistel Pte Ltd (Singapore), Korean Airlines Co., Ltd (Korea), Levi Strauss Asia Pacific Division Pte Ltd (USA), Panasonic Asia Pacific Pte Ltd (Japan), Perot Systems TSI (Singapore) Pte Ltd (USA), Schenker (Asia Pacific) Pte Ltd (Germany), Unitor Ships Service (S) Pte Ltd (Norway) and World Trade Summits (Asia Pacific) Pte Ltd (UK).

- **Strong government push and focus** to attract MNCs to Singapore (tax incentives and others)

- **Availability of executive talent** and presence of wide range of professional services companies (consulting, audit, legal, finance, IP etc).

Pool of talent with in-depth knowledge of regional markets particularly China and India.

- **Most of the potential partners** likely to have Singapore presence too (easier to establish linkages).

- **Logistical, legal, financial and IP frameworks** plus several bilateral and multilateral trade agreements in place to facilitate access and trade with other Asian countries.

Singapore is one of the best connected in the world in terms of air, sea and telecommunications links. Besides world class infrastructure, proximity to major regional cities is a key locational advantage. E.g. travel times from Singapore to some of the Asia Pacific cities are:

	Travel time		Travel time
Bangkok, Thailand	2 H 30 M	Mumbai, India	5 H
Beijing, China	6 H	New Delhi, India	5 H 30 M
Hanoi, Vietnam	2 H 30 M	Seoul, Korea	6 H 30 M
Hong Kong	3 H 30 M	Shanghai, China	5 H
Jakarta, Indonesia	1 H 30 M	Sydney, Australia	7 H 30 M
Kuala Lumpur, Malaysia	45 M	Taipei, Taiwan	4 H 30 M
Manila, Philippines	3 H 30 M	Tokyo, Japan	7 H

D/ Summary

Asia offers major opportunities and for most companies it is not optional (if you are not in yet, your competitors most probably are in already or are seriously thinking of doing so). Due diligence is important – levels of transparency differ across Asia so extra verification will pay off. Relationships matter; so those who come in first raise the entry barrier for the rest. Remote coverage is mostly not effective; extensive expatriate staffing is financially not viable. **Local staffing with adequate mentoring and oversight is the most effective way to go. Singapore is one of the most attractive locations for a regional HQ** (Singapore Economic Development Board can facilitate necessary information/follow up). Most importantly, decide on your Asia strategy and get started quickly.

Report written by Sanjiv
Aiyar, iCEO #13220,
Singapore based

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+33 (0)147 701 998