



ASEAN

ASSOCIATION OF SOUTHEAST ASIAN NATIONS

Business Conditions Snapshot

- 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 647.7 million (2018), ASEAN – if considered as a bloc – is equivalent to the world's fifth largest economy.
- The region has a growing, young and increasingly urbanised, digitised, educated and wealthy consumer base, and it is experiencing skill shortages in key industries.

Impacts of COVID-19

- The COVID-19 crisis has had a significant negative impact on ASEAN economies and will continue to affect economic growth in the region for years. The IMF's update World Economic Outlook (October 2020) projects a 3.4 per cent contraction in the 10 ASEAN economies in 2020. Vietnam, along with Brunei, Laos and Myanmar, are projected to grow at 1.6, 0.1, 0.2 and 2.0 per cent respectively in 2020. However, the remaining six economies are all projected to contract in 2020, including the Philippines at 8.3 per cent and Thailand at 7.1 per cent.
- All of the six largest ASEAN economies (Indonesia, Singapore, Malaysia, Thailand, Philippines and Vietnam) are expected to record positive growth next year. But other than Vietnam, the return to 2019 levels of GDP is likely to take time. The IMF projects that Indonesia and Malaysia will return to 2019 GDP levels in 2021 but it will take until 2022 for Singapore, Thailand and the Philippines.
- There are signs of recovery across some areas of manufacturing and trade in goods, with machinery and equipment and electronics showing signs of growth. However, aggregate industrial production remains weak overall. COVID-19 has also resulted in increased trade protectionism, particularly with regards to essential medical goods and supplies. To address this, on 13 November 2020 ASEAN Economic Ministers agreed to a memorandum of understanding on the

Key facts and figures

- Population: 647.7 million (2018)
- Average GDP growth: 4.3% (2019)
- GDP per capita: US\$4,755
- Two-way trade/key goods and services traded: \$123.7 billion (2018–19) (main exports: education-related travel, crude petroleum, coal)
- Two-way investment: \$225 billion (2018)
- Aid relationship: \$33.7 million (2019–20)



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Implementation of Non-Tariff Measures on Essential Goods. The measure commits ASEAN member states to refrain from imposing non-tariff measures on 152 categories of goods and supplies that are essential for combatting COVID-19, and to rolling back existing non-tariff measures on goods that are not WTO compliant.

- Service sectors and those associated with travel and the tourism industries affected by global and domestic movement restrictions are likely to remain the hardest hit in the near term. Travel restrictions have also affected business and investment operations, as well as remittance flows. The latter has contributed to reduced domestic consumption in some parts of the region. On 12 November 2020, ASEAN Leaders committed to establishing an ASEAN Travel Corridor Arrangement Framework to facilitate essential business travel and to develop a common set of pre-departure and post arrival health and safety measures to protect wellbeing.

Free Trade Agreement Partners

- On 15 November 2020, Ministers from 15 countries (the 10 ASEAN Member States, along with Australia, China, Japan, New Zealand and Republic of Korea), signed the Regional Comprehensive Economic Partnership (RCEP). When this comes into force, RCEP will be the world's largest free trade agreement.
- The ASEAN Australia New Zealand Free Trade Area (AANZFTA) entered force in 2010 and is currently undergoing an upgrade process.
- Australia also has bilateral FTAs in force with Indonesia, Malaysia, Singapore and Thailand.

Development assistance

- The Indo-Pacific region is the engine of the new global economy. To ensure it can recover quickly, stimulating economic activity and restoring jobs at home and abroad, Australia has committed \$523.2 million over three years to make a significant contribution toward meeting the COVID-19 vaccination needs of the Pacific and Southeast Asia.
- Recognising open trade and investment is central to our recovery from the pandemic recession, Australia's investments in Southeast Asia will support high-quality infrastructure development and regulatory reform.
- Australia will also help ASEAN partners implement their RCEP and AANZFTA commitments through the Regional Trade for Development Initiative, and by working with regional technology standard-setting bodies to assist regional economies gear up for the future.
- Australia's ASEAN and Southeast Asia regional development response plan addresses the health security, economic and stability transboundary challenges posed by COVID-19, and strengthens the regional architecture required to respond effectively. It complements work under Australia's bilateral COVID-19 development response plans.

Trade and Investment Opportunities



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- The impacts of COVID-19 and the diversity of ASEAN markets are key challenges, but also present 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.
 - There is potential for further future collaboration to support the region’s economic recovery and meet its growing needs—including in agribusiness and food, and in sectors such as education and training, health care, and financial and business services.
 - There are also opportunities in digital technology, defence and advanced manufacturing, infrastructure and the resources sectors.
- ASEAN countries are pursuing reforms that will contribute to economic recovery and deepen economic integration across the region.
 - This includes creating freer movement of goods, capital and people, and a region-wide emphasis on infrastructure and intra-connectivity.
- Challenges remain however to doing business in ASEAN countries.
 - The 2020 AustCham ASEAN survey identifies restrictions on service offerings, cost of operations, the time and cost associated with import/export procedures and lack of access to skilled workers as key issues.
 - International and domestic travel restrictions also limit opportunities for face to face engagement.

Australian commercial presence

- More than 13,000 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 finance and banking.
- An estimated 55 per cent of the 100 largest Australian companies have an investment presence in ASEAN, which is testament to the importance of the region.
 - This includes Australian extractive and resources companies, as well as services firms in insurance and finance, hospitality and entertainment, manufacturing, and education and training.

Current and emerging commercial opportunities

- Notwithstanding the economic impacts of COVID-19 on the region, ASEAN is predicted to return strong convenience of buying online, eating out and using home delivery services.
- Rising incomes are creating greater demand for better quality education, higher standards of health care, and more demand for travel and leisure activities.



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- As the regional economy recovers, it is anticipated there will be increasing growth from 2021 onwards, meaning ASEAN will remain a highly prospective market for Australian commercial interests.
- This potential is a result of factors including favourable demographics, rising urbanisation, industrial development, 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.
 - The key drivers of opportunity for Australian businesses have their foundations in increasing consumer affluence, industrial modernisation and rapid urbanisation.
- Rising incomes across ASEAN has created a new class of aspirational consumers fuelling greater demand for premium foods, quality brands and new experiences. 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.
 - There are also increasing commercial opportunities for Australian providers of quality consumer brands, enabling technologies (particularly in health and education) 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.
 - As the region’s economies recover, expand and become more service-oriented, companies are working to become more productive through innovation, automation and workforce reskilling.
 - 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 progressing albeit at a slower pace largely due to COVID-19 related delays.
 - There are opportunities for Australian companies that can offer innovative expertise and technology that supports the design, development or operations of the built environment.
 - ASEAN Smart Cities Network is also looking to develop more private sector partnerships to improve initiatives for smart cities development in the region.



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- International development agencies are continuing to seek private sector expertise and advanced solutions to support ASEAN's COVID-19 recovery.
 - International development projects present significant opportunities for Australian organisations, due to our proven record of delivery and our understanding of regional needs.

Foreign direct investment and inwards investment needs

- Despite the impacts of COVID-19 on the global economy, ASEAN companies are still 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.
 - Austrade has offices in Indonesia, Singapore, Thailand, Malaysia, Vietnam, the Philippines and Myanmar. Experts provide practical advice on market entry and expansion, and can direct Australian companies towards countries that present the best potential for their business.
 - 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.

Trade Policy Focus

- 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 the world's population and GDP, and more than half of Australia's two-way trade.
 - On 15 November 2020, Ministers from all 15 countries (10 ASEAN Member States, along with Australia, China, Japan, New Zealand and Republic of Korea), signed the RCEP Agreement. RCEP countries now need to complete their domestic procedures to ratify the agreement before it can enter into force.



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- Once in 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.
- The **ASEAN Australia New Zealand Free Trade Area (AANZFTA)** entered into force in January 2010 and was Australia's first multi-country agreement.
 - 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.
- Since entry into force, there has been a progressive increase in AANZFTA use.
 - In 2018–19 almost 97.5 per cent of imports from AANZFTA parties entered Australia duty free.
- 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.
 - Preparatory work has commenced, and the first round of formal upgrade negotiations is expected to occur in the first half of 2021.
 - The focus of 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 Indonesia, Malaysia, Singapore and Thailand**.
- Further information on these FTAs is available at the Australian Government's Free Trade Agreement Portal - <https://ftaportal.dfat.gov.au/>

Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.



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