



Survey of Canadian Businesses in ASEAN, 2013



Asia Pacific Foundation of Canada Fondation Asie Pacifique du Canada



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Executive Summary

The Asia Pacific Foundation of Canada, in partnership with the United Overseas Bank (UOB) and the Canada-ASEAN Business Council (CABC), conducted this survey of Canadian companies currently active or interested in doing business in ASEAN countries. This first of its kind research completed 138 online surveys with representatives of Canadian companies between July 15th and August 31st, 2013.

The findings of this survey provide a snapshot of Canadian business operations in the ASEAN market, and reflect the perceptions and attitudes of Canadian businesses about the opportunities and challenges they face. The results will help inform key decision makers and service providers about how to provide assistance to Canadian companies as they build business in ASEAN countries.

The findings of the Canada-ASEAN Business Survey 2013 reveal an active Canadian business presence in ASEAN countries. Companies are engaged throughout the region, and many have been there for many years. Based on a history of relatively quick profitability (within 3 years for most), Canadian businesses express a good deal of confidence about future prospects, and expect to increase their investment and profitability in the region. This is despite some key challenges such as corruption, inconsistent laws and regulations, and risks of intellectual property infringement. They are supportive of a Canada-ASEAN Free Trade Agreement because they see a major positive impact on their ability to do business in the region (notably with respect to exporting Canadian products and investing in ASEAN).

Key detailed findings include:

Profile of Canadian Companies in ASEAN

- Canadian companies are most likely to have operations in Singapore (60%), Indonesia (58%), Malaysia (53%), Vietnam (53%), the Philippines (50%), and Thailand.
- More than half of companies have well-established operations, having been in the region for more than 10 years. Thirty-one percent have been in the region for more than 20 years.

Business Activities in ASEAN

- 86% of companies have profitable ASEAN operations, half within the first 3 years. 63% expect their profitability to increase in 2014, including 18% who expect a significant increase.
- 62% have increased their investment in ASEAN in the past 2 years; 81% see positive investment opportunities in the ASEAN market in the future; 81% also expect to increase their investment in the region.
- Most companies who see future expansion of their business are targeting Indonesia (21%), Philippines (13%), Malaysia (12%), and Singapore (11%).
- 26% of companies currently active in China foresee diversifying their investment from China to ASEAN in 2014.
- 50% of companies are satisfied with the overall performance of their business in ASEAN; 22% are dissatisfied.

Challenges & Opportunities

- 49% of Canadian companies say it's more difficult to do business in ASEAN countries than in other areas where they have operations; 22% believe it's easier in the ASEAN region.
- 67% of companies say corruption is among the top three barriers to conducting business in ASEAN; 6-in-10 single out inconsistent laws and regulations, and the risk of intellectual property infringement.
- 68% of Canadian companies believe a Canada-ASEAN Free Trade Agreement would have a positive impact on their company exporting Canadian products to ASEAN, while 63% hold the same view about its impact on investing in the region.

Role of CABC and Canadian Government in Assisting Canadian Companies in ASEAN

- Canadian companies feel the Canada-ASEAN Business Council could help them most by providing network opportunities (partnerships, contacts, meetings), or through the facilitation of government-related activities (e.g. trade missions, visas, FTA).
- Companies believe the Canadian Government would be of greatest assistance through trade missions, streamlining the visa application process, and lowering tariffs.

1

Background and Introduction

The Asia Pacific Foundation of Canada (APF Canada), an independent think-tank on Canada's relations with Asia, conducted this survey, which exclusively targeted Canadian companies that are active or interested in the ASEAN market. APF Canada consulted with a variety of stakeholders on survey design. We hope the findings presented in this report will help shed light on critical components of the Canada-ASEAN business relationship.

1.1 Objective and Approach

The goal of the research is to identify opportunities and challenges facing Canadian businesses in the ASEAN market. The findings of this survey provide a glimpse into the issues affecting Canadian business in ASEAN, while revealing avenues of opportunity for future business leaders interested in the market. The results also give guidance to Canadian government agencies and other service providers on how best to support Canadian companies as they develop their business in ASEAN.

1.2 Target Companies

The survey targeted Canadian companies that are active or interested in the ASEAN market. Three sources were used to identify the sample population:

- Canadian businesses drawn from Industry Canada's public database
- Members of the Canada-ASEAN Business Council
- Members of Canadian bilateral business associations within ASEAN countries

1.3 Methods

The survey was conducted online in English using a questionnaire containing 33 questions. Individual responses to the survey were not made public, nor shared with other parties without consent.

The online survey was implemented between July 15 and August 31, 2013. A total of 138 answered most or part of the survey questionnaire.

1.4 ASEAN Background

The Association of Southeast Asian Nations (ASEAN) was formed in 1967 with the signing of the Bangkok Declaration, and since 1999 has consisted of member countries Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia. With a total population of over 600 million people, ASEAN is one of the fastest growing economic regions in the world and has a combined GDP of \$2.1 trillion.

1.5 Acknowledgements

The report was prepared by Andy Tran, Post-Graduate Research Fellow at the APF Canada, under the direction of Dr. Daniel Savas, Senior Advisor, Polling Research at the APF Canada, and Yuen Pau Woo, president and chief executive officer of APF Canada, with assistance from Nathan Allen, Post-Graduate Research Fellow. Special thanks go to all respondents who participated in the survey.

The APF Canada would like to acknowledge and thank the United Overseas Bank (UOB) which provided generous financial support for this research, and BlackBerry, which offered a BlackBerry Z10 smartphone as an incentive for participating in the survey.

We would also like to thank the Canada-ASEAN Business Council (CABC) and the Canadian Chambers of Commerce in ASEAN countries which provided logistical support in our outreach efforts to their member Canadian companies.

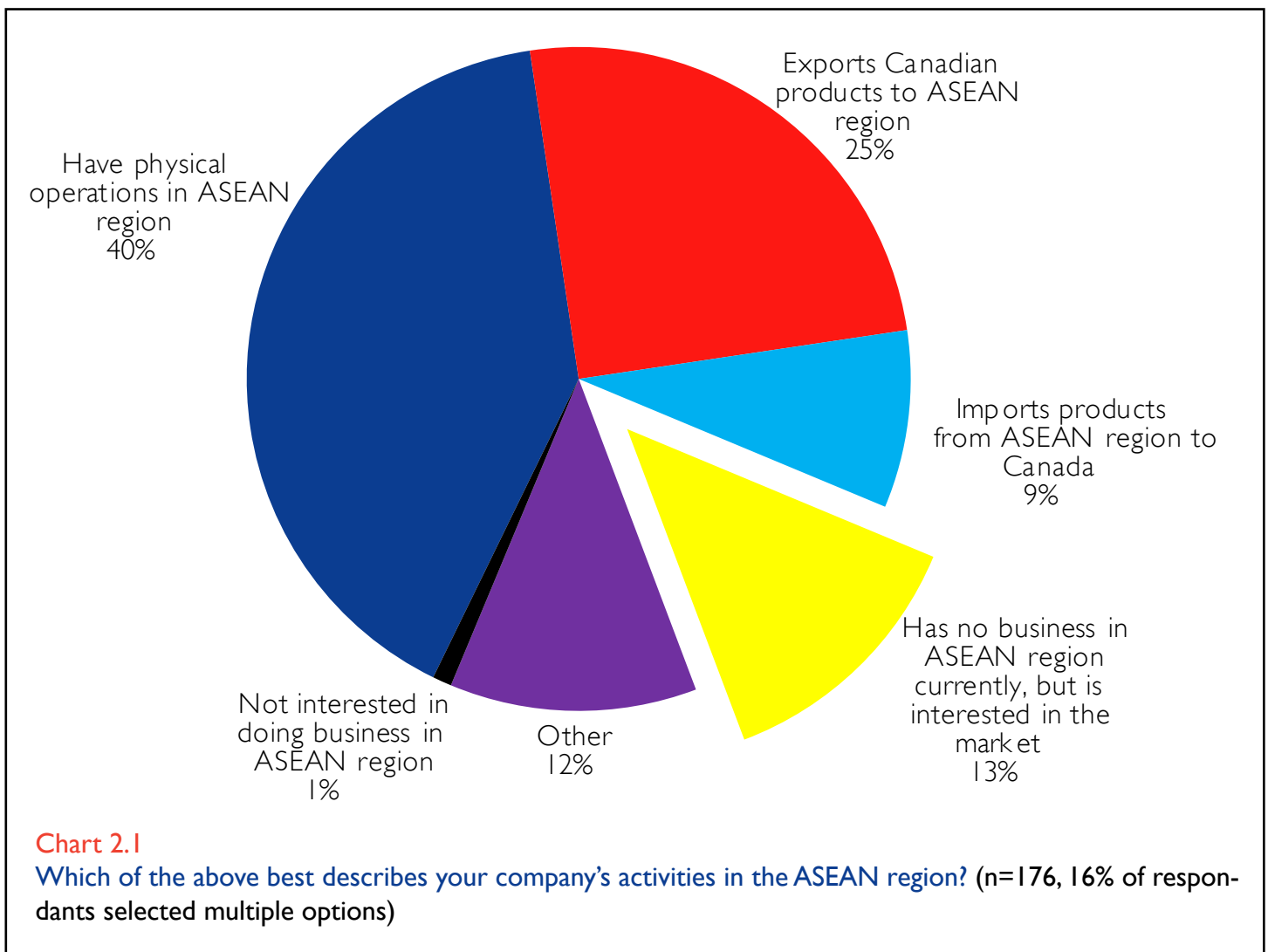
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Profile of Canadian Businesses in ASEAN

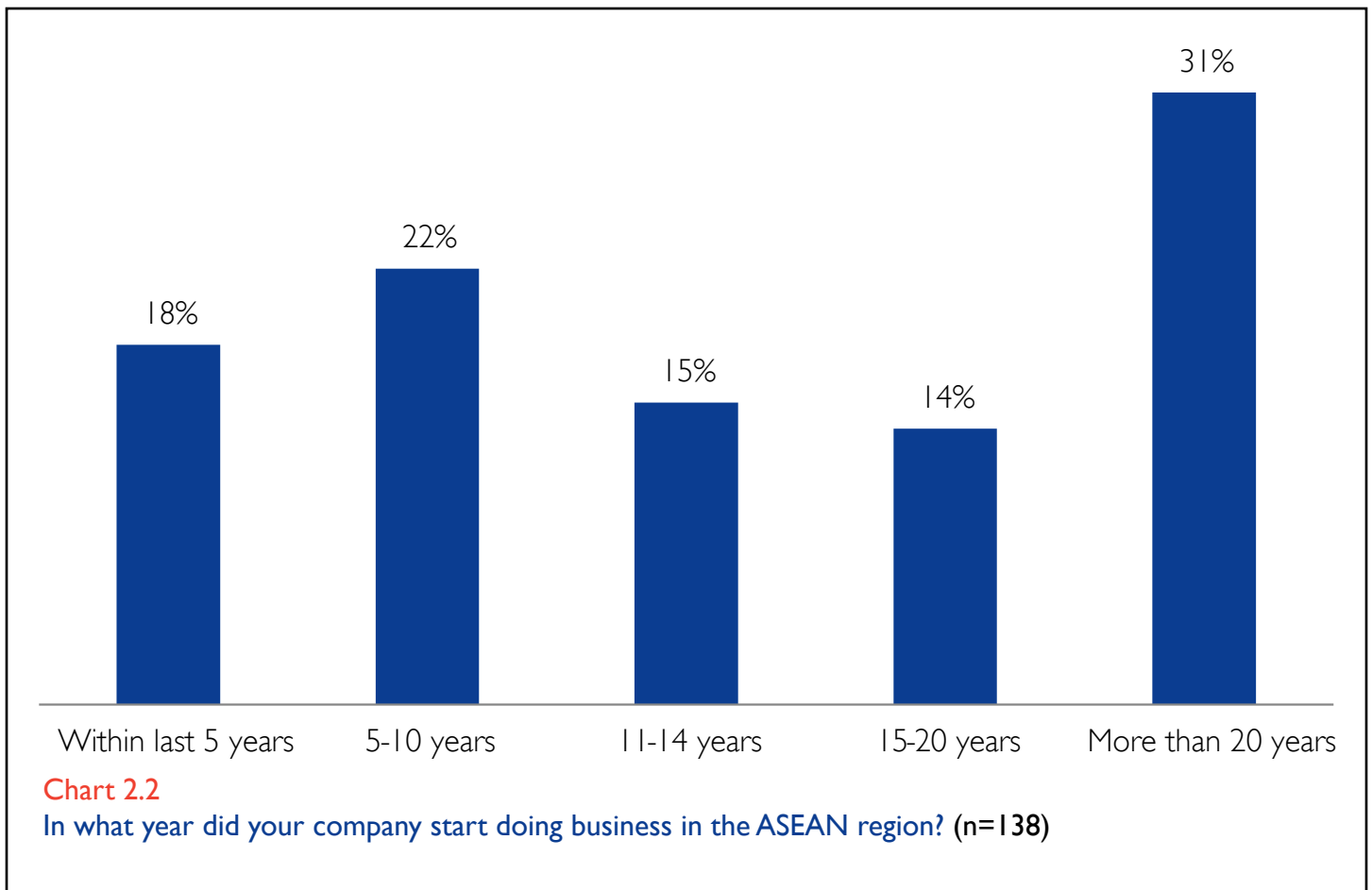
2.1 Type of Business in ASEAN

Most Canadian companies that do business in ASEAN also have a physical presence in the region. Forty percent of respondents indicated that they have physical operations in the ASEAN region, such as a factory, office or plant. A quarter of Canadian companies surveyed export goods to ASEAN, while 9% import goods from ASEAN. Interestingly, 13% of the respondents said that they have no active business in ASEAN, but are interested in entering the market.



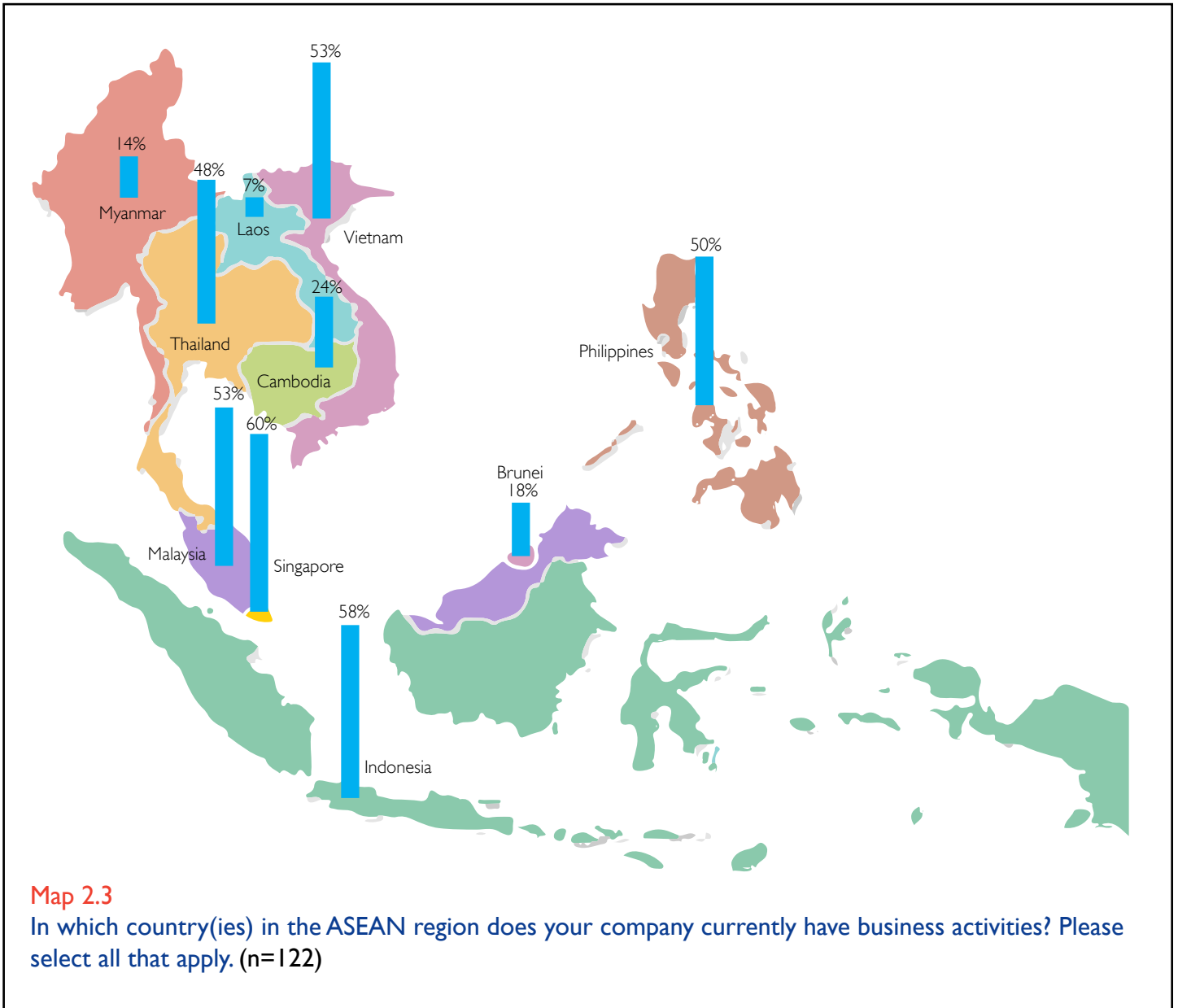
2.2 Length of Time Doing Business in ASEAN

Many Canadian companies that have been doing business with ASEAN have been doing so for many years, with 60% of respondents saying their company has been operating in the region for over 10 years, and 31% have been in the region for over 20 years. This finding highlights the longstanding Canadian expertise and knowledge that exists in the ASEAN region.



2.3 Location of Canadian Business Operations in ASEAN Countries

There is a clear divide between countries with an active Canadian presence and those without. Canadian companies are primarily in business with Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, or some combination thereof. Markets that lack a significant Canadian presence so far include Brunei, Cambodia, Laos and Myanmar.



2.4 Business Sector of Canadian Companies in ASEAN

Canadian businesses operate in diverse sectors in ASEAN. Almost 30% are in professional services (e.g. consulting or advising), while between 11% and 16% are in varied sectors including manufacturing, oil and gas, Hi-Tech/IT to environment, education, and financial services

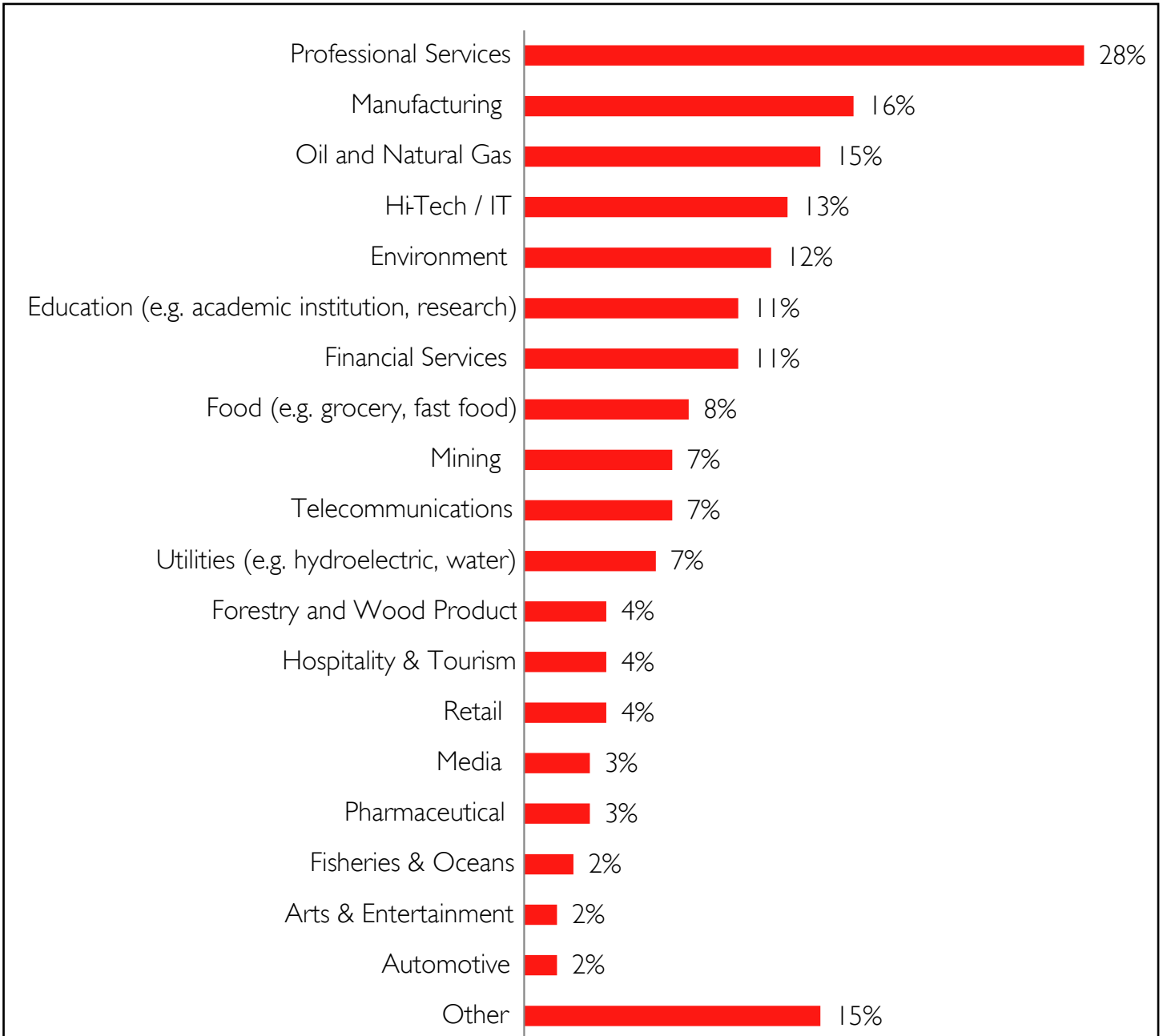
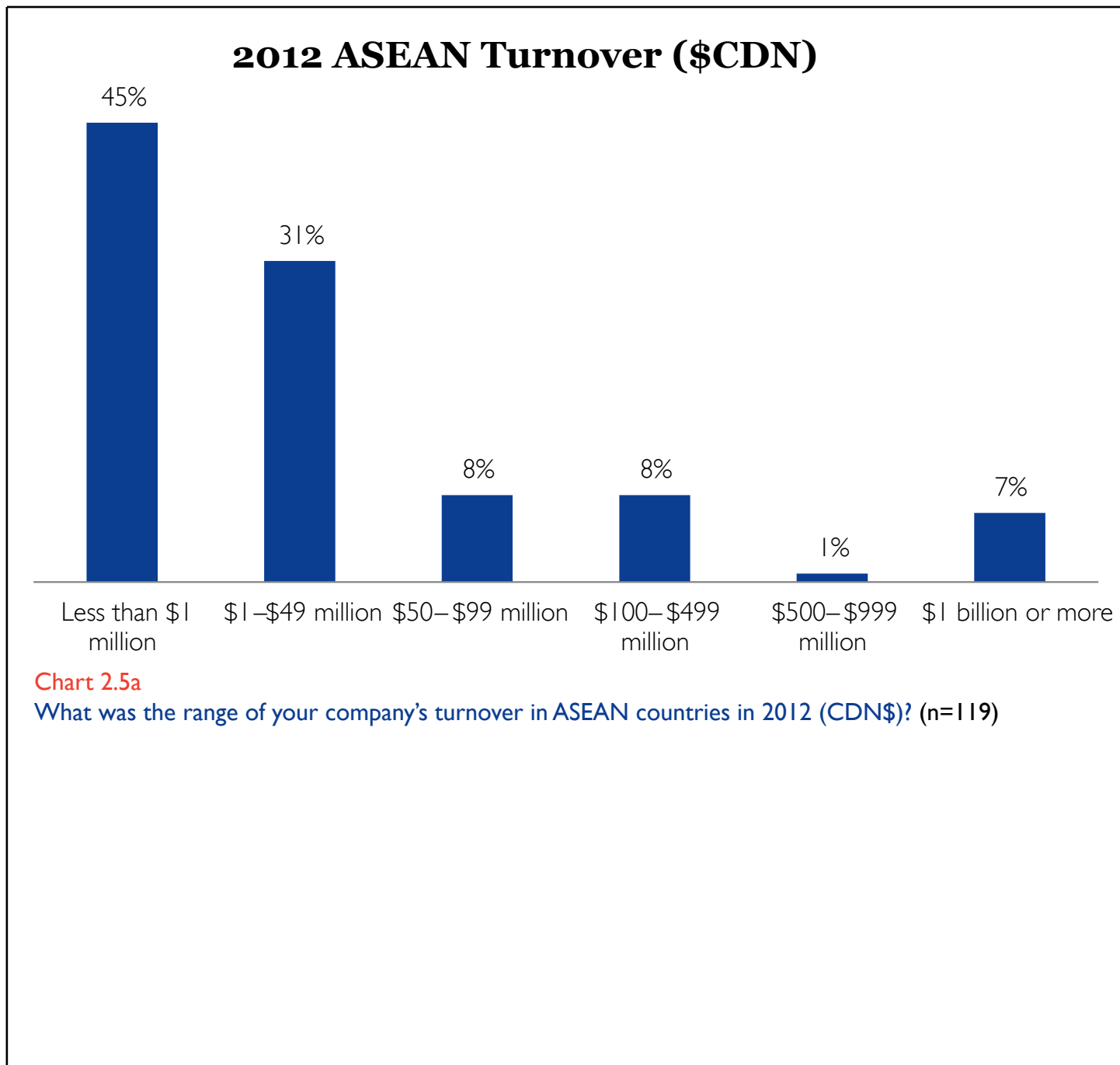


Chart 2.4

Which of the above best reflects the industry sector of your company's major business activities in ASEAN countries? Please select all that apply. (n=123, 31% of respondents selected multiple options)

2.5 Scope of Canadian Operations in ASEAN

As the next few charts show, most Canadian companies active in ASEAN are small- or medium-sized enterprises (SMEs), with 45% reporting a turnover of less than \$1 million in 2012 and 74% employing less than 50 workers. At the same time, 67% of respondents reported that less than a quarter of their total global revenues in 2012 were attributable to their business in ASEAN, with 42% reporting that ASEAN accounted for less than 5% of revenues. This suggests that ASEAN makes up only a small part of Canadian companies' total business.



% of Global Gross Revenues from ASEAN

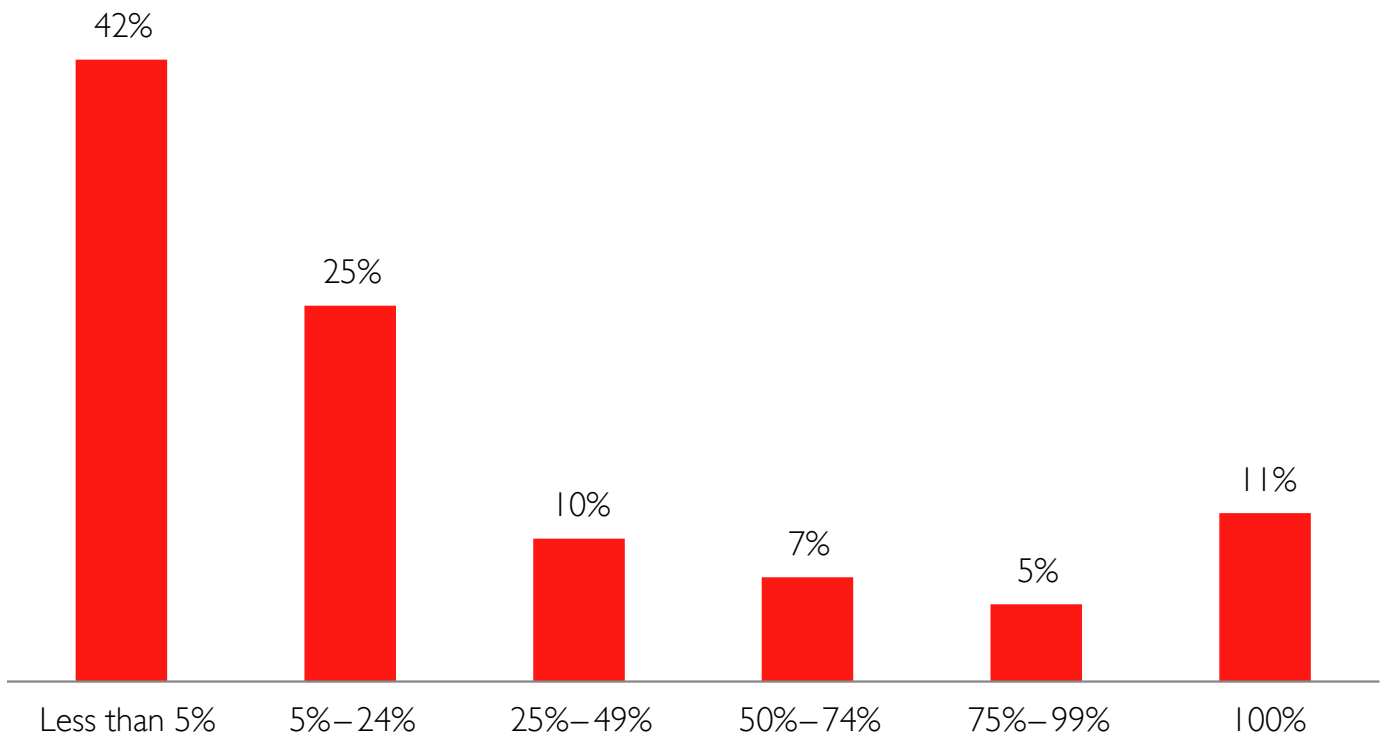


Chart 2.5b

Approximately what percentage of your company's global gross revenues in 2012 is attributable to your business in ASEAN countries? (n=115)

Number of Employees in ASEAN Operations

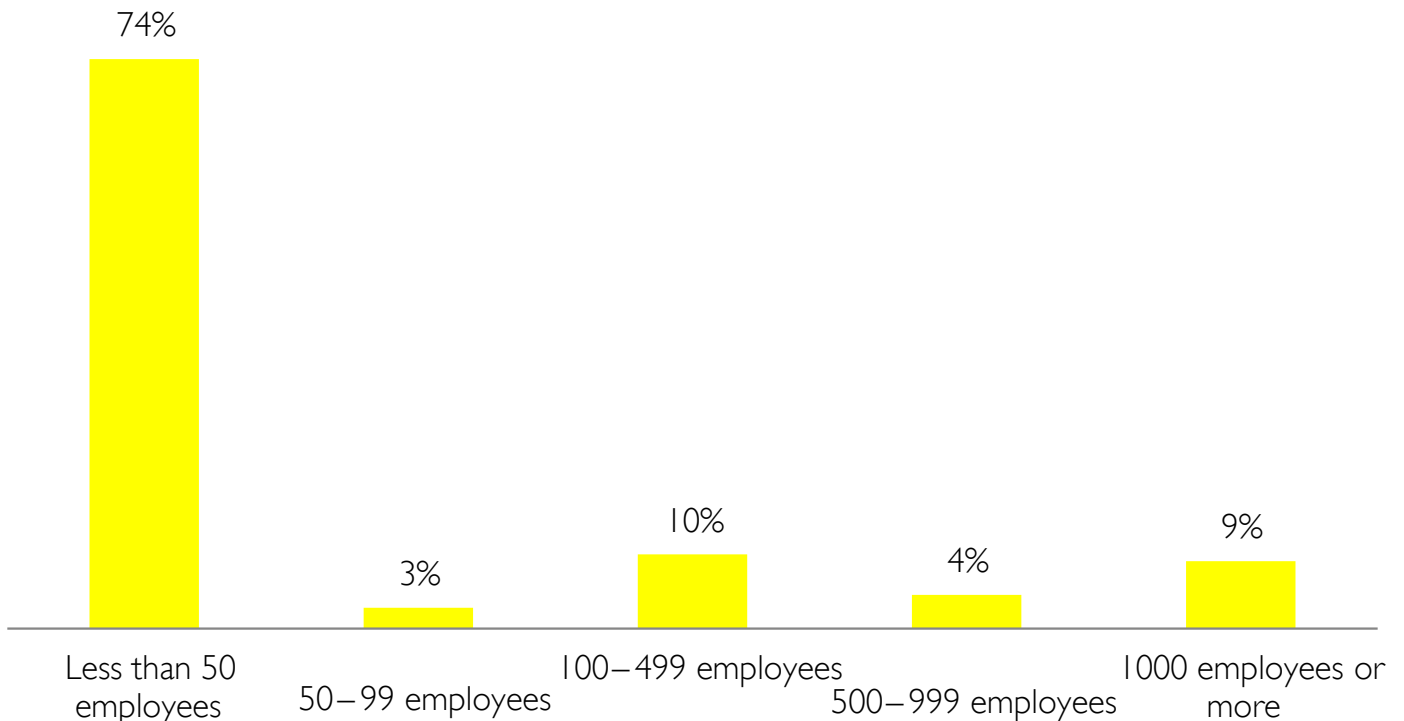
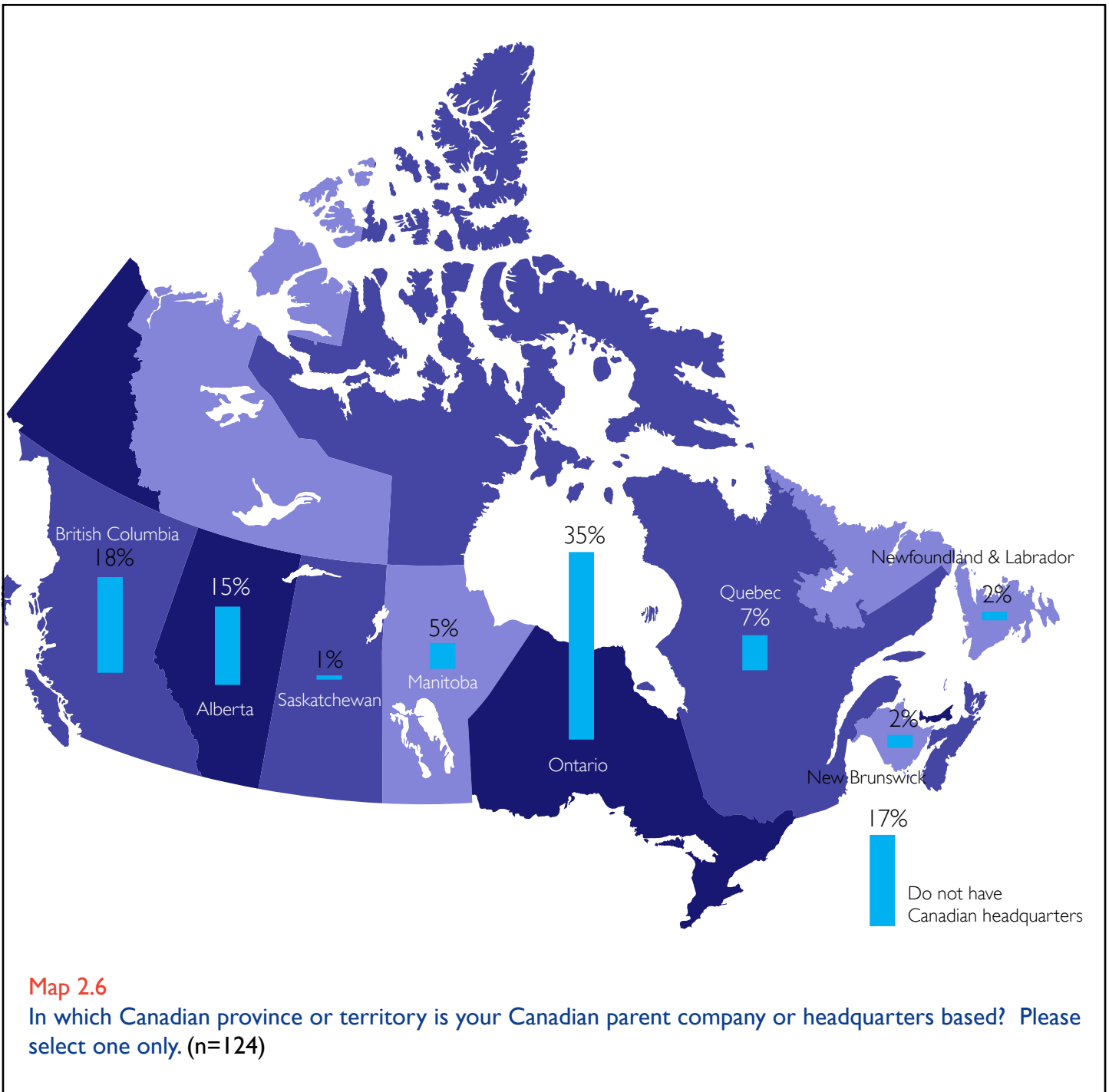


Chart 2.5c

What was the approximate size of your company's total workforce in ASEAN countries in 2012? (n=113)

2.6 Canadian Headquarters of Companies Active in ASEAN

Most Canadian companies that are active in ASEAN are based in Ontario, British Columbia or Alberta; almost a fifth of them do not have headquarters in Canada.

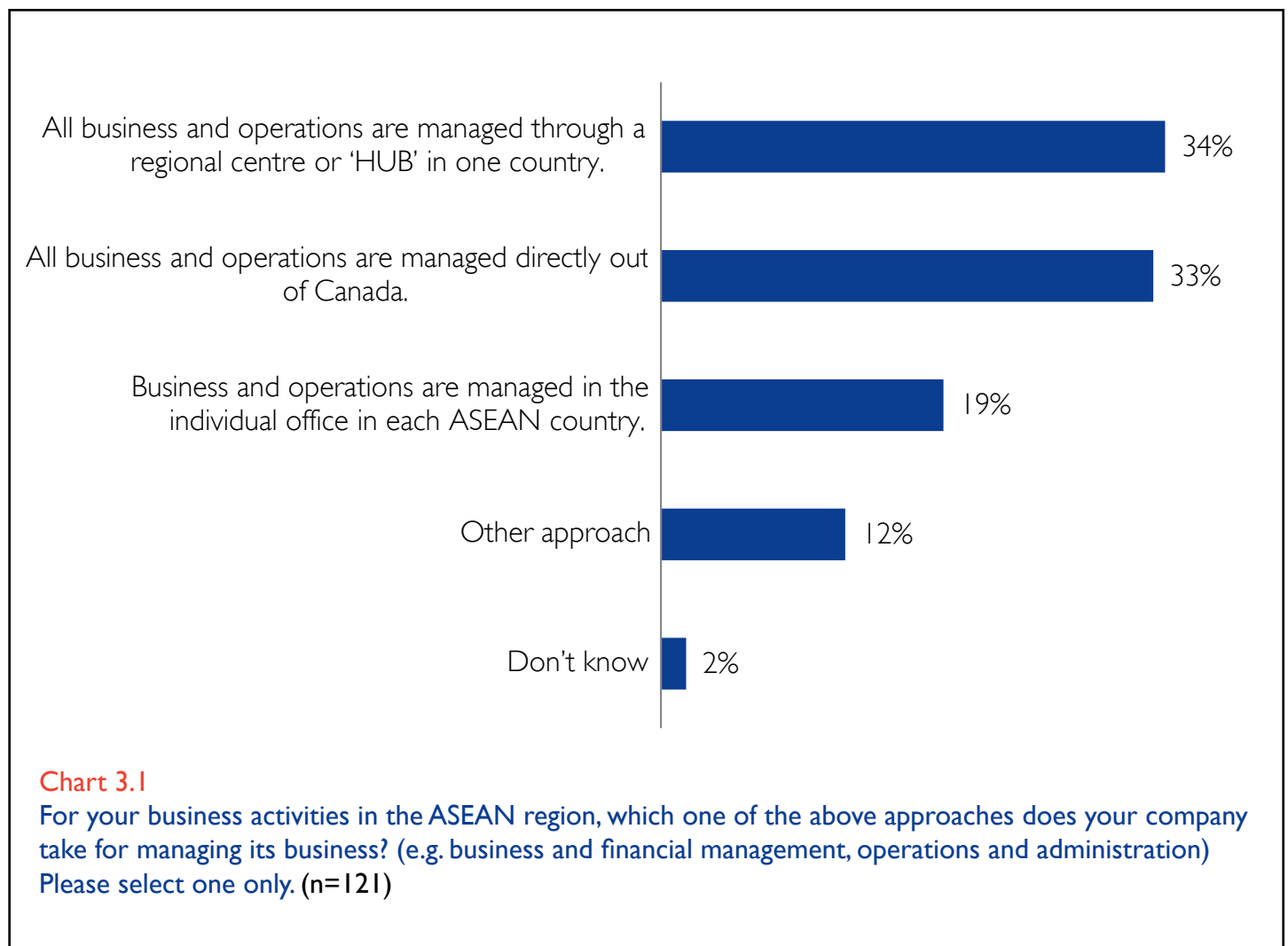


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Managing Business Operations in ASEAN

3.1 Management of Operations in ASEAN

Canadian companies in ASEAN are generally characterized as small- or medium-sized enterprises (SMEs), although the region accounts for only a small percentage of global revenues.



3.2 Intentions for Management of Business Among Companies Interested in Entering ASEAN Market

Canadian companies interested in the ASEAN market say they are most likely to manage their ASEAN operations from Canada rather than through a regional centre in each country or through an office in the ASEAN country.

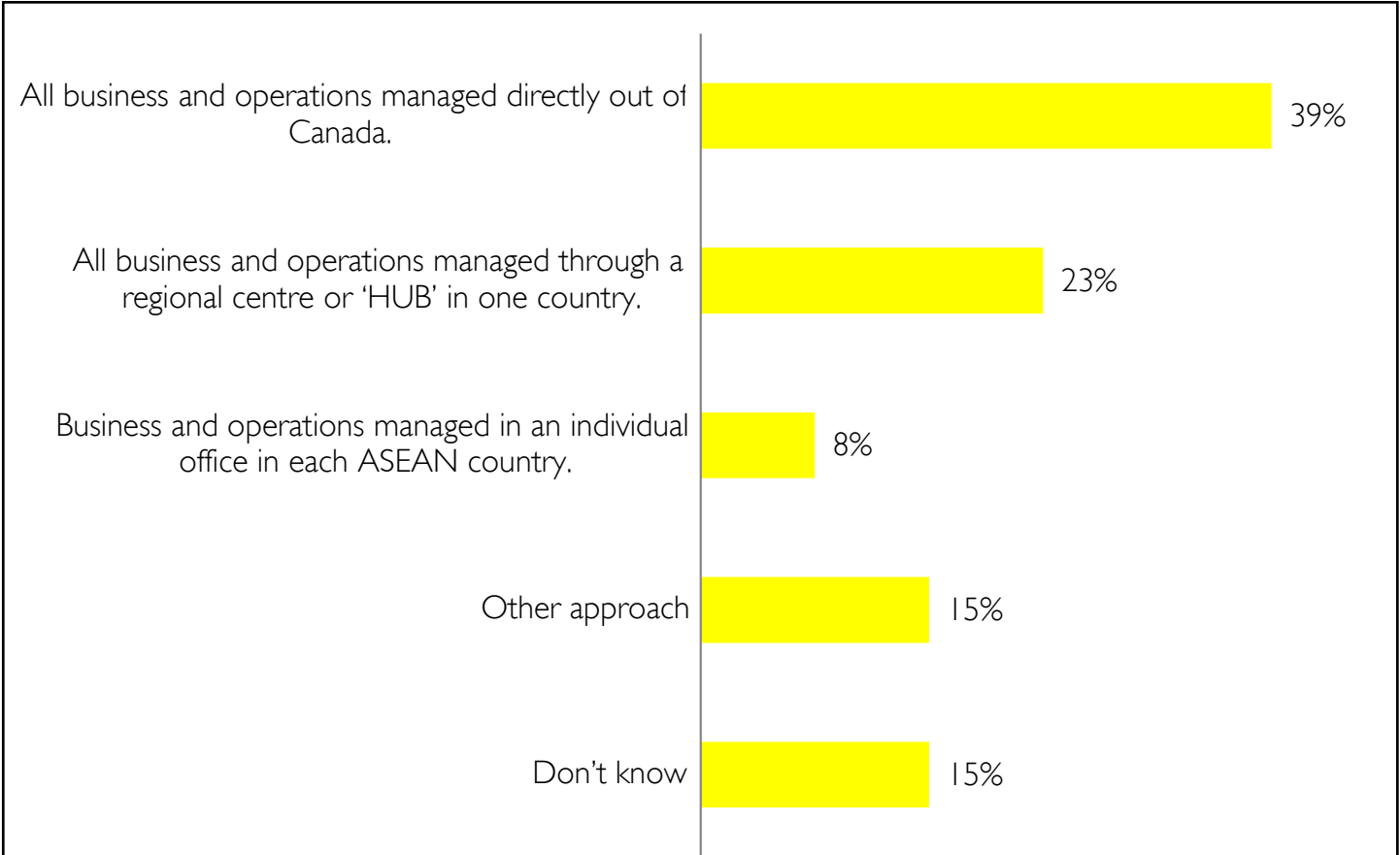


Chart 3.2

And, for your potential business activities in the ASEAN region (e.g. business and financial management, operations and administration), which one of the above approaches is your company considering? Please select one only. (n=26)

3.3 Business Start-up Advice

Less than half of Canadian companies that began operating in ASEAN sought out advice for their start-up. Of those who did, many turned to government, advisory service providers or accounting firms for assistance.

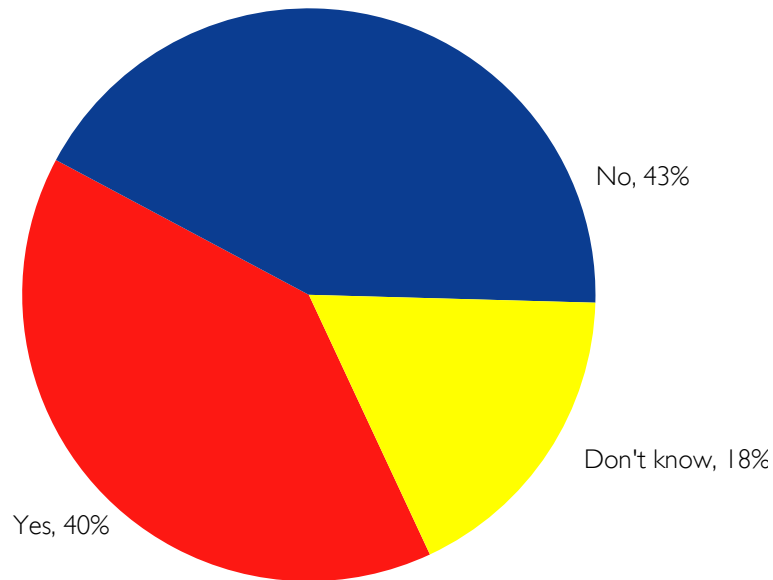


Chart 2.3

When your company started its business activities in the ASEAN region, did it seek local advice or hire a local advisor to assist with your investment decisions or business strategy? (n=136) If yes, from which of the above did you seek or would be interested in seeking advice/services? Please check all that apply. (n=51)

3.4 Business Start-Up Advice Among Canadian Companies Interested in Entering ASEAN Market

Most companies looking to invest or set-up operations in ASEAN have not sought advice from local advisors. One quarter have done so or would be interested in doing so. If they were they to seek advice, they would most likely turn to an advisory service or a government agency.

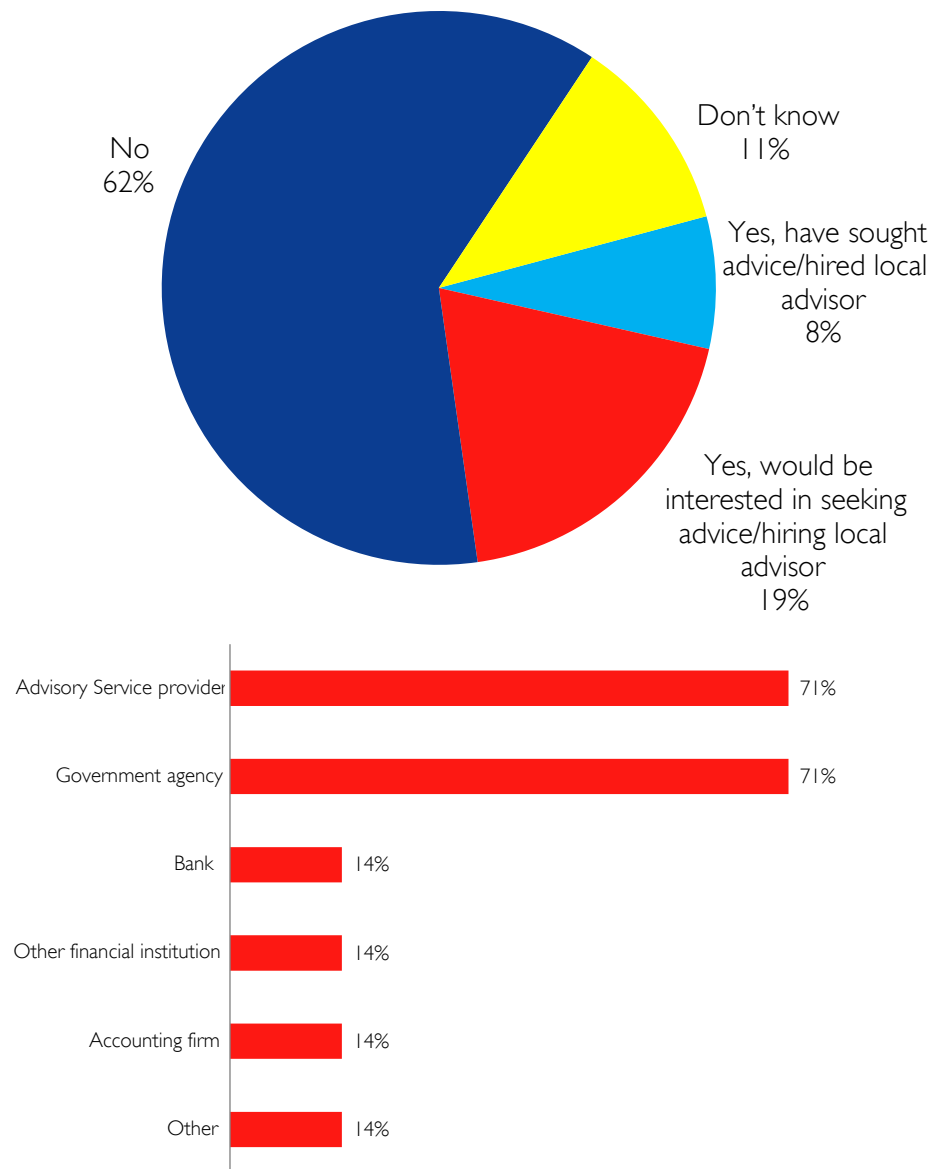


Chart 3.4

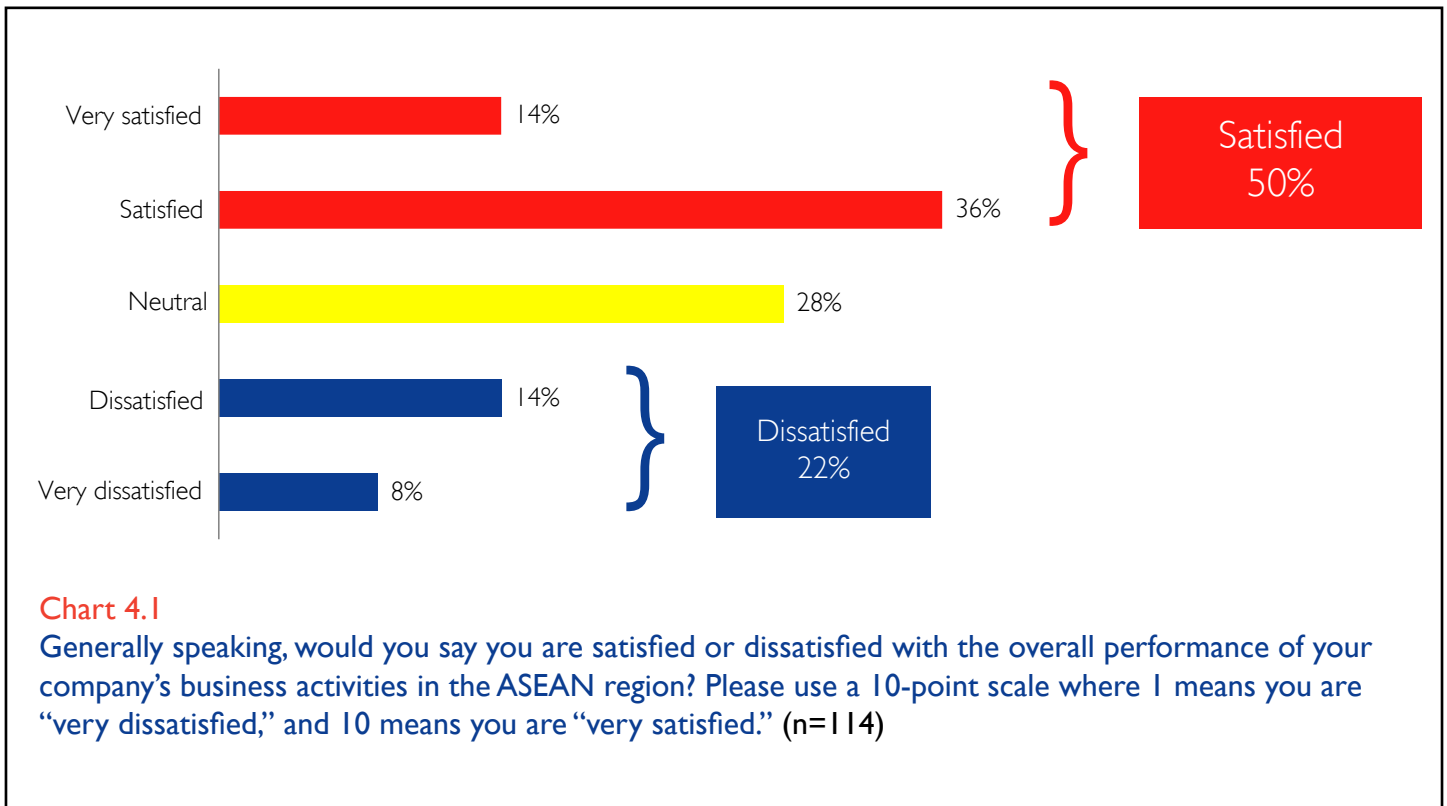
To date, have you sought local advice or hired a local advisor to assist with your investment decisions or business strategy in the ASEAN region, or would you be interested in doing so? Please check all that apply. (n=26) If yes, from which of the above did you seek or would be interested in seeking advice/services? Please check all that apply. (n=7)

4

Business Activity in ASEAN to Date

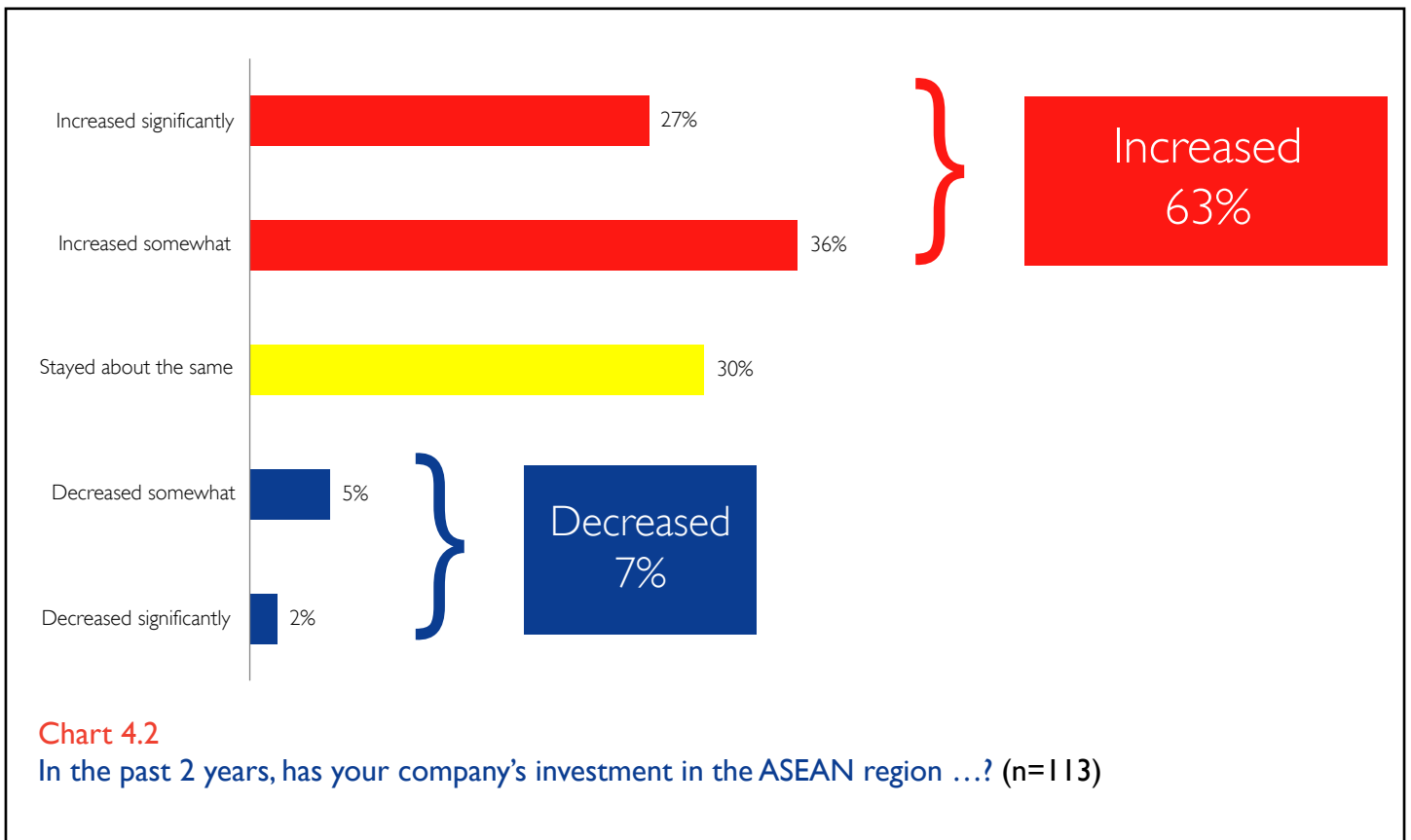
4.1 Satisfaction with Business Performance in ASEAN

Half of Canadian companies currently in ASEAN are satisfied with the overall performance of their business. Twenty-eight percent express neutral views, while 22% express dissatisfaction.



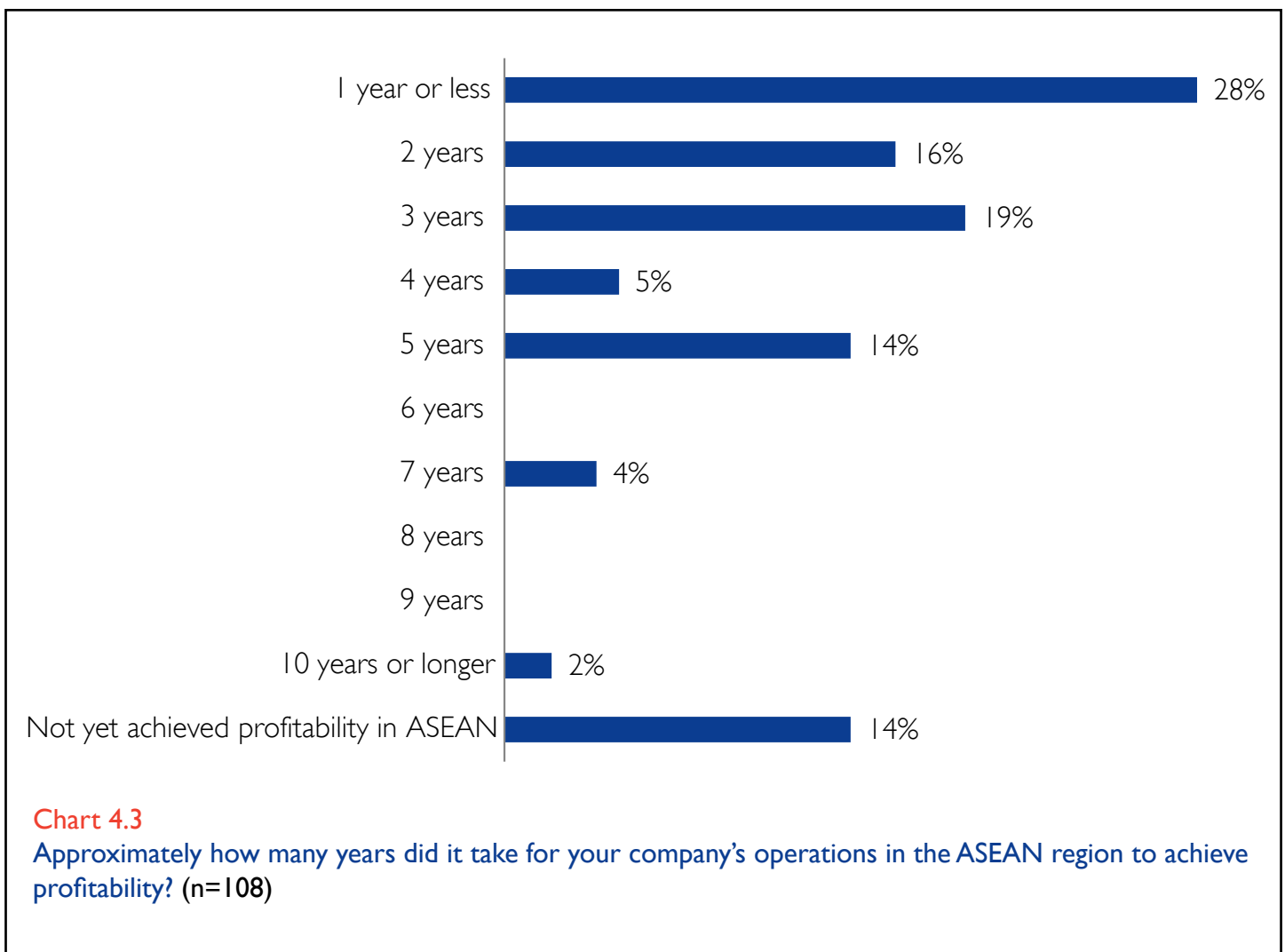
4.2 Change in Investment in ASEAN in Past 2 Years

Canadian companies see significant potential in the ASEAN market as they are confidently investing more in the region. More than 6-in-10 affirm that their investment in ASEAN increased in the past 2 years, with 27% reporting a significant increase. Just 7% say their investment has decreased.



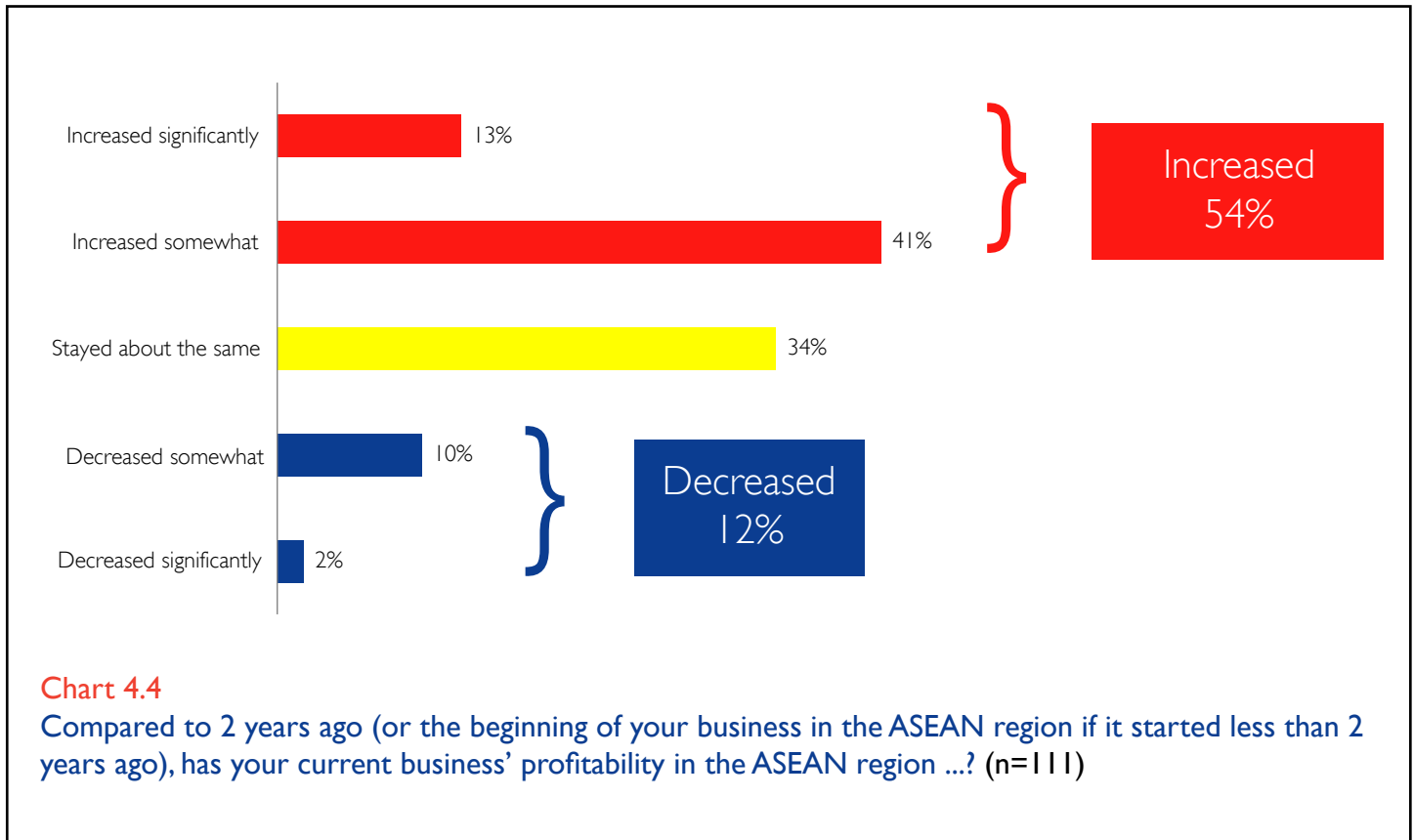
4.3 Length of Time to Profitability

Canadian companies' investments in ASEAN have resulted in positive outcomes for their bottom line, and in a relatively short period of time. More than 6-in-10 companies in ASEAN (63%) achieved profitability in 3 years or less, including 28% who did so in their first year. At the other extreme, 14% of those surveyed reported that their company had not yet achieved profitability in ASEAN.



4.4 Change in Profitability for ASEAN Operations

54% of Canadian companies active in ASEAN reported that their business' profitability either increased or stayed about the same since 2011, while 12% reported that their profitability decreased.



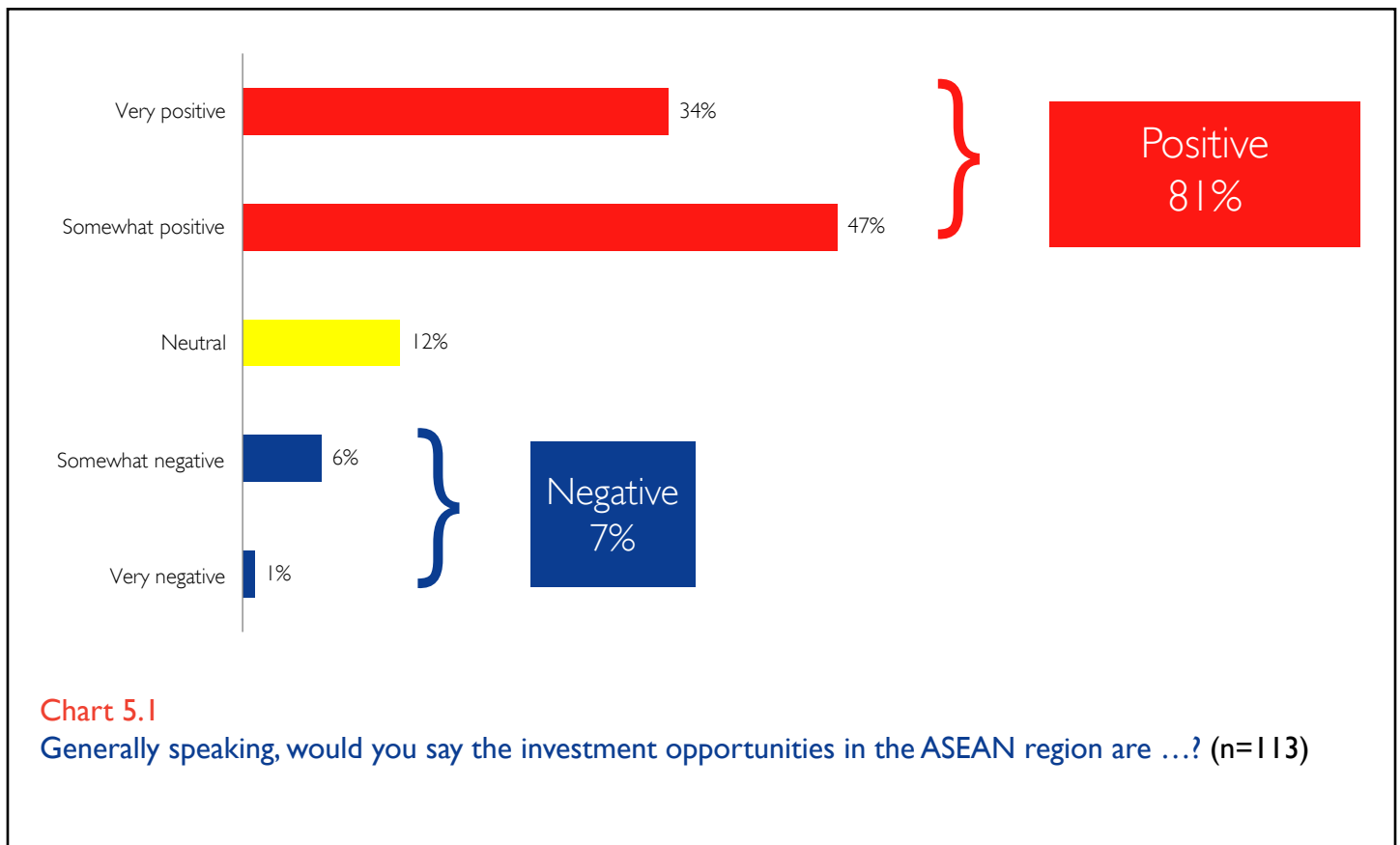
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Outlook for Investment in ASEAN

When asked about their future outlook and prospects, many Canadian companies displayed optimism and confidence, in spite of only average performance in the region so far. Canadian companies felt more ambivalent about their current state of business.

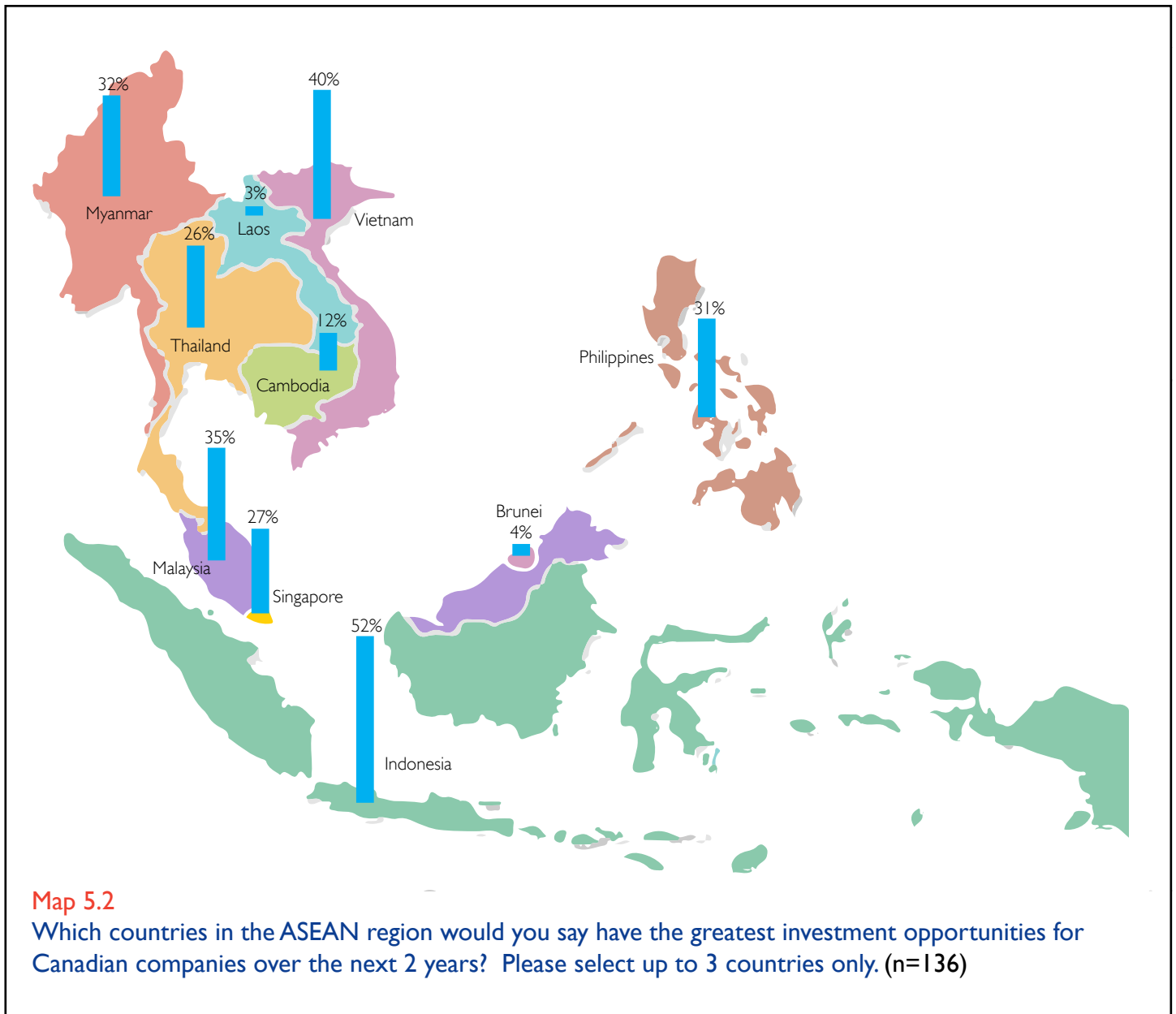
5.1 Investment Prospects in ASEAN

Canadian companies are very optimistic about the investment prospects in ASEAN, with 81% believing them to be positive, and 34% believing them to be very positive. Just 7% of those polled thought the opportunities are negative.



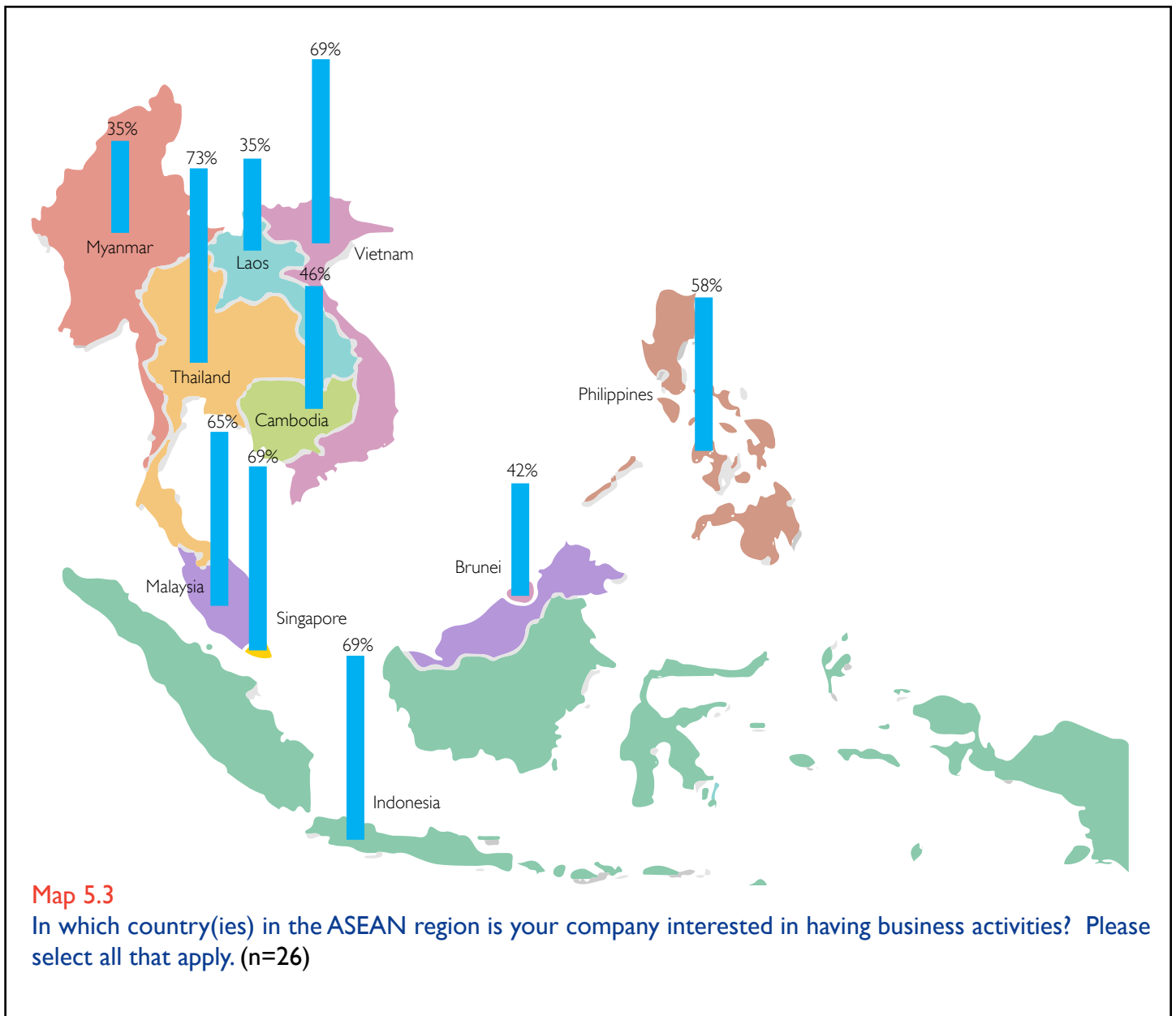
5.2 Business Prospects in ASEAN Countries

Many Canadian companies believe that ASEAN countries with an active Canadian presence are also the best places for investment. Myanmar is the exception. While it currently lacks a Canadian business presence, the country is seen by 35% of companies as an attractive place for their future investment in the region.



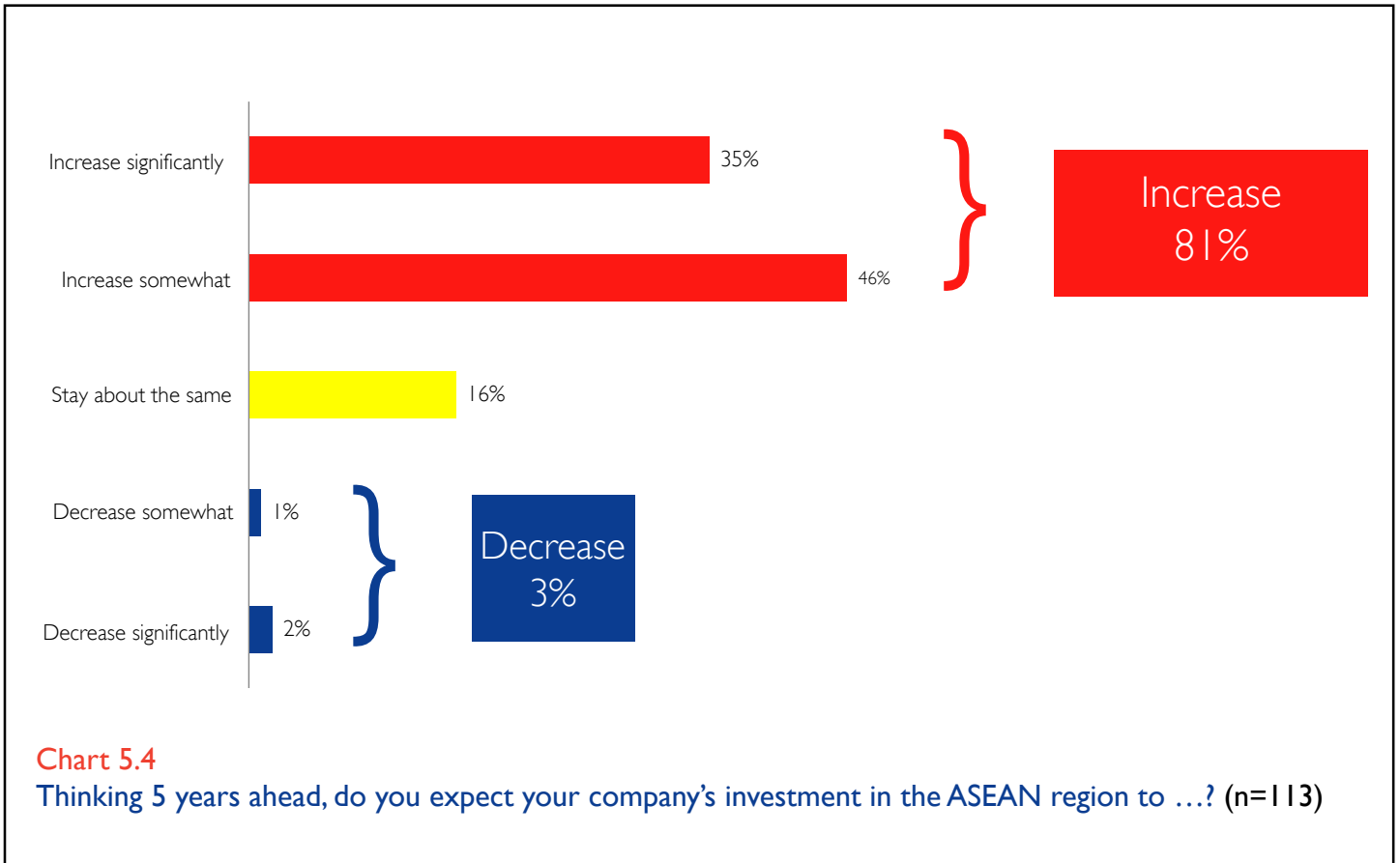
5.3 Target Countries for Canadian Companies Interested in Entering ASEAN Market

Canadian companies with their eye on the ASEAN market see potential across the region. They do, however, exhibit a stronger preference for Thailand, Indonesia, Singapore, and Vietnam.



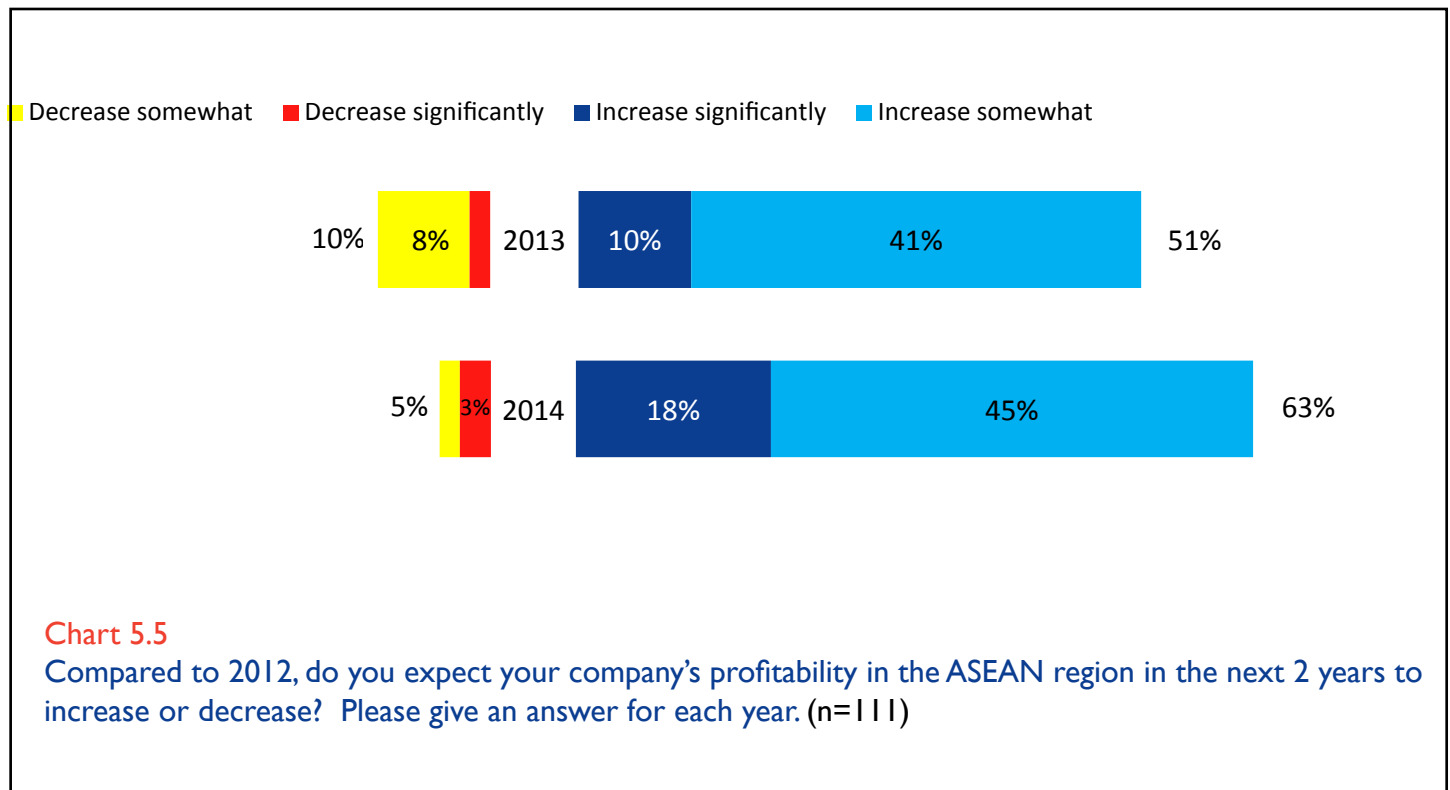
5.4 Intentions for Future Investment in ASEAN

The vast majority of Canadian companies intend to increase their investments in ASEAN, with more than a third (35%) expecting a significant increase. Only 3% expect their company's investment to decrease.



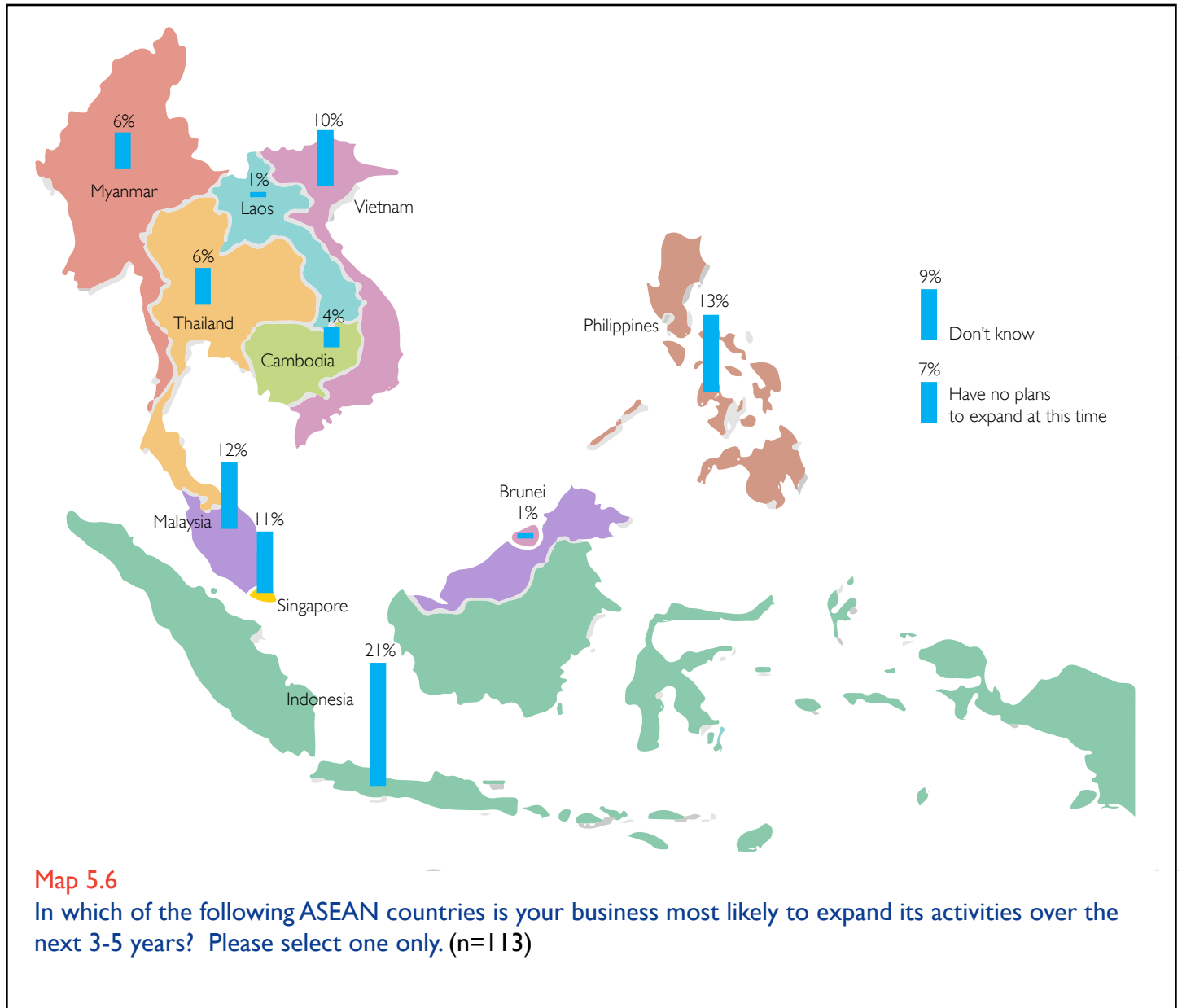
5.5 Profitability Expectations for Next 2 Years

Canadian companies in ASEAN are confident about their business prospects in the region. Half (51%) expect profitability to increase in 2013 and 63% expect an increase in 2014. Just 10% of respondents believed their profitability will decrease in 2013, while only 5% see a decrease in 2014.



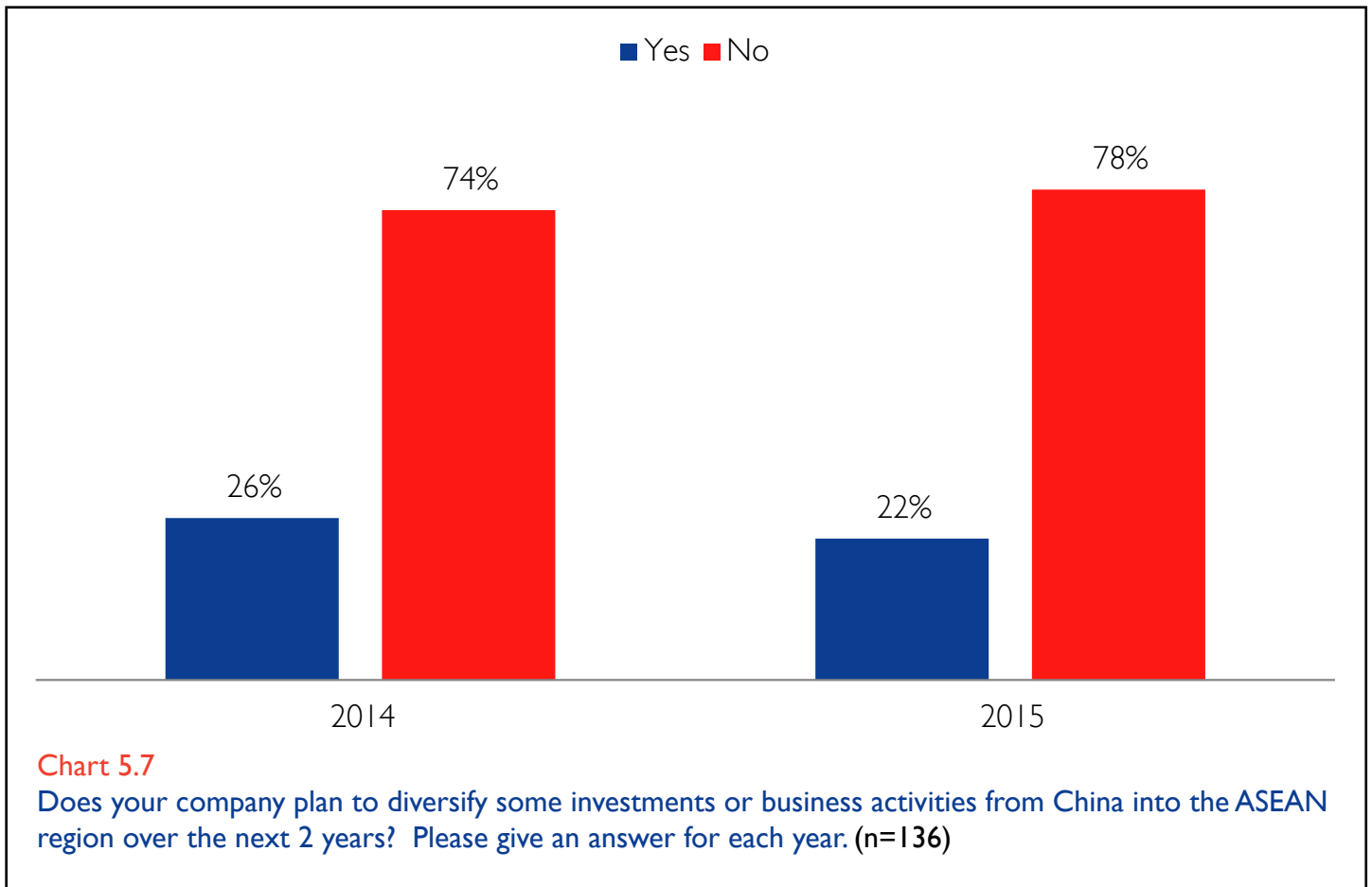
5.6 Location of Business Expansion in ASEAN

When asked about their expansion objectives, most respondents cited countries that already have an active Canadian presence, including, in descending order, Indonesia, the Philippines, Malaysia and Singapore. Very few respondents selected Brunei or Laos as countries to which they would like to expand.



5.7 Plans to Diversify Chinese Investment to ASEAN

For Canadian companies currently active in China, about a quarter of those surveyed indicated that their company has plans to diversify their investments from China to ASEAN for each of 2013 and 2014.

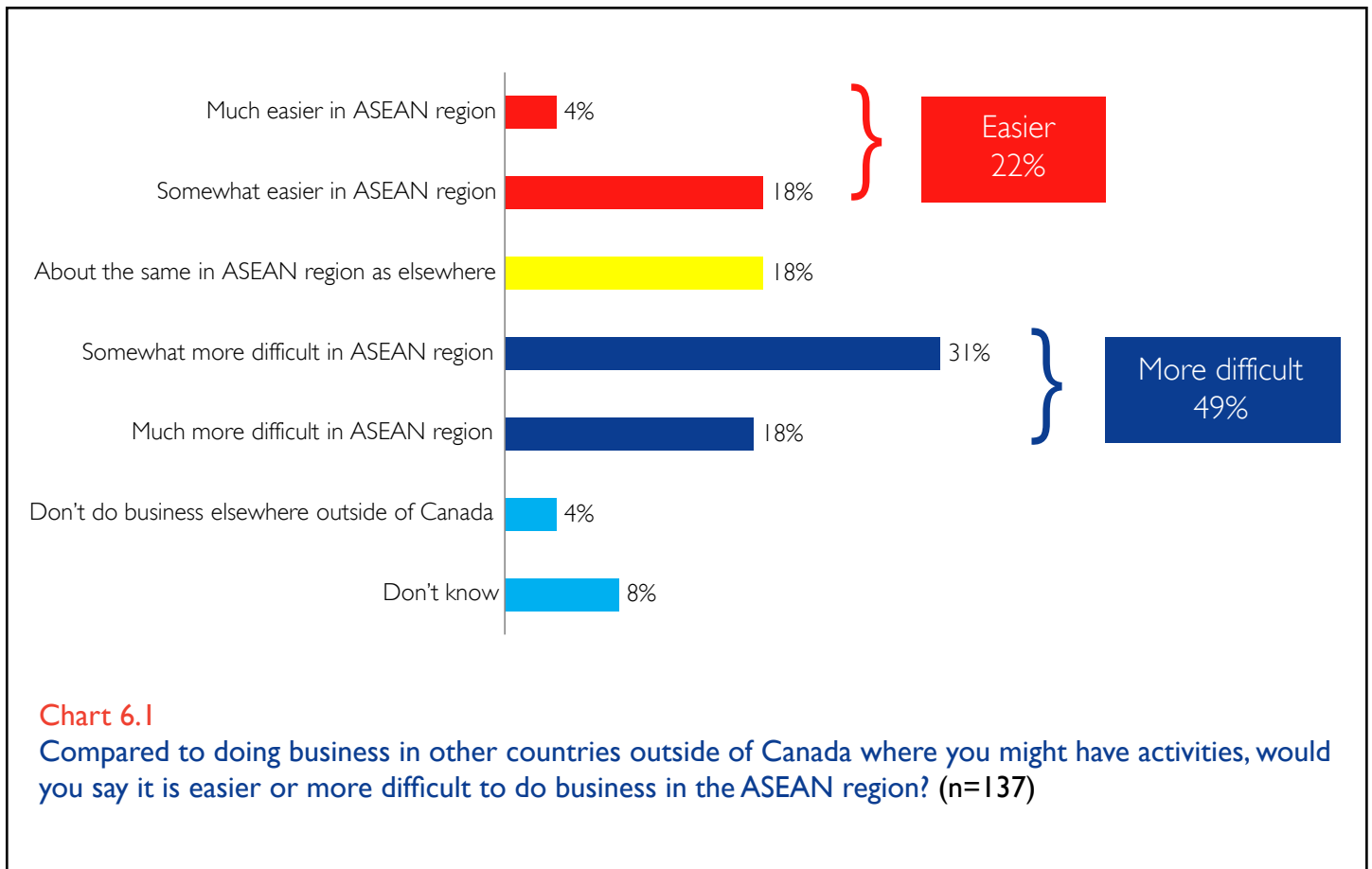


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Challenges and Opportunities of Doing Business in ASEAN

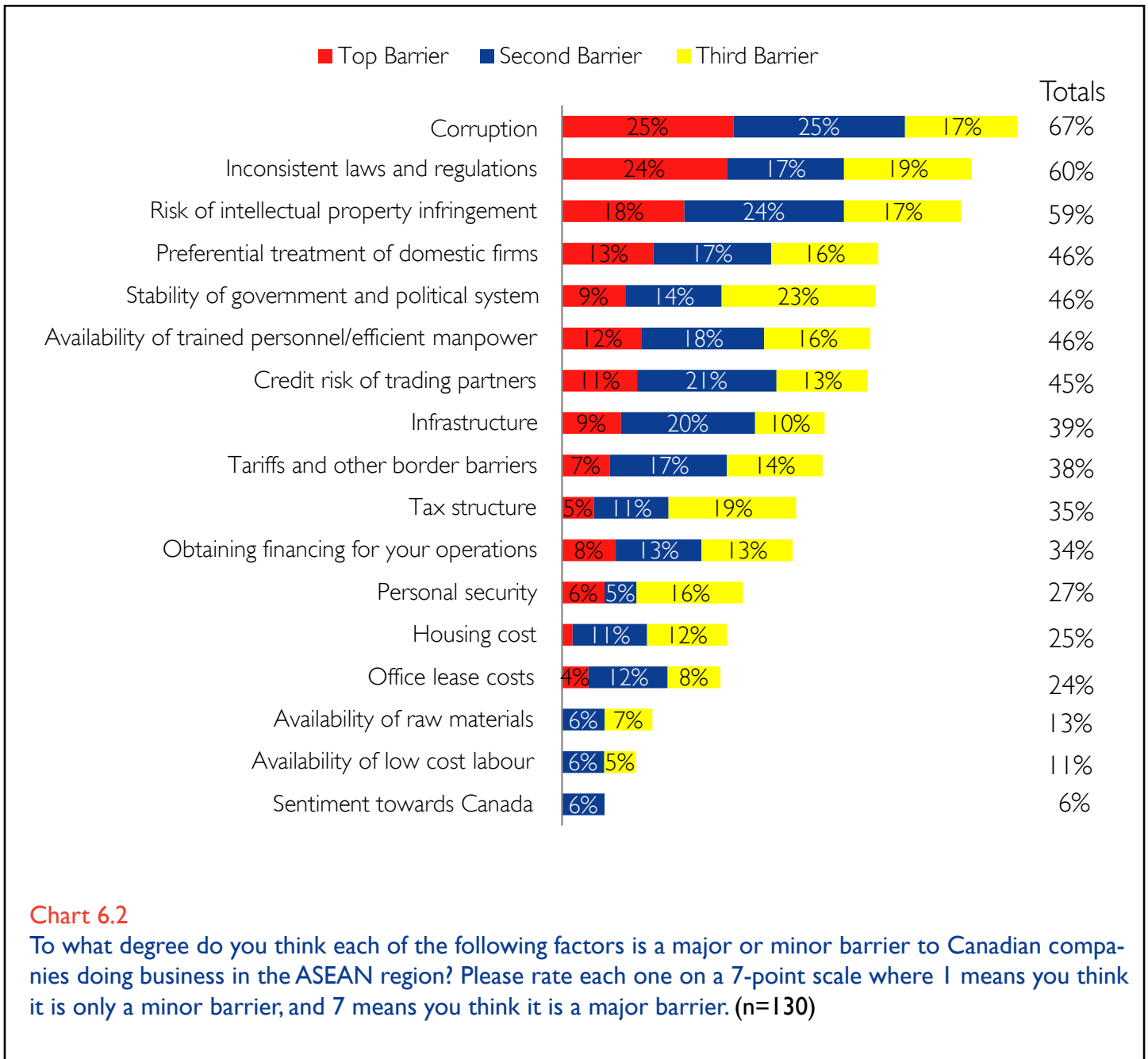
6.1 Perceived Difficulty of Doing Business in ASEAN

Although Canadian companies have shown a tendency towards optimism and confidence when doing business in ASEAN countries, 49% of those surveyed asserted that they find it more difficult to do business in ASEAN than elsewhere. Just 22% of respondents thought it was easier in ASEAN, and 18% said it was about the same. This suggests that the confidence Canadian companies feel about the ASEAN market does not have to do with the ease of operating in the region, but that there are other factors at play.



6.2 Barriers to Doing Business in ASEAN

The top barriers for Canadian companies doing business in ASEAN are of a governance or political nature, rather than strictly economic or trade related. Those surveyed singled out corruption (67%) and inconsistent laws and regulations (60%) as the top two major concerns or barriers of doing business in the region. The most significant trade or economic related barriers include risk of intellectual property infringement (59%) and the availability of trained personnel/efficient manpower (46%).



6.3 Top Barriers of Doing Business in Specific ASEAN Countries

Across the various countries, it's clear that corruption is the dominant barrier Canadian companies feel they face in the conduct of their business in the ASEAN region; it's among the top three concerns in eight of ten countries, with particularly strong mention in Indonesia (29%) and Cambodia (26%). Preferential treatment of domestic firms (notably in Brunei and Malaysia), availability of trained personnel/efficient manpower (in Brunei and Cambodia), and inconsistent laws and regulations (in Vietnam) also surface as important barriers.

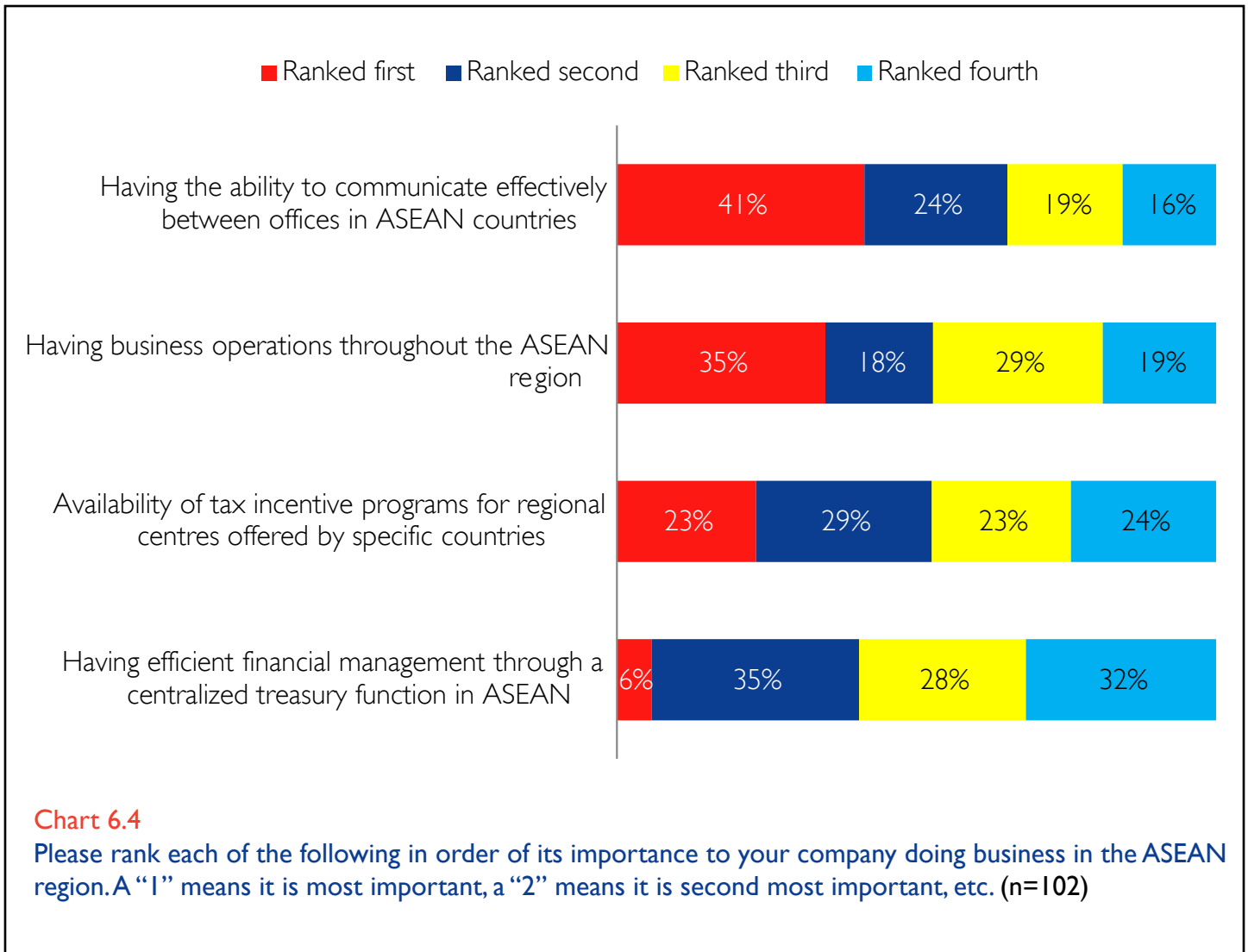
Country	Top Barrier	Second Barrier	Third Barrier
Brunei	Preferential treatment of domestic firms (20%)	Availability of trained personnel/efficient manpower (17%)	Inconsistent laws and regulations (14%)
Cambodia	Corruption (26%)	Availability of trained personnel/efficient manpower (17%)	Inconsistent laws and regulations (14%)
Indonesia	Corruption (29%)	Inconsistent laws and regulations (15%)	Availability of trained personnel/efficient manpower (10%)
Laos	Availability of trained personnel/efficient manpower (22%)	Infrastructure (19%)	Corruption (19%)
Malaysia	Preferential treatment of domestic firms (20%)	Corruption (16%)	Availability of trained personnel/efficient manpower (11%)
Myanmar	Corruption (21%)	Infrastructure (17%)	Inconsistent laws and regulations (16%)
Philippines	Corruption (20%)	Inconsistent laws and regulations (15%)	Infrastructure (11%)
Singapore	Housing cost (23%)	Office lease costs (20%)	Availability of low cost labour (16%)
Thailand	Preferential treatment of domestic firms (16%)	Availability of trained personnel/efficient manpower (14%)	Corruption (12%)
Vietnam	Corruption (22%)	Inconsistent laws and regulations (19%)	Availability of trained personnel/efficient manpower (12%)

Table 6.3

Please indicate what you perceive to be the top 3 barriers or obstacles to Canadian companies doing business in each of the ASEAN countries. Please select up to 3 answers for each country you are familiar with or have some knowledge about. You may leave the fields blank for countries you are unfamiliar with. (n=102)

6.4 Important Business Qualities for the ASEAN Market

The quality that 41% of respondents felt was most important to their business was having the ability to communicate effectively between offices in ASEAN countries. Another 35% felt that having business operations throughout ASEAN was the most important.



6.5 Potential Impact of Free Trade Agreement

Canadian companies express very positive attitudes towards a Canada-ASEAN Free Trade Agreement, because they believe it would have a major impact on various aspects of their business in the region. In particular, they believe an FTA would have the greatest impact on their company exporting Canadian products to ASEAN countries (68% indicate major impact) and on investing in ASEAN countries (63%).

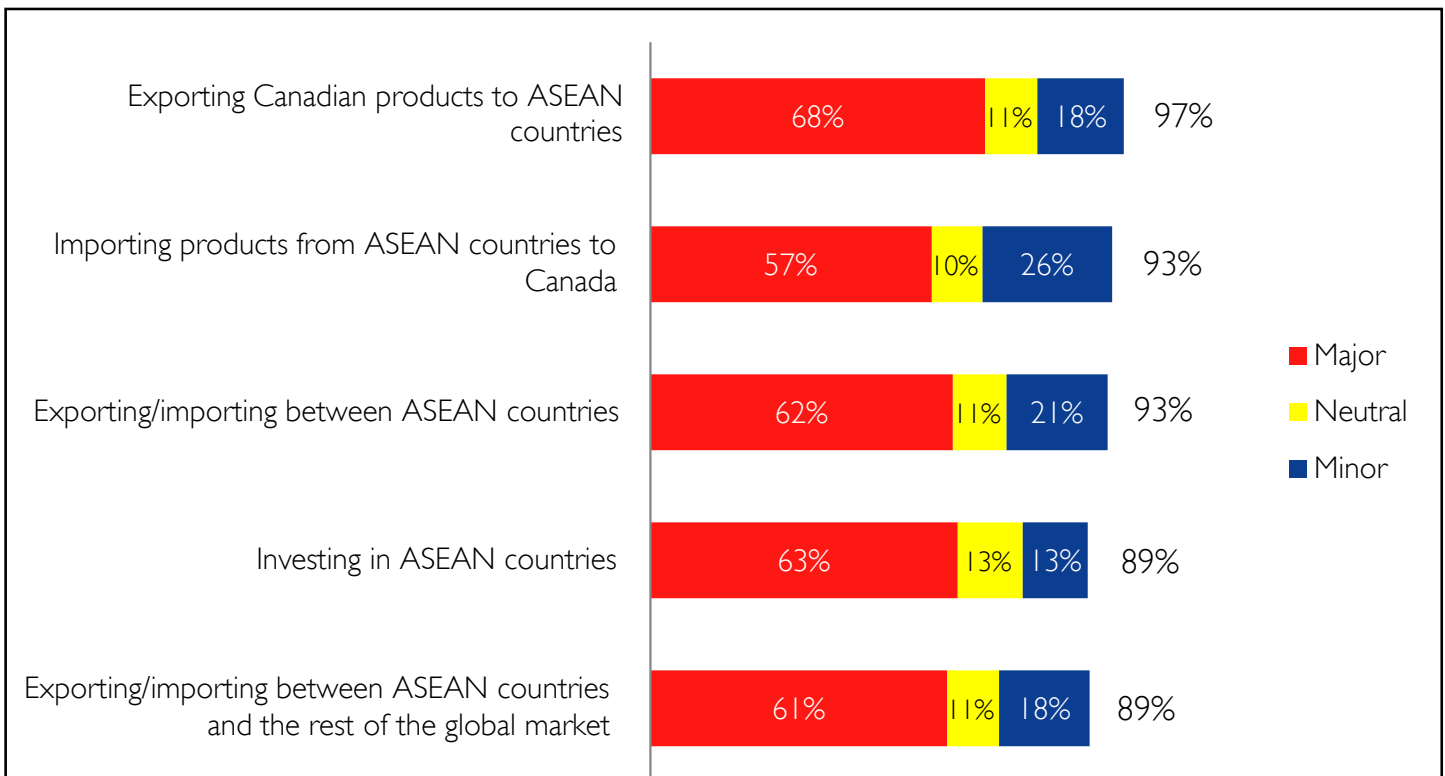


Chart 6.5

In your view, what impact, if any, would a Canada-ASEAN Free Trade Agreement have on each of the following business activities your company undertakes in the ASEAN region? Please use a 7-point scale where 1 means “no impact at all” and 7 means “Very positive impact.” (n=121)

6.6 Role of the Canada-ASEAN Business Council to Assist Canadian Companies

A quarter of respondents felt that the Canada-ASEAN Business Council could assist their business activities by providing networking opportunities, such as facilitating meetings or providing contacts. A similar number also believed the CABC could help them in the areas of visas, lobbying, trade missions and supporting a Free Trade Agreement between Canada and ASEAN. Slightly fewer (16%) said that information on the ASEAN market, opportunities, and other resources would be of benefit to them, while 14% believed the CABC could have a role in promoting the Canadian brand in ASEAN.



Chart 6.6

Please indicate what, if anything, you feel the Canada-ASEAN Business Council can do to assist your company's business activities in ASEAN countries? (n=63)

6.7 Role of Government of Canada in Assisting Canadian Companies in ASEAN

When asked what the Government of Canada could do to assist them, 26% of companies' representatives who completed the survey mentioned direct government action through trade missions (12%), streamlining the visa application process (7%) and lowering tariffs (5%). About 16% felt that support in the area of financing would be of benefit, and 14% thought the Government of Canada could have a role in promoting the Canadian brand in ASEAN.

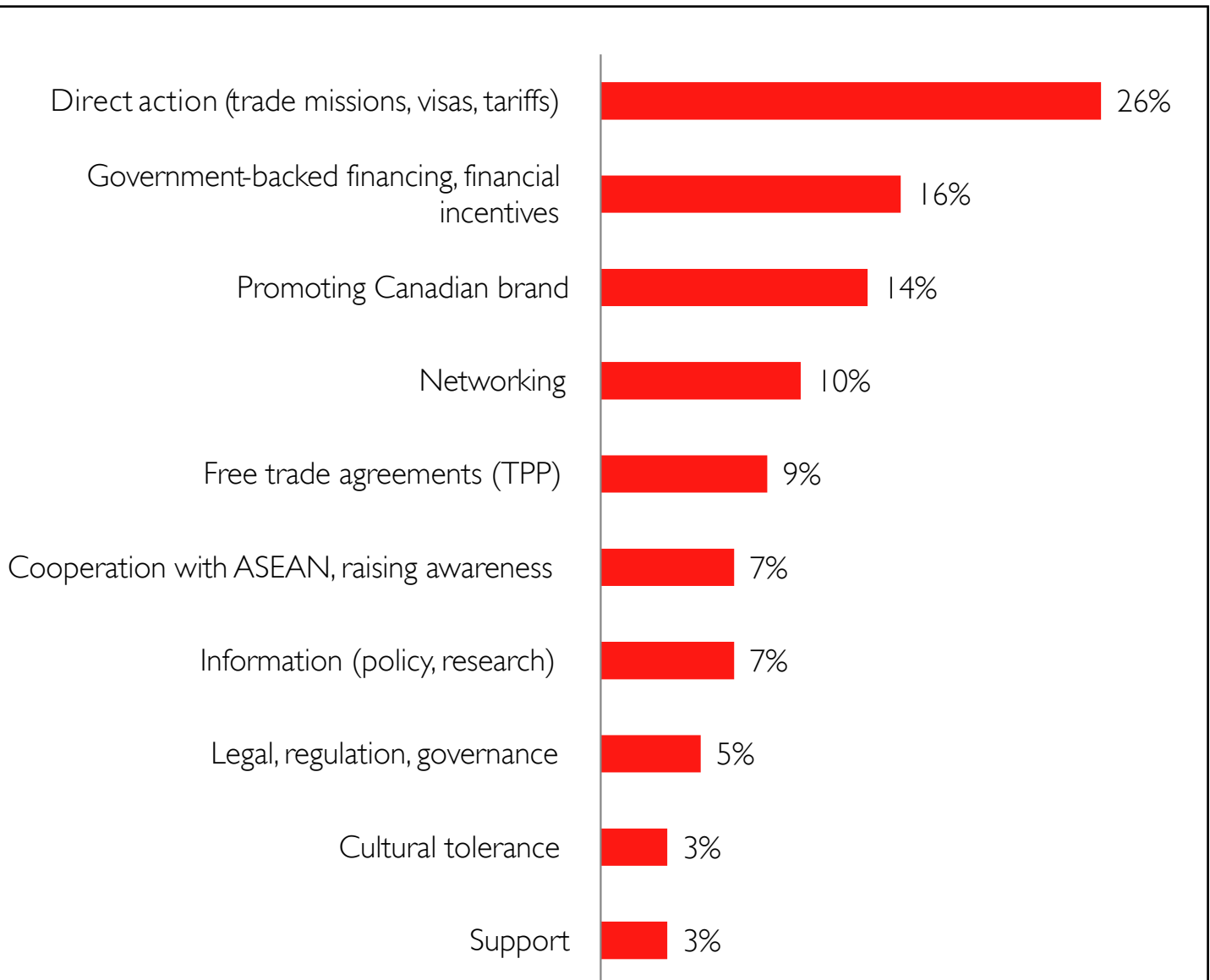


Chart 6.7

Please indicate what, if anything, you feel the Government of Canada can do to assist your company's business activities in ASEAN countries? (n=65)