

PRESS RELEASE

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SOUTHEAST ASIA: The true extent of Chinese influence

Southeast Asia is the next region in Asia to experience rapid economic growth after China and India. It offers excellent business opportunities for companies from all around the globe to extend their activities beyond their traditional targets in Asia. Business experience gained in China and Chinese language skills can help companies to get a head start in Southeast Asia as there are 28 million people of Chinese descent often in key economic positions.



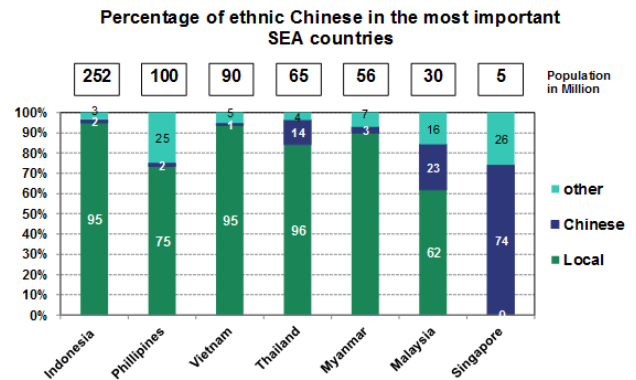
Among the eleven countries comprising the region, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam provide the most promising growth rates and currently account for 95% of the Southeast Asian economy.

With a total population of 600 million Southeast Asia (SEA) is the third-largest economy in Asia and the seventh largest in the world. It is also the second-fastest growing region in Asia after China. Compared to the large Asian economies China and India, SEA is shaped by a more complex and diverse market structure with an array of many different nationalities, cultural backgrounds, business demeanors, languages, political systems, histories, topography and religions. However, the Southeast Asian countries all have one thing in common: Their population of ethnic Chinese immigrants. There are 28 million ethnic Chinese in SEA. They account for only 5% of the total population, but have a disproportionately large influence on the economic development of the region.

Ethnic Chinese make up a large part of SEA's professional class with a high representation in SEA's professional white-collar workforce. A large portion of commercial and industrial activity in SEA is in ethnic Chinese hands and their economic influence is considerably greater than their percentage of the population. Ethnic Chinese are often the biggest taxpayers among all ethnic groups in SEA. People of Chinese descent account for 19 of SEA's 20 richest individuals.

Chinese immigrants in SEA maintain a high identification with their Chinese heritage and culture. Most ethnic Chinese are bi- or even trilingual, speaking the national language of the SEA country, the Chinese dialect of their ancestors and the official Chinese language – Mandarin. Many ethnic Chinese have become citizens and some have inter-married with the people of their adopted country.

Thailand is special. With nine million it has the largest ethnic Chinese community in SEA. Yet living in Thailand requires a greater degree of assimilation on the part of the immigrants, which has resulted in a large number of intermarriages between Thais and ethnic Chinese. In response to government pressure, many ethnic Chinese have even adopted Thai names as a prerequisite for obtaining official government documents.



Close-knit and efficient networks of business relations with China and the ethnic Chinese population in SEA have also helped China to achieve such economic success in the last three decades. China owes a good portion of its enormous economic growth to the ethnic Chinese located mainly in Indonesia, Malaysia, Thailand, and Singapore, who were the first to invest in China when it opened up to the world in the early 80's. Direct investment in China from SEA has been increasing steadily ever since, often led by large companies owned and managed by entrepreneurs of Chinese descent.

In recent years, China has in return made a conscious effort to make Southeast Asia – especially the ten ASEAN member states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) a closer part of its sphere of political and economic influence. ASEAN was formed within SEA in 1967 as a political and economic organization aiming at accelerating economic growth and social progress of its member states as well as protecting regional peace and stability. ASEAN is China's third-largest trading partner today, after the United States and Europe. Because of the extent of economic influence of ethnic Chinese in SEA, China had a clear head start over the United States, Japan and Europe in the competition for a strategic partnership with ASEAN countries.

The influence exerted by mainland China and the potentially high number of ethnic Chinese in professional white-collar and management positions represents a factor to reckon with for anyone already engaged in or starting business activities in the SEA region. This presents a good opportunity especially for those companies with existing China experience, Chinese subsidiaries, and Chinese employees.

Companies can also rely on consultancy companies, like Schlegel und Partner, which can offer a broad knowledge of China and vast experience with Chinese business demeanor, culture, language, and China B2B projects combined with many years of experience in conducting market research and consultancy projects in Southeast Asia.

Each year, Schlegel und Partner conducts a multitude of Asia-related projects in key industries like chemical, automotive, construction and mechanical engineering. 95% of our Asia projects involve China and about 30% also focus on SEA. Schlegel und Partner can source from 20 years of experience in China through exploring and assessing market-related policies, new markets and existing market potentials, emerging local champions, new trends, and existing customers' expectations and needs.

In all our projects in SEA we are able to use our Chinese background and experience as a door opener to many important industries, much to the benefit of our customers. This combined with an extensive network of contacts in Southeast Asia throughout a vast array of different industries, associations, and government bodies provides our customers with valuable insights and recommendations for penetration of the SEA markets in addition to our wealth of Asia experience and consulting know-how.



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