

# Export Market Opportunities and Challenges in ASEAN

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Various economic developments in ASEAN, particularly during the last decade, have resulted in rapid per capita income increases. The comparatively large population numbers combined with minimal restrictions on imports and increasing disposable incomes have led to strong import growth in ASEAN markets. However, New Zealand exports to ASEAN in 1989 represented only 4% of total exports. The opportunity for New Zealand exporters in ASEAN is discussed and modifications to marketing strategies required to deal with selected local characteristics are examined.

Keywords: ASEAN, export opportunities, developing markets

## Introduction

New Zealand exporters have to date focussed their efforts on the European, Australian, North American and Japanese markets. With rapid economic developments taking place in many other parts of the world, new overseas market opportunities are increasingly becoming available. The vast export potentials of the Asian markets are beginning to be realised and emerging markets in the ASEAN countries in particular, merit closer assessment.

The 'ASEAN region' lies between the Indian and Pacific oceans, and occupies most of what is known as Southeast Asia. ASEAN (the acronym for the Association of Southeast Asian Nations) comprises the nations of Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. The total population of the ASEAN countries is estimated to be 300 million and the region is a rich storehouse of resources for the world. It is the largest exporter of natural rubber, abaca, and palm oil, along with substantial exports of tin, copra, copper, sugar, coffee, timber, various tropical fruits and minerals. Apart from the abundant natural resources and the range of agricultural commodities, ASEAN is a major manufacturer and exporter of textiles, light consumer goods, electronics and petroleum products (ASEAN Secretariat 1987).

ASEAN has recorded one of the fastest economic growth rates by current world standards, with annual growth rates in member countries ranging from 5% to 8% (see Table 1). These various factors and developments have led to ASEAN becoming a rapidly developing market with a strong potential demand for consumer and capital goods, and technical skills.

Table 1 shows that Indonesia has the largest population amongst the ASEAN countries, at 167 million. Malaysia and Thailand have population sizes of 16.5 and 52.6 million, respectively. Singapore has a relatively small population of 2.6 million but is the only ASEAN country to have achieved NIC (Newly Industrialising Country) status. The NICs are a group of countries that were once LDCs (Less Developed Countries) but have now reached reasonably high levels of industrialisation, economic prosperity and per capita incomes (Turner & McMullen, 1982). Incomes in Malaysia and Thailand, which are high by developing country standards, are anticipated to rise further and approach incomes typical of NICs by the end of the decade. It can be seen also from Table 1 that besides GDP and per capita income growth rates, consumption growth rates are reasonably high for these two countries, and are approaching that of Singapore.

**Table 1. ASEAN - Population, Incomes and Consumption.**

ASEAN Country	Population <sup>1</sup> (millions)	GNP Per <sup>1</sup> Capita(\$NZ)	GDP <sup>2</sup> Growth(%)	Consumption <sup>3</sup> Growth(%)
Indonesia	167.0	769	7.6	7.6
Philippines	57.4	937	5.7	4.3
Thailand	52.6	1271	6.7	6.7
Malaysia	16.5	2873	7.5	6.4
Singapore	2.6	12,402	9.0	7.1
Brunei	0.2	24,176	n.a.	n.a.

Note. 1. Population figures for 1987; GNP per capita for 1987 at current market prices.

Source: Malaysia, Ministry of Finance (1989).

2. Average annual growth in real GDP, 1971-82. Source: Asian Development Bank (1983).

3. Average annual growth, 1970-78. Source: World Bank (1980).

Malaysia and Thailand, together with Singapore, have a total population of some 73 million people who will be enjoying high per capita incomes by the end of this decade. The opportunities and challenges presented by a market of this size cannot be ignored by international marketers in general and New Zealand marketers in particular. Besides, in terms of location ASEAN countries are practically neighbours of Australia and New Zealand, and it would seem logical that they should play a key role in the ASEAN import trade.

### **New Zealand and ASEAN**

New Zealand has strongly supported ASEAN since its inception in 1967. Various bilateral relationships have been fostered over the years, including those pertaining to trade, such as the ASEAN-New Zealand Business Council. Despite these efforts, trade between New Zealand and the ASEAN countries remains low. In 1989, for instance, exports to ASEAN amounted to NZ\$ .58 billion, out of the total exports of NZ\$ 14.9 billion (Ministry of External Relations & Trade 1989). Exports to ASEAN thus constituted only 4% of New Zealand's total exports to the world.

Meanwhile, ASEAN imports have increased rapidly in recent years. Total imports jumped from NZ\$ 23 billion in 1982 to NZ\$ 31.8 billion in 1987 (Directory of Trade Statistics, 1988). Except for the recession years of 1984 to 1986 when there were declines in imports, all the other years of the 1982 to 1987 period recorded annual import growths in excess of 12% per annum. New Zealand currently supplies only 0.4% of the total ASEAN imports. Hence there is ample room to expand export volumes, provided New Zealand products can compete effectively. Further, the economic growth rates of ASEAN countries indicate that overall import capacities in the region can be expected to grow rapidly in future years. This will provide added opportunities for New Zealand exporters.

Information on major export items in ASEAN given in Table 2 shows that 'Condensed and dried milk' was the chief New Zealand export to ASEAN countries in 1988, and that it increased markedly by 238% over the 1980 to 1988 period. Butter exports ranked second,

beef third and lamb fourth. Exports of beef and lamb increased greatly over the same period but butter exports increased only marginally. As in many other countries, consumers in ASEAN have been turning to margarine and as a result butter sales in these countries have not registered the same growth as other products. New Zealand beef exports to ASEAN increased by a substantial 82% between 1980 to 1988 and lamb exports by an impressive 203%. It is to be noted too that the value of the 'Other exports' category, which includes miscellaneous manufactured export items, rose by some 70% over the period.

### Opportunities in ASEAN for New Zealand Exporters

It is anticipated by economic forecasters that ASEAN countries will continue to record strong per capita income and consumption growth over the next 10 years. It is also expected that there will be substantial growth in the demand for imported goods, including those from New Zealand. Admittedly New Zealand exporters will only be able to supply a selected range of goods and services required in ASEAN, particularly the traditional agricultural products as well as certain processed food items, some manufactured goods and information technologies. Even so it will be in New Zealand's interest to aggressively market its products and services to this region, as increased incomes in these countries mean a shift to higher valued foods including dairy products, meat and temperate country fruits, and a movement towards higher technologies. Additionally, there are indications of growing demands in ASEAN countries for such items as high technology engineering products, information technology as well as agricultural technology and machinery.

Already a small number of New Zealand exporters have achieved success in ASEAN countries. The Dairy Board has undertaken a very aggressive campaign in Malaysia to market the Board's Fernleaf brand of powdered milk. In 1989 the Board emerged as the largest supplier of powdered milk to Malaysia, in the process overtaking at least one very large European multinational company that had held majority shares in the lucrative powdered milk markets of ASEAN. Another success is the window manufacturer, Interlock Industries. After initial marketing successes in ASEAN countries, Interlock has set up a manufacturing plant in Malaysia to supply ASEAN as well as other nearby countries. The recent acquisition

**Table 2. New Zealand Exports to ASEAN**

<b>Item</b>	<b>1980</b>	<b>1988</b>	<b>1980-1988</b>
	<b>(million NZ \$ fob)</b>		<b>% Change</b>
Condensed & Dried Milk	68.9	232.8	237.9
Butter	37.9	40.1	5.8
Beef and Veal	13.7	24.9	36.0
Lamb	1.7	5.2	16.5
Others	167.5	286.2	70.9
Total exports to ASEAN	289.7	588.4	103.1
Total exports to World	<b>(billion NZ \$ fob)</b>		
	5.2	12.5	140.4

Source: Department of Statistics, New Zealand (1981, 1989).

of a majority equity interest in the Singapore Cold Storage (SCS) Company by Watties is a third example, and will be watched with interest. SCS has extensive interests in food distribution and related businesses in Malaysia and Singapore and is strategically positioned to expand its operations to other ASEAN countries. The acquisition by Watties should accelerate the growth of New Zealand's food exports to this region.

## **Modifications**

ASEAN is a grouping of nations with many similarities, but these countries do differ in important details, and hence marketing strategies and programmes must be modified accordingly. For example, in terms of product specifications Malaysia, Indonesia and Brunei, being predominantly Muslim countries, have to be supplied with 'Halal' food exports, i.e., products devoid of pork and its derivatives, and from acceptable animals slaughtered according to Muslim rites. This is the same as the requirements for markets in the Middle East.

The approach to advertising should be also carefully considered. Practices and guidelines with respect to advertising vary considerably between the ASEAN countries. Besides the other media, advertising on television is widespread. From the viewpoint of modifications required, two aspects are particularly important. First, there is the censorship of advertisements. For example, in Malaysia and Singapore there is strict censorship pertaining to sex. No explicit behavior can be shown. Also women must be properly attired; no scantily dressed models are allowed in advertisements. In Thailand and Philippines however, censorship of television commercials is less stringent.

Second, in almost all ASEAN countries the majority of the people understand only their own local languages. Consequently, using the local language in television advertisements is likely to obtain the best results. However, in ASEAN countries where English is widely understood, such as in Malaysia and Philippines, it is not uncommon to find the same commercial in the local language re-telecast in English at another time slot.

These restrictions of censorship and language do impose some constraints in the production of commercials, but there are available in the various ASEAN countries many advertising agencies, including a number that are subsidiaries of international companies. These can readily adapt advertisements for the local situation, or produce new ones.

Also of importance to international marketers is the availability of market research services. In most ASEAN capitals, local companies as well as subsidiaries of a number of international market research firms have been operating for some time now, and foreign exporters can hire these market research services easily.

Thus the availability of these various marketing services in ASEAN countries should make it easier and more convenient for New Zealand exporters to make the necessary modifications to marketing strategies and programmes, in their attempts to win greater market shares in the region.

## **Conclusion**

New Zealand currently exports only 4% of its exports to the ASEAN countries. These countries have been experiencing very high per capita income and consumption growth rates in recent years and imports have been rising markedly. Singapore has already reached high-

income NIC status and it is anticipated that Malaysia and Thailand will reach the NIC state by the end of the decade. These three countries, with a total population of some 73 million receiving reasonably high incomes, will provide immense opportunities for international marketers, including those from New Zealand. Presently only 0.4 % of all ASEAN imports are supplied from New Zealand, and if advantage is going to be taken of the tremendous opportunities that are developing in the region, New Zealand exporters need to establish an adequate presence in the market now, so as to seize current as well as future opportunities in ASEAN markets. Some modifications to marketing strategies will be needed, to suit local characteristics. However, such adaptations are not expected to be a major constraint as adequate levels of professional services are available in ASEAN countries to effectively complement the exporter's own resources.

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