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US-ASEAN Summit Highlights "The Next Big Thing"

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President Obama asked all 10 leaders of the ASEAN countries to come to the US for an offsite discussion. The result was the US-ASEAN Summit at the Sunnylands Estate in Rancho Mirage, CA.

So what? Just another typical move by a lame duck President, right? Change the channel. No.

Two very important things here, including one that can greatly improve your investment performance in the coming decade.

First, geopolitics is being reformed as China gains economic strength. China went off the Japan development model script when it started to act unilaterally in the South China Sea and build islands and military outposts on them.

As a result many of China's neighbors in ASEAN countries are worried by what they view as aggressive and illegal Chinese actions in their waters. The US then "pivoted" toward ASEAN and ASEAN is pivoting toward the US as attested to by the Sunnylands Summit as well as the recent Trans-Pacific Partnership (TPP).

Are there other signs of a warming? Yes there are many. For example, The Philippines is now asking the US military back after it was unceremoniously kicked out over 25 years ago. And, the US's former arch-enemy, Vietnam is now courting US investment. I was in Vietnam last week-end, and can attest to the positive feelings the Vietnamese have for Americans.

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affect you, as not all of the changes are positive.

The second important point is the that the Summit highlights the dramatic economic improvements taking place in the ASEAN countries. I have viewed the ASEAN region as "The Next Big Thing" for investors ever since the financial collapse of 2008.

Track with me here, what I am going to tell you is important.

If you want to outperform markets as I have over many years you have to identify the big trends and then ride them. It is not so hard to do if you apply basic economic analysis.

There has been spectacular growth and wealth creation in Asia since 1950. The template was developed by post-war Japan which by 1989 had become industrialized and growth slowed as expected. The Japanese development model continued to be successfully implemented in other Asian countries such as South Korea, Taiwan, Hong Kong, Singapore and then starting around 1990 China.

By studying the successful development strategies (and unsuccessful ones), you can scan countries to see which ones are implementing the proven successful policies, and from that, with a high degree of confidence, identify when and where high continuous economic growth will occur, or continue, and where it will not.

You want to invest in high economic growth countries because that is where the wealth is being created and you have a shot at earning some of it. Investing in Japan from

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country identified, then you have to pick your strategy to insure you get a part of that wealth from your investment, but that is a different discussion.)

As China developed it became a black hole for foreign direct investment, sucking in the majority of global capital allocated for Asia.

Now that China growth is solidly below 10%, and will be forever, investors are well advised to look for "The Next Big Thing." That would be ASEAN, as underscored by the Sunnylands Summit.

ASEAN is a disparate group of 10 countries representing over 600 million people that share South East Asia as home. There are several very high income countries such as Singapore with average per capita GDP of almost \$60,000 and Brunei at over \$40,000. There are middle tier income countries led by Malaysia and followed by Thailand. Then comes the lower middle tier countries of The Philippines, Indonesia, and Vietnam. Finally three countries have average per capita GDP's of less than \$2,000, including Cambodia, Laos and Myanmar.

In ASEAN Singapore has shown that it is possible to develop, providing an excellent model and anchor for all ASEAN countries. Brunei has a high level of oil derived wealth, is stable with a good legal system and is welcoming investors. 2016 growth should be around 2% for both.

The middle income and lower middle income countries are on a solid growth trajectory, and have been for some time, with 2016 growth targeted at over 5%. Thailand is lagging and Vietnam leading this group of countries. Downside risk in these countries is limited with great

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great investment destinations.

The lower income ASEAN countries have expected growth for 2016 of over 7% as they work to move into the lower middle income category. There are many great opportunities to invest in all three countries for those willing to take more risk.

The fundamentals are in place in the ASEAN region for continued growth well above the industrialized countries for the next decade. ASEAN should do better than other emerging markets as well as the ASEAN countries are replicating the proven Japan model while many countries in Africa, South America and elsewhere are still struggling to get the growth model right.

The US-ASEAN Summit at the Sunnylands Estate highlights the changing world we are living in, and underscores the fact that ASEAN is "The Next Big Thing."

Contact me if you want specific ideas on how to participate in the ASEAN growth. This is where the action is.

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