

AUSTRALIAN BUSINESS IN ASEAN

SURVEY 2016

EXECUTIVE SUMMARY

The inaugural Australian Business in ASEAN survey shows Australian companies that have made the move to the region are thriving and bullish about their growth prospects and the opportunities that ASEAN integration represents. While companies are predominantly in services, with professional services most strongly represented, there is an extraordinary variety of companies that have forged a successful path in the region. Small and micro-businesses make up the majority of businesses in the region, which also includes some of Australia's largest companies with turnover of more than AUD\$500 million. Firms continue to maintain a strong link to Australia where three-quarters have Australian ownership or heritage. The strategic location of South East Asia means that many survey respondents have chosen the area as home to their regional or global headquarters.

Over the past two years 60 per cent of Australian businesses in ASEAN have expanded their trade and investment in the region, with 86 per cent expecting to expand in the next 5 years. Myanmar, Indonesia, Thailand and the Philippines are the most likely to host expansions over that period. While the demographics of the region are a big driver of business growth, 53 per cent of businesses nominated greater ASEAN integration as one of their top reasons for expanding their investment in the region. Lack of access to skilled labour, corruption, and barriers to ownership and investment were identified as key challenges of operating in ASEAN.

The key benefits from ASEAN integration for Australian business are considered to be market access and better mobility of staff, with the priority areas to accelerate in the AEC being investment or service restrictions, labour mobility, and non-tariff barriers to trade. A majority (52 per cent) of firms feel that they need a greater understanding of ASEAN integration, with only 10 per cent of respondents feeling as though they had a detailed understanding of its impact, despite 34 per cent of businesses already incorporating it into their business strategy and a further 34 per cent who believe it matters but are yet to incorporate it into their strategy.

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ASEAN ECONOMIC COMMUNITY

The Association of Southeast Asian Nations (ASEAN) was first formed in 1967, and its present form includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. In 2014, these combined economies represented US\$2.6 trillion in GDP, and over 622 million people, making it the world's seventh largest economic region. As the world's economic centre of gravity shifts to the region, on current trends ASEAN would be the world's fourth largest economic region by 2050.

There are three pillars to ASEAN integration, with the formation of three communities: Political-Security; Economic; and Socio-Cultural, with each of these communities aiming to foster greater collaboration between the nations of South East Asia.

The ASEAN Economic Community (AEC) commenced in 2015 as a significant milestone towards greater regional integration. In moving towards this the AEC has a number of key advantages. Following the Asian financial crisis of the late 1990s ASEAN members have generally maintained relatively sound economic foundations, with GDP growth averaging 5.1 per cent from 2000-13, debt to GDP ratio at 47 per cent and inflation at 2.8 per cent for the same period. Furthermore, the region is already one of the most

open economic regions in the world with 95 per cent of tariff lines at zero. In 2013, inbound FDI in the ASEAN-5 (Malaysia, Thailand, Indonesia, Philippines and Singapore) was greater than that for China.

Despite this openness, sometimes significant non-tariff barriers to trade can be a hindrance to greater integration in the region, one of the key things that the AEC seeks to address. These averages also mask substantial variation between economies, with mid-transition Myanmar at a very different stage of development to the city state of Singapore. Additionally, much of the commitments under the AEC are not legally binding and therefore potentially vulnerable to political change. Intellectual property, investment and banking and financial structures are all significantly different, and labour mobility remains somewhat controversial.

Even factoring in these risks, the ASEAN region is one of huge potential for Australian business and with 60 per cent of the population under 35 years of age, the AEC has extraordinary potential to help Australian firms unlock the door to this opportunity.

CURRENT LANDSCAPE IN ASEAN

Members of Australian chambers of commerce and business councils in ASEAN represent a diverse group of businesses. They vary significantly in terms of ownership, operating role, industry and size.

OWNERSHIP

The majority of members who responded to this survey have Australian ownership, with 35% entirely Australian owned, and a further 21% with some Australian ownership.

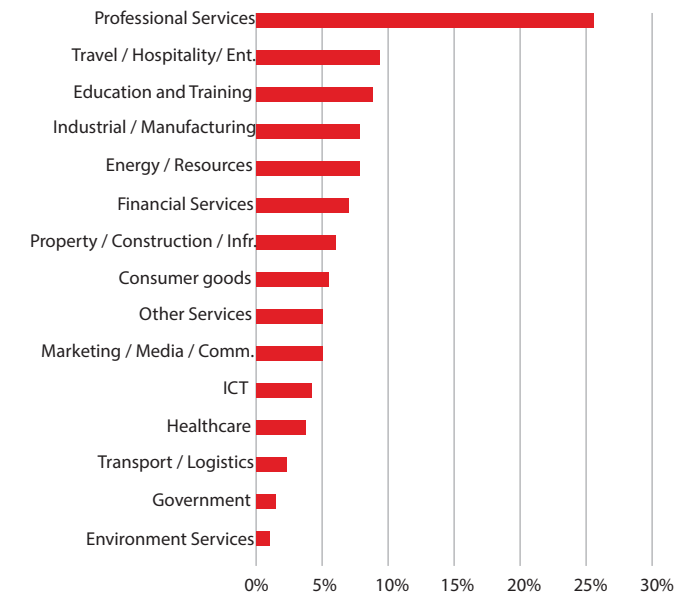


OPERATING ROLE

Survey respondents are more likely to be responsible for domestic operations in Myanmar, the Philippines and Vietnam whereas in other ASEAN countries respondents are more likely to be regional, or global headquarters. Singapore is the most likely Asia Pacific hub, with more than 80% of businesses indicating their Asia Pacific headquarters are located there. Singapore was also home to 65% of South East Asian headquarters, and 53% of global headquarters. Respondents in Thailand are also likely to be their firm's global headquarters with 34% of Thai respondents in this category.

INDUSTRIES OF OPERATIONS

Survey respondents were predominantly in service industries. Professional services was the most common, with more than a quarter of businesses identifying themselves in that category. Travel, hospitality and entertainment, and education and training were the next most common.



SIZE

There was also significant variety in the headcount of different offices, with 36% of firms with 10 or less employees in their local operations, and 28% with more than 100 employees.

Firms were of mixed size with 27% having revenue less than \$1 million and 12% having revenue greater than \$100 million.

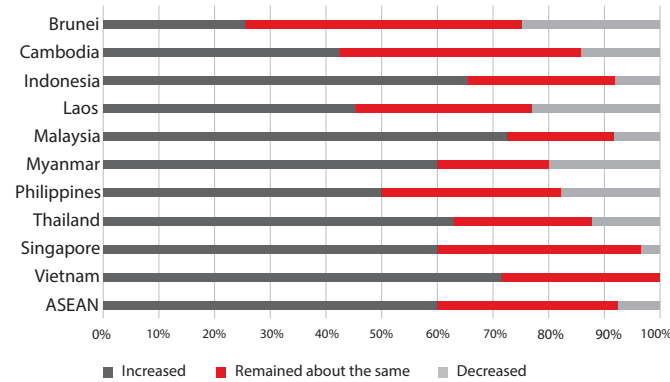
BUSINESS EXPANSION IN ASEAN

Our survey of Australian businesses reveals that many are already taking advantage of the AEC to access ASEAN opportunities, however there is scope for many further gains.

EXPANSION OF AUSTRALIAN BUSINESS IN ASEAN

CHANGE IN COMPANY TRADE AND/OR INVESTMENT OVER THE PAST 2 YEARS BY ASEAN MEMBER STATE

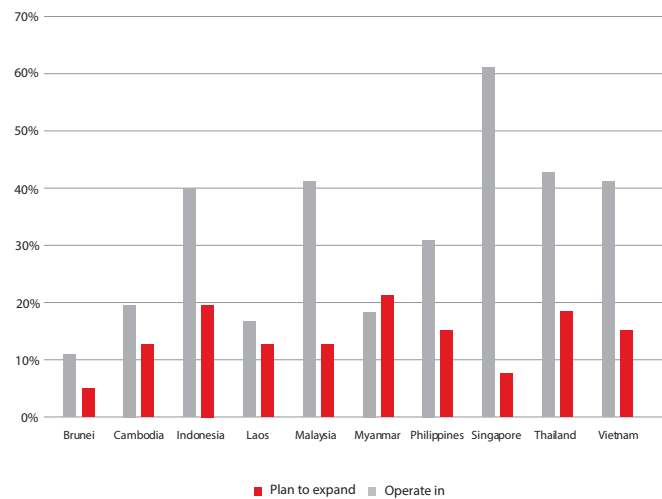
In response to these opportunities in ASEAN, 60% of respondents had expanded their trade and investment in the region over the past two years, with only 7% of firms reducing their presence in the region over that time.



COMPANY CURRENT OPERATIONS AND EXPANSION PLANS

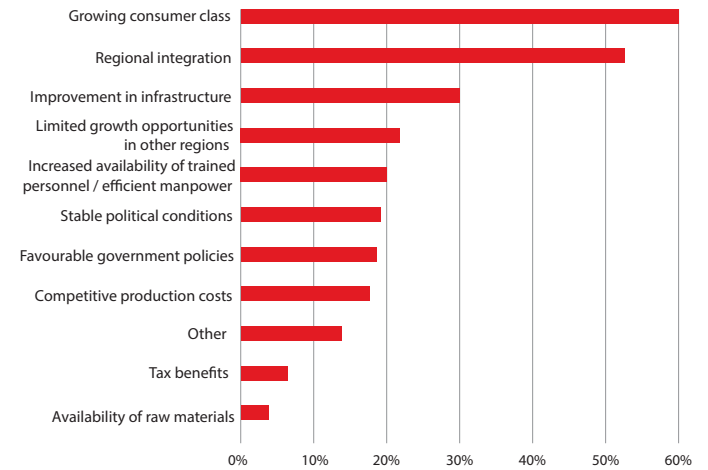
With more than 60% of firms operating in Singapore, the country appears to be the preferred choice to establish regional headquarters. Respondents indicate Thailand, Vietnam, Malaysia and Indonesia as their second choice to base their presence in South East Asia.

More than 86% of firms plan to increase their investment in the ASEAN region over the next five years, with less than 2% of businesses planning to reduce their presence. Myanmar is the most popular market for expansion, reflecting the opportunities of a recently opened market, but Indonesia, Thailand and the Philippines are also common markets for expansion.



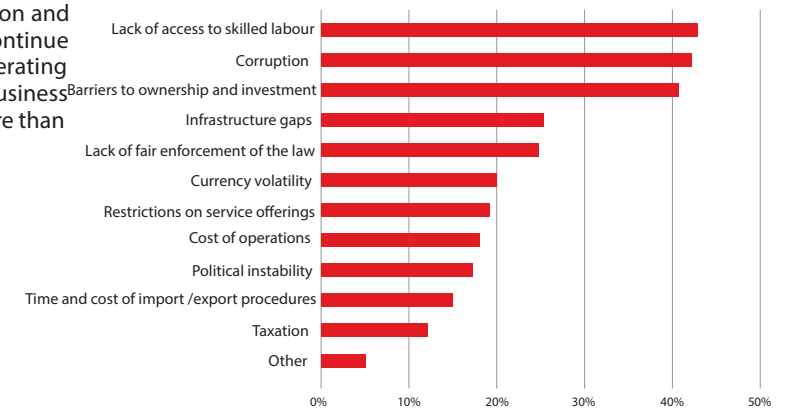
TOP 3 REASONS FOR EXPANDING TRADE AND INVESTMENT IN ASEAN

While the demographics and economic growth of South East Asia are driving greater investment in the region, the prospect of greater ASEAN integration is an additional significant driver of planned expansion of investment, with more than half of respondents identifying both as reasons for their company's level of trade and investment expanding in ASEAN.



TOP 3 CHALLENGES OF OPERATING IN ASEAN

Lack of access to skilled labour, corruption and barriers to ownership and investment continue to be substantial roadblocks to operating within ASEAN for the Australian business community and were each noted by more than 40% of firms.



TOP 3 CHALLENGES OF OPERATING IN ASEAN BY COUNTRY OF RESPONSE

	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Thailand	Singapore	Vietnam	ASEAN
Corruption	25%	43%	54%	55%	36%	20%	50%	52%	36%	50%	43%
Lack of access to skilled labour	25%	43%	35%	25%	57%	20%	22%	58%	43%	59%	43%
Infrastructure gaps	0%	14%	38%	20%	14%	20%	33%	18%	28%	22%	25%
Currency volatility	0%	14%	23%	10%	29%	0%	22%	21%	23%	16%	20%
Time and cost of import / export procedures	0%	43%	27%	10%	0%	0%	11%	27%	12%	13%	15%
Barriers to ownership and investment	50%	29%	46%	60%	7%	80%	50%	48%	36%	44%	40%
Restrictions on service offerings	25%	0%	15%	5%	21%	0%	17%	18%	21%	31%	19%
Lack of fair enforcement of the law	50%	0%	35%	55%	36%	60%	28%	24%	13%	34%	24%
Cost of operations	0%	14%	15%	20%	29%	0%	6%	9%	24%	13%	18%
Taxation	0%	43%	15%	35%	7%	0%	33%	6%	6%	13%	12%
Political instability	25%	0%	15%	5%	21%	20%	33%	30%	15%	9%	17%

Table 1: Key challenges of operation in ASEAN. Red indicates a challenge identified by 50% or more respondents, grey 35% or greater and light grey less than or equal to 10%.

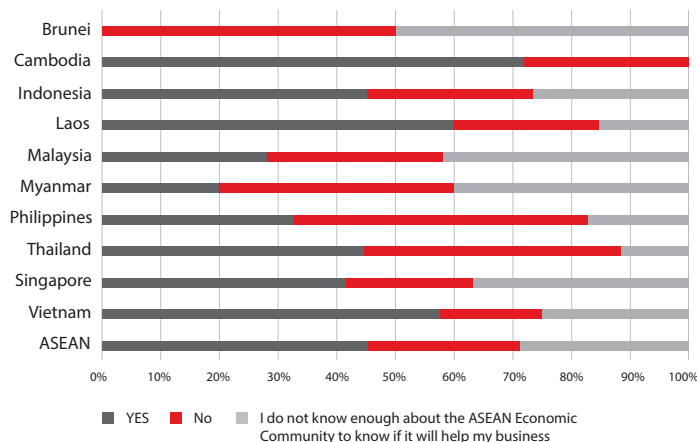
VIEWS ON ASEAN INTEGRATION

Are Australian businesses thinking about ASEAN integration?

Increased ASEAN integration is important for many of these firms to realise these ambitions, with 34% of firms already addressing ASEAN integration in their business strategy, and a further 34% who believe it matters but have not incorporated it into their strategy yet. 52% of respondents believe they do not have sufficient information on ASEAN integration at present. The priority areas to strengthen ASEAN integration identified by survey respondents are to accelerate the removal or reduction of investment or service restrictions, strengthen labour mobility, and dismantle non-tariff barriers to trade.

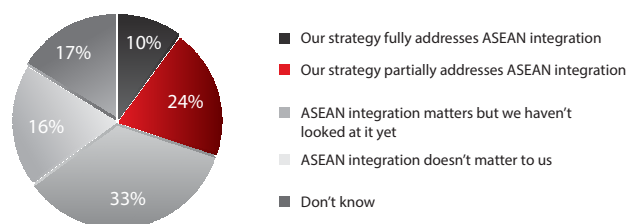
IS ASEAN INTEGRATION IMPORTANT IN HELPING YOUR COMPANY DO BUSINESS IN THE REGION?

Almost double the number of respondents believe that ASEAN integration is more important in helping their company do business than those who don't. A similar number of firms felt they did not know enough about the AEC than felt that it was not important for their business.



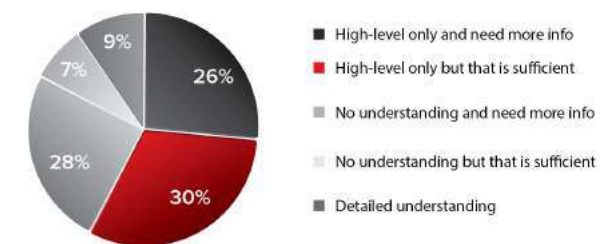
ASEAN INTEGRATION AND BUSINESS STRATEGY

The Australian business community believes that ASEAN integration is important with 34% taking steps to include ASEAN integration into their business strategy. A further 33% believe that it matters but have not incorporated it into their business strategy yet. Only 16% of businesses believe that ASEAN integration does not matter to their business.



UNDERSTANDING OF ASEAN INTEGRATION AND ITS IMPACT

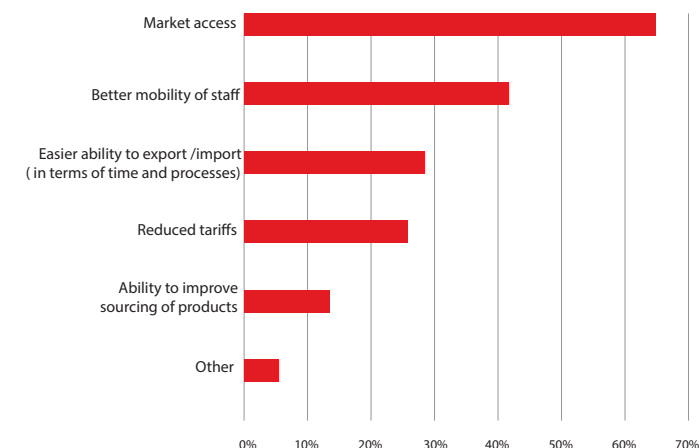
While respondents acknowledged the importance of ASEAN integration, a majority (54%) felt that they had either no, or only a high level understanding, and needed more information. Only 9% of respondents felt that they had a detailed understanding.



MAJOR AREAS OF BENEFIT FROM ASEAN INTEGRATION FOR COMPANY OPERATIONS

Respondents were asked to name the top 3 benefits

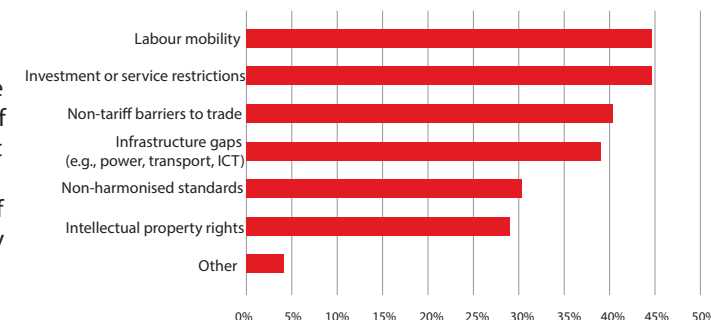
Market access is the overwhelming benefit that Australian firms see from ASEAN integration with two-thirds of businesses identifying that as a key benefit. Secondly, 40% of firms saw better mobility of staff as a key benefit.



PRIORITY AREAS TO ACCELERATE ASEAN ECONOMIC INTEGRATION

Respondents were asked to name the top 3 priority areas

The Australian business community in ASEAN believes that investment or service restrictions, labour mobility and non-tariff barriers to trade are the most important areas of focus in order to accelerate ASEAN integration, with more than 40% of respondents identifying these as priority issues.





BRUNEI

Brunei's small, high-income, open economy is underpinned by revenue from the oil and gas sector, with per capita GDP over US\$40,800 in 2013. In 2012, oil and gas accounted for around 67% of Brunei's GDP. Brunei's extensive foreign investments form a large, yet unreported contribution to the national budget. Small scale manufacturing and primary production (including agriculture, fisheries and forestry) make up the rest of Brunei's economy. Brunei imports nearly all of its major manufactured products and about 80% of its total food requirements.

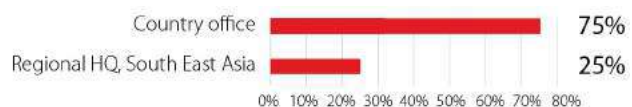
Brunei has a low tariff regime and no capital gains or personal income tax, although private businesses pay company tax. The Brunei Government is working towards diversifying the economy away from heavy dependence on oil and gas, by promoting private non-energy sector development and attracting more non-oil and gas related investment. The Brunei Economic Development Board (BEDB) was formed in November 2001 to stimulate the growth, expansion and development of the economy by promoting Brunei as an investment destination and facilitating diversification projects.



BUSINESS SURVEY

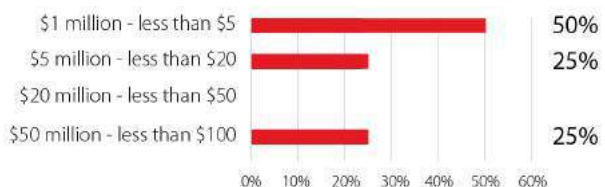
ROLE OF OPERATIONS

Firms in Brunei are predominantly domestic operations, although one-quarter of firms manage their South East Asian operations.

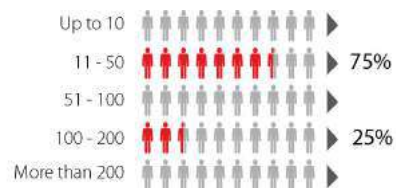


ANNUAL TURNOVER IN 2015 (IN AUD)

The Australian business community in Brunei is predominantly medium sized businesses, with all turning over more than \$1 million, but none with turnover greater than \$100 million. All firms have more than 10 staff, although three-quarters have less than 50.



EMPLOYEE NUMBERS



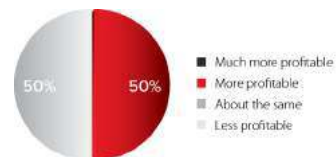
TOP INDUSTRIES OF OPERATIONS

Half of all firms are in Professional Services, with Energy / Resources, and Industrial / Manufacturing each making up one quarter of the Australian business community in Brunei.



PROFITABILITY IN 2015 COMPARED TO 2014

Recent performance of firms in Brunei has been mixed, with half improving their financial performance, and the other half having a more difficult year.



ECONOMIC INDICATORS

	2010	2015
GDP (US\$bn) (CURRENT PRICES)	13.7	11.6
GDP PER CAPITA (US\$)	35,437.3	27,759.1
GDP PPP (INT'L \$bn)	30.7	32.9
GDP PER CAPITA PPP (INT'L \$)	79,302.8	78,475.6
REAL GDP GROWTH (% CHANGE YOY)	2.7	-1.2
INFLATION (% CHANGE YOY)	0.2	0.0
UNEMPLOYMENT (% LABOUR FORCE)	2.7	2.7

PRINCIPAL EXPORT DESTINATIONS 2014

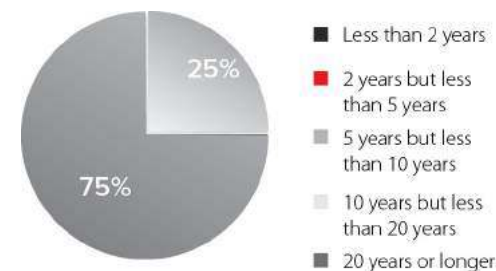
1	JAPAN	37.2%
2	SOUTH KOREA	11.0%
3	INDIA	9.1%
4	AUSTRALIA	7.6%

PRINCIPAL IMPORT SOURCES 2014

1	MALAYSIA	20.6%
2	SINGAPORE	20.4%
3	CHINA	9.9%
13	AUSTRALIA	1.4%

LENGTH OF OPERATIONS

Respondents to the survey have been in Brunei for more than a decade, with no recent entrants into the market.



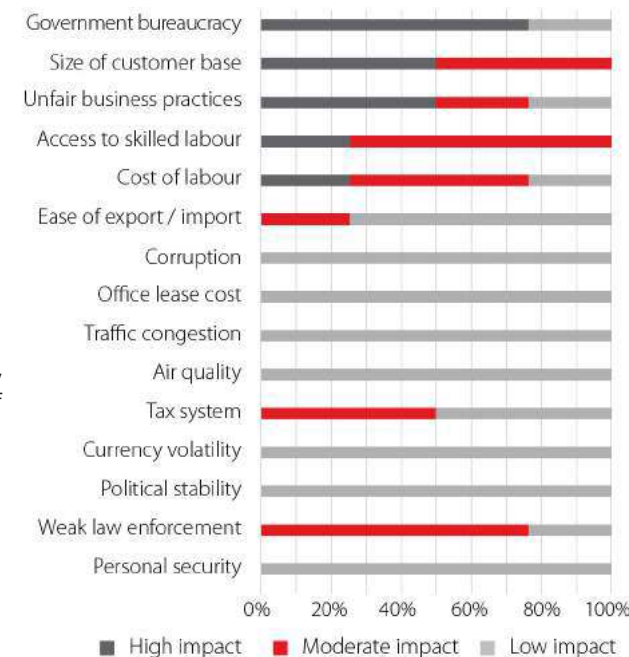
TOP GROWTH DRIVERS

Top growth drivers for the Australian business community in Brunei are local economic conditions, tax benefits, ease of doing business and access to the local market.



IMPACT OF BUSINESS CHALLENGES

Government bureaucracy, the small size of the local market and unfair business practices are the key challenges for respondents in operating in Brunei.





CAMBODIA

With a predicted 7% growth for 2016-2017, Cambodia is proving to be one of the strongest and most resilient performers in South East Asia.

Demography is a key factor underpinning this growth. High rates of urbanisation are improving labour productivity, as workers move from low-skilled farming to manufacturing. A younger work force, better educated than previous generations, is in ample supply, albeit with lingering skills gaps in some sectors. Cambodians under 40 years of age represent around 70% of the total population. The number of Cambodians in their 30s increased by 30% since 2012. This group have more disposable income than they did in their twenties and are increasingly willing to pay for premium products.

While some local challenges remain, the emergence of this aspirational middle class and the underlying economic resilience could make Cambodia a more attractive frontier market for Australian exports.

The Australian Embassy in Phnom Penh reports increased enquiries from Australian businesses and social enterprises seeking to capitalise on the potential commercial opportunities flowing from these trends.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	11.2	17.7
GDP PER CAPITA (US\$)	781.9	1,139.7
GDP PPP (INT'L \$bn)	35.4	54.2
GDP PER CAPITA PPP (INT'L \$)	2,462.2	3,485.4
REAL GDP GROWTH (% CHANGE YOY)	6.0	7.0
INFLATION (% CHANGE YOY)	4.0	1.1

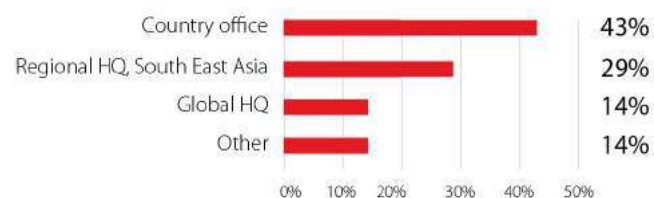
PRINCIPAL EXPORT DESTINATIONS 2014		
1	UNITED STATES	23.5%
2	HONG KONG (SAR OF CHINA)	17.2%
3	SINGAPORE	8.6%
19	AUSTRALIA	0.6%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	32.6%
2	UNITED STATES	12.2%
3	THAILAND	11.9%
19	AUSTRALIA	0.2%

BUSINESS SURVEY

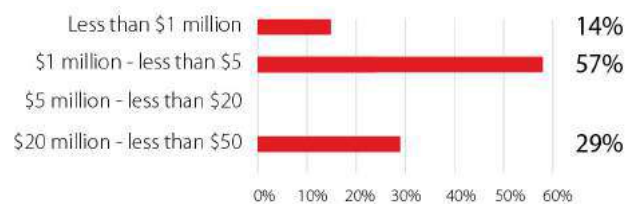
ROLE OF OPERATIONS

The Australian business community in Cambodia predominantly services the domestic market, however 43% of businesses have chosen to make Cambodia their South East Asian, or Global Headquarters.

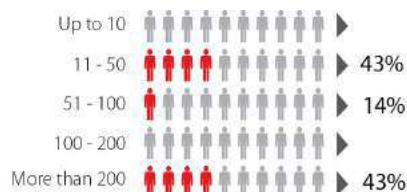


ANNUAL TURNOVER IN 2015 (IN AUD)

The Australian business community in Cambodia comes in all shapes and sizes with small and large businesses represented, although 43% of respondents had more than 200 employees locally.

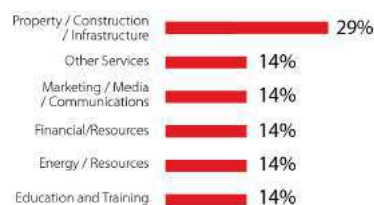


EMPLOYEE NUMBERS



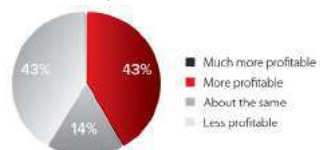
TOP INDUSTRIES OF OPERATIONS

Property / Construction / Infrastructure is the most common industry of operations, with Services and Energy and Resources also common.



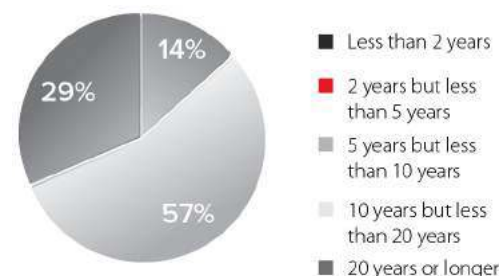
PROFITABILITY IN 2015 COMPARED TO 2014

Businesses in Cambodia improved by 43% on 2014's performance, with the same proportion unable to match their 2014 performance.



LENGTH OF OPERATIONS

The Australian business community has a long history in Cambodia, with 29% having been there for more than 20 years.



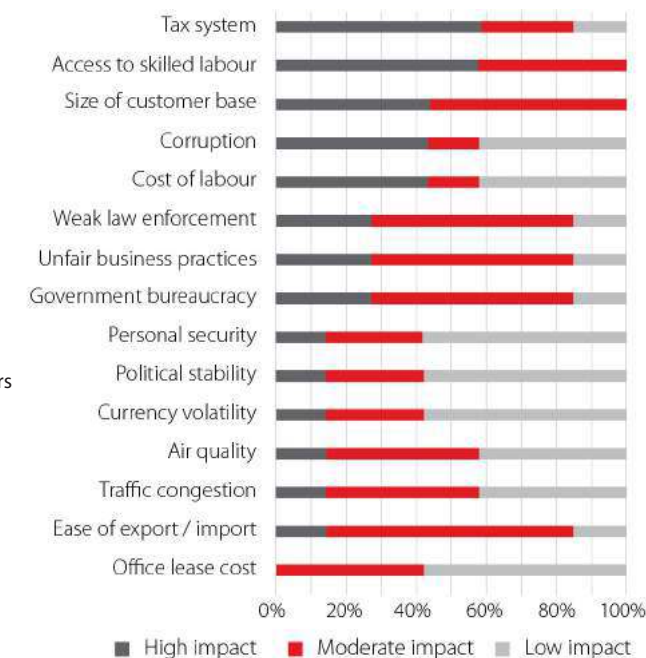
TOP GROWTH DRIVERS

Cambodia's location and economic conditions are key drivers for growth.



IMPACT OF BUSINESS CHALLENGES

The tax system and access to skilled labour are the biggest business challenges in Cambodia, with more than half of firms identifying these factors as having a high impact on their business.



INDONESIA

While Australia sits apparently down the ranks (at 11th) in terms of foreign direct investment into Indonesia, this does not tell the full story. The official figures produced do not include investment in oil and gas, and in the important financial sector. The banking giants ANZ and the Commonwealth Bank have significant presence here, bringing the strength and security provided by corporations each of whose balance sheet far outweighs the combined balance sheet of Indonesia's total banking sector. This says two things: Indonesia is still young in terms of economic development and Australia's influence goes far beyond what statistics appear to say.

Indonesia and Australia are working on a Comprehensive Economic Partnership Agreement which will supplement the very important AANZFTA to bring more of the existing economic relationship out into the open, and build on the underlying goodwill that exists.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	755.3	872.6
GDP PER CAPITA (US\$)	3,178.1	3,415.8
GDP PPP (INT'L \$bn)	2,004.0	2,838.6
GDP PER CAPITA PPP (INT'L \$)	8,432.7	11,111.8
REAL GDP GROWTH (% CHANGE YOY)	6.4	4.7
INFLATION (% CHANGE YOY)	5.1	6.8
UNEMPLOYMENT (% LABOUR FORCE)	7.1	5.8

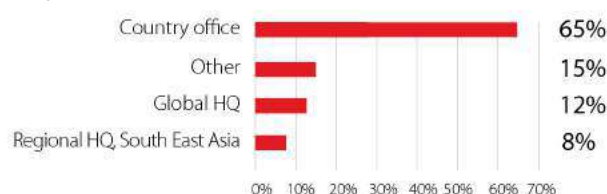
PRINCIPAL EXPORT DESTINATIONS 2014		
1	JAPAN	13.1%
2	CHINA	10.0%
3	SINGAPORE	9.5%
10	AUSTRALIA	2.8%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	17.2%
2	SINGAPORE	14.1%
3	JAPAN	9.5%
9	AUSTRALIA	3.2%

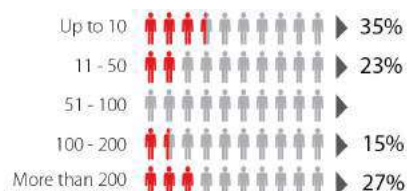
BUSINESS SURVEY

ROLE OF OPERATIONS

The Australian business community is primarily comprised of country offices focused specifically on the Indonesian market, with this group making up 65% of respondents.



EMPLOYEE NUMBERS

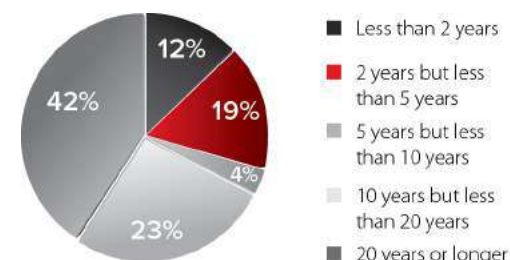


TOP INDUSTRIES OF OPERATIONS



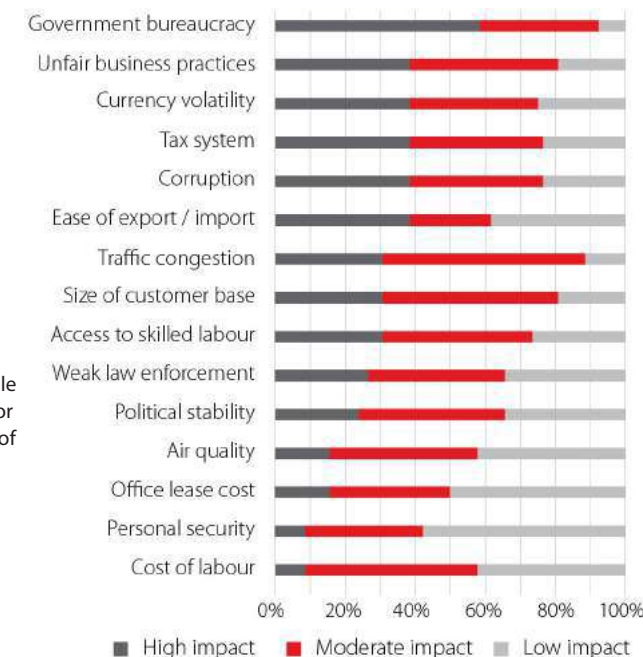
LENGTH OF OPERATIONS

New firms continue to enter the Indonesian market, however 42% have been operating in Indonesia for more than 20 years.



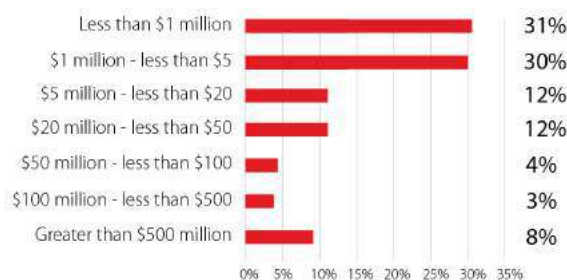
IMPACT OF BUSINESS CHALLENGES

Government bureaucracy has the biggest impact on respondents, with more than half identifying it as having a high impact on their business. Unfair business practices, the tax system and corruption were also identified as significant constraints.



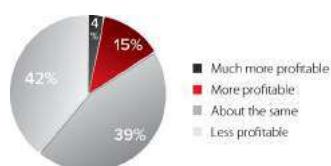
ANNUAL TURNOVER IN 2015 (IN AUD)

Respondents were predominantly SMEs, with almost two-thirds turning over less than \$5 million, although 27% had more than 200 employees locally.



PROFITABILITY IN 2015 COMPARED TO 2014

2015 was a tough year for the Australian business community with only 19% of firms improving on their 2014 performance.



TOP GROWTH DRIVERS

Access to Indonesia's large consumer market and favorable economic conditions are the biggest growth drivers for the Australian business community, with more than 80% of respondents identifying these as primary factors for growth.



LAOS

Surrounded by China, Vietnam, Myanmar, Cambodia and Thailand, and with a population of about 7 million people, Laos has historically been viewed as a relatively small player from a trade and economic perspective. However, with its geographic proximity to these large economies and stellar GDP growth (estimated 7.3% in 2015), Laos is keen to capitalise on its landlocked status to move towards a landlinked economy.

Laos' key industries include hydropower, resources, agriculture, industry and services. The government have introduced Special Economic Zones across the country to encourage the development of a local manufacturing industry.

Laos is working towards graduating from Least Developed Country status by 2020. The government is in the process of implementing fiscal, legal and regulatory reforms. Laos' position as Chair of ASEAN in 2016 promises to uplift its profile both politically and economically and will help the government to achieve that goal.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	6.8	12.5
GDP PER CAPITA (US\$)	1,069.8	1,785.1
GDP PPP (INT'L \$bn)	23.8	37.5
GDP PER CAPITA PPP (INT'L \$)	3,719.1	5,334.6
REAL GDP GROWTH (% CHANGE YOY)	8.1	7.5
INFLATION (% CHANGE YOY)	6.0	5.3

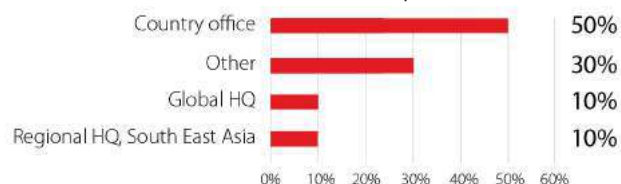
PRINCIPAL EXPORT DESTINATIONS 2014		
1	CHINA	34.2%
2	THAILAND	27.4%
3	VIETNAM	15.7%
26	AUSTRALIA	0.0%

PRINCIPAL IMPORT SOURCES 2014		
1	THAILAND	55.2%
2	CHINA	25.6%
3	VIETNAM	6.6%
11	AUSTRALIA	0.4%

BUSINESS SURVEY

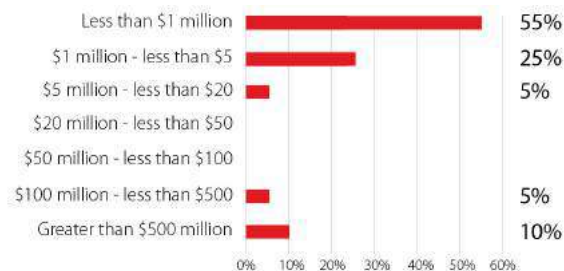
ROLE OF OPERATIONS

The Australian business community in Laos is predominantly servicing the local market, making up 50% of firms in the region. 20% of firms have chosen Laos to be their Global or South East Asian headquarters.

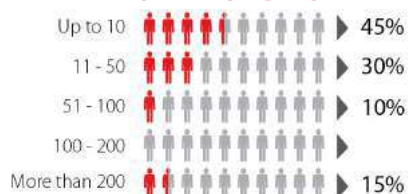


ANNUAL TURNOVER IN 2015 (IN AUD)

Respondents are split between large and small firms, with most being small, however 15% employ more than 200 staff, and 10% turnover more than \$500 million.



EMPLOYEE NUMBERS



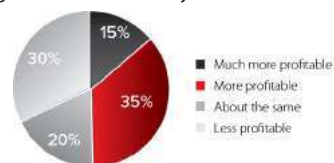
TOP INDUSTRIES OF OPERATIONS

The Australian business community is predominantly comprised of firms in services industries, although 25% of businesses identified themselves as Energy / Resources firms.



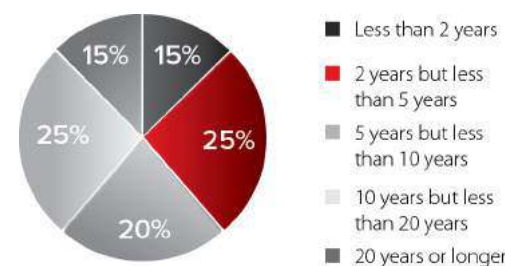
PROFITABILITY IN 2015 COMPARED TO 2014

Half of firms in Laos improved their financial performance in 2015, however 30% experienced tougher conditions that year.



LENGTH OF OPERATIONS

Despite the mixed performance in Laos, businesses continue to see opportunities, with 15% of respondents having a presence in Laos for less than two years. A similar amount have had a presence in Laos for more than 20 years.



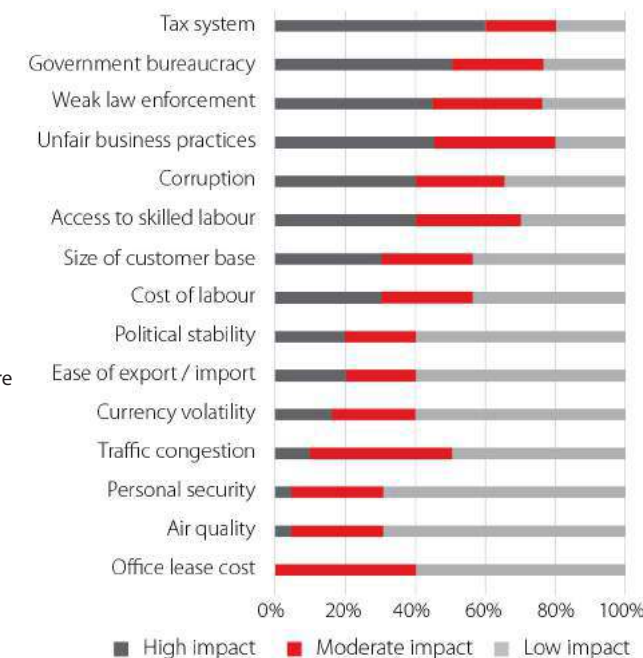
TOP GROWTH DRIVERS

Access to customers, and economic conditions in Laos were identified by more than 50% of firms as key growth drivers.



IMPACT OF BUSINESS CHALLENGES

The tax system and government bureaucracy were identified by at least half of respondents as having a high impact on their business in Laos.





MALAYSIA

Malaysia and Australia share a long history of cooperation. Last year, 2015, marked the 60th anniversary of Australia's diplomatic presence in Malaysia. 2015 also saw the elevation of the Malaysia-Australia relationship to that of a strategic partnership. Malaysia is Australia's 2nd largest trading partner in ASEAN and 8th largest partner overall. The bilateral trade relationship between Malaysia and Australia reached a significant milestone with the signing of the Malaysia-Australia Free Trade Agreement (MAFTA) in 2013. Significant gains have been achieved for services and investment through access to increased foreign ownership in key services sectors where Australia has proven capability.

Malaysia's political and economic stability with a well-developed legal system, investor-friendly business policies, government incentives, cost-productive workforce, and well-developed infrastructure makes it an enticing place for investors with the ideal prerequisites for doing business. Strategically located in the heart of South East Asia with easy access to all of its neighbours, Malaysia offers a sophisticated, yet cost-competitive environment for investors.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	255.0	313.5
GDP PER CAPITA (US\$)	8,920.5	10,073.2
GDP PPP (INT'L \$bn)	581.4	813.5
GDP PER CAPITA PPP (INT'L \$)	20,335.8	26,141.1
REAL GDP GROWTH (% CHANGE YOY)	7.5	4.7
INFLATION (% CHANGE YOY)	1.7	2.4
UNEMPLOYMENT (% LABOUR FORCE)	3.3	3.0

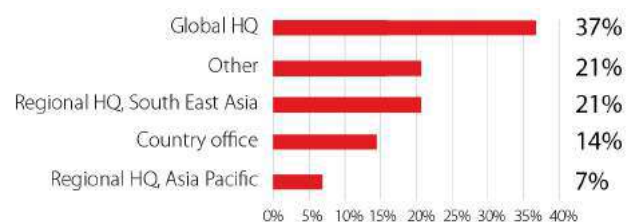
PRINCIPAL EXPORT DESTINATIONS 2014		
1	SINGAPORE	14.2%
2	CHINA	12.1%
3	JAPAN	10.8%
7	AUSTRALIA	4.3%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	16.9%
2	SINGAPORE	12.5%
3	JAPAN	8.0%
10	AUSTRALIA	3.0%

BUSINESS SURVEY

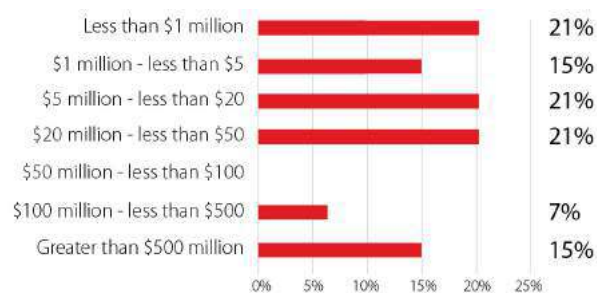
ROLE OF OPERATIONS

The Australian business community in Malaysia see it as an ideal base to coordinate operations across the region, and 36% of respondents identified it as their Global Headquarters.

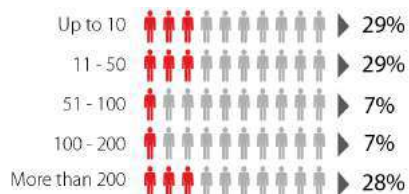


ANNUAL TURNOVER IN 2015 (IN AUD)

Dominated by small and large firms, the Australian business community in Malaysia is split between large businesses and SMEs.



EMPLOYEE NUMBERS



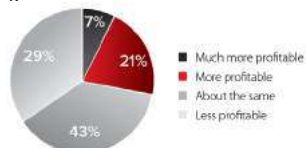
TOP INDUSTRIES OF OPERATIONS

Respondents identified as predominantly services businesses, with 29% in Professional Services as the main industry of operations.

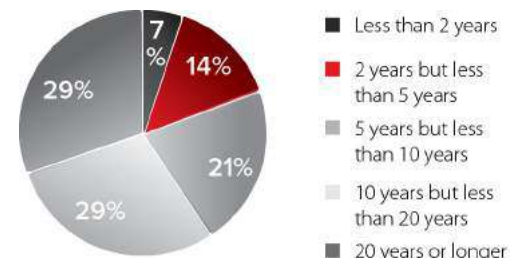


PROFITABILITY IN 2015 COMPARED TO 2014

Business conditions were mostly stable in 2015, although 29% of firms were less profitable compared to 2014.



LENGTH OF OPERATIONS



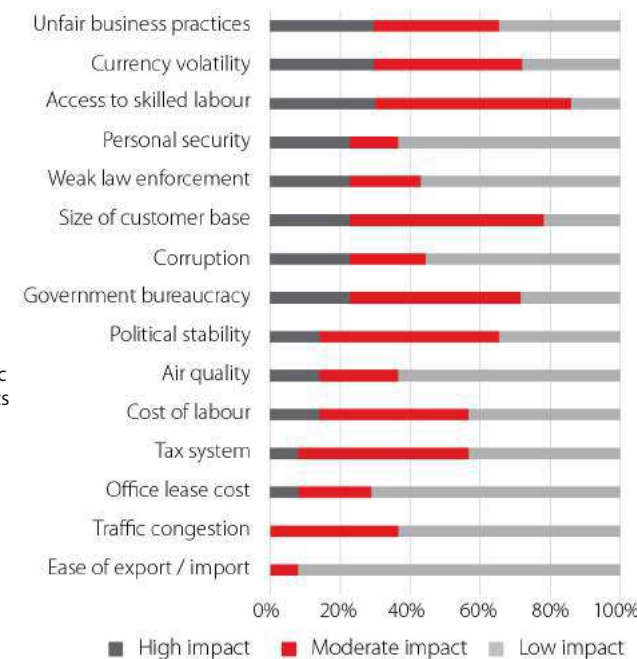
TOP GROWTH DRIVERS

Access to customers in local markets, and local economic conditions were identified by 72% and 64% of respondents respectively as their key growth drivers in Malaysia.



IMPACT OF BUSINESS CHALLENGES

The most commonly identified business challenges were access to skilled labour, currency volatility, and unfair business practices, which were each identified by 29% of respondents as having a high impact on their business.





MYANMAR

Myanmar is strategically positioned in Asia as the largest country in mainland South East Asia bordering 40% of the world's population. It has a large working population, abundant agricultural land and is rich in natural resources.

Myanmar's recent political and economic reforms have led the nation towards transparent governance and sustainable economic development. The IMF recently reported Myanmar as the fastest-growing economy in the world in 2016. The economy is forecast to grow 8.4%, buoyed by a recovery in the agricultural sector and an increase in investment.

Foreign direct investment is forecast to double in 2016. Increased consumer and investor confidence, and rising exports, have boosted the economy significantly. The regulatory landscape is unfolding under the new government and the future looks promising. A number of laws and regulations, including Myanmar's Foreign Investment Law are currently under revision. The international community is increasing engagement and the ADB recently announced that it will expand its loans and continue to assist the government in implementing reforms for economic and social development.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	49.6	65.8
GDP PER CAPITA (US\$)	998.4	1,268.7
GDP PPP (INT'L \$bn)	170.7	267.7
GDP PER CAPITA PPP (INT'L \$)	3,434.9	5,164.1
REAL GDP GROWTH (% CHANGE YOY)	5.3	8.5
INFLATION (% CHANGE YOY)	8.2	12.2
UNEMPLOYMENT (% LABOUR FORCE)	4.0	4.0

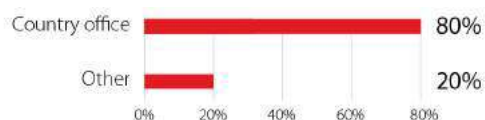
PRINCIPAL EXPORT DESTINATIONS 2014		
1	CHINA	63.0%
2	THAILAND	15.8%
3	INDIA	5.7%
27	AUSTRALIA	0.1%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	42.4%
2	THAILAND	19.0%
3	SINGAPORE	10.8%
13	AUSTRALIA	0.5%

BUSINESS SURVEY

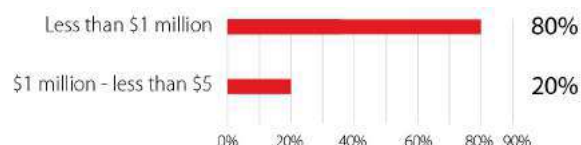
ROLE OF OPERATIONS

Businesses in Myanmar are predominantly servicing the local market, with 80% of Country offices focussed on opportunities in Myanmar.

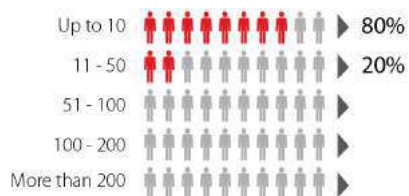


ANNUAL TURNOVER IN 2015 (IN AUD)

Firms are small businesses, turning over less than \$5 million, and employing less than 50 staff.



EMPLOYEE NUMBERS



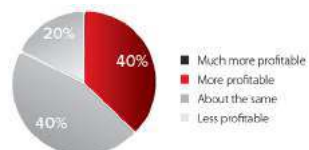
TOP INDUSTRIES OF OPERATIONS

The Australian business community in Myanmar are predominantly in Professional Services, and Energy/ Resources, making up 40% each.



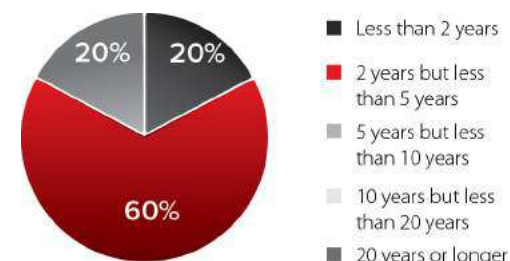
PROFITABILITY IN 2015 COMPARED TO 2014

Overall business conditions for the Australian business community were positive in 2015, although 20% were less profitable compared to 2014.



LENGTH OF OPERATIONS

In line with Myanmar's recent economic opening, 80% of respondents have been operating there for less than 5 years.



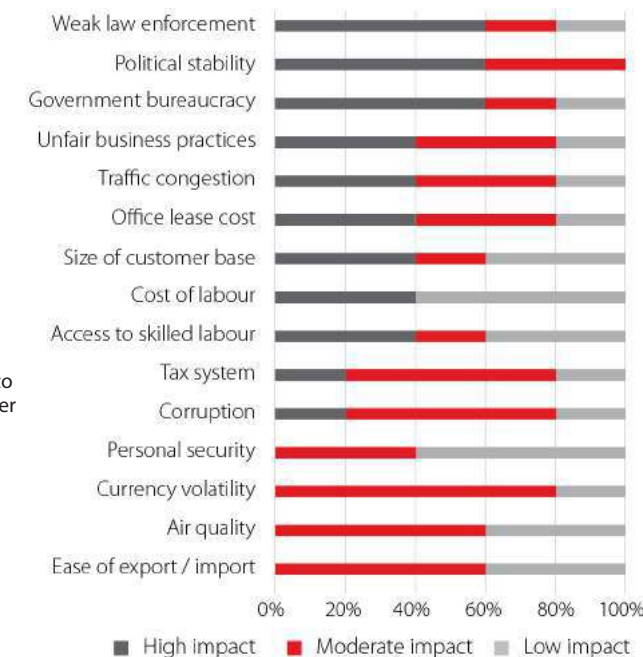
TOP GROWTH DRIVERS

The recent opening up to foreign investment and access to more than 50 million consumers is a significant growth driver for the Australian business community in Myanmar.



IMPACT OF BUSINESS CHALLENGES

60% of respondents identified weak law enforcement, political stability, and government bureaucracy as having a high impact on their business in Myanmar, with political stability identified as at least a moderate impact by all respondents.





PHILIPPINES

The Philippines has become one of the fastest growing economies in South East Asia, with an average growth rate around 5-6% in the last five years. The Philippine government has been active in pursuing economic reforms as well as programs to attack corruption in order to encourage more foreign investments. With the implementation of the ASEAN Economic Community, the Philippines is further pursuing major economic reforms in order to open its doors to the opportunities on trade and investment that is expected within the region. The Philippines is interested in pursuing greater economic linkages with various trade blocs such as the European Union, the US, as well as the rest of Asia Pacific.

Philippine trade with Australia has increased significantly over recent years while there has also been growing Australian investor interest on the Philippines. Areas such as agribusiness, information technology/business process management, education, training and development, infrastructure, energy and mining are some of the sectors being targeted. Further expansion of trade and investment links will continue with enhanced cooperation in defense and law enforcement. As well there is increased education linkages (an estimated 10,000 Filipino students studying in Australia), and continued large development assistance programs.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	199.6	299.3
GDP PER CAPITA (US\$)	2,155.4	2,951.2
GDP PPP (INT'L \$bn)	514.0	742.3
GDP PER CAPITA PPP (INT'L \$)	5,550.4	7,318.4
REAL GDP GROWTH (% CHANGE YOY)	7.6	6.0
INFLATION (% CHANGE YOY)	3.8	1.9
UNEMPLOYMENT (% LABOUR FORCE)	7.3	6.3

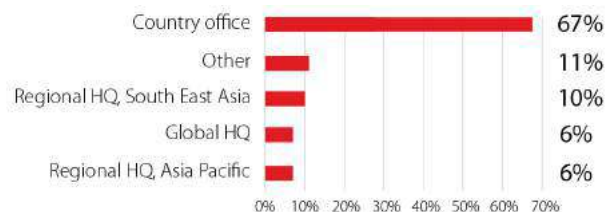
PRINCIPAL EXPORT DESTINATIONS 2014		
1	JAPAN	22.5%
2	UNITED STATES	14.1%
3	CHINA	13.0%
12	AUSTRALIA	1.3%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	15.2%
2	UNITED STATES	8.9%
3	JAPAN	8.2%
18	AUSTRALIA	1.2%

BUSINESS SURVEY

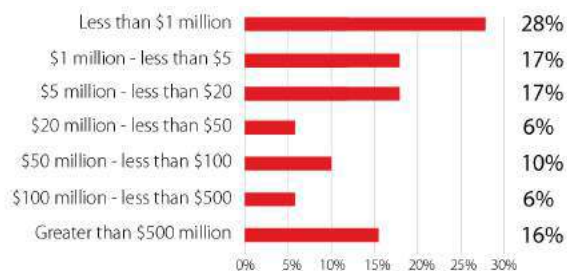
ROLE OF OPERATIONS

Two-thirds of the Australian business community in the Philippines are focussed on the domestic market.

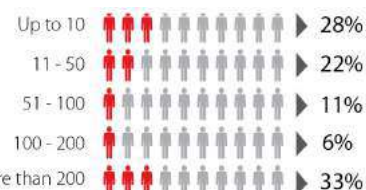


ANNUAL TURNOVER IN 2015 (IN AUD)

The Australian business community in the Philippines comes in all shapes and sizes, with a third employing more than 200 employees and 17% turning over more than \$500 million, and 28% turning over less than \$1 million.

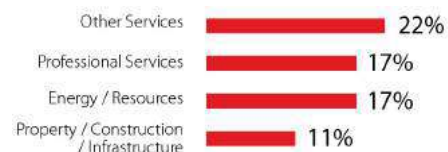


EMPLOYEE NUMBERS



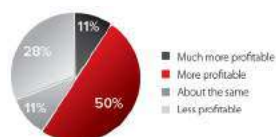
TOP INDUSTRIES OF OPERATIONS

Businesses in the Philippines most commonly identified themselves as 'Other Services', with Professional Services, and Energy / Resources the next most common.



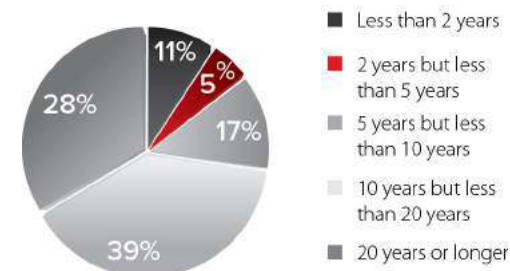
PROFITABILITY IN 2015 COMPARED TO 2014

Overall business conditions for the Australian business community were positive in 2015, although 20% were less profitable compared to 2014.



LENGTH OF OPERATIONS

Two-thirds of firms in the Philippines have been operating there for more than 10 years, but 11% had commenced operations in the past two years.



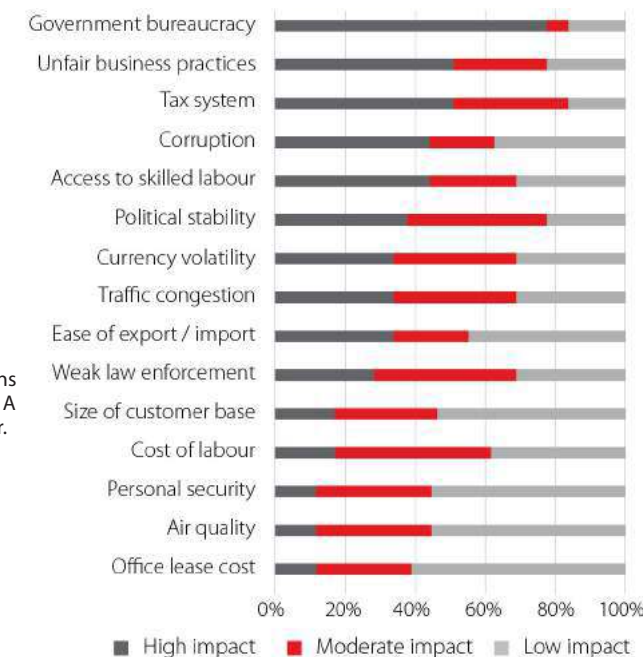
TOP GROWTH DRIVERS

The primary growth drivers for firms are economic conditions in the Philippines, and access to the 100 million consumers. A further third identified market entry incentives as a key driver.



IMPACT OF BUSINESS CHALLENGES

Government bureaucracy, the tax system, and unfair business practices are the business challenges identified as having the biggest impact on the Australian business community in the Philippines, with government bureaucracy identified by 78% of businesses.





SINGAPORE

With the recent signing of the updated Comprehensive Strategic Partnership, 13 years since the signing of the Singapore-Australia Free Trade Agreement, and with its position as a vital hub into Asia, Singapore is a country of economic importance far beyond its ranking as Australia's fifth largest trading partner.

Australian business engagement with Singapore has evolved with Singapore's development and shift from a trading and manufacturing hub, to a regional financial centre. There are presently over 2,000 Australian businesses operating in Singapore, ranging from the four main Australian banks, BHP Billiton and Rio Tinto at the big end of town to a vast number of small scale entrepreneurs. For Australian businesses looking to establish in the region, Singapore offers a comparable legal and regulatory environment to Australia, with a business efficiency, support ecosystem and access to Asia that is the envy of the world.

Often called 'Asia lite' because of the ease of living and working there, Singapore is a logical base for businesses looking to establish regional operations or operating in the financial services sector.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	236.4	294.0
GDP PER CAPITA (US\$)	46,569.4	53,224.3
GDP PPP (INT'L \$bn)	358.4	468.9
GDP PER CAPITA PPP (INT'L \$)	70,598.1	84,900.8
REAL GDP GROWTH (% CHANGE YOY)	15.2	2.2
INFLATION (% CHANGE YOY)	2.8	0.0
UNEMPLOYMENT (% LABOUR FORCE)	2.2	2.0

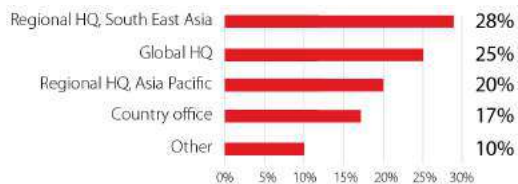
PRINCIPAL EXPORT DESTINATIONS 2014		
1	CHINA	12.6%
2	MALAYSIA	12.0%
3	HONG KONG (SAR OF CHINA)	11.0%
9	AUSTRALIA	3.8%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	12.1%
2	MALAYSIA	10.7%
3	UNITED STATES	10.3%
19	AUSTRALIA	1.3%

BUSINESS SURVEY

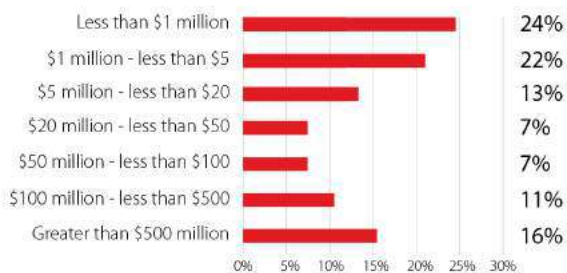
ROLE OF OPERATIONS

Singapore acts as a regional hub, with much of the Australian business community, either a South East Asian (28%), Global (25%), or Asia Pacific (20%) Headquarter. Additionally, one-third of businesses operating here derive less than 10% of their global revenue from the Singapore market itself, illustrating the global nature of these firms.

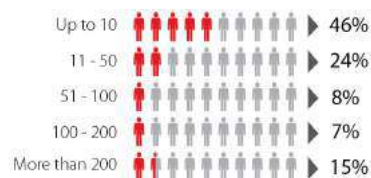


ANNUAL TURNOVER IN 2015 (IN AUD)

The Australian business community in Singapore comes in all shapes and sizes with small and large businesses represented, although 46% of respondents have less than 10 employees locally.



EMPLOYEE NUMBERS



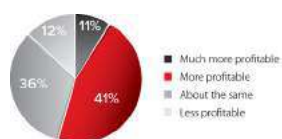
TOP INDUSTRIES OF OPERATIONS

Businesses are primarily in services with Professional Services, Education and Training, Travel, Hospitality and Entertainment, and Financial Services being the most common industries for Australian connected businesses.



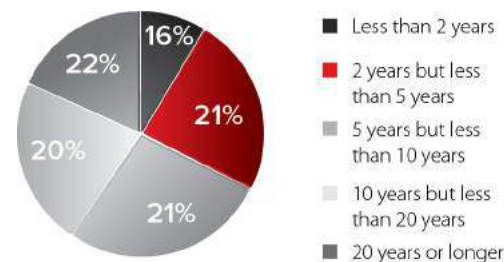
PROFITABILITY IN 2015 COMPARED TO 2014

Firms in Singapore have been performing well, with only 12% of firms failing to match or improve on their 2014 performance in 2015.



LENGTH OF OPERATIONS

The Australian business community in Singapore continues to grow, driven by Singapore's position as a regional hub, and its proximity to customers in the ASEAN and Asia Pacific regions.



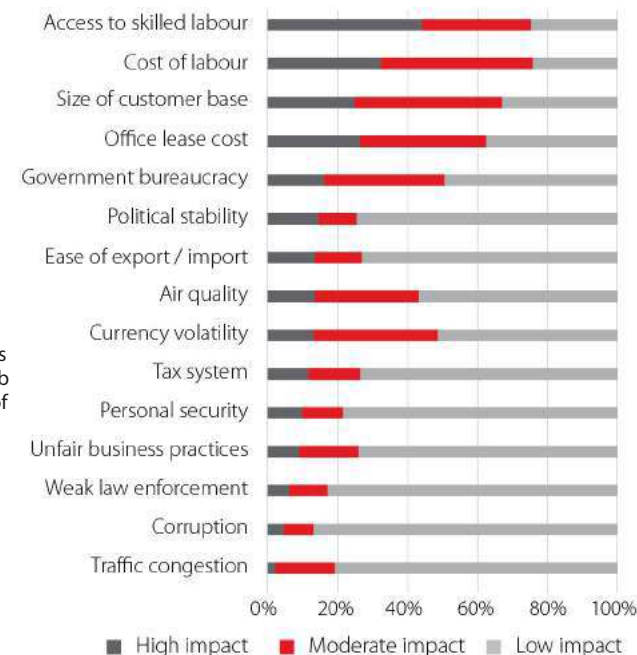
TOP GROWTH DRIVERS

The top growth drivers in Singapore are a reflection of its strategic location, with Singapore's position as a regional hub and its proximity to customers identified by 76% and 70% of respondents respectively.



IMPACT OF BUSINESS CHALLENGES

Access to, and cost of, skilled labour are the biggest challenges for the Australian business community operating in Singapore with almost three-quarters of firms identifying labour issues as having a moderate or high impact on their business. The small domestic market and office rental costs also have a significant impact on businesses operating in Singapore.



THAILAND

Thailand ranks as one of the easiest countries in the South East Asian region in which to do business, with two-way trade in excess of \$19 billion a year and Australian investment backed by the Thailand-Australia Free Trade Agreement.

Thailand is Australia's eighth largest goods and services trading partner and second largest in ASEAN. A leading exporter of manufactured goods, Thailand has a large and well developed manufacturing sector, particularly when compared to regional equivalents.

Despite periods of political unrest, Thailand continues to make a concerted effort to attract foreign investment with tax incentives and other privileges available to foreign investors in a range of sectors. Australian business in Thailand is long-established with around 180 Australian companies from well-known identities such as ANZ, Blackmores, BlueScope, Visy and QBE Insurance to a large number of smaller scale businesses.

Positioned at the centre of Asia, increasingly Thailand is serving as a gateway to the Greater Mekong sub-region, offering foreign investors a platform for expansion into emerging markets.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	340.9	373.5
GDP PER CAPITA (US\$)	5,062.7	5,462.3
GDP PPP (INT'L \$bn)	887.6	1,107.0
GDP PER CAPITA PPP (INT'L \$)	13,181.3	16,081.2
REAL GDP GROWTH (% CHANGE YOY)	7.5	2.5
INFLATION (% CHANGE YOY)	3.3	-0.9
UNEMPLOYMENT (% LABOUR FORCE)	1.1	0.8

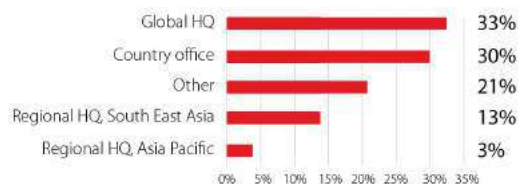
PRINCIPAL EXPORT DESTINATIONS 2014		
1	CHINA	11.0%
2	UNITED STATES	10.5%
3	JAPAN	9.6%
8	AUSTRALIA	4.1%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	16.9%
2	JAPAN	15.7%
3	UNITED STATES	6.4%
12	AUSTRALIA	2.4%

BUSINESS SURVEY

ROLE OF OPERATIONS

One-third of the Australian business community in Thailand have chosen the country to locate their Global Headquarters.

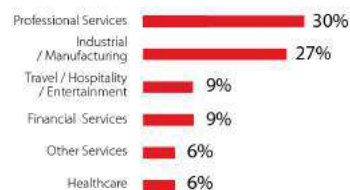


EMPLOYEE NUMBERS



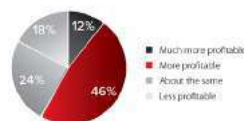
TOP INDUSTRIES OF OPERATIONS

Professional Services, and Industrial / Manufacturing are the most common industries for the Australian business community in Thailand, accounting for 30% and 27% respectively.



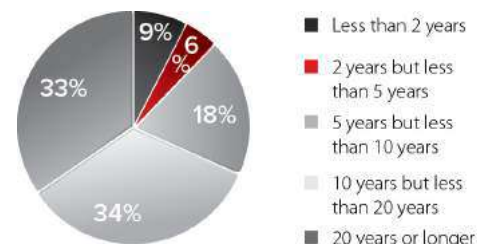
PROFITABILITY IN 2015 COMPARED TO 2014

Overall, the Australian business community in Thailand had an improved year in 2015, with only 18% failing to match their 2014 performance.



LENGTH OF OPERATIONS

Two-thirds of the Australian business community in Thailand had been operating there for over a decade, with almost 10% entering the Thai market in the last two years.



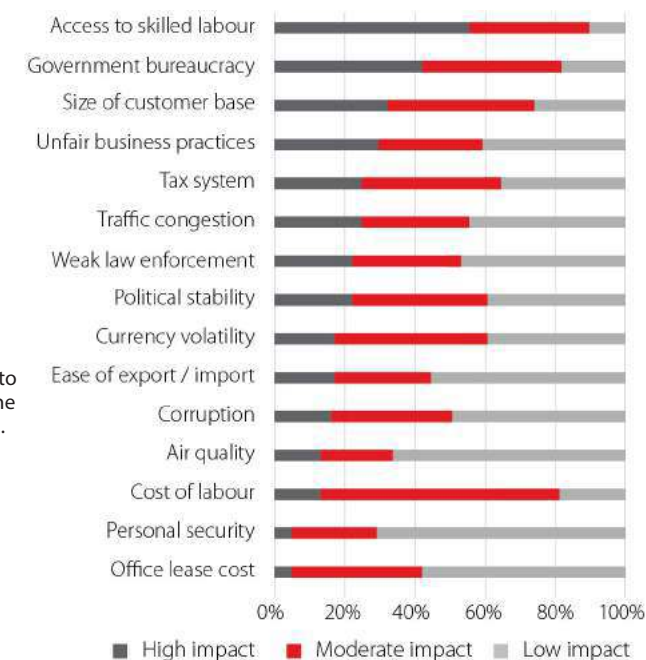
TOP GROWTH DRIVERS

Thailand's position as a regional hub and its proximity to customers were both identified by more than two-thirds of the Australian business community as key drivers of their growth.



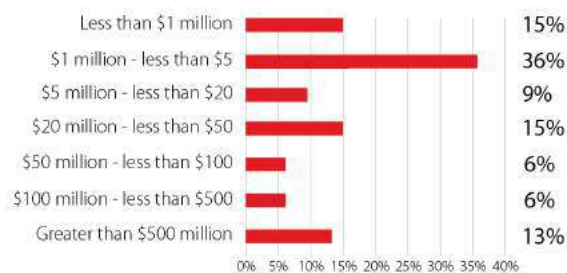
IMPACT OF BUSINESS CHALLENGES

Access to skilled labour was identified as having a high impact on their business by 55% of respondents, with government bureaucracy the next most significant challenge, identified as having a high impact by 42% of businesses.



ANNUAL TURNOVER IN 2015 (IN AUD)

Firms come in all shapes and sizes, although medium sized firms are the most common.





VIETNAM

Vietnam is demonstrating to the outside world that it is open for business by signing/negotiating 16 free trade agreements, including AANZFTA and TPP. In June 2016, the World Bank forecast Vietnam's output will expand at an average of 6.3% in 2016 -18. 42% of Vietnam's population is under the age of 25.

Australia's merchandise exports to Vietnam has grown at 17.2% per annum over the past five years, reaching AUD\$3.5bn in 2015. Last year, Australia's trade in export services was AUD\$1.2bn. Australia is ranked 19th for FDI with an average investment per project of USD\$5.2m – significantly less than the national average of USD\$14.3m.

There are also broader challenges. In terms of the ease of doing business in Vietnam, the World Bank ranks Vietnam at No. 90 out of 189 countries; up just three positions from last year.

ECONOMIC INDICATORS	2010	2015
GDP (US\$bn) (CURRENT PRICES)	112.8	198.8
GDP PER CAPITA (US\$)	1,297.2	2,170.9
GDP PPP (INT'L \$bn)	382.1	551.3
GDP PER CAPITA PPP (INT'L \$)	4,395.5	6,019.5
REAL GDP GROWTH (% CHANGE YOY)	6.4	6.5
INFLATION (% CHANGE YOY)	9.2	2.2
UNEMPLOYMENT (% LABOUR FORCE)	4.3	2.5

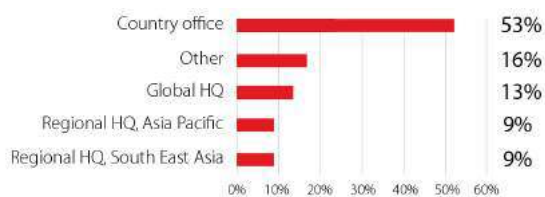
PRINCIPAL EXPORT DESTINATIONS 2014		
1	UNITED STATES	19.1%
2	CHINA	9.9%
3	JAPAN	9.8%
8	AUSTRALIA	2.7%

PRINCIPAL IMPORT SOURCES 2014		
1	CHINA	29.5%
2	REPUBLIC OF KOREA	14.7%
3	JAPAN	8.7%
12	AUSTRALIA	1.4%

BUSINESS SURVEY

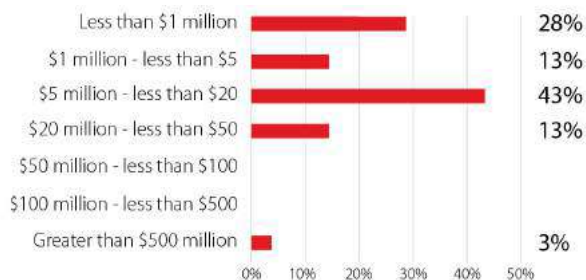
ROLE OF OPERATIONS

The majority of the Australian business community in Vietnam is country offices, although 13% of respondents said Vietnam was their firm's Global Headquarters.

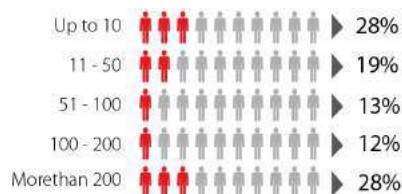


ANNUAL TURNOVER IN 2015 (IN AUD)

Respondents can mostly be characterised as SMEs, with 97% turning over less than \$50 million, although 28% did have more than 200 staff.



EMPLOYEE NUMBERS



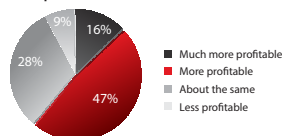
TOP INDUSTRIES OF OPERATIONS

Travel/Hospitality/Entertainment firms make up 22% of the Australian business community in Vietnam, with Professional Services, and Education and Training also accounting for 16% each.



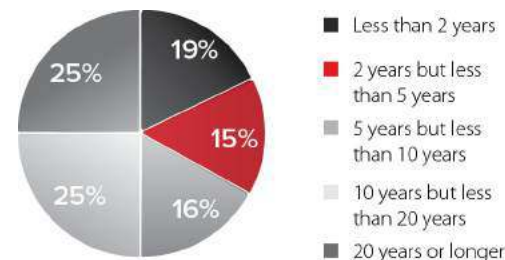
PROFITABILITY IN 2015 COMPARED TO 2014

Only 9% of respondents were unable to match their 2014 financial performance in 2015, with 63% improving on their performance.



LENGTH OF OPERATIONS

Half of the Australian business community in Vietnam has been operating there for more than 10 years, with 19% having entered the market in the past 2 years.



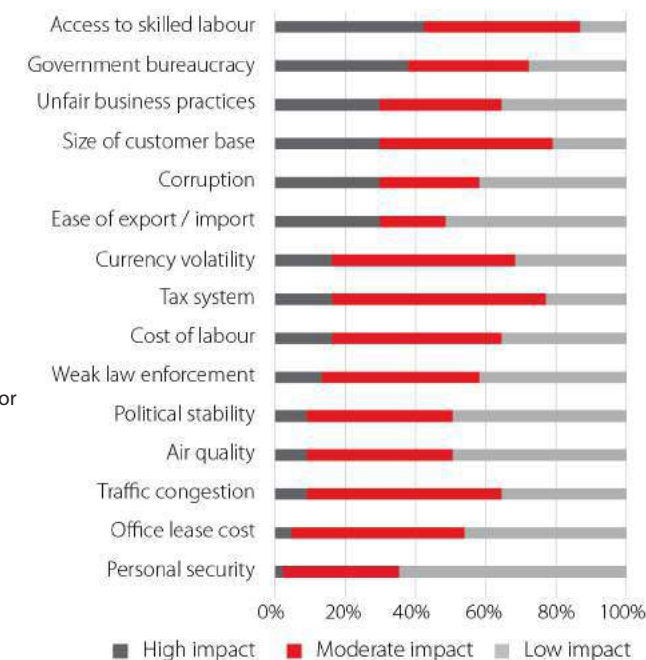
TOP GROWTH DRIVERS

Market growth and size was identified as a significant major driver of growth along with economic conditions.



IMPACT OF BUSINESS CHALLENGES

Access to skilled labour and government bureaucracy are the challenges that had the most significant impact on respondents' businesses, identified as having a high impact by 41% and 38% respectively.



CONCLUSION

The inaugural Australian Business in ASEAN Survey 2016 is a snapshot that shows an Australian business community that is thriving across South East Asia. The survey's results show that despite there being challenges in some markets in 2015, the extraordinary opportunities in ASEAN and offered by the AEC have led to 60 per cent of companies in the region expanding their trade and investment over the past two years, with an overwhelming 86 per cent planning further expansion in the medium term. This expansion is driven primarily by access to the rapidly emerging middle class consumers of the ASEAN region and the prospect of even greater regional integration.

Companies who make up the Australian business community in ASEAN are primarily in services, with professional services firms alone accounting for one-quarter of businesses in the region. Many

businesses have vast experience in the region, being present for more than 20 years, although 13 per cent commenced operations in that country in the last two years.

While greater regional integration is a key driver for the majority of the Australian business community in the region, challenges remain. Lack of access to skilled labour, corruption, and barriers to trade and investment are the key challenges for governments of the region to address in the eyes of respondents. Additionally, only a third of firms have addressed ASEAN integration in their business strategy, with a majority expressing a need for more information on ASEAN integration and its effects.

With the great potential for growth through the ASEAN region Australian business is well positioned to be a key part off this extraordinary opportunity.

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