

2023

EU-ASEAN BUSINESS SENTIMENT SURVEY

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ADVOCACY SUCCESSES

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



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ABOUT THE EU-ASEAN BUSINESS SENTIMENT SURVEY

This publication is the ninth 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 macroeconomic 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 European Chambers of Commerce throughout the ASEAN region. You may also view this report and previous editions online at www.eu-asean.eu/publications.

ACKNOWLEDGEMENTS

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

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



We would especially like to thank **BDO** for their sponsorship and support for this year's report.

Finally, a special word of thanks for all 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, Justin Ong.

For further enquiries please email info@eu-asean.eu

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FOREWORD BY JENS RUEBBERT, CHAIRMAN, EU-ASEAN BUSINESS COUNCIL



The EU-ASEAN Business Council (EU-ABC) is pleased to present the 2023 EU-ASEAN Business Sentiment Survey. I extend my heartfelt gratitude to all those who have graciously taken the time to participate in this survey, as well as to our esteemed partners at the various European Chambers of Commerce for their invaluable support in gathering responses.

As we embark on the latest edition of this survey, it serves as a vital instrument for capturing the views of the European business community in ASEAN on a diverse range of topics. From the state of the business environment in the short and medium-term; ASEAN regional economic integration; trade agreements with the EU; government consultation and competition issues; and, views on sustainability issues. This survey provides critical insights that shape our understanding of the landscape and will assist the Council in the development of its advocacy positions with ASEAN and Europe.

The survey results for this year reflect a renewed sense of optimism among European businesses toward ASEAN and its potential for growth. Despite the persistent challenges faced globally, respondents hold a positive outlook on the region's economic recovery. This is an encouraging development, underscoring the resilience of ASEAN in the face of adversity, and the strength of its recovery from the pandemic.

Consistent with previous years, respondents continue to perceive ASEAN as the region offering the most promising economic opportunities over the next five years. The views of our respondents have been remarkably constant on this point. However, it is important to recognise that positive sentiments alone cannot guarantee progress. The survey highlights the pressing need to accelerate efforts in advancing the ASEAN Economic Community, as well as to address sustainability challenges effectively.

Respondents again express concerns about the region's ambitions and capabilities in climate action and environmental protection. Many believe that ASEAN's goals in this area lack the necessary ambition, urging greater commitment to sustainability initiatives. The result of views on the greening of supply chains in the region are particularly stark. We all, the business community, political leaders, employees, and the general public, need to do more on this and related issues. Economic development must be pursued hand in hand with environmental stewardship, ensuring a just and sustainable future for all.

Regarding trade agreements between the EU and ASEAN, the survey reveals evolving sentiments among respondents. While enthusiasm for a region-to-region Free Trade Agreement (FTA) has experienced fluctuations over the years, there is a resounding call for an EU-ASEAN Investment Protection Agreement, which would be a highly welcome development. Additionally, there remains a strong demand for expediting existing and new bilateral FTA negotiations, with specific interest in engagements with ASEAN countries such as Thailand, Malaysia and the Philippines.

As we navigate the complexities of the current global geo-political and economic landscape, marked by various challenges such as inflation, supply chain disruptions, and geopolitical tensions, it is imperative for ASEAN member states to foster closer collaboration, enhance harmony, and expedite economic integration with a strong emphasis on sustainability. 10 to the Power of 10 is, after all, much greater than the sum of ten.

The survey findings this year unveil encouraging signs of optimism and identify key themes that will contribute to a sustainable recovery. As longstanding partners of ASEAN, European businesses stand ready, as always, to collaborate closely with our ASEAN and European counterparts, working hand in hand to drive continued economic and social development. Together, we can build a prosperous future for all.

A NOTE FROM THE SPONSORS

NOEL CLEHANE, HEAD OF PUBLIC POLICY, BDO GLOBAL



As Vice-Chairman of the Executive Board of the Council, it gives me great pleasure to see the 2023 Business Sentiment Survey published. On behalf of the Council's members, may I express a big 'thank you' to Chris, Liyana, Jenn and Justin at the Secretariat, for the diligent work needed to gather extensive responses from across ASEAN on all the key questions posed, and then to 'crunch the numbers' into something so informative!

The Council is the voice of European businesses trading with and invested in ASEAN and I have seen first-hand in ASEAN and in Brussels, how widely read and much quoted this annual survey is from the time of its publication until its next iteration. We at BDO are delighted to sponsor the Survey once again and are sure that it will remain essential reading for policymakers across the ASEAN member countries and in the relevant EU institutions and Missions.

The Survey has reaffirmed that European businesses remain largely positive about ASEAN as a region and about economic recovery generally in Southeast Asia. The respondents, mostly multinational corporations with European origins, confirm that ASEAN is viewed as the region offering the best economic opportunity globally and their expectations of increased profits from ASEAN, validate that confidence. Moreover, the importance of ASEAN in terms of worldwide revenues continues to grow for European companies. However, Southeast Asia is not just an economic opportunity to be taken advantage of. It is also now clearly one of the engines of the global economy. Christine Lagarde, then of the IMF, referred to it as 'an auxiliary engine of global economy' a few years ago. I think that it is fair to say that this burgeoning region has every right to discard the term 'auxiliary' at this point. As it recovers steadily from the pandemic, its importance to global value chains has become evident and its own domestic economies are continuing to grow strongly, with some exceptions.

There is probably little surprise that the Survey highlights ongoing and worrying concerns around the pace of progress on ASEAN economic integration, particularly on unnecessary barriers to trade. The Council appeals to the policymakers in the ten ASEAN member countries (and to the extent relevant, the ASEAN Secretariat), to inject urgency and impact into advancing the AEC Blueprint. If the region is to fully capitalise on its generally very favourable demographics, its increasingly well-educated workforce, the noodle bowl of Preferential Trade Agreements applicable including RCEP, the incidental benefits from US-China trade tensions such as 'friendshoring' and supply chain diversification, and now the European corporate de-risking from China, then it must facilitate intra-regional trade to a greater extent and take economic integration to the next level.

The respondents expressed an increased desire for more action on FTAs between the EU and ASEAN and it is pleasing to see some progress on that front, at least as regards bilateral trade negotiations, between the EU and several ASEAN member countries. As ever, European businesses would prefer a 'region to region' FTA but realistically, that is some way off.

Probably the most concerning finding of the Survey is the unanimous view that ASEAN is 'not doing enough to green its economy'. As the EU pushes its Green Deal and an ensuing suite of environmental/sustainability-related instruments, it will be vital that ASEAN does not become a laggard in this area. Should that happen, European investment into Southeast Asia will reduce as corporates seek to meet their own environmental obligations and comply with the increasing array of EU legislation on a range of issues including carbon emissions, deforestation, supply-chain due diligence and forced labour, to name just a few. Investors will demand that corporate management move investments to 'green' projects and destinations so there is a real danger of FDI decline or even withdrawal of existing investments from ASEAN by European companies, if the region does not do more on the sustainability front.

To end on a positive, I am convinced that the 2023 Survey is a highly valued contribution to the policymakers in ASEAN and in Brussels, who are interested in driving the Strategic Partnership between the blocs at the economic level. It is once again a mine of information and intelligence and deserves careful study in the fast-changing world that both blocs seek to navigate.

2023 Key Findings

Current Business Environment & Outlook

- **65%** expect an increase in profits in ASEAN in 2023 (2022 – 69%)
- **63%** see ASEAN as the region of best economic opportunity over the next 5 years (2022 – 63%)
- **84%** expect to increase levels of trade and investment in the ASEAN region (2022 – 77%)
- **80%** expect ASEAN markets to become more important in terms of worldwide revenues over the next 2 years (2022 – 65%)

ASEAN Regional & Domestic Policy Frameworks

- **Only 14%** believe ASEAN economic integration is progressing fast enough (2022 – 6%)
- **Only 9%** say the objectives of the AEC Blueprints have been achieved (2022 – 12%)
- **Only 8%** believe non-tariff barriers to trade in ASEAN are decreasing (2022 – 12%)
- **72%** say there are too many barriers to the efficient use of supply chains in ASEAN (2022 – 14%)

Trade Agreements

- **99%** believe the EU should accelerate the negotiation of trade deals with ASEAN (2022 – 97%)
- **85%** believe the EU should pursue a region-to-region FTA with ASEAN now (2022 – 73%)
- **79%** believe the EU should pursue a region-to-region Investment Protection Agreement with ASEAN (2022 – 61%)

Sustainability & Climate Change Issues

- **Less than half** think ASEAN is serious about meeting its sustainability goals, or that the goals are ambitious enough
- **NO respondents** felt that ASEAN was doing enough to green supply chains
- **82%** think there should be an ASEAN-wide harmonised approach to ESG reporting standards

Government Consultation & Competition Issues

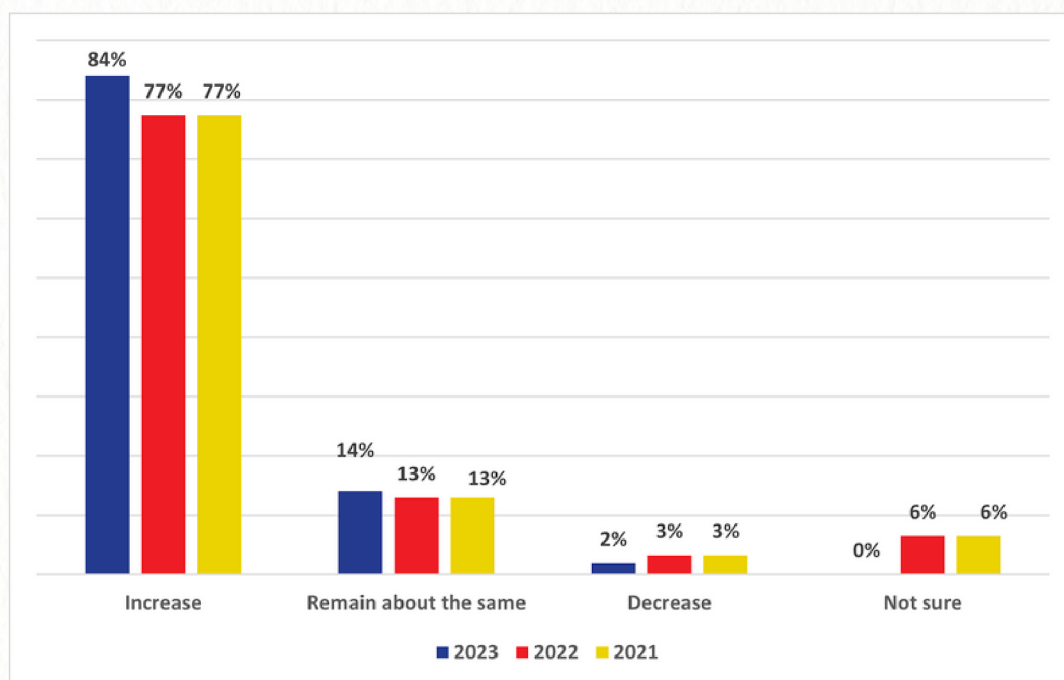
- **34%** feel they frequently or occasionally face unfair competitive practices in ASEAN (2022 – 38%)
- **45%** of respondents feel that they are often or sometimes consulted by national governments in ASEAN (2022 – 52%)
- **30%** of respondents feel that the European Commission is sufficiently engaged in supporting European business interests in ASEAN (2022 – 31%)

EU Sustainability Agenda & Outlook

- **75%** feel the Green Team Europe Initiative with ASEAN will boost activity on sustainability and climate action
- **55%** feel the policies to strengthen policies around private sector social and environmental due diligence will have a positive impact on their operations in ASEAN

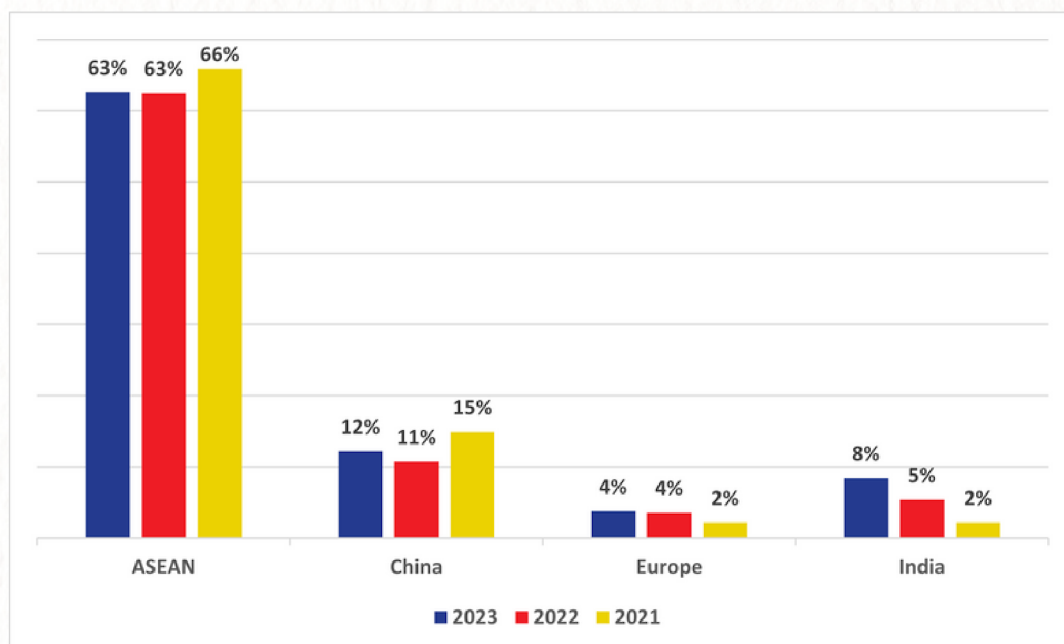
2021 – 2023 TRENDS FOR KEY FINDINGS

EXPECTATIONS OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (2021 - 2023)



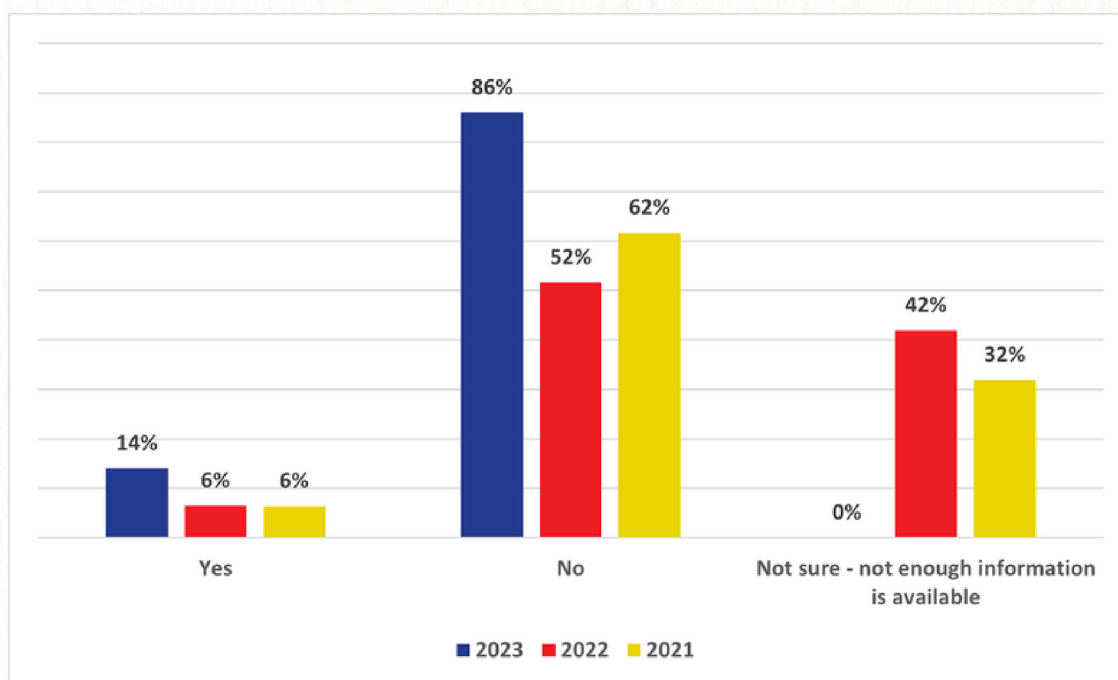
Expectations for increased trade and investments in ASEAN in 2023 continue to show robust optimism among European businesses.

REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS (2021 - 2023)



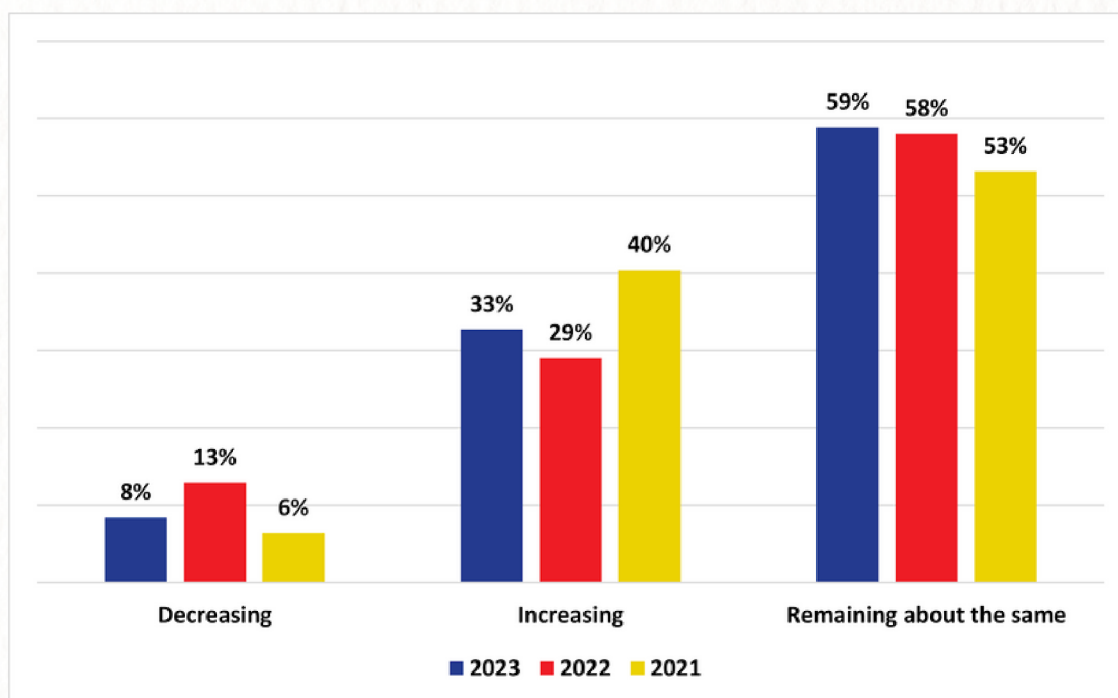
European businesses maintain their perception of ASEAN as the region offering the most favorable economic prospects, with China retaining its second position, while India steadily garners growing optimism as a promising destination for trade and investments.

IS ASEAN REGIONAL INTEGRATION UNDER THE AEC PROGRESSING FAST ENOUGH? (2021 - 2023)



In 2023, European businesses continue to express their skepticism regarding the pace of progress on the ASEAN Economic Community (AEC), which they perceive as insufficient. Furthermore, there is a noticeable increase in this sentiment compared to previous years.

PERCEPTION OF NON-TRADE BARRIERS TO TRADE IN ASEAN (2021 - 2023)



There is a growing apprehension regarding ASEAN's efforts to eliminate non-tariff barriers (NTBs) to trade. The percentage of individuals who perceive the NTB levels as unchanged has remained relatively consistent over the past three years, whilst fewer believe that NTBs are decreasing despite regional commitments to eliminate them.

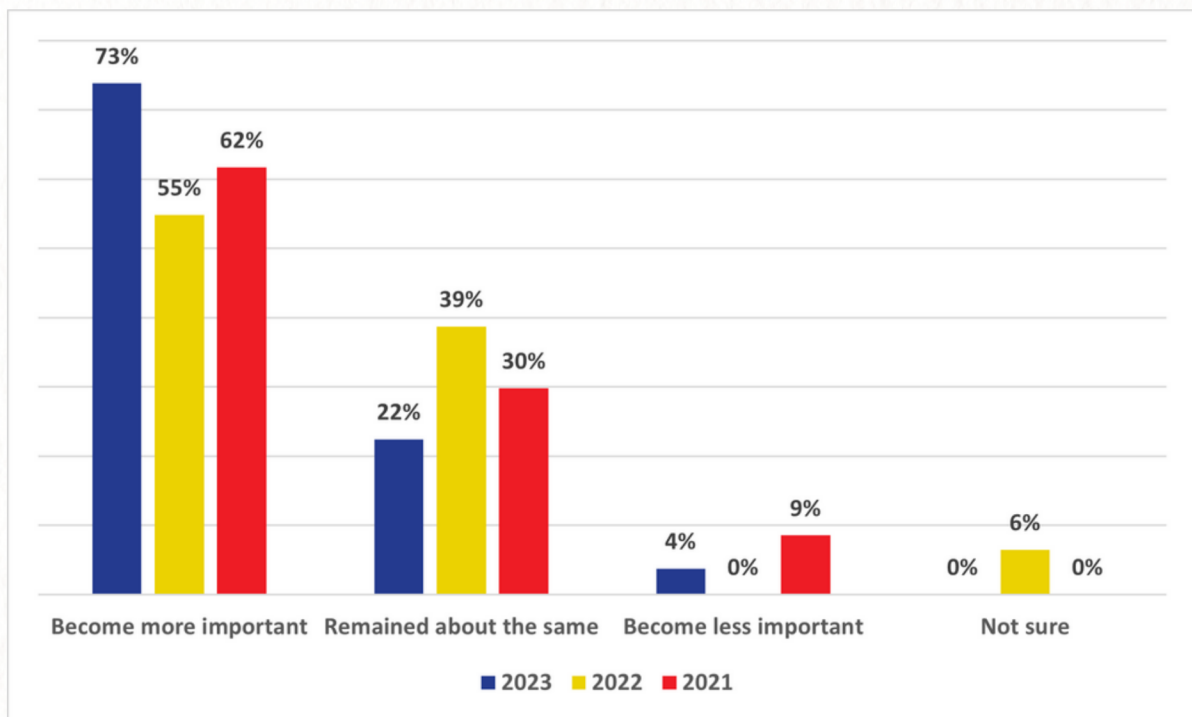
CURRENT BUSINESS ENVIRONMENT & OUTLOOK

European business confidence in ASEAN grows stronger

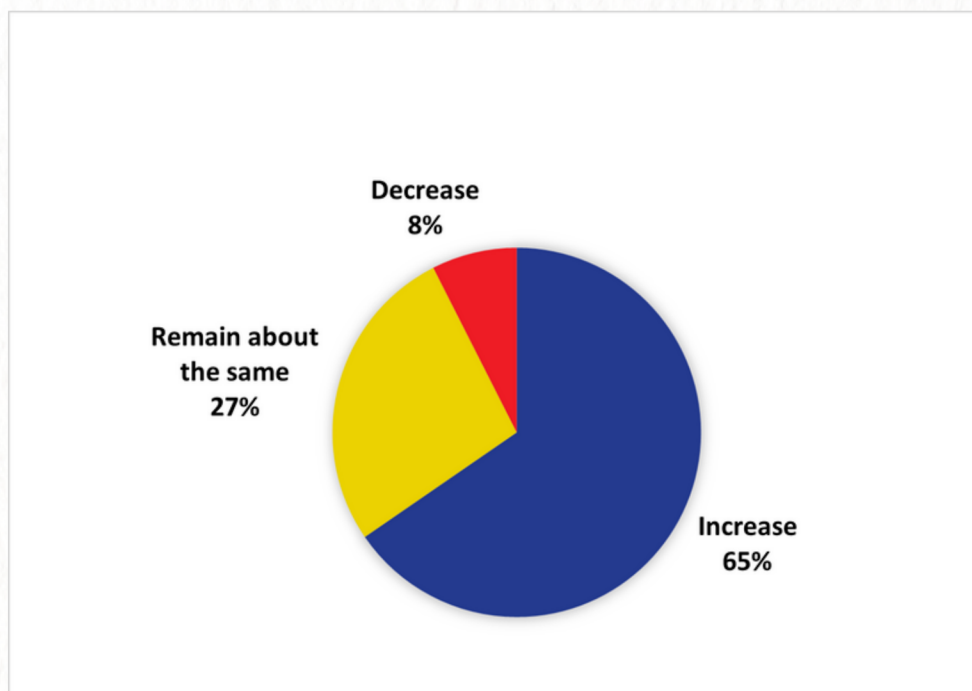
European businesses maintain a notable level of confidence in ASEAN, with their optimism for the region remaining robust. Views have witnessed an increase of nearly 20% regarding the growing significance of ASEAN markets in terms of global revenues over the past two years.

Moreover, a substantial majority of survey participants expressed their anticipation of increased profitability in their operations within the region. The proportion of respondents expecting such positive outcomes surpasses the figures observed in 2022. This trend potentially indicates a renewed sense of confidence in ASEAN.

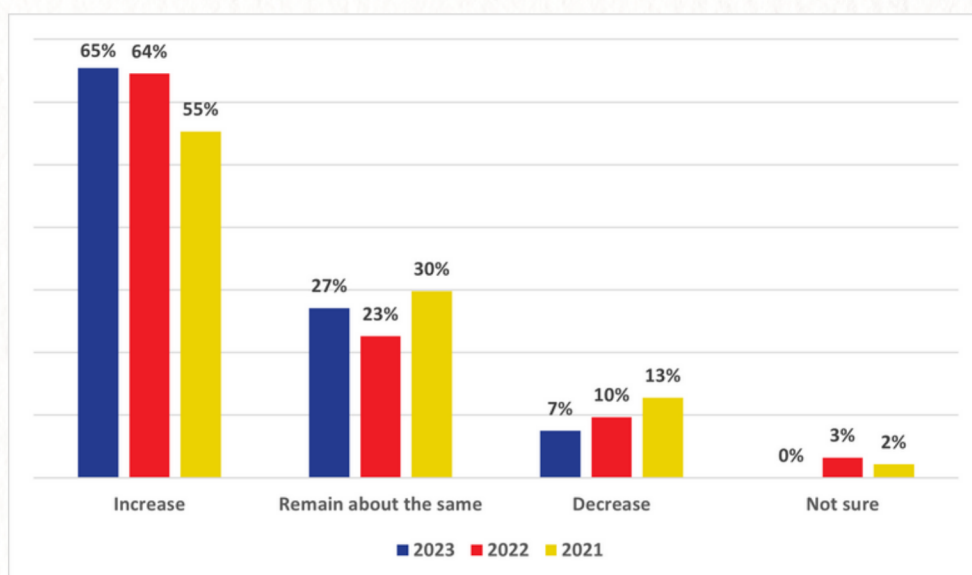
ASEAN MARKETS IN TERMS OF WORLDWIDE REVENUES OVER THE PAST TWO YEARS (2021 - 2023)



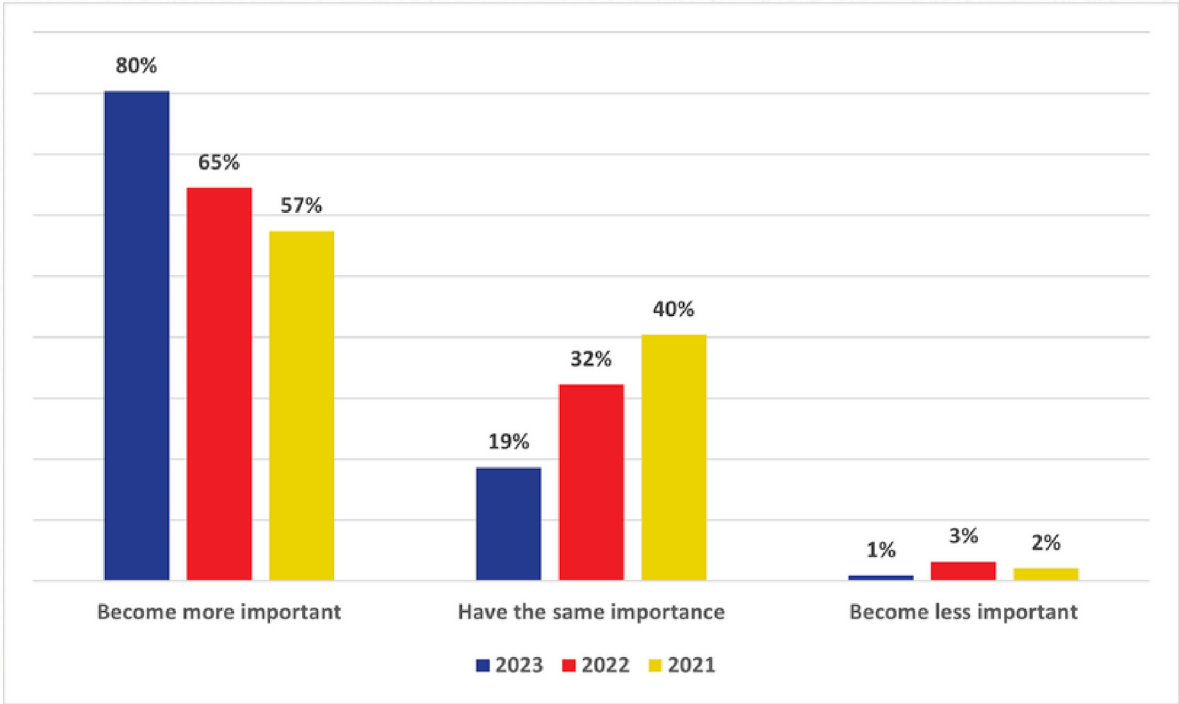
COMPANIES' EXPECTATIONS OF ASEAN'S PROFITS FOR THE CURRENT YEAR



COMPANIES' EXPECTATIONS OF ASEAN'S PROFITS FOR THE CURRENT YEAR (2021 - 2023)



ASEAN MARKETS IN TERMS OF WORLDWIDE REVENUES OVER THE NEXT TWO YEARS
(2021 - 2023)



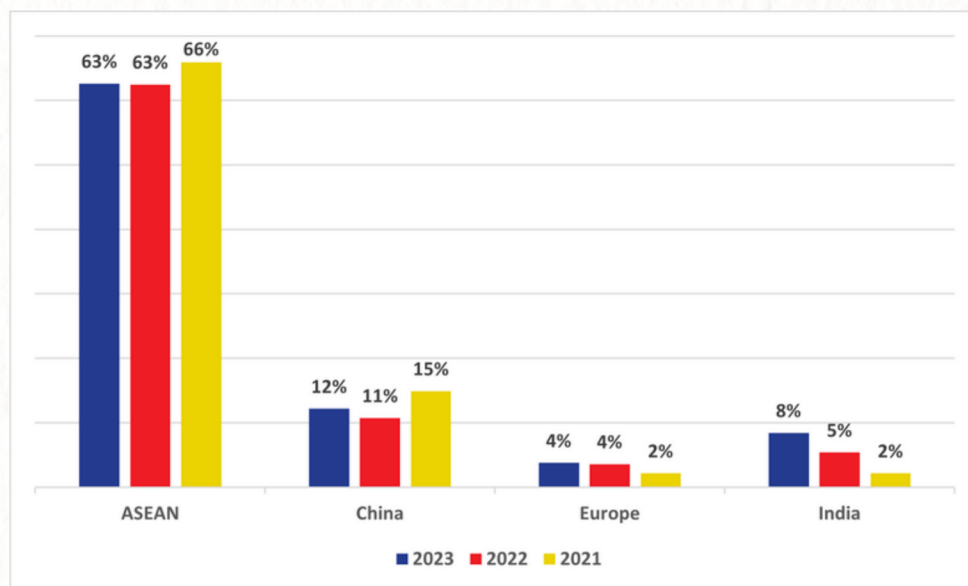
ASEAN is still seen as important in terms of worldwide revenues in the next two years, with a significant shift in positivity

A noteworthy 80% of respondents anticipate ASEAN's increasing significance in terms of global revenues over the next two years, representing a significant rise from 65% in 2022. This upward trend reflects their confidence in the region's capacity for a swift economic recovery. Furthermore, there has been a decline in the percentage of respondents (from 32% in 2022 to 19% in 2023) who believe that ASEAN markets will remain relatively unchanged in terms of worldwide revenues in the coming two years. This decrease indicates further positive sentiment towards the region and its economic rebound.

REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS

Region/Country	Breakdown
ASEAN	63%
China	12%
India	8%
Africa	6%
Europe	4%
North America (USA & Canada)	3%
South & Central America	2%
Australia	1%
East Asia (Japan & Korea)	1%
Russia & Central Asia	0%

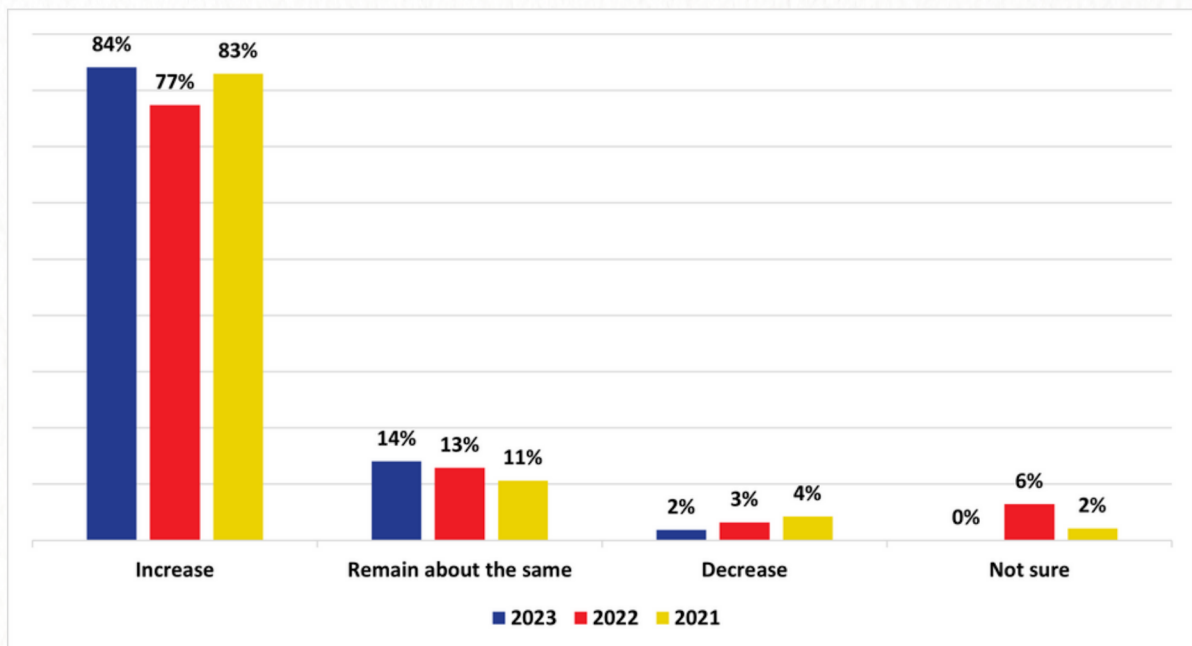
REGION WITH THE BEST ECONOMIC OPPORTUNITIES OVER THE NEXT 5 YEARS (2021-2023)



ASEAN continues to be regarded as the region offering the most favorable economic prospects, maintaining a significant lead over other regions; Minor changes have been observed in the rankings among the top regions

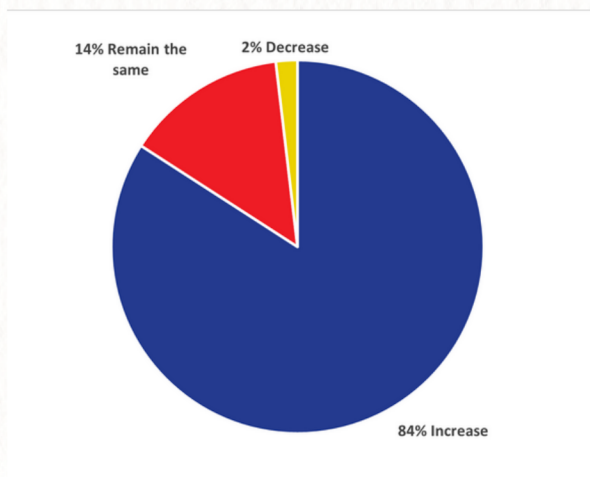
The prevailing trend of favorable sentiment towards ASEAN in comparison to other regions continues this year and is notably prominent. A significant majority of respondents (63%) perceive ASEAN as the region offering the most promising economic opportunities in the next five years, a percentage nearly six times higher than the next highest region, China (12%). The proportion of respondents identifying ASEAN as the top economic opportunity region has remained stable, while India has surpassed Africa by a margin of 2% compared to the previous year.

EXPECTATION OF TRADE & INVESTMENT OVER THE NEXT 5 YEARS (2021 - 2023)



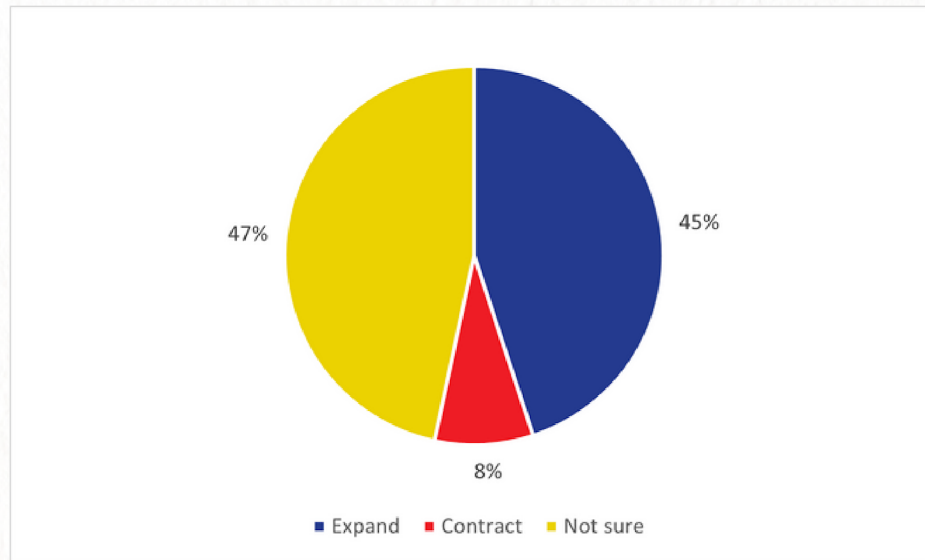
The future prospects for trade and investment in ASEAN bring positive news, as a substantial 84% of respondents anticipate an increase in their level of trade and investment with Southeast Asia over the next five years. In contrast, only 2% of respondents expect a decrease in trade and investments. A bar chart depiction highlights the optimistic sentiment, with fewer companies expressing uncertainty and a larger number expressing confidence in the anticipated growth.

The bar chart above highlights the optimistic sentiment, with fewer companies expressing uncertainty and a larger number expressing confidence in the anticipated growth.



**2023 EXPECTATION OF TRADE & INVESTMENT
OVER THE NEXT 5 YEARS**

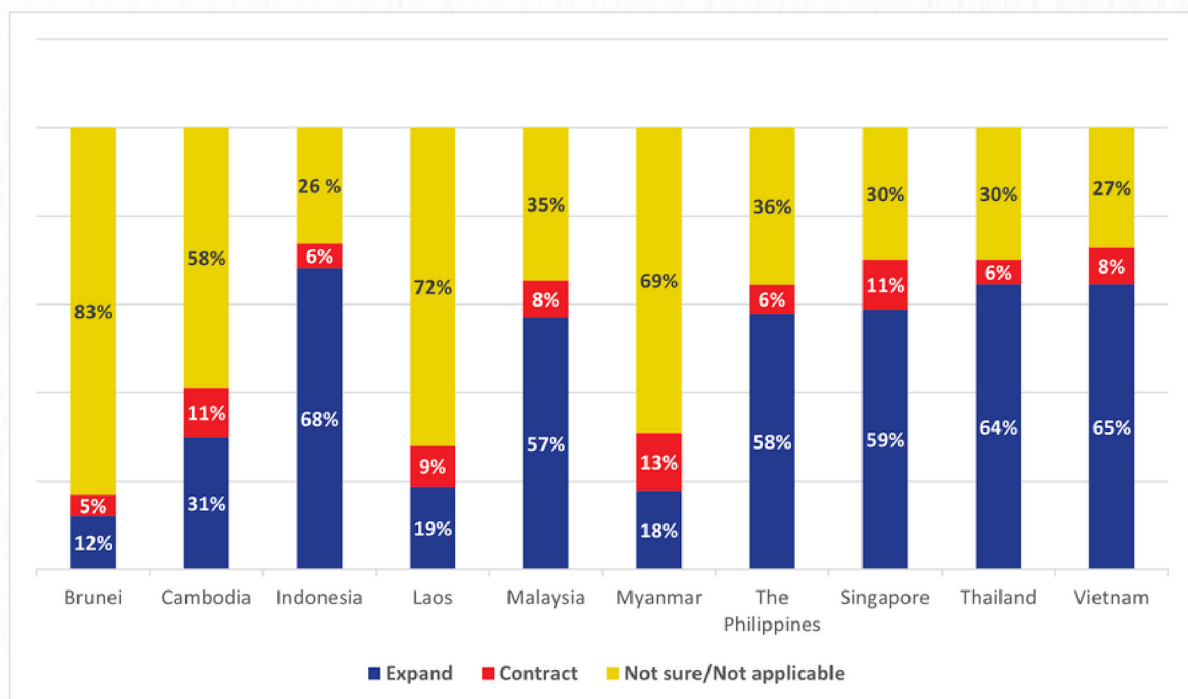
PLANS FOR OPERATIONS IN ASEAN



European Businesses more positive about expansion prospects for ASEAN operations

A high proportion of the respondents have the intention to expand their level of operations in ASEAN, with particularly strong sentiments for doing so being reported in Indonesia, Malaysia, The Philippines, Singapore, Thailand, and Vietnam.

However, it is worth noting that in all cases the percentage of respondents expressing an intention to expand are lower than they were in 2022, with the ASEAN level expansion percentage falling to 45% from 62%.



FACTORS MOTIVATING EXPANSION PLANS

Rank	Reasons
1	Economic recovery and growth opportunities
2	Diversification of customer base
3	Reasonable production costs (including labour cost)
4	Improvement in infrastructure
5	Enhanced regional economic integration
6	Stable government and political system
7	Improvements in sustainability policies
8	Adequate laws and regulations to encourage foreign investment
9	Limited growth opportunities in other regions
10	Availability of trained personnel/efficient manpower
11	Change in business strategy

We also asked respondents to rank the key factors that might be leading to consider expanding their operations in ASEAN. "Economic recovery and growth opportunities" and "Diversification of customer base" topped the charts, with the latter slipping down place from the 2022 survey.

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

We also asked our respondents for their views on which of ASEAN's dialogue partners were best placed to support the region with its economic development going forward. Similarly, to last year, the European Union comes out on top, but with an increased percentage (45% versus 43% in 2022). China, The United States and Japan fill the next slots as per 2022, but with the latter two on significantly reduced percentages. Australia heads the list of "Others".



45%



24%



12%



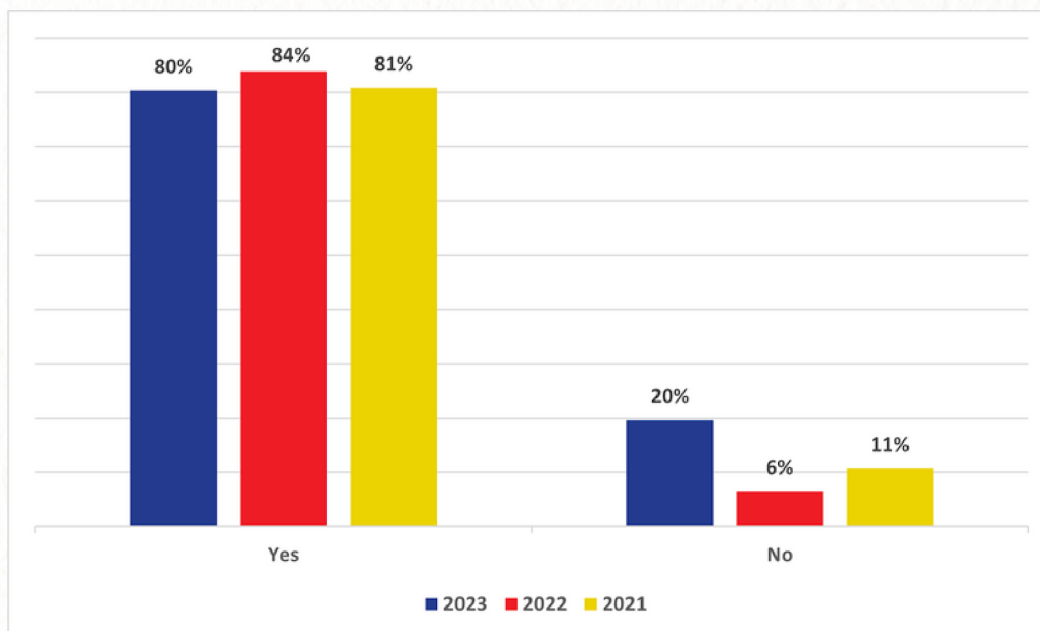
7%



12%

ASEAN REGIONAL AND DOMESTIC POLICY FRAMEWORKS

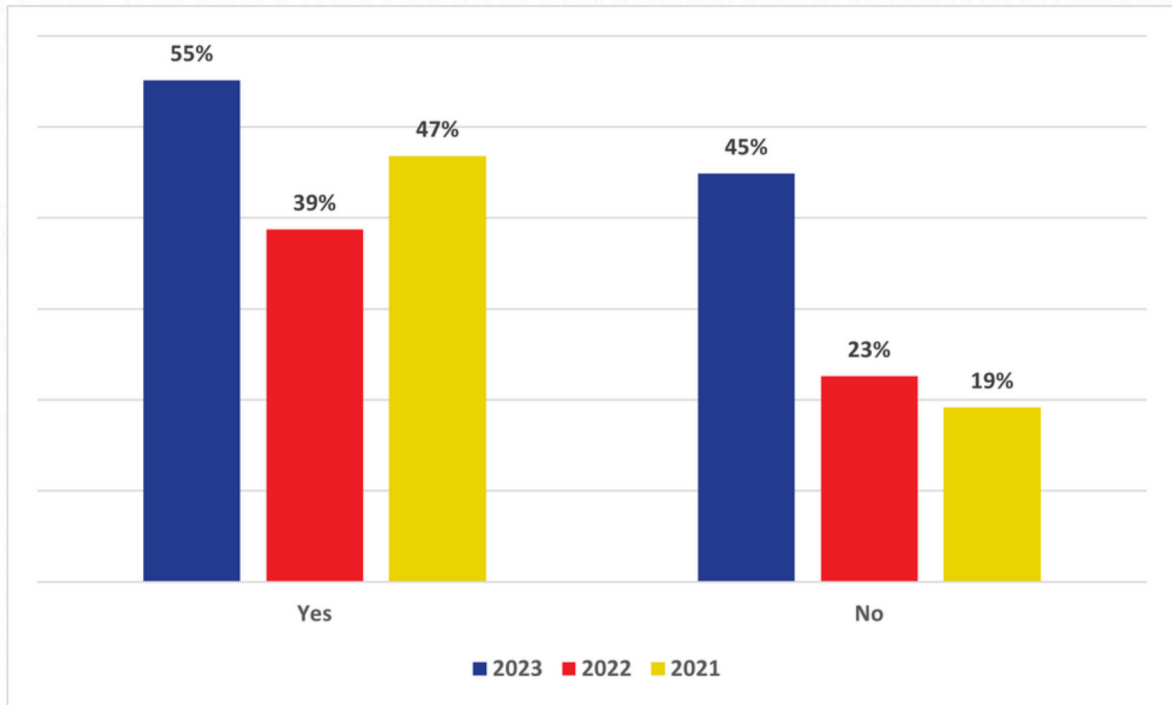
IS ASEAN ECONOMIC INTEGRATION IMPORTANT FOR THE SUCCESS OF
YOUR BUSINESS IN THE REGION?
(2021 - 2023)



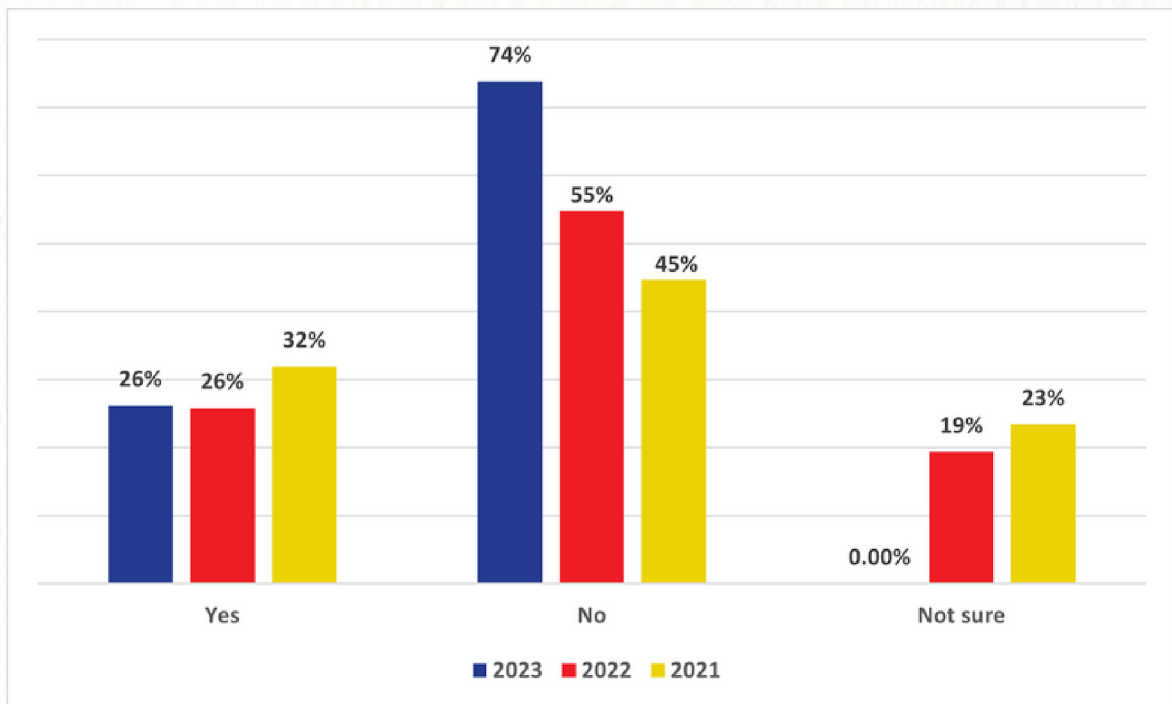
The perception of ASEAN Regional Economic Integration remains steady in terms of its importance and pace. It is widely acknowledged and, more than ever before, believed to have a positive impact. However, over 70% of respondents do not have a business strategy that aligns with the ASEAN Economic Community (AEC). AEC objectives not being met; progress seen as too slow, but less respondents are feeling that than previously.

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

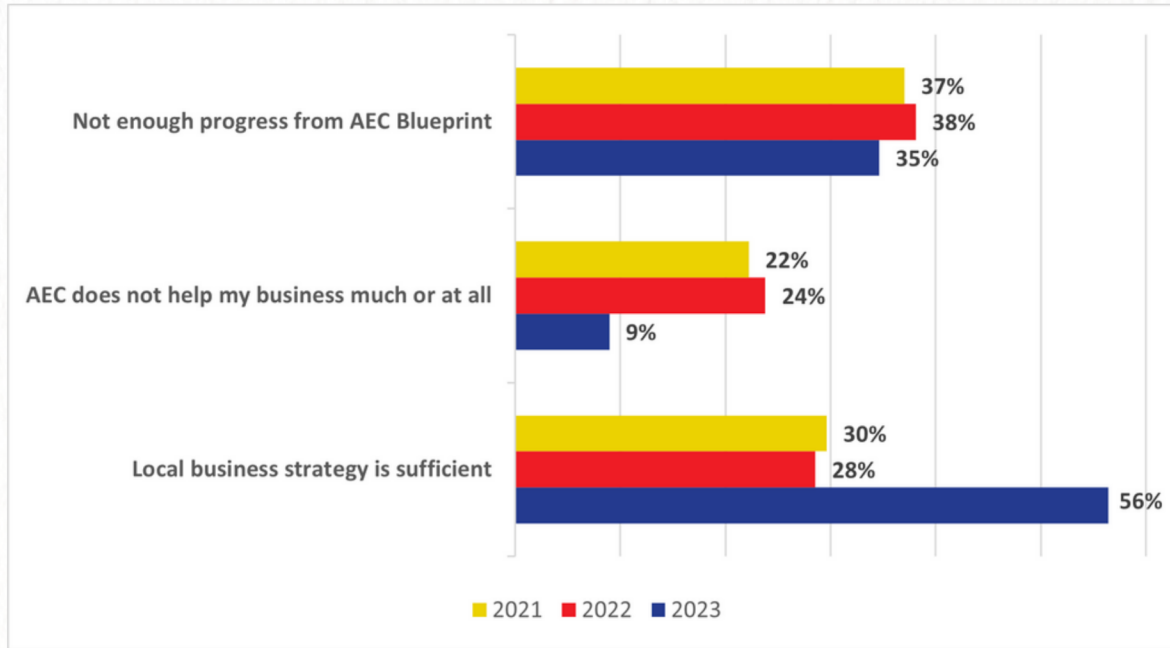
HAS THE ASEAN ECONOMIC COMMUNITY MADE A POSITIVE IMPACT ON
YOUR BUSINESS ACTIVITY IN ASEAN?
(2021-2023)



DOES YOUR COMPANY HAVE A REGIONAL STRATEGY BASED ON THE AEC?
(2021 - 2023)

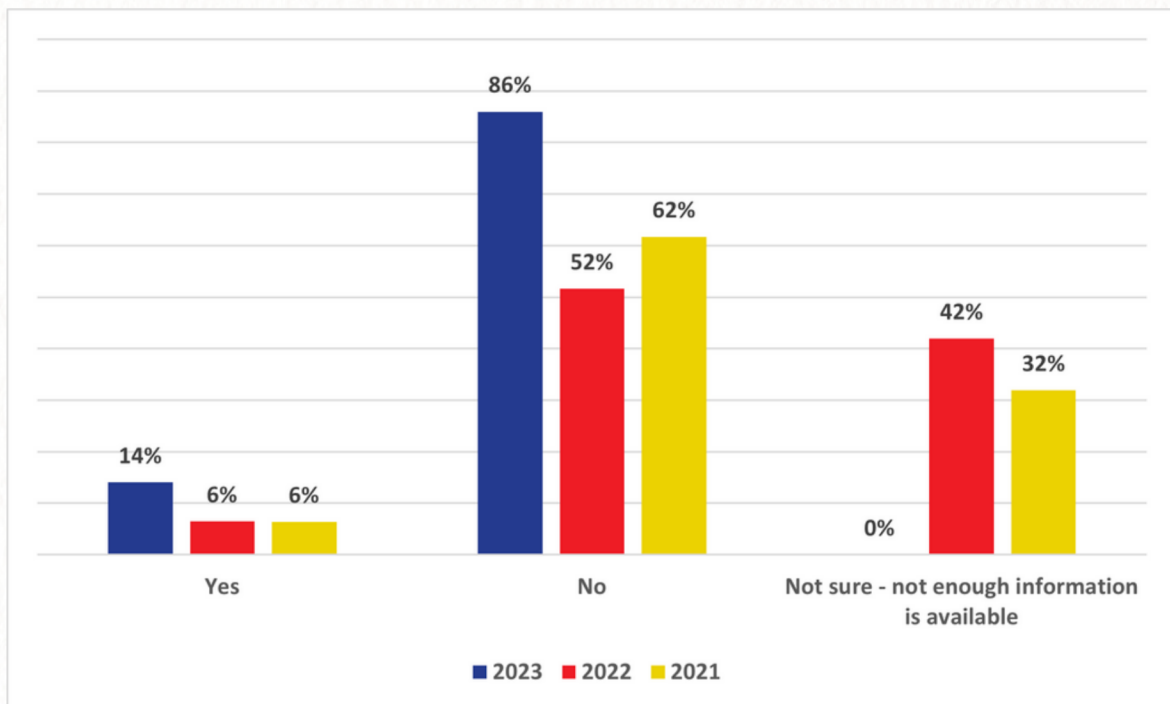


REASONS FOR NOT HAVING A STRATEGY BASED ON THE AEC

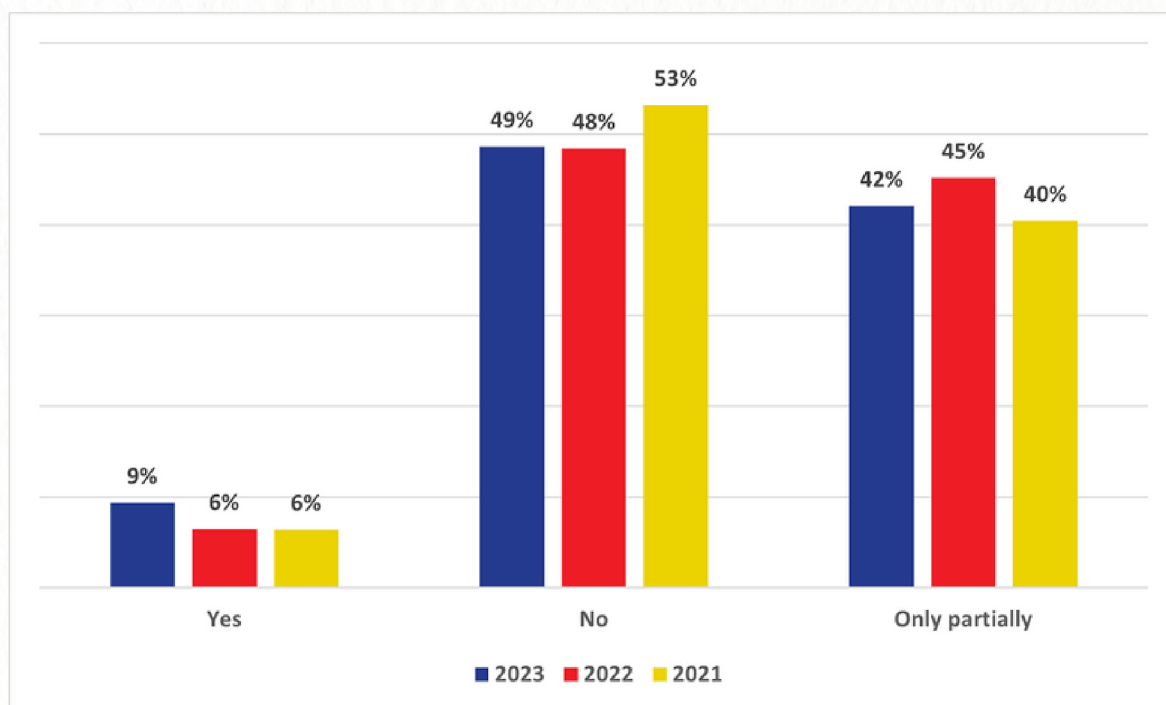


*Other common reasons include not understanding what the AEC Blueprint 2025 is.

IS ASEAN REGIONAL INTEGRATION UNDER THE AEC PROGRESSING FAST ENOUGH? (2021-2023)



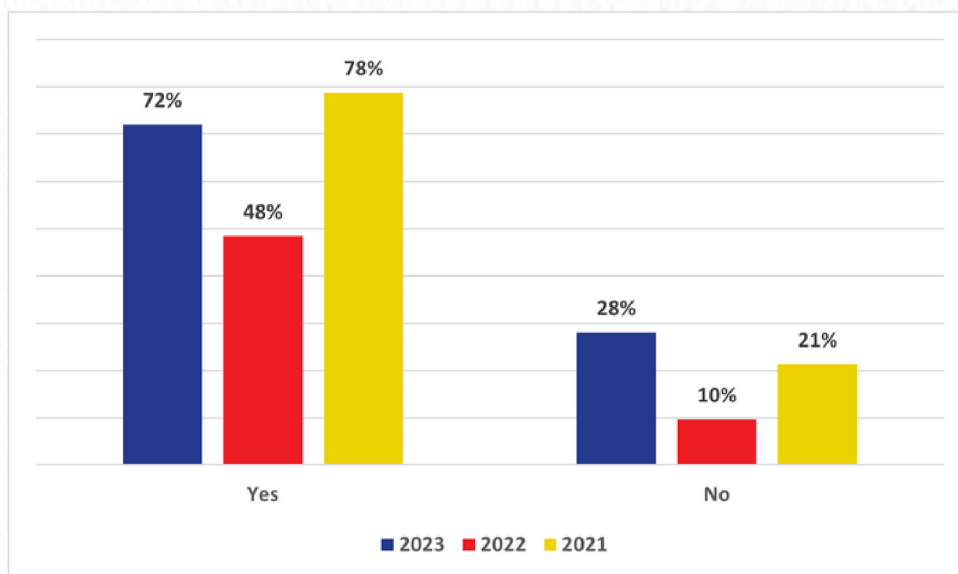
**HAVE THE OBJECTIVES OF A HIGHLY INTEGRATED AND COHESIVE ECONOMY OF CREATING
A SINGLE MARKET AND PRODUCTION BASE AS SET OUT IN THE AEC BEEN ACHIEVED?
(2021-2023)**



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

Order of Importance	Areas where ASEAN need to make progress
1 (Most Important)	Harmonisation of standards and regulations
2	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 & better enforcement policies
7	Improvements in the financial infrastructure (including development of capital markets, cross-border payment systems etc.)
8 (Least Important)	Increased support for MSMEs

ARE THERE TOO MANY BARRIERS TO THE EFFICIENT USE OF SUPPLY CHAINS IN ASEAN? (2021-2023)



Barriers to efficient use of supply chains remain with more respondents than last year identifying these barriers as an obstacle to the efficient use of supply chains in ASEAN.

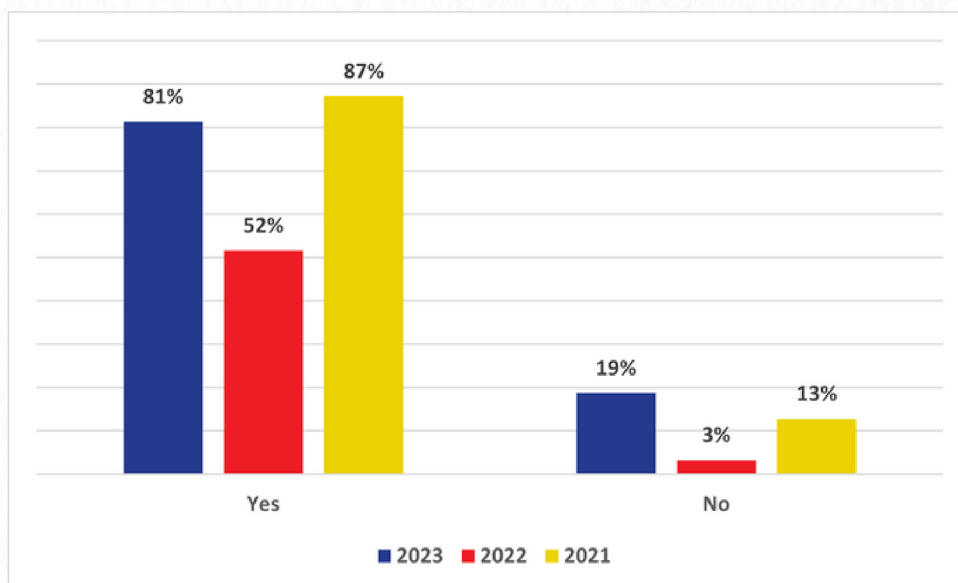
65% of our respondents said that they presently made use of regional supply chains. Of those, close to three-quarters reported that there were too many barriers to the efficient use of those supply chains, a significant uptick over 2022 where it was less than half of respondents.

More than 8 out of ten respondents said they would make more use of regional supply chains if these barriers were reduced.

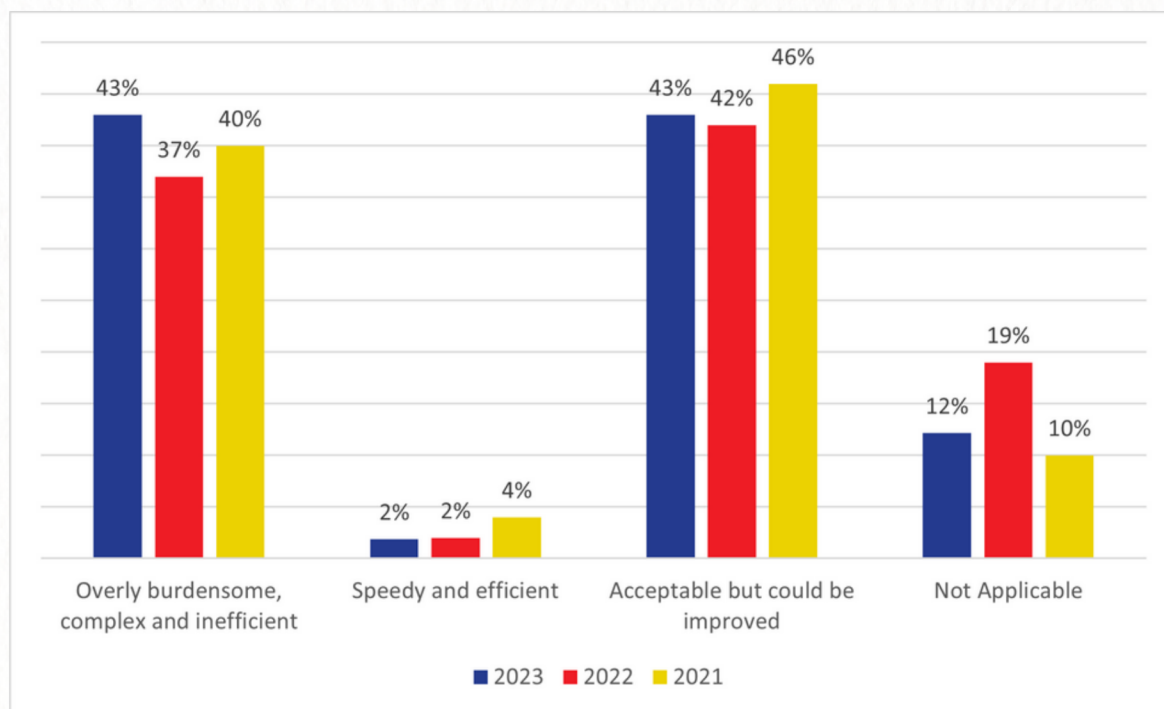
The proportion of respondents who believed that non-tariff barriers to trade in ASEAN were reducing fell this year from 13% to 8%, whilst a third of respondents believed that NTBs were actually increasing.

On Customs procedures, 43% believed them to be overly burdensome, complex and inefficient, an increase over 2022. The number who think they are speedy and efficient remains at a disappointingly low 2%.

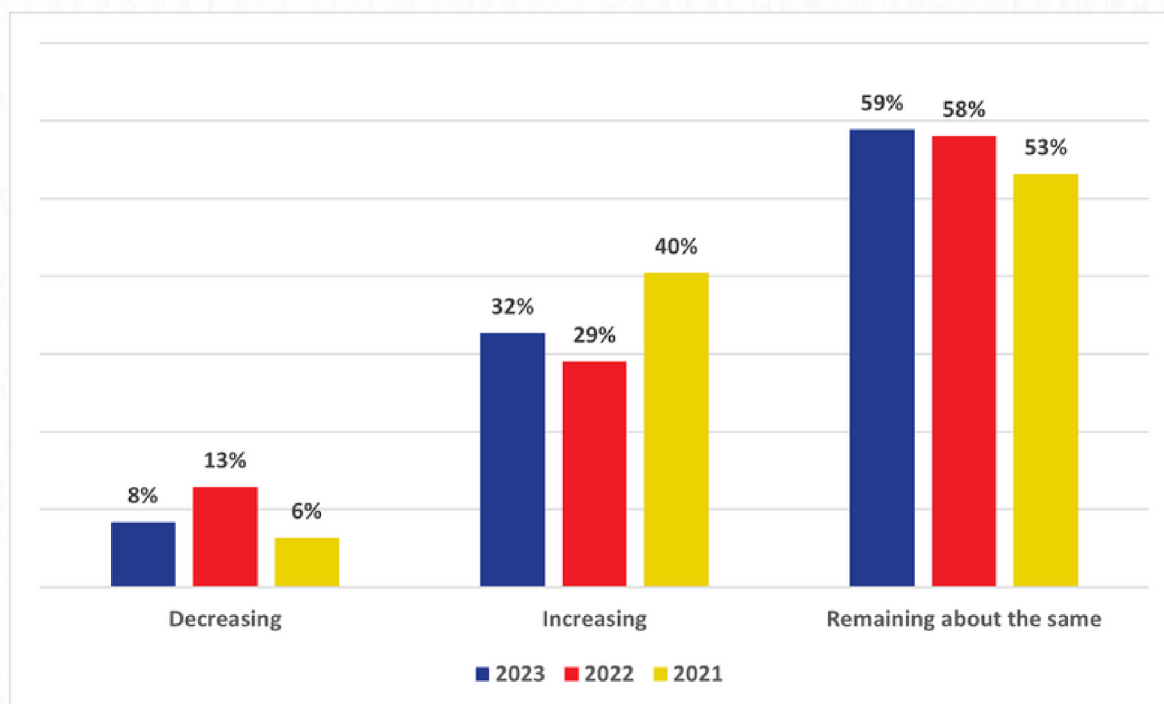
IF THESE BARRIERS WERE REMOVED, WOULD YOU INCREASE THE USE OF REGIONAL SUPPLY CHAINS? (2021 - 2023)



PERCEPTION OF CUSTOMS PROCEDURES IN ASEAN (2021 - 2023)



PERCEPTION OF NON-TARIFF BARRIERS TO TRADE IN ASEAN (2021 - 2023)



European businesses want ASEAN to focus on ensuring the success of ASEAN economic integration going forward beyond 2025.

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

AREAS WITHIN THE ECONOMIC PILLAR THAT ASEAN SHOULD FOCUS ON FOR THE POST-2025 VISION

Rank	Area of Focus
1 (Most Important)	Regional economic integration
2	Harmonisation of standards
3	Ensure completion of AEC 2025 Vision
4	Continued work on eliminating non-tariff barriers (NTBs)
5	Concerted effort on digital transformation
6	Skills training
7	Committing to its circular economy framework to ensure resilience towards climate change and resource constraints
8 (Least Important)	Transitioning to a low-carbon economy, including setting up an ASEAN electrical grid

TRADE AGREEMENTS & EUROPEAN POLICY INITIATIVES

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

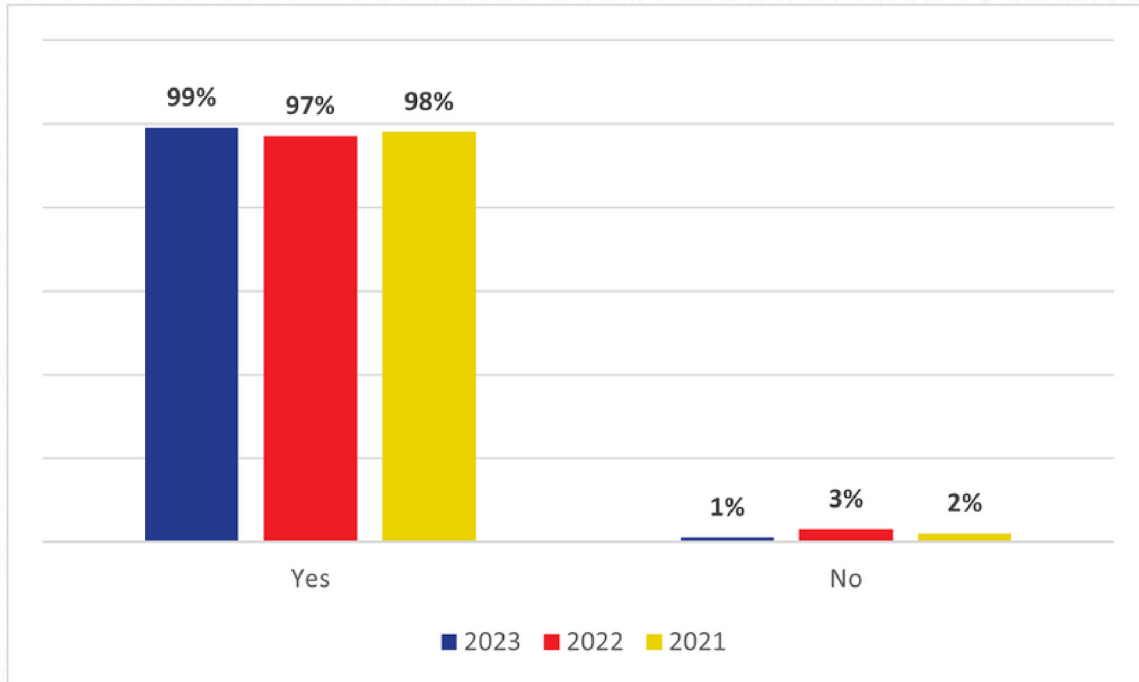
Yet again, nearly all of our respondents think that the European Union should be accelerating negotiations on trade deals with the countries of ASEAN, with 99% of them saying so. Seven out of ten respondents felt that the EU should pursue a region-to-region FTA with ASEAN now, which is a slight decrease over 2022. Less than a fifth of respondents believe that the EU should wait for bilateral FTA negotiations to be completed first. Again, the overwhelming majority of respondents believe that a region-to-region deal would deliver more benefits and a series of bilateral deals, with the percentage believing this consistent over the last three years.

More respondents than ever before now believe they are at a disadvantage due to the lack of a region-to-region FTA (69% in 2023, compared to 61% in 2022). We asked our respondents again about their preferences for what should be prioritised in any potential negotiation for a region-to-region FTA between the EU and ASEAN. There were significant differences this year to previous years. Previously the removal of tariffs was the area of highest importance. However, for 2023 this has been replaced by the removal of markets access restrictions. Removing non-tariff barriers to trade remains second place.

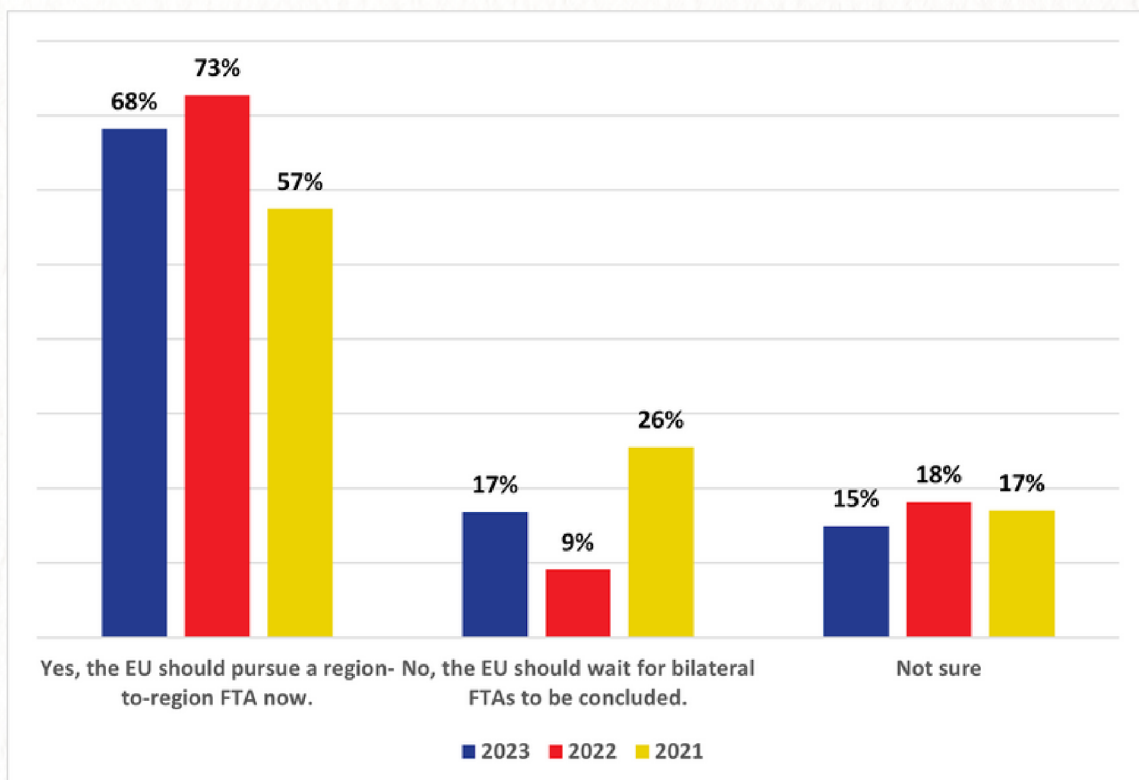
Given the possibility that a region-to-region FTA might be too difficult to negotiate at present, we asked for views on whether the EU should seek to negotiate a region-to-region Investment Protection Agreement first. There was a marked increase in the number of respondents indicating a preference for this, at 80% for 2023 compared to 61% for 2022.

We also asked respondents again this year for their order of preference for further EU FTA negotiations with the region. In terms of bilateral negotiations, Thailand again topped the preference list, with Malaysia and the Philippines close behind.

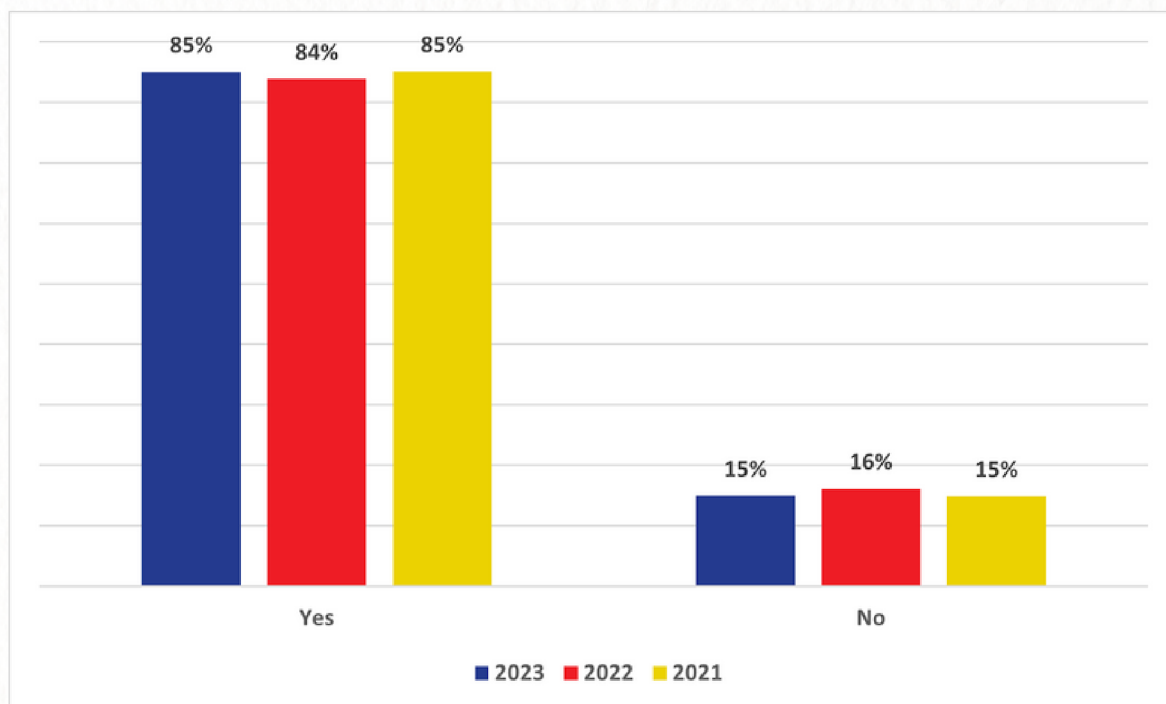
SHOULD THE EU ACCELERATE TRADE DEALS WITH ASEAN?
(2021 - 2023)



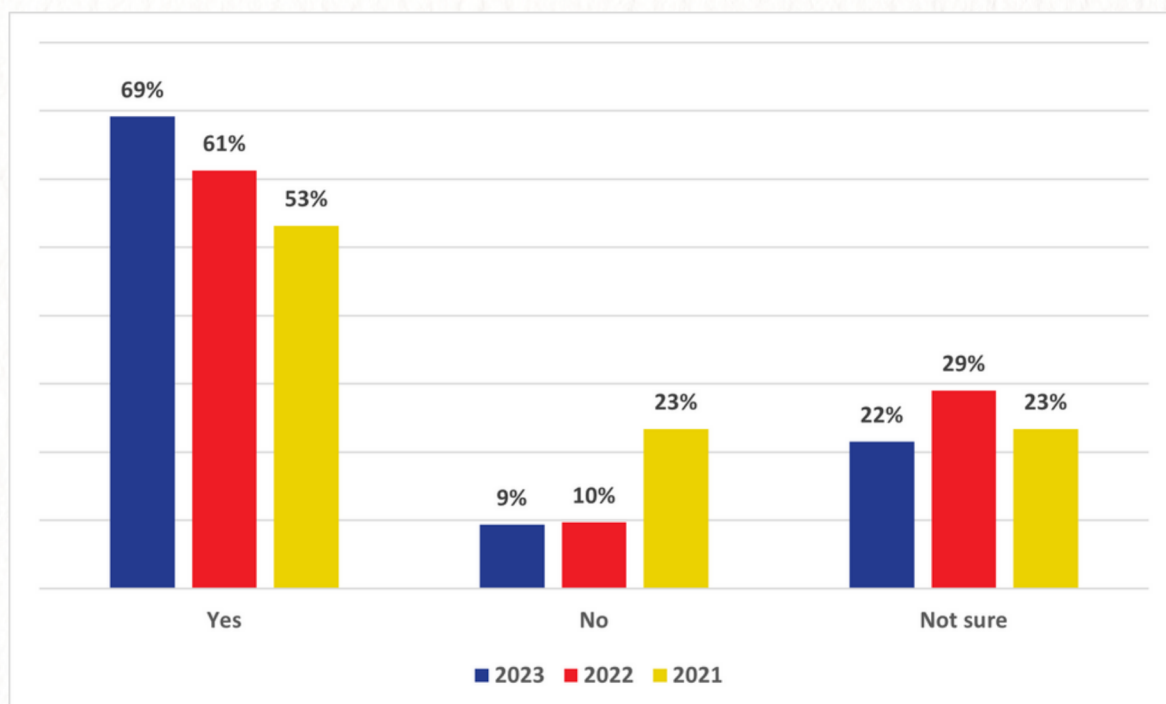
SHOULD THE EU PURSUE A DEEP AND COMPREHENSIVE
REGION-TO-REGION FTA WITH ASEAN NOW?
(2021 - 2023)



WOULD AN EU-ASEAN REGION-TO-REGION TRADE DEAL DELIVER MORE ADVANTAGES
THAN A SERIES OF BILATERAL DEALS?
(2021 - 2023)



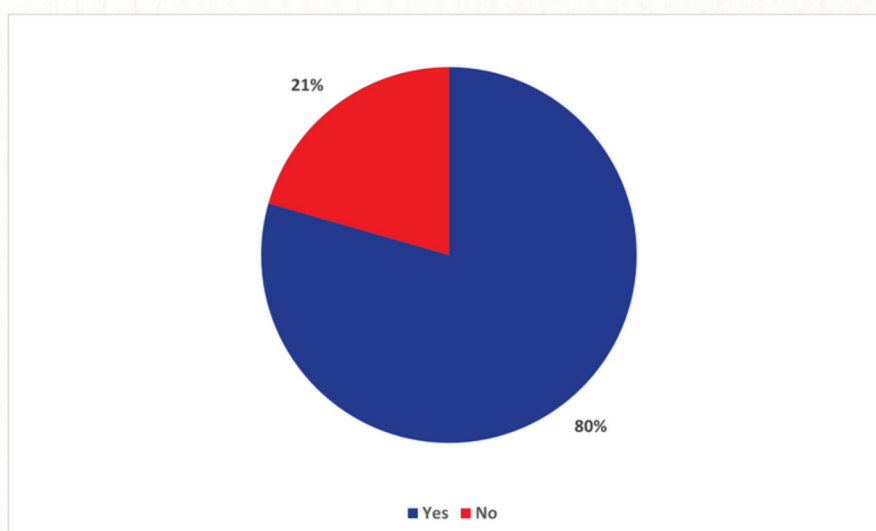
DOES THE LACK OF AN EU-ASEAN REGION-TO-REGION DEAL PUT EUROPEAN BUSINESSES
AT A COMPETITIVE DISADVANTAGE IN THE REGION?
(2021 - 2023)



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

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

**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?**



AREAS WHERE THE EU CAN HAVE THE MOST INFLUENCE ON ASEAN

Rank	Area of Influence
1	Sustainability
2	Trade & Investment
3	Digital Economy
4	Human Development
5	Infrastructure Development

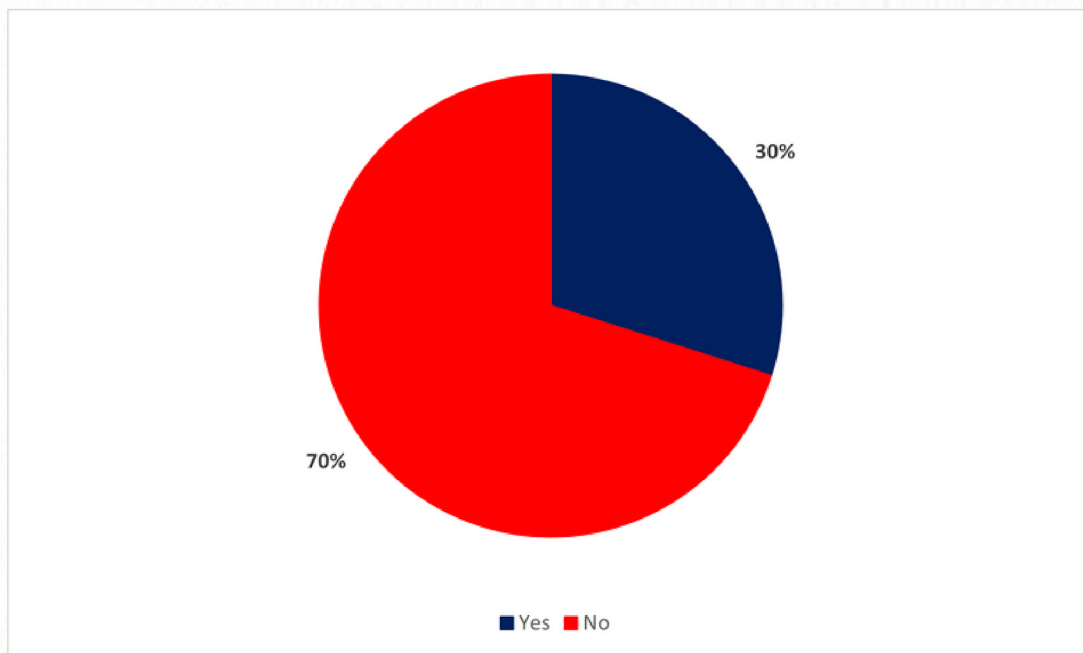
Mixed views from European Industry on a range of EU policy initiatives and their potential impact on EU-ASEAN relations

With the European Union developing more extra-territorial policies and regulations on a range of issues, particularly ones linked to sustainability, we asked our respondents for views on various aspects of those policies and areas of influence that the EU might have over ASEAN and the region's ongoing economic development. There were mixed views in terms of the responses.

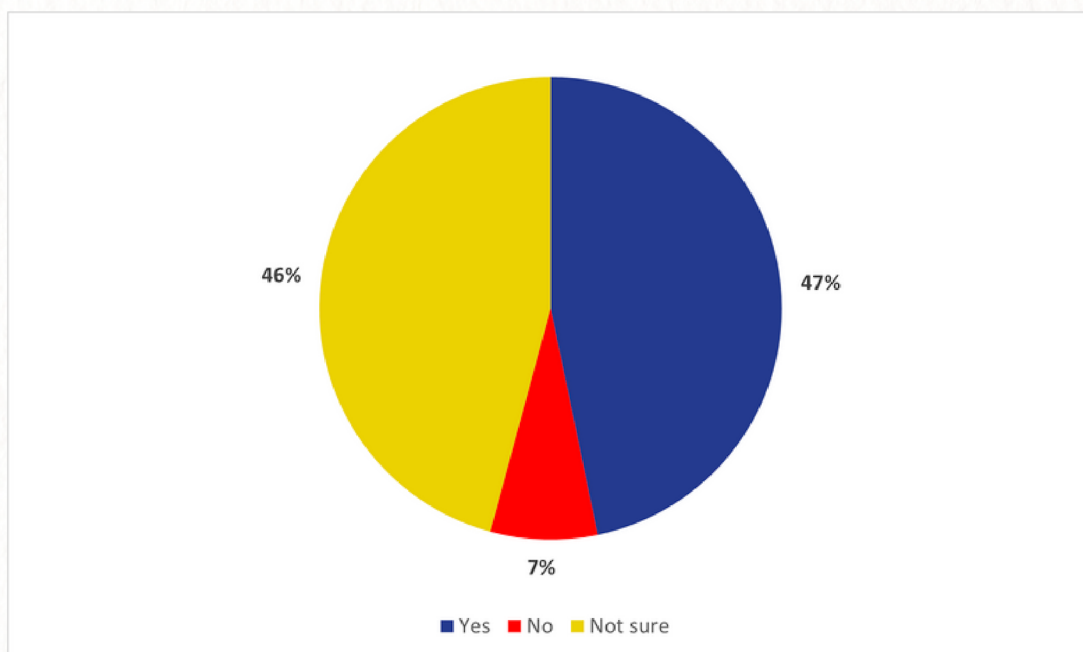
When we asked respondents in which areas they felt that the EU could have most influence over ASEAN, Sustainability and Trade and Investment came out as the two areas by some distance.

There was a disappointingly low level of awareness about the EU's Global Gateway initiative amongst our respondents, despite the EU announcing at the ASEAN-EU Commemorative Summit in December 2022 that some €10 billion would be made available to support connectivity, sustainable infrastructure development and climate action initiatives for the region. Only 30% of respondents said that they had heard of the Global Gateway. Only around half of respondents thought the Global Gateway would have a positive impact on their business operations in ASEAN.

ARE YOU AWARE OF THE EU'S GLOBAL GATEWAY STRATEGY, AND THE 10 BILLION EUROS THAT HAVE BEEN SET ASIDE TO ACCELERATE INFRASTRUCTURE INVESTMENTS AND SUPPORT CLIMATE ACTION IN ASEAN COUNTRIES?



WILL THE GLOBAL GATEWAY BENEFIT YOUR BUSINESS?



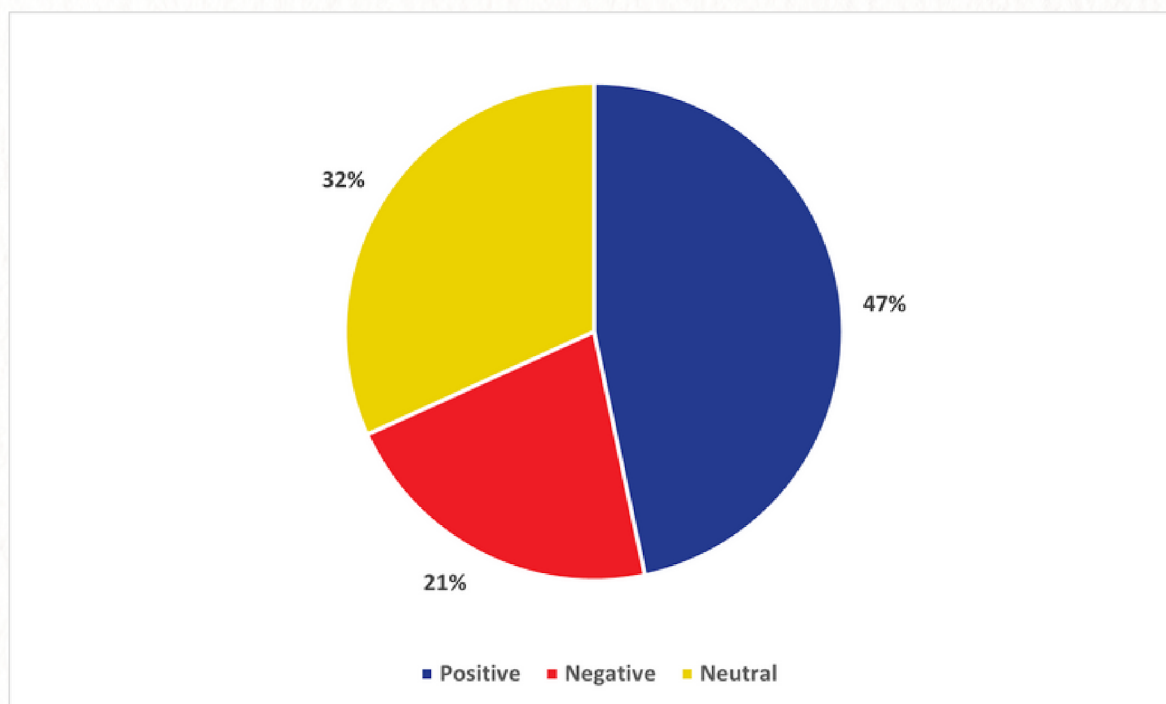
Concerns on the European Green Deal and its impact on ASEAN and European Business interests in the region are lower than in 2022.

There is more positivity this year than last year on the impact of the European Green Deal on ASEAN and the region's own approach to sustainability issues. Those reporting that it would be positive (either slightly or very much) was the same as in 2022 at 76% but those believing there would a negative impact has fallen to almost zero.

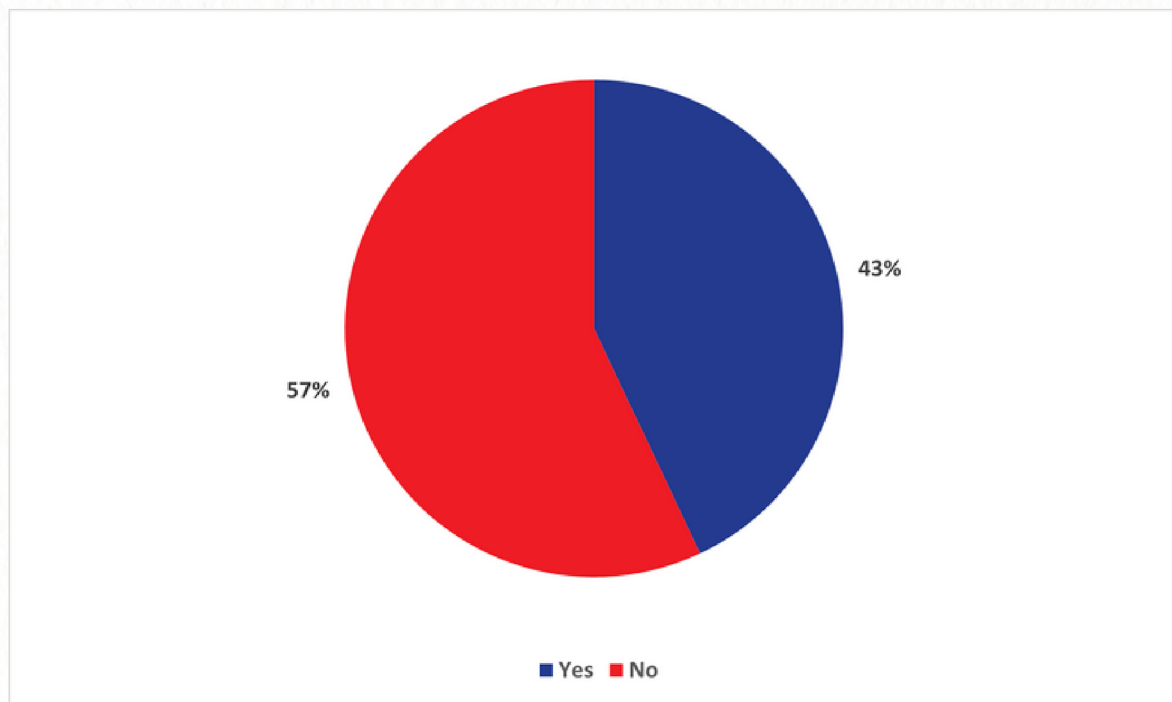
In terms of future requirements to report certain information around environmental and social issues, the views from our respondents was that the impact of the Green Deal would be positive.

On the EU's Carbon Border Adjustment Mechanism, the majority of our respondents (57%) felt that the policy would not have detrimental impact on EU-ASEAN Relations. Overall, slightly less than half of our respondents felt that the full range of the EU's sustainability initiatives would have a positive impact on the region (47%).

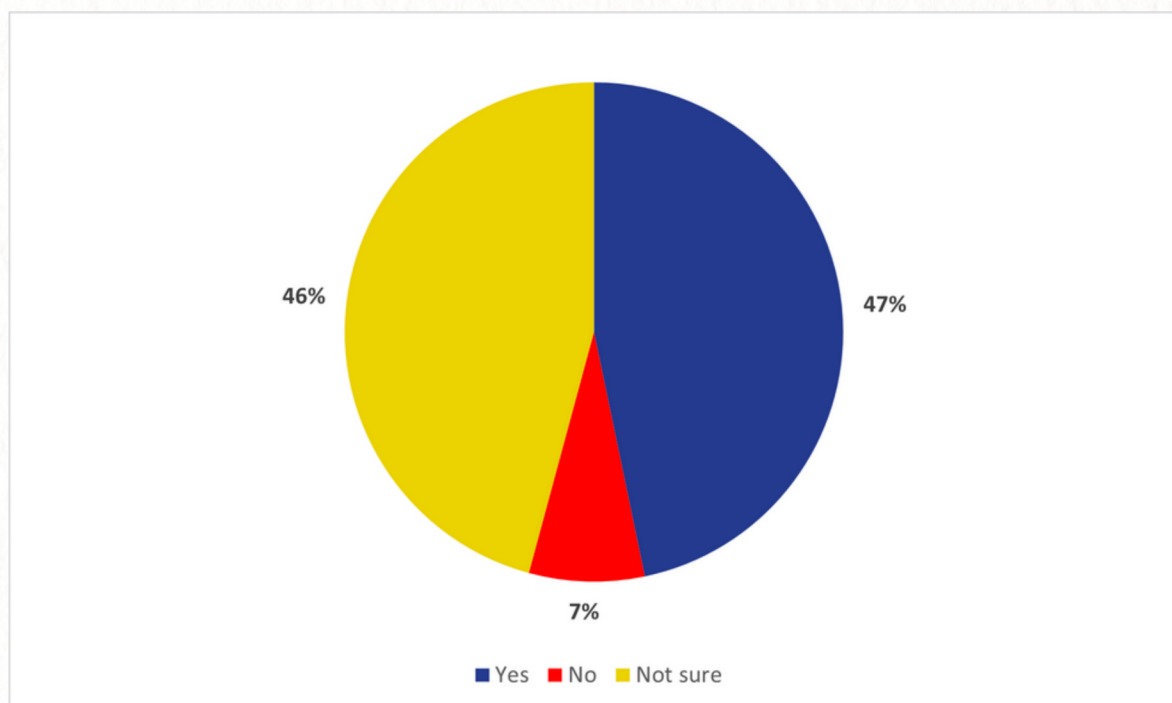
WHAT KIND OF IMPACT WILL THE EU'S POLICIES ON SUSTAINABILITY ISSUES HAVE ON ASEAN?



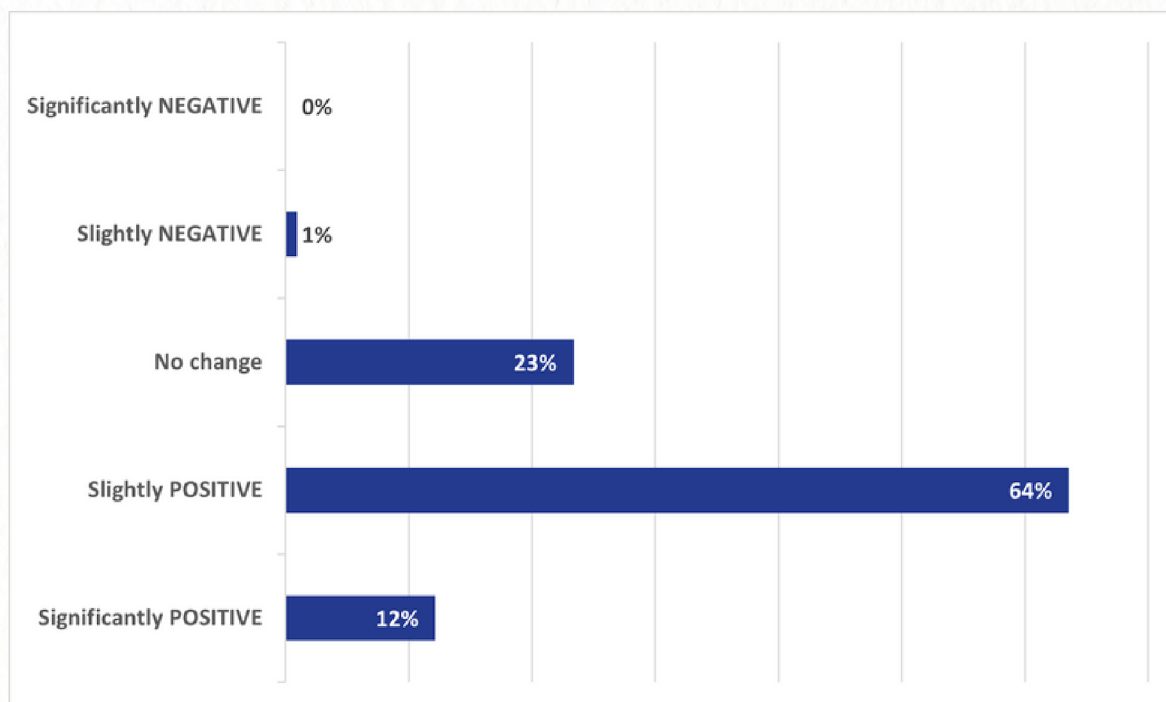
WILL THE CARBON BORDER ADJUSTMENT MECHANISM (CBAM) HAVE DETRIMENTAL
IMPACT ON EU-ASEAN RELATIONS?



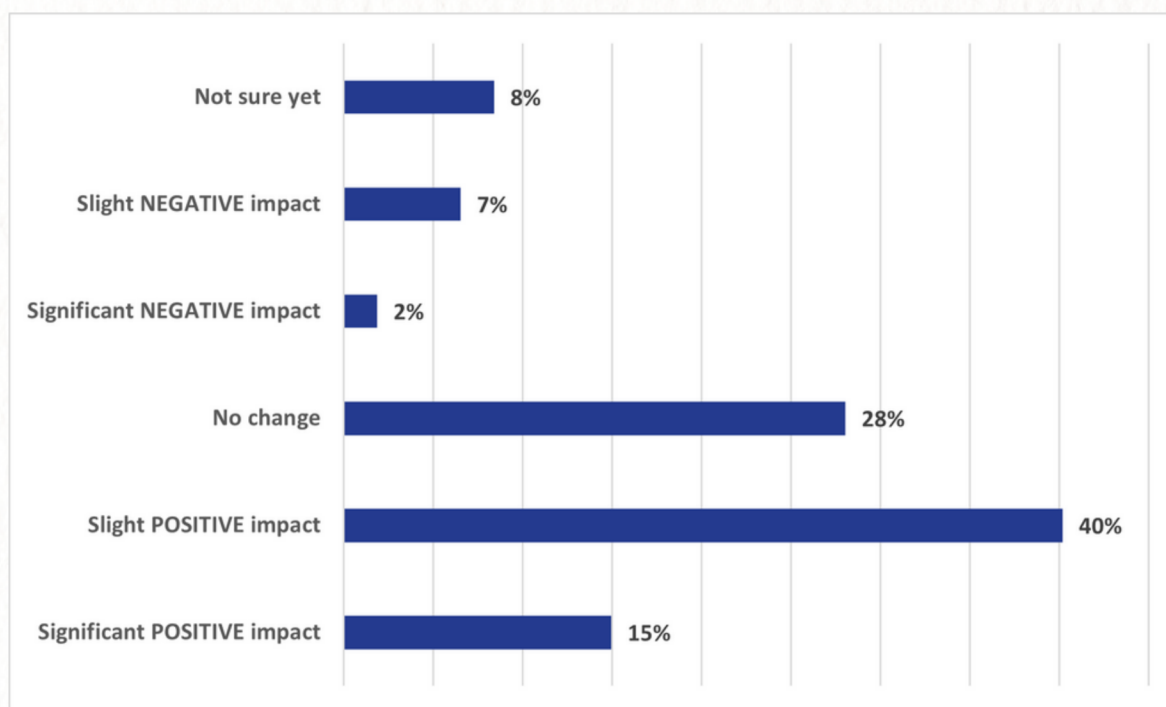
WILL THE GLOBAL GATEWAY BENEFIT YOUR BUSINESS?



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



IMPACT OF EU GREEN DEAL POLICIES ON REPORTING OF SOCIAL AND ENVIRONMENTAL INFORMATION



SUSTAINABILITY IN ASEAN

Improved perception from European businesses on ASEAN's seriousness on tackling sustainability issues compared to 2022, but still room for significant improvement.

Given the rise in importance in recent years of sustainability issues across the world (and we at the Council look at Sustainability in its broadest sense, not just climate action and the environment), we have again decided to seek the view of respondents on a range of sustainability linked issues.

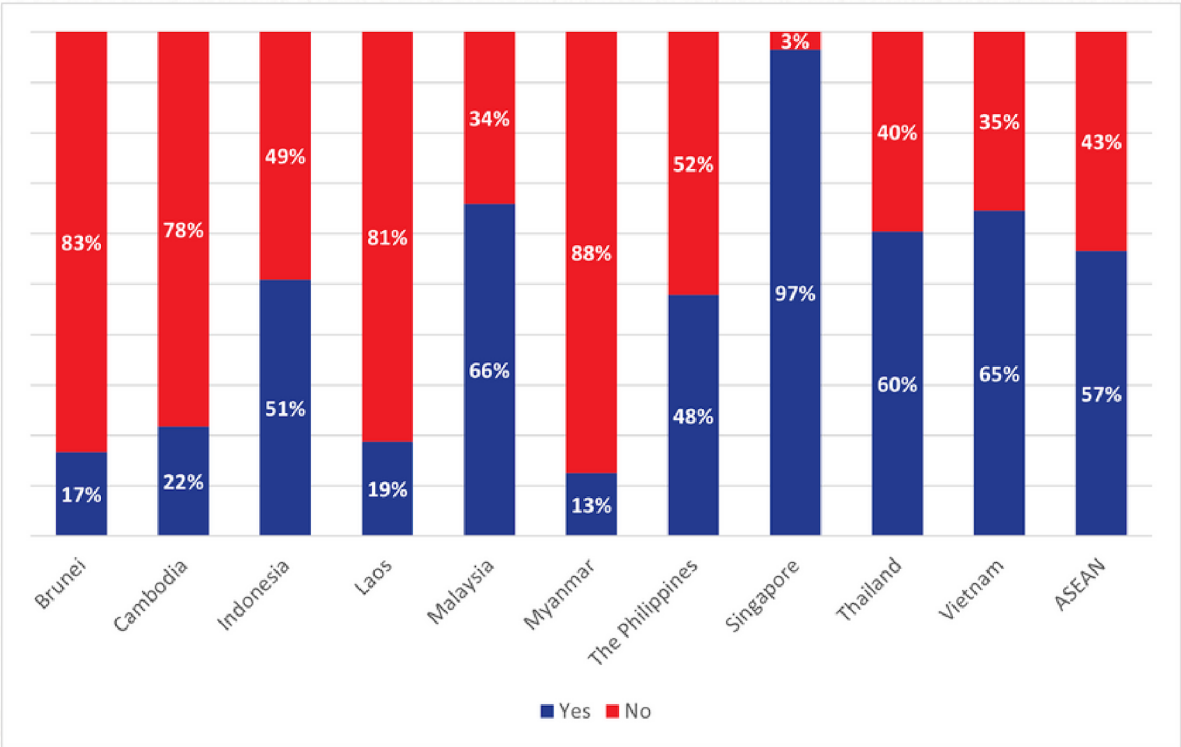
We first asked how serious respondents felt each ASEAN Member State was about meeting their sustainability goals, as seen through their policies and actions. The view this year shows a marked improvement over the views of our respondents in 2022, with a majority of respondents at the aggregated regional level now feeling that ASEAN is serious about meeting sustainability goals (57% for 2023 compared to 43% for 2022).

At a country level, Singapore fares by far the best, with 97% of respondents feeling that the Island State is taking achieving sustainability goals seriously. All of the other major ASEAN markets also see a majority of respondents feeling the same, save for the Philippines where slightly less than half felt that the country was serious in its sustainability intentions.

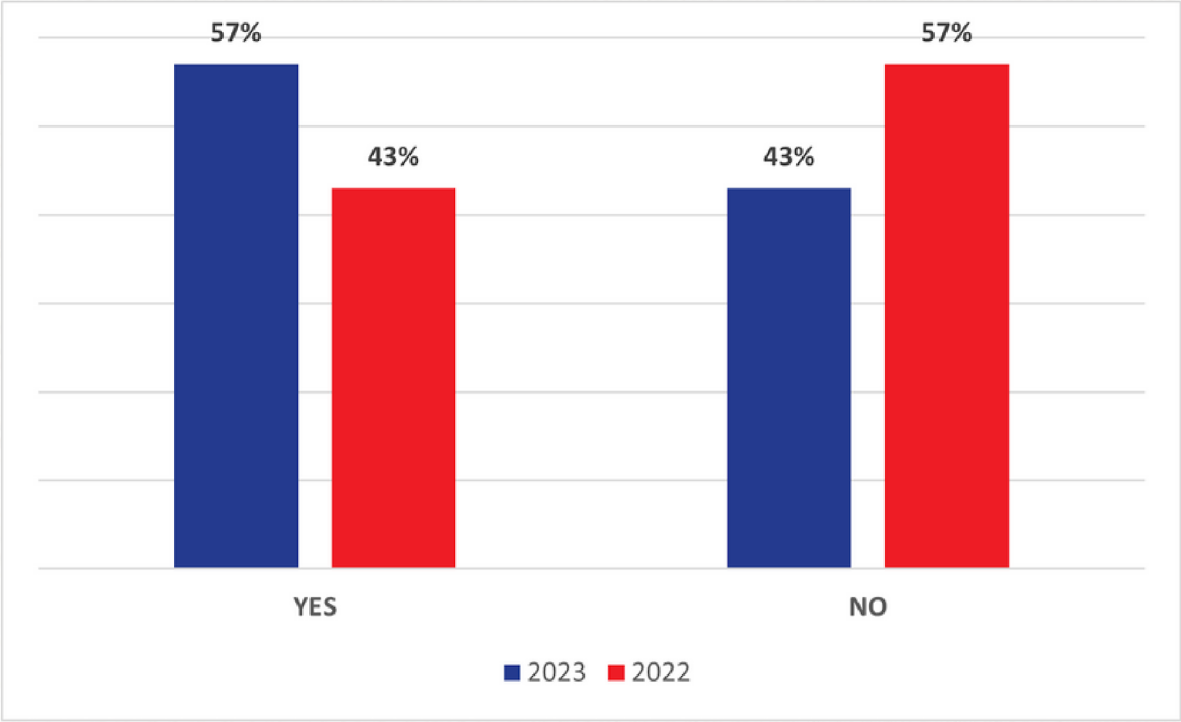
When it comes to whether the sustainability goals across the region are ambitious enough the responses for 2023 bear a remarkable resemblance to those from 2022, with only a marginal improvement in views for the region as a whole (48% saying "yes" in 2023 compared to 45% in 2022). Singapore again leads the way with more than three-quarters of respondents feeling that the country's sustainability goals are ambitious enough. Thailand shows a significant improvement over 2022, with more than half of respondents believing the Kingdom's goals are sufficient.

When we asked our respondents to grade ASEAN on a scale of 1 to 10 on how the region was doing on tackling climate change (where 10 is "very well"), the grading this year saw a drop from 4.18 in 2022 to 3.8 for 2023.

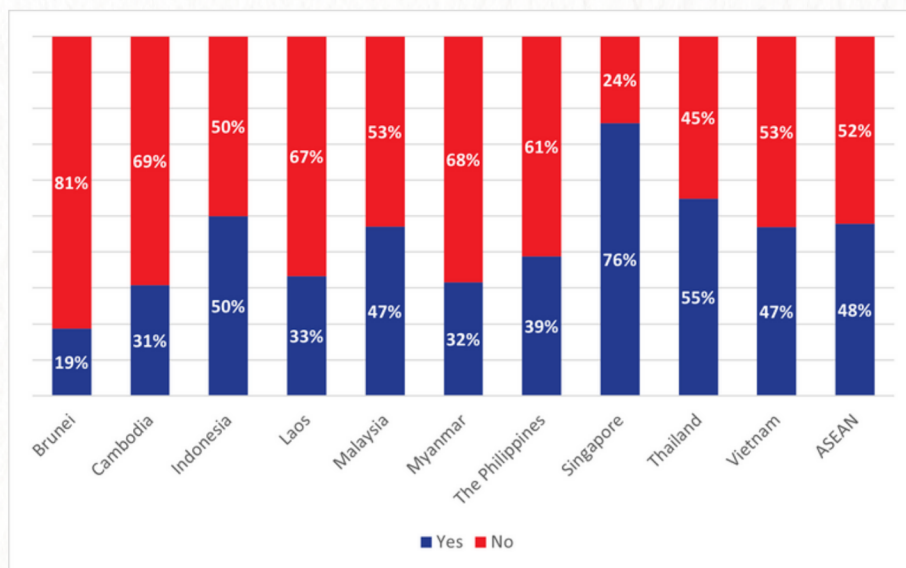
DO YOU THINK THE ASEAN MEMBER STATE YOUR BUSINESS OPERATES IN ARE SERIOUS ABOUT MEETING THEIR SUSTAINABILITY GOALS?



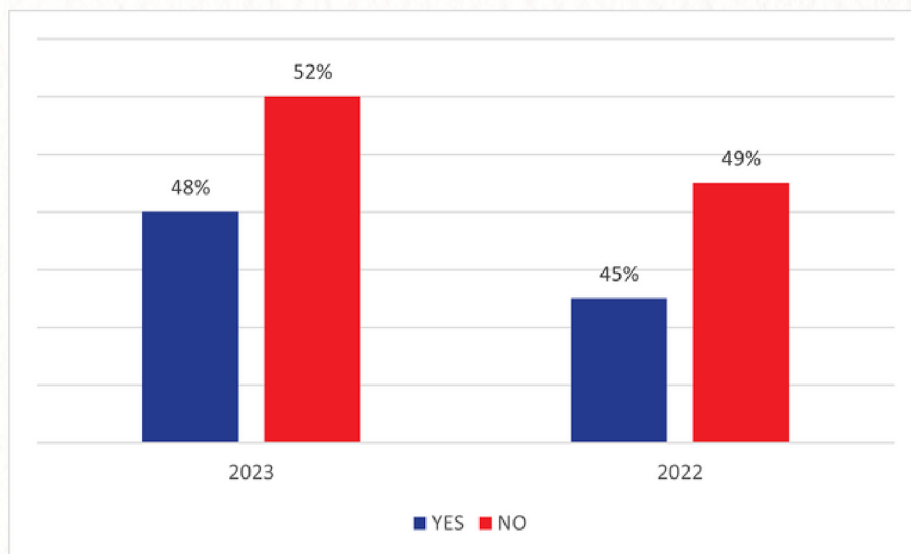
DO YOU THINK ASEAN IS SERIOUS ABOUT MEETING ITS SUSTAINABILITY GOALS?



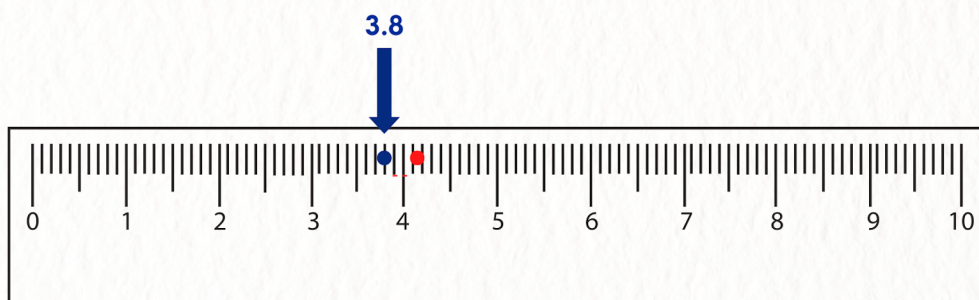
ARE THE SUSTAINABILITY GOALS OF THE ASEAN MEMBER STATE YOUR BUSINESS OPERATES IN AMBITIOUS ENOUGH?



DO YOU THINK ASEAN'S SUSTAINABILITY GOALS ARE AMBITIOUS ENOUGH?

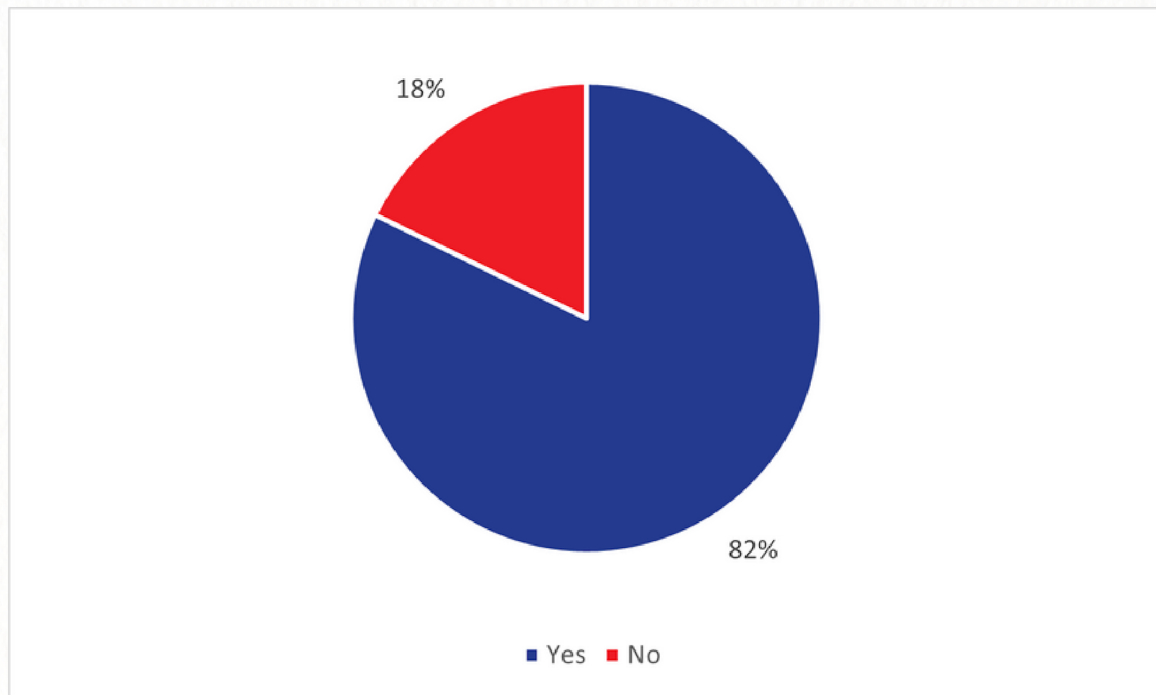


HOW WELL IS ASEAN TACKLING CLIMATE CHANGE? (SCALE OF 1 TO 10 WHERE 10 IS "VERY WELL")

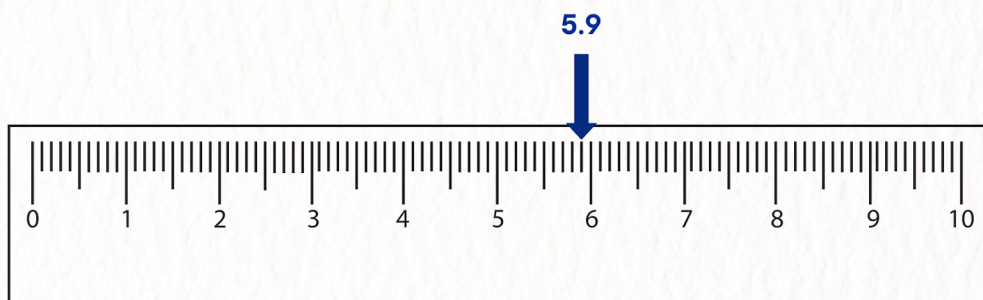


European industry sees a clear need for ASEAN to improve its record on tackling climate change issues within the region. ASEAN's score on how well it is tackling climate change falls this year compared to 2022 (4.18).

SHOULD THERE BE AN ASEAN-WIDE HARMONISED APPROACH TO ESG REPORTING STANDARDS?



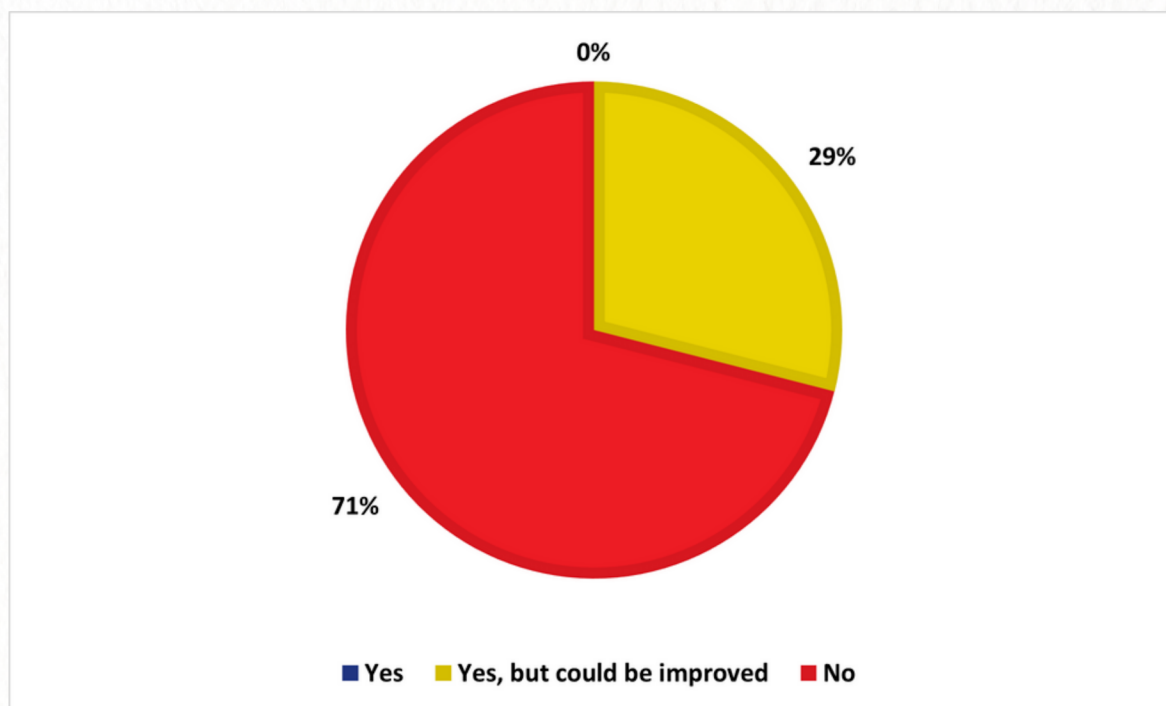
HOW MUCH WOULD YOUR BUSINESS BENEFIT FROM A HARMONISED APPROACH TO ESG? (SCALE OF 1 TO 10 WHERE 10 IS "A LOT")



European businesses want a harmonised approach by ASEAN towards ESG reporting.

With businesses increasingly being asked to publish Environmental, Social and Governance information alongside their annual reports, and with some governments and regulators looking at mandating such requirements, we asked our respondents for their views on such requirements in ASEAN. An overwhelming majority of respondents, more than eight in ten, want to see a harmonised approach to such reporting requirements across the region. When asked on a scale of 1 to 10 whether a harmonised approach would benefit their business, our respondents gave a score of 5.9.

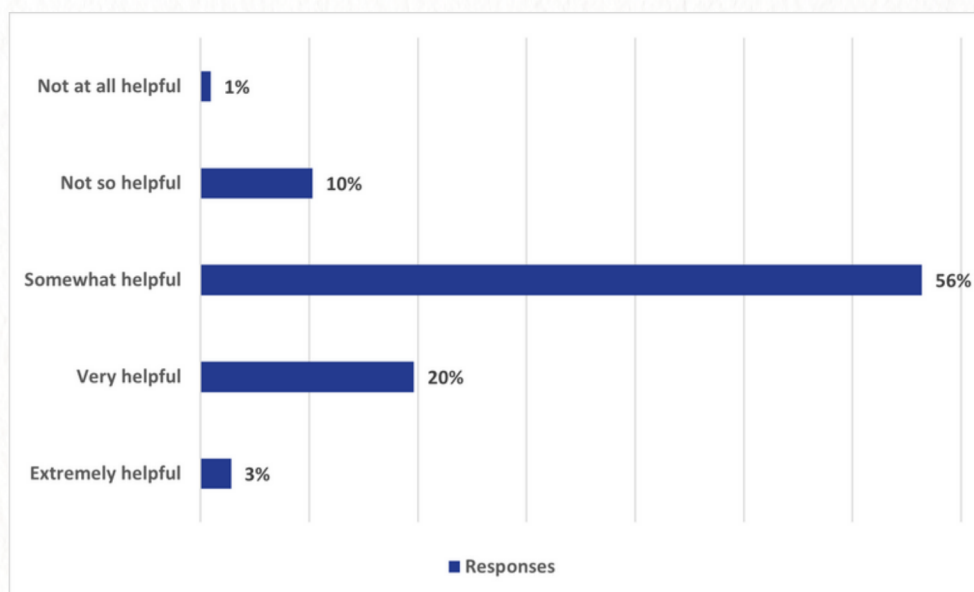
IS ASEAN DOING ENOUGH TO GREEN SUPPLY CHAINS?



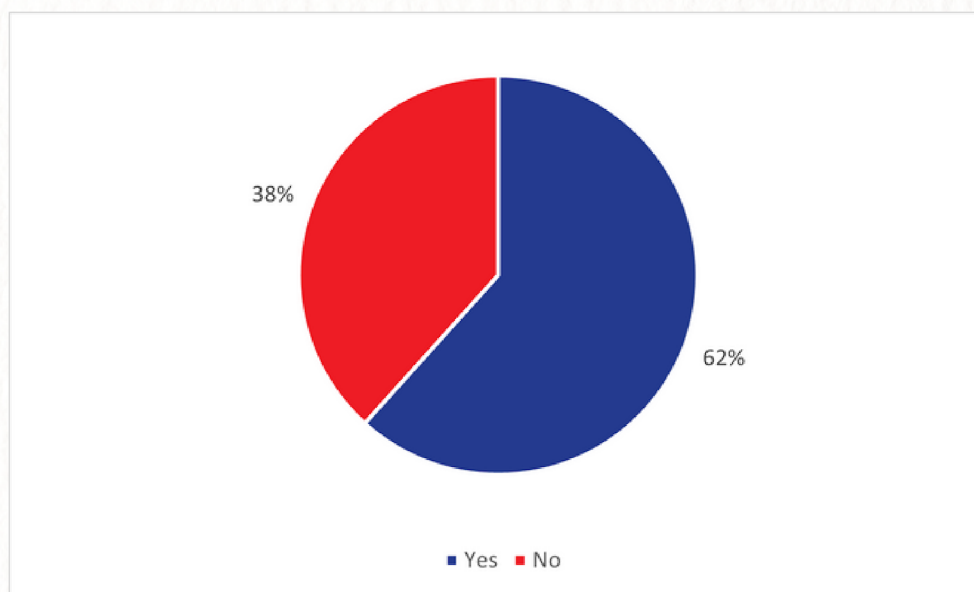
Significant concerns from European Business remain on whether ASEAN is doing enough to green supply chains and drive a circular economy forward. But ASEAN Taxonomy for sustainable finance is welcomed.

The need to green supply chains remain a key requirement for governments and businesses alike. Corporates everywhere are coming under increasing pressure from regulators, consumers, shareholders and investors to ensure that every part of their business is as “green” as possible. This requirement will increasingly colour their future investment decisions. ASEAN has ambitions to attract a greater share of global supply chains, but is it doing enough to green supply chains in the region? For the second year running we have posed this question to our respondents. The response is rather shocking, with ZERO respondents believing that ASEAN is doing enough to green supply chains (down from 3% in 2022). More than seven out of ten respondents said that ASEAN was not doing enough, up from 52% in 2022.

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



SHOULD THERE BE A SINGLE, ENFORCEABLE TAXONOMY FOR ASEAN?



Positive views on the ASEAN Taxonomy for Sustainable Finance maintained.

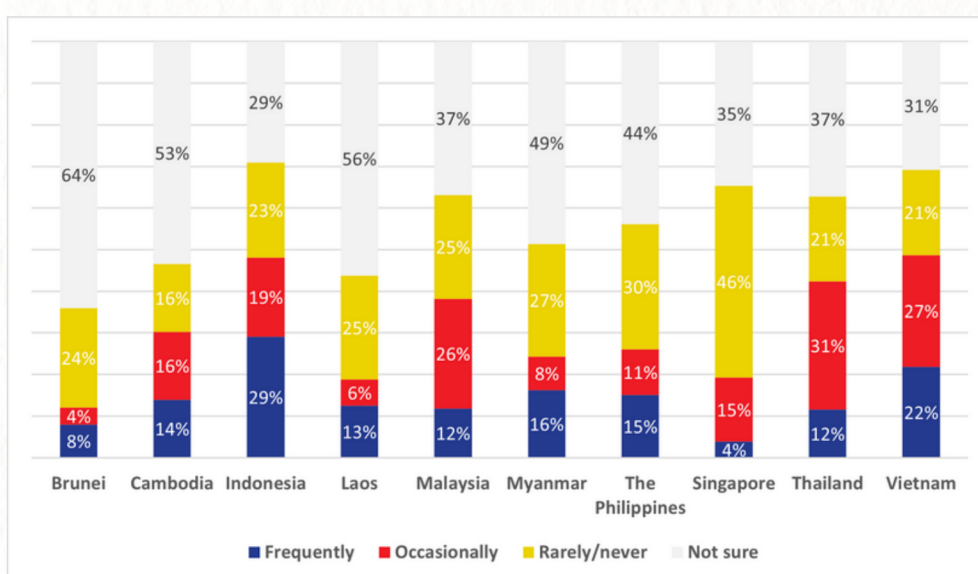
With the publication of version 2 of the ASEAN Taxonomy for Sustainable Finance earlier this year, we asked our respondents again for their views on the Taxonomy and on how helpful it would be for driving more finance to sustainable projects in the region. The views this year were even more positive than in 2022, with more than three-quarters of respondents believing the Taxonomy would be helpful to varying degrees, compared to 54% in 2022. Two-thirds of respondents also felt that there should be single, enforceable Taxonomy for the region, rather than Member States of ASEAN developing their own Taxonomies in addition to the ASEAN-wide one.

GOVERNMENT CONSULTATION & COMPETITION ISSUES

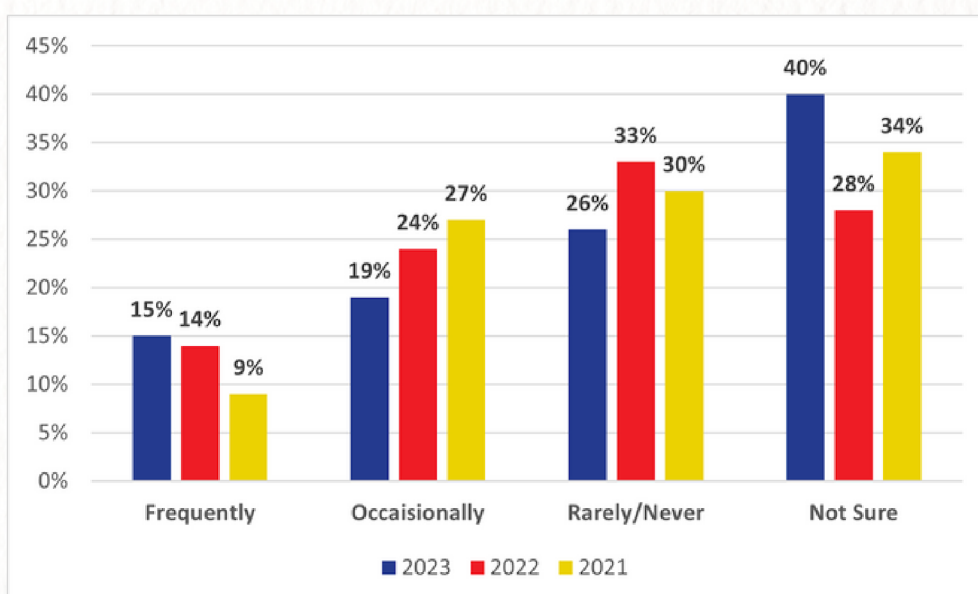
Slight decrease in perceived unfair competitive practices. Consultation from ASEAN Governments holds steady, while there is an increase in perceived engagement from the EU.

As with previous years, we asked our respondents about their perceptions on unfair competition. The numbers saying that they frequently or occasionally faced unfair competitive practices has marginally decreased to 34% from 38% in 2022. When we looked at the data for individual ASEAN Member States the highest incidences of facing unfair competitive practices were found in Vietnam and Indonesia. Amongst the major ASEAN markets, Singapore had the lowest reports of unfair competitive practices.

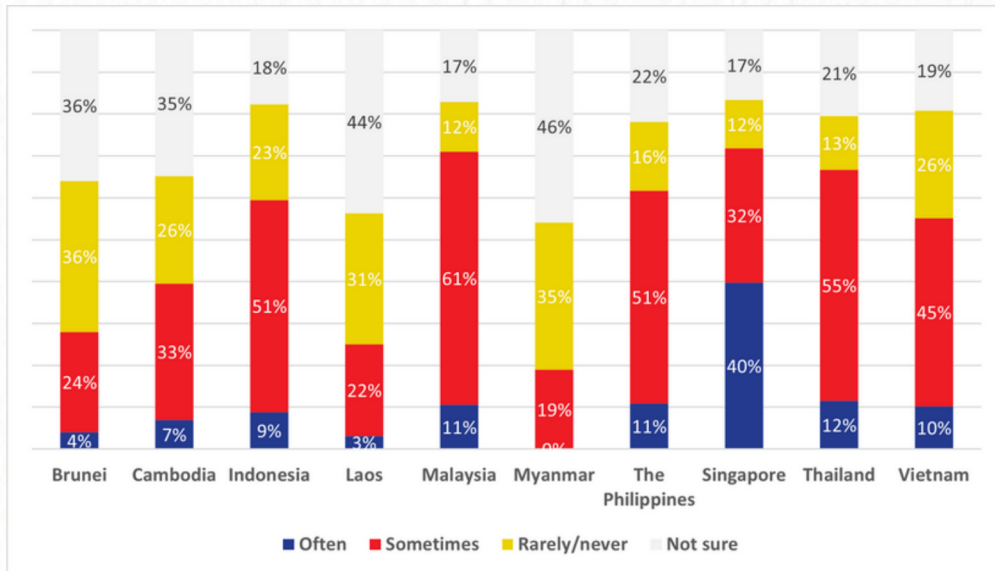
PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR PRACTICES IN ASEAN



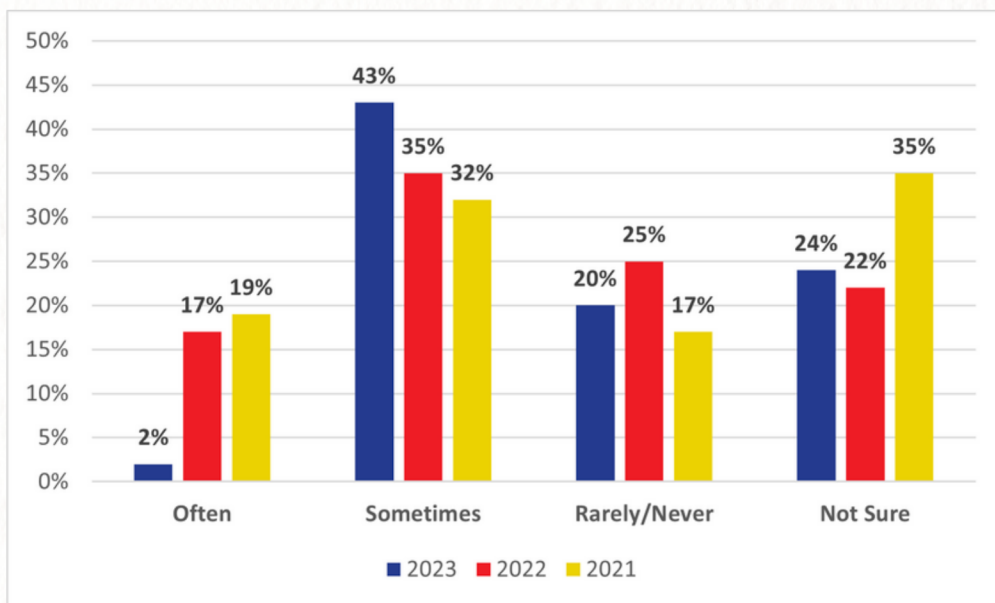
PERCEPTION OF EUROPEAN BUSINESSES FACING UNFAIR PRACTICES IN ASEAN (2021 - 2023)



FREQUENCY OF CONSULTATION BY ASEAN GOVERNMENTS

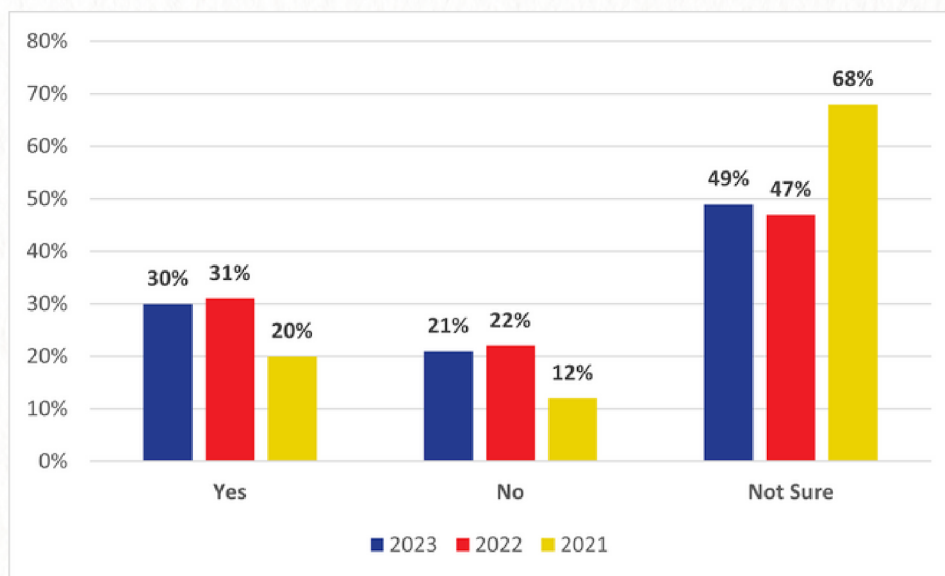


FREQUENCY OF CONSULTATION BY ASEAN GOVERNMENTS (2021 - 2023)

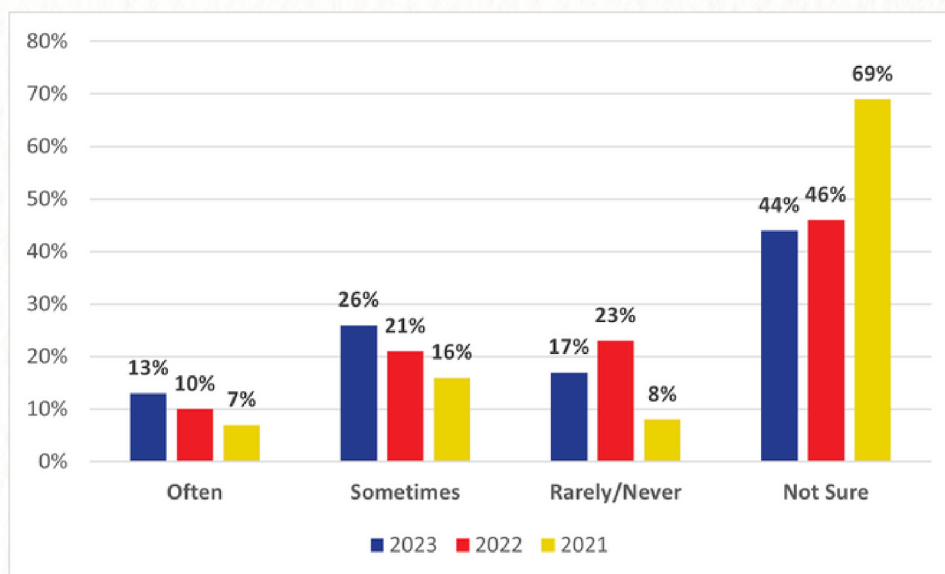


There are mixed results when we asked respondents about their perception of levels of consultation from ASEAN Governments. Those saying they were often consulted has fallen dramatically from 17% in 2022 to only 2% in 2023. This is countered to a degree but an increase in those reporting that they are sometimes consulted (43% in 2023 compared to 35% the year before). When "often" and "sometimes" are combined there is a fall in the level of consultation. Malaysia and Singapore again both score best for consultation.

PERCEPTION OF SUFFICIENT EU ENGAGEMENT WITH EUROPEAN BUSINESS INTERESTS IN ASEAN (2021 - 2023)



FREQUENCY OF CONSULTATION BY EU DELEGATIONS (2021 - 2023)



When it comes to engagement from the EU with European businesses in ASEAN, and consultation from the various EU Delegations in the region the view point of our respondents is very similar to 2022. The proportion of respondents saying that there is sufficient engagement is effectively flat (30% vs 31%), though still low overall. There is a marginal increase in the number of respondents saying they are often or sometimes consulted by the EU Delegations, up from 31% in 2022 to 39% in 2023.

CONCLUSION & IMPLICATIONS FOR ACTION

European businesses continue to see ASEAN as a region of great opportunity, indeed again the region with the best prospects over the next five years. But there is continued doubt about ASEAN's own regional integration agenda and continued concerns about non-tariff barriers to trade. Whilst sentiment about ASEAN's approach on sustainability issues has improved to a degree, there are still concerns particularly on the approach to the greening of supply chains.. In addition, European businesses still want more support from the European Commission, and quicker action on trade deals with ASEAN.

European businesses again see ASEAN as the region with the best economic opportunity, and enthusiasm to grow operations in ASEAN remains strong. That is the good news for ASEAN. The less good news though is that Survey continues to show that European businesses do not believe that the ASEAN Economic Community is making sufficient progress, and that they see too many barriers to the efficient use of supply chains, with a continuing perception that NTBs are not decreasing, whilst there is insufficient action being taken to green supply chains. This reiterates a message that has flowed through successive iterations of this Survey: **ASEAN is a great place to do business, but it could be significantly better if only there was more progress on regional integration and the removal of barriers to trade.** Additionally, faster action on sustainability issues would only serve to increase the attractiveness of the region at a time when competition for investment funds is increasing.

As for trade deals between the EU and ASEAN, the message is again crystal clear. **European businesses are disadvantaged compared to their peers from other key trading partners of ASEAN due to the lack of sufficient FTAs.** Businesses want to see more action, accelerated negotiations. Ideally and region-to-region FTA, but given the likely difficulty in achieving that, a recommencement of negotiations with Thailand (thankfully on the cards already) and with Malaysia and the Philippines.

ANNEX: RESPONDENT'S PROFILE AND METHODOLOGY

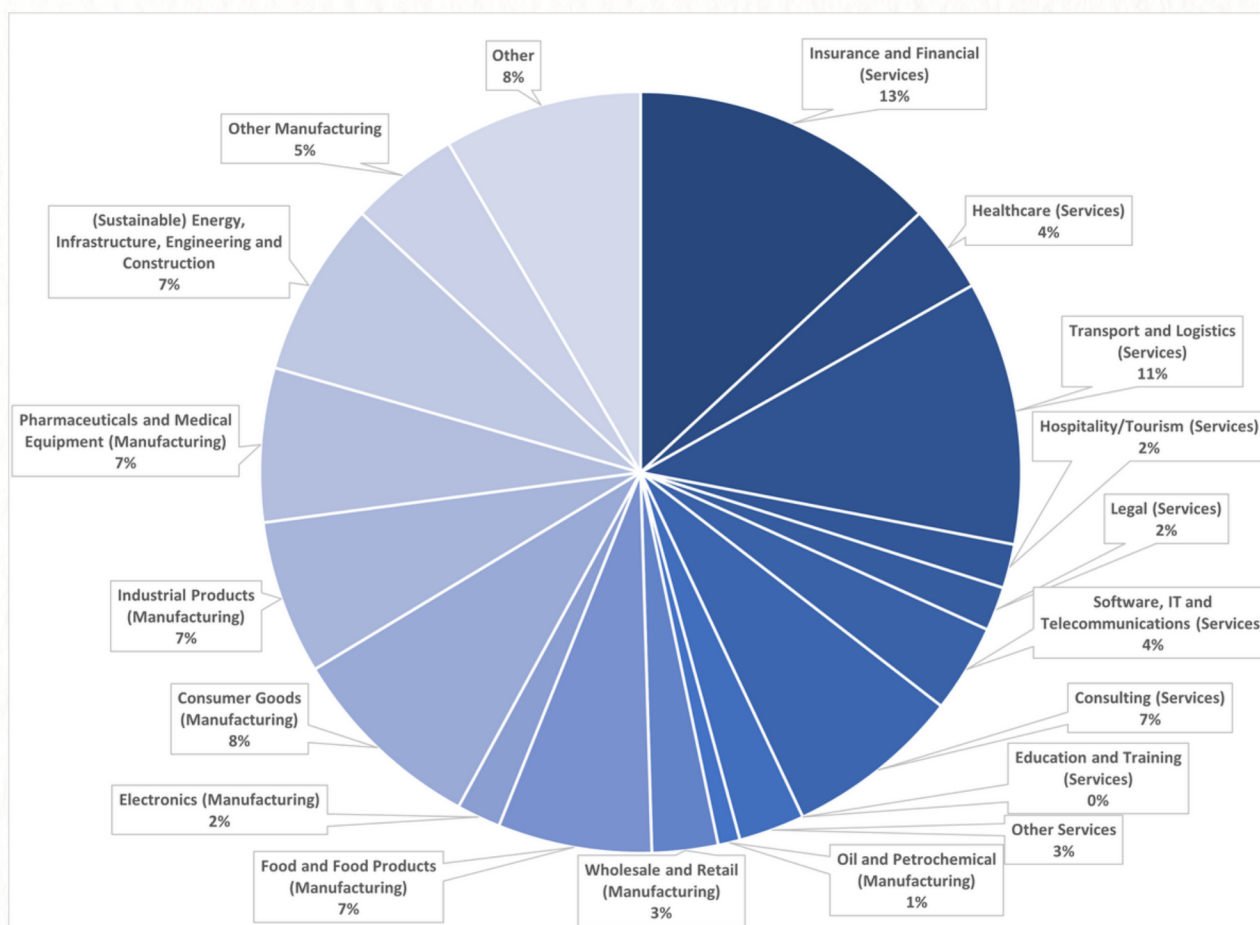
Survey respondents submitted their responses either through on-line links from newsletters and/or websites from the EU-ASEAN Business Council and the respective European Chambers of Commerce in each ASEAN country, or via e-mail contact from those organisations from April 2023 to June 2023. In total, 599 responses were recorded. All responses were made confidentially and online. Using a similar methodology in 2022, 357 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.

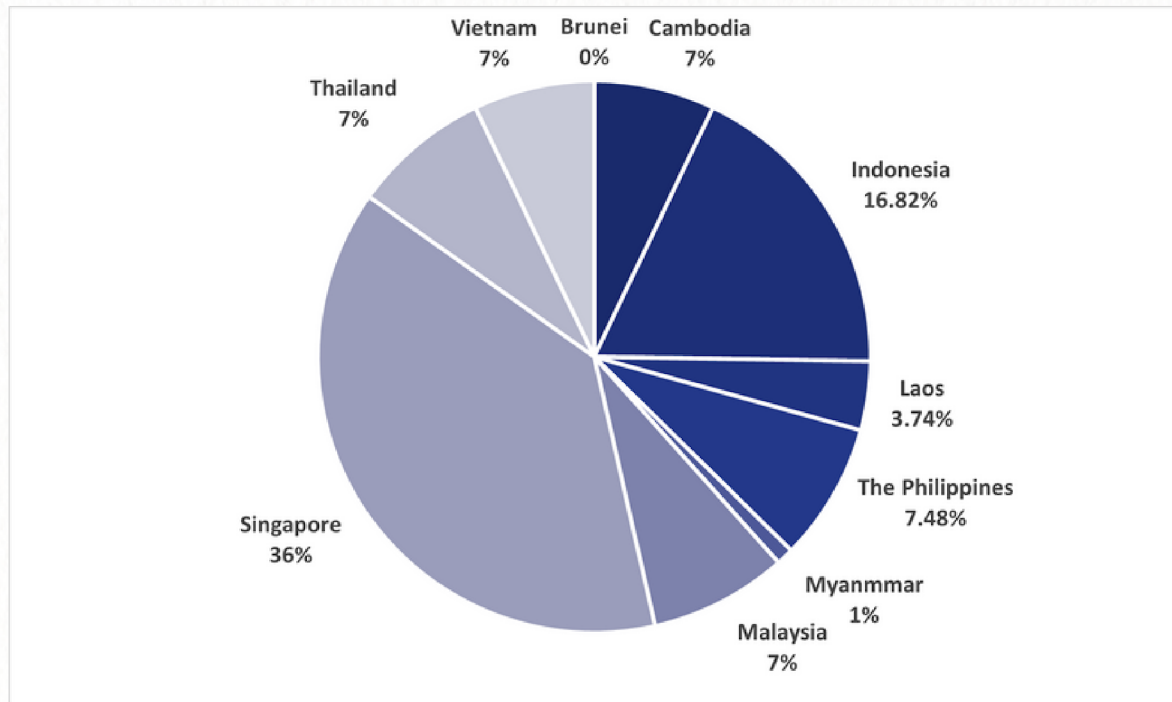
For certain questions, sample sizes at country/industry-level are limited, and results should therefore be read with caution. Differences in results at a country/industry-level should not always be read as statistically significant. The number of respondents also vary for each question as respondents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

This year, like in 2022, 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 2022.

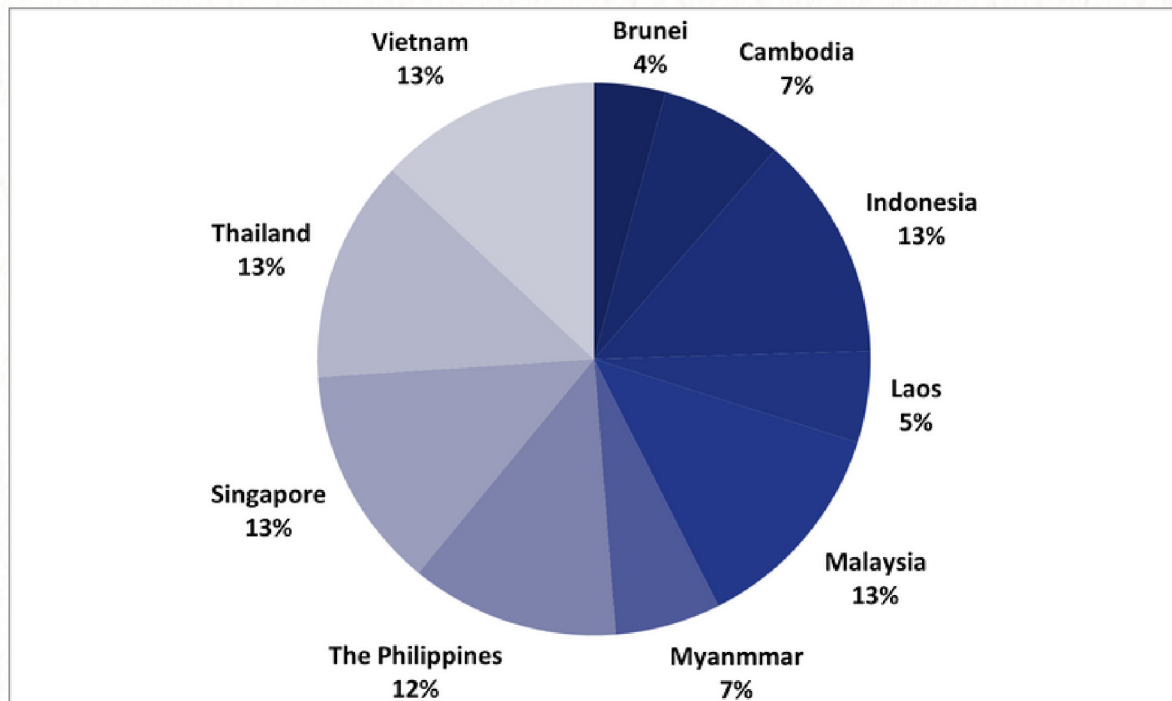
RESPONDENT BREAKDOWN BY INDUSTRY



RESPONDENT BREAKDOWN BY RESPONSE LOCATION



RESPONDENT BREAKDOWN BY BUSINESS OPERATIONS IN ASEAN



ABOUT THE EU-ASEAN BUSINESS COUNCIL



WHO WE ARE

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



WHAT WE DO

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



HOW WE DELIVER

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



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



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



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