

2021



# EU-ASEAN BUSINESS SENTIMENT SURVEY

With the Support of **BDO**



## ABOUT THE EU-ASEAN BUSINESS SENTIMENT SURVEY

This publication is the seventh 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 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 [www.eu-asean.eu/publications](http://www.eu-asean.eu/publications).

## ACKNOWLEDGEMENTS

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- European Chamber of Commerce in Cambodia (EuroCham Cambodia)
- European Chamber of Commerce in Indonesia (EuroCham Indonesia)
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- European Chamber of Commerce in Malaysia (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 Ischelle Koo. For further enquiries please email to [info@eu-asean.eu](mailto:info@eu-asean.eu)

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## FOREWORD BY DONALD KANAK, CHAIRMAN, EU-ASEAN BUSINESS COUNCIL

The EU-ASEAN Business Council (EU-ABC) is pleased to release its 2021 EU-ASEAN Business Sentiment Survey. I would like to express my sincere thanks to all of you who took the time to complete this Survey, and to our colleagues at the various European Chambers of Commerce who helped us in obtaining responses.



This is the seventh edition of the Survey, which 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, outlook for the short and medium-term, developments on ASEAN regional economic integration, trade agreements and government consultation and competition issues.

This year's survey sees a welcome increase in positivity on the general economic outlook for the region and the likely levels of trade and investment from European businesses in ASEAN. This is good news following on last year's results and shows that there is optimism about the possibilities for economic recovery in ASEAN following the disruptive impacts on lives, livelihoods and the economy wrought by COVID-19.

Consistent with previous years, respondents view ASEAN as the region of best economic opportunity over the next 5 years. It is encouraging to note that the gap between ASEAN and the next best region, China, has widened. But ASEAN cannot rest on those positive views alone as elsewhere the views point to a need to accelerate work on the ASEAN Economic Community.

Again, respondents say that progress on regional economic integration is too slow. Fewer and fewer see that non-tariff barriers to trade in ASEAN are decreasing, despite repeated promises from the region's leaders to tackle this issue. Over four-

fifths of respondents say that there are too many barriers to the efficient use of supply chains in ASEAN, more than ever before. These barriers add to costs for producers and traders, reduce opportunities for investment and new jobs, and ultimately increase prices for consumers. They can also harm the environment when inefficiencies increase transportation and handling.

In my foreword to the last year's Survey, I made a plea for ASEAN to drive forward economic integration and "sweep away the intra-ASEAN barriers to trade and investment". Whilst there has been some progress in some limited areas, intra-ASEAN trade is now down to close to 20% of all ASEAN Trade and has been declining since an objective to double intra-ASEAN trade was made in 2017. More leadership is needed if ASEAN is to really make the best of "the power of 10" rather than being 10 loosely connected economies.

On Trade Agreements between the EU and ASEAN, there is a marked decline in enthusiasm from our respondents for the region-to-region FTA. This might be perhaps because of a realisation of how difficult such an agreement would be to negotiate. Instead, there is a strong call for an EU-ASEAN Investment Protection Agreement: this would be a welcome development if it were to come to pass. Calls for acceleration of existing and new bilateral FTA negotiations remain as strong as ever, with Thailand again topping the list of ASEAN countries that our respondents want the EU to next begin, or recommence, negotiations with.

We are not out of the current pandemic yet: there is still a long way to go. But the Survey this year shows signs of optimism and themes that will help support a sustainable recovery. As long-standing friends of ASEAN, European business stands 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.

## 2021 KEY FINDINGS

### Current Business Environment & Outlook

- ↑ 63% of respondents expect an increase in profits in ASEAN in 2021 (2020 – 39%)
- ↑ 63% of respondents see ASEAN as the region of best economic opportunity over the next 5 years (2020 – 53%)
- ↑ 82% of respondents expect their level of trade and investment with ASEAN to increase over the next 5 years (2020 – 73%)

### ASEAN Regional & Domestic Policy Frameworks

- ↓ Only 2% of respondents believe that ASEAN economic integration is progressing fast enough (2020 – 2%), and 66% say it is too slow (2020 – 49%)
- ↓ Only 6% of respondents say that the objectives of the AEC Blueprints have been achieved (2020 – 9%)
- ↓ Only 3% of respondents believe that non-tariff barriers to trade in ASEAN are decreasing (2020 – 14%), whilst 38% say they are increasing (2020 – 27%)
- ↓ 81% of respondents say that there are too many barriers to the efficient use of supply of chains in ASEAN (2020 – 62%)

### Trade Agreements

- ↔ 98% of respondents believe that the European Union should accelerate the negotiation of trade deals with ASEAN (2020 – 98%)
- ↓ 49% of respondents believe that the European Union should pursue a region-to-region FTA with ASEAN now (2020 – 71%)
- 60% of respondents believe that the European Union should pursue a region-to-region Investment Protection Agreement with ASEAN

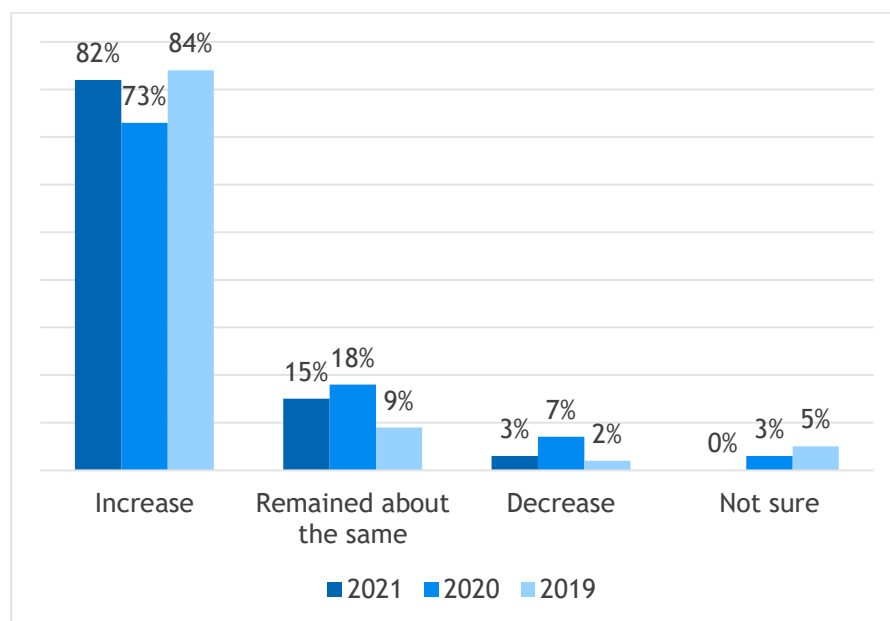
### Government Consultation & Competition Issues

- ↔ 36% of respondents feel that they frequently or occasionally face unfair competitive practices in ASEAN (2020 – 36%)
- ↓ 48% of respondents feel that they are often or sometimes consulted by national governments in ASEAN (2020 – 50%)
- ↓ Only 20% of respondents feel that the European Commission is sufficiently engaged in supporting European business interests in ASEAN (2020 – 25%)

## 2019-2021 TRENDS FOR KEY FINDINGS

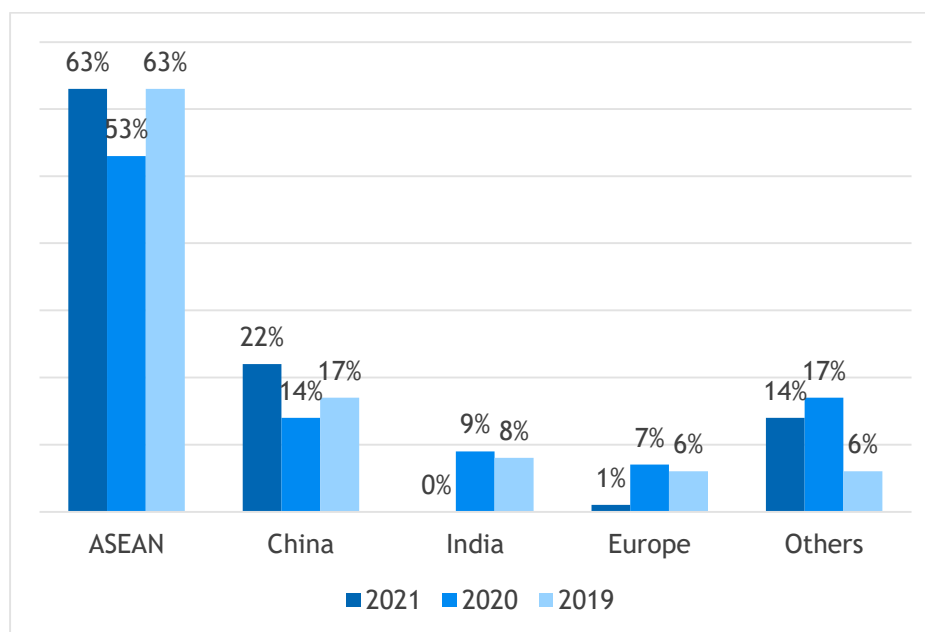
European business optimism in ASEAN has increased.

### EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (2019-2021)



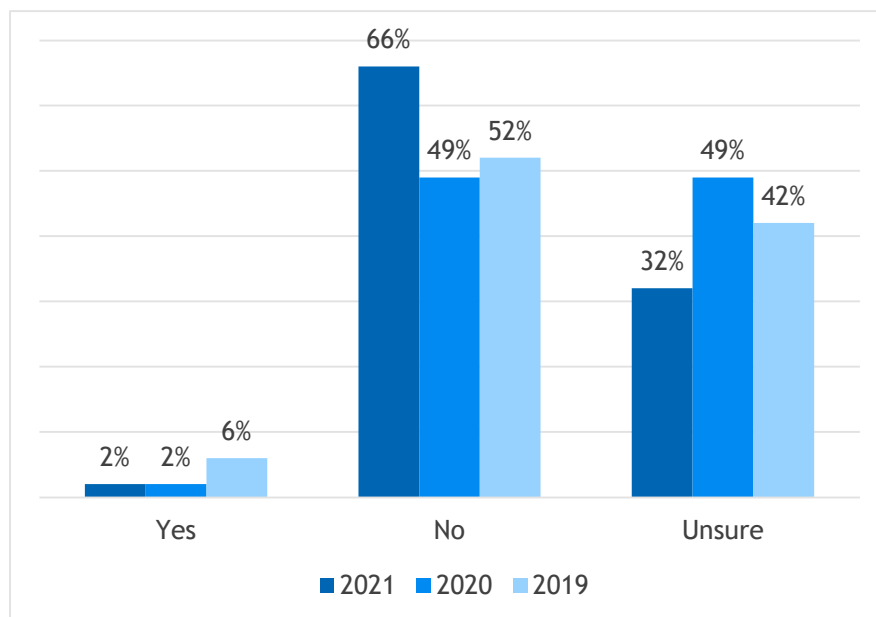
European businesses consistently see ASEAN as the region of best economic opportunity, and more so in 2021 than last year with the gap over the next best, China, widening.

### REGION WITH BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS (2019-2021)



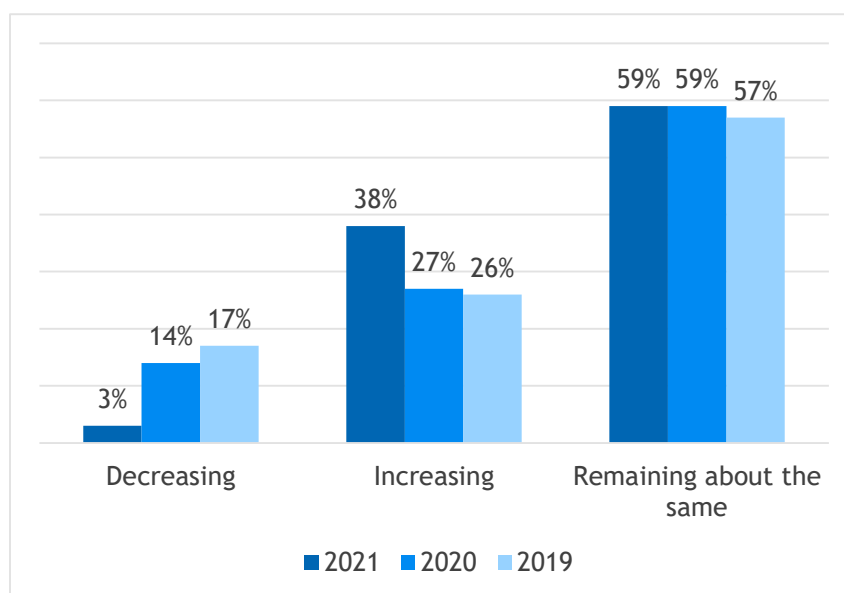
European businesses still do not believe that the progress on the ASEAN Economic Community is fast enough, with more than ever before saying it is too slow.

### IS ASEAN REGIONAL INTEGRATION UNDER THE AEC PROGRESSING FAST ENOUGH? (2019-2021)



The perception remains, indeed it is even stronger, that the non-tariff barriers to trade in ASEAN are not decreasing.

### PERCEPTION OF NON-TARIFF BARRIERS TO TRADE IN ASEAN (2019-2021)





## EU-ASEAN RELATIONS – A SERIES OF ESSAYS

The European Union and ASEAN have a long and distinguished relationship, one that was elevated to Strategic Partnership Status in December 2020. To celebrate this landmark development, the EU-ASEAN Business Council has commissioned a series of essays from political and business leaders from both regions. These essays were first published during the course of June, July and August 2021 through our social media platforms. They are reproduced here as a means of emphasising the strong and enduring bond that exists between the two regions.

### Vivian Balakrishnan, Minister for Foreign Affairs, Singapore

First Published on 22 June 2021



Meeting with EU High Representative for Foreign Affairs and Security Policy/Vice President of the European Commission (HR/VP) Josep Borrell on the sidelines of the 14th Asia-Europe Meeting Foreign Ministers' Meeting (ASEM FMM14) in Madrid in December 2019

Singapore and the EU signed the EU-Singapore Free Trade Agreement (EUSFTA) in October 2018. The EUSFTA is an ambitious, forward-looking FTA, which serves as a strategic pathfinder for an eventual region-to-region FTA between ASEAN and the EU.

ASEAN and the European Union (EU) are probably the two most successful regional organisations in the world. Our partnership, formalised in 1977, is based on a shared vision of achieving peace and prosperity through a rules-based multilateral order, regional integration, and inclusive region-to-region cooperation. The global uncertainty amidst the COVID-19 pandemic, increased protectionism, and sharpened major power rivalry has made the partnership between ASEAN and the EU all the more crucial. Singapore has been the coordinator for ASEAN-EU Dialogue Relations for the last three years. We are gratified that ASEAN-EU relations were elevated to a Strategic Partnership at the 23<sup>rd</sup> ASEAN-EU Ministerial Meeting in December 2020. This has opened a new phase for us to enhance cooperation on a

wide array of issues, including free and fair trade, climate change and sustainable development, COVID-19, cybersecurity, the rules-based multilateral order, and inter-regional connectivity.

ASEAN and the EU will emerge collectively stronger from the pandemic. We convened one of the first dialogues on COVID-19 which ASEAN held with an external partner – the ASEAN-EU Ministerial Video Conference on COVID-19 in March 2020. Dialogues on COVID-19 vaccines followed. ASEAN and the EU share a common interest in supporting affordable, fair and equitable access to safe and effective COVID-19 vaccines through vaccine multilateralism. As the world's largest exporter of vaccines, the EU plays an indispensable role in post-COVID-19 recovery and resilience. ASEAN appreciates the EU's

commitment on this front, including Team Europe's package of over €800 million to combat the spread of COVID-19 and mitigate its impact in ASEAN, and the EU's commitment to extend a further €20 million to ASEAN under its "Southeast Asia Health Pandemic Response and Preparedness" support programme with the World Health Organisation.

To accelerate economic recovery post COVID-19, we should intensify efforts towards an ASEAN-EU Free Trade Agreement (FTA). Sceptics may be daunted by the diverse economic conditions among member states in both regions. On the contrary, this adds to the strategic and economic value of an ASEAN-EU FTA. ASEAN has a population of 650 million people and a combined GDP of US\$2.8 trillion, while the EU has a population of 446 million and combined GDP of US\$15.6 trillion. In 2019, the EU was ASEAN's third largest trading partner, accounting for 10.1 per cent of ASEAN's total trade. COVID-19 has catalysed protectionism, disrupted supply chains and autarky. The FTA will be an opportunity to support economic recovery, reinforce the importance of upholding open and connected supply chains, and facilitate digitalisation. The entry into force of the EU's bilateral FTAs with Singapore and Vietnam in 2019 and 2020 respectively, and advancements in the EU's FTA negotiations with other ASEAN Member States are important building blocks towards a future region-to-region ASEAN-EU FTA.

COVID-19 has highlighted the importance of connectivity as a key element for the ASEAN-EU relationship, business confidence, and ultimately economic development. On 2 June 2021, we concluded the world's first bloc-to-bloc air transport agreement – the *ASEAN-EU Comprehensive Air Transport Agreement* (AE CATA), after five years of negotiations. This is a historic milestone for our civil aviation and tourism sectors, which have been severely battered by the pandemic. It was timely that

ASEAN and the EU adopted a *Joint Ministerial Statement on Connectivity* in December 2020, affirming our commitment to strengthen synergies between the *Master Plan on ASEAN Connectivity 2025* and the *EU Strategy Connecting Europe and Asia* with sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility as priority areas. With support from the EU's ASEAN Regional Integration Support programme (ARISE-Plus), ASEAN launched the ASEAN Customs Transit System (ACTS) on 2 November 2020 to facilitate the cross-border transit movement of goods over land, bringing time savings and cost reduction for businesses and citizens within ASEAN. Robust private sector investment to support new financing tools is also crucial to sustain our long-term efforts. The work of the ASEAN Catalytic Green Facility (ACGF) under the ASEAN Infrastructure Fund and the work of the European Investment Bank (EIB) in supporting infrastructure investment in numerous ASEAN Member States have been invaluable in this regard.

ASEAN and the EU share a common interest in the transition to a low-carbon and climate-resilient future in response to climate change. Close cooperation with the EU will facilitate effective implementation of the Paris Agreement. Both regions can work together to incentivise companies and consumers to switch to carbon-friendly products, services, and activities, whilst promoting industry innovation and green growth to bring us closer to achieving net-zero emissions. ASEAN and the EU can collectively promote and advance effective clean energy technologies and solutions, such as low-carbon hydrogen. The EU and European development banks' support in co-financing more than half of the US\$1 billion mobilised by the ACGF is just one aspect of ASEAN and the EU's multifaceted cooperation in sustainability. We jointly convened two High-Level Dialogues on Environment and Climate Change in 2019 and

2020, where issues like climate mitigation, adaptation, and waste management were discussed. The EU-ASEAN Dialogue Instrument (E-READI) has supported projects such as the Sustainable Use of Peatland and Haze Mitigation in ASEAN, which has been among the centrepieces of ASEAN's vision to become a haze-free region. As a member of the EU-initiated International Platform on Sustainable Finance, Singapore looks forward to advancing ASEAN-EU cooperation in environmentally sustainable investments.

Cybersecurity cooperation will remain a linchpin of ASEAN-EU relations, with more of our business transactions and day-to-day communications being conducted online. The 2019 *ASEAN-EU Statement on Cybersecurity Cooperation* stresses that both regions will promote an open, secure, stable, accessible, and peaceful information and communication technology environment. The EU has helped to enhance ASEAN's capacities in this area, including working with Singapore on the Singapore-EU Workshop on Protection of ICT-Enabled Critical Infrastructures under the ASEAN Regional Forum Inter-Sessional Meeting on Security of and in the Use of Information and Communication Technologies (ARF ISM on ICTs Security). We are also happy to have the EU as one of our partners at the ASEAN-Singapore Cybersecurity Centre of Excellence (ASCCE). ASEAN and the EU can deepen cybersecurity cooperation by leveraging these regional structures to develop capacity-building programmes, especially on technical and Computer Emergency Response Team (CERT)-related issues.

Finally, the strategic context in which the ASEAN-EU relationship operates cannot be over-stated. Peace and stability are critical for businesses to thrive. Being geographically situated at the core of the highly contested Indo-Pacific, ASEAN has inevitably been exposed to geopolitical

competition. It was for this reason that ASEAN decided to articulate our perspective on the evolving regional architecture through the *ASEAN Outlook on the Indo-Pacific* (AOIP), which guides our cooperation in the region. Remaining inclusive and open to cooperation with all our partners based on agreed rules and international law is key. We are heartened that the EU's *Strategy for Cooperation in the Indo-Pacific* also espouses an open, inclusive, and rules-based order anchored in international law, and especially the 1982 *UN Convention on the Law of the Sea* (UNCLOS). The EU's support for ASEAN Centrality and ASEAN-led regional architecture is appreciated. We welcome the EU's strong emphasis on strengthening its strategic trade position in the Indo-Pacific by negotiating ambitious trade and investment agreements with a wide range of partners, including those in ASEAN. The EU's priorities to enhance digital, transport, energy and human connectivity, as well as tap on the technological expertise in the region to stimulate green growth through the use of advanced manufacturing, will allow us to bring our businesses onboard. These elements reflect clear synergies with the AOIP and reaffirm the EU's robust and wide-ranging involvement in our region. Singapore and ASEAN can work with the EU to develop and implement its Indo-Pacific Strategy in a manner that complements the AOIP and for mutual benefit.

I am delighted that ASEAN-EU relations charted significant milestones during Singapore's three-year coordinatorship of ASEAN-EU Dialogue Relations. In August 2021, the Philippines will assume the coordinatorship. With so much potential in ASEAN-EU relations, I am sure that the Philippines will work closely with the EU and build on the strong foundation anchored by our Strategic Partnership. Singapore will continue to support and facilitate the EU's collaboration with ASEAN, especially as we mark the 45<sup>th</sup> anniversary of ASEAN-EU Dialogue Relations next year.



## Josep Borrell – High Representative of the European Union for Foreign Affairs and Security Policy

First Published on 30 June 2021

An important geo-political shift is underway: The Indo-Pacific region is becoming the new global centre of gravity. The Indo-Pacific creates 60% of global GDP and two-thirds of global growth. It is the second largest destination for EU exports and home to four out of



the EU's top ten trading partners. Around 40% of the EU's foreign trade passes through the South China Sea. The EU is also the top investor in and development assistance provider for the Indo-Pacific.

The adoption of an EU Strategy for Cooperation in the Indo-Pacific in April this year was a response to this new reality. A visible and concrete signal of our enduring commitment to the Indo-Pacific region. I received a clear response to this signal during my recent visit to Jakarta and the ASEAN Secretariat: Our regional partners are seeking more cooperation and EU presence. The possibilities of what we can do together are extensive: from the pandemic and economic recovery, to connectivity and trade, from the green agenda to the key area of security.

The EU is a major development partner of ASEAN and the biggest donor to the ASEAN Secretariat, with over EUR 250 million of grant funding in support of ASEAN regional integration for the period 2014-2020. This comes in addition to over EUR 2 billion of bilateral support to ASEAN Member States. The EU is also ASEAN's third trade partner and investor. EU exports to ASEAN countries grew from EUR 54 billion in 2010 to

EUR 85 billion in 2019 and our imports grew even more, from EUR 72 billion to EUR 125 billion.

What these numbers show is that the EU has a serious stake in this region, and what happens in Asia reverberates in Europe.

Notwithstanding the potential growth and development on the horizon, we must also face up to some ominous clouds. The order and balance of this region are increasingly riveted by growing tension and insecurity. This trend must be countered by firmly establishing stable and shared rules. That is why the EU can be counted upon, as a trusted and reliable partner, to speak up in defence of a regional order which is rules-based, free and open for all.

This trust stems from a strong shared history. The EU is, in fact, ASEAN's oldest Dialogue Partner, having established links in 1977. We are now the two most advanced regional integration schemes in the world and natural partners. In December last year, we formally launched our Strategic Partnership. We should have done so much earlier. The EU and ASEAN are the key defenders and proponents of rules-based multilateralism, because it is in our DNA: it is our daily reality and it is what makes our organisations work. But you cannot be multilateralist on your own. We have always been and will always be stronger when we act together.

The growing geo-political competition is another reason to pull together. Although this state of affairs is not in ASEAN's interest, it must deal



with the world as it is, and avoid being pushed into a one-sided sphere of influence. Just like the EU, ASEAN aspires to strategic autonomy, and the best way to achieve this is through ASEAN centrality, diversifying its partnerships and ensuring that ASEAN is the fulcrum for regional cooperation and consultation.

The EU Indo-Pacific strategy is clear in its support for ASEAN centrality, and equally clear in our desire to work with our partners to boost trade and investment, economic openness and a sustainable approach to connectivity in the region. In this context, the successful conclusion of the Comprehensive Air Transportation Agreement (CATA) will help rebuild air connectivity between ASEAN and Europe and open up new growth opportunities for the aviation industry in both regions. A much welcome development as we work to recover from the pandemic.

We do not only offer our very significant economic credentials, but the EU also has the capacity and will to play a stronger role on strategic and security issues, especially maritime security. We already have a dialogue with ASEAN on maritime security cooperation, and are currently extending our Critical Maritime Routes Programme, which strengthens regional maritime surveillance capacities from the Indian Ocean to Southeast Asia. We are also exploring

options to enhance the EU's maritime presence in the vast Indo-Pacific space.

The EU is deeply concerned by the worsening 'democratic recession' which is on display across the globe, often linked with assaults on pluralism and political freedoms. This is most dramatically visible in Myanmar. We strongly support ASEAN's leadership and are prepared to back this up with concrete actions in terms of resources and political pressure. The Five-Point Consensus has not yet brought the hoped-for results in terms of either political dialogue or a clear reduction in violence. Our support is evidenced by the third round of sanctions to put all possible pressure on those military leaders, and their economic interests, who are responsible for the coup and the violence.

Our commitment to democratic rights and fundamental freedoms is deep. Not because we see these as European or Western constructs, but because we know these values and principles are universal. Many countries and certainly the citizens in this region share the EU's view: they want to determine their political future and have their rights protected.

The road ahead is clear: The EU is here to stay, side by side with ASEAN, working together on shared security, sustainable connectivity and global challenges. In all this, the EU and ASEAN are natural partners. Let us put the partnership to work.

## The Road to the 45<sup>th</sup> Anniversary of EU-ASEAN Relations

In early June, Josep Borrell, the EU's top diplomat, came to Jakarta to engage with Indonesian and ASEAN interlocutors. Throughout the visit, he delivered a simple, yet powerful message: the Indo-Pacific is becoming the world's centre of gravity, this is where the future of humankind is being written, and at the heart of the Indo-Pacific lies ASEAN. The EU has therefore an important geoeconomic and geopolitical stake in this region and in strengthening ties with ASEAN, our natural partner.



Of course, this relationship is not new. The EU and ASEAN have been partners for 44 years, crafting a solid, reliable partnership anchored in trade and development cooperation throughout this process. Over the last decade, however, this relationship has undergone many changes and turned into a political and all-rounded strategic partnership.

### ***The COVID-test***

The COVID-19 pandemic was a litmus test for our longstanding partnership. It is my firm belief that the EU and ASEAN rose to the challenge posed by this unprecedented health crisis. Only a few days after the WHO declared COVID-19 a global pandemic, the EU and ASEAN held a dedicated Special Foreign Ministers' Meeting, during which they decided to join hands to address the health crisis and its socio-economic impact. Over the past 18 months, we have done just that.

In May last year, the EU announced a dedicated €800 million "Team Europe" package to mitigate the impact of COVID-19 in ASEAN, which was topped up by a €20 million support programme

for WHO activities in the region in December 2020. The EU and ASEAN have held regular exchanges and high-level expert dialogues on COVID-19 vaccines to discuss cooperation, the emergence of new variants, the scaling up of manufacturing capacity and the vaccine roll-out. Finally, in a bid to close the "vaccine gap", the EU and its Member-States have been the leading supporter of the COVAX Facility, pledging €2.8 billion to

assure fair and equitable access to safe COVID-19 vaccines. I am happy that today the majority of ASEAN countries have received several millions of doses from the COVAX Facility. Allow me to underline our key guiding principle - instead of supporting vaccine nationalism, the EU has exported 50% of its vaccine production to over 45 countries across the globe. We do not only say that "no one is safe until everyone is safe" – we actively work to make it happen too.

Meanwhile, the economic damage inflicted by the pandemic has been universal. With sharp downturns in international trade, FDI flows, and international visitors, our respective regions have faced difficult times. Now that we see some light at the end of the tunnel, EU and ASEAN will be busy "building back better", above all in a sustainable manner and with an eye on climate change, the other unfolding global crisis of our times.

### ***Building back better***

Over the last 50 years, the EU and ASEAN have been pivotal economic partners. Our private sector has always been active in Southeast Asia, holding a quarter of the total FDI stock in the

region, making the EU the largest investor, and ASEAN's third largest trading partner. We think that an integrated economic community is in ASEAN's interest and in our interest. Such integration boosts ASEAN's regulatory environment, its market resilience and attractiveness but also its political autonomy.

During this ongoing recovery phase, we are focusing on “building back better” with green and sustainable development at the core of our strategies. The green and digital transition, which accelerated during the pandemic, is now a key factor in relaunching and modernising our respective economies. While in Europe, we are rolling out the EU Green Deal for a circular, carbon-neutral economy by 2050, working with ASEAN – and all our major partners – on the green agenda is a priority to make climate action a global reality.

Another key focus is sustainable connectivity. The EU has traditionally been a longstanding supporter of various aspects of ASEAN's Master Plan on Connectivity (trade facilitation, infrastructure, people-to-people mobility). The ASEAN Customs Transit System (ACTS), the first ever-computerised customs-transit management system in ASEAN supported by the EU, was launched last November.

More recently, a ground-breaking development was the conclusion – after six years of negotiation – of the first ever region-to-region Comprehensive Air Transport Agreement (CATA)

in June 2021. This will create new opportunities for aviation cooperation and increased air connectivity between our two regions during the post-COVID recovery phase.

Meanwhile, the trade agenda continues to develop further. The EU has concluded some and is negotiating other free trade and investment agreements with a number of ASEAN countries. These agreements form building blocks for an ambitious region-to-region trade and investment framework.

### ***Towards the 45<sup>th</sup> year of partnership***

Next year, the EU and ASEAN will celebrate 45 years of dialogue partnership. It will be a moment to reflect and prepare ourselves for the challenges of tomorrow. How do we deal with digitalization in the context of the Fourth Industrial Revolution? How do we increase our climate ambition in order to address the greatest crisis of our times that is showing no signs of abating? How do we step up our military and defence cooperation to protect our jointly shared values?

More than ever, the world needs stability - this means a rules-based international order, effective multilateralism, and an open multilateral trade system. On all of these issues, the EU and ASEAN are natural partners. We should – and I am certain that we will - rise to the challenge once again.

## H.E. Dato' Lim Jock Hoi, Secretary General of ASEAN

First Published on 14 July 2021

The European Union (EU) has a long-standing dialogue relationship with ASEAN. Over the past 44 years, the relationship between the EU and ASEAN has grown stronger on the foundation of shared values and principles to achieve peace and prosperity within a framework of rules-based international order, multilateralism, and free



trade. ASEAN also enjoys complimentary and harmonious economic relations with the EU. The EU is consistently positioned as one of the major sources of investment and trading partners in ASEAN. In 2020, the EU was ASEAN's third largest trading partner after China and the US, with USD226.2 billion of two-way trade, accounting for 8.5 per cent of ASEAN's total trade value. The total foreign direct investment (FDI) flows from the EU into ASEAN in 2020 amounted to USD10.5 billion, which placed the EU as the second largest external source of FDI among ASEAN's Dialogue Partners.

It has been more than one year since the start of the pandemic and countries worldwide, including ASEAN and the EU, are still trying to recover. The COVID-19 pandemic is one of the greatest challenges that ASEAN has encountered since its founding, in terms of both scope and scale. In this extraordinary time, we believe cooperation and collective effort to recover together from the pandemic is crucial. In response to the pandemic, ASEAN has adopted the ASEAN Comprehensive Recovery Framework (ACRF) and its Implementation Plan, which serve as ASEAN's whole-of-community exit strategy

from the pandemic. With most of the initiatives ongoing or partially completed, the effective implementation of the ACRF is crucial to ensure ASEAN's long-term resilience and sustainability.

Despite the COVID-19 pandemic, last year was a significant one for ASEAN and the EU as the dialogue relations was elevated to a strategic partnership at

the 23rd ASEAN-EU Ministerial Meeting on 1 December 2020. Both regions made significant advances in enhancing cooperation across the three ASEAN Community pillars, in particular in addressing the pandemic, which has disrupted our economic, social and healthcare infrastructure. ASEAN held one of its early dialogues with the EU to discuss ways to take forward the partnership to contain the virus and help the economy recover through the convening of the ASEAN-EU Ministerial Video Conference on COVID-19 in March 2020 and other expert-level meetings. This engagement signifies the strong relations and cooperation between ASEAN and the EU.

I appreciate the support from the EU for ASEAN recovery through the EU's "Team Europe" package of over €800 million and the EU Support Programme "South East Asia Health Pandemic Response and Preparedness" of €20 million to combat the spread of COVID-19 and mitigate the social-economic impact of the pandemic to the region. I also welcome further cooperation with the EU to support the implementation of the ACRF and the recovery in the region.



Looking forward to a strong and resilient recovery, three trends will be important for ASEAN: keeping markets open, digital transformation, and a regional sustainability model. ASEAN remains committed to keeping its market open and making supply chains stronger and more resilient, which will be more important to accelerate the region's recovery. This commitment is especially evident in the conclusion of the negotiation of the ASEAN-EU Comprehensive Air Transport Agreement (AE CATA) at the Extraordinary ASEAN-EU Senior Transport Officials Meeting held virtually on 2 June 2021. The AE CATA is the world's first bloc-to-bloc air transport agreement, and this will open greater opportunities for ASEAN and the EU's airlines to operate passenger and cargo services between and beyond both regions. This will bolster connectivity, particularly after the disruption caused by the pandemic, and this will positively impact the economic development of both ASEAN and EU. In addition, in November 2020, ASEAN successfully launched the ASEAN Customs Transit System (ACTS) with the support of the EU through the ASEAN Regional Integration Support Programme (ARISE Plus). The ACTS helps facilitate cross-border transit of goods over land, reducing time and costs of moving goods in the region.

Digital transformation plays an important role in our recovery as it keeps us connected, despite social-distancing requirements and work-from-home schemes and helps maintain business continuity and social connectivity during the pandemic. As many industries recorded losses amidst overall global slowdown, the internet economy continues to grow, seizing the opportunity from the accelerated digital transformation. By one estimate<sup>1</sup>, the number of internet users in most ASEAN countries increased by 40 million, to a total of 400 million,

in 2020. The pandemic also increased the use of health and remote learning platforms. To further support this growth, ASEAN has put forward a strong ASEAN digital agenda with the aims of building the right digital infrastructure, developing digital skills, and formulating conducive digital policies and regulations in the region through the adoption of the ASEAN Digital Masterplan 2025 and the ASEAN Digital Integration Framework Action Plan 2019-2025. The ASEAN and the EU have also adopted the ASEAN-EU Statement on Cybersecurity Cooperation in 2019, in which we agreed to promote an open, secure, stable, accessible, and peaceful information and communication technology environment. Moving forward, I believe we can explore more potential areas of cooperation on this issue, such as digital data governance, green and sustainable digital policies, digital rights, digital trade, and deeper cooperation on cybersecurity.

Our recovery efforts will not be complete without factoring in the sustainability model. In this connection, we are currently developing the Framework for Circular Economy for the ASEAN Economic Community, further strengthening various circular economy-related initiatives carried out under the ASEAN Socio-Cultural Community pillar and ASEAN Taxonomy for Sustainable Finance. In addition, ASEAN is promoting a greener and more sustainable urbanisation in ASEAN cities through ASEAN Sustainable Urbanisation Strategy and ASEAN Smart Cities Network, as well as sustainable infrastructure efforts to build the region's resilience through the Initial Rolling Priority Pipeline of ASEAN Infrastructure Projects. I would like to thank the continuous support from the EU in this agenda, particularly for the EU's new programme "ASEAN Smart Green Cities" and our agreement to enhance the sharing of

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<sup>1</sup> Google, Temasek, Bain & Co, 2020. "e-Economy SEA 2020 – At full velocity: Resilient and racing ahead."

experiences and expertise in tackling the challenges of urbanization. In the near future, ASEAN welcomes the expansion of our cooperation in sustainability agenda, particularly on the issues of sustainable yet smart agricultural practices and green technology, aligned with our program on circular economy and sustainable finance, biodiversity conservation, climate change and green growth.

Finally, there is still room to expand ASEAN-EU relations through an FTA between the two blocs. The challenge will be huge for both sides. However, such an FTA could build on existing FTAs, and those in negotiations, between the EU and some ASEAN Member States. In addition, the Regional Comprehensive Economic Partnership (RCEP) has shown that ASEAN could play a catalytical and central role in bridging the

gap between developed and developing countries in coming to a common understanding on a broad-based trade agreement. In this context, ASEAN and the EU are working toward a framework on the parameters of issues for an FTA, which will serve as the foundation for future negotiations.

To conclude, I am pleased to see that the ASEAN-EU relations has grown stronger throughout the past 44 years. As the year 2022 will mark the 45th anniversary of the ASEAN-EU Dialogue Relations, I look forward to further strengthening our strategic relations through concrete and practical cooperation as well as a Commemorative Summit in Brussels to mark the occasion and to provide strategic guidance to further realise the potential of both regions.

## Daniel Casper MEP, Chairman, European Parliament Delegation for Relations with the Countries of Southeast Asia and ASEAN (DASE)

First Published 21 July 2021

### EU-ASEAN Strategic Partnership: Looking at the Big Picture

Six months after the historic decision to upgrade the EU-ASEAN Partnership to the “Strategic” level, which definitely is a welcome milestone after 44 years of intense and overall positive relationship, the big questions are: how to make a success of this new qualitative step, and what can be called a success?

We all know the starting point in terms of facts and figures, and they are striking: the EU and ASEAN together represent more than a billion people and almost 25% of global economic wealth. The EU is ASEAN’s second largest trade partner after China, and ASEAN as a whole is the EU’s third largest trade partner outside Europe, after the US and China.



The tragic pandemic that continues to affect billions of people around the world, including in Europe and Southeast Asia, has only reinforced our bonds, as both regions share a common interest in pursuing a multilateral approach to an affordable, fair and equitable access to safe and effective COVID-19 vaccines. The EU and its Member States notably are the world’s leading sponsors of the COVAX facility, at the benefit of a growing number of people in the ASEAN region, among others. ‘Team Europe’ has dedicated EU-assistance to South East Asia of €800 million to tackle the COVID-19 pandemic in the region and to mitigate its socio-economic impact, with an additional

€20 million support of WHO activities in the region.

The policies and measures foreseen by the two parts in the context of the new strategic partnership are numerous and ambitious. Together, we will enhance our overall prosperity, promote our security, strengthen our resilience, and improve our connectivity. Together, we will facilitate a stronger economic cooperation, preserve peace and stability, make our connectivity more sustainable, and we will work tirelessly for a sustainable development, be it on human rights issues or on fighting against climate change and in favour of biodiversity.

This is a copious agenda and if, as I strongly believe, we are able to achieve most of it, we will have made steady progress. But beyond policies and measures, however positive they may be, the question remains: how to fundamentally make a success of this enhanced relationship and what can be called a genuine success, and for whom?

As Member of the European Parliament, my constituents ask me every day: what is in it for me? This is a more than legitimate question, and it also applies to any vital relationship, like the one between our regions, and ultimately between our people. In ten years' time, our constituents in Europe and Southeast Asia must have no doubt that real progress has been made in deepening our relationship.

In its latest edition of the "State of Southeast Asia", the Yusof Ishak Institute indicates that the EU and Japan are "the clear front-runners for ASEAN's most favoured and trusted strategic partners in the hedging game against US-China rivalry". It also states that the EU "comes in second place at 51% (after Japan at 67.1%) with many viewing the EU as a reliable champion on issues such as the rule of law, global governance, free trade, sustainability and climate change".

To be honest, it would be difficult to find a similar study in the opposite direction, and this is only telling: there is not enough awareness and genuine interest towards our ASEAN counterparts in European public opinion.

It saddens me to say so, as it saddens me to acknowledge that the EU circles in Brussels, as well as most of our national capitals, are yet to demonstrate interest towards ASEAN, its Member States and its people in a way that they deserve. This is what has to change, and the result of this change will in my eyes be the real measure of the success of our new EU-ASEAN paradigm.

So, what do I propose for this to happen?

First, a strongly enhanced parliamentary relationship that will enable people to have their views taken on board, with buy-in on initiatives coming about in a bottom-up rather than a top-down approach.

The European Delegation for ASEAN, that I have the honour to chair, will soon co-host the bi-annual meeting of our new "Dialogue", together with ASEAN MPs Members of the ASEAN Inter-Parliamentary Assembly (AIPA). Our mutual intention is to gradually but intensely increase the quality and quantity of our exchanges, and possibly create, rather sooner than later, an EU-ASEAN Parliamentary Assembly, the first one for us in Asia.

Second, the creation of an EU-ASEAN network of think-tanks, foundations and universities, that would reflect and make proposals on the next phases of the relationship between our two regions, as well as on all topics that they would deem useful to a vibrant exchange of ideas and policies between us.

A number of other initiatives linking the Southeast Asian and European civil societies in their many aspects would also be crucial to reinforce the indispensable person-to-person

dimension of the strategic partnership: organisations representing the trade sector of course - and this is a good opportunity for me to genuinely praise the great work of the EU-ASEAN Business Council and its partners in the EU and ASEAN -, but also actors in the field of women's rights, students and young people, defence of fundamental rights etc...

To facilitate this effort, the European Parliament has decided to deploy a few of its officials to the region, as an additional sign of its determination

to make of the renewed EU-ASEAN relationship one that matters more than ever.

To conclude, I cannot resist quoting former German chancellor Konrad Adenauer, one of the fathers of Europe, who said about the European integration process, "if the best solution cannot be achieved, then one must take the second or third best". I may not be as wise as the chancellor, but as for the EU-ASEAN strategic partnership, I only wish for the best solution.

## The Honourable FDR. AR. Siti Rozaimerianty DSLJ Haji Abdul Rahman, Chairwoman of ASEAN Business Advisory Council 2021

First Published on 28 July 2021

### The European Union and ASEAN relations: Forging ahead together towards a stronger recovery

In 2021, the European Union (EU) and ASEAN marks 44 years of robust cooperation and have steadily deepened relations, building on shared values of effective multilateralism and rules-based international order as well as booming trade and investment. The EU



and ASEAN reaffirmed their commitment on the implementation of the Sustainable Development Goals (SDGs) as a priority for both regions which signifies an integral part of both the EU and ASEAN regional integration process. This is to ensure a sustainable and people-centred approach in the spirit of leaving no one behind.

The COVID-19 pandemic has gravely impacted the world's economy, catapulting a global health crisis into a global economic crisis that has hit the most vulnerable the hardest. As restrictions were implemented, it affected the labour markets and businesses globally and changed the way we live and work. We are currently

facing one of greatest challenge of humanity and our central purpose of recovery efforts must be to serve the needs of the people. In these challenging times, ASEAN Business Advisory Council (ASEAN BAC) has emphasised the urgent need to save lives and

livelihoods by balancing healthcare and economic priority measures to safely and effectively manage our way through the pandemic.

In 2020 ASEAN BAC, with the strong support from the EU ASEAN Business Council (EU-ABC) and other Joint Business Councils and sector champions, published a report entitled '*A Pathway Towards Recovery and Hope for ASEAN*' which presents 225 short- and medium-term concrete measures to the ASEAN economic ministers and leaders to address the pandemic and initiate the groundwork for a faster recovery



and growth anchored on economic resilience, inclusivity and sustainability.

If there is one thing ASEAN has learned from the pandemic, it is the value of solidarity that has enabled us to mitigate the impacts of the crisis. This includes strengthening regional cooperation in which we have seen a significant collective effort from EU in support of ASEAN towards recovery. Its relations continued to flourish in spite of the pandemic where both regions agreed to take a leap as a strategic partnership at the 23rd EU-ASEAN Ministerial Meeting on 1 December 2020, working together across the three ASEAN Community Pillars.

Furthermore, we cannot fail to mention the generous collaboration of the EU with the World Health Organisation (WHO) to strengthen ASEAN's capacity to respond to the pandemic and build up a resilient health system for which we are most grateful. To carry out this programme, the EU has provided €20 million (\$24.35 million) to the WHO for the governments of Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand and Vietnam.

The EU have also indicated their willingness to share its Digital Covid Certificate System which facilitates validation of vaccinations across borders aimed at promoting greater mobility and would help to resuscitate highly impacted industries such as travel, tourism and hospitality which are key GDP-drivers within ASEAN. This is definitely something ASEAN BAC can work together closely with EU-ABC towards the ease of mobility restrictions not only for intra ASEAN travel but also with the EU.

On the economic front, the EU provides ASEAN with a great model for regional economic integration and harmonisation. While we believe it has less diversity issues and challenges compared to ASEAN, the EU has served as a "big brother" to ASEAN for sharing considerable

resources in terms of knowledge and best practices, technical assistance, capacity building programs and others, in facilitating the achievement of the ASEAN Economic Community Strategic Blueprint 2025.

In this regard, the EU-ABC has provided a great deal of support in partnering with ASEAN BAC through instituting policy reform recommendations, programmes and projects in the key area of trade facilitation. They lend a helping hand for ASEAN to meet its targets of increasing Intra-ASEAN trade and bringing down the cost of regional trade in ASEAN, among other ASEAN Economic Community aspirations. The EU-ABC in fact chairs ASEAN BAC's Joint Business Council Working Group on Trade Facilitation and spearheads various consultative meetings with relevant ASEAN Sectoral Bodies aimed at tackling the existing NTMs and NTBs, promoting customs modernisation, enhancing harmonisation of quality and standards of goods and services, and related issues.

We are also delighted and encouraged that the EU-ABC and the EU ASEAN Regional Integration Support from the European Union (ARISE-plus) has launched a trade facilitation instrument known as ASSIST (ASEAN Solutions for Investment, Services and Trade) that allows ASEAN businesses to file trade violations against ATIGA (Agreement on Trade in Goods in ASEAN) and expects responses from relevant sectoral bodies. The platform which became fully operational on 1 May 2019 needs all the support especially from the private sector to make it a truly effective instrument to addressing issues and challenges and facilitating trade across ASEAN.

Looking ahead, we are called upon to continue working hand-in-hand and in close coordination to ensure that all grounds are covered as we navigate the road of recovery. In pursuit of our 2021 ASEAN BAC theme of "Recover. Stronger. Together. SAMA-SAMA", it is indeed

noteworthy, the EU-ABC has signified its intention to support Brunei's ASEAN Chairmanship following Priority Economic Deliverables (PEDs) focusing on trade and investment, tourism, e-commerce, food, agriculture and forestry (FAF), energy and sustainability specifically on circular economy.

The EU's leading role and contribution in promoting and addressing the key pillars of the Sustainable Development Goals provides tremendous opportunities for the business sector especially from ASEAN to step up its game towards long term sustainable growth. The whole business playing field from finance, manufacturing, markets, supply chains and the policy environment are being re-oriented towards supporting ESG (Environment, Socials and Governance) Principles and Best Practices. Governments and businesses must work together to identify and take advantage of the opportunities that are presented by the new norms anchored on ESG, digital transformation, innovation and inclusiveness that cut across all

sectors. Therefore, partnering with EU business in this new realm would be a win-win for ASEAN.

Finally, ASEAN BAC expresses their support on the resumption of the ASEAN-EU FTA negotiations between the two blocs. ASEAN has proven its capability and determination to accomplish a mega-FTA with the Regional Comprehensive Economic Partnership (RCEP) last year. We welcome further cooperation in expanding ASEAN-EU relations through an FTA to tap the full potential of both regions. This will present an opportunity for ASEAN to deepen its market access in EU while building momentum towards long-term resilience, sustainable development and inclusive growth. To conclude, with an all-out support from the EU and our EU-ABC partner, we from the ASEAN business sector are confident that negotiations towards an FTA framework will set in place our relations as we grow stronger in the years to come.

"Let us Care and Recover, Prepare for Stronger Unity and Prosper together, Sama – Sama"

*Clingendael Netherlands Institute of International Relations - Maaïke Okano-Heijmans, Karthik Nachiappan and Brigitte Dekker*

First Published 4 August 2021

### **EU action beyond the maritime domain: Towards open and secure digital connectivity in and with ASEAN**

The European Union is crafting a distinct strategic approach to the Indo-Pacific. While most attention goes out to European action in the maritime domain, ultimately, the EU and its member states could offer more in the hotly contested high-tech and digital domains.

The EU's Indo-Pacific Strategy— as announced in the [EU's Foreign Affairs Council Conclusions](#) of 19 April 2021 – shows the EU's ambition in this volatile but dynamic region. The EU seeks to catalyse partnerships with all partners who share

common objectives, in areas including trade, ocean governance, research and technology, connectivity, health and climate change.

The EU pivot to the Indo-Pacific follows that of several of its member states: [France](#), [Germany](#) and [the Netherlands](#) have already put out national guidelines. It also follows the [EU-Japan partnership on connectivity](#) and the general [EU strategy on connectivity](#).

European governments and firms should conceptualise the Indo-Pacific broadly, beyond the maritime and security domains, where the Indo-Pacific concept has its roots. Digital connectivity represents an area where European and Asian countries can collaborate to support the growth of digital economies and enhance cyber resilience across the Indo-Pacific.

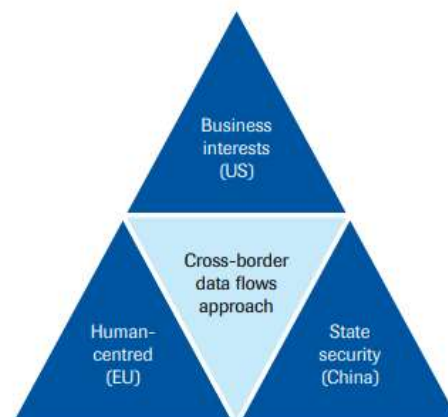
The Indo-Pacific is home to a vibrant digital ecosystem buoyed by booming e-commerce and FinTech landscapes, and the largest and most rapidly growing internet user bases in the world. As the EU seeks to build closer partnerships, the focus must initially be on the Association for South-East Asian Nations (ASEAN) and three Indo-Pacific countries that are key players in the digital domain that share EU objectives: India, Indonesia and Singapore. These countries can anchor the EU's digital engagement with the region.

It is in the EU's interest to do so, because China's rise as a technological power represents a concern, and not just for the United States. Beijing understands that control of the world's digital networks through which the world's data flows will become a major source of geopolitical power.

Countries like India and Japan who have military conflict with China worry about China's domination of global technologies, which increases calls for 'like-minded' partners to work together to develop standards and norms that will govern the development and use of emerging technologies, deterring their use for illiberal ends.

Fostering digital connectivity in the Indo-Pacific provides an opportunity for the EU to advance human-centred approaches, standards of new technologies and norms. A human-centred approach emphasises users, data privacy, and digital rights. This approach contrasts with the market-oriented approach of the US

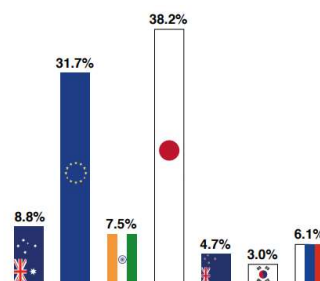
government and the state-security focus of the Chinese government.



**Figure 1: Approaches to data regulation: prioritising privacy, business interests and state security**

Source: Dekker and Okano-Heijmans, [Europe's Digital Decade?](#), 2020.

The costs of the EU's failure to engage on digital issues across the Indo-Pacific are high, as technology governance models risk being dominated by the interests of states and big tech companies rather than of individuals. Its image as the [most favoured and trusted strategic partner](#) of countries in the region after Japan, opens pathways for collaboration, especially with the ASEAN.



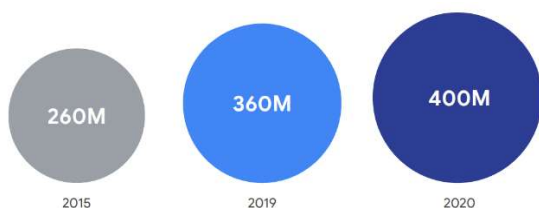
**Figure 2: If ASEAN were to seek out "third parties" to hedge against the uncertainties of the US-China strategic rivalry, who is your most preferred and trusted strategic partner for ASEAN?**

Source: Tang, S. M. et al., [The State of Southeast Asia: 2020](#) (Singapore: ISEAS-Yusof Ishak Institute, 2020).

What can the EU do? It must acknowledge that European efforts towards greater digital inclusion, sustainability and cybersecurity can only be achieved through robust hard and soft infrastructure. Digital infrastructure lies at the heart of digitalisation and sets the standard for the technologies built on it.

The EU acknowledges that ASEAN can be a strong partner for enhancing digital economy and connectivity cooperation. [The joint initiative](#) to develop a basis for an ASEAN digital benchmarking index shows the efforts to connect the EU's experience in measuring digital economy to the needs of the ASEAN region.

Internet connectivity in the Indo-Pacific is rising, but broadband penetration remains low across the ASEAN region. Brussels should support the expansion of broadband access across the Indo-Pacific through targeted public investments and regulatory reforms that inject more competition in their telecommunication sectors to lower prices, increase speed and broaden access.



**Figure 3: Total internet users in Southeast Asia**

Source: [e-Conomy 2019 report](#), Statista for 2020.

Also, the EU should support efforts of ASEAN countries to develop data policies that fuel the digital economy's growth. Gaps exist across the region on data governance. Abundant opportunities exist for the EU to support the FinTech revolution across the Indo-Pacific. This includes the development and export of specific digital infrastructures that expand financial access in developing countries, such as mobile and contactless payments, and virtual banks.

Countries in the Indo-Pacific have expressed a desire to learn from Europe's experiences, from data protection regulation to cyber security. Indeed, the [EU's cybersecurity initiatives in the Indo-Pacific](#) region started to be developed in recent years, resulting in joint commitment to promote an open, secure, stable, accessible and peaceful ICT environment.

How can the EU engage on digital matters? The ASEAN Digital Ministers Meeting ([ADGMIN](#)), which was held for the first time in January 2021, offers a valuable platform for engagement. This includes China. The Quad – the informal grouping between Australia, India, Japan and the US – is another natural entry point, as it moves beyond its traditional security focus towards issue-based cooperation in the tech and other fields, exemplified by the [resilient supply chain initiatives](#) and the [Quad Tech Network](#).

The EU can contribute to an open, safe and inclusive digital connectivity and engage with the thriving digital economies in the Indo-Pacific. It should act now.



## Secretary Teodoro Locsin Jr – Secretary of Foreign Affairs for the Philippines

First Published on 11 August 2021

The Philippines will be the country coordinator of ASEAN-EU relations for the next three years up to 2024. It succeeds Singapore in this important role at the forthcoming ASEAN Post-Ministerial Conference Session with EU in August 2021.

The Philippines' role as country coordinator will be crucial as ASEAN-EU relations face the challenges of the pandemic and the post-pandemic future. Focus will be on issues that are strategic, transcendental and transformational. For the Philippines, these priority issues include climate change, environmental protection, biodiversity, conservation, sustainable development goals, gender justice, digital solutions, migration, maritime domain awareness, and cybersecurity.

These key areas will harness the full potential of ASEAN-EU relations to impact positively, the world's post-pandemic recovery. These will also complement existing areas of cooperation in connectivity and economic engagement, which have steadily progressed since ASEAN-EU relations started in 1977.

From being Dialogue Partner in 1980, and recently, Strategic Partner, the EU continues to make headway in cultivating stronger and deeper relations with ASEAN. It is the first international organisation that acceded to the Treaty of Amity and Cooperation in 2012, and co-founded the ASEAN Regional Forum in 1994.

Among ASEAN's ten Dialogue Partners, EU ranks as its third largest trading partner and source of foreign direct investments. Mutual confidence



and positive momentum drive the ongoing ASEAN-EU Free Trade Agreement talks.

On 02 June 2021, negotiations on the landmark ASEAN-EU Comprehensive Air Transport Agreement were concluded. As the world's first bloc-to-bloc air transport agreement, it is a pivotal development in global connectivity. This demonstrates that the ASEAN-EU Plan of Action 2018-2022, which prioritises regional connectivity, is not just ink on paper.

The Philippines appreciates EU's interest to promote synergies between the Master Plan on ASEAN Connectivity 2025 and the EU Connectivity Strategy. Enhanced connectivity will boost national efforts to restart and reenergise domestic economies while battling the pandemic.

The Philippines looks forward to facilitating negotiations on the successor ASEAN-EU Plan of Action during its country coordinatorship. It envisions a Plan of Action that is forward-looking, robust, and responsive to the aspirations of ASEAN and EU and their respective member countries. It will be a dynamic platform for broader and deeper engagement between the two regions.

As the world pivots to a post-pandemic future, ASEAN is cognisant of, and ready for, the opportunities emerging from the fluidity of the present. The stabilising ASEAN centrality will continue to shape Southeast Asia's regional architecture. External partners have much to benefit from this balance of dynamism and stability.

When the ASEAN-EU Strategic Partnership was formalised in December 2020, it signaled a new direction and readiness to expand cooperation across political-security, economic, and socio-cultural spheres, from end to end. The Philippines is ready to steer and mobilise this new direction into concrete, beneficial gains for both organisations.

The thriving ASEAN-EU partnership is a bright spot in these dark times. The Philippines as country coordinator welcomes the challenge and opportunity to shape the way ahead for these two organisations, so vital to global peace and security, and a sustainable future for all.

## Noel Clehane, Global Head of Regulatory & Public Policy at BDO, Chairman of the European Services Forum and Member of the EU-ASEAN Business Council Executive Board

First Published on 18 August 2021

Others in this excellent series of essays have well-covered the most pertinent details about the 44-year relationship, now a strategic partnership, between the EU and ASEAN. These include the extensive levels of trade in goods and services between the two regions, the very significant foreign direct investment flows and stocks held in both directions and the very sizeable development aid and other programme support from the EU and its member states to ASEAN.

Covered also were the high-level geostrategic arguments for closer political relations between the world's two most advanced regional blocs as was the support and collaboration galvanised by the Covid pandemic.

From an economic and business perspective, there can be little argument that the European Union is the leading integrated single market in the world and that ASEAN is, in aggregate, also a leading global economic bloc and arguably one of the key auxiliary engines of growth in the world. It is likely to be even more so post-pandemic as supply chains reorder and globalisation 'regionalises'. Most commentators confidently predict the South-East Asian grouping, again taken in aggregate, to become



the 4<sup>th</sup> largest economy in the world sometime between 2030 and 2040 with its c650 million people creating a huge internal market of its own as well as playing a key role in global value and supply chains for the rest of the world.

While significantly smaller in absolute terms than the EU, the aggregate economic heft and significance of ASEAN is not always appreciated in Europe. Nor is the sophistication of its larger economies, its fast-growing digital economy nor the spending power of its burgeoning and well-educated middle class. The European Union is similarly not always understood or appreciated universally across ASEAN although it regularly comes out in various polls as ASEAN's most trusted partner along with Japan.

EU exports to ASEAN countries grew from €54 billion in 2010 to €85 billion in 2019 and imports increased from €72 billion to €125 billion euros. While the growth rate has moderated in the meantime and lags ASEAN's growth in global trade, those trajectories are set to continue, and the volumes are significant. It is self-evident therefore that good EU-ASEAN political and

economic relations are essential for both blocs. To maximise the potential, the EU needs to work to be better understood in ASEAN and ASEAN needs to up its game and present itself as a cohesive bloc and voice in Europe.

In my experience ASEAN is often wrongly seen in Europe as an under-developed or half-baked version of the European Union and issues arising with its individual members are sometimes unfairly ascribed to the bloc as a whole. These factors limit the upside from the relationship. European and ASEAN businesses have, however, long been aware of the mutuality of interests and economic benefits as reflected in the impressive bilateral trade and investment data and in the strong flows of capital, people, skills, ideas, standards and data between the regions. BDO firms in Europe and in ASEAN have seen a sustained interest for many years among their clients in doing business with and investing in the other region and this is evident across all sectors and among businesses of all sizes. This interest is particularly notable among ambitious mid-market businesses, sometimes seen as the top end of the more generic SME cohort.

Looking at the last 18 months, the language used by EU and ASEAN policymakers about post-Covid recovery is often a mirror image of that used by the other where the words 'digitisation', 'sustainable' and 'green' pepper the respective politicians' rhetoric and policy proposals. Common, or at least coordinated, policy responses to the challenging areas of economic recovery and stimulus, cybersecurity, digital trade, smart city planning, climate emergency, sustainability, healthcare and education offer the basis of a very meaningful strategic relationship. Can more to be done to synchronise the policies under these headings so that the respective recoveries can, to some extent, happen in lockstep or at least be synchronised? Could the EU coordinate its core strategies in the key areas of its Green Deal,

Carbon Border Adjustment Mechanism, Supply Chain Due Diligence tools and Sustainable Finance with counterparts in ASEAN to give optimal outcomes? The time to coordinate such ground-breaking policy proposals is at the outset.

In January 2017, I posted an article on LinkedIn entitled '*Doing business in ASEAN and why it's not the EU*'. On reading it again, it is clear that despite the many positive developments in the relationship since then, the two constructs remain different and these require businesses to carefully calibrate their approaches to and within each market. Businesses would naturally prefer a true region-wide economic framework across ASEAN. It's coming, but very slowly in the form of the '*ASEAN Economic Community*' (AEC) launched in 2015. Over the past two decades, most tariff lines on trade among ASEAN member countries have been reduced to zero and while this is a major achievement, the 'low-hanging fruit' of tariff reduction has now been harvested. The ASEAN members must move on to the thornier challenge of eliminating non-tariff barriers or NTBs as they are known by the experts. Intra-ASEAN trade has as a result stubbornly remained below 25% and is currently just under 22%. By contrast the comparable level of intra-EU trade is estimated at over 65%. Room for growth!

Increased emphasis has been placed on initiatives to facilitate trade, ease supply chain bottlenecks and strengthen regional connectivity. Closer collaboration with the EU, beyond the already very significant assistance through initiatives such as ARISE+, could further lubricate these efforts, facilitate economic growth in ASEAN and make it easier for both ASEAN and EU businesses to do business in ASEAN as a region. This would be particularly important for midmarket/SME businesses who often are particularly disadvantaged by NTBs and other non-tariff measures as they have neither

the resources nor patience to navigate through them.

It is a source of optimism for me nonetheless that many European businesses still see ASEAN as the region offering the most economic opportunity globally. The desire for closer trade relations with Europe from significant elements of the business community in Indonesia, Thailand and the Philippines, suggests that Europe also offers enduring appeal to the economies of ASEAN. Despite the impact of the pandemic, Singapore and Vietnam have already shown identifiable trade and investment growth with the EU since they implemented FTAs and investment protection agreements in recent years. Much as businesses in both regions would welcome a 'region-to-region FTA', I would concede that while it is still a great idea on paper, it is not likely to materialise in the near future. That being the reality, more momentum should be injected into concluding further ambitious bilateral FTAs with ASEAN countries and continuing to include progressive chapters covering SMEs and services industries. With ASEAN's largest economy, Indonesia, taking the chair of the G20 in 2022 and of ASEAN itself in 2023, and with trade negotiations (CEPA) between that country and the EU ongoing, now would be a very good time to redouble efforts to conclude those challenging negotiations. As the old saying goes, you don't get what you deserve, you get what you negotiate!

It shouldn't be forgotten that the number of businesses from ASEAN trading with or investing in Europe, has also been growing steadily in recent years but they suffer from a lack of visibility and the absence of a unified voice for the ten-country bloc in Europe particularly in Brussels and key EU policy capitals. As with the ten separate ASEAN Missions, perhaps a more unified and concerted approach by these businesses through an ASEAN trade association or chamber in Europe, would enhance the commercial presence and policy influence of these dynamic businesses. Could Covid be the catalyst to prompt a reset or mindset change in this regard? Food for thought.

Lastly, it is a truism that the EU and ASEAN and member nations are strong supporters of multilateralism and of rules-based international trade. Even where significant differences arise on other issues, it is essential that both blocs give effect to their common viewpoints by working together and seeking to forge closer trading and economic ties if they are to successfully influence the evolving global trading order. As High Representative Josep Borrell wrote in his earlier essay....*'you cannot be multilateralist on your own. We have always been and will always be stronger when we act together'*. Sentiments which I fully endorse!



## EU-ASEAN enterprises pursuing growth through Connectivity and Collaboration

The European Union (EU) is one of the oldest dialogue partners of the Association of Southeast Asian Nations (ASEAN). Bilateral relations were formalised in 1977 and since then, the two economic blocs have established strong ties with each other and are deeply economically intertwined through trade, foreign investment, global value chains and mutual market demands. As their economic ties continue to progress steadily, the EU and ASEAN are strengthening their connectivity to maximise the full potential of their collaboration.



With more than 50 years of commercial relations with ASEAN, the EU has consistently been one of ASEAN's top three trading partners and a leading source of foreign direct investments (FDI). According to Eurostat, between 2010 and 2019, exports from the EU to ASEAN grew 57 per cent to 85 billion euros although the pandemic caused exports to dip to 69 billion euros in 2020. According to the EU-ASEAN Business Sentiment Report 2021, more than 80 per cent of European businesses expect to increase their level of investment in ASEAN over the next five years.

As one of the fastest-growing regions in the world, ASEAN represents a huge business opportunity for European companies, including small- and medium-sized enterprises (SMEs), looking for new growth markets. There are a few reasons why ASEAN appeals to European companies. Home to about 650 million people, the majority of whom are young and technologically savvy, ASEAN offers long-term business and investment opportunities to European companies.

### Economic connectivity between the two regions

With the conclusion of the landmark ASEAN-EU Comprehensive Air Transport Agreement (AE CATA) in June 2021, air connectivity between the two regions will get a boost, facilitating the exchange of people and businesses. This will in turn help to support economic

development in both regions as nations work on the recovery from the pandemic. Under the world's first bloc-to-bloc air transport agreement, the airlines of EU and ASEAN will be able to fly any number of services between both regions and any number of cargo services via and beyond to any third country.

To increase market access for European businesses, the EU has also entered into Free Trade Agreements (FTAs) with several ASEAN countries. One example is the European Union-Singapore Free Trade Agreement (EUSFTA) which entered into force in November 2019. The EUSFTA provides more opportunities for European companies to participate or to collaborate with Singapore companies in government procurement projects. Besides the EUSFTA, the EU also has an existing FTA with Vietnam, while negotiations are taking place for Indonesia, Philippines, Malaysia, Myanmar and Thailand.

The Regional Comprehensive Economic Partnership (RCEP) represents another opportunity for European companies in ASEAN. Through the RCEP, European companies can set up their production in any RCEP country to secure preferential access, tariff reduction and

the harmonisation of the rules of origin across the region. Given the pandemic and geopolitical risks, European businesses can also tap ASEAN's increasing role in global value chains and shift or diversify their supply chains into ASEAN.

From the existing FTAs to RCEP, they could potentially serve as building blocks for a EU-ASEAN trade agreement that will increase economic connectivity further.

### **New areas for collaboration**

Access to a large and young talented workforce is not the only factor drawing European companies to ASEAN. ASEAN has a firm commitment to innovative manufacturing – formalised by the 2019 ASEAN Declaration on Industrial Transformation to Industry 4.0.

European companies involved in advanced manufacturing and that are planning to expand to the region can tap the Southeast Asia Manufacturing Alliance (SMA), an alliance between Singapore's Economic Development Board (EDB) and Enterprise Singapore (ESG). The SMA aims to serve as a 'matching' service connecting manufacturers with industrial parks in the region. Under the SMA, foreign companies can leverage ASEAN's diverse manufacturing capabilities, one-on-one customised services and deep support for the implementation of Industry 4.0 technologies.

In addition to advanced manufacturing, the EU and ASEAN can also cooperate in areas of innovation and sustainable development. For example, Singapore is looking to sign a Digital Economy Agreement (DEA) with other economies so as to establish digital trade rules and to foster digital economy collaborations in areas such as artificial intelligence and secured cross-border data flows. A DEA with the EU will be a step towards helping businesses in Europe to capitalise on opportunities arising from ASEAN's growing digital economy.

ASEAN's transformation toward a greener economy provides an estimated US\$1 trillion in annual economic opportunities by 2030, according to Bain & Company.

The EU, with its considerable expertise in developing and adopting of smart urban solutions, can also bring added value to the ASEAN Smart Cities Network Initiative, created to address potential new growth opportunities estimated at US\$400 billion annually out of the total of US\$1 trillion. To capture these new growth opportunities, we rolled out the UOB Smart City Sustainable Finance Framework in November 2020 to support companies in various sectors that are committed to building sustainable and smart cities by making it simpler for them to apply for sustainable financing and to access industry expertise.

Enhancing the connectivity and forging greater collaboration between business communities in the EU and the ASEAN are critical to ensuring a strong recovery from the pandemic. The UOB FDI Advisory Unit has been helping to facilitate cross-border trade and investments between Europe and Singapore and the rest of Southeast Asia since 2011. To-date, the team has supported nearly 250 European companies in their expansion into ASEAN and we will continue to play our role in driving the business and economic flows between the two regions.

First Published on 1 September 2021

## EU and ASEAN – economic partners in a dynamic world

Relations between the EU and ASEAN have never been closer. This reflects the fact that the ASEAN region has grown spectacularly in recent decades. It is a fulcrum of global growth: a dynamic, vibrant and increasingly prosperous region.

The EU-ASEAN Business Council has been right at the heart of this deepening of relations. By fostering links between our two regions, and facilitating trade and investment, your work is driving growth and job creation on both sides.

A significant leap forward was taken at the Ministerial Meeting on 1 December 2020, when our trade and investment relationship was elevated to a Strategic Partnership.

Furthermore, the EU's financial solidarity and profile as a reliable, multilateral actor in the midst of the pandemic has been well received in the ASEAN region. The "Team Europe" pandemic support measures, delivered through EU institutions and Member States working closely together, has mobilised over EUR 800 million to support ASEAN's fight against the coronavirus.

When it comes to trade, investment and economic relations, we remain major partners, despite a slight dip in trade flows during the COVID-19 crisis. In terms of ranking, the EU is now the third investor and third trading partner for ASEAN. The fundamentals are solid: trade between the EU and ASEAN is largely complementary, and there is good potential to develop our relationship even further. Indeed, this is a priority for the EU.



The EU's new strategy for trade, *"An Open, Sustainable and Assertive Trade Policy"*, will provide a strong foundation for our relationship to grow, and flourish.

It reaffirms the EU's commitment to open, fair and rules-based trade. It aims to support our recovery, while contributing to the green and

digital transformations of our economy and society. Accordingly, we will place a renewed focus on strengthening multilateralism, and reforming global trade rules to ensure that they are fair and sustainable.

This trade strategy places engagement with partners, on the basis of joint commitments to sustainable development, at the heart of our approach for the next decade.

The new strategic direction of EU trade policy focuses on openness, sustainability, and assertiveness. The aim is to respond to new global challenges and lessons learned from the COVID-19 crisis. Bilateral trade relations will naturally remain at the core of EU trade policy.

Reforming the WTO will be a top EU trade priority in the coming years, with the aim of restoring the Organization's relevance and credibility. This process should start at the upcoming twelfth Ministerial Conference (MC 12) in November, in coordination with all WTO members. The EU and ASEAN are likeminded partners who believe in the rules-based international system, recognising the centrality of a functioning WTO. I therefore very much look

forward to working with ASEAN to take our efforts on WTO reform to the next level.

Looking at bilateral and regional trade relations with ASEAN, we all hope that the COVID-19 pandemic will represent only a temporary blip in an overall upward trajectory. We see the conclusion of the Regional Comprehensive Economic Partnership (RCEP) as a signal of ASEAN's dynamism. We view RCEP - and indeed any agreement that supports rules-based trade - as something positive, while recalling that the EU will always seek a more comprehensive and ambitious approach in our own trade relations.

For example, the EU has concluded ambitious bilateral agreements with Singapore and Vietnam, which entered into force in November 2019 and August 2020, respectively.

We are negotiating with Indonesia and we are looking forward to resuming negotiations with more ASEAN member states, for instance the Philippines, Thailand and Malaysia, once they share a similar level of ambition and conditions are right.

Such agreements would also contribute to an increased engagement with the ASEAN region as a whole: we very much view these negotiations as building blocks for a region-to-region agreement.

The EU also continues to support least-developed ASEAN member States, such as Laos, Cambodia and Myanmar, who benefit from

duty-free, quota-free tariff preferences under the Everything But Arms arrangement of the Generalized Scheme of Preferences, while Indonesia and the Philippines respectively enjoy standard GSP and special incentive arrangements for sustainable development and good governance (GSP+).

Beyond regular trade agreements, there is also scope for regulatory cooperation between the EU and ASEAN.

One key area is the digital economy, where new rules are already being developed through plurilateral discussions on e-commerce in Geneva. While we would prefer multilateral rules, we have seen in the last decade that bilateral or plurilateral agreements are increasingly important, due to the complexity of global challenges and the diversity of views in the WTO membership.

We will be exploring options for further regulatory cooperation with ASEAN members. I hope that this path can over time evolve into another example of successful EU-ASEAN cooperation.

I commend the work of the EU-ASEAN Business Council in fostering further links between our two regions. We may be far apart in terms of geography, but we are closer than ever in terms of dynamism, ambition and commitment to open trade as a catalyst for sustainable development.



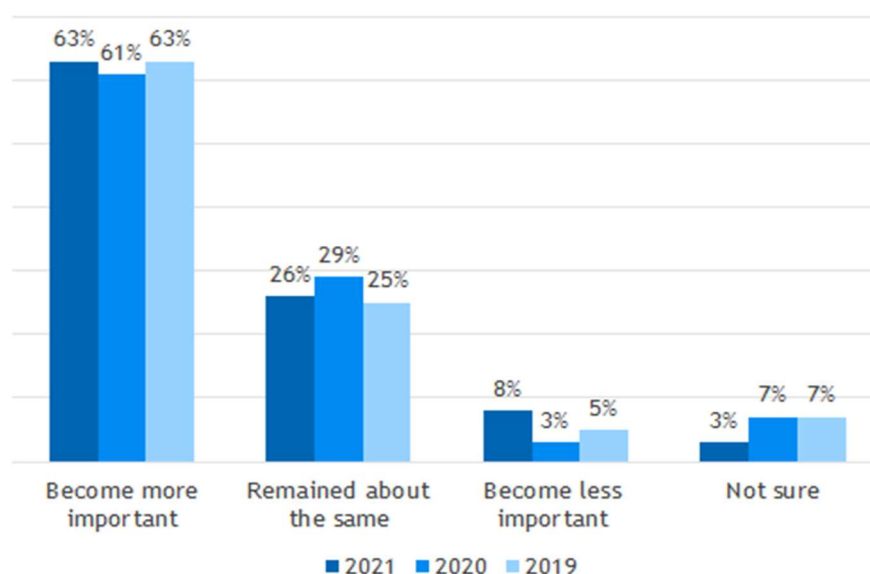
## CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

### European business confidence in ASEAN remains relatively strong

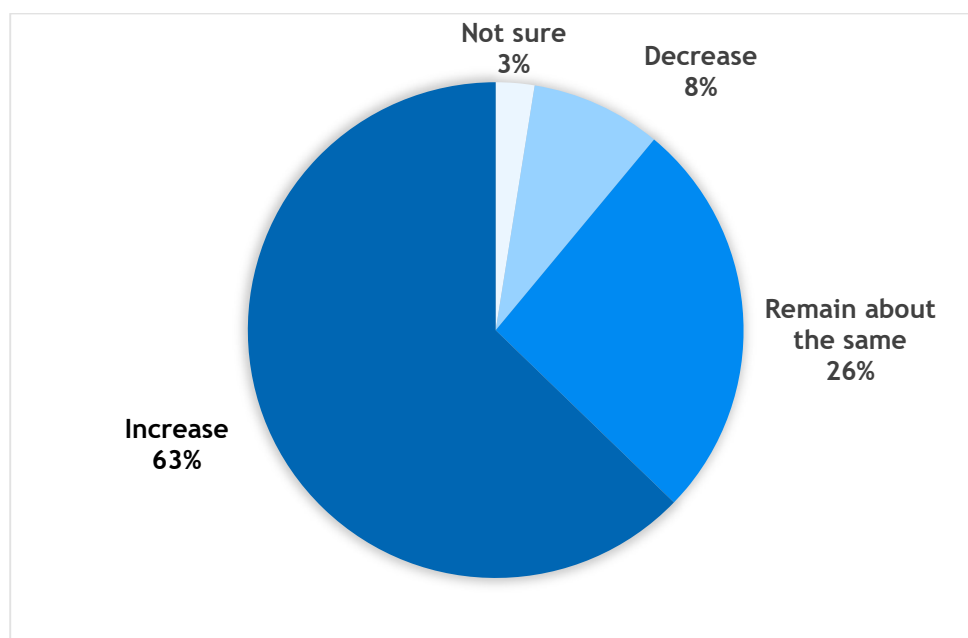
The optimism of European businesses for ASEAN has remained strong, with almost nine in ten respondents viewing ASEAN's markets as having remained the same or become more important in terms of worldwide revenues. Companies now expect a rise in profitability in ASEAN, with a significant uptick in the proportion of respondents expecting an increase (from 39% in 2020 to 63% in 2021), and only 8% expecting a decrease (as compared to 24% in 2020). Higher profit expectations are no surprise given that the

2020 survey was conducted during the height of the economic disruption caused by the COVID-19 pandemic, while COVID-19 vaccine roll outs in ASEAN had begun in 2021 around the time the survey was conducted. Hence, expectations of profitability in ASEAN in 2021 returned to pre-COVID-19 levels (63% in 2021 and 61% in 2019 expected an increase in profitability; 26% in 2021 and 30% in 2019 expected profits to remain the same; 8% in 2021 and 6% in 2020 expected a decrease in profitability).

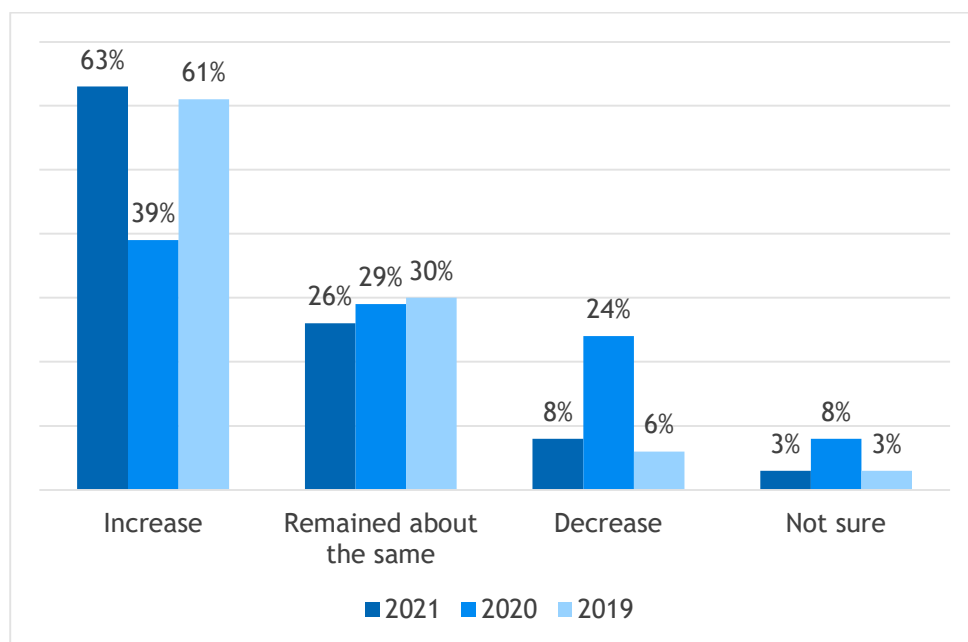
### ASEAN MARKETS IN TERMS OF WORLDWIDE REVENUES OVER THE PAST TWO YEARS (2019 - 2021)



## COMPANIES' EXPECTATIONS OF ASEAN'S PROFITS



## COMPANIES' EXPECTATIONS OF ASEAN'S PROFITS (2019-2021)

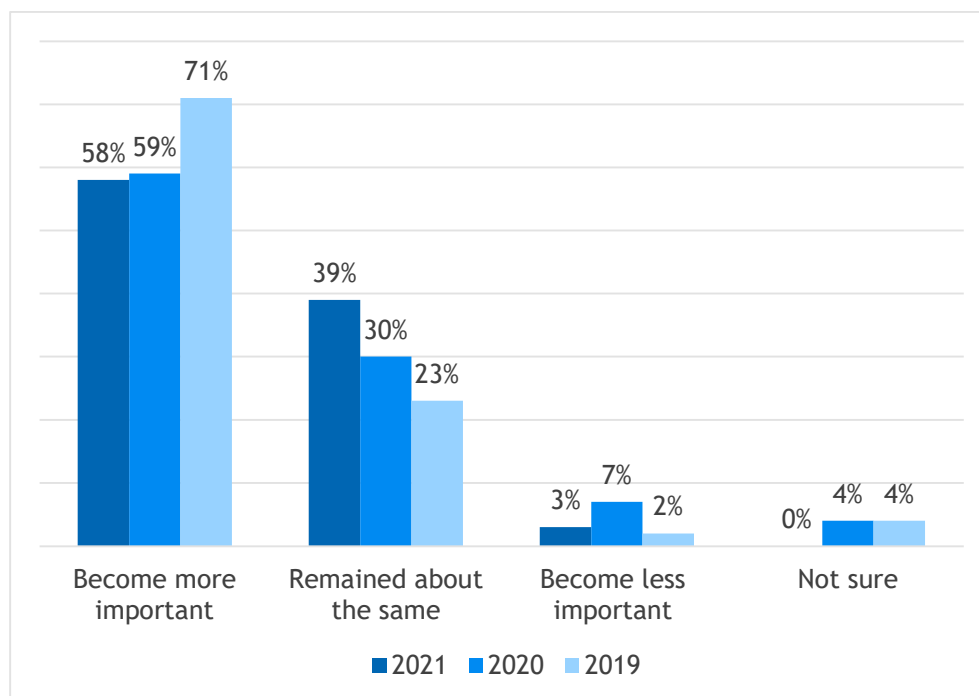


## ASEAN IS STILL SEEN AS IMPORTANT IN TERMS OF WORLDWIDE REVENUES IN THE NEXT TWO YEARS, BUT THE LEVEL OF IMPORTANCE HAS FALLEN

58% of respondents believe ASEAN will become more important in terms of worldwide revenues in the next two years. This figure is similar to that in 2020 (59%), but still significantly less than 71% in 2019. There is also an increase 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 30% in 2020 to 39% in 2021), perhaps signifying continued concern over the region's ability to achieve a speedy economic recovery from the ongoing pandemic.

## ASEAN MARKETS IN TERMS OF WORLDWIDE REVENUES OVER THE NEXT TWO YEARS (2019-2021)



## ASEAN IS STILL THE REGION SEEN WITH THE BEST ECONOMIC OPPORTUNITY; OPTIMISTIC VIEW OF TRADE AND INVESTMENT IN ASEAN AS WELL

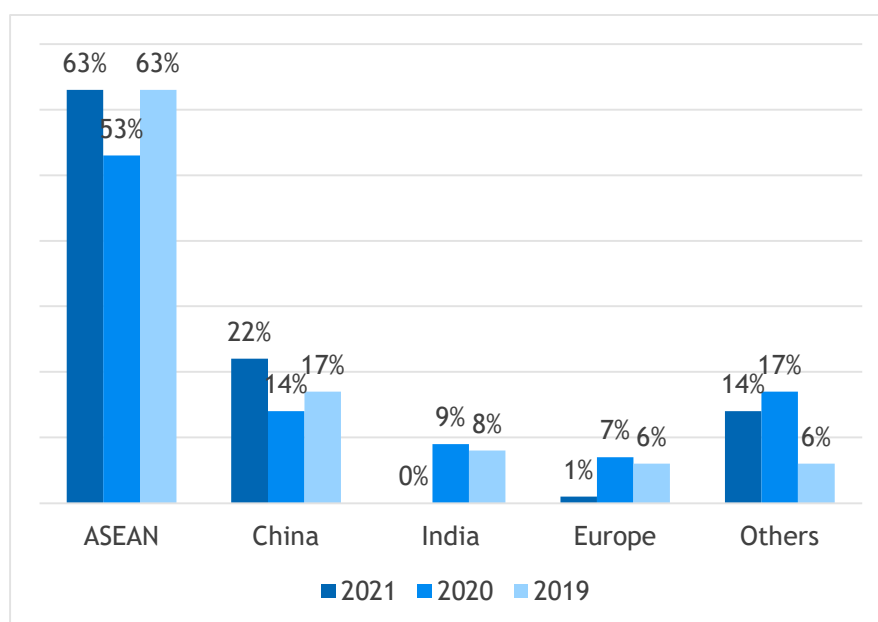
The trend of positive sentiment towards ASEAN compared to other regions carries on this year. Indeed, it is even marked. The majority of respondents perceive ASEAN as the region with the best economic opportunities in the next 5 years (63%), with a percentage about three times that of the next highest region, China (22%). While the percentage of respondents who believe ASEAN is the region with the best

economic opportunity has returned to pre-COVID-19 levels (63% in 2019) and increased from 53% in 2020 to 63%, there is also some increased interest by European businesses in China (17% in 2019 and 14% in 2020, to 22% in 2021), which may suggest the beginnings of further diversification. There were significant falls in sentiment towards Europe and India.

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

Region/ Country	Breakdown
<b>ASEAN</b>	<b>63%</b>
China	22%
North America (USA & Canada)	6%
Africa	3%
North Asia (Japan & Korea)	2%
Australia	2%
India	1%
Europe	1%
South & Central America	0%
Russia & Central Asia	0%

## REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS (2019-2021)

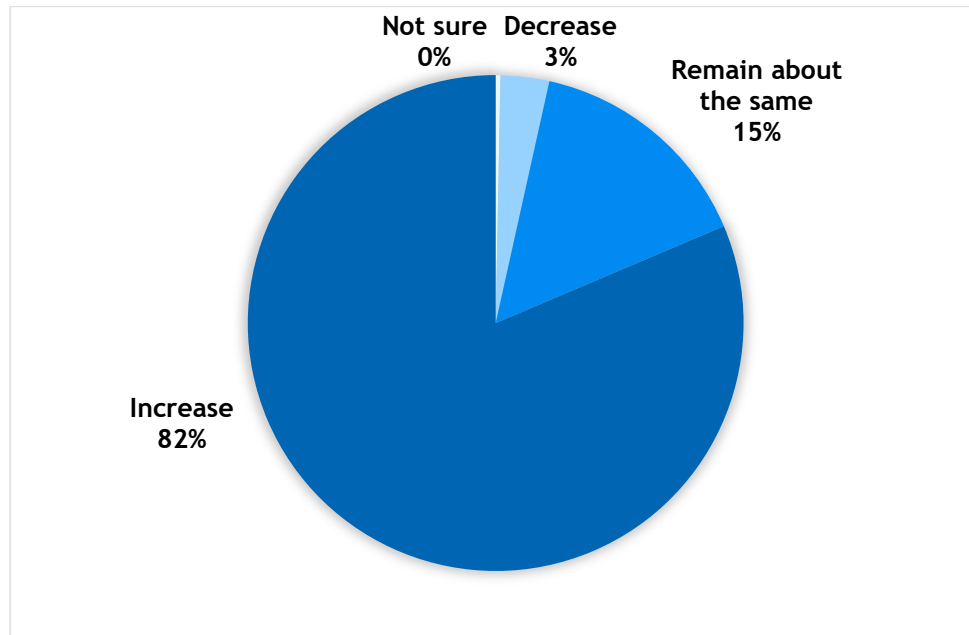


82% of respondents expect greater volumes of trade and investment over the next 5 years in ASEAN, compared to 73% in 2020 and 84% in 2019. This optimism is more pronounced in the manufacturing industry than in the services

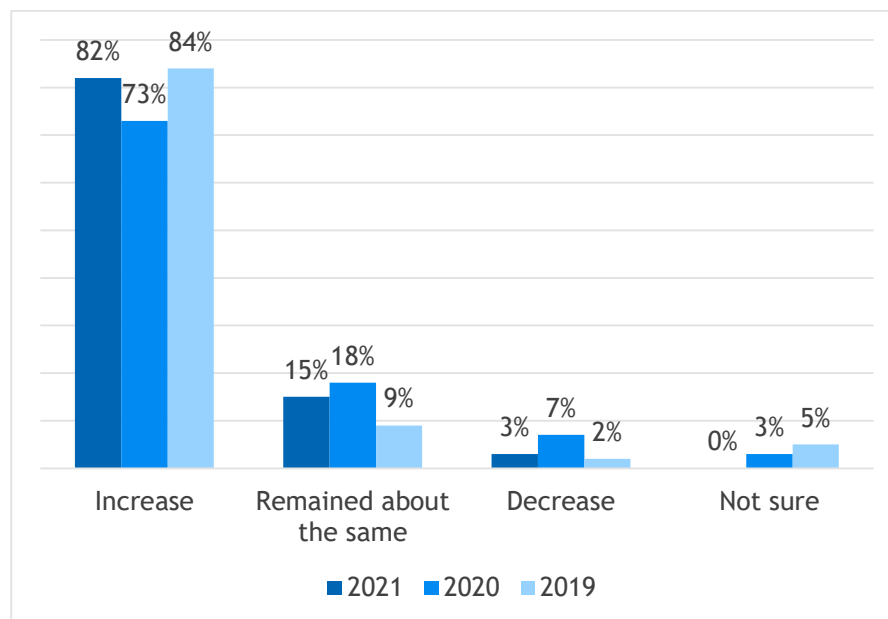
sector, with 92% of those in the manufacturing industry expecting the level of trade and investment in ASEAN to increase over the next 5 years, compared to 65% of those in the services industry.



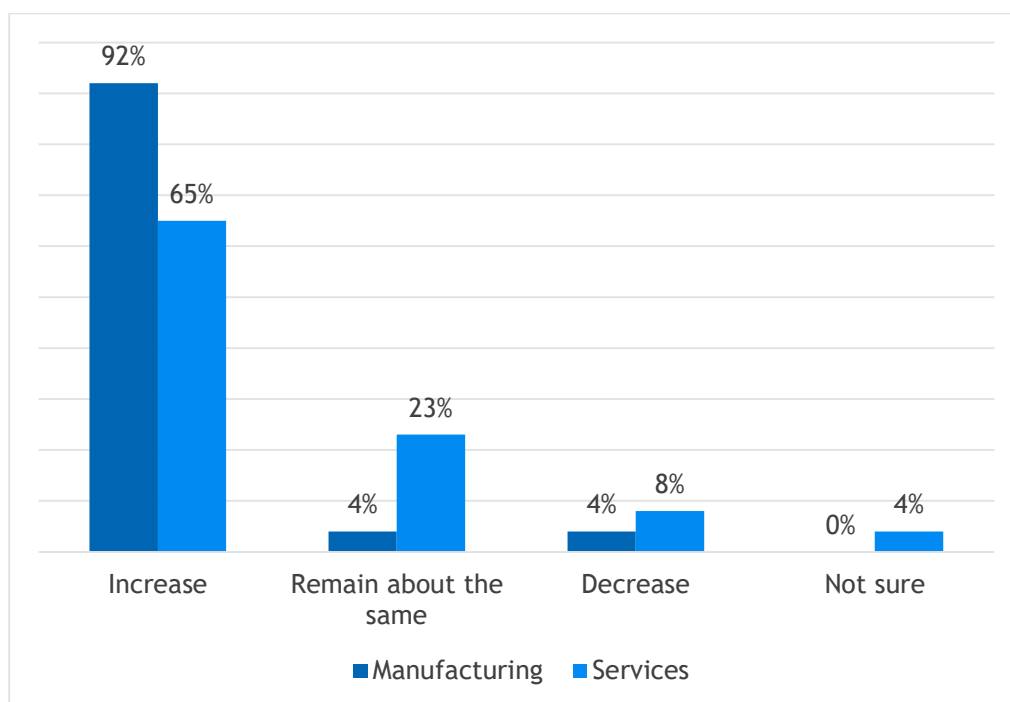
## EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS



## EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (2019-2021)



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



When asked to rank the challenging aspects of trade and investment in ASEAN, *lack of harmonisation of standards* was ranked #1, with *rising protectionist sentiments* ranked #2 and *prevalence of unfair competitive practices* ranked #3.

This marked a change in order over 2020 with *rising protectionist sentiments* and *lack of harmonisation of standards* trading places, showing that this key issue is moving up in importance for European businesses operating in the region

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

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

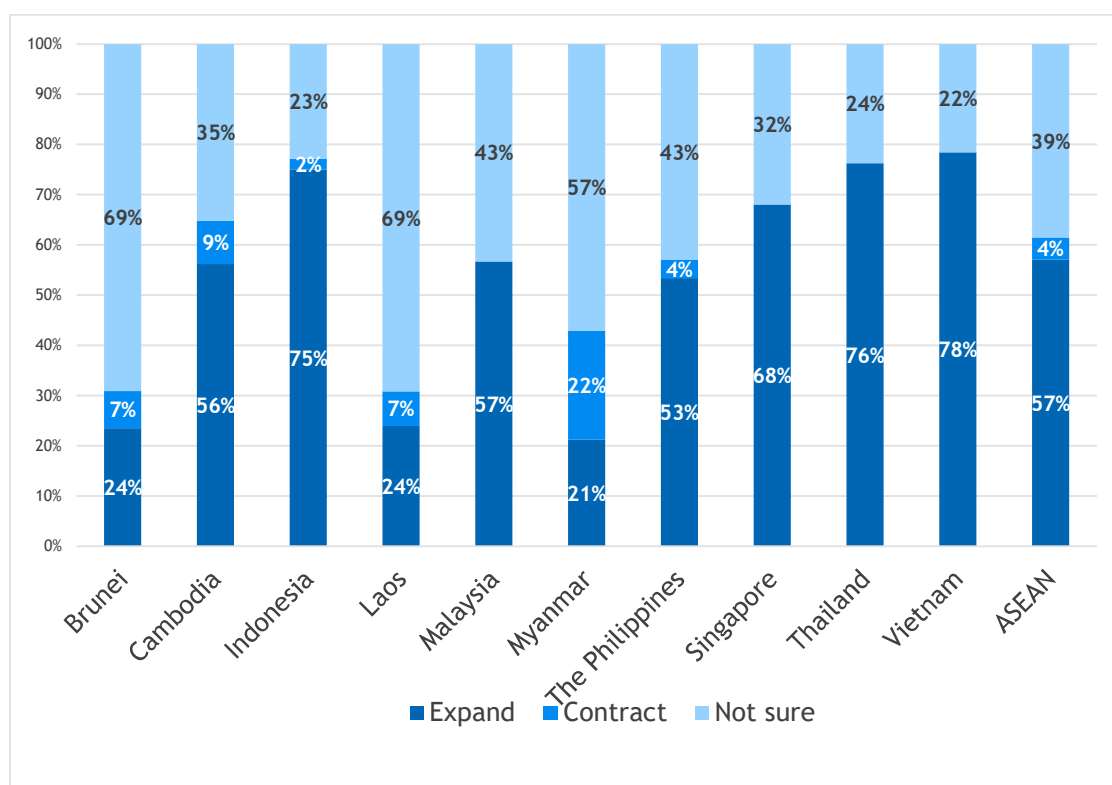
## EUROPEAN BUSINESSES POSITIVE ABOUT EXPANSION PROSPECTS FOR ASEAN OPERATIONS BUT OPTIMISM STILL LAGS COMPARED TO PRE-PANDEMIC TIMES

Majority of the respondents have the intention to expand their level of operations in ASEAN. The numbers expecting to expand operations in the region (57%) have remained about the same as that in 2020 (56%), while the numbers expecting to contract operations in the region have decreased from 10% in 2020 to 4% in 2021. In other words, fewer European Businesses feel the need to contract their operations in the region, but the business climate in ASEAN stops short of returning to pre-COVID19 conditions, wherein a

larger percentage of European businesses expected to expand their operations in the region (61% in 2019 and 62% in 2018)<sup>2</sup>.

Similar to that in 2020, respondents in *Indonesia*, *Vietnam* and *Thailand* show the greatest level of intention to expand operations<sup>3</sup>. Perhaps not surprisingly given current circumstances there were significant numbers of respondents indicating an intention to contract in Myanmar.

### PLANS FOR OPERATIONS IN ASEAN BY RESPONSE LOCATION



<sup>2</sup> See The EU-ASEAN Business Council's 2018, 2019 and 2020 Business Sentiment Survey Reports.

<sup>3</sup> See The EU-ASEAN Business Council's 2020 Business Sentiment Survey Report.

## 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 *economic recovery* as the main factor, which is the same as that in 2020. *Improvement in infrastructure* moved up a rank to replace *limited growth opportunities in other regions* in second place and *change in business strategy* came in third. *Change in business strategy* was featured in the top 3 for the first time in three years, which suggests that European Businesses are changing their business strategies by pivoting or expanding in ASEAN to adapt to the changing business climate. For the

third year running *Enhanced Regional Economic Integration* failed to feature in the top three, which given results elsewhere in this Survey is not surprising and should be a source of concern for ASEAN.

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 outcomes were identical to those for 2020, with *Diversification of Customer Base* coming out on top.

## 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)	<i>Economic recovery</i>
2	Improvement in infrastructure
3	Change in business strategy
4	Enhanced regional economic integration
5 (Least Important)	Limited growth opportunities in other regions



## FACTORS MOTIVATING EXPANSION PLANS

Reasons	Breakdown	Location of Majority of Respondent
<b><i>Diversification of customer base</i></b>	<b>26%</b>	<b><i>Indonesia, The Philippines &amp; Singapore</i></b>
Reasonable production costs including labour cost	18%	Indonesia, Malaysia & Singapore
Availability of trained personnel/ efficient manpower	15%	The Philippines, Singapore & Thailand
Adequate laws and regulations to encourage foreign investment	14%	Indonesia, Malaysia & Singapore
*Others (Please specify)	13%	-
Stable government and political system	12%	Singapore, Indonesia & Malaysia
Not sure	2%	-

\*Other common reasons include *growth & opportunities in ASEAN, improved infrastructure and relocation of clients to ASEAN*.

We also asked respondents to rank the key factors that might be leading to consider contracting their operations in ASEAN. *Unstable Government and Political System* again came out on top as the prime concern, cited by around a third of respondents. With the recent political upheaval in Myanmar, continued uncertainty over the longevity of the government in Malaysia, and upcoming elections, e.g. the

Philippines, it is understandable that businesses are focusing on political stability and impacts on the business environment. The remainder of the top three for 2021 was the same as for 2021, with *Inadequate laws and regulations to encourage foreign investment* and *unavailability of trained personnel/efficient manpower* coming in at second and third places respectively.

## ASEAN REGIONAL AND DOMESTIC POLICY FRAMEWORKS

**Mixed views on ASEAN Regional Economic Integration; its' importance is recognised, but less than fifth of respondents 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 over three-quarters of respondents answering in the affirmative (up from 70% in 2020). But this importance is tempered by the

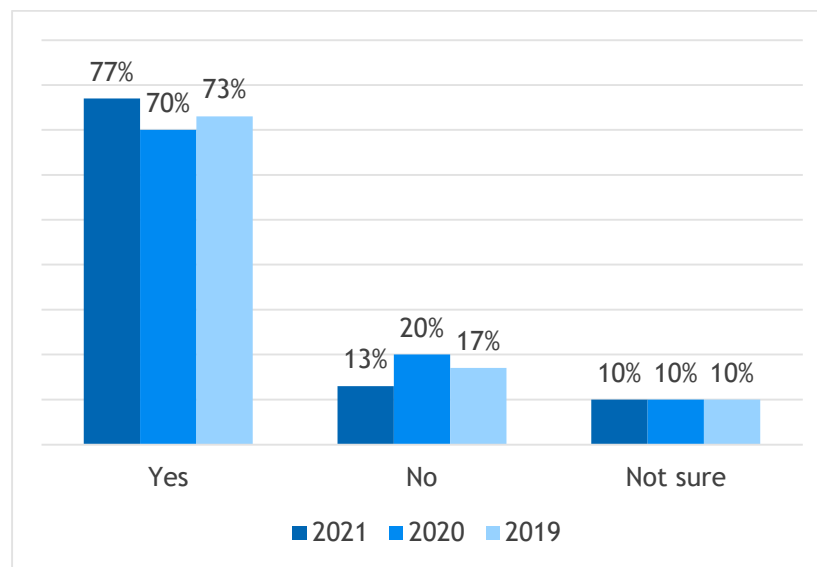
clear view of our respondents that measures aimed at achieving regional economic integration are not making sufficient headway, and that less than fifth of respondents have a business strategy based on the ASEAN Economic Community (AEC). For those who do not have a

business strategy based on the AEC, the most commonly cited reason was a lack of progress on the AEC itself.

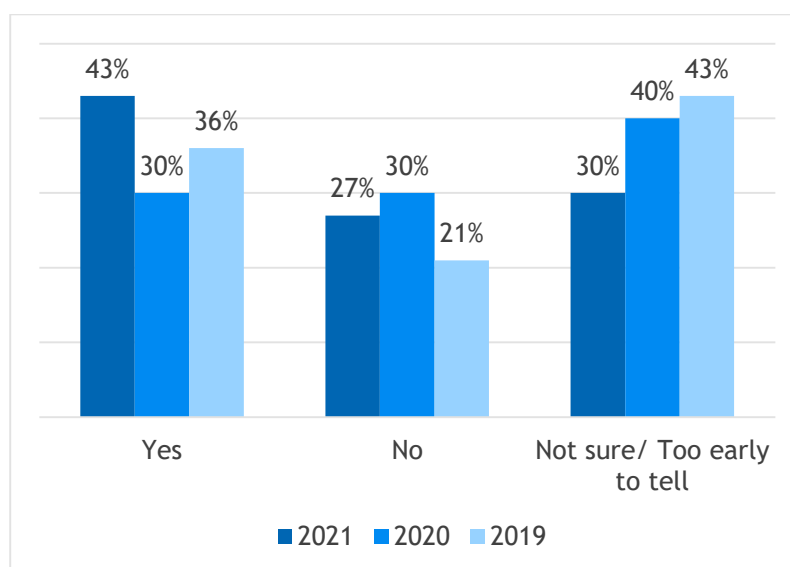
That said, there was a sharp increase in the number of respondents who said that the AEC

has had a positive impact on their business activity (43% in 2021 compared to 30% in 2020), with that shift seemingly generated by 10% fall in “not sure/too early to tell” responses, though close to a third of respondents fell into that category

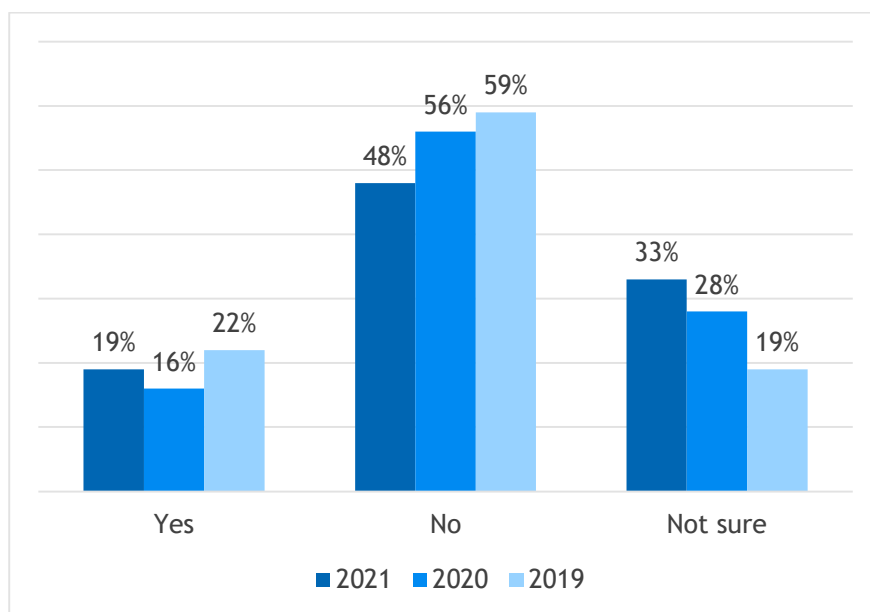
### IS ASEAN ECONOMIC INTEGRATION IMPORTANT FOR THE SUCCESS OF YOUR BUSINESS IN THE REGION? (2019-2021)



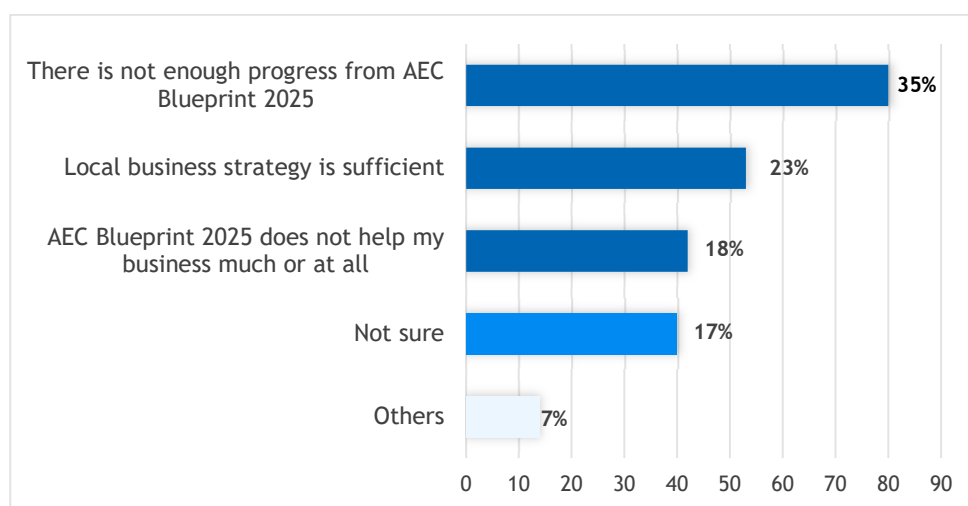
### HAS THE ASEAN ECONOMIC COMMUNITY MADE A POSITIVE IMPACT ON YOUR BUSINESS ACTIVITY IN ASEAN? (2019-2021)



## DOES YOUR COMPANY HAVE A REGIONAL STRATEGY BASED ON THE AEC? (2019-2021)



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



\*Other common reasons include; company has a plan based on **long term forecast of growth** in ASEAN, strategy is done either in **local** or **APAC level**

### AEC Objectives not being met; progress seen as too slow.

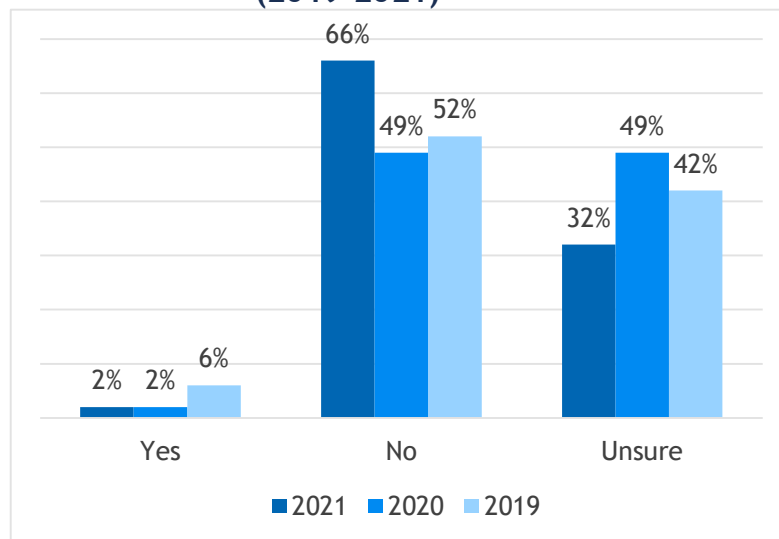
In line with previous years, this year's Survey finds a continuing view that progress on the AEC is seen as being too slow. As with 2020, only 2% of our respondents said that the AEC is progressing fast enough. Worst still, two-thirds

of respondents said that it was not progressing fast enough, a significant increase over 2020 when around half said the same.

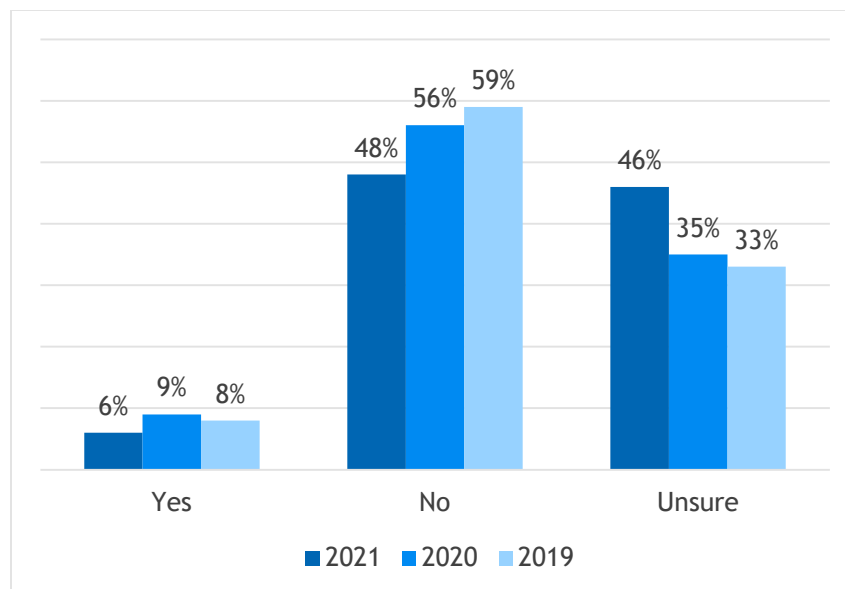
This year only 6% of respondents said that the key objectives of the AEC of a “highly integrated and cohesive economy” and of a “single market and production base” had been achieved, down from 9% in 2020.

A lack of *harmonisation of standards and regulations*, the need for increased *simplification of customs procedures for intra-ASEAN movement of goods* and the *removal of non-tariff barriers to trade* are cited as the top three reasons for the lack of progress.

### IS ASEAN REGIONAL INTEGRATION UNDER THE AEC PROGRESSING FAST ENOUGH? (2019-2021)



### 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? (2019-2021)





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

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

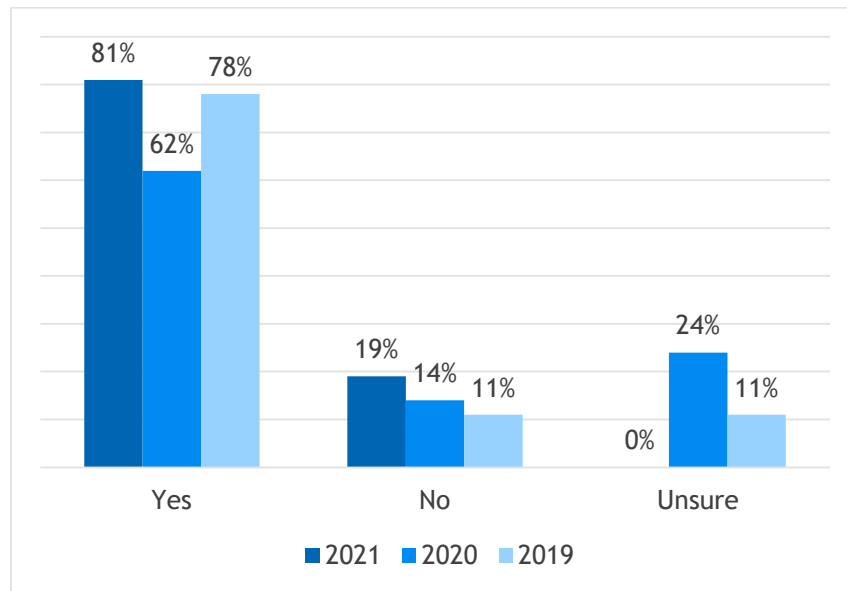
**Barriers to efficient use of supply chains seen as increasing; Non-tariff barriers to trade on the rise, but some improvement in perception of customs procedures.**

Close to two-thirds of our respondents said that they made use of regional supply chains in ASEAN, however, more than four-fifths of respondents said that there were too many barriers to the efficient use of those supply chains, a marked increase over 2020 where 62% said that there were too many barriers. Nearly 9 out of 10 said that they would increase the use of regional supply chains if these barriers were removed (an increase over previous years), but only 3% (a big drop over 2020 where the number was 14%) said that they thought non-tariff barriers were decreasing, whilst there was a large increase in the numbers of respondents

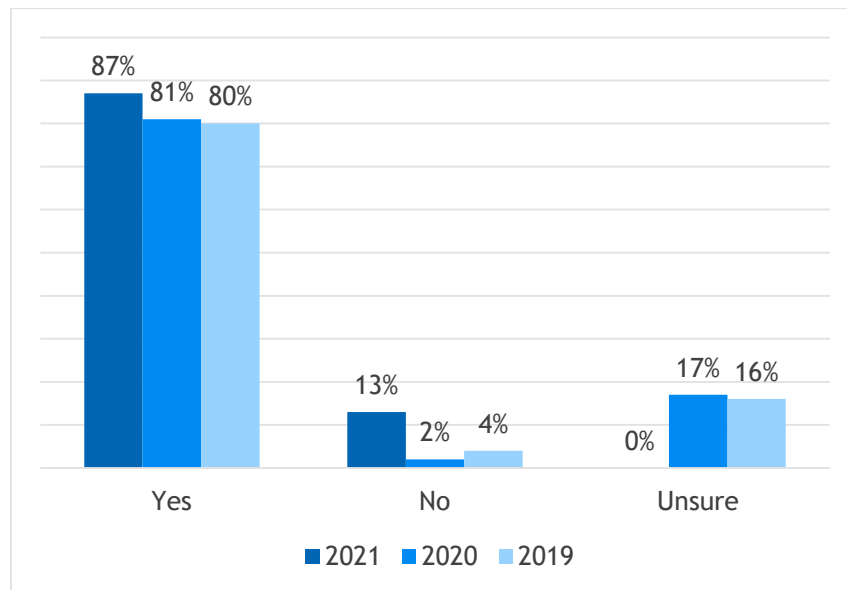
saying they thought NTBs had increased (38% for 2021 compared to 27% in 2020). Since 2019, there is a clear view from our respondents that the situation with NTBs has got worse, not better, despite the promises in the AEC to eliminate NTBs.

Conversely, when asked specifically about customs procedures in the region, whilst the number citing them as being *speedy and efficient* has remained the same (at only 4%), the number of respondents saying that customs procedures were *overly burdensome, complex and inefficient* has fallen to 40% from 56% in 2020.

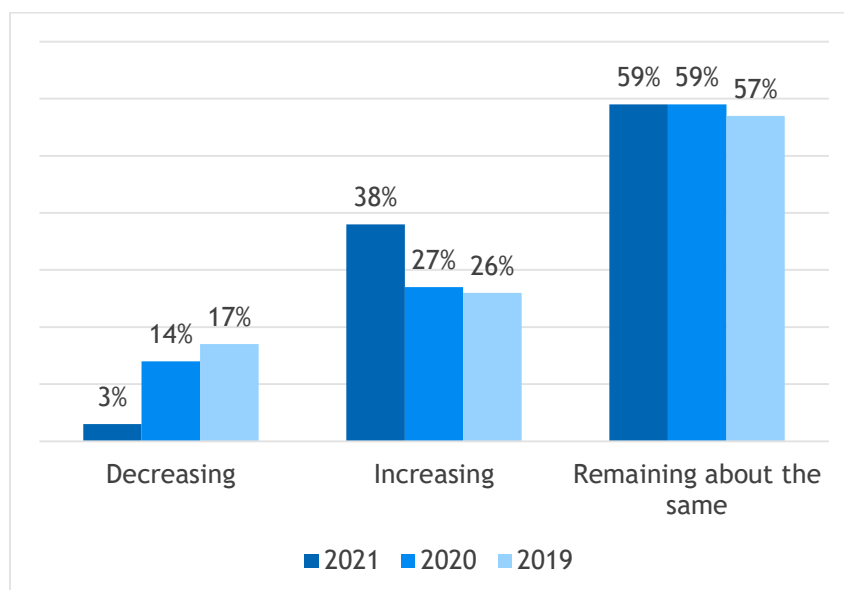
**ARE THERE TOO MANY BARRIERS TO THE EFFICIENT USE OF SUPPLY CHAINS IN ASEAN?**  
**(2019-2021)**



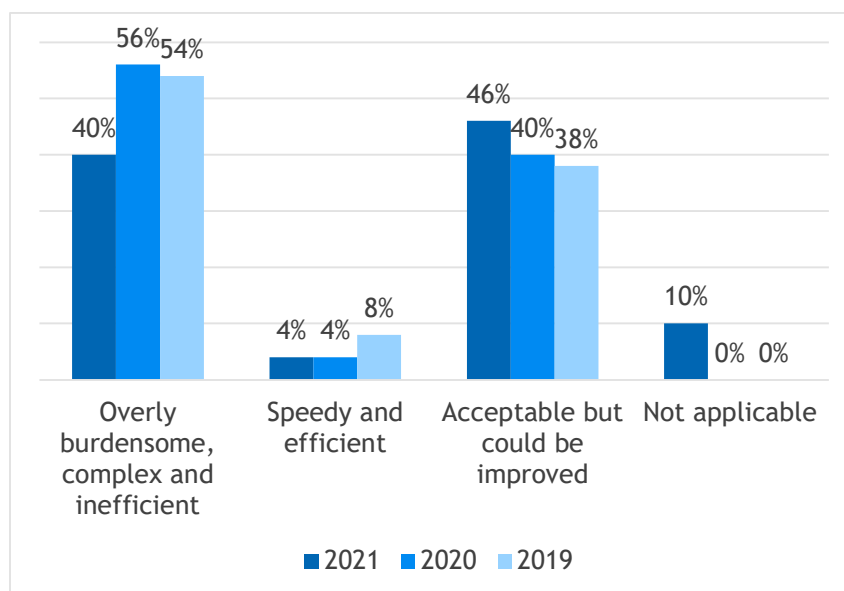
**IF THESE BARRIERS WERE REMOVED WOULD YOU INCREASE USE OF REGIONAL SUPPLY CHAINS?**  
**(2019-2021)**



## PERCEPTION OF NON-TARIFF BARRIERS TO TRADE IN ASEAN (2019-2021)



## PERCEPTION OF CUSTOMS PROCEDURES IN ASEAN? (2019-2021)



## LOW INTENTION TO RELOCATE SUPPLY OR VALUE CHAINS, BUT FOR THOSE THAT DO INTEND TO RELOCATE EUROPE IS THE FAVOURED DESTINATION OVER ASEAN

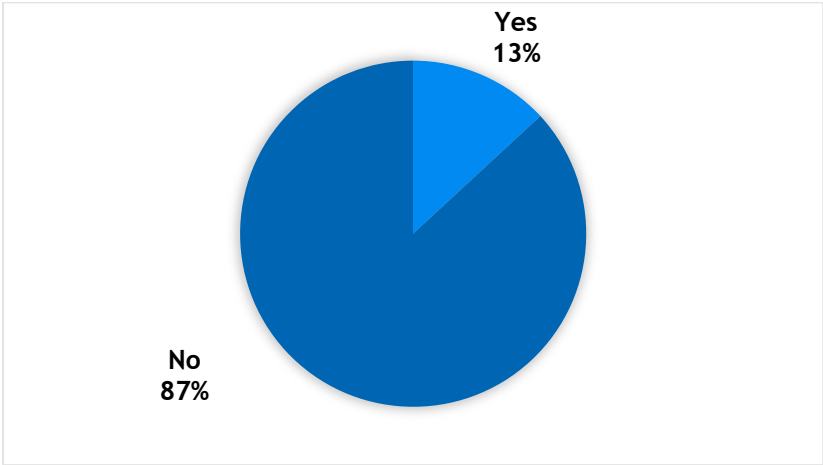
There has been much commentary over the last 18 months about the potential for both COVID-19 and the continued trade tensions between the United States and China to lead to the relocation of supply chains. This year we asked

respondents about their intentions for relocating their supply/value chains and, if they did intend to relocate where they were looking too. Surprisingly, perhaps, only 13% of respondents said they were considering relocating their

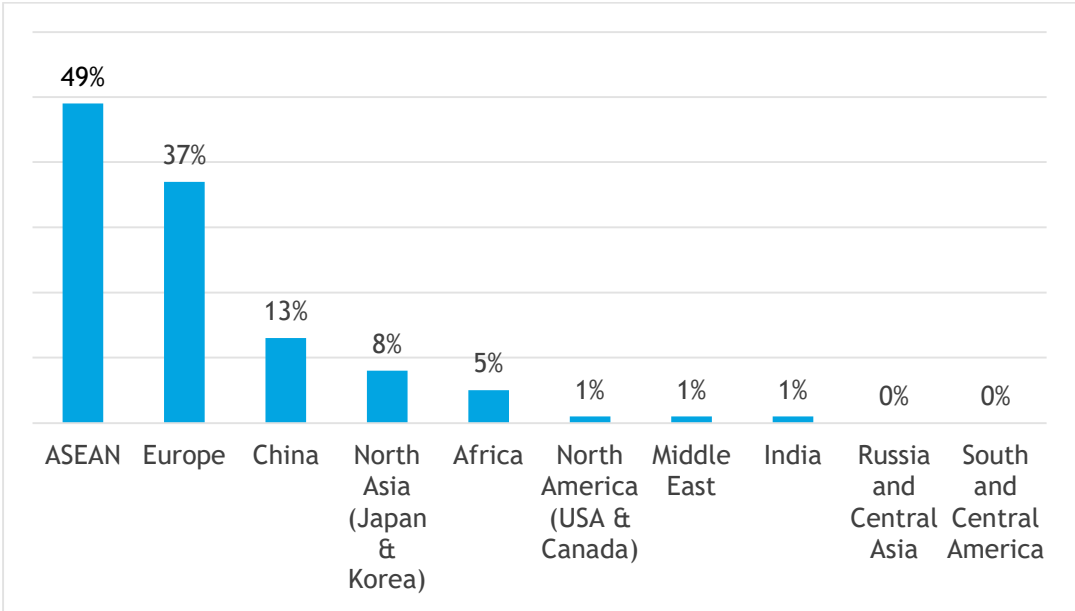
supply/value chain over the next 12 months or had relocated in the previous 12 months. Of those 49% said that their current supply chains were in ASEAN, with over a third saying they

were looking to relocate them to Europe. 32% said they were looking at other ASEAN locations, with Singapore the clear favoured ASEAN destination.

**INTENTION TO RELOCATE SUPPLY/VALUE CHAINS AS RESULT OF COVID-19  
OR US-CHINA TRADE TENSIONS**

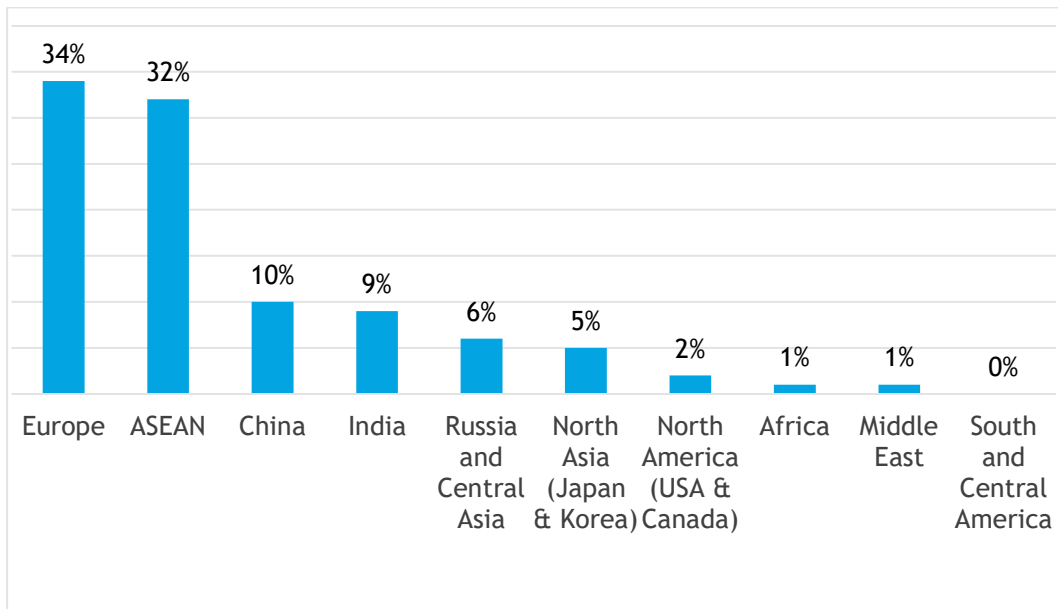


**IF RELOCATING SUPPLY/VALUE CHAINS WHERE FROM?**

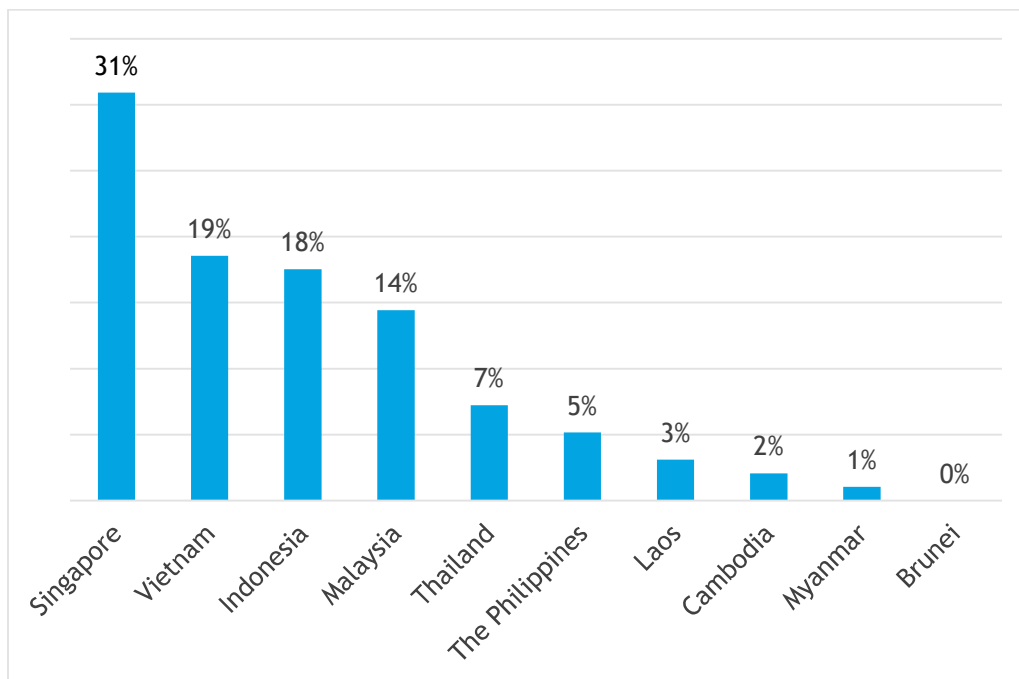




## IF RELOCATING SUPPLY/VALUE CHAINS WHERE TO?



## IF RELOCATING SUPPLY/VALUE CHAINS TO OR WITHIN ASEAN WHERE TO?



## TRADE AGREEMENTS

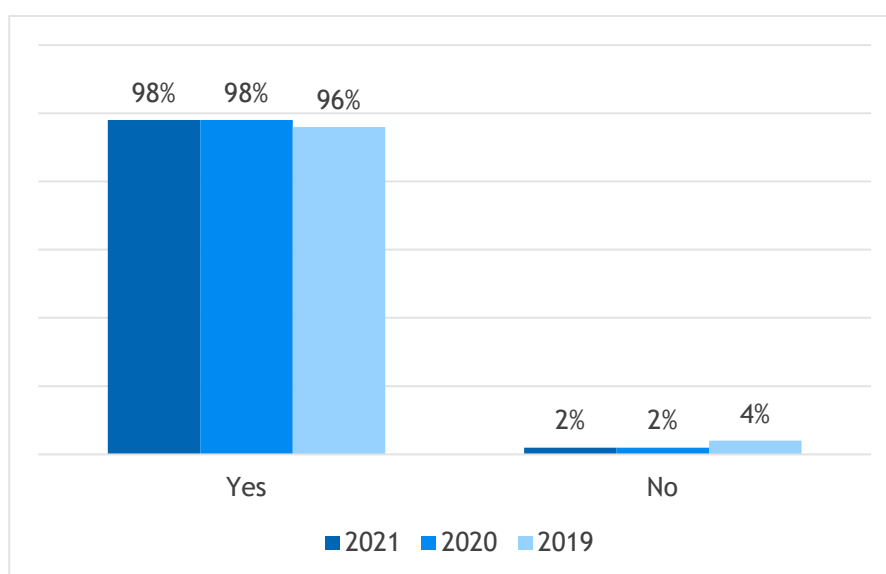
**Support for accelerating trade negotiations with the region by the EU remains strong; Sharp drop in those who think negotiations on a region-to-region FTA should commence now even though recognition of the added benefits over bilateral deals remains consistent with previous years.**

Nearly all of our respondents think that the European Union should be accelerating negotiations on trade deals with the countries of ASEAN. Again, the figure is at 98% of respondents, the same as in 2020. However, in a marked change from previous years, the numbers who think that the EU should embark now on negotiations for a region-to-region FTA has fallen significantly, down to 49% from 71% in 2020, perhaps reflecting the perceived reality of how difficult such a negotiation would be. Over a third now believe that the EU should wait until it has completed more bilateral deals first, with Thailand again remaining the preference for the next FTA with an ASEAN country. This is despite more than four-fifths of respondents believing that a region-to-region trade deal would bring

more benefits than a series of bilateral deals (81% this year, the same as 2020).

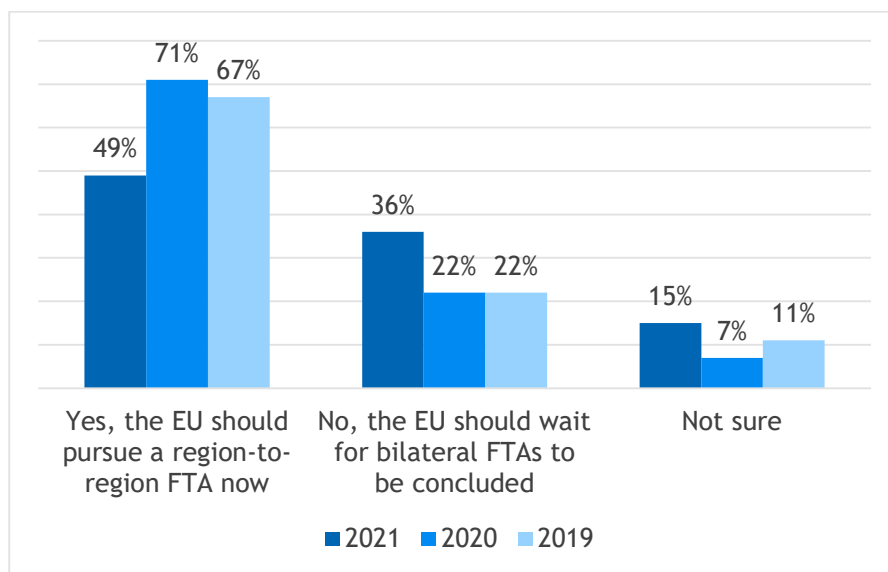
Interestingly, the number of respondents who perceive that European businesses operate at a disadvantage due the lack of region-to-region deal has fallen to 54% from 64% in 2020, this despite ASEAN concluding the RCEP deal with its existing +1 FTA partners (excluding India) (The services sector again feels more disadvantaged than those in manufacturing, but in both cases the numbers are lower than before). There is a big jump in the number of respondents who see that more FTAs would help with their business performance (82% for 2021 compared to 69% for 2020).

### SHOULD THE EU ACCELERATE TRADE DEALS WITH ASEAN (2019-2021)



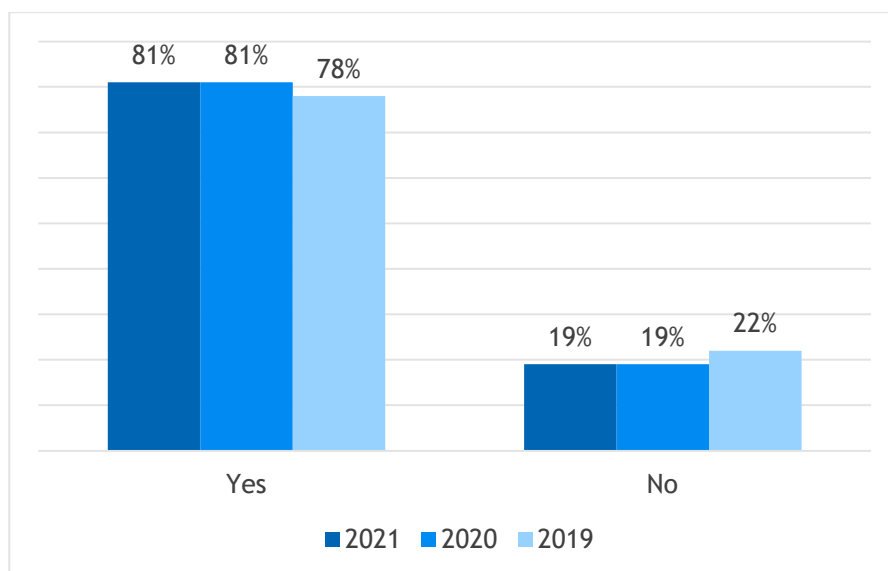
## SHOULD THE EU PURSUE A DEEP AND COMPREHENSIVE REGION-TO-REGION FTA WITH ASEAN NOW?

(2019-2021)



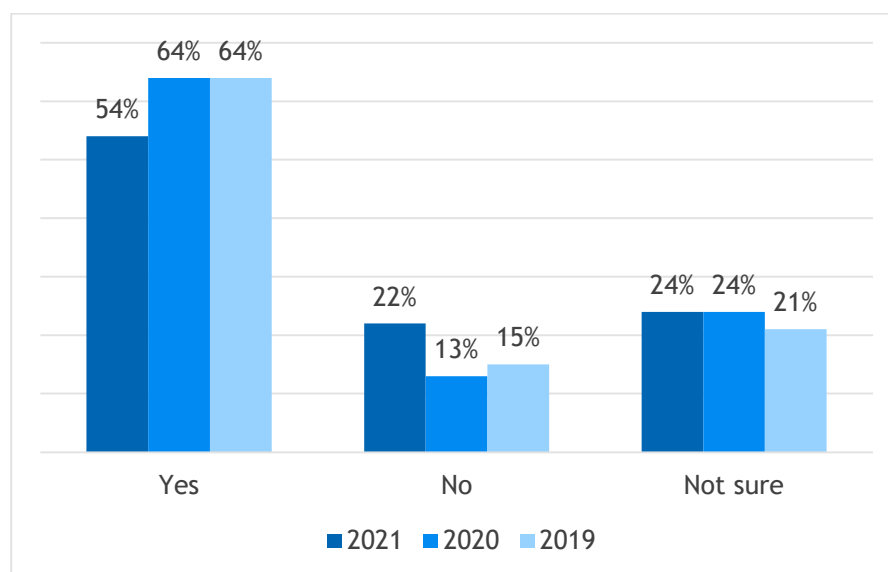
## WOULD AN EU-ASEAN REGION-TO-REGION TRADE DEAL DELIVER MORE ADVANTAGES THAN A SERIES OF BILATERAL DEALS

(2019-2021)

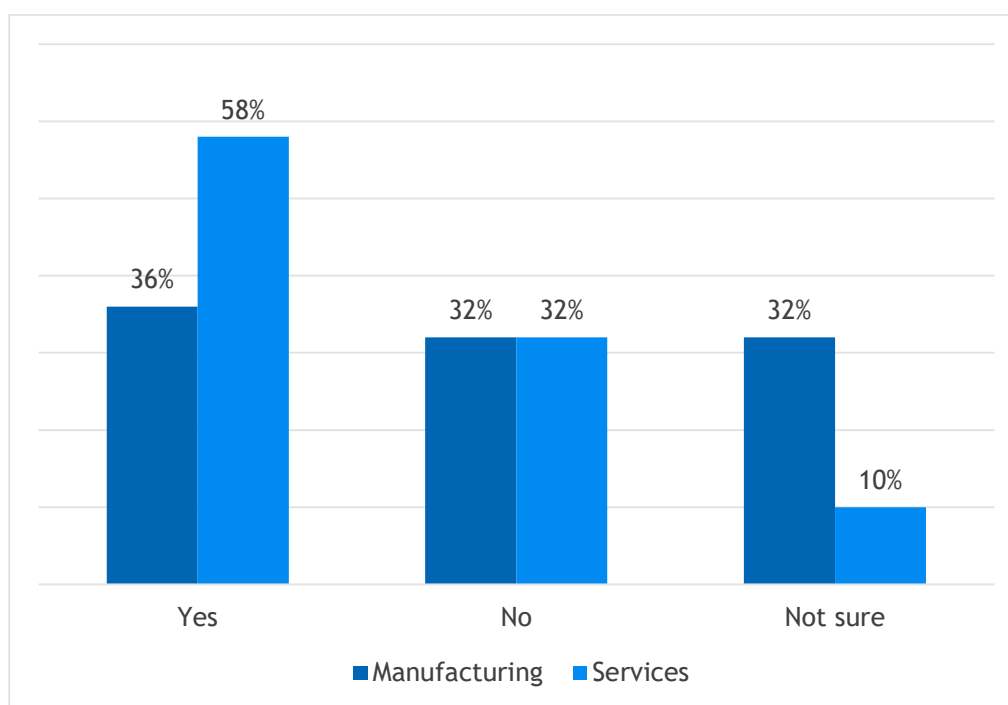


## DOES THE LACK OF AN EU-ASEAN REGION-TO-REGION DEAL PUT EUROPEAN BUSINESSES AT COMPETITIVE DISADVANTAGE IN THE REGION

(2019-2021)



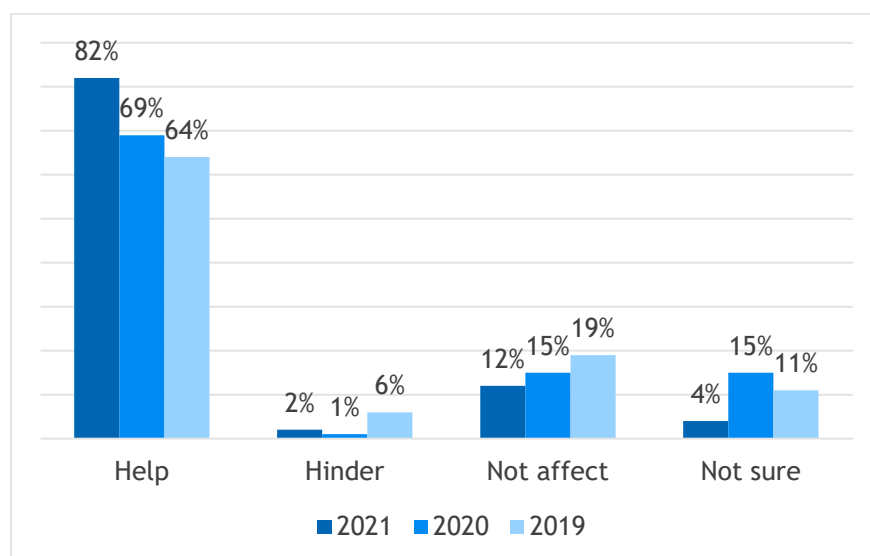
## PERCEPTION OF DISADVANTAGE BY INDUSTRY SECTOR





## POTENTIAL IMPACT OF MORE FTAS BETWEEN THE EU AND ASEAN ON BUSINESS PERFORMANCE

(2019-2021)



## ORDER OF PREFERENCE FOR POTENTIAL FTA NEGOTIATIONS BY THE EU

Order of Importance	of ASEAN Country
1 (Highest Priority)	ASEAN (Region-to-region FTA)
2	Thailand
3	Malaysia
4	Cambodia
5	Brunei
6	Myanmar
7 (Least Priority)	Laos

\* The EU is in official negotiations with The Philippines and Indonesia therefore they are not available to be ranked

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, with the removal of NTBs second and the removal of market access restrictions third (the same as for 2020). There was a change in the lowest ranked priorities, with closer alignment

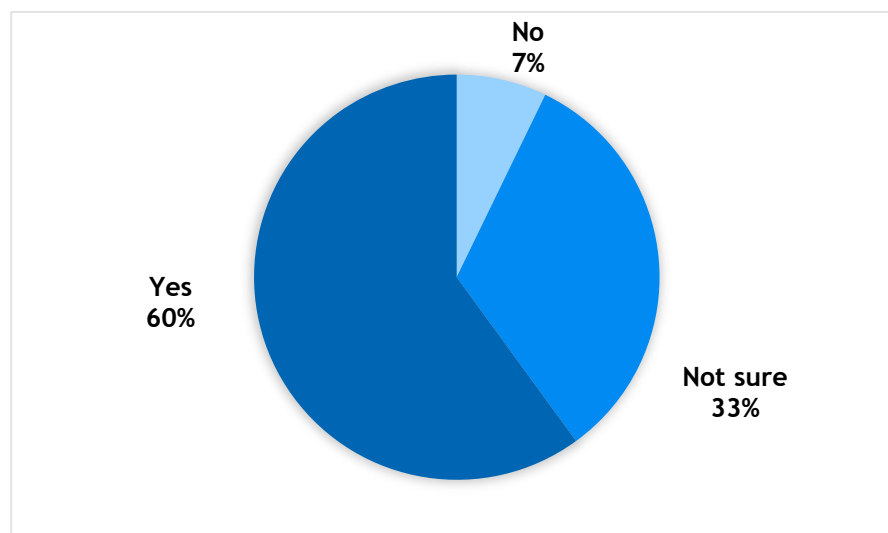
on customs procedures now filling the penultimate slot in place of labour rights.

We also asked respondents their feeling 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. 60% of respondents said that the European Commission should look to move ahead with an IPA first, with only 7% saying no

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

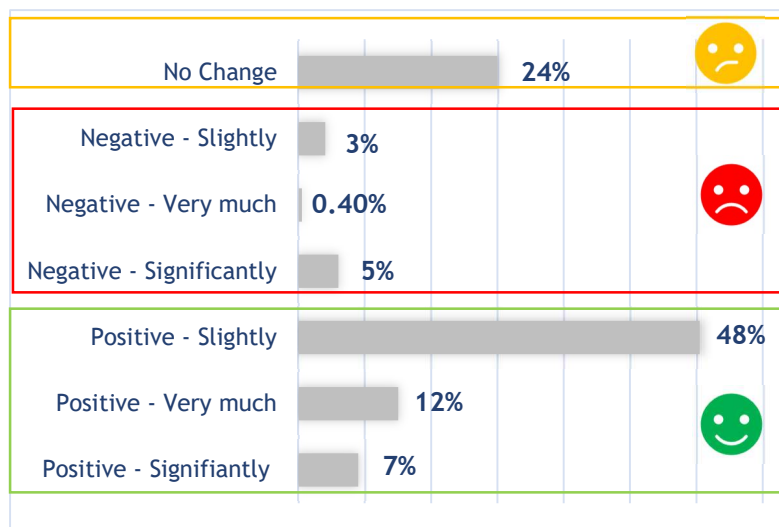
## GIVEN THAT REGION-TO-REGION FTA IS LIKELY TO BE TOO DIFFICULT TO NEGOTIATE NOW, SHOULD THE EU PURSUE AN INVESTMENT PROTECTION AGREEMENT WITH ASEAN FIRST?



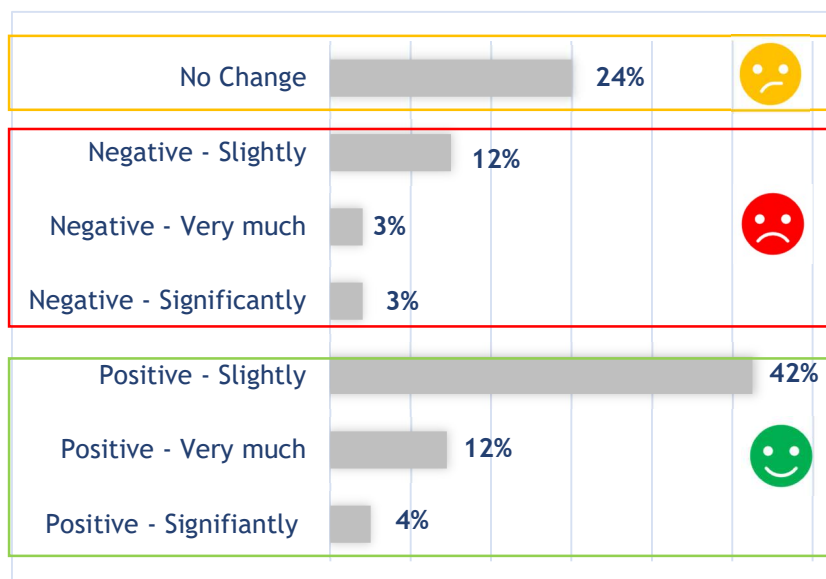
Looking at other trade related issues, we asked our respondents for their views on the Regional Comprehensive Economic Partnership (RCEP) that ASEAN concluded with most of its +1 FTA partners in 2020 and which should enter into force in 2022. Over two-thirds of our respondents viewed RCEP in a positive light in terms of its potential impact on their business operations in ASEAN, with less than 9% viewing it negatively.

We also asked about the potential impact of the EU's Green Deal on their business operations ASEAN. Close to 6 in 10 respondents said that it would have positive impact on their business operations with less than 1 in 5 saying it would impact them negatively. When asked in which areas they thought the EU could have the most influence on within ASEAN, sustainability issues scored the highest, ahead of trade and investment.

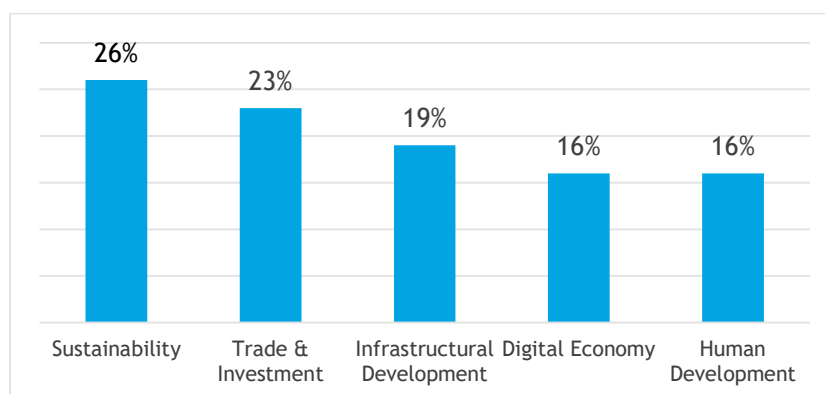
### PERCEPTIONS ON THE IMPACT OF RCEP



### PERCEPTIONS ON THE IMPACT OF EU GREEN DEAL



## AREAS WHERE THE EU HAVE MOST INFLUENCE ON ASEAN



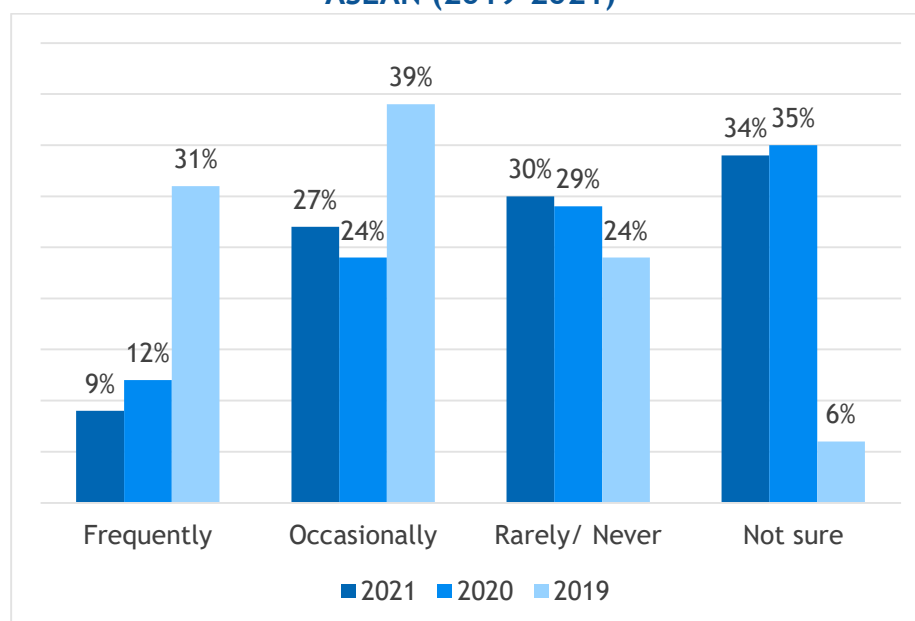
## GOVERNMENT CONSULTATION AND COMPETITION ISSUES

Slight fall in perceived unfair competitive practices. Consultation from ASEAN Governments holds steady whilst there is fall in perceived engagement from the EU.

about their perceptions on unfair competition. The numbers saying that they frequently or occasionally faced unfair competitive practices was the same when the region as a whole was looked at compared to last year (36% for 2021 vs 36% for 2020). When we looked at the data for individual ASEAN Member States the highest incidences of facing unfair competitive practices

were again in Indonesia, Vietnam and Thailand (the same as for 2020) with the numbers for the latter two showing an increase over 2020. There was also a significant increase in reported unfair competitive practices in Cambodia. Singapore and Brunei came out on top with the lowest rates of unfair competitive practices.

## PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR COMPETITIVE PRACTICES IN ASEAN (2019-2021)

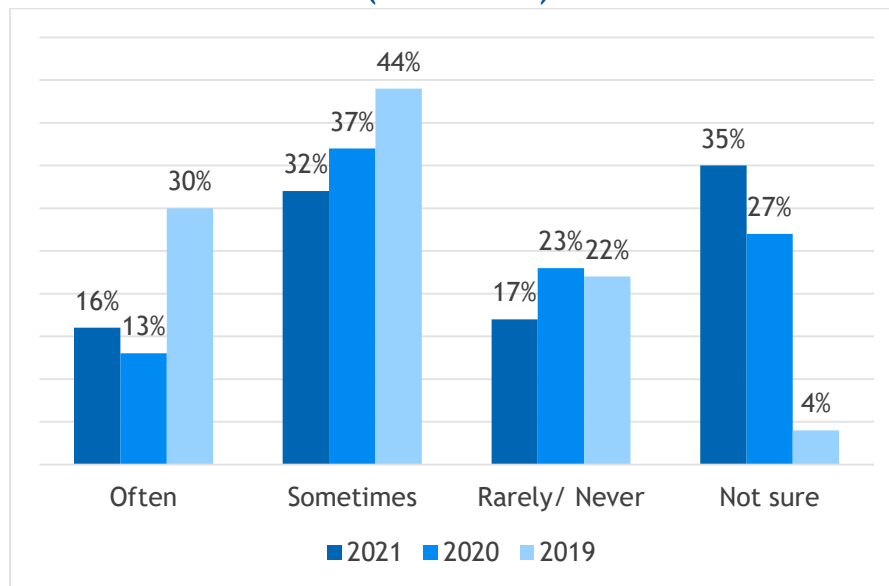




The perception of levels of consultation from ASEAN Governments has held steady since last year with 48% of respondents reporting that they are often or sometimes consulted (2020 –

50%). Singapore and Indonesia score highest here, closely followed by Malaysia. Vietnam has seen a significant drop in the perception of consultation.

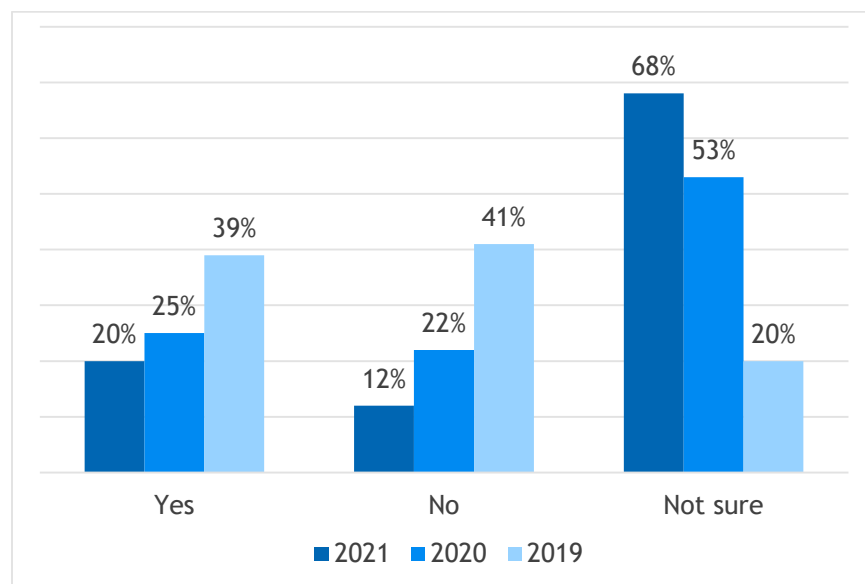
### FREQUENCY OF CONSULTATION BY ASEAN GOVERNMENTS (2019-2021)



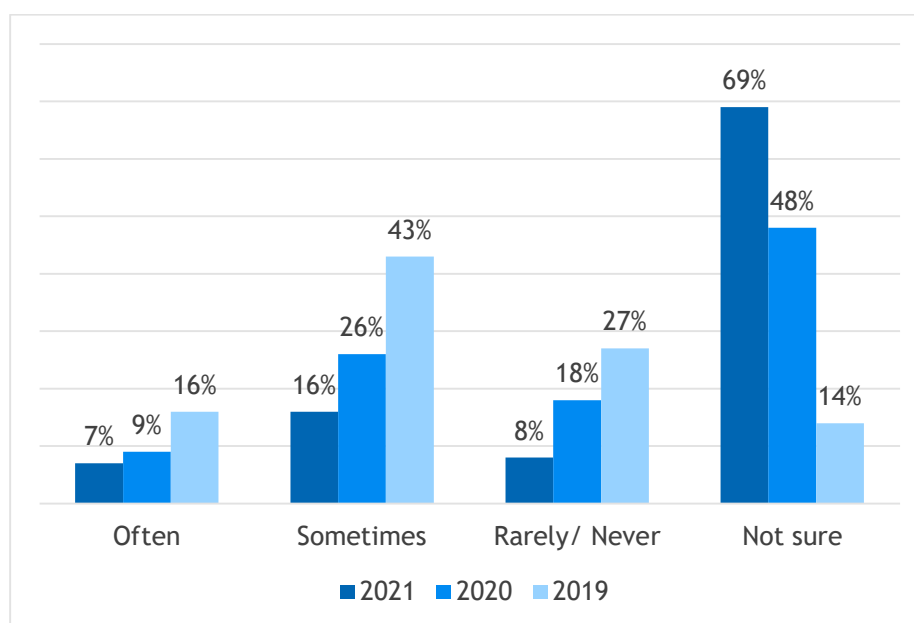
There has been a drop off in the number of respondents who feel that the European Union is sufficiently engaged in supporting European business activity within ASEAN, with only 20% of respondents feeling that there is sufficient engagement (compared to 25% in 2020) – this is the fourth year running that this number has declined. In none of the ASEAN countries was there a majority who felt that there was sufficient engagement from the EU, though

Indonesia and Singapore recorded the highest levels. Similarly, there has also been a drop off in the perception of engagement from EU Delegations across the region, with the numbers reporting they were often or sometimes consulted by them again falling for the fourth consecutive year (60% in 2018 to 23% in 2021) perhaps due to the difficulties of reaching out during COVID-19 lockdowns.

## PERCEPTION OF SUFFICIENT EU ENGAGEMENT WITH EUROPEAN BUSINESS INTERESTS IN ASEAN (2019-2021)



## FREQUENCY OF CONSULTATION BY EU DELEGATIONS (2019-2021)



## 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. But there is continued doubt about ASEAN's own regional integration agenda and growing concerns about non-tariff barriers to trade. Additionally, European businesses still want more support from the European Commission, and quicker action on trade deals with ASEAN.**

European business again sees ASEAN as the region with the best economic opportunity, indeed even more so this year with the gap between ASEAN and the next best region, China, widening slightly. There are signs too of increased enthusiasm to grow operations in ASEAN and increase trade and investment after a pandemic linked weakening in 2020, with fewer citing an intention to decrease their levels of trade and investment and more saying they would be increasing them. Manufacturing is leading the charge on this.

As far as Europe is concerned, European business see scope for improvement in support from the European Commission. On the prospects for a region-to-region trade deal, enthusiasm has dampened significantly, but European business want faster action on bilateral trade deals with ASEAN member states and an Investment Agreement.

There are challenges though to this enthusiasm for ASEAN. Views on the lack of progress on the ASEAN Economic Community have hardened.

European business resoundingly believe that progress is too slow, whilst noting that a successful AEC would be important to their operations in the region with more now saying that have an ASEAN-wide strategy. Fewer than ever believe that the key aims of the AEC of developing a highly integrated and cohesive economy and of creating a single market and production base has been achieved. The region needs to deal barriers to trade. More businesses are reporting that there are too many barriers to trade and that non-tariff barriers to trade are increasing not decreasing. About eighty percent say they would use ASEAN supply chains more if barriers were reduced. This presents a big opportunity for attracting investment, technology and jobs of the future that could provide a sustainable recovery from the pandemic.

Overall, the message seems to be clear ASEAN economic integration needs to be addressed rapidly if the "power of 10" is to be realised and ASEAN is to keep its position as the region of best economic opportunity.

## ANNEX 1: ABOUT THE EU-ASEAN BUSINESS COUNCIL

### Who We Are

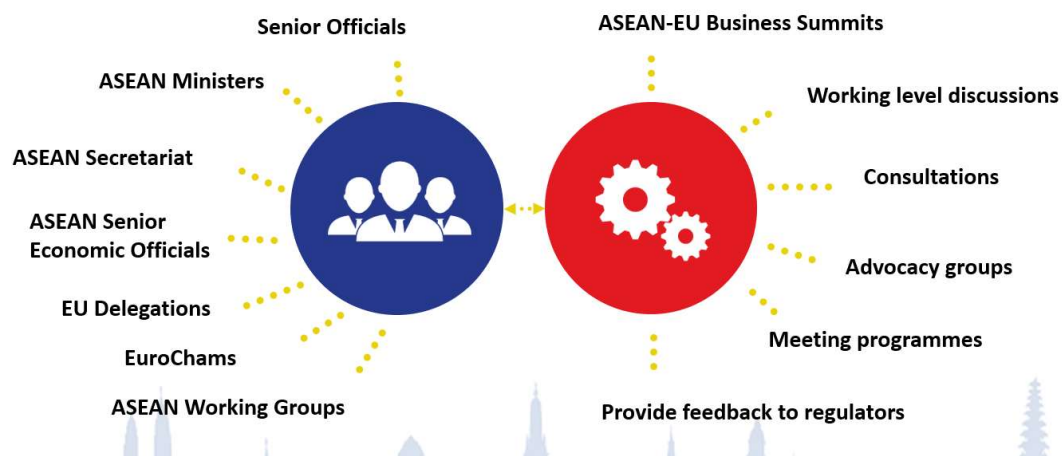
- The **only** officially recognised pan-ASEAN European business body
- Official consultation partner of ASEAN and the European Commission
- Accredited ASEAN Entity under Annex 2 of the ASEAN Charter
- A membership driven advocacy body – working for the liberalisation of the trade and investment climate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



## Our Members



## Some of Our Latest Publications



To read the full versions of our reports please visit [www.eu-asean.eu/publications](http://www.eu-asean.eu/publications)



## ANNEX 2: SYNOPOSIS OF EU-ABC PUBLICATIONS SINCE AUGUST 2020

### Human Development and Moving Past the Middle-Income Trap: August 2020 (in collaboration with ADHO)



Today's ASEAN countries are all categorised as middle-income economies with the exception of Singapore and Brunei Darussalam which have high-income status. The question is whether ASEAN's large population countries are in what economists call the middle-income trap, a stagnation zone in development when an economy loses its low-cost competitive advantage but is unable to innovate and develop high value-added products and services.



Although ASEAN is one of the world's high-growth regions, the impact of the Covid-19 pandemic has revealed deficiencies and risks for development. ASEAN has some of the highest inequality levels worldwide and 36 million people across Southeast Asia still live below the poverty line. Policies centred on human development are key in securing a sustainable future for ASEAN.



To better understand ASEAN's priorities in its economic recovery, both the EU-ABC and AHDO conducted a survey of 159 European and ASEAN companies to better understand how business leaders in the region view the middle-income trap challenge and what companies can contribute to moving beyond it. Recommendations from the survey are highlighted below



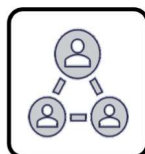
#### Accelerate stakeholder cooperation for development on future employability

- Companies should work with governments to partner on training and development programmes beyond salaried employees to benefit the human development ecosystem and prepare the future of work
- Companies need to work more effectively with education stakeholders in higher education and vocational schools to improve employability of students



#### Companies to challenge barriers and inward looking policies

- Stakeholders should advocate that governments remove protectionist bottlenecks that hamper the flow of talent across ASEAN countries
- Stakeholders should cooperate to set the bar higher for transparency, compliance and sustainability in ASEAN companies.



#### Build Human Development Ecosystems

- Companies should build strategic ecosystems with governments, higher education, professional service firms to develop a world class ASEAN workforce
- Companies should extend their human development strategies across the region and integrate cross border teams in different ASEAN countries for regional talent development .



#### Accelerate ASEAN-wide development of management

- Companies should build ASEAN management methods and good governance practices with stakeholders across the region.
- Companies should partner with universities and professional service firms for training and development in ASEAN management, including in SMEs



#### Ensure human development for all workers

- Companies should systematically support personal and professional development for all employees including the contingent workforce and contract workers in the gig economy and continuously upskill their technological capability
- Companies should develop projects, assignments and leadership rotations across ASEAN countries

## Learnings from COVID-19: An Opportunity for ASEAN Governments to Establish Self-Care Policy to Improve the Health & Well-Being of their Populations - November 2020

ASEAN continues to lose 9 million people annually to lifestyle-related disease. The majority of the big six ASEAN countries spend less than 5% of their GDP on healthcare, while Universal Healthcare (UHC) index scores remain around 70 (100 being perfect). UHC is not feasible without individual accountability for our own health and care, something which expanded Self-Care can help to achieve. Boosting the support and availability for self-care in the region will go a long way to ensuring the people of ASEAN can enjoy long and healthy lives, whilst also leading to significant savings on health budgets across the region and reducing the burden on existing primary healthcare systems by reducing the number of consultations with healthcare professionals for minor ailments and illnesses.

“Self-care is broad concept which also encompasses hygiene (general and personal); nutrition (type and quality of food eaten); lifestyle (sporting activities, leisure, etc.); environmental factors (living conditions, social habits, etc.); socioeconomic factors (income level, cultural beliefs, etc.); and self-medication. Core principles: Fundamental principles for self-care include aspects of the individual (e.g. self-reliance, empowerment, autonomy, personal responsibility, self-efficacy) as well as the greater community (e.g. community participation, community involvement, community empowerment).”

Source: World Health Organisation

To better understand consumer attitudes in the ASEAN region towards Self-Care and the availability of Over-The-Counter and self-care medicines to help them self-medicate and practice self-remedies, EU-ABC engaged IPSOS to conduct a survey, which involved 2,000 individuals across Malaysia, Indonesia, Thailand and Vietnam. Below are two key findings:









**83%** of respondents believe that medication for minor ailments should be available more widely, such as in supermarkets/mini-markets/ convenience shops.



**78%** believe that e-Pharmacies should be able to offer the same basic non-prescription remedies as ordinary pharmacies.

## Key Recommendations

	ASEAN Governments to effectively build self-care policies and promotion into their national health policies.
	<p>ASEAN to mandate the Pharmaceutical Products Working Group (PPWG) to be an ASEAN-wide regulatory enabler focused on streamlining self-care medicine regulation such as:</p> <ul style="list-style-type: none"> <li>• Developing an ASEAN-wide, harmonised definition on self-care medicine;</li> <li>• Developing medicine reclassification guidelines that will enable ASEAN to move from prescription medicines to non-prescription, building on the initiatives and programmes in place in Singapore and Thailand;</li> <li>• Exploring simplified regulatory requirements for over-the-counter and self-care medicines through a risk-based regulatory approach</li> </ul>
	Create a specialised regulatory approach designed to encourage mutual recognition and help those ASEAN member states with less developed regulatory regimes to improve their capacity and general encourage enhanced consumer empowerment.
	Develop relevant laws and regulations to allow official registration and legalisation of e-pharmacy with specific requirements or guidelines to ensure patient safety and delivery of quality medicines to patients.
	Alter educational curricula to include more widespread teaching of healthy living, including better nutrition, exercise, health monitoring, and self-care/remedy practices.
	<p>Elevate private sector engagement via the three initiatives outlined below:</p> <ul style="list-style-type: none"> <li>• Antimicrobial Resistance (AMR) Programme such as Global Respiratory Infection Partnership (GRIP) - GRIP is committed to consistent, sustainable evidence-based advocacy and intervention for rational antibiotic use.</li> <li>• The Global Hygiene Council - The Global Hygiene Council is a group of the world's top experts in hygiene and hygiene-related fields, including microbiology, virology, infectious diseases, immunology, and public health.</li> <li>• Promoting and incentivising hospital providers and private insurance companies to offer telemedicine and e-pharmacy access and benefit coverage in their product offerings.</li> </ul>

## Tackling Illicit Trade in ASEAN – November 2020: In collaboration with TRACIT



ASEAN is facing a crisis like never before. COVID-19 has disrupted supply chains, plunged stock markets, and has taken the lives of thousands of people. Besides the macroeconomic shocks to the economy, the pandemic has also put a spotlight on Southeast Asia's growing illicit trade industry. Vietnam has seized over 150,000 counterfeit 3M face masks while the Philippines has seized medical supplies worth US\$5 million.



In ASEAN, the rise of illicit trade has dealt significant blows to human lives and human rights, on top of causing monetary losses to governments and legitimate businesses. Moreover, the proceeds of illicit trade line the pockets of international organised crime, including terrorist organisations, and undermine governments' ability to safeguard the health and safety of their citizens.



As ASEAN looks towards charting the path to the next new normal, the region needs to transform lockdown lessons into a resilient post-crisis regulatory regime by understanding where and how criminal groups exploit weaknesses. The time for ASEAN is now and the failure to act could result in a larger public healthcare crisis. Some recommendations of how ASEAN can tackle the issue across different areas of concern are highlighted below.

- Collaborate with online platforms such to promote online to offline enforcement.
- Promote adoption of better due diligence processes for online intermediaries including social media platforms.
- Develop national government frameworks for governing advertising and promotion of products, compatible with OECD guidelines.

### E-Commerce



- Develop a comprehensive framework pertaining to the implementation and protection of lot codes.
- Define serialisation and Track and Trace laws, mandate serialization of products.
- Form regional Public-Private working group for Illicit Trade to share market intelligence and investigative techniques with customs authorities.

### Counterfeit Goods



- Form comprehensive and specific definitions of permissible activity in FTZ's with implementation policies and periodic checks.
- Incorporate digital solutions to ease reporting requirements, track and trace requirements.
- Ensure authorities have access to aggregated data on goods entering and exiting the FTZ with correct tariff classification and owner information.

### Free Trade Zone (FTZ)



- Simplify the administrative requirements of the taxation process, through labelling and documentation standards, so as to reduce incentives for tax avoidance.
- Adopt coherent long-term policies that focus on regular tax adjustments instead of drastic increases, especially during the current COVID-19 environment of financial uncertainty and supply chain disruptions for the licit industry.

### Taxation Policies





## 2021 Insurance Paper “Care, Prepare and Prosper: Digital Tools for Affordable Protection – March 2021

The 7<sup>th</sup> edition of the EU-ASEAN Business Council’s Insurance paper is written in line with ASEAN’s theme under the 2021 Chairmanship of Brunei titled, “We Care, We Prepare, We Prosper”. This paper focuses on delivering an inclusive, resilient, and sustainable insurance system to ASEAN citizens by leveraging on digitalisation to seize new opportunities and overcome challenges posed by the COVID-19 pandemic.

### Key Focus Areas



Improving the affordability of insurance protection using tax policies, intelligent automation, and investments.



Improving the accessibility of insurance with digital solutions.



Providing integrated digital health solutions to ensure the protection of individual wellness.

### Recommendations

#### Affordable Protection

- Fiscal policymakers to introduce/enhance personal income and corporate tax deductions to make private insurance policies more affordable to individual and businesses.
- Policymakers to introduce strategies and provide subsidies to promote the development and adoption of RPA and R&CA in the insurance industry.
- Regulators to develop consistent guidelines and harmonise laws at the regional level regarding ethical issues and the use of Big Data and AI in the insurance sector.
- Legislators to introduce laws that address data privacy and governance concerns and promote and protect data flows across borders.
- Regulators to revisit restrictions on insurers’ use of derivatives and investment in alternative assets in light of the low interest rate environment.

#### Digital Access to Insurance

- Regulators to draft regional principles and guidelines on the supervision of distribution of insurance products and insurers’ business transactions via digital channels.
- Regulators to introduce well-defined local rules to encourage and support insurers’ innovation and to facilitate consumers’ access to insurance; policymakers to launch consumer education campaigns.

#### Health Wellness and Productivity

- ASEAN to develop a regional digital health strategy by referring to WHO’s National eHealth Strategy Toolkit. The strategy can outline regional goals and strategic priorities as well as implementation rules and policies on digital health.
- Governments to consider driving health outcomes across Ministries e.g. be a common healthcare related KPI that all Ministries are working toward together.



## ASEAN Economic Integration: Time for a Post-Pandemic Reset? – May 2021

The EU-ASEAN Business Council (EU-ABC) presents its annual policy paper on trade facilitation in ASEAN to provide frank and open feedback to the ASEAN Economic Ministers on the state of play on ASEAN Economic Integration from the perception of European businesses who operate in the region.

“Moving forward, ASEAN needs to accelerate the pace of implementation. The delays in the rolling out of key initiatives need to be better addressed, and getting the business sector feedback is crucial in ensuring that the AEC is delivering on the businesses expectations.”

p.13, Mid-Term Review of the ASEAN Economic Community, ASEAN Secretariat (year?)

- Against this backdrop, the EU-ABC perceives the following as hampering progress on economic integration:
  - Lack of commitment or inability to deliver on the promises enshrined in both the 2015 and 2025 AEC Blueprints;
  - Targets set by ASEAN are regularly missed, in particular commitments to tackle non-tariff barriers to trade are hampered by ineffective processes and tools;
  - Existing trade facilitative agreements, such as the ASEAN Trade in Goods Agreement (ATIGA), remain to be fully implemented or adhered to;
  - The region is adding new ideas and programmes, such as in digital transformation, but continues to fail to deliver on existing ones.

The EU-ABC therefore has the following requests of the leaders of ASEAN and for Ministers of Trade, Commerce and Finance: **please revitalise and accelerate work on the AEC; please instruct Officials in the region to move ahead more rapidly on the AEC agenda; please give them support and deadlines to achieve measurable key goals that are publicly and independently reported on.** Without such leadership, it is likely that the ASEAN vision will remain unfulfilled and the recovery from COVID-19 will not reach its full potential.

There needs to be renewed focus and urgency in tackling key trade facilitative areas. EU-ABC suggests work in 2 key areas – tackling non-tariff barriers to trade and moves to improve the movement of goods:

NTBs (Track 1)	NTBs (Track 2)	Movement of Goods Issues
<ul style="list-style-type: none"> <li>• Finalise and Publish the Proposed NTM Toolkit</li> <li>• Mandate utilisation of the NTM Toolkit to assess validity of NTMs</li> <li>• Use the Toolkit to conduct a systematic review of all NTMs (starting with Quantity Control Restrictions) to a set and published timeline</li> <li>• Involve and consult the Private sector at every stage</li> </ul>	<ul style="list-style-type: none"> <li>• Finalise the ASEAN Trade Repository</li> <li>• Coordinating Committee on ATIGA (CCA) to be given extra support through an independent panel of experts</li> <li>• Enhance ASSIST through better publicity of its existence, and publication of key stats on usage and of outcomes</li> <li>• ASSIST filings to be added to the Matrix of Actual Cases before CCA</li> <li>• Private Sector to step up to the plate and file any suspected NTBs on ASSIST</li> </ul>	<ul style="list-style-type: none"> <li>• Informed Compliance: Publish more and better guidance (such as key principles from rulings, or WCO style "advisory opinions", "commentaries" etc) to enable exporters and importer to be well informed and raise levels of compliance ultimately expediting shipments</li> <li>• ASEAN Low Value Shipment Programme to be accelerated in line with Ministers wishes and the pathfinder implemented by end 2021</li> </ul>

“Looking ahead, this may prompt more lead firms to re-shore or nearshore critical parts and equipment in the short- and medium-term. This will have important consequences for value chain linked FDI in the [ASEAN] economies as well as more broadly for the [ASEAN] SMEs which are both highly integrated into and dependent on value chain networks. **Enhanced regional integration through both RCEP and the ASEAN Economic Community will therefore become even more important** as it may present alternative and new opportunities for firms to strengthen their competitiveness in global and regional value chains.”

p.19 Asia-Pacific Trade & Investment Trends 2020/2021 – UN ESCAP (Emphasis added)

## A Decade of Healthy Ageing in ASEAN: The Role of Life-Course Immunisation – June 2021

The global health crisis brought about by the outbreak of the COVID-19 virus has shone the spotlight on health. Countries are focused on recovering from the devastating impacts of the pandemic, but there is another pressing issue that needs to be addressed now: ageing societies. This report outlines recommendations for healthy ageing, including the importance of life-course immunisation – an area in which Southeast Asia has fallen behind compared to the rest of the world.

### KEY FOCUS AREAS



ASEAN is particularly vulnerable to becoming ageing societies. This has serious implications for economies, social spending programmes, and retirement schemes, which is why healthy ageing should be at the top of the region's agenda.



Recognising life-course immunisation as an important part of healthy ageing and dedicating resources to implementing this as part of healthy-ageing policies across ASEAN e.g., by establishing a National Adult Immunisation Schedule.



Multiple barriers, including a lack of policy framework and implementation, low awareness and vaccine hesitancy, as well as little financial support for elderly citizens to get vaccinated, can be solved through government, corporate, and citizen-led interventions.

### RECOMMENDATIONS

#### Government policies

- Leverage the influence of healthcare providers by establishing a formal structure for vaccine advocacy
- Develop data collection infrastructure systems to create a national immunisation registry, which will help citizens and stakeholders make better-informed decisions on vaccination
- Improve public access to vaccination points so adults who want to be vaccinated can do so at their convenience
- Invest in predictive analysis to gain clarity around expected vaccine demand and build confidence in making longer-term commitments, thus keeping a stable supply of vaccines to support ageing population

#### Corporate initiatives

- Employers could sponsor annual influenza vaccination for workers as part of employee benefits programme
- Health insurers can offer specific insurance products to cover the cost of vaccinations, which would assure those who are considering getting vaccinated but are concerned about its costs

#### Grassroots support

- Encourage peer-sharing on safety and efficacy of vaccines
- Citizen groups with ability and resources to host mobile vaccination points should be endorsed, as part of efforts to improve access among elderly and marginalised communities
- Develop simple digital health solutions with the government, e.g. appointment booking system, vaccination reminders, information on vaccines

## Advancing ASEAN's Fuel Economy & Emissions Standards, Post Pandemic – June 2021

ASEAN's position as an automotive hub is set to grow, especially in a post-pandemic world, with industry leaders looking to diversify away from China and build supply chain resilience. The EU-ASEAN Business Council takes a deeper look at the automotive market in ASEAN and evaluates

### Key Focus Areas

potential solutions to lower pollution levels while improving fuel-use efficiency to make its automotive industry more competitive internationally.



**Improving ASEAN's position as an automotive hub by moving to cleaner technology adoption: improving fuel economy and lowering emissions.**



**The urgency to adopt cleaner technology is also highlighted by ASEAN's international commitments to reduce carbon emissions economy and lowering emissions.**



**By adopting more environmentally friendly options early, it would lead to lower pollution rates and ensure a more sustainable economic development for ASEAN in the long run.**

### Recommendations

#### Emission Standards:

- **An accelerated upgrade of emission standards towards Euro 6 in the medium term across the region is recommended.** This would further improve the environmental impact of vehicles and support the adoption of more efficient technologies.
- **Harmonisation of national standards across the region, based on recognised UN standards such as those provided by UNECE.** This would facilitate both intra-ASEAN vehicle trade, as well as exports to international markets. As such, further harmonisation constitutes an essential part of the vision of ASEAN as a single manufacturing base.
- **The use of fuel additives should be encouraged.** With the long-term use of additives, engines stay clean, which has beneficial effects on emissions, fuel economy, as well as on the catalyst performance. Engine tests clearly show the negative effect of deposits on fuel economy.

#### Fuel Quality

- **An upgrade in vehicle standards must necessarily go together with an upgrade of fuel quality standards.** This must however not delay the introduction of higher vehicle standards;
- **We recognise the efforts of some ASEAN member states to decrease their dependency on fossil fuels.** Meanwhile, an **impact assessment of biofuels should be conducted before increasing legally mandated biofuel blending quotas.** These studies should take a holistic approach, including assessments on the effects of higher biofuel quotas on engines and vehicle performance. Biofuels should always be offered as an option rather than mandatory choice, allowing ASEAN citizens to choose freely. Lastly, we recommend that biofuels should meet international fuel standards. This ensures that they are produced in line with certain quality standards, do not harm engine technology and do not exceed the pollutant limits specified by the standards.

#### Taxation Systems

- **A technology-neutral CO<sub>2</sub> emission-based taxation system should be introduced.** This would constitute a fundamental pillar of ASEAN's efforts towards reducing vehicle emissions. Various studies have shown the positive effects of CO<sub>2</sub> emission-based taxation schemes, that increase incentives to upgrade technology. The scheme should recognise test results of relevant UN regulation certificates.

## The Problem



- Increasing demand for power, driven by current under supply and increased economic development, with demand being met by existing, but highly polluting, fossil fuel led systems.
- Slow take up on lower carbon emitting solutions and renewable energy sources due to policy and regulatory environment and power-grid infrastructure issues.
- Restricted Green Financing ecosystem which is hindering the financing of energy transition solutions, coupled with fiscal policy constraints made worse by COVID-19.
- In the meantime, climate change related impacts on ASEAN are getting worse and need to tackle environmental issues becomes more pressing.

## The Solutions

	<ul style="list-style-type: none"> <li>• <b>Develop an ASEAN-specific Energy Transition Mechanism with a view towards national implementation</b></li> <li>• <b>Increase the amount of Public Policy Derisking Instruments being implemented</b> to improve the regulatory climate for private sector investors</li> <li>• <b>Enhance the adoption of Financial Derisking Instruments</b>, such as insurance for renewable energy projects, projects that involve the decommissioning of legacy carbon-intensive fossil fuel electric plants, to improve the risk-reward profile for private investors</li> <li>• <b>Develop an ASEAN-wide green finance taxonomy</b></li> <li>• <b>Develop a sustainable infrastructure labelling system</b> that complements an ASEAN taxonomy, to incentivise governments and project developers to embed ESG standards throughout the lifecycle of new infrastructure</li> <li>• <b>Support government-led carbon pricing mechanism</b> that will enable member states to meet goals of the Paris Agreement and to <b>promote increased ambition in reducing emissions and create incentives to invest in low-carbon technology and infrastructure</b></li> <li>• Policymakers to consider and adopt <b>more competitive and sustainable power purchase arrangements</b> that enable investment in economically viable renewable energy projects in AMS</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Begin phasing out fossil fuel subsidies</b>, to ensure a more level-playing field, and repurpose fossil fuel subsidies to invest in renewable energy and low carbon solutions projects or other public goods</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Engage the private sector in the rapid expansion of electrification networks</b></li> <li>• <b>Engage the private sector to ensure power system flexibility</b> so that grid capacity is scalable and able to integrate new sources from renewable energy</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Establish a Just Transition Mechanism</b> for ASEAN to provide support to affected communities</li> <li>• <b>Establish a Just Transition Fund</b> and loan facility to mobilise funds for investment in affected communities</li> </ul>

## ANNEX 3: RESPONDENT'S PROFILE AND METHODOLOGY

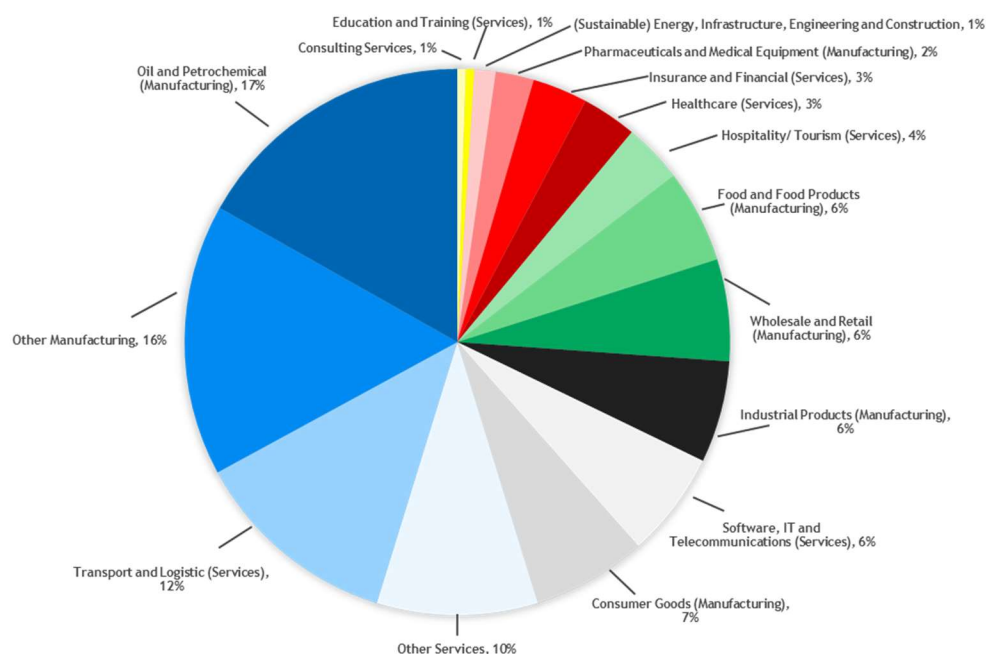
Survey respondents submitted their responses either through on-line links from newsletters and/or websites from the EU-ASEAN Business Council and the respective European Chambers of Commerce in each ASEAN country, or via e-mail contact from those organisations from April 2021 to June 2021. In total, 389 responses were recorded. All responses were made confidentially and online. Using a similar methodology in 2020, 680 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.

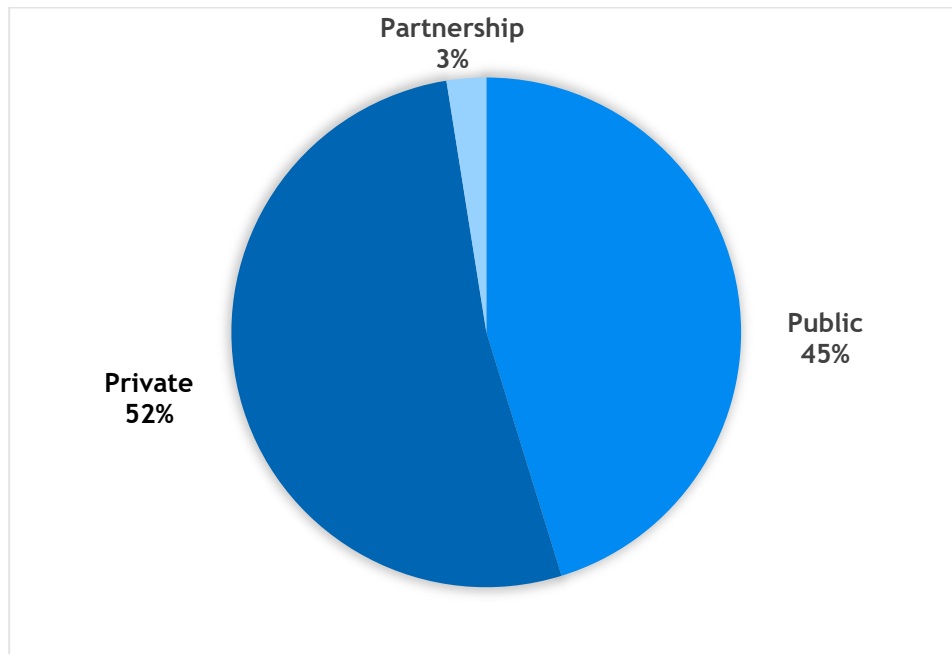
This year, we have revised our methodology to provide a greater degree of granularity. For companies with operations in multiple locations, we have asked respondents to respond separately for each country in which they operate in. On other questions calling for a region-wide response, each respondent would only give one response, even if they have operations in multiple locations. This is the same methodology as used for 2020.

### RESPONDENT BREAKDOWN BY INDUSTRY

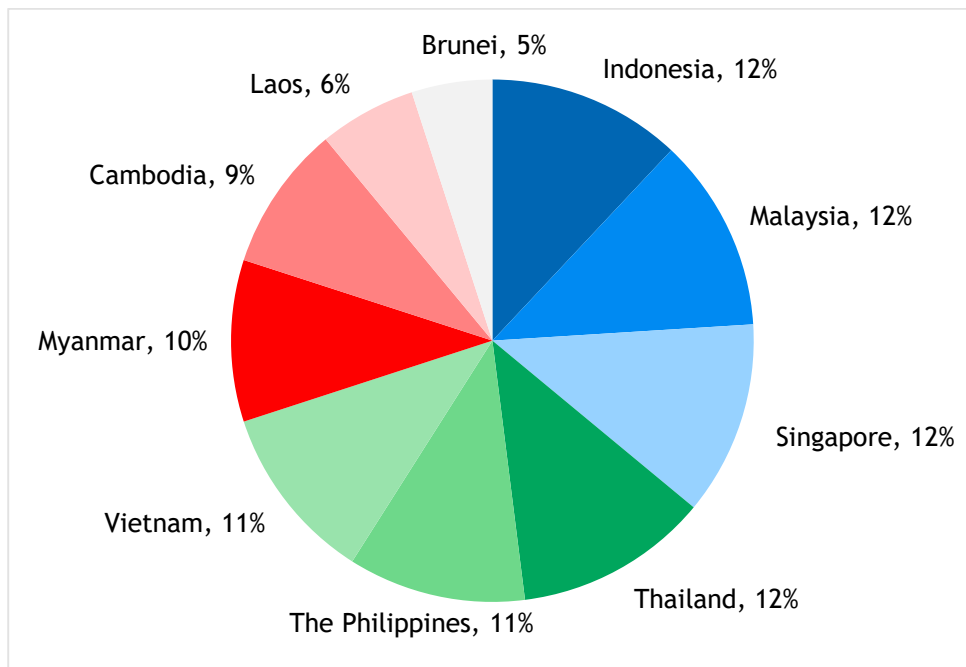




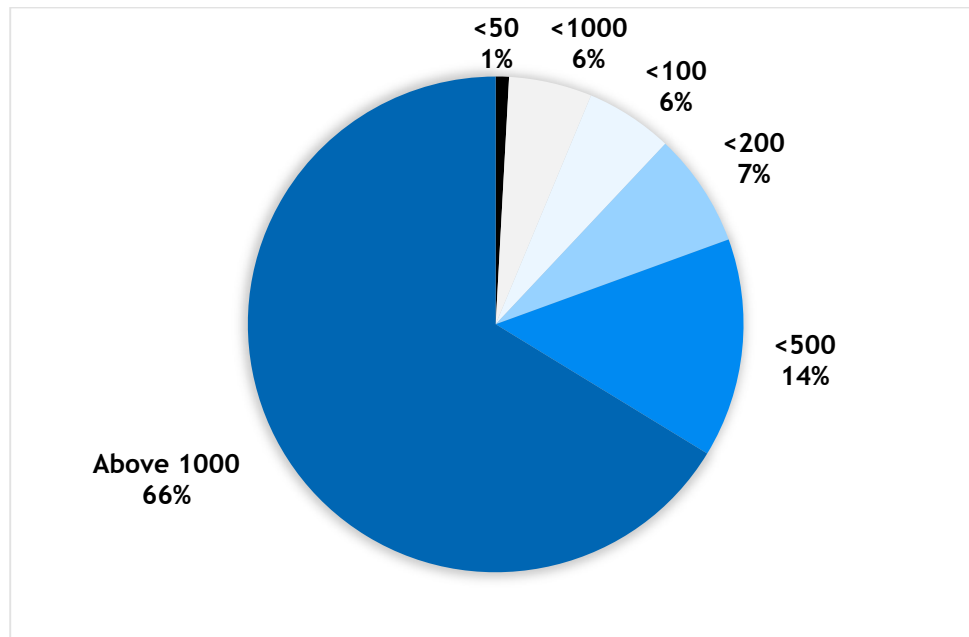
## RESPONDENT BREAKDOWN BY OWNERSHIP STRUCTURE



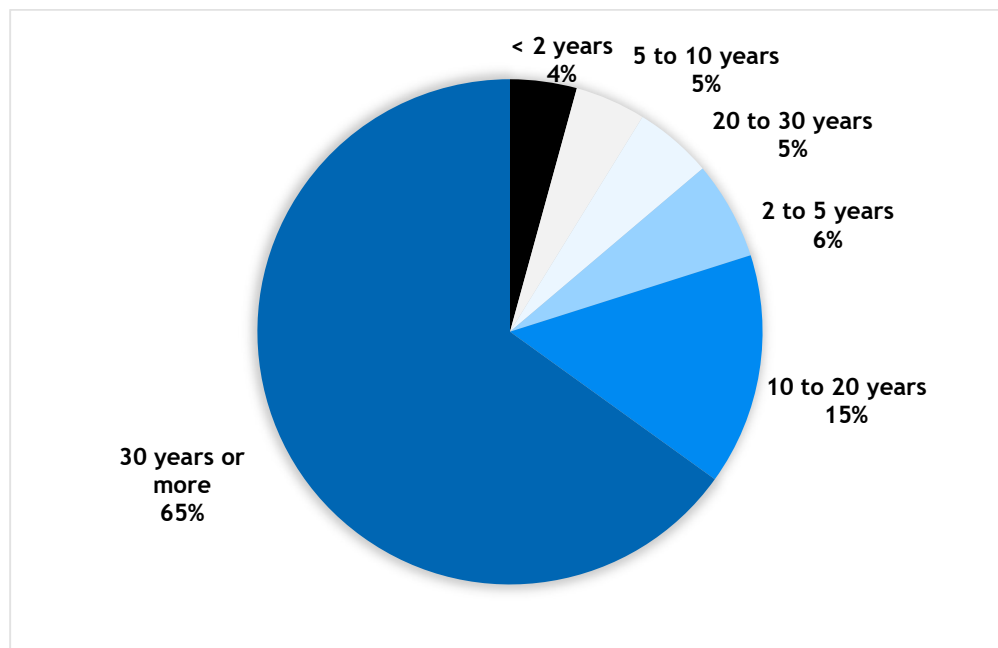
## RESPONDENT BREAKDOWN BY RESPONSE LOCATION



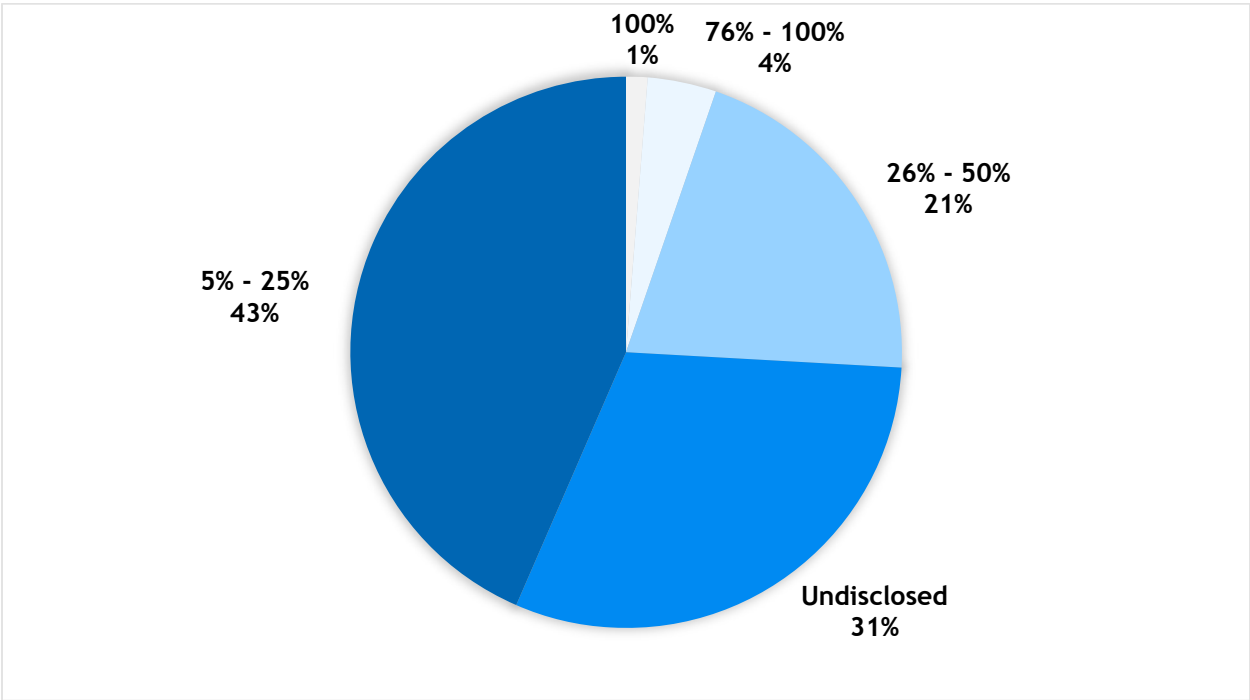
## RESPONDENT BREAKDOWN BY NUMBER OF EMPLOYEES



## RESPONDENT BREAKDOWN BY PRESENCE IN ASEAN



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



## NOTES



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