EU-ASEAN
BUSINESS COUNCIL

# 2022 EU-ASEAN BUSINESS SENTIMENT SURVEY

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eurocham INDONESIA

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Through our Working Groups, we provide recommendations to key policymakers and regulations by sharing our members' pool of expertise and information, engage in open dialogue, and apply constructive approaches to reach our desired counterparts or stakeholder. This can either be in the form of organizing consultative meetings or active participation in public consultations for regulations. More importantly, EuroCham provides aggregate inputs towards policy decision-making by submitting concrete recommendations either in the form of Annual Position Paper, Studies, or Letter of Recommendations.

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Directly representing over 200 predominantly European companies operating in Indonesia and indirectly representing over 1,500 members from 8 bilateral European chambers from the UK, Germany, Italy, the Netherlands, France, and the Scandinavian countries, EuroCham represents the best of Europe in Indonesia.

# ADVOCACY SUCCESSES

Some recent successful milestones achieved include advocating to remove Article 20 of the Patent Law resulting in patented medicines continuing to be accessible for patients in Indonesia. We also submitted inputs to the Government pertaining to, among others, exempted tax on freight forwarding, roll out Pilot Project for Integration of Commercial and Tax Invoices with the Director of Information Technology of DG Tax, established working relationships with relevant stakeholders such as the Ministries of Trade, Finance, and many more.



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# ABOUT THE EU-ASEAN BUSINESS SENTIMENT SURVEY

This publication is the eighth edition of the annual EU-ASEAN Business Sentiment Survey. It aims to serve as a barometer for European business outlook in Southeast Asia regarding key issues such as macro-economic conditions, the policy and regulatory environment, and the development of bilateral and plurilateral free trade agreements in the region. This year we also look at a range of sustainability-linked issues.

The survey is produced with the support of BDO and the European Chambers of Commerce throughout the ASEAN region. You may also view this report and previous editions online at **[https://www.eu-asean.eu/eu-asean-business-sentiment-survey/](https://www.eu-asean.eu/eu-asean-business-sentiment-survey/)**.

# ACKNOWLEDGEMENTS

The EU-ASEAN Business Council would like to express our thanks to the following partners for their help in conducting and distributing this annual survey to European businesses around the region:

- European Chamber of Commerce in Cambodia (EuroCham Cambodia)
- European Chamber of Commerce in Indonesia (EuroCham Indonesia)
- European Chamber of Commerce & Industry in Lao PDR (ECCIL)
- European Malaysia Chamber of Commerce and Industry (EuroCham Malaysia)
- European Chamber of Commerce in Myanmar (EuroCham Myanmar)
- European Chamber of Commerce in the Philippines (ECCP)
- European Chamber of Commerce in Singapore (EuroCham Singapore)
- European Association for Business & Commerce, Thailand (EABC Thailand)
- European Chamber of Commerce in Vietnam (EuroCham Vietnam)

We would especially like to thank BDO for their sponsorship and support for this year's report and for their assistance in verifying the outcomes of the survey.

Finally, a special word of thanks for all of the respondents who took the time and effort to provide their invaluable opinion and responses for this edition of the Survey. All responses are kept confidential. This publication would also have not been possible without the help of our research assistant, Ms. Bethanie Kwok Su-Ling. For further enquiries please email **info@eu-asean.eu**.

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## FOREWORD BY MARTIN HAYES, CHAIRMAN, EU-ASEAN BUSINESS COUNCIL

The EU-ASEAN Business Council (EU-ABC) is pleased to release its 2022 EU-ASEAN Business Sentiment Survey. I would like to express my thanks to all of you who took the time to complete this Survey.

This is the 8th edition of the Survey. It is designed to present a barometer of views of the European business community in ASEAN on a range of issues including the state of the business environment, the outlook for the short and medium-term, developments on ASEAN regional economic integration, trade agreements and government consultation and competition issues. This year we have also included questions on sustainability-linked issues, and policy initiatives from the EU.

This year's survey demonstrates that the sentiments of European businesses toward ASEAN remain strong, perhaps even stronger than ever before. Optimism about economic recovery in ASEAN is also strong, despite ongoing geopolitical tensions around the world. Consistent with previous years, respondents view ASEAN as the region of best economic opportunity over the next 5 years. The gap between ASEAN and the next best region, China, has widened even further. But ASEAN cannot rest on those positive views alone as the respondents also pointed to a need to accelerate work on the ASEAN Economic Community and to do more on climate action. The latter is vital if the region wants to continue to attract FDI at the record-breaking levels it has been doing so for the last few years. Going forward businesses will not be able to invest in countries or regions that are not doing enough to protect the environment.

There are also significant concerns about ASEAN's ambitions and capabilities on climate action and protection of the environment. The majority of respondents think the region's goals on climate action are not ambitious enough. Lack of speed on greening supply chains, and a lack of faith in ASEAN's ability to move to a truly Circular Economy are cited as concerns. It is incumbent on all of us, political leaders, business leaders, employees, and the general public, to do more in this area. Economic development without looking after our surroundings and ensuring that the worse off in our societies are looked after, is irresponsible. We need to ensure a just and sustainable economic development.

On Trade Agreements between the EU and ASEAN, there is a marked increase in enthusiasm from our respondents for the region-to-region FTA. This might be due to a realisation of how other key trading partners of Southeast Asia now have easier and more competitive access to ASEAN markets through deals such as the RCEP. There is also a strong call for an EU-ASEAN Investment Protection Agreement in the absence of a region-to-region FTA. This would be a welcome development if it were to come to pass. Calls for the acceleration of existing and new bilateral FTA negotiations remain as strong as ever. We hope that, in this 45th year of EU-ASEAN relations, we can end the year with positive announcements from both sides on deepening and growing the trade and investment relationship further. The Strategic Partnership between the EU and ASEAN deserves no less.

The current global economic situation remains perilous. Rising inflation and interest rates, supply chain disruptions flowing from a COVID-19 hangover and Russia's unwarranted invasion of Ukraine, and food and energy security concerns should all point to the ASEAN member states working closer together, in more harmony, and advancing their own economic integration agenda at a faster and greener pace.

The Survey this year shows signs of optimism and themes that will help support a sustainable recovery. As long-standing friends of ASEAN, European businesses stand ready as always to work with our ASEAN and European partners to help with continued economic and social development, and to ensure a better future for all.

# 2022 Key Findings

## Current Business Environment & Outlook

- 69% of respondents expect an increase in profits in ASEAN in 2022 (2021 –63%)
- 63% of respondents see ASEAN as the region of best economic opportunity over the next 5 years (2021 – 63%)
- 69% of respondents expect ASEAN markets to become more important in terms of worldwide revenues over the next 2 years (2021 – 58%)

## ASEAN Regional & Domestic Policy Frameworks

- Only 6% of respondents believe that ASEAN economic integration is progressing fast enough (2021 – 2%), and 47% say it is too slow (2021 – 66%)
- Only 12% of respondents say that the objectives of the AEC Blueprints have been achieved (2021 – 6%)
- Only 19% of respondents believe that non-tariff barriers to trade in ASEAN are decreasing (2021 – 3%), whilst 23% say they are increasing (2021 – 38%)
- Only 14% of respondents say that there are NOT too many barriers to the efficient use of supply chains in ASEAN (2021 – 19%)

## Trade Agreements

- 97% of respondents believe that the European Union should accelerate the negotiation of trade deals with ASEAN (2021 – 98%)
- 73% of respondents believe that the European Union should pursue a region-to-region FTA with ASEAN now (2021 – 49%)
- 61% of respondents believe that the European Union should pursue a region-to-region Investment Protection Agreement with ASEAN (2021 – 60%)

## Sustainability & Climate Change Issues

- Less than half of respondents think that ASEAN is serious about meeting its sustainability goals, whilst 57% believe the goals set by ASEAN Member States are not ambitious enough.
- Majority of respondents do not believe ASEAN is doing enough to green supply chains, and only 9% have faith that the region can deliver on Circular Economy concepts.
- Only 9% of respondents believe that ASEAN is doing enough to ensure the development of in-demand skills for the future, whilst 79% said that ASEAN should develop a programme for increased staff mobility for internal development purposes.

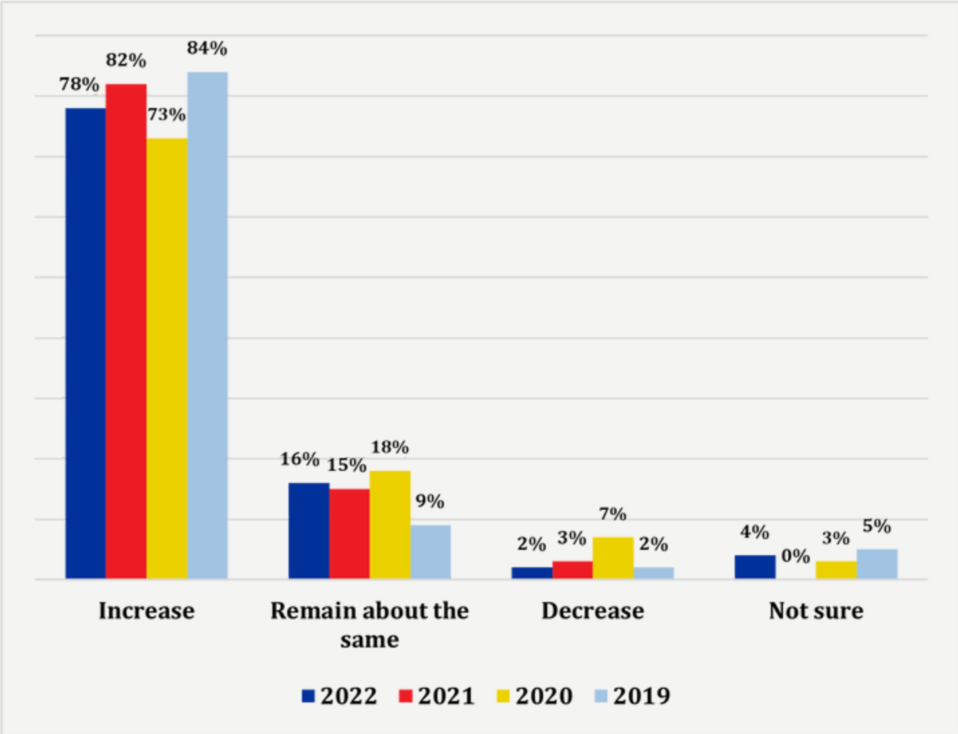
## Government Consultation & Competition Issues

- 38% of respondents feel that they frequently or occasionally face unfair competitive practices in ASEAN (2021 – 36%)
- 52% of respondents feel that they are often or sometimes consulted by national governments in ASEAN (2021 – 48%)
- 31% of respondents feel that the European Commission is sufficiently engaged in supporting European business interests in ASEAN (2021 – 20%)

# 2019 - 2022 TRENDS FOR KEY FINDINGS

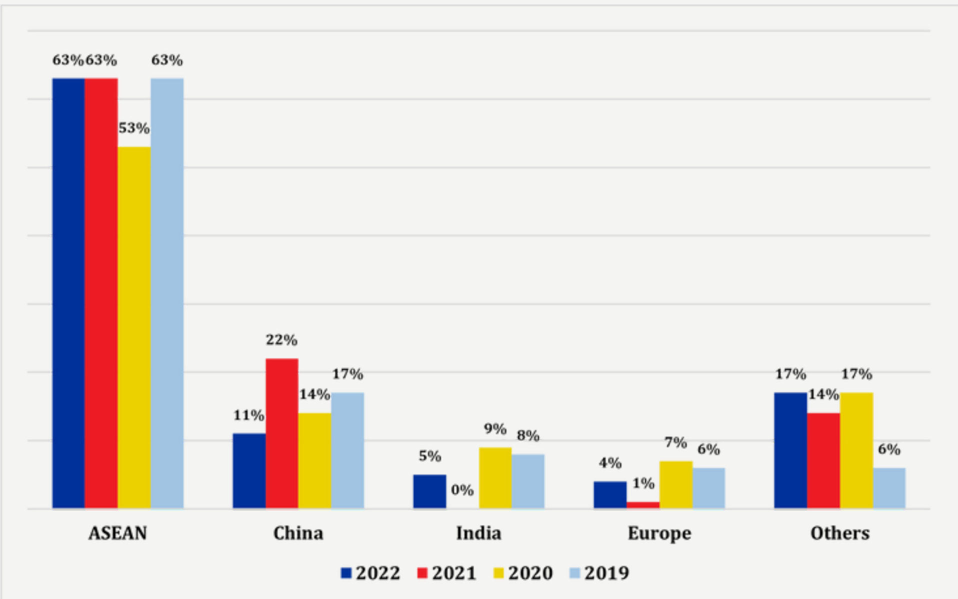
European business optimism in ASEAN remains strong. Views in 2022 are consistent with previous years.

### EXPECTATIONS OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (2019 - 2022)



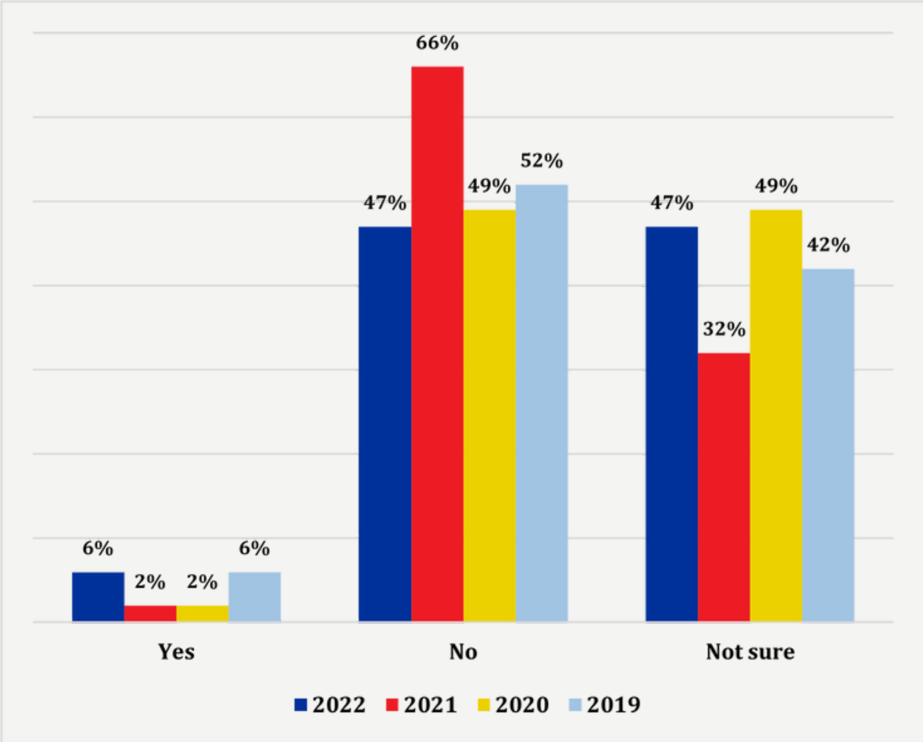

European businesses continue to see ASEAN as the region of best economic opportunity. Whilst the percentage number has not changed since 2021, and indeed is the same as 2019, the gap to the next region of best economic opportunity, China, has widened further.

### REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS (2019 - 2022)



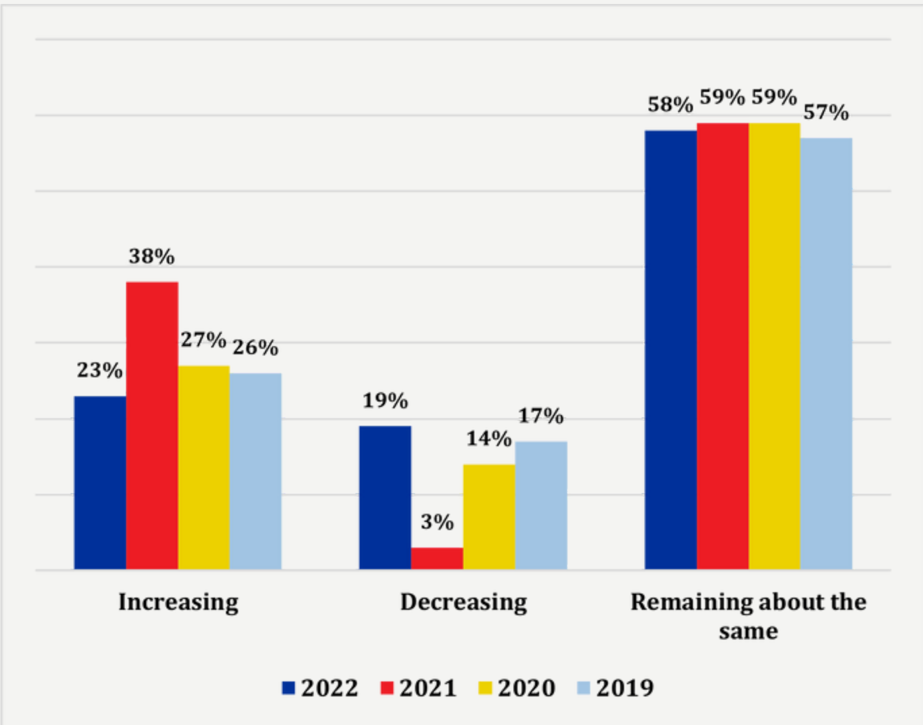
European businesses still do not believe that the progress on the ASEAN Economic Community is fast enough, though the number saying it is too slow has fallen significantly.

## IS ASEAN REGIONAL INTEGRATION UNDER THE AEC PROGRESSING FAST ENOUGH? (2019 - 2022)



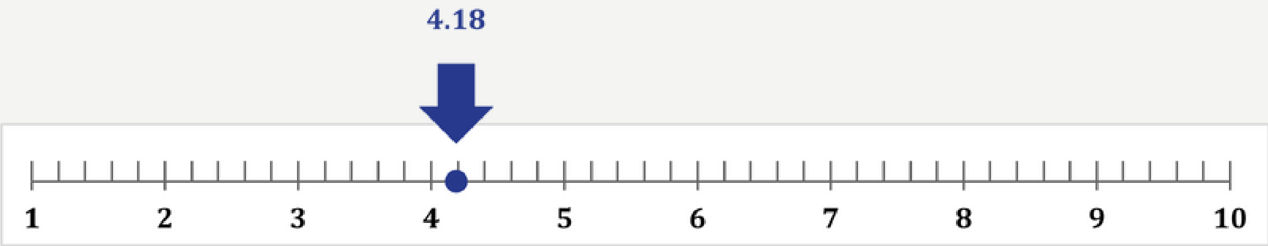

Concerns remain about ASEAN's progress on eliminating non-tariff barriers to trade, though fewer than ever believe they are increasing. The number who feel that the amount of NTBs is constant remains about the same, showing remarkable similarity over the last 4 years which explains the lack of action by ASEAN.

## PERCEPTION OF NON-TRADE BARRIERS TO TRADE IN ASEAN (2019 - 2022)



European industry sees a clear need for ASEAN to improve its record on tackling climate change issues within the region.

**PERCEPTION OF HOW WELL ASEAN IS TACKLING CLIMATE CHANGE**
**(Scale of 1 to 10 where 10 is "Very Well")**



# CURRENT BUSINESS ENVIRONMENT & OUTLOOK

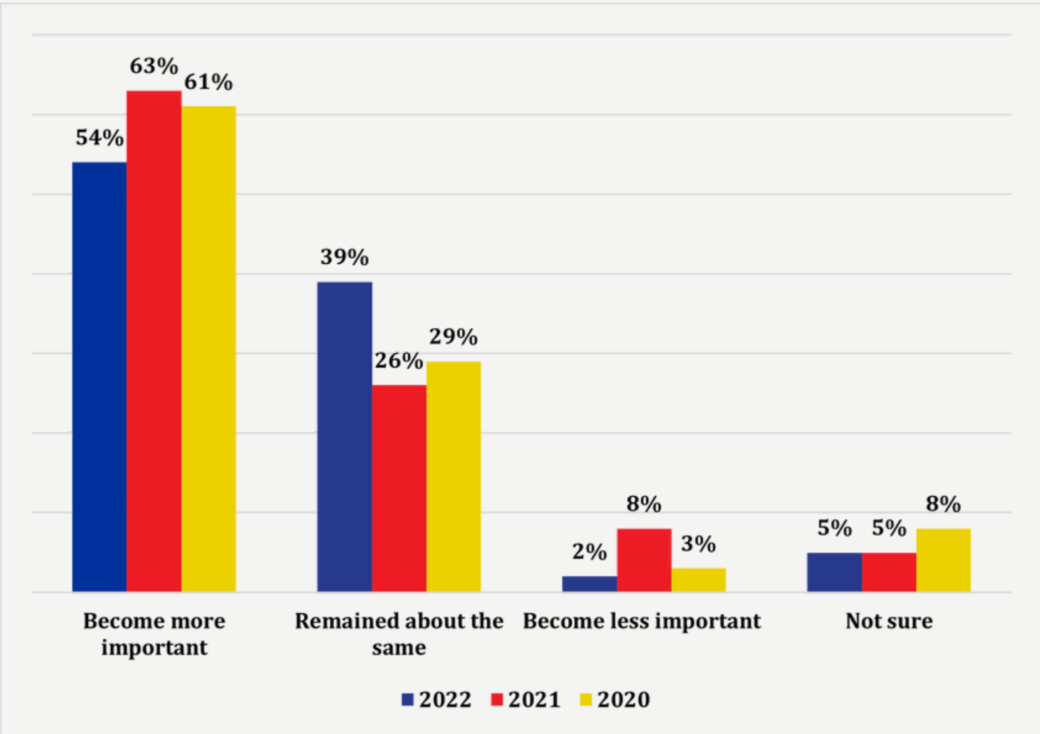
## European business confidence in ASEAN remains relatively strong

Optimism of European businesses for ASEAN continues to remain strong, with more than nine in ten respondents viewing ASEAN's markets as having remained the same or become more important in terms of worldwide revenues over the last two years.

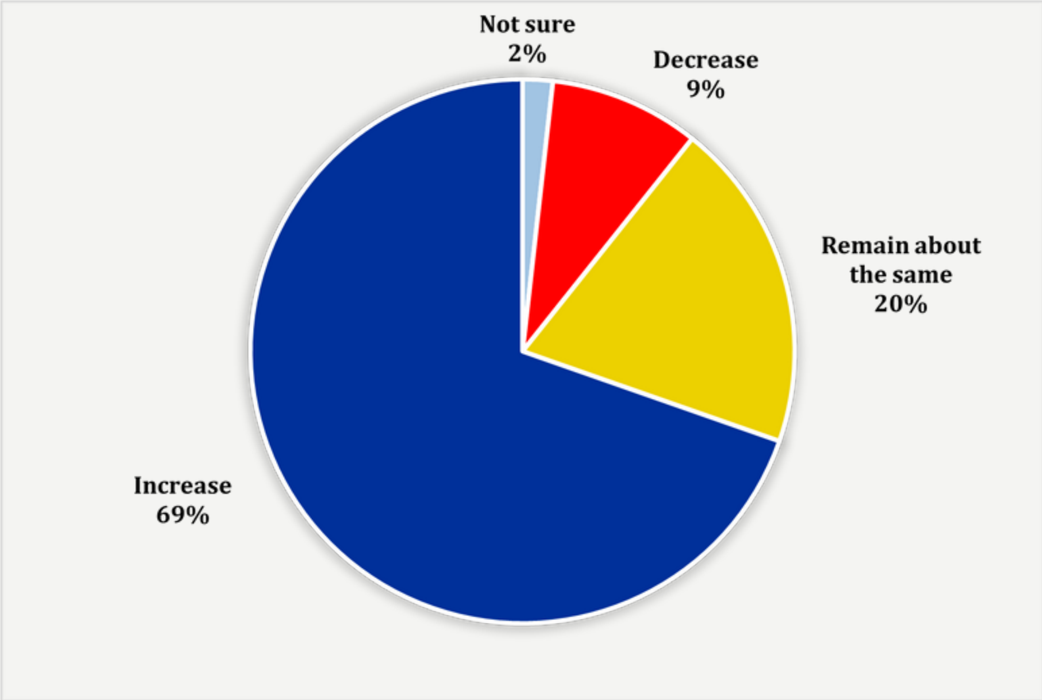
However, the proportion who reported that the ASEAN revenues have become more important fell from 63% in 2021 to 54% to 2022, and this should be taken note of by policymakers.

That said, a significant majority of respondents reported that they expected a rise in profitability for their operations in the region, with the proportion expecting such an outcome greater than in 2021. This may well point to renewed confidence in ASEAN and its ability to sustain economic recovery after the worst impacts of the COVID-19 pandemic.

### ASEAN MARKETS IN TERMS OF WORLDWIDE REVENUES OVER THE PAST TWO YEARS (2020 - 2022)



## COMPANIES' EXPECTATIONS OF ASEAN'S PROFITS FOR THE CURRENT YEAR

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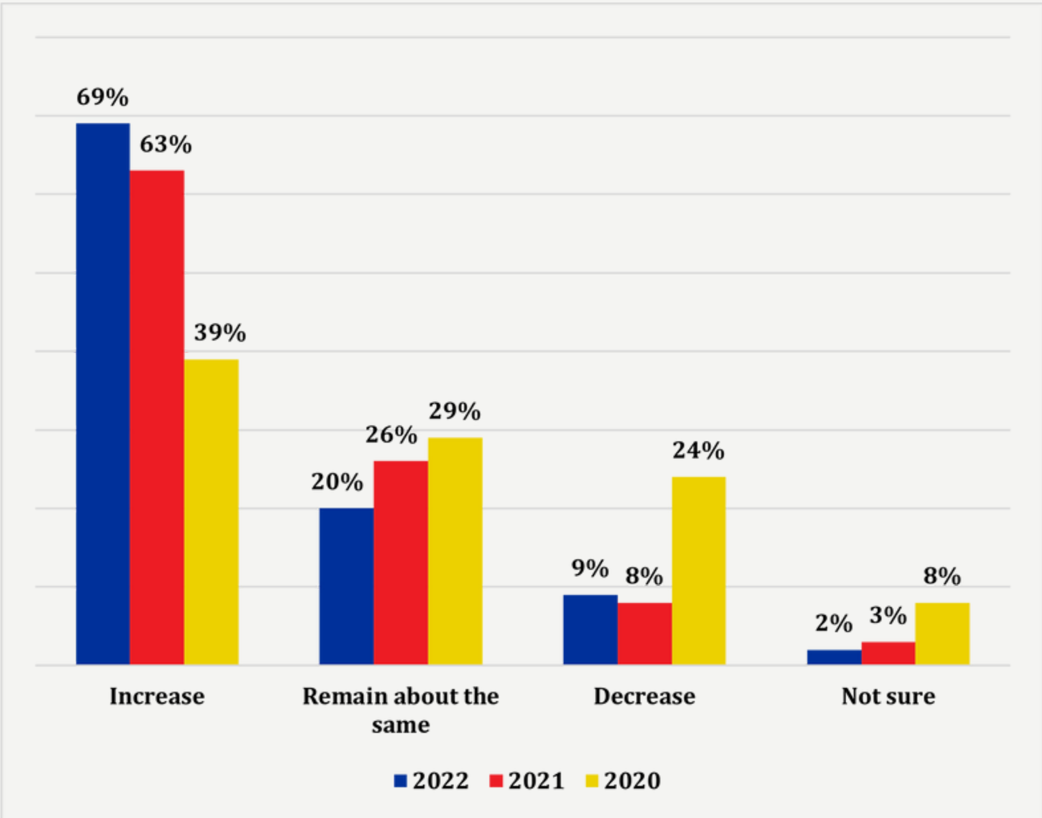
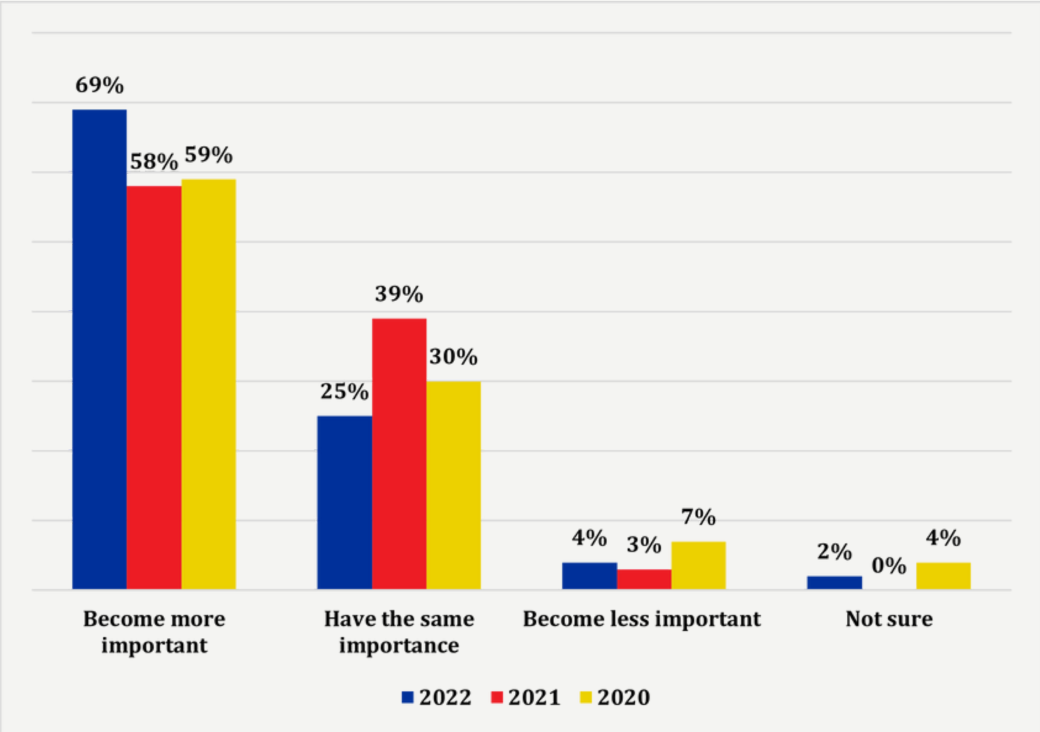


## ASEAN is still seen as important in terms of worldwide revenues in the next two years, with a significant shift in positivity

69% of respondents believe ASEAN will become more important in terms of worldwide revenues in the next two years – a significant upturn from 58% in 2021. This signifies their confidence in the region's ability to achieve a speedy economic recovery. There is also a decrease in the proportion of respondents who think that ASEAN markets will remain about the same in terms of worldwide revenues in the next two years (from 39% in 2021 to 25% in 2022), signifying further positive sentiment towards the region and its economic recovery.

### ASEAN MARKETS IN TERMS OF WORLDWIDE REVENUES OVER THE NEXT TWO YEARS (2020 - 2022)



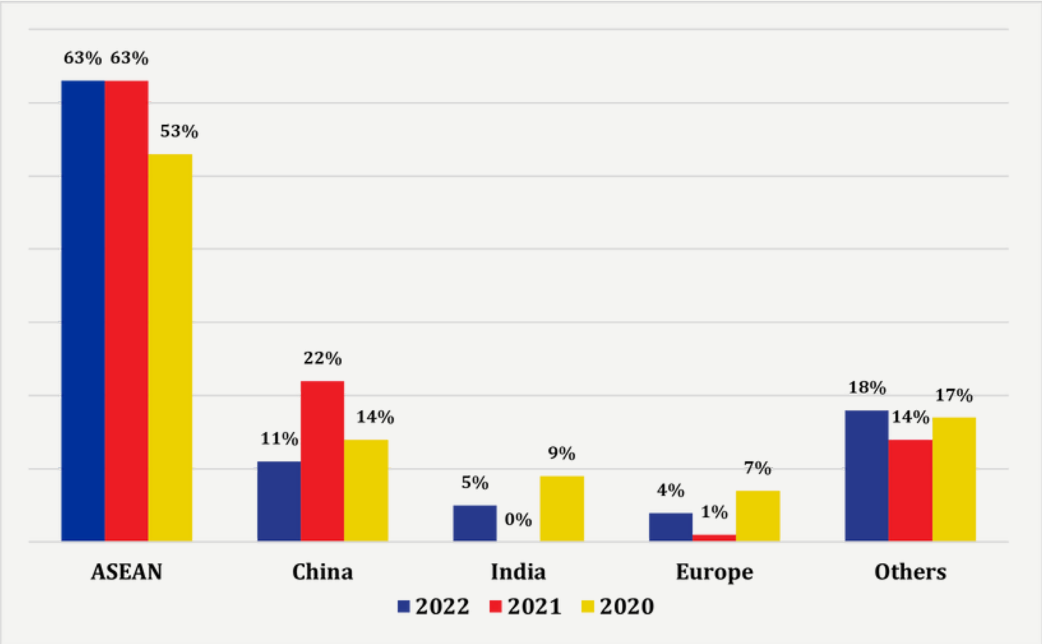

## ASEAN is still the region seen with the best economic opportunity, with the gap to next best region widening; Optimistic view of trade and investment in ASEAN as well

The trend of positive sentiment towards ASEAN compared to other regions carries on this year. Indeed, it is even marked. The majority of respondents perceive ASEAN as the region with the best economic opportunities in the next 5 years (63%), with a percentage nearly six times that of the next highest region, China (11%). The number of respondents who believe that ASEAN represents the region of best economic opportunity has remained consistent, but there is a marked declined in such sentiment towards China, perhaps driven by ongoing zero-tolerance policies on COVID-19. Amongst the others it is worth noting that Africa now runs China a close second at 9% (up from 3% in 2021).

## REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS

| Region/ Country | Breakdown |
|---|---|
| **ASEAN** | **63%** |
| China | 11% |
| Africa | 9% |
| East Asia (Japan & Korea) | 5% |
| India | 5% |
| Europe | 4% |
| North America (USA & Canada) | 2% |
| Russia & Central Asia | 2% |
| Australia | 0% |
| South & Central America | 0% |

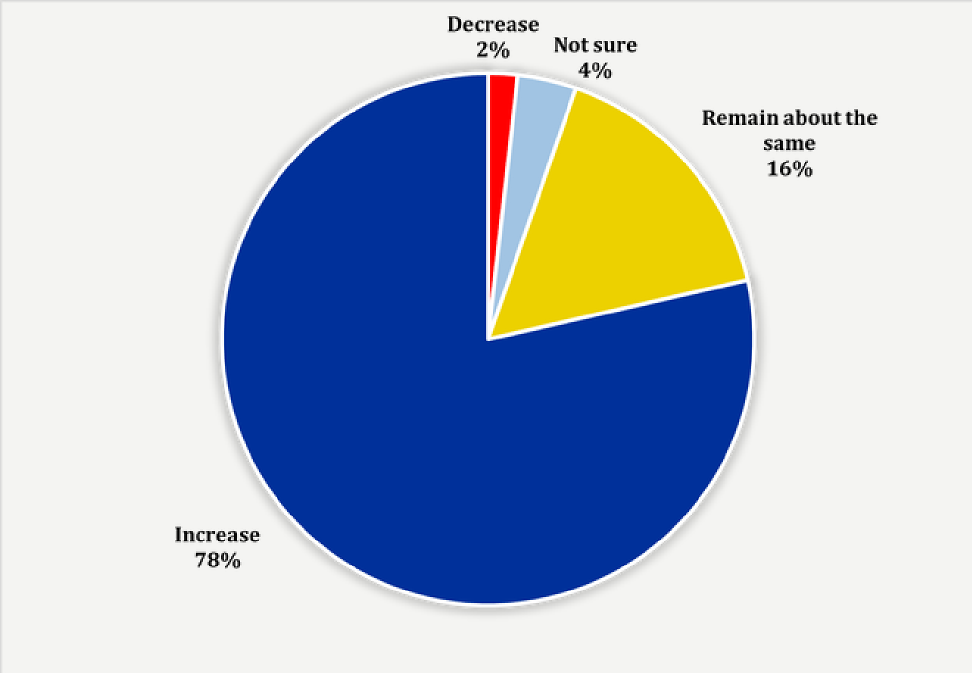
## REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS (2020-2022)



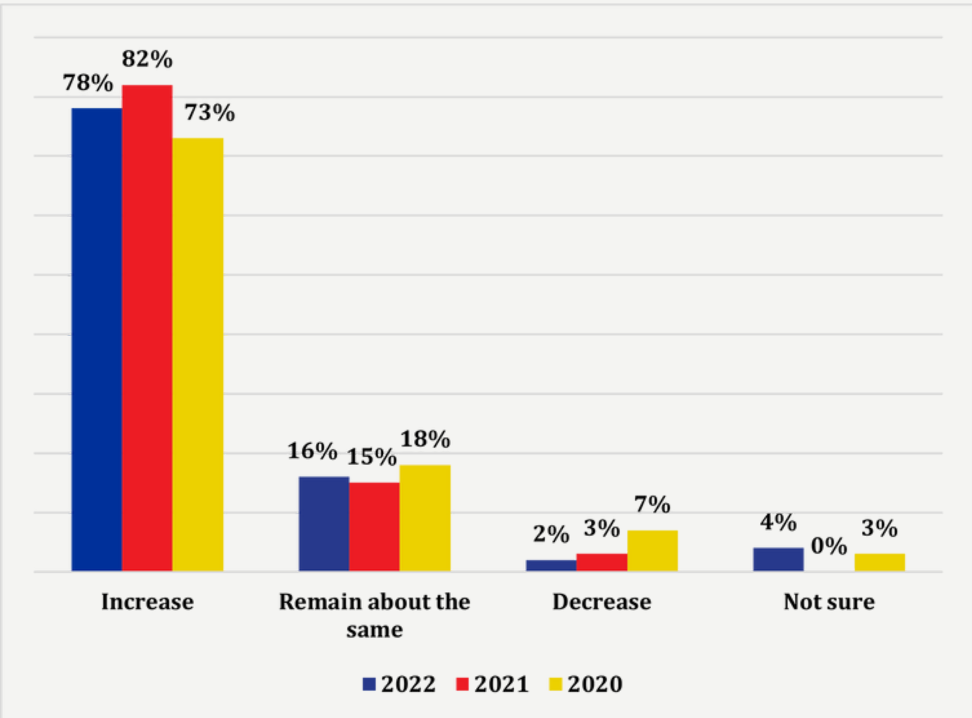
There is more positive news for ASEAN in the outlook for future trade and investment, with more than three-quarters of respondents saying that they expected their level of trade and investment with Southeast Asia to increase over the next five years. Whilst this number is slightly down on the figure for 2021, the number saying they expected a decrease has also fallen.

When looking at the industries, there was a significant rise in the services sector for the expectation of increases in trade and investment compared to 2021. For 2022 the figure is 72%, but for 2021 it was 65%, with none of our service sector respondents reporting that they expected a decrease (in 2021 8% thought trade and investment levels might fall).

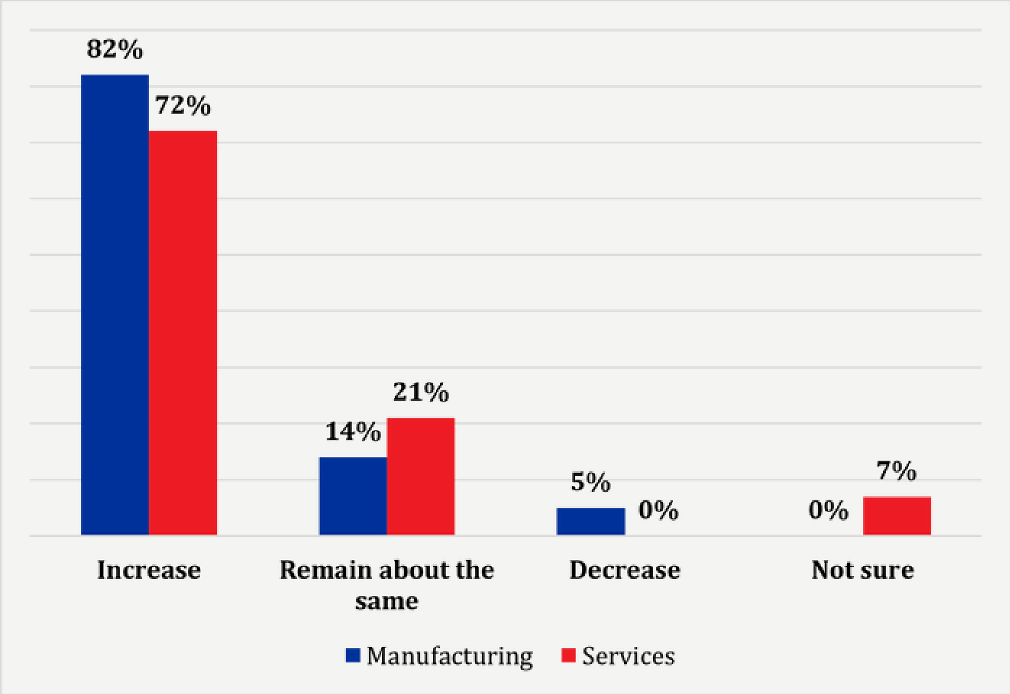
## EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS




## EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (2020 – 2022)



## EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (BY INDUSTRY)




When asked to rank the challenging aspects of trade and investment in ASEAN, **"Growing Non-Tariff Barriers"** to trade jumped up the rankings from #6 in 2021 to first spot, highlighting continued business concerns about behind-the-border regulations that inhibit trade and investment. inhibit trade and investment. The **"prevalence of unfair competitive practices"** slipped down the ranking from third spot to seventh, which is perhaps a sign of a more balanced competitive environment.

## ORDER OF CHALLENGING ASPECTS OF TRADE & INVESTMENT IN ASEAN

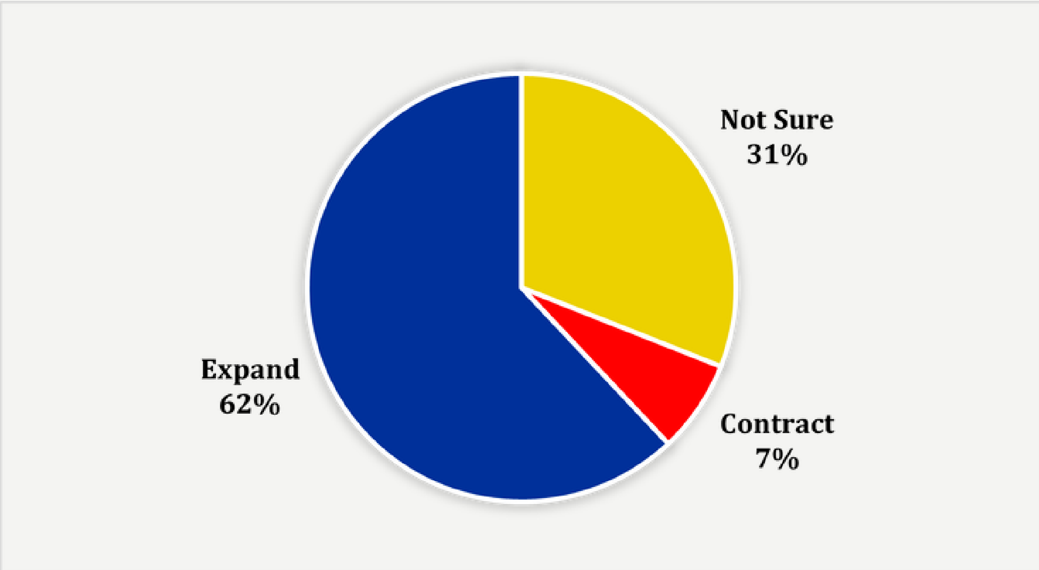
| Order of Challenge | Aspects of trade & investment in ASEAN |
|---|---|
| ***1 (Most Challenging)*** | ***Growing NTBs*** |
| 2 | Lack of harmonisation of standards |
| 3 | Rising protectionist sentiments |
| 4 | Complex customs procedures for intra-ASEAN movement of goods |
| 5 | Lack of service sector liberalisation |
| 6 | Complex taxation regimes |
| 7 (Least Challenging) | Prevalence of unfair competitive practices |

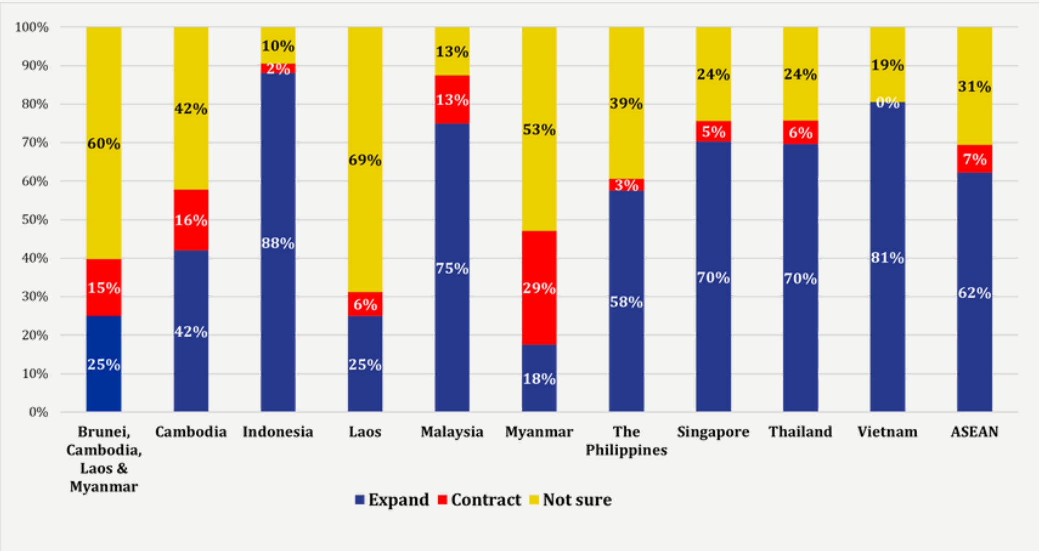
## European Businesses more positive about expansion prospects for ASEAN operations

Majority of the respondents have the intention to expand their level of operations in ASEAN, with particularly strong sentiments for doing so being reported in Indonesia, Vietnam and Malaysia. The numbers expecting to expand operations in the region (62%) have risen by five percentage points since 2021 (57%).

For Malaysia, the percentage of respondents saying they intend expand operations has increased from 57% in 2021 to 75% in 2022, the biggest increase in the region. Similar to last year, no respondents report an intention to contract operations in Vietnam.

### PLANS FOR OPERATIONS IN ASEAN



## Economic recovery and improvement in infrastructure cited as main reasons for positive outlook for ASEAN

When asked for the main factors that make ASEAN important to their bottom lines, respondents cited, yet again, **"economic recovery"** as the main factor, which is the same as in 2020 and 2021. For the first time this year we included **"change in sustainability policies"** as an option in the choices: that took the fourth slot in terms of importance. It is worth noting that **"enhanced regional economic integration"** fell to last place in the list of factors. That should be a source of concern for a region that claims to be making advances on economic integration.

As in previous years, we asked respondents to rank the importance of five factors that might be driving their expansion plans for their businesses in Southeast Asia. The outcome this year was very different to the last two years: whilst **"diversification of customer base"** was still topping the list, it is now joined in top spot by **"stable government and political system"** with **"reasonable production costs"** and **"availability of trained personnel"** moving down the list.

### FACTORS THAT INCREASE ASEAN'S IMPORTANCE IN TERMS OF WORLDWIDE OPERATIONS AND REVENUE IN THE NEXT 2 YEARS

| Order of Importance | Possible reasons |
|---|---|
| ***1 (Most Important)*** | ***Economic Recovery*** |
| 2 | Change in business strategy |
| 3 | Improvement in Infrastructure |
| 4 | Change in Sustainability Policies |
| 5 | Limited growth opportunities in other regions |
| 6 (Least Important) | Enhanced regional economic integration |

## FACTORS MOTIVATING EXPANSION PLANS

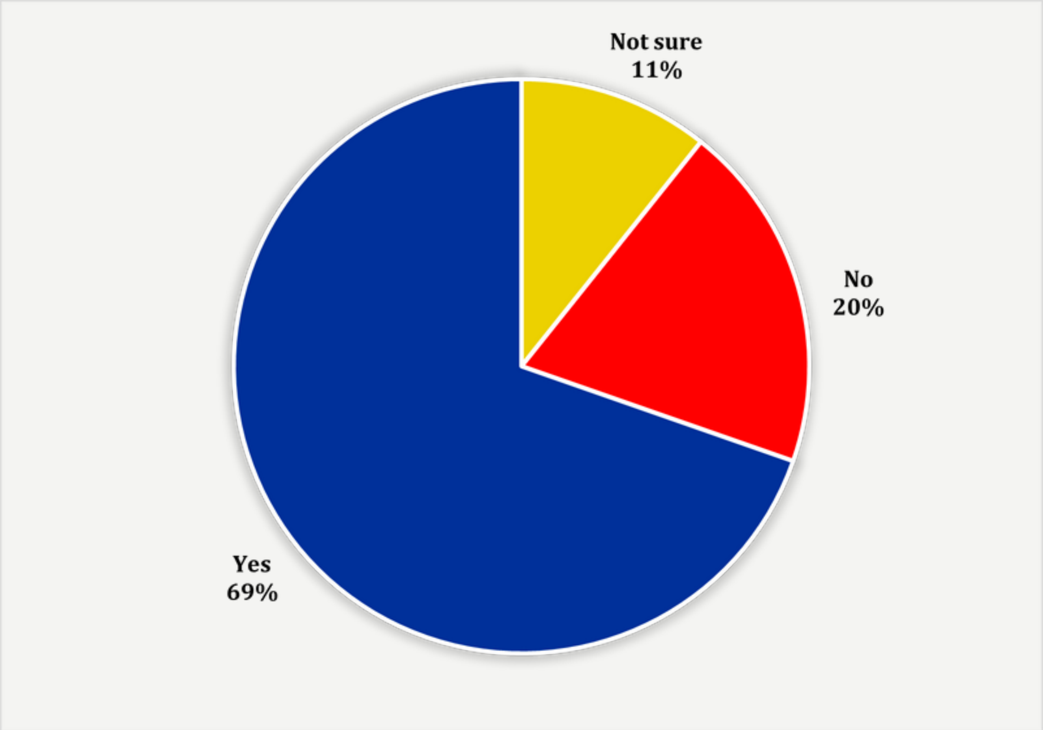
| Rank | Reasons |
|---|---|
| 1 | Diversification of customer base |
| | Stable government and political system |
| 2 | Improvements in sustainability policies |
| | Reasonable production costs (including labour cost) |
| 3 | Adequate laws and regulations to encourage foreign investment |
| 4 | Availability of trained personnel/ efficient manpower |

We also asked respondents to rank the key factors that might be leading to consider contracting their operations in ASEAN. **"Inadequate laws and regulations to encourage foreign investment"** topped the rankings as a reason to contract operations.

## Current Geopolitical concerns weigh heavily on views on economic recovery, but European Union seen as dialogue partner best placed to support economic growth and development

Given current geopolitical tensions and the ongoing war in Europe sparked by Russia's act of aggression against the Ukraine, we asked our respondents this year for their views on both how the Russia-Ukraine war might impact on ASEAN's economic recovery and supply chains, and also for which of ASEAN's various dialogue partners they thought was best place to support ASEAN's economic growth and development. 69% of our respondents thought that Russia's invasion of the Ukraine would have a detrimental impact on ASEAN's economic recovery and its supply chains. As for which dialogue partner of ASEAN was best placed to support the region in its economic growth and development, 43% said the European Union, with China in second spot on 20%, the United States third on 16% and Japan fourth on 11%.

## WILL THE WAR IN UKRAINE HAVE AN ADVERSE IMPACT ON ASEAN'S ECONOMIC RECOVERY AND SUPPLY CHAINS?




## WHICH OF ASEAN'S DIALOGUE PARTNERS IS BEST PLACED TO SUPPORT THE REGION FOR ECONOMIC GROWTH & DEVELOPMENT?

| Dialogue Partner | Percentage of Respondents |
|---|---|
| **European Union** | 43% |
| **China** | 20% |
| **The United States** | 16% |
| **Japan** | 11% |
| **Others** | 10% |

# ASEAN REGIONAL AND DOMESTIC POLICY FRAMEWORKS

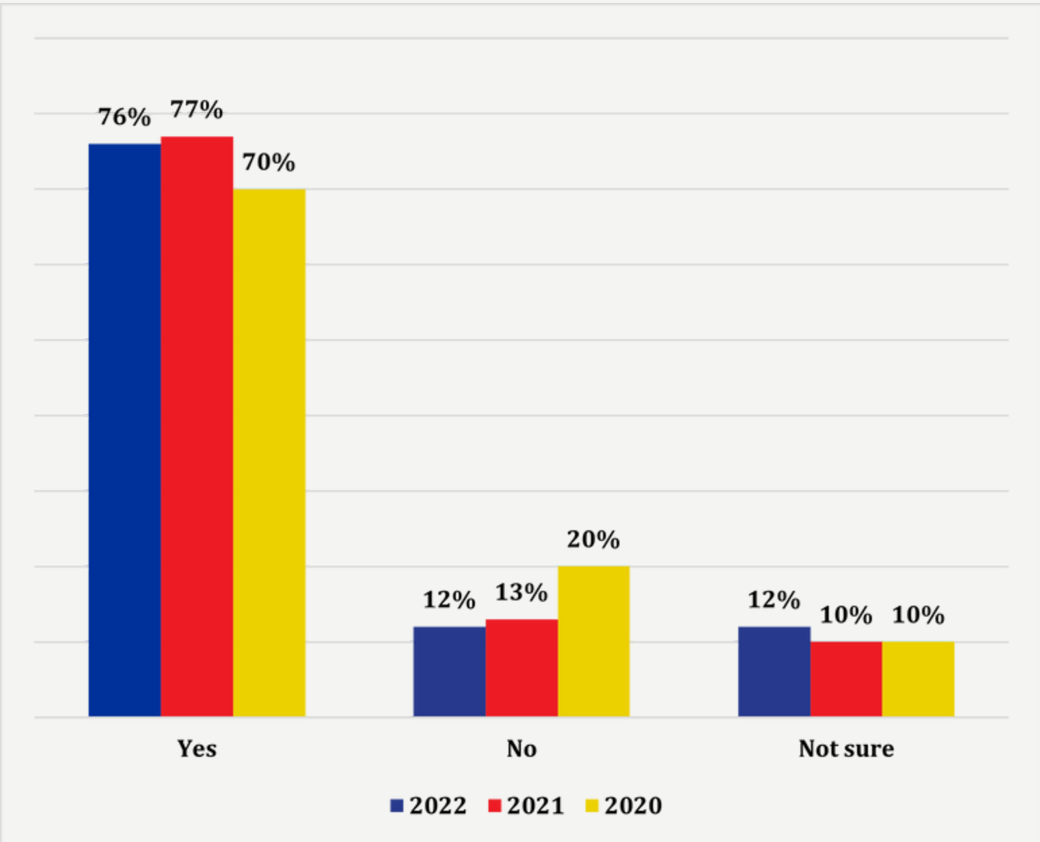
**Steady views on the importance and pace of ASEAN Regional Economic Integration; its' importance is recognised, and more than ever before claim it is having a positive effect, but more than two-thirds do not have a business strategy based on the AEC.**

As in previous years, ASEAN regional economic integration is seen as being important for the success of European businesses in Southeast Asia, with around three-quarters of respondents answering in the affirmative. But this importance is tempered by the clear view of our respondents that measures aimed at achieving regional economic integration are not making sufficient headway. Furthermore, less than a third of respondents have a business strategy based on the ASEAN Economic Community (AEC), though that is an increase of 10 percentage points over last year.

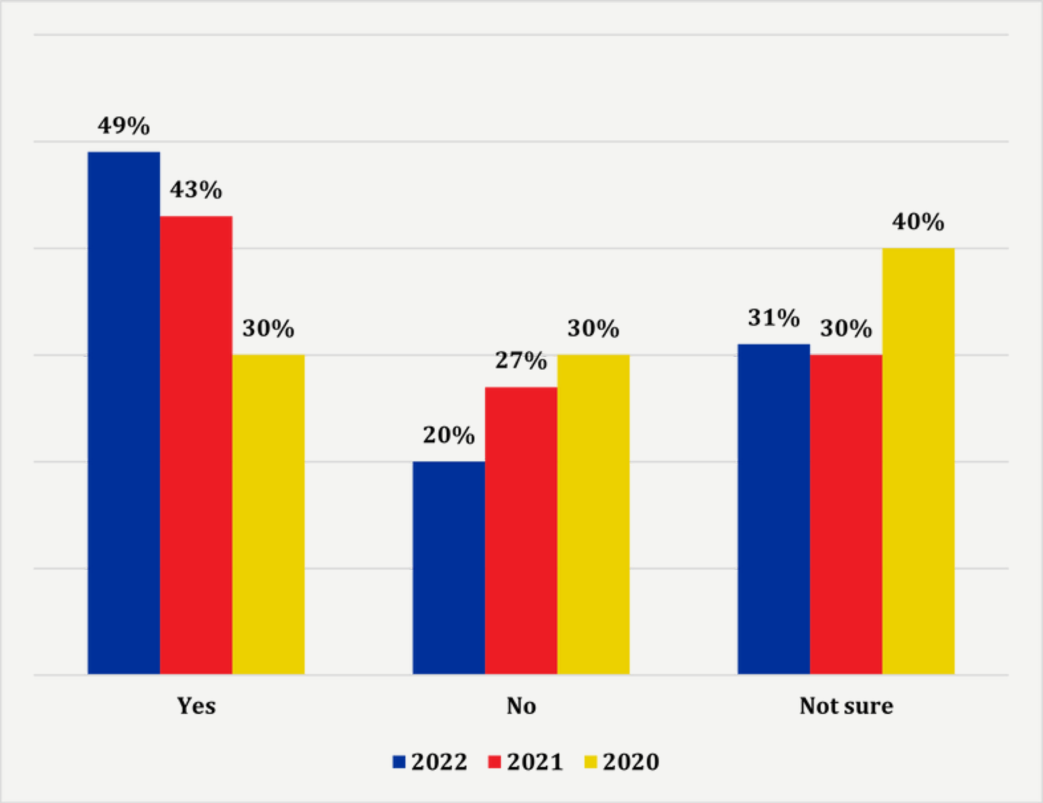
For those who indicated they do not have an ASEAN regional strategy based on the AEC Blueprint 2025, 29% indicated that there was insufficient progress on the AEC to warrant such a regional strategy and 24% stated that their local business strategies were sufficient.

That said, for successive years, there was an increase in the number of respondents who said that the AEC has had a positive impact on their business activity (49% in 2022 compared to 43% in 2021), with the increase this year coming from a fall in the "no" category.

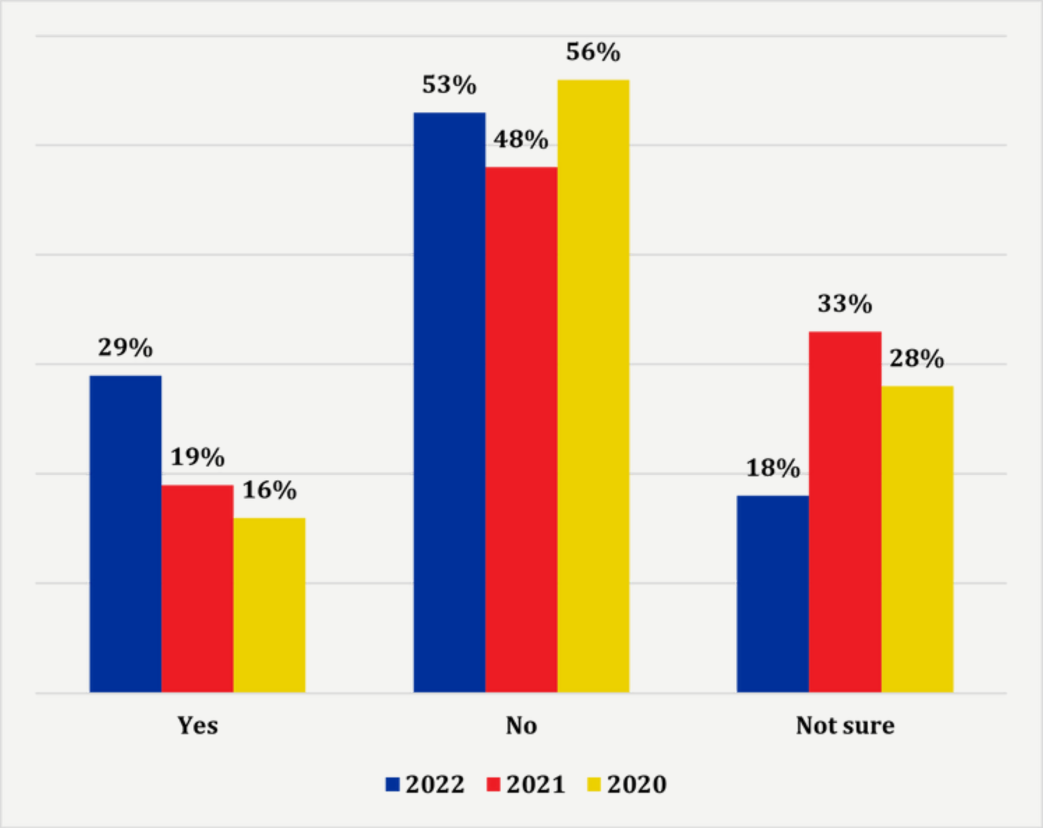
**IS ASEAN ECONOMIC INTEGRATION IMPORTANT FOR THE SUCCESS OF YOUR BUSINESS IN THE REGION? (2020 - 2022)**



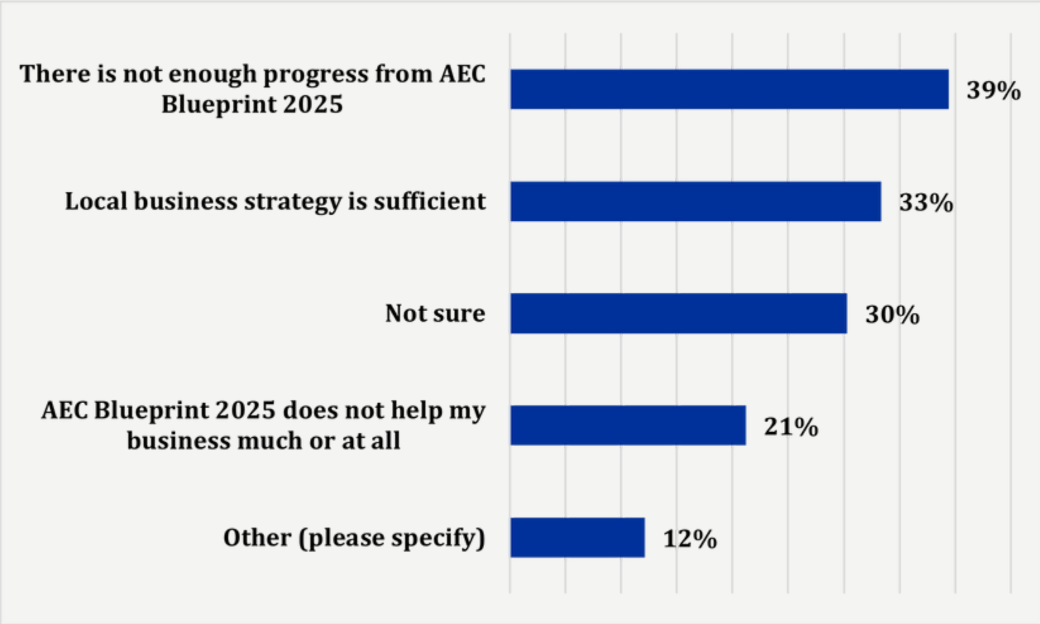
## HAS THE ASEAN ECONOMIC COMMUNITY MADE A POSITIVE IMPACT ON YOUR BUSINESS ACTIVITY IN ASEAN? (2020 – 2022)




## DOES YOUR COMPANY HAVE A REGIONAL STRATEGY BASED ON THE AEC? (2020 – 2022)



## REASONS FOR NOT HAVING A STRATEGY BASED ON THE AEC




*Other common reasons include not understanding what the AEC Blueprint 2025 is.

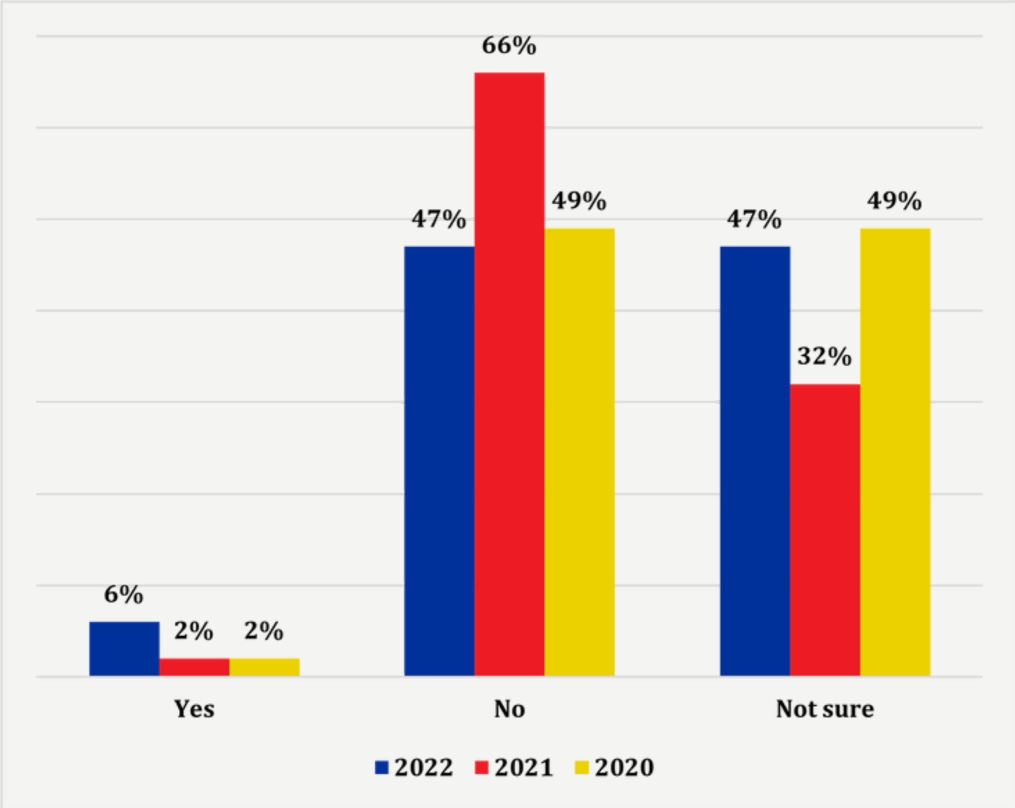
### AEC Objectives not being met; progress seen as too slow, but less feeling that than before.

In line with previous years, this year's Survey finds a continuing view that progress on the AEC is seen as being too slow. But there has been a tripling of the numbers who said that progress is fast enough, from 2% of respondents to 6%! The number who expressly said that progress is too slow has fallen significantly, however, (from 66% to 47%) though there is a corresponding increase in the not sures.

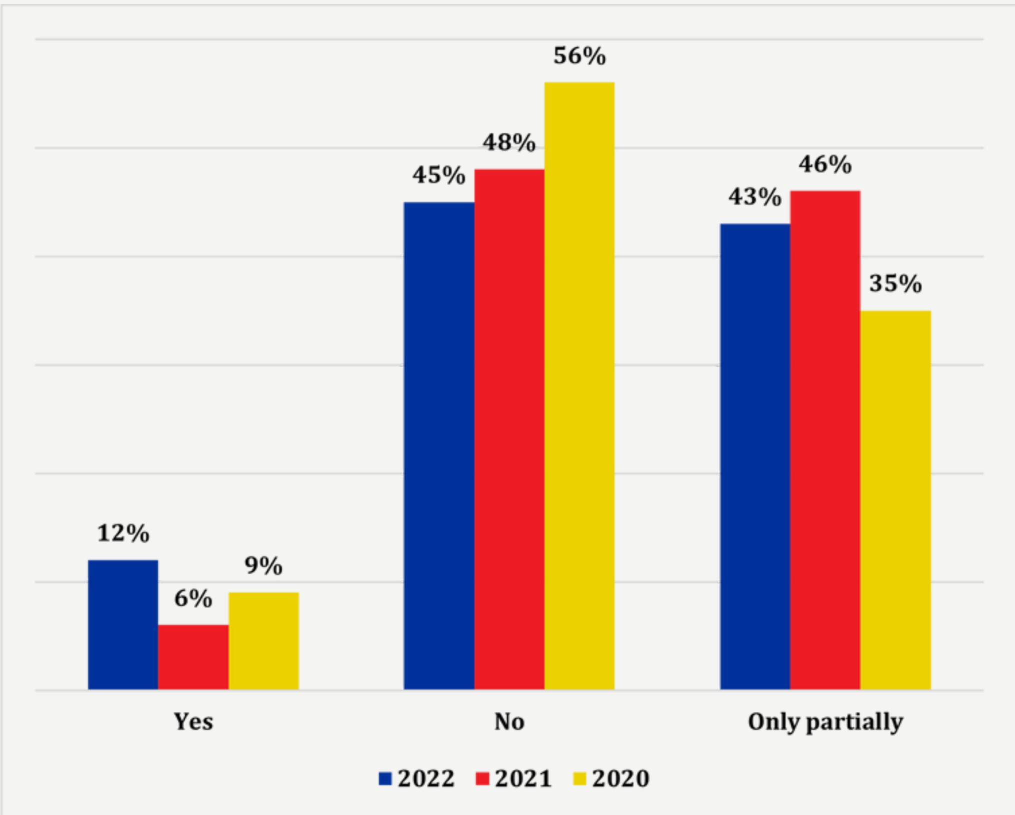
Only 12% of respondents said that the key objectives of the AEC of a "highly integrated and cohesive economy" and of a "single market and production base" had been achieved. This, however, was a doubling of the positive responses compared to 2021 and is also the highest that the percentage has been since we started doing the Survey: that is progress of sorts though there is still a long way to go.

When asked about the key areas where greater focus was needed to make advances on the AEC our respondents indicated that progress in harmonising standards and regulations, removal of non-tariff barriers to trade and simplification of customs procedures for intra-ASEAN movement of goods where the priorities. These are the same top three as in 2021, though with removal of NTBs and the Customs issues swapping places.

### IS ASEAN REGIONAL INTEGRATION UNDER THE AEC PROGRESSING FAST ENOUGH? (2020-2022)




### HAVE THE OBJECTIVES OF A HIGHLY INTEGRATED AND COHESIVE ECONOMY OF CREATING A SINGLE MARKET AND PRODUCTION BASE AS SET OUT IN THE AEC BEEN ACHIEVED? (2020-2022)



## AREAS WHERE ASEAN NEEDS TO MAKE MORE PROGRESS ON REGIONAL ECONOMIC INTEGRATION

| Order of Importance | Areas where ASEAN need to make progress |
|---|---|
| ***1 (Most Important)*** | ***Harmonisation of standards and regulations*** |
| 2 | Removal of Non-Tariff Barriers to trade |
| 3 | Simplification of Customs Procedures for intra-ASEAN movement of goods |
| 4 | Removal of Market Access restrictions |
| 5 | Removal of ownership and control restrictions |
| 6 | Improvements in the financial infrastructure (including development of capital markets, cross border payment systems etc) |
| 7 | Protection of Intellectual Property Rights and better enforcement policies |
| 8 | Increased support for MSMEs (micro, small and medium enterprises) |
| 9 (Least Important) | Other |

### Barriers to efficient use of supply chains remain but less positively identify them as an issue than before; Non-tariff barriers still seen as an obstacle.

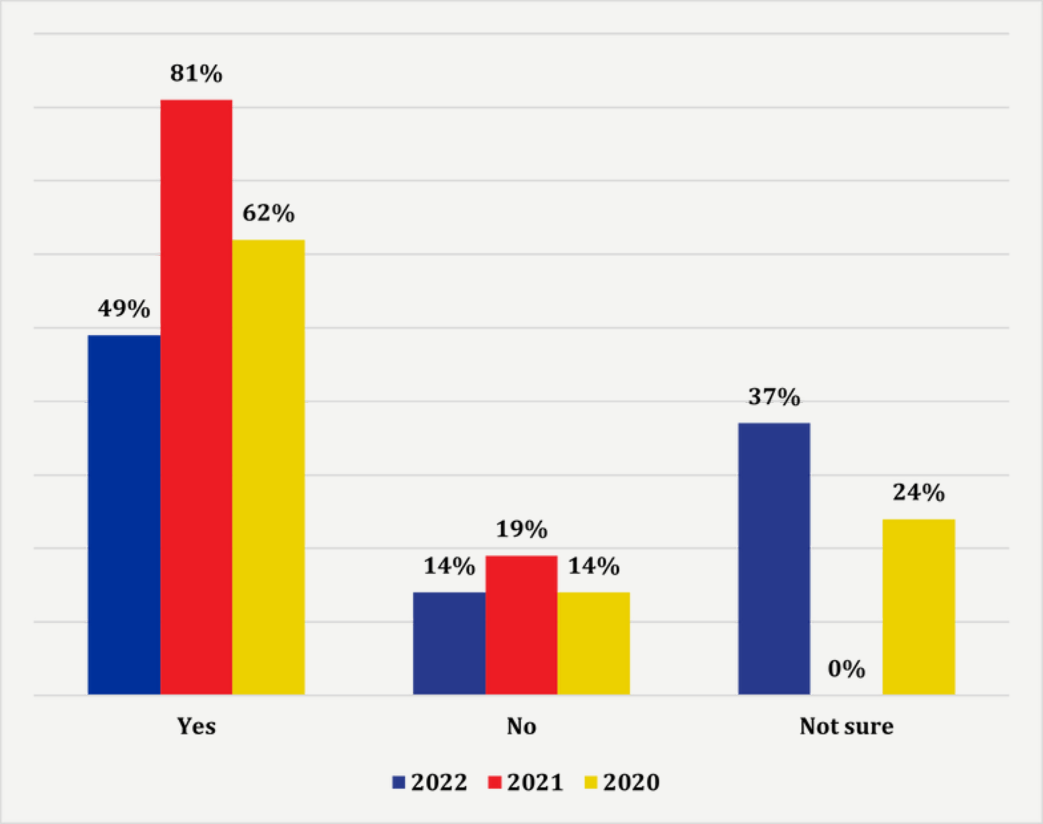
63% of our respondents said that they made use of regional supply chains in ASEAN, with half of them reporting that there were too many barriers to the efficient use of supply chains in the region. The number who felt that there were not too many barriers fell, and the number saying they were unsure shooting up from zero in 2021 to 37% this year.

Just over half said that they would increase the use of regional supply chains if these barriers were removed (a sharp drop from the 87% in 2021 and also significantly lower than in any previous year, perhaps pointing to firms finding work arounds for their supply chain operations). As with the earlier question there was a sharp increase in those answering, "Not sure".

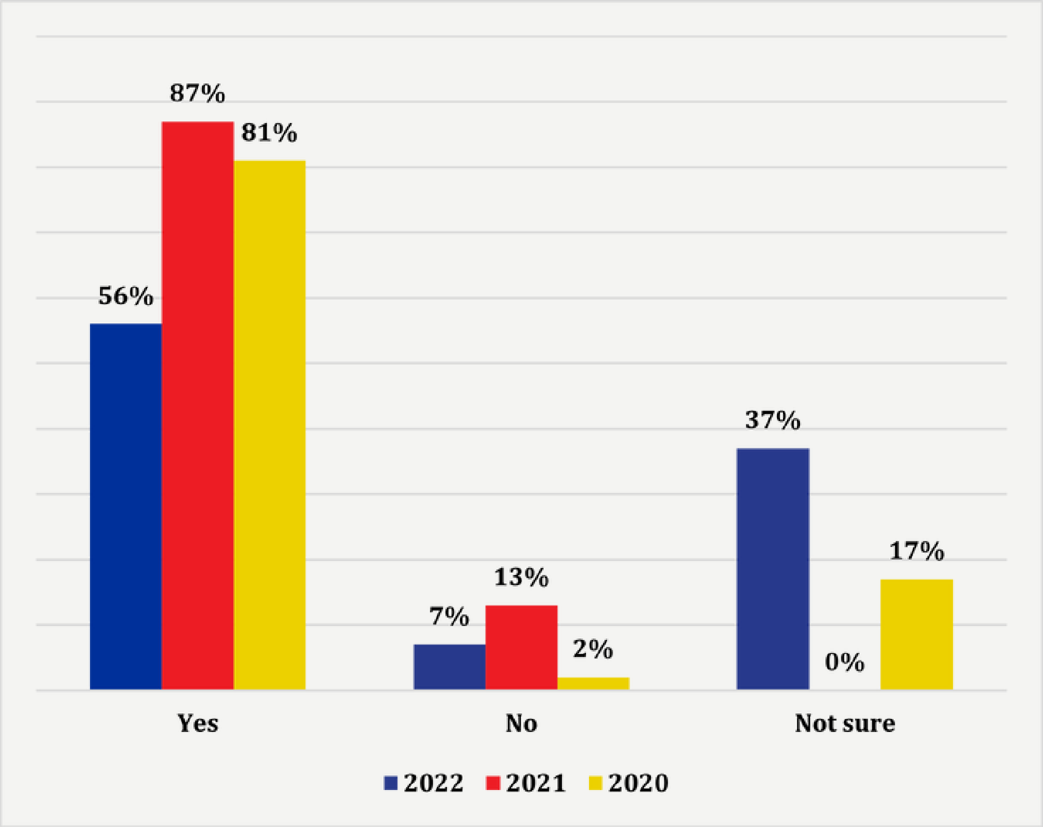
Eight out of ten of our respondents said that non-tariff barriers to trade in ASEAN where either increasing or remaining about the same: this despite the region claiming to be making progress on the issue. More positively for ASEAN, the number who said that they felt the number of NTBs was falling went up to 19% from an all-time low in 2021 of 3%.

Only 2% of respondents felt that Customs Procedures across the region were speedy and efficient the lowest result for this question that we have had. There was also a slight fall in the numbers reporting that procedures are acceptable but could be improved.

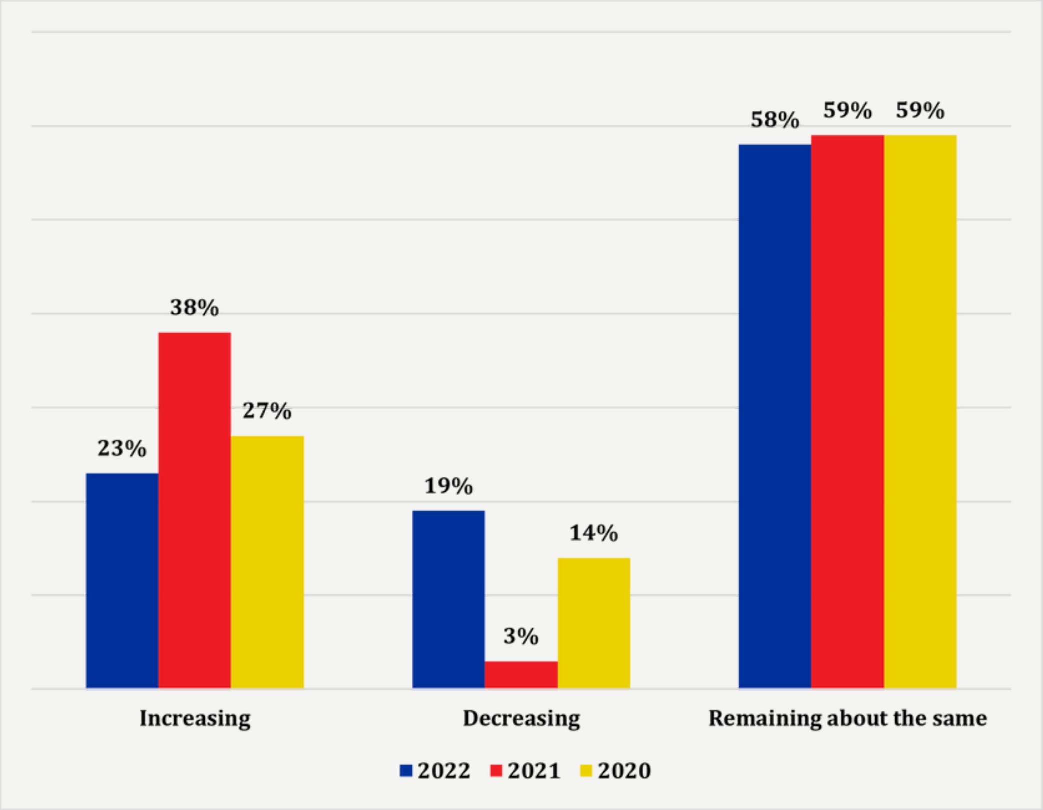
ARE THERE TOO MANY BARRIERS TO THE EFFICIENT USE OF SUPPLY CHAINS IN ASEAN?
(2020 - 2022)



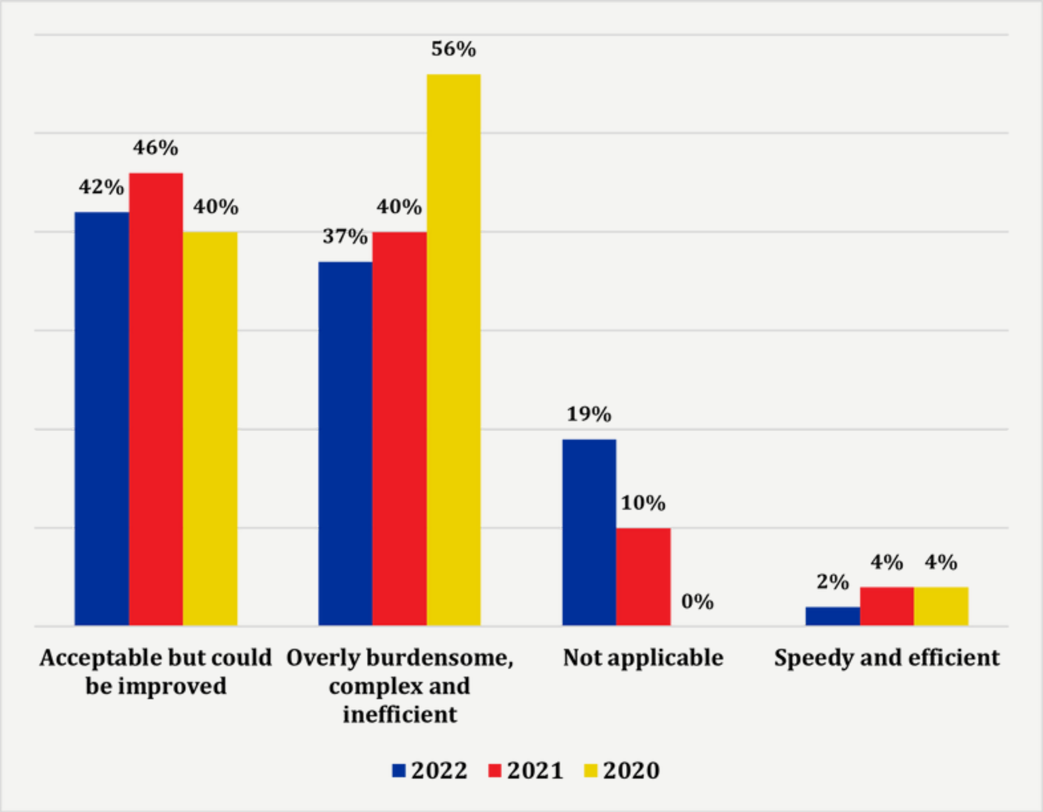

IF THESE BARRIERS WERE REMOVED, WOULD YOU INCREASE THE USE OF REGIONAL SUPPLY CHAINS?
(2020 - 2022)



## PERCEPTION OF NON-TARIFF BARRIERS TO TRADE IN ASEAN (2020 – 2022)



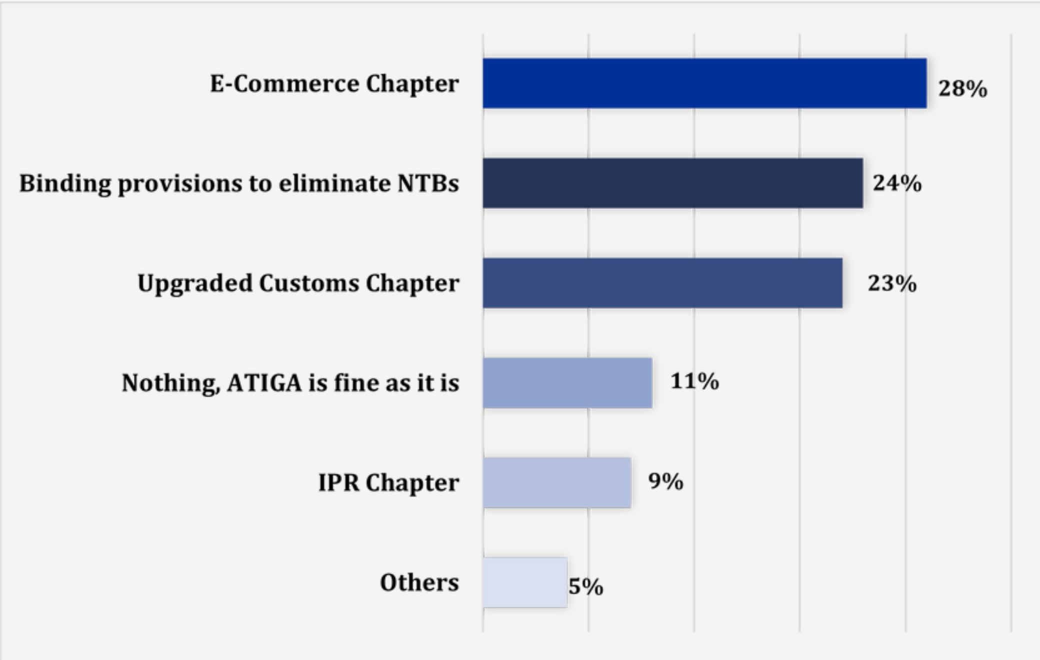

## PERCEPTION OF CUSTOMS PROCEDURES IN ASEAN (2020 – 2022)



## European businesses look forward to new and upgraded provisions in the ASEAN Trade in Goods Agreement

In March 2022, ASEAN Economic Ministers committed to begin the process to upgrade the ASEAN Trade in Goods Agreement (ATIGA), which has been the backbone of ASEAN economic integration since 2009. A review is needed due to the passage of time, amongst other reasons. In this year's Survey we asked our respondents which elements they thought would be the more important to include in any upgraded version of ATIGA. Inclusion of an E-Commerce chapter came out on top, closely followed by binding provisions on eliminating NTBs and an upgraded customs chapter.

### WHICH OF THE FOLLOWING SHOULD BE INCLUDED IN AN UPGRADED ATIGA?



# TRADE AGREEMENTS & EUROPEAN POLICY INITIATIVES

**European businesses still want to see an acceleration of trade deals with the ASEAN region; Sharp rise in those who think negotiations on a region-to-region FTA should commence now; Numbers who think a region-to-region deal would deliver added benefits over bilateral deals remains high.**

Yet again, nearly all of our respondents think that the European Union should be accelerating negotiations on trade deals with the countries of ASEAN, with 97% of them saying so. There was also a marked increase in the number of respondents who thought that a comprehensive region-to-region FTA between the EU and ASEAN should commence now - up to 73% from 49% in 2021, returning to levels seen in previous iterations of this Survey. There was a major drop in the number who believe that the EU should wait until it has completed more bilateral deals first – perhaps a reflection of the slow pace of movement on existing bilateral negotiations.

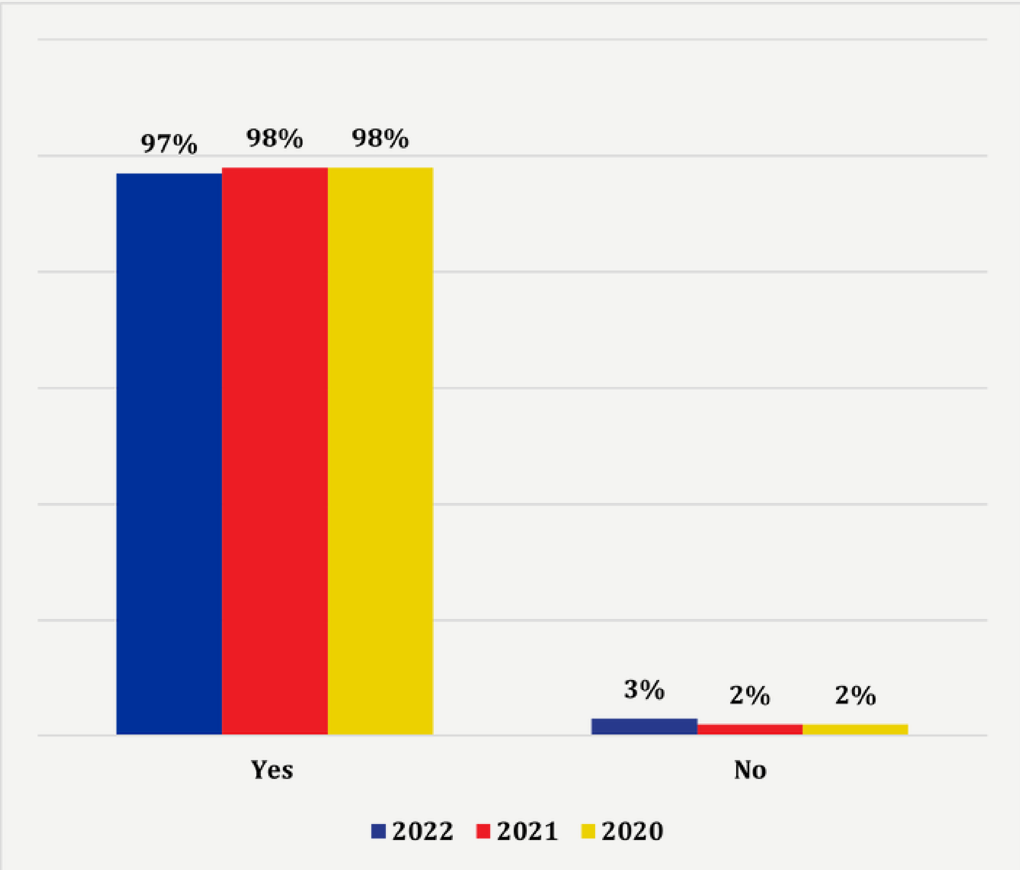
The number of respondents who think that a region-to-region deal would deliver more benefits than a series of bilateral deals has also increased.

There is also an increase in the feeling that European businesses are at a disadvantage compared to their peers in other regions because of a lack of a region-to-region deal: the number thinking so has rebounded back to previous levels at 64% compared to 54% in 2021. When looked at through business sectors, the number of manufacturing respondents who perceive a disadvantage has leapt to 81% this year from 36% in 2021. Service sector number remain roughly the same as in 2021.

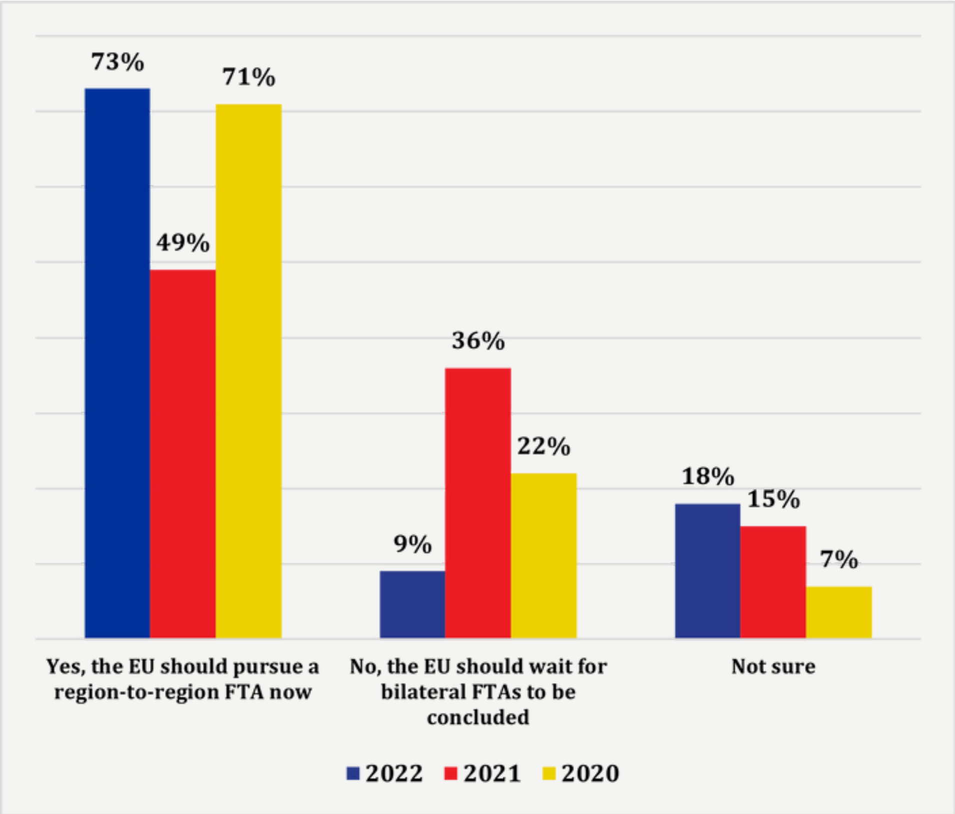
For the second year in a row, eight out of ten respondents felt that more trade deals would help their businesses.

When asked which country the EU should next begin FTA negotiations with, Thailand again topped the list.

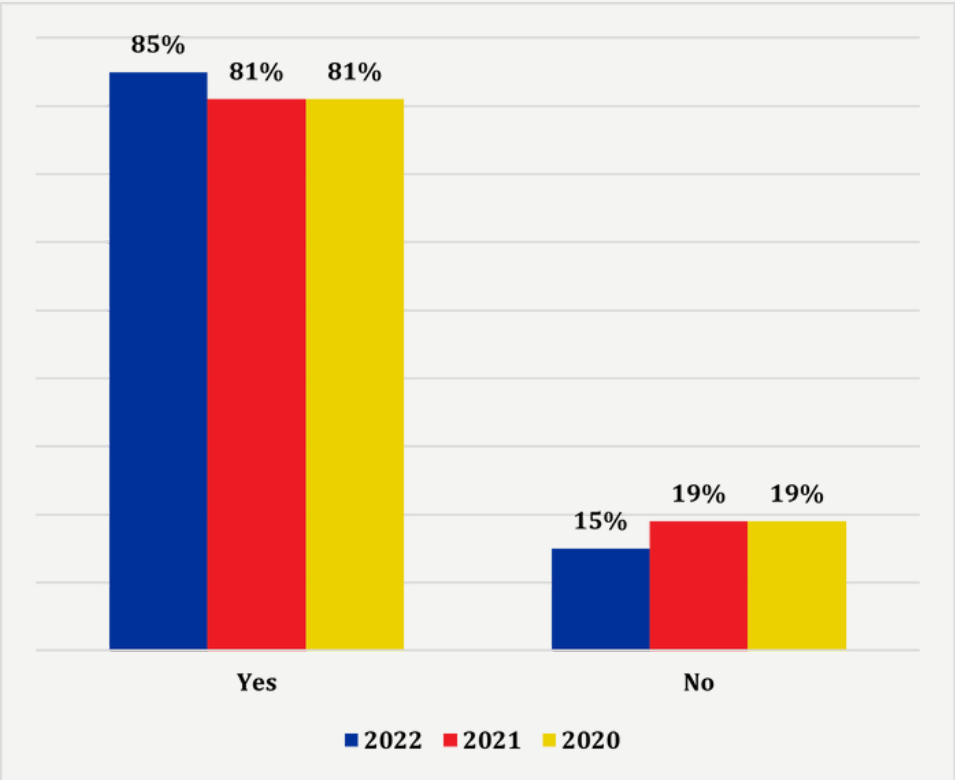
### SHOULD THE EU ACCELERATE TRADE DEALS WITH ASEAN? (2020 - 2022)



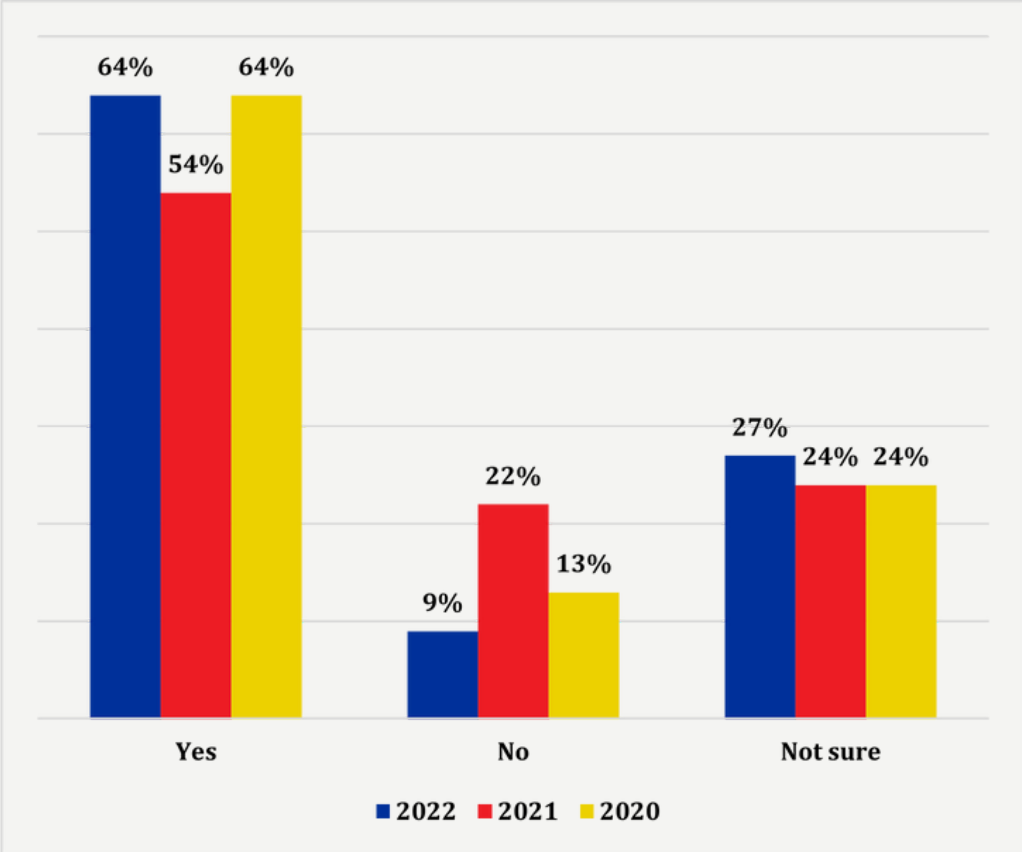
## SHOULD THE EU PURSUE A DEEP AND COMPREHENSIVE REGION-TO-REGION FTA WITH ASEAN NOW? (2020 - 2022)



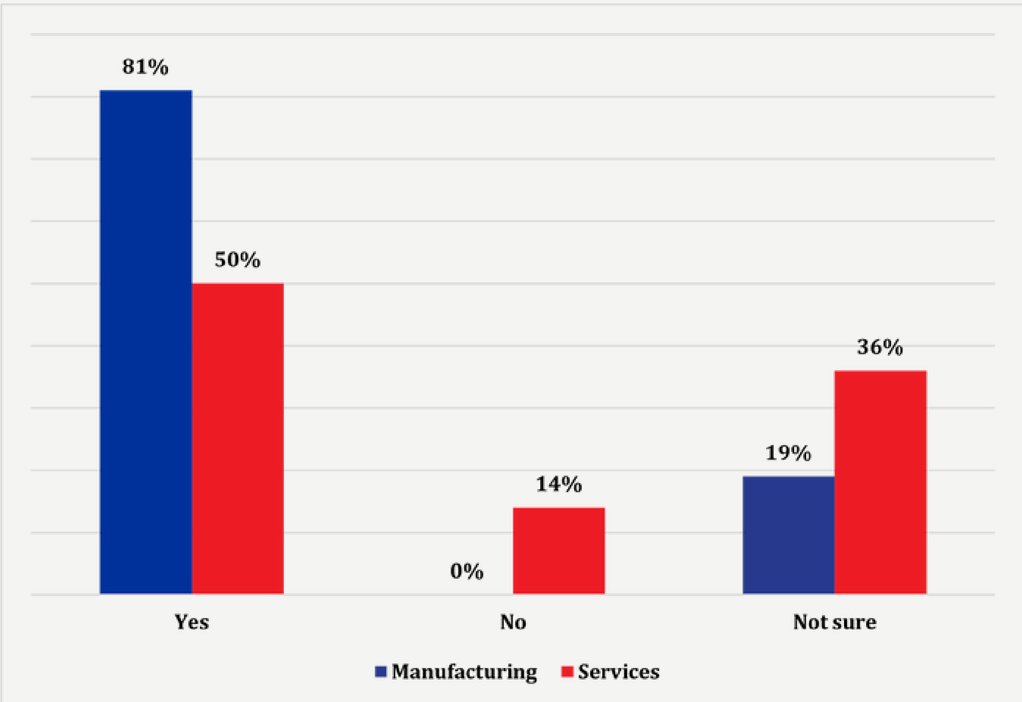

## WOULD AN EU-ASEAN REGION-TO-REGION TRADE DEAL DELIVER MORE ADVANTAGES THAN A SERIES OF BILATERAL DEALS? (2020 - 2022)



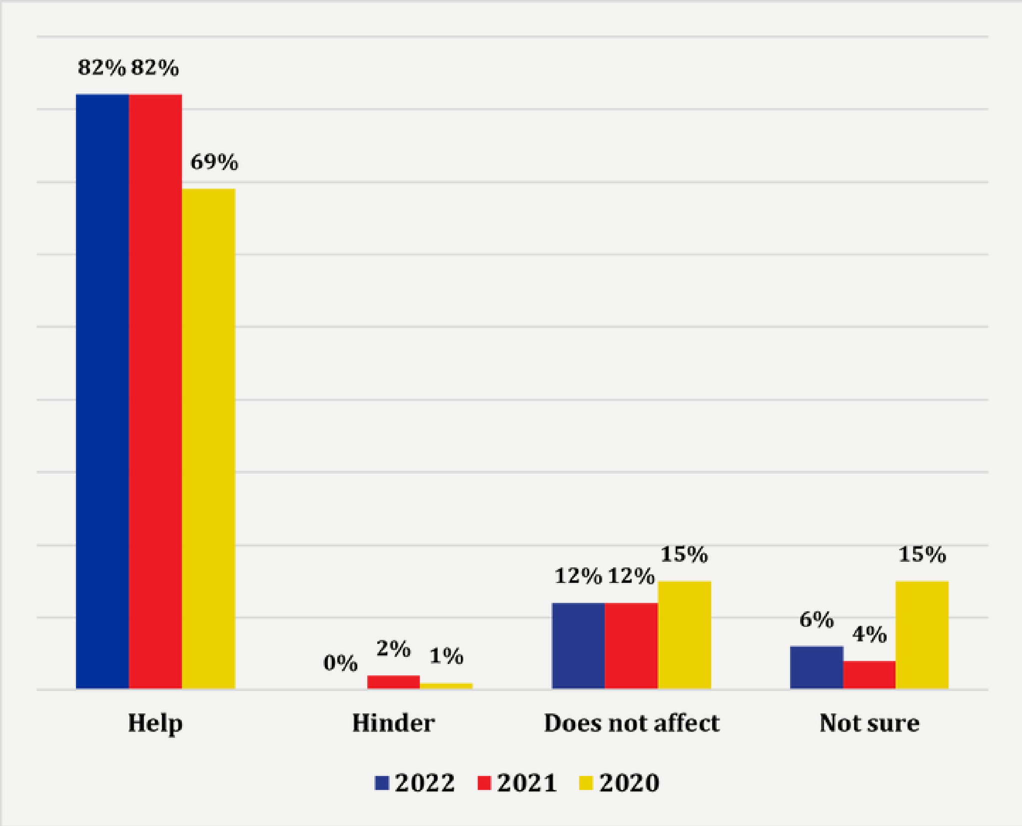
## DOES THE LACK OF AN EU-ASEAN REGION-TO-REGION DEAL PUT EUROPEAN BUSINESSES AT A COMPETITIVE DISADVANTAGE IN THE REGION? (2020 – 2022)




## PERCEPTION OF DISADVANTAGE BY INDUSTRY SECTOR



## POTENTIAL IMPACT OF MORE FTAS BETWEEN THE EU AND ASEAN ON BUSINESS PERFORMANCE (2020 – 2022)



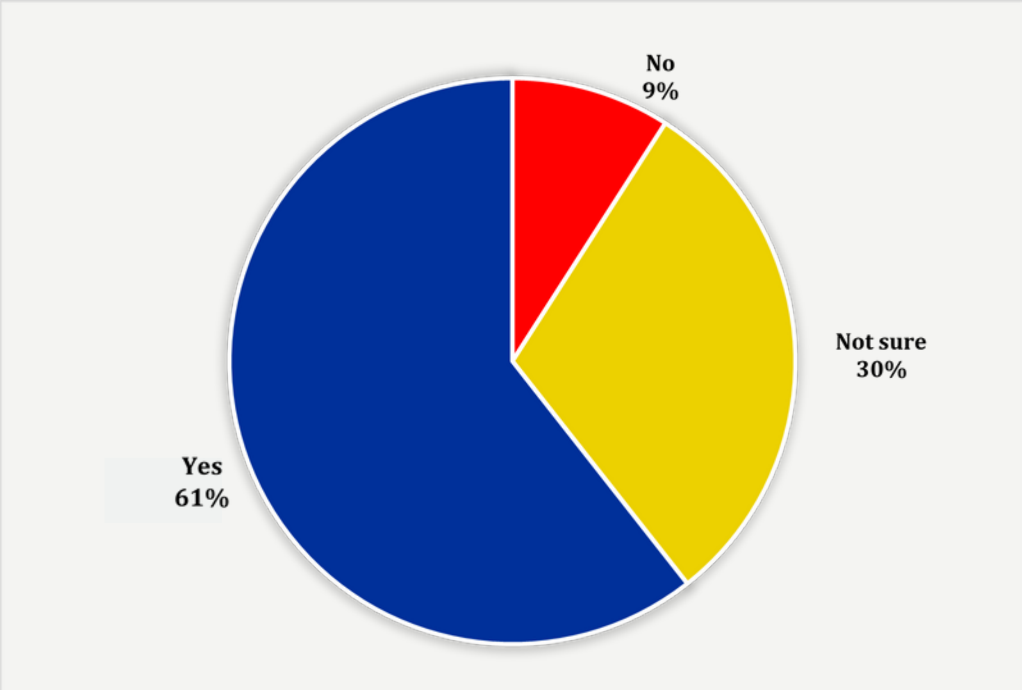

We asked our respondents again about their preferences for what should be prioritised in any potential negotiation for a region-to-region FTA between the EU and ASEAN. As in previous years, the first priority was for the removal of tariffs. The removal of NTBs for goods was again in second place and the removal of market access restrictions third (the same as for 2021). In the lower half of the preferences there were some interesting changes in priorities: Labour rights moved up significantly to eighth place from tenth, whilst government procurement fell down the order of priorities (to 13th from 11th). Protection against discriminatory tax regimes also moved up (from 14th to 11th).

We also asked respondents about their feelings towards to a region-to-region investment protection agreement given that a region-to-region FTA was likely to be too difficult to negotiate at this stage. 61% of respondents said that the European Commission should look to move ahead with an IPA first, with only 9% saying otherwise.

## IMPORTANCE OF VARIOUS ASPECTS OF A POTENTIAL REGION-TO-REGION FTA

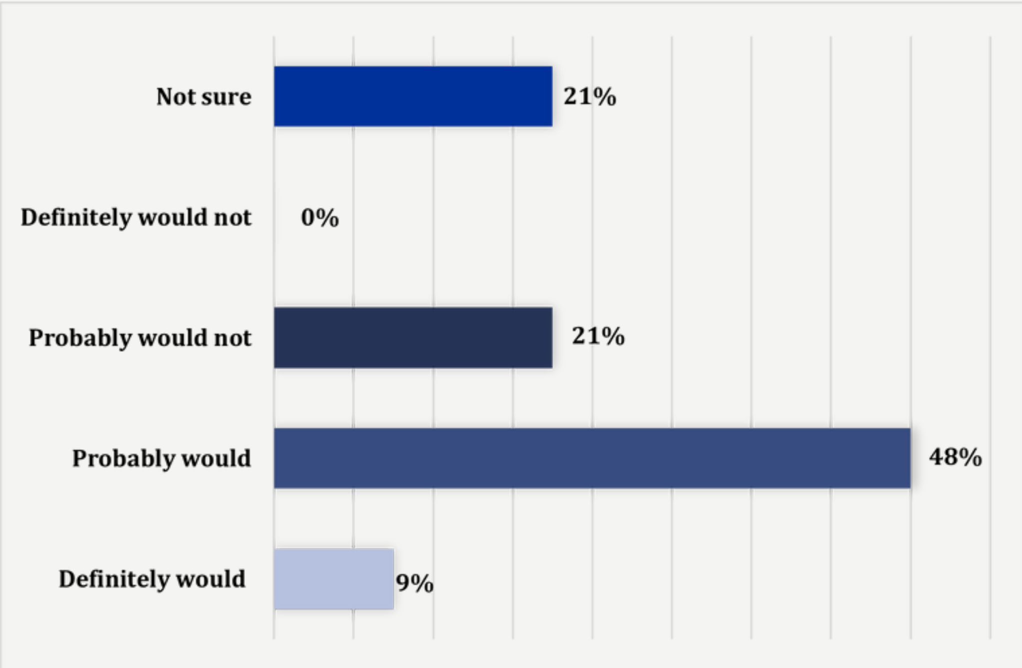
| Order of Importance | Elements that are important for a region-to-region FTA/bilateral FTA |
|---|---|
| ***1 (Most Important)*** | ***Removal of Tariffs*** |
| 2 | Removal of non-tariff barriers for goods between the EU and ASEAN (or the bilateral partner) |
| 3 | Removal of market access restrictions (e.g. restrictions on distribution networks) |
| 4 | Removal of non-tariff barriers for services between the EU and ASEAN (or the bilateral partner) |
| 5 | Mutual recognition of standards or harmonisation of standards |
| 6 | Removal of ownership and control restrictions (i.e. being allowed to own up to 100% of business) |
| 7 | Enforceable investment protection rules |
| 8 | Labour rights |
| 9 | Intellectual Property protection and enforcement |
| 10 | Competition law |
| 11 | Protection against discriminatory tax regimes |
| 12 | Environmental protection |
| 13 | Open government procurement processes |
| 14 (Least Important) | Closer alignment on customs procedures (including implementation of WTO Trade Facilitation Agreement) |

## GIVEN THAT REGION-TO-REGION FTA IS LIKELY TO BE TOO DIFFICULT TO NEGOTIATE NOW, SHOULD THE EU PURSUE AN INVESTMENT PROTECTION AGREEMENT WITH ASEAN FIRST?




Now that Regional Comprehensive Economic Partnership (RCEP) between ASEAN and most of its +1 FTA partners is in force in most of the ASEAN countries, we asked about the likelihood of European businesses using RCEP for the movement of their goods and services. More than half of our respondents expressed a likelihood that they would utilise RCEP, with none saying they definitely would not use it.

## POTENTIAL USE OF THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)



## Mixed views from European Industry on a range of EU policy initiatives and their potential impact on EU-ASEAN relations.

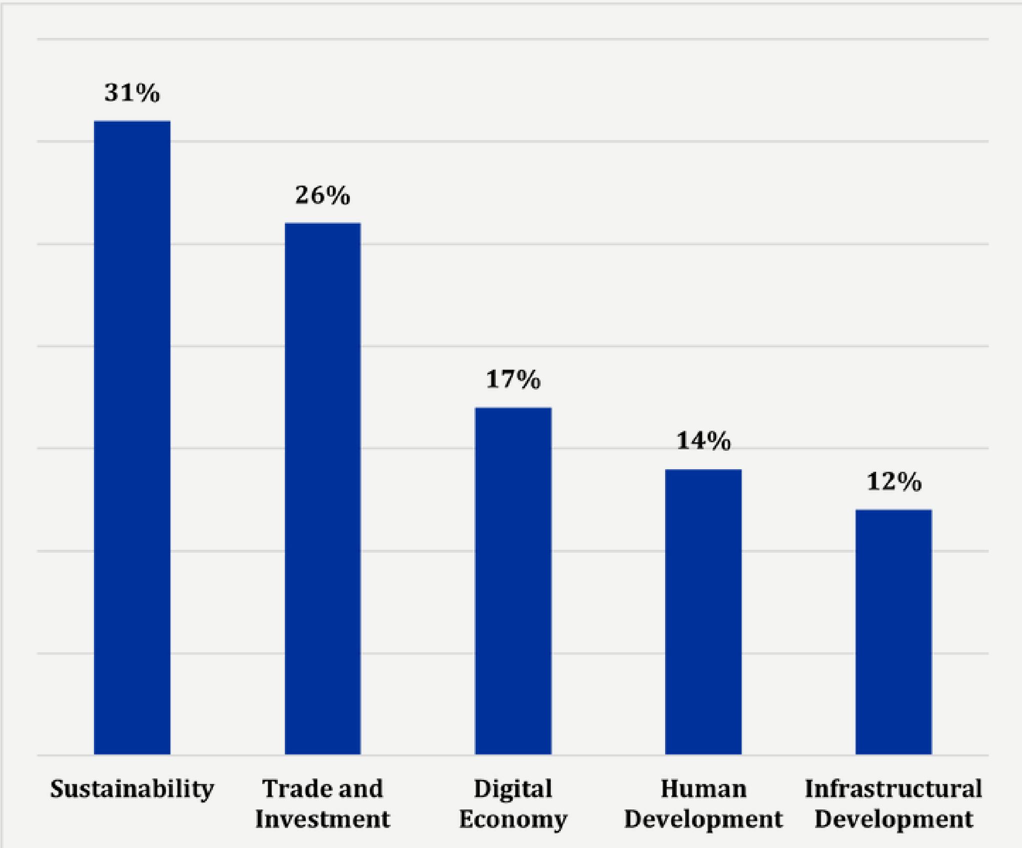
This year we sought the views of our respondents on a number of key policy areas that the EU is developing and how they thought this might influence or impact on EU-ASEAN relations.

When we asked in which areas the EU might have most influence with ASEAN, around a third of our respondents said sustainability issues making it the top area again in 2022 (in 2021 it ranked top, but with only 26% of respondents thinking so). Trade and Investment remains in second place with a slight uptick from 2021 (26% vs 23%). Infrastructural development falls to last spot from third 2021.

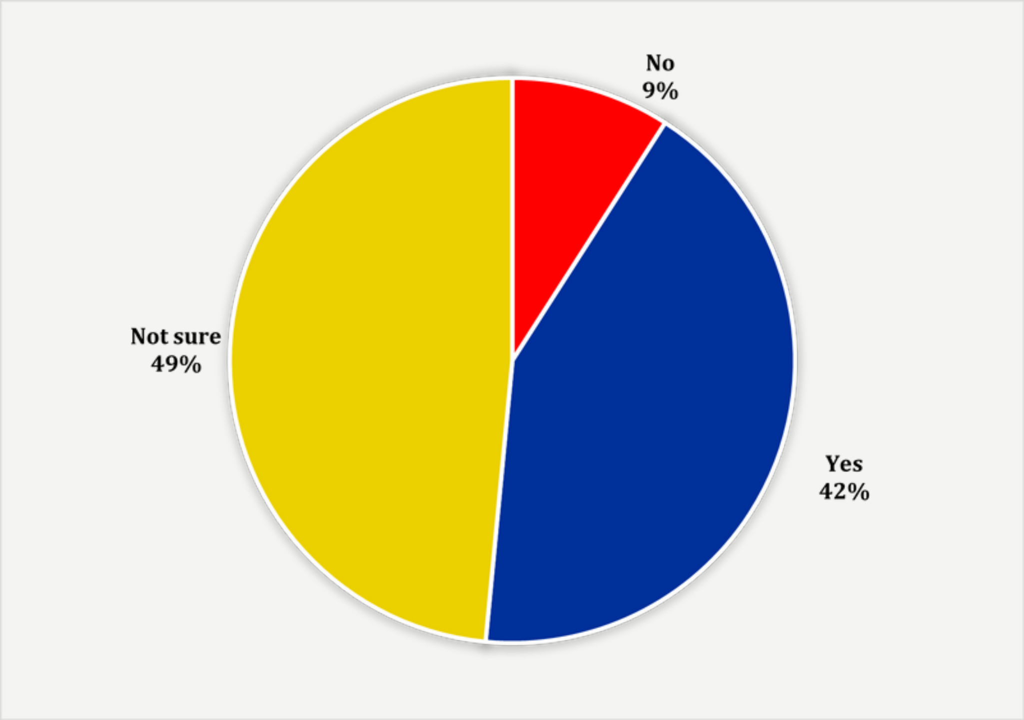
When we asked respondents for their view on whether the EU's Global Gateway initiative would help to enhance the bloc's standing with ASEAN when it came to infrastructure issues there were clear doubts with a majority either saying they were "Unsure" or "No".

In 2020 the EU-ASEAN relationship was raised from dialogue partner to one of a "strategic partnership". In this, the 45th year of EU-ASEAN relations, we asked whether our respondents felt that the elevation in status would mark an improvement in the overall relationship, or not. 60% of respondents felt that it would either significantly deepen relations or lead to a mild improvement. We wait to see if the outcome of the EU-ASEAN Summit in December 2022 validates this optimism.

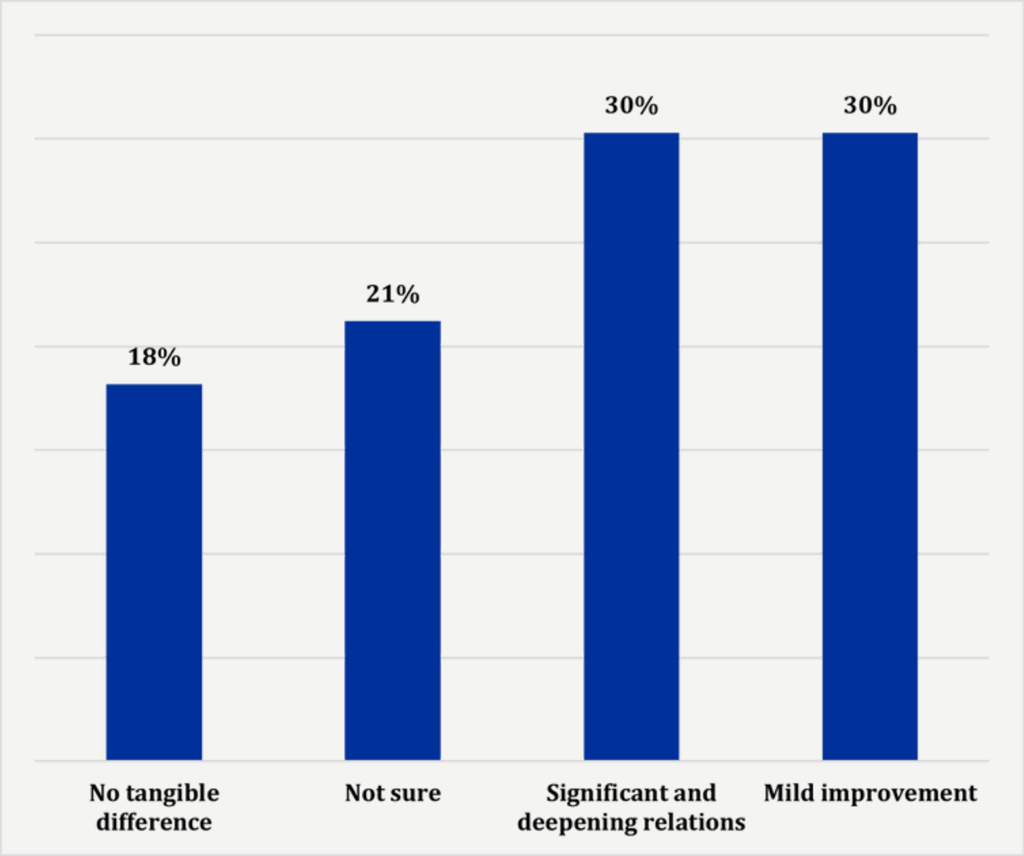
### AREAS WHERE THE EU CAN HAVE THE MOST INFLUENCE ON ASEAN



## WILL THE EU'S GLOBAL GATEWAY INITIATIVE ENHANCE ITS STANDING WITH ASEAN ON INFRASTRUCTURE ISSUES?




## IMPACT OF ELEVATION OF EU-ASEAN RELATIONSHIP TO A STRATEGIC PARTNERSHIP

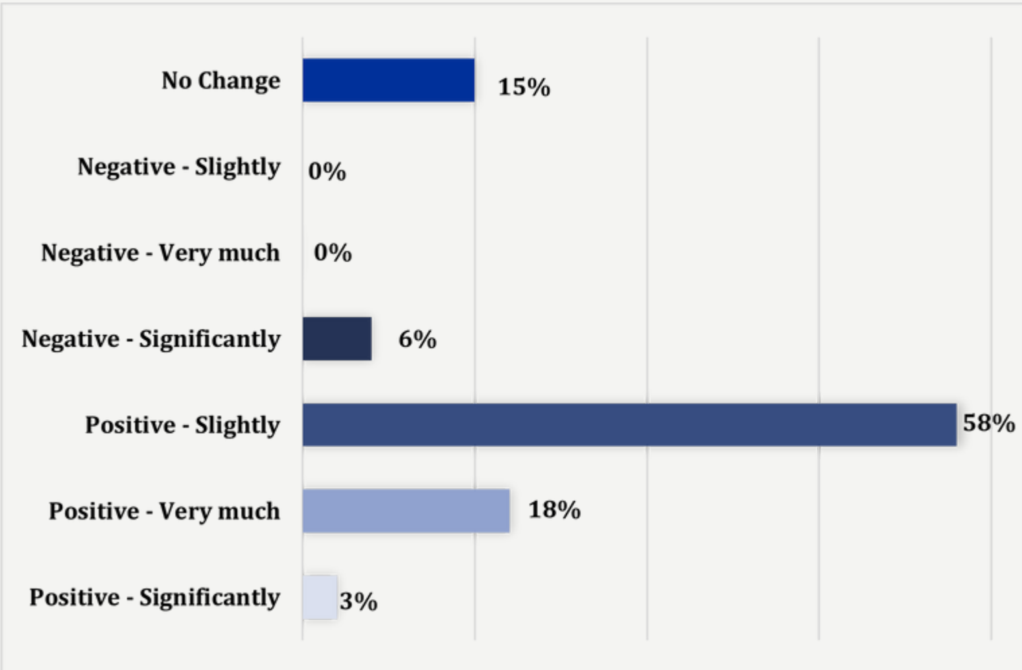


**EU Green Deal and its impact on relations with ASEAN raises concerns with European Business, but overall the view is that the Green Deal will be positive for ASEAN and the broader relationship.**

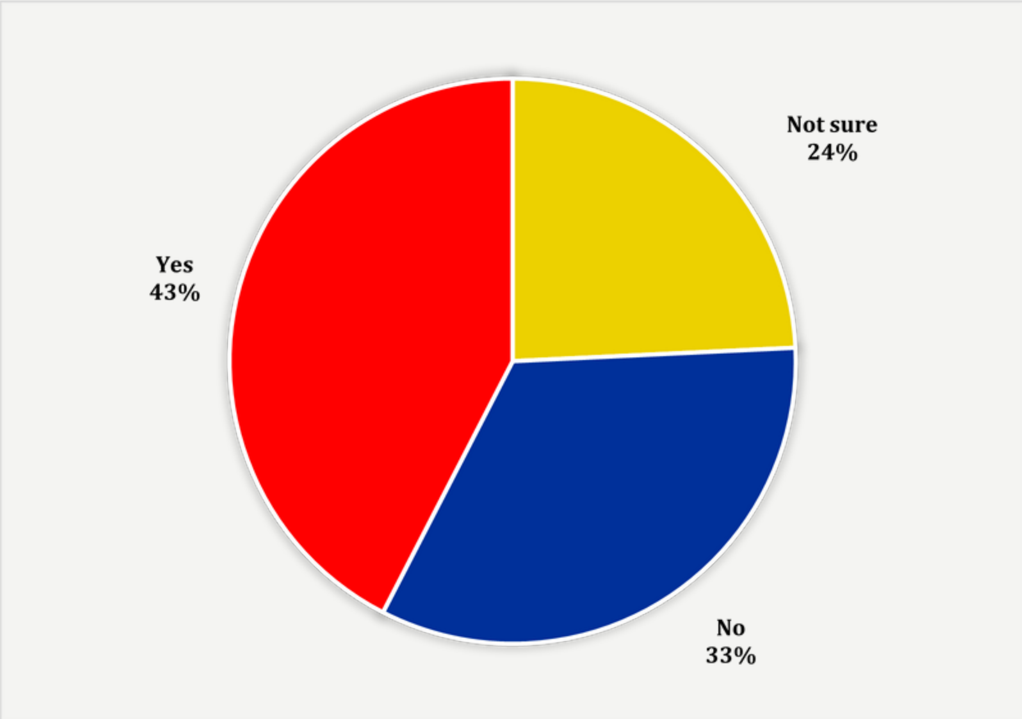
The EU has launched its Green Team Europe Initiative for ASEAN, through which it is hoping to step up engagement and support for Southeast Asia on a range of climate change and environmental issues. Given the adverse impact on European businesses that some previous policies from Europe have had within ASEAN, we wanted to get the views from our respondents on how they perceived the Green Deal and various policies.

When we asked whether the Green Team Europe Initiative would have a positive or negative impact on ASEAN, the vast majority (79%) gave a positive response. However, only a third of respondents felt that the EU's Deforestation Directive plans would not be negative for EU-ASEAN relations, and a similar number also felt that plans for an EU Carbon Border Adjustment Mechanism (CBAM) would not be detrimental to EU-ASEAN relations or their business operations in ASEAN. Nearly half of respondents though said that they felt that over all the EU's policies on sustainability issues would have a positive impact on ASEAN.

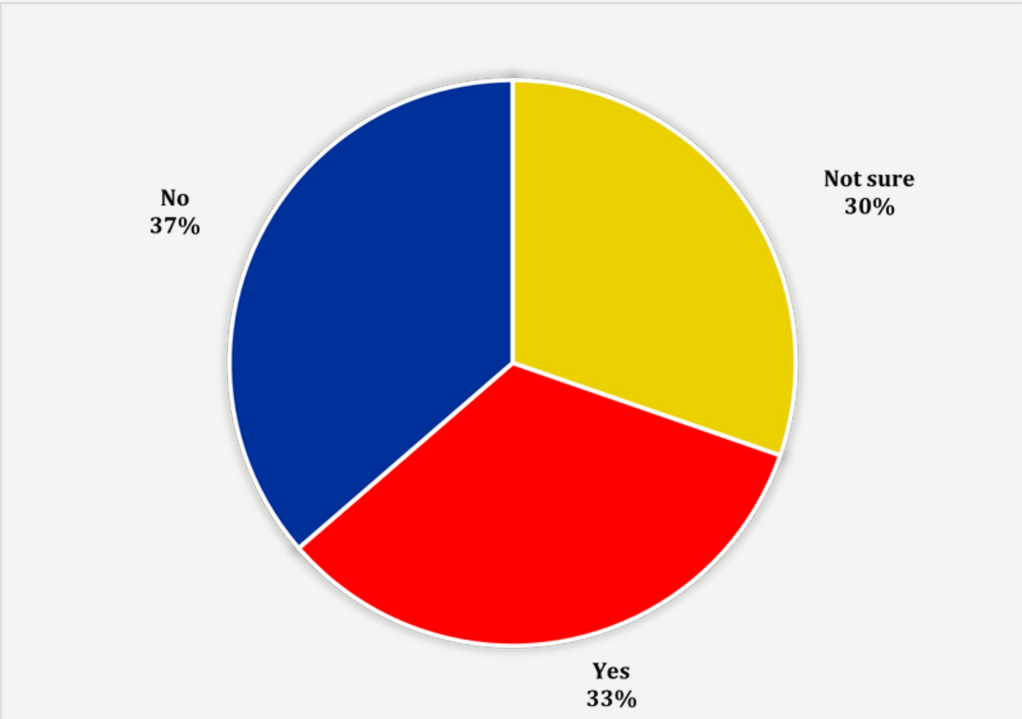
## IMPACT OF GREEN TEAM EUROPE INITIATIVE ON ASEAN'S APPROACH TO SUSTAINABILITY AND CLIMATE ACTION



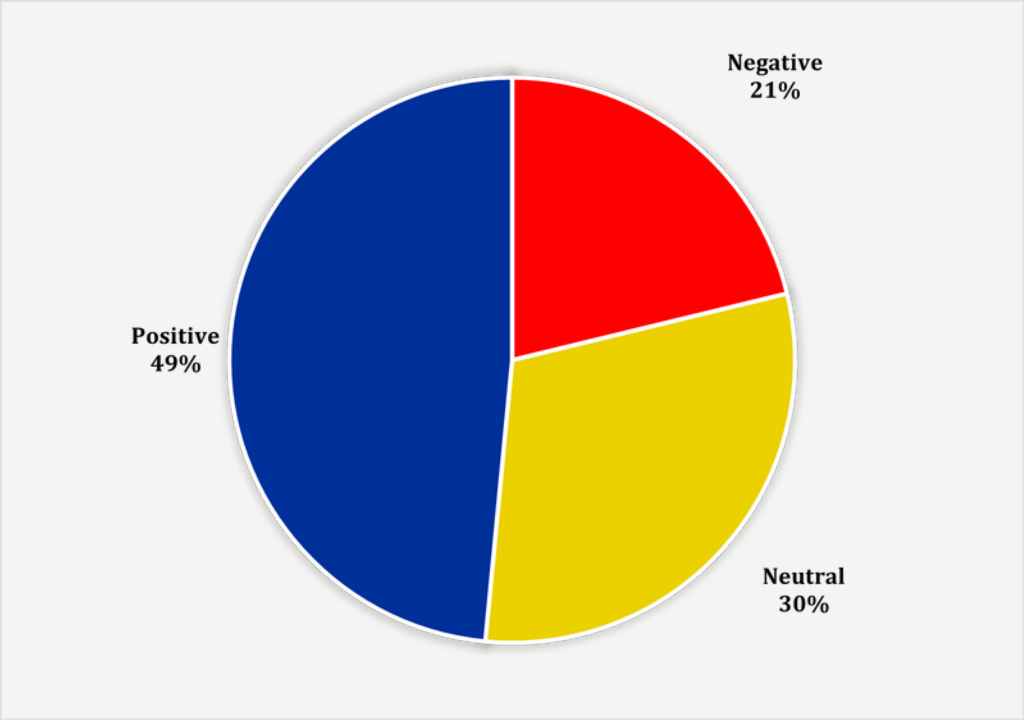
### WILL THE EU DEFORESTATION DIRECTIVE PLAN HAVE A NEGATIVE IMPACT ON EU-ASEAN RELATIONS?




### WILL CBAM HAVE DETRIMENTAL IMPACT ON EU-ASEAN RELATIONS?



### WHAT KIND OF IMPACT WILL THE EU'S POLICIES ON SUSTAINABILITY ISSUES HAVE ON ASEAN?



# SUSTAINABILITY & HUMAN DEVELOPMENT IN ASEAN

**Across much of the region respondents see a clear need to do more on climate action and green issues: ASEAN scores very low on its climate action initiatives. Major concerns over skills development and human capital in ASEAN.**

Given the rise in importance in recent years of sustainability issues across the world (and we at the Council look at Sustainability in its broadest sense, not just climate action and the environment), we decided this year to seek the view of respondents on a range of sustainability linked issues. ASEAN itself is beginning to pay more and more attention to sustainability and human capital development, with a wide range of initiatives coming out and sustainability playing a significant role in the ASEAN Comprehensive Recovery Framework.

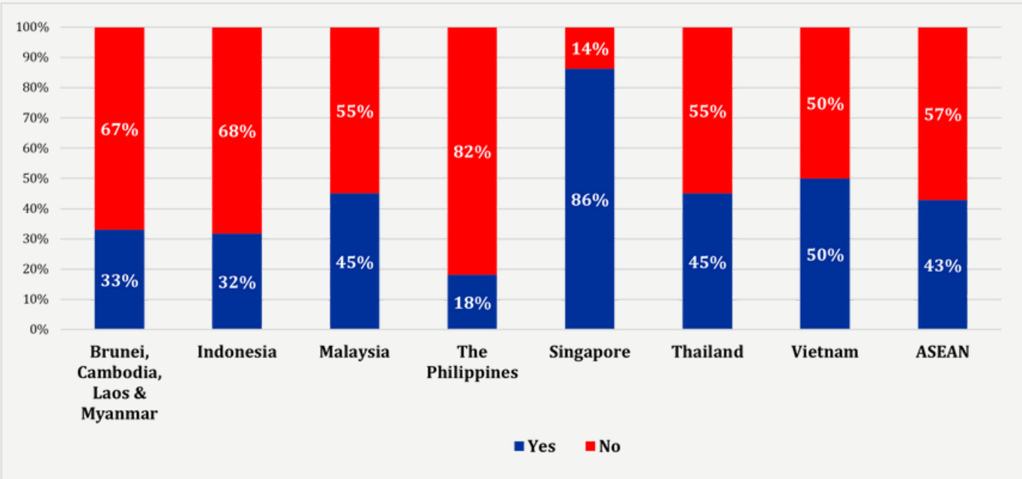
We first asked how serious respondents felt each ASEAN Member State was about meeting their sustainability goals, as seen through their policies and actions. Overall, for the region, the response is not encouraging and would point to ASEAN needing to do more: 57% of respondents felt that the region was not serious enough about meeting their stated goals in this area.

Some individual countries did better, with Singapore leading the list with an 86% approval rating. There appears to be significant concern about the Philippines' sustainability goals from our respondents[1].

When it came to the level of ambition in setting sustainability goals, again almost six out of ten respondents felt that ASEAN's goals were not ambitious enough. Only Singapore scored a positive outcome on this question.

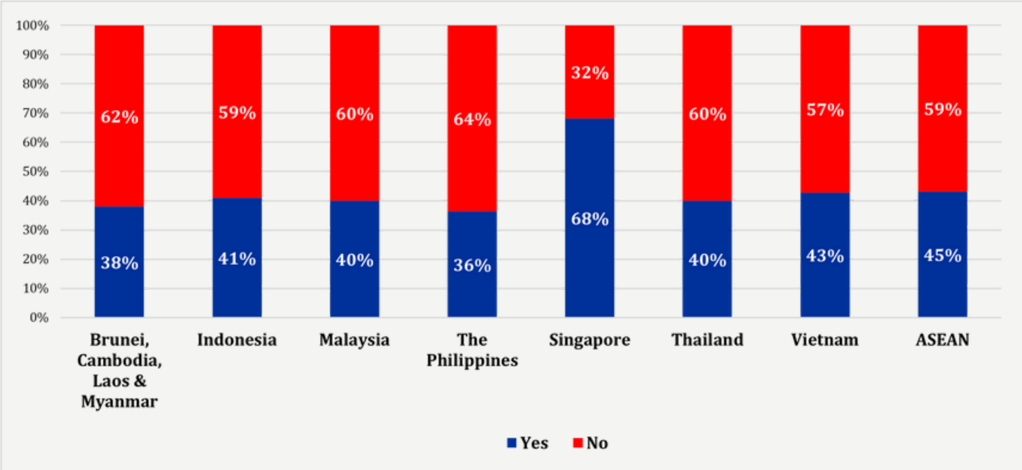
Only one-fifth of respondents felt that ESG principles were sufficiently well incorporated into ASEAN's sustainability initiatives. Worse still, when asked to assess how well the region is doing on climate action issues (ranking the region from 1 -not well – to 10 – very well), ASEAN's score was a mere 4.2, suggesting that European businesses feel the region needs to be doing much more.

## ARE ASEAN AND ITS MEMBER STATES SERIOUS ABOUT MEETING SUSTAINABILITY GOALS?

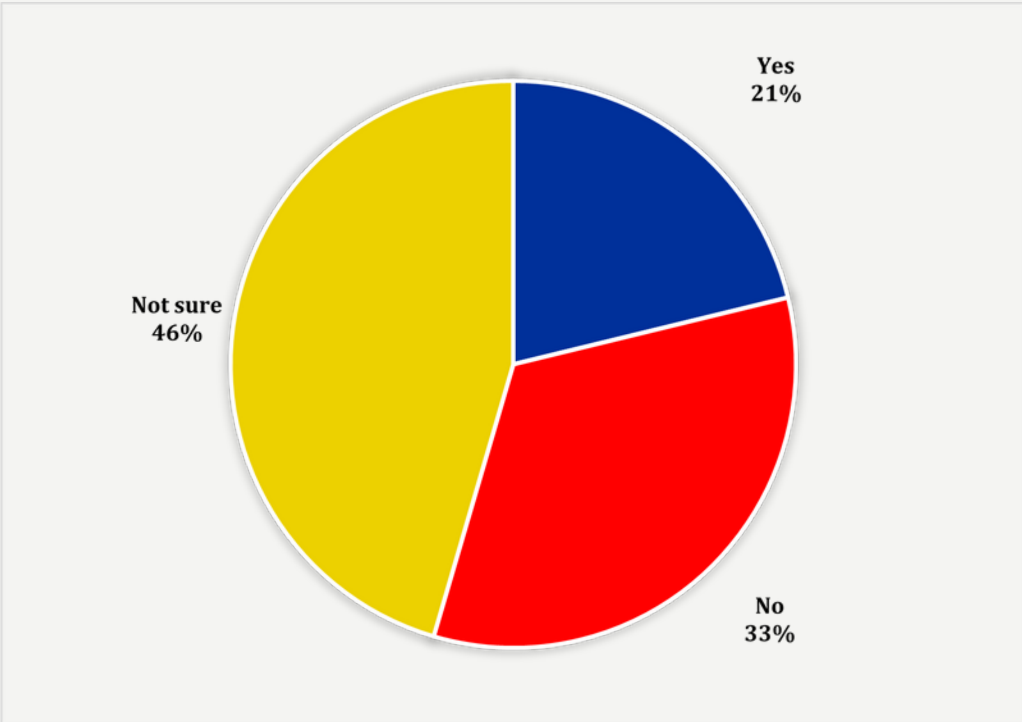



[1] Due to statistically low individual responses for each of Brunei, Cambodia, Laos and Myanmar we have combined the results for these four countries.

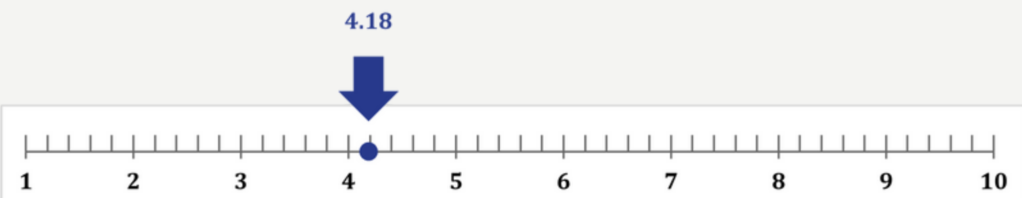
## ARE THE SUSTAINABILITY GOALS IN ASEAN AMBITIOUS ENOUGH?




## ARE ESG PRINCIPLES SUFFICIENTLY INCORPORATED INTO ASEAN'S SUSTAINABILITY INITIATIVES?




## ON A SCALE OF ONE TO TEN HOW WELL IS ASEAN TACKLING CLIMATE CHANGE? (SCALE OF 1 TO 10 WHERE 10 IS "VERY WELL")



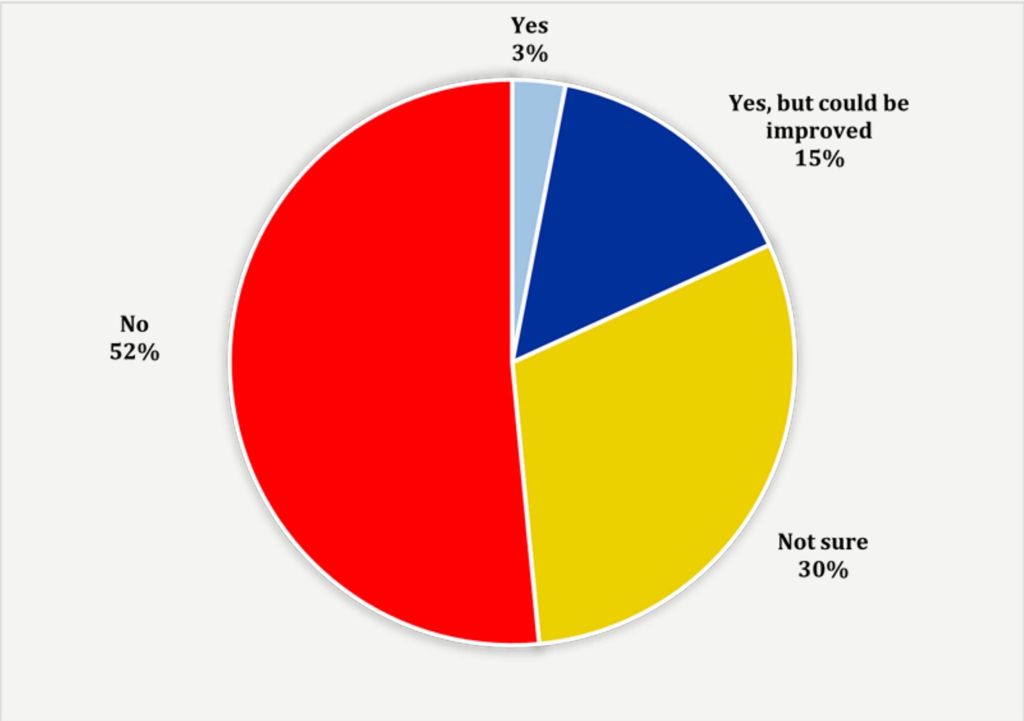
## Significant concerns from European business on whether ASEAN is doing enough to green supply chains and drive a circular economy forward. But ASEAN Taxonomy for sustainable finance is welcomed.

The need to green supply chains is becoming more and more important. Corporates everywhere are coming under increasing pressure from regulators, consumers, shareholders and investors to ensure that every part of their business is as "green" as possible. ASEAN has ambitions to attract a greater share of global supply chains, but is it doing enough to green supply chains in the region? This is a question we asked our respondents. Only 3% said yes!

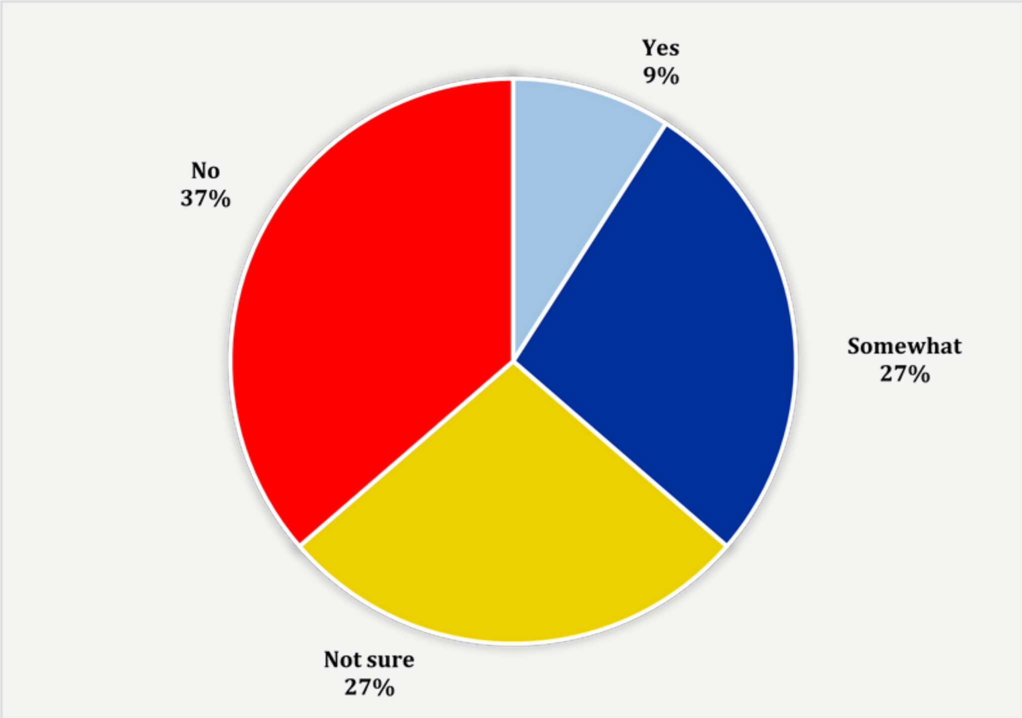
And when we asked if our respondents had faith in ASEAN's ability to deliver on Circular Economy concepts again the result was disappointing for the region. Only 9% said yes! It will be interesting to see if this sentiment changes next year once the implementation plan for the ASEAN Circular Economy Framework is published.

In better news for the region, its ASEAN Taxonomy on Sustainable Finance has been well received by European businesses, with 54% saying it would be helpful or somewhat helpful in driving finance for sustainability initiatives in Southeast Asia.

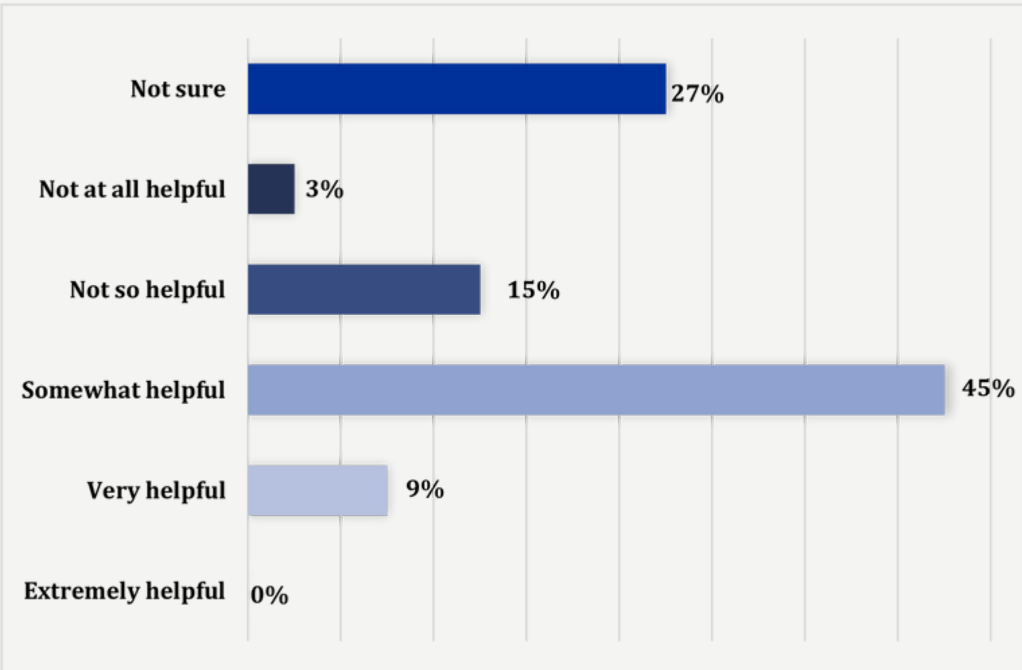
### IS ASEAN DOING ENOUGH TO GREEN SUPPLY CHAINS?



## DO YOU HAVE FAITH IN ASEAN'S ABILITY TO DELIVER ON CIRCULAR ECONOMY CONCEPTS?




## WILL THE ASEAN TAXONOMY ON SUSTAINABLE FINANCE BE HELPFUL IN DRIVING FINANCE TO SUSTAINABILITY INITIATIVES IN THE REGION?



**Major concerns about ASEAN's ability to develop skills for the future; Digital literacy cited as biggest concern. Low satisfaction ratings for progress on gender equality in ASEAN. Significant support for a region-wide internal development and staff mobility programme.**

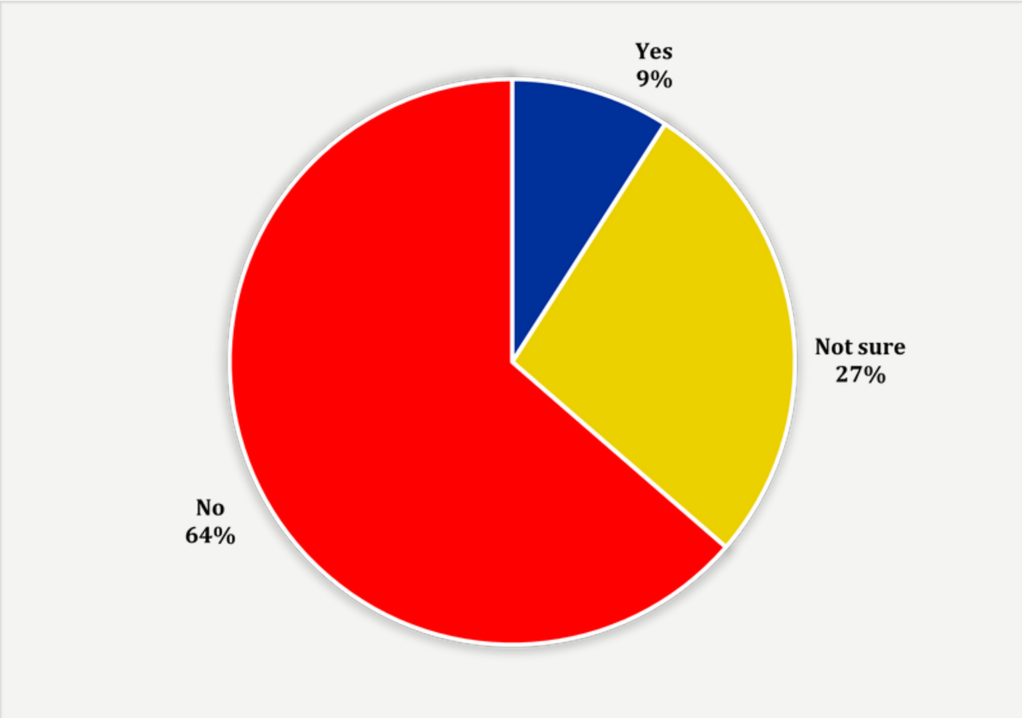
There has been a lot of talk in recent years in ASEAN about the need to develop human capital and skills for the future, ensuring upskilling and reskilling of the current and future workforce for emerging technologies and future industry needs. We took the opportunity of the Survey to look several human capital issues across the region, including whether our respondents thought that ASEAN was doing enough to ensure the development of in-demand skills for the future. Only 9% thought the region was doing enough.

When asked where the skills gaps were, Digital Literacy, Coding & Programming and Data Engineering were the top three areas.

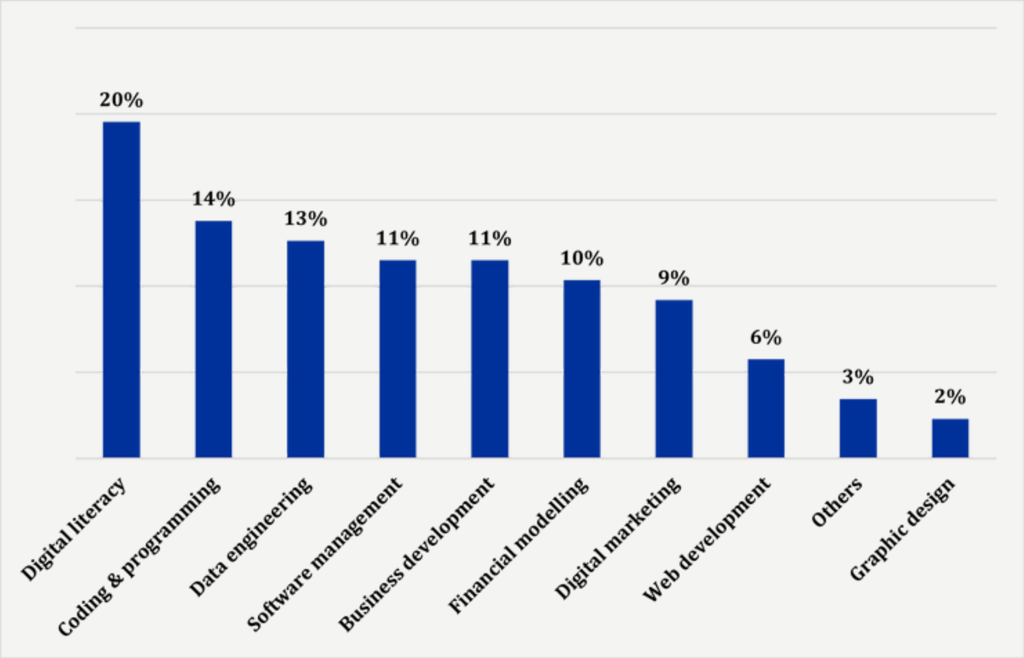
On the issue of gender equality in the region it would seem that a slight majority of respondents believe things are okay, though only a quarter of respondents were either satisfied or very satisfied with the region's progress on the issue. A slight majority also felt that ongoing work by ASEAN on this matter would help their company.

Around half of respondents reported issues with moving staff around ASEAN, with difficulties with work passes/visas being the most cited concern. Eight out of ten respondents felt that there should be an ASEAN -wide progamme for staff mobility for internal development purposes.

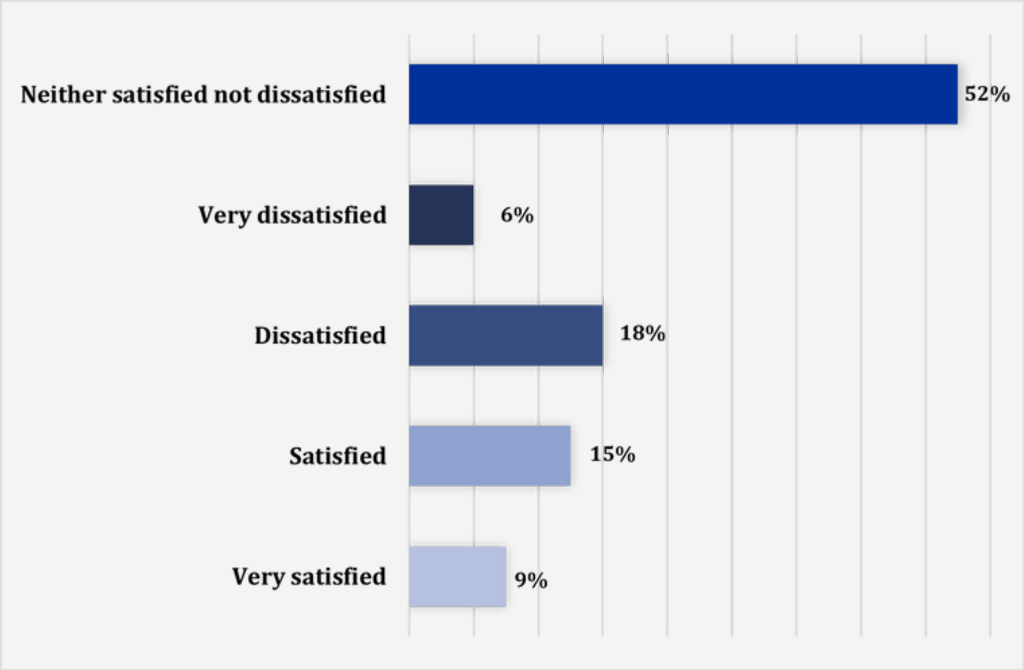
## IS ASEAN DOING ENOUGH TO ENSURE DEVELOPMENT OF IN-DEMAND SKILLS FOR THE FUTURE?



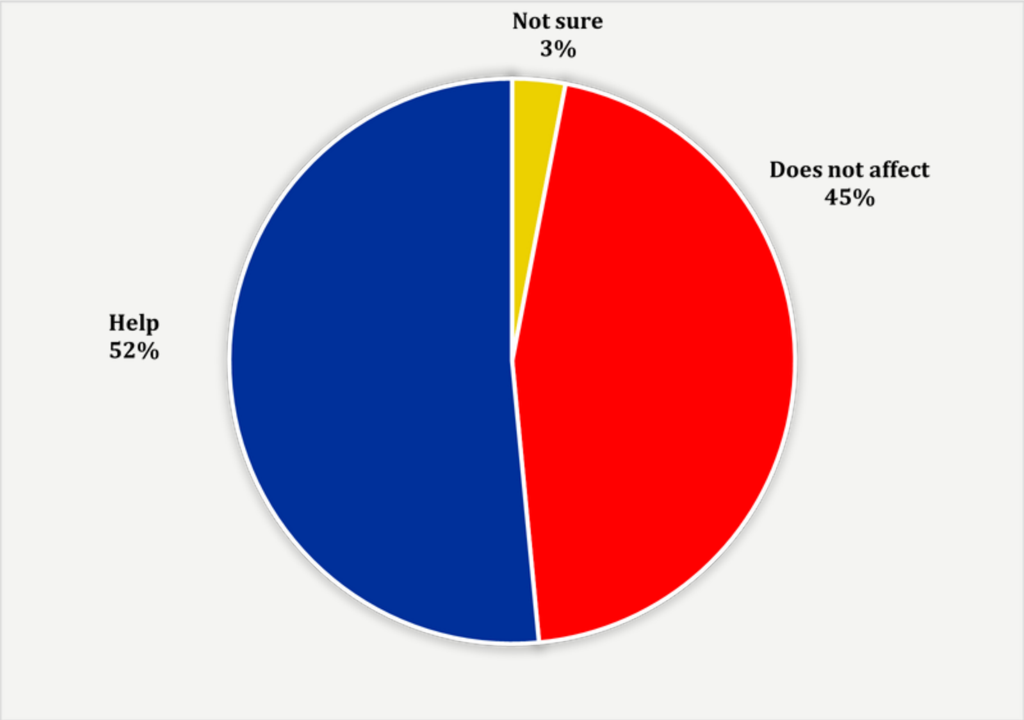
## WHAT ARE THE SKILLS THAT ASEAN SHOULD FOCUS ON?



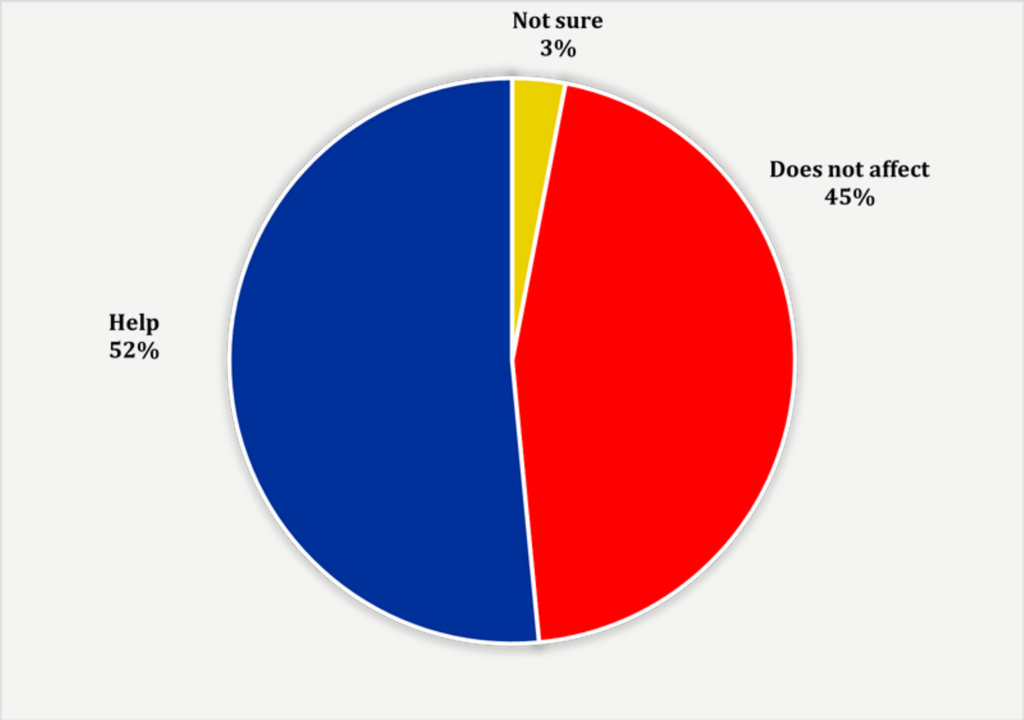

## SATISFACTION LEVELS ON ASEAN'S PROGRESS ON GENDER EQUALITY



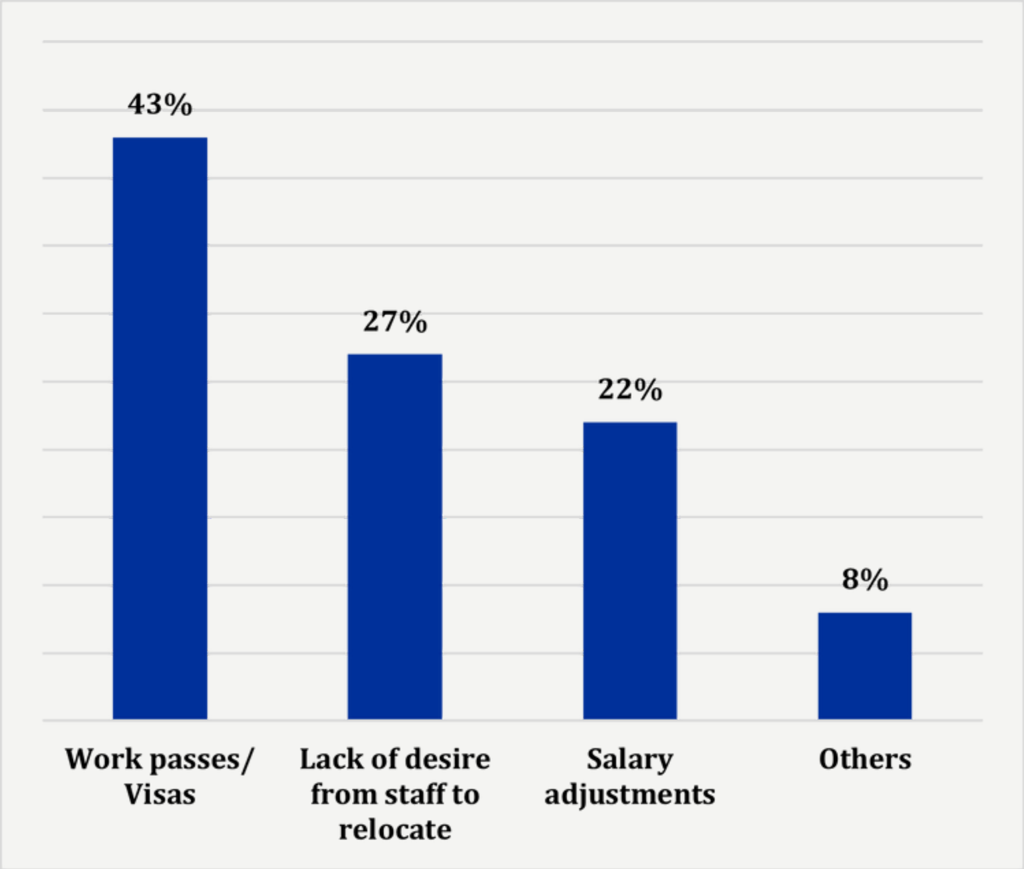
### WILL ASEAN'S PROGRESS ON GENDER EQUALITY HELP, HINDER OR NOT AFFECT YOUR COMPANY?



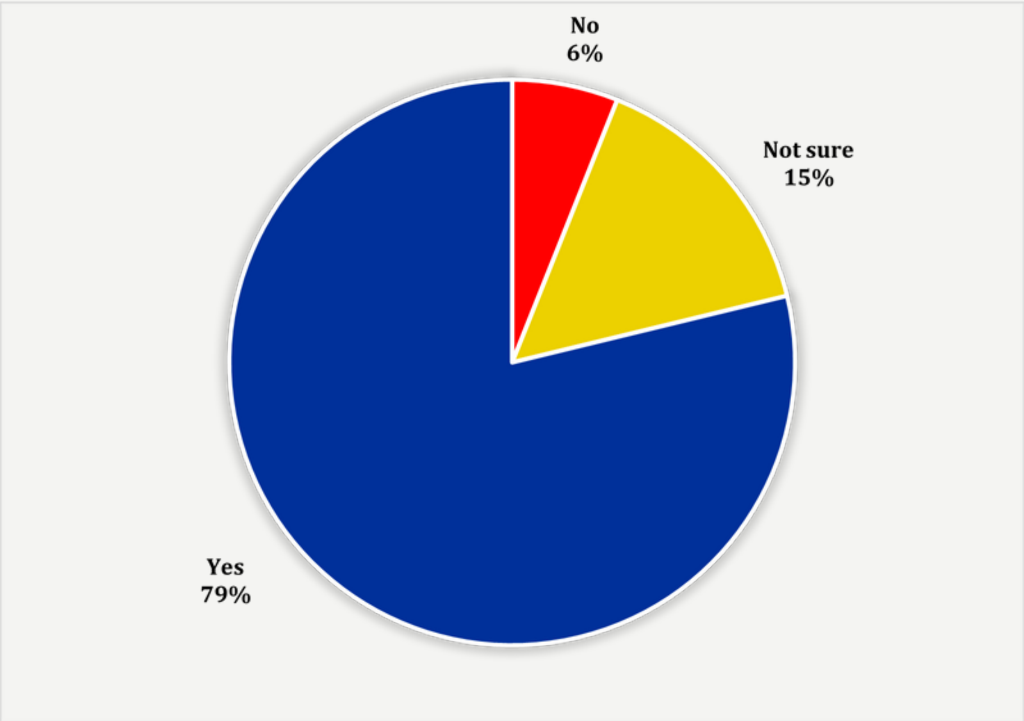

### HAVE YOU ENCOUNTERED PROBLEMS IN RELOCATING STAFF AROUND ASEAN?



## ISSUES FACED WHEN SEEKING TO RELOCATE STAFF AROUND ASEAN




## SHOULD ASEAN INTRODUCE A STAFF MOBILITY PROGRAMME TO ASSIST INTERNAL DEVELOPMENT?

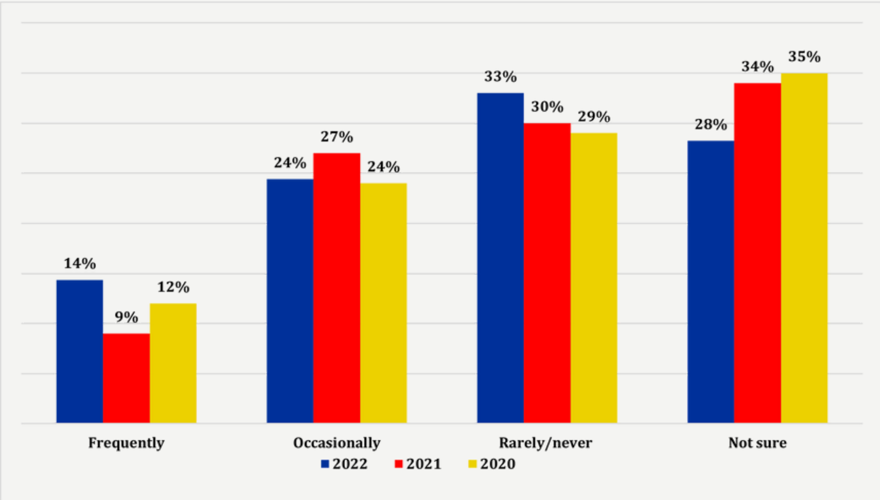


# GOVERNMENT CONSULTATION AND COMPETITION ISSUES

**Slight increase in perceived unfair competitive practices. Consultation from ASEAN Governments holds steady. Increase in perceived engagement from the EU.**

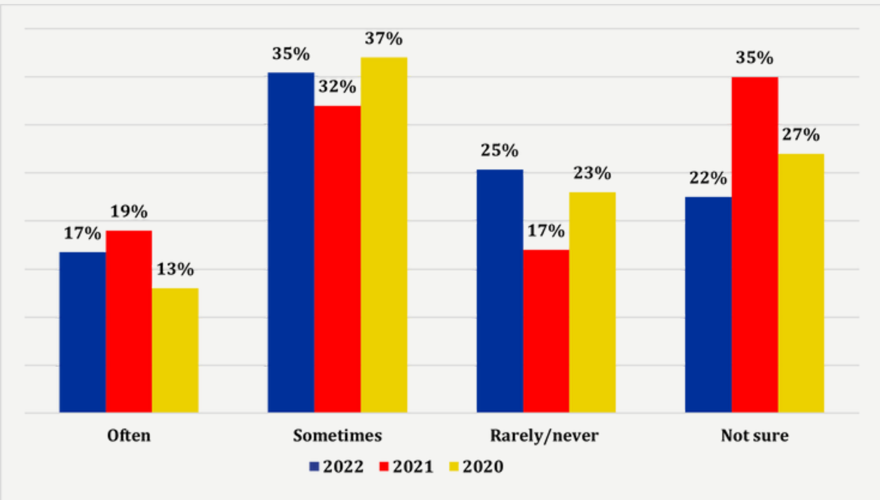
As with previous years, we asked our respondents about their perceptions on unfair competition.The numbers saying that they frequently or occasionally faced unfair competitive has marginally increased to 38% from 36% in 2021. When we looked at the data for individual ASEAN Member States the highest incidences of facing unfair competitive practices were found in Thailand (55%), Malaysia (50%) and Indonesia (50%). Singapore and Vietnam came out on top with the lowest rates of unfair competitive practices.

## PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES IN ASEAN (2020-2022)



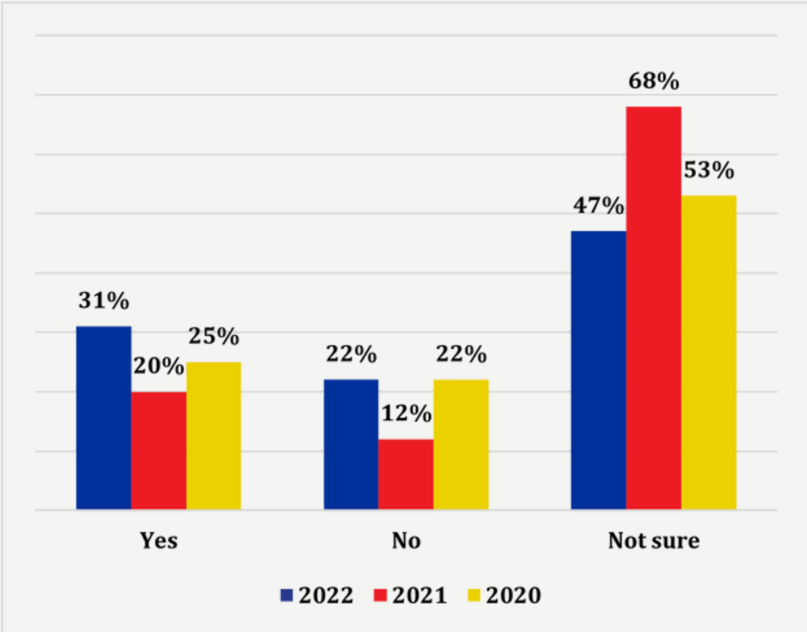

The perception of levels of consultation from ASEAN Governments has improved, with a majority of respondents (52%) now reporting they are frequently or occasionally consulted the European business community. Singapore and Malaysia score highest here (both in excess of 70%). Of the other large economies in the region, Vietnam scored the lowest (46%).

## FREQUENCY OF CONSULTATION BY ASEAN GOVERNMENTS (2020-2022)

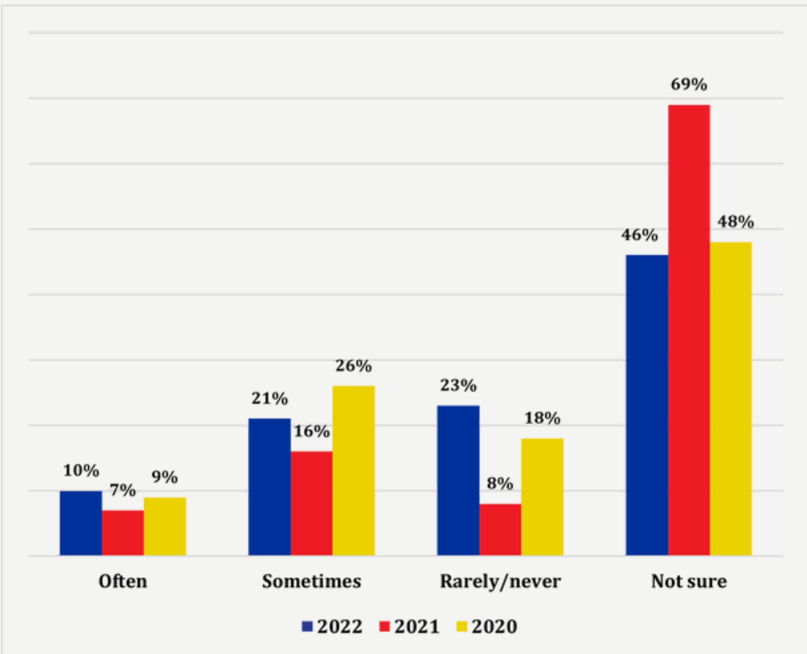


There has been an increase in the number of respondents who feel that the European Union is sufficiently engaged in supporting European business activity within ASEAN, with almost a third of respondents feeling that there is sufficient engagement (compared to 20% in 2021). This is the first time in four years that this number has increased. In none of the ASEAN countries was there a majority who felt that there was sufficient engagement from the EU, though Singapore recorded the highest levels at 48%. Nowhere else in the region did the numbers get to 40%. Similarly, there has also been an increase in the perception of engagement from EU Delegations across the region, with the numbers reporting they were often or sometimes consulted by them increasing to 31% again bucking a four-year trend.

## PERCEPTION OF SUFFICIENT EU ENGAGEMENT WITH EUROPEAN BUSINESS INTERESTS IN ASEAN (2020-2022)




## FREQUENCY OF CONSULTATION BY EU DELEGATIONS (2020 -2022)



# CONCLUSION & IMPLICATIONS FOR ACTION

**European businesses continue to see ASEAN as a region of great opportunity, indeed the region with the best prospects over the next five years with the gap to the next best region widening. But there is continued doubt about ASEAN's own regional integration agenda and continued concerns about non-tariff barriers to trade. Concerns also show up on ASEAN's sustainability agenda. In addition, European businesses still want more support from the European Commission, and quicker action on trade deals with ASEAN.**

**European businesses again see ASEAN as the region with the best economic opportunity**, indeed the gap between ASEAN and the next best region, China, has widened significantly. **Enthusiasm to grow operations in ASEAN remains strong**. Fewer than ever before cite an intention to decrease their levels of trade and investment.

As far as Europe is concerned, **European businesses see scope for improvement in support from the European Commission**. On the prospects for a region-to-region trade deal, enthusiasm has returned. **European businesses want faster action on trade deals with ASEAN** in general and also think that a region-to-region Investment Protection Agreement should be considered.

There are challenges however, to this enthusiasm for ASEAN. **Views on the disappointing lack of progress on the ASEAN Economic Community remain**. European business resoundingly believe that progress is too slow, whilst noting that a successful AEC would be important to their operations in the region. **Only one in ten believe that the key aims of the AEC of developing a highly integrated and economy and of creating a single market and production base, have been achieved**. The region needs to do more on the elimination of non-tariff barriers to trade. **Businesses continue to report that there are too many barriers to trade and that non-tariff barriers to trade are not decreasing**.

On the challenge of dealing with climate change, the message to ASEAN is also clear. **ASEAN needs to do more on tackling environment issues, greening of supply chains, and on the Circular Economy**. Additionally, there are some concerns from European businesses on the possible impacts of EU policy initiatives in these areas on EU-ASEAN relations, though overall it is felt that there is more to gain than to lose in this area.

The message from this year's Survey seems to be clear. **ASEAN is a great place to do business and invest, but it could be significantly better only if there was faster movement on economic integration and more enthusiasm and action on sustainability issues**.

# ANNEX: RESPONDENT'S PROFILE AND METHODOLOGY

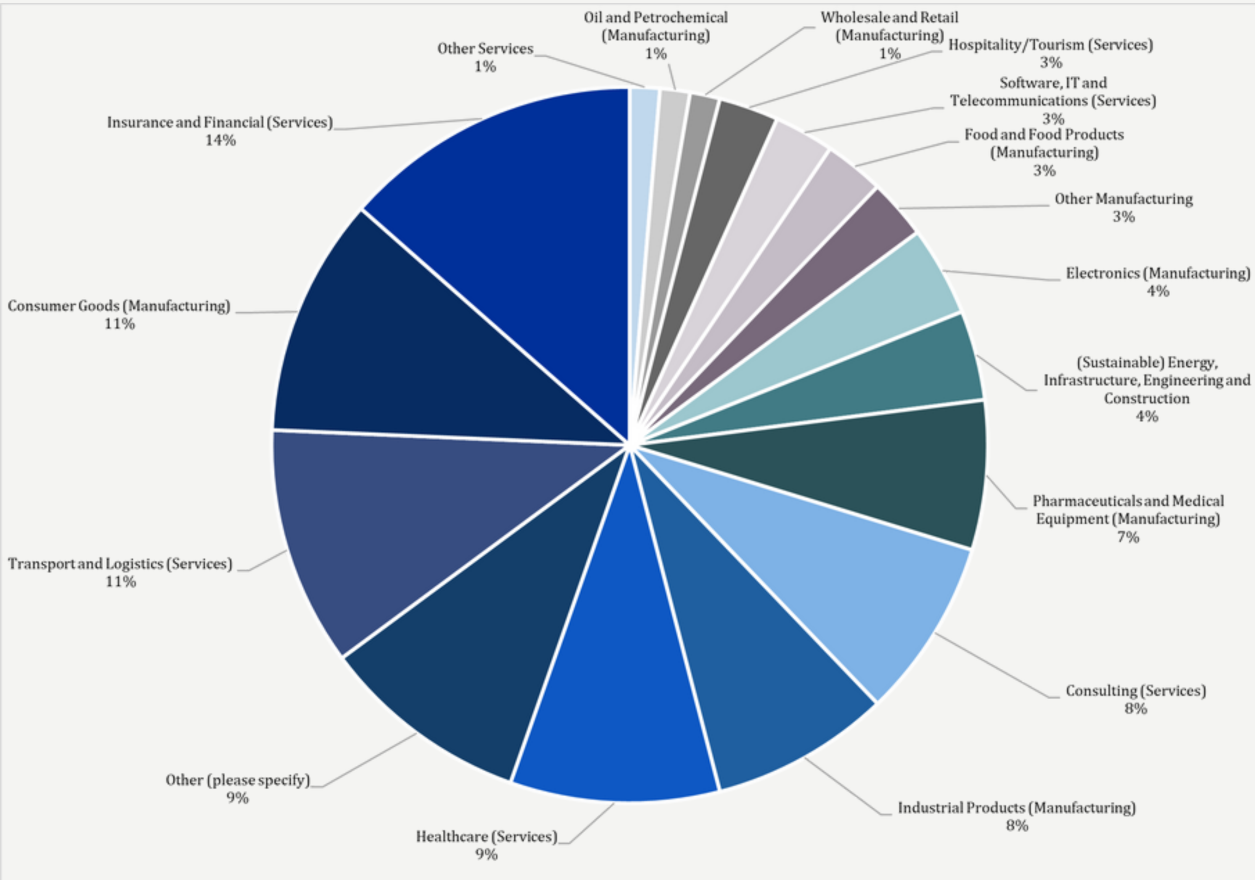
Survey respondents submitted their responses either through on-line links from newsletters and/or websites from the EU-ASEAN Business Council and the respective European Chambers of Commerce in each ASEAN country, or via e-mail contact from those organisations from April 2022 to June 2022. In total, 357 responses were recorded. All responses were made confidentially and online. Using a similar methodology in 2021, 389 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.

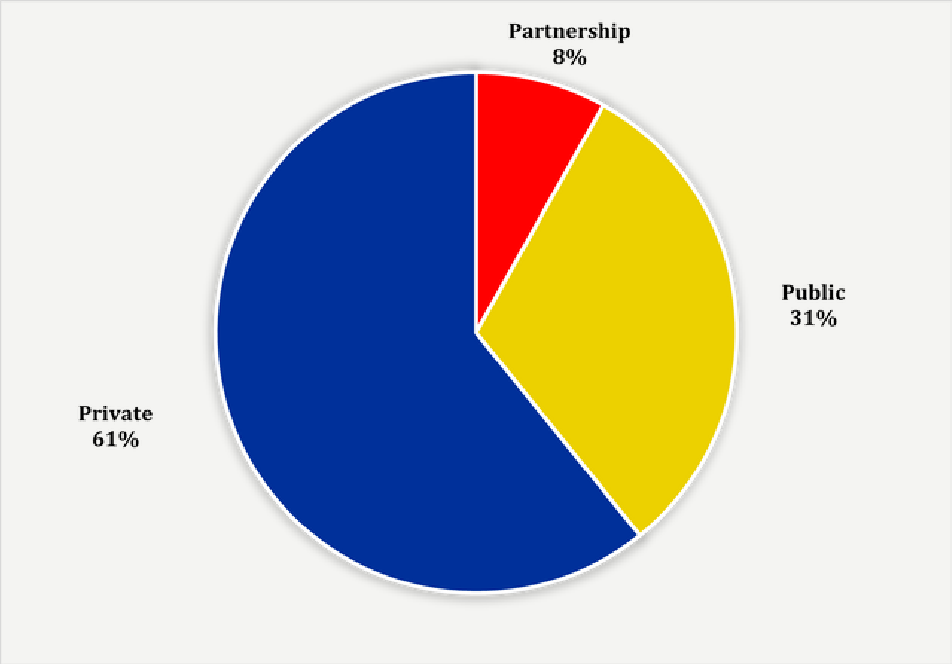
For certain questions, sample sizes at country/industry-level are limited, and results should therefore be read with caution. Differences in results at a country/industry-level should not always be read as statistically significant. The number of respondents also vary for each question as respondents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

This year, we have revised our methodology to provide a greater degree of granularity. For companies with operations in multiple locations, we have asked respondents to respond separately for each country in which they operate in. On other questions calling for a region-wide response, each respondent would only give one response, even if they have operations in multiple locations. This is the same methodology as used for 2021.

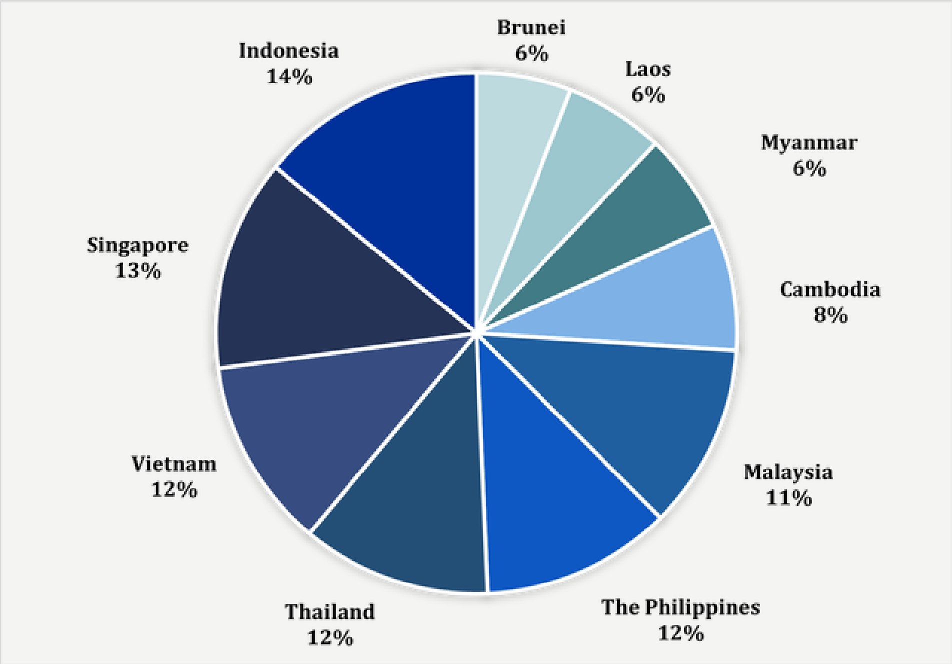
## RESPONDENT BREAKDOWN BY INDUSTRY



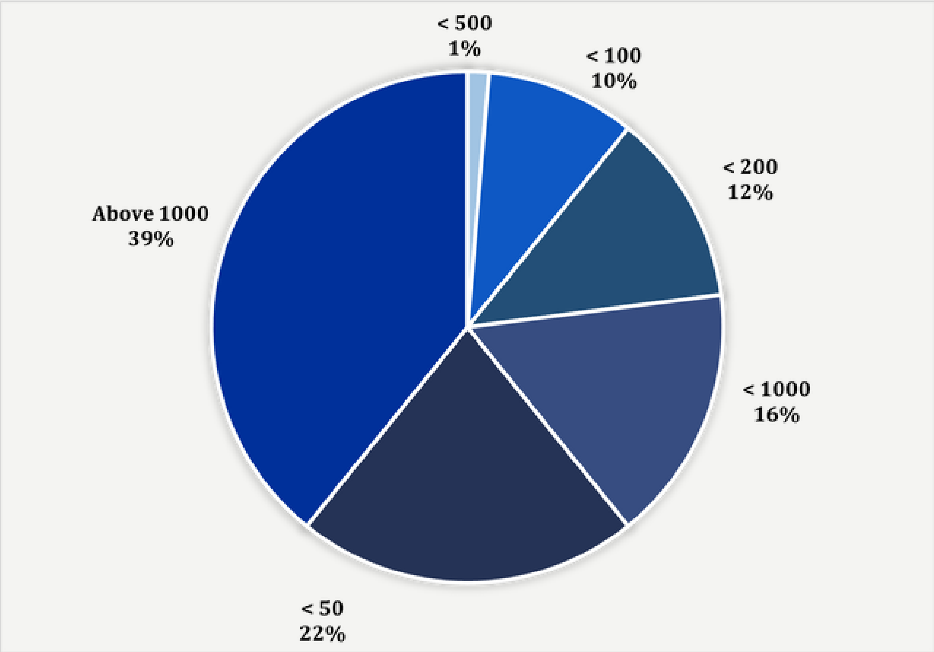
## RESPONDENT BREAKDOWN BY OWNERSHIP STRUCTURE



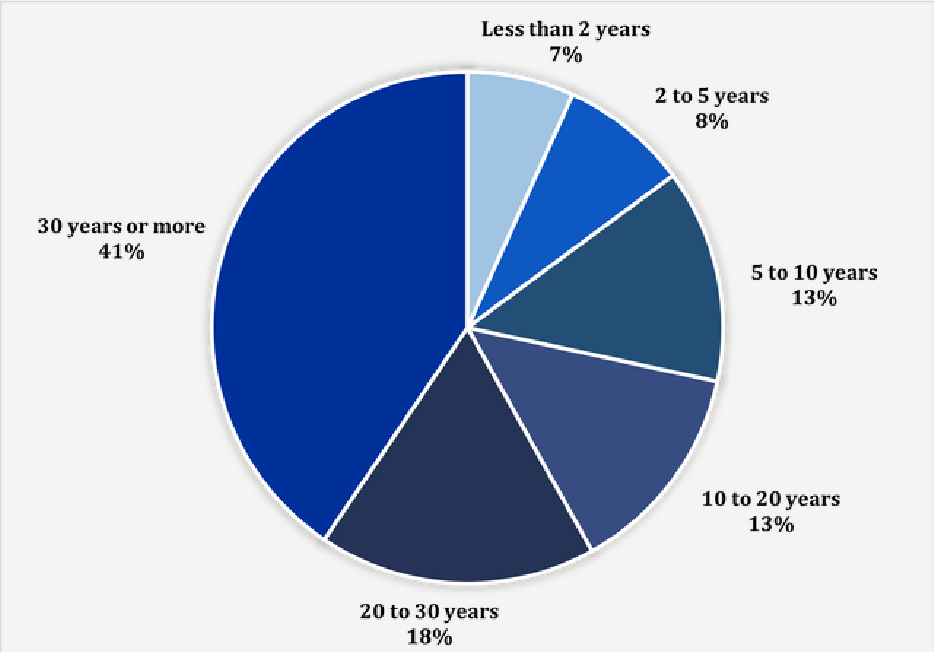

## RESPONDENT BREAKDOWN BY RESPONSE LOCATION



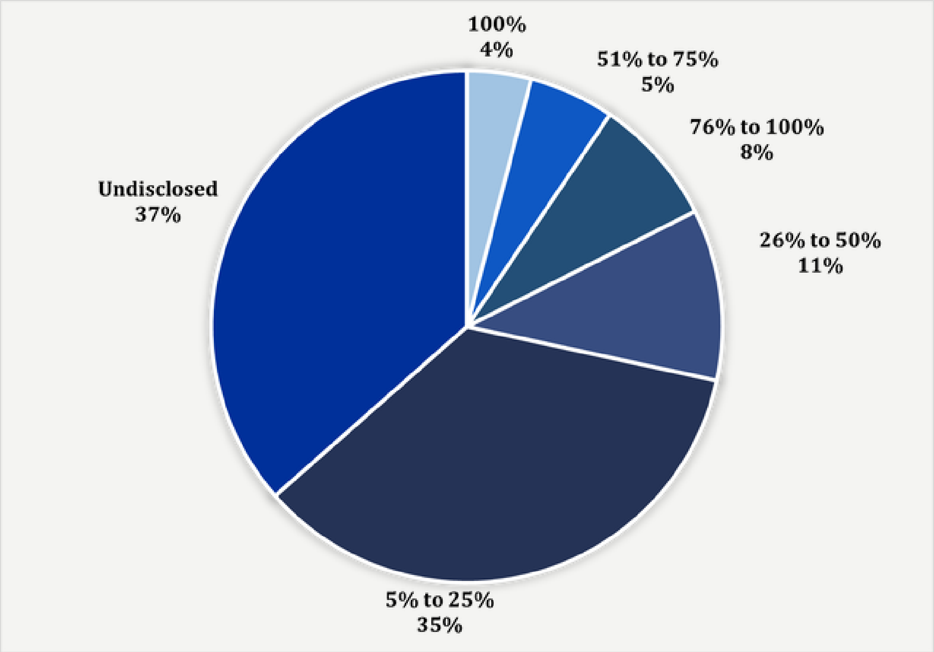
## RESPONDENT BREAKDOWN BY NUMBER OF EMPLOYEES




## RESPONDENT BREAKDOWN BY PRESENCE IN ASEAN



## RESPONDENT BREAKDOWN BY TURNOVER IN ASEAN AS A % OF WORLDWIDE TURNOVER



# ABOUT THE EU-ASEAN BUSINESS COUNCIL

## WHO WE ARE

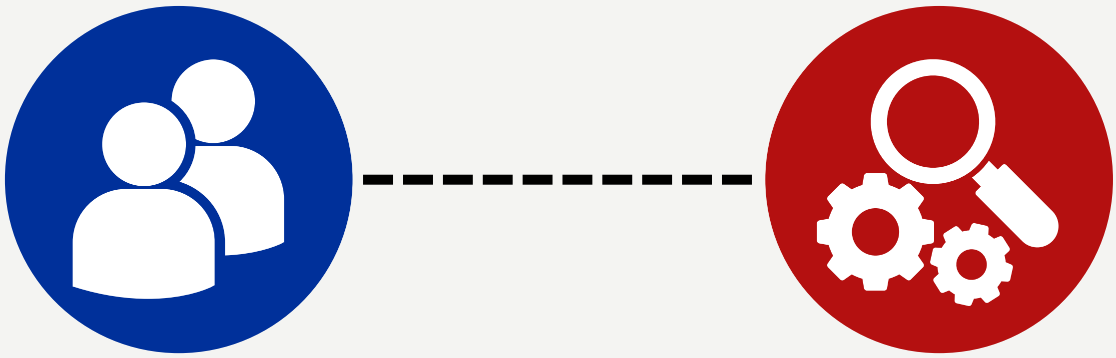
- The **only** officially recognised pan-ASEAN European business body
- Official consultation partner of ASEAN and the European Commission
- Accredited ASEAN Entity under Annex 2 of the ASEAN Charter
- A membership driven advocacy body - working for the liberalisation of the trade and investment climate in ASEAN and between ASEAN and Europe

## WHAT WE DO

- Advocate for the removal of barriers to trade and business on behalf of European industry across multiple sectors
- Advance the interests of European businesses in ASEAN with both the authorities in Europe and in the ASEAN Member States
- Act on behalf of our Members to assist them in their most pressing business needs in ASEAN
- Act as the lead consultative body for European Business with both ASEAN and the European Commission on business and industry matters in Southeast Asia

## HOW WE DELIVER

- High-level Ministerial meetings in ASEAN (Finance Ministers, Trade Ministers etc.) and Europe (Commissioners)
- Working-level discussions with Senior Officials in both regions - at the European Commission, ASEAN Secretariat and ASEAN Member States
- Regular Mission Trips to ASEAN Member States where we meet Ministers and Senior Officials
- Publication of Position Papers to help focus the debate and discussion, on both sector and cross sector issues
- Regular media engagement to highlight issues of key concern
- Regular delivery of information and updates to our Members



ASEAN Senior Economic Officials
ASEAN Working Groups
ASEAN Secretariat
ASEAN Ministers
EU Delegations
Senior Officials
EuroChams

ASEAN-EU Business Summits
Meeting & Seminar Programmes
Working Level Discussions
Provide feedback to regulators
Advocacy Groups
Consultations
Webinars
Seminars

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