REGIONAL ECONOMIC INTEGRATION

ASEAN and its importance to Australia and New Zealand

Greg Earl
• Australia/NZ early business links to ASEAN – some new research
• What do Australia/NZ business really think of the AEC – an interesting survey
• On the ground – what these companies need from the AEC
AANZFTA pioneer:

Capital - Tasmania
Innovation – New Zealand
Manufacture - Scotland
Assembly - Penang
Operation – Phuket
Ownership: Australia/Malay/Thai
Penang Harbour

The site of the Tongkah Harbour Tin Dredging Company
Jackets off

The first Australian trade mission to Indonesia hard at work (1971)
What do Australia/NZ business think of the AEC?

(Results from the first survey of business on the ground by AustCham ASEAN)
Business change in last two years
AEC outlook from the businesses:

60% expanded, 7% contracted over last 2 years
80% planned to increase and 2% contract over next 5 years

Reasons for expansion
Consumer market,
Regional integration,
Improved infrastructure
45% say ASEAN integration is relevant to them. Highest in Vietnam, Cambodia and Laos.

Benefits from AEC
Market access
Better staff mobility
More speedy export and import
Future plans – next five years
Reasons for expansion
Top challenges in ASEAN business

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Brunei</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Laos</th>
<th>Malaysia</th>
<th>Myanmar</th>
<th>Philippines</th>
<th>Thailand</th>
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<td>54%</td>
<td>55%</td>
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<td>Lack of access to skilled labour</td>
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Table 1: Key challenges of operation in ASEAN. Red indicates a challenge identified by 50% or more respondents, grey 35% or greater and light grey less than or equal to 10%.
ASEAN integration – business relevance
But: ideas for the AANZFTA review from the survey

Problems:

Labour mobility
Investment restrictions
Non-tariff barriers
Infrastructure gaps

Knowledge – interesting confusion and hope

54% know a lot but need more information or don’t know anything but need more information. Big communications task here.
What more is needed

PRIORITY AREAS TO ACCELERATE ASEAN ECONOMIC INTEGRATION
Respondents were asked to name the top 3 priority areas

The Australian business community in ASEAN believes that investment or service restrictions, labour mobility and non-tariff barriers to trade are the most important areas of focus in order to accelerate ASEAN integration, with more than 40% of respondents identifying these as priority issues.
Market access is the overwhelming benefit that Australian firms see from ASEAN integration with two-thirds of businesses identifying that as a key benefit. Secondly, 40% of firms saw better mobility of staff as a key benefit.
Knowledge of AEC plans

UNDERSTANDING OF ASEAN INTEGRATION AND ITS IMPACT

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

Three case studies of Australian business in ASEAN.

All could benefit from more AEC liberalisation/harmonisation but are pushing ahead in the region anyway.
NS BlueScope – patient Asian investor
Linfox – following the customer
Interflour – extending the supply chain
Economic integration in challenging times?

- Economic relationship is older than thought:
  - a century old, survived many challenges

- Little appreciated modern strengths:
  - Balanced two way investment
  - Trade deficit shows ASEAN important to supply chains
  - AustCham optimism

- Company case studies:
  - Different structures to reduce risk
  - AEC reforms: labour mobility, behind the border barriers, common standards

- More complementarity in future:
  - services replace resources exports
Thank you

earl.greg@gmail.com