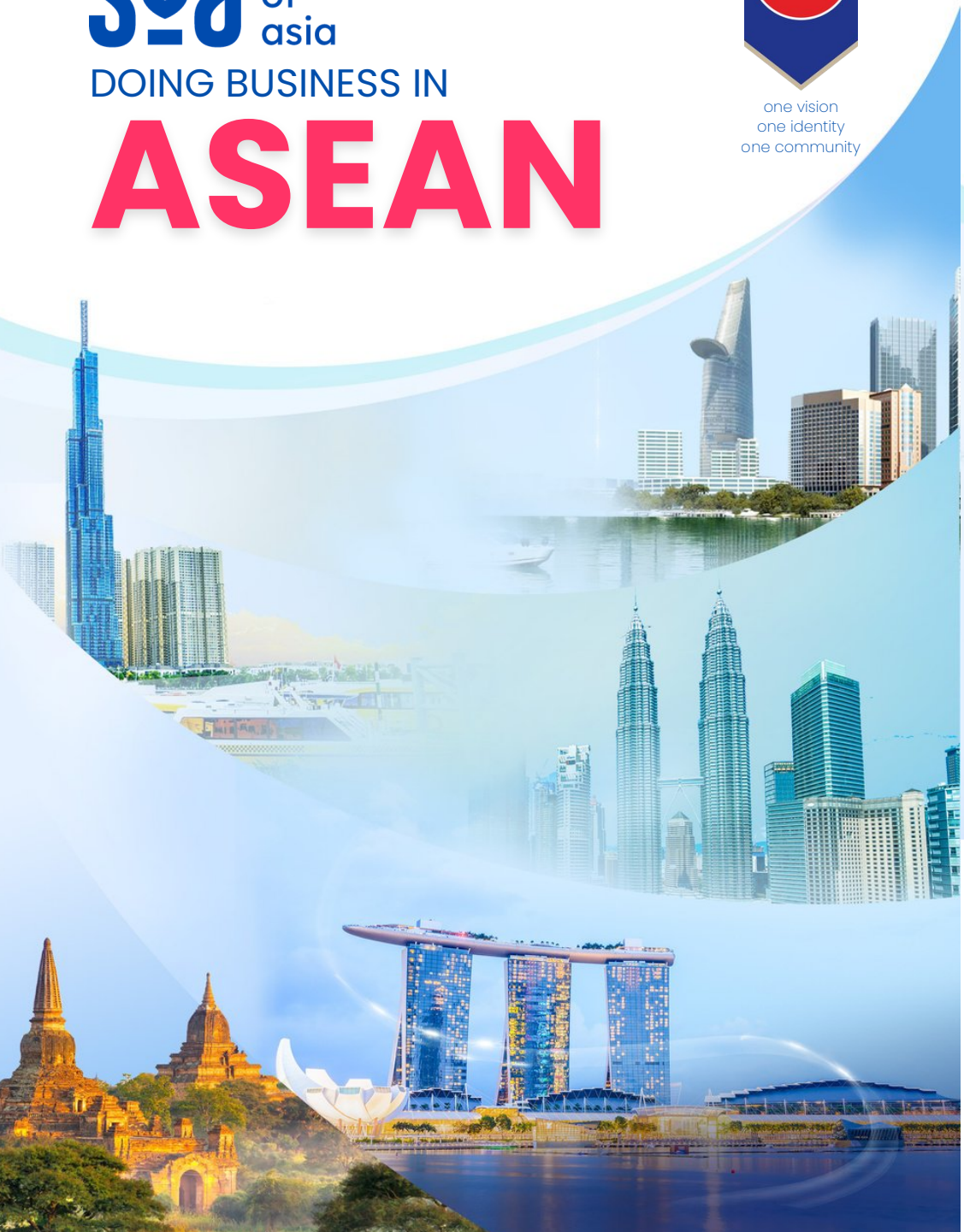
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DOING BUSINESS IN

# ASEAN

one vision
one identity
one community





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## Foreword by
## THIERRY MERMET
Managing Partner & CEO of Source of Asia

Since its inception in 2007, Source of Asia has been deeply rooted in the vibrant ecosystem of the ASEAN region. Our unwavering commitment to our partners and their success has been the cornerstone of our growth. We believe that by fostering strong relationships and continuously expanding our network, we can better understand and address the evolving needs of businesses seeking to tap into this dynamic market.

Over the years, our journey through ASEAN has solidified our belief in its immense potential. As we witnessed the region's remarkable growth and development, we realized the immense opportunity it presents for businesses worldwide. We are passionate about connecting businesses with this thriving market and helping them navigate its complexities to achieve sustainable success.

This booklet, "Doing Business in ASEAN 2024-2025", is a testament to our dedication. We have carefully curated its content to provide you with invaluable insights, practical guidance, and real-world examples. Our goal is to empower you with the knowledge and tools you need to thrive in this region.

At Source of Asia, we are more than just a service provider; we are your partner on this journey. We are committed to supporting you every step of the way, from market entry to long-term growth. Our extensive network, deep understanding of local cultures, and expertise in regulatory frameworks make us your ideal guide.

As you explore the pages of this booklet, we hope you will discover the immense opportunities that ASEAN offers. We are confident that with the right approach and the support of Source of Asia, you will be well-equipped to succeed in this dynamic and rewarding market.

**WE ARE HERE TO GET YOU THERE.**

**Thierry MERMET**
Managing partner & CEO

source of asia



source of asia

TABLE OF CONTENTS


## 03-25

### OVERVIEW OF ASEAN

- *A Rising Powerhouse in Southeast Asia* **p.5**
- *Trends in Global Supply Chain* **p.6**
- *ASEAN is the 5th largest economy in the world* **p.8**
- *ASEAN's Trade agreements and Frameworks* **p.10**
- *ASEAN's Unwavering Appeal for Foreign Investors* **p.15**
- *ASEAN: A Hub for Regional Connectivity* **p.17**
- *ASEAN's Growing Labor Market: A Regional Asset* **p.20**
- *ASEAN'Ss Tax Incentives and Investment Supportive Regulations* **p.24-25**

## 27-37

### THE UNITED STATES-ASEAN COMPREHENSIVE STRATEGIC PARTNERSHIP

- *Relationship History* **p.28**
- *Trade Agreements* **p.29**
- *Bilateral trade flows* **p.30**
- *Trade Barriers & FDI Flows* **p.32-33**
- *ASEAN as The Number One Destination for US Investment* **p.34-35**
- *ASEAN as The Key Partner in Creating Resilient Supply Chains* **p.36-37**

## 39-47

### ASEAN TARGETS 4TH LARGEST ECONOMY BY 2030

- *Top industries open for investment and development* **p.41**
- *Investment Landscape & Future Prospects* **p.42**
- *Success stories with Source of Asia's Clients* **p.44**

## 49-56

### ABOUT SOURCE OF ASIA

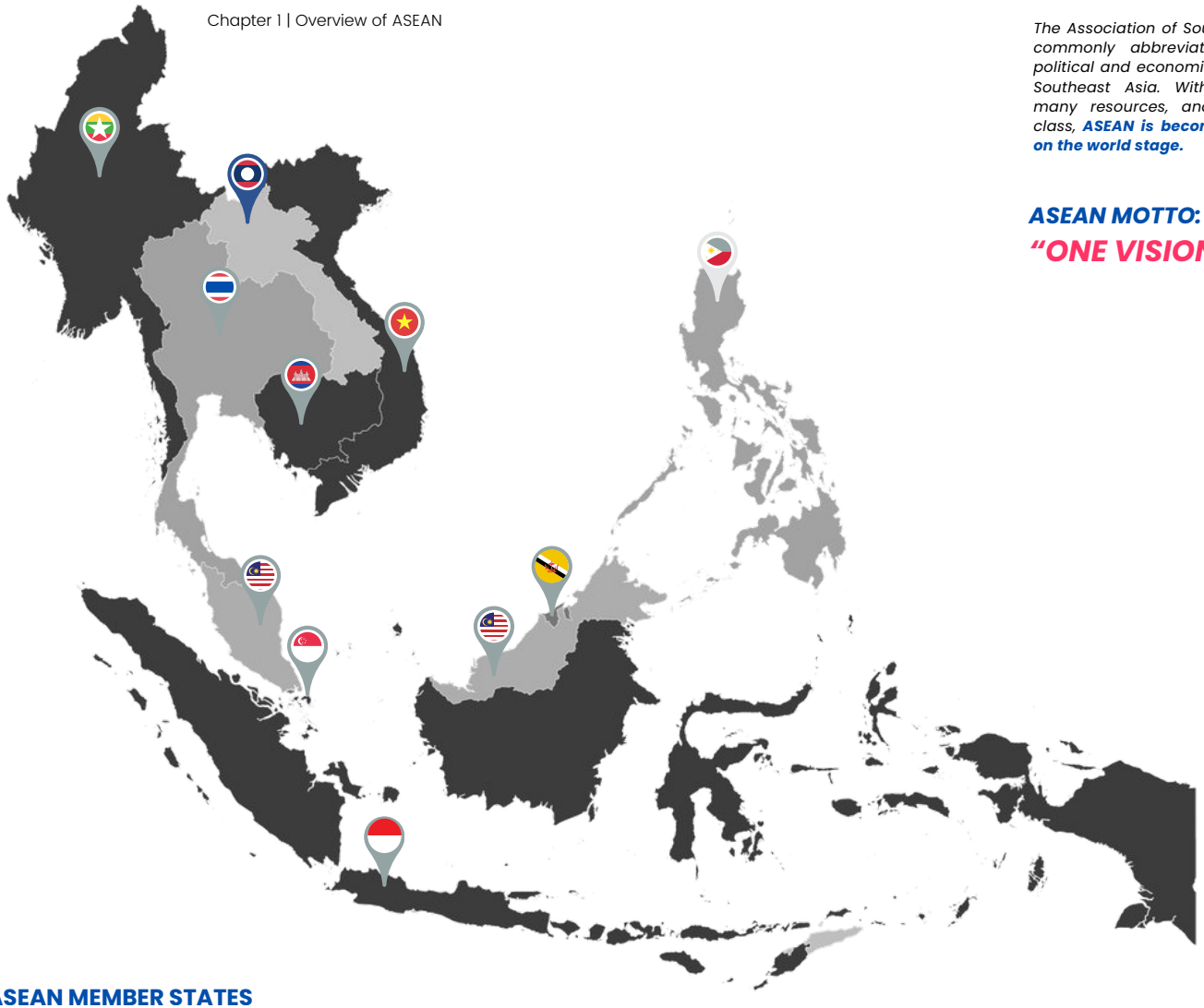
- *About Source of Asia and its networks* **p.50-51**
- *Services & The Team* **p.52-53**
- *About our Globallians partner* **p.54-55**
- *Contact us* **p.56**



PART 1 - OVERVIEW OF ASEAN

# WHY IS ASEAN AN ATTRACTIVE DESTINATION FOR FOREIGN INVESTORS?

Photo: Hoi An - Vietnam



*The Association of Southeast Asian Nations, commonly abbreviated as ASEAN, is a political and economic union of 10 states in Southeast Asia. With its great location, many resources, and a growing middle class,* ***ASEAN is becoming more important on the world stage.***

# ASEAN

## A RISING POWERHOUSE IN SOUTHEAST ASIA

***ASEAN MOTTO:***

***"ONE VISION, ONE IDENTITY, ONE COMMUNITY"***

## ASEAN HIGHLIGHTS

### THE WORLD'S 3RD LARGEST POPULATION

>692,000,000 inhabitants

*(Source: Worldometers, updated on July, 2024)*

### THE 3RD-LARGEST ECONOMY IN ASIA AND THE 5TH-LARGEST IN THE WORLD

About 3.5% of world GDP, with ASEAN's economic growth reaching 3.4% from 2010-2021.

### ASEAN IS A KEY PARTNER IN CREATING RESILIENT SUPPLY CHAINS

The region bordered by China, the Pacific Ocean, Australia, and India.

### ASEAN IS ON A POSITIVE TRAJECTORY TO BECOME THE WORLD'S 4TH-LARGEST ECONOMY BY 2030

With the bloc's GDP soaring 51% to US$3.8 trillion in 2023 compared to US$2.5 trillion in 2015.

## ASEAN MEMBER STATES

Founded in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand, ASEAN has since expanded to include Brunei, Cambodia, Laos, Myanmar, and Vietnam.

| PHILIPPINES | MALAYSIA | BRUNEI | CAMBODIA | MYANMAR | LAO PDR | VIETNAM | THAILAND | SINGAPORE | INDONESIA |
|---|---|---|---|---|---|---|---|---|---|
| Member since: 8 August 1967 | Member since: 8 August 1967 | Member since: 7 January 1984 | Member since: 30 April 1999 | Member since: 23 July 1997 | Member since: 23 July 1997 | Member since: 28 July 1995 | Member since: 8 August 1967 | Member since: 8 August 1967 | Member since: 8 August 1967 |

# TRENDS IN GLOBAL SUPPLY CHAIN

The global supply chain is experiencing a sharp rise, driven by technological innovations, geopolitical shifts, and heightened sustainability demands. ASEAN has capitalized on these changes, rapidly aligning itself with the evolving landscape, and positioning the region as a rising powerhouse in global supply chain networks.

## Digitalization

ASEAN has embraced digital technologies to enhance supply chain efficiency. E-commerce growth, smart factories, and blockchain adoption are driving digital transformation in the region.



***Quick Fact:*** *Changi Airport in Singapore utilizes advanced technologies like automated guided vehicles and data analytics to optimize cargo handling and improve efficiency.*

## Sustainability

ASEAN countries are prioritizing sustainability by implementing green initiatives, promoting ethical sourcing, and reducing environmental impact.



***Quick Fact:*** *Indonesia has implemented policies to promote sustainable palm oil production, including certification schemes and regulations to reduce deforestation and protect biodiversity.*

## Resilience

To mitigate risks, ASEAN countries are diversifying their supply chains, investing in risk management strategies, and building resilience.



***Quick Fact:*** *Thailand's automotive industry has diversified its supply chain by sourcing components from multiple countries to mitigate risks from political instability or natural disasters*

## Reshoring and Nearshoring

ASEAN's competitive labor costs and proximity to key markets are attracting manufacturers seeking to diversify their supply chains.



***Quick Fact:*** *Samsung and LG have moved their production to Vietnam to diversify their supply chains and benefit from lower costs.*

## Regionalization

ASEAN's regional economic integration and trade agreements are fostering connectivity and market access within the region.




***Quick Fact:*** *The Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement, includes ASEAN countries and other major economies in Asia. This agreement has eliminated tariffs on a wide range of goods, facilitating trade and investment flows within the region.*

**COUNTRIES LIKE VIETNAM, THAILAND, AND MALAYSIA HAVE BECOME PRIME LOCATIONS FOR MANUFACTURING DUE TO LOWER LABOR COSTS AND FAVORABLE INVESTMENT CLIMATES.**



Vietnam's low-tech electronic manufacturing and IT industries have secured deals from global leaders such as **Samsung** & **Intel**.

SAMSUNG intel





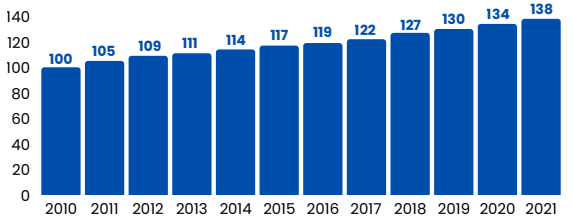


# CHINA PLUS ONE STRATEGY

The China Plus One Strategy, also known as Plus One or C+1, is a supply chain strategy that encourages companies to minimize their supply chain dependency on China by diversifying the countries from which they source parts. The main purpose is to reduce the risk of over-reliance on a single country for sourcing and manufacturing.

**LABOR COST INDEX OF CHINA (2010-2021)**

*Source: Global Data*




Labor costs in China have seen a significant increase, which impacts the country's competitiveness as a low-cost manufacturing hub.

Between 2010-2021, China's labor cost index increased by 38%. It stood at 138 in 2021, recording a growth of 2.8% compared to the previous year.



**GEOPOLITICAL TENSIONS**
USA-China Trade war



**UNCERTAINTIES**
in trade policies & economic relations



**FIRMS SEEKING OPTIONS**
to reduce risks

USA tariffs on Chinese goods have driven companies to choose alternative manufacturing bases to mitigate risks. These tensions, including trade tariffs and other barriers, have affected the ease and cost of doing business in China.

While the long-term effects remain uncertain, these conflicts have already prompted subtle changes in existing commercial patterns, encouraging businesses to diversify their supply chains away from China to more stable regions like ASEAN.

## How are ASEAN countries gaining from the "China +1" strategy?

**INTEGRATION INTO DIVERSE GLOBAL SUPPLY CHAINS IMPROVES THE GLOBAL ECONOMIC STANDING OF ASEAN NATIONS**



ATTRACTING FOREIGN DIRECT INVESTMENT




ECONOMIC GROWTH



JOB CREATION

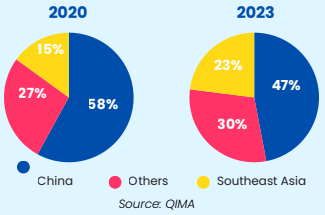


INFRASTRUCTURE IMPROVEMENTS



TECHNOLOGY TRANSFERS

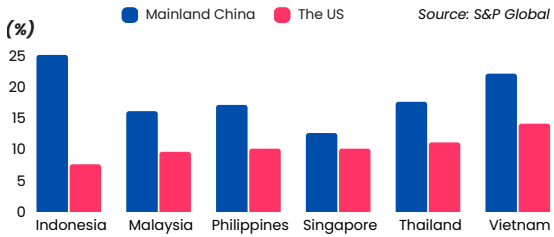
**USA AND EU-BASED BRANDS' SOURCING PORTFOLIOS**




*Source: QIMA*

**SHARE OF ASEAN-SIX'S TOTAL TRADE WITH MAINLAND CHINA & THE USA IN 2022 (%)**

*Source: S&P Global*

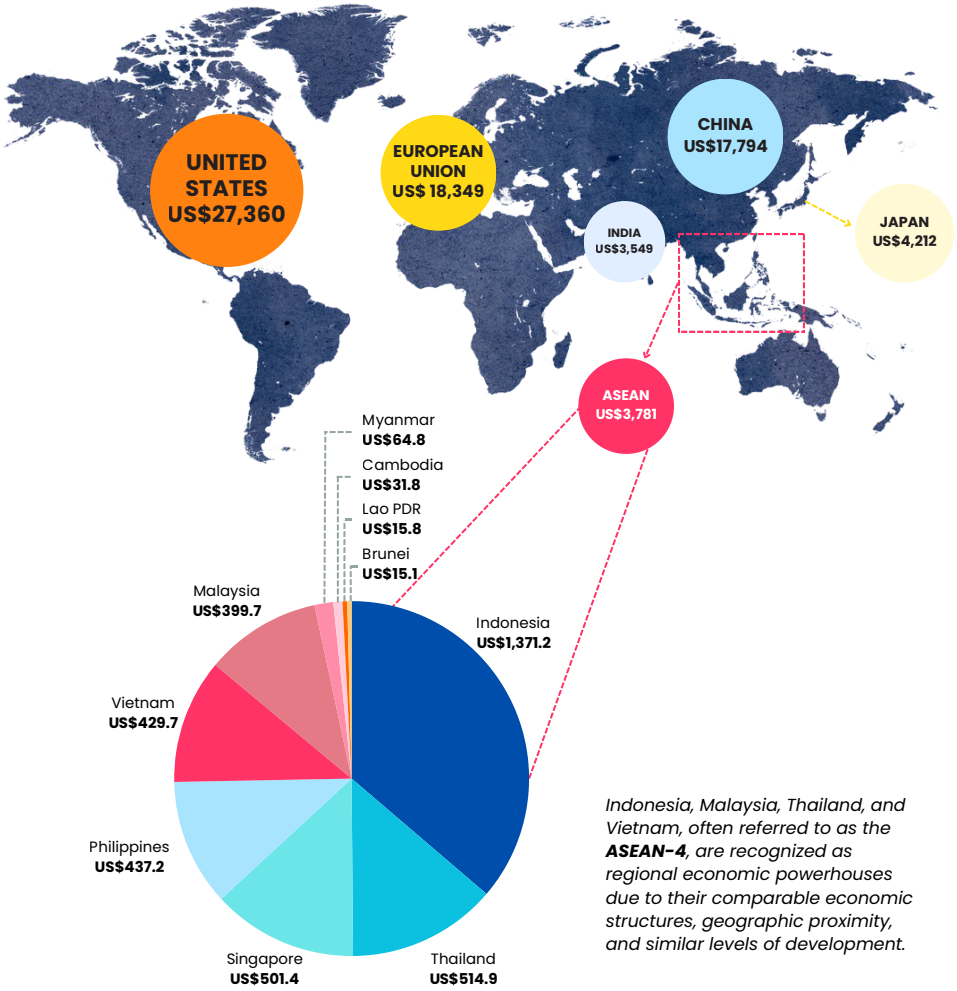


# ASEAN IS THE 5TH LARGEST ECONOMY IN THE WORLD

The total GDP of ASEAN reached US$3.6 trillion in 2022, positioning it as the 5th largest economy in the world trailing behind the United States, EU, China, and Japan. Looking ahead, **projections indicate that ASEAN's GDP is poised to reach an estimated US$4.5 trillion by the year 2030**. This trajectory will propel *ASEAN as the world's 4th largest economy*, showcasing its sustained economic growth and increasing influence on the global stage - *According to ASEAN Statistical Brief Volume IV, January 2024.*

**GDP COMPARISON IN 2023**

*Source: WordBank, Unit: US$ billion*



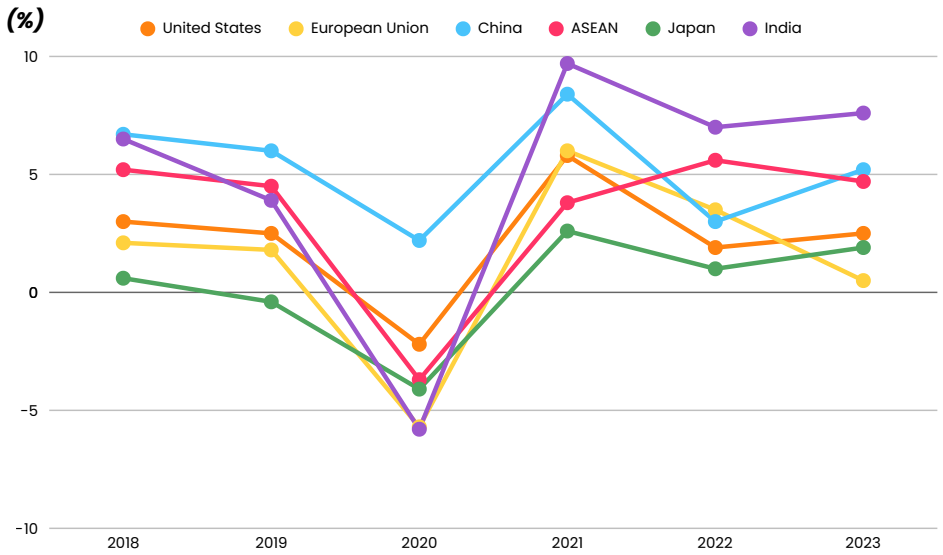

*Indonesia, Malaysia, Thailand, and Vietnam, often referred to as the **ASEAN-4**, are recognized as regional economic powerhouses due to their comparable economic structures, geographic proximity, and similar levels of development.*





**COMPARISON OF GDP GROWTH RATES FROM 2018 TO 2023**

*Sources: World Bank, and ASEAN Statistic 2023*




**GDP PER CAPITA IN ASEAN COUNTRIES IN 2023**

*Source: World Bank, GDP calculated with population number in 2023*

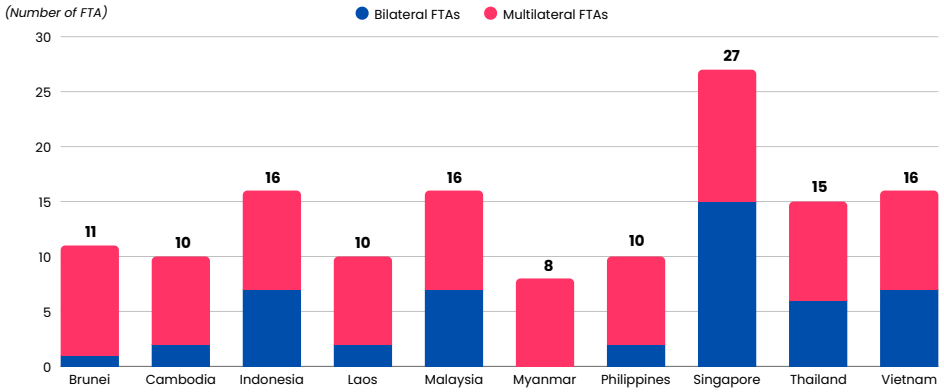
| Country | GDP per capita (US$) |
|---|---|
| Brunei Darussalam | 33,430 |
| Cambodia | 1,875 |
| Indonesia | 4,940 |
| Lao PDR | 2,075 |
| Malaysia | 11,649 |
| Myanmar | 1,188 |
| Philippines | 3,726 |
| Singapore | 84,734 |
| Thailand | 7,172 |
| Viet Nam | 4,347 |
| **ASEAN** | **5,518** |

# ASEAN'S TRADE AGREEMENTS AND FRAMEWORKS

ASEAN's strategic location at the heart of the Indo-Pacific region has made it a cornerstone of regional economic cooperation. The bloc has forged strong trade relationships with some of the world's largest economies, including China, Japan, South Korea, India, Australia, New Zealand, and Hong Kong.

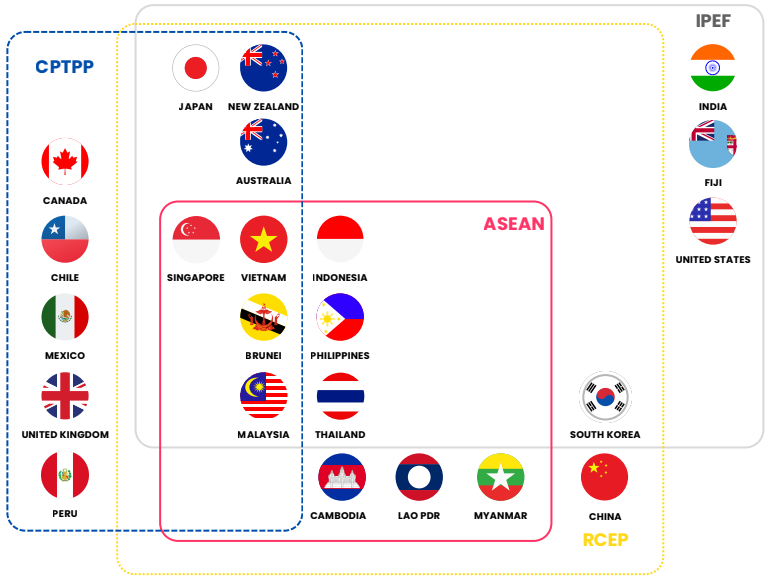
### ASEAN FREE TRADE AGREEMENTS SIGNED AND IN EFFECT

*Source: Data collected from official statistics of ASEAN countries*




### ASEAN PARTICIPATION IN MULTILATERAL TRADE FRAMEWORKS

*Source: Data collected from official statistics of ASEAN countries*








## Free Trade Agreements (FTAs)

As a goal to enhance market access and reduce trade barriers, ASEAN has established numerous Free Trade Agreements with key global economies. These FTAs allow advantages as well as tariff reductions on specific products.

| | Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CTPP) | The Regional Comprehensive Economic Partnership (RCEP) | The Indo-Pacific Economic Framework (IPEF) |
|---|---|---|---|
| Signed | March 2018 | November 2020 | May 2022 |
| Entered into force | December 2018 | January 2022 | Under Negotiation |
| % of global GDP | 15% | 30% | 40% |
| % of global population | 8% | 30% | 33% |

## Other agreements signed and in effect

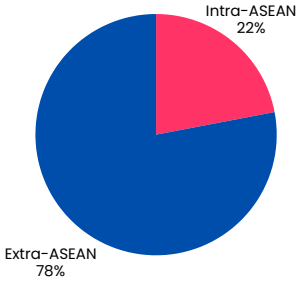
- **ASEAN-AUSTRALIAN-NEW ZEALAND FTA (AANZFTA)**
  *Status: In effect since January 2010*
- **ASEAN-CHINA FREE TRADE AGREEMENT (ACFTA)**
  *Status: in effect since November 2002*
- **ASEAN-INDIA FREE TRADE AGREEMENT (AIFTA)**
  *Status: in effect since January 2010*
- **ASEAN-JAPAN FREE TRADE AREA (AJCEP)**
  *Status: in effect since April 2008*
- **ASEAN-REPUBLIC OF KOREA FREE TRADE AREA (AKFTA)**
  *Status: in effect since January 2010*
- **ASEAN-HONG KONG, CHINA FREE TRADE AGREEMENT (AKFTA)**
  *Status: in effect since November 2017*

APPROVED

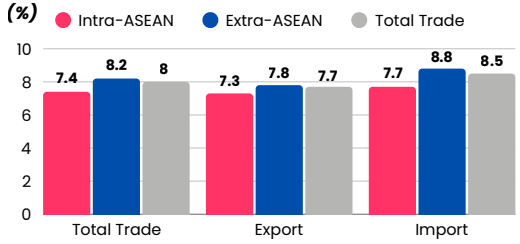
## ASEAN's Key Trading Partners

During the period of 2003–2023, total ASEAN trade in goods with both internal and external partners, experienced significant growth.

**INTRA & EXTRA ASEAN TRADE:**
*SHARE TO TOTAL IN 2023 (%)*




**INTRA AND EXTRA ASEAN TRADE:**
*AVERAGE ANNUAL GROWTH RATE (%)*
*2003-2023*




*Source: ASEAN Statistics Brief, Volume VIII, May 2024*

# INTRA-ASEAN MERCHANDISE TRADE DYNAMICS

*ASEAN's intra-ASEAN merchandise trade has witnessed remarkable growth* over the past few decades, reflecting the region's increasing economic integration and interdependence. As the region's economies have developed and diversified, **intra-ASEAN trade has become a crucial driver of growth and prosperity**.

**INTRA-ASEAN TRADE BY ASEAN MEMBER STATES, 2023**

*Source: ASEAN Statistics Brief, Volume VIII, May 2024*

| Country | Intra-ASEAN (US$ billion) | Intra-ASEAN Exports (%) | Intra-ASEAN Imports (%) |
|---|---|---|---|
| Brunei Darussalam | US$6.8 billion | 57.5% | 42.5% |
| Cambodia | US$12 billion | 23.1% | 76.9% |
| Indonesia | US$99.8 billion | 52.9% | 47.1% |
| Lao PDR | US$5.2 billion | 40.2% | 59.8% |
| Malaysia | US$158.1 billion | 58.3% | 41.7% |
| Myanmar | US$13 billion | 33.3% | 66.7% |
| Philippines | US$50.8 billion | 22% | 78% |
| Singapore | US$231.3 billion | 61.7% | 38.3% |
| Thailand | US$119.8 billion | 55.8% | 44.2% |
| Viet Nam | US$73 billion | 44% | 55.8% |
| ASEAN | US$769.9 billion | 53.4% | 46.6% |

Overall, **intra-ASEAN trade accounted for 53.4% of the region's total trade**, highlighting its crucial role in driving economic growth and integration.

Among the member states, **Singapore, Malaysia, and Vietnam emerged as key players in intra-ASEAN trade**. These countries exhibited a relatively high percentage of exports and imports within the region, suggesting their strategic positioning as trade hubs and manufacturing centers. On the other hand, **Brunei Darussalam and Lao PDR recorded lower levels of intra-ASEAN trade**, indicating potential areas for further economic integration and diversification.

## TRADE IN GOODS

ASEAN total trade in goods increased by **14.9%** reaching reaching **US$3.8 trillion** in 2022 since 2017.

Total exports **US$2.0** trillions

Total imports **US$1.9** trillions

*(Source: ASEAN Statistics Yearbook 2023)*

**BALANCE OF TRADE**

ASEAN achieved a trade surplus of **US$77.9B** in 2022, down from the **US$92.6 billion** surplus recorded in 2021.

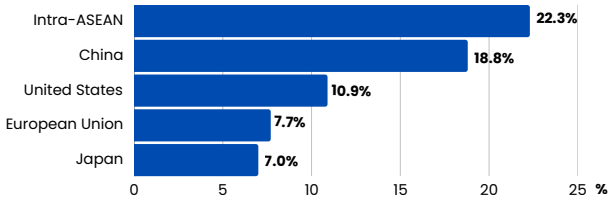







## Main trading partners

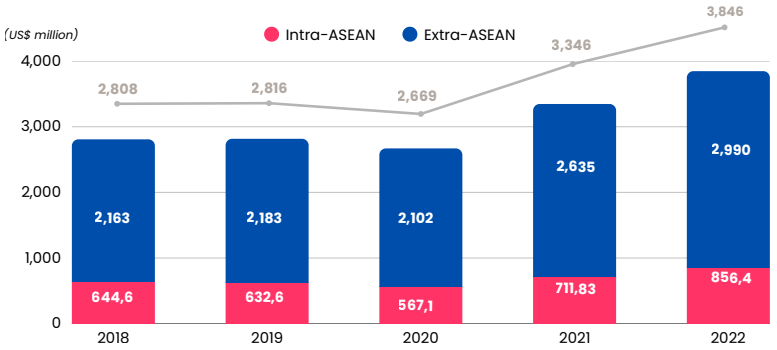
Intra-ASEAN accounted for **the largest share**, comprising **22.3%** of the total ASEAN trade, surpassing trade with other partners in 2022.




**As a major financial and logistics hub,* ***Singapore plays a crucial role in facilitating intra-ASEAN trade.***

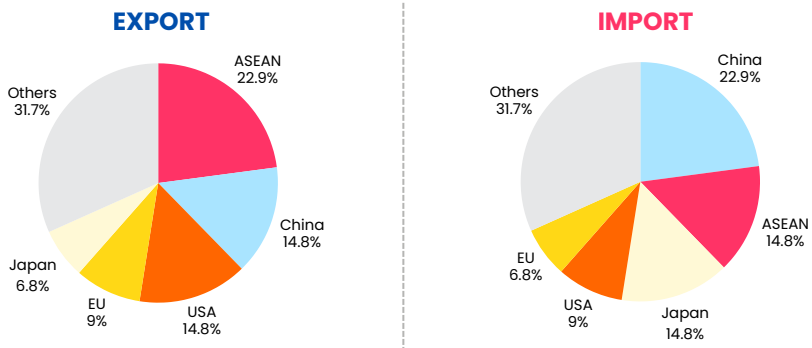
## ASEAN Total Trade in Goods, Intra-ASEAN and Extra-ASEAN Trade in Goods, 2018-2022

*Source: ASEAN Statistics Yearbook 2023*




## Exports-imports by partners

In 2022, **Intra-ASEAN remained the primary export destination** for the region, accounting for 22.9% of total exports, while **China emerged as the largest importer for ASEAN**, also at 22.9%.




*Source: ASEAN Statistics Yearbook 2023*

# TRADE IN SERVICES

ASEAN's trade in services has witnessed **significant growth in recent years**, driven by factors such as economic liberalization, technological advancements, and increasing regional integration.



ASEAN's services trade experienced a robust recovery, surging by to reach billion in 2022, surpassing the pre-pandemic levels. **16.4%**

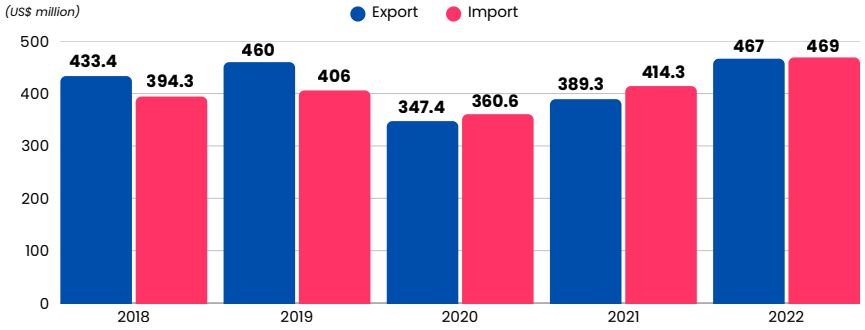
*(Source: ASEAN Statistics Yearbook 2023)*

Total exports **US$467** billions

Total imports **US$469** billions

## ASEAN exports and imports of services (US$ million), 2018 - 2022

*Source: ASEAN Statistics Yearbook 2023*




## Top 5 services categories in 2022

*Source: ASEAN Statistics Yearbook 2023*

### EXPORT


Other business services **29.0%**


Transport **27.4%**


Travel **10.7%**


Financial Services **9.1%**


Telecommunication & information **8.1%**

### IMPORT


Transport **36.1%**


Other business services **27.8%**


Travel **10.2%**


Telecommunication & information **8.8%**


Charges for the use of intellectual property **6.1%**





# ASEAN'S UNWAVERING APPEAL FOR FOREIGN INVESTORS

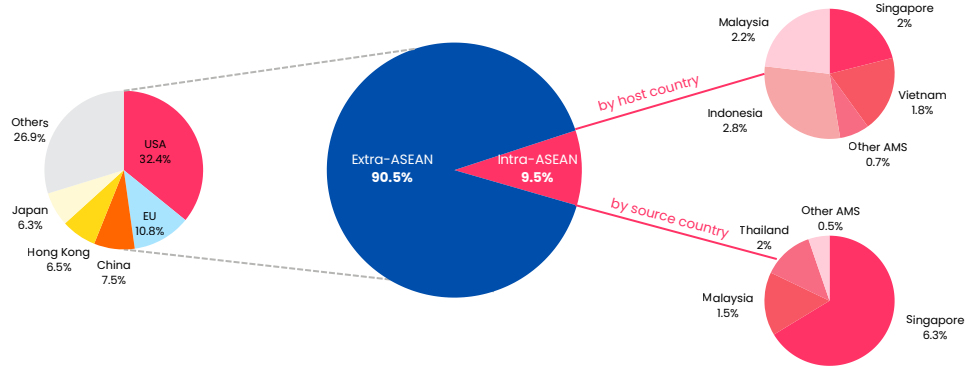
While **global FDI flows declined by 2% in 2023 to US$ 1.33 trillion**, continuing a downward trend and remaining below pre-pandemic levels, **ASEAN had been a magnet for investment, recording an increase in inward FDI flows for three consecutive years.** This growth underscores ASEAN's resilience and attractiveness to foreign investors.

In 2023, ASEAN attracted **US$229.8 billion** of FDI, a slight increase of 0.3% from US$229.2 billion in 2022.



**INWARD FDI FLOWS TO ASEAN BY SOURCE COUNTRY, 2023**

*Source: ASEAN Statistics Brief, Volume IX, June 2024*







Most of the FDI flowing into ASEAN comes from countries outside the region, showing how important ASEAN is in the global economy. In 2023, **FDI from outside ASEAN increased by 6.3% to reach US$208 billion**.

**The United States was the biggest investor, contributing US$74.4 billion, which is 32.4% of all FDI into ASEAN.** The European Union was the 2nd largest investor, followed by China. Hong Kong and Japan also invested significant amounts.

**Singapore remained the top recipient of inward FDI flows in the region,** attracting US$159.6 billion, which accounted for almost 70% of total inward FDI flows to ASEAN, followed by Indonesia (US$21.6 billion) and Vietnam (US$18.5 billion).

## ASEAN Inward FDI Flows by Major Source and Industry, 2023

*Source: ASEAN Secretariat*

*In 2023, most foreign investors in ASEAN countries preferred finance, insurance, and manufacturing. This was true for investors from major economies like the USA, the EU, and China. However, there were some variations in their specific interests.*

| Total ASEAN | Financial and Insurance **US$91.9B** | Manufacturing **US$50.5B** | Professional, Scientific and Technical **US$20.7B** |
|---|---|---|---|
| Intra-ASEAN | Manufacturing **US$7.1 billion** | Real Estate **US$3.5 billion** | Financial and Insurance **US$2.7 billion** |
| United States | Financial and Insurance **US$53.8 billion** | Professional, Scientific and Technical **US$13.2 billion** | Manufacturing **US$6.5 billion** |
| European Union | Financial and Insurance **US$13.6 billion** | Wholesale and retail trade **US$6.8 billion** | Manufacturing **US$2.9 billion** |
| China | Manufacturing **US$6.3 billion** | Wholesale and retail trade **US$3.6 billion** | Real Estate **US$3.2 billion** |

## ASEAN overtakes China for manufacturing FDI

In 2022 and 2023, companies from **OECD countries pledged over US$55 billion to invest in ASEAN factories**, more than double the amount pledged for China. This shift started when companies wanted to avoid US tariffs on goods made in China, and the COVID-19 pandemic accelerated the trend as strict rules in China made it difficult for companies to operate normally.

**ASEAN HAS OVERTAKEN CHINA AS A DESTINATION FOR OECD MANUFACTURING INVESTMENT**

*Greenfield FDI into manufacturing activities by OECD-headquartered companies*




*Source: FDI Intelligence*





# ASEAN: A HUB FOR REGIONAL CONNECTIVITY

Located in a central position within the regional transportation connectivity network, from the Pacific Ocean to the Indian Ocean, **ASEAN holds a crucial strategic position as a hub for vital maritime and rail freight routes**. Southeast Asian countries have been actively working towards promoting efficient, harmonious, and environmentally friendly transport connections.



*Gateway to Asia, connecting East Asia, Southeast Asia, and South Asia*

**ASEAN Transportation Infrastructure:**

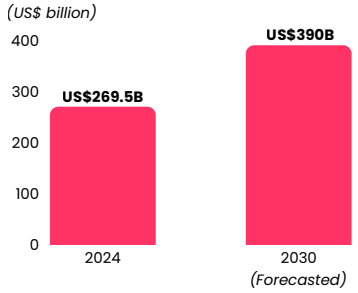
ASEAN Road Length
**1,8 kilometer**
Paved Network
**1,09 kilometer**

Sea Cargo Throughput
**2,5 million TEU**
Sea Container Throughput
**90 million TEU**

Air Cargo Loaded
**2,3 ton**
Air Cargo Unloaded
**2,4 ton**

## ASEAN FREIGHT AND LOGISTIC MARKET

*Market Size in US$ billion / Source: Mordor Intelligence*




**CARG (2024-2030): 6.35%**

**Major players:**

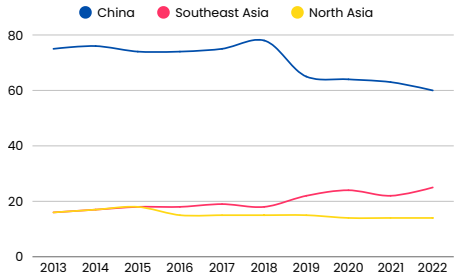
FedEx, DHL, DB SCHENKER, KUEHNE+NAGEL, UPS

## THE MARITIME DOMAIN IN ASEAN

As supply chains have shifted, **ports in Southeast Asia and India have seen increased growth opportunities.** While China is still the main import source for Europe and North America, **it is experiencing a decline in market share as Southeast Asia and South Asia gain ground.**

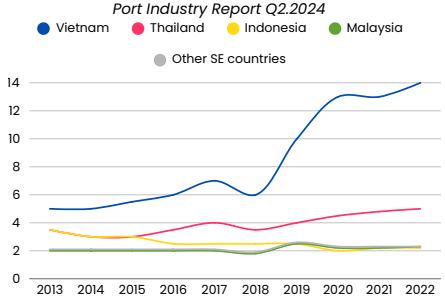
**USA IMPORTS BY ASIA REGION (% OF CONTAINER SHIPMENTS TO THE USA)**

*Source: VCBS Research Department, Port Industry Report Q2.2024*




**USA IMPORTS BY SOUTHEAST ASIAN COUNTRIES (BY % OF TEU CONTAINER MARKET SHARE TO THE USA)**

*Source: VCBS Research Department, Port Industry Report Q2.2024*

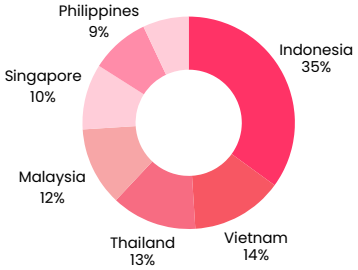



| Million TEUs | 2018 | 2019 | 2020 | 2021 | 2022 | CAGR 2018-22 |
|---|---|---|---|---|---|---|
| Singapore | 36.60 | 37.20 | 36.90 | 37.50 | 37.20 | 0.4% |
| Thailand | 10.37 | 10.13 | 9.57 | 10.44 | 10.50 | 0.3% |
| Philippines | 8.70 | 9.17 | 7.87 | 8.49 | 8.90 | 0.6% |
| Malaysia | 24.96 | 26.22 | 26.67 | 24.00 | 27.50 | 2.5% |
| Indonesia | 12.03 | 12.11 | 11.17 | 11.80 | 15.20 | 6.0% |
| Vietnam | 18.06 | 19.63 | 22.14 | 23.98 | 25.09 | 8.6% |
| Cambodia | 0.70 | 0.90 | 0.90 | 1.00 | 1.10 | 12.0% |



*"Among them, **Vietnam achieved the highest growth rate,** increasing its share from 6% in 2016 to 13% in 2022. Vietnam's CAGR for throughput volume from 2018 to 2022 **reached 8.6%, the highest in the region.**"*

**EXPANDING PORT CAPACITY IN SOUTHEAST ASIA BY 2026**




**The increase in port capacity in Southeast Asia through 2026 is expected to keep up with demand, with additional capacity spread across major countries in the region. 35% of the additional capacity will come from Indonesia.**

- ***Singapore:*** *developing Tuas Megaport (4 million TEUs)*
- ***Thailand****: expanding Laem Chabang Terminal D (2.4 million TEUs)*
- ***Vietnam:*** *expanding Gemalink (1.2 million TEUs) and Lach Huyen 3, 4 of Hai Phong Port and Lach Huyen 5, 6 (Hateco)*
- ***Indonesia:*** *expanding Tanjung Priok (1 million TEUs), expanding Teluk Lamong (2.8 million TEUs), a new port in Patiban (1 million TEUs), and a new port in Gresik (1 million TEUs).*





## Largest International Ports in ASEAN Countries

*Source: Various*



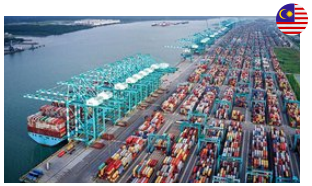
**Singapore port**

*One of the busiest ports globally, handling 20% of the world's container shipping volume and 50% of the world's annual crude oil supply.*



**Laem Chabang port**

*It is the largest port in Thailand and one of the busiest ports in Southeast Asia.*



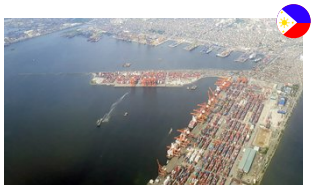
**Tanjung Pelepas port - Credit: Internet**

*The largest seaport in Malaysia and one of the largest in Southeast Asia in terms of annual cargo volume.*



**Hai Phong port**

*The port is a key seaport in northern Vietnam, connecting the country to global trade.*



**Manila port**

*As the Philippines' largest port, the port is considered to be one of the 30 largest ports in the world.*



**Myanmar International Terminal Thilawa**

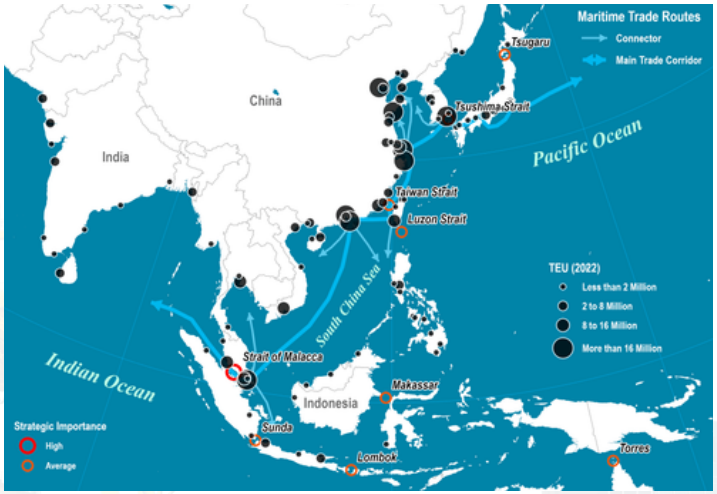
*Thilawa Port in Myanmar, near Yangon, is a key gateway for international trade, handling a wide range of cargo.*

## Major shipping routes through ASEAN

The ASEAN region is **strategically located** along major shipping routes between **the Indian and Pacific Oceans.**

**The vital Strait of Malacca**, which is part of these routes, handles **over 40% of global trade.** It carries goods from Asia to Europe and the Middle East, as well as significant amounts of oil.






*Picture: Malacca Strait - Credit: Internet*

# ASEAN'S GROWING LABOR MARKET: A REGIONAL ASSET

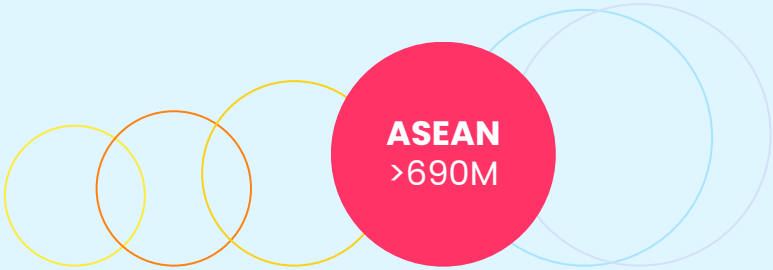
**ASEAN's burgeoning labor market presents a significant regional asset**. With a predominantly young population and a growing number of skilled workers, the region is well-positioned to capitalize on its demographic dividend. This demographic advantage offers numerous opportunities for economic growth, innovation, and competitiveness.

## YOUNG AND LARGE POPULATION

*ASEAN has a youthful population with a high proportion of people under 30 years old. This creates an abundant, dynamic, and adaptable labor source with new technology.*

**ASEAN POPULATION IN 2023 COMPARED TO CHINA, INDIA, EU, USA AND JAPAN**

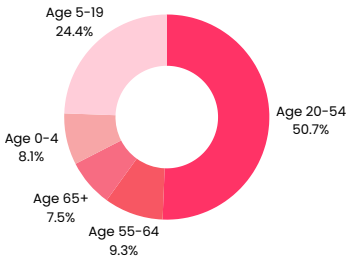
*Source: Worldometer. Unit: Million/Billion Inhabitant*




| JAPAN | UNITED STATES | EUROPEAN UNION | CHINA | INDIA |
|---|---|---|---|---|
| >124M | >344M | >449M | >1.4B | >1.4B |

**ASEAN POPULATION BY AGE GROUP (%), 2022**

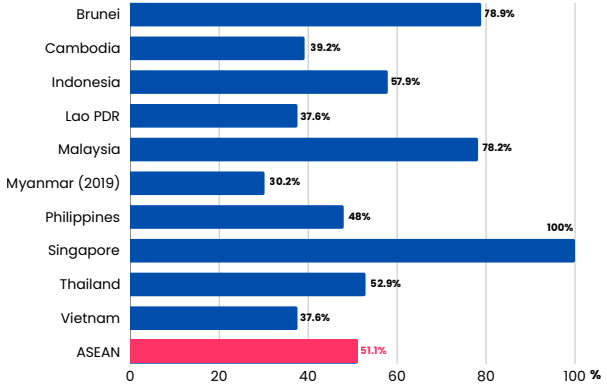
*Source: ASEAN Statistic 2023*




**Almost half** of ASEAN population were **below 30 years** of age in 2022.

**ASEAN URBAN POPULATION (%), 2022**

*Source: ASEAN Statistic 2023*




ASEAN had experienced a **strong urbanization** with **half** of the population living in the cities in 2022, compared to only 21% in 1967.

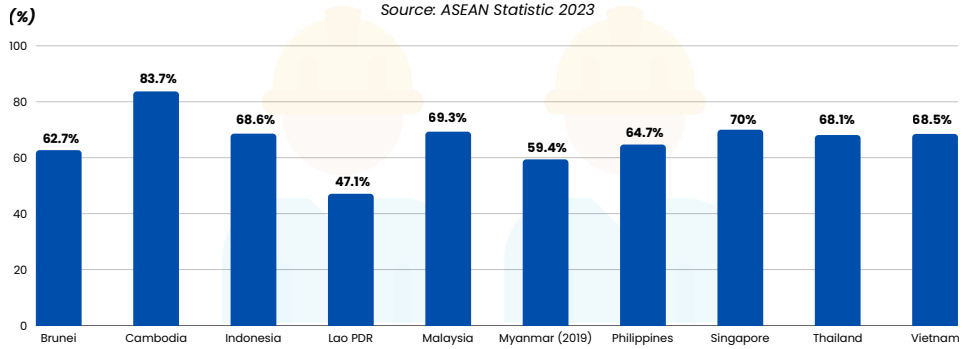




**In 2022, ASEAN has the 3rd largest number of people participating in its labor force - trailing only China and India.**

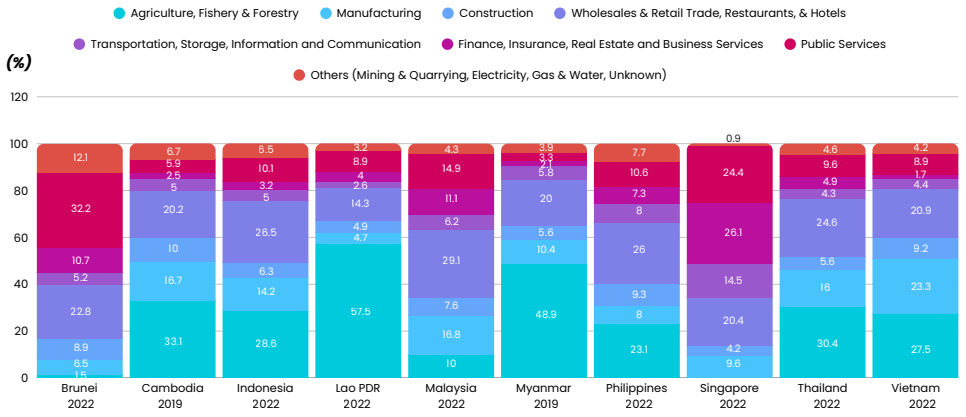
**LABOUR FORCE PARTICIPATION RATE (%) IN ASEAN MEMBER STATES IN 2022**

*Source: ASEAN Statistic 2023*




**PROPORTION OF EMPLOYMENT IN ASEAN BY ECONOMIC ACTIVITY IN 2022**

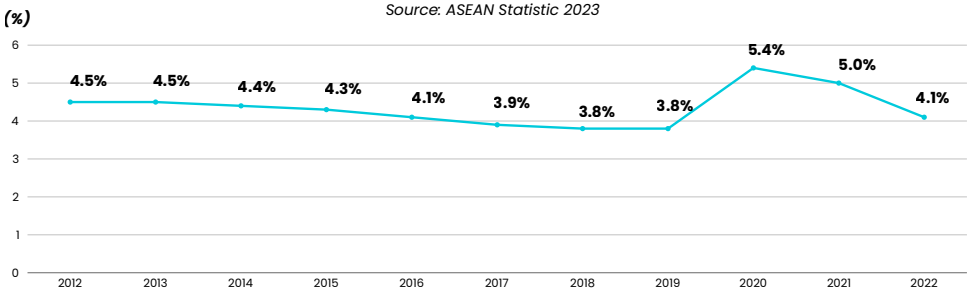
*Source: ASEAN Statistic 2023*




*Note: Data for Singapore refer to resident only*

**UMEMPLOYMENT RATE (%) IN ASEAN**

*Source: ASEAN Statistic 2023*



## LOW LABOR COSTS ATTRACT FDI

*Labor costs in many ASEAN countries are still relatively low compared to those in developed countries, creating favorable conditions to attract foreign direct investment into labor-intensive industries.*

**MONTHLY MINIMUM WAGES IN ASEAN COUNTRIES IN 2024**

*Sources: ASEAN Briefing, August 2024 / Wageindicator.org*

| Country | Minimum wage (US$) |
|---|---|
| Brunei Darussalam | No monthly minimum wages. The minimum salary offer from **US$500** (entitled for Full-time workers in banking, finance and ICT sectors) |
| Cambodia | Minimum wages is only for the factory workers, which is **US$181-202** |
| Indonesia | **From US$126 to US$311** across 34 provinces |
| Lao PDR | **US$72.59** starting from October 1, 2023 |
| Malaysia | **US$337** across 56 major cities |
| Myanmar | **US$0.3** per hour from 1 August 2024 |
| Philippines | **The Philippines has daily minimum wage rates** that vary from province to province, ranging from **US$6 to US$10** a day for 2024. The wages are set by tripartite regional wage boards located in every region. |
| Singapore | **Singapore does not have a minimum wage** but has a social insurance system called the **Central Provident Fund (CPF)**. The CPF is a mandatory savings scheme for citizens and permanent residents, with both employers and employees contributing. **Foreign workers are not eligible for the CPF**. The contribution rates are 17% for employers and 20% for employees, up to an income ceiling of US$5,141 for employees aged 55 years and below. |
| Thailand | The minimum wage was increased from **US$9 to US$10 per day in Bangkok** and surrounding regions, and from **US$9.4 to US$10.1 per day in other provinces.** |
| Viet Nam | Vietnam sets a **different minimum wage level across its four regions:**<br>• Region I (*Hanoi, Hai Phong, Quang Ninh, Vinh Phuc, Bac Ninh, Hai Duong, Hung Yen*): **US$197** per month;<br>• Region II (*Ho Chi Minh, Binh Duong, Ba Ria-Vung Tau, Dong Nai, Tay Ninh, Binh Phuoc, Long An, Tien Giang*): **US$175** per month;<br>• Region III (*Thua Thien Hue, Quang Nam, Quang Ngai, Binh Dinh, and Da Nang*): **US$153** per month;<br>• Region IV (*Can Tho, An Giang, Kien Giang and Ca Mau*): **US$137** per month. |

Sep 5, 11:20 UTC · Disclaimer

FACT

### *Local Insight*

***Vietnam is transitioning from a low-cost production base to a technology manufacturing hub**, attracting significant investments from global tech giants like **Samsung, Apple supplier BOE Technology Group, Marvell Technology, and LG Electronics.** This shift, supported by government and private sector efforts, is boosting Vietnam's high-tech sectors and fostering innovation, with the potential to drive the country's growth and elevate its economic status by 2045.*





## ADDITIONAL BENEFITS OF ASEAN'S WORKFORCE THAT ARE APPEALING TO FOREIGN INVESTORS



**Flexible Labor**
Labor in ASEAN is often highly flexible, willing to work shifts, overtime, and accept jobs that require skilled skills.



**Diverse Cultures**
ASEAN's diverse cultures have fostered a workforce that is generally adaptable to different work environments and practices.



**Strong Work Ethic**
Many ASEAN cultures value hard work, discipline, and respect for authority.



**Educational Reforms**
Many ASEAN countries are investing in education and skills development to improve the quality of their workforce.




**Language Proficiency**
Many ASEAN citizens are proficient in English, a valuable asset for international businesses.



**Vocational Training Programs**
Governments often support vocational training programs to equip the workforce with the specific skills required by foreign investors.

## CHALLENGES FACED BY ASEAN THAT APPEAL TO FOREIGN INVESTORS



**Lack of Industry-Ready Skills**
ASEAN-5 countries, despite their vibrant demography, face a shortage of industry-ready skilled workers. Brunei struggles with R&D skills, and CLMV economies lack coherent technical education for industrial development.



**Unequal Access**
Not all ASEAN citizens have equal access to technology and digital skills, creating a digital divide that can hinder economic participation and productivity.



**Precarious Work**
A significant portion of the ASEAN workforce is engaged in informal employment, characterized by lack of job security, low wages, and limited social protection.



**Aging Population**
Some ASEAN countries are experiencing rapid aging, leading to a decline in the working-age population and potential labor shortages in certain sectors

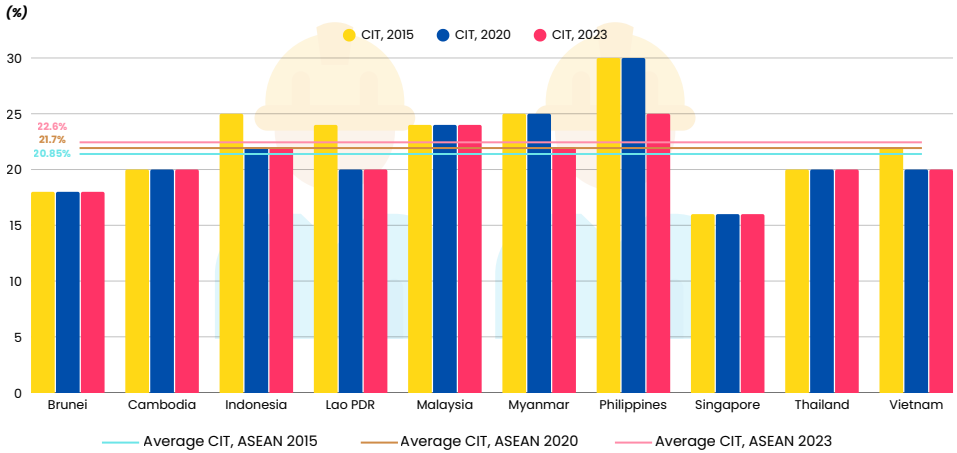


# ASEAN TAX INCENTIVES AND INVESTMENT SUPPORTIVE REGULATIONS

**ASEAN nations are offering a range of incentives to attract businesses impacted by the USA-China trade tensions**. Countries like Thailand, the Philippines, Malaysia, and Indonesia have introduced tax breaks and streamlined business processes, while Vietnam, Singapore, and Cambodia have accelerated economic reforms.

**STANDARD CIT RATES IN ASEAN COUNTRIES, 2015-2023 (%)**

*Source: Assessing The Incentives Policies for Foreign Investment in ASEAN Member States 2021-2023*




## KEY TAKEAWAYS




**Toward a New Sustainable Tax Landscape:** The revision of ASEAN tax incentives reflects a shift towards a more balanced and sustainable economic approach, moving away from generous tax breaks to attract foreign investment. By prioritizing sustainability, fairness, and regional collaboration, ASEAN aims to foster a more robust and equitable economic future.




**Implementation of the New OECD Global Minimum Tax:** ASEAN countries are discussing the implementation of the new OECD global minimum tax, which will be introduced gradually over the next few years. There are concerns that it might reduce the effectiveness of tax breaks and create administrative burdens. However, it could also increase tax revenue and promote fairer taxation. ASEAN countries will need to weigh the pros and cons and develop strategies to minimize any negative impacts.





## KEY TAX INCENTIVES TO NOTE IN ASEAN COUNTRIES

| | Tax incentives | Key takeaways |
|---|---|---|
| INDONESIA | GR 45/2019 | • R&D initiatives are rewarded with a **300% tax facility on gross income reduction of total costs incurred.**<br>• **Super Tax Deduction:** 60% investment allowance for labor-intensive industries. |
| THAILAND | Thailand Plus | • CIT Exemptions: Extended to investors in the **Eastern Economic Corridor.**<br>• Investment Threshold: **1 billion Bhat (US$32 million)** required for further reductions.<br>• Tax Deductions: **Up to 200%** for companies investing in advanced technology, automation, or STEM-skilled employees<br>• Targeted Sectors: **High-value manufacturing sectors** like electronics, automotive, aerospace, and MRO services. |
| PHILIPPINES | Corporate Income Tax and Incentives Rationalization Act (CITIRA) | • CIT Reduction: Gradual decrease from **30% to 20% over 10 years.**<br>• Exemptions from customs duty for the import of raw materials and equipment; and enhanced **net operating loss carry-over** (NOLCO) (5-year carry-over). |
| VIETNAM | Competitive costs, low wages, developed infrastructure, and tax incentives, etc. | • General CIT Rate: The **general CIT rate is 20% for most businesses.**<br>• **Tax holidays can last from 2 to 15 years**, depending on the nature of the investment and location.<br>• **Incentives in economic zones: 2 to 4 years of tax exemption** (From the first year of profit generation) 4 to 9 years of 50 percent reduction on payable CIT. |
| MALAYSIA | A few tax incentives to consider | • **Pioneer status (PS) and investment tax allowance (ITA)** Tax incentives for companies in manufacturing, agriculture, hotel/tourism, and other industries.<br>• **Reinvestment Allowance Eligibility:** Resident companies operating for at least 36 months. Allowance Duration: 15 years from the first year of claim. Computation: 60% of qualifying capital expenditure (QCE).<br>• **Incentives for relocating to Malaysia To New Companies**: 0% tax for 10-15 years with minimum investment of MYR 300-500 million. Existing Companies: 100% ITA for 5 years with minimum investment of MYR 300 million for relocation. |
| SINGAPORE | Key Corporate Tax Incentives in Singapore | • Wage credit scheme<br>• Start-up exemptions<br>• Partial tax exemptions<br>• Investment allowance<br>• Industry-specific incentives<br>• Enterprise finance schemes<br>• Double tax deductions<br>• Incentives for pioneer industries |




### *Local Insight*

***Do you know that the 0% import tax on automobiles from ASEAN member countries has been extended for an additional 5 years, until 2027?***

*This was implemented as part of the ASEAN Trade in Goods Agreement (ATIGA) and is intended to promote intra-regional trade and economic integration. This zero-tariff policy applies to Completely Built Units (CBUs) imported from ASEAN countries. This means that the vehicle must be fully assembled in an ASEAN country before it can be imported with the 0% tariff.*



PART 2

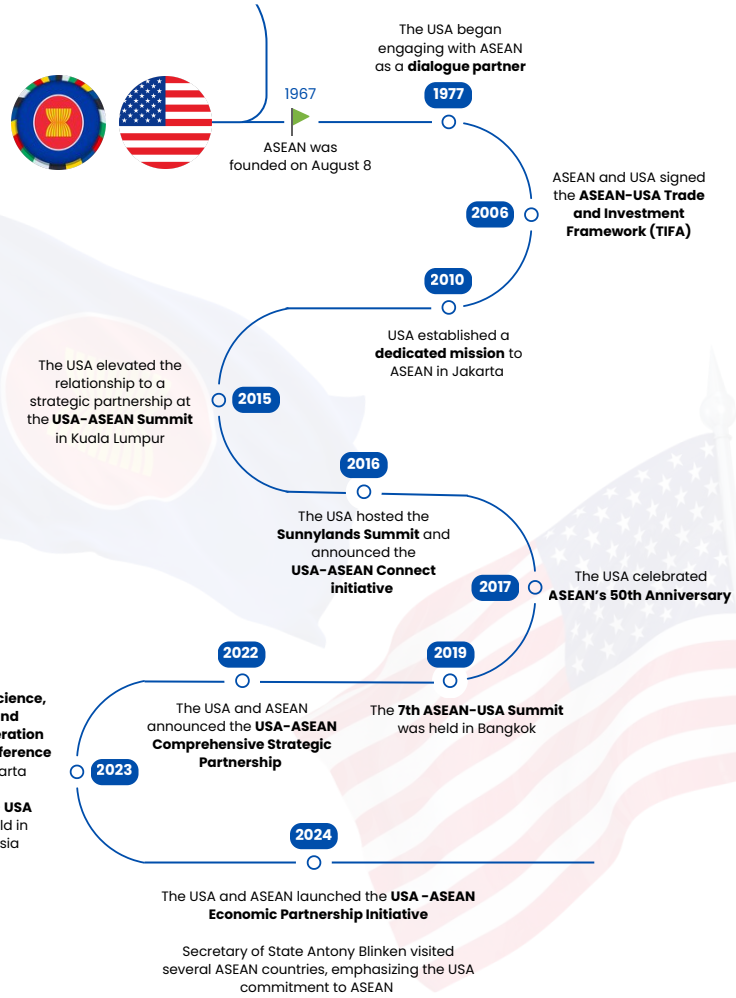
# THE UNITED STATES -ASEAN COMPREHENSIVE STRATEGIC PARTNERSHIP

Photo: Ulun Danu Beratan Temple - Indonesia

# THE UNITED STATES - ASEAN COMPREHENSIVE STRATEGIC PARTNERSHIP

**The United States - ASEAN Comprehensive Strategic Partnership (CSP) marks a significant milestone in the relationship between the world's largest economy and the Southeast Asian bloc.** This partnership, formalized in November 2022, aims to strengthen cooperation across a wide range of areas, including economic, security, and cultural exchanges. It is a testament to the growing importance of ASEAN in the global landscape and the United States' commitment to strengthening its ties with the region. By deepening cooperation in areas such as trade, investment, security, and development, the CSP seeks to create a more prosperous, secure, and resilient Southeast Asia.

## RELATIONSHIP HISTORY BETWEEN THE USA - ASEAN








# TRADE AGREEMENTS BETWEEN THE USA - ASEAN

*ASEAN has been actively engaging in a series of Trade Agreements with USA, fostering a conducive environment for regional economic integration and trade.*
*There are **2 key agreements** between USA and ASEAN.*

| Agreement Name | Enactment Year | Participating Countries | Trade Impact and Dynamics |
|---|---|---|---|
| USA-ASEAN Trade and Investment Facilitation Agreement (TIFA) | 2006 | The United States, ASEAN | By promoting trade and investment facilitation, the TIFA has streamlined regulatory processes and enhanced market access for both parties. |
| Expanded Economic Engagement (E3) Initiative | 2012 | The United States, ASEAN | To facilitate USA-ASEAN trade and investment, increase efficiency and competitiveness of trade flows and supply chains throughout ASEAN, and build greater awareness of the commercial opportunities that the growing USA-ASEAN economic relationship presents. |

## DOES EACH ASEAN MEMBER STATE HAVE A FTA WITH THE USA?

**Singapore** is the **only ASEAN country** which has direct FTA with the USA.

| Agreement | In Effect Date |
|---|---|
| USA–Singapore Free Trade Agreement (USSFTA) | 1 January 2004 |

**Apply**

It is the importer who makes a claim for preferential treatment. The information about its qualification as an originating good must be submitted by the exporter to the importer. The Singapore exporter **must self-certify** that the product originated from Singapore. There is **no prescribed format for self-certification**.

For countries which don't have direct FTA with USA, they still launched some of **REGIONAL TRADE INITIATIVES.**

| Agreement | Countries |
|---|---|
| Indo-Pacific Economic Framework for Prosperity (IPEF) | USA-Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. |

**Goals**

Boosts economic activity, Promotes sustainable growth, Benefits workers, consumers, and businesses.
This agreement across 4 strategic pillars:
**Trade**; **Supply Chains**; **Clean Energy, Decarbonization, & Infrastructure**; and **Tax & Anti-Corruption**.

# BILATERAL TRADE FLOWS

ASEAN itself is the largest market for exports of goods from the trade bloc, **accounting for 22.9% of total ASEAN exports in 2022,** followed by mainland China (14.8%), the USA (14.8%), the EU-27 (9.0%) and Japan (6.8%).

*Source: HKTDC Research*

**US$520 BILLION**

**USA GOODS AND SERVICES TRADE WITH ASEAN IN 2022**
(Exports were **US$160B** and imports were **US$360B**)

*Source: The office of the United States Trade Representative*

**USA Goods exports to ASEAN 2022**
**US$111 BILLION**

**USA exports of services to ASEAN 2022**
**US$49 BILLION**

**USA Goods imports from ASEAN 2022**
**US$336 BILLION**

**USA imports of services from ASEAN 2022**
**US$24 BILLION**

*Source: The office of the United States Trade Representative*

## TOP 10 GOODS IMPORTED FROM USA TO ASEAN IN 2022

| Commodities | Value (US$ Million) |
|---|---|
| Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 23,8 |
| Electrical machinery and equipment and part thereof; sound recorders and reproducers, television image and sound recorders and reproducers, parts and accessories of such articles | 22,9 |
| Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes | 17,4 |
| Aircrafts, spacecraft and parts thereof | 9,0 |
| Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus, parts and accessories | 6,9 |
| Plastics and articles thereof | 5,0 |
| Food industries, residues and wastes thereof; prepared animal fodder | 3,3 |
| Chemical products N.E.C. | 3,2 |
| Pharmaceutical products | 2,6 |
| Oil seeds and oleaginous fruits, miscellaneous grains, seeds and fruit, industrial or medicinal plants; straw and fodder | 2,5 |

*Source: www.aseanstats.org*





## TOP 10 GOODS EXPORTED FROM ASEAN TO USA IN 2022

| Commodities | Value (US$ Million) |
|---|---|
| Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles | 96,8 |
| Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 40,4 |
| Apparel and clothing accessories; knitted or crocheted | 16,4 |
| Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, n.e.c.; illuminated signs, illuminated name-plates and the like; prefabricated buildings | 15,8 |
| Footwear; gaiters and the like; parts of such articles | 13,2 |
| Apparel and clothing accessories; not knitted or crocheted | 11,6 |
| Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories | 10,5 |
| Rubber and articles thereof | 10,4 |
| Plastics and articles thereof | 5,5 |
| Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin | 5,0 |



# TRADE BARRIERS

## Tariffs

### What is ASEAN Tariff Finder (ATF)?

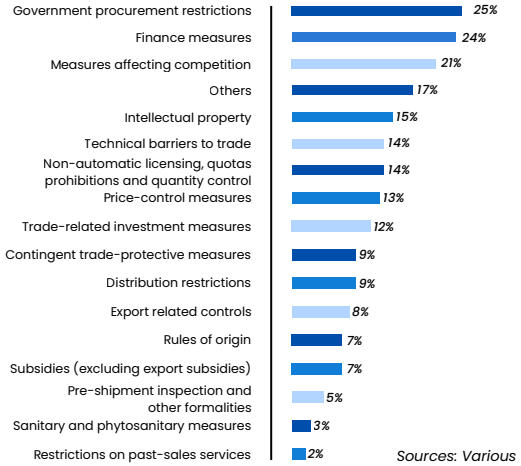
An **online platform** designed to support traders maximize benefits under various ASEAN FTAs, provide accurate and constantly update information on **customs** and **trade regulations** and **market access requirements**.

### The goal of this platform?

Help ASEAN businesses and international businesses **reduce information costs** associated with long searches and processing information on regulatory requirements.

## Non-tariff Barriers

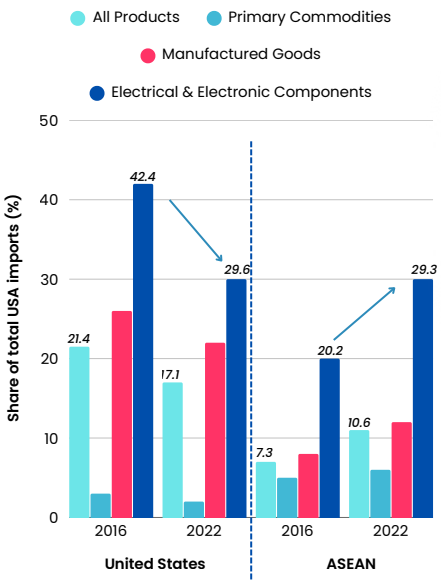
### Non-tariff barriers continue to impact on businesses




*Sources: Various*

## The bright future of tariffs in ASEAN

*Source: UNCTAD*




ASEAN is advancing its global economic integration through Free Trade Agreements (FTAs) and Comprehensive Economic Partnerships (CEPs), as seen in the **tariff liberalization on Extra-ASEAN imports from FTA partners**.

The USA's tariff hikes on Chinese goods have increased imports from Southeast Asia. Southeast Asian companies connected to China's supply chains **in low-carbon technologies** targeted for tariff actions will be negatively affected.







# FOREIGN DIRECT INVESTMENT (FDI) FLOWS

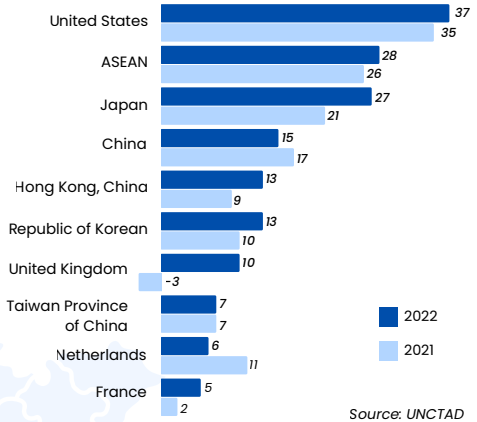
**2023**




The **USA** was the **largest investor**, contributing **US$74.4 billion**, which represented **32.4%** of total ASEAN inward FDI flows.

*Source: aseanstats.org*

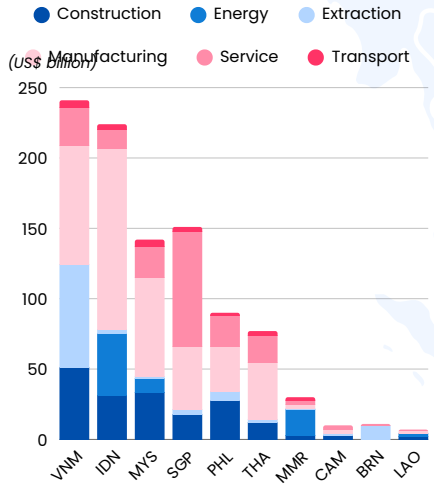
### ASEAN: TOP 10 INVESTORS (US$ BILLION) 2021 - 2022




*Source: UNCTAD*

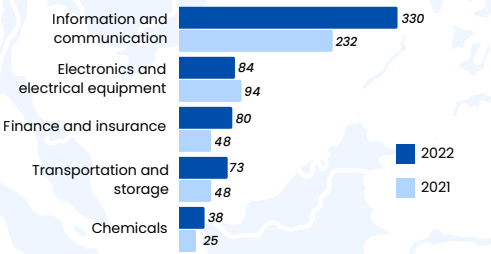
### GREENFIELD FDI BY SECTOR 2022

*Sources: Financial Times (2022), FDI Markets Database*



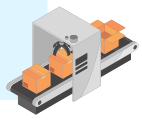

*Note: Manufacturing of petroleum, coal or gas products is grouped with energy*

### ASEAN: ANNOUNCED GREENFIELD PROJECTS, TOP 5 INDUSTRIES 2021 - 2022 (NUMBER)




*Source: UNCTAD*

Most announced **greenfield investment** was in **manufacturing and infrastructure-related activities**.





**SINGAPORE**

The largest recipient of USA FDI in ASEAN, accounting for **over 40%** of total USA's FDI in the region ASEAN.

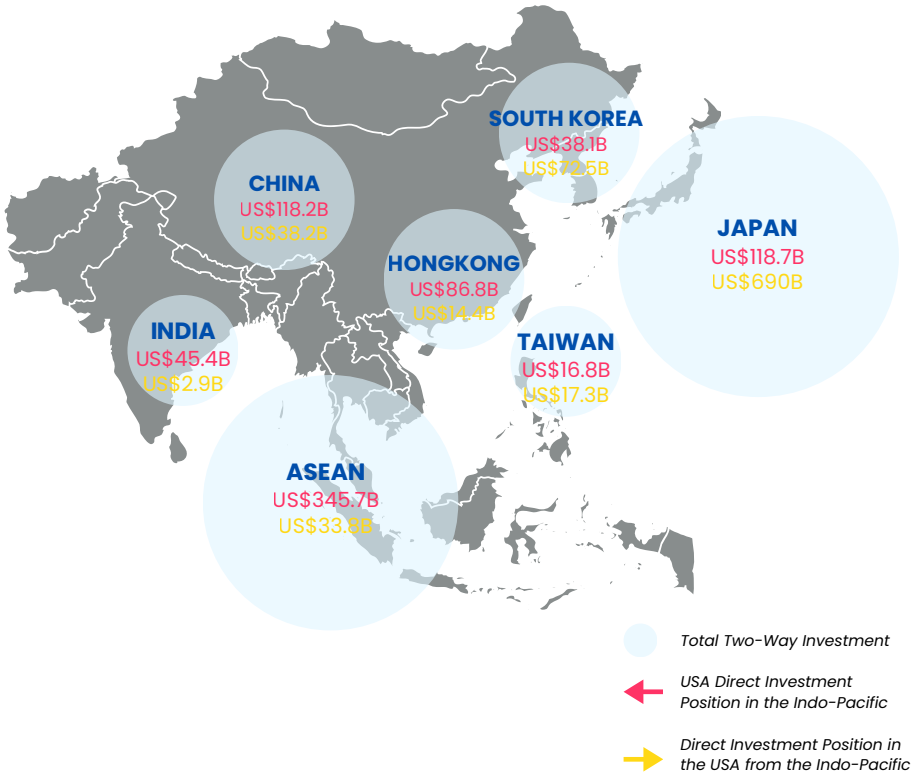
# IS ASEAN THE NUMBER ONE DESTINATION FOR USA INVESTMENT IN THE INDO-PACIFIC?

**The United States has shown a strong commitment to ASEAN**, investing nearly **US$346 billion** in the region. This surpasses its combined investments in China, India, Japan, South Korea, and Taiwan. **Singapore,** in particular, has been a major beneficiary, receiving almost US$295 billion in US investment, **making it the top destination for USA investment in the Indo-Pacific. ASEAN countries collectively account for over one-third of all USA investment in the Indo-Pacific region.**

While USA has been a significant investor in ASEAN, the region has also channeled substantial capital into the United States. ASEAN member states have invested over US$34 billion, with Singapore leading the way at over US$30 billion. Thailand and Malaysia follow with investments of US$1.7 billion and US$1.1 billion, respectively. Since 2003, ASEAN businesses have established greenfield projects in 34 US states and the District of Columbia, totaling US$19.5 billion. North Carolina and West Virginia have been particularly attractive to ASEAN investors, receiving substantial greenfield investments. In terms of the number of projects and investing companies, California, New York, and Texas stand out.

## USA-ASEAN DIRECT INVESTMENT POSITION IN A REGIONAL CONTEXT

*Sources: US Bureau of Economic Analysis, Direct Investment Position on a Historical Cost Basis, 2012-2021 data; FDI Markets, 2003-2022 data*

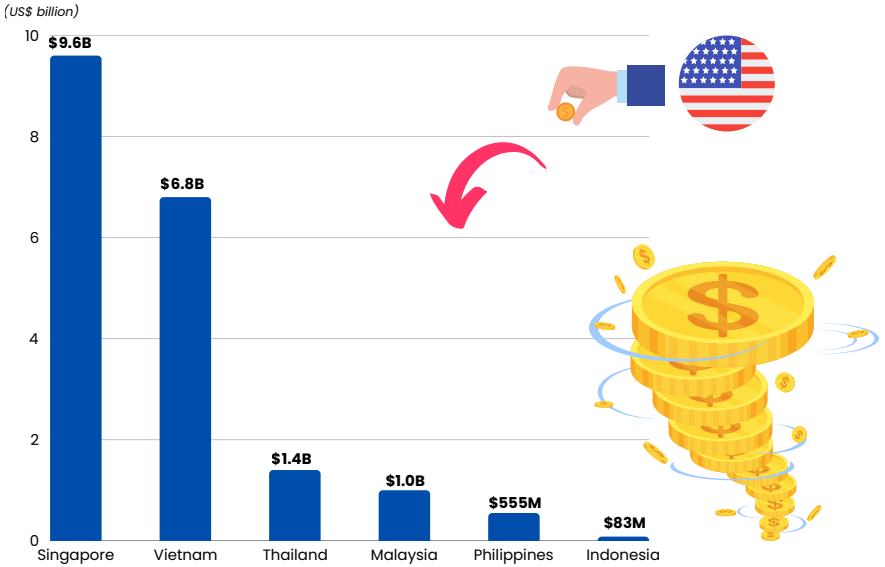







## USA DIRECT INVESTMENT POSITION AMONG ASEAN COUNTRIES

*Sources: US Bureau of Economic Analysis, Direct Investment Position on a Historical Cost Basis, 2012-2021 data; FDI Markets, 2003-2022 data*




## SO, WHY ASEAN?

**INVESTMENT FACILITATION**

ASEAN has a long history of promoting investment, with **86% of developing member states** implementing favorable measures and expanding digital tools.

**ENHANCED REGIONAL COOPERATION**

The **ASEAN Community Vision 2025** emphasizes **deeper cooperation** with Dialogue Partnerships, Sectoral Dialogue Partnerships, Development Partnerships, and regional cooperation mechanisms.

**STABLE FDI INFLOWS**

ASEAN has maintained consistent FDI inflows despite global economic challenges, reaching **US$229.8 Billion.**

**GROWING GREENFIELD PROJECT ANNOUNCEMENTS**

The number of Greenfield Project Announcements has increased significantly with **nearly half** concentrated in Southeast Asia.



## CORPORATE INVESTMENT

**Over 6,200 USA companies have established operations in ASEAN, often utilizing the region as a production base for exports both within ASEAN and globally**. ASEAN's extensive network of free trade agreements with other Indo-Pacific countries provides a favorable environment for USA businesses. These companies create substantial business linkages, partnering with local suppliers and contractors throughout the region. **According to a 2022 survey, 89% of USA companies anticipate increased trade and investment in ASEAN over the next five years.**

### US COMPANIES OPERATING IN ASEAN MEMBER STATES*




*Companies indicate US parent companies with subsidiaries in ASEAN member states as recognized by Uniworld.
Source: Uniworld



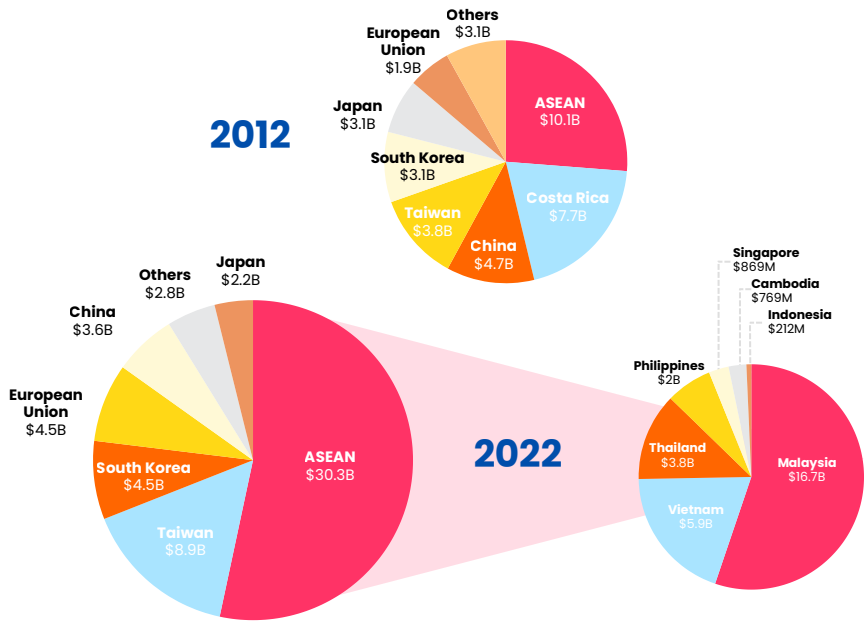


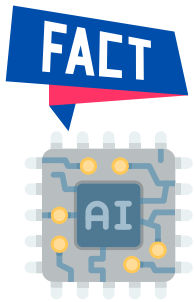
## IS ASEAN A KEY PARTNER IN CREATING RESILIENT SUPPLY CHAINS?

The COVID-19 pandemic exposed weaknesses in global supply chains, affecting manufacturing and logistics. Diverse supply chains are crucial for USA economic and national security. **ASEAN countries, especially Vietnam, Malaysia, Singapore, Thailand, the Philippines, and Indonesia,** are significant suppliers of electronic components, surpassing Taiwan, South Korea, and Japan. Malaysia and the Philippines have particularly strong positions in global exports of electronic components.

### CHIP EXPORTS TO THE UNITED STATES 2012 VS. 2022

*Sources: US Census Bureau, 2012, 2022, 2023 data; S&P Global, US Department of Commerce, US Geological Survey, International Energy Agency, World Energy Outlook Special Report, National Bureau of Asian Research, Center for Strategic and International Studies, Lowy Institute*




**The United States and Malaysia have signed a Memorandum of Cooperation** to strengthen **semiconductor** supply chain resiliency in response to the global chip shortage. Several US companies are investing in semiconductor production and testing facilities in Malaysia and other Southeast Asian countries to reduce reliance on China.

**In 2021, Intel Corp announced a US$7 billion investment in a new chip packaging and testing plant in Malaysia**, while AMD's local supplier is investing almost US$500 million in a new manufacturing facility. In the first four months of 2023, **ASEAN countries supplied half of all US chip imports**, with Malaysia being the largest supplier, **accounting for 21% of US global chip imports**. Taiwan, Vietnam, and Thailand were also significant chip suppliers to the USA.

PART 3

# ASEAN TARGETS 4TH-LARGEST ECONOMY BY 2030



Photo: Makati City - Philippines

# ASEAN TARGETS 4TH-LARGEST ECONOMY BY 2030

Remarkably, the bloc's trade is almost as large as its GDP, reflecting its strong economic integration. **In 2015, ASEAN's GDP stood at US$2.5 trillion, and it soared to US$3.8 trillion last year, highlighting its rapid economic growth**. With a population of over 670 million people, ASEAN represents a vast and dynamic market for goods and services. This growing consumer base is driving domestic demand and attracting foreign investment. As a result, the region is forecast to be the world's 4th-largest economy by 2030.



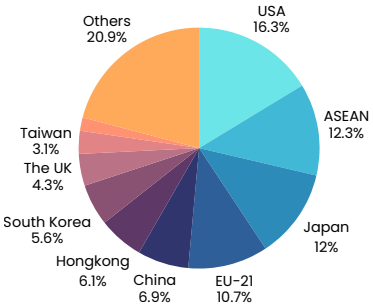
The bloc's secretary-general Kao Kim Hourn

> ***This makes ASEAN the 3rd-largest economy in Asia and the 5th-largest in the world. By 2030, ASEAN is projected to be the 4th-largest in the world.***

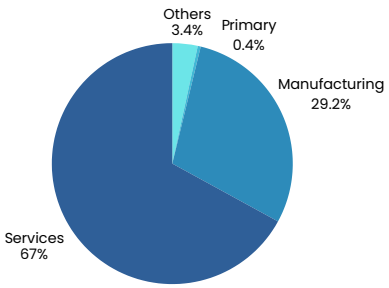
## ASEAN EMERGES AS A MAGNET FOR FDI

Foreign direct investment (FDI) into **the region's 6th largest economies**—Singapore, Indonesia, Malaysia, Vietnam, Thailand, and the Philippines—**increased by 5.5% year-on-year to a record high of US$224 billion in 2022, with Singapore accounting for over 60% of the region's FDI. The region's share of global FDI is also on the rise.** ASEAN's global FDI share increased from **15% to 17% in 2022**. FDI inflows surged to US$236 billion in 2023, up 24% from the 2020-2022 average.

**ASEAN TOP TEN FDI BY SOURCE COUNTRY, 2022**




**FDI INWARD FLOWS TO ASEAN BY INDUSTRY, 2022**




*Source: ASEAN Statistic 2023*



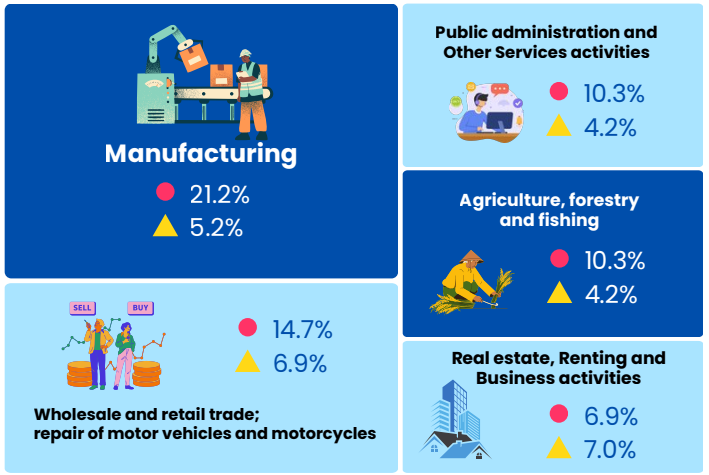


# WHICH INDUSTRIES ARE CURRENTLY OPENING UP FOR INVESTMENT AND DEVELOPMENT?

ASEAN is currently opening its doors and facilitating investments in various sectors, attracting significant foreign direct investment (FDI) from countries around the world. Below are some industries that are being prioritized for development and attracting a large number of investors:

**TOP INDUSTRIES HAVING A HIGH GDP SHARE AND GROWTH RATE IN 2022**

*Source: ASEAN Statistica Brief, Volume IV, January 2024*






**ASEAN ALSO PRIORITIZES THE DEVELOPMENT OF THE FOLLOWING INDUSTRIES:**



**Renewable Energy**



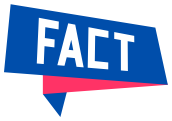
**Infrastructure**
(Transportation, energy, and telecommunications infrastructure projects)



**Tourism**



**Financial Services**
rapidly developing with the growth of banking, insurance, and investment activities.




ASEAN's economic landscape has been significantly shaped by foreign direct investment (FDI) in recent years. **Major industries attracting substantial FDI** include **electronics, semiconductors,** and **automobiles**, driven by the region's growing consumer market and favorable investment climate. **The chemical industry** has also expanded due to its role in supporting other sectors. Moreover, the **increasing demand for food and beverages** has fueled the development of this industry within ASEAN.

# ASEAN'S INVESTMENT POLICY AND FUTURE PROSPECTS

ASEAN has established a robust framework of agreements and policies to facilitate investment and promote economic integration within the region and with external partners. Here's a breakdown of some key agreements and their implications for foreign businesses:

| Agreement/Policy | Implications for Foreign Businesses |
|---|---|
| **ASEAN Free Trade Agreements (FTAs)** | Lower costs, increased market access, and opportunities for trade and investment. |
| **ASEAN Digital Economy Framework Agreement (DEFA)** | Opportunities for businesses in technology, e-commerce, and digital services. |
| **Closer Economic Partnership (CEP)** | Reduced trade barriers, preferential treatment, and enhanced economic relations. |
| **Agreement on the Common Effective Preferential Tariff (CEPT)** | Lower costs for goods traded within ASEAN, boosting intra-regional trade. |
| **ASEAN Investment Facilitation Framework** | Streamlined processes, reduced bureaucratic hurdles, and increased investor confidence. |
| **ASEAN Trade in Goods Agreement (ATIGA)** | Facilitates trade in goods within ASEAN, contributing to regional economic integration. |
| **Regional Comprehensive Economic Partnership Agreement (RCEP)** | Increased market access, reduced trade costs, and enhanced supply chain connectivity. |
| **Indo-Pacific Economic Framework for Prosperity (IPEF)** | Opportunities for collaboration on supply chain resilience, clean energy, infrastructure, and digital trade. |
| **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** | Increased market access, reduced trade barriers, and higher labor and environmental standards. |

## ASEAN'S NEAR-FUTURE POLICY AND AGREEMENTS

COMING SOON

ASEAN's near-future plans are outlined in **The ASEAN Economic Community (AEC) Blueprint 2025** and **The ASEAN Community Vision 2025.** These overarching frameworks guide ASEAN's efforts to **achieve economic integration and enhance regional cooperation.** Additionally, **The ASEAN Digital Master Plan 2025** focuses on promoting digital transformation and connectivity within the region. While **The Master Plan in ASEAN 2025 (MPAC)** may have some overlap with the AEC Blueprint, it likely delves into specific strategies and action plans to achieve the broader goals outlined in the Blueprint.







# ASEAN'S CURRENT INVESTMENT LANDSCAPE AND TYPICAL EXAMPLES

With its growing middle class, abundant natural resources, and strategic location, ASEAN offers a compelling investment proposition.

**Typical examples of foreign investment in ASEAN:**

## TECHNOLOGY SECTOR

- In **Indonesia**, Microsoft plans to **invest US$1.7 billion over the next four years** into the development of AI and cloud services, along with the construction of data centers.
- In **Malaysia**, the figure for similar investments is **US$2.2 billion** over the same timeframe.
- Microsoft will **open its first data center** in **Thailand**, building upon an agreement with the Thai government to deliver cloud and AI infrastructure.
- Google has committed **US$2 billion** to establish its first data center and 'cloud region' in **Malaysia**.
- Google is also considering building a large data center in **Vietnam**.
- In **Singapore**, it serves as Google's regional headquarters for the Asia-Pacific region.
- Apple announced a **US$250 million** planned expansion of the company's **Singapore** campus.

## MANUFACTURING SECTOR

- The Thai Government announced on December 25 that four major Japanese automakers will invest 150 billion THB (**US$4.34 billion**) in **Thailand** over the next five years.
- Samsung has poured another **US$1.2 billion** into **Vietnam** in 2023, raising its total investment capital to US$22.4 billion.
- Apple supplier Foxconn to invest over **US$550 million** in two projects in **Vietnam.**
- Intel is building its largest 3D chip packaging facility in **Malaysia.**

## SERVICES SECTOR

- HSBC and Citibank have expanded their operations in ASEAN's financial centers like **Singapore** and **Malaysia**.
- International hotel chains like Marriott and Hilton have invested in hotels and resorts in **ASEAN's popular tourist destinations.**



Hilton Saigon, Vietnam


Hilton Garden Inn Jakarta Taman Palem, Indonesia


JW Marriott Hotel Kuala Lumpur, Malaysia

# SUCCESS STORIES WITH SOURCE OF ASIA'S CLIENTS

As a leading provider of Source of Asia, we've partnered with diverse companies across ASEAN. To showcase the impact of our solutions, we've selected a few case studies. These highlight how businesses from various sectors have expanded in the region. We'll delve into their strategies, challenges, and local successes

## CASE STUDY WITH NFW

NATURAL FIBER WELDING®



**Mr. Charlie Smith**
Global Sales Manager (Pliant)

### Can you share with us NFW's story and why you chose Vietnam?

**NFW** is **an American company based in Peoria, Illinois.** We are a material innovation platform, focusing on **creating and developing 100% bio-based materials** that can be used in various industries like **automotive, and accessories,** and what concerns me in my daily work, **footwear shoemaking.** We are a company of more than 200 people in the US, in which we have our own factory that makes some of our products.

We developed some products that we found out can be made in factories other than ours. Especially for the shoe industry, it was very strategic to be able to partner with factories in Vietnam. **An important part of the biggest shoe companies is their shoe production here.**

### Did you want to target Vietnam purposely or was it the region that was attractive?

I would say **it was Asia first.** For a bit of context, 10-15 years ago, most of the industry was in China but a lot of it has been moving out of China. Because of the tariff wall between Trump and China as well as other reasons, the real reason is that it's **becoming too expensive to make shoes in China**. So, a lot of the industry has moved to different countries. Vietnam is a neighbor to China, so it's much easier for the industry to move. Therefore, many suppliers have done the same; a lot of people who were based in China 15 years ago are now based in Vietnam. Now, we export some products there, but we don't make any of them there.

We knew **Vietnam had high potential to find the best partners** and that we would be as close as possible to the biggest customers. **Other options would have been Indonesia or Cambodia,** but it was just easier because I already had experience of working in Vietnam in the industry.









*Picture of SOA x NFW teams*

### Can you share the struggles that you met and how you got to solve them?

Some first struggles we have **is making people understand that we are an American company, and it's not our factory we are dealing with**. **Many struggles are administrative and logistics**, because we are providing some of our materials but it's not technically our factory making them.

It often takes a while for the whole chain. We qualify existing Vietnamese factories, mostly based in the Ho Chi Minh Area (Binh Duong); they are our certified producers. We pay them to make products for us, which we will then sell to shoe factories. Building our own factory would have been at least 5 years, so **partnering with existing factories was a much faster way to go to markets.**

### How could SOA services support you?

When we first came to Vietnam, we didn't have any partners, now we have almost four or five. Then, it became a very big logistics case, on how we were going to work with all these people. **SOA's team helped us explain all the all the rules you have in Vietnam**, **how you import and export the raw material**, and the finished products and to map what we had to do, **so we could be as efficient as possible in the daily operations.**

SOA supported us in making our partners' as well as our customers' lives as easy as possible while trading with us, an American company that technically doesn't exist in Vietnam. A big case study for everybody!

### Can you share with us some tips for investors or companies that first start here or doing business in ASEAN?

**Don't assume people know your products!** Don't assume they will immediately think "Wow it's a foreign product so it must be great". It's not true, people go for the cheapest and the most convenient, especially in B2B business, unless you're bringing something significantly better at a price that isn't too much higher.

I've seen a lot of companies coming with too much confidence in their products without really asking themselves ***"Is it really going to be that of an interest for the industry here in ASEAN and Asia?"*** A lot of companies, 99% of the time, are making the same products. Maybe not with as much legacy, the company hasn't been working for 50 or 60 years like we have in Europe. We Europeans count a lot on our legacy, saying our company is 60 years old, but it's not as much of a big point as you think it is.

> ***Don't assume people know your products!***

## CASE STUDY WITH Decowraps



**Mr. Steven Tchira**
CEO

### Why did Decowraps choose to expand into the ASEAN region, specifically Vietnam?

Over the past 20 years, Decowraps has built a reputation as **the leading supplier of distinctive floral & potted packaging options for all levels.** Through exceptional design and innovation, we have added immense value to our customer's floral programs around the world. Our journey has been one of continuous growth and adaptation, always seeking new opportunities to better serve our customers.

As our business grew, **we recognized the need to diversify our manufacturing operations**. It was crucial to identify a location that could meet our stringent production standards while offering long-term growth potential. **ASEAN emerged as the ideal destination.** Our decision to expand into the ASEAN region, particularly Vietnam, was driven by strategic needs and the region's promising advantages.

As we considered alternatives to China for our manufacturing operations, Vietnam stood out for several reasons. The country boasts **a highly skilled and educated workforce**, **a strong availability of raw materials**, and **a commendable work ethic**. These factors made Vietnam an attractive option for us as we aimed to diversify our "global supply-chain" and tap into new opportunities in a rapidly growing region.

### What challenges did you encounter when expanding into Vietnam? How did you overcome them?

Transitioning to a new market is never without its challenges. When we first established our operations in Vietnam, **we encountered significant difficulties in implementing best practices in areas that are critical to any business —** Supply Chain and Human Resources. The local regulatory environment, cultural differences, and the nuances of managing operations in a new country presented us with steep learning curves.

We quickly realized that success in Vietnam required more than just establishing a presence, **it required a deep understanding of and adaptation to the local business landscape.**

**This is where Source of Asia (SOA) became an indispensable partner in our journey.** Their expertise and deep understanding of the local market were crucial in helping us overcome the initial hurdles.

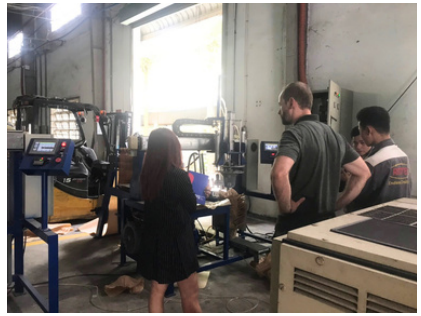








Picture of SOA x Decowraps teams



Picture of factory visit onsite

SOA team conducted **a SWOT analysis to identify potential suppliers in Southeast Asia. Over 100 suppliers were vetted and qualified**, aligning with our operational needs and quality expectations. They provided a detailed segment information report, helping us refine our strategy.

They also provided guidance on **HR and accounting, assisting with talent recruitment and ERP system implementation.** Their support has been invaluable as we continue to strengthen our operations in the region.

**Our partnership with SOA has continued to thrive.** Currently, they are supporting us with Strategic Sourcing. This has been invaluable as we continue to strengthen our operations in the region, enabling us to stay agile and responsive to new opportunities.

Decowraps

### Any advice for foreign companies considering entering the ASEAN market, based on your experience?

For companies and investors entering the ASEAN market, our experience offers several key insights. First, **it's essential to partner with organizations like Source of Asia (SOA) that possess local expertise and can provide practical support tailored to your specific needs.** These partnerships are invaluable in navigating the cultural and operational challenges that arise when entering a new market. Additionally, **we recommend collaborating with professional services firms to manage critical areas like accounting and HR,** ensuring that your business operations remain compliant and well-integrated into the local environment.

Reflecting on our journey, we can confidently say that while establishing a presence in ASEAN has had challenges, it has also been advantageous. **With the right partners and a willingness to adapt, we've built a strong foundation in Vietnam, transforming potential obstacles into opportunities for growth and success.**





ABOUT SOURCE OF ASIA

# AN INTERNATIONAL BUSINESS ACCELERATOR

IN VIETNAM, ASEAN, SOUTH KOREA, AND BEYOND

**Source of Asia** is an **International Business Accelerator** in Vietnam, ASEAN, and South Korea.

Over the past 20 years, we've been guiding global enterprises to successfully penetrate, operate, and flourish in this vibrant region through tailored solutions in **Market Expansion**, **Sourcing & Supply Chain**, **Corporate & HR Solutions**, and **M&A Services**.

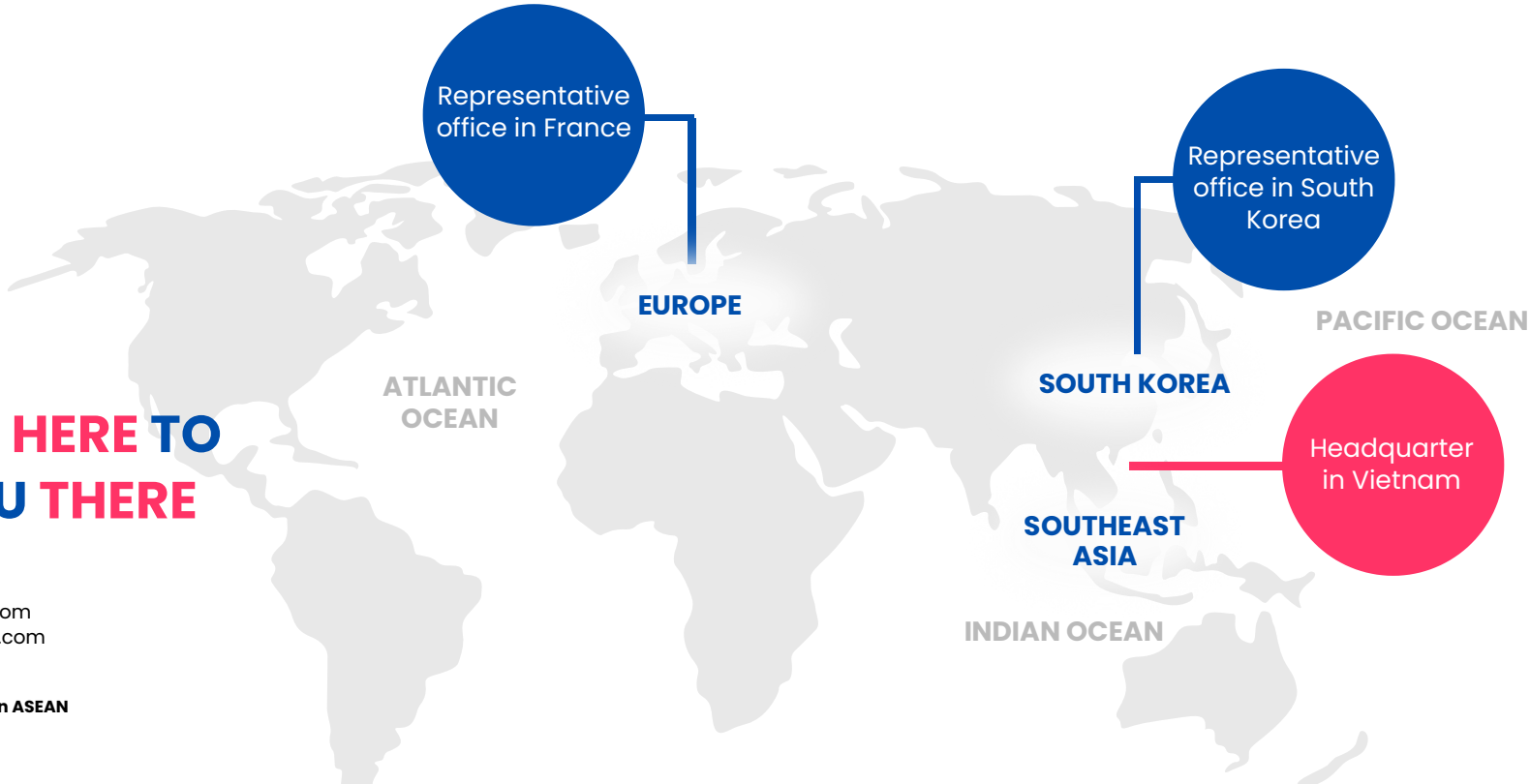
**+20** years of experience in Asia

**+70** passionate & multi-sectors experts

**+500** happy customers

**+20** networks and institutions that SOA is a member of or accredited by

## WE ARE HERE TO GET YOU THERE




**Covering:**

- Philippines
- Indonesia
- Malaysia
- Singapore
- Thailand
- Cambodia

www.sourceofasia.com
hello@sourceofasia.com





## OUR NETWORKS

We are accredited by and active partners of **several business networks**...

Globallians The International Business Experts · Legendre · Capital Export · SIDO · April International · bpifrance · KOSME · Muser Company · Santander · BNP Paribas · Groupe BPCE · BusinessFrance · Solutions Team France Export Vietnam · Bretagne Commerce International · OSCI · VCCI · Business Finland · VietFrance · ITPC · American Chamber of Commerce Vietnam · HKTDC · HAWA · Nordcham · CanCham Vietnam · AND MANY MORE...

# OUR SERVICES

Source of Asia, your unique **ONE-STOP SHOP** company that covers all your business needs in Vietnam, ASEAN and South Korea.

### MARKET EXPANSION

Formulating and implementing tailored growth strategies to successfully transition into your targeted countries.

### SOURCING & SUPPLY CHAIN

Optimizing your production, organization and outsourcing your whole supply chain management into experts' hands.

### CORPORATE & HR SOLUTIONS

Helping you optimize your foothold in Vietnam and other ASEAN countries, and managing your setup on your behalf.

### M&A SERVICES

Accompanying and advising in each step of your business expansion strategy through M&A transactions.

## WE ARE HERE TO GET YOU THERE!







# MEET OUR MANAGEMENT TEAM



**Thierry MERMET**
Managing Partner - CEO



**Zacharie BLONDEAU**
Managing Partner - COO



**Aurelie TRAN NGOC**
Country Manager



**Tra LE**
Market Expansion Director



**Nathalie TRAN**
Business Transformation Director



**Huong LE**
Corporate & HR Solutions Director



**Kiet DO**
Head of Market Approach



**Danh VO**
Head of Sales Trading



**Huong TRAN**
Head of Sourcing & Supply Chain Consulting



**Anh VU**
Head of Corporate Services



**Ngan NGUYEN**
Head of HR Solutions



**Mi NGUYEN**
Head of Marketing & Communications



**Xavier POULIQUEN**
Business Developer



Globallians
The International Business Experts

## WHO IS GLOBALLIANS FOR SOA?

Globallians is the #1 network of country experts dedicated to international support, currently encompassing 75 countries. Source of Asia has been a proud member of this exceptional network for many years, and we want to take this opportunity to express our gratitude to all Globallians members. Over the past decade, our shared values and collaboration - exchanging expertise, best practices, successes, and challenges - have been a daily pleasure and a key reason for SOA's remarkable growth since its inception.



source of asia × Globallians The International Business Experts

**Source of Asia is proud to be an Asian member of Globallians**

# ABOUT GLOBALLIANS

### THE #1 NETWORK OF COUNTRY EXPERTS FOR INTERNATIONAL EXPANSION SUPPORT

Globallians emerged from a key insight: companies pursuing international ventures face unique challenges in each target country. Every market has distinct characteristics, customs, and networks, comprehensible primarily to specialized experts. Nearly a decade ago, Globallians established a network of independent international support companies (SAI), initiated by multilingual business leaders with a deep understanding of diverse cultures and shared core values. Our team consists of seasoned professionals in international project support, deeply rooted in the regions they serve. Leveraging our expertise and dedication to client success, we closely collaborate with local businesses and both public and private sectors, aiding them in capitalizing on global market opportunities.

## Key Figures

**14**
members companies

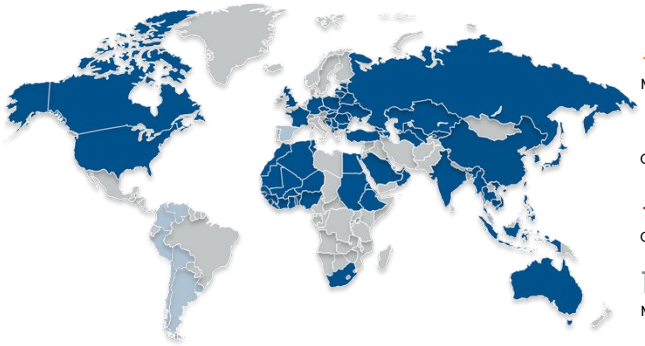
**+25**
years of expertise across various countries and sectors

**+70**
countries covered

**+1,300**
Projects conducted each year

**10,500+**
Companies successfully supported in international markets

## Worldwide presence



+500
Multicultural team members working locally

+70
Countries

+20
Offices located all around the world

14
Members companies

ADEXIA advantis ATLAS expandya HC PMC SOA source of asia TRIANA TTE Gulf VALIANS VVR Biznelp

## Your Globallians contacts

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contact@globallians.com



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**DISCLAIMER**

This Booklet is prepared in collaboration between Source of Asia, Natural Fiber Welding, Decowraps, and Globallians.

While this publication provides a general overview of ASEAN's market, the information provided in this booklet is for information purposes only and is not intended to constitute legal advice. Legal advice should be obtained from qualified legal counsel for all specific situations.

The booklet is written thanks to a variety of sources in the public domain, all specifically quoted within the publication. Last update: 7th September of 2024.

Please be aware that the laws and regulations may evolve at any time.

Our previous booklets are available for reference.
Scan the QR code below to access them.

**Doing business in Vietnam 2021-2022**




**Doing business in Vietnam 2023-2024**

