

# Assessing the Southeast Asian markets

*Pricilla Niode*

When you hear about Asia, the first thing that comes to mind is either China, Japan, Korea or another Eastern Asian country. However, Asia is the largest continent in the world and is comprised of a number of countries and subregions. Eastern Asia only represents a small part of Asia itself.

Each of Asia's subregions has various traits that make it unique. The countries that are categorized in a certain subregion usually share a remarkably similar history, climate and culture. Southeast Asia, for example, is located just south of China and north of Australia. The people of Southeast Asia have been known for thousands of years as seafarers. Some of the earlier major influences in the subregion have come mostly from China and India as a result of their trading systems.

Western influence and colonization came in the sixteenth century. The region was divided under British, French, Dutch, Portuguese and Spanish rule. Thailand is the only country in Southeast Asia that has never experienced Western colonization.



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	2004	2005	2006	2007	2008	2009	2010
<b>Southeast Asia</b>	<b>6.5</b>	<b>5.7</b>	<b>6.0</b>	<b>6.4</b>	<b>4.3</b>	<b>0.7</b>	<b>4.2</b>
Indonesia	5.0	5.7	5.5	6.3	6.1	3.6	5.0
Malaysia	6.8	5.3	5.8	6.3	4.6	-0.2	4.4
Philippines	6.4	5.0	5.4	7.2	4.6	2.5	3.5
Singapore	9.3	7.3	8.4	7.8	1.1	-5.0	3.5
Thailand	6.3	4.6	5.2	4.9	2.6	-2.0	3.0
Vietnam	7.8	8.4	8.2	8.5	6.2	4.5	6.5

Southeast Asian development outlook 2009:  
country-by-country growth rate and forecasts (percentage by year).

Source for all tables in this article: Asian Development Outlook 2009 released by Asian Development Bank on March 31, 2009.

## Southeast Asia and the economic crisis

Presently, the list of Southeast Asian countries includes Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam and East Timor. Apart from East Timor, these countries are members of an economic and political partnership called ASEAN (Association of Southeast Asia Nations).

In 2007, the localization industry was experiencing a climactic rise in demand for Southeast Asian languages. As part of the emerging market, which accounts for two-thirds of the world's population, Southeast Asian countries have experienced significant growth over the last few years. However, near the end of 2008, the world experienced a global financial crisis that originated in the United States. Impacts of the crisis were extended to the rest of the world, and Southeast Asia wasn't immune to negative repercussions. Due to the recession and a slump in exports, the Asian Development Bank is forecasting a growth deceleration for the whole region in general. Singapore, Malaysia and Thailand are hit hard by the recession. This is mainly due to the fact that these three countries are highly dependent on exports. In Thailand's case, the situation is made worse by their current political instability.

Regardless of the global downturn, several Southeast Asian countries that are less dependent on exports – such as the Philippines, Vietnam and Indonesia – are still expected to continue their growth albeit at a slower pace this year. These three countries have one thing in common: their large populations – Philippines has 97 million, Vietnam 86 million, and Indonesia 240 million.

## Surviving the crisis

To learn more about the Southeast Asian market and its potential, let's look at the six biggest economies in the region, including the three countries that are faring better than the rest.

### ■ Singapore

	2009	2010
GDP Growth	-5.0	3.5
Inflation	0.5	2.0
Current account balance (share of GDP)	10.0	14.0

Singapore: selected economic indicators (percentages).

This island city-state and the smallest nation in Southeast Asia has ironically been the strongest economy in the region. Fueled by its strength in exports and manufacturing, Singapore has been named one of the four Asian tigers along with Hong Kong, Taiwan and South Korea.

Because of a high dependency on exports, it is no wonder that Singapore has been hit the hardest by the recent economic recession. Reports have shown that Singapore's economy will be in a decline this year.

### ■ Malaysia

	2009	2010
GDP Growth	-0.2	4.4
Inflation	1.5	2.4
Current account balance (share of GDP)	14.0	13.8

Malaysia: selected economic indicators (percentages).

Malaysia has been one of the biggest success stories in Southeast Asia. The country experienced an economic boom

and was growing rapidly during the late twentieth century. In 2007, Malaysia was even named the twenty-ninth largest economy in the world by the World Bank.

The recent forecast for Malaysia, however, is bleak. According to projections for this year, Malaysia will be among the poorest performers in ASEAN.

### ■ Thailand

	2009	2010
GDP Growth	-2.0	3.0
Inflation	0.5	1.5
Current account balance (share of GDP)	8.0	4.5

Thailand: selected economic indicators (percentages).

Thailand's economy, as is the case with Singapore and Malaysia, depends heavily on exports. This, combined with its recent political turmoil, has been a key factor in their recent slowdown. Forecasts show that Thailand will join Singapore and Malaysia in economic decline this year.

### ■ Philippines

	2009	2010
GDP Growth	2.5	3.5
Inflation	4.5	5.0
Current account balance (share of GDP)	1.0	2.0

Philippines: selected economic indicators (percentages).

The growth of the outsourcing sector in the Philippines is one of the reasons why its economy is expected to still grow this year. Companies such as Dell and Prudential are a couple of big names that have set up their own call centers in the country.

Apart from call centers, IT giant Google has also realized the future potential in Southeast Asia and in the Philippines in particular by recently releasing a local version of Google Maps for local Filipino users.

### ■ Vietnam

	2009	2010
GDP Growth	4.5	6.5
Inflation	4.0	5.0
Current account balance (share of GDP)	-11.5	-9.7

Vietnam: selected economic indicators (percentages).

The United States is set on becoming the leading foreign investor in Vietnam. General Electric (GE) just recently started construction on a \$100 million factory

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in the country. It has also stated that Vietnam will be an investment priority for GE and other US companies.

In related news, Chevron has also launched a gas project offshore of Vietnam to generate electricity. Chevron has made an initial investment of \$300 million, and once it gets final approval, it is willing to make an investment of up to \$2.5 billion.

#### ■ Indonesia

	2009	2010
GDP Growth	3.6	5.0
Inflation	6.3	6.9
Current account balance (share of GDP)	-0.6	0.8

Indonesia: selected economic indicators (percentages).

Analysts agree that Indonesia has weathered the global economic crisis better than many of its Asian counterparts. A recent survey on investor confidence in the Asia-Pacific region has even ranked Indonesia third after China and India.

This has become apparent by a flood of new foreign investments in Indonesia. First, France's Eramet and Japan's Mitsubishi

announced a \$4.6 billion investment in a nickel project with a local company. Next, textile manufacturers confirmed their plan in transferring \$650 million of textile orders from China to Indonesia. And just recently, Volkswagen confirmed that it has reached an agreement to open an assembly plant in the capital city of Jakarta.

#### A glimmer of hope

Despite cutbacks in every area imaginable, it has been reported that there is at least one development area in Southeast Asia that has been unfazed by the global downturn. Recent forecasts reveal that Southeast Asian data centers are expected to continue their rapid growth to up to 68% by 2013. One of the main reasons that is fueling this growth is the emerging development of cloud computing services, a term that is used for anything that involves delivering hosted services over the internet. Big names such as Google, Yahoo!, Amazon and Microsoft are some of the major providers of cloud computing services.

Recent reports have shown that both Google and Microsoft have generated fresh interest in expanding their services

to the Southeast Asian market. Google in particular has just recently launched its popular Google Maps application for local users in Malaysia and the Philippines.

#### Potential localization market

From all three markets in the region that are expected to register positive economic growth this year, Indonesia has the biggest chance of coming out on top. Even though Vietnam is ahead of Indonesia in terms of gross domestic product growth, however, we need to view Vietnam as a special case. Among the top six ASEAN countries, Vietnam is the newest member, its economy got a later start, and it is still among the poorest countries in the region.

Indonesia, on the other hand, as the fourth most populous country in the world, is the least export-dependent country among all ASEAN countries. With its large market and rich natural resources, Indonesia is still more focused on internal consumption rather than on exports.

The *Economist* magazine even went on to suggest that Asia's export-led growth has reached its limits. To power future

growth, Asia must rely on domestic demand, especially consumption. This is one area in which Indonesia is not lacking.

Another reason that supports growth is Indonesia's current political stability under the leadership of a new president. Freedom House, a US think tank, has declared for the first time Indonesia as the only fully free and democratic country in Southeast Asia.

With a large population of over 240 million people, Indonesia clearly is not running out of human resources anytime soon. In the translation industry, translators come from many different locations in Indonesia and from various educational backgrounds. The Indonesian government requires the use of sworn translators (certified translators) for every document that is to be presented to local authorities. There is only one recognized institution in Indonesia that is qualified to administer the certification tests. Translators who pass their test will then have to have their oaths taken by the Governor of Jakarta, hence the term *sworn translators*.

One noticeable thing that the local translators are lacking in is their skills and experience in using translation memory (TM) tools. Pricing is one of the main obstacles that prevents them from purchasing the tools. Even though the number of translators in Indonesia abounds, you will have a difficult time finding a full-time freelance translator. Due to the instability in their monthly income, most translators prefer to have a full-time job elsewhere and only pursue translation during their free time in order to survive.

Poor infrastructure is another factor that plays a part in this. As a developing country, Indonesia has a lot of work ahead in establishing its infrastructure. Home internet use has started to steadily grow; however, the existing internet speed is still lacking. Commercially, internet use has also become a necessity and part of everyday office work. Its speed is significantly better than what is available for personal use.

In terms of localization resources, Indonesia is lagging behind many of its Southeast Asian counterparts. Only a handful of companies in Indonesia specializes in localization services, and the majority of them are small, home-based companies. STAR Group is the only familiar name in the industry that has a local branch office in Indonesia. STAR Group, controlled by STAR AG (Switzerland), owns a local office in the capital city of Jakarta.

After careful review of the Southeast Asian region as a whole and weighing both the positive and negative factors, it would be an overall sound investment to choose Indonesia as a target of expansion by opening a local branch in the country. First of all, due to the current lack of competition, the field is wide open in choosing the best linguists at the best rate. Second, by setting up a local office, the internet problem is solved. At the same time a venue has been made available in order to train the linguists into mastering the various TM tools. Finally, in the long run, the functionality of the local Indonesian branch could be expanded into becoming a Southeast Asian hub, connecting and managing linguists in nearby countries and providing customers with a complete Southeast Asian localization service. **M**

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