

“Certainly, travel is more than the seeing of sights; it is a change that goes on, deep and permanent in the ideas of the living.” Miriam Beard, American historian

We recently completed a multi-country research trip to Southeast Asia, with stops in China, Singapore, Thailand, and Vietnam. Unquestionably, visiting four countries in six business days makes for a hectic travel schedule (think scenes from *Planes, Trains, and Automobiles*). Once the fog of jet lag from the 30-hour return trip subsided, the trip’s collective impressions provided critical reinforcement for our investments in a handful of regional companies. We also covered quite a bit of new territory, gaining meaningful introductions to future opportunities in an area that is underrepresented in our portfolios.

Those of you who have been to China know that a visit there can be a culture shock, in particular for western suburbanites; this adventure proved no exception. What also became glaringly obvious was the density of crowds throughout the entire Southeast Asia region, not just in China. The chart below illustrates key demographic statistics by country:

Country	Population (in millions)	Median Age	Population Growth
Cambodia	15	24.9	1.6%
Indonesia	257	29.9	1.3%
Malaysia	30	28.3	1.7%
Myanmar	54	28.6	0.8%
Singapore	6	34.3	2.1%
Thailand	68	37.2	0.5%
Vietnam	94	28.5	1.0%

Most recognize the well discussed consumption stories of China and India, with 2.6 billion people and climbing. However, the countries of Southeast Asia, known collectively as ASEAN (Association of Southeast Asian Nations), are rapidly becoming a demographic powerhouse. The region has a combined population of over 500 million and, although culturally fragmented, is numerically larger than the U.S. by roughly 170 million. Consumption and development are expanding in tandem with the growth in a youthful population willing to work toward a better way of life. It is an area of the world that is under traveled by Americans and often overlooked by western investors.

Admittedly, each of the countries visited is at varying stages of economic progression, with Singapore being the most advanced by far. In fact, Singapore is consistently ranked at or near the top of the list for being the most business-friendly country in the world. A unique and compact independent city/state located just at the tip of Malaysia, Singapore punches above its weight class, and is routinely lauded for how it manages a successful market-driven economy. There is no allotment for laziness or bureaucratic inefficiencies, and little tolerance for those accustomed to aggressive social disruption. Most people aspire to live in Singapore because of the strong work ethic, safety, order, stability and financial opportunity it provides. These characteristics filter through to the earnings of the local companies. Banking, logistics, real estate, shipping, and “hosting,” or rather becoming the go to locational base for any number of western firms operating in the region, are industries that thrive in Singapore.

After a short two-hour flight from Singapore, we made our way to Ho Chi Minh City, formerly Saigon. Long combined into north and south and still formally communist, Vietnam, along with neighboring Cambodia and Myanmar, have been controlled historically by repressive regimes. While the governments may be officially anti-capitalist, the people are visibly motivated by commerce and profit. Thankfully, with a young and tech-savvy population, cellular communication and the internet have enabled a degree of catch up, and provided a means to bypass the government in terms of commercial activity. We toured a power supply factory outside of Ho Chi Minh City, which has a population of around 10 million people. The factory is leased by a company domiciled in Singapore (low corporate taxes and a long history of respecting contract law) and listed on the London Stock Exchange (enhanced liquidity and transparency). The company utilizes the educated and comparatively inexpensive labor of Vietnam and is a textbook example for effective global business integration. The key products are electrical power regulators, which are necessary cogs in a number of manufacturing processes, in particular for pharmaceutical, medical, and technological production facilities. We spent the morning with the regional manager, who is British, and observed a skilled and incentivized work force with wages and work conditions that are well above average for the country. The regional manager oversees the Vietnam facility and also a Chinese facility near Shanghai. Our dialogue was candid regarding the stark cultural differences he experiences in the manufacturing and logistical processes of those two competing countries. The facility supervisor was a local Vietnamese, and he was charged with managing the assembly process to global standards, as the end clients were predominantly western companies.

Next we ventured into central China for a visit to Chongqing, considered a “second tier” city within China. For reference, Shanghai and Beijing are often cited examples of the “first tier.” In the greater municipal Chongqing area there is a population of roughly 30 million, which makes it one of the largest metropolitan areas in the world, second tier or otherwise. The infrastructure (roads, airports, train, public transportation, commercial districts) is well planned and logically organized. Chongqing has two airports, one to handle domestic passengers and the other dedicated to a growing pool of international traffic. The highways were extensive and modern, and for the most part traffic moved efficiently. China also boasts a large rail network with a number of “bullet trains” that move passengers between its largest cities at speeds of up to 185 mph. The population in Chongqing is highly urbanized with most living in high rise tenement buildings. There were an abundance of cranes and construction projects underway, however we noted commercial and residential buildings that were partially vacant and upkeep for many appeared spotty. Ultimately, we found Chongqing to be an energetic and thriving mega city, recognizing that moving 30 million people around daily is no easy task. Somehow the Chinese manage to work, eat, shop, play and live quite typical lives that would not be too dissimilar to urban life in America, albeit perhaps on steroids.

Thailand was the last stop of the tour, and is often portrayed in Western media as the bastion of social upheaval with military coups overtaking the government every few years. While accurate in terms of the political situation, the day to day life of the Thai people we encountered was surprisingly mundane with a very normal work day pace and a noticeably westernized style of commerce. Our visit was with a local beverage company (spirits, beer, soft drinks and water) that has been growing revenues and earnings impressively over the past five years. There is a mixture of local and western trained leadership at the firm, and their understanding of the long term opportunities and their candor regarding the challenges, make the story compelling for further analysis and consideration.

The desire for better lifestyles, possessions, and a willingness to work hard and to provide a better life for one’s family is universal in Southeast Asia. We would say the social directions are fervently toward capitalism, infused with local flavorings, despite the official political stances. Though the means and logistics may differ by country, the economic opportunities in Southeast Asia are quite real.