



ASEAN – ASSOCIATION OF SOUTHEAST ASIAN NATIONS

What's happening in this economy

The Association of Southeast Asian Nations (ASEAN) consists of 10 member states: Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

With a population of 647.5 million, ASEAN is considered a bloc and is equivalent to the world's fifth largest economy. It was Australia's second largest two-way trading partner in 2017–18.

Goods and services trade with ASEAN accounted for 14 per cent of Australia's total trade in 2018. Two-way merchandise trade in goods and services grew from \$104 billion in 2017 to \$121 billion in 2018.

Two-way investment between Australia and ASEAN grew from \$208 billion in 2017 to \$225 billion in 2018.

In 2018 Australia provided almost \$40 billion in Foreign Direct Investment flows to ASEAN. An estimated 60 per cent of the 100 largest Australian companies have an investment presence in ASEAN, which is testament to the importance of the region.

Total Foreign Direct Investment flows to ASEAN rose from USD 123 billion in 2016 to USD 137 billion in 2017. Singapore was the largest investor across the region, followed by Japan.

Economic growth varied across ASEAN markets in 2018, ranging from 7.3 per cent in Cambodia to negative 0.2 per cent in Brunei. Vietnam performed strongly at 7.1 per cent, while the more advanced economy of Singapore achieved 3.2 per cent. The average economic growth across ASEAN in 2018 was 5 per cent, making ASEAN a top global economic performer.

Domestic consumption is a key driver of economic growth in ASEAN. However global trade tensions and slowing growth in China are impacting on the short-term economic outlook for ASEAN economies. Several countries—including Indonesia, Singapore and Thailand—have downgraded their growth forecasts for 2019. In 2019, export values contracted in the Philippines, Thailand, Indonesia and Singapore. In contrast, Vietnam's exports—particularly electrical and electronic goods to the United States—are growing.

Trade, investment, and commercial opportunities and activities

- The diversity of ASEAN markets remains a challenge, but also presents opportunities for Australian businesses. There is:
 - a strong fit between ASEAN's growth drivers and the goods, services, technologies and skills that Australia has to offer. The region has a growing, young and increasingly urbanised, digitised, educated and wealthy consumer base, and it is experiencing skill shortages in key industries, and
 - excellent potential for further future collaboration to meet the region's growing needs, including in agribusiness and food, and in sectors such as education, healthcare, and financial and business

Key facts and figures (2018)

- Population: 647.5 million
- Average GDP growth: 5.0%
- GDP per capita: USD 4514
- Two-way trade/key goods and services traded: \$121 billion (main exports: education-related travel, crude petroleum, coal)
- Two-way investment: \$225 billion
- Aid relationship: \$32.9 million (2017–18)



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services. There are also opportunities in digital technology, defence and advanced manufacturing, infrastructure and the resources sectors.

- ASEAN countries have learnt from the Asian financial crisis and the global financial crisis. They are pursuing economic reforms, and have a strong commitment to deeper economic integration:
 - this includes freer movement of goods, capital and people, and a region-wide emphasis on infrastructure and intra-connectivity, however
 - challenges remain to doing business in ASEAN countries. The 2019 AustCham ASEAN survey identifies lack of access to skilled labour and governance, and restrictions on foreign ownership and investment, as key issues.

Australian commercial presence

- More than 12,000 Australian companies export to ASEAN. Since 2010, Australian foreign direct investment has grown from \$17 billion to almost \$40 billion in 2018, fuelled by increasing investments in services including in finance and banking.
- Australian extractive and resources companies, as well as services firms in insurance and finance, hospitality and entertainment, manufacturing, and education and training, are all present in the region.

Current and emerging commercial opportunities

- ASEAN's attraction to Australian commercial interests lies in its substantial growth prospects. This potential is a result of factors including favourable demographics, rising urbanisation, industrial development, relatively low national debt levels, abundant natural resources, and proximity to the powerhouse economies of China and India.
- The diversity of ASEAN markets—both between and within countries—remains a challenge, but also presents opportunities for Australian businesses:
 - ASEAN is continuing to develop a harmonised economic market to achieve lasting growth and prosperity across the region, and
 - the key drivers of opportunity for Australian businesses have their foundations in increasing consumer affluence, industrial modernisation and rapid urbanisation.
- Rising incomes across ASEAN are creating a new class of aspirational consumers. This is fuelling greater demand for premium foods, quality brands and new experiences. Increasingly, wealthy populations are demanding a greater variety and quality of food and beverages including meat, dairy, wine and packaged goods:
 - ASEAN's retail sector is being transformed by customers seeking more sophisticated shopping options including the convenience of buying online, eating out and using home delivery services, and
 - rising incomes are also creating greater demand for better quality education, higher standards of health care, and more participation in travel and leisure activities. As economic growth continues, ASEAN will offer even greater commercial opportunities for Australian providers of quality consumer brands, enabling technologies and sophisticated services.
- All the ASEAN countries are at different levels of development, each with their own unique economic advantages and challenges which they are seeking to overcome:



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- as the region’s economies continue to expand and become more service-oriented, companies are working to become more productive through innovation, automation and workforce reskilling, and
- companies often seek international partnerships and consider Australian businesses to be ideal collaborators to help them move up the value-chain.
- Rapid urbanisation, a feature of ASEAN countries’ economic and industrial success, is driving a desire to build larger and more sustainable cities. This includes building better infrastructure to improve connectivity, enabling efficient transport and business operations:
 - across the region, a large number of road, rail, port and airport projects are underway. There are opportunities for Australian companies that can offer innovative expertise and technology that supports the design, development or operations of the built environment.
- International development agencies are continuing to seek private sector expertise and advanced solutions to make the necessary step-change for developing ASEAN countries:
 - international development projects present significant opportunities for Australian organisations, particularly due to our proven record of delivery and understanding of regional needs.

Foreign direct investment and inwards investment needs

- ASEAN companies are increasingly looking overseas for investment opportunities as a major part of their growth strategies. In 2018 ASEAN foreign direct investment in Australia was approximately \$48 billion, in areas including energy and resources, agribusiness, advanced manufacturing and tourism infrastructure:
 - Australia is seen as an attractive source of raw materials, and provides access to supply chains and new customers. Many ASEAN conglomerates invest in Australia to broaden their strategic interests and to bring advanced technology and know-how back into their domestic operations.

Australian Government support to Australian businesses

- Australian Government agencies work together across the region to advance Australia’s economic, commercial and trade interests:
 - the Australian mission to ASEAN leads a range of activities and events to highlight emerging market trends, promote two-way ASEAN–Australia trade and investment links, and connect Australian businesses with key decision-makers in ASEAN.
- Austrade has offices in Indonesia, Singapore, Thailand, Malaysia, Vietnam, the Philippines and Myanmar to provide practical advice on market entry and expansion, and to direct Australian companies towards countries that present the best potential for their business:
 - in 2019–20 Austrade is highlighting opportunities for Australian businesses in the agrifood, defence, international education, workforce skilling, advanced manufacturing, health, smart cities and technology sectors.

Trade policy and negotiations

- The ASEAN Australia New Zealand Free Trade Area (AANZFTA) entered into force in January 2010 and was Australia’s first multi-country agreement:



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- it offers extensive tariff reduction and elimination commitments, and regional rules of origin that provide opportunities for Australian exporters to tap into the region’s international supply chains.
- In 2018–19 almost 97.5 per cent of imports from AANZFTA parties entered Australia duty free. Since entry into force, there has been a progressive increase in AANZFTA use:
 - export shipments from Australia issued with AANZFTA certificates of origin increased by 14.8 per cent in 2018.
- The First Protocol to Amend AANZFTA entered into force for Australia on 1 August 2015 and, since March 2019, all parties have implemented the protocol:
 - the protocol addresses a range of administrative issues that had hindered business using AANZFTA's tariff commitments.
- AANZFTA parties are implementing recommendations to upgrade the agreement following a 2017 general review and the 2018 AANZFTA ministerial endorsement of recommendations from that review:
 - the first round of upgrade negotiations will occur in mid-2020 in New Zealand, and
 - the AANZFTA upgrade will be on rules of origin, customs procedures (to include trade facilitation), services, investment, e-commerce, competition and government procurement.
- Australia also has **bilateral FTAs in force with Malaysia, Singapore and Thailand**:
 - Australia and Indonesia signed the **Indonesia–Australia Comprehensive Economic Partnership Agreement** in May 2019, which is yet to enter into force.
- The **Regional Comprehensive Economic Partnership (RCEP)** is an ASEAN-centred regional free trade agreement that builds on Australia’s relationships with 15 Indo-Pacific countries. These account for almost a third of world population and GDP and more than half of Australia’s two-way trade:
 - at the third RCEP Leaders Summit in Bangkok on 4 November 2019, Prime Minister Morrison and leaders from 14 other RCEP countries announced the conclusion of RCEP text negotiations, and the essential conclusion of market access negotiations
 - once signed and entered into force, RCEP will deliver new trade and investment opportunities for Australia. It is a modern, comprehensive, high-quality and mutually beneficial FTA covering trade in goods and services, investment, economic and technical cooperation. It will deliver significant opportunities for Australian businesses, and further integrate regional markets, lower trade barriers and boost export opportunities in our region. It also has new rules for small and medium sized enterprises, government procurement, intellectual property, competition and electronic commerce.

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