

# AUSTCHAM ASEAN

**ASEAN OVERVIEW MAY 2019**

**Brenton Mauriello**








**President AustCham ASEAN**

# WHO WE ARE

# AustCham ASEAN launched June 2017



AustCham ASEAN is a “Chamber of Chambers” representing over 2,000 Australian corporate members. Our Foundation members are:

	<b>Brunei</b>	Pending
	<b>Cambodia</b>	Australian Chamber of Commerce, Cambodia (AusCham Cambodia)
	<b>Indonesia</b>	Australia Indonesia Business Council (IABC)
	<b>Lao PDR</b>	The Australia Chamber of Commerce Lao PDR (AustCham Laos)
	<b>Malaysia</b>	Malaysia-Australia Business Council (MABC)
	<b>Myanmar</b>	Australian Chamber of Commerce Myanmar Association
	<b>Philippines</b>	The Australian-New Zealand Chamber of Commerce (Philippines) Inc (ANZCHAM Philippines)
	<b>Singapore</b>	Australian Chamber of Commerce, Singapore (AustCham Singapore)
	<b>Thailand</b>	Australian-Thai Chamber of Commerce (AustCham Thailand)
	<b>Vietnam</b>	The Australian Chamber of Commerce in Vietnam (AusCham Vietnam)

# Mission

**Informing** Australian business on regional integration developments and the business landscape with a particular focus on an annual business survey;

**Explaining** the contribution of Australian business to ASEAN markets; and

**Advocating** for policies, rules and regulations that support Australian business activities in ASEAN (including organising sector roundtables in key areas of interest for Australian business).

# WHY ASEAN Snapshot



- ASEAN was established was in 1967
- The Chairmanship of ASEAN rotates annually, 2019 will be hosted by Thailand and 2020 by Vietnam
- ASEAN Is the 5<sup>th</sup> largest economy in the world and 2<sup>nd</sup> largest Foreign Direct Investment (FDI) recipient
- Over the last 15 years ASEANs combined economy has quadrupled to US \$2.5 Trillion
- 660+ million people with a young working age population and rising middle class



# ASEAN- Australia trade relationship



- Australia's \$93 billion two way trade with ASEAN has grown by over \$25 billion in the last decade and now exceeds our trade with US and Japan
- Top three trading partner - ASEAN accounts for 11.5 per cent of Australia's exports and 16.1 percent of imports.
- ASEAN currently accounts for about 14% of Australia's total trade

# ASEAN-Australia Free Trade Agreements

- ASEAN Australia New Zealand Free Trade Agreement (AANZFTA)
- Malaysia Australia Free Trade Agreement (MAFTA)
- Thailand Australia Free Trade Agreement (TAFTA)
- Indonesia Australia Comprehensive Economic Partnership (IA-CEPA)
- Singapore Australia Free Trade Agreement (SAFTA) and Singapore Australia Comprehensive Strategic Partnership (CSP)



# SUSTAINABILITY

- Corporate membership
  - In ASEAN AUD\$12,000
  - Not yet present in ASEAN AUD\$16,000
- Project collaboration
  - DAWR project – ASEAN-Australia NTM Business Working Group on Agriculture & Food
  - CRCNA project – Capturing the ASEAN food opportunity for Northern Australia
- Australian Government funding
  - Australia ASEAN Council Grant/s
  - Australian PMC – ASEAN-Australia Special Summit Survey

# Officially recognized as Australia's advocacy voice to ASEAN

**Official recognition as  
Australia's in ASEAN voice for  
Australian business in ASEAN**

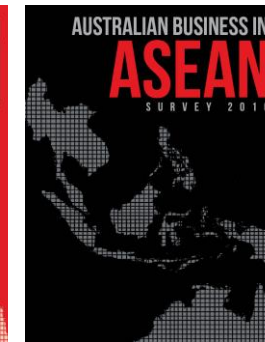
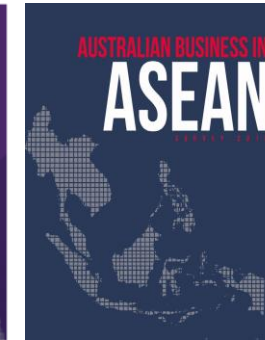
- Officially accredited with the ASEAN Business Advisory Council as a Joint Business Council (JBC) representing Australia/n business in the region.
- Engaging directly with the ASEAN Secretariat as a JBC and seeking official accreditation
- Engaged with leading Australian policymakers to shape the ASEAN-Australia Special Summit

# Overview of activities to date

**Annual survey of Australian  
(and ASEAN) firms on business  
conditions**

Surveys used to understand:

- Perspectives on local and regional business conditions in ASEAN
- Key opportunities
- Key challenges and advocacy priorities



# Overview of activities to date

- Developing **topic focussed working groups** in the following areas:
  1. Agri-food and supply chain logistics
  2. Tourism destination development and aviation
  3. Preparing for digital transformation and industry 4.0
  4. Education
  5. Healthcare
  6. Infrastructure
- Ongoing development of policy papers on key issues, such as non-tariff barriers in the **agriculture and food** sectors
  - ASEAN-Australia NTM Business working group on Agriculture & Food report presented to AANZFTA lead negotiators in Melbourne, May 2019
  - CRCNA Food opportunity for Northern Australia in ASEAN project

Business roundtables on key areas of opportunity

Policy papers on key issues

# Overview of activities to date

- **LABOUR MOBILITY** working group
  - Findings presented from recent Fragomen's labour mobility survey
  - Mix of interested stakeholders across industry
  - Pre issue paper released to attendees (supported by Fragomen's)
  - Lead discussion to plot issues and assess industry focus
  - Plan to take forward
- Agri-food working group on **HALAL CERTIFICATION FRAMEWORK**
  - Working with leaders in the field - ASEAN Food & Beverage Alliance and Food Industry Asia
  - MLA Championing this working group – particular interest in Indonesia, Malaysia and Vietnam
  - Same process of discussion and assessment

**LABOUR MOBILITY**

**HALAL CERTIFICATION  
FRAMEWORK**

## How we can work together...

- **Support flow of information** to all members through Australian Business in ASEAN Survey
- Issues at a **country level** fed into the ASEAN level through AustCham ASEAN
- Engagement in working groups as relevant



# AustCham ASEAN Corporate Champions

Digital



Labour Mobility



Healthcare



Agri-food & Supply Chains

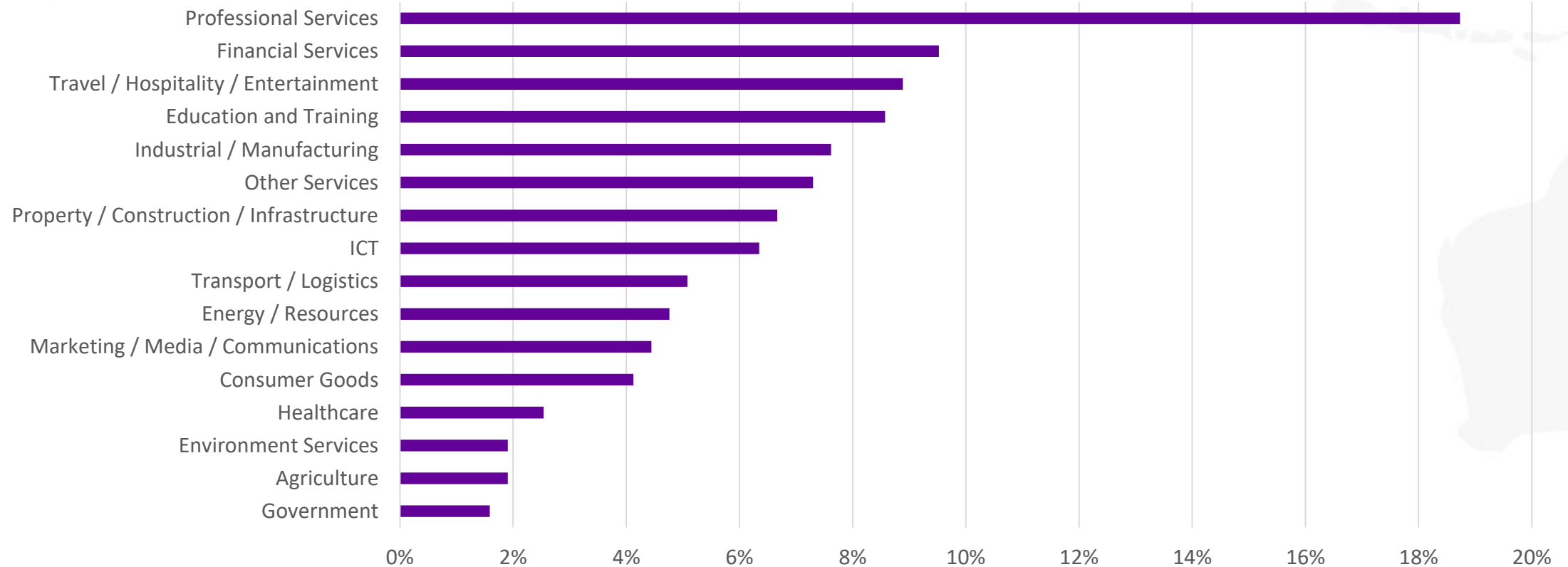


# Profile of Australian Business in ASEAN

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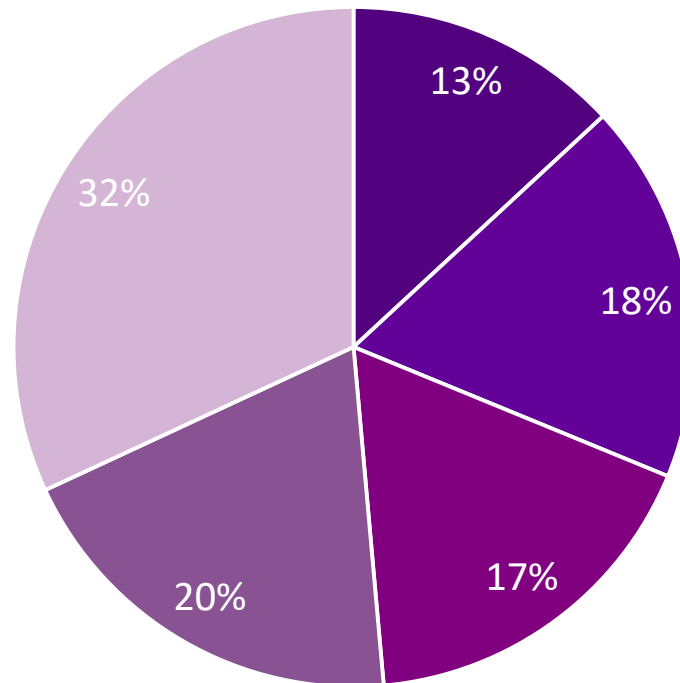
# Australian firms operate predominantly in services

Industry of Operations



13% of firms have entered the market in the last two years, but a half have decades of experience

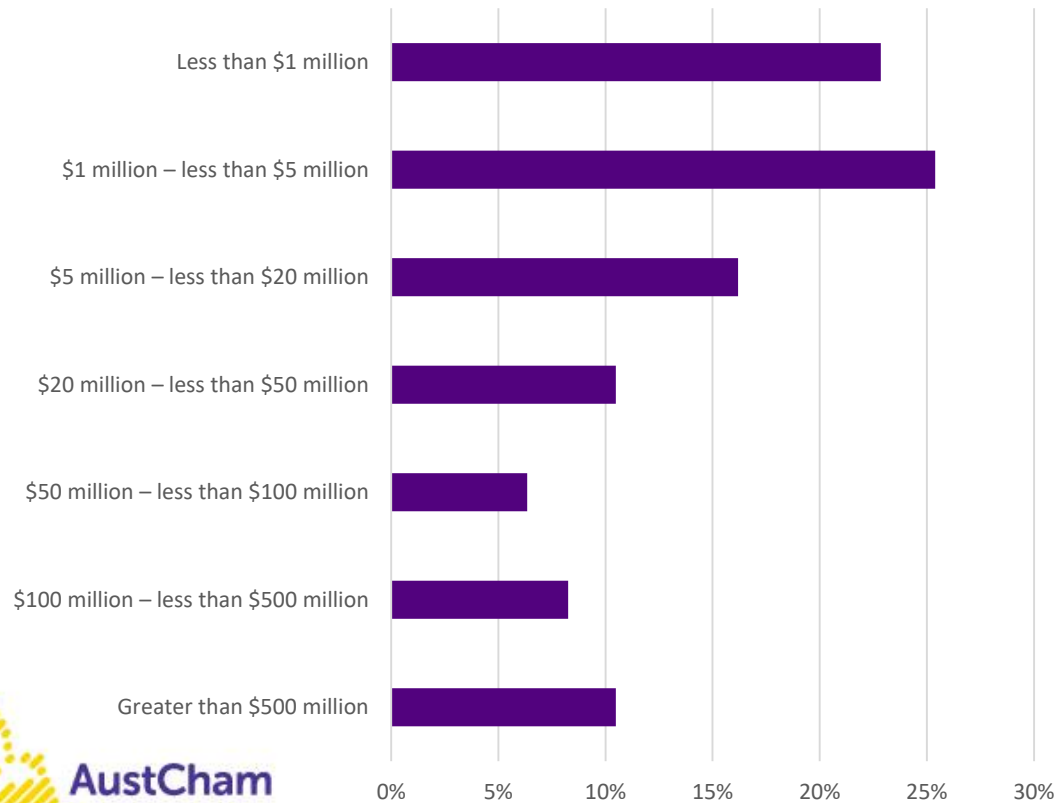
Length of Operations in Country



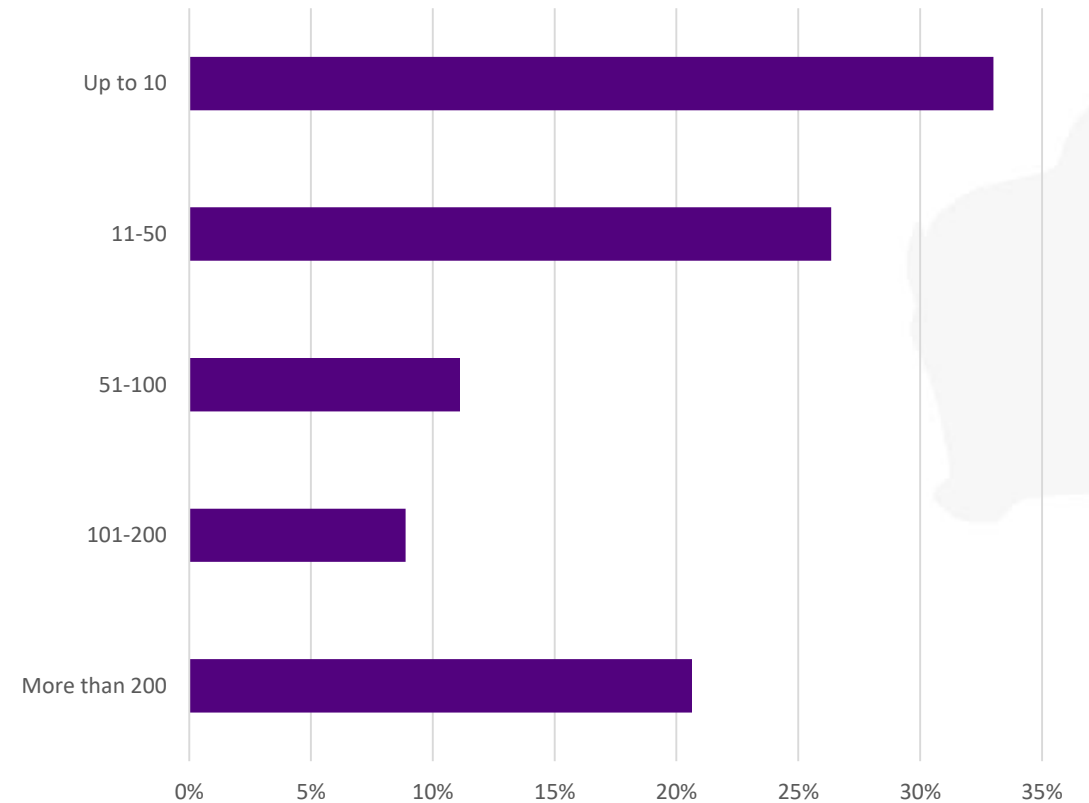
- Less than 2 years
- 2 years but less than 5 years
- 5 years but less than 10 years
- 10 years but less than 20 years
- 20 years or longer

# Australian firms in ASEAN vary significantly in size

Revenue

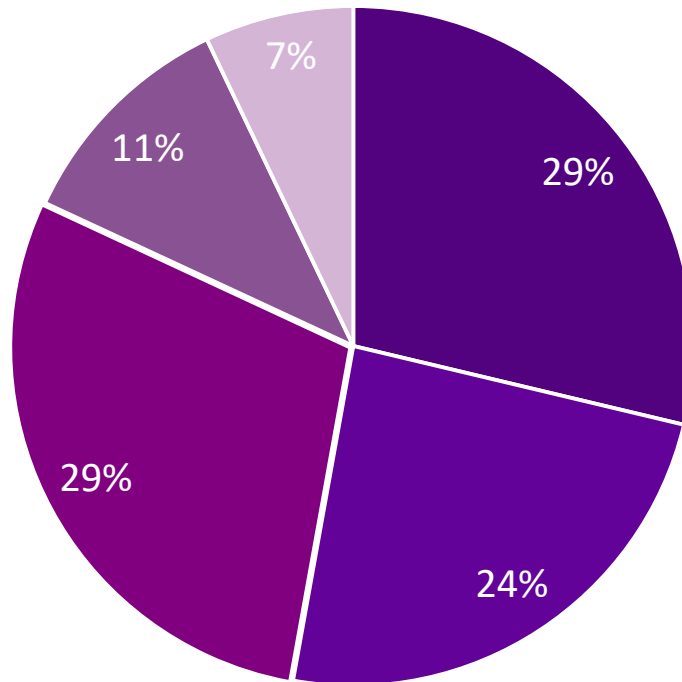


Local employees



# More than half of firms reported they were more profitable than last year

2018 Financial Performance (compared to 2017)

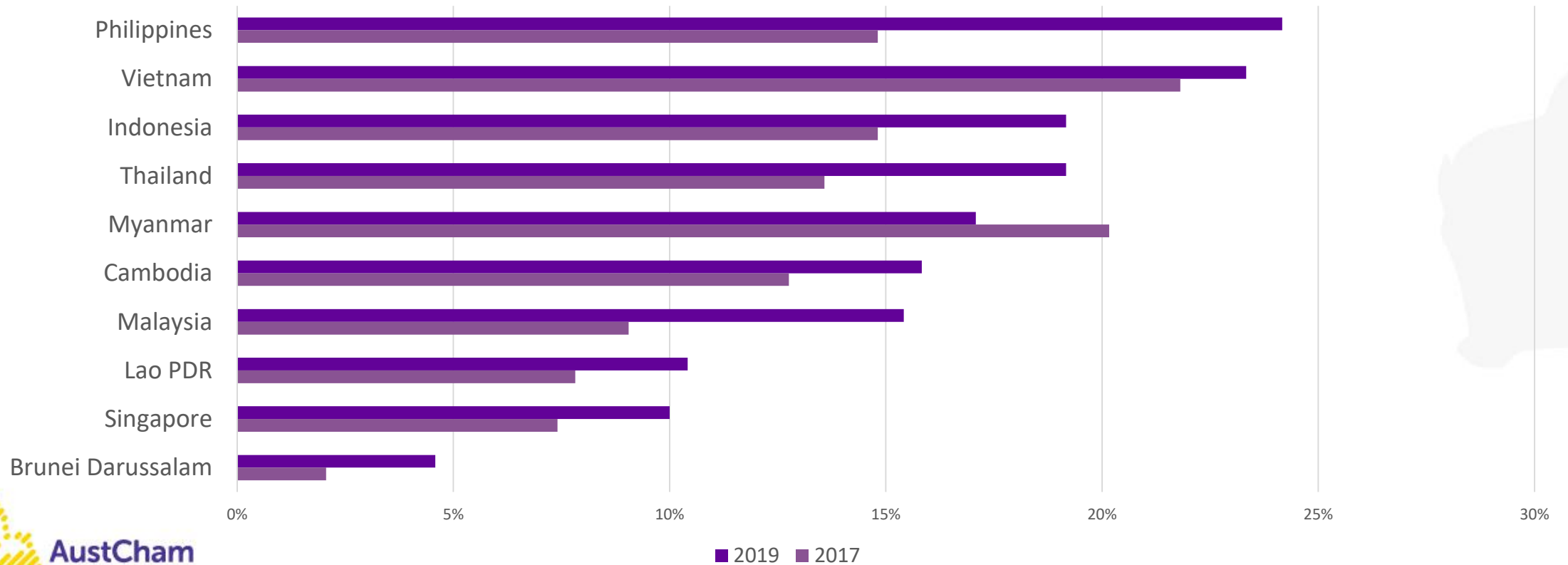


- Much more profitable (more than 10% increase in profit)
- More profitable (5-10% increase)
- About the same (between a 5% decrease and a 5% increase)
- Less profitable (5-10% decrease)
- Much less profitable (greater than 10% decrease)



# Expansion plans have increased across the region in the past two years – Philippines now top destination for expansion

Expansion Plans in ASEAN

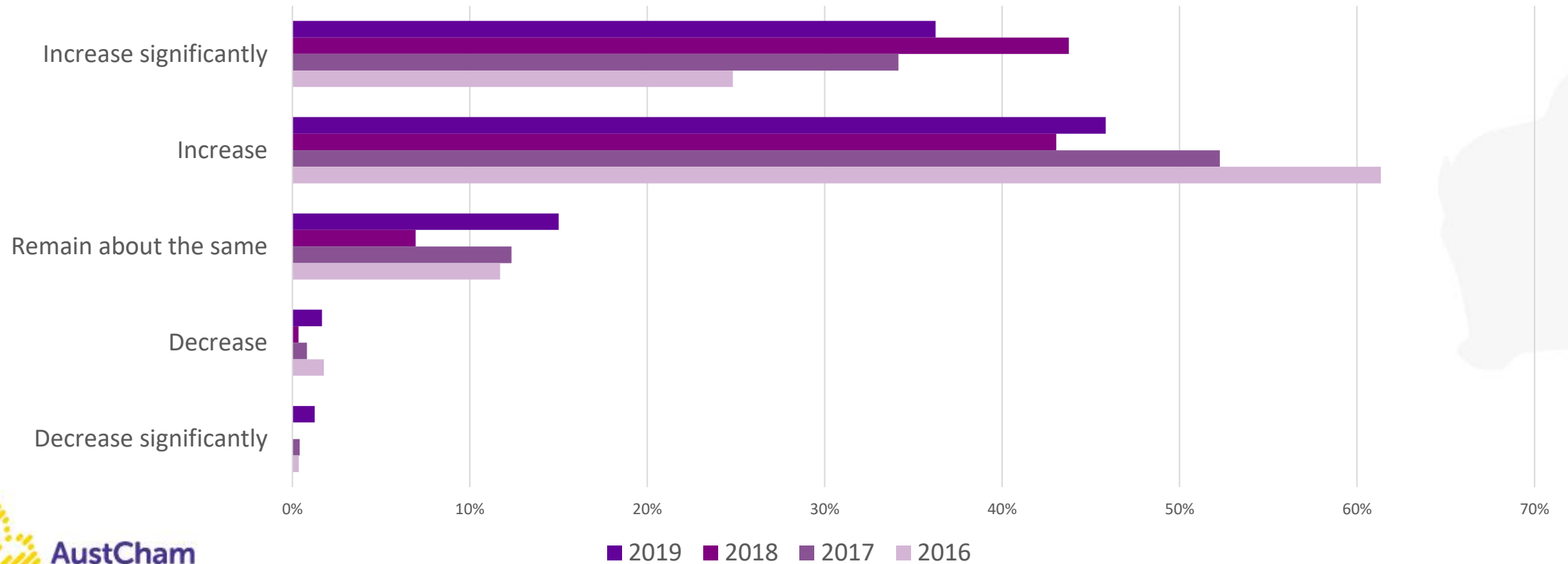


# Perspectives on ASEAN and Free Trade Agreements

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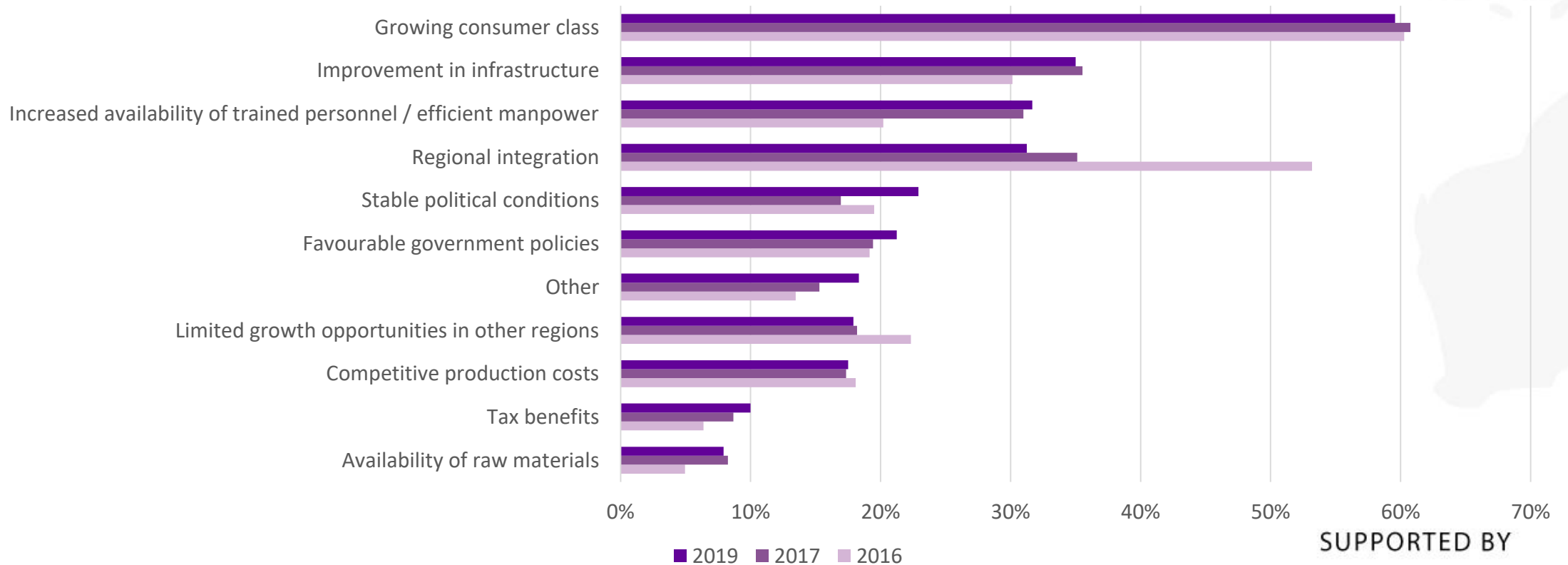
# Australian firms continue to be confident about the future of ASEAN

Expected level of trade and investment in ASEAN in the next 5 years



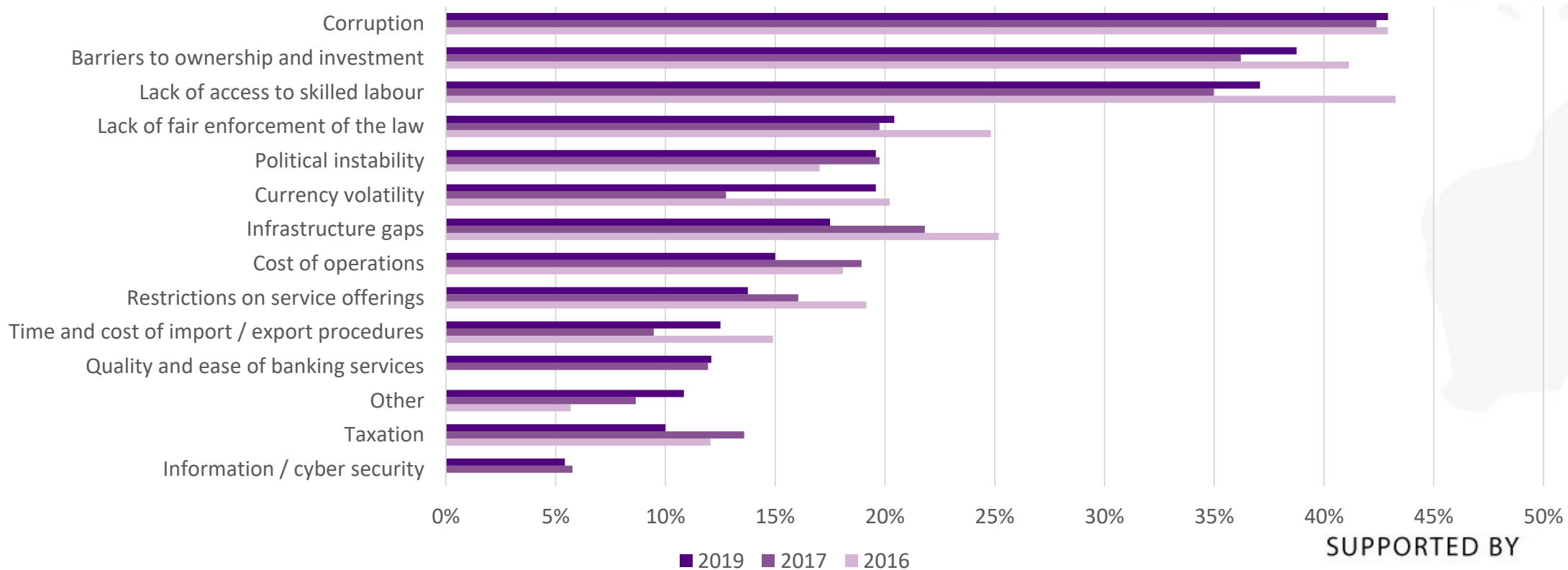
# The growing consumer class, improvements in infrastructure, and availability of skilled labour are key reasons for expansion

Top reasons for expanding trade and investment in ASEAN



# Corruption, barriers to ownership and investment, and lack of access to skilled labour remain key challenges to operating in the region

Top challenges in operating in ASEAN

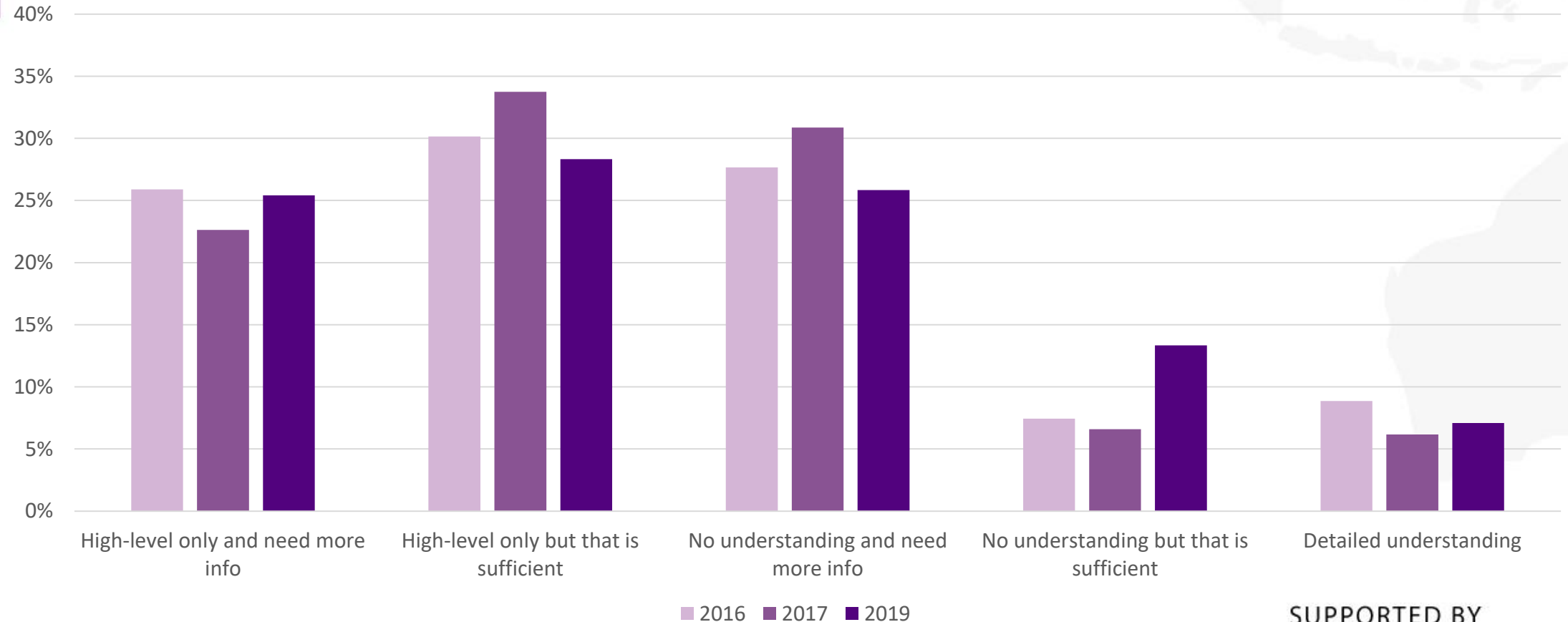


# Barriers of operating in ASEAN by country

	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	ASEAN
Barriers to ownership and investment	13%	44%	31%	26%	30%	41%	34%	52%	36%	39%
Corruption	50%	50%	54%	45%	30%	41%	39%	42%	57%	43%
Cost of operations	25%	13%	23%	13%	20%	6%	21%	10%	14%	15%
Currency volatility	13%	31%	0%	29%	40%	24%	18%	18%	0%	20%
Information / cyber security	13%	13%	23%	8%	0%	0%	5%	0%	0%	5%
Infrastructure gaps	25%	25%	8%	16%	20%	41%	16%	10%	29%	18%
Lack of access to skilled labour	50%	19%	31%	29%	50%	35%	38%	42%	50%	37%
Lack of fair enforcement of the law	13%	19%	38%	24%	10%	12%	13%	24%	43%	20%
Political instability	0%	19%	0%	26%	30%	6%	20%	28%	14%	20%
Quality and ease of banking services	0%	0%	8%	13%	30%	18%	11%	10%	21%	12%
Restrictions on service offerings	0%	25%	8%	13%	10%	12%	13%	18%	7%	14%
Taxation	13%	19%	31%	8%	10%	18%	3%	6%	21%	10%
Time and cost of import / export procedures	13%	13%	38%	5%	10%	0%	13%	12%	0%	13%

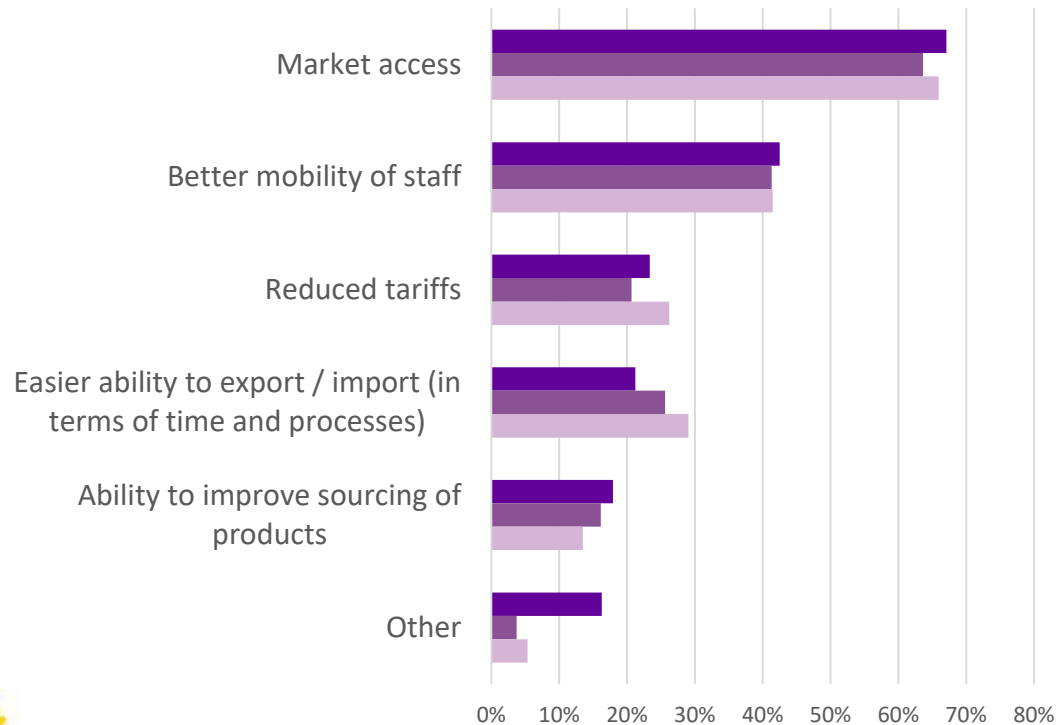


# A majority of firms (54%) continue to need further information on ASEAN integration

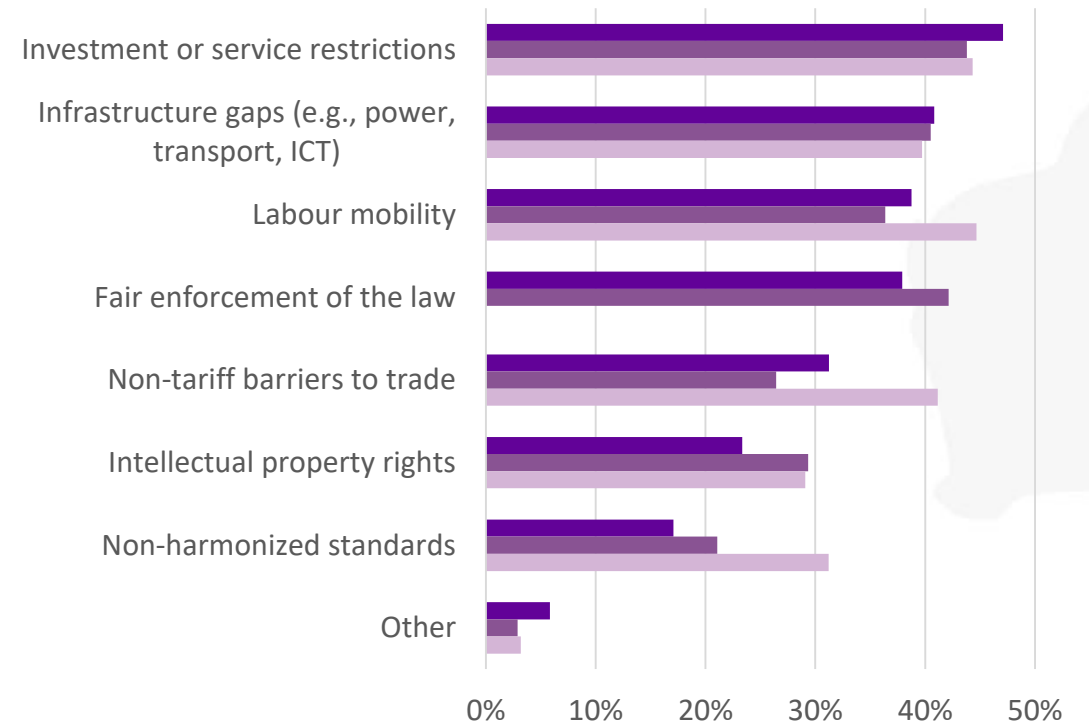


# ASEAN integration is viewed as important for market access, and number of areas to accelerate progress

Major benefits of ASEAN integration

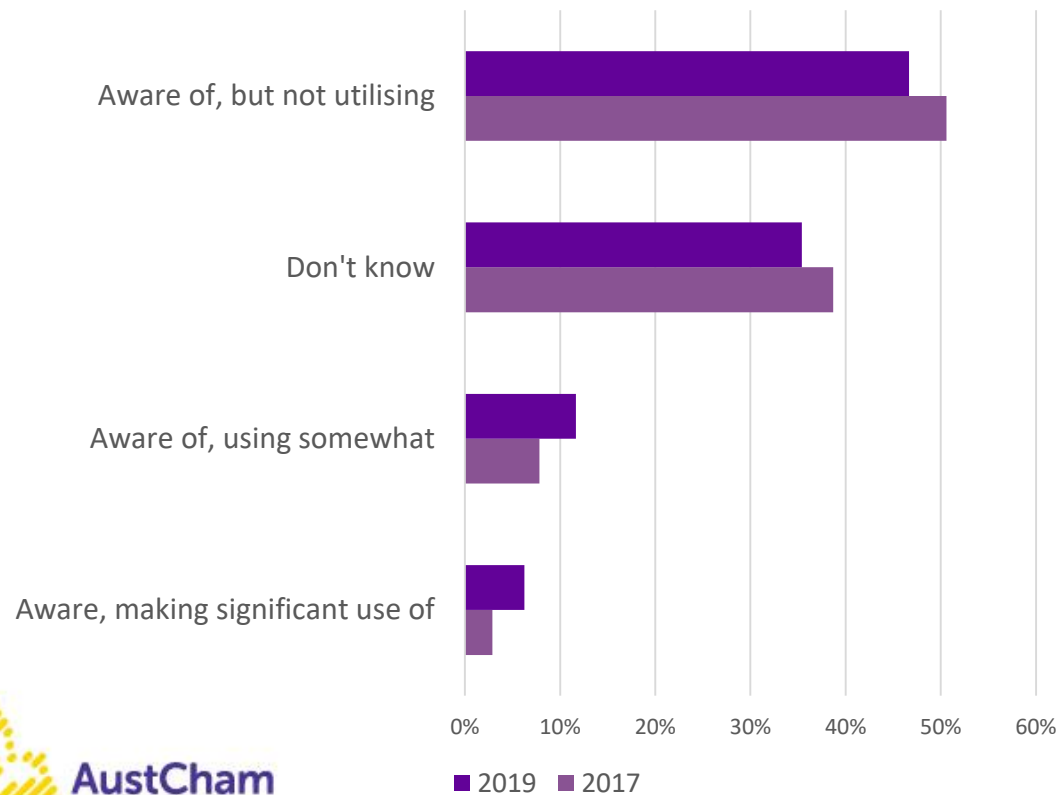


Priority areas to accelerate ASEAN integration

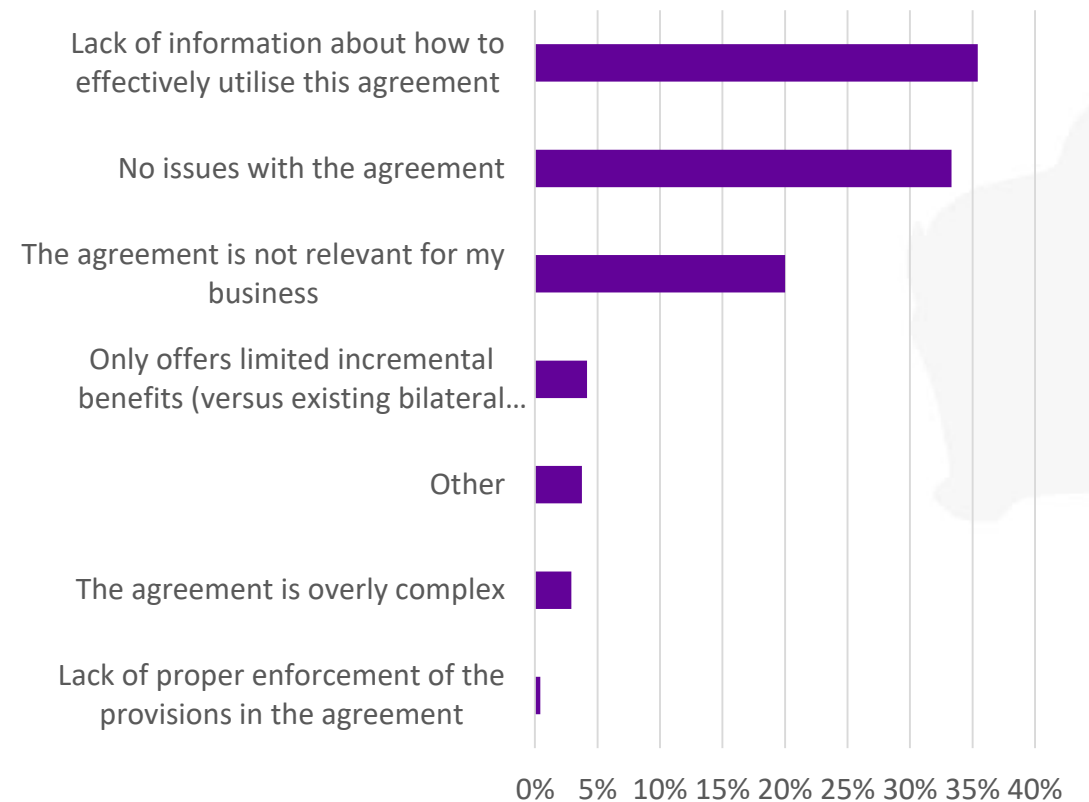


# Utilisation of the AANZFTA is increasing from a low base, but knowledge gaps remain a hurdle

Are you making use of the AANZFTA?



Primary Issue with AANZFTA



# THANK YOU

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[www.austchamasean.com](http://www.austchamasean.com)

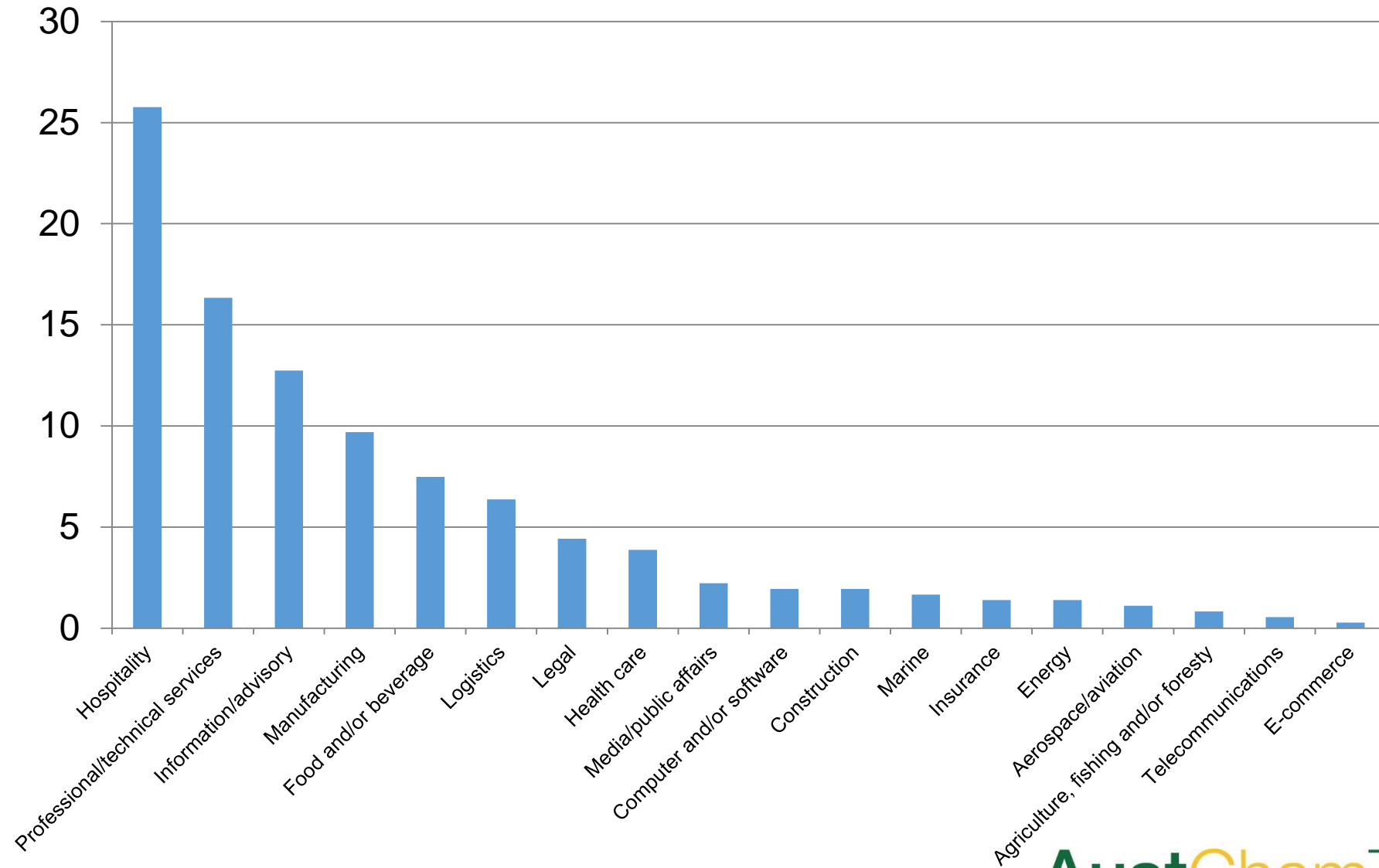
**THAILAND OVERVIEW MAY 2019**  
**Wayne Williams**  
**President AustCham Thailand**



# MEMBERSHIP NATIONWIDE

- Established 1977
  - 2<sup>nd</sup> oldest Australian Business Chamber worldwide
- 402 Members across Thailand, ASEAN, Australia
- Representing approximately 361 companies and 350,000 employees across various industries
- Members through Bangkok, Pattaya & Eastern Seaboard, Phuket, Chiang Mai and Hua Hin

## Percentage of Overall Area of Business Activity







# THAILAND

Thailand ranks as one of the easiest countries in the South East Asian region in which to do business; it is Australia's sixth largest two-way goods and services trading partner - and second largest in ASEAN - with two-way trade in excess of \$14 billion a year, and Australian investment backed by the Thailand-Australia Free Trade Agreement.

Thailand is a regional and global manufacturing hub for vehicles, automotive components, consumer electronics, and processed food and beverages. It is also a leading exporter of agricultural commodities. Thailand is also a significant international tourist destination with around 35 million visitors in 2017.

The government of Thailand has announced a "Thailand 4.0" development plan to encourage investment into a value-based, digital, innovation-driven and services-based economy, especially within the ten targeted industries including: automotive, electronics, high-value tourism and medical tourism, efficient agriculture, food innovation, automation and robotics, aerospace, bio-energy and bio-chemicals, digital medical and healthcare

Title AECONOMIC INDICATORS	2013	2018
GDP (US\$B) (CURRENT PRICES)	420.3	490.1
GDP PER CAPITA (US\$)	6,154.5	7,084.5
REAL GDP GROWTH (% CHANGE YOY)	2.7	4.6

PRINCIPAL EXPORT DESTINATIONS 2017	
1. CHINA	12.5%
2. UNITED STATES	11.2%
3. JAPAN	9.4%
6. AUSTRALIA	4.4%

PRINCIPAL IMPORT SOURCES 2017	
1. CHINA	19.9%
2. JAPAN	14.4%
3. UNITED STATES	6.7%
14. AUSTRALIA	2.0%

## EMPLOYEE NUMBERS



## TOP GROWTH DRIVERS

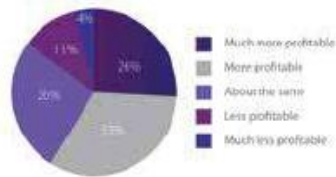


## HIGH IMPACT BUSINESS CHALLENGES



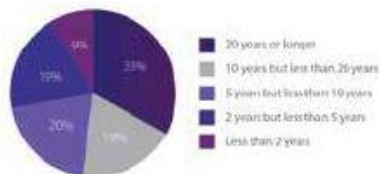
Access to skilled labour continues to be the most significant constraint on doing business in Thailand, identified by 48% of firms as having a high impact on their business.

## PROFITABILITY IN 2018



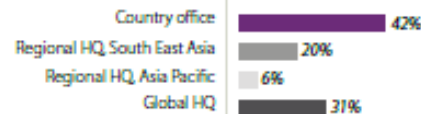
59% of businesses in Thailand reported improved profitability in 2018, with 26% reporting greater than 10% increases.

## LENGTH OF OPERATIONS



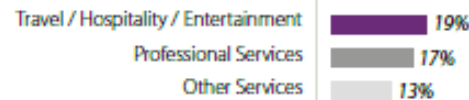
Australian business has significant experience in Thailand with, one-third of firms operating there for more than 20 years.

## ROLE OF OPERATIONS



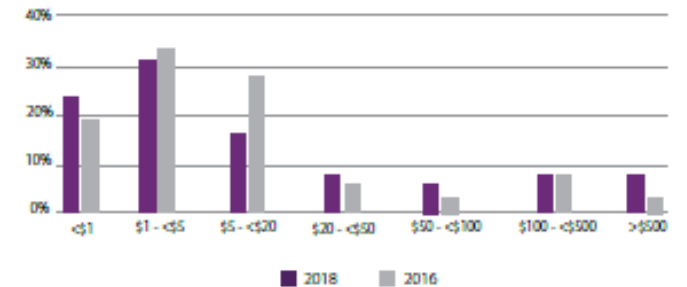
More than 40% of firms are focussed on the local market, and more than 30% operating as their firm's global headquarters.

## TOP INDUSTRIES OF OPERATIONS



Travel, hospitality, and entertainment was the most common industry in Thailand, reflecting the significant annual tourism numbers. Together with professional and other services, these three industries accounted for almost half of the Australian business community in Thailand.

## ANNUAL TURNOVER (IN MILLION AUD)

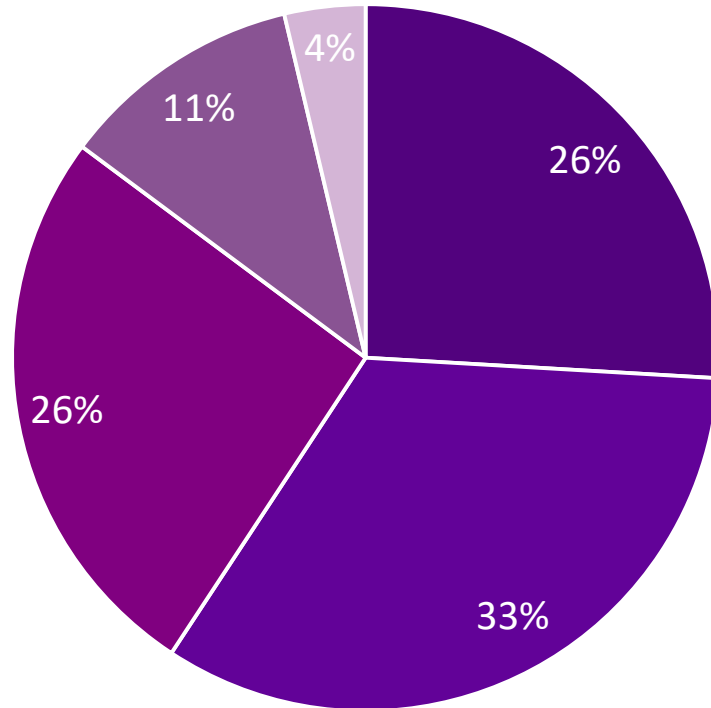


The Australian business community in Thailand is quite diverse, with 20% of respondents employing more than 200 staff, and more than half with turnover less than \$5 million.

# Firms in Thailand had strong profit growth in 2018



Financial Performance in 2018 (compared to 2017)

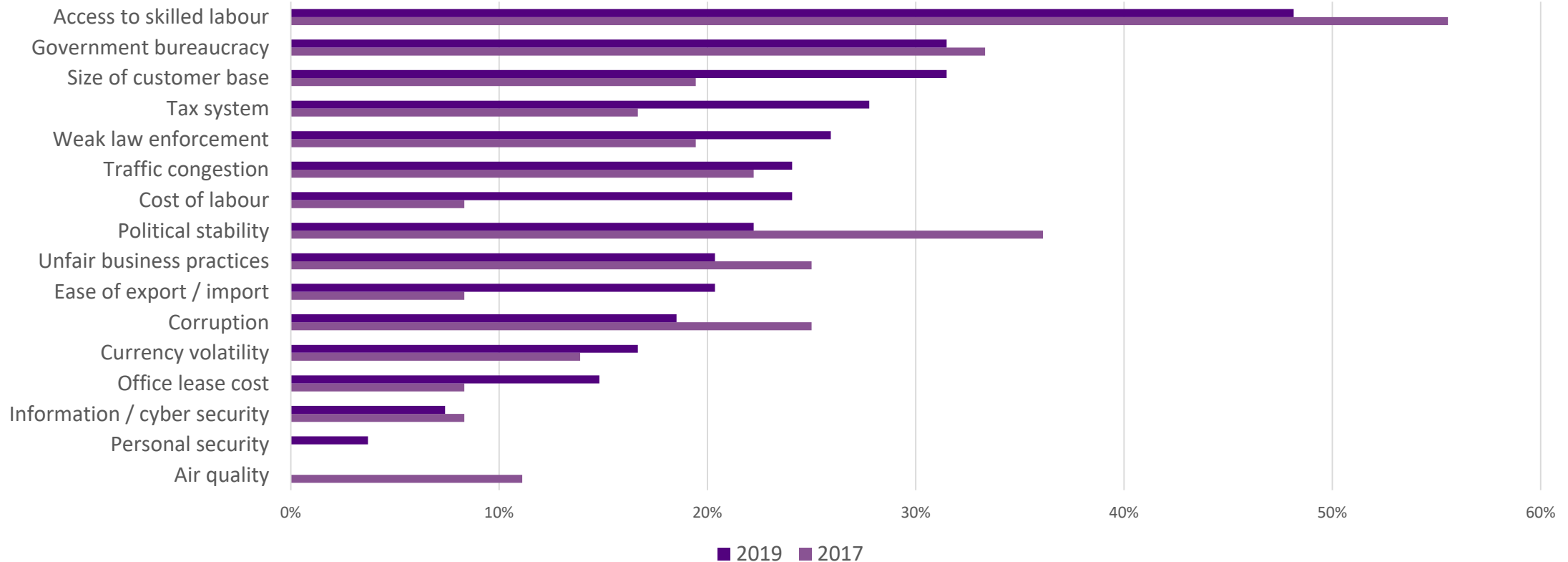


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# Access to skilled labour continues to be the greatest constraint to operating in Thailand



High Impact Business Challenges in Thailand



## Thailand-Australia FTA

The Thailand-Australia Free Trade Agreement (TAFTA) is one of two FTAs that Australian businesses can use to trade with Thailand. As a member of ASEAN, Thailand is also part of the [ASEAN-Australia-New Zealand Free Trade Agreement \(AANZFTA\)](#).

TAFTA has eliminated the majority of Thai tariffs on goods imported from Australia. The reduction of Thailand's previously high tariff barriers (for some goods, up to 200 per cent) is a significant win for Australian businesses, opening up a range of export opportunities in Southeast Asia's second-largest economy. TAFTA also improves the environment for bilateral services trade and investment. The agreement entered into force on 1 January 2005 and was Australia's third free trade agreement. It was Thailand's first comprehensive free trade agreement and its first with a developed country. Total two-way trade between Australia and Thailand has more than doubled since TAFTA entered into force.



Increased access for Australian **investors** in Thailand, permitting majority Australian ownership for businesses in certain sectors including mining operations, construction services, restaurants and hotels, tertiary education institutions, maritime cargo services and more.

Facilitates business by easing visa and other requirements for the temporary entry of Australian **business people** to Thailand, including through reduced paperwork, access to a one-stop visa and work permit service, and extension of the maximum length of stay under business visa arrangements.

Provisions on **investment protection** that guarantee a range of rights to Australian direct investors in Thailand, including the right to transfer their funds out of Thailand at any time, and the right to seek impartial resolution of any disputes with the Thai government over their investments.

The elimination of 94 per cent of Thailand's **tariff** and quota barriers on imports from Australia as of 2010, with the remaining tariffs phasing to zero in 2015 or 2020 (with the exception of skim milk powder and liquid milk and cream, for which the tariff rate quotas will be eliminated in 2025).



More open access for Australian companies to Thailand's **services** market and a commitment to liberalise two-way services trade in future.

**AFTA (Thailand)** Thailand had relatively high tariff rates, with few duty free tariff lines and some relatively high tariff peaks. For example, automotive tariffs were up to 80 per cent, while beef tariffs were 51 per cent. Around half of Thailand's tariffs on complying Australian imports were reduced to zero upon entry into force in 2005.

A substantial proportion of remaining tariffs were phased to zero by 1 January 2010, with most remaining tariffs to be phased to zero by 1 January 2015. Border restrictions on some agricultural products such as beef will not be phased out until 2020, while designated dairy tariff quotas will not be abolished until 2025. Australia will reduce all tariffs on imports from Thailand to zero by 2015. Under the agreement, tariffs on motor vehicles were cut to zero upon its entry into force.

### Some thoughts

- FTAs can have a 'head turning' effect on trade, ie. customers in FTA partner markets such as Thailand now look at opportunities for supply from Australia ahead of other suppliers as they see the commercial advantage of setting up long term business relationships linked with FTA preferences.
- However are these FTA's fit for purpose??
  - The reality is that most business we as a chamber come across are mid-sized businesses, or larger companies (eg hotels, hospitality, consultancies etc) which deal in services and not necessarily just exporters.



### General Pros and cons of FTA's

- Well known that gains from trade are greatest if barriers are removed multilaterally via global trade deals
- Are bilateral free trade agreements then 'building blocks' that are making genuine progress in reducing trade barriers, more rapidly and deeply than could be achieved through multilateral means alone? Or are they 'stumbling blocks' that distort trade patterns and have the effect of undermining multilateral trade negotiations and impeding domestic reform?

### Are the benefits really delivered

- Thailand reduced tariffs, but in sensitive areas (eg Auto's and Wine) competitive advantage that was given to Australian exporters to Thailand in this area was whittled away by increases in excise taxes.
- Given that agricultural products from Australia are set to be liberalized under TAFTA schedules in the next few years (beef, dairy) will we see the same thing happen as Thailand seeks to protect industry that has had 14 years to 'prepare' and 'adjust' for this moment, either via new excise taxes or new non-tariff barriers such as agricultural and quarantine rules.
- Outreach and support from Australian government and industry necessary to minimize the chances of this occurring





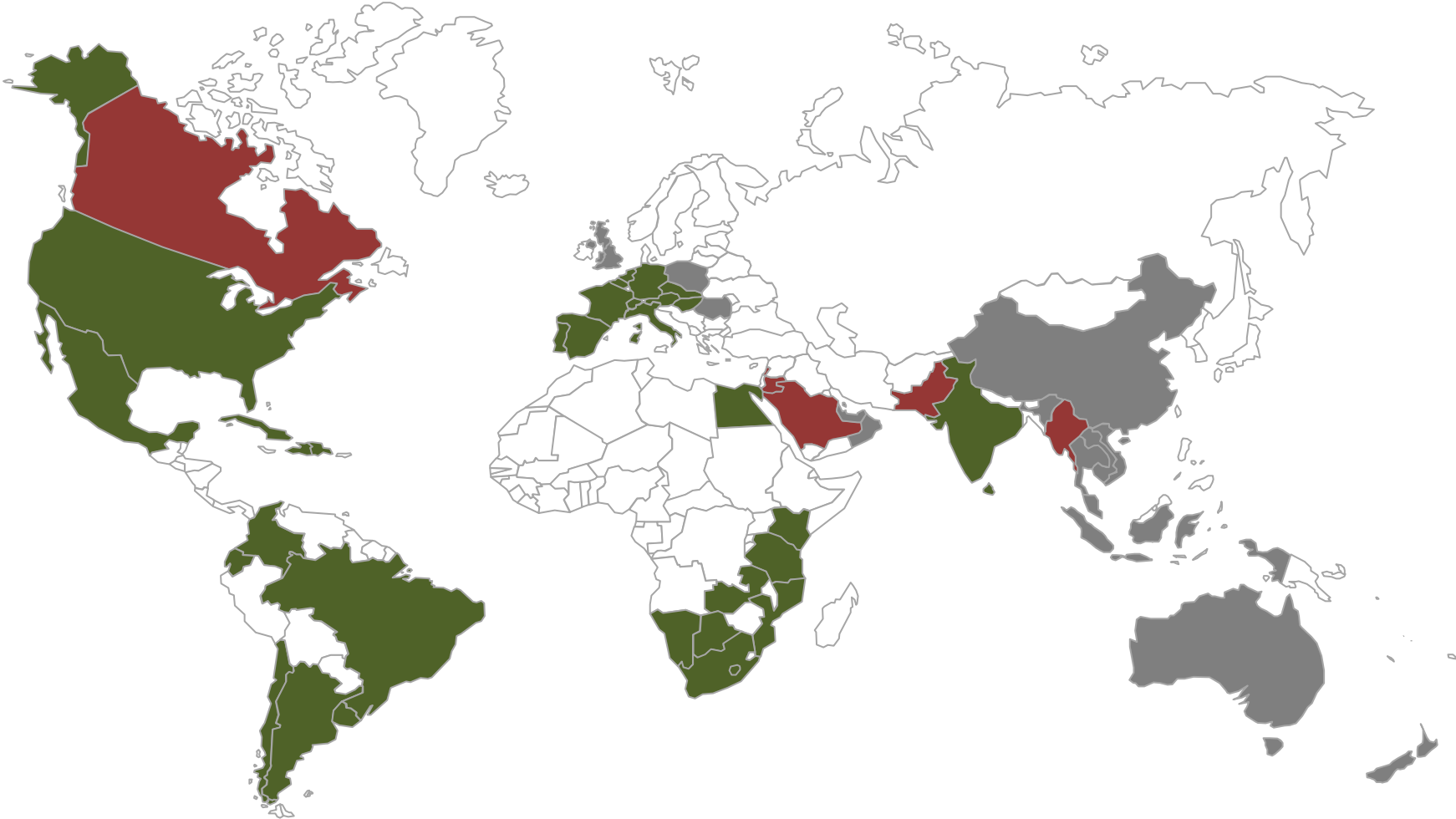
## Some of the key findings of the 2009 Australian Productivity Commission report into Australia's FTA's include



- Businesses have provided little evidence that Australia's BRTAs (Bilateral and Regional Trade Agreements) have generated significant commercial benefits. The information available suggests that, where benefits accrue, they are mainly to existing exporters
- The evidence available to the Commission indicates that the direct economic impacts from services and investment provisions in Australia's BRTAs to date have been modest. More significant gains may be achieved in the future through some of the processes established under Australia's agreements. However, their realisation will require concerted efforts from Australia and its BRTA partners over many years.

<https://www.pc.gov.au/inquiries/completed/trade-agreements/report/trade-agreements-report.pdf>

# For Companies expanding their International Presence



**AustCham**Thailand  
Business | Connections | Community



# Risk and Disruption



Disruption	Regulation	Behaviour	Opportunities
<ul style="list-style-type: none"> <li>Business Interruption                             <ul style="list-style-type: none"> <li>- Physical</li> <li>- Supply Chain</li> <li>- Internet Reliance</li> <li>- Cyber</li> </ul> </li> <li>New Technology</li> <li>Political Risk</li> <li>Market Share</li> <li>Startups</li> </ul>	<ul style="list-style-type: none"> <li>Statutory Reporting</li> <li>Legislation Changes                             <ul style="list-style-type: none"> <li>- Tax</li> <li>- Labour</li> <li>- Fire, Life, Safety</li> </ul> </li> <li>Currency</li> <li>Commodities</li> <li>Interest Rates / Inflation</li> <li>Trade</li> </ul>	<ul style="list-style-type: none"> <li>Reputation / Brand</li> <li>Climate Changes</li> <li>Privacy &amp; Greater Availability of Data</li> <li>Blind Spots</li> <li>Social Conscious Consumers &amp; Activism</li> <li>Fraud</li> </ul>	<ul style="list-style-type: none"> <li>Anticipate &amp; Response to Emerging Threats</li> <li>Risk Dashboards &amp; Scenario Analysis</li> <li>Automated Compliance Monitoring</li> <li>Business Continuity Plans</li> <li>Risk Appetite in Project Evaluation</li> </ul>

# What is the trade risk



## **Economic risks**

- Risk of concession in economic control
- Risk of insolvency of the buyer
- Risk of non-acceptance
- Risk of protracted default i.e. the failure of the buyer to pay off the due amount after six months of the due date
- Risk of Exchange rate

## **Political risks**

- Risk of non- renewal of import and exports licenses
- Risks due to war
- Risk of the imposition of an import ban after the delivery of the goods
- Surrendering of political sovereignty

## **Buyer Country risks**

- Changes in the policies of the government
- Exchange control regulations
- Lack of foreign currency
- Trade embargoes

## **Commercial risk**

- A bank's lack of ability to honor its responsibilities
- A buyer's failure pertaining to payment due to financial limitations
- A seller's inability to provide the required quantity or quality of goods

## **Others Risks**

- Cultural differences e.g., some cultures consider the payment of an incentive to help trading is absolutely lawful
- Lack of knowledge of overseas markets
- Language barriers
- Inclination to corrupt business associates
- Legal protection for breach of contract or non-payment is low
- Effects of unpredictable business environment and fluctuating exchange rates
- Sovereign risk - the ability of the government of a country to pay off its debts

**AustCham**Thailand  
Business | Connections | Community

**THANK YOU**