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# 2021

## ASEAN BUSINESS OUTLOOK SURVEY: ASEAN's Role in the Asia-Pacific





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**2021**

**ASEAN BUSINESS  
OUTLOOK SURVEY:**

**ASEAN's Role in the Asia-Pacific**



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# FOREWORD FROM AMCHAM SINGAPORE

The Association of Southeast Asian Nations (ASEAN) is a vital trading partner of the United States (U.S.) and despite the economic impact of COVID-19, the region continues to attract high levels of investment from U.S. companies. The U.S. foreign direct investment in ASEAN was USD\$338.3 billion in 2019. Collectively, ASEAN is the fourth largest trading partner of the U.S. and together represent a market with a GDP of more than USD 2.9 trillion. Many American companies have a presence in the region, with some here before the formation of ASEAN on August 8, 1967.

The *ASEAN Business Outlook Survey* (ABOS) provides a comprehensive portrait of U.S. business activity in ASEAN countries. ABOS is a unique source of information that measures the pulse of the business environment across this dynamic region. With invaluable insights from senior executives representing American companies in ASEAN, the survey highlights new prospects and opportunities as well as barriers facing American businesses.

Now in its 19th year, the 2021 ABOS combines editions 18 and 19. The 2020 survey was conducted from September 11 – October 7, 2019, before the world knew about COVID-19 so any report written in 2020 using these data would not have captured business sentiments that reflected the global impact of the COVID-19 pandemic. However, this presented us with an opportunity to provide a comparison of business sentiments before COVID-19 to those collected from the following survey conducted November 30, 2020 – January 5, 2021 as we entered the vaccination phase of the pandemic.

ABOS captures responses from large, medium and small enterprises spanning various sectors. The survey results reflect the views of senior executives on recent developments, including the continued efforts of governments in the region to navigate economic recovery

in a COVID-19 world and the perception of the new U.S. administration.

The results presented in this edition highlight trends over time through survey questions that have been consistently asked over multiple years and as well as survey questions in 2021 asking about the impact of COVID-19 on respondents' companies. This edition illustrates the deep-rooted partnership between the U.S. and ASEAN which began in 1977 and was elevated to a strategic partnership in 2015. The vast breadth of interaction between the two partners is crucial to the region's recovery from COVID-19 as we experience the transformation of our society and businesses.

In this edition, we extend beyond ASEAN and provide an outlook on the wider Asia-Pacific region. Our intent was to deliver a richer understanding of topical issues including the widespread impact of COVID-19, U.S.-China trade conflict, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) and the demographic dividend in the region, and how they are bolstering or hindering companies' efforts to expand into the broader region. The survey also offers insights into rising economies and assesses opportunities and challenges faced by businesses in ASEAN.

Many thanks to the American Chambers of Commerce in Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Thailand, Vietnam, the American-Lao Business Association, and the U.S. Embassy in Brunei for their contributions.

We hope you will find the 2021 *ASEAN Business Outlook Survey* useful as you develop your next strategic plan. As always, please feel free to reach out to AmCham Singapore should you require any support in advocacy, business insights and connections.



*Hsien-Hsien Lei*

**Dr. Hsien-Hsien Lei**  
CEO  
The American Chamber of  
Commerce in Singapore





# EXECUTIVE SUMMARY





# ASEAN'S ROLE IN THE ASIA PACIFIC

The Asia-Pacific region fundamentally represents a vital market for American enterprises. Yet one of the difficulties that American companies face when navigating the region is its sheer diversity. The *ASEAN Business Outlook Survey*, now in its 18th year, uniquely captures the perspectives of business leaders in ASEAN as they take on the challenges and opportunities of operating in the broader Asia-Pacific, including tackling the re-emergence of Asia and the proliferation of the digital economy.

- Personal security as well as public health measures are top of mind for an overwhelming majority of companies in response to COVID-19
- ASEAN as a market remains important to many American companies in terms of worldwide revenue, primarily due to a robust and growing middle class of consumers, improvements in infrastructure, relatively limited opportunities in other regions, and growing regional integration.
- COVID-19 has had a major impact across ASEAN and has disrupted the near-term profit outlook (2020-2021) for the majority of companies in ASEAN.
- The pandemic's impact is more severely felt on local business operations than on multi-national corporations, affecting nearly all companies.
- The majority of those surveyed expect a diminished revenue contribution to businesses in the near term.

- Companies which predict gains in ASEAN over the next two years cite the rise of the consumer class and improved regional integration as key reasons
- Despite the economic uncertainty faced by many, companies are still eager to continue investing in the ASEAN market over the longer horizon of five years (2020-2025).
- Regarding ASEAN's growing contribution to revenues, there is greater optimism from companies in Singapore compared to Malaysia.
- Over 70% of the companies in ASEAN have plans to expand operations in APAC in the next five years (2020-2025).
- The majority of companies (76%) expressing a positive sentiment towards the U.S. as compared to 56% in the previous year.

ASEAN remains a vital market for American enterprises, with many markets not only the top choice for business expansion within the APAC region, but also the most attractive potential bilateral FTA partners. Singapore, as the United States' largest trading partner in ASEAN, accounts for a quarter of total U.S. exchange with the region — more than 4,500 American firms have operations in the city-state, and many of them use the country as a regional hub to access ASEAN and the broader Asia-Pacific.



# INTRODUCTION

## SINGAPORE AND THE ASIAN CENTURY

Is the next Asian Century set to begin? According to experts, this era may be upon us sooner than we think.<sup>1</sup> If economic growth of Asia will be led by the re-emergence of China and India, it would appear that the world has come full circle since Asia dominated the global economy until the 19th century. By the 1950s, Asia accounted for less than 20% of global output, despite comprising more than half of the world's population.<sup>2</sup> Within a few generations, Asia's rise has been "the product of a winning

mix of integration with the global economy via trade and foreign direct investment (FDI), high savings rates, large investments in human and physical capital, and sound macroeconomic policies."<sup>3</sup> The year ahead faces many challenges from COVID-19 vaccines to trade deals to climate change. It remains to be seen what the new U.S. administration will accomplish and how Asia and the U.S. will interact.

<sup>1</sup> Nikkei Staff Writers, "This is the Asian Century: Seven Reasons to be Optimistic about It", (<https://asia.nikkei.com/Spotlight/The-Big-Story/This-is-the-Asian-Century-Seven-reasons-to-be-optimistic-about-it>)

<sup>2</sup> Valentina Romei and John Reed, "The Asian Century is Set to Begin", (<https://www.ft.com/content/520cb6f6-2958-11e9-a5ab-ff8ef2b976c7>)

<sup>3</sup> International Monetary Fund, "Regional Economic Outlook: Asia Pacific: Asia at the Forefront: Growth Challenges for the Next Decade and Beyond" (<https://www.imf.org/en/Publications/REO/APAC/Issues/2018/10/05/areo1012>)





# DIVERSITY: ASIA-PACIFIC'S WEAKNESS OR STRENGTH?

The Asia-Pacific (APAC) is a vital regional market for American businesses. Fundamentally, the demographics of its consumers present opportunities for companies to tap into. Asia is on track to top 50% of global GDP by 2040 and drive 40% of the world's consumption, representing a real shift in the world's center of gravity.<sup>4</sup>

While no doubt advantageous as a market, the size and region means the challenges facing each economy are unique, and businesses entering those markets must understand the respective nuances accordingly. Companies may struggle to integrate their supply chains effectively across the region because of different levels of infrastructure development, varying operating standards and distinct cultural mindsets. While Asia has proved to be quick to embrace digital technologies, diversity and fragmentation can be obstacles to fully realizing the potential of a digital economy.

The digital economy is increasingly a global one,

with technological advances helping to synchronize development across countries. These advances are often referred to as Industry 4.0, a new phase in the Industrial Revolution that focuses heavily on interconnectivity, automation, machine learning, and real-time data. In general, local consumption, cross-border standardization and trade issues are likely to be more important for these Industry 4.0 concepts versus economies that are solely focused on domestic economies.<sup>5</sup> Adding to this urgency is the advent of a sharp increase in working from home and digital meetings due to COVID-19.

The region's diversity has been especially accentuated during the COVID-19 pandemic. Pandemics by nature do not adhere to political borders, and the countries of APAC have exhibited a broad spectrum of responses to the outbreak. East Asian and Southeast Asian countries, remembering the 2003 SARS outbreak, were more prepared and practiced in dealing with such a situation than many other countries. Subsequent outbreaks

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<sup>4</sup> Oliver Tonby, Jonathan Woetzel, Wonsik Choi, Jeongmin Seong, Patti Wang. McKinsey Global Institute, "Asia's Future is Now", (<https://www.mckinsey.com/featured-insights/asia-pacific/asias-future-is-now>)

<sup>5</sup> The Business Times, "Re-Inventing Asia-Pacific's Industries", (<https://www.businesstimes.com.sg/hub/industrial-transformation/re-inventing-asia-pacifics-industries>)





## **“ Advances in digital technology, external relations, and business investment for ASEAN. ”**

of avian influenza reinforced the focus on pandemic preparedness, and the issue remained high on the agenda of policy makers within APAC and the Association of Southeast Asian Nations (ASEAN). Varying degrees of economic development, demographics, and healthcare systems, as well as obstacles to sharing information and political divisiveness all threaten a regionally coherent approach to mitigate the spread of the virus. Singapore and Vietnam, praised for their early and aggressive approach, stand in contrast to other nations in the region, some with virtually no systematic response to the outbreak. Thus “...the impact of the COVID-19 crisis is being defined by the diversity of the region,”<sup>6</sup> with the stark differences among each nation’s approach preventing a coherent regional response to a global problem.

## **THE FUTURE OF ASEAN**

2019 and 2020 saw significant advances in digital technology, external relations, and business investment for ASEAN. While one of the most stable and dynamic sub-regions of Asia, the region has also been weighed down by ongoing issues of trade tensions, political uncertainty, and climate change. Amidst these evolving developments, Singapore’s role as a regional hub in driving economic growth throughout the region and Thailand’s chairmanship in 2019 must be highlighted for their efforts in supporting regional integration while also supporting socio-economic stability and political cohesion. Vietnam chaired in 2020, leading the way during an incredibly trying time for the globe.

The ASEAN Smart Cities Network (ASCN) currently includes 26 cities across the region united with a commitment to implement technological solutions to improve the socio-economic standards of ASEAN citizens. These solutions will see the rise of 5G networks, open data and carbonomics.<sup>7</sup>

<sup>6</sup> Amy Searight and Brian Harding, Center for Strategic & International Studies (CSIS), “Southeast Asian Responses to COVID-19: Diversity in the Face of Adversity” (<https://www.csis.org/analysis/southeast-asian-responses-covid-19-diversity-face-adversity>)





The U.S.-China trade war has projected a layer of uncertainty for businesses in the region. Hence, it is now more crucial than ever before for ASEAN member states to remain economically integrated and maintain openness and transparency in their policymaking. In fact, a pre-COVID-19 survey of AmCham Singapore member companies found that 90% of respondents reported that Southeast Asia was equally or more attractive as a business destination as a direct result of ongoing trade tensions between the U.S. and China.<sup>8</sup> The impact of COVID-19 and the new Biden administration policies remain to be seen.

In line with building a future-ready region, Thailand's chairmanship of ASEAN in 2019 assumed the theme "Advancing Partnership for Sustainability", focusing on harnessing digital innovation, streamlining connectivity, and enhancing sustainability in the spheres of the economy, security, and environment. Thailand provided valuable insights into approaches to tackle challenges

that have stemmed from rapid urban expansion of ASEAN cities, such as congestion, urban-rural inequality, and public safety.

In contrast, the theme of ASEAN 2020 was "Cohesive and Responsive", which is supported by the five priorities for 2020, identified with a view to meet the long-term goals of ASEAN. These priorities include actively contributing to a regional environment of peace, security and stability; bringing prosperity through regional integration and connectivity; raising awareness of the ASEAN Community and Identity; strengthening partnerships for peace and sustainable development; and promoting the role and contribution of ASEAN in the international community; and finally, enhancing the capacity and operational efficiency of ASEAN.<sup>9</sup>

At the institutional level, as part of efforts to help businesses expand into ASEAN, the Singapore Business Federation (SBF) launched the SBF Business ASEAN

<sup>7</sup> Carbonomics is when cities leverage their carbon footprint as a type of currency to encourage human life and reduce our carbon footprint.' Mark Micallef, The Business Times, "2020 will be the year of making smart cities sustainable", (<https://www.businesstimes.com.sg/asean-business/spotlight-on-asean/2020-will-be-the-year-of-making-smart-cities-sustainable>)

<sup>8</sup> American Chamber of Commerce in Singapore (AmCham Singapore), "The U.S.-China Trade War: Survey of AmCham Singapore Members May 2019" (<https://www.amcham.org.sg/wp-content/uploads/2019/06/The-U.S.-China-Trade-War-Survey-of-AmCham-Singapore-Members-May-2019.pdf>)





Network in June 2019, comprising of market-focus business groups convening business leaders, market specialists, and other stakeholders to enhance collaboration and communication. As part of this initiative, SBF is also reaching out to their counterparts within ASEAN to build new bilateral business-to-business platforms. These initiatives emphasize the important role that Singapore plays as a regional leader. The long-term impact of these initiatives will be more well understood as the region moves through the pandemic.

These efforts to progress towards an integrated ASEAN are significant with respect to external relations regarding the broader Asia Pacific region. The 14th East Asia Summit (EAS) in November 2019 reinforced support for ASEAN regional connectivity as necessary towards economic growth and social development, and reaffirmed support for the Master Plan on ASEAN Connectivity (MPAC) 2025. MPAC 2025 identifies a pipeline of infrastructure projects and funding resources across five main areas: sustainable infrastructure, digital innovation, logistics, regulations, and mobility. The

**“ Peace and sustainable development; and promote the role and contribution of ASEAN in the international community. ”**

summit reaffirmed the attending nations’ commitments to forming a prosperous economic and political environment that will support a welcoming business atmosphere. The 15th EAS held in November 2020 was held virtually and focused on COVID-19 and comprehensive

recovery.<sup>10</sup> The immediate effects of MPAC 2025 may not yet be realized as ASEAN first comes to grip with the toll of the pandemic.

Creating a future-ready economy extends beyond the business atmosphere to the region’s physical climate as well: growing energy demands present ASEAN governments with the challenge of achieving the appropriate balance between sufficiently serving its citizens, while also supporting environmental sustainability. More than half of ASEAN’s 600 million citizens are city-dwellers and this segment of the population is expected to grow by another 70 million by 2025, with some forecasting regional electricity consumption to grow by as much as another two-thirds by 2040.

<sup>9</sup> ASEAN Viet Nam 2020, “Keynote Speech on Viet Nam’s 2020 ASEAN Chairmanship”, (<https://www.asean2020.vn/thong-diep-cua-thu-tuong>)

<sup>10</sup> ASEAN Viet Nam 2020, “Chairman’s Statement of the 37th ASEAN Summit: Cohesive and Responsive”, ([https://www.asean2020.vn/xem-chi-tiet1/-/asset\\_publisher/ynfWm23dDfpd/content/chairman-s-statement-of-the-37th-asean-summit-cohesive-and-responsive](https://www.asean2020.vn/xem-chi-tiet1/-/asset_publisher/ynfWm23dDfpd/content/chairman-s-statement-of-the-37th-asean-summit-cohesive-and-responsive))





Growing electricity usage is also in part driven by ASEAN's own success – the region's economic rise is causing a surge in demand. Some energy experts warn that Southeast Asia's energy security is vulnerable if the region does not soon reorient itself as an energy producer, rather than importer. Cross-border energy connections could be the most cost efficient and beneficial solution, if regional collaboration can materialize.<sup>11</sup>

Building on the accomplishments of past chairs, Vietnam's chairmanship of ASEAN in 2020 continued to consolidate collaboration with external partners and advanced the bloc forward. Against the backdrop of global trade tensions, the approaching 4.0 industrial revolution, and climate change concerns, there is an effort to move to integrate a sustainable and economically prosperous future for ASEAN.

## SINGAPORE AS A GATEWAY

Singapore, since its independence from Malaysia in 1965, grew from a third-world to first-world nation in a matter

of decades. This was fueled in large part by the efforts of Singapore's founder and first Prime Minister, the late Lee Kuan Yew, who refuted the conventional wisdom at the time by seeking foreign investment to drive economic growth. Today, Singapore stands to comfortably and consistently remain among the world's highest GDP per capita and Public-Private Partnership rates. From being one of ASEAN's five founding nations in 1967, to recently holding chairmanship of the bloc in 2018, Singapore's contribution to the region is unique.

While Singapore is not a regional power, it consistently punches above its weight by serving as an influential player on the regional and global commerce stage. Despite its small market size, Singapore's geographical advantage at the crossroads of the Indian and Pacific Oceans in the heart of ASEAN and the emphasis on developing a highly educated and multilingual society have made the city-state a vital hub for the region. Culturally, Singapore is well-equipped in a globalized world, being both the "most Westernized city in Asia... and the most Asian global city in the world."<sup>12</sup>

<sup>11</sup> Gabriele Giovannini and Emanuele Schibotto, The Diplomat, "Singapore and the Asian Century" (<https://thediplomat.com/2015/02/singapore-and-the-asian-century/>)





One notable development is Singapore's new digital banking regulation, the Payment Services Act (PSA), passed in January 2019, which will make it easier to do business in Singapore – especially for fintechs. The goal of the PSA is to strengthen consumer protection and promote confidence in e-banking.<sup>13</sup> This will be done through the new law's two main objectives. The first is to protect the financial stability of Singapore and ensure fair competition between market participants. The second objective is for Monetary Authority of Singapore (MAS) to establish a licensing regime and provide direct oversight of payment systems and payment service providers to ensure that they comply with the Anti Money Laundering and Countering the Financing of Terrorism ("the AML and CFT") regulations.<sup>14</sup> The PSA is poised to be an impactful driver for reducing risk and increasing confidence to consumers and businesses to adopt digital payments.

**“ Be an impactful driver for reducing risk and increasing confidence to consumers and businesses to adopt digital payments. ”**

The U.S. and Singapore should work together to create common platforms and grasp new opportunities in the digital space, advises Singapore Trade and Industry Minister Chan Chun Sing.<sup>15</sup> Singapore and the Philippines' recent progress on the ASEAN Framework for Digital Data Governance shows promise

of promoting data protection laws that could make cross-data flow between ASEAN states more viable. The ASEAN Smart Cities Network is also underway with the Singapore Government's SmartNation scheme, defined by goals to digitize the economy, government, and society in an effort to confront technological disruption and cultivate inclusivity. Events such as the cybersecurity-related ASEAN Regional Forum (ARF), most recently hosted in Singapore during Singapore's chairmanship in 2018, suggests the vast potential of ASEAN in utilizing transformative technologies to their advantage.

<sup>12</sup> Seow Bei Yi, Straits Times, "ASEAN should seize opportunities to work on common platforms amid US China dispute" (<https://www.straitstimes.com/business/economy/asean-should-seize-opportunities-to-work-on-common-platforms-amid-us-china-dispute>)

<sup>13</sup> Singapore Business Review, "Singapore to elevate hub status with new digital banking regulation", ([https://issuu.com/charlton\\_media/docs/sbr\\_q2\\_2020](https://issuu.com/charlton_media/docs/sbr_q2_2020))

<sup>14</sup> "Singapore's Payment Services Act: A new framework to spur Financial Services innovation", (<https://www.corporateservices.com/singapore/payment-services-act/>)

<sup>15</sup> Seow Bei Yi, Straits Times, "P&G to invest \$12m to grow new Singapore businesses" (<https://www.straitstimes.com/business/pg-to-invest-12-million-to-grow-new-singapore-businesses>)





Many American MNCs continue to grow their Singapore operations, and in many cases, for the purpose of expanding their regional strategies. Procter & Gamble (P&G) earmarked S\$12 million to develop three new Singapore-based businesses which will eventually be scaled globally, and S\$8 million from that amount will be allocated for employee innovation and collaborations with local enterprises.<sup>16</sup> Coca-Cola has invested more than US\$100 million between 2015 and 2020 to refocus its operations in Singapore on high-value add services, such as new technologies, innovation, and research.<sup>17</sup> Google selected Singapore as one of two Asian cities to host its data centers. Like Coca-Cola, Google, and P&G, many other American brands are using the city-state

as a gateway to Asian innovation, and two out of every five fintech startups in ASEAN are headquartered in Singapore.<sup>18</sup>

Looking toward the future, it is clear that “as the Asian century unfolds, no other city can benefit as much from Asia’s growth as Singapore can”.<sup>19</sup> Not only is Singapore well-established as a business destination, its role within the Asia Century engenders many opportunities for the benefit of American businesses.

<sup>16</sup> Seow Bei Yi, Straits Times, “P&G to invest \$12m to grow new Singapore businesses” (<https://www.straitstimes.com/business/pg-to-invest-12-million-to-grow-new-singapore-businesses>)

<sup>17</sup> Nisha Ramchandani, Business Times, “Coca-Cola Singapore Beverages to shut Tuas plant; commits US\$100m investment” (<https://www.businesstimes.com.sg/companies-markets/coca-cola-singapore-beverages-to-shut-tuas-plant-commits-us100m-investment>)

<sup>18</sup> Singapore Business Review, “Singapore home to two in five ASEAN fintech startups”, ([https://sg.news.yahoo.com/singapore-home-two-five-asean-080200544.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlMmNvbS8&guce\\_referrer\\_sig=AQAAAMhDKGpoamsc823T6TRB3GCZVF8ZAndIAjn7HgAmGd8mfZUy9JXpupHKY77om0ADu4kPSjYmkxkz7Fi1syZoGtZKJxntWUBO6i2-oHHBoej1bET1Wz2kvf92y52nqzKBNDIQ\\_D7meGcilajDolcS6bCq00div--JTCWFNsZEuJ](https://sg.news.yahoo.com/singapore-home-two-five-asean-080200544.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlMmNvbS8&guce_referrer_sig=AQAAAMhDKGpoamsc823T6TRB3GCZVF8ZAndIAjn7HgAmGd8mfZUy9JXpupHKY77om0ADu4kPSjYmkxkz7Fi1syZoGtZKJxntWUBO6i2-oHHBoej1bET1Wz2kvf92y52nqzKBNDIQ_D7meGcilajDolcS6bCq00div--JTCWFNsZEuJ))

<sup>19</sup> Gabriele Giovannini and Emanuele Schibotto, The Diplomat, “Singapore and the Asian Century”, (<https://thediplomat.com/2015/02/singapore-and-the-asian-century>)





**COVID - 19**

**Coronavirus  
Vaccine**

**Injection only**

**COVID - 19**

**Coronavirus  
Vaccine**

**Injection only**





# COVID-19 IMPACT ON ASEAN

With well more than 100 million cases across the globe, it's hard to understate the impact COVID-19 has had on business worldwide, including ASEAN. COVID-19 caused a global recession whose depth was surpassed only by the two World Wars and the Great Depression over the past century and a half.<sup>20</sup> The pandemic has affected the entire globe much like a world war would, with some industries such as tourism and travel being deeply impacted while others such as medical supply manufacturing and digital service providers experiencing a boom. Larger companies have also weathered COVID-19 better than small- and medium-sized enterprises (SMEs).

According to the World Bank, global economic output is expected to expand 4% in 2021, but still remain more than 5% below pre-pandemic projections.<sup>21</sup>

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<sup>20</sup> TheWorldBank, "GlobalEconomicOutlook", (<https://openknowledge.worldbank.org/bitstream/handle/10986/34710/9781464816123-Ch01.pdf>), 2021 January

<sup>21</sup> The World Bank, "Global Economic Outlook",



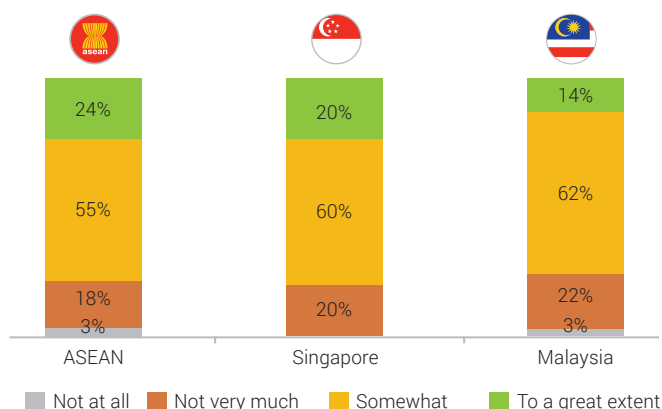
Although the pandemic hit the Asian region first, most of the ten ASEAN countries have to date recorded significantly lower transmission and fatality rates per capita than other regions.<sup>22</sup> Expanding this to the wider region, most signatories of the Regional Comprehensive Economic Partnership (RCEP) countries have vastly outperformed their counterparts in Europe and the Americas, with better governance and more social responsibility of the public.<sup>23</sup> It's possible ASEAN countries could emerge from the COVID-19 pandemic with a significantly lower toll on lives compared with other regions.

Despite the difficult past year, there is hope on the horizon — particularly in Singapore which has benefitted from government-supported initiatives. Additionally, ASEAN has introduced several initiatives meant to manage the crisis and ensure post-COVID recovery. So there is some cautious optimism for the businesses when considering long-term planning.

Almost all businesses in ASEAN have been impacted by the global pandemic: 80% of regional businesses (Figure 1) and 90% of local businesses (Figure 2) say they've been affected. As a result, over half the businesses are expecting reduced revenues in 2021. Regional operations of companies in Singapore and Thailand are more vulnerable. In Singapore, however, government-supported measures have cushioned Singapore-based companies from more devastating economic losses felt elsewhere in the region.

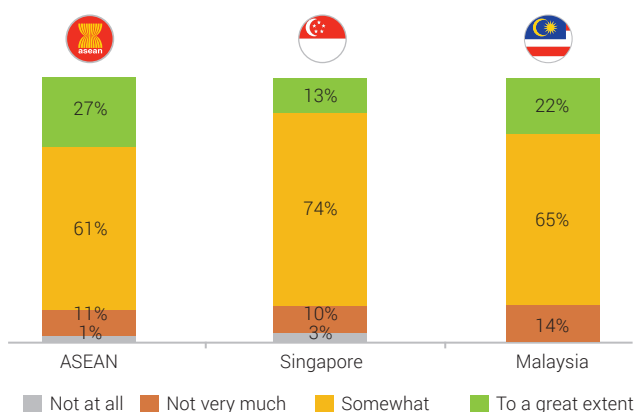
**Figure 1**  
Impact of COVID-19 on  
Business Operations  
(Within Asia Pacific)

To what extent has COVID-19 negatively impacted your business operations in the Asia Pacific region more broadly? (Total, n = 119) (Singapore, n = 30) (Malaysia, n = 37)



**Figure 2**  
Impact of COVID-19 on  
Business Operations  
(Within Local Market)

To what extent has COVID-19 impacted your business operations in your country? (Total, n = 119) (Singapore, n = 30) (Malaysia, n = 37)



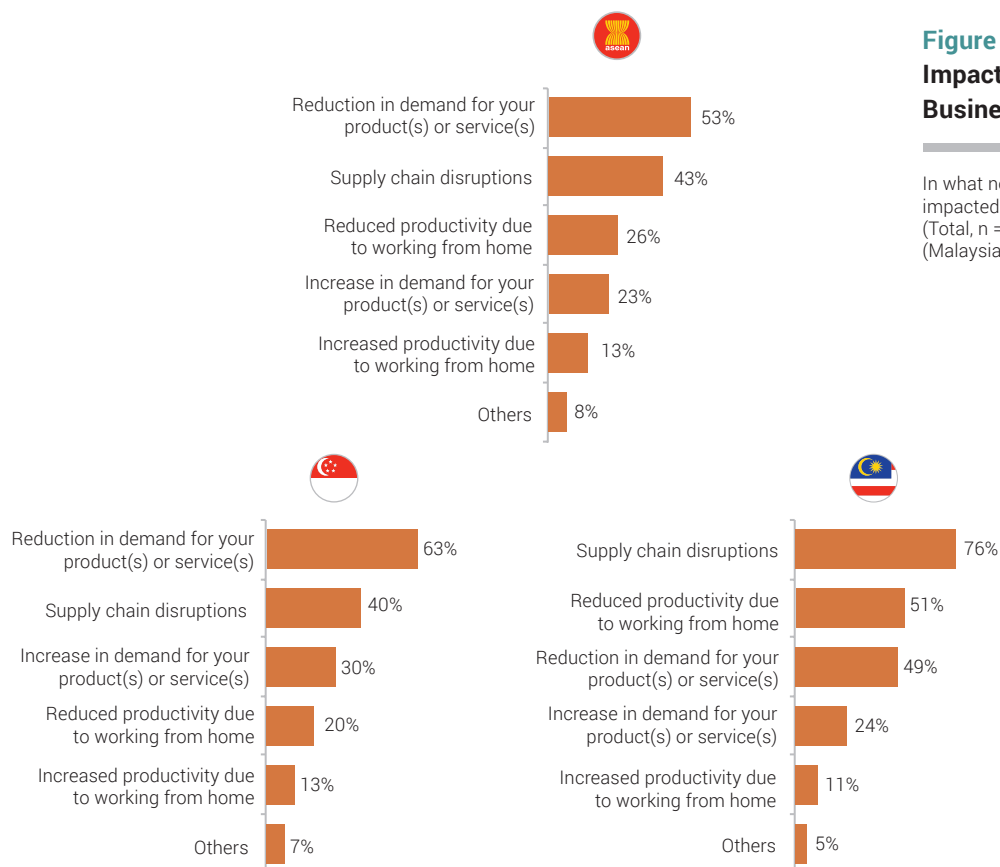
<sup>22</sup> Financial Times, "Coronavirus tracker: the latest figures as countries fight the COVID-19 resurgence", (<https://www.ft.com/content/a2901ce8-5eb7-4633-b89c-cbdf5b386938>)

<sup>23</sup> Kentaro Iwamoto, Nikkei Asia, (<https://asia.nikkei.com/Spotlight/Asia-Insight/RCEP-China-to-gain-as-trade-pact-ripples-across-post-COVID-world>)



In most ASEAN countries, the biggest challenge for businesses was a drop in demand for products and services. Malaysia's biggest challenge, on the other hand, was supply chain disruptions, with three-quarters of companies unable to get the items they needed to operate. Malaysia's strength is in its electronics industry which accounts for its largest share of exports. Without the appropriate parts coming in from other global producers, manufacturing was sure to be hard hit.

Overall, about a quarter of companies in ASEAN felt there was a reduction in productivity due to employees working from home, with Singapore companies faring slightly better as much work was able to be done remotely via digital interactions (Figure 3).



**Figure 3**  
**Impact of COVID-19 on Business Operations**

In what notable ways has COVID-19 impacted your business operations?  
(Total, n = 129) (Singapore, n = 30)  
(Malaysia, n = 37)

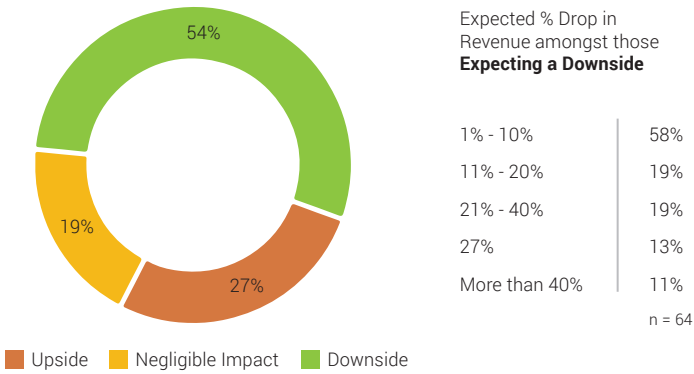


COVID-19 IS EXPECTED TO AFFECT 2021 BOTTOM LINE

Over half the businesses in ASEAN are expecting continued revenue reductions into 2021 as a carryover effect of the pandemic (Figure 4). Among those expecting a downside, majority (54%) expect a drop of 1-10% in their revenue though another one-fifth of companies surveyed expect to see bigger losses of up to 20%, with one in ten companies expect a drop in revenue of more than 40%.

**Figure 4**  
**Impact of COVID-19 on Revenue**

What impact will COVID-19 have on your company's estimated 2021 revenue? (n = 119)

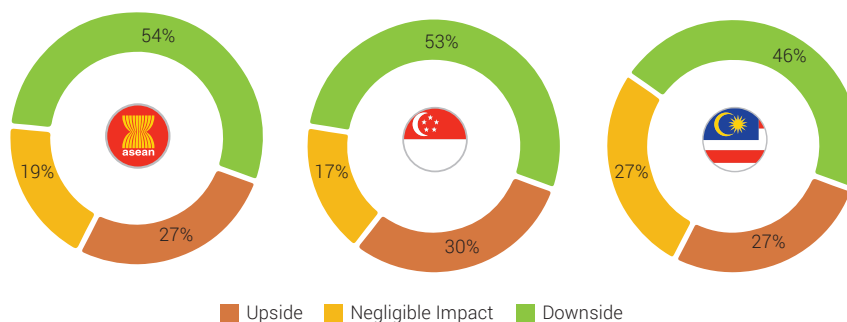




## COVID-19 IS A GAME CHANGER FOR NEAR-TERM REVENUE CONTRIBUTION

More companies feel that ASEAN's role in revenue generation is likely to stagnate for the next two years (Figure 5). Comparatively, pre-COVID-19 predictions were hopeful, expecting revenue generation to rise. However, companies with exposure to emerging economies where there is a burgeoning middle class to tap into are more optimistic of a growing ASEAN contribution in the near term.

Despite more than one in three respondent companies in Singapore and Malaysia expecting an upside, overall economic recovery is likely to be prolonged given that the majority of companies are not as optimistic. Singapore and Malaysia will be watched closely to see if the optimism pans out and what effect recovery in these two countries might have on the rest of ASEAN.



**Figure 5**  
**Impact of COVID-19**  
**on Revenue**

What impact will COVID-19 have on your company's estimated 2021 revenue? (Total, n = 119) (Singapore, n=30) (Malaysia, n = 37)

\*Due to small sample size, results should be interpreted with caution.

Expected % Drop in Revenue amongst those Expecting a Downside

	ASEAN	SINGAPORE	MALAYSIA
1% - 10%	58%	63%	65%
11% - 20%	19%	19%	24%
21% - 40%	13%	19%	12%
More than 40%	11%	0%	0%
	n = 64	n = 17*	n = 15*





# ECONOMIC OUTLOOK



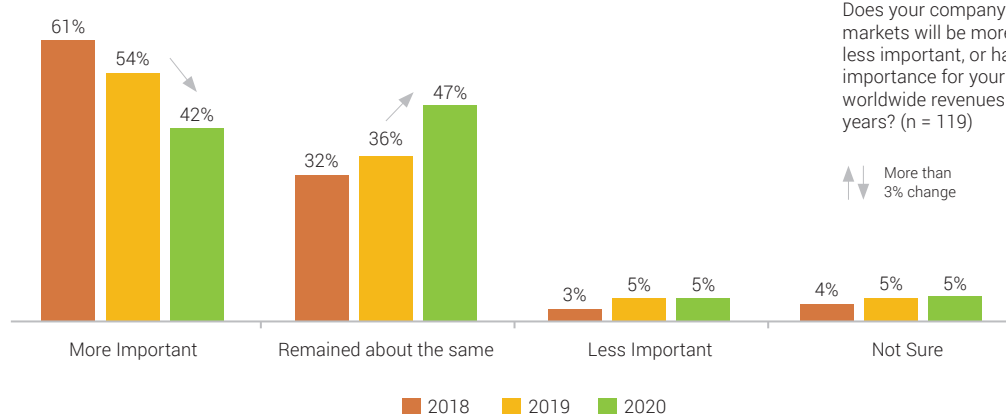


Reflecting on the immediate past and looking toward the near future, ASEAN will maintain its importance as a sizable market. However, sentiments about ASEAN's growing importance to company earnings plummeted, with significantly more members expecting ASEAN's influence to be status quo over the next two years (Figure 6). This softening is in part driven by external developments, such as the U.S.-China trade war, the effects of COVID-19 and the stability of regional governments.

All eyes are on U.S. President Biden's administration with calls to rebuild ties and reset China trade policies. Depending on the action of the new administration, there could be a partial recovery in the U.S.-China relationship and more cooperation between both governments. This signals an opportunity to reinvigorate the ASEAN value proposition to fuel optimism, and encourage increased investment potential in the coming years.

However, there are other new areas of concern which may impact the region such as the coup in Myanmar which took place after this survey was closed.

**Figure 6**  
**Importance of ASEAN market for company revenues over the next 2 Years**



Does your company feel ASEAN markets will be more important, less important, or have the same importance for your company's worldwide revenues in the next 2 years? (n = 119)

↑↓ More than 3% change



## UNDERSTANDING GROWTH OPPORTUNITIES

Mass urbanization across ASEAN is accompanied by rapid expansion in the middle class. This rise in the consumer class is driving optimism in many countries (Figure 7).

Across the broader APAC, both size and consumption practices of the middle class are expected to grow in the medium term. Globally, the middle class is predicted to have 1.7 billion more people by 2030, and most of that growth will come from APAC, both in total population and consumption.<sup>24</sup>

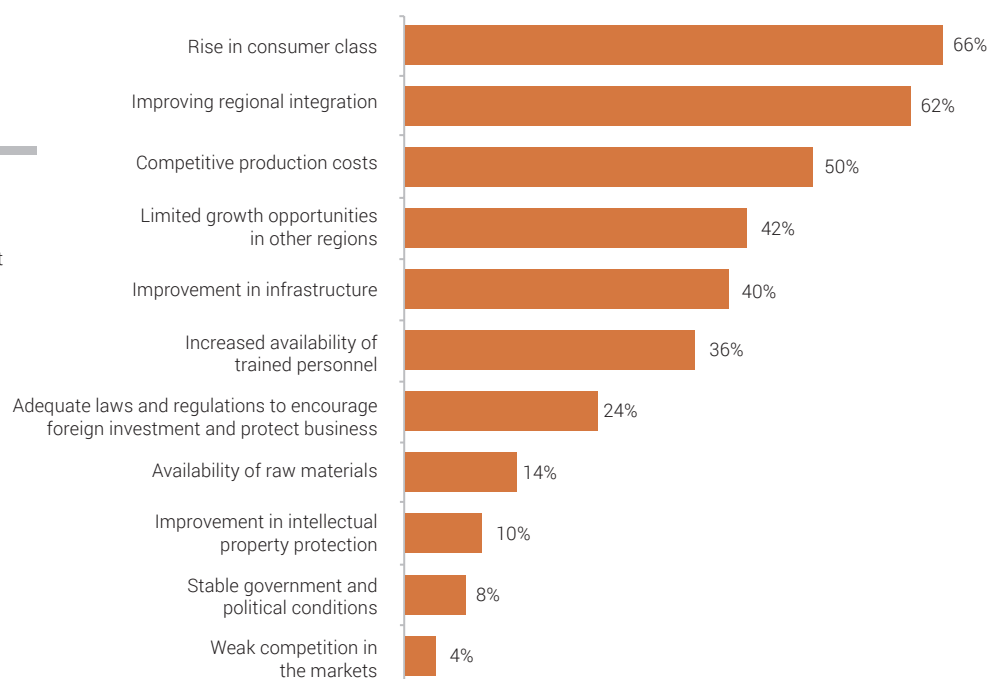
Eight ASEAN countries – except Singapore and Brunei – are classified by the World Bank as middle-income economies, defined as those with a gross national income per capita between US\$1,036 and US\$12,535. Four of these countries – Cambodia, Myanmar, the Philippines and Vietnam – are classified as lower middle class, meaning they have even more room for growth.<sup>25</sup>

American companies in ASEAN appear to be tapping into these trends as growth opportunities. Those who predict ASEAN to be more important as a market over the next two years cite the rise in the middle or consumer class of the region as the primary driver.

**Figure 7**

### Reasons why ASEAN market will be more important to revenues in the next 2 Years

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years? (n = 50)



<sup>24</sup> Homi Kharas, Brookings Institution, "The Unprecedented Expansion of the Global Middle Class: An Update" ([https://www.brookings.edu/wp-content/uploads/2017/02/global\\_20170228\\_global-middle-class.pdf](https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf))

<sup>25</sup> The World Bank, 'The World Bank in Middle Income Countries', <https://www.worldbank.org/en/country/mic/overview>, 2021.

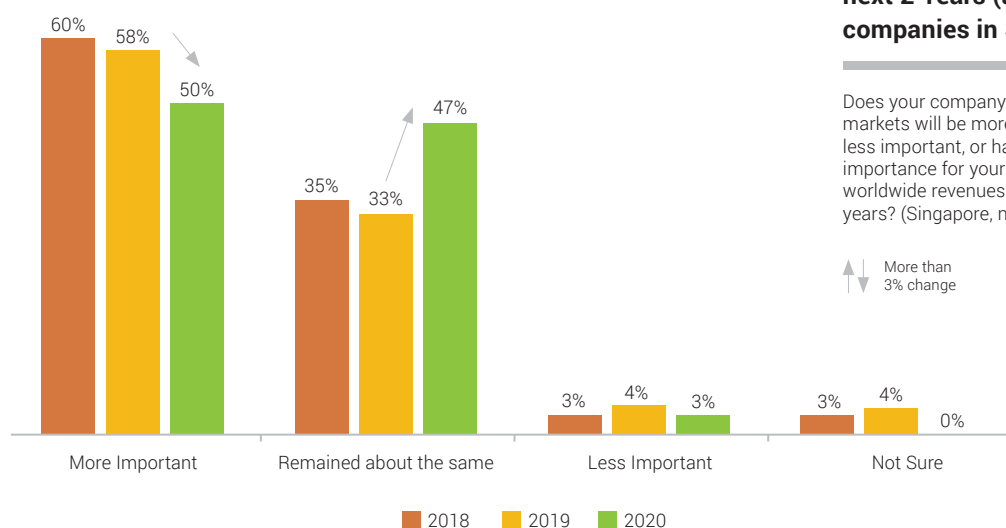


## ASEAN'S IMPORTANCE IN THE NEXT TWO YEARS

In Singapore, the past year has given rise to an increase in businesses expecting ASEAN's influence on their revenues to remain unchanged unlike previous years when there was greater optimism in growth opportunities. This shift in perception may be driven by pandemic-mandated restrictions on international trade over the past year, creating little room for growth. These restrictions have more impact on regional hubs and open economies such as Singapore.

Half of surveyed respondents (50%) expect ASEAN to become more important to their company's worldwide revenues over the next two years. An increasing percentage of companies anticipate no change compared to the previous year (37% in 2020 compared to 33% in 2019) (Figure 8) although this does not necessarily indicate stagnation in revenues, and could be due to revenues growing evenly across all regions.

**Figure 8**  
**Importance of ASEAN market over the next 2 Years (among companies in SG)**





## CONSUMER CLASS OPPORTUNITIES WILL DRIVE ASEAN INFLUENCE

Companies in Singapore who are optimistic about ASEAN's growing role believe the rise in consumer class and improving regional integration (Figure 9) will drive the change. As is true with ASEAN at large, companies that can tap into a rising middle class consumer base are the most optimistic of ASEAN's influence as a trade bloc to achieve growth in the short term.

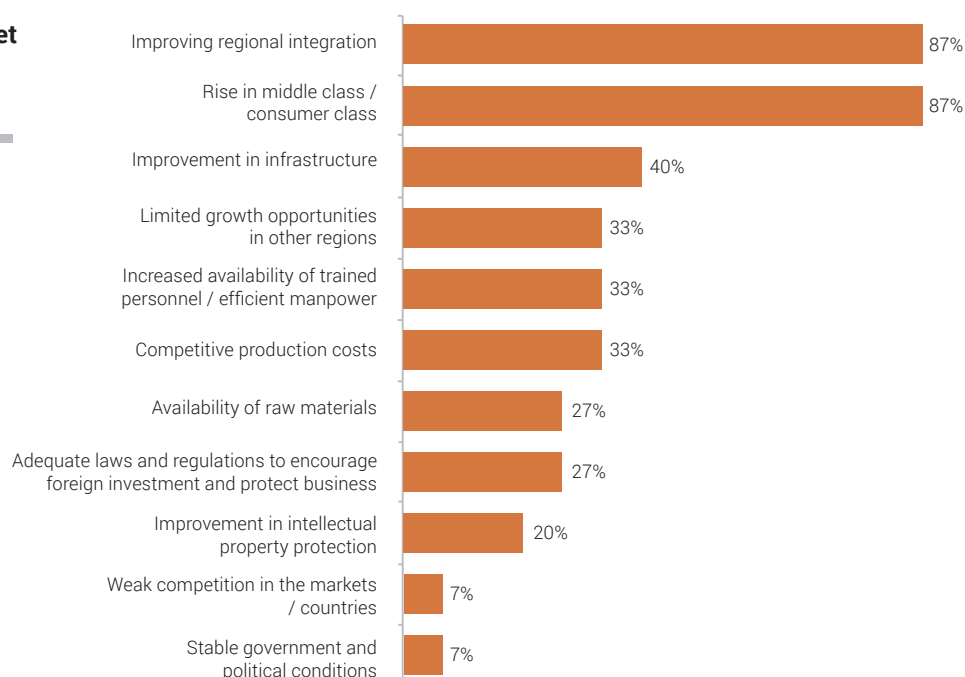
There are also signs of a recovery in Singapore, which in turn is fueling optimism in companies in Singapore. According to Singapore's Ministry of Trade and Industry (based on advance estimates for the fourth quarter of 2020), the Singapore economy contracted by 3.8 per cent on a year-on-year basis, an improvement from the 5.6 per cent contraction recorded in the third quarter.<sup>26</sup>

**Figure 9**

### Reasons why ASEAN market will be more important (among companies in SG)

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years? (Singapore, n=19\*)

\*Due to small sample size, results should be interpreted with caution.

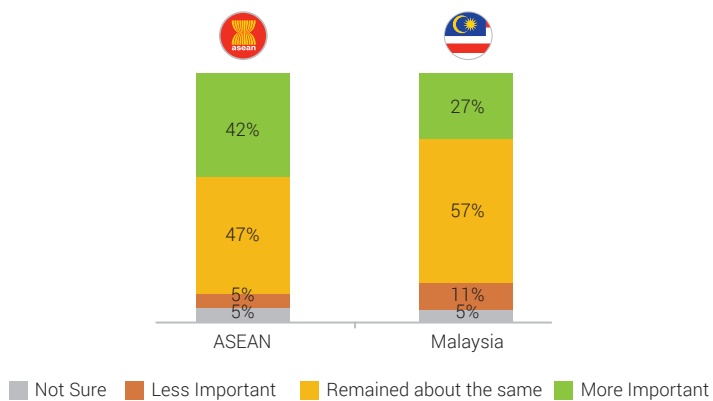


<sup>26</sup> Ministry of Trade and Industry (Singapore), "Singapore's GDP Contracted by 3.8 Per Cent in the Fourth Quarter of 2020", (<https://www.singstat.gov.sg/-/media/files/news/advgdp4q2020.pdf>), 4 January 2021



## MALAYSIA IS LESS OPTIMISTIC THAN THE REST OF ASEAN

With Malaysian companies, there is relatively less optimism about ASEAN's growing revenues (Figure 10). The majority expect their contributions to worldwide revenues to stay the same. More optimistic companies believe competitive production costs and increased availability of trained personnel are the main reasons why the market may grow in importance.



**Figure 10**  
Importance of  
ASEAN market over  
the next 2 Years

Does your company feel ASEAN markets will be more important, less important, or have the same importance for your company's worldwide revenues in the next 2 years? (Total, n = 129) (Malaysia, n=37)





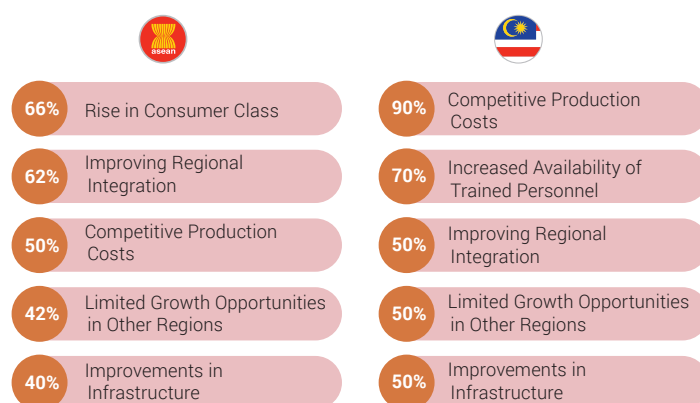
In comparison, ASEAN overall is more optimistic of the growth potential of ASEAN's market, with 42% reporting that ASEAN markets will be more important for their companies worldwide revenues in the near term. The main drivers for this optimism is the rise of middle class consumers and improving regional integration (Figure 11) supported by notable deals like CPTPP and RCEP.

**Figure 11**

## Top 5 reasons why ASEAN market will be more important

Relative to other markets, what are the reasons why your company feels that ASEAN markets will be more important for its worldwide operations and revenues in the next 2 years? (Total, n = 50) (Malaysia, n=10\*)

\*Due to small sample size, results should be interpreted with caution.



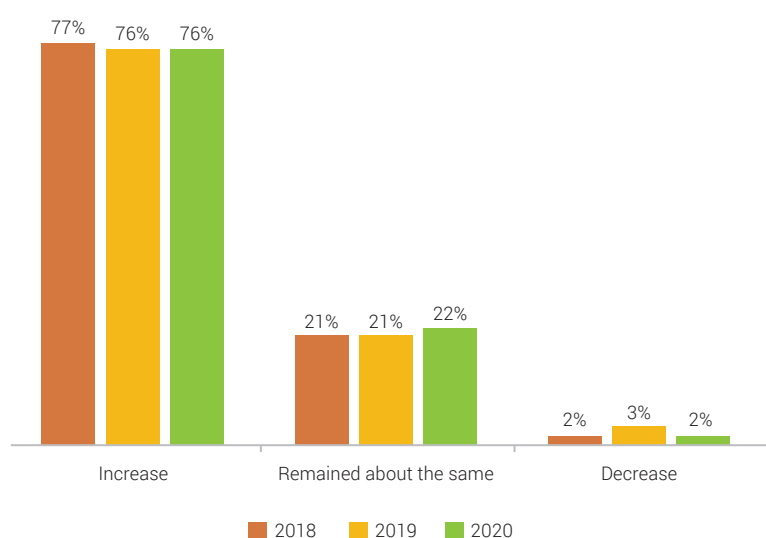


## TRADE & INVESTMENT IN ASEAN

Despite diminished expectations of the ASEAN market's role in the nearer term of next two years, the region continues to remain economically attractive to most companies in the longer term (Figure 12). According to forecasts from surveyed companies, executives remain strongly confident in their companies' investment and trade in the region over the next five years. Three out of four companies report their company's trade and investment in the ASEAN is expected to increase. The difference in short-term and longer-term forecasts may very well have to do with the expected effects of COVID-19.

The longer-term confidence could also be in direct response to the Regional Comprehensive Economic Partnership (RCEP) signed in November 2020 which builds upon the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) signed in 2018.

RCEP is an agreement is a trade agreement to broaden and deepen ASEAN's engagement with Australia, China, Japan, Korea and New Zealand. Together, these RCEP participating countries account for about 30% of the global GDP and 30% of the world population.<sup>27</sup>



**Figure 12**  
**Trade/investment in the ASEAN region in the next 5 Years**

Over the next five years, do you expect your company's level of trade and/or investment in the ASEAN region to..  
(n=119)

<sup>27</sup> asean.org, "Summary of Regional Comprehensive Economic Partnership Agreement", (<https://asean.org/summary-regional-comprehensive-economic-partnership-agreement/>)



## REGIONAL INVESTMENTS ARE FORECASTED TO INCREASE

Despite COVID-19's impact, there is strong optimism in Singapore that regional investments will increase in the next five years (Figure 13). Higher than in previous years, 90% of companies surveyed plan to increase their investment in the ASEAN region in the next five years. The sharp increase in projections of financial investments from Singapore affirms its growing reliance on regional trade in the long term. This projected increase can possibly fuel a rise in Singapore's importance to regional businesses. This optimism is likely due to the Singapore government's focus on remaining a market-oriented, open economy with extensive free trade agreements.

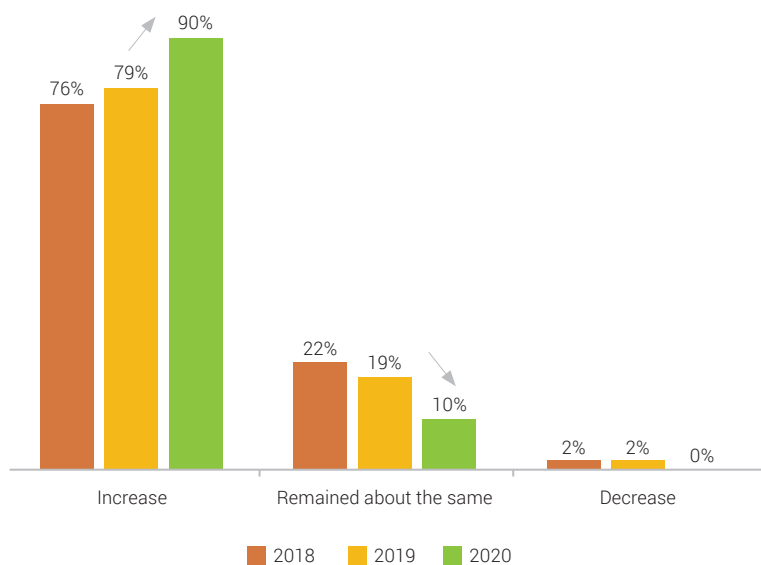
Some of these investments are already under way as many American MNCs continue to grow their Singapore operations, often for the purpose of expanding their regional strategies.

Procter & Gamble, for example, earmarked S\$12 million to develop three, new Singapore-based businesses which will eventually be scaled globally.<sup>28</sup> Coca-Cola, which has been in Singapore since 1936, invested over US\$100 million between 2015 and 2020 to refocus its operations in Singapore on high value-added services, such as new technologies, innovation, and research.<sup>29</sup>

**Figure 13**  
Trade/investment in  
the ASEAN region  
in the next 5 Years  
(among SG companies)

Why do you see your company's  
level of trade & investment increasing  
in ASEAN over the next five years?  
(Singapore, n = 30)

↑ More than  
3% change



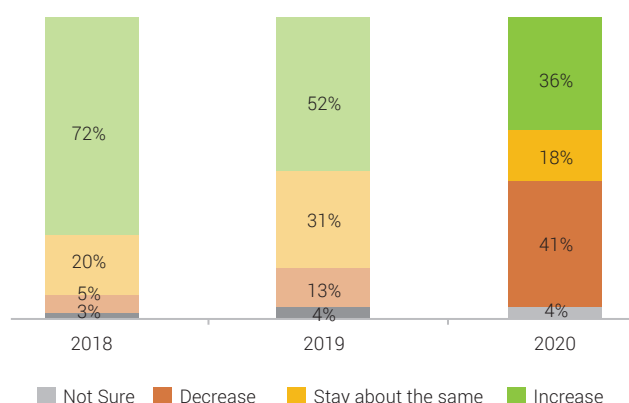
<sup>28</sup> Seow Bei Yi, Straits Times, "P&G to invest \$12m to grow new Singapore businesses" (<https://www.straitstimes.com/business/pg-to-invest-12-million-to-grow-new-singapore-businesses>)

<sup>29</sup> edb.gov.sg. "Shifting to high-value added services such as new technologies and R&D in Singapore is helping Coca-Cola position for stronger growth across the region", (<https://www.edb.gov.sg/en/our-industries/company-highlights/coca-cola.html>)



# PROFIT OUTLOOK OF THE ASEAN MARKET

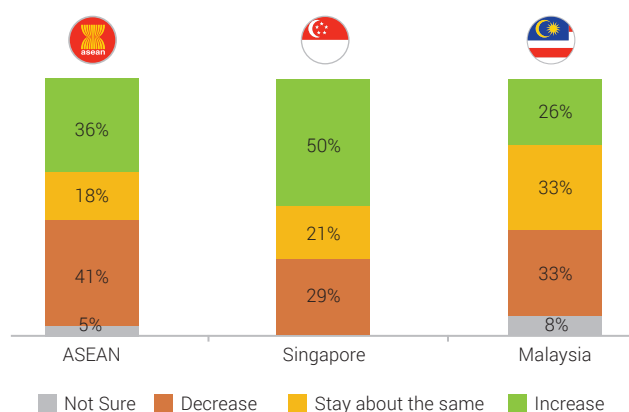
There has been a significant drop in expectations in profits compared to previous years (Figure 14). In fact, 41% of surveyed companies are bracing for reduced profits in 2020. This could be attributed to the impact of COVID-19, where similarly one in two companies globally reported expecting to make a loss (Figure 4).



**Figure 14**  
Sentiments about profit (Compared to previous years)

Compared to 2018, do you expect your profits in ASEAN in 2020 to...  
(Total, n=119)

Singaporean companies appear to have a more positive outlook for their company's profits compared to their Malaysian counterparts (Figure 15). One third of Malaysian companies are expecting to see a decrease in profits this year whereas half of surveyed companies in Singapore expect to see profits to increase.



**Figure 15**  
Sentiments about Profit Outlook (2020)

Compared to 2018, do you expect your profits in ASEAN in 2020 to...  
(Total, n=119) (Singapore, n=30)  
(Malaysia, n=37)

# SATISFACTION WITH LOCAL BUSINESS ENVIRONMENT

COVID-19 has had a major impact on satisfaction with the local business environment. Personal security continues to be the most important consideration for doing business locally (86%) (Figure 16). But new benchmarks of concern have emerged such as implementation of strong public health measures during COVID-19. Four out of ten businesses also weigh COVID-19 stimulus measures as an important consideration.

Satisfaction with tax structure saw a sharp decrease (70% in 2019 compared to 45% in 2020) while the availability of trained personnel saw the steepest increase (20% in 2019 compared to 65% in 2020).

A stable government and political system also saw a big decline (76% in 2019 compared to 43% in 2020). The recent coup in Myanmar may cause some companies to reconsider that stance.

Despite the U.S. internally having one of its most volatile years in 2020, businesses in ASEAN remain very optimistic. Positive sentiment towards the U.S. has increased by 20% (56% in 2019 compared to 76% in 2020). It is worth noting this survey was taken shortly after the U.S. election of Joe Biden.

Other new factors were considered this year such as adequate low-cost labor force (55%) and ease of bringing in necessary foreign expertise (52%).

**Figure 16**

## Personal security, COVID-19 response & sentiments towards US are the most appreciated business environment factors in 2020

Despite the US internally having one of its most volatile years in 2020, businesses in ASEAN remain very optimistic. There is however increased disappointment with rising costs in the region.

### Top 3 Satisfaction Rates



**Personal Security**  
86%



**Public Health Measures**  
79%



**Sentiment towards the U.S.**  
76%

How satisfied are you with these factors? (n=119)

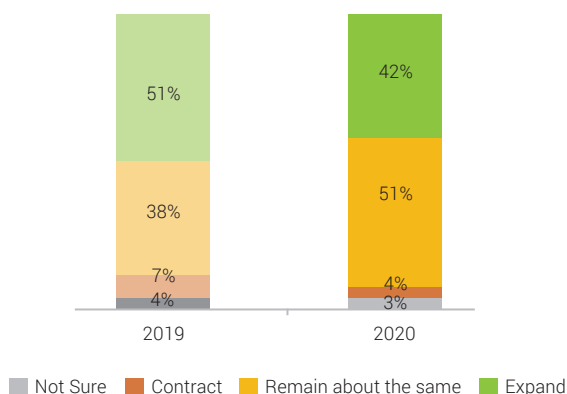
### Satisfaction Rates with Economic Factors

	% (2020)	% (2019)
Personal security	86%	87%
Public health measures during COVID-19	79%	<b>NEW</b>
Sentiment towards the U.S.	76% ↑	56%
Infrastructure	66% ↑	58%
Availability of trained personnel	65% ↑	20%
Legal system / contract sanctity	55% ↑	43%
Adequate low-cost labour force	55%	<b>NEW</b>
Free movement of goods within the region	53% ↑	40%
Ease of bringing in necessary foreign expertise	52%	<b>NEW</b>
Ease of moving your products through customs	50% ↑	43%
Laws & regulations	49% ↑	38%
Tax structure	45% ↓	70%
Stable government & political system	43% ↓	76%
Stimulus measures to support businesses during COVID-19	42%	<b>NEW</b>
Office lease costs	41% ↓	49%
Housing costs	40% ↓	57%
New business incentives offered by government	38% ↑	31%
Lack of corruption	33% ↓	54%
Lack of local protectionism	30%	28%



## BUSINESS EXPANSION IN ASEAN WITHIN THE LOCAL MARKET

Business expansion within local markets stagnated slightly, with one out of two businesses planning to operate at a similar capacity (Figure 17), compared to the prior year where one out of two companies planned to expand. This could be attributed to the impact of COVID-19 on company operations, with the majority of companies reporting some sort of impact of COVID-19 on their business.



**Figure 17**  
**Growth Opportunities**  
**(Within Local Market)**

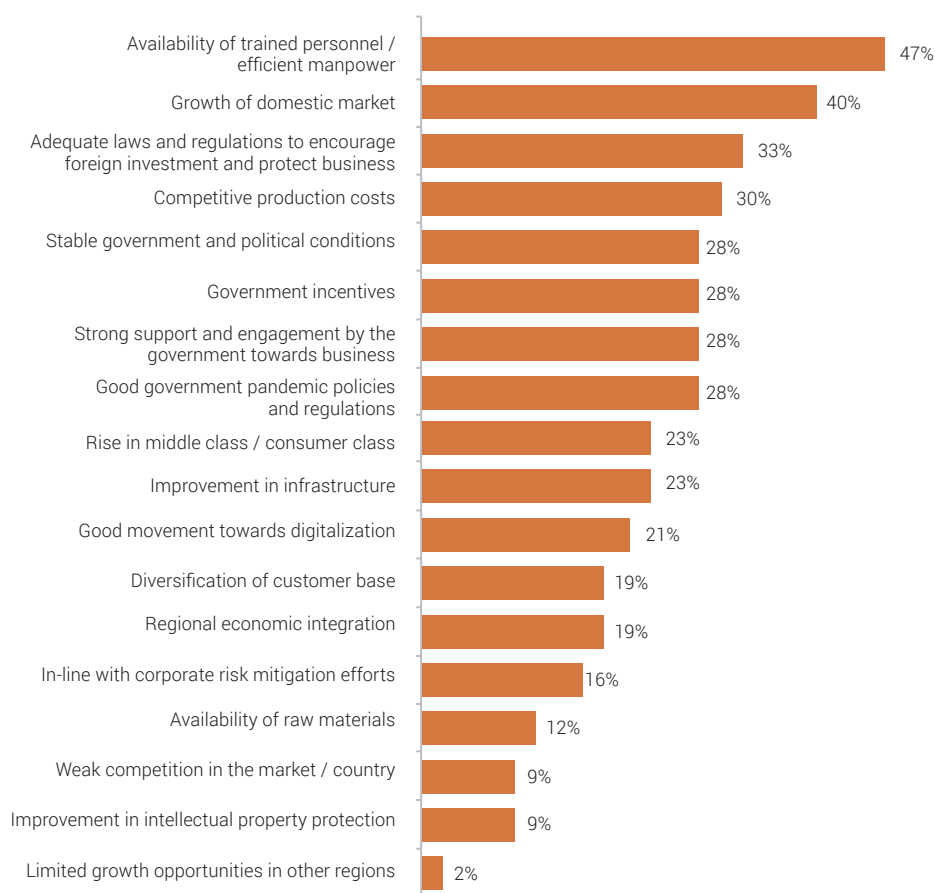
Within your country, does your company plan to expand or cut-back?  
(Total, n = 103)



Amongst companies that are looking to grow their local businesses, availability of trained personnel (47%), growth of the domestic market (30%), and the rise of the middle class (28%) are the main driving factors (Figure 18).

**Figure 18**  
**Reasons for**  
**expanding company**  
**within local market**

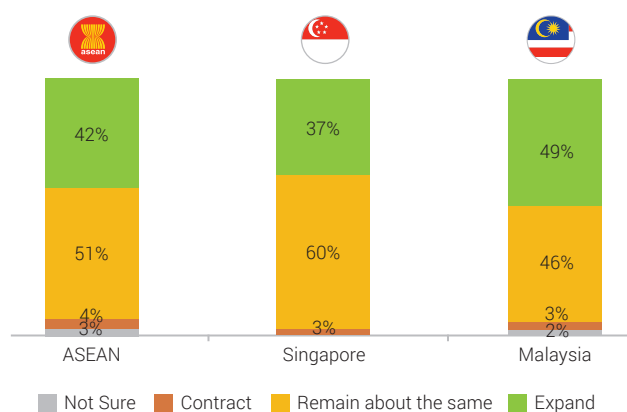
What are the reasons why your company plans for business expansion in your country? (n = 43)







With a bigger domestic market available, Malaysia is more optimistic than Singapore about local business expansion (Figure 19). Encouragingly, despite the adverse effects of the pandemic, only a small proportion of businesses across the region plan to scale back – and the majority are confident of maintaining their business.



**Figure 19**  
**Growth Opportunities**  
**(Within Local Market)**

Within your country, does your company plan to expand or cut-back?  
(Total, n = 103)  
(Singapore, n = 30) (Malaysia, n = 37)

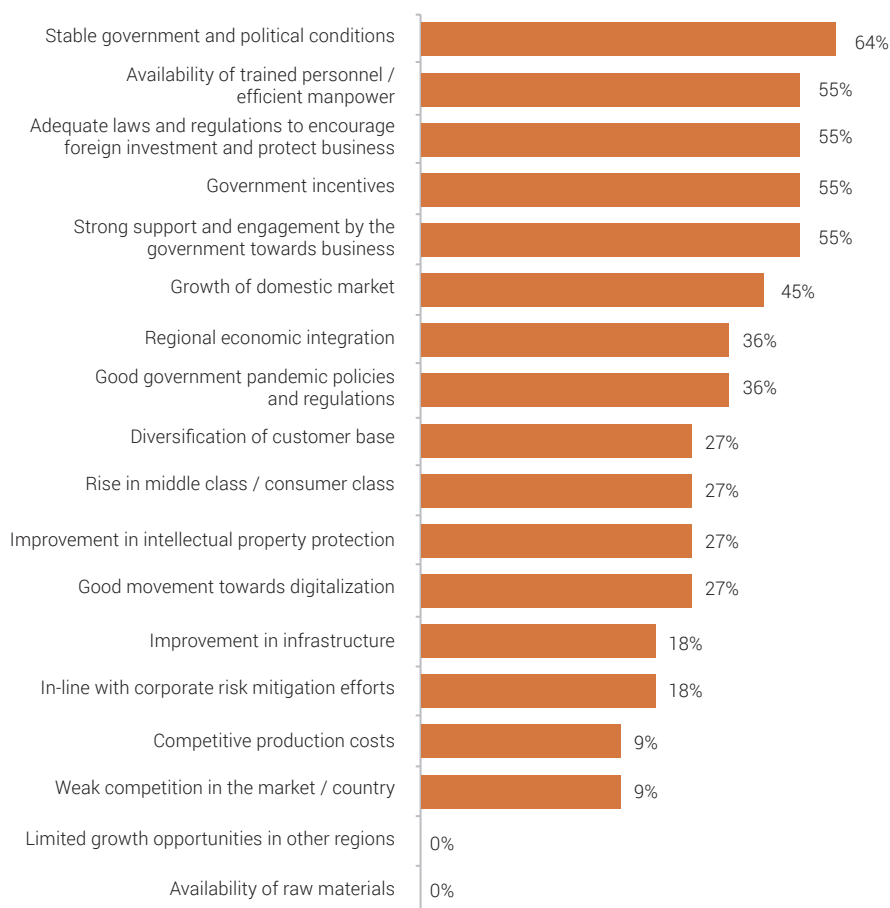


Among Singaporean companies who are looking to expand, stable government and politics (64%) is the key driving force (Figure 20). Compared to ASEAN overall, Singaporean companies seem to be receiving much more support and encouragement from its government to incentivize local business expansions.

**Figure 20**  
**Reasons for expanding company within local market (Singapore)**

What are the reasons why your company plans for business expansion in your country? (n = 11\*)

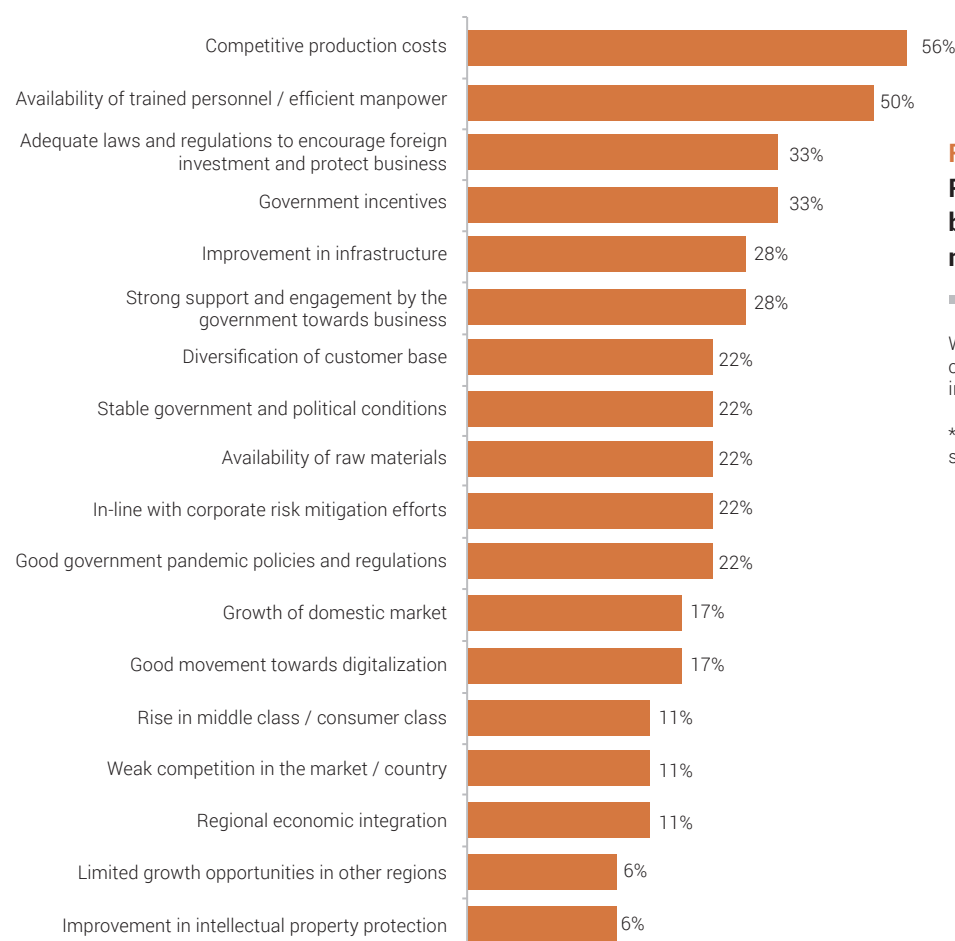
\*Due to very small sample size, results should be interpreted with caution.







For companies in Malaysia looking to expand (Figure 21), competitive production costs and availability of trained personnel are key attractors (56%). Compared to ASEAN overall, Malaysia companies are benefiting from competitive production costs.



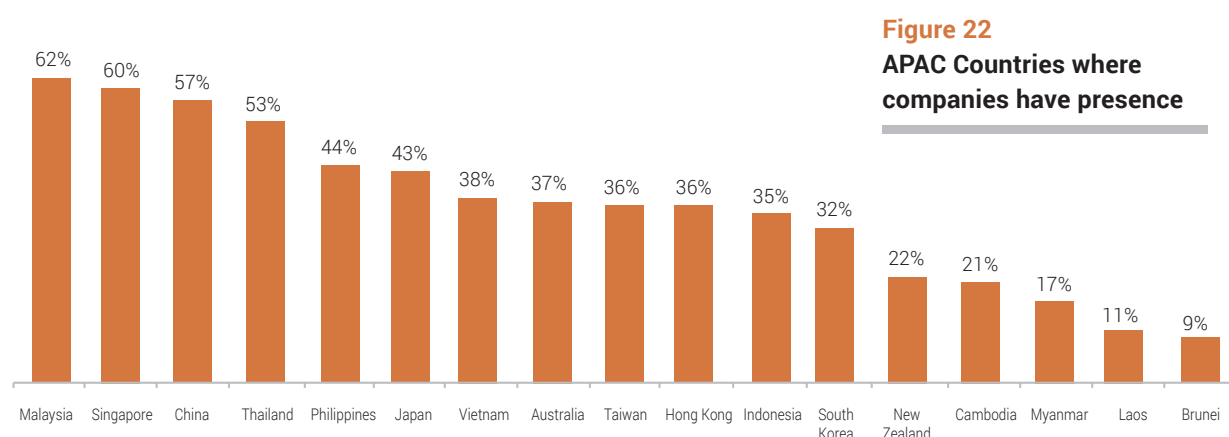
**Figure 21**  
**Reasons for expanding business within local market (Malaysia)**

What are the reasons why your company plans for business expansion in your country? (n = 18\*)

\*Due to very small sample size, results should be interpreted with caution.

# BUSINESS EXPANSION INTO ASEAN OUTSIDE THE LOCAL MARKET

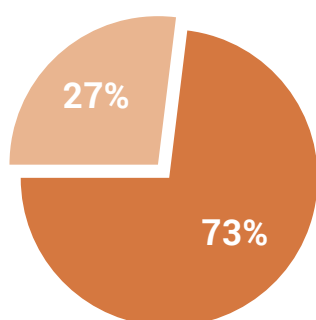
ASEAN businesses primarily rely on Malaysia, Singapore, China and Thailand for their operations (Figure 22).



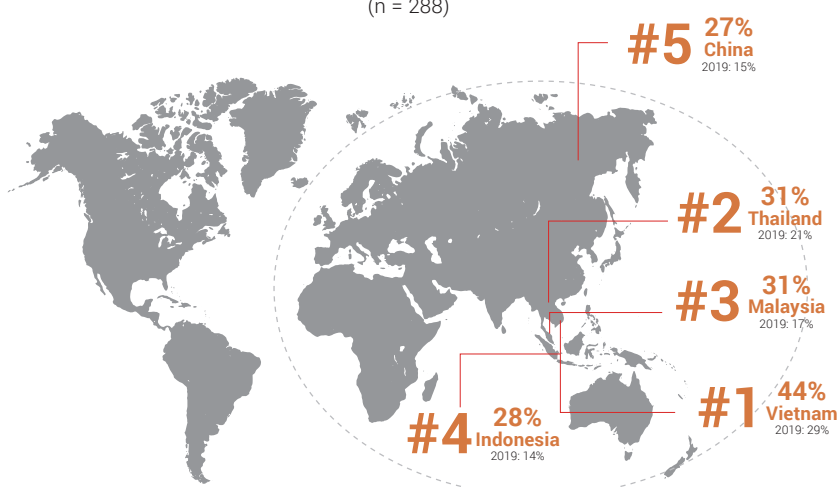
Of the following Asia Pacific economies, in which one(s) do(es) your company currently have a presence? (n = 129)

While companies are hesitant about short-term expansion opportunities, they are more bullish about a longer-term game. Nearly three out of four ASEAN companies are looking to expanding into APAC within the next five years (Figure 23). Vietnam (44%), Thailand (31%) and Malaysia (31%) are the most attractive markets for expansion.

**Figure 23**  
**73% of companies are considering expanding to another country within the next 5 years**



**Top 5 countries which companies are considering expanding into**  
(n = 288)



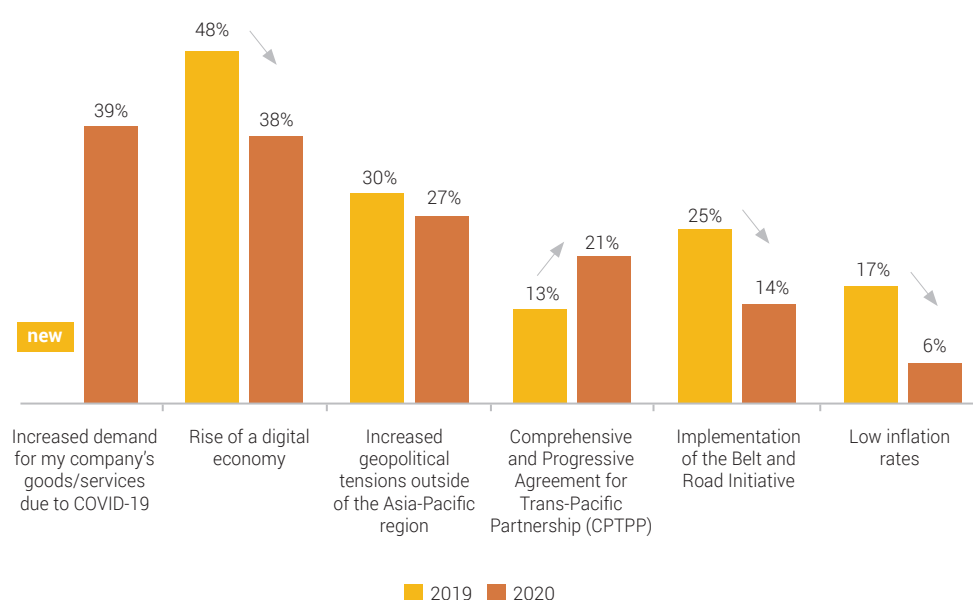
Which, if any, of the following Asia Pacific economies is your company considering expansion to within the next five years? (2020, n = 129) (2019, n = 217)





Rising demand and technological advancement are key attractors for those businesses keen to expand in APAC (Figure 24). Enthusiasm over the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has also increased (21% vs 13% in 2019) as companies grow more comfortable with the agreement's ins and outs.

According to the AmCham Singapore 2020 CPTPP Survey, 70% of companies find the CPTPP beneficial with hospitality, logistics and manufacturing firms as well as U.S.-based companies more likely to positively view CPTPP.<sup>30</sup>



**Figure 24**  
Recent developments which significantly influenced the decision to expand within Asia Pacific

Which of the following recent developments have significantly influenced your company's decision to expand within the Asia Pacific region within the next five years? (n = 71)

↑↓ More than 3% change

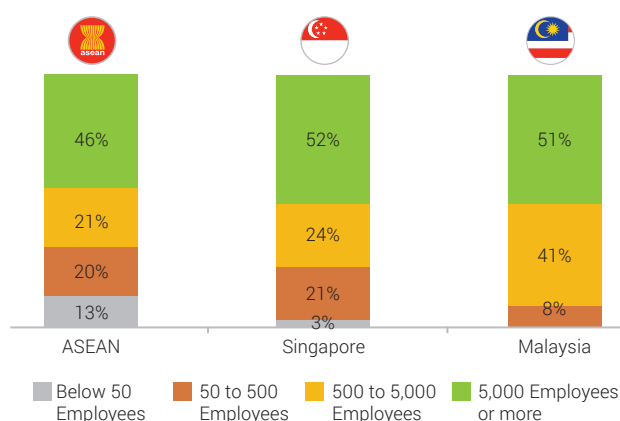
<sup>30</sup> AmCham Singapore, "2020 CPTPP Survey Results: Outlook and Opportunity", (<https://amcham.com.sg/wp-content/uploads/2020/11/CPTPP-Survey-2020.pdf>)

# WORKFORCE DEMOGRAPHICS

Nearly half the participating companies in 2020 are large-scale businesses with more than 5,000 employees globally (Figure 25). A greater proportion of companies in Singapore and Malaysia have larger labor forces.

**Figure 25**  
**Total company workforce size (Global)**

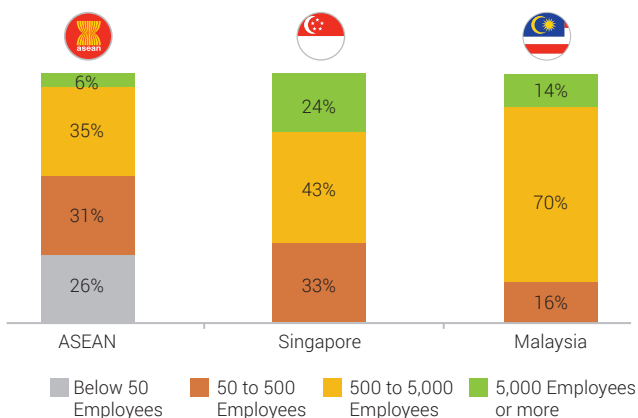
What is the approximate size of your company's total workforce worldwide?  
(Total, n = 119) (Singapore, n = 30)  
(Malaysia, n = 37)



In terms of manpower, Singapore business participants in 2020 have a higher concentration of large-scale businesses (Figure 26). On the other extreme, Singapore relative to Malaysia also has a higher number of smaller firm participation with fewer than 50 employees.

**Figure 26**  
**Total company workforce size (Local Market)**

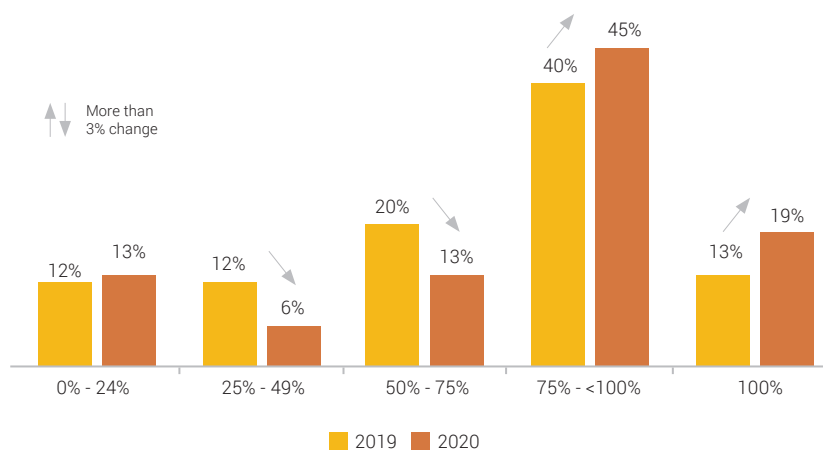
What is the approximate size of your workforce in your country? (Total, n = 119) (Singapore, n = 30) (Malaysia, n = 37)







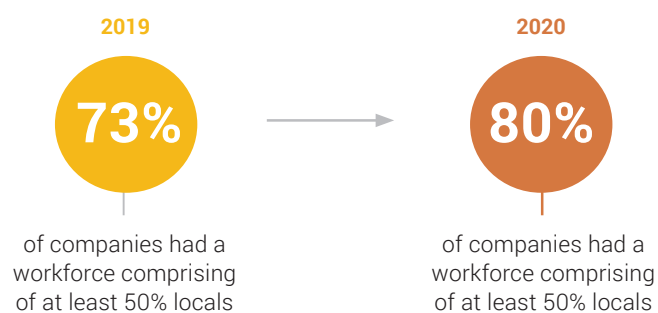
There is increased dependence on local talent in 2020 with a 7% increase from 2019 in local manpower proportions. Travel restrictions in place due to COVID-19, and increased desires to protect domestic economies, could have influenced the demand for local hires (Figure 27).



**Figure 27**  
**Percentage of Workforce made up by Locals**

In your country, what percentage of your workforce is comprised of locals? (Total 2020, n = 119) (Total 2019, n = 217)

**% of Companies with workforce made of at least 50% locals**



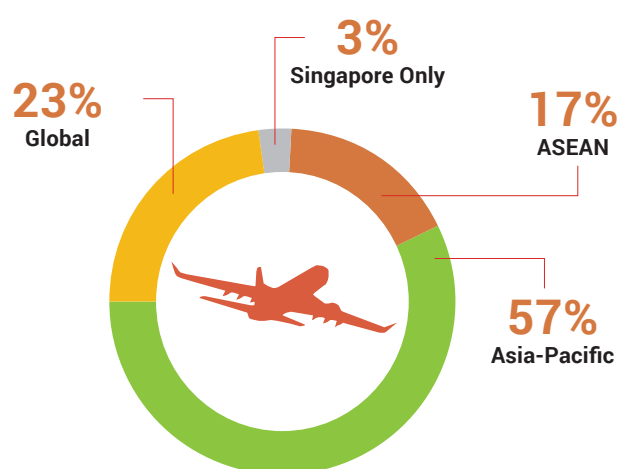


Nearly all participating companies in the 2020 survey from Singapore have a regional or global presence with 57% of Singaporean companies covering APAC and another 23% having a global coverage (Figure 28).

**Figure 28**  
**Surveyed Companies' Presence**

What is the geographic coverage for your office in Singapore? (n = 30)

\*Note: this question is only asked of Singapore



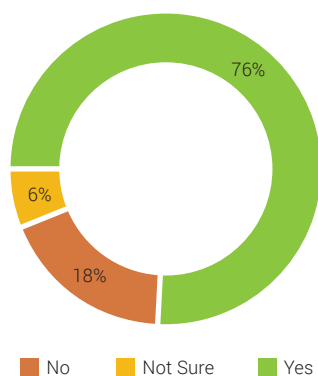




## ASEAN MARKET REMAINS ATTRACTIVE FOR INVESTMENT AND EXPANSION

Despite the economic uncertainty faced by many, there is cautious optimism for the region (Figure 29). Companies are still eager to continue investing in the ASEAN market over the longer horizon of five years. Increased demand and technical advancements will lead the charge for growth the region. More than 70% of the companies in ASEAN have plans to expand operations in APAC in the next five years.

The partnership between ASEAN and the US is crucial to the region's recovery from COVID-19 as it undergoes a transformation of society and businesses. Overall, there is growing optimism in ASEAN as leaders and businesses demonstrate resilience along with a spirit of innovation and creativity that will support regional stability, sustainability and growth.



**Figure 29**  
**Local Market Acceptance**  
**of U.S. Companies or**  
**Investments**

Overall, do you find your country welcoming of U.S. companies and/or investment?  
(2020, n = 17\*) (2019, n = 50)

\*Due to small sample size, results should be interpreted with caution.



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# SPECIAL PERSPECTIVES



# TIME FOR A RENEWED FOCUS ON ESG IN ASEAN



By James Arnold, Citi Co-Chair of the APAC Sustainability and Corporate Transactions Group & Head of Citi Hong Kong Global Subsidiaries Group

A recent UNICEF and the International Telecommunication Union (ITU) report revealed that two thirds of the world's school-aged children do not have internet connection in their homes today. With hundreds of millions of students having to rely on virtual learning when schools are shut to curb the spread of the virus, the pandemic has inevitably exacerbated the inequalities that exist in our society today.

While COVID-19 has devastated the global economy and claimed millions of lives, it has given the world a chance to pause, reflect and reset. Besides driving the society to tackle social inequalities with urgency, COVID-19 has also pushed climate issues up the agenda and given governments an opportunity to pivot the world toward a greener future.

Winston Churchill once said, 'Never let a good crisis go to waste'. While the most immediate priority is to respond to the pandemic and prevent the further loss of human life, this is also the best time to learn from the past and rebuild better post-crisis.

ASEAN governments have already recognise the importance of rebuilding better using Environmental, Social, and Corporate Governance (ESG) principles as a key metric. Within the ASEAN Comprehensive Framework, which was adapted at the 37th ASEAN Summit held in November 2020, there is a clear focus on these principles, with the aim of developing resilience and sustainability across the region.

For businesses, a commitment to ESG will involve transitioning to a low-carbon economy as the world seeks to limit global warming to below 2 degrees Celsius from

pre-industrial levels. In practice, this requires companies to embrace renewable energy sources and adopt initiatives such as carbon capture to reduce their emissions of greenhouse gases. It also requires organisations to support efforts to reduce inequalities within the society and put in place governance measures that will result in positive social impact.

The sustainability movement is now mainstream, having progressed from a niche agenda only a decade ago. Companies that have a long-term strategy will stand out from the competition by demonstrating their ability to navigate a fast-evolving global landscape that is increasingly ESG-focused.

## Key focus areas in ASEAN

Among the many aspects that come under the ESG umbrella, I believe there are three key areas that ASEAN needs to focus on most immediately: the transition to renewable energies, digital transformation and green infrastructure.

Firstly, the path to a low carbon economy is critical for ASEAN to rebuild its resilience and transition to a sustainable future. Even before the outbreak of COVID-19, many countries in the region suffered from devastation and destruction caused by extreme weather events which resulted from rising carbon emissions.

There is a need to move past the common misconception that transitioning to a low-carbon economy hurts the bottom line. In reality, it can result in greater profitability



and new business opportunities. In a recent article, United Nations Secretary-General António Guterres noted that it costs more to run most of today's coal plants than it does to build new renewable plants from scratch.

In terms of digital transformation, the need for all levels of society to have access to digital technologies to promote inclusive growth is a key pre-requisite for reducing inequality.

Finally, there needs to be continued investment in green and sustainable infrastructure backed by new technologies to cope with the impact of increasing population density in urban areas.

### The role of financial services

As more businesses adopt an ESG mindset that takes into account the impact of their activities on the society, finance can play an important role in influencing the ways companies operate.

Indeed, investors' demand in the market for ESG financing solutions has grown rapidly in recent years. Today, there is USD1.3 trillion in outstanding sustainable debt, which includes green, social, sustainability and sustainability-linked bonds. S&P forecasts that issuance of such bonds will increase to USD700 billion in 2021, up from just over USD 530 billion in 2020.

While the majority of this new issuance is expected to come from Europe and North America, ASEAN will have an increasingly larger slice of this market going forward as it looks to promote sustainable finance in the region's capital markets. Key initiatives from ASEAN regulators will support this objective. And here in Singapore, from as early as 2016, SGX has already introduced sustainability reporting on ESG factors for listed issuers to complement their usual financial reporting.

Meanwhile, changing consumer behaviour is also driving the growth of sustainable finance. With heightened public awareness on ESG issues, consumers are now highly motivated to support companies that demonstrate superior ESG standards. A clear example is the growing urgency in the automobile sector to cut carbon dioxide emissions

from its vehicles. Tesla, which is once considered a niche player in the electric-car market, is now joined by other globally established players in ramping up efforts to reduce carbon emissions.

In fact, the Electric Vehicles Market is projected to reach 26,951,318 units by 2030 from an estimated 3,269,671 units in 2019, at a CAGR of 21.1% during the forecast period. And, the Asia Pacific market is expected to witness the fastest growth, followed by Europe and North America<sup>31</sup>.

### Citi is supporting the low-carbon transition

At Citi, we are aligning our business to meet these new challenges as we believe that the financial sector has a critical role to play in the transition to a low-carbon economy. Last year, we announced our sustainable progress strategy, which includes a target of funding USD250 billion worth of sustainable projects over a 5-year period. This is after meeting the previous \$100 billion target four years earlier than planned.

Internally, we are working to reducing the carbon footprint across our facilities and improve our sustainability culture. Citi has also committed to measuring, managing and reducing the climate risk and impact of our client portfolio.

Looking ahead, we expect the growth of the sustainable finance market to be significant. Companies that do not have a clear path to transition from the pre-COVID economy are going to be fundamentally exposed to quickly changing investor preferences and face an inevitable increase in their cost of capital.

Against this backdrop, it makes sense for businesses in ASEAN to create value by developing a strong overall ESG proposition. Companies that have embarked on this journey are already reaping benefits, while those that have not are running out of time to do so.

There is no longer any doubt that ESG will be a global driving force for the rest of this decade. As a young and innovative region, ASEAN has a lot to gain from this transition if it gets it right.

<sup>31</sup> MarketsandMarkets, Electric Vehicle Market by Vehicle (Passenger Cars & Commercial Vehicles), Vehicle Class (Mid-priced & Luxury), Propulsion (BEV, PHEV & FCEV), EV Sales (OEMs/Models) Charging Station (Normal & Super) & Region - Global Forecast to 2030, June 2019



# TRANSFORMING HEALTHCARE ACCESS & DELIVERY THROUGH DIGITAL & INNOVATION



By Jan Meurer, President J&J South East Asia,  
Johnson & Johnson

The COVID-19 pandemic has had profound impacts on the health and well-being of millions, not forgetting the global economy, including those in Southeast Asia.

It has disrupted and changed our lives, from the way we work and communicate to how we shop and consume. Confined to homes, consumers are shopping digitally, thereby shifting consumption patterns and basket sizes.

In healthcare, focus of hospitals, their resources and healthcare professionals were diverted to managing and containing the spread of COVID-19. To reduce exposure, hospitals enforced stringent levels of safety and hygiene measures including strict entry limitations. Patients postponed elective surgeries and doctor follow-ups. Overall, everywhere, access to healthcare was compromised.

Effectively, COVID-19 has, and will continue to change the way we market, deliver and provide health care access to our patients, doctors, consumers, and communities.

The COVID-19 pandemic has underlined the significant

**“ Looking ahead, the pandemic will continue to play a role in pushing companies, like Johnson & Johnson, to break through the four walls of traditional healthcare engagement and reshape healthcare delivery. ”**

role of digital and tech-based solutions. Looking ahead, the pandemic will continue to play a role in pushing companies, like Johnson & Johnson, to break through the four walls of traditional healthcare engagement and reshape healthcare delivery.

## **Innovating and Accelerating our Pivot to Digital During COVID-19**

In Southeast Asia, we have a diverse and dynamic landscape, with both bustling urban centres and remote rural communities. Healthcare solutions need to reflect and respond to our geographic and demographic diversity.

In light of the pandemic at the start of 2020, Johnson & Johnson in Southeast Asia responded quickly on several fronts to ensure we continue to provide healthcare access and products to those who rely on them.

These included the provision of medical supplies to hospitals for elective surgeries, continuous specialist support to our doctors and surgeons in the operating





rooms, as well as uninterrupted access to critical innovative medicines for infectious diseases (e.g. tuberculosis).

Most critically, we accelerated the development and delivery of digital healthcare solutions.

We conducted virtual webinars and Continuous Medical Education sessions so as to continue to educate and engage HCP partners, as well as bridged healthcare professionals with consumers through livestreams and virtual engagements to educate them on how to safeguard their health and that of their loved ones. One such example is the launch of our Neuroscience Academy in the Philippines, an online

**“ Most critically, we accelerated the development and delivery of digital healthcare solutions. ”**

learning series that focuses on clinical management of schizophrenia, designed to equip Filipino psychiatrists with continuous learning opportunities during the pandemic. Besides that, we worked closely with our e-commerce partners and retail customers to ensure that our consumer health and vision care products remained available online amid the frantic buying due to country lockdowns.

### Healthcare for All Enabled by Digital & Innovation

As one of the world's largest healthcare companies, Johnson & Johnson is committed to changing the trajectory of health for all of humanity.



In doing so, we invest in innovation and digital technology, such as robotics, 3D implants, wearable devices and other digital infrastructure and tools, to enable healthcare access and delivery more efficient and products and medicine more personalized. We equally see promise in tools that provide surgeons with real-time information and the ability to make procedures more precise and less invasive.

This is all the more critical now and moving forward, as COVID-19 has accelerated the growth of digital, with it pervading every aspect of our lives from, such as digital

offices and meetings, online banking, online learning, grocery and medicine delivery, and telehealth.

In the near future, we see healthcare access and delivery evolving into one that is powered by data, digital solutions and partnerships, all of which will transcend space and formats.

In Southeast Asia, we are committed to doubling down on our focus on innovation in the digital healthcare space and make important investments to meet the needs of various stakeholders of the healthcare landscape. Some exciting





**“In doing so, we invest in innovation and digital technology, such as robotics, 3D implants, wearable devices and other digital infrastructure and tools, to enable healthcare access and delivery more efficient and products and medicine more personalized.”**

areas of progress include accelerating our efforts in digital surgery, artificial intelligence, as well as e-pharmacy and telehealth services.

We have invested in data and analytics to understand and build personalized solutions for patients at various stages of life and health.

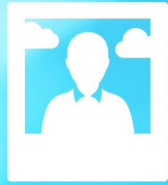
We continue to invest in training and education; through our Johnson & Johnson Center for Health Worker Innovation and J&J Institute, our digital learning platform in SEA, we will be able to reach and train more doctors as well as

midwives, nurses and community volunteers who often carry the responsibility of rural community health on their shoulders.

Additionally, we are actively exploring telehealth partnerships and e-pharmacy services to provide a seamless, end-to-end patient experience that starts from virtual diagnostics, online purchase of medicines, to home delivery of medicines. With the advent of 5G, coupled by innovation in medicine delivery, we believe telehealth and tele-mentoring will enable us to reach remote communities and professionals spread across the geographic areas.

All in all, the healthcare supply chain will witness the formation of more partnerships, forming a closely knit healthcare ecosystem aimed at connecting primary, secondary, and community healthcare. The patient journey will be seamlessly integrated with vastly improved healthcare access and delivery and we will observe ubiquitous use of telehealth platforms.

Despite the changes the world has experienced and will continue to experience, J&J's responsibility to our patients, doctors, consumers and communities remains consistent. Our commitment to providing healthcare for all translates into action through our innovations in both the digital and physical arenas. More than ever, we remain committed to profoundly changing the trajectory of health for humanity.



# CYBER RISK IN THE AGE OF DIGITISATION



By Liam Pomfret, Head of Cyber and Professional Indemnity, APAC,  
AIG General Insurance

Digitisation has been a key driver of growth across Asia Pacific. As organisations position themselves to take advantage of the opportunities this presents, cyber resilience has never been more important.

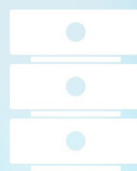
As a region, Asia Pacific offers many contradictions in terms of its approach to cyber risk. On the one hand, it is home to some of the youngest, most technologically-advanced organisations in the world. On the other, it is arguably lagging behind Europe and the US in terms of its overall level of cyber risk preparedness.

But the situation is changing quickly, with businesses recognising the importance of robust cyber risk management as they continue on their digital journey.

## Differing levels of maturity

Across Asia Pacific, personal data protection laws and regulations are highly varied and localised with differing levels of maturity. Countries such as Australia, New Zealand, Singapore and South Korea have strong and established legislative environments when it comes to





personal data protection. Other countries, such as Indonesia and Sri Lanka, do not currently have specific comprehensive personal data protection legislation. These countries may instead rely on various laws (such as electronic information or technology related laws) and sector specific regulations that, to an extent, address the protection of personal data in organisations' systems. While these countries may experience lower levels of threat exposure<sup>32</sup>, they too are considering implementing specific personal data protection legislation.

**“ Greater awareness of the need for organisational resilience to digital threats as well as greater scrutiny around personal data protection and data privacy.. ”**

Despite this, we can identify some common trends across the region. This includes greater awareness of the need for organisational resilience to digital threats as well as greater scrutiny around personal data protection and data privacy. In the future, it is expected that corporates may face increased financial penalties if they fail to reasonably protect personal data in their systems.

A growing number of jurisdictions have either recently introduced personal data protection laws or amended personal data protection legislation. Thailand has introduced a comprehensive data protection legislation modelled on the European Union's General Data Protection Regulation. Meanwhile Singapore and New Zealand have amended their personal

<sup>32</sup> Deloitte Access Economics: Cyber Smart: Enabling APAC Businesses 2019

data protection legislation. Australia and South Korea are in the process of reviewing their frameworks.

In Singapore, amendments to the existing privacy laws will include an increase of the maximum financial penalty for breaches to S\$1m or 10% of turnover, whichever is higher. It also includes a new mandatory breach notification regime.

### Increased threats require stronger controls

Awareness of the cyber threat has increased in recent times. Fear and uncertainty, along with the challenges associated with remote working, are being readily exploited by phishing campaigns and attackers looking for remote access vulnerabilities. Also, cyberattacks are increasingly becoming more sophisticated.

For organisations in Asia Pacific, over half of business leaders (54%) say they have changed their security programmes as a result of heightened threat levels<sup>33</sup>. The vast majority (69%)<sup>2</sup> have also changed their cybersecurity emergency response plans, recognising that cyber breaches are a 'when', not 'if' scenario.

**“ Fear and uncertainty, along with the challenges associated with remote working, are being readily exploited by phishing campaigns and attackers looking for remote access vulnerabilities. Also, cyberattacks are increasingly becoming more sophisticated. ”**

Against the backdrop of a changing risk landscape and growing compliance burden, the demand for cyber risk management and security will continue to grow. There is a recognition that cyber resilience is no longer the responsibility of the IT department or CISO and has become an enterprise-wide imperative, with the buck stopping at the very top of the organisation.

While nothing replaces the need for a strong plan with quality controls to protect data and systems, cyber insurance is a critical tool. The cost to respond to a cyber incident can be significant and is usually unbudgeted. Cyber insurance provides the financial support needed to deal quickly and effectively with incidents as they arise, mobilising incident response, crisis communications and legal teams to contain and minimise fallout.

In today's digital world, managing cyber risk is of fundamental importance to companies and boards, in terms of their own resilience to external shocks and to best position themselves to seize opportunities and grow with confidence.

<sup>33</sup> CrowdStrike: Asia Pacific and Japan State of Cybersecurity Report July 2020



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# 2021: A RESET MOMENT FOR PEOPLE, BUSINESS AND PLANET



By Ng Tian Chong, SVP and Managing Director, Greater Asia, HP Inc

History has shown challenges always spark record acceleration in development. We've seen two years of digital transformation condensed into months!

Here are five predictions on how we see technology changing things for the better in 2021.

## 1. The 'wherever office' – a hybrid of virtual & physical work requiring security at all times

COVID-19 has forced a review of blueprints for future cities and workplaces. Gartner predicts that 48% of employees will now likely work remotely - versus 30% before the pandemic.

Corporate footprints will be more distributed and workforces will migrate away from the city centers. HP predicts the rise of the "Wherever Office".

But this model of work expands the surface area for security risks. Hence the future of work must be a seamless hybrid of virtual and physical but be secure at all times and in all places.

## 2. Tighter digital integration will create efficiencies in digital economies

A World Economic Forum study shows that 60-70% of new value created in the next decade will be based on digitally-enabled platforms.

Tighter digital integration builds resilience and expands possibilities. The world's leading nations have already made this a priority. The US and Japan signed the Digital Trade Agreement in 2019, while today, China constructs the "Digital Silk Road".

At HP, we are pursuing new capabilities to transform the models of business, work, learning and play. This is an opportunity to shape new models of interaction which will be crucial to personal, societal, commercial and national development.

## 3. Universal upskilling will be crucial in the new normal

With global working hours in the 2Q of 2020 falling by almost 7% - that's 200 billion hours - this has become a huge opportunity to learn and upskill.

Seeing our children interact on Zoom proves that new ways of learning are possible. Working virtually has taught me to lead, manage and do business in new ways.

The new models of learning must embrace all profiles, generations, capabilities, cultures and must be personal, fluid, and life-long.





**“ As technology leaders, we must empower everyone to close the digital divide – and drive access to education, jobs and healthcare that we all need to thrive. ”**

#### **4. The 4th Industrial Revolution is driving advanced manufacturing models**

COVID is disrupting but also accelerating the revolution in manufacturing and in supply chains. The 4th industrial revolution is fueled by AI, IoT, data analytics, and additive manufacturing, among other innovations. And these technologies drive our advanced manufacturing lines.

Our market-leading 3D Printing innovation and partner capabilities helped to ramp up production for critical PPE. Our ability to personalize printing stands in line with our partner and customer demands, and we underpin this with world class security as well.

These technologies will develop sustainable additive and personalized manufacturing models. We predict 2021 to be a big year for the 4IR technologies and advanced manufacturing.

#### **5. The Great Reset to drive unstoppable tech for good**

Our final prediction is that there will be a committed reset in our global sustainability efforts.

Already, companies are judged by more than the profits they generate. Our goals must align with the ideals of inclusivity, equality, and sustainability.

As technology leaders, we must empower everyone to close the digital divide – and drive access to education, jobs and healthcare that we all need to thrive. HP continues to drive toward a net-zero carbon future and we have created the industry's most sustainable portfolio of technology, services and solutions.

At HP, we stand for a new era of opportunity – but let's be sure we use this reset to deliver good on ALL levels, for ALL people and ALL things.



# TOWARDS GREATER CLOUD ADOPTION IN APAC'S COVID-19 RECOVERY

## BENEFITS OF GOVERNMENT, INDUSTRY AND SOCIETY BEING #CLOUDSMART AND #CYBERSMART



By Sanjay Deshmukh, Vice President,  
South East Asia and Korea, VMware

"Cloud computing solutions offer cost-savings and improved efficiencies by taking advantage of global economies of scale. Many countries are therefore attempting to create an enabling environment for cloud computing, not only for the private sector itself but also for private sector entities to either take advantage of such offerings or provide them" – The Economist Intelligence Unit, 2020

VMware, one of the world's leaders in cloud, cyber security and modern apps, recently commissioned a #cloudsmart project with The Economist Intelligence Unit, working from our couches and kitchens at home during COVID-19. We assessed the benefits of hybrid and multi-cloud and how they should be a core pillar of rebuilding economies post COVID-19.

Indeed, COVID-19 has accelerated the need for a digital foundation for an unpredictable world. More than ever before people across the world have embraced technology to keep our world moving. For example, telemedicine,

**" COVID-19 has accelerated the need for a digital foundation for an unpredictable world. More than ever before people across the world have embraced technology to keep our world moving. "**

workforces across all range of industries, supply chains and remote classrooms have been rapidly deployed to survive – all supported by technology. As governments address the economic impact of COVID-19, digitization is even more critical in long term policy strategies with more citizens and industries online. Governments are turning their attention to restarting and

revitalizing economies and for many the cloud is a core ingredient in the economic rebuilding plans. Markets like Singapore are openly aiming to be global digital hubs of the region as part of COVID strategies. Cloud is an integral component of any such goal. Therefore, such policy backdrops provide much opportunity for harnessing technology and innovation to the betterment of all people. In the #cloudsmart report, Chan Cheow Hoe, Singapore's government chief digital technology officer stated that, "As Singapore's Smart Nation initiative gathers pace, cloud services will enable both public and private sectors to access a whole suite of innovative Infrastructure-as-



# Key benefits of cloud can help companies respond to a pandemic

% of respondents who agree



Source: BCG

a-Service (IaaS), Platform-as-a-Service (PaaS) and, more importantly, Software-as-a-Service (SaaS) solutions that will provide organisations with the agility and speed to scale up digital transformation... the larger ecosystem of APIs (Cloud Application Programming Interfaces) and services allows us to build innovative applications and scale quickly across the entire government."

As such, VMware sees an opportunity for more policy thought leadership on the benefits of cloud and how governments can structure policies to achieve maximum digitization across the Asia Pacific region. Governments understanding and embracing the economic benefits of cloud first policy and current digital disruption caused by COVID are key to a healthy recovery of economies. Being #cloudsmart is one step towards achieving this. Including the benefits of cloud and cyber security in digital economy agreements and free trade pacts are strategies Governments should continue to discuss at the policy table right now. In 2020 VMware also released a Cyber Smart Index with Deloitte Access Economics which highlighted the importance of governments, industry and society being cybersmart. The Index ranked markets across the region and found that improving cyber security preparedness could increase APAC GDP by \$145 billion in the long term and spur the growth of what is already a \$22 billion industry. Singapore was best in class on the cyber security preparedness front.

The figure on the right shows where each economy sits on the exposure and preparedness indexes. There is generally a positive relationship between exposure and preparedness, however some economies stand out as particularly well prepared, or under prepared, compared to their peers.











Country	Exposure rank	Preparedness rank
Singapore	1	1
South Korea	2	6
Japan	3	2
Australia	4	3
New Zealand	5	5
India	6	7
Malaysia	7	4
Philippines	8	9
Thailand	9	8
Sri Lanka	10	10
Vietnam	11	11
Indonesia	12	12



We acknowledge that ASEAN, via the ASEAN Comprehensive Recovery Framework, has numerous plans to address the impacts of COVID-19, of which one focus area is "Accelerating Inclusive Digital Transformation". We applaud this. Governments across the region can build on this work in progress and look at the benefits of cloud through the lens of four foundational pillars outlined in the Economist's report, namely: supply (infrastructure), demand (awareness), regulatory policies and cyber-security. We encourage Governments to consider these two unique reports by the Economist and Deloitte; reimagine the digital world, rebuild economies and become #cloudsmart in the interests of all. Join us on the ever-evolving cloud journey across the Asia Pacific.











# PROFILE OF RESPONDENTS

## SERVICES











	 ASEAN	 Brunei	 Cambodia	 Laos	 Malaysia	 Myanmar	 Philippines	 Singapore	 Thailand	 Vietnam
Services (Overall)	45%	50%	62%	100%	11%	100%	64%	63%	74%	50%
Accounting	78%	0%	8%	0%	0%	0%	0%	0%	0%	0%
Architecture & Engineering	3%	0%	0%	0%	5%	0%	7%	3%	0%	0%
Banking and Finance	2%	0%	8%	0%	0%	0%	0%	3%	0%	0%
Business Process Outsourcing	2%	0%	0%	100%	0%	0%	0%	0%	5%	0%
Consulting	11%	0%	8%	0%	0%	0%	14%	17%	26%	50%
Education	1%	0%	0%	0%	0%	0%	0%	0%	5%	0%
Healthcare	5%	0%	0%	0%	3%	0%	7%	10%	11%	0%
Hospitality/ Tourism	5%	0%	15%	0%	0%	0%	14%	3%	5%	0%
HR Services	2%	0%	0%	0%	0%	0%	0%	10%	0%	0%
Insurance	2%	0%	0%	0%	0%	0%	7%	0%	5%	0%
Legal	3%	0%	8%	0%	0%	0%	0%	3%	11%	0%
Marketing & Communications	2%	0%	8%	0%	0%	0%	0%	3%	0%	0%
Real Estate Development Leasing	1%	0%	0%	0%	0%	0%	7%	0%	0%	0%
Software, IT, & Telecommunications	2%	0%	0%	0%	0%	0%	7%	7%	0%	0%
Transportation & Logistics	3%	0%	8%	0%	0%	100%	0%	3%	5%	0%
Wholesale & Retail	2%	50%	0%	0%	3%	0%	0%	0%	0%	0%



# MANUFACTURING

	 ASEAN	 Brunei	 Cambodia	 Laos	 Malaysia	 Myanmar	 Philippines	 Singapore	 Thailand	 Vietnam
<b>Manufacturing</b>	<b>30%</b>	<b>0%</b>	<b>15%</b>	<b>0%</b>	<b>76%</b>	<b>0%</b>	<b>7%</b>	<b>17%</b>	<b>16%</b>	<b>0%</b>
Automotive	1%	0%	0%	0%	0%	0%	0%	0%	5%	0%
Consumer Goods	3%	0%	8%	0%	3%	0%	0%	3%	5%	0%
Electronics	18%	0%	0%	0%	59%	0%	0%	3%	0%	0%
Food & Food Products	2%	0%	8%	0%	0%	0%	0%	3%	5%	0%
Oil & Petrochemical	1%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Machinery & Equipment	2%	0%	0%	0%	5%	0%	0%	0%	0%	0%
Pharmaceuticals /Medical	4%	0%	0%	0%	5%	0%	7%	7%	0%	0%

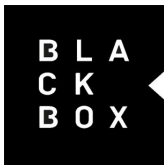
# OTHER

	 ASEAN	 Brunei	 Cambodia	 Laos	 Malaysia	 Myanmar	 Philippines	 Singapore	 Thailand	 Vietnam
<b>Other</b>	<b>17%</b>	<b>50%</b>	<b>23%</b>	<b>0%</b>	<b>14%</b>	<b>0%</b>	<b>29%</b>	<b>20%</b>	<b>11%</b>	<b>50%</b>

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1 Scotts Road, Shaw Centre, #23-03

Singapore 228208

Tel: +65 6597 5730

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**For further information, please  
contact our team in Singapore:**

**Eva Loong, FCCA, CA**  
**Director of Group Commercial, ASEAN**  
✉ [eva.loong@sg.tricorglobal.com](mailto:eva.loong@sg.tricorglobal.com)  
☎ (65) 6325 5784



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