

# *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

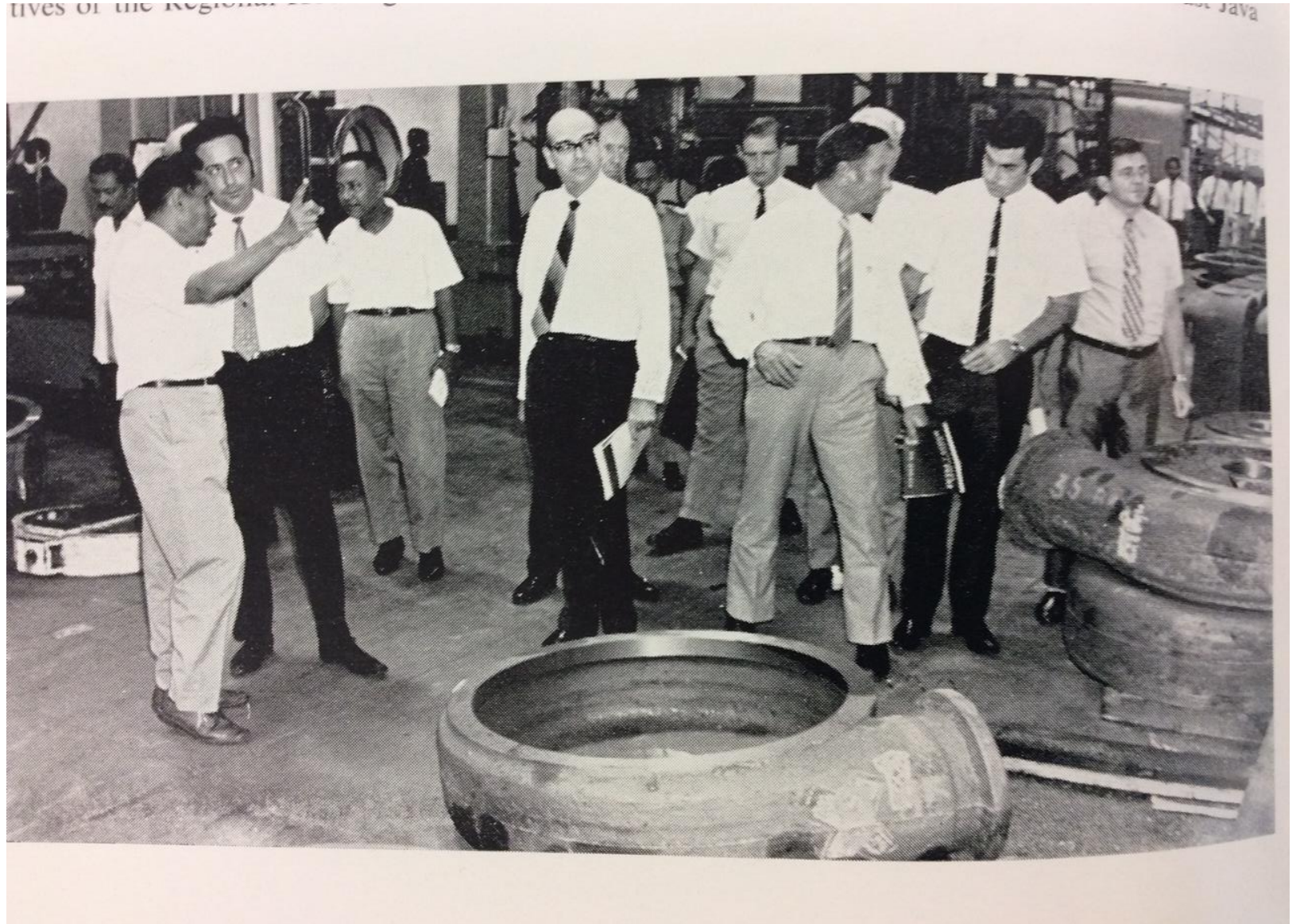
The site of the Tongkah  
Harbour Tin Dredging  
Company





# Jackets off

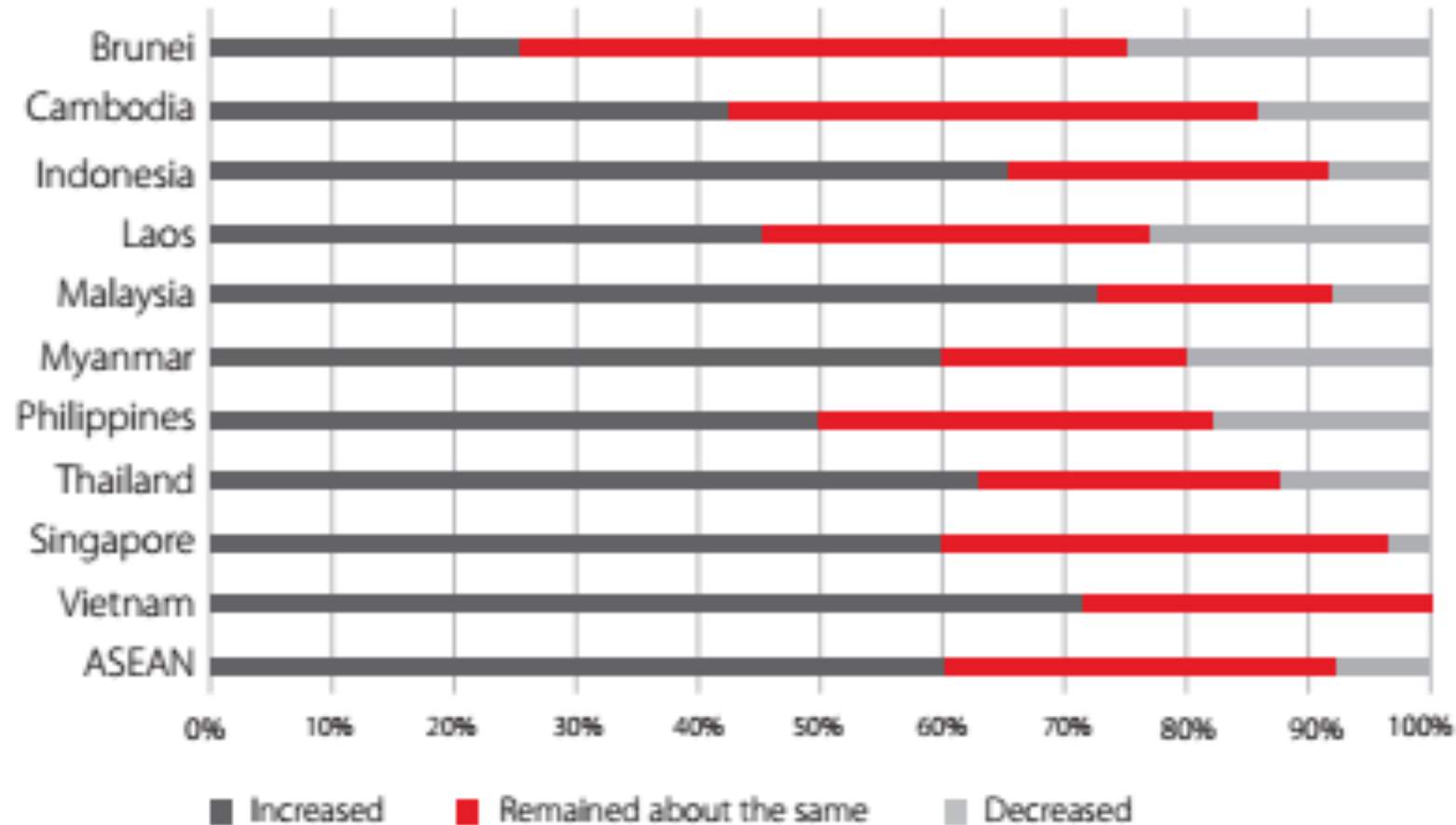
The first Australian trade mission to Indonesia hard at work (1971)



# 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**

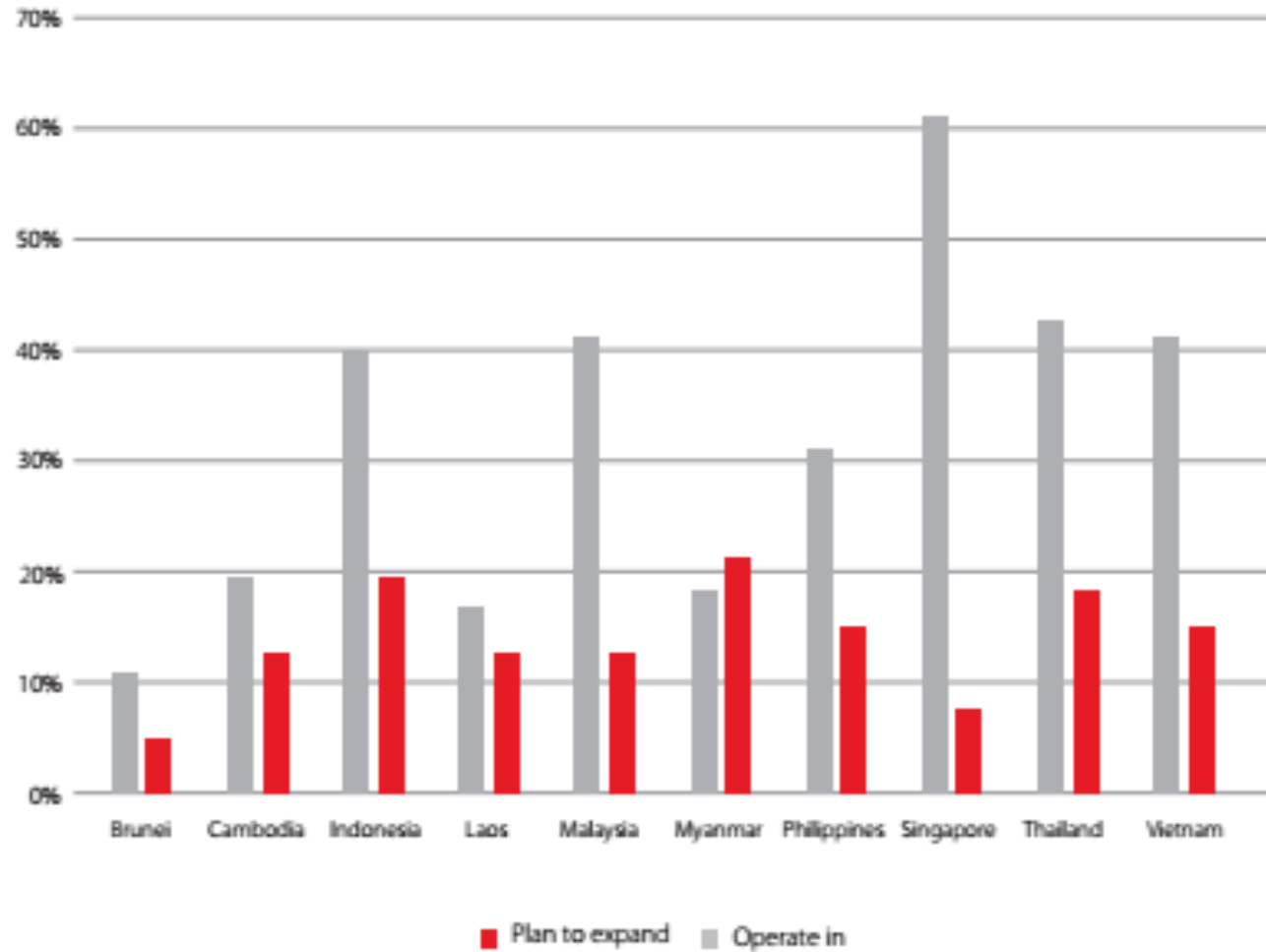
Market access

Better staff mobility

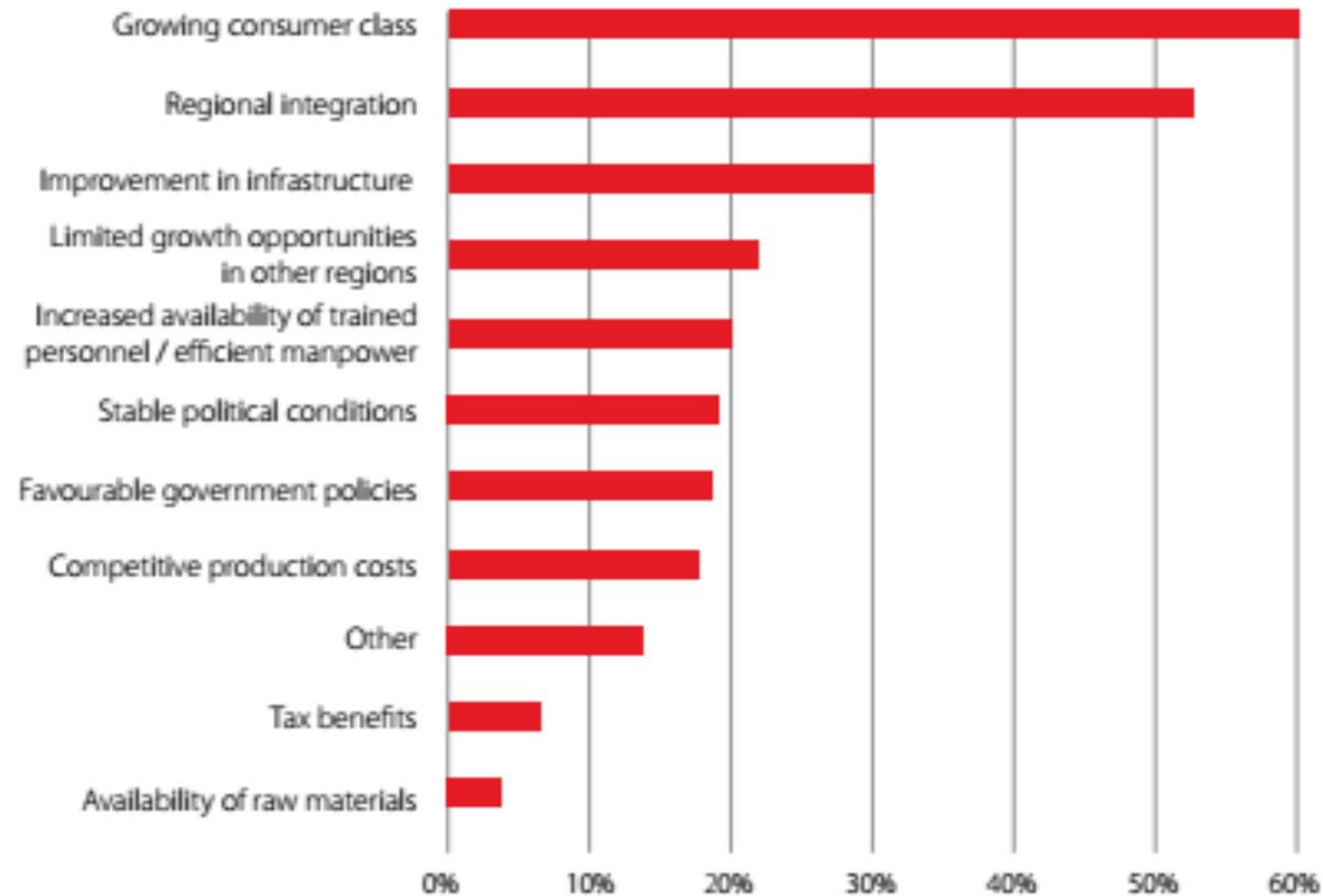
More speedy export and import



# Future plans – next five years



# Reasons for expansion



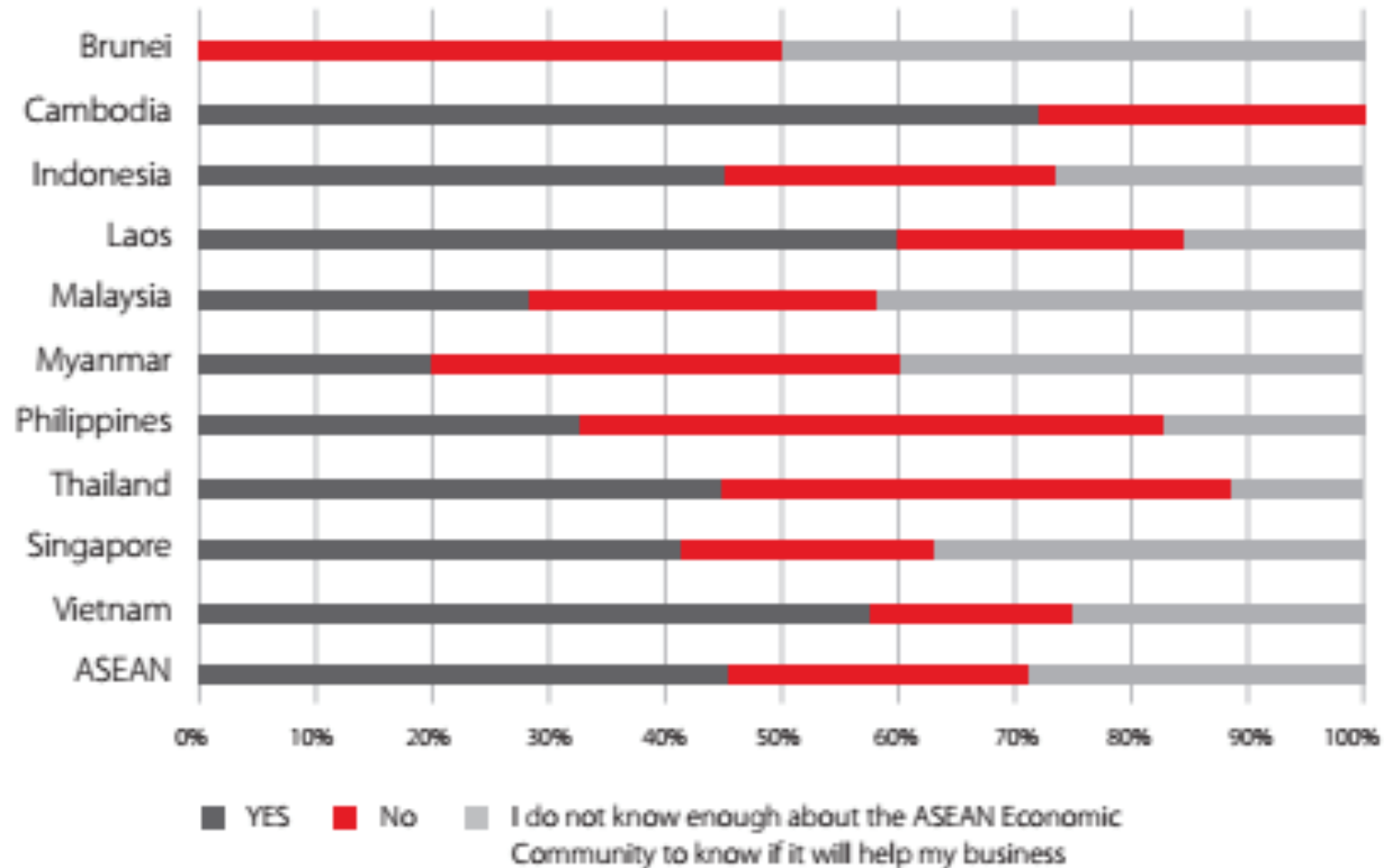
# Top challenges in ASEAN business

## TOP 3 CHALLENGES OF OPERATING IN ASEAN BY COUNTRY OF RESPONSE

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

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

# 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.

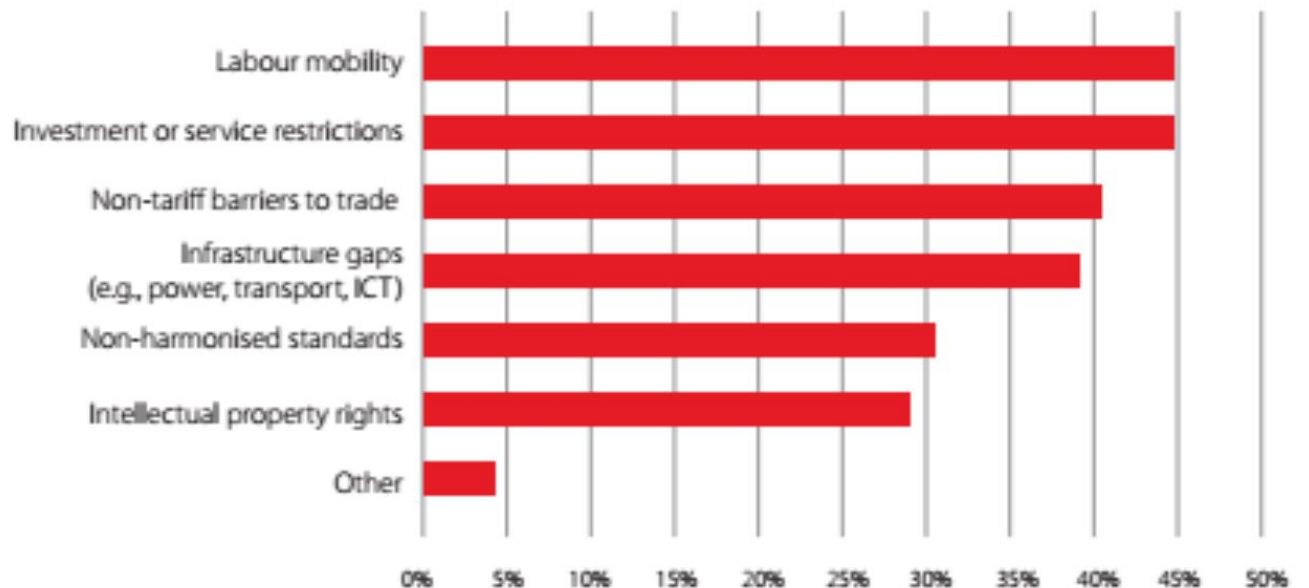


# What more is needed

## PRIORITY AREAS TO ACCELERATE ASEAN ECONOMIC INTEGRATION

Respondents were asked to name the top 3 priority areas

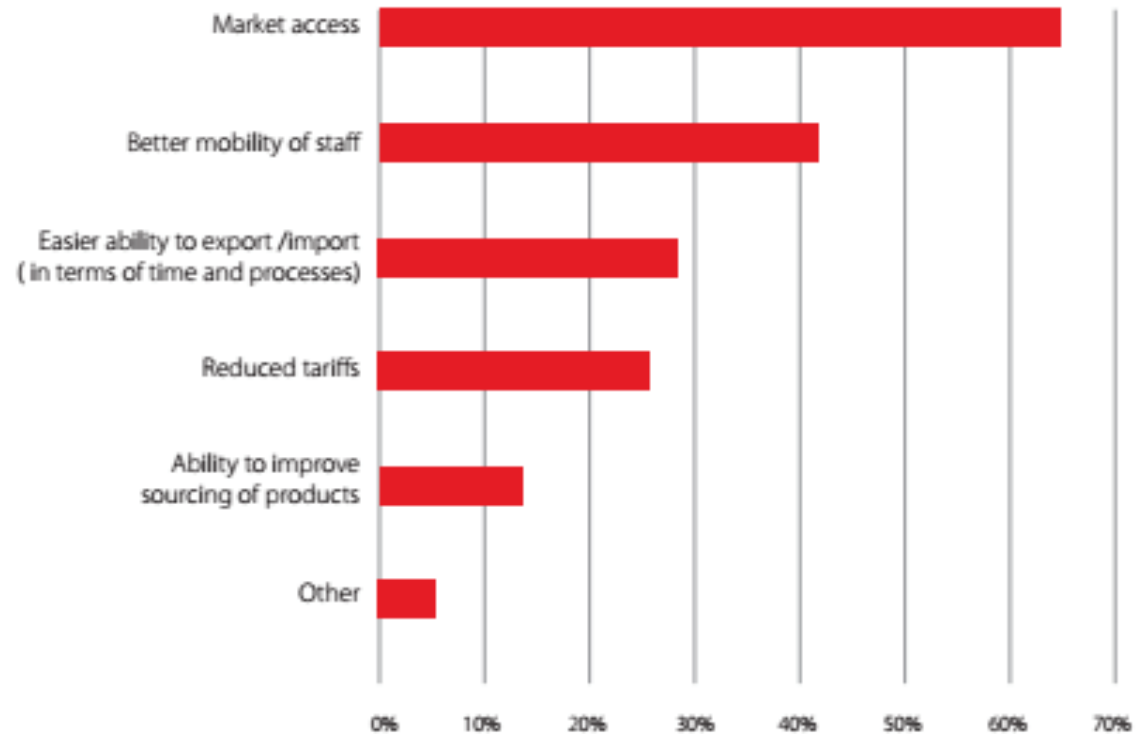
The Australian business community in ASEAN believes that investment or service restrictions, labour mobility and non-tariff barriers to trade are the most important areas of focus in order to accelerate ASEAN integration, with more than 40% of respondents identifying these as priority issues.



# AEC value to business

## MAJOR AREAS OF BENEFIT FROM ASEAN INTEGRATION FOR COMPANY OPERATIONS Respondents were asked to name the top 3 benefits

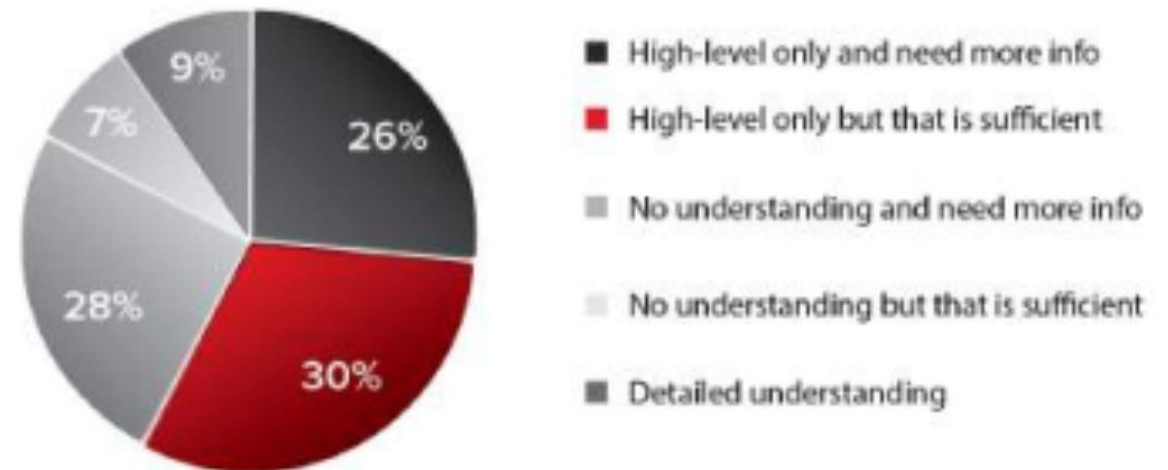
Market access is the overwhelming benefit that Australian firms see from ASEAN integration with two-thirds of businesses identifying that as a key benefit. Secondly, 40% of firms saw better mobility of staff as a key benefit.



# 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.

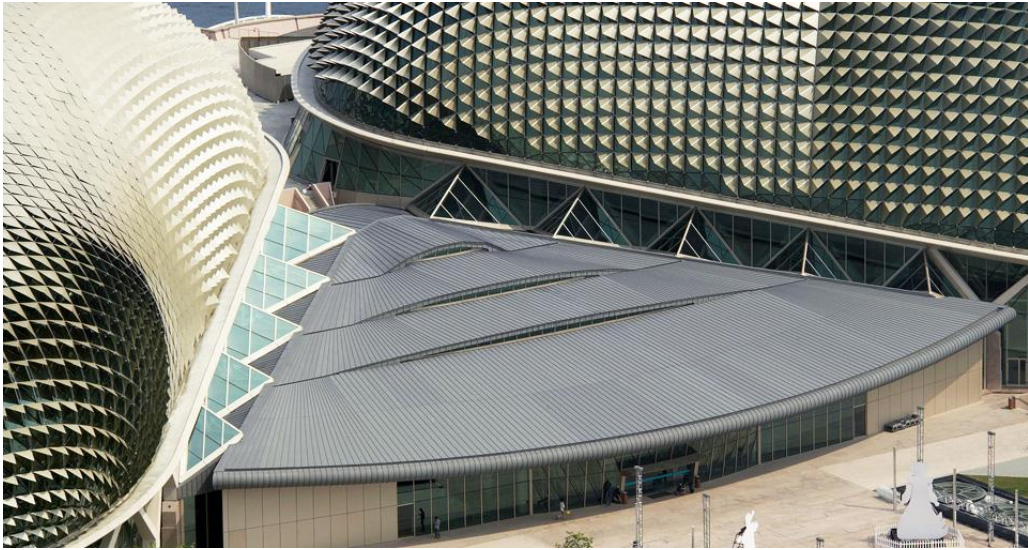


# On the ground

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



nton Phuket.



32.5 Phuket Town in 1905.