

Opportunities in Asia



Introduction to Fasico

- Established as a fully independent consulting firm, in position to support European companies in Asia. We operate with a high degree of efficiency, flexibility and professionalism to meet mutually defined targets
- www.fasico.com



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Fasico focus areas

- Start-up in Asia
- Market penetration and –development
- Acquisitions and integrations advisory
- Turn-around and repositioning
- Management coaching (cultures and mentalities)
- Divestments
- Product sourcing and production outsourcing
 - In partnership with **i n o v a**

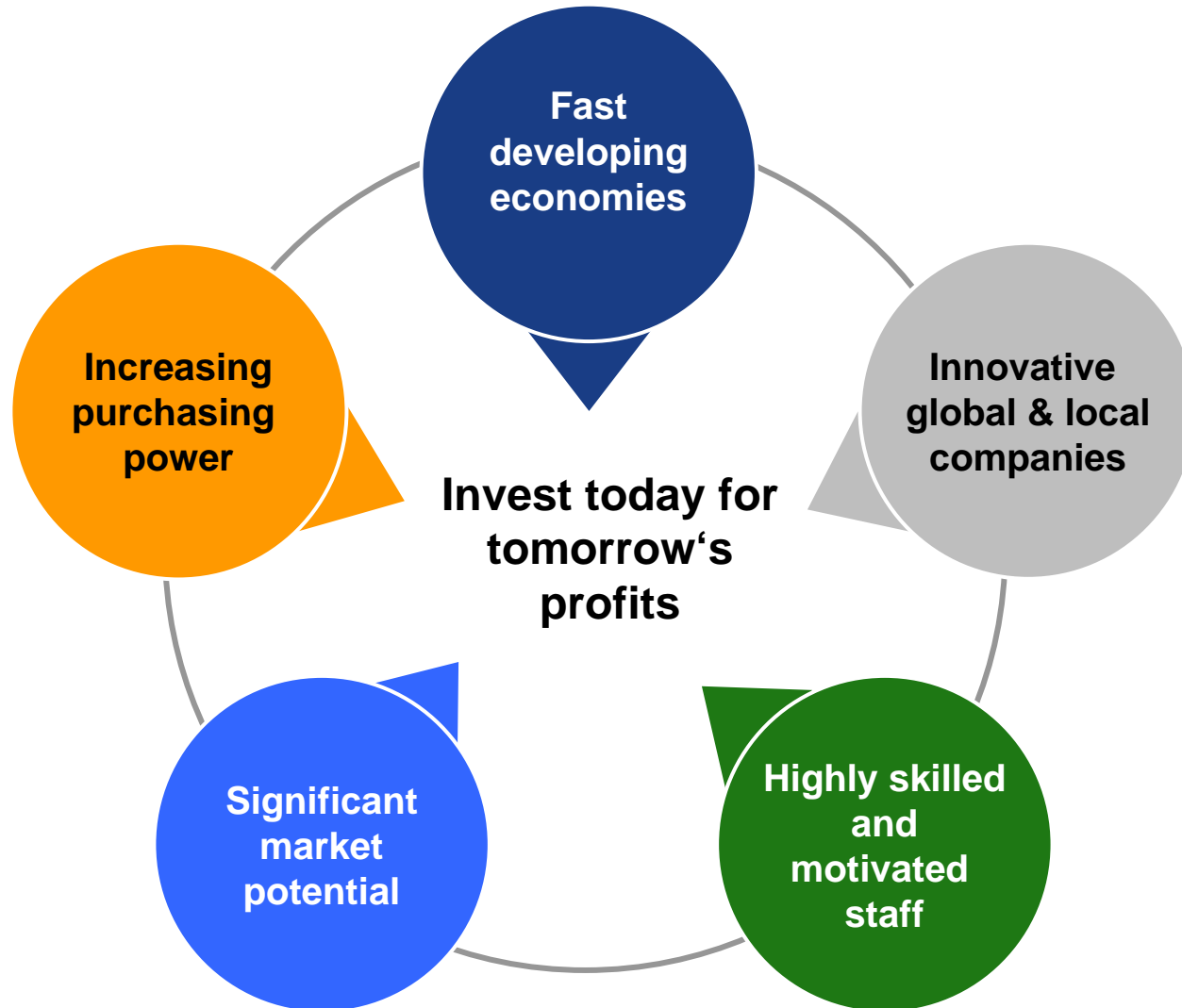
Agenda

- 1 Introduction and market overview
- 2 Market clusters
- 3 Why to do business in Asia
- 4 Partnership models & procedures
- 5 Conclusion and final remarks

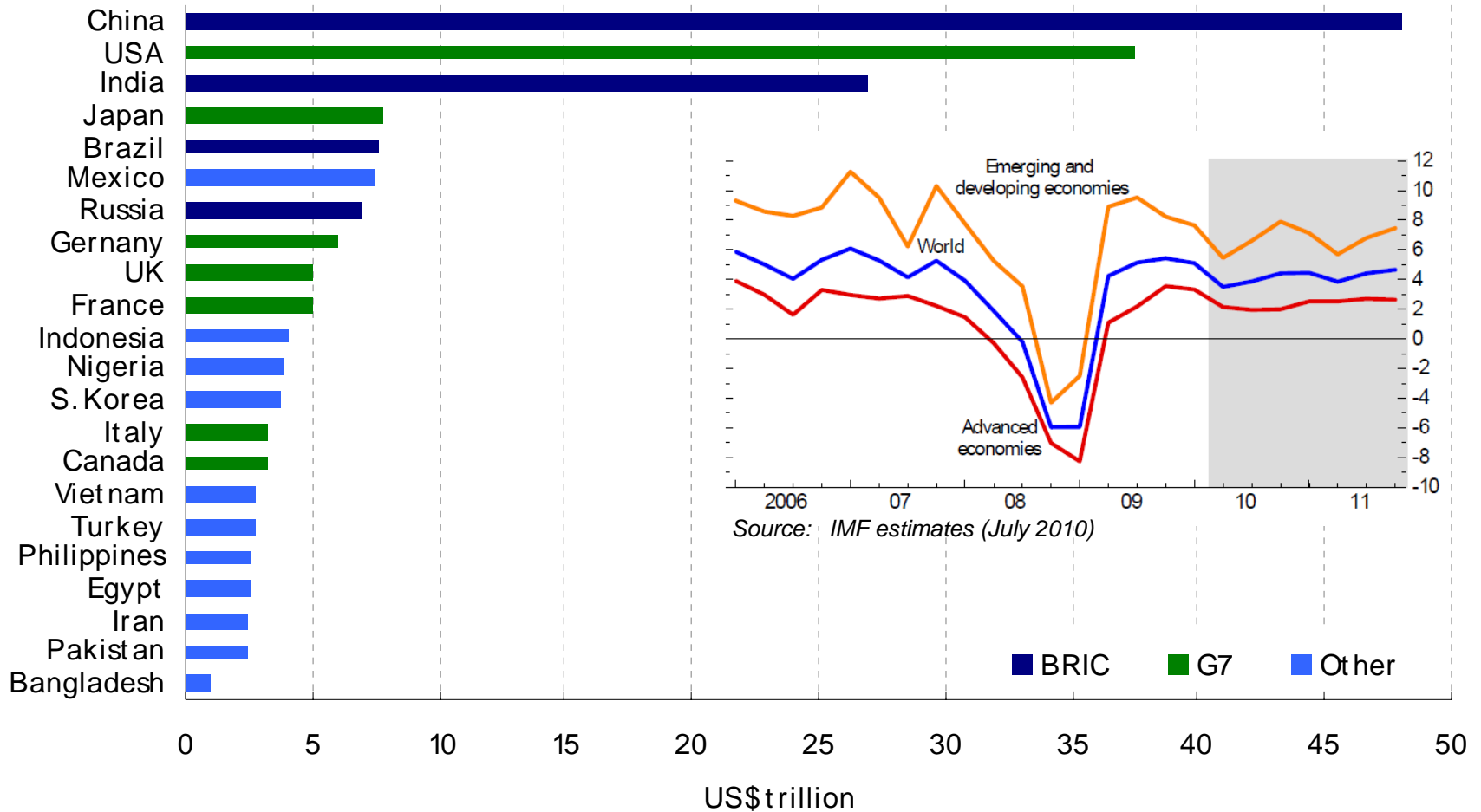
1 Introduction and market overview

- Facts and figures
- Risk assessment

Asian markets: our future success



Largest economies by GDP in 2050



Source: Goldman Sachs (2008)

Asia: key figures

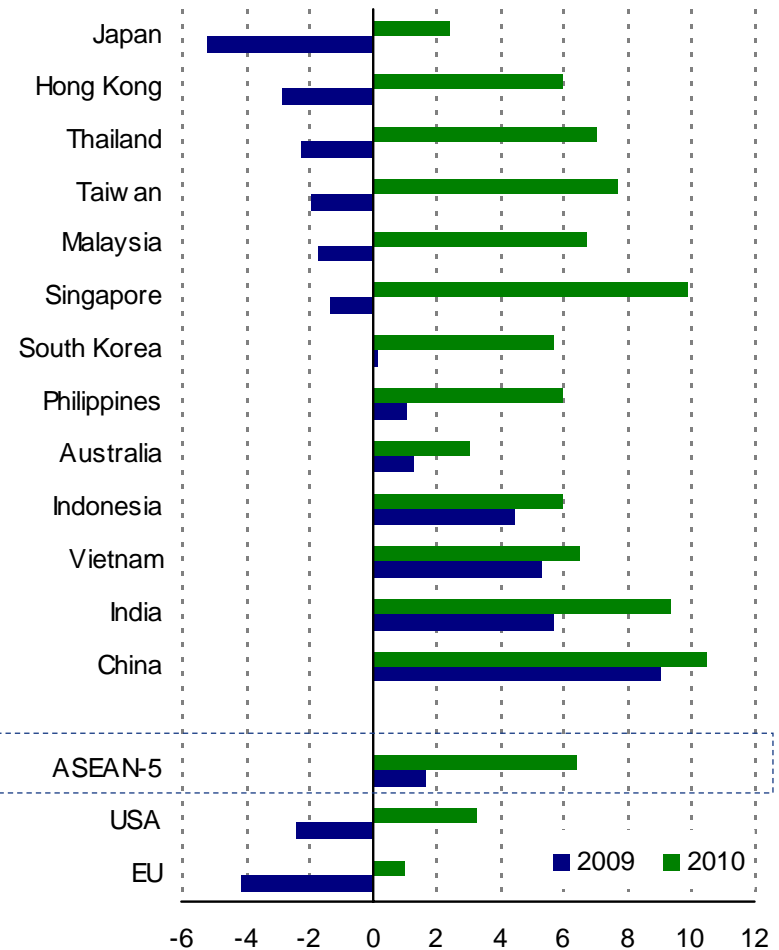
Country	GDP per Capita PPP (US\$) ²	Population (m) ²	2009 GDP growth (%) ¹	Unempl. (%) ²	Consumer Price (%) (YoY) ¹	Foreign Investmt. (bn US\$) ²
Japan	32,600	127	-5.2	5.1	-1.4	151
Singapore	50,300	5	-1.3	3.0	0.2	275
Hong Kong	42,700	7	-2.8	5.3	0.5	858
South Korea	28,000	49	0.2	3.7	2.8	96
Taiwan	29,800	23	-1.9	5.9	-0.9	107
Malaysia	14,800	26	-1.7	3.7	0.6	88
Thailand	8,100	66	-2.2	1.5	-0.8	94
China	6,600	1,330	9.1	4.3	-0.7	456
Philippines	3,300	100	1.1	7.5	3.2	22
Indonesia	4,000	243	4.5	7.7	4.8	74
India	3,100	1,173	4.5	10.7	10.9	158
Vietnam	2,900	90	5.3	6.5	6.7	51
Australia	38,800	21	1.3	5.6	1.8	296
EU	32,600	492	-4.1	8.9	0.3	222 ³
USA	46,400	310	-2.4	9.3	-0.3	2,397

1. IMF World Economic Outlook Update July 2010
2. CIA Factbook (2009 actuals or estimates)
3. Eurostat
4. VDMA May 09

Machine industry 08: 1. China, 2. Germany, 3. USA

GDP growth 2009 – 2011

Country	2009A	2010E	2011E
Japan	-5.2%	2.4%	1.8%
Hong Kong	-2.8%	6.0%	4.4%
Thailand*	-2.2%	7.0%	4.5%
Taiwan	-1.9%	7.7%	4.3%
Malaysia*	-1.7%	6.7%	5.3%
Singapore	-1.3%	9.9%	4.9%
South Korea	0.2%	5.7%	5.0%
Philippines*	1.1%	6.0%	4.0%
Australia	1.3%	3.0%	3.5%
Indonesia*	4.5%	6.0%	6.2%
Vietnam*	5.3%	6.5%	6.8%
India	5.7%	9.4%	8.4%
China	9.1%	10.5%	9.6%
ASEAN-5	1.7%	6.4%	5.5%
USA	-2.4%	3.3%	2.9%
Euro Area	-4.1%	1.0%	1.3%



Source: IMF (July 2010 update)
 Note: * denotes part of "ASEAN-5"

Asia: Reserves and debts

Country	Reserves of foreign exchange & gold (bn) ²	Foreign Debt (bn) ²	Current Account Balance (% GDP GDP) ¹	Public Debt (% of GDP) ²
Japan	1,024	2,132	2.8	189
Singapore	188	19	19.1	113
Hong Kong	256	655	11.1	37
South Korea	270	334	5.1	23
Taiwan	353	80	11.2	32
Malaysia	95	48	16.7	54
Thailand	138	66	7.7	46
China	2,422	347	5.8	17
Philippines	44	53	5.3	59
Indonesia	66	151	2.0	27
India	275	234	-2.1	58
Vietnam	18	31	-7.8	54
Australia	42	920	-4.1	18
Germany	181	5,208	4.8	72
USA	131	13,450	-2.9	53

1. IMF World Economic Outlook April 2010
2. CIA Factbook (2009 actuals or estimates)

80% of foreign reserves held by emerging countries

Potential and risk assessment

Country	Potential Assessment		Risk Assessment					
	Procurement Market	Sales Markets	Politics	Inflation / Prices	Quality	Logistics / Supply	Comms / Language	Technology / R&D
India			✓	=	=	=	✓	=
Japan			✓	✓	✓	✓	=	✓
Hong Kong			✓	✓	✓	✓	✓	✓
Singapore			✓	✓	✓	✓	✓	✓
South Korea			✓	=	✓	✓	=	✓
Taiwan			=	✓	✓	✓	=	✓
China			=	=	=	=	✗	=
Malaysia			✓	=	=	✓	✓	✓
Indonesia			=	=	✗	=	✓	=
Philippines			✗	=	=	=	✓	=
Thailand			✗	=	=	=	=	=
Vietnam			=	✗	=	=	=	=

Average
 Good
 Very Good

Positive
 Neutral
 Negative

2 Market clusters

- Greater China
- Southeast Asia
- Korea / Japan
- Australia / New Zealand
- South Asia
- Country profiles

Greater China

- 1,339 million consumers
 - (EU 492 m)
- GDP 8.8 trillion
 - (EU 14.5 trillion)



China
Taiwan
Hong-Kong

Southeast Asia

- 605 million consumers
 - (EU 492 m)
- GDP 2.8 trillion
 - (EU 14.5 trillion)

Singapore
Indonesia
Malaysia
Thailand
Philippines
Vietnam
Cambodia
Laos
Myanmar
Brunei



Japan / Korea

- 176 million consumers
 - (EU 492 m)
- GDP 5.5 trillion
 - (EU 14.5 trillion)



Australia / New Zealand

- 25.8 million consumers
 - (EU 492 m)
- GDP 0.9 trillion
 - (EU 14.5 trillion)



South Asia

- 1,538 million consumers
 - (EU 492 m)
- GDP 4.3 trillion
 - (EU 14.5 trillion)



India
Pakistan
Sri Lanka
Bangladesh

Country Profile: China

- Area 9.6 m km³
- Capital Beijing
- Population 1,330.141 million
- Median age 35.2



- GDP 4,814 billion
- GDP per capita (PPP) 6,600
- GDP growth (2009) 9.1%
- Investments (of GDP) 45.2%
- Industrial production growth 9.5%
- Foreign exchange reserves 2,422 billion
- Inflation rate -0.7%
- Unemployment rate 4.3%
- Labour force 813.5 million

- Industries: mining and ore processing, iron, steel, aluminium, and other metals, coal; machine building; armaments; textiles and apparel; petroleum; cement; chemicals; fertilizers; consumer products, including footwear, toys, and electronics; food processing; transportation equipment, including automobiles, rail cars and locomotives, ships, and aircraft; telecommunications equipment, commercial space launch vehicles, satellites



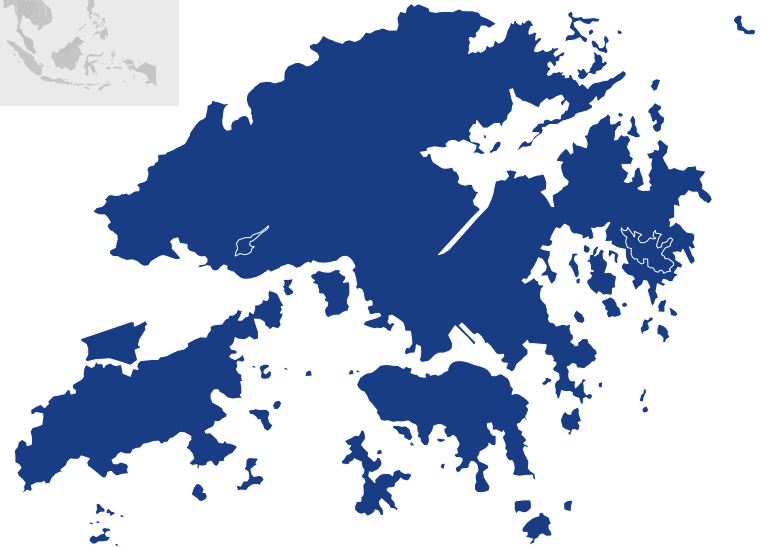
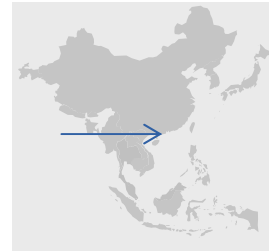
Source: CIA-Factbook, 2009 in USD

Country Profile: Hong Kong

- Area 1,104 km³
- Capital Hong Kong

- Population 7.089 million
- Median age 42.8

- GDP 221.3 billion
- GDP per capita (PPP) 42,700
- GDP growth (2009) -2.8%
- Investments (of GDP) 20.9%
- Industrial production growth -1.7%
- Foreign exchange reserves 256 billion
- Inflation rate 0.5%
- Unemployment rate 5.3%
- Labour force 3.7 million



- Industries: textiles, clothing, tourism, banking, shipping, electronics, plastics, toys, watches, clocks



Source: CIA-Factbook, 2009 in USD

Country Profile: Taiwan

▪ Area	35,980 km ³
▪ Capital	Taipei
▪ Population	23.025 million
▪ Median age	37.0
▪ GDP	361.5 billion
▪ GDP per capita (PPP)	29,800
▪ GDP growth (2009)	-1.9%
▪ Investments (of GDP)	18.7%
▪ Industrial production growth	-2.0%
▪ Foreign exchange reserves	353 billion
▪ Inflation rate	-0.9%
▪ Unemployment rate	5.9%
▪ Labour force	10.92 million



- Industries: electronics, petroleum refining, armaments, chemicals, textiles, iron and steel, machinery, cement, food processing, vehicles, consumer products, pharmaceuticals



Source: CIA-Factbook, 2009 in USD

Country Profile: Singapore

- Area 697 km³
- Capital Singapore
- Population 4.701 million
- Median age 39.6



- GDP 165 billion
- GDP per capita (PPP) 50,300
- GDP growth (2009) -1.3%
- Investments (of GDP) 28.9%
- Industrial production growth -1.6%
- Foreign exchange reserves 188 billion
- Inflation rate 0.2%
- Unemployment rate 3.0%
- Labour force 3.03 million



- Industries: electronics, chemicals, financial services, oil drilling equipment, petroleum refining, rubber processing and rubber products, processed food and beverages, ship repair, off-shore platform construction, life sciences



Source: CIA-Factbook, 2009 in USD

Country Profile: Malaysia

- Area 329,847 km³
- Capital Kuala Lumpur
- Population 26.160 million
- Median age 25.1



- GDP 209.8 billion
- GDP per capita (PPP) 14,800
- GDP growth (2009) -1.7%
- Investments (of GDP) 20.4%
- Industrial production growth -7.0%
- Foreign exchange reserves 95 billion
- Inflation rate 0.6%
- Unemployment rate 3.7%
- Labour force 11.38 million



- Industries: Peninsular Malaysia - rubber and oil palm processing and manufacturing, light manufacturing, electronics, tin mining and smelting, logging, timber processing; Sabah - logging, petroleum production; Sarawak - agriculture processing, petroleum production and refining, logging



Source: CIA-Factbook, 2009 in USD

Country Profile: Indonesia

- Area 1,904,569 km³
- Capital Jakarta
- Population 242.968 million
- Median age 27.9



- GDP 521 billion
- GDP per capita (PPP) 4,000
- GDP growth (2009) 4.5%
- Investments (of GDP) 31.1%
- Industrial production growth 3.5%
- Foreign exchange reserves 66 billion
- Inflation rate 4.8%
- Unemployment rate 7.7%
- Labour force 113.3 million



- Industries: petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, food, tourism



Source: CIA-Factbook, 2009 in USD

Country Profile: Thailand

- Area 513,120 km³
- Capital Bangkok

- Population 66.405 million
- Median age 33.7

- GDP 269.6 billion
- GDP per capita (PPP) 8,100
- GDP growth (2009) -2.2%
- Investments (of GDP) 24.4%
- Industrial production growth -4.3%
- Foreign exchange reserves 138 billion
- Inflation rate -0.8%
- Unemployment rate 1.5%
- Labour force 38.43 million



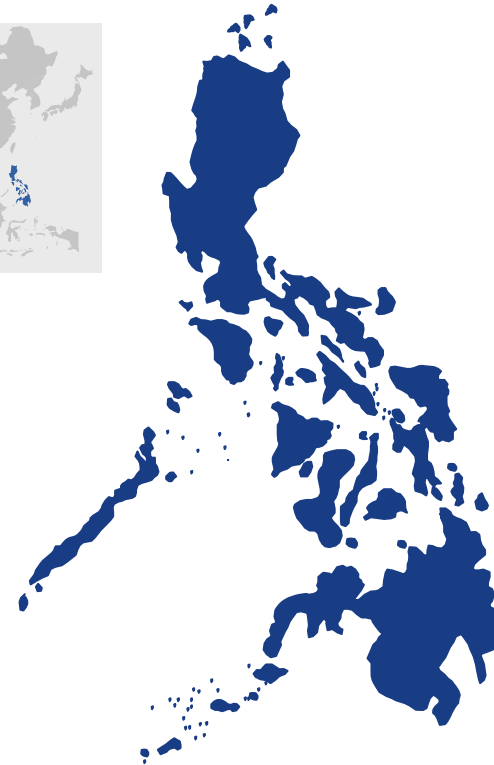
- Industries: tourism, textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing such as jewelry and electric appliances, computers and parts, integrated circuits, furniture, plastics, automobiles and automotive parts; world's second-largest tungsten producer and third-largest tin producer



Source: CIA-Factbook, 2009 in USD

Country Profile: Philippines

▪ Area	300,000 km ³
▪ Capital	Manila
▪ Population	99.900 million
▪ Median age	22.7
▪ GDP	160.6 billion
▪ GDP per capita (PPP)	3,300
▪ GDP growth (2009)	1.1%
▪ Investments (of GDP)	14.3%
▪ Industrial production growth	-2.0%
▪ Foreign exchange reserves	44 billion
▪ Inflation rate	3.2%
▪ Unemployment rate	7.5%
▪ Labour force	37.89 million



- Industries: electronics assembly, garments, footwear, pharmaceuticals, chemicals, wood products, food processing, petroleum refining, fishing



Source: CIA-Factbook, 2009 in USD

Country Profile: Vietnam

- Area 331,210 km³
- Capital Hanoi

- Population 89.571 million
- Median age 27.4

- GDP 92.84 billion
- GDP per capita (PPP) 2,900
- GDP growth (2009) 5.3%
- Investments (of GDP) 42.5%
- Industrial production growth 5.5%
- Foreign exchange reserves 18 billion
- Inflation rate 6.7%
- Unemployment rate 6.5%
- Labour force 48.26 million



- Industries: food processing, garments, shoes, machine-building; mining, coal, steel; cement, chemical fertilizer, glass, tires, oil, paper



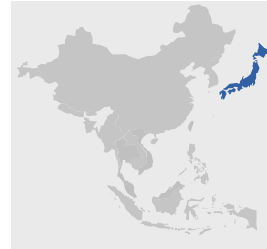
Source: CIA-Factbook, 2009 in USD

Country Profile: Japan

- Area 377,915 km³
- Capital Tokyo

- Population 126.804 million
- Median age 44.6

- GDP 5,108 billion
- GDP per capita (PPP) 32,600
- GDP growth (2009) -5.2%
- Investments (of GDP) 20.6%
- Industrial production growth -17%
- Foreign exchange reserves 1,024 billion
- Inflation rate -1.4%
- Unemployment rate 5.1%
- Labour force 65.93 million



- Industries: among world's largest and technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods



Source: CIA-Factbook, 2009 in USD

Country Profile: South Korea

- Area 99,720 km³
- Capital Seoul

- Population 48,636 million
- Median age 37.9

- GDP 809.7 billion
- GDP per capita (PPP) 28,000
- GDP growth (2009) 0.2%
- Investments (of GDP) 29.3%
- Industrial production growth -0.6%
- Foreign exchange reserves 270 billion
- Inflation rate 2.8%
- Unemployment rate 3.7%
- Labour force 24.4 million



- Industries: electronics, telecommunications, automobile production, chemicals, shipbuilding, steel



Source: CIA-Factbook, 2009 in USD

Country Profile: Australia

▪ Area	7,741,220 km ³
▪ Capital	Canberra
▪ Population	21,516 million
▪ Median age	37.5
▪ GDP	930.8 billion
▪ GDP per capita (PPP)	38,800
▪ GDP growth (2009)	1.3%
▪ Investments (of GDP)	28.5%
▪ Industrial production growth	-4.1%
▪ Foreign exchange reserves	42 billion
▪ Inflation rate	1.8%
▪ Unemployment rate	5.6%
▪ Labour force	11.45 million



- Industries: mining, industrial and transportation equipment, food processing, chemicals, steel



Source: CIA-Factbook, 2009 in USD

Country Profile: India

- Area 3,287,263 km³
- Capital New Dehli

- Population 1,173.108 million
- Median age 25.9

- GDP 1,095 billion
- GDP per capita (PPP) 3,100
- GDP growth (2009) 4.5%
- Investments (of GDP) 32.3%
- Industrial production growth 8.2%
- Foreign exchange reserves 275 billion
- Inflation rate 10.9%
- Unemployment rate 10.7%
- Labour force 467 million

- Industries: textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software



Source: CIA-Factbook, 2009 in USD

Country Profile: EU

▪ Area	4,324,782 km ³
▪ Capital	Brussels
▪ Population	492,387 million
▪ Median age	n/a
▪ GDP	16,180 billion
▪ GDP per capita (PPP)	32,600
▪ GDP growth (2009)	-4.1%
▪ Investments (of GDP)	19.1%
▪ Industrial production growth	-9.5%
▪ Foreign exchange reserves	n/a
▪ Inflation rate	0.3%
▪ Unemployment rate	8.9%
▪ Labour force	225 million



- Industries: among the world's largest and most technologically advanced, the European Union industrial base includes: ferrous and non-ferrous metal production and processing, metal products, petroleum, coal, cement, chemicals, pharmaceuticals, aerospace, rail transportation equipment, passenger and commercial vehicles, construction equipment, industrial equipment, shipbuilding, electrical power equipment, machine tools and automated manufacturing systems, electronics and telecommunications equipment, fishing, food and beverage processing, furniture, paper, textiles, tourism

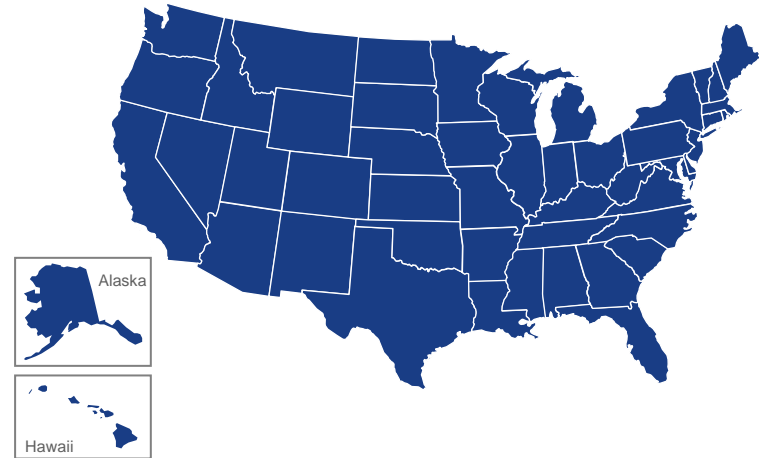


Country Profile: USA

- Area 9,826,675 km³
- Capital Washington DC

- Population 310.233 million
- Median age 36.8

- GDP 14,430 billion
- GDP per capita (PPP) 46,400
- GDP growth (2009) -2.4%
- Investments (of GDP) 12.3%
- Industrial production growth -5.5%
- Foreign exchange reserves 131 billion
- Inflation rate -0.3%
- Unemployment rate 9.3%
- Labour force 154.2 m



- Industries: leading industrial power in the world, highly diversified and technologically advanced; petroleum, steel, motor vehicles, aerospace, telecommunications, chemicals, electronics, food processing, consumer goods, lumber, mining

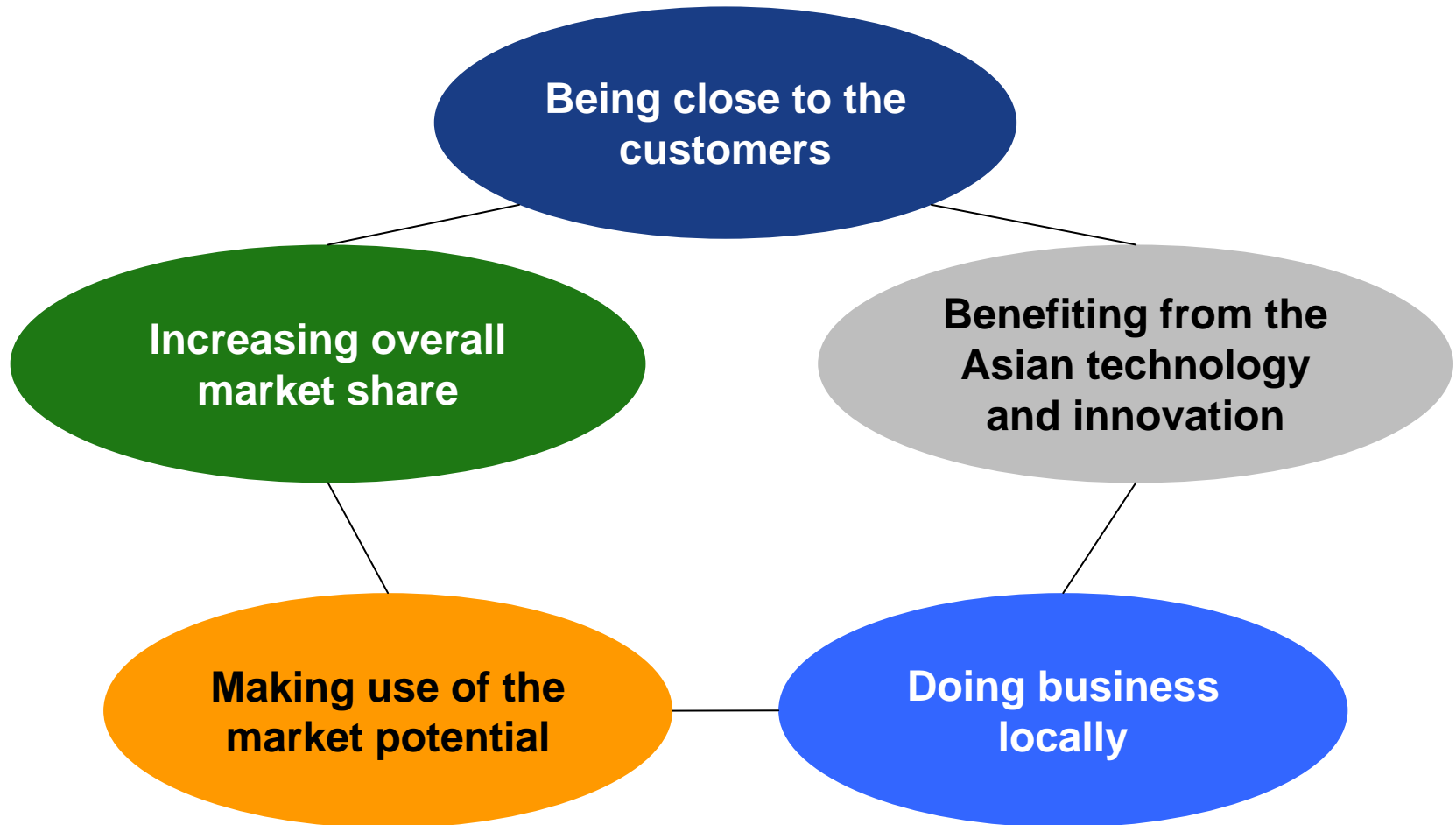


Source: CIA-Factbook, 2009 in USD

3 Why to do business in Asia



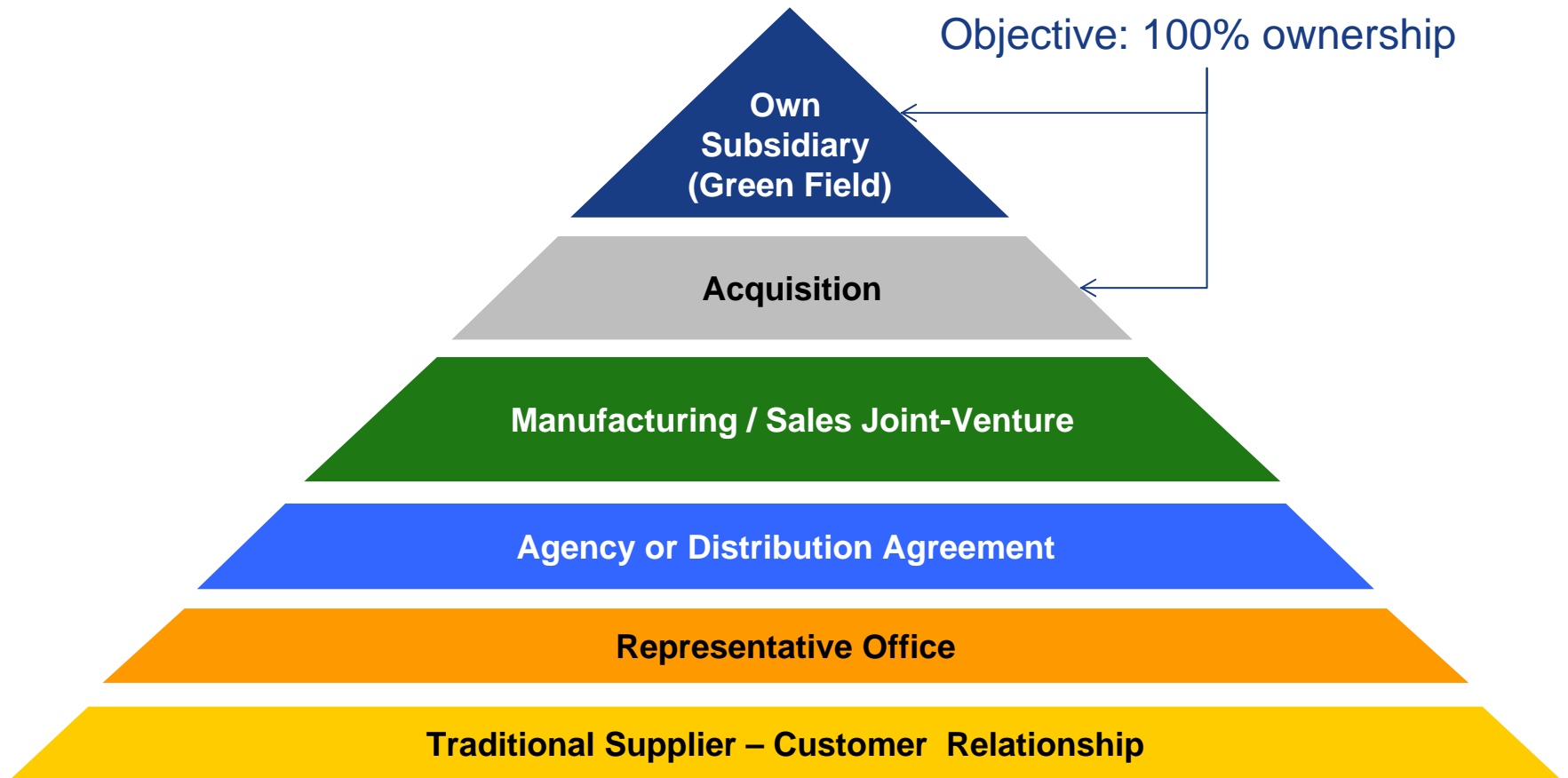
3 Why to do business in Asia



4 Partnership models and procedures

- Partnership models
- Procedures (4 phases)
- Joint-ventures and acquisitions
- Handling of surprises and problems
- Conclusions

Partnership models



Procedures: 4 phases

- There are four phases to consider before starting a partnership



1. Concept phase

1. Concept
Phase

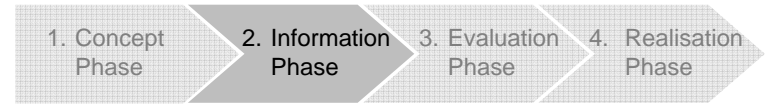
2. Information
Phase

3. Evaluation
Phase

4. Realisation
Phase

- Define targets based on the company's strategy
- Assess budget requirements (personnel & financial)
- Set time schedule
- Analyse various business scenarios including changes in:
 - Markets & countries
 - Customers
 - Employees
 - Competition

2. Information phase



■ Collecting the necessary information

Internally:

- Own company network
- Own databases
- Own knowledge and experiences

Externally:

- Embassies and trade commissions
- Experienced consultants
- M&A specialists
- Experience exchange
- Publications and internet
- Related companies and contacts

3. Evaluation phase



- Search and evaluation of possible partners
 - Broad screening of options
 - Establish contact with selected partners
 - In-country introductory meeting
 - Define assessment criteria for partner qualification
 - Define mutual expectations & requirements
 - Elaboration of the strategic fit
 - Evaluate potential opportunities & scenarios
 - Agree next steps and time schedule

4. Realisation phase



- Decision and realisation
 - Final negotiation of agreements
 - Conduct risk assessment
 - Finalise business plan incl. all start-up / integration costs
 - Define start-up proceedings:
 - Team(s) including coach
 - Scope of work and measurable targets
 - Time schedule incl. milestones
 - Tasks and responsibilities
 - Final settlement
 - Regulatory approvals
 - Implement continuous reviews and corrective actions
 - Develop partnership and short-/longterm integration management

Joint-ventures and acquisitions

Due Diligence (J-V background check)

Contract negotiations & agreement

**Establish business plan including planning
of integration costs**

Elaboration of start-up and integration plan

Final settlement / Regulatory approvals

Common causes and effects of failure

- Unclear / inconsistent messages, targets, strategy, etc.
- Market approach not well structured
- Inappropriate leadership
- Lack of / ineffective communication
- Underestimation of risks and issues
- Neglected people involvement
- Lack of appreciation for internal and external cultures, traditions and mentalities
- Distracted by internal issues
- Inadequate incentive models

- Drifting away from business plan
 - higher costs
 - lower sales
 - lower productivity rate
 - loss of market share
- High staff fluctuation
- Decreasing customer satisfaction
- Confusion
- De-motivation amongst staff
- Frustration

Avoid potential problems

- Appoint a leader and ensure coaching at all levels
- Give emphasis to culture, tradition and mentalities → ***Invest in your future***
- Clarify strategy, market approach and business plan
- Focus on daily business
- Communicate extensively → ***motivation!!!***
- Measure progress and review actions regularly → ***Adapt to situation***
- Carefully define the level of integration
- Establish an appropriate and well understood bonus and incentive models
- Customer relations and service are extremely important

5 Conclusion

- Defined vision, strategy and business plan
- Integration plan incl. milestones → no “Salami tactics”
- Study and manage cultures carefully (company and local)
- Best suited people
- Defined responsibilities and leadership
- Arranged coaching (top management task)
- Communication plan
- Defined and adequate packages (salaries, incentives, etc.)
- Work with scenarios
- Adequate infrastructure and support provided at home

Success factors

- Doing business in Asia, first and foremost, should be considered as **a long-term investment!**
- Having a well defined strategy
- Proper concept and clearly defined targets → controlling
- Being open to something new (thinking the unthinkable)
- Accepting calculated risks
- The right people make the difference

Final remarks

- Doing business in Asia is not that difficult if:
 - You are open to other cultures and mentalities
 - You want to learn to understand others
 - You are open-minded
 - You are tolerant and flexible
 - You are patient, diplomatic, playing fair, determined, reliable and persistent
 - You are a good communicator (internally and externally)
 - You master the English language very well
 - You play the game and follow the rules
 - You are loyal, reputable and of high integrity

Thank you

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