

ASIA PACIFIC - Benchmarking Country Competitiveness

A snapshot summary from GBP International

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Contents

P3 Introduction

P4 Executive Summary

P5 City Overview

P6 Methodology

P7 Case Studies

P11 Skilled Labour, Jobs, Income Level

P15 Education System, University Graduates

P18 Business English Skills, Visa Regulations

P21 City Size, Density, Infrastructure

P24 Taxes, Incentives, Cost Of Doing Business

P29 Rent, Electricity, Secretary, Currency Risk

P34 Competitive Performance

P36 Conclusion

P38 Appendix

Introduction

ASEAN's economic rise is also reflected in the economic competitiveness of its countries and cities. Given the rapid growth and development of many ASEAN cities, competition between them for business, investment and talent has already begun.

But what is the best location in Asia-Pacific for European Small and Medium sized enterprises (SME's)?

While Hong Kong and Singapore have established themselves as globally competitive centres in recent years, meanwhile, newly emerging markets such as Myanmar have the potential of comparative advantages. But size and growth potential alone do not determine the competitiveness of a country. Several other factors determine a country's overall competitiveness, including its quality of human capital, level of education, English skills, cost of doing business, income level, business and regulatory environment etc.

The **ASEAN Country Competitiveness Study** was designed for European SME's in order to choose the best possible location for their business operations in Asia-Pacific. The Study ranks the competitiveness of major and upcoming players within ASEAN and beyond: Thailand, Malaysia, Singapore, Indonesia, Philippines, Hong Kong and Myanmar.

Our research drew on two main initiatives:

- We conducted in-depth interviews with local industry experts, long standing expatriates, corporate executives and government officials in each country to get their insights on location competitiveness.
- A Index that compares the seven locations across eight distinct categories of competitiveness and a variety of individual indicators.

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Executive Summary

Asian cities are among the world's most competitive today, in terms of economic strength. 15 out of the top 20 cities worldwide are Asian. Most of them are forecast to grow by at least 10%. This is in sharp contrast to the single-digit growth rates of most developed market cities in Europe.

Among the key findings of the study are as follows:

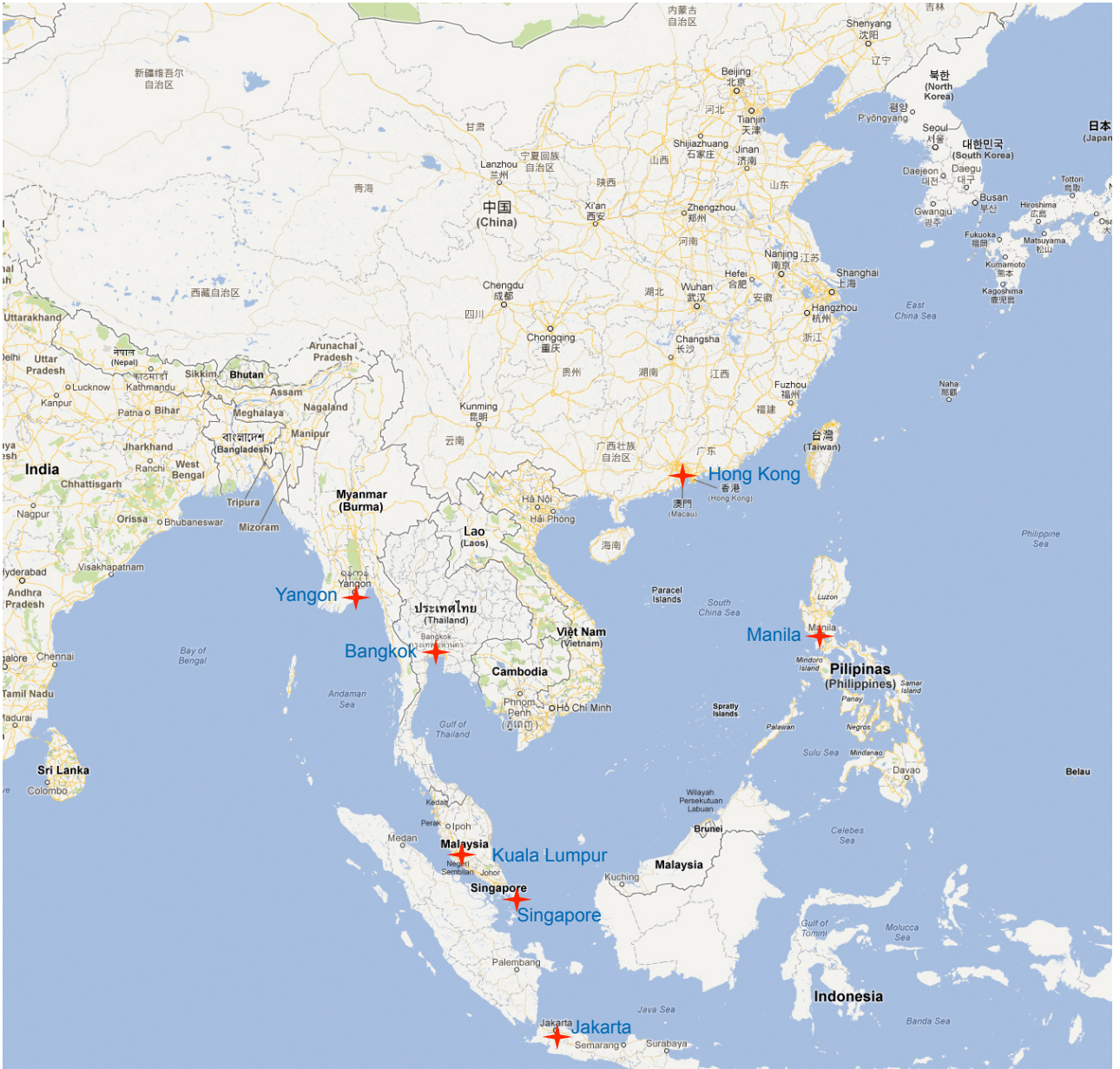
In contrast to most European cities, the locations highlighted in this study don't perform equally well across all segments of their competitiveness. In fact very few cities are good all-round performers and no city can hold an absolute advantage in every dimension that matter to a potential investor. A manufacturer seeking cheap land, competitive labour and good shipping will inevitably be attracted to a different city than a technology firm seeking highly skilled graduates to invest in R&D. Even companies in the same sector will find different locations appealing. Luxury brands will consider the purchasing power of high income local residents in Singapore and Hong Kong, while low-cost consumer goods producer might focus untapped markets with higher growth potential such as Vietnam or even Myanmar.

The top rankings of Singapore and Hong Kong is largely due to their appeal to a wide range of businesses, low corruption rates, high government efficiency and excellent financial services hubs. As such, due to high cost of doing business, even these most competitive cities will be unappealing prospects to certain companies with particular needs. For companies seeking high quality education, cheap rent and good English skills, Kuala Lumpur is by far the best yet mostly underrated location.

Overall, this Study provides a balanced view across the locations and reviews a broad range of different dimensions and criteria that shape their overall competitiveness.

Location Overview

Yangon, Bangkok, Kuala Lumpur, Singapore, Jakarta, Hong Kong, Manila



Methodology Overview

Data Acquisition

- Research of Secondary Sources:

Internet Search, Internal GBP Database, Media Search, Government Organizations, Industry & Commerce Search

Primary Research

- In-Depth Interviews & Personal Meetings:

To learn about advantages and drawbacks from key players in the markets first-hand

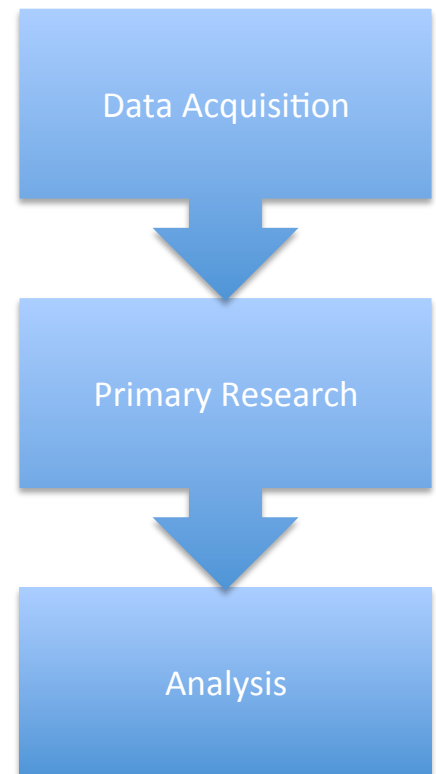
Analysis

- Analysing Qualitative and Quantitative Data:

Sourced from background research and primary research

- Comparing Location Competitiveness:

Based on indicators, prices, scorings & rankings



Case Study: Singapore – Talent as a competitive edge

Singapore is by far the highest-placed city in Asia. The location ranks particularly well in terms of Ease of Doing Business (highest rank), financial maturity (highest rank), institutional effectiveness and low corruption rates (highest rank), Stable Political & Social Framework (highest rank), Taxes and Tax Incentives (among the highest ranks).

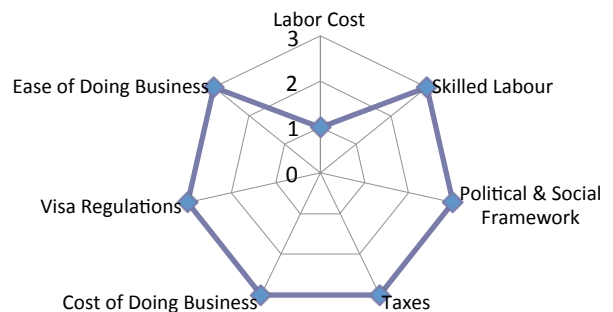
For insiders and locals, none of this will be surprising, given the city’s lean bureaucracy, safe environment and efficient transport. But the high “western standards” have their price in terms of labor cost (lowest rank) and office rent (lowest rank).

On the talent front, the city has focused on competitive economy, quality life and environmental sustainability, offering a pool of around 700.000 professionals. But the salary level for highly skilled labor is that of many European city’s.

| Key Economic indicators | |
|-------------------------|--------|
| Population | 5.3 |
| GDP (US\$ billions) | 222.7 |
| GDP per capita (US\$) | 43,117 |
| GDP growth rate | 4.9% |
| Inflation (2011) | 5.3% |
| Unemployment (2010) | 2% |

In addition, English is one of the four official languages (English, Chinese, Malay and Tamil) and the majority of the population in Singapore speaks English as their main language. The majority of the multi-cultural population of 70% ethnic Chinese and 25% of Malays and Indians use English as their first language.

Due to the fact that a significant number of graduates in Singapore have studied abroad, the English skills of employees in Singapore are extremely well developed.



| City Rankings | Score |
|----------------------------------|-------|
| Overall | 1 |
| Labour market efficiency | 2 |
| Ease of Doing Business | 1 |
| Political & Social Framework | 1 |
| Credit rating of sovereign bonds | Aaa |
| Corruption (out of 182) | 5 |

Case Study: Kuala Lumpur – Asia’s most undervalued city

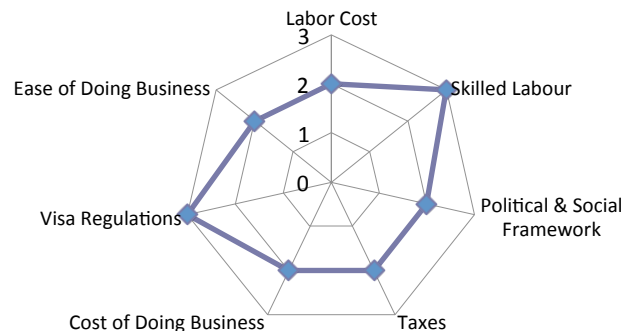
Kuala Lumpur is one of the most competitive and, at the same time, undervalued city’s in Asia-Pacific.

This is perhaps surprising given its low scorings across a diverse array of categories. But if companies are particularly focussed on cost of doing business, excellent quality of life, good human resources, good infrastructure, affordable office rent and a stable political system, then Kuala Lumpur is the choice of city.

Even though Singapore is still the choice for finance, the Kuala Lumpur has become one of the global Islamic financing hubs in recent years. Besides finance, the petrochemical industry and the IT sector combine most of the workforce in the country, accounting for the large numbers of expats working in Kuala Lumpur.

Due to the fact that the majority of Malaysians speaks English as their main language, the English skills of employees in Kuala Lumpur are well developed.

English is widely understood in service industries and is a compulsory subject in primary and secondary school



| Key Economic indicators | |
|-------------------------|-------|
| Population (Greater KL) | 7.2 |
| GDP (US\$ billions) | 247.6 |
| GDP per capita (US\$) | 8,423 |
| GDP growth rate | 6% |
| Inflation (2011) | 3% |
| Unemployment (2010) | 3% |

| City Rankings | Score |
|----------------------------------|-------|
| Overall | 3 |
| Labour market efficiency | 4 |
| Ease of Doing Business | 4 |
| Political & Social Framework | 2 |
| Credit rating of sovereign bonds | A3 |
| Corruption (out of 182) | 60 |

Case Study: Hong Kong – China as a competitive edge

Hong Kong is the number 1 choice of city if you are looking for a “safe way” to enter the Chinese market. Talent availability and geographic proximity to major player China is the overall competitive edge of Hong Kong.

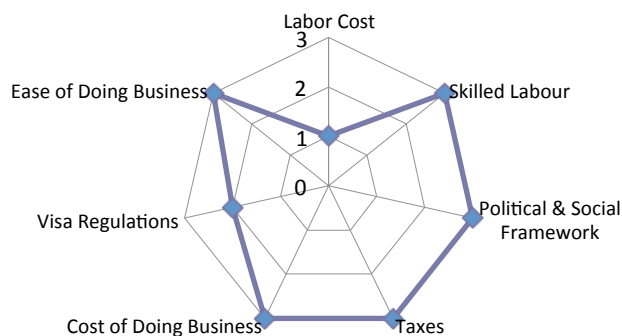
The location ranks particularly well in terms of Ease of Doing Business (high rank), Stable Political & Social Framework (high rank) and low tax rates, but it offers almost no tax incentives whatsoever.

The geographical advantage of the city combined with its efficient public transport (airport access within 23 minutes from the CBD), offers the possibility of return daytrips to Shanghai.

But similar to its biggest competitor Singapore, there is a certain prize to be paid. Salary levels and especially office rent are among the highest on a global scale. This might change as current trends predict the office market to head towards a cyclical downturn.

In addition, English is one of the official languages in Hong Kong and is used widely in the Government, academic circles, business and the courts and the level of English in the business environment is quite high.

Even though Hong Kong’s population is made up 95% ethnic Chinese and therefore the city is a predominantly Cantonese-speaking society.

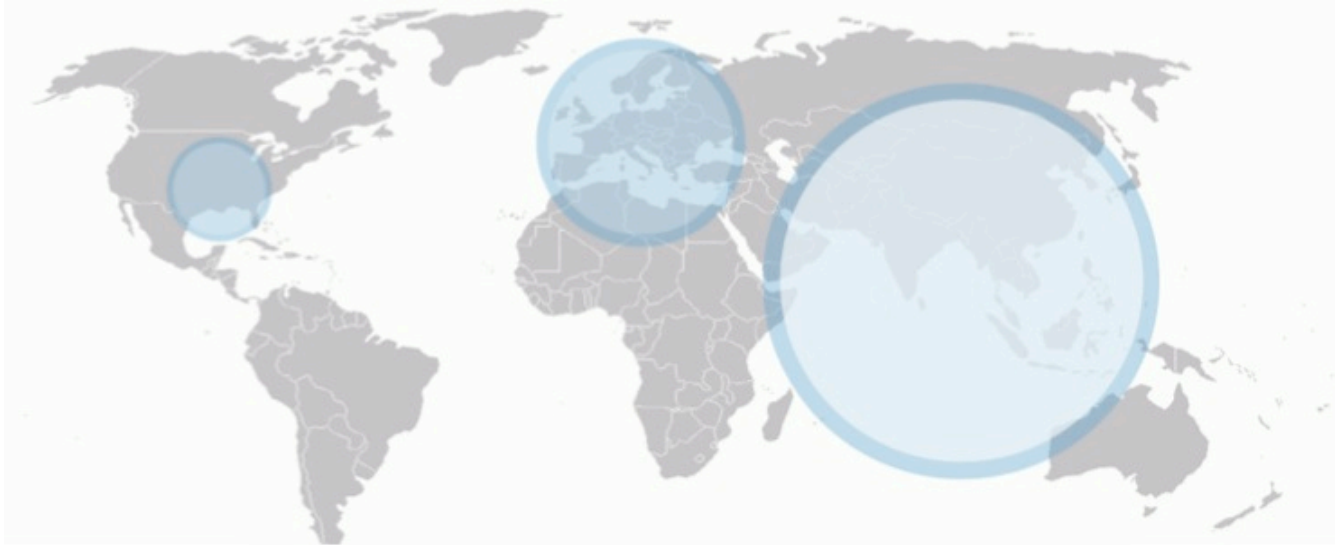


| Key Economic indicators | |
|-------------------------|--------|
| Population | 7.1 |
| GDP (US\$ billions) | 225.0 |
| GDP per capita (US\$) | 31,591 |
| GDP growth rate | 5% |
| Inflation (2011) | 5.3% |
| Unemployment (2010) | 3.4% |

| City Rankings | Score |
|----------------------------------|-------|
| Overall | 2 |
| Labour market efficiency | 3 |
| Ease of Doing Business | 2 |
| Political & Social Framework | 2 |
| Credit rating of sovereign bonds | Aa1 |
| Corruption (out of 182) | 12 |

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Competence In Asia



GBP International is an independent consulting company based in Asia and Europe. With local and international experts in offices across China, India, Southeast Asia and Europe we have successful operations in all major Asian and European markets.

The ASEAN market is a corner stone of GBP International's expertise in Asia-Pacific. With local offices in Malaysia, Thailand, Indonesia, Myanmar, Vietnam and the Philippines, GBP International is dedicated to foster the economic relations between the ASEAN countries and Europe, working extensively with both, Asian and international companies.

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