

FOREIGN DIRECT INVESTMENT IN ASEAN

ASEAN, the Association of Southeast Asian Nations, is one of the most diverse, fast-moving and competitive regions in the world and one of the least well known. The main goal of this research is identification and analysis of FDI trends and developments of ASEAN. First of all it should be identified what role in the global economy ASEAN plays.

McKinsey Global Institute states: if ASEAN were a single country it would already be the seventh-largest economy in the world and the 4th-largest economy by 2050. With the population greater than Europe or North America ASEAN has the third-largest labor force in the world, behind China and India. The association includes 227 of the world's companies with more than \$1 billion in revenues, or 3 percent of the world's total. Moreover, ASEAN is the 4th-largest exporting region in the world after the European Union, North America and China (Hong Kong) and accounts for 7% of global exports.

By 2013 ASEAN was home to the headquarters of 74 companies in the Forbes Global 2000 instead of 49 companies in 2006. Government debt is under 50% of GDP, far lower than 90% share in the United Kingdom or 105% of the United States. 67 million households are currently part of the consuming class. This could almost double to 125 million households by 2025, making ASEAN main consumer market of the future. As a rule, nowadays ASEAN focus on job and prosperity. And finally, in order to emphasize the scale of this object it should be noted that ASEAN member states are collectively come to the world's 2nd-largest community of Facebook users, behind only the United States.

ASEAN is both a major recipient and a source of FDI. The region saw the strongest rise in FDI inflows in 2014 with levels exceeding inflows to China for the first time since 1993, making ASEAN the largest recipient of FDI in the developing world. FDI flows into the region rose by 16%, from \$117.7 billion. Furthermore, outward FDI

flows from the region to the world rose by 19% in 2014, to \$80 billion – greater than the outward FDI flows of France and Spain combined, and 2.6 times greater than the outward FDI of the Republic of Korea.

The region is an important source of and partner in South–South cooperation.

Outward FDI flows from ASEAN have been growing steadily since 2012, when a significant outflow went to other developing economies. The geographical reach of enterprise internationalization differs by member state.

The increasing financial strength of ASEAN MNEs – their strong profitability and cash holdings – are encouraging them to regionalize and internationalize. The top 100 ASEAN companies by market capitalization had combined cash holdings of \$228 billion and combined assets of nearly \$3 trillion in 2014. Most of them have operations in other ASEAN Member States. Some are subsidiaries of a group of companies, which have extensive regional presence and overseas investment outside the region.

In general, the rise in FDI in the region in 2014 was driven by a 26% increase in intraregional investment and strong FDI inflows from a majority of Dialogue Partners. Intra-ASEAN investments were particularly strong in manufacturing (\$6.6 billion) and real estate (\$4.6 billion). Investment from within ASEAN dominated in the primary sector. Intra-ASEAN investment remained strong and growing, with ASEAN companies using more greenfield strategies.

Finally, it should be noted that ASEAN is not an artificial creation. It is a gathering of ten nations — not just for economic reason, but for security and political consultation. It has been intensified recently in the minds of business executives because the ASEAN Economic Community has been articulated very clearly, and it is about to come into focus by the near future. Now those ten countries remain nation-states, and they each have their distinct nature. We have to acknowledge that and treat them as individual countries, which are the parts of ASEAN.