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ECONOMICS
THAMMASAT UNIVERSITY



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International Marketing
Chapter 11

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Chapter 11

The Asia Pacific Region

International Marketing

18th Edition



Dynamic Growth in the Asia Pacific Region 1 of 14

1996 financial crisis in leading Asian economies

- Tight monetary policy, appreciating dollar, deceleration of exports all contributed to downturn

Despite crash, Asia fastest growing region in world

- Growth fastest for last three decades
- Prospects for continued growth are excellent
- Source of new products, technology, vast consumer markets

Dynamic Growth in the Asia Pacific Region 2 of 14

The Greater China

- Refers to two separate political units that divided in 1949
 - People's Republic of China (PRC)
 - Taiwan or Republic of China (ROC)
- Both claimed the other as its territory
 - Politically difficult and militarily dangerous dispute persists
- More direct trade between two in 21st century
 - Helps ease the historical tension of East Asia



Dynamic Growth in the Asia Pacific Region 3 of 14

The People's Republic of China (PRC)

- **Most important national market aside from U.S.**
- **Dramatic economic and social changes in China**
- **Events in 2000 had profound effect on China's economy**
 - Admission to the World Trade Organization
 - U.S. granting permanent normal trade relations to China (PNTR)
- Best thought of as group of regions, not single country
 - China's diversity, size, and political organization makes this necessary

Dynamic Growth in the Asia Pacific Region 4 of 14

The People's Republic of China

(PRC) continued

- China fast emerging as competitor in global markets
- Must overcome issues to reach full potential
 - Human rights and legal system major issues in China
 - Environmental decline associated with fast growth
 - Demographic disaster associated with one-child policy
 - Discrimination against those moving from rural to urban areas



Foreign Dominance of Auto Industry in China



© Stephen Shaver/UPI/Newscom

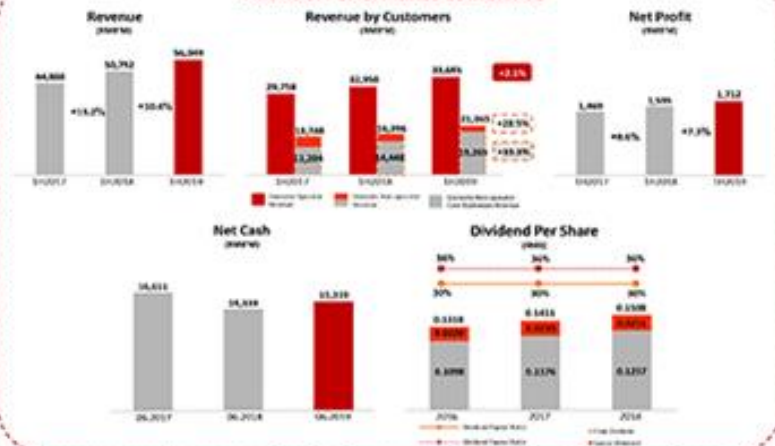
China has been pressing bureaucrats to buy locally branded cars. The market share of Chinese brands has plummeted this century from more than 65 percent in 2000 to just 45 percent. European brands garner about 20 percent of the market, Japanese 15 percent, American 11 percent, and Korean 8 percent. Volkswagen (including its Audi luxury sedans, pictured here parked outside the National Peoples Congress) dominates the other foreign carmakers, followed by Hyundai and Toyota. Almost all the foreign companies are deeply involved in joint ventures with Chinese partners.

CHINA

Who We Are

China Communications Services Corporation Limited ("China Comservice") is a New Generation Integrated Smart Service Provider that provides integrated comprehensive solutions in the informatization and digitalization sector. The Company is also the largest telecommunications infrastructure service group in China that offers a range of unique one-stop integrated services along our customers' value chain. Our major shareholders include the three telecommunications operators in the PRC - China Telecommunications Corporation, China Mobile Communications Group Co., Ltd. and China United Network Communications Group Company Limited.

Financial Performance at a Glance



3 Key Businesses

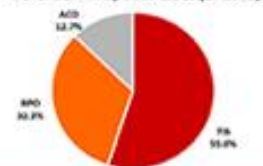
Telecommunications Infrastructure (TIS) Services
- Design - Construction - Supervision

Business Process Outsourcing (BPO) Services

- Maintenance - Facilities Management
- Supply Chain
Core BPO

Applications, Content and Other (ACO) Services
- System Integration - Software Development & Value-added Services - System Support

Revenue Mix by Businesses (1H2019)



3 Customer Groups

Domestic Operator Customers

- China Telecom - China Mobile
- China Unicom - China Tower

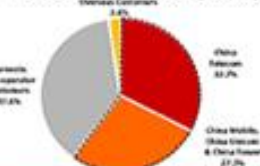
Domestic Non-Operator Customers

- Government Agencies - Small and Medium Enterprises
- Industrial Customers (Transportation, Construction, Internet & IT, Electricity...)

Overseas Customers

- Customers in emerging markets, including Africa, the Middle East and Southeast Asia

Revenue Mix by Customers (1H2019)



Vast Development Opportunities Brought by 5G

5G network construction, and the deep integration between new technologies such as Big Data, Cloud Computing and IoT with various industries will greatly stimulate the demand for and investment in smart applications



5G will bring continuous and significant development opportunities to the Company in various stages



Why Invest in Us

- Being a listed state-owned enterprise with revenue scale exceeded RMB 100bn, we are striving to provide competitive integrated comprehensive solutions in the digital era, and with over 30 smart-typed products targeting various industry applications
- Being the largest telecommunications infrastructure service group in China, possessing decades of experience and capabilities in the field of communications and informatization sectors
- The three telecommunications operators in China are all shareholders and customers of the company, maintaining close relationship all along
- One of the companies benefiting the most from the opportunities in telecom sector (including 5G) and digitalization development
- Diversified customer and business mix, exposing to various vast market opportunities
- Demonstrated the ability to achieve overall favourable and sustained revenue growth regardless of different industry cycles in recent years
- Maintain robust financial position and provide relatively stable and sustainable dividend to shareholders
- Seasoned management team with strong execution capabilities, well recognized corporate governance and IR best practices

Share Information

Stock Code: 00552 (Hong Kong Stock Exchange)
Listing Date: 8 December 2006
IPO Price: HK\$2.2 per share
Total Issued Shares: 6,926,018,400
- Domestic Shares: 4,534,598,160
- H Shares: 2,391,420,240
Board Lot: 7,000 shares
As at 30/06/19:
- Closing Price: HK\$6.06 per share
- Market Capitalization: HK\$42.0billion (~ US\$5.4billion)
Financial Year End: 31 December
International Auditor: Deloitte Touche Tohmatsu

Awards and Recognition



IR Contact

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Fax: (852) 3099 0120 | Website: www.chinacc.com.hk

CHINA

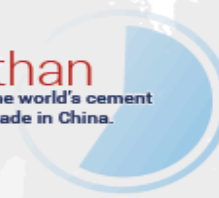
CHINA AND THE FAR EAST

The **2020** Olympic and Paralympic Games are due to be held in Tokyo, Japan.



In 2013, China's cement production was approximately **2.2 billion t.**

More than **60%** of the world's cement is made in China.



South Korea has approved a **US\$7 billion** project to build **two nuclear plants.**



Japan's GDP is the **fifth largest in the world**, standing at around **US\$5.96 trillion** in 2012.

China plans to close **370 million t** of outdated industrial capacity by 2015.



The Japanese government will spend approximately **¥23 trillion** on reconstruction projects over the next 10 years following the **March 2011 earthquake.**



Taiwan's economy is expected to grow by an estimated **3.6% in 2014.**



65% of China's industrial emissions come from the thermal power, steel, cement, refining, petroleum and petrochemical industries.



Taiwan Cement operates **25 kilns** with a total capacity of **60 million tpa**, the sixth largest in China.

The Korean construction industry grew **6.9% in 2013** after three consecutive years of contraction.



Hong Kong



Dynamic Growth in the Asia Pacific Region 5 of 14

Hong Kong

- Ruled by British for 155 years; reverted to China in 1997
- Became special administrative region (SAR) of PRC
 - “One country, two systems”
- Hong Kong economy strong
 - Freely convertible dollar, foreign exchange, securities markets
 - Stock market primary source of capital for some of China’s largest state-owned enterprises



Dynamic Growth in the Asia Pacific Region 6 of 14

Taiwan, the Republic of China (ROC)

- Mainland-Taiwanese economic relations improving
 - Both have entered the World Trade Organization
 - Many restrictions ended; direct trade implemented
 - Three direct links: transportation, trade and communications
- Trade benefits both countries
 - Rising costs in Taiwan; China offers cheap labor and engineering
 - Taiwan's tech powerhouses also seek access to China's market



Dynamic Growth in the Asia Pacific Region 7 of 14

Japan

- Fast growth in 70s and 80s
- Economy slowed abruptly in the 1990s
- Four possible explanations
 1. Faulty economic policies
 2. Inept political apparatus
 3. Disadvantages due to global circumstances
 4. Cultural inhibitions



Dynamic Growth in the Asia Pacific Region 8 of 14

Japan continued

- Faulty economic policies
 - Stock market crash in 1990s lasted whole decade
 - Some think nation became overconfident, risky with finances
- The political explanation
 - “One-party sickness”
 - Government controlled by bureaucracy



Dynamic Growth in the Asia Pacific Region 9 of 14

Japan continued

- Global circumstances have hurt
 - Decline in consumer purchasing power
 - 2011 earthquake and tsunami had long-lasting economic impacts
 - Increased demand for oil imports, resulting from destruction of energy infrastructure, has caused trade-deficit
 - Population is shrinking
 - Complex language



Dynamic Growth in the Asia Pacific Region 10 of 14

Japan continued

- The cultural explanation
 - Unified effort after World War II for national recovery
 - After achieved, the nation no longer had a common goal
 - Cultural value of structure; not adapting to globalized competition



Dynamic Growth in the Asia Pacific Region 10 of 14



Dynamic Growth in the Asia Pacific Region 11 of 14

India

- Gained independence in 1950; had poor economic growth
- Growth constrained by traditional insular policies
 - Import substitutions and an aversion to free markets
 - Anti-business attitudes and widespread corruption
- Now India has embarked on profound transformation
 - Many efforts to become active in global economy
 - Information technology boom
 - Many Indian companies expanding operations abroad

INDIA



INDIA



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Dynamic Growth in the Asia Pacific Region 12 of 14

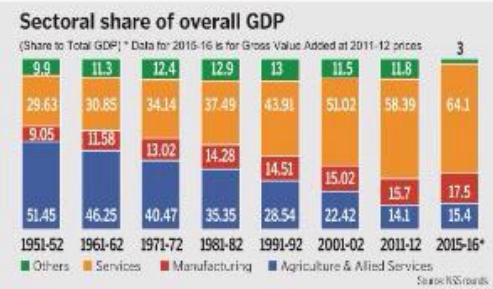
India continued

- Five-point agenda
 - Improving the investment climate
 - Developing a comprehensive WTO strategy
 - Reforming agriculture, food processing, and small-scale industry
 - Eliminating red tape
 - Instituting better corporate governance
- Difficult business environment
 - High tariffs
 - Inadequate protection of intellectual property
 - Anti-business attitudes
 - Widespread corruption and bribery

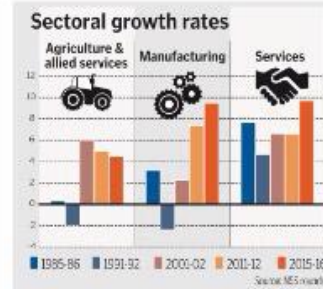
Dynamic Growth in the Asia Pacific Region 12 of 14

Tracking progress in numbers

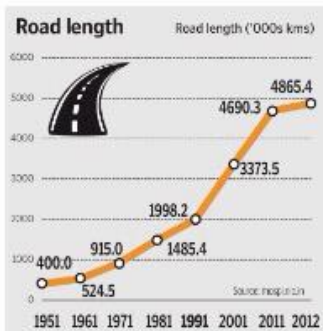
The economic reforms kick-started in 1991 brought about expansion of the services sector helped largely by a liberalised investment and trade regime. They also increased consumer choices, and reduced poverty significantly.



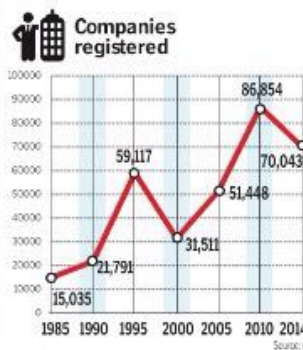
The share of services in GDP has increased 20 percentage points since 1991, reflecting a decisive change in the nature of India's economic output.



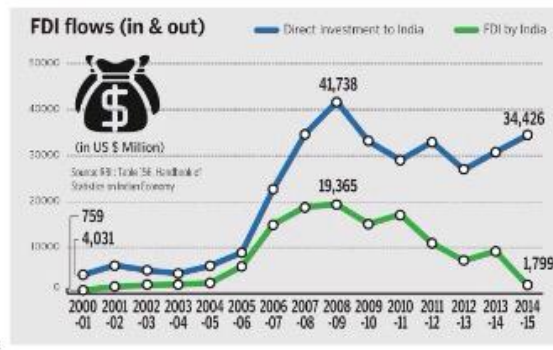
Average growth has been a constant since 1991 across sectors, but agriculture has seen a deceleration.



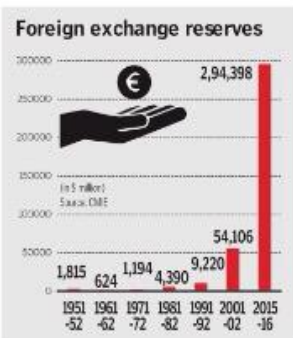
Roads have boosted connectivity and acted as a multiplier



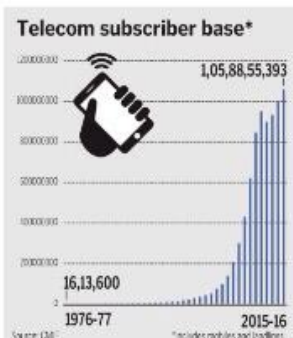
Entrepreneurship has surged post reforms



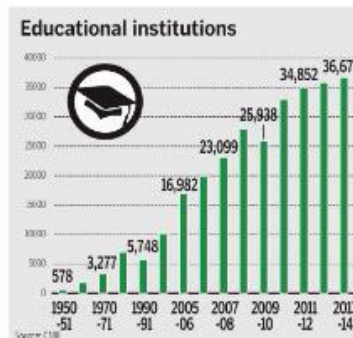
The dismantling of barriers resulted in a surge in FDI inflows till the global financial crisis.



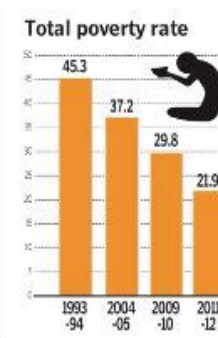
Foreign exchange reserves, which plummeted in 1991, burgeoned year on year since then.



Telecom subscriber growth soared in the mid-1990s, with the overall base crossing a billion in 2015-16.



No. of colleges & universities increased by 537% in 25 years since 1991 after adding about 5,000 institutions in 40 years.



The Tendulkar committee estimated a drop in poverty rate to 21.9% in '11-12

Infrastructure in India



Seeing the rough weave of traffic on the streets of old Delhi, India, you likely can understand the need for the elevated expressways. The introduction of Tata Motor's new \$2,500 car, the Nano, will only make congestion worse. The country just raised the national speed limit from 80 kph to 100 kph, spurred by a roads revolution, the centerpiece of which is the 3,650-mile golden Quadrilateral highway linking Delhi, Mumbai (Bombay), Chennai (Madras), and Kolkata (Calcutta), the most expensive public works project in the nation's history. However, we wonder: How will the traffic police keep the ubiquitous sacred cows off expressway on-ramps?

Protectionism of Indian Industry

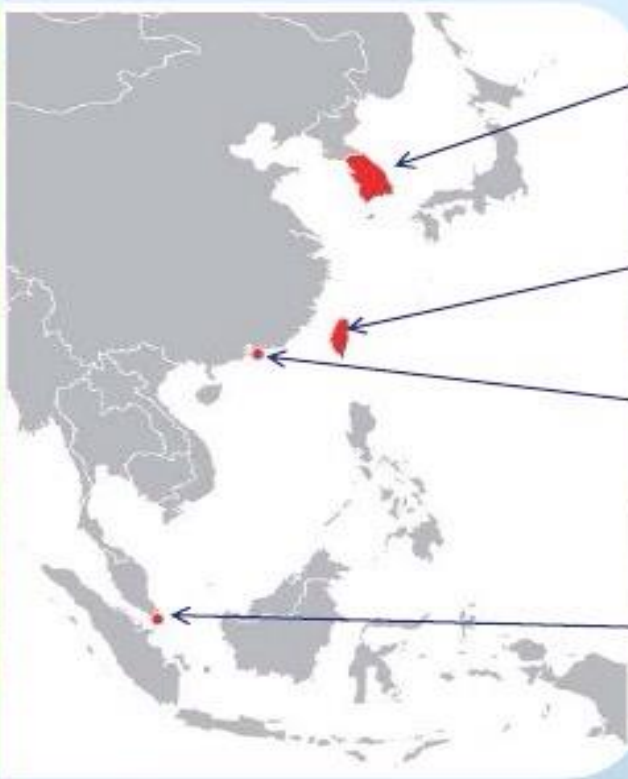


© rkl_foto/Shutterstock

Despite world-class scientists, the Indian pharmaceutical industry (with its ownership restrictions, price controls, and weak intellectual property restrictions) does not benefit from innovations and international investments compared with more open emerging economies such as China.

Dynamic Growth in the Asia Pacific Region

The Asian Tigers



South Korea



Taiwan



Hong Kong



Singapore



Source: Artbackwash. (2010). *Grab a tiger by it's tail*. Retrieved December 27, 2010, from <http://artbackwash.blogspot.com/2007/08/grab-tiger-by-its-tail.html>

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Four Asian Tigers



The Four “Asian Tigers”

- Hong Kong, South Korea, Singapore, and Taiwan
 - Fastest growing economies in region during 1980s and 1990s
 - Often described as the “East Asian miracle”
 - First countries to move from developing to industrialized status
- Major influence in trade and economies of world
 - Expanding activity to other parts of Asia in particular



Dynamic Growth in the Asia Pacific Region 14 of 14

Vietnam

- Economy and infrastructure was in shambles after War
- Country is poised for significant growth
 - Bilateral trade agreement with U.S. led to NTR status
 - U.S. tariffs on Vietnamese imports dropped significantly
 - Population of 91 million is educated and highly motivated
 - Government is committed to economic growth



Delivery in Vietnam



© Hoang Dinh Nam/AFP/Getty Images

Vietnam has very few cars; motorbikes deliver almost everything, including moon cakes, in Hanoi.

Vietnam



Vietnam

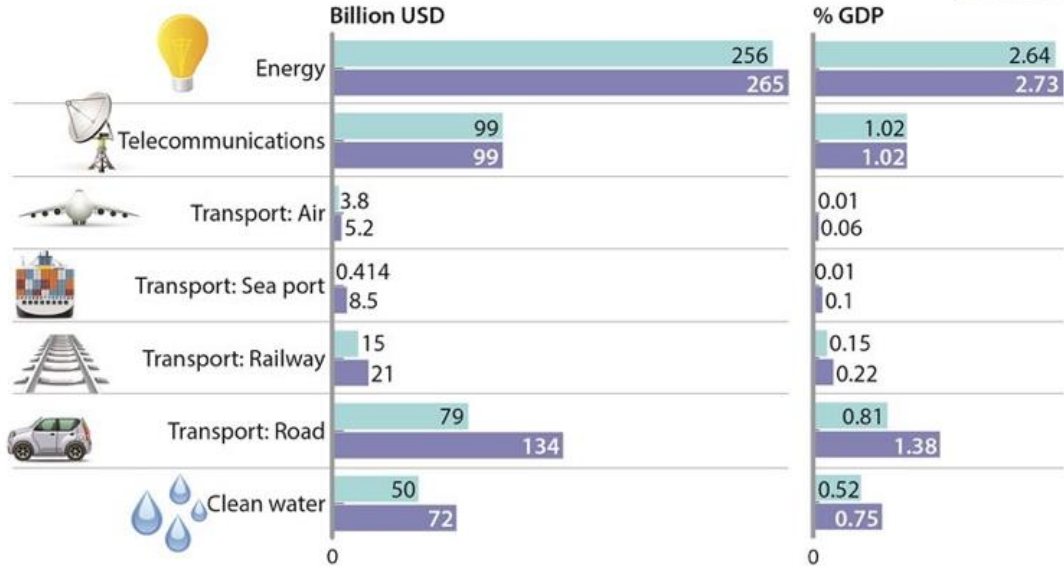
Forecast on Vietnam's infrastructure investment demand

According to a report from the Global Infrastructure Outlook, Vietnam will meet 83 percent of its infrastructure investment needs by 2040 if the current investment trend is maintained. Road sector is said to face largest gap to fulfill targeted investment needs.

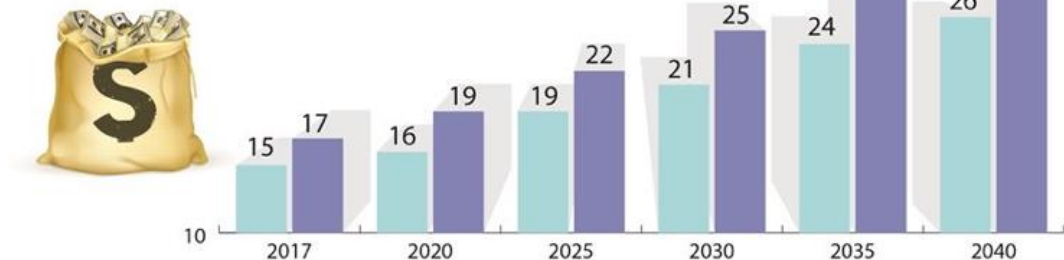


■ Calculated in current investment
 ■ Calculated in investment demand

Total infrastructure investment forecast in 2016-2040



Infrastructure investment forecast through years - billion USD



Source: Global Infrastructure Hub

<http://infographics.vn>



ASEAN



MYANMAR



THAILAND



CAMBODIA



SINGAPORE



INDONESIA



LAOS



VIETNAM



MALAYSIA



PHILIPPINES



BRUNEI DARUSSALAM



Asia Pacific Trade Associations 1 of 5

Preparation for next economic leap

- Countries once dependent on U.S. and European markets
- Growth driven by trade, investment, technology, and aided by others in region
- Trade agreements
 - ASEAN
 - ASEAN+3
 - APEC



Asia Pacific Trade Associations 2 of 5

Association of Southeast Asian Nations (ASEAN)

- Had problems unifying economies of member nations
 - All members once had similar products and resources to export
 - Intra-ASEAN trade hampered; no demand for common products
 - Most early growth came from trade outside of ASEAN
- Members now have fastest growing economies in region



Asia Pacific Trade Associations 3 of 5

Association of Southeast Asian Nations (ASEAN) continued

- Four causes of vigorous economic growth for members
 1. Governments' commitment to deregulation, liberalization, and privatization of their economies
 2. Decision to shift economies from commodity based to manufacturing based
 3. Decision to specialize in manufacturing components in which they have a comparative advantage (which created more diversity in their industrial output and increased opportunities for trade)
 4. Japan's emergence as a major provider of technology and capital necessary to upgrade manufacturing capability and develop new industries

Asia Pacific Trade Associations 4 of 5

ASEAN+3

- Created after Asian financial crisis of 1997 to 1998
 - East Asia felt let down when the West did not help during crisis
 - Wanted to become more self-sufficient
- **ASEAN members plus China, Japan, and South Korea**
 - Foreign and finance ministers from each country
 - Meet after annual ASEAN meeting
 - Goal to protect Asian currency from future attack
 - Talks of creating common market across all of Asia

Asia Pacific Trade Associations 5 of 5

Asia-Pacific Economic Cooperation (APEC)

- Formed in 1989
 - Includes all major economies around the Pacific Rim plus the U.S. and Canada
- Provides formal structure for discussion of goals
 - Free and open trade and increased economic collaboration
 - Sustain regional growth and development
 - Strengthen multilateral trading system
 - Reduce barriers to investment and trade without detriment to other economies

