

# 2018 EU-ASEAN BUSINESS SENTIMENT SURVEY



## About the EU-ASEAN Business Sentiment Survey

This is the fourth edition of the annual EU-ASEAN Business Sentiment Survey. The Survey aims to serve as a barometer for European business sentiment and outlook in Southeast Asia regarding key issues such as macro-economic conditions, the policy and regulatory environment, and the development of bilateral and multilateral free trade agreements in the region. The Survey is produced with the cooperation of European Chambers of Commerce throughout the ASEAN member states. This publication, along with previous editions, may be viewed at [www.eu-asean.eu/publications](http://www.eu-asean.eu/publications).

## Acknowledgements

This Survey was conducted confidentially online, and distributed with the help of our partners. We would like to thank all respondents for taking the time and effort to give their invaluable input to this report, as well as the following organisations for their support in helping to distribute the Survey:

- ◇ EU-Malaysia Chamber of Commerce & Industry
- ◇ European Association for Business and Commerce Thailand
- ◇ European Chamber of Commerce in Cambodia
- ◇ European Chamber of Commerce Indonesia
- ◇ European Chamber of Commerce Myanmar
- ◇ European Chamber of Commerce & Industry in Lao PDR
- ◇ European Chamber of Commerce of the Philippines
- ◇ European Chamber of Commerce Singapore
- ◇ European Chamber of Commerce Vietnam



Special acknowledgement and thanks go to Adeline Liew, our research intern, who helped run the survey and collate the responses.

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# FOREWORD

BY H.E. FRANCISCO FONTAN, EU AMBASSADOR TO ASEAN

Events in the year of 2018 have been stretching to the limit the agreed framework of global trade that has brought prosperity and development to both Europe and Southeast Asia. At times like these, it is important to show our continued commitment to open, fair and rules-based trade. The EU remains strongly committed to advancing a positive global trade agenda and I believe, together with ASEAN, we are ready to take the lead on both a regional and global scale.

Despite a difficult situation, trade and investment flows between the EU and ASEAN continue growing substantially—showing how robust and promising our economic relations are, and how important we are becoming for each others' prosperity.

In fact, bilateral trade in goods has almost doubled in the last 10 years. The EU continues to be ASEAN's largest trade partner (after China) with a share of around 13% of its market, while ASEAN is the EU's third largest trade partner outside Europe (only behind the US and China), with trade totalling over EUR 227 billion in 2017.

More impressive still, the EU is by far the largest investor in ASEAN countries. In 2016 the Foreign Direct Investment (FDI) stocks into ASEAN accounted for EUR 263 billion. Although a more recent phenomenon, ASEAN investment in Europe has also been growing steadily to a total stock of over EUR 116 billion in 2016.

To sustain this momentum, the EU has launched a series of FTA negotiations with ASEAN countries in order to fully realise the market opportunities for EU companies, aiming at unleashing the full potential of our economic relations. Until now, the EU has concluded negotiations with Singapore and Vietnam. Talks have been launched with four other ASEAN countries and the ambition is to conclude those negotiations in a few years from now. These bilateral

Agreements are seen as stepping stones towards a fully-fledged region to region EU-ASEAN FTA.

I am, therefore, pleased and encouraged to read in this new and excellent survey published by the EU-ASEAN Business Council (EU-ABC) the strong interest of the EU business community on the pursuing of the EU-ASEAN FTA. Almost 9 out of the 10 respondents see the merits of a region-to-region agreement. More respondents, compared to last year, demand an acceleration of the EU engagement with the region. At the moment, the EU-ASEAN working group is developing the framework for a future ASEAN-EU FTA.

I also take note of the concerns in the survey over the lack of pace on the implementation of the AEC and the rising non-tariff barriers. The EU's support to the creation of the ASEAN community has been sizeable and very concrete, both financially and in terms of expertise. Rest assured, the EU will continue to do so in the future.

Finally, I highly appreciate strong support and active engagement of the EU business community in the ASEAN region. They are indeed the foundations of our institutional efforts in the economic field. I want to again thank and congratulate the EU-ABC for this new Business Sentiment Survey and for the excellent partnership with the EU Mission to ASEAN.

# INTRODUCTION

BY DONALD KANAK, CHAIRMAN OF THE EU-ASEAN BUSINESS COUNCIL

The EU-ASEAN Business Council's Business Sentiment Survey is now into its fourth year. The positive sentiment of European Businesses towards the potential for growth in the ASEAN Region stands out, even greater than in previous years in some cases.

A majority of European businesses continue to believe that ASEAN is the world's region of greatest opportunity. This is backed up by almost all of the respondents expecting to increase or maintain their current levels of trade and investment with Southeast Asia, and close to three-quarters expecting an increase in profits in the region in 2018.

At a time of turbulence in the global trading system where the rules-based multilateral system is coming under regular attack from some quarters, that faith in trade and investment in ASEAN is exemplary and welcomed.

There are some notes of caution, however. Concern is growing over the slow pace of economic integration in the region, the lack of movement in simplifying Customs procedures and removing Non-Tariff Barriers within ASEAN, which are key tenets of the ongoing ASEAN Economic Community (AEC) process. Although 85% of respondents say that the AEC is important to their business, only 12% believe that the key aim of turning ASEAN in to a "single market and production base" has actually been achieved.

The Survey reveals positive benefits that European businesses see from prospective trade agreements, both RCEP and EU-ASEAN FTAs. Almost all respondents call for faster action by the EU on negotiating trade deals with the ASEAN Region, in particular for a region-to-region Free Trade Agreement.

Most respondents are prepared to lower ambitions to achieve such a deal if necessary. ASEAN though

must also be prepared to raise its ambitions, so as to ensure the most comprehensive deal possible, which would also be in line with the goals of the 2025 AEC Blueprint.

The Survey also registers a perceived fall in the frequency of consultation undertaken by ASEAN governments, and a worrying increase in companies reporting experiences of unfair competitive practices within ASEAN. The Business Council will continue to encourage governments to actively consult with the private sector when developing new rules and regulations, as doing so tends to lead to better regulation, and hopefully more market access.

Finally, my sincere thanks, first to all of our respondents. This year the numbers surpassed the 2017 record. We also wish to express thanks to the other business councils and particularly the ASEAN Business Advisory Council, with whom we have been privileged to cooperate for more action on implementing the AEC.

In 2018, the EU-ABC was honoured to have been recognised as an accredited entity under Annex 2 of the ASEAN Charter. We take this designation very seriously and will continue to work closely with partners in ASEAN to play our part in creating inclusive, sustainable prosperity throughout the region.



# 2018 KEY FINDINGS

## Business Environment & Outlook

**99%** expect to either expand or maintain current levels of trade and investment in ASEAN in the next 5 years (2017 – 98%).

**72%** expect an increase in ASEAN profits in 2018 (2017 – 75%).

**51%** see ASEAN as the region with the best economic opportunity.

## Trade Agreements

**87%** believe that a region-to-region FTA between the EU and ASEAN would deliver more advantages than a series of bilateral FTAs.

**73%** believe they are at a competitive disadvantage without an EU-ASEAN FTA (2017 – 55%).

**98%** believe the EU should accelerate negotiations on FTAs with the ASEAN region (94% in 2017).

## ASEAN Regional & Domestic Policy Frameworks

**Only 12%** feel that ASEAN has achieved its aim of a “single market and production base”.

**54%** feel that the AEC process is too slow.

**Only 42%** feel that ASEAN economic integration has made a positive impact on their business (2017 – 47%).

**85%** believe that further ASEAN economic integration will be important to their businesses (2017 – 71%).

## Government Consultation & Competition Issues

**70%** feel they are often or sometimes consulted by national governments in ASEAN (2017 – 75%).

**Only 45%** of respondents feel that the EU is sufficiently engaged European business interests in ASEAN (2017 – 37%).

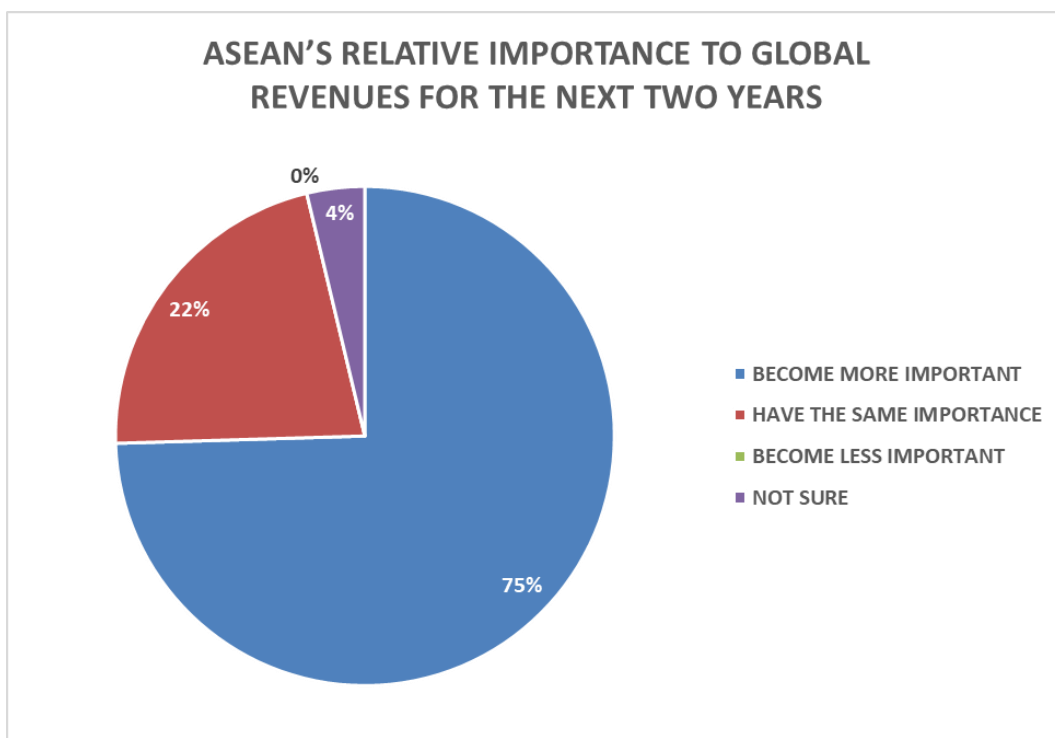
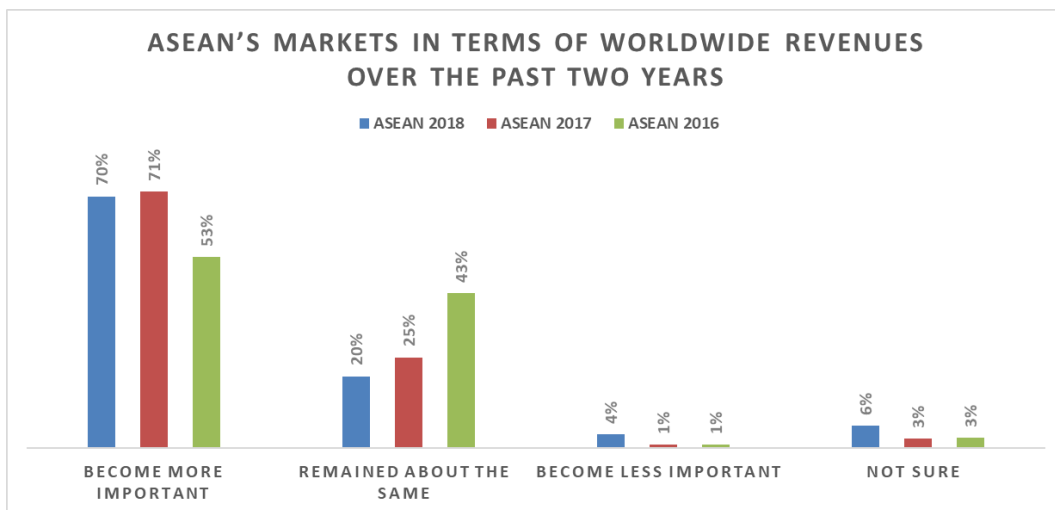
**62%** feel they often or occasionally face unfair competitive practices in their response locations (2017 – 48%).

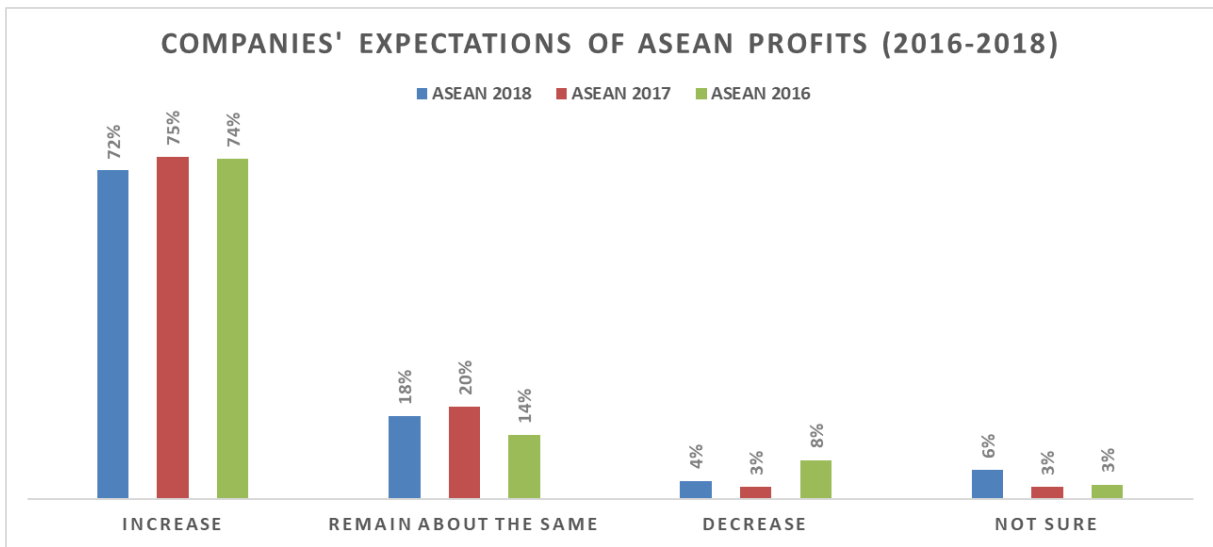
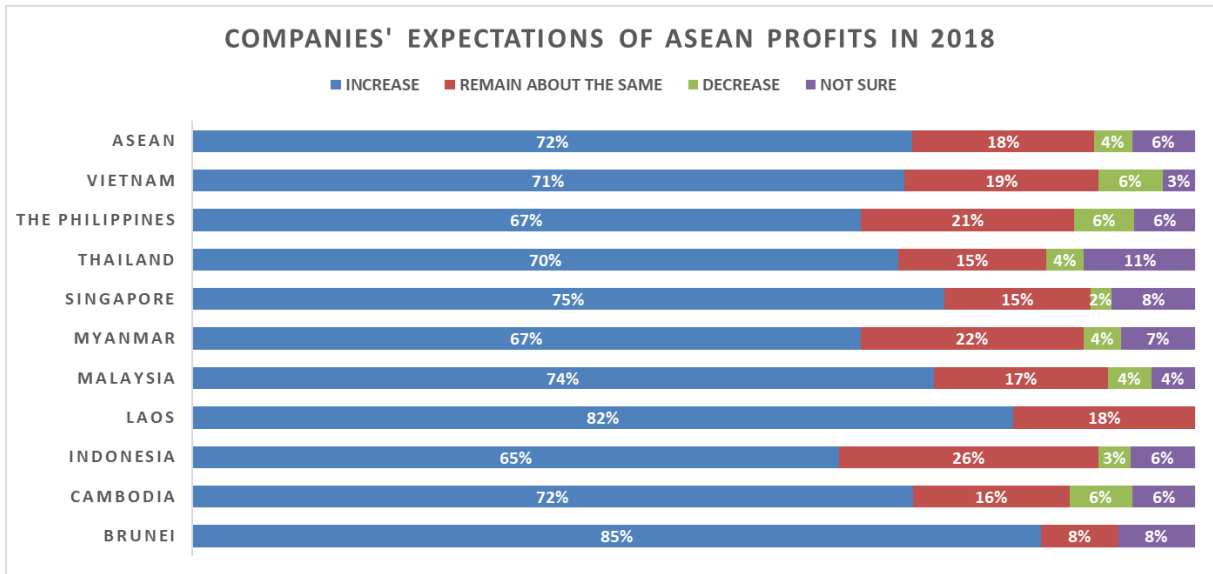
# CURRENT BUSINESS ENVIRONMENT & OUTLOOK

## EUROPEAN BUSINESS CONFIDENCE IN ASEAN REMAINS POSITIVE

This year's survey of European Businesses in ASEAN shows continuing positive attitudes on the general business environment in the region, with again a significant majority of respondents reporting that ASEAN's relative importance to their global revenues has increased over the last two years and three-quarters of them expecting the relative importance of ASEAN revenues to increase

over the next two years. The vast majority also expect their profits in ASEAN to increase in 2018. Companies based in Singapore and Thailand were markedly more positive about their 2018 profits compared to 2017, whilst companies in Vietnam seemed to be less positive compared to 2017.

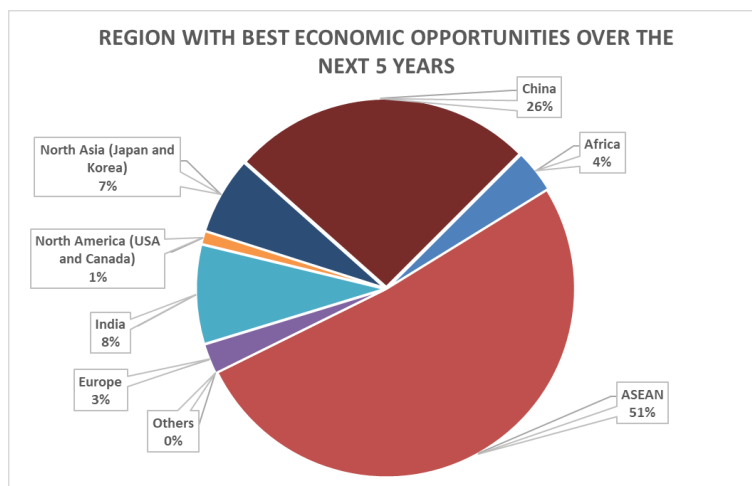




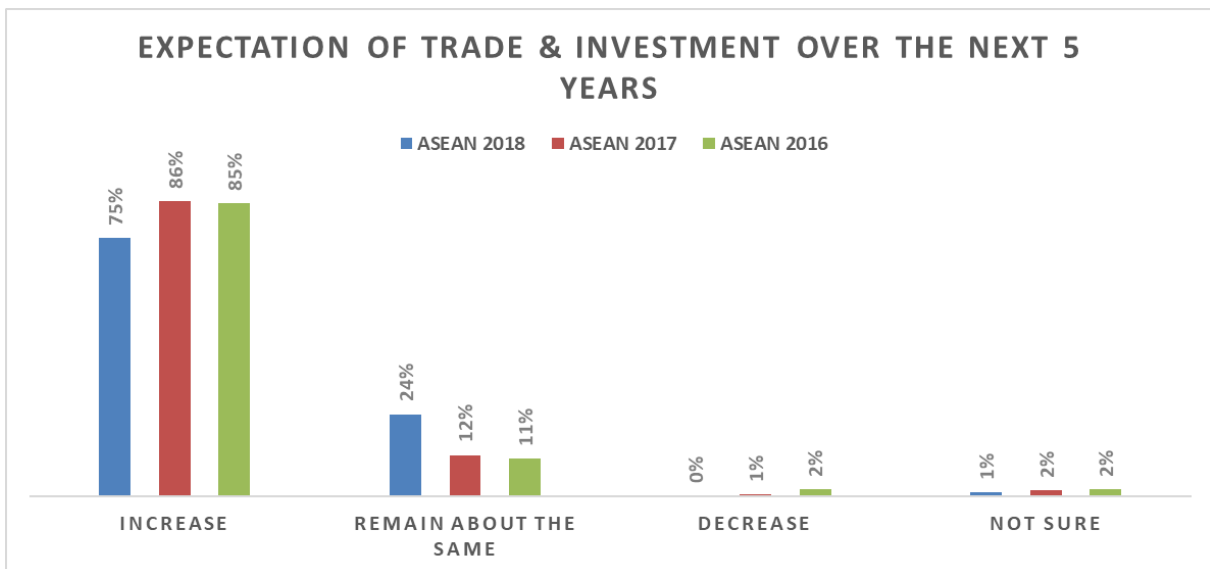
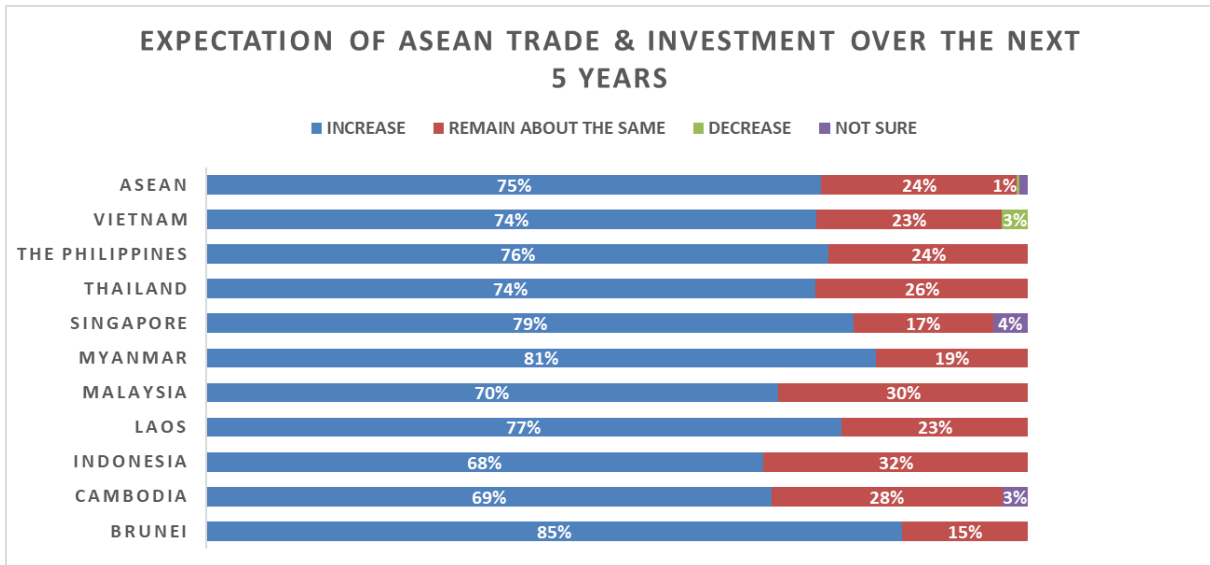
**ASEAN still seen as the region with the best economic opportunity: European Businesses still looking to grow operations within ASEAN**

Continuing the trend seen in past versions of this Survey, the majority of respondents still see the ASEAN region as the one that offers the best economic opportunities going forward, with more than half putting ASEAN first, ahead of China at around one-quarter of respondents. To emphasise this point, three-quarters of the respondents

expect to see their level of trade and investment with ASEAN to increase over the next five years. It should be noted, however, that this is a lower proportion than in 2017 where 86% of respondents expected trade and investment to grow.

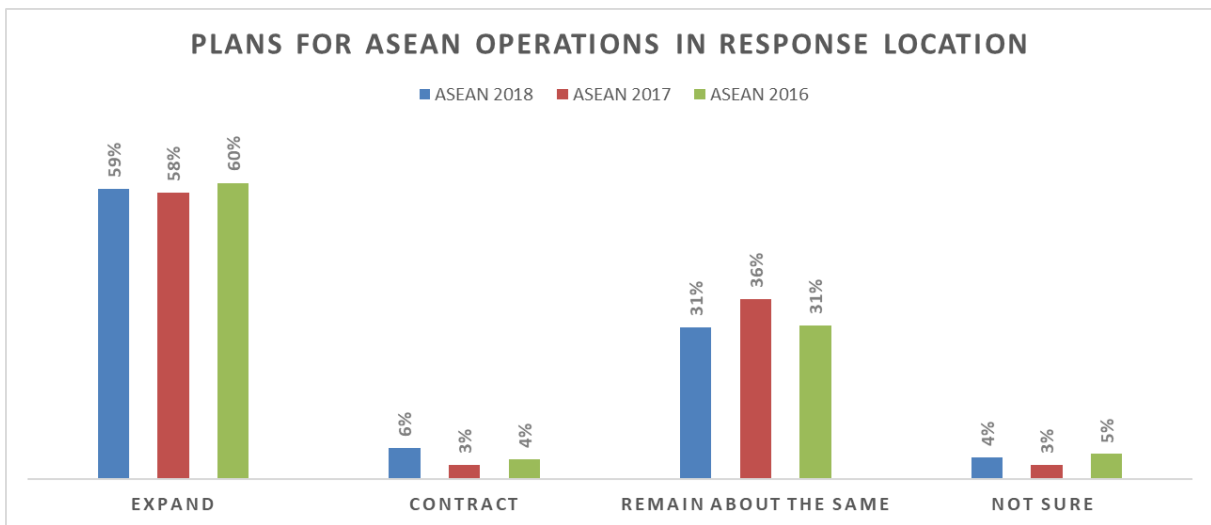
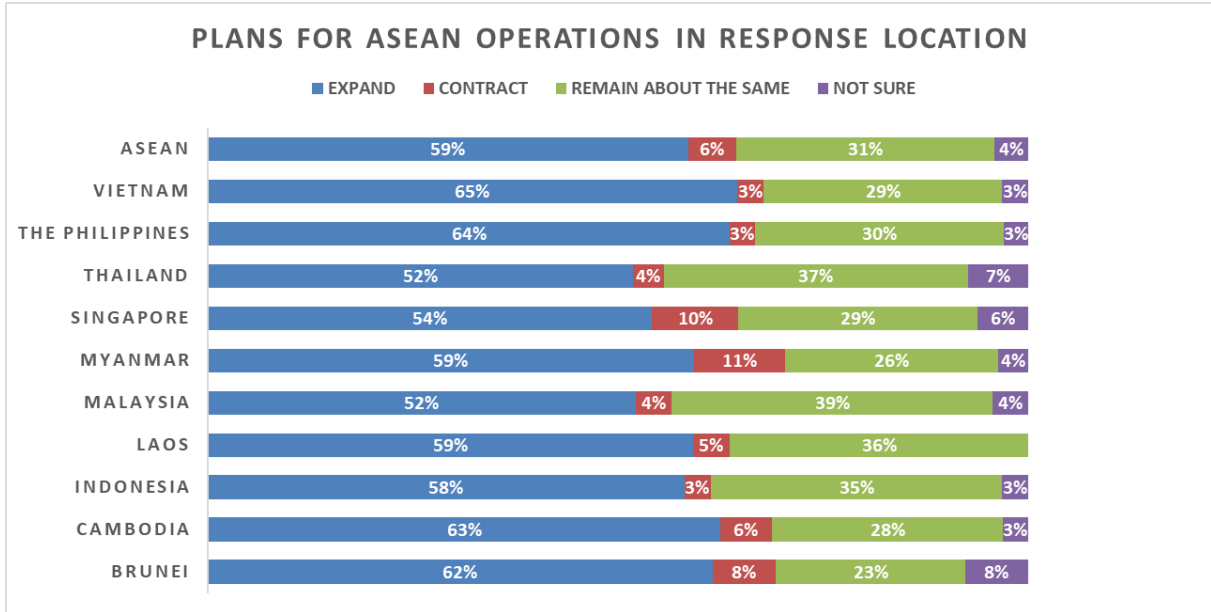






Nearly 60% of the respondents reported that they were looking to expand their operations in ASEAN, with a further 31% reporting that they intended to maintain operations at or around their current levels. This is in line with results in 2017, with the Survey showing no material

change in sentiment for this area. Of note might be the relatively high levels of companies that report an intention to contract operations in Singapore and Myanmar – in both cases up over 2017 (2017— 4% and 8% respectively).



## PROSPECT OF IMPROVED REGIONAL ECONOMIC INTEGRATION GIVEN AS MAIN REASON FOR POSITIVE FEELING ON IMPROVED ASEAN REVENUES AND PROFITS

We again asked respondents what were the factors that were driving ASEAN's importance in terms of revenues and prospective profits. 2018 saw a return to the top spot for the prospect of enhanced regional integration,

with improvements in infrastructure slipping from No.1 to No.2 on the list. Change in business strategy re-enters the top 3 in 2018, replacing economic recovery.

	2016	2017	2018
1	Enhanced regional economic integration	Improvement in infrastructure	Enhanced regional economic integration
2	Improvement in infrastructure	Enhanced regional economic integration	Improvement in infrastructure
3	Change in business strategy	Economic recovery	Change in business strategy

In terms of the factors driving expansion plans, we asked respondents to rank the following in order of importance:

- ◇ Adequate laws and regulations to encourage foreign investment
- ◇ Availability of trained personnel/efficient manpower
- ◇ Diversification of customer base
- ◇ Reasonable production costs (including labour costs)
- ◇ Stable government and political system

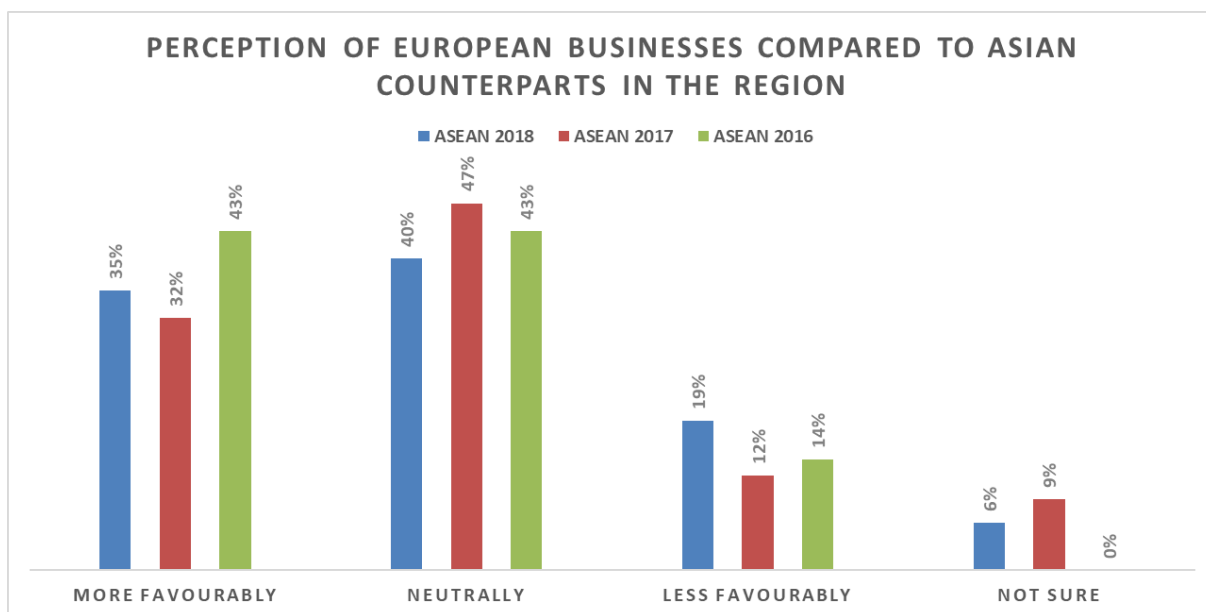
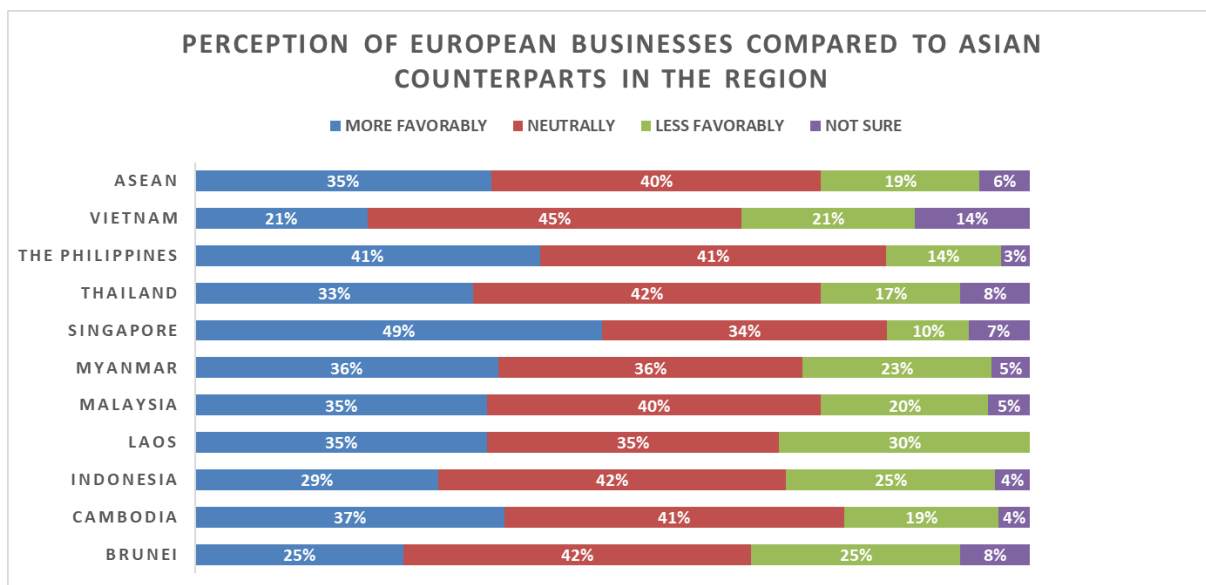
There was a significant change in 2018 over 2017 in the result to this question, with "adequate laws and regulations to encourage foreign investment" taking the top position and last year's first and second places slipping down to second and third respectively. This might be a

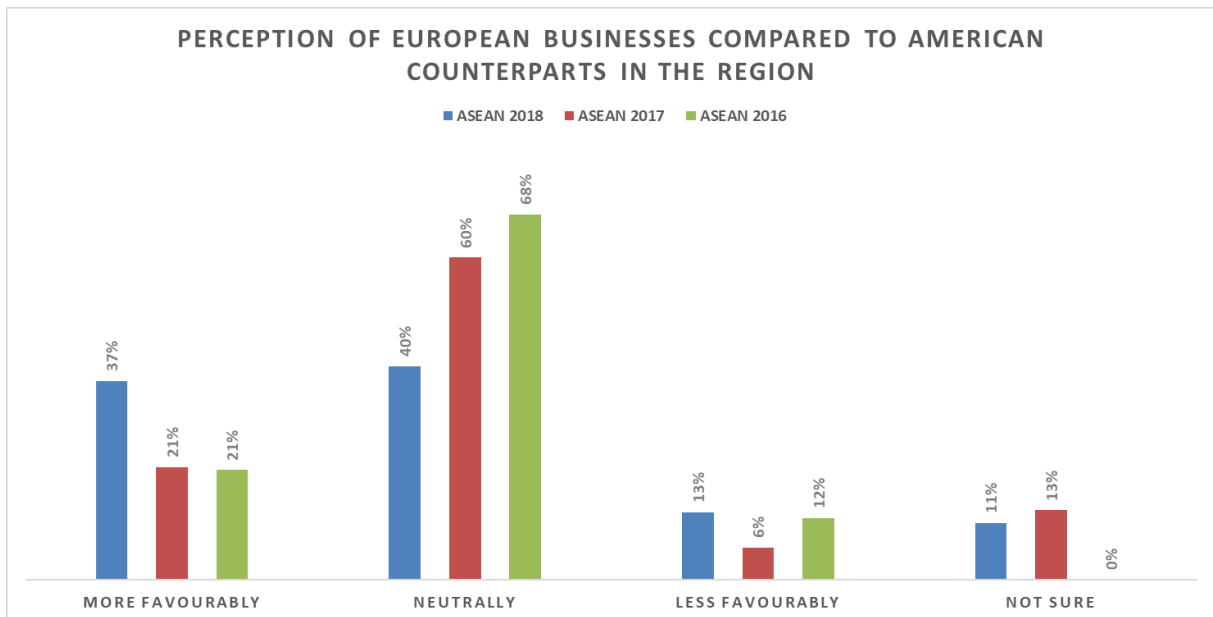
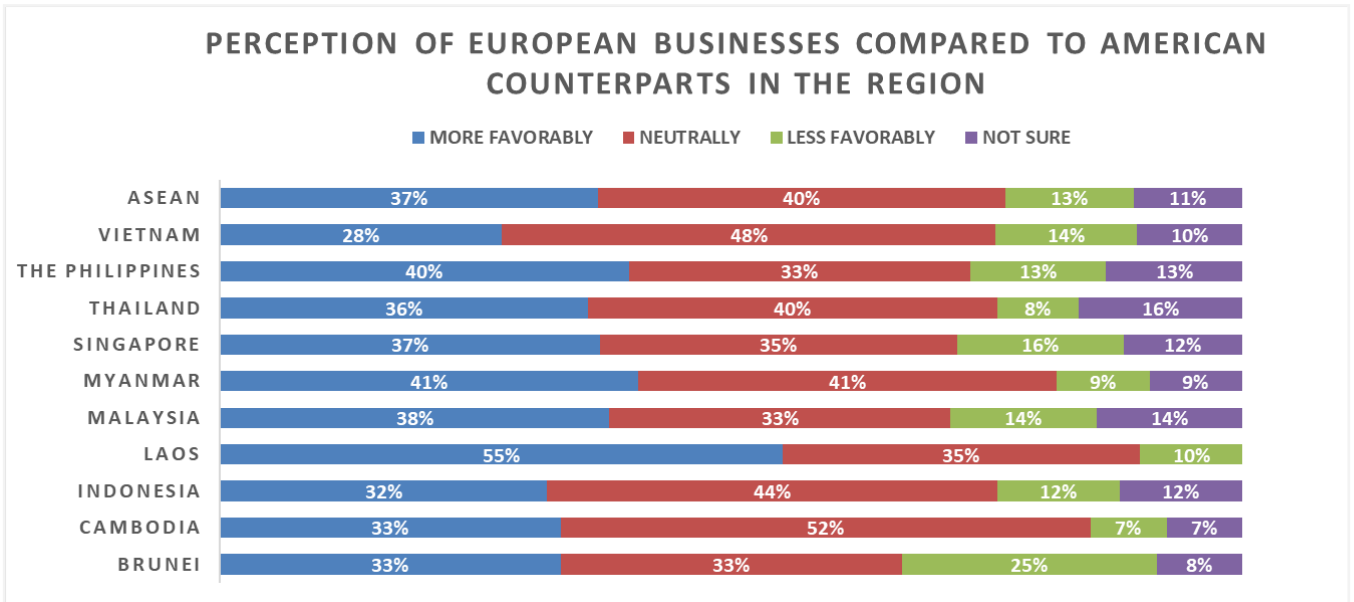
reflection of the aggressive marketing that many of the inward investment authorities in the region have been undertaking, with several of them now offering very favourable terms for foreign investment.

	2017	2018
1	Diversification of customer base	Adequate laws and regulations to encourage foreign investment
2	Stable government and political system	Diversification of customer base
3	Reasonable production costs (including labour cost)	Stable government and political system

*European Businesses see a positive outlook and they also believe they are viewed positively in the region*

European businesses feel they are perceived well in their response locations compared to their US or Asian counterparts.







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# ASEAN-EU Relations: Enhancing Trade & Investment in Southeast Asia

EU-ABC Paper 2018 Executive Summary

**A**SEAN is a centre of global economic activity and key driver of world growth. If the region were to be viewed as a single economic entity, ASEAN would be the world's sixth largest economy<sup>1</sup>, and by some projections rapidly heading to being the fifth largest<sup>2</sup> and potentially the fourth largest.

ASEAN's growth rates have been remarkable and look set to remain so. Across the ten Member States, the average GDP growth rate has been above 5% in recent years and is predicted to remain at such levels for the next five years<sup>3</sup>.

However, FDI to ASEAN has fallen for the last two years since its peak in 2014. In 2016 FDI flows to the region fell by 20%, despite a record 46% increase from the EU. ASEAN trade with the world has also fallen, despite World trade increasing, albeit only modestly. Intra-ASEAN trade has also fallen as a percentage of overall trade and in absolute terms.

Only 23% of ASEAN's trade is amongst its Members (compared to around 60% for intra-EU trade). The fact that intra-ASEAN trade is relatively low and has fallen in recent years, and that ASEAN trades so much with the rest of the world, demonstrates two things: first, there is huge scope for developing an intra-ASEAN strategy as, given the expanding economies in the region and the rapid economic and social development growth trends, the domestic markets in the region will grow rapidly. Secondly, ASEAN is a place from where companies can set up manufacturing and production bases and then easily trade with the rest of the world – ASEAN's geographical position and its relatively low cost of production naturally lend itself to this position.

But making these opportunities a reality, and helping the region continue to develop economically and ensuring that that economic development is distributed to even the most remote areas of ASEAN, requires faster movement on the AEC; increased ASEAN integration; and, faster movement on establishing trade deals with third parties.

ASEAN has set itself some very lofty targets, namely to double intra-ASEAN trade by 2025 and to achieve a 10% reduction in the cost of trade transactions by 2020. That 2020 target is only two years away. Neither of these targets will be hit without some bold decisions being taken across the region to facilitate more trade; increase investment in infra-structure; do more to boost and support e-Commerce and the digital economy (and not hinder it through such matters as enforced data localisation measures); and enhance the provision of financial services, through measures to raise competition which in turn would lead to higher rates of financial inclusion. The EU-ASEAN Business Council has produced a raft of recommendations covering all of these areas, and more, each of which are aimed at helping the region achieve its overall objectives for the AEC.

Since December 2015, progress has been slow in a number of areas. Customs Procedures remain burdensome and slow; only an ASEAN Trade Repository has been set-up for listing Non-Tariff Measures, with another portal for reporting Non-Tariff Barriers (NTBs); Harmonisation of standards remains restricted to a small area.

The private sector, as represented by the various Business Councils, has been attempting to support ASEAN on these matters. Collectively, we developed a proposal to expedite customs clearances for low-value shipments, designed specifically to help MSMEs and e-Commerce. It was not a perfect proposal but should have been a starting point for a more in-depth discussion. Instead, Customs Authorities in the region rejected it, making it clear they would not entertain further discussion. Yet finding a way to make measures such as these work would have demonstrated commitment to meeting the 10% target. Implementation of other measures in our Customs & Trade Facilitation Paper would also help in meeting that target. In the following pages we have listed out all of the recommendations from all of our recent position papers. We look forward to a discussion on them with the ASEAN Member States and the Secretariat.

Whilst European businesses remain overwhelmingly optimistic about ASEAN (as can be seen from the results of our 2017 Business Sentiment Survey, the highlights of which are set out in this paper), it is clear that more work needs to be done.

**5.2%**

Predicted average  
GDP growth rate in  
ASEAN 2016-2020

**629m**

Total population in  
ASEAN as of 2015 –  
with average growth  
rates of 1.3%

**90m**

Estimated number of  
people moving to  
cities in ASEAN by  
2030

**163m**

Number of consuming  
households in ASEAN  
by 2030 – double the  
number of 2013

Sources: ASEAN  
Statistical Database;  
OECD; McKinsey Global  
Institute

<sup>1</sup>See: <http://data.worldbank.org/data-catalog/GDP-ranking-table>

<sup>2</sup>Redrawing the ASEAN Map, Table 2 "What if ASEAN were on country...?", Economist Intelligence Unit 2014 – GDP 2013 was US\$2,398bn ranking ASEAN at 7<sup>th</sup> in the World; projected GDP in 2018 is US\$3,875bn ranking ASEAN at 5<sup>th</sup>.

<sup>3</sup>OECD, Economic Outlook for South East Asia, China and India 2016, Table 1, p.26

# TRADE AGREEMENTS

## SUPPORT FOR A REGION-TO-REGION FTA BETWEEN THE EU AND ASEAN REMAINS AS STRONG AS EVER; INCREASED CALL FOR THE EU TO ACCELERATE FTA DISCUSSIONS WITH SOUTHEAST ASIA

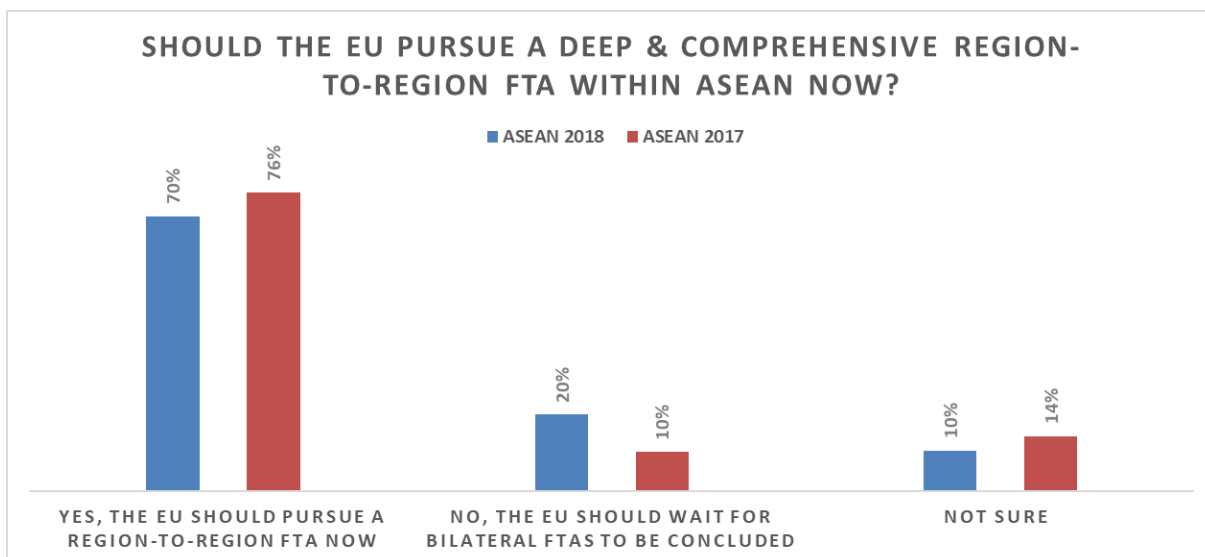
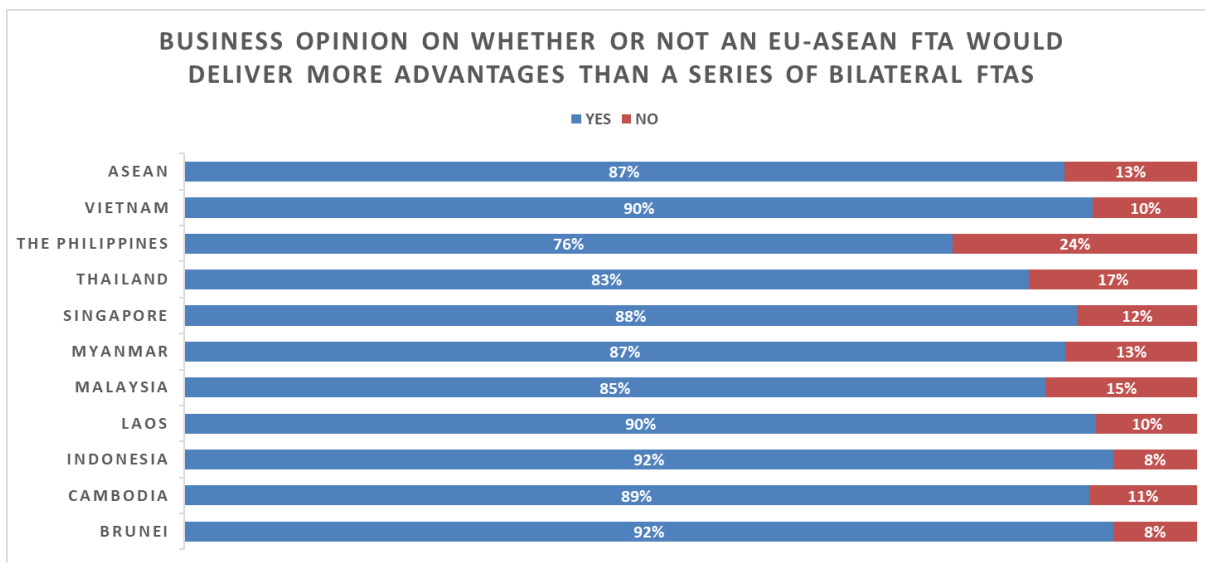
*Overwhelming support for a region-to-region FTA continues – seen as delivering more benefits*

There is continuing strong support from European businesses for a region-to-region trade deal between the European Union and ASEAN. Such a deal would cover bilateral trade which, in 2017, covered €227 billion in goods alone<sup>1</sup> (which amounts to 13% of ASEAN’s global trade).

Whilst discussions on a Framework Agreement that might lead to full negotiations on a region-to-region FTA have been ongoing for some time now, our Survey shows an increasing levels of impatience from European

business at the pace of progress with FTAs with the region by the EU.

As with the 2017 Survey, close to 9 out of 10 respondents felt that a region-to-region deal would deliver more advantages to their businesses than a series of bilateral FTAs with individual ASEAN Member States, with 7 out of 10 respondents saying that the EU should pursue such a deal now rather than wait to complete more bilateral deals.



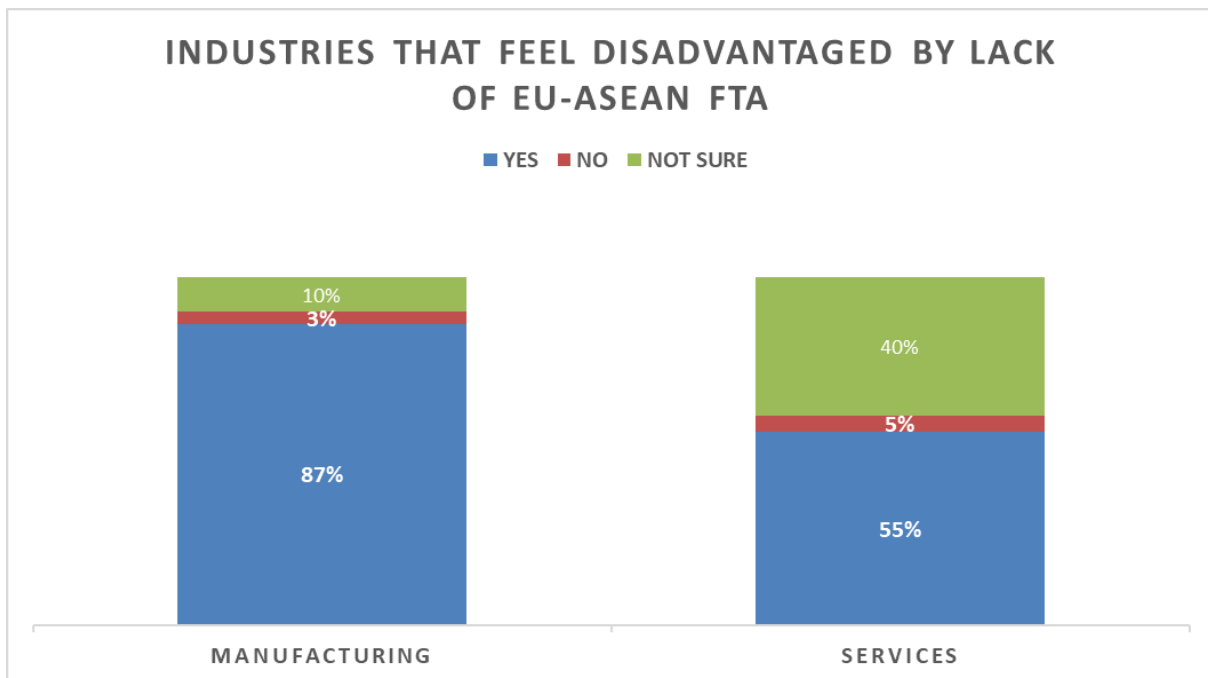
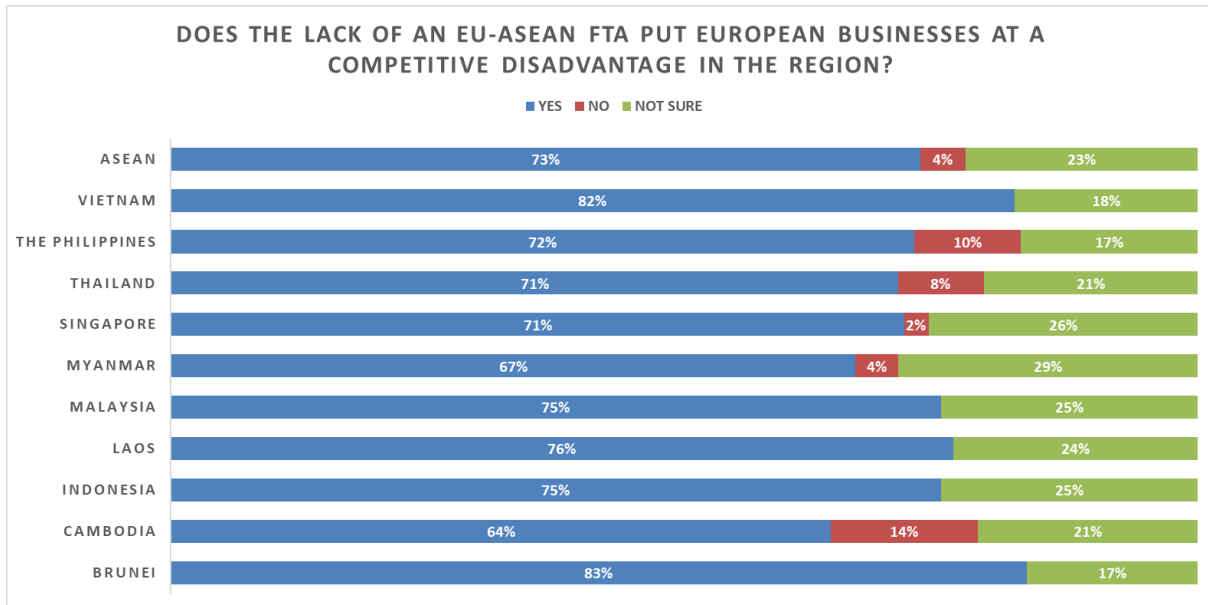
<sup>1</sup>Eurostat – EU-ASEAN Trade Statistics as of April 2018, see: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113471.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113471.pdf)



*Lack of a Region-to-Region FTA seen to place European Businesses at a competitive disadvantage*

Across the region as a whole, close to three quarters of respondents felt that the lack of a region-to-region FTA was placing European businesses at a competitive disadvantage versus their counterparts from countries that

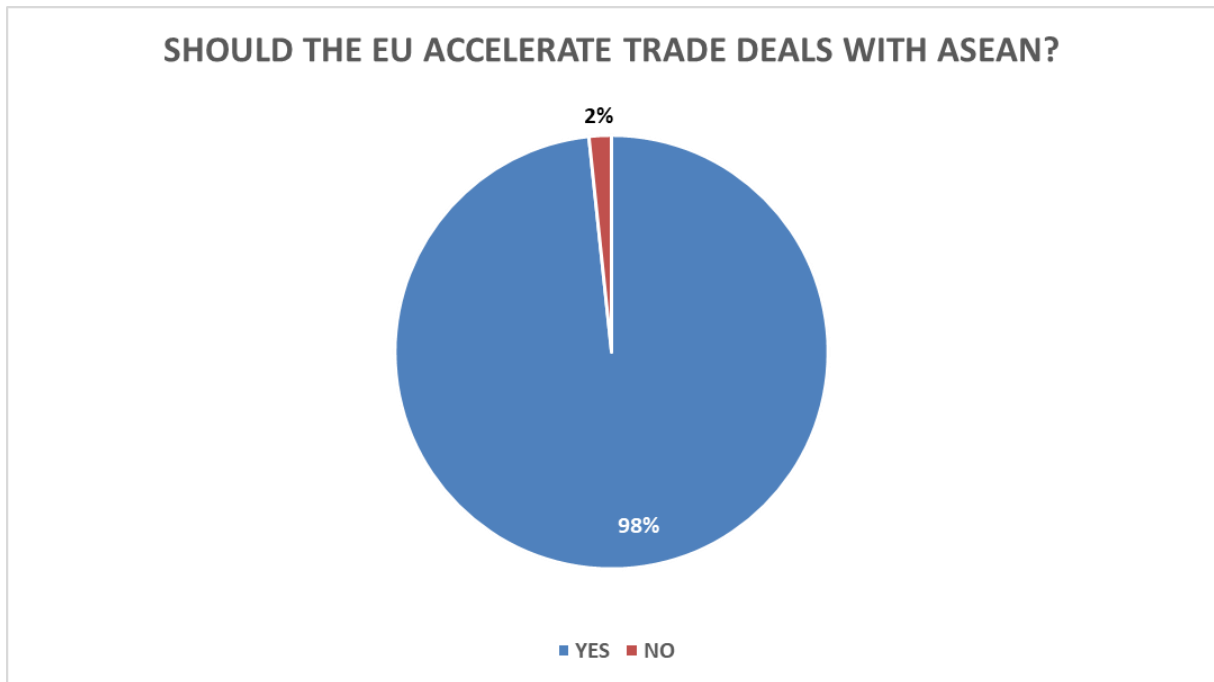
had FTAs in place with ASEAN already. When looked at by sector, the feeling of disadvantage was particularly acute in manufacturing, where nearly 9 out of 10 respondents said they were at a disadvantage.



**European businesses want faster movement on trade deals**

Given this clear feeling of being at a competitive disadvantage, it is perhaps unsurprising that there was an overwhelming demand from our respondents that the EU move to accelerate FTA negotiations with the region.

The mood this year was even more strident in this respect with 98% of respondents saying that acceleration of negotiations should be happening (compared to 94% in 2017).



**Region-to-Region FTA tops the wish list of European businesses**

The EU has completed FTA discussions with Singapore and Vietnam (though those agreements remain unratified and are still awaiting implementation) and is presently involved in negotiations with Indonesia and the Philippines (with the latter appearing to be on temporary hold).

In light of this, we asked respondents to list their priorities for future FTA discussions. There has been no change in this response over previous years, with a region-to-region deal topping this list, followed by Thailand and Malaysia.

**Respondents' order of preference for FTAs:**

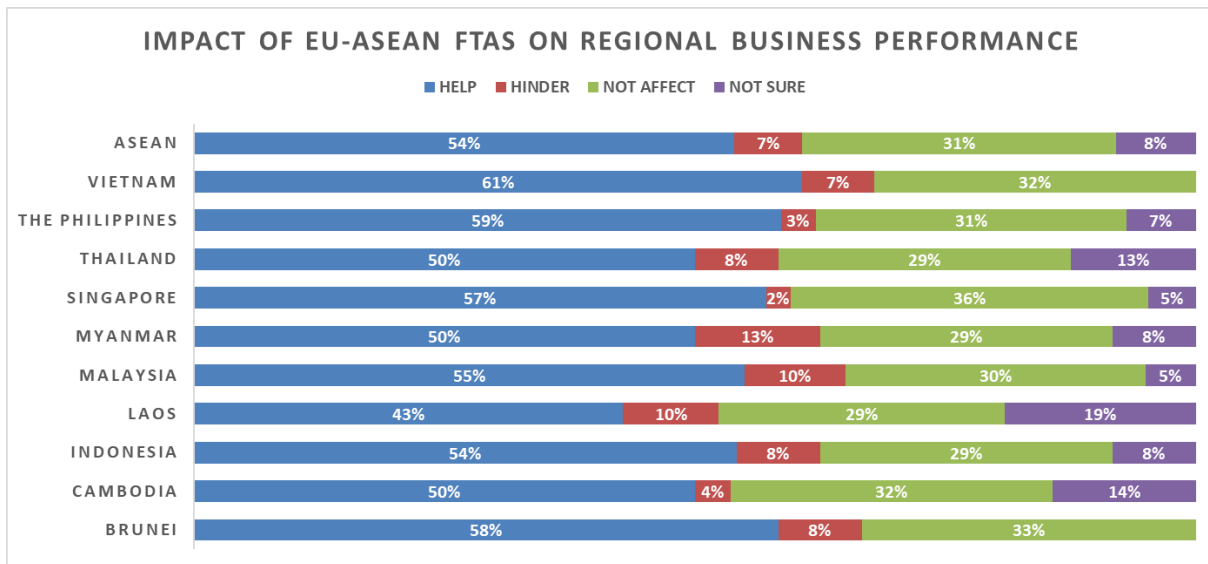
-  **#1 ASEAN**
-  **#2 Thailand**
-  **#3 Malaysia**
-  **#4 Myanmar**
-  **#5 Cambodia**
-  **#6 Laos**
-  **#7 Brunei**

As in previous years we also posed a number of questions around the likely impact of FTAs with the ASEAN region on businesses and on the form of such FTAs (i.e. what they should include). For the first time we went in to more depth with our respondents on what a potential region-to-region deal should include.

The results of the survey on whether EU-ASEAN FTAs in general would help or hinder European business inter-

ests were in line with previous years with a clear majority saying that FTAs would help their business interests with the highest percentages saying this in Vietnam and the Philippines.

Vietnam saw a sharp rise in the numbers saying an FTA would help, perhaps reflecting recent concerns about the some regulatory developments in the country in advance of the EU-Vietnam FTA being implemented.



**Removal of Tariffs and Non-Tariffs Barriers to Trade now seen as more important**

Where there has been a significant change of opinion is in the aspects of FTAs that our respondents saw as being the most important, whether for a bilateral FTA or a region-to-region FTA. In 2017, it was enforceable investment rules and matters such as IP protection that featured most prominently in the survey results. In 2018, more traditional trade issues, such as the removal of

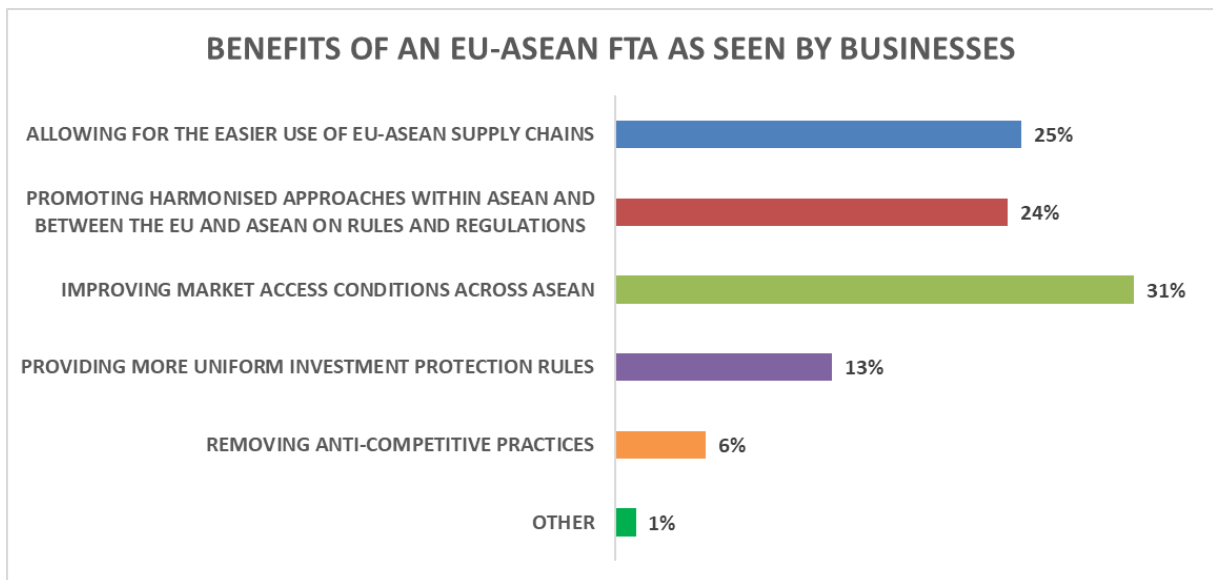
tariffs and the removal on non-tariff barriers to trade, now top the list, perhaps reflecting concerns over tariff impositions between other trading partners and continuing concerns about the lack of activity within ASEAN on the removal of non-tariff barriers (see elsewhere in this survey).

**Most important aspects of a region-to-region FTA or bilateral FTA - According to European businesses**

	2017	2018
1	Enforceable investment rules and protection	Removal of tariffs
2	Intellectual property protection and enforcement	Removal of non-tariff barriers for goods between the EU and ASEAN (or the bilateral partner)
3	Regulatory coherence and certainty	Removal of non-tariff barriers for services between the EU and ASEAN (or the bilateral partner)

As if to underscore this point, in response to a question about the potential benefits of a region-to-region FTA, our respondents singled out issues such as improvements to market access, making easier use of supply chains, and the promotion of harmonised standards as

the key factors that they would hope to see as the end result of a region-to-region FTA discussion. All of these are related to the issue of tariffs and non-tariff barriers.



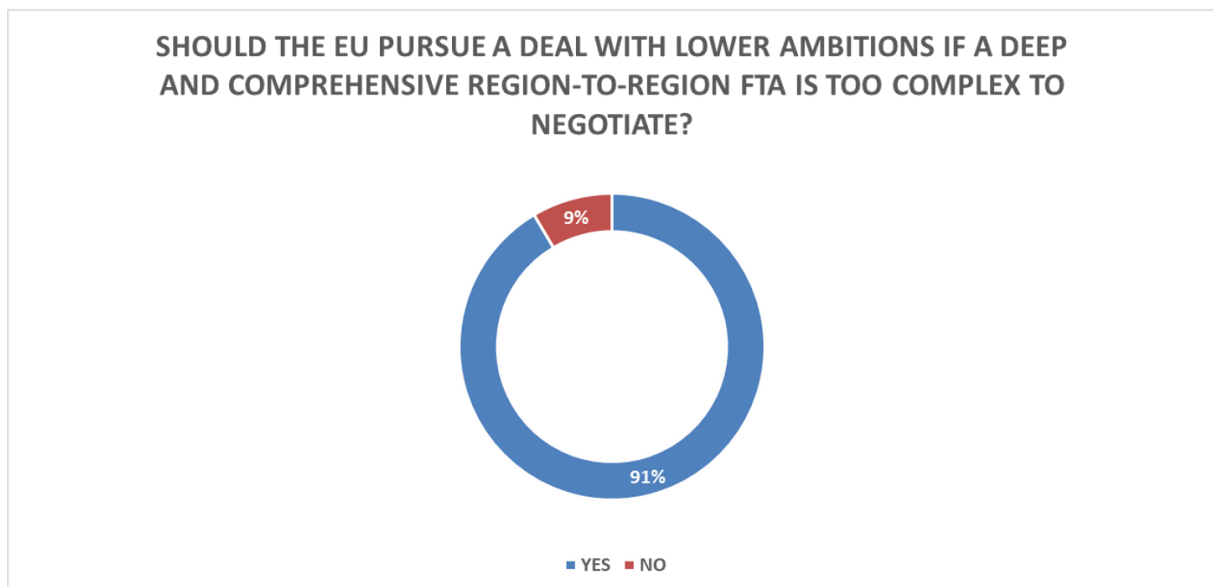
*Clear majority of respondents believe the EU should consider a lower ambition region-to-region FTA if a deep and comprehensive deal is too complex to negotiate*

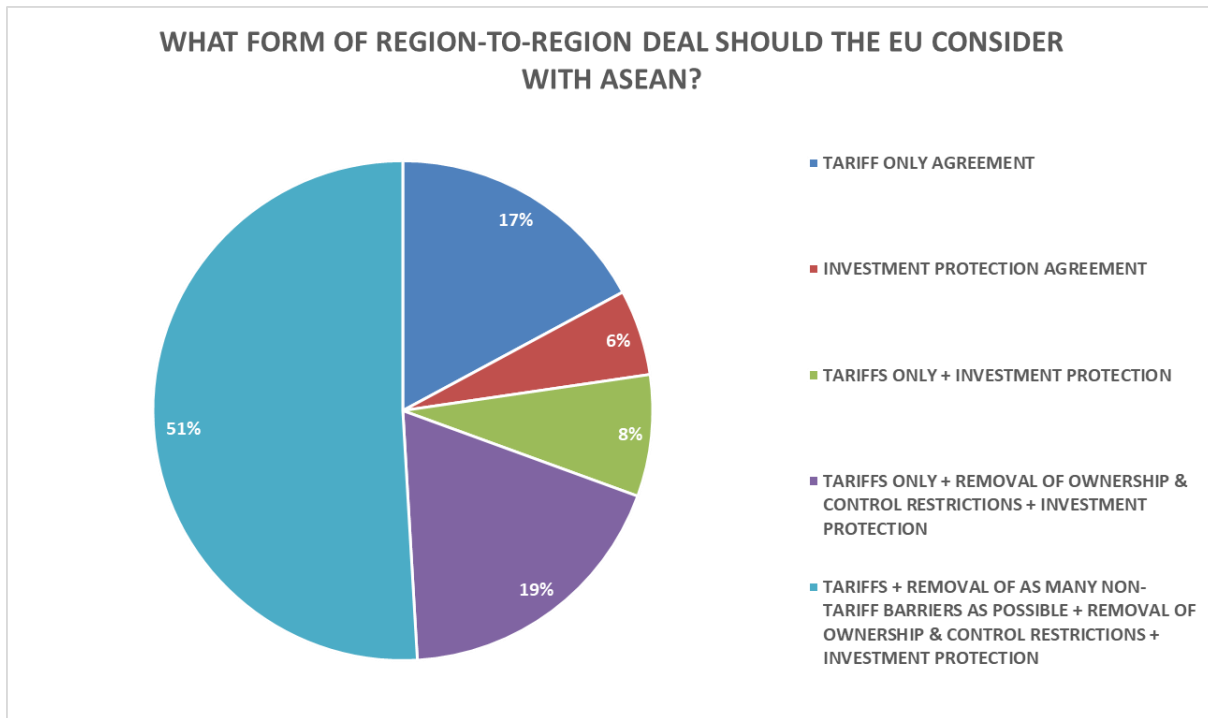
We further posed questions connected with the likely form of a region-to-region FTA deal, given that the EU has a preference for deep and comprehensive deals encompassing matters that go beyond traditional pure trade and investment issues and that such a deal is likely to be far from easy to conclude.

Specifically, we asked whether the EU should consider lowering its ambitions should a deep and comprehensive deal prove to be too difficult to conclude and, if so, what sort of deal should be pursued instead. More than 9 out

of 10 respondents said that the EU should pursue a deal with lower ambitions should a deep and comprehensive deal prove to be too complex to negotiate.

As for what such a lower ambition FTA should include, it seems that the majority of respondents would like to cover not only tariffs and the removal of non-tariff barriers, but also ownership and control restrictions and investment protection. This still represents a fairly high standard of FTA compared to some globally.

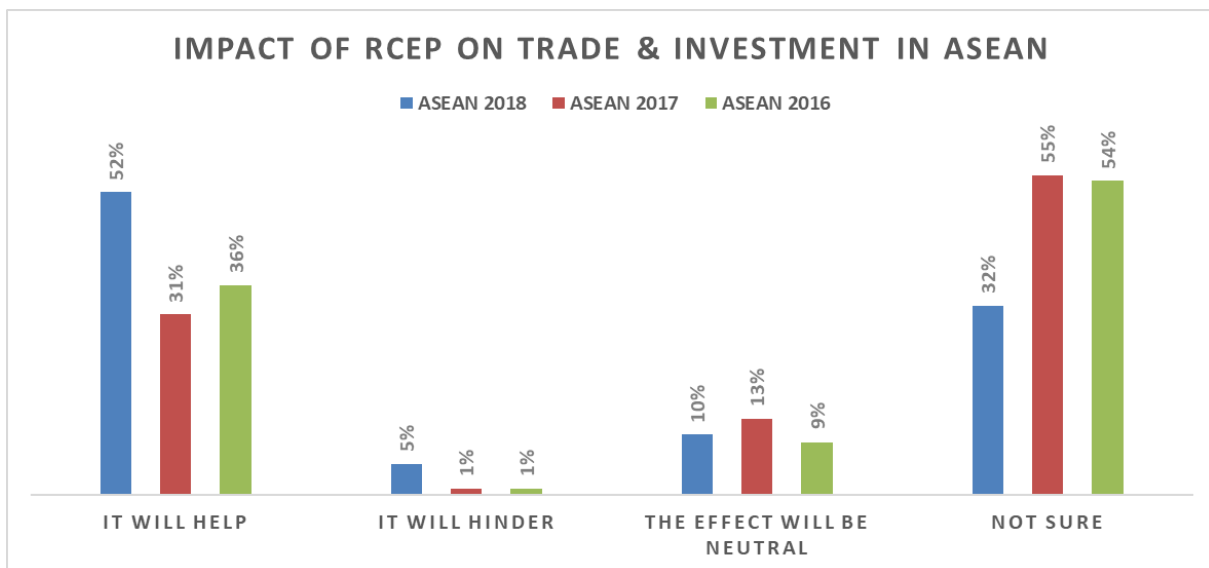




*Increased clarity over the importance of RCEP; majority now think this mega-trade deal will benefit them*

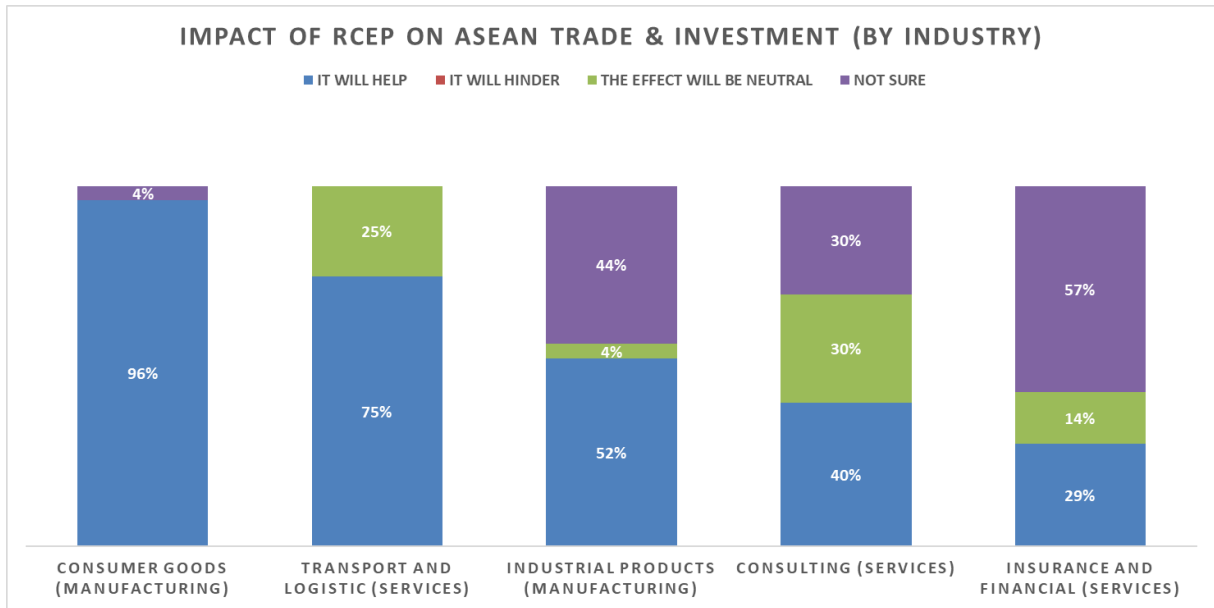
RCEP (the Regional Comprehensive Economic Partnership) is a proposed mega-trade deal involving ASEAN and its existing six FTA partners (Australia/New Zealand, Japan, Korea, China, and India). Whilst negotiations on this deal continue, with a revised deadline for substantially completing it by the end of 2018, European businesses seem to have increased appreciation of its poten-

tial benefits to their businesses in ASEAN. In 2017 the number saying RCEP will help was only 31%, whereas in 2018 this has increased to 52%. Just as notably the number saying they were unsure has fallen sharply too, perhaps attributed to the increased coverage that RCEP has received this year.



This greater clarity of understanding seems to be reflected even more starkly when the respondents are broken down by industry, with those in the transport and logistics sectors and in the manufacturing of consumer goods

particularly positive about the potential upsides of RCEP. In both cases, the positive sentiment is significantly higher than in 2017.



# TRADE FACILITATION IN ASEAN

## Path to Growth and Prosperity

### *EU-ABC Customs & Trade Facilitation Paper 2018 Executive Summary*

**T**his paper provides an update of the position papers that the EU-ASEAN Business Council produced in April 2016 and in May 2017 on Customs Procedures and Trade Facilitation issues in ASEAN. Whilst there has been some progress in the region over the last couple of years, disappointingly it has been narrow and slow. We believe that for ASEAN economies and its rising MSMEs, it is now the time to push for growth and prosperity.

**We welcome the move to have a single ASEAN Harmonised Tariff Nomenclature across all of the region and also the move to a single programme for self-certification of Certificates of Origin.** We also welcome the renewed impetus on advancing trade facilitation across ASEAN through the reconstituted ASEAN Trade Facilitation – Joint Consultative Committee (ATF-JCC), and the participation in that group by the private sector under the auspices of the ASEAN Business Advisory Council. **It is hoped that the involvement of the private sector in the ATF-JCC is both meaningful and ongoing.**

This updated paper has been with a view to assist ASEAN and its Member States in achieving some of the key aims and objectives set out in the ASEAN Economic Community (AEC) Blueprint 2025, i.e. “to facilitate the seamless movement of goods...” and the commitment that “ASEAN will continue to reduce or eliminate border and behind-the-border regulatory barriers that impede trade, so as to achieve competitive, efficient and seamless movements of goods within the region”. **More action on these fronts is undoubtedly needed if the benefits of the AEC are to be felt across the region, particularly for MSMEs.**

During the course of the Philippines’ Chairmanship of ASEAN in 2017, the ASEAN leadership adopted key targets for measuring progress on trade facilitation in the region. Twin targets of reducing trade transaction costs by 10% by 2020 and doubling intra-ASEAN trade by 2025 are now in place. These targets are to be welcomed, though measuring the first one and establishing a reasonable baseline will be challenging: the private sector should be involved in that process. The EU-ABC also welcomes the adoption of the ASEAN Seamless Trade Facilitation Indicators (ASTFI) that should provide a tool for measuring trade facilitation at the national and regional levels. **We request that the ASTFI will be made publicly available, with updates published at regular intervals.** We also note that ASEAN is working on guidelines for assessing Non-Tariff Measures: whilst some movement in this area is also welcomed, it should be noted that UNCTAD, World Bank and others already have such guidelines.

The fast paced development of e-Commerce in Southeast Asia continues to present both an opportunity and a challenge to the region. Today, as it stands, the governments in ASEAN are witnessing economic growth fuelled to a large extent by e-Commerce. This is a success story which mainly is driven by MSMEs but which also has a positive impact on MNCs. However, there are many policies and regulations, particularly around customs procedures and Certificates of Origin (CoOs), that hinder or inhibit the ability of MSMEs to grow and fully benefit from the extensive possibilities that e-Commerce gives them to enter new markets. **It is imperative, therefore, that ASEAN continues to focus on trade facilitation in assisting the growth of this area.** The recommendations presented in this paper will not only help more traditional cross border trade, but will also assist with e-Commerce and fostering the growth of ASEAN’s MSMEs and help their involvement in the global supply chain.

The paper focusses mainly on customs procedures and trade facilitation practices across ASEAN. These are viewed by many companies across the region, not just the members of the EU-ABC, as being overly complex, burdensome, and sometimes inconsistent in terms of application. Numerous studies have clearly indicated the economic and trade benefits of reducing and simplifying such procedures and practices. Doing so boosts trade and provides exponential assistance to MSMEs who are often less well placed to understand and navigate customs rules when exporting. ASEAN cannot grow MSMEs and national GDP quicker without applying these well-meant recommendations.

In this paper, we continue to present both short-term and medium-term recommendations which we believe are entirely implementable within reasonable time frames and which would, in turn, greatly boost the ease of cross-border trade within ASEAN and bring benefits to all parts of the economy, not just to the larger traders and MNCs, but primarily to MSMEs. Without implementing such recommendations ASEAN will not be able to hit the twin targets mentioned above.

We also recognise that Customs authorities, in particular, are faced with what is often seen as competing requirements, i.e. the need to raise and maintain revenues from tariffs, duties and taxes, whilst simultaneously facilitating more trade. We do not see these as opposing objectives. Moves to automate customs procedures should allow, when used properly, increase risk management by customs and law enforcement authorities, whilst allowing for increased cross-border trade which in turn will allow for increased opportunity to raise revenue. The bigger government revenue picture should also be borne in mind: more trade means more economic growth, which increases wealth and therefore increases the potential for wider government revenues.

# INSURANCE

## EU-ABC Insurance Advocacy Group Paper 2018 Executive Summary

### ***The Future of Insurance: Driving Innovation and Sustained Growth in ASEAN***

is the fourth annual position paper from the EU-ASEAN Business Council Insurance Group. In line with ASEAN’s tagline ‘Resilient and Innovative’ this year, we focus on the contribution that the insurance sector makes to sustainable growth in ASEAN through innovation and investment, as well as the need for financial resilience in one of the most disaster-prone regions in the world. We also update information on European insurers and the ASEAN insurance market, and reconfirm our positive outlook for growth in the region.

As ASEAN member states become wealthier, the twin roles of insurance companies – to provide citizens with protection, and to provide the kind of long-term investment that underpins economic growth – become ever more important. The insurance protection gap continues to grow, with penetration rates across ASEAN just over three percent. Catastrophes remain significantly underinsured, with only 30% of global disaster losses insured in 2016, and Asia the hardest hit incurring the majority of the disaster losses. The funding gap for infrastructure projects is also growing. The Asia Development Bank estimates that ASEAN needs around US\$3 trillion in infrastructure investment between 2016 and 2030.

European insurers continue to lead the way in growing the insurance markets in ASEAN member states to the benefit of both international and local companies. But we cannot be complacent; more needs to be done to provide protection to the poorest citizens in ASEAN, and to help the emerging middle class to protect and grow their wealth to meet their aspirations for retirement, education of their children and healthcare for the whole family. We focus on three areas for action:

Disaster Risk Finance	Long-term Investment	Digital Economy & Insurance
Various studies confirm that the protection gap in the ASEAN region is one of the world’s widest due to divergence of growth and insured assets. Over the past two decades, Asia as a whole has accounted for almost 50% of the world’s economic losses from natural disasters. Taking action to protect the hard-earned progress in ASEAN Member States is a clear priority.	Current bank and capital market finance will not be sufficient to close the infrastructure gap in ASEAN, nor to fund the corporate growth needed to meet member state ambitions for economic development. Long term investors, such as insurance companies have a key role to play in the region’s financial architecture, to provide long-term predictable funding to companies and the public sector, (to be used for infrastructure projects among other things) , and to develop investment vehicles for savers.	Digital technologies are offering new opportunities as well as challenges for insurance companies, customers and regulators. Digitising insurance companies’ businesses benefits all stakeholders – it reduces costs and accelerates success for businesses, enhances service and experience for the customers, thereby increasing efficiency, optimises financial protection and deepens financial inclusion.
Disaster Risk Finance	Long-term Investment	Digital Economy & Insurance
We recommend enhancing the working group on ASEAN Disaster Risk Financing and Insurance (ADRFI), committing to expand the use of innovative risk financing measures, such as risk transfer solutions, and agreeing a public private partnership to tap into additional disaster aid funding as well as insurance expertise for an effective and sustainable emergency response.	Attention is needed on four fronts: inclusive regulatory treatment of Infrastructure Investment; development of capital markets; promotion of green financing; action to expand blended finance and a pipeline of bankable projects.	To foster innovation, we would like to work with ASEAN governments and regulators: to establish dedicated offices overseeing insurtech; to update regulations for new technologies; to enhance cooperation between regulators in ASEAN; and to promote cross-border flow of information.



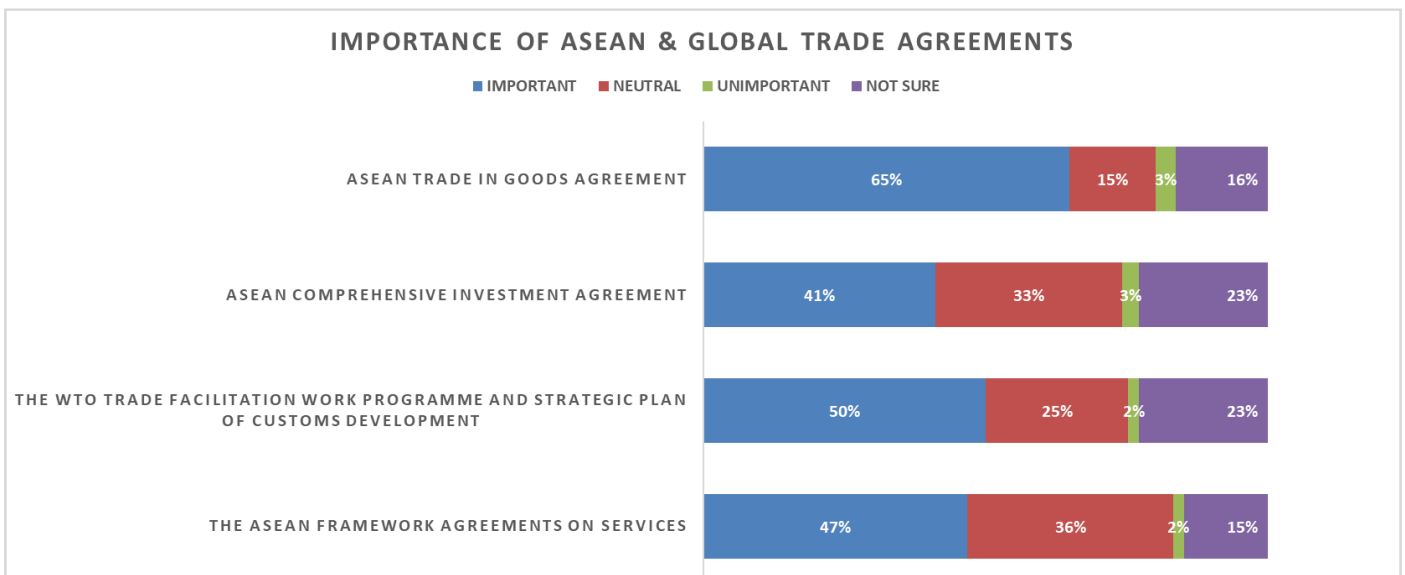
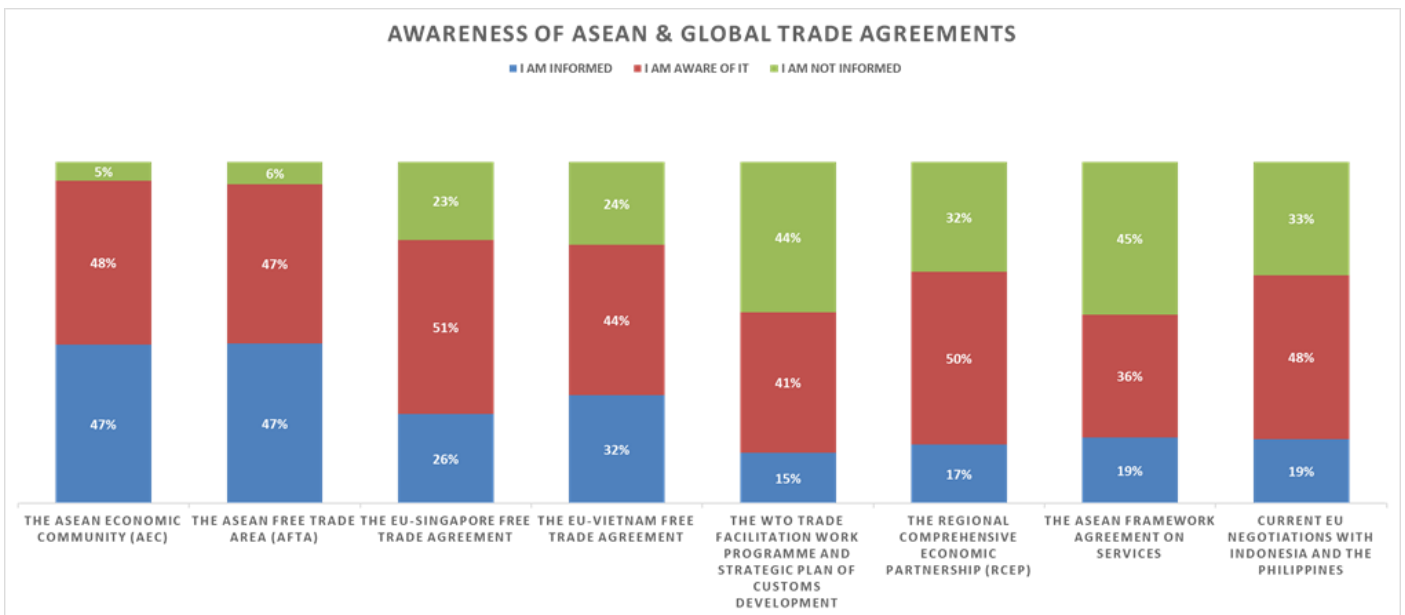
# ASEAN REGIONAL & DOMESTIC POLICY FRAMEWORKS

**MORE EUROPEAN BUSINESSES REPORT THAT ASEAN ECONOMIC INTEGRATION IS IMPORTANT FOR THE SUCCESS OF THEIR OPERATIONS IN ASEAN, BUT FEWER BELIEVE THAT THE AEC IS PRESENTLY MAKING A POSITIVE IMPACT ON THEIR BUSINESSES AND MAJORITY BELIEVE THAT ECONOMIC INTEGRATION IS PROGRESSING TOO SLOWLY**

*Improvement in awareness of AEC (ASEAN Economic Community) and of other trade deals affecting the region*

Compared to previous years, there has been a general improvement in the level of awareness in the various trade and economic integration issues that impact on ASEAN. Awareness of the AEC has increased markedly, from 36% in 2017 to 47% in 2018 for those who reported as being informed of it. There was also increased awareness of the EU’s discussions with the Philippines and

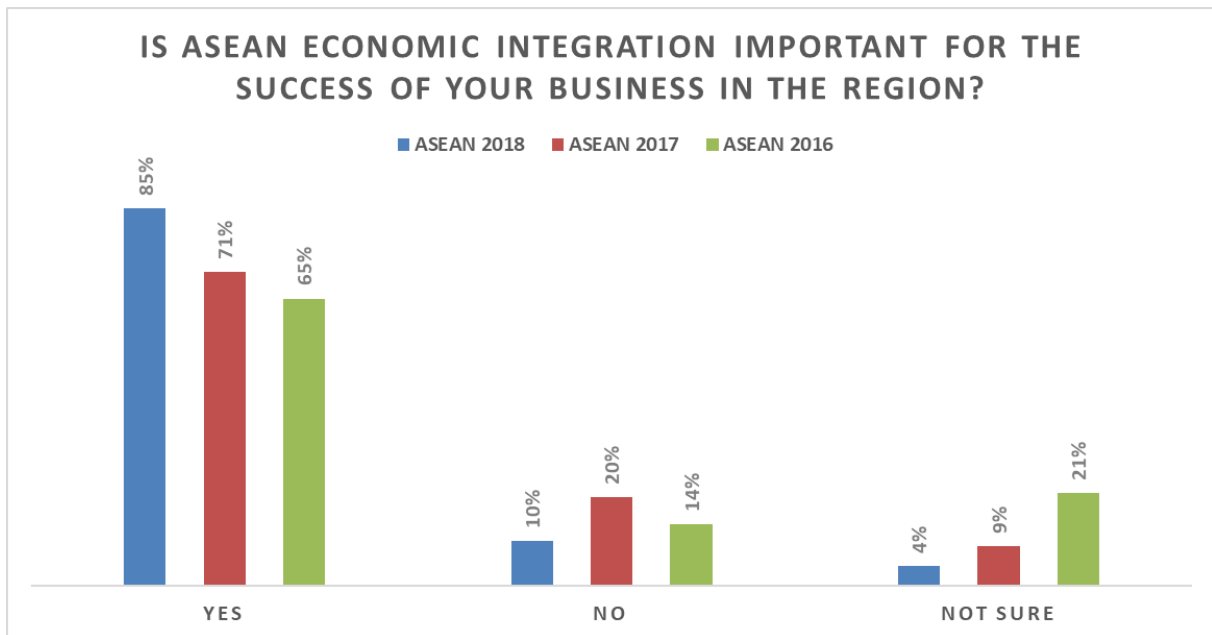
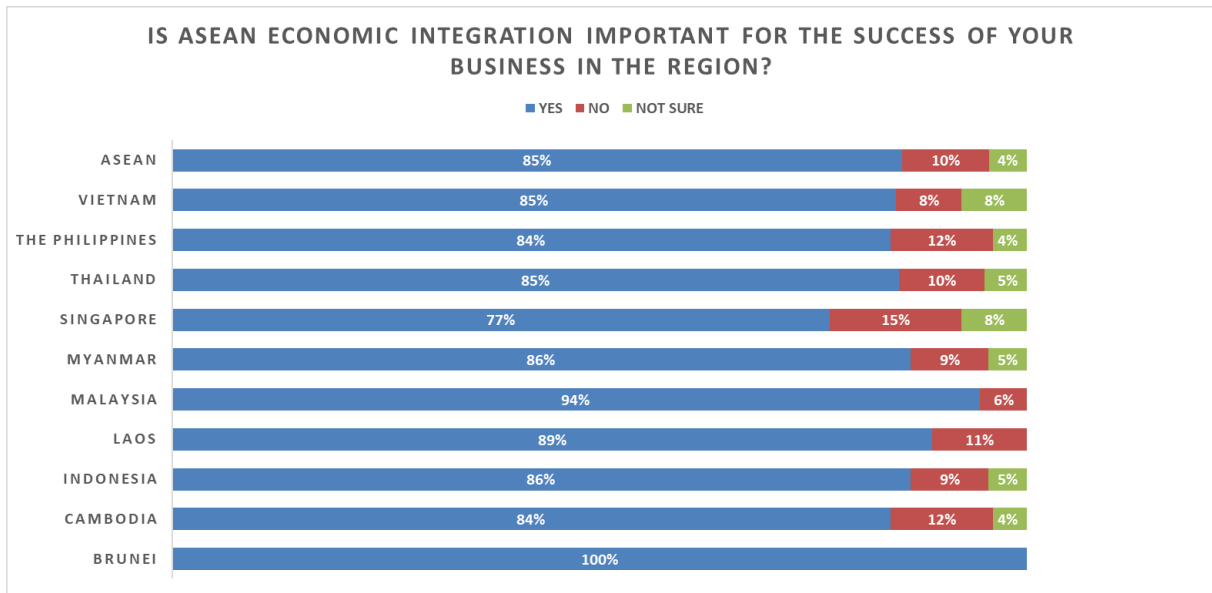
Indonesia. The levels of importance attached to various intra-ASEAN agreements affecting trade and investment remain on a par with previous years, save for the importance attached to the ASEAN Comprehensive Investment Agreement, which saw a fall of 19 percentage points.

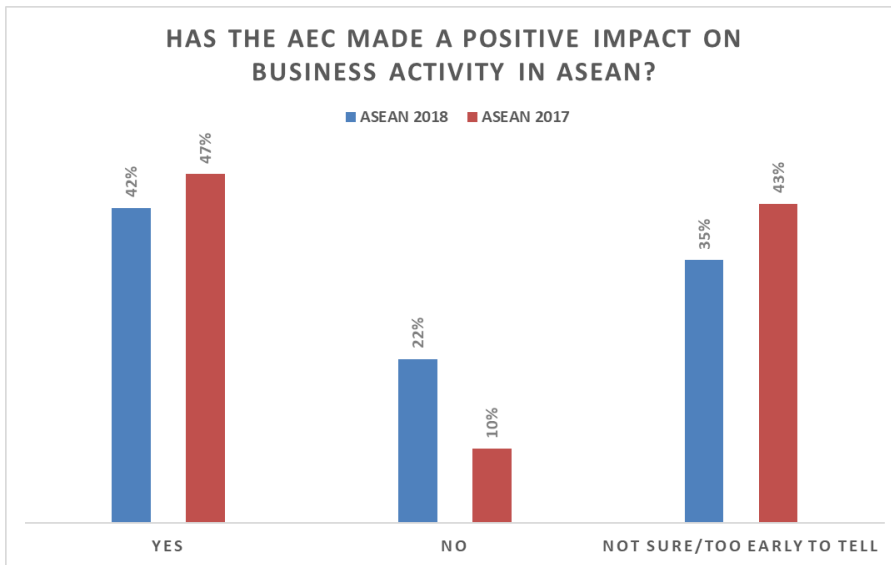
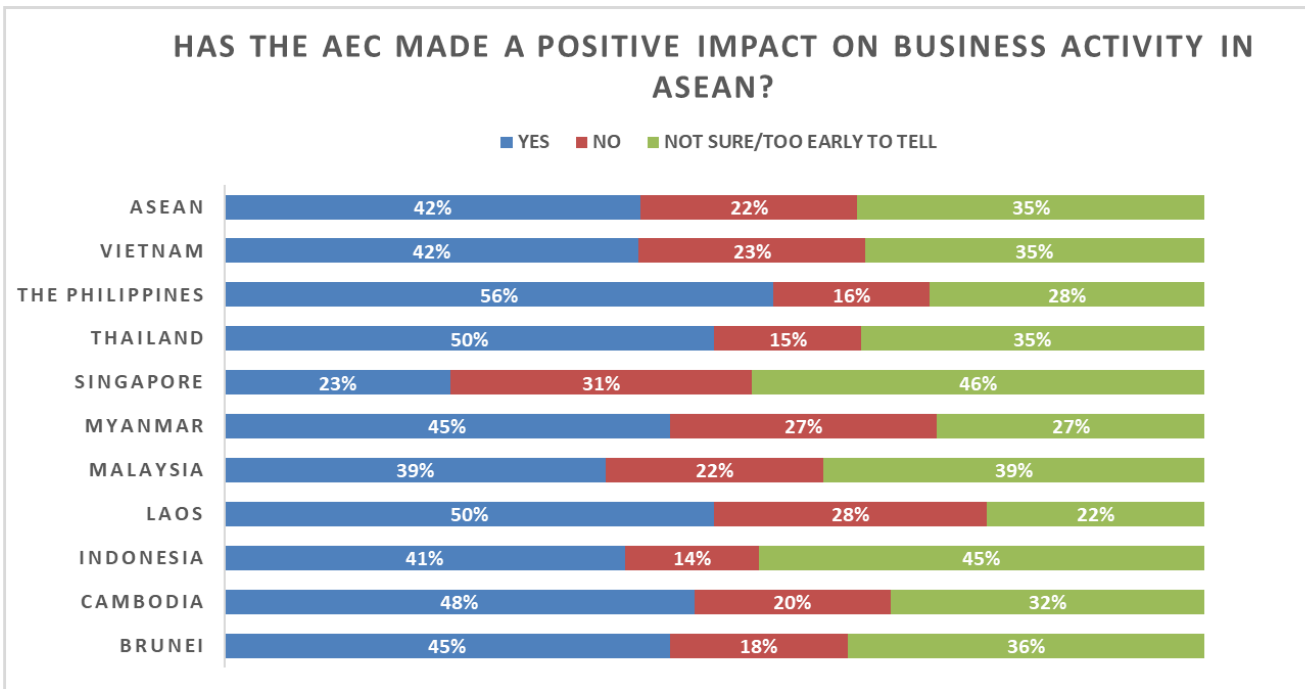


*Greater importance placed on economic integration than in 2017, but fewer report having a business strategy based on the AEC*

When asked if ASEAN Economic Integration (under the AEC) was important for the success of their businesses in Southeast Asia, 2018 saw a jump in those responding yes, up to 85% in 2018 from 71% in 2017. Correspondingly, and an important point for policy makers to note, the number of respondents who felt that ASEAN economic integration was not important, halved. However,

the number of respondents who felt that the AEC was already having a positive impact on their operations fell from 47% in 2017 to 42% in 2018, with the number saying that it was having no impact rising significantly to more than 1 in 5 respondents (up from 1 in 10 in 2017). This has to be a point of concern for the region as it seeks to drive the AEC forward.

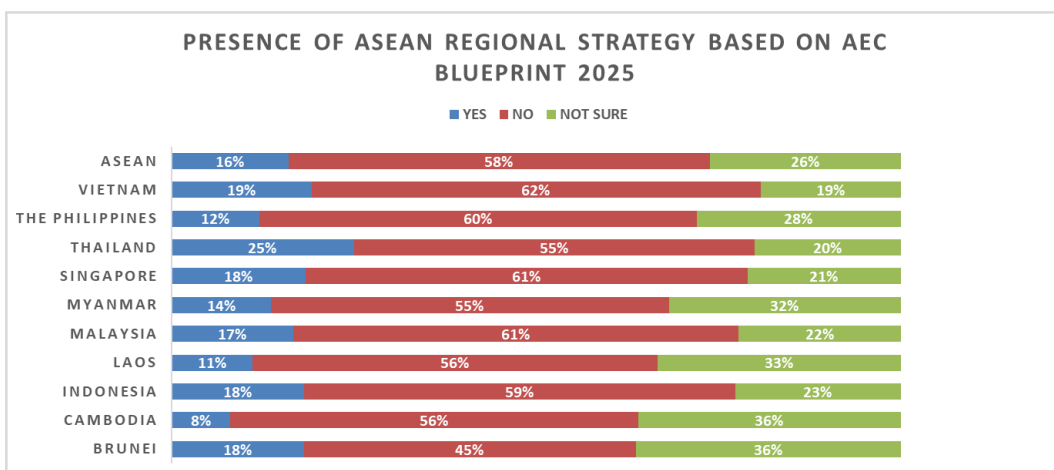




**Despite increase in perception of importance of AEC, fewer appear to have a dedicated AEC strategy**

Perhaps reflecting the perceived lack of progress on delivering the AEC, there has been a fall in the number of respondents reporting that their businesses had an ASEAN regional strategy based on the AEC in 2018. In 2017, just under a quarter of respondents reported hav-

ing such a strategy, but in 2018, only 16% of respondents said that they had one, with the number reporting that they did not have an AEC strategy jumping from 43% to close to 6 in 10 in 2018.



*ASEAN Economic Integration is seen as too slow; Single market and production base still to be realised; more progress needed on customs procedures, harmonisation of standards and removal of non-tariff barriers to trade.*

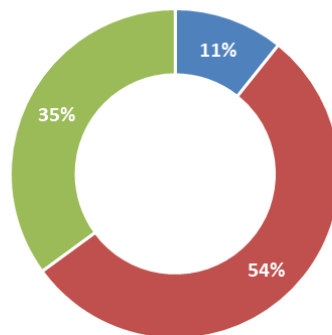
This year, we asked for the first time how respondents perceived progress on the development and implementation of the AEC. Only about 1 in 10 of respondents felt that progress on the implementation of the AEC had been fast enough, with 54% reporting that in their view progress had been insufficient.

Half of respondents felt that ASEAN had failed to create a “single market and production base”, one of the key ob-

jectives of the 2015 AEC Blueprint.

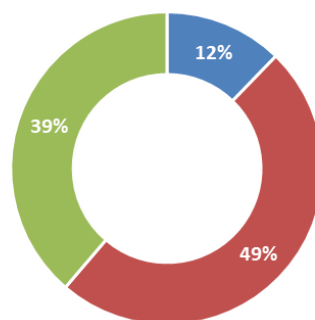
According to our respondents, lack of progress on the simplification of customs procedures for intra-ASEAN movement of goods, on the harmonisation of standards across the region, and on the removal of non-tariff barriers to trade, were cited as the main reasons for the failure to achieve the single market and production base.

**DO YOU FEEL THAT ASEAN ECONOMIC INTEGRATION UNDER THE AEC IS PROGRESSING FAST ENOUGH?**



■ YES ■ NO ■ UNSURE - NOT ENOUGH INFORMATION IS AVAILABLE

**HAS ASEAN ACHIEVED ITS AIM OF CREATING A 'SINGLE MARKET AND PRODUCTION BASE'?**



■ YES ■ NO ■ ONLY PARTIALLY

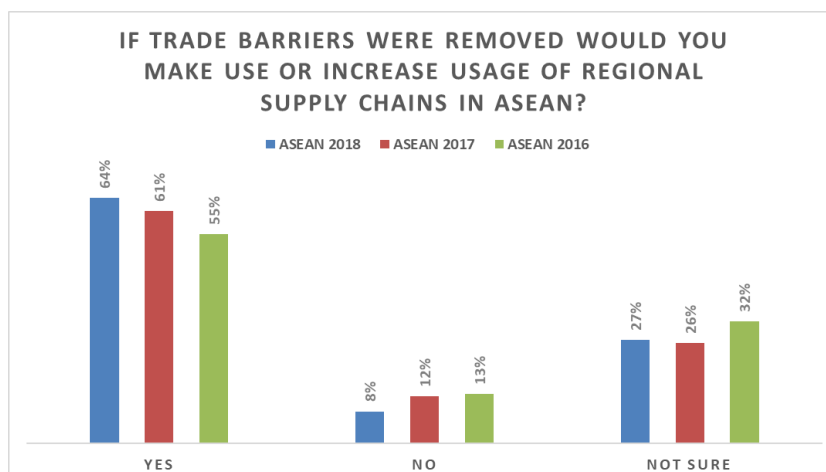
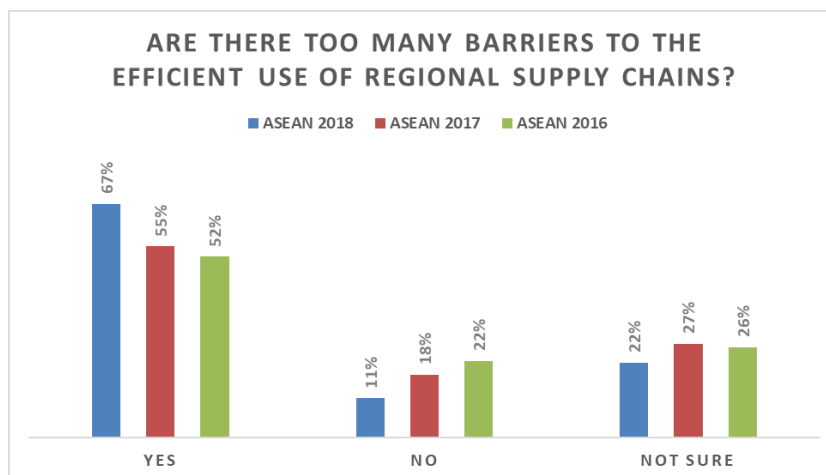
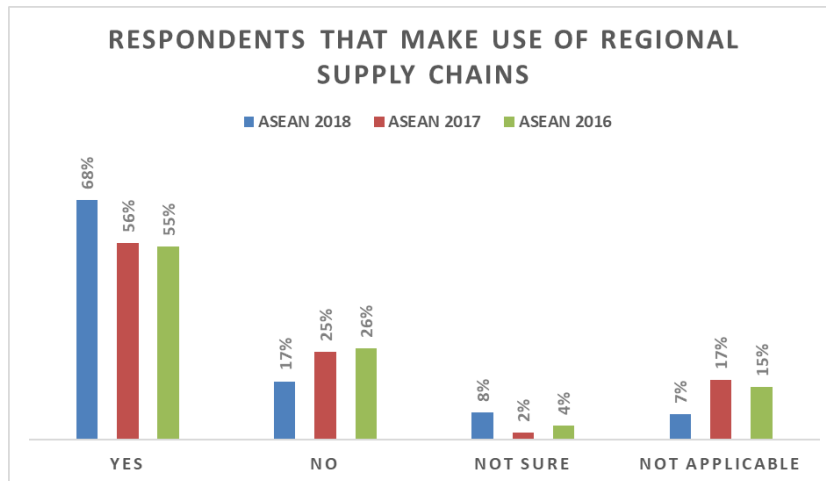
**Areas where ASEAN needs to make more progress – according to European businesses:**

- ◇ Simplification of customs procedures for intra-ASEAN movement of goods
- ◇ Harmonisation of standards and regulations
- ◇ Removal of non-tariff barriers to trade

*Usage of regional supply chains is increasing, but the number of barriers to using them more also reported to have increased.*

There has been a significant increase in the number of respondents reporting that they make use of regional supply chains, encouraging news for ASEAN as it seeks to integrate more local businesses into the global supply chain. In 2018, close to 7 in 10 of respondents said that they made use of local supply chains, up from 56% in 2017. However, there was also a significant rise in the number of respondents reporting that there were too



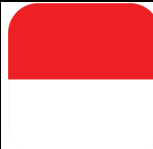

















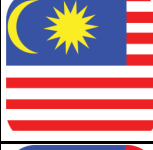





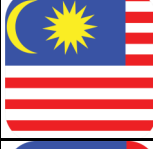
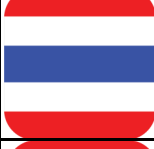




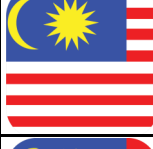





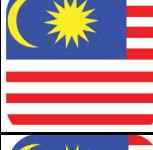





















many barriers for the efficient use of such supply chains, perhaps reflecting ongoing concerns about customs procedures in the region and the perceived lack of progress on the AEC reported above. Our survey again clearly shows that companies would use regional supply chains if there were fewer barriers to doing so, a point that should spur policy makers in the region to drive reforms forward faster.



*Singapore remains top for best practice in regulation and ahead of others in several sectors. Philippines slips down on labour issues, with Brunei making improvements*

As in previous years, we asked respondents based in the ASEAN-6 to rate their satisfaction on a number of doing business issues within their response locations. Singapore continues to lead the way in many areas, as it has consistently in our past surveys. However, there were some changes in rankings with the Philippines slip-

ping down the rankings in two of the labour related areas in the survey, and Singapore, despite no apparent major policy changes on bringing in foreign labour over the last year, topping the rankings for ease of recruiting labour from abroad.

	1	2	3	4	5	6
<b>Availability of competitively priced labour</b>						
<b>Availability of skilled labour</b>						
<b>Ease of recruiting labour from abroad</b>						
<b>Prevalence of business-friendly customs procedures</b>						
<b>Ease of importing goods</b>						
<b>Stable government and political system</b>						
<b>Regulatory regime</b>						
<b>Fiscal structures</b>						
<b>Administrative costs for business</b>						
<b>Infrastructure</b>						

# ***ENSURING SUCCESS FOR THE DIGITAL ECONOMY IN ASEAN***

## *EU-ABC Digital & ICT Paper 2018 Executive Summary*

There is no doubt that the “Digital Economy” has the power to add significantly to economic growth and development in South East Asia. The Masterplan on ASEAN Connectivity 2025 (MPAC2025) stated that it could unleash some US\$220 billion to US\$625 billion in annual economic impact in ASEAN by 2030<sup>1</sup>. But how successful the region is at embracing the Digital Economy and encapsulating the benefits of it depends on how it approaches the matter as a collective, rather than as 10 separate actors. Adopting a piecemeal approach, with 10 different regulatory, oversight, tax, and customs regimes for the Digital Economy and e-Commerce would be both inefficient and create difficulties for MSMEs in particular to navigate around the system.

There are a number of areas that need to be looked at if ASEAN is to maximise the potential benefits that can be harnessed from the ‘Digital Economy’. Putting in place the right eco-system to encourage established businesses and start-ups to develop digital platforms to enable them to reach new markets and consumers, exchange and interrogate effectively big data, make and receive payments speedily and in a low-cost manner, and then meet the requirements of increasingly demanding end consumers, is of vital importance.

It is not just a question of ensuring the right physical infrastructure, such as broadband networks and 4G or 5G data systems, are in place – important though that is. It also requires the right policies and regulations to be developed which will encourage, and not hinder, the exchange of data and the movement of goods and services that are sold via digital platforms.

### **Driving innovation, development and growth**

The Digital Economy drives innovation, development and growth for stakeholders in different parties. Apart from the consequences mentioned above, data localisation laws and requirements will impact the rate of technological innovation in ASEAN. By avoiding such regulations as far as possible, data can be shared across borders with the explicit consent of the owners (e.g. for medical purposes, banking transactions, international insurance arrangements, etc.).

This suggestion aims to support an environment conducive for innovation, incentivise companies to continue to invest and ensure the continuous supply and development of useful products and services that are advantageous to the region<sup>2</sup>. These goods and services are also further improved by the presence of free flowing of data<sup>3</sup>.

The free flow of non-personal data is a pre-requisite for a competitive Digital Economy. Moves to restrict the free flow of data will, therefore, inhibit the development of the Digital Economy and the ability of businesses, both large and small, to take full advantage of it, to the detriment of customers.

This paper outlines several worrying aspects and impactful outcomes of data localisation laws in ASEAN. It also deals with other areas that need to be considered when looking at the Digital Economy, namely easing the movement of goods from e-Commerce, and easing cross-border payments so that companies selling goods and services via Digital platforms can get paid easier, faster, and more efficiently.

These areas have to be considered within the need to support ASEAN’s governments push for economic growth, higher levels of living, attractiveness for companies and investments, and also the increased well-being of the people. We strongly support the development of the Digital Economy, a major theme in Singapore’s Chairmanship of ASEAN, but that has to include the free flow of data across borders, also a key point in AEC’s Blueprint 2025, for sustainable growth in ASEAN and moves to support e-Commerce. Considering all these factors, the blueprint for ASEAN’s potential in the years to come is huge and ASEAN can arise as an economic leader in the Digital Economy.

<sup>1</sup>Master Plan on ASEAN Connectivity 2025, p.48.

<sup>2</sup>“Promoting Economic Growth through Smart Global Information Technology Policy: The Growing Threat of Local Data Server Requirements.” Business Roundtable; press release, June 2012. p. 4

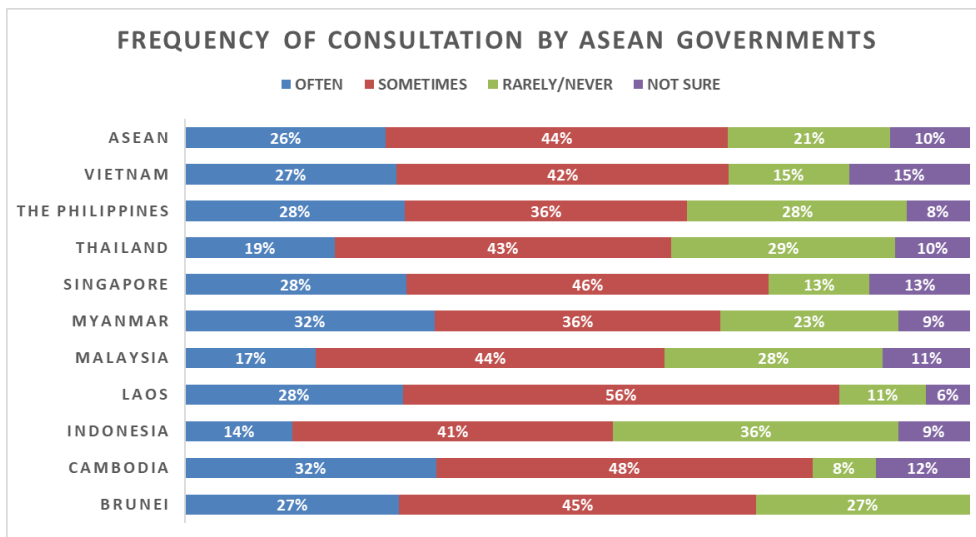
<sup>3</sup>Robert D. Atkinson. *International Data Flows: Promoting Digital Trade in the 21st Century*, November 3rd, 2015, p. 6.

# GOVERNMENT CONSULTATION & COMPETITION ISSUES

## BUSINESSES REPORTING A DECLINE IN GOVERNMENT CONSULTATION IN ASEAN, SUGGESTING A CONCERNING TREND

“ASEAN recognises the need to continue engaging the various stakeholders to build a more dynamic AEC 2025. Strategic measures include the following:

- I. Promote a more responsive ASEAN by strengthening governance through greater transparency in the public sector and in engaging with the private sector;
- II. Enhance engagement with the private sector as well as other stakeholders to improve the transparency and synergies of government policies and business actions across industries and sectors in the ASEAN region.<sup>2</sup>”

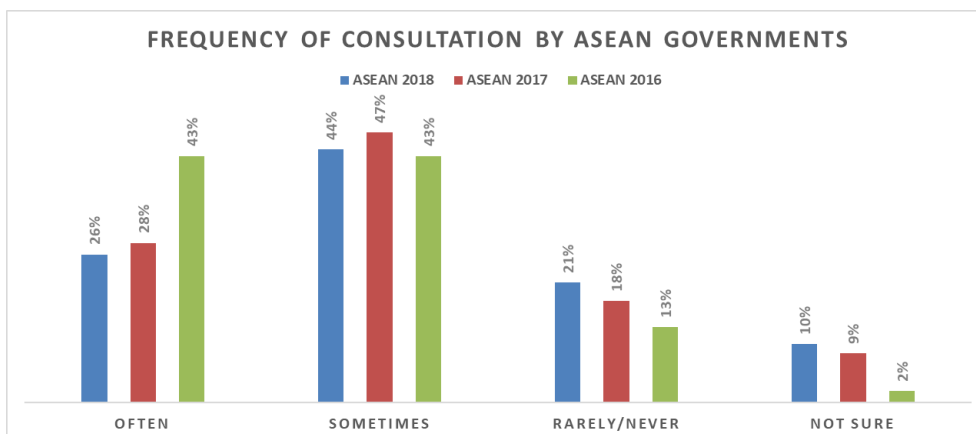


In 2017, we reported that the number of respondents who said they were often or sometimes consulted by their host governments on policies and regulations had fallen over the results in 2016.

Unfortunately, the 2018 Survey shows the same trend continuing with further falls in the numbers of respondents reporting that they are often or sometimes consulted – despite the calls in the 2025 AEC Blueprint for im-

provements in good governance and increased private sector consultation. Overall, only a quarter of respondents reported that they were often consulted by national governments, and only 44% said they were sometimes consulted, both numbers down on 2017.

Seven out of ten countries exceeded the ASEAN average on “often consulted” whereas three countries were below the average.



<sup>2</sup> AEC Blueprint 2025, Section B.6 Good Governance, paragraph 36.



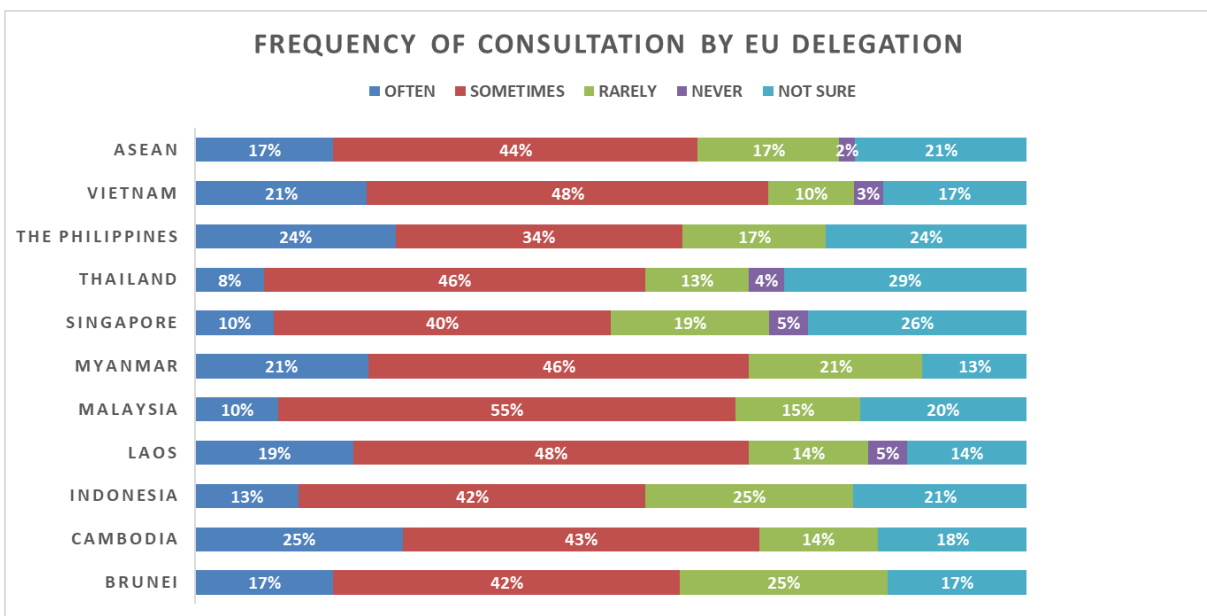
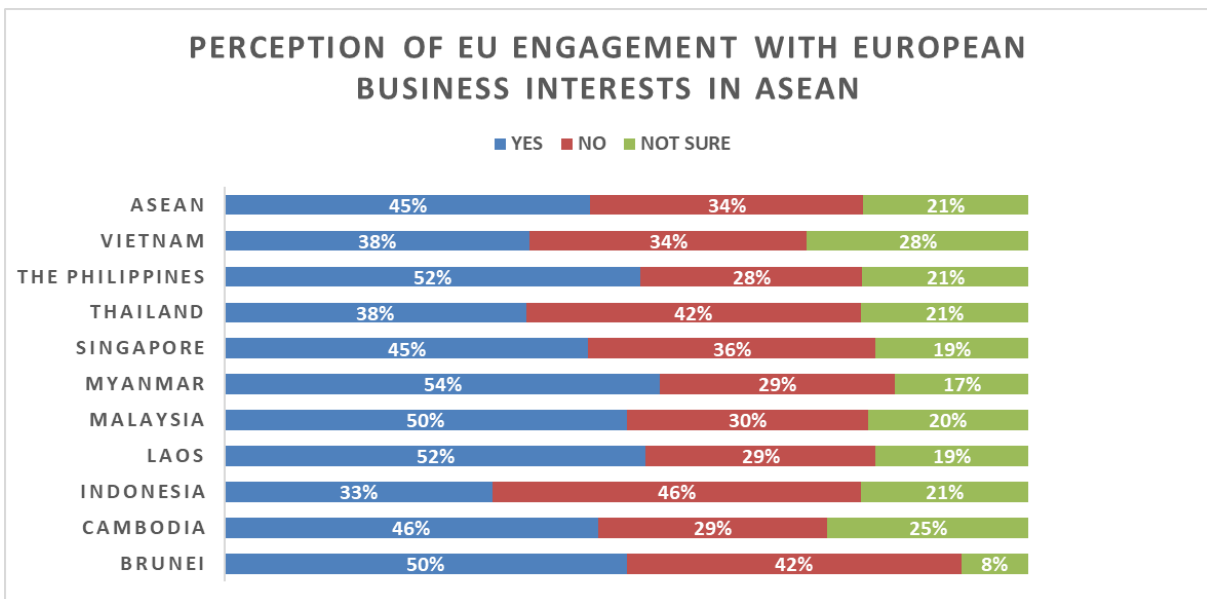
*Slight improvement in perception of EU Engagement with European Businesses; but mixed picture when engagement by individual EU Delegations in the region is looked at*

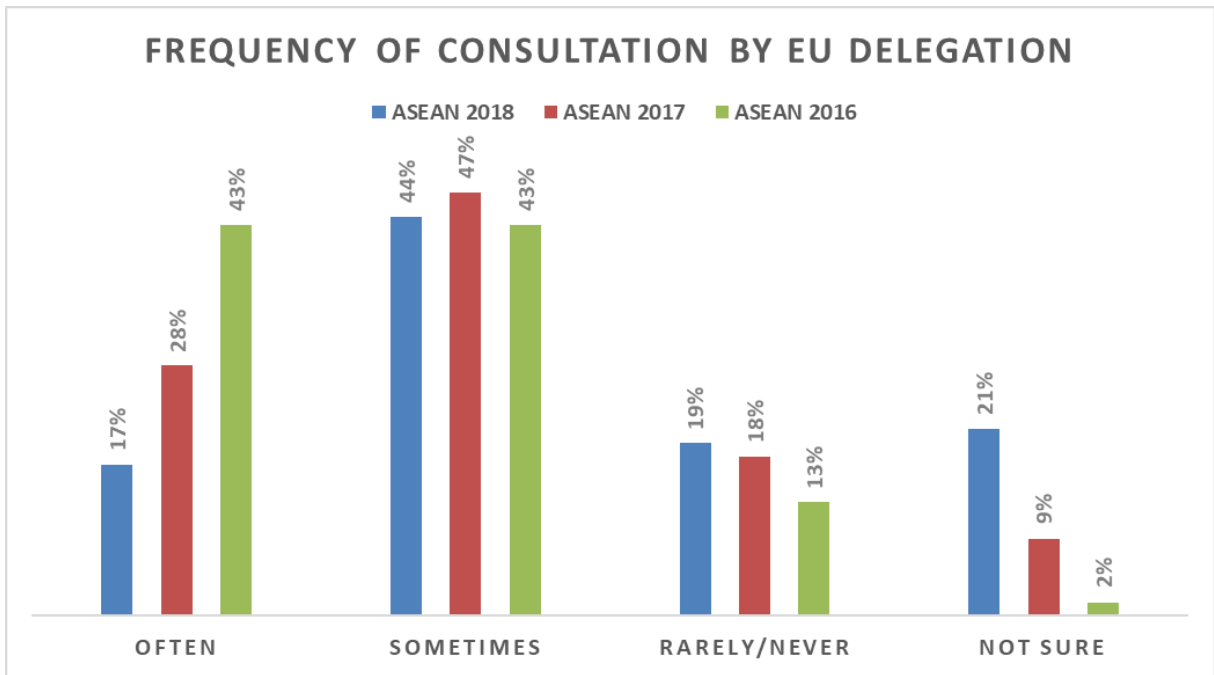
Compared to previous years there has been an improvement in the perception amongst our respondents in the level of engagement by the European Commission with European businesses operating in ASEAN. In 2018 45% of respondents felt that they were sufficiently engaged by the EU, compared with just 37% in 2017.

Perhaps just as importantly, the number who felt they were insufficiently engaged fell from 41% in 2017 to 34% in 2018. However, there is a significant fall in the number

of respondents who feel that their local EU Delegation often consults them — down to 17% in 2018 from 28% in 2017.

Higher than average scores for “often consulted” were recorded from the Philippines and CLMV countries. The numbers for Thailand, Singapore and Malaysia were low for this question at 10% or less, which would suggest that more effort is needed in those locations.





*Perception of the competitive landscape is worsening; More European businesses perceive that they are facing unfair competition in ASEAN*

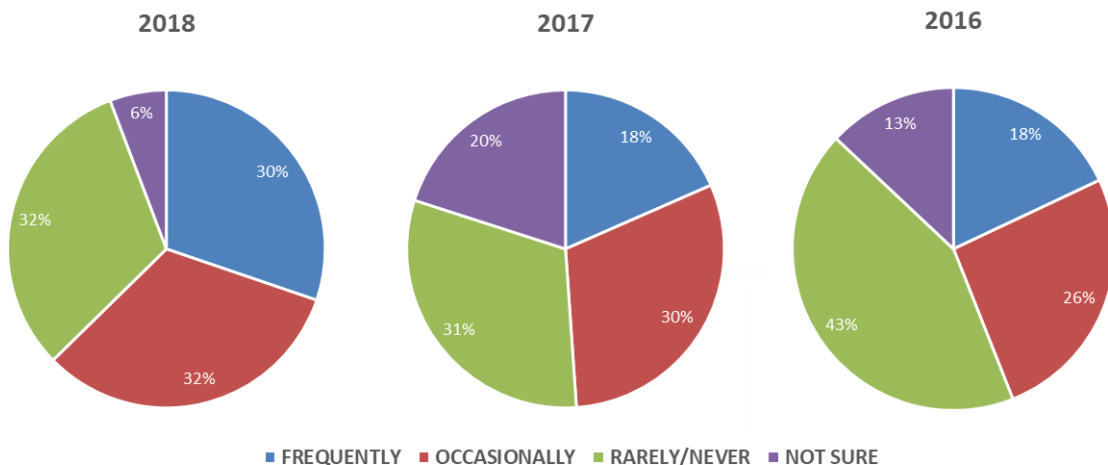
Unfair competitive practices in ASEAN would appear to be a greater concern this year for our respondents, with increases in the number reporting they are frequently or occasionally faced with unfair competition from local incumbents or state-owned enterprises in their response locations in all ASEAN member states except for Brunei, Cambodia and Myanmar where the numbers are roughly on a par with 2017.

Overall in ASEAN the number of respondents who reported that they often or occasionally faced unfair competitive practices rose to 62%, up from 48% in 2017.

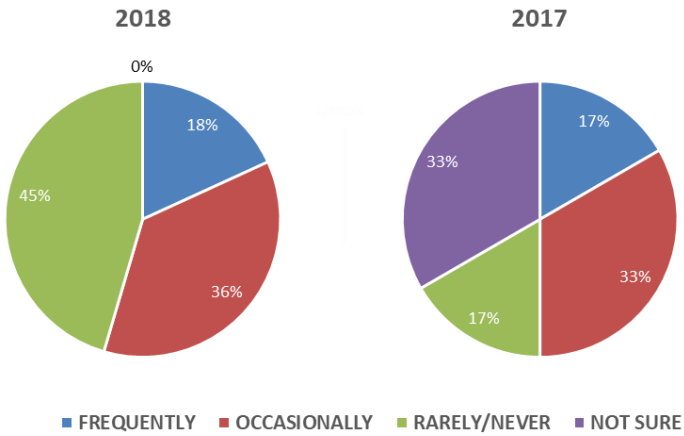
This is a worrying trend for a region that promotes the ideal of a multi-lateral rules-based trading system, and highlights the need for speedier progress on the AEC including those elements within the 2025 Blueprint that cover competition.

There were large increases in those reporting that they often faced unfair competitive practices for Indonesia (32% in 2018 vs 17% in 2017); Laos (44% vs 16%); Malaysia (28% vs 6%); Singapore (21% vs 14%); The Philippines (32% vs 17%) and Vietnam (35% vs 23%).

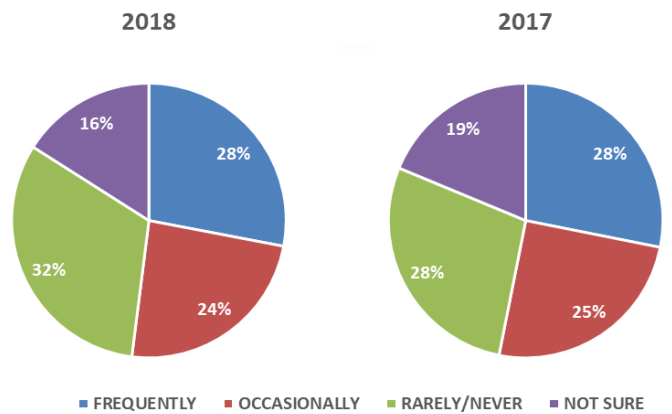
**ASEAN – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**



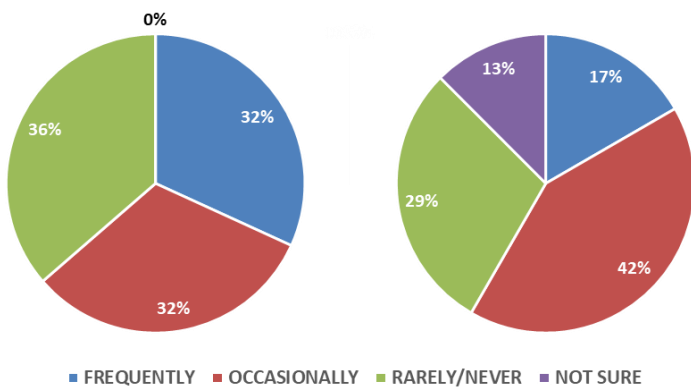
**BRUNEI – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**



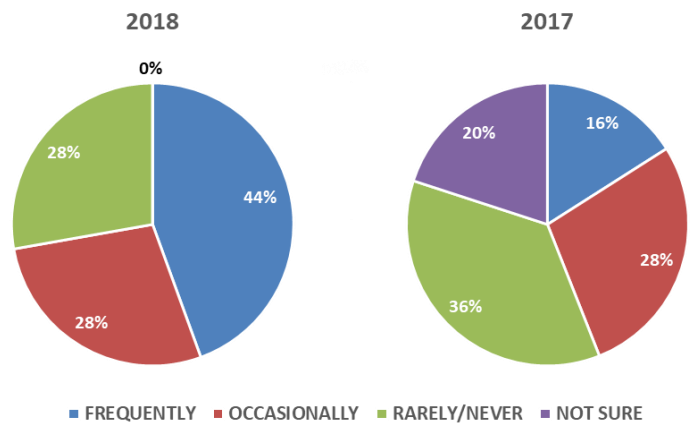
**CAMBODIA – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**



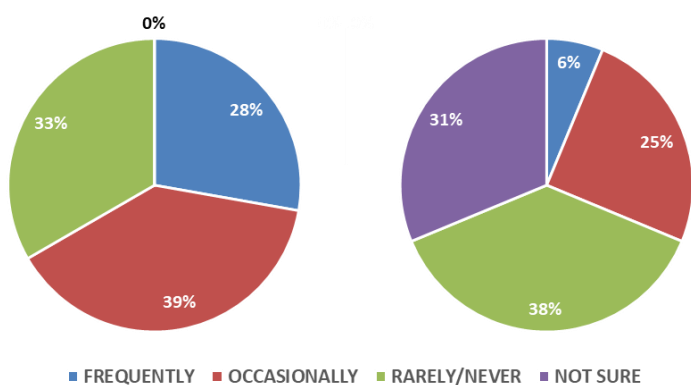
**INDONESIA – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**



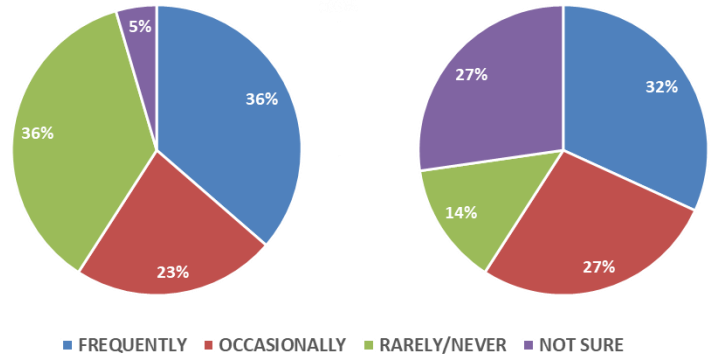
**LAOS – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**



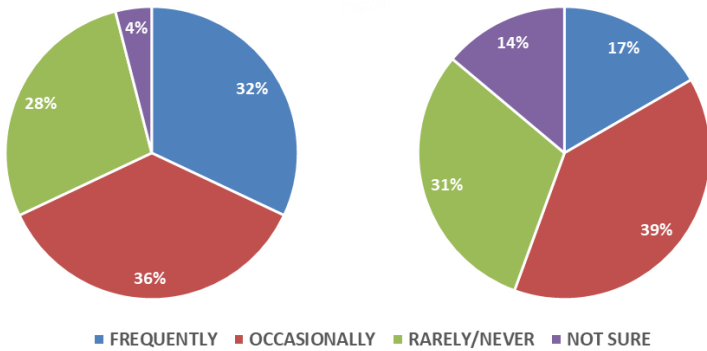
**MALAYSIA – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**



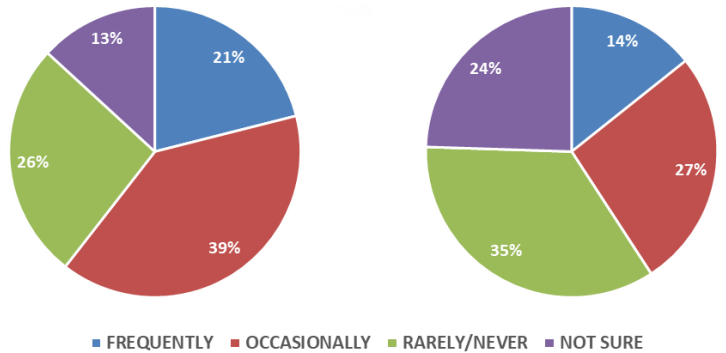
**MYANMAR – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**  
2018 2017



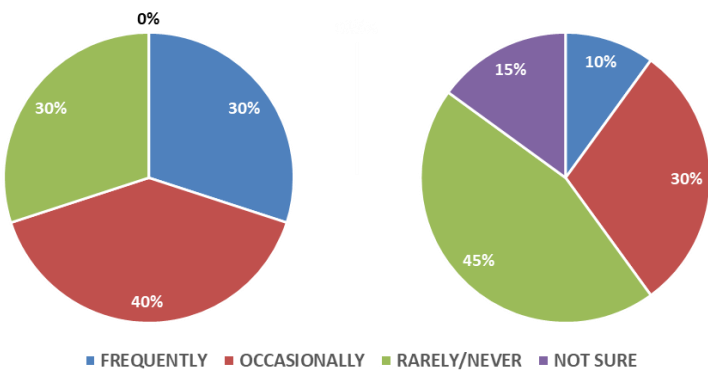
**THE PHILIPPINES – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**  
2018 2017



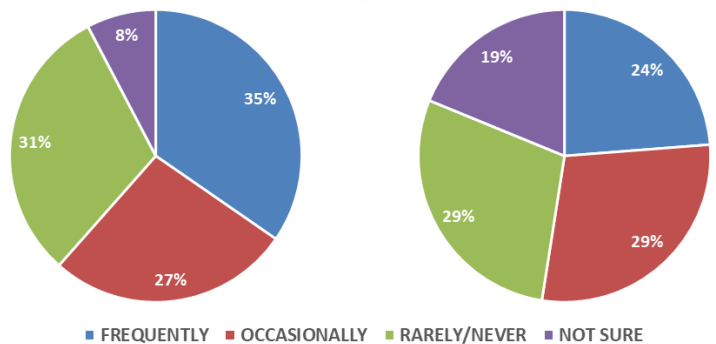
**SINGAPORE – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**  
2018 2017



**THAILAND – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**  
2018 2017



**VIETNAM – PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES**  
2018 2017





# Finance Systems & Regulation in ASEAN: Helping promote better payments & sustainable finance

*EU-ABC Financial Services Paper 2018 Executive Summary*

This paper looks at a number of issues that are related to the need to assist with the more rapid and sustainable economic development of ASEAN. The region has many goals linked to the continued development of the ASEAN Economic Community, and the need to ensure that the benefits of economic development can be felt more widely across the region. Moving collectively to improve matters such as cross-border money flows for transactions; promoting increased use of sustainable finance vehicles; and, ensuring closer alignment of regulatory regimes to lower bureaucratic burdens and costs to financial institutions can only help with this.

## **Payment Systems**

For the members of the EU-ABC, ensuring that businesses, no matter their size, can get paid more quickly and more efficiently for the goods and services they provide, domestically or cross-border, is a key element. Same day credits to bank accounts will ease capital concerns for MSMEs and reduce the cost of trading overseas (by lowering bank and transfer charges). The latter point will help ASEAN with one of its goals of lowering the cost of trade transactions for intra-ASEAN trade<sup>1</sup>. Domestic payment systems in ASEAN are gradually evolving together with improvements in cross-border payment outcomes. However, ongoing attention is required to ensure the region fully embraces a new standard for cross-border payments. It is our view that the region should collectively promote wide-scale adoption in ASEAN banks of community-based initiatives like SWIFT gpi that are not commercially driven, remain market & segment-neutral, remain fully inclusive and provide a ready platform for regional payments integration within ASEAN markets, and also with extra-ASEAN markets. Doing so will greatly advance matters on the process of cross-border payments within the region.

## **Sustainable Finance**

Economic development has come with environmental and social costs. These costs need to be minimised to ensure the continued liveability of cities and rural areas. New financial models linked to sustainability of projects and companies are now being developed globally, and nascent beginnings of green financing are now taking root in ASEAN, particularly in Singapore. In this paper we have given examples of how Sustainable finance can bring benefits and how this sector is developing. It is our view that more should be done to promote greater use of Sustainable Finance vehicles to open up new funding sources for infrastructure and investment within ASEAN.

## **Banking Regulatory Framework in ASEAN**

We have seen in recent years a plethora of new regulatory oversight legislation for the financial services sector across the World. There is no doubt that much of it was brought about by necessity. However, the impact of extra-territorial legislation resulting in contradictory or duplicative or equivalence requirements has placed increased burden on financial institutions. It is our view that this can be mitigated through co-operation, coordination and dialogue amongst regulators and we urge the EU and ASEAN (and others) to do more in this respect. Regulators are, therefore, encouraged to conduct in-depth research on any potential unintended consequences, particularly for non-systemically important local financial institutions and foreign financial institutions located in that jurisdiction where it may be appropriate to apply proportionate rules, when considering new regulations.

<sup>1</sup> See paragraph 53 of the ASEAN Chairman's Statement, 31<sup>st</sup> ASEAN Summit, November 2017: <http://asean.org/storage/2017/11/final-chairman%E2%80%99s-statement-of-31st-asean-summit.pdf>

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# CONCLUSION & IMPLICATIONS FOR ACTION

## **BUSINESS OPTIMISM REMAINS POSITIVE, BUT CLEAR CONCERNS OVER PACE OF ECONOMIC INTEGRATION ARE GROWING, LACK OF FTAS AND UNFAIR COMPETITIVE PRACTICES**

European businesses remain largely positive about their economic prospects within ASEAN, and about the level of economic opportunity afforded by the region, with again high numbers reporting that they both expect their profits in Southeast Asia to rise and their levels of trade and investment in the region to either grow or remain stable. As with the 2017 survey, and those before it, **the clear outcome is that ASEAN is still seen as a dynamic region with upsides for European Businesses.** However, the Survey has also served to highlight a number of concerns that European Businesses have going forward, concerns that policy makers in both ASEAN and the European Union need to heed.

Key amongst those concerns are the **lack of pace on the implementation of the AEC and rising concerns about inaction on matters such as simplification of customs procedures and removal of non-tariff barriers to trade; the lack of progress on FTAs between the EU and ASEAN, and in particular on a region-to-region trade deal that again is clearly seen as providing more benefits than a series of bilateral trade deals; the perceived reduction in the levels of consultation by governments in ASEAN; and, a rise in the perception of unfair competitive practices.**

It is clear from the Survey that European businesses feel that ASEAN has not yet delivered on one of the main tenets of the AEC, i.e. turning the region in a single market and production base. One key message is that **faster and deeper progress on the implementation of the AEC and delivery of its key objectives (from both the 2015 and 2025 Blueprints) is needed.**

Clear and demonstrable moves to remove non-tariff barriers to trade and investment in the region would help to maintain the positivity of European businesses towards ASEAN: further delays in delivering on this key area will only serve to dampen enthusiasm while the low hanging fruits for all economic stakeholders are so obvious. It is fair to say that to date, and despite the objectives of the AEC, that very little has been done in this area.

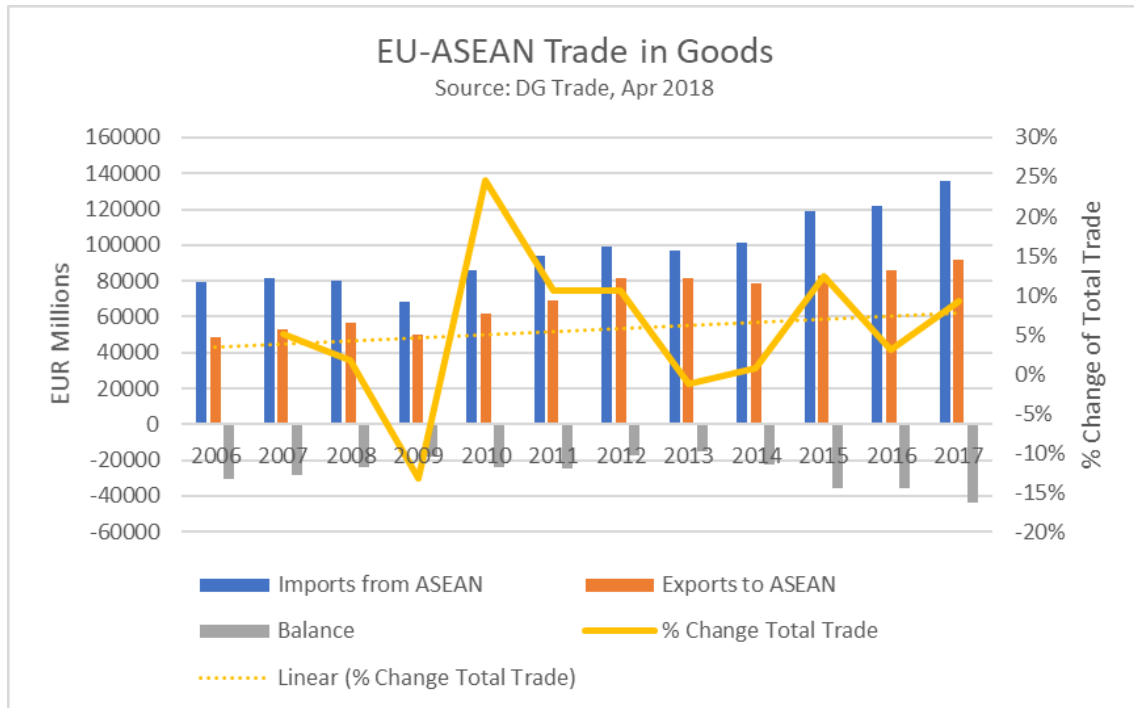
The rise in perceptions of unfair competitive practices within ASEAN Member States is worrying and is one that policy makers need to be cognisant of. European businesses stand ready to engage in discussions to speed up development in this vital area.

**European businesses also clearly feel that they are at a disadvantage compared to their competitors from other regions due to the lack of FTAs in place between the EU and ASEAN.** There are presently no FTAs in effect between the EU and ASEAN. This is something that will change in the near future when the EU-Singapore FTA is finally ratified and implemented. Hopefully the EU-Vietnam FTA will follow soon afterwards. Both have been waiting for ratification for far too long. **But what is clear from the survey, again, is that European businesses want a region-to-region FTA as they see it as delivering more benefits. They would also like to see a lowering of ambitions from the EU to achieve this if need be.** The European Commission needs to show more urgency in its dealings with the region.

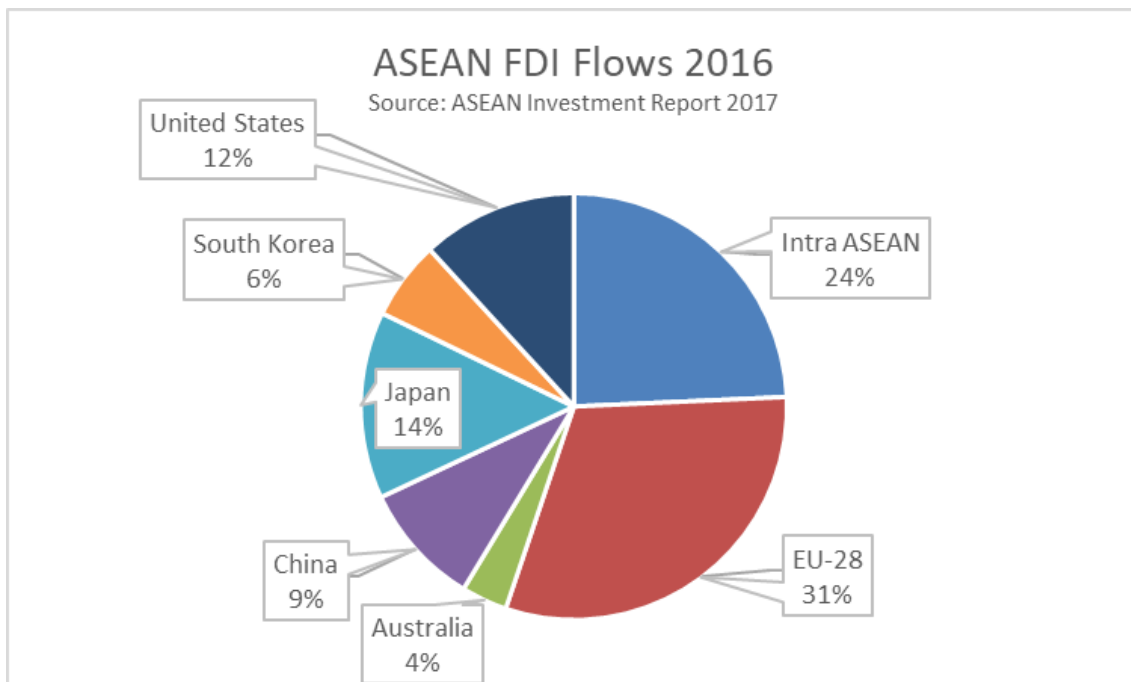
European businesses remain committed to ASEAN; close to half of our respondents have been in the region for 25 years or more, and the numbers saying that they intend to increase or maintain levels of operations in ASEAN remain extremely high. **Delivering on the AEC and putting in place more trade deals between the EU and ASEAN is important to promoting regional integration, reducing NTBs and maintaining business optimism.** As the recognised body, by both the European Commission and ASEAN, for European business interests in the Southeast Asia, the EU-ABC looks forward to leading further constructive collaboration with both organisations.

# ANNEX: EU-ASEAN TRADE & INVESTMENT STATISTICS

EU-ASEAN Trade in Goods in 2017 was €227,380 Million – a record high and up 9% on 2016.  
 EU is ASEAN's 2nd Largest Trading Partner, accounting for 13.2% of ASEAN's global trade.



The EU remains the number one source of FDI to ASEAN, with FDI valued at US\$30,465 million in 2016 (an increase of 46% over 2015).





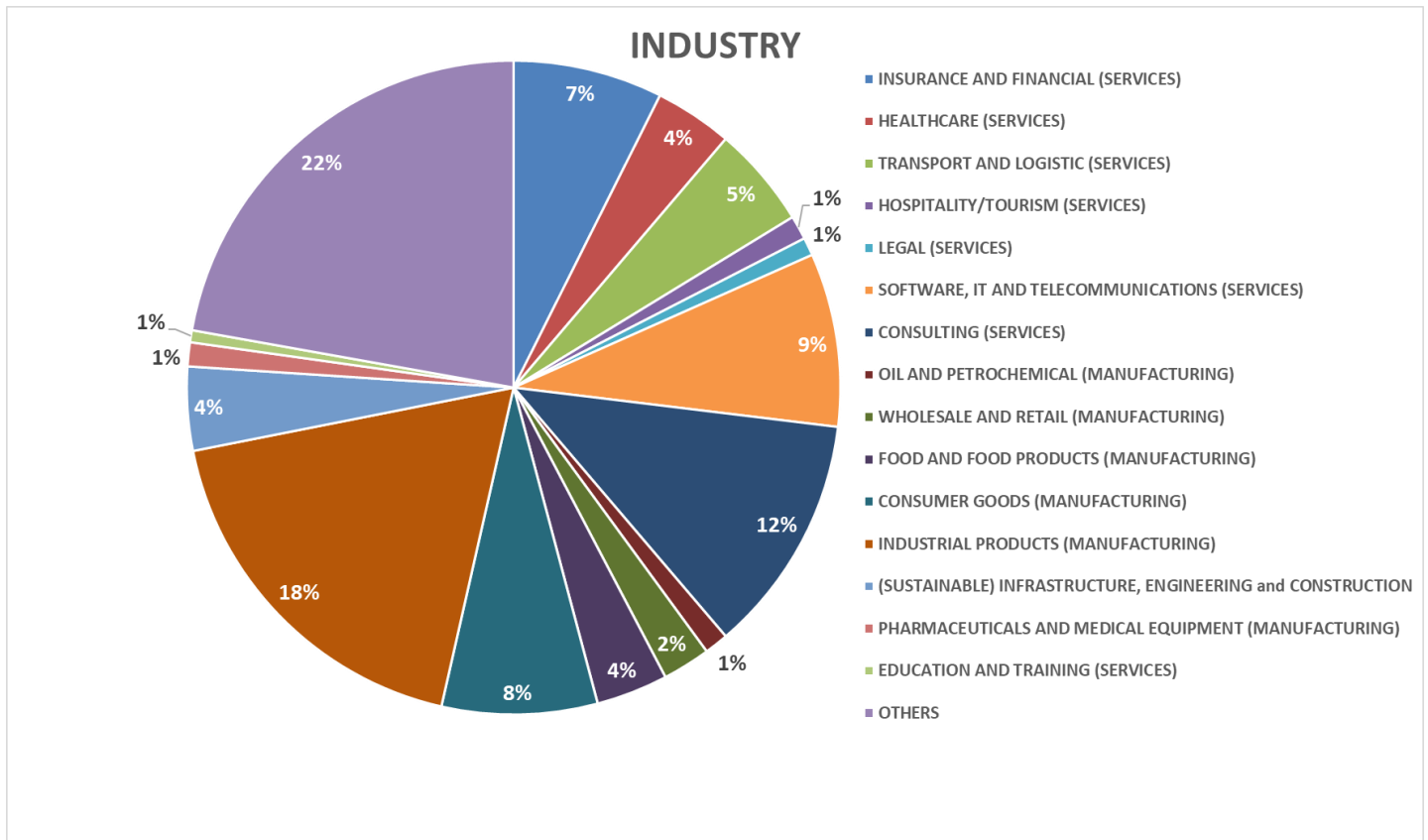
# ANNEX: RESPONDENTS' PROFILE & METHODOLOGY

Survey respondents submitted their responses either through on-line links from newsletters and/or websites from the EU-ASEAN Business Council and the respective European Chambers of Commerce in each ASEAN country, or via e-mail contact from those organisations from April 2018 to July 2018. In total, 338 responses were recorded. All responses were made confidentially and online. Using a similar methodology in 2017, 330 responses were recorded.

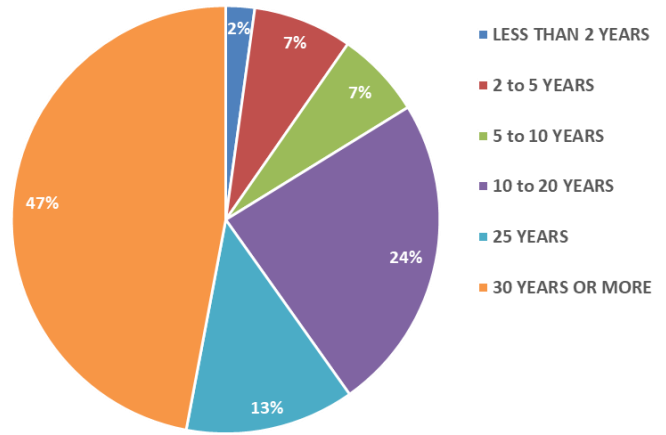
The survey results represent the business sentiment of respondents and are not intended to be a reflection on actual business situations or a commentary on specific

current policies or government activities. While the aggregated responses at a regional level are statistically significant, the responses on a country / industry level are presented only for the interest of readers.

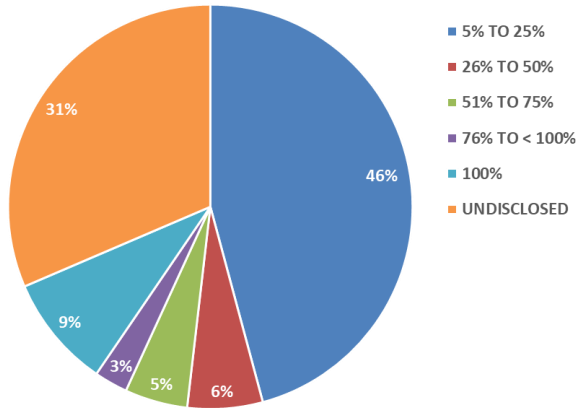
For certain questions, sample sizes at country / industry-levels are limited, and results should therefore be read with caution. Differences in results at a country / industry-level should not always be read as statistically significant. The number of respondents also vary for each question as respondents do not necessarily complete all questions in the survey.



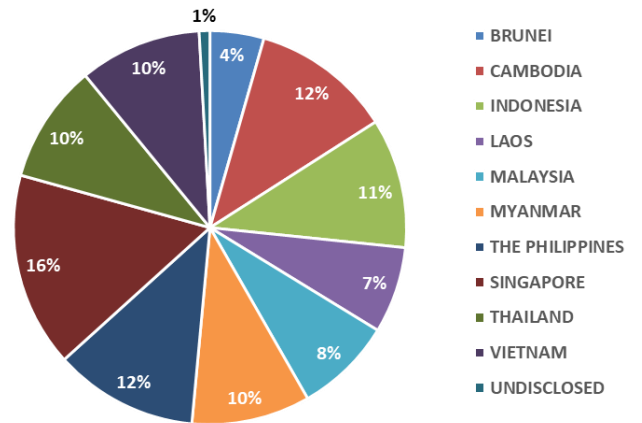
PRESENCE IN ASEAN



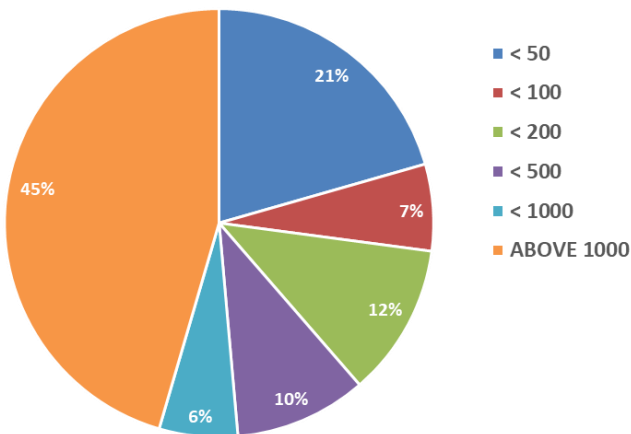
TURNOVER IN RESPONSE LOCATION  
(AS % OF WORLDWIDE TURNOVER)



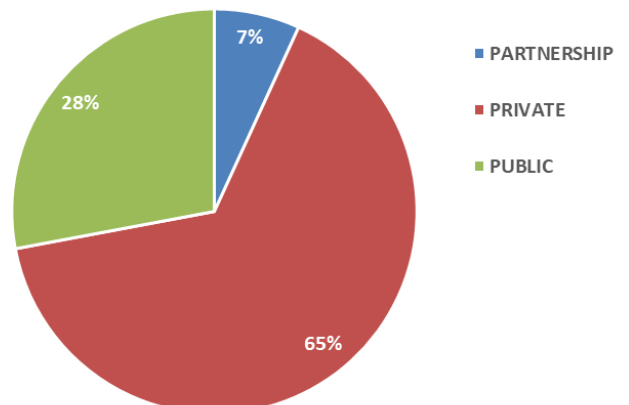
RESPONSE LOCATION



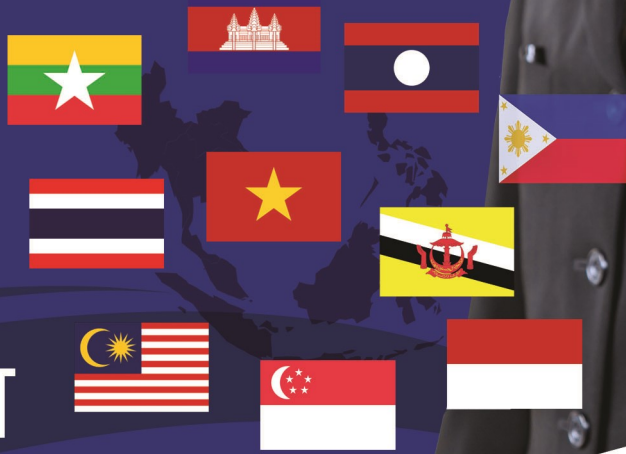
NUMBER OF EMPLOYEES



OWNERSHIP STRUCTURE



# EUROPEAN BUSINESS AT THE HEART OF ASEAN



## EU-ASEAN Business Council (EU-ABC)

The EU-ASEAN Business Council (EU-ABC) is the primary voice for European businesses within the ASEAN region, being endorsed as it is by the European Commission and recognised as such by ASEAN. Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region.

## Our Members

The EU-ABC's membership consists of large European multinational corporations and all of the officially recognised European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including fast moving consumer goods, high-end electronics and communications. Our members all have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.

## Mission Statement

- ★ Advocate on behalf of European business in ASEAN
- ★ To facilitate trade and tackle its barriers
- ★ To collaborate and interact with the ASEAN secretariat
- ★ To be a dialogue partner with ASEAN governments
- ★ To contribute to and promote ASEAN integration
- ★ To support the establishment of an EU-ASEAN FTA

## Member Benefits

- ★ Meaningful dialogue with policy makers and key stakeholders.
- ★ Receive regular business-focused information.
- ★ The EU-ABC provides sustained strong advocacy support and advice.
- ★ The EU-ABC can provide sustained efforts to influence policy and decision makers.
- ★ High-level engagement opportunities to engage with ASEAN policy makers.
- ★ Networking sessions with members to exchange information & ideas.

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