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ASEAN BUSINESS OUTLOOK SURVEY

ASEAN: The Future of the 21st Century Economy



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FOREWORD FROM THE U.S. CHARGÉ D'AFFAIRES TO ASEAN

A NEW ERA OF U.S.-ASEAN RELATIONS

As the United States (U.S.) and the Association of Southeast Asian Nations (ASEAN) celebrate 45 years of partnership and friendship this year, it is my pleasure to introduce the 2022 ASEAN Business Outlook Survey (ABOS) published by the American Chamber of Commerce in Singapore (AmCham Singapore), together with AmChams throughout the region.

The United States and ASEAN — and our combined one billion people — benefit from far-reaching commercial and trade ties. ASEAN represents the world's fourth largest market, and the United States is ASEAN's largest source of foreign direct investment. U.S. goods and services trade with ASEAN totaled an estimated US\$441.7 billion in 2021. The United States has steadily deepened its partnership with ASEAN over the years and, under the Biden Administration, we will continue to elevate our partnership and strengthen our cooperation to make a better, safer, and more prosperous world.

In February this year, the White House released its Indo-Pacific Strategy as part of the U.S. commitment to an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient. Three months later, President Biden

welcomed ASEAN leaders to Washington for a historic U.S.-ASEAN Special Summit, underscoring the central role of ASEAN in ensuring security, prosperity, and respect for human rights across the region. The Summit marked the first time ASEAN leaders gathered as a group at the White House and their first meeting hosted by a U.S. President since 2016. Later that month, President Biden launched the Indo-Pacific Economic Framework for Prosperity (IPEF), the Administration's first major trade and economic initiative in the region, with partners including seven ASEAN member states: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

Despite the COVID-19 pandemic and other geopolitical challenges, ASEAN remains on course to become the world's largest single market by 2030. With an economic performance that continues to outperform the global average, U.S.-ASEAN economic flows support almost 42,000 American companies and about 590,000 U.S. jobs.

The 2022 ABOS shows the continued commitment of the American business community in ASEAN. We look forward to furthering public-private partnerships for inclusive prosperity in the region and ushering in a new era of U.S.-ASEAN relations.



Kate Rebholz
Chargé d'Affaires, a.i.
U.S. Mission to ASEAN



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PREFACE FROM AMCHAM SINGAPORE

The 2022 ASEAN Business Outlook Survey (ABOS) measures the pulse of the business environment across this dynamic region and provides a comprehensive portrait of U.S. business activity in ASEAN Member States.

With invaluable insights from senior executives representing AmCham member companies in ASEAN, the survey highlights challenges and opportunities facing small, medium and large enterprises across industry sectors with comparisons and findings from previous years. As businesses recover from the global COVID-19 pandemic, this year's survey examines the impact of major U.S. programs such as the Indo-Pacific Economic Framework (IPEF) and the Partnership for Global Infrastructure and Investment (PGII) on commercial activities in the region.

ABOS has proven to be a reliable resource for academia, businesses, governments, and non-governmental organizations in ASEAN and beyond. 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 partnering with AmCham Singapore.

ABOS is just one example of how AmCham creates value for our members by providing advocacy, business insights, and connections. Thank you for entrusting us to represent the voice of American business in Singapore and the region.



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



EXECUTIVE SUMMARY



ASEAN: THE FUTURE OF THE 21ST CENTURY ECONOMY

Over the last half-century, ASEAN has achieved significant development through regional cooperation. According to the ASEAN Development Outlook¹ launched in 2021, the total combined Gross Domestic Product (GDP) of 10 ASEAN countries was valued at US\$3.2 trillion in 2019 — placing the region as the fifth largest global economy and on track to become the fourth largest by 2030².

While global inflation looks set to complicate post-pandemic recovery across countries worldwide for some time to come³, ASEAN's economic growth holds promise. The global health crisis has driven a shift in government focus towards digital transformation and sustainability, in order to support local communities through delivery of basic services such as healthcare, education, and financial services. As digitization is integrated into daily life within ASEAN nations at an increasing rate (with an estimated 575 million internet users in the region by 2030), the region's socio-economic resilience will build⁴.

The 2022 ASEAN Business Outlook Survey captures the experiences of U.S. company leaders operating in ASEAN, including their responses to the challenges and opportunities of global developments, as well as their plans for future growth. This year's findings reveal the following:

- The profit outlook of the ASEAN market has become significantly more optimistic in the last two years, with expectations of profit increases now back to pre-pandemic levels.
- Demand for products and services is the main concern for the majority of companies in recovering from the pandemic.
- ASEAN markets are viewed as important for global revenue by the vast majority of business leaders, primarily due to the growth of the consumer class in the region.

¹ "ASEAN development trajectories reach new milestone", (<https://asean.org/asean-development-trajectories-reach-new-milestone/>)

² Joo-Ok Lee and Shaun Adam, World Economic Forum, "ASEAN is poised for post-pandemic inclusive growth and prosperity — here's why", (<https://www.weforum.org/agenda/2022/01/asean-is-poised-for-post-pandemic-inclusive-growth-and-prosperity-heres-why/>)

³ Centre for Strategic & International Studies, "The Latest on Southeast Asia: June 23, 2022", (<https://www.csis.org/blogs/latest-southeast-asia/latest-southeast-asia-june-23-2022>)

⁴ World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", (https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf)



- Despite concerns about China's growing influence in Southeast Asia and the impact of the Ukraine crisis, there is a high level of anticipated trade/investment and expansion within ASEAN markets.
- Compared to overall ASEAN companies, those responding from Singapore are less optimistic about their profit outlook and have lower business expansion intentions within the local market. However, they show greater belief in the importance of ASEAN markets in the next two years.
- Companies are facing recruitment and retention challenges, with an increased reliance on local talent during the continued COVID-19 restrictions.
- Business leaders in SMEs are more optimistic than their counterparts in MNCs about ASEAN's influence on revenue in the short term.



INTRODUCTION

ASEAN'S ECONOMIC RECOVERY: RISKS AND OPPORTUNITIES

As countries around the world look beyond the aftershock of the COVID-19 pandemic towards recovery, the surge in global inflation is threatening economic growth. Economies including Indonesia, Singapore, Laos and Thailand have experienced a rapid rise in inflation since 2021, while the inflation rate decreased in Malaysia and remained steady in Vietnam and the Philippines.

Tighter financial conditions, especially in major advanced economies, may lead to a decrease in their levels of foreign direct investment (FDI) in ASEAN economies⁵.

For example, the U.S. has continued to raise the federal interest rate by 1.5% since March 2020. This presents a significant risk to ASEAN economic recovery since FDI inflows provide the majority of external finance in ASEAN countries, with the U.S. as the largest source. Small and medium-sized businesses (SMEs) have been particularly affected by supply chain disruptions and border restrictions, given their higher levels of vulnerability and lower resilience due to their size⁶. Since SMEs account for over half of total employment in every member state, supporting these enterprises is pertinent for ASEAN's economic recovery⁷.

⁵ The Diplomat, Sithanoxay Suvannaphakdy, "Inflation: The Threat to ASEAN Economic Recovery in 2022 and Beyond", (<https://thediplomat.com/2022/06/inflation-the-threat-to-asean-economic-recovery-in-2022-and-beyond/>)

⁶ OECD, "Coronavirus (COVID-19): SME policy responses", (<https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>)

⁷ Tommy K. S. Koh, East-West Center, "Southeast Asia's Small Businesses Need Regional Readiness Boost in COVID-19 New Normal", (https://www.eastwestcenter.org/system/tdf/private/apb518_0.pdf?file=1&type=node&id=38006)



Meanwhile, ASEAN central banks have not tightened monetary policies in response to higher inflation – possibly due to the need to continue providing financial resources for private investment and consumption; enabling economic recovery. Despite this lack of monetary tightening, the rise in food and energy prices could hinder ASEAN's growth as a result of declining real household consumption and investment.

Although tighter global financial conditions and rising commodity prices are presenting a challenge to economies, Asia is so far demonstrating a higher level of resilience compared to in the past. There have been low levels of depreciation against the U.S. dollar amongst most emerging Asia currencies, and investor perceptions of sovereign risk within ASEAN have remained relatively stable. According to Singapore's Minister of State for Trade and Industry at Invest ASEAN 2022, "This in large part speaks to how Asian economies have strengthened their macroeconomic fundamentals over the years. They reduced fiscal and external deficits, built up larger reserve positions and established stronger and more credible policy frameworks."⁸

THE GROWING TALENT GAP

Companies around the world are facing significant talent shortages, with high rates of turnover as workers pursue more attractive employment opportunities. This has been exacerbated by restricted global mobility due to COVID-19, which has closed off usual talent pools for many countries that rely on international candidates. In the war for digital skills to boost economic development, the pressure on talent acquisition is expected to further increase in ASEAN. The skills gap is widening particularly in areas including artificial intelligence (AI), data, and cyber technology, as regional economies seek to fulfil the growth agenda⁹. The ASEAN Declaration on Human Resources Development for the Changing World of Work was adopted by the 36th ASEAN Summit in June 2020. The Roadmap¹⁰ for these commitments includes responsive actions such as promotion of innovation and use of technology, to enhance resilience and adaptability post-pandemic and natural disasters.

⁸ Monetary Authority of Singapore, "Speech by Mr Alvin Tan, Minister of State (Trade and Industry) and MAS Board Member, at Invest ASEAN 2022 on 8 June 2022", (<https://www.mas.gov.sg/news/speeches/2022/speech-by-mr-alvin-tan-minister-of-state-trade-and-industry-and-mas-board-member-at-invest-asean-2022-on-8-june-2022>)

⁹ Korn Ferry, "5 Ways Talent Acquisition in APAC Will Change in 2022", (<https://focus.kornferry.com/talent-acquisition/5-ways-talent-acquisition-in-apac-will-change-in-2022/>)

¹⁰ "ASEAN Declaration on Human Resources Development for the Changing World of Work and Its Roadmap", (https://asean.org/wp-content/uploads/2021/08/ASEAN-Declaration-on-Human-Resources-Development-for-the-Changing-World-of-Work-and-its-Roadmap_Final_19Feb2021.pdf)



A survey by Mercer¹¹ indicated that businesses in Indonesia, Malaysia, Thailand and the Philippines are especially struggling to attract and retain talent as they attempt to transition back to on-site work; with the main drivers of abnormally high attrition levels being dissatisfaction with pay and benefits as well as limited career advancement. Singapore is not immune to this trend dubbed 'The Great Resignation', with the level of talent shortage at its highest in 16 years¹². However, the country's net employment outlook is positive, with employers across sectors reporting strong hiring intentions in 2022. Singapore companies are offering salary increments of 3.5% on average to help boost talent retention¹³.

U.S.-ASEAN RELATIONS

In 2020, U.S. FDI to ASEAN was US\$328 billion¹⁴, and today, six of the top 30 U.S. trading partners are Southeast Asian states. However, the perception is that China is holding the economic lead in the region; with the U.S. falling behind particularly when it comes to support for infrastructure investment¹⁵.

A 'new era' of U.S.-ASEAN relations has been initiated by the Biden administration. During the U.S.-ASEAN Summit 2022, the two sides committed to solidify a comprehensive strategic partnership, while upgrading

¹¹ Mercer, "Dissatisfaction with pay and benefits, limited career advancement are key drivers of employee turnover in ASEAN, says Mercer's latest survey", (<https://www.asean.mercer.com/newsroom/key-drivers-of-employee-turnover-in-asean.html?bsrc=mercero>)

¹² Lester Tan, Human Resources Online.net, "Singapore employers report strongest hiring intentions between July to September 2022", (<https://www.humanresourcesonline.net/singapore-employers-report-strongest-hiring-intentions-between-july-to-september-2022>)

¹³ Sunil Puri, The Business Times, "From the Great Resignation to the Great Realignment", (<https://www.businesstimes.com.sg/leadership-management/from-the-great-resignation-to-the-great-realignment>)

¹⁴ Brian Eyler and Stimson Center, East Asia Forum, "US-ASEAN summitry signals step up in relations", (<https://www.eastasiaforum.org/2022/06/22/us-asean-summitry-signals-step-up-in-relations/>)

¹⁵ Ann Marie Murphy, The National Bureau of Asian Research, "The 2022 U.S.-ASEAN Summit: A New Era in Relations?", (<https://www.nbr.org/publication/the-2022-u-s-asean-summit-a-new-era-in-relations/>)



other bilateral ties including the U.S.–Vietnam relationship. The outcomes of the summit indicate that the U.S. remains focused on the Indo-Pacific and China, despite the Ukraine crisis. The U.S. Indo-Pacific strategy shares the ASEAN vision of promoting an open and inclusive region. The U.S. is also invested in the peace and stability of ASEAN through its two allies, Thailand and the Philippines, and strategic partners Singapore, Indonesia and Vietnam.

The Indo-Pacific Economic Framework (IPEF) launched by President Biden in May 2022 has renewed U.S. commitment to the region. Based on four pillars – trade; supply chains; clean energy, decarbonization and infrastructure; tax and anti-corruption – the IPEF is intended to strengthen relations between participating countries and enable cooperation to tackle economic and trade issues affecting the region. The U.S. also introduced the Partnership for Global Infrastructure and Investment (PGII) at the Group of Seven (G7) Leaders' Summit in June 2022, in an effort to address the infrastructure gap in the developing world. Under this new strategy, the U.S. will mobilize US\$200 billion of investment in global infrastructure projects; with an overall investment goal of US\$600 billion over the next five years from the G7

countries and private sector. The PGII has four priority areas for investment: climate and energy security, digital connectivity, health systems and health security, and gender equality and equity¹⁶.

THE FUTURE OF ASEAN

The future looks bright for ASEAN. Coordinated pandemic response efforts, along with the implementation of key regional initiatives and digital transformation, are expected to drive inclusive growth and development across member states. The ASEAN-led Regional Comprehensive Economic Partnership Agreement (RCEP) launched in January 2022 is the largest current free trade agreement in the region; intended to maintain open markets and build economic integration for inclusive recovery post-pandemic¹⁷.

The Fourth Industrial Revolution (4IR) is transforming economies and societies around the world, and its evolution in ASEAN is creating a multitude of opportunities for the region. Over 60% of ASEAN's population is under the age of 35; the majority of whom have integrated

¹⁶ Centre for Strategic & International Studies, "Future Considerations for the Partnership on Global Infrastructure and Investment", (<https://www.csis.org/analysis/future-considerations-partnership-global-infrastructure-and-investment>)

¹⁷ Joo-Ok Lee and Shaun Adam, World Economic Forum, "ASEAN is poised for post-pandemic inclusive growth and prosperity – here's why", (<https://www.weforum.org/agenda/2022/01/asean-is-poised-for-post-pandemic-inclusive-growth-and-prosperity-heres-why/>)



digital technologies into their day-to-day lives. The Consolidated Strategy on the 4IR for ASEAN introduced during the 28th and 39th ASEAN Summits will guide the region's progression towards digital transformation for the benefit of the society¹⁸. As identified by the ASEAN Comprehensive Recovery Framework, digital transformation and innovation is a priority to boost regional connectivity and economic recovery. Embracing 4IR will require public-private cooperation for businesses and government to maximise the benefits of technology while reducing potential risks.

In tandem with 4IR, the region must retain a commitment to environmental sustainability in order to enhance competitiveness in attracting green investment; thereby contributing to global goals. The urgency of addressing climate change was highlighted during the region's battle against extreme weather events in 2021¹⁹. Through initiatives including the Global Plastic Action Partnership in Indonesia and Vietnam, ASEAN has demonstrated

strong commitment to global sustainability goals. However, greater support is required from the private sector to drive both investment in and market demand for green technologies; enabling ASEAN to achieve global sustainability ambitions.

POST-PANDEMIC RECOVERY IN ASEAN

According to the World Health Organization (WHO), there were an estimated 14.9 million excess deaths associated with the COVID-19 pandemic in the last two years; with the majority of these (84%) occurring in Southeast Asia, Europe, and the Americas²⁰. As most countries have now moved towards living with the virus and reopening their borders, the focus is on recovery. However, the supply-

¹⁸ "Consolidated Strategy on the Fourth Industrial Revolution for ASEAN", (<https://asean.org/consolidated-strategy-on-the-fourth-industrial-revolution-for-asean/>)

¹⁹ ISEAS – Yusof Ishak Institute, "State of Southeast Asia Survey", (<https://www.iseas.edu.sg/category/articles-commentaries/state-of-southeast-asia-survey/>)

²⁰ Monetary Authority of Singapore, "Speech by Mr Alvin Tan, Minister of State (Trade and Industry) and MAS Board Member, at Invest ASEAN 2022 on 8 June 2022", (<https://www.mas.gov.sg/news/speeches/2022/speech-by-mr-alvin-tan-minister-of-state-trade-and-industry-and-mas-board-member-at-invest-asean-2022-on-8-june-2022>)



demand mismatches created by the pandemic have taken a toll: the health risk has led to lower labor force participation in many countries as well as the slow return to employment for many workers, contributing to a tight labor market. Interrupted transport and production in particular industries coupled with China's further lockdowns this year have further exacerbated supply disruptions.

Despite a fall in global investment activities and FDI in ASEAN, the region has continued to be an attractive destination for investment. The value of international project finance in ASEAN doubled from an average of US\$37 billion annually in 2015–2017 to US\$74 billion in 2018–2020²¹. ASEAN Member States collaborated on the pandemic response, with initiatives including the COVID-19 ASEAN Response Fund to support recovery and build supply chain resilience. However, recovery has

been uneven across the region, and there is a lack of confidence among some countries in their government's response to the challenges.

It is likely that ASEAN states will continue to grapple with rising global inflation and the consequent impacts of reduced FDI inflows and real household consumption, as well as risks of unemployment and economic recession, for some time to come. While the ways in which global developments will affect the region's recovery remain uncertain, it is clear that embracing digitalization, human development, and global cooperation are paths to fostering economic resilience. The ASEAN Business Outlook Survey 2022 aims to provide an overview of how businesses in the region are tackling challenges in the current environment, and their key areas of focus for recovery and growth.

²¹ World Economic Forum, "ASEAN is poised for post-pandemic inclusive growth and prosperity – here's why", (<https://www.weforum.org/agenda/2022/01/asean-is-poised-for-post-pandemic-inclusive-growth-and-prosperity-heres-why/>)



ECONOMIC OUTLOOK

OUTLOOK ON PROFITS IN ASEAN

Around half of organizations (51%) expect their profits in ASEAN to increase in 2022, while just under a third (30%) expect profits to stay at about the same level (Figure 1). This is significantly more optimistic than sentiments in 2020/2021, when over half of businesses expected reduced revenues and only 36% expected profits to rise. As COVID-19 restrictions further ease and economies move towards rebuilding during the recovery phase, companies are likely to have more confidence in their ability to achieve better financial performance.

Companies in Singapore are less optimistic, with only 44% expecting ASEAN profits to increase, compared to 61% in Thailand and 46% in Malaysia (Figure 2). Firms in Malaysia are significantly more optimistic this year compared to 2020/2021, when only 26% expected profits to increase.

Figure 1
Sentiments about profit
(Compared to 2021)

Compared to 2021, do you expect
your profits in ASEAN in 2022 to...
(Total, n=149)

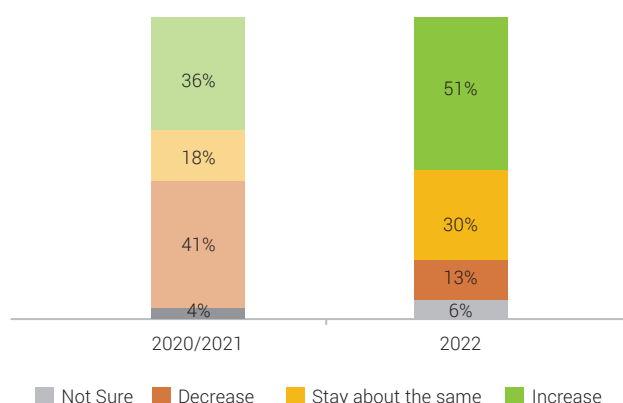
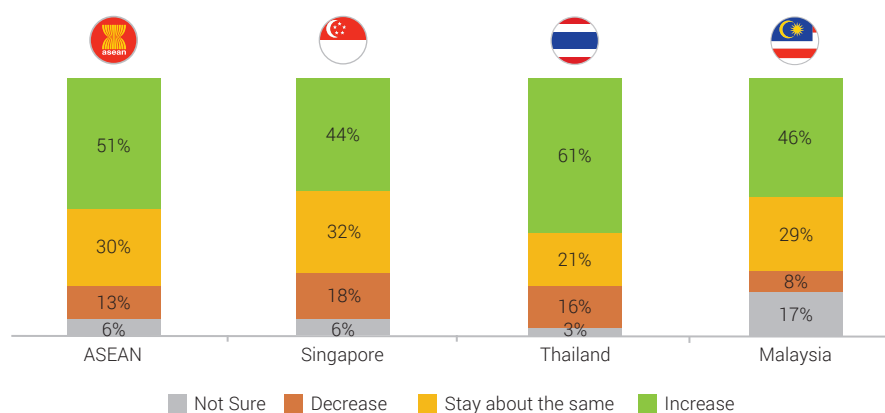


Figure 2
Sentiments about profit
(among companies in
Singapore, Thailand and
Malaysia)

Compared to 2021, do you expect
your profits in ASEAN in 2022 to...
(Total, n=149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24)



PROJECTIONS FOR POST-PANDEMIC RECOVERY

In 2021, ASEAN became the global epicentre of the COVID-19 pandemic, with estimated working-hour losses of 7.4% and 9.3 million fewer workers in employment²². To combat the effects of these labor market disruptions and facilitate socio-economic recovery, the ASEAN Comprehensive Recovery Framework (ACRF) was launched in 2020. ASEAN Member States implemented a range of fiscal support measures at the national level to protect jobs and support businesses, collectively allocating nearly 16% of GDP to the crisis response during the first half of 2021.

Just under half of organizations (45%) estimate that the timeline for their company's profit in ASEAN to recover from the impact of the pandemic to be between 1–3 years (Figure 3). A third (33%) are more optimistic, with a projected timeline of the next 12 months.

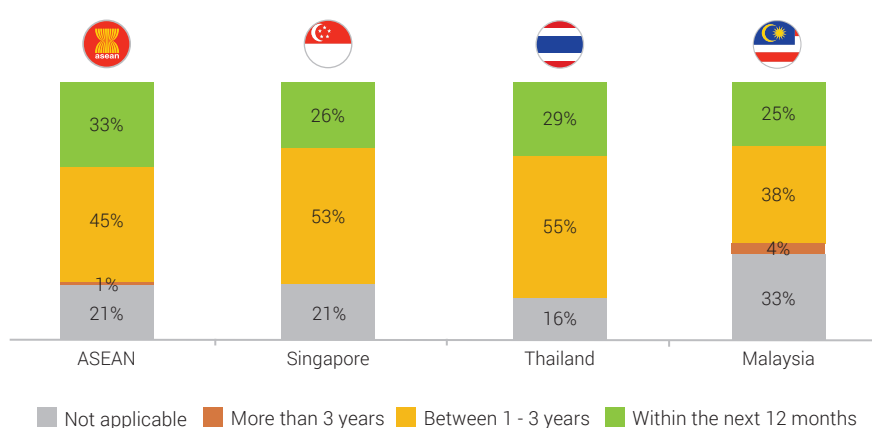


Figure 3
Projected timeline for ASEAN profit to recover from COVID-19 pandemic (among companies in Singapore, Thailand and Malaysia)

What is the projected timeline for your company's profit in ASEAN to recover from the impact of the COVID-19 pandemic? (Total, n = 149) (Singapore, n = 34) (Thailand, n = 38) (Malaysia, n = 24*)

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

Companies in both Singapore and Thailand are more likely to estimate the recovery timeline to be 1–3 years (53% and 55% respectively), compared to only 38% in Malaysia and 45% of overall ASEAN respondents.

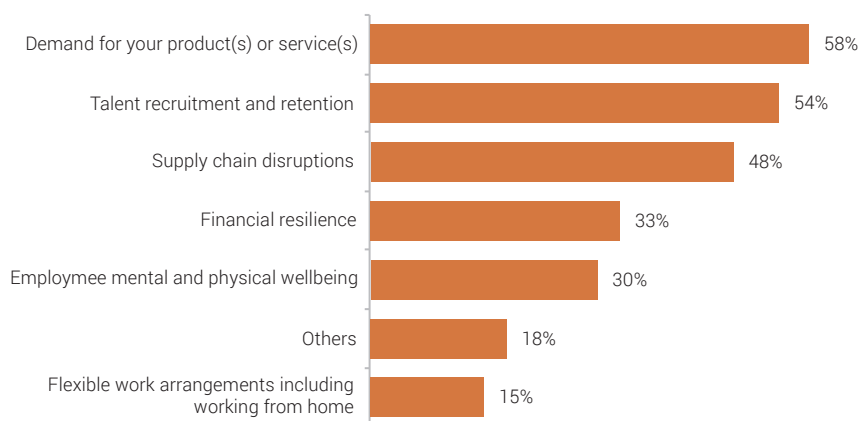
²² International Labour Organization, « COVID-19 and the ASEAN labour market: Impact and policy response », (https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_816432.pdf)



The war in Ukraine and emergence of Coronavirus variants have heightened the climate of uncertainty amid the continuing rise in commodity prices, production delays²³ and staff attrition levels. The top three concerns of companies in recovering from the pandemic are: demand for their products or services (58%), talent recruitment and retention (54%), and supply chain disruptions (48%) (Figure 4).

Figure 4
Concerns in recovering from COVID-19 pandemic

What are your company's top 3 concerns in recovering from the COVID-19 pandemic? (Total, n = 149)



²³ Asian Development Bank, "Improving Sectoral Growth Drivers to Boost Southeast Asia's Post-Pandemic Recovery", (<https://www.adb.org/news/improving-sectoral-growth-drivers-boost-southeast-asia-post-pandemic-recovery>)

“COVID recovery is not the real issue for us. We have been more impacted by the political climate.”

“A key concern for us is ease of immigration and visa applications for clients and staff.”



ASEAN'S RISING INFLUENCE

As the world's third most populous economy and in line to become the fourth largest in the world within the next decade, the ASEAN market is rapidly growing in influence²⁴. By 2030, ASEAN's GDP growth rate is expected to reach 4% annually – behind China and India. As the newly introduced partnerships with the U.S. – the Indo-Pacific Economic Framework (IPEF) and the Partnership for Global Infrastructure and Investment (PGII) – come to fruition, confidence in the regional market is likely to strengthen.

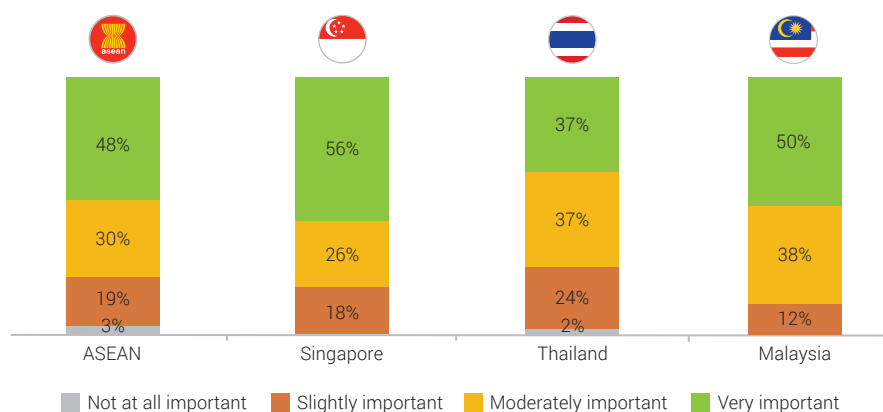
The majority of businesses view ASEAN markets as being moderately important or very important for the company's global revenue in the next two years (78%) (Figure 5).

Companies in Singapore are more optimistic about the importance of ASEAN markets in the next two years, with 56% believing they will be very important, compared to 48% of total ASEAN respondents. The reopening of borders in Singapore as well as new bilateral economic partnerships such as the Partnership for Growth and Innovation (PGI) with the U.S. are likely to create optimism in regional growth opportunities.

Companies in Thailand are less optimistic about ASEAN's influence on revenue, with only 37% believing they will be very important; while half of companies in Malaysia believe that the ASEAN market will be very important for revenue.

Figure 5
Importance of
ASEAN market over
the next two years
(among companies in
Singapore, Thailand
and Malaysia)

How important are ASEAN markets for your company's global revenues in the next 2 years? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24)



²⁴ World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", (https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf)

GROWTH OF THE CONSUMER CLASS

By 2030, 140 million new consumers will enter ASEAN, representing 16% of the world's consumers. Coupled with rising income levels which are further driving consumption, as well as low-cost labor, the region is becoming increasingly attractive to foreign investment²⁵.

The rise in the middle/consumer class is the top reason why the ASEAN market will be more important to revenues in the next two years (41%). Competitive production costs is the second most common reason at 29% (Figure 6).

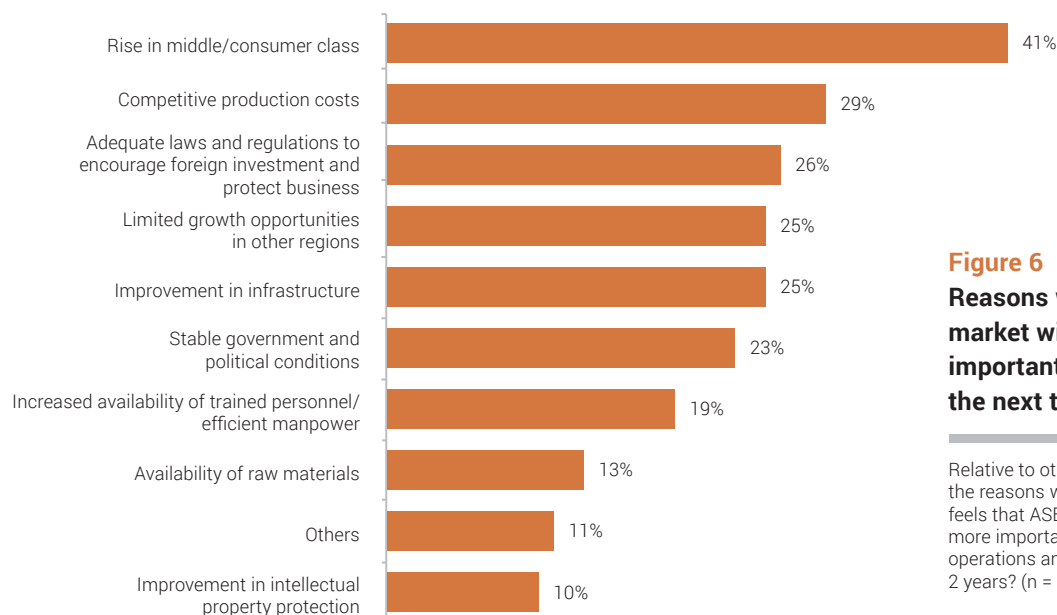


Figure 6
Reasons why ASEAN market will be more important to revenues in the next two years

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 = 149)

²⁵ World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", (https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast-Growth_Consumer_Markets_ASEAN_2020.pdf)

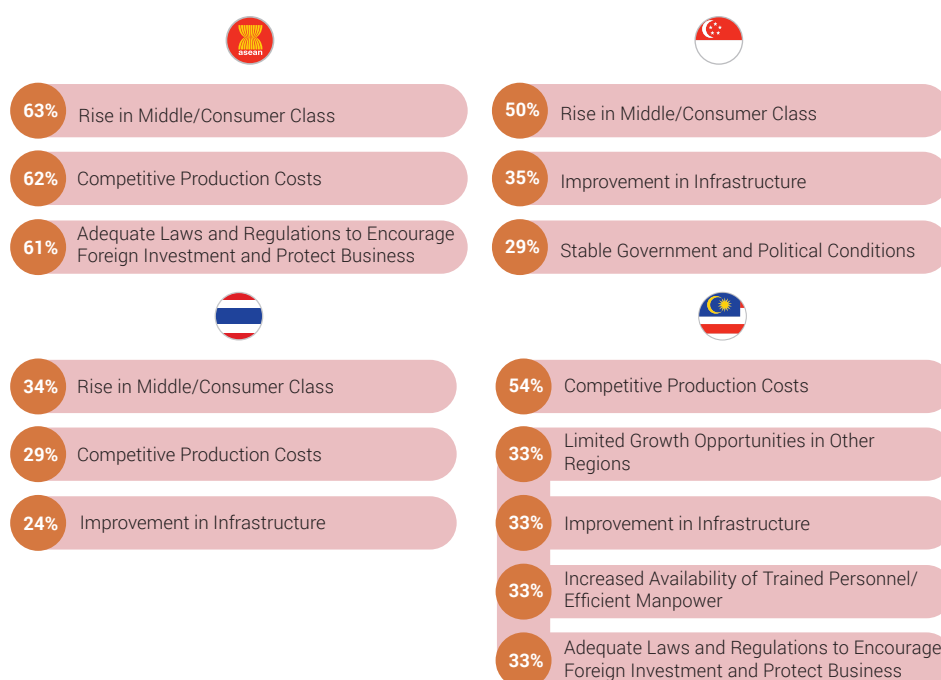
Companies in Singapore are more likely to cite the rise in the middle/consumer class as the top reason for ASEAN's increasing importance (50%), compared to only 34% of companies in Thailand and a quarter of companies in Malaysia (Figure 7). As ASEAN's most developed economy with a highly urbanized and educated population, Singapore's consumption patterns are above those of other ASEAN Member States²⁶. Consumer spending in Singapore in 2020 remained similar to pre-pandemic²⁷ levels, and in 2021 around 3 in 5 of its consumers were classed as high-spenders.

The most common reason for ASEAN's increasing importance among companies in Malaysia, meanwhile, is competitive production costs (54%).

Figure 7
Reasons why ASEAN market will be more important to revenues in the next two years (among companies in Singapore, Thailand and Malaysia)

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 = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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



²⁶ Charles Ferguson and Lee Eng Keat, UOB, "ASEAN's growing consumer markets and why they matter for unlocking new growth opportunities", (<https://www.uobgroup.com/asean-insights/markets/asean-growing-consumer-markets.page?path=data/ai/61&cr=segment>)

²⁷ Choo Yun Ting, The Straits Times, "Consumer spending by S'pore residents last year at 2019 level despite Covid-19: MAS", (<https://www.straitstimes.com/business/economy/singapore-resident-spending-in-2020-held-at-2019-level-gradual-price-increases>)

INCREASE IN REGIONAL TRADE AND INVESTMENT

The majority of businesses expect their company's level of trade/investment in the ASEAN region to increase in the next five years (89%). Comparatively in 2018–2021, around three-quarters expected their company's level of trade and/or investment in the region to increase (Figure 8). The relatively higher levels of longer-term confidence this year could be attributed to the U.S. government's implementation of the IPEF and the PGII, which may facilitate trade and production within the region.

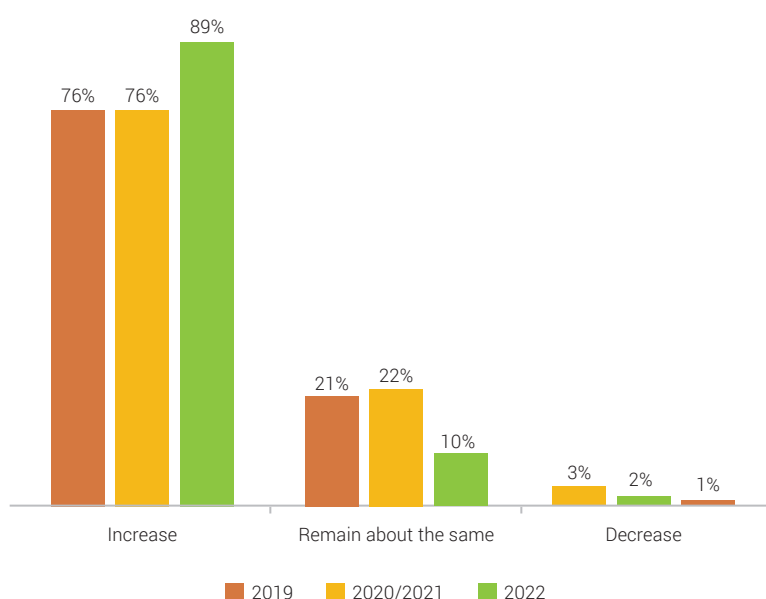


Figure 8
Trade/investment in the ASEAN region in the next five years

Over the next five years, do you expect your company's level of trade and/or investment in the ASEAN region to.. (n=149)

This trend continues to be seen across companies in Singapore (94%), Thailand (87%), and Malaysia (92%) (Figure 9).

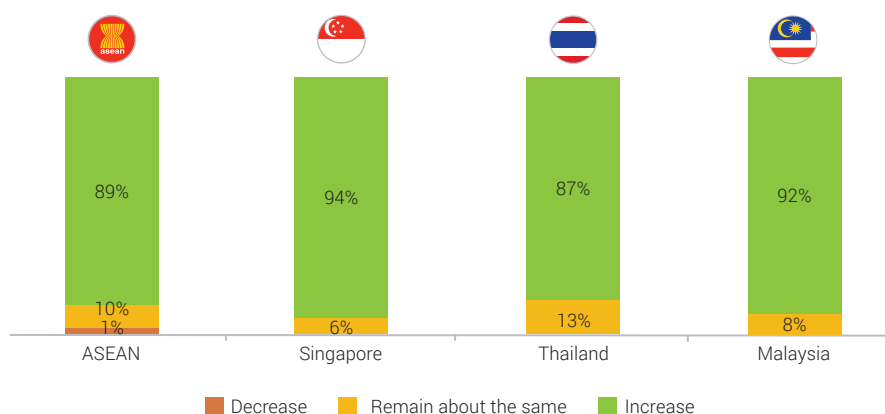


Figure 9
Trade/investment in the ASEAN region in the next five years (among companies in Singapore, Thailand and Malaysia)

Over the next five years, do you expect your company's level of trade and/or investment in the ASEAN region to.. (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24*)

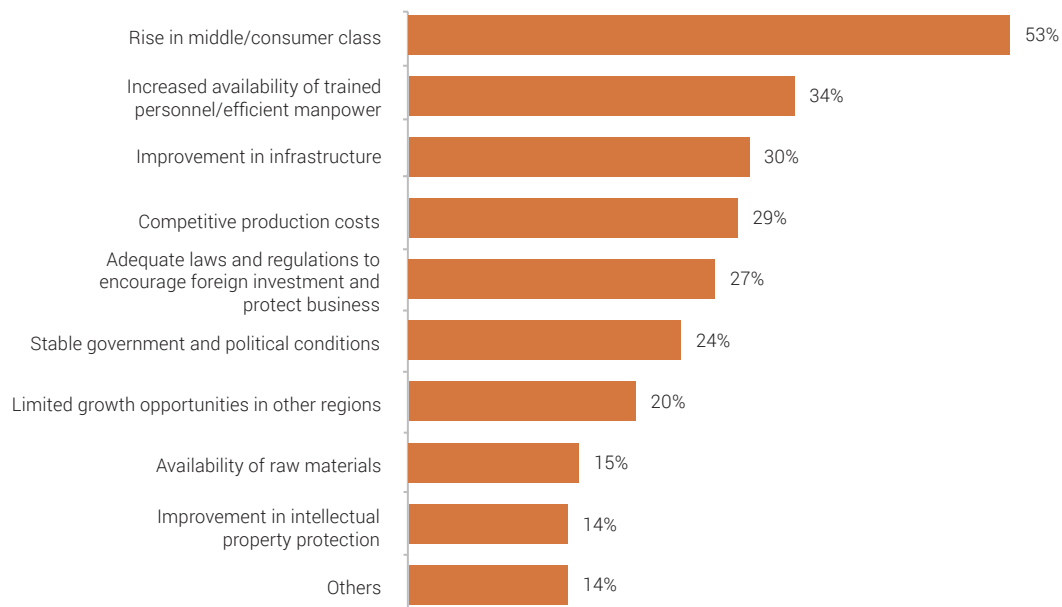
*Due to small sample size, results should be interpreted with caution.



Similar to responses on why the region will become more important to revenues in the short term (Figure 10), the rising middle/consumer class is by far the leading reason why trade/investment in ASEAN is expected to increase over the next five years (53%).

Figure 10
Reasons why
trade/investment in the
ASEAN region is expected
to increase in the next
five years

Why do you see your company's level of trade and investment increasing in ASEAN over the next five years? (n = 149)





Two-fifths of companies in Singapore cite increased availability of trained personnel/efficient manpower as the second most common reason for increasing trade and investment in the region (41%), compared to 34% of all ASEAN respondents. This could be attributed to the city-state's reliance on foreign talent amid tighter work pass criteria, with the percentage of foreign workers currently standing at around a quarter of the total workforce²⁸.

Among companies in Thailand, the top three reasons are the rise in the middle/consumer class (47%), competitive production costs (29%), and improvement in infrastructure (29%). In Malaysia, the top 3 reasons are competitive production costs (54%), increased availability of trained personnel (46%), and the rise in the middle/consumer class (42%).

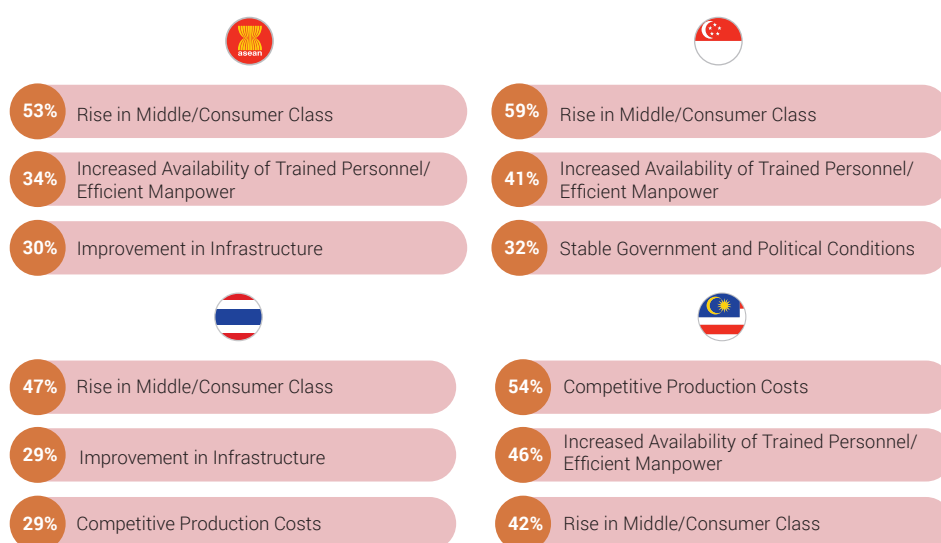


Figure 11
Reasons why trade/investment in the ASEAN region is expected to increase in the next five years (among companies in Singapore, Thailand and Malaysia)

Why do you see your company's level of trade and investment increasing in ASEAN over the next five years?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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

²⁸ Ian Lim and Nicholas Ngo, The Business Times, "Following the Compass for a stronger workforce", (<https://www.businesstimes.com.sg/leadership-management/following-the-compass-for-a-stronger-workforce>)

SATISFACTION WITH LOCAL BUSINESS ENVIRONMENT

Among companies in ASEAN, public health measures during COVID-19 have had a significant impact on satisfaction with the economic environment in-market (63%). ASEAN Member States stepped up national responses to the pandemic and forged stronger regional cooperation²⁹, which has enabled local businesses to adapt and continue to operate.

Sentiment towards the U.S. continues to be a key concern for the local business environment, with 62% feeling satisfied (Figure 12). Despite the U.S.-led multilateral initiatives such as the IPEF to support economic participation in the region, there may be lingering concerns in ASEAN over strategic neglect during the Ukraine invasion³⁰. China's rising economic influence in the region also continues to present a threat.

Personal security remains among the top three economic factors that businesses in ASEAN are satisfied with in the local market (61%), although this has seen a decrease from 86% in 2020/2021.

Among companies in Singapore, the top economic factors that businesses are overall satisfied with in the local market are lack of corruption (94%), personal security (94%), legal system/contract sanctity (91%), and stable government and political conditions (91%). Compared to ASEAN overall, companies in Singapore appear to benefit from a robust political system and government support for businesses.

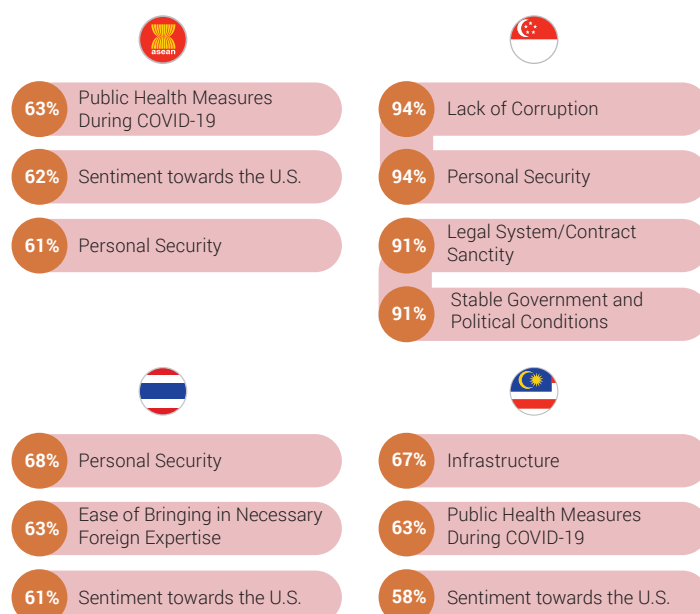
Among companies in Thailand, the top three economic factors that businesses are overall satisfied with in the local market are personal security (68%), ease of bringing in necessary foreign expertise (63%), and sentiment towards the U.S. (61%).

Sentiment towards the U.S. is also among the top three economic factors that businesses are overall satisfied with in Malaysia (58%), behind infrastructure (67%) and public health measures during COVID-19 (63%).

Figure 12
Areas of satisfaction with local business environment (among companies in Singapore, Thailand and Malaysia)

In your respective countries, how satisfied are you with these factors?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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



²⁹ <https://asean.org/asean-health-sector-efforts-in-the-prevention-detection-and-response-to-coronavirus-disease-2019-covid-19-1/>

³⁰ Richard Javad Heydarian, Asia Times, "Biden tries to strengthen US alliance with ASEAN", (<https://asiatimes.com/2022/05/biden-tries-to-strengthen-us-alliance-with-asean/>)

CURRENT BUSINESS CLIMATE WITHIN THE LOCAL MARKET

Among ASEAN respondents, 69% describe their overall experience with the current business climate positively (Figure 13).

Companies in Singapore are much more positive about their experience with the local market (88%). This is likely due to the city-state's significant progress towards pre-pandemic levels of normalcy during the first half of 2022, with lifting of travel and social restrictions revitalizing activity in the tourism and food & beverages (F&B) industries, as well as expansion in the manufacturing sector through new FDI inflows³¹.

Firms in Thailand feel less positive towards the local business climate, with just over half (53%) describing it as positive overall. Meanwhile, companies in Malaysia are relatively more satisfied (63%).

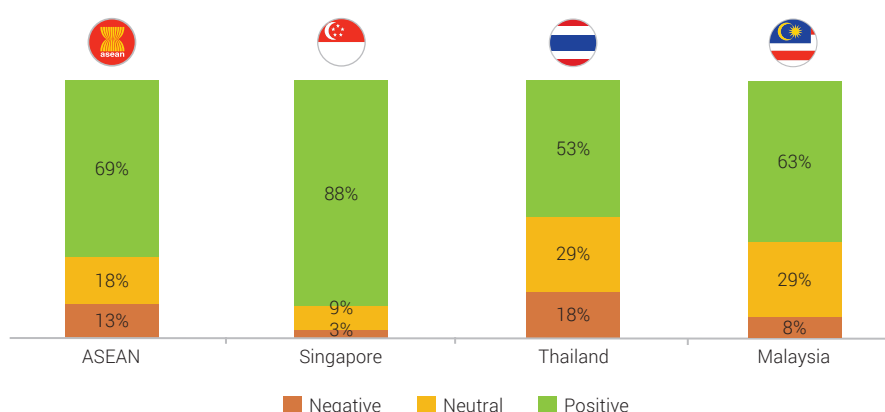


Figure 13

Experience with current business climate in the local market (among companies in Singapore, Thailand and Malaysia)

Which of these sentiments best expresses your overall experience with the current business climate in... (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24*)

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

³¹ Rajiv Biswas, HIS Markit, "Singapore Economy Continues on Road to Recovery", (<https://ihsmarkit.com/research-analysis/singapore-economy-continues-on-road-to-recovery-july22.html>)

“We are expanding in Cambodia in spite of the declining investment climate here. The growth opportunities are off-setting the worsening of most other factors.”

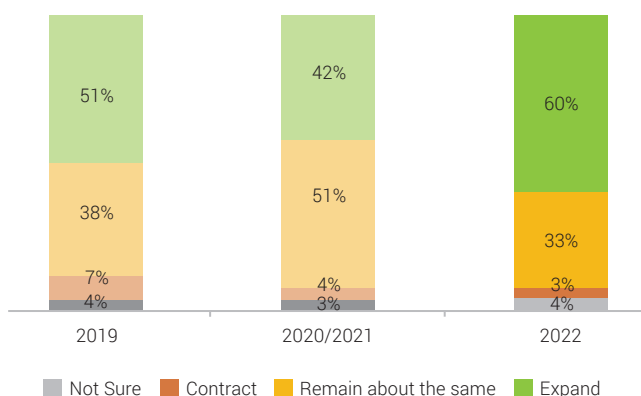
BUSINESS EXPANSION IN ASEAN WITHIN THE LOCAL MARKET

With most countries recovering from the pandemic, plans for business expansion within the local ASEAN markets have increased by nearly one-fifth since 2020/2021. Among companies in ASEAN in 2022, 60% plan to expand within their response location, compared to 42% in 2020/2021 (Figure 14). Business growth opportunities have gradually risen to pre-pandemic levels in 2018, when 62% planned to expand (versus 51% in 2019).

Meanwhile, one-third plan to remain at about the same capacity this year (33%), down from 51% in 2020/2021.

Figure 14
Growth opportunities
(within local market)

Within your country, does your company plan to expand or cut-back?
(Total, n = 149)





The most common reason for business expansion is growth of domestic market (28%), followed by diversification of customer base (24%).

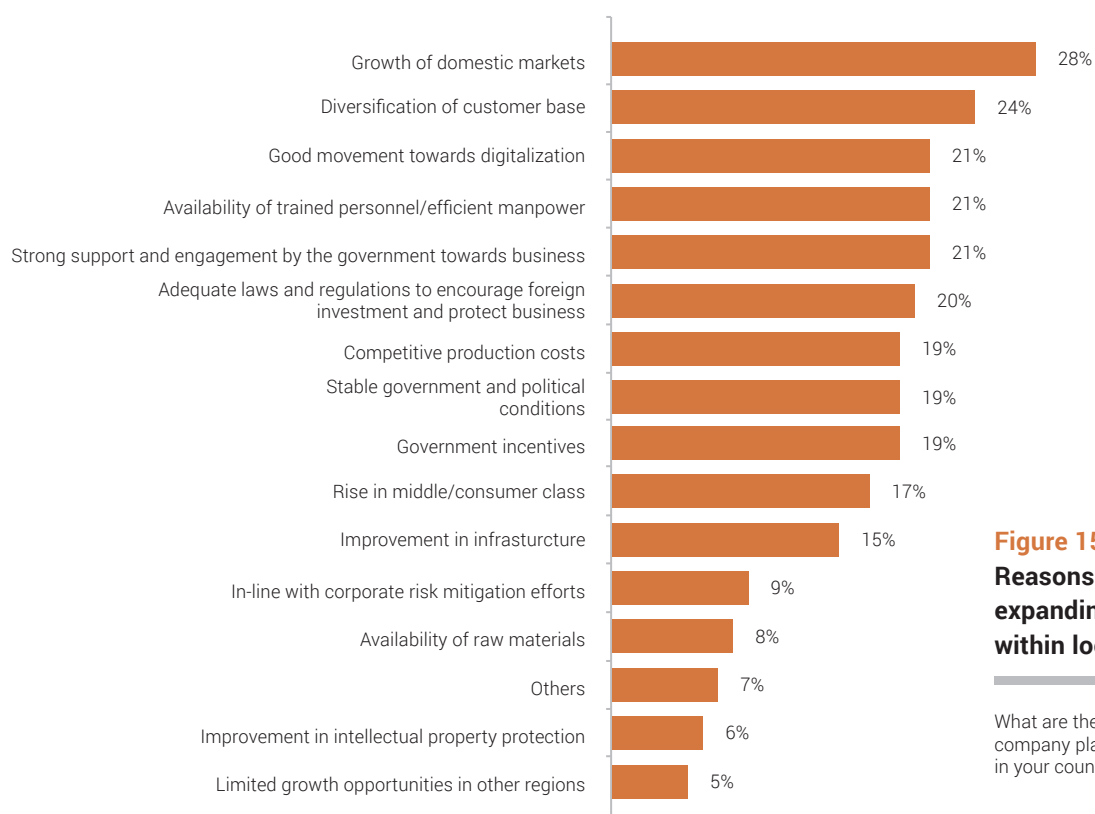


Figure 15
Reasons for
expanding company
within local market

What are the reasons why your company plans for business expansion in your country? (n = 149)



Half of companies in Singapore plan to expand within the local market (50%), while 44% plan to remain about the same (Figure 16). The most common reason for expansion is stable government and political conditions (59%) (Figure 17). A survey conducted by Standard Chartered in 2021³² indicated that Singapore was the top country of choice for U.S. companies' expansion plans, based on the desirability of setting up regional headquarters in the city-state among other reasons.

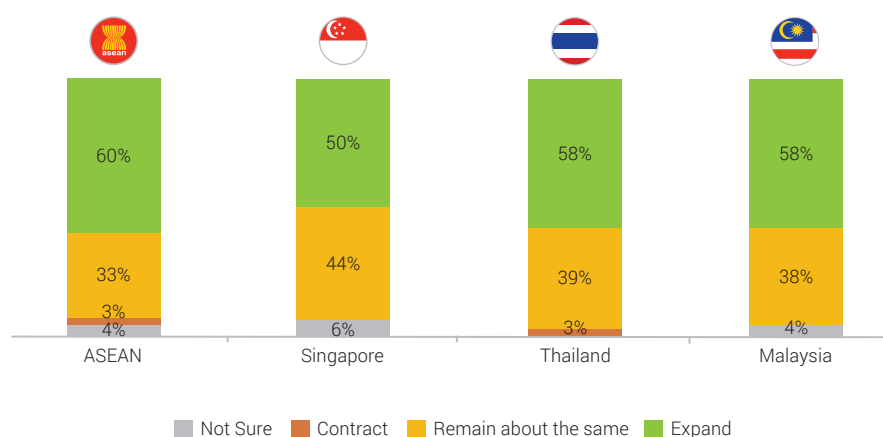
Relatively more companies in both Thailand and Malaysia have expansion intentions in-market, compared to Singapore. 58% of companies in Thailand plan to expand while 39% plan to remain about the same (Figure 16). The most common reason for expansion is diversification of customer base (43%) (Figure 17).

Similarly in Malaysia, 58% of firms plan to expand while 39% plan to remain about the same (Figure 16). Competitive production cost is the most common reason for expansion among firms in Malaysia (42%) (Figure 17).

Figure 16
Growth opportunities
(within local market,
among companies in
Singapore, Thailand and
Malaysia)

Within your country, does your company plan to expand or cut-back?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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



³² Standard Chartered, Business Wire, "Singapore Is Top of Choice for US Companies Seeking Growth Opportunities in ASEAN", (<https://www.businesswire.com/news/home/20210921005754/en/Singapore-Is-Top-of-Choice-for-US-Companies-Seeking-Growth-Opportunities-in-ASEAN>)

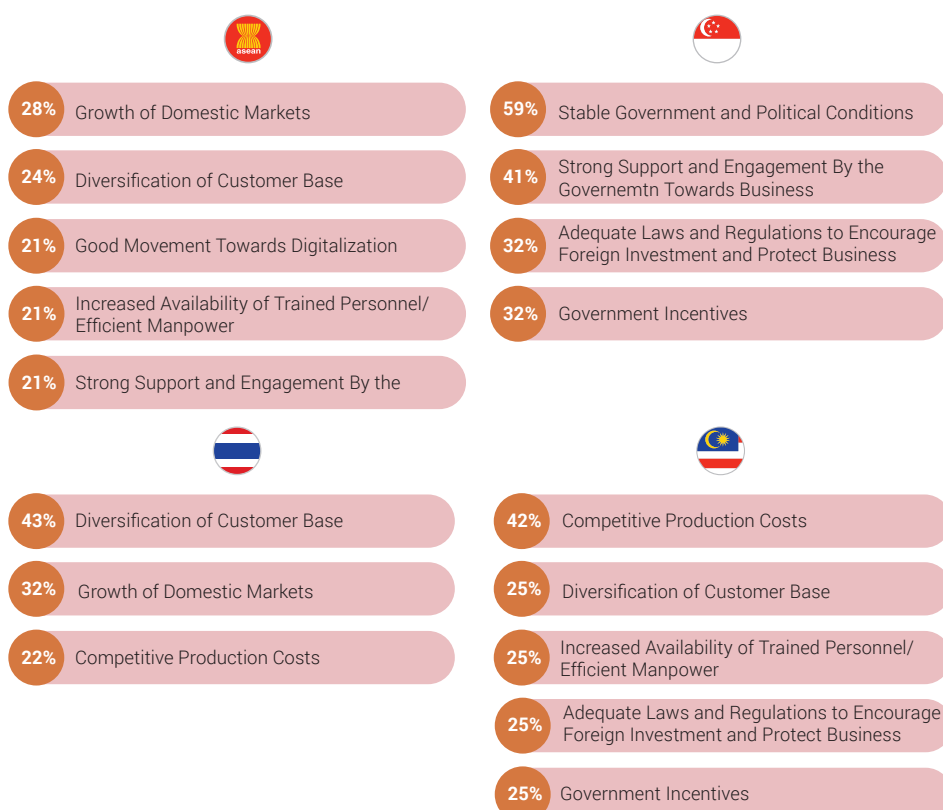


Figure 17
Reasons for expanding
business within
local market (among
companies in Singapore,
Thailand and Malaysia)

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?

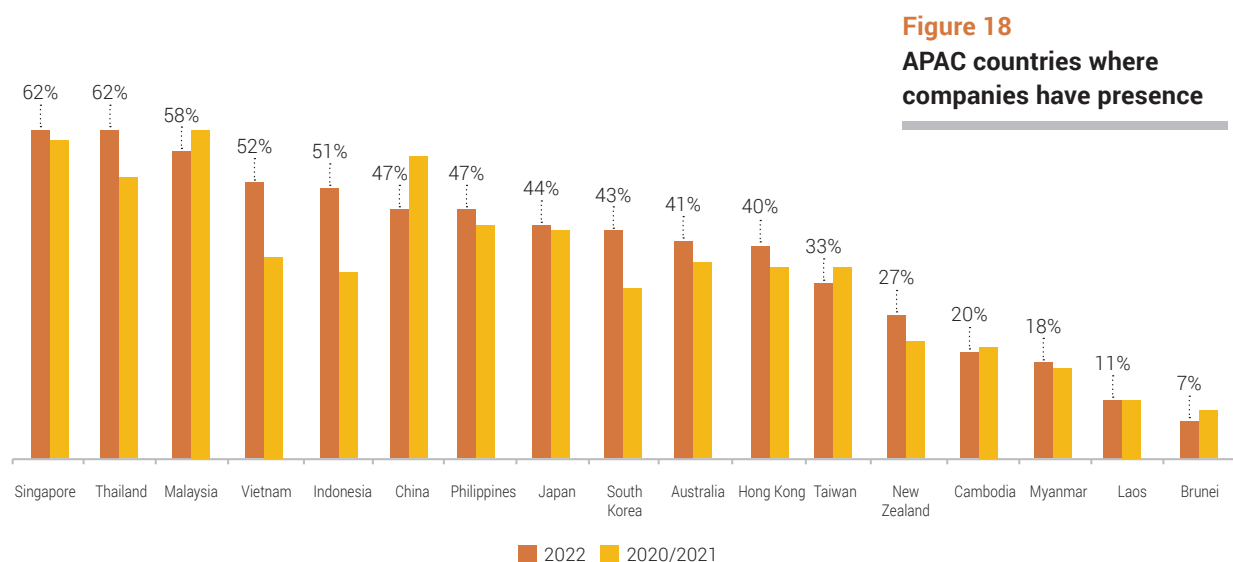
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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



BUSINESS EXPANSION IN ASEAN OUTSIDE THE LOCAL MARKET

Thailand (62%) and Singapore (62%) are the top Asia-Pacific (APAC) countries where companies surveyed reported a presence (Figure 18). Similarly in 2020/2021, the majority of businesses in ASEAN relied on Malaysia, Singapore, China and Thailand for their operations.



Of the following Asia-Pacific economies, in which one(s) do(es) your company currently have a presence? (n = 149)

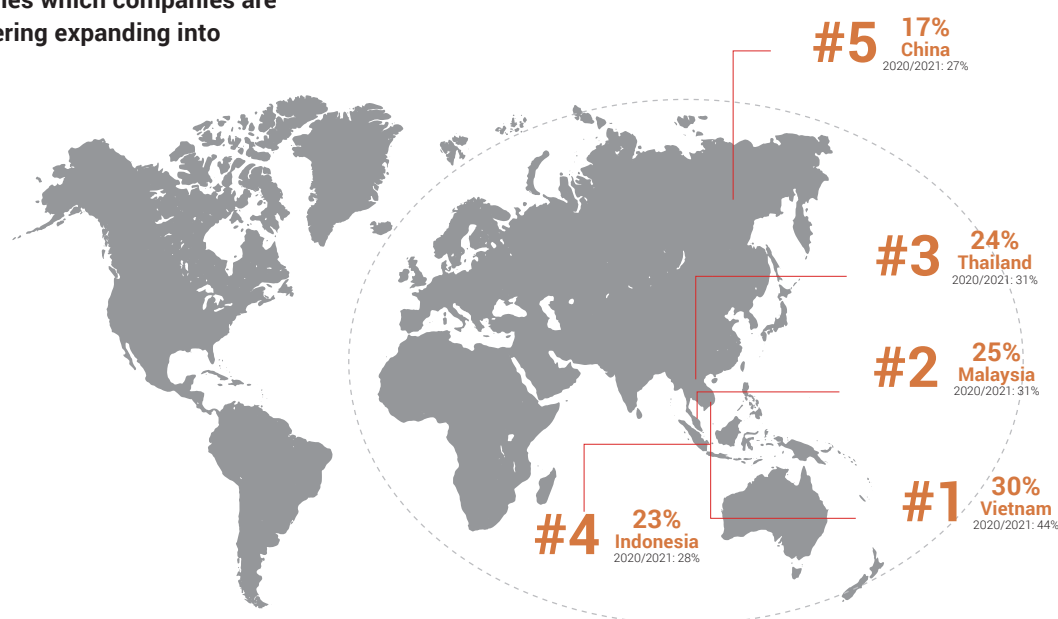


The emerging economies of Indonesia, Vietnam, and the Philippines account for over half of ASEAN's total GDP and more than 70% of the total population. Vietnam's growth in 2022 has surpassed projections, with economic expansion at its highest level since 2013 as of June 2022. The government's US\$15 billion fiscal stimulus package has promoted strong recovery across sectors; namely manufacturing, exports and services³³.

Vietnam is the top APAC country that companies are considering expansion in (30%), followed by Malaysia (25%), Thailand (24%) and Indonesia (23%). These countries were also the most common choices for company expansion in 2020/2021 (Figure 19).

Figure 19

Top 5 countries which companies are considering expanding into



Which, if any, of the following Asia-Pacific economies is your company considering expansion to within the next five years? (2022, n = 149) (2020/2021, n = 129)

³³ The Business Times, "Vietnam sees 2022 growth beating goal as recovery powers on", (<https://www.businesstimes.com.sg/government-economy/vietnam-sees-2022-growth-beating-goal-as-recovery-powers-on>)



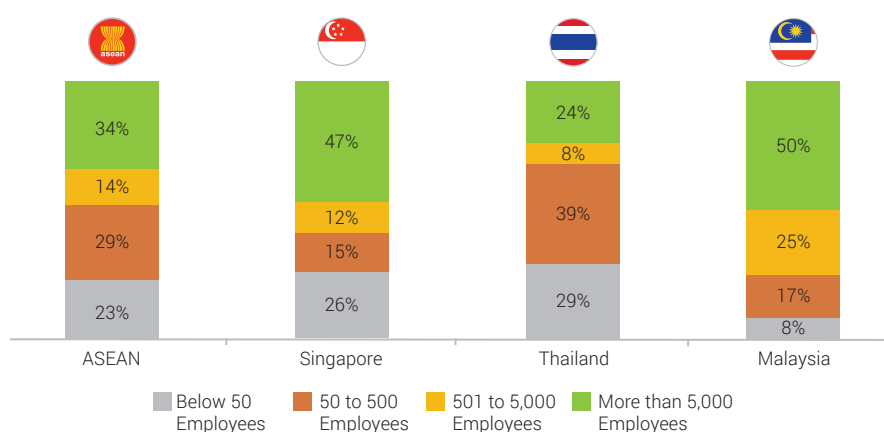
WORKFORCE DEMOGRAPHICS

One-third of companies surveyed are large-scale businesses with more than 5,000 employees globally (34%), while nearly a quarter are Small and Medium Enterprises (SMEs) (23%) (Figure 20).

Figure 20
Total company
workforce size (Global,
(among companies in
Singapore, Thailand
and Malaysia)

What is the approximate size of your
company's total workforce worldwide?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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





Nearly half of surveyed companies based in Singapore are SMEs (47%) and only 3% have over 5,000 employees in-market (Figure 21).

Among surveyed companies based in Thailand, 40% are SMEs and only 5% have over 5,000 employees in-market.

Surveyed companies based in Malaysia have a much lower proportion of SMEs (17%) and 12% have over 5,000 employees in-market.

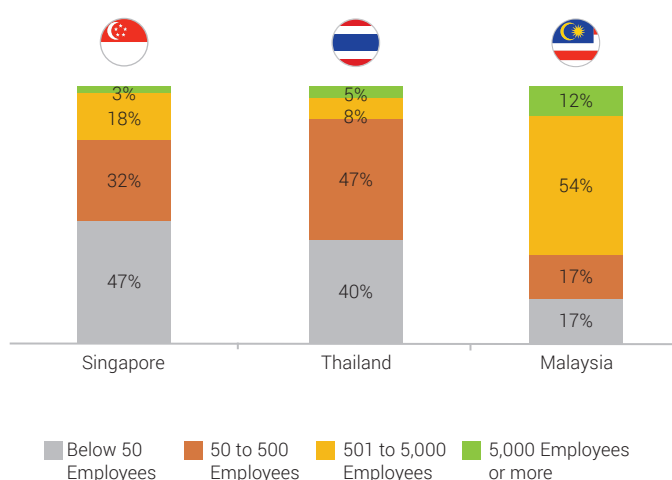


Figure 21

Total company workforce size (local market, among companies in Singapore, Thailand and Malaysia)

What is the approximate size of your workforce in your country?
(Singapore, n=34) (Thailand, n=38)
(Malaysia, n=24*)

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

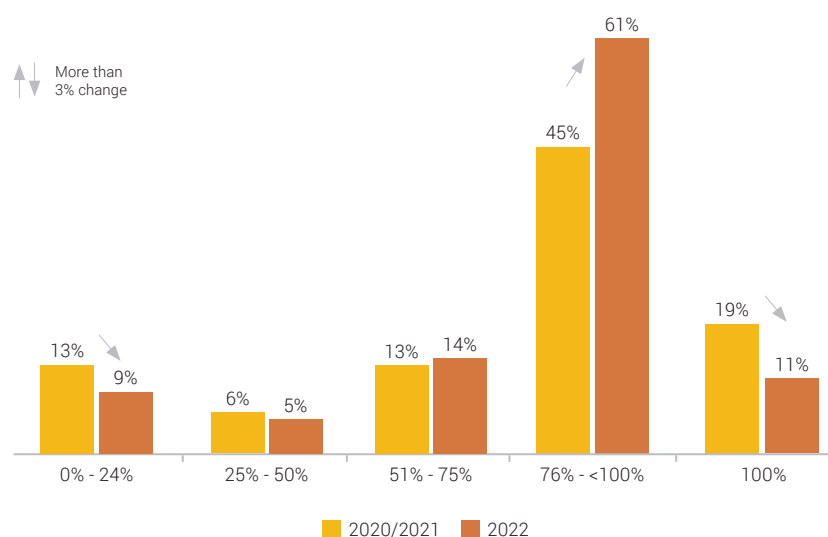
PERCENTAGE OF WORKFORCE COMPRISED BY LOCALS

Among companies in ASEAN, 13% have a workforce comprised of less than 51% nationals, and 61% are comprised of 76% to <100% nationals (Figure 22).

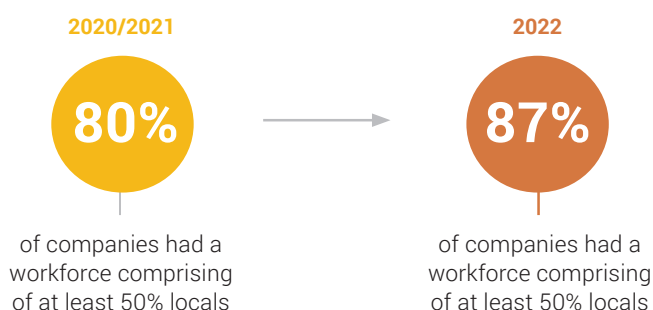
There has been an increase in the proportion of the workforce that is made up of at least 50% locals among firms in ASEAN, from 73% in 2019 and 80% in 2020/2021 to 87% this year. This higher dependency on local talent may be driven by the aftermath of global mobility restrictions, as well as protectionist policies.

Figure 22
Percentage of workforce made up by locals

In your country, what percentage of your workforce is comprised of locals? (Total 2022, n = 119) (Total 2020/2021, n = 119)



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



A much smaller proportion of companies in Singapore have a workforce comprised of 76% to <100% locals compared to overall ASEAN figures, at just over one-third (35%). This indicates Singapore's continued dependence on global talent following the government's historic efforts to foster economic growth and augment the domestic workforce, despite recent tightening of labor and immigration policies³⁴.

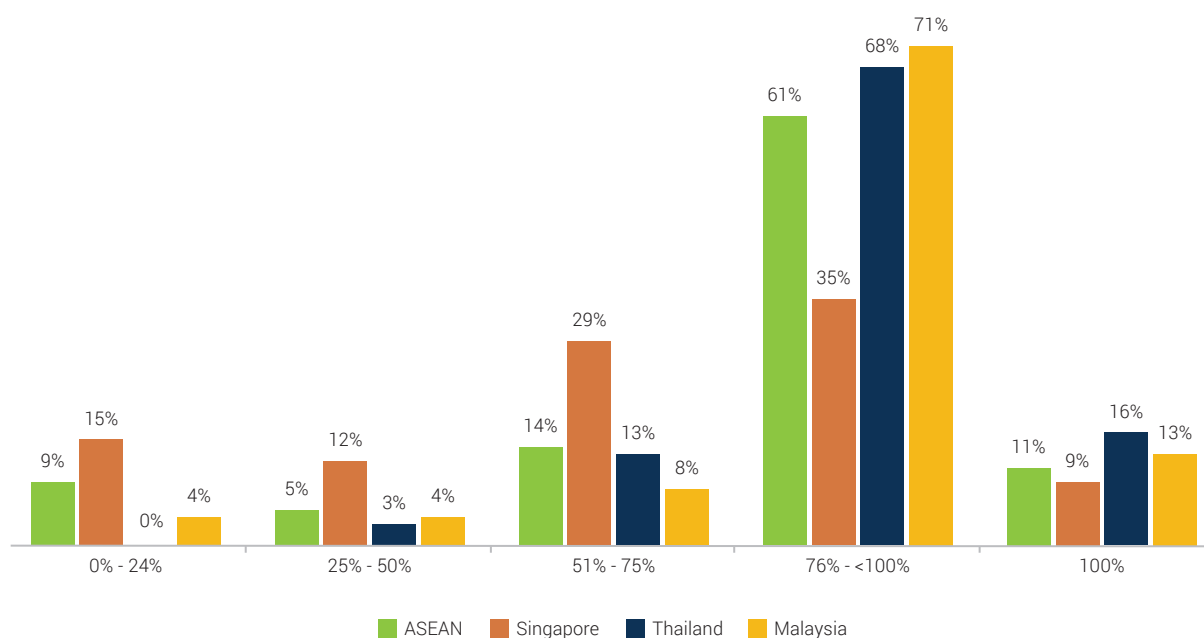
A much lower proportion of companies in Thailand have a workforce comprised of less than half locals (3%) compared to total ASEAN figures; while around 7 in 10 (68%) are comprised of 76% to <100% nationals.

Similarly in Malaysia, 7 in 10 (71%) companies have a workforce made up of 76% to <100% locals; while 8% reported less than half local employees.

Figure 23
Percentage of workforce made up by locals (among companies in Singapore, Thailand and Malaysia)

In your country, what percentage of your workforce is comprised of locals?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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



³⁴ Jeanette Tan, The Business Times, "BT Explains: Singapore's love-hate relationship with foreign workers", (<https://www.businesstimes.com.sg/government-economy/bt-explains-singapores-love-hate-relationship-with-foreign-workers>)

“There will be potential backlash/retaliation against U.S. companies in China through either regulatory or legal means.”

“If trade tensions ease, we will be able to grow our markets more quickly based on some of our products being manufactured in China.”

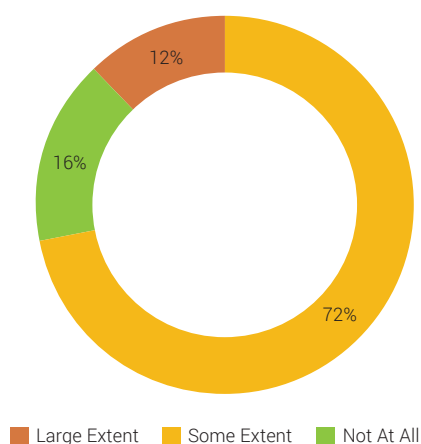
PERSPECTIVES ON INTERNATIONAL RELATIONS

Beyond the aftermath of the COVID-19 pandemic, other current global events have added pressure on firms in ASEAN.

The economic sanctions placed on Russia in response to its invasion of Ukraine can be expected to drive up food and energy prices, as well as disruptions to manufacturing supply chains, to varying degrees among ASEAN Member States³⁵. Nearly three-quarters of companies expect the situation in Ukraine to impact business to some extent in the next five years (72%), while only 16% do not expect it to impact business at all (Figure 24).

Figure 24
Impact of Ukraine conflict on business

To what extent do you expect the situation in Ukraine to impact your business in the next five years? (Total, n=149)



³⁵ James Guild, The Diplomat, “How the Russian Invasion of Ukraine Might Impact ASEAN Economies”, (<https://thediplomat.com/2022/03/how-the-russian-invasion-of-ukraine-might-impact-asean-economies/>)

Amid recent developments in U.S.–China relations, ASEAN has maintained unity and neutrality³⁶. However, there has been concerns over smaller nations being caught in the middle of tensions between the two economic giants. With the U.S. and China representing the largest export locations for the majority of ASEAN Member States, bilateral trade and investment disruption reduces growth through regional supply chains³⁷.

Over a quarter of companies expect U.S.–China tensions to impact business to a large extent in the next 5 years (27%), while the majority expects this to only have an impact to some extent (58%) (Figure 25).

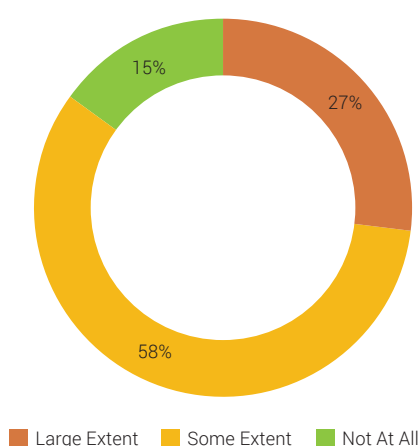


Figure 25
Impact of U.S.–China tensions on business

To what extent do you expect U.S.-China tensions to impact your business in the next five years? (2022, n = 149)

Companies in Singapore (65%) and Malaysia (67%) are more likely to expect U.S.–China tensions to impact business to some extent, compared to 52% of companies in Thailand (Figure 26).

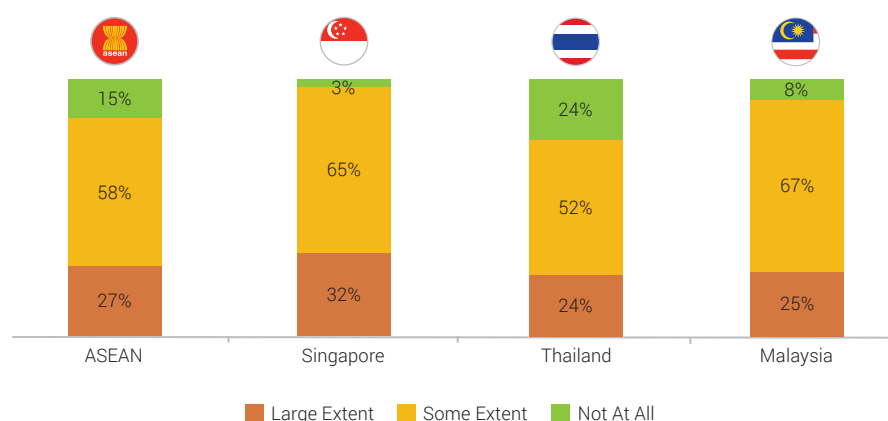


Figure 26
Impact of U.S.–China tensions on business (among companies in Singapore, Thailand and Malaysia)

To what extent do you expect U.S.-China tensions to impact your business in the next five years? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24*)

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

³⁶ Eileen Ng, The Straits Times, "ASEAN needs to stay neutral and united amid US-China tensions: Tommy Koh", (<https://www.straitstimes.com/asia/se-asia/asean-needs-to-stay-neutral-and-united-amid-us-china-tensions-tommy-koh>)

³⁷ Ian Coxhead, Institute of Developing Economies Japan External Trade Organization, "The US-China Trade War and Prospects for ASEAN Economies", (https://www.ide.go.jp/English/ResearchColumns/Columns/2022/ian_coxhead.html)

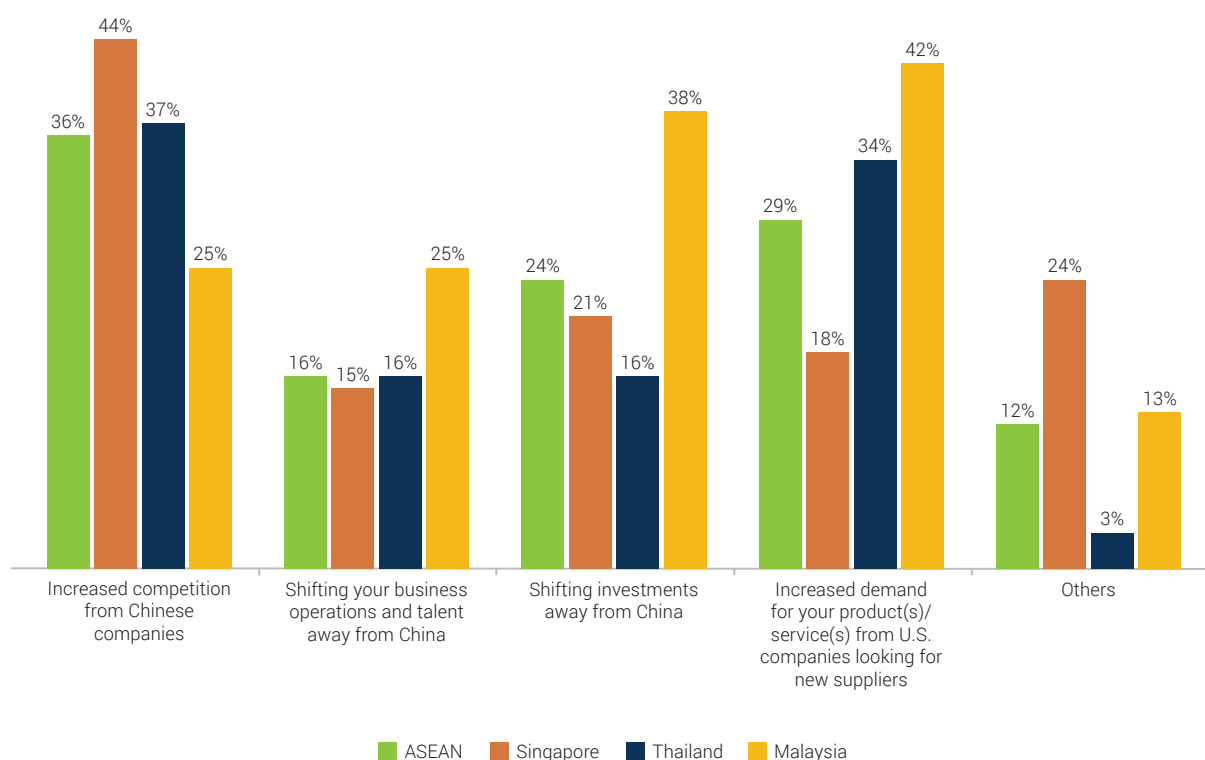
Among ASEAN respondents, increased competition from Chinese companies is the most common expected outcome as a result of tensions between the U.S. and China (36%) (Figure 27).

Companies in Singapore are more likely to cite increased competition from Chinese companies as the top expected outcome (44%), compared to firms in Thailand (37%) and Malaysia (25%).

Figure 27
Expected outcomes of
U.S.–China tensions
(among companies in
Singapore, Thailand
and Malaysia)

As a result of tensions between the U.S. and China, do you anticipate any of the following outcomes?
 (Total, n = 149) (Singapore, n=34)
 (Thailand, n=38) (Malaysia, n=24*)

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



SENTIMENTS TOWARDS US-ASEAN PARTNERSHIP AGREEMENTS

Perceptions of the newly introduced IPEF this year are not yet definitive in the ASEAN region; likely because the impact of the economic framework on businesses remains to be seen. Around two-fifths of total companies surveyed are neutral towards the IPEF (42%), with over half feeling somewhat positive or positive (54%) (Figure 28).

Companies in Singapore are more likely to feel somewhat negative (12%), compared to total ASEAN respondents (3%), companies in Thailand (0%) and Malaysia (4%).

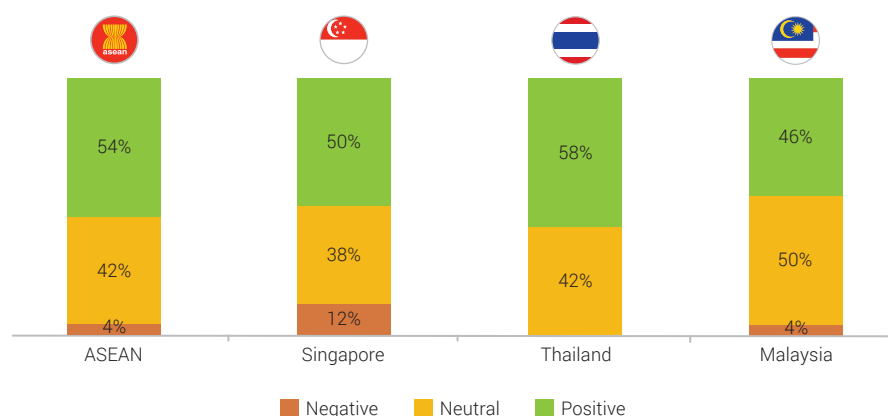


Figure 28
Sentiments on IPEF
(among companies in
Singapore, Thailand and
Malaysia)

Which of these sentiments best expresses your view of the Indo-Pacific Economic Framework (IPEF)?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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

The recent launch of the PGII is largely expected to have a positive impact on the infrastructure gap in ASEAN. The vast majority of respondents believe this partnership will improve regional infrastructure to some extent (80%) (Figure 29).

Notably, all companies in Malaysia surveyed and the majority of companies in Singapore (91%) think that the PGII will improve regional infrastructure to some extent.

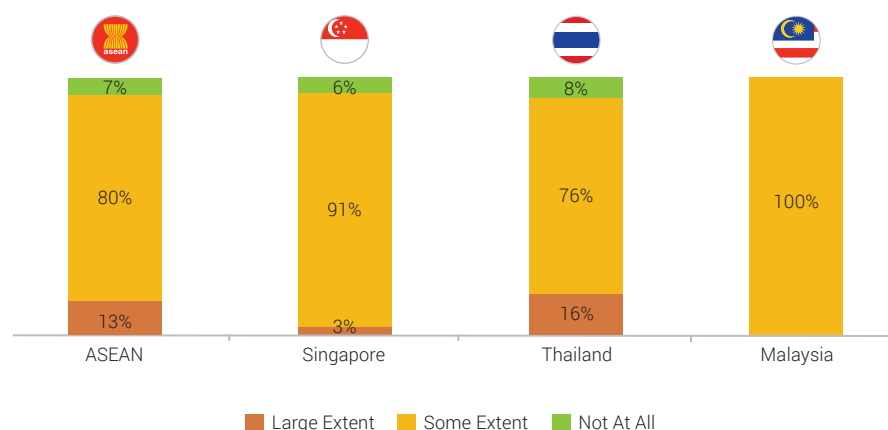


Figure 29
Sentiments on PGII
(among companies in
Singapore, Thailand and
Malaysia)

To what extent do you think the Partnership for Global Infrastructure and Investment (PGII) will improve regional infrastructure?
(Total, n = 149) (Singapore, n=34)
(Thailand, n=38) (Malaysia, n=24*)

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

“It is important for the U.S. to keep positive and impactful relations with the region to make sure transparency among nations and economies are kept, and corruption is decreased in the region, to allow a bigger free market for the private sector.”

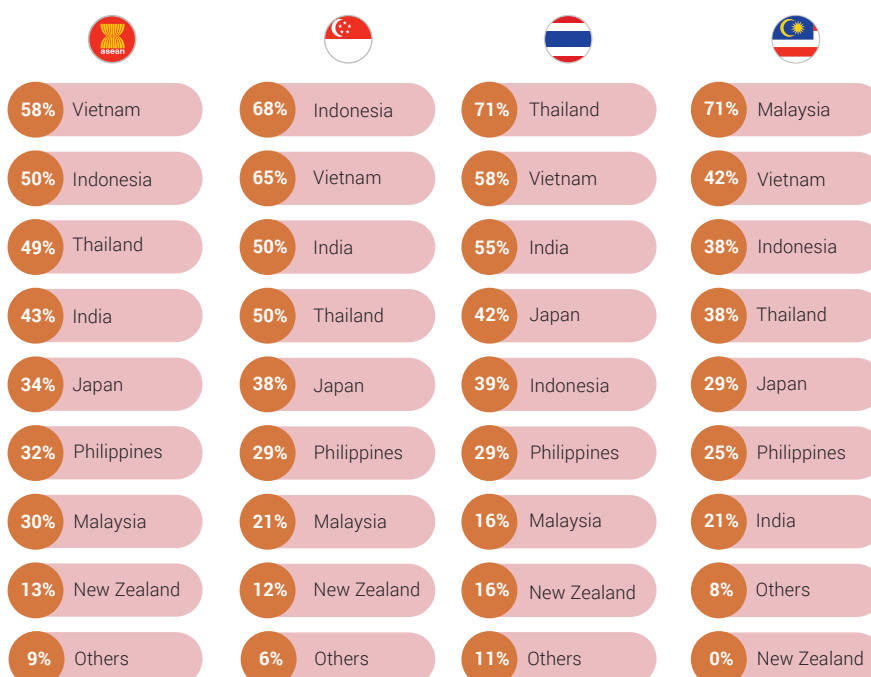
The U.S. administration has stated a preference for bilateral over multilateral trade agreements. For companies in ASEAN looking ahead, Vietnam (58%), Indonesia (50%) and Thailand (49%) remain the most attractive countries as potential bilateral Free Trade Agreement (FTA) partners with the U.S. (Figure 30).

A higher proportion of companies in Singapore believe Vietnam (65%) and Indonesia (68%) are attractive partners, compared to 58% and 39% respectively among companies in Thailand, and 42% and 38% respectively among companies in Malaysia.

Figure 30
Most attractive
countries as potential
bilateral FTA partners
with U.S. (among
companies in Singapore,
Thailand and Malaysia)

Looking ahead, given the U.S. administration's stated preference for bilateral over multilateral trade agreements, which countries are most attractive as potential bilateral FTA partners with the U.S.? (Total, n = 149) (Singapore, n=34) (Thailand, n=38) (Malaysia, n=24*)

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





SME OUTLOOK

SMEs constitute the largest share of enterprises in the ASEAN region; contributing significantly to the labor force, socioeconomic development and overall growth of ASEAN Member States³⁸.

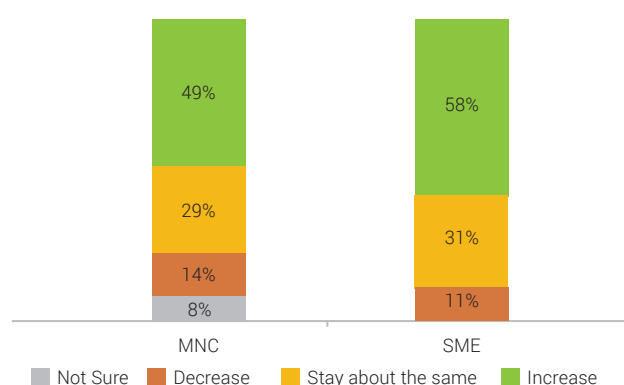
PROFIT OUTLOOK

SMEs are more optimistic than Multinational Corporations (MNCs) about profits in the ASEAN market this year, with 58% expecting profits to increase from 2021 levels, compared to 49% of MNCs who expect an increase (Figure 31).

However, similar proportions of respondents from SMEs and MNCs expect their profits to remain steady in 2022 (31% and 29% respectively).

Figure 31
Sentiments about profit
(Compared to 2021)

Compared to 2021, do you expect your profits in ASEAN in 2022 to...
(MNCs n = 114, SMEs n = 35)

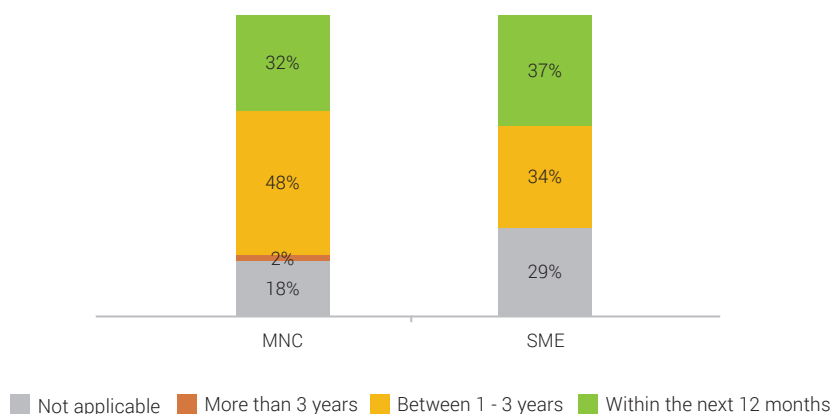


COVID-19 RECOVERY

SMEs are less likely than MNCs to estimate the recovery timeline for company profits in ASEAN to be 1–3 years (34% and 48% respectively) (Figure 32). This is to be expected since SMEs are more vulnerable to the impact of supply chain shocks and tightened labor markets.

Figure 32
Impact of COVID-19 on
business operations
(Within Asia Pacific)

What is the projected timeline for your company's profit in ASEAN to recover from the impact of the COVID-19 pandemic?
(MNCs n = 114, SMEs n = 35)



³⁸ "Development of Micro, Small, and Medium Enterprises in ASEAN (MSME)", (<https://asean.org/our-communities/economic-community/resilient-and-inclusive-asean/development-of-micro-small-and-medium-enterprises-in-asean-msme/>)



IMPORTANCE OF ASEAN MARKET

SMEs are more optimistic about the importance of ASEAN for the company's global revenue in the next two years, with 57% believing the regional market to be very important, compared to less than half of MNCs (46%) (Figure 33).

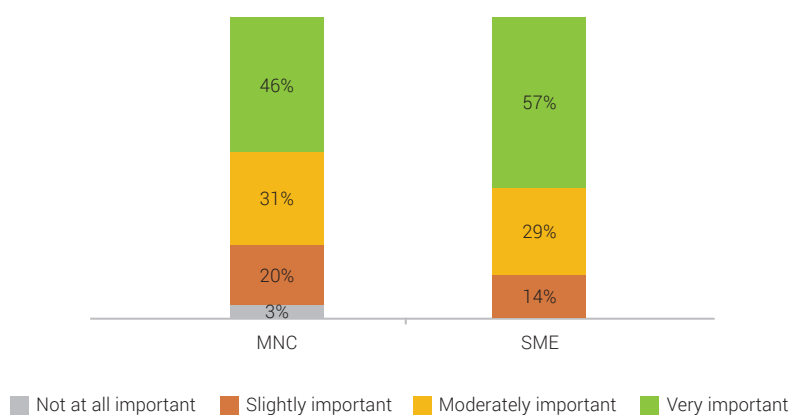


Figure 33
Importance of
ASEAN market over
the next two years

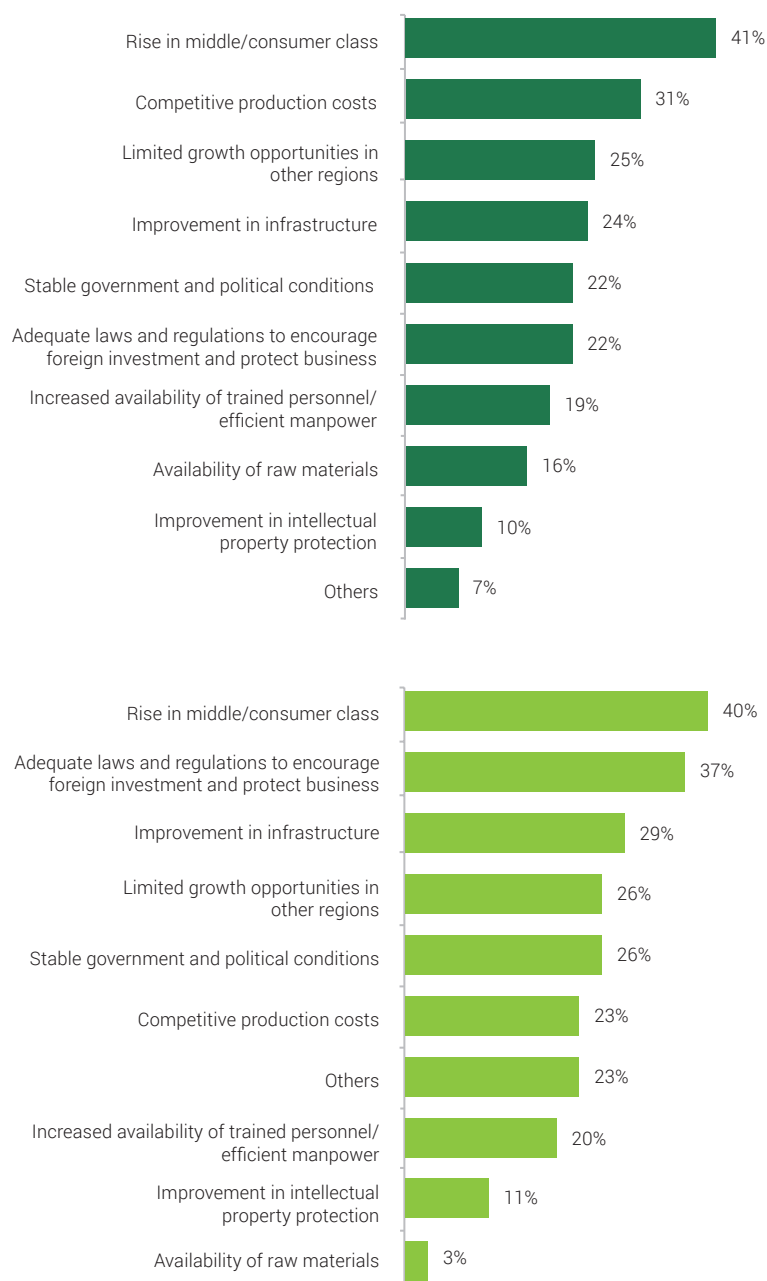
How important are ASEAN markets for your company's worldwide revenues in the next 2 years?
(MNCs n = 114, SMEs n = 35)

Respondents from SMEs and MNCs suggest similar reasons for why ASEAN will be more important for business in the short term. However, SMEs are more likely to cite adequate laws and regulations to encourage foreign investment and protect business (37%), compared to MNCs (22%) (Figure 34).

■ MNC ■ SME

Figure 34
Reasons why ASEAN market will be more important to revenues in the next two years (MNCs and SMEs)

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?
(MNCs n = 114, SMEs n = 35)



INCREASING TRADE AND INVESTMENT IN ASEAN

The regulatory environment is also more likely to impact trade and investment in SMEs than larger corporations. One-third of SMEs (34%) cite stable government and political conditions as a reason for their level of trade and investment increasing in ASEAN over the next five years, with this being the second most common reason among them, compared to only 21% of MNCs (Figure 35) and 24% of total ASEAN respondents (Figure 10).

Only 23% of SMEs cite increased availability of personnel as a reason for higher levels of trade and investment in the region, compared to 37% of MNCs.

Only one-fifth of SMEs cite competitive production costs (20%), compared to one-third of MNCs (32%).

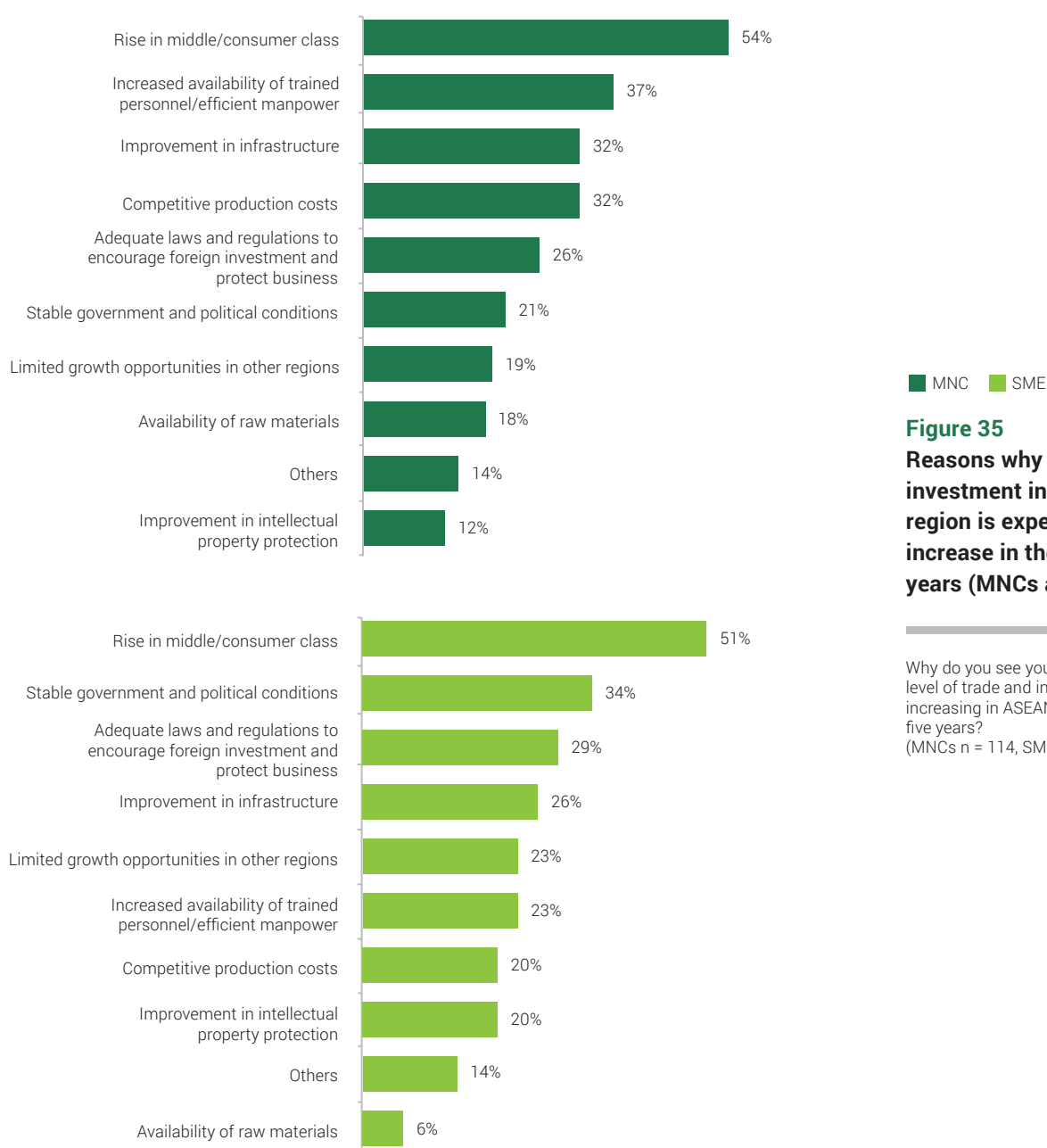


Figure 35
Reasons why trade/
investment in the ASEAN
region is expected to
increase in the next five
years (MNCs and SMEs)

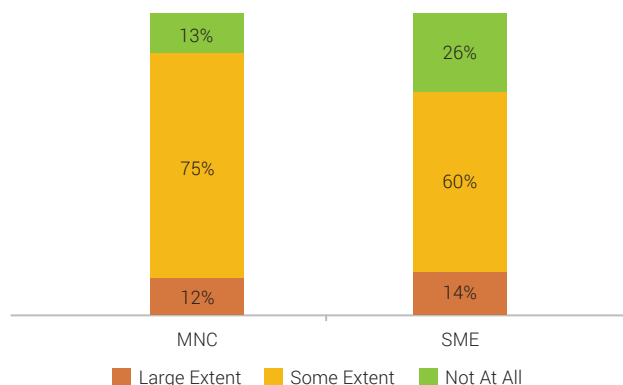
Why do you see your company's level of trade and investment increasing in ASEAN over the next five years?
(MNCs n = 114, SMEs n = 35)

GLOBAL RELATIONS

SMEs are less likely to expect the Ukraine conflict to impact business to some extent (60%), compared to MNCs (75%) (Figure 36).

Figure 36
Impact of Ukraine conflict on business

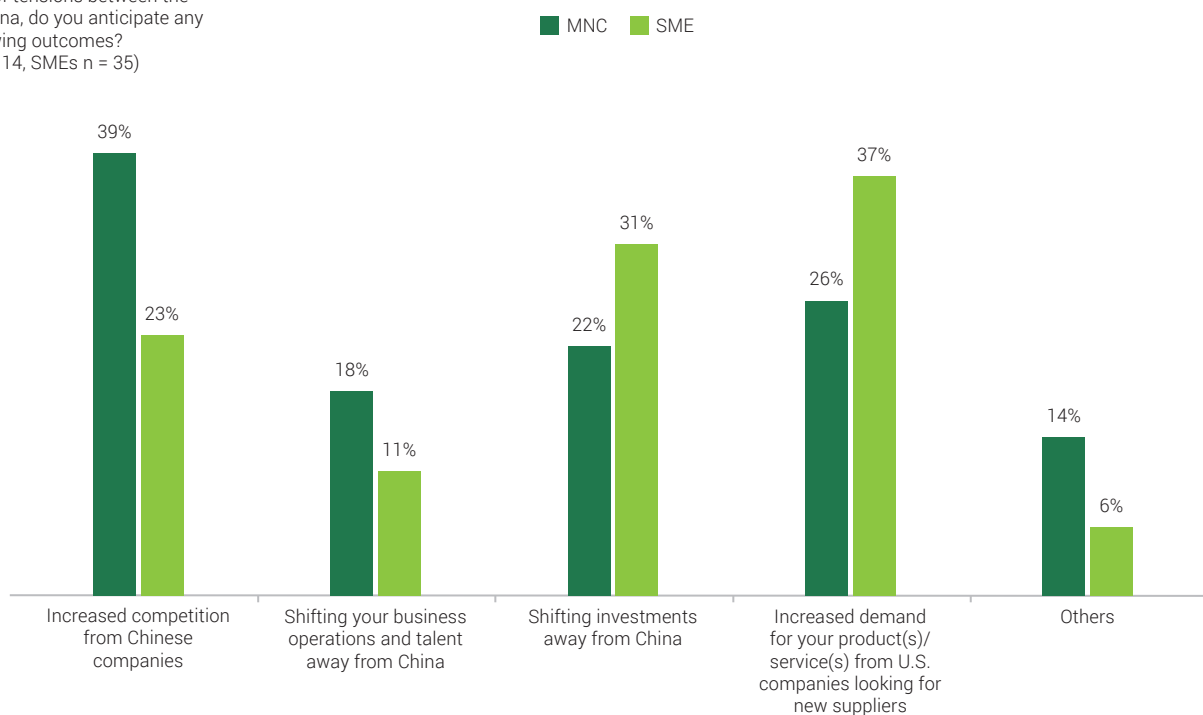
To what extent do you expect the situation in Ukraine to impact your business in the next five years?
(MNCs n = 114, SMEs n = 35)



A lower proportion of SMEs anticipate increased competition from Chinese companies as a result of U.S.–China tensions (23%), compared to 39% of MNCs (Figure 37). The most common anticipated outcome of the tensions among SMEs is increased demand for their products and services (37%), whereas only 26% of MNCs cite this.

Figure 37
Expected outcomes of U.S.-China tensions

As a result of tensions between the U.S. and China, do you anticipate any of the following outcomes?
(MNCs n = 114, SMEs n = 35)



Looking at the impact of U.S. trade and cooperation agreements within ASEAN, a higher proportion of SMEs do not believe the PGII will improve regional infrastructure at all (26%), compared to 4% of MNCs and 7% of total ASEAN companies (Figure 38).

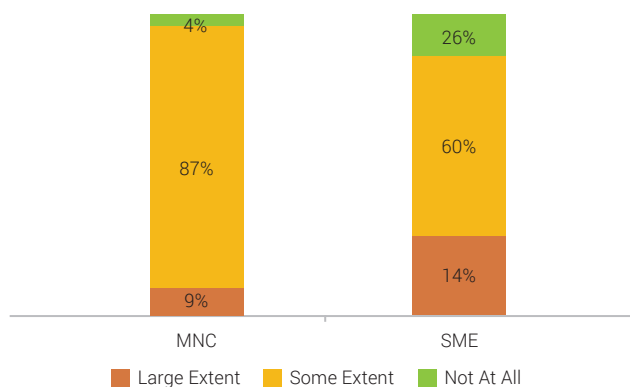


Figure 38
Sentiments on PGII
(MNCs and SMEs)

To what extent do you think the Partnership for Global Infrastructure and Investment (PGII) will improve regional infrastructure?
(MNCs n = 114, SMEs n = 35)

However, respondents from both MNCs and SMEs are more optimistic about the IPEF, with a slightly higher proportion of SMEs feeling positive (60%), compared to 53% of MNCs. (Figure 39).

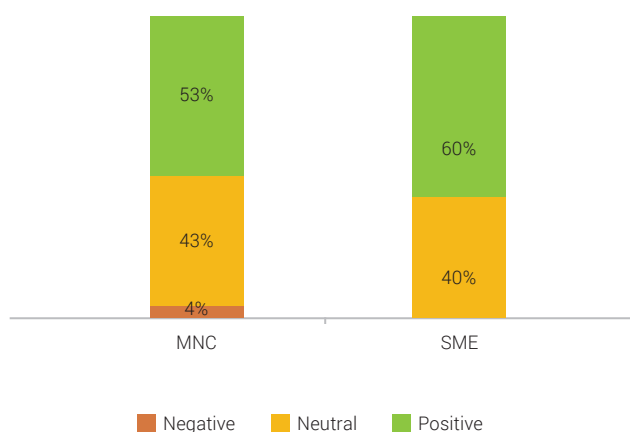


Figure 39
Sentiments on IPEF
(MNCs and SMEs)

Which of these sentiments best expresses your view of the Indo-Pacific Economic Framework (IPEF)?
(MNCs n = 114, SMEs n = 35)

A higher proportion of SMEs believe Indonesia (60%) and Vietnam (71%) to be attractive partner countries as potential bilateral FTA partners with the U.S., compared to 46% and 54% respectively among MNCs. Thailand is among the top three desired partner countries among both SME (51%) and MNC (48%) respondents (Figure 40).

Figure 40
Most attractive countries
as potential bilateral FTA
partners with U.S.
(MNCs and SMEs)

Looking ahead, given the U.S. administration's stated preference for bilateral over multilateral trade agreements, which countries are most attractive as potential bilateral FTA partners with the U.S.? (MNCs n = 114, SMEs n = 35)





FUTURE GROWTH OPPORTUNITIES IN ASEAN



“Our company feels ASEAN markets will be more important due to: 1) stronger GDP and capital markets growth in APAC versus other developed markets; 2) increasing use of debt capital markets to finance sustainable development and infrastructure needs in the region; and 3) stronger bilateral relations between the ASEAN and the United States.”

“Unity in ASEAN is a critical factor for mitigating against risks in the global environment.”



While grappling with the aftermath of the global COVID-19 pandemic and rising inflation, uncertainties remain about ASEAN's economic recovery. However, the region is demonstrating resilience and rapid growth in areas including domestic consumption³⁹. This is reflected in the current business optimism towards profits in ASEAN as well as plans for expansion and trade/investment in the region, which have returned to or surpassed pre-pandemic levels. With ASEAN's accelerating influence as a key player in the global economy, particularly driven by the rise of the consumer class, U.S. companies operating in the region remain focused on local markets as key revenue drivers.

As the latest U.S.–ASEAN partnership agreements play out, it is hopeful that recovery and sustainable development across the region will be augmented as ASEAN emerges as the fourth largest global economy. Organizations will need to find solutions in response to continuing supply chain shocks, the talent crunch, and competition from Chinese business in the region. With rapidly increasing levels of digital adoption in ASEAN driven by government initiatives, investor funding, and consumer needs, embracing digital innovation is critical to business sustainability in the longer term⁴⁰.

³⁹ "World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", (https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf)

⁴⁰ World Economic Forum, "Future of Consumption in Fast-Growth Consumer Markets: ASEAN", (https://www3.weforum.org/docs/WEF_Future_of_Consumption_in_Fast_Growth_Consumer_Markets_ASEAN_2020.pdf)

90% of executives think sustainability is important, yet only 60% have a sustainability strategy and even fewer successfully implement it.

Where to start?

——— *Forbes, June 2021*

Greensight: The Sustainability Guide for Company Directors helps you get ahead of the challenge of the century.

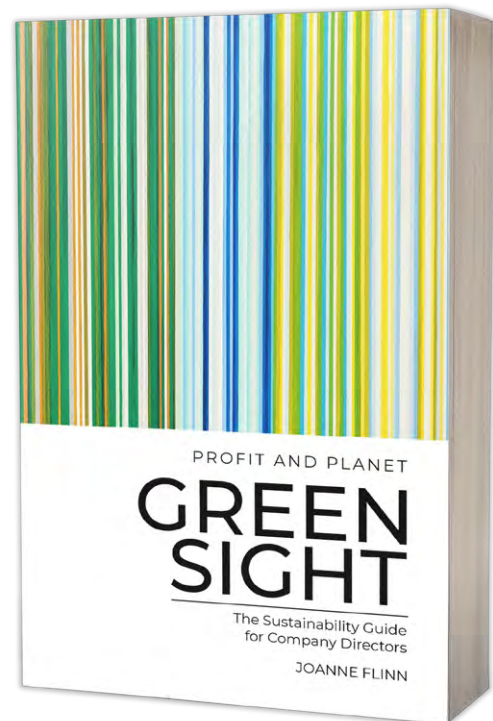
Based on curated insights from world-class business leaders, this is the perfect tool to empower your C-Suite, ensure everyone speaks the same language, and outline a clear strategic plan toward sustainability and growth.

The Author

Joanne Flinn is an award-winning business author, keynote speaker, and board advisor. Twice a TEDx speaker, she spoke on four continents at corporate and industry events including “Aon, Autodesk to the Asian Banker and PMI.”

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She is the chairwoman of the ESG Institute, which works with leaders and directors to deliver business transformation swiftly, calmly, and effectively with results that work for people, planet, and profit.



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ESG
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Find out more about your business sustainability readiness and typology with Greensight's diagnostic tool at <https://jflinn.com/greensight-diagnostic> or scan the QR-code.





SINGAPORE SPOTLIGHT





Singapore's reliance on imported goods has presented a sizable challenge in the current environment of rising commodity prices. As of June 2022, the rate of food price increases was 3% higher than last year and may accelerate. The government has provided a S\$1.5 billion stimulus package to buffer consumers and companies from the impact of inflation, while seeking alternative supply sources and subsidizing food costs¹.

Having experienced setbacks in the import and export of services and travel due to the COVID-19 pandemic, Singapore dropped to fifth place in the Institute for Management Development's World Competitiveness Rankings in 2021 from its first position in the preceding two years. However, the city-state's leadership in international trade and

investment, business legislation, and technology enabled it to retain the top ranking in Asia. Singapore's decisive policy response and strong economic fundamentals have driven a rapid economic recovery, but external pressures including the Ukraine war are expected to curb growth². External-facing sectors including manufacturing and financial services are likely to be particularly affected, as a result of reduced demand and lower market confidence.

Singapore has also felt the impact of the loss of foreign talent driven by restricted global mobility and tighter foreign labor policies. The total foreign workforce size (excluding domestic workers and those in the marine, construction and process sectors) reached its lowest level in 10 years, as of December 2021³. With limited tourism during the pandemic, employment levels in

¹ Centre for Strategic & International Studies, "The Latest on Southeast Asia: June 23, 2022" (<https://www.csis.org/blogs/latest-southeast-asia/latest-southeast-asia-june-23-2022>)

² Monetary Authority of Singapore, "Speech by Mr Alvin Tan, Minister of State (Trade and Industry) and MAS Board Member, at Invest ASEAN 2022 on 8 June 2022", (<https://www.mas.gov.sg/news/speeches/2022/speech-by-mr-alvin-tan-minister-of-state-trade-and-industry-and-mas-board-member-at-invest-asean-2022-on-8-june-2022>)

³ Nanyang Technological University Singapore, "Will a labour shortage crimp Singapore's post-pandemic recovery?", (<https://www.ntu.edu.sg/business/news-events/news/story-detail/will-a-labour-shortage-crimp-singapore's-post-pandemic-recovery>)



the hotel and food and beverage (F&B) industries have taken a significant hit; notably in operational roles that were previously filled by a higher proportion of external talent in Asia. Singapore's implementation of stricter policies for work passes is further challenging companies' ability to fill job vacancies.

Despite a decrease in projected economic growth from 7% in 2021 down to 3–5% in 2022 due to further pandemic-driven supply chain and travel disruptions, Singapore's high vaccination rate and pledge to fully reopen should attract foreign firms⁴. The Lion City's post-pandemic recovery is likely to be boosted by digitization and automation: DBS Bank has experienced a 400% rise in consumer use of digital tools⁵. Singapore's annual Budget 2022 pinpointed the digital innovation agenda as a priority, with the government rolling out schemes to strengthen the digital capability of local businesses (which represent 80% of all businesses in the country)⁶. Stepping

up digital transformation in traditional sectors, including real estate, maritime and construction, is a particular focus to support Singapore's post-pandemic growth and competitiveness in key segments. As part of the city-state's strategy for boosting trade and collaboration in a digital economy, Digital Economy Agreements were introduced in 2020⁷. It has since signed such agreements with Chile, New Zealand, Australia, the United Kingdom, and Korea to help develop international frameworks for standards and systems that support businesses (especially SMEs) in digital connectivity.

In October 2021, Singapore also signed the Partnership for Growth and Innovation (PGI) with the U.S.. This bilateral economic cooperation agreement is intended to build inclusive growth for the regions by strengthening U.S.-Singapore collaborations in future areas⁸. The PGI is supporting technological standards — such as in data privacy and AI — across different sectors⁹.

⁴ I by IMD, "Asia 2022: 5 trends to watch", (<https://iby.imd.org/asian-hub/five-things-to-watch-for-in-asia-in-2022/>)

⁵ McKinsey & Company, "Building 21st century companies in Asia", (<https://www.mckinsey.com/featured-insights/future-of-asia/building-21st-century-companies-in-asia>)

⁶ Edward Senju, EDB Singapore, "Singapore drives digital transformation in traditional sectors", (<https://www.edb.gov.sg/en/business-insights/insights/singapore-drives-digital-transformation-in-traditional-sectors.html>)

⁷ Infocomm Media Development Authority, "Digital Economy Agreements", (<https://www.imda.gov.sg/-/media/Imda/Files/About/Media-Releases/2020/COS2020/Annex-H-COS-2020—Factsheet—Digital-Economy-Agreements.pdf>)

⁸ Ministry of Trade and Industry Singapore, "Joint Press Release On New Collaborations Under The U.S.-Singapore Partnership For Growth And Innovation (PGI)", (<https://www.mti.gov.sg/Newsroom/Press-Releases/2022/03/New-Collaborations-Under-The-US-Singapore-Partnership-For-Growth-And-Innovation-Joint-Press-Release>)

⁹ Kirana Aisyah, Open Gov Asia, "Partnership for Growth and Innovation between Singapore and U.S.", (<https://opengovasia.com/partnership-for-growth-and-innovation-between-singapore-and-u-s/>)



According to the UOB SME Outlook 2021 Study, digitalization is a key driver of revenue growth in smaller companies, with stronger growth reported by those that implemented digital technology initiatives compared to those that did not adopt any digital tools¹⁰. As Singapore's SMEs have been cautiously adjusting their business strategies to operate in a pandemic environment, intentions for international expansion have remained tentative. However, business outlook is gradually becoming more optimistic: in February 2022, a third of Singaporean SMEs reported expected business expansion in the next 12 months, up from 19% last year¹¹. As they continue to battle the talent crunch and rising costs, SMEs must capture new growth opportunities, engage the global economy, and prioritize people development to enable business sustainability¹².

With the current trend of employees seeking a renewed sense of purpose in their work and greater flexibility, businesses are likely to continue facing talent attraction and retention challenges during the post-pandemic recovery phase. Embedding opportunities for lifelong learning within organizational culture can strengthen relationships with employees as well as revenue, according to research by SkillsFuture Singapore and the Ministry of Trade and Industry.¹³

Through international trade partnerships, targeted inflation policy and increased commitment to climate change goals, Singapore can maintain resilience and build sustainable growth.

¹⁰ UOB, "Digitalisation efforts pay off for Singapore SMEs with rise in revenue: UOB SME Outlook Study 2021", (<https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2021/Digitalisation-efforts-SMEs-revenue-rise.pdf>)

¹¹ Gabriel Olano, Insurance Business Asia, "Singapore SMEs still reeling from COVID-19 – QBE survey", (<https://www.insurancebusinessmag.com/asia/news/breaking-news/singapore-smes-still-reeling-from-covid19--qbe-survey-325284.aspx#:~:text=12%20Feb%202022,-Singapore%20SMEs%20still%20reeling%20from%20COVID%2D19%20%E2%80%93%20QBE%20survey%20%7C,QBE's%20annual%20SME%20survey>)

¹² Claire Lee, HRM Asia, "Singapore urges SMEs to adapt, build workforce for post-pandemic", (<https://hrmasia.com/singapore-urges-smes-to-adapt-build-workforce-for-post-pandemic/>)

¹³ McKinsey & Company, "Building 21st century companies in Asia", (<https://www.mckinsey.com/featured-insights/future-of-asia/building-21st-century-companies-in-asia>)



CAMBODIA SPOTLIGHT





After two decades of GDP growth of at least 7%, Cambodia was consistently ranked as one of the fastest growing economies in the world. This rapid growth was underpinned by macroeconomic stability, openness to trade and foreign direct investment, and structural transformation led by export-oriented, labor-intensive manufacturing such as garments, travel goods, and footwear.¹

However, Cambodia has recently experienced a marked slowdown due to the effects of Covid-19. The economy particularly suffered due to the country's growth generating process, as the market is insufficiently diversified. The World Bank notes that five products—garments, footwear, rice, cassava, and tourism—accounted for 80 percent of total exports, and Cambodia

faces low and declining productivity, low quality and weak export linkages, and high FDI but low domestic investment.²

In response to the turndown, the Royal Government of Cambodia has made efforts to boost economic production and help stabilize the economy. Its high vaccination rollout, coupled with tax breaks given to the tourism and hospitality sector, ensured that the services sector rebounded quickly. Additionally, the government injected USD \$1.3 billion into its Covid-19 intervention package, with the bulk allocated to Covid-19 treatment and prevention, while also increasing the budget for cash transfers to the poor.³ Other international institutions including the Asian Development Bank donated hundreds of millions of dollars to help support the health care

¹ Asian Development Bank Fact Sheet <https://www.adb.org/sites/default/files/publication/27757/cam-2021.pdf>

² Resilient Development: A Strategy to Diversify Cambodia's Growth Model, World Bank Group, December 2021. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099925001262213662/p1719580f183f60bb0ac1e01e64a9c905ea>

³ ASEAN+3 Regional Economic Outlook 2022, ASEAN +3 Macroeconomic Research Office, 2022 https://www.amro-asia.org/wp-content/uploads/2022/04/AMRO-AREO-2022_Full-Report.pdf



systems and increase financial inclusion and access to affordable finance by micro, small and medium sized enterprises.⁴

The economy is expected to steadily recover in 2022, with the World Bank projecting growth to be 4.5%. The agriculture and manufacturing sectors remained strong during the pandemic, allowing the economy to grow 2.9% in 2021 after contracting 3.1% in 2020, and manufacturing and garments in particular will continue to drive growth.⁵ Cambodia's exports continue to rise year-on-year, with garments exports increasing 15% in 2021. The United States, Cambodia's largest export destination, witnessed exports rise 45% in the first seven months of 2022, and they were valued at USD \$5.9

billion, though a significant trade imbalance remains.⁶ The construction sector, another pillar of the economy, grew 2.1% in 2021 after contracting slightly in 2020.⁷

Inflation remained stable at 2.9% in 2021 as lower prices for most food items offset the impact of increased energy and transportation costs. However, inflation is expected to rise due to higher oil prices and uncertainty from the Russia-Ukraine conflict, though an increase in domestic supplies will push down the price of pork, fish, and seafood.⁸

⁴ Asian Development Bank Fact Sheet <https://www.adb.org/sites/default/files/publication/27757/cam-2021.pdf>

⁵ ASEAN+3 Regional Economic Outlook 2022, ASEAN +3 Macroeconomic Research Office, 2022 https://www.amro-asia.org/wp-content/uploads/2022/04/AMRO-AREO-2022_Full-Report.pdf

⁶ <https://www.khmertimeskh.com/501134689/cambodia-us-trade-surges-45-to-5892-million/>

⁷ <https://www.businesswire.com/news/home/20220809005566/en/Cambodia-Construction-Industry-Report-2022-Commercial-Industrial-Infrastructure-Energy-and-Utilities-Institutional-and-Residential-Market-Size-Trends-and-Forecasts-2020-2026--ResearchAndMarkets.com>

⁸ ASEAN+3 Regional Economic Outlook 2022, ASEAN +3 Macroeconomic Research Office, 2022 https://www.amro-asia.org/wp-content/uploads/2022/04/AMRO-AREO-2022_Full-Report.pdf



Cambodia is not self-sufficient in energy resources and imports 100 percent of the coal and petroleum products used to fulfil its energy needs.⁹ However, the Royal Government of Cambodia is now looking to move away from fossil fuels. The Ministry of Mines and Energy finalized the National Energy Efficiency Policy (2021-2030) in order to create a more welcoming and attractive environment for energy efficiency and investment. In 2021, Cambodia's Energy Minister, Mr. Suy Sem, stated that the government “does not have any plan to develop coal plants anymore beside the plants that the government approved since 2019,” and the country would rely on “low-carbon energy sources such as imported LNG and hydrogen.”¹⁰

As the Chair of ASEAN in 2022, Cambodia has been able to leverage international attention and showcase its robust economy for its neighbors and the wider global community. With most of the sectors of the economy growing, Cambodia stands ready to attract wider, more diversified investment in the short and medium term.

⁹ “Investing in Energy Efficiency – Stimulating Green Economic Growth in Cambodia as a COVID-19 Response,” UNDP Report, July 2022 <https://www.undp.org/cambodia/publications/investing-energy-efficiency-stimulating-green-economic-growth-cambodia-covid-19-response>

¹⁰ <https://asia.nikkei.com/Business/Energy/Cambodia-minister-vows-no-new-coal-plants-beyond-those-approved>



MALAYSIA SPOTLIGHT





Malaysia's current economic outlook is on the upswing after a devastating two-year lockdown during the COVID-19 pandemic. The Government of Malaysia anticipates 2022 gross domestic product (GDP) growth of between 5.2 to 6.3%¹, in line with an 8.9 percent expansion in Q2, 2022, compared to 5.0% growth in Q1, 2022².

Malaysia's manufacturing sector, the second largest GDP contributor after services, expanded by 9.2% supported by strong demand for electronic, electrical and optical products³. That optimistic outlook had spurred the Government, companies and investors to fine-tune strategies to promote and position the country as a reliable, trusted and favored destination for additional and new investments coming into the region.

The transformation and rejuvenation of Malaysia's economy began in late 2021, early 2022, as borders

began reopening after a national vaccination program was implemented. Today Malaysia claims a national vaccination rate of 84.2%⁴, ranking fifth among its ASEAN neighbors⁵. These health policy measures assured governments, investors and business executives that the population and country are safe, reinforcing Malaysia's regional competitiveness and securing its place within the global supply chain.

For many foreign investors and multinational companies, these initiatives support Malaysia's appeal as a favorable investment destination with business-friendly government policies and a workforce equipped with high quality skills and competencies.

American government officials have taken note of Malaysia's multi-pronged efforts to battle the pandemic, while kick-starting the economy. U.S. Secretary of State Antony J. Blinken said close cooperation with Malaysia

¹ <https://www.mof.gov.my/portal/en/news/press-citations/malaysia-to-achieve-gdp-growth-of-5-3-6-3-pct-this-year>

² https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=100&bul_id=VEDjcVNYZ1dkUlH1SHI2US9SMSs1Zz09&menu_id=TE5CRUZCblh4ZTZMODZlbnk2aWRRQT09

³ https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=100&bul_id=VEDjcVNYZ1dkUlH1SHI2US9SMSs1Zz09&menu_id=TE5CRUZCblh4ZTZMODZlbnk2aWRRQT09

⁴ <https://covidnow.moh.gov.my/vaccinations/>

⁵ <https://www.reportingasean.net/in-numbers-covid-19-vaccination-in-southeast-asia/>



had boosted trade and investment in the country and strengthened its post-pandemic economy recovery⁶. Blinken said Malaysia's critical role in supporting a resilient global supply chain would boost investment opportunities in trade and digital economy, technology, clean energy and infrastructure.

MIDA and Malaysia Digital, have taken urgent steps to enhance Malaysia's global attractiveness by promoting value-added innovations and digitalization, migration from manufacturing towards higher value-added services-based industries to support global organizations and encouraging companies to incorporate ESG best practices.

MIDA, the government's principal agency overseeing and driving investments into Malaysia, recently announced that the country attracted USD10.2 billion worth of investments in manufacturing, services and primary sectors between January to March 2022, with the U.S. contributing USD0.9 billion (14%) of foreign direct investments.⁷

Similarly, government initiatives such as *MyDigital*, *Malaysia Digital Economy Blueprint* and the *Fourth*

Industrial Revolution policy continue to support the country's transition into a high-income nation and be a regional leader in the digital economy. Prime Minister Ismail Sabri said Malaysia is in a good position to achieve its RM70 billion digital investment target by 2025⁸, in line with the country's digital economy blueprint. Since July 2022, this component had already attracted FDI amounting to RM42 billion.

Malaysia's economic ambition was reflected by Senior Minister of International Trade and Investments Mohamed Azmin Ali who remarked, "Malaysia is on the right trajectory to secure more high-quality, high impact and capital-intensive projects."⁹ He added that the services sector would continue to be the key economic driver and was the largest contributor of approved investments for the first half of 2022.

Azmin's U.S. Trade and Investment Promotion Mission in May secured new investments worth RM16.52 billion¹⁰ from global American multinational companies Insulet, Ferrotec, Amazon Web Services Inc, Cue Health as well as additional commitments by Texas Instruments and Boston Scientific.

⁶ <https://www.mida.gov.my/mida-news/us-to-boost-trade-and-investment-in-malaysia/>

⁷ <https://www.mida.gov.my/rm42-8-billion-of-approved-investments-recorded-in-the-first-quarter-2022/>

⁸ <https://www.theedgemarkets.com/article/malaysia-good-position-achieve-rm70b-target-digital-investments-2025-%E2%80%9494-pm>

⁹ <https://www.bernama.com/en/business/news.php?id=2117407>

¹⁰ <https://themalaysianreserve.com/2022/05/21/malaysia-attracts-new-investments-worth-rm16-52b-from-the-us-azmin/>



Significantly, these companies committed to continue creating localized, sustainable business ecosystems through technology and skills transfers and helping small and medium enterprises improve processes in order to enter the global supply chains.

Malaysia's reputation as an electrical and electronics (E&E) manufacturing powerhouse in Asia is well known. Several global technology companies such as Intel, Motorola, Dell, Western Digital already count Penang as their regional hubs and Malaysia continues to attract new players into the E&E sector.

In April, TTM Technologies, a leading U.S.-based global manufacturer of printed circuit boards, radio frequency components and RF microwave/microelectronic assemblies broke ground for its first manufacturing plant in Penang. The new USD130 million facility would address industry requirements for supply chain resiliency, as part of its regional diversification efforts.

In May, U.S.-based Indium Corp, a global materials supplier to the electronics assembly and semiconductor packaging industries, announced a RM250 million

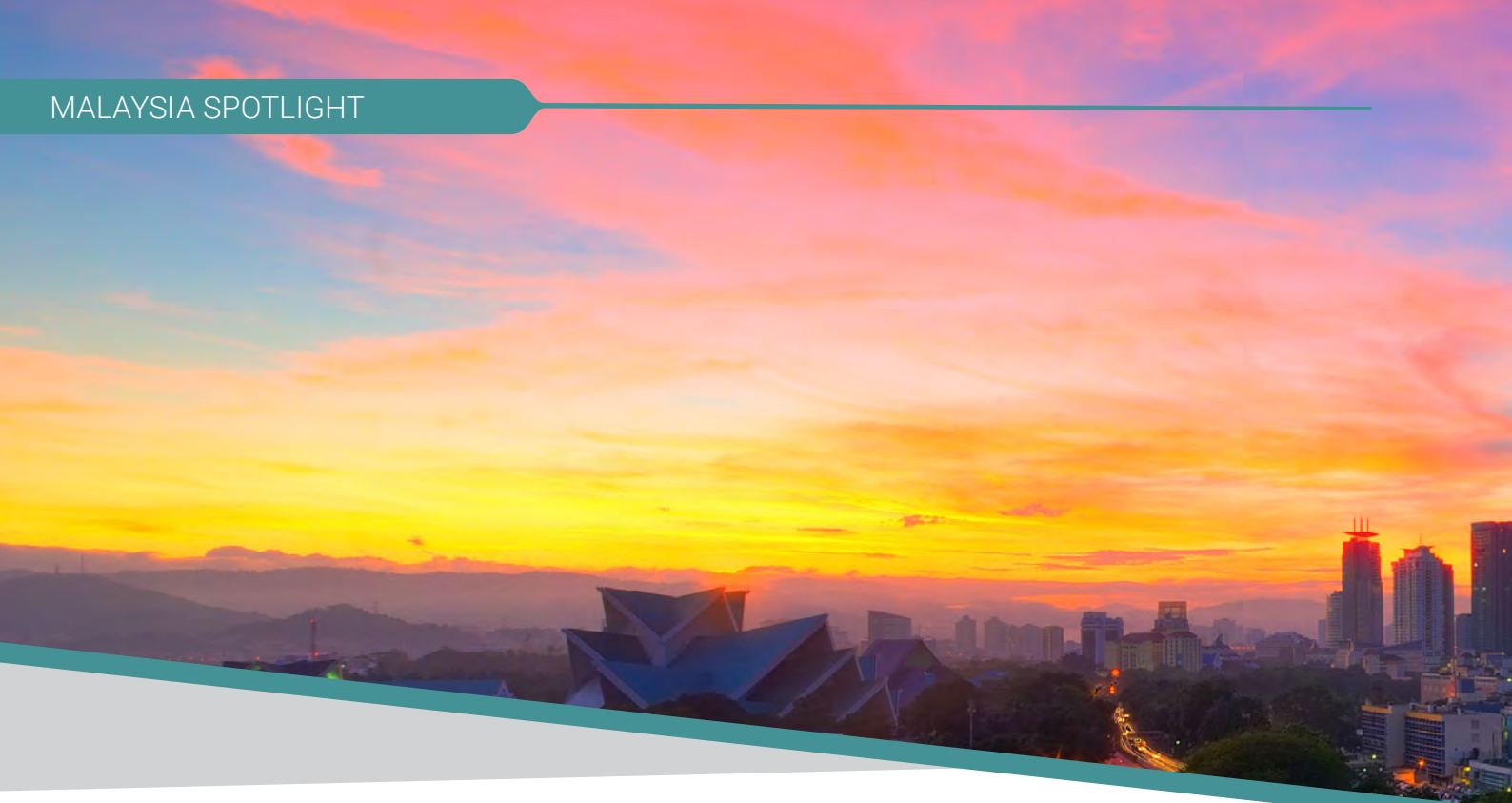
commitment to build a 37,500 square feet plant in Penang to manufacture solder pastes and fluxes in 2022, and engineered materials by 2023.

Investments in the E&E sector over the past few decades reflect a growing trend: localizing value-added services such as domestic R&D, building resilient, sustainable supply-chain ecosystem and creating a more robust network of vendors have transformed Malaysia into an attractive destination for expansion into new high-value industries, such as specialized medical devices, and components.

In 2017, Massachusetts-based Boston Scientific opened its first manufacturing plant in Asia in Penang¹¹, joining other health, nutritional products and medical devices companies such as Johnson & Johnson and Abbott to use Malaysia as their regional base to supply other Asian markets. That strategy had borne good results. U.S.-based Insulet Corporation invested USD200 million¹² to build its first manufacturing plant in Johor to support its global manufacturing capacity and to strengthen its presence in Asia.

¹¹ <https://www.theedgemarkets.com/article/boston-scientifics-first-asian-factory-penang-starts-operation>

¹² <https://www.mida.gov.my/media-release/insulet-corporation-selects-malaysia-as-one-of-its-manufacturing-sites-for-the-production-of-the-omnipod-insulin-management-system/>



Climate change is a major global concern. As countries and organizations explore alternatives to carbon-generating fossil fuels, access to renewable energy such as solar, biomass, hydro and wind have become influential decision drivers for many businesses. Malaysia provides various incentives to encourage businesses to adopt green measures.

For example, Cenergi SEA, a Khazanah-backed company, signed an MOU with GE to harness biogas from palm oil mill effluent to generate power for the national grid¹³. Diversifying energy sources not only creates energy security and improves sustainability, but also expands the opportunity for private sector companies to participate in energy generation.

U.S. enterprises have been quick to capitalize on such opportunities. One of the earliest solar-panel manufacturers in Malaysia was U.S.-based First Solar, which started operations in 2008. Today, it is one of the largest manufacturers of thin-film photovoltaic (PV) panels in the region.

In July 2022, First Solar signed an agreement to

supply Solarvest Holdings Berhad, a Malaysian clean energy specialist and turnkey service provider, with 93 megawatts of advanced thin-film PV solar panels to power four projects under Malaysia's *Large Scale Solar Program*¹⁴.

Renewable energy also underpins Malaysia's new economy sectors such as data centers. In April 2021, Microsoft announced plans to establish its first datacenter in Malaysia¹⁵ that would also align to the technology giant's sustainability goals. Microsoft has a global commitment to shift entirely to renewable energy by 2025, where 100 percent of power purchase agreements would be derived from green energy, including the planned Malaysia datacenter.

Malaysia's Central Bank (BNM) is also working with companies to incorporate climate related risks and business resilience among small and medium-sized enterprises (SMEs)¹⁶. In January 2022 RHB Asset Management Bhd partnered with JP Morgan Asset Management to launch the *RHB Climate Change Solutions Fund*¹⁷ which focuses on ESG initiatives such as sustainability, recycling and renewables.

¹³ <https://www.ge.com/news/press-releases/ge-signs-mou-cenergi-sea-advance-biogas-industry-malaysia>

¹⁴ <https://investor.firstsolar.com/news/press-release-details/2022/Solarvest-Orders-93-MW-of-First-Solar-Modules-for-Malaysian-Projects/default.aspx>

¹⁵ <https://news.microsoft.com/en-my/2021/04/19/microsoft-announces-plans-to-establish-its-first-datacenter-region-in-malaysia-as-part-of-bersama-malaysia-initiative-to-support-inclusive-economic-growth/>

¹⁶ <https://www.bnm.gov.my/-/jc3-7th-meeting>

¹⁷ <https://www.nst.com.my/business/2022/01/762564/rhb-asset-management-jp-morgan-jointly-launch-climate-change-solutions-fund>



As part of the national digitalization initiative, BNM's recent announcement of digital banking license winners is expected to spur further economic growth¹⁸. MoneyLion¹⁹, a U.S.-based digital finance leader in partnership with Aeon Consortium, is building a Software-as-a-Service (SaaS) digital platform to provide consumers the tools to manage their personal financial outlook.

Although digital services offer a wide appeal to users due to its convenience and ubiquity, there are also inherent dangers and risks arising from ransomware, scams and phishing activities. These malicious acts have detrimental effects on the political, social, economic and private wellbeing of companies and individuals.

The Government of Malaysia identified cybersecurity as an economic priority²⁰ under the *Malaysia Cyber Security Strategy (MCSS) 2020-2024* initiative, with an allocation of USD434 million to step up national cybersecurity

preparedness and defense.

To support these efforts, U.S. cybersecurity company Swimlane selected Malaysia as its regional headquarters for Asia, offering its expertise in cybersecurity analytics and automation, developing in-country talent and skills and offering cyber technology solutions and services for the regional market²¹.

Cisco, another global tech giant, is bringing its *Country Digital Acceleration (CDA)* program to Malaysia²². It is a long-term strategic partnership with government, industry and academia to build inclusive communities through technology and innovation, aimed at advancing Malaysia's national digitization agenda.

Today, many countries have moved past the restrictions caused by the pandemic. As companies resume their operations, Malaysia has been a leader in implementing and leading business development initiatives across the

¹⁸ <https://www.bnm.gov.my/-/digital-bank-5-licences>

¹⁹ <https://investors.moneylion.com/news/detail/79/moneylion-and-aeon-consortium-obtain-approval-for-malaysian>

²⁰ <https://www.trade.gov/market-intelligence/malaysia-cybersecurity>

²¹ <https://www.techinasia.com/malaysia-swimlanes-regional-headquarters>

²² <https://news-blogs.cisco.com/apjc/2022/05/17/cisco-and-government-of-malaysia-unveil-collaboration-framework-to-help-accelerate-digitization/>



country and in the region. Business travel is growing again as borders reopen and the demand for high quality accommodation, travel and leisure activities would also rise.

Malaysia is indeed in a fortunate position in many ways. The transformation and renewal of the economy has made the country an attractive destination for new industries, new services and emerging sectors to investors. The Government of Malaysia understands the need of investors for a conducive business climate for sustainable growth, ongoing investments and economic resilience.

Its strategic location in Southeast Asia, excellent infrastructure and connectivity, highly educated workforce and pro-business policies are not only timely and relevant but have strengthened the country's appeal to American businesses and agencies. As it implements recovery measures and policies to keep the country competitive, Malaysia would serve as an excellent springboard for U.S. companies seeking to expand their engagement with Asia.



MYANMAR SPOTLIGHT





Myanmar's ongoing political turmoil has been severely impacted by an economy that had already been weakened by the COVID-19 pandemic in 2020. The Myanmar economy contracted around 18 per cent in 2021 according to the World Bank's Myanmar Economic Monitor,¹ and it is expected to experience a two percent GDP growth within six months after March 2022, with a forecast for 2.6% growth in 2023 according to the report of the Asian Development Bank 2022. The Myanmar kyat (MMK) depreciation and fluctuating currency rates have caused massive inflation. The report of the Asian Development Bank 2022 forecasts the inflation rate in Myanmar at 16 percent in 2022 and 8.5% in 2023, with unofficial estimates hovering around 20%.²

In the May 2022 U.S. International Trade Administration report stated that employment and capacity in the manufacturing sector had stabilized, and exports recovered to a limited extent. Recently, businesses have been facing challenges due to policy changes such as trade license requirements and severe foreign exchange restrictions. Current market challenges include the volatile political situation, tightened export and import

policies, unstable economic policies, banking sector vulnerabilities, and limited supply of electricity power.³

The lack of growth of Myanmar's economy has been due to the severe restrictions on foreign exchanges imposed by the Central Bank of Myanmar (CBM). The current regime has also limited access to U.S. dollars. In April 2022, the CBM issued rules requiring most accounts with foreign currency holdings to be converted into Myanmar kyat at a fixed rate within one business day excluding foreign investment businesses, diplomatic missions, UN missions and international development partners. Moreover, the transfer of money in or out of Myanmar is difficult and rising in cost.

Myanmar has a long history of civil wars and military coups marked by violence which have limited commercial activity. Frequent power outages and reliance on generators have become an additional expense for businesses. Although Myanmar has a large supply of unskilled workers, skilled labor and managerial staff are in high demand and short supply which is a general challenge for businesses operating in Myanmar.⁴

¹ <https://www.worldbank.org/en/news/press-release/2021/07/23/myanmar-economy-expected-to-contract-by-18-percent-in-fy2021-report>

² <https://www.adb.org/countries/myanmar/economy>

³ <https://www.worldbank.org/en/news/press-release/2022/07/21/myanmar-economy-remains-fragile-with-reform-reversals-further-weakening-the-outlook>

⁴ <https://www.state.gov/reports/2022-investment-climate-statements/burma/>



In Myanmar, most foreign investments are concentrated in the oil, gas, power, and telecom sectors, according to an analysis by the World Bank.⁵ The key sectors that have shown market opportunities are energy, healthcare, franchising, infrastructure, transportation, professional services, agriculture, and tourism.⁶

The Myanmar Investment Law (MIL) provides the procedures the Myanmar Investment Commission (MIC) must take when considering foreign investments. Foreign companies may register locally without an MIC license, but they will not be entitled to receive the benefits and tax incentives provided for in the Myanmar Investment Law. Myanmar has three Special Economic Zones (SEZs) in Thilawa, Dawei, and Kyauk Phyu with preferential policies for businesses that locate there. Of the three SEZs, Thilawa is the only SEZ currently in operation.⁷

According to the regime's Ministry of Electric Power (MOEP), the annual need for power consumption in

Myanmar is increasing annually from 15 percent to 17 percent. To fill the gap in energy needs, the government plans to implement an energy mix including hydropower, natural gas, coal, and renewable energy. Currently, Myanmar's energy sector is struggling to retain foreign investments and maintain its operating environment. Guaranteed access to a stable and adequate electricity supply in Myanmar is challenging. Energy sector opportunities for foreign investments include technical expertise, consultancy, engineering and design, project management services, and building, maintaining, and installation of power plants to the oil and gas, renewables, LNG and conventional power sectors⁸ while the opportunities in the oil and gas sector may exist with private entities in such areas as environmental and social impact assessments, infrastructure and equipment, logistics, risk management, legal consultancy services, and human resources. Additionally, extensive technical expertise is required for seismic and drilling solutions.⁹

⁵ <https://www.trade.gov/country-commercial-guides/burma-market-challenges>

⁶ <https://www.trade.gov/country-commercial-guides/burma-market-opportunities>

⁷ <https://www.state.gov/reports/2022-investment-climate-statements/burma/>

⁸ <https://www.trade.gov/country-commercial-guides/burma-energy>

⁹ <https://www.trade.gov/country-commercial-guides/burma-oil-and-gas>



People in Myanmar realize the importance of quality education, and parents are willing to invest in their children's education to have good career opportunities after graduation. However, the country's education system has been stunted following the COVID-19 pandemic in 2020 and the political shift in February 2021. Local learning centers actively seek partnerships with foreign institutes and universities for undergraduate, graduate, and postgraduate programs. Thailand and

Singapore are the primary international host countries for Myanmar students. Japan, Korea, and Malaysia are additional Asian destinations while the UK, U.S., and Australia are the leading educational destinations in the West.¹⁰

¹⁰ <https://www.trade.gov/country-commercial-guides/burma-education>

¹¹ <https://www.trade.gov/country-commercial-guides/burma-investment-climate-statement>



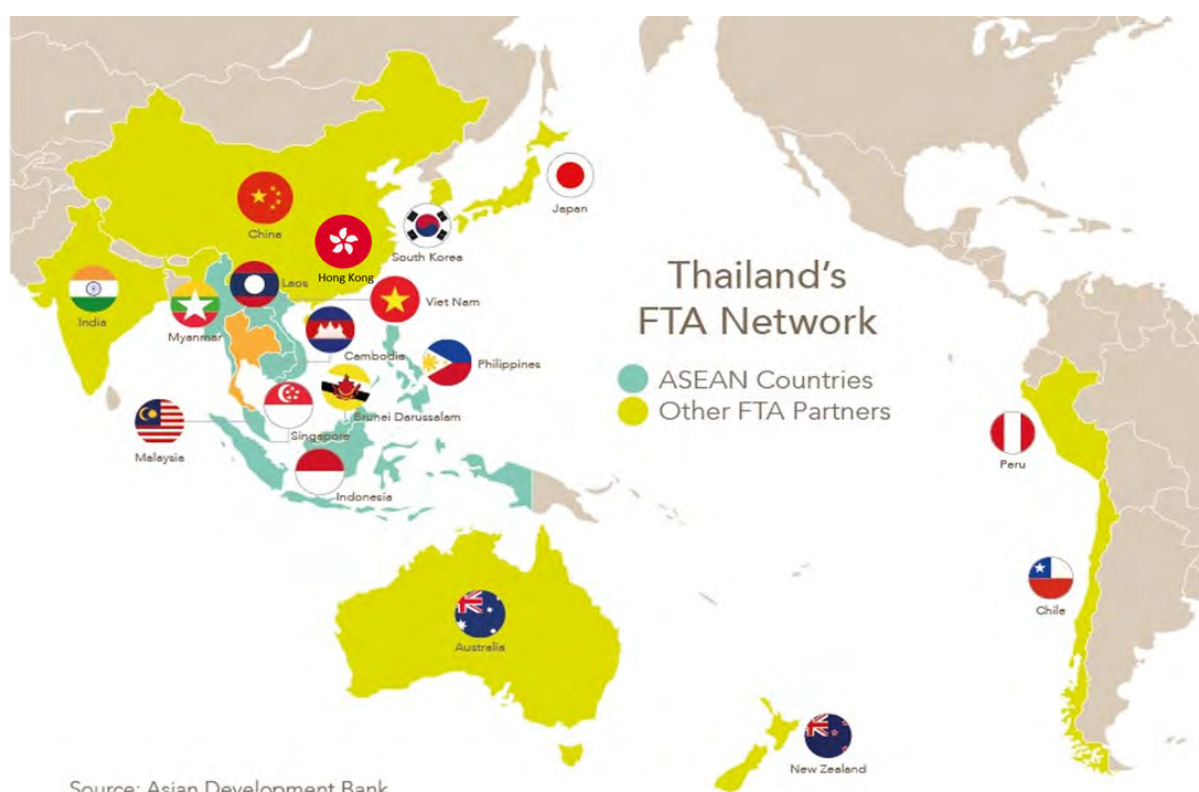
THAILAND SPOTLIGHT





THAILAND, with its population of 70 million, is located at the heart of the ASEAN economic community, a 10-nation Southeast Asian common market of 661.8 million consumers. In addition to its excellent connection with the fast-growing neighboring CLMV (Cambodia, Laos, Myanmar and Vietnam) countries, the powerhouse economies of nearby China and India are also easily reachable from Thailand by virtue of its world-class infrastructure for air, land, sea and rail transportation. Thailand is one of the top 3 export bases in ASEAN. The country is the world's largest supplier of food and agricultural products such as rice and natural rubber, making it a prime country for investing in the Bio-Circular-Green (BCG) industry. Along with BCG products, Thailand also boasts: motor cars; parts and accessories; automatic data processing machines; petrochemical

products polymers of ethylene, and propylene; and precious stones and jewellery as its top 5 export categories in 2021. Besides the geographical advantage and strong infrastructure for major global industries, companies operating in Thailand also enjoy tax and non-tax benefits derived from the fourteen Free Trade Agreements Thailand signed with eighteen countries, with the Regional Comprehensive Economic Partnership (RCEP) as the latest agreement that came into force in January 2022. To strengthen the competitiveness of Thailand, further investment policies, and incentives for key industries have been implemented, along with the Long Term Resident (LTR) scheme to bring in investment and talent from around the globe to support Thailand's industry.



Source: Asian Development Bank

Long known to people around the world as the Land of Smiles, Thailand has also become a land of sustainability for environment-conscious businesses. While different countries use different terminologies for their sustainability efforts, Thailand's use of the term Bio-Circular-Green economy specifically highlights the bio-economy, based on the production of renewable biological resources, and the circular model that reuses and recycles existing products and materials for as long as possible. The green model describes the big picture, keeping the economy, society and environment in balance through sustainable development.

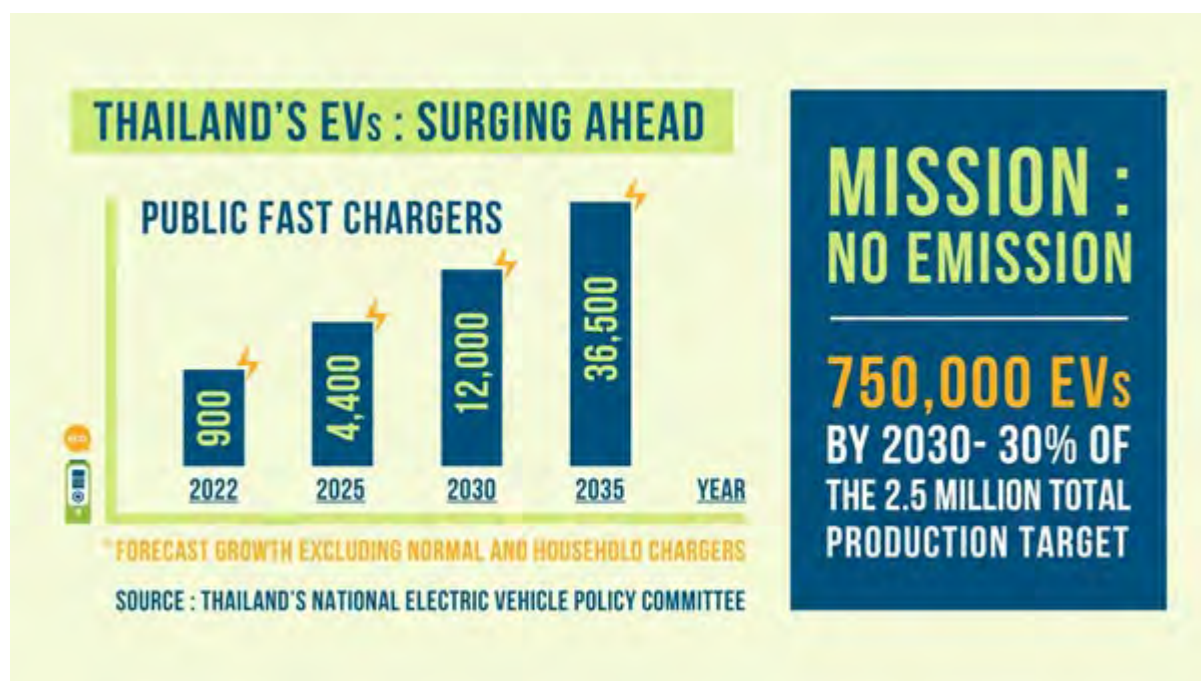
In 2021, foreign and local investors committed to 149.5 billion baht (\$4.2 billion) worth of BCG-related investments in Thailand – more than double the figure for the previous year, according to official figures. In the first half of 2022, the trend continued, with investors pledging a further 80 billion baht.

For investors, that means opportunities in Thailand's most important industrial and service sectors. The

fertile, biodiverse Kingdom of 70 million is one of the world's most important agricultural nations and food exporters, has a major petrochemical industry and is an international medical hub. The Thailand Board of Investment's BCG incentives encompass food processing, biofuel and bioplastics, biotechnology, renewable energy and recycling.

Such is the momentum that the government expects the BCG sector to account for almost one-quarter of the country's GDP by 2027 compared with 21 % today.

Thailand is setting aggressive targets for the infrastructure required to support its zero-emission ambitions. Such is the rate of change that the Thai government estimates that by 2030 – just eight years from now - 30 % of all automobiles manufactured in Thailand will be electric. That would mean 750,000 cars from the 2.5 million it is expected to produce for local and international markets that year. Of that 750,000, half will be BEVs.



The emergence of Thailand, the world's 10th biggest automotive manufacturer and the largest in ASEAN, as an EV hub has been fast-tracked through superior geographical advantages, complete industrial supply chain and sufficient pool of talented personnel and government policies that comprehensively incentivize both investors in the EV sector's supply chain and car buyers.

In addition to investment incentives for targeted industries, Thailand enjoys excellent digital connectivity, a highly skilled labor force and a comfortable standard of living. Considering its overall cost-effectiveness, further enticement was introduced this year to attract investment and global talents; the new Long Term Resident (LTR) Visa opened for application on September 1, 2022.

The new 10-year LTR aims to attract investors, talent, remote workers and retirees to live, work or invest in Thailand, and also aims to further improve the ease of doing business in the country

This represents a new approach to attract more long-term residents to Thailand that will help boost the Thai economy and contribute to professional skill transfer

driving new industries such as EV and smart electronics. The LTR program is designed to further enhance the country's attractiveness as a regional hub for living and doing business for high-potential individuals in targeted groups, to facilitate their entry and stay, and to provide them with a range of tax and non-tax benefits. Making the hiring of foreign talent easier will also expand the country's available talent pool and create more opportunities for technology advancement and capacity building with the local workforce.

Lastly, the government infrastructure including related services and regulations have continuously been updated and improved to facilitate business registration and operations in the country. E-government platforms have been adopted by government agencies to speed up business processes in various aspects such as setting up a company; importing, exporting, and transshipping of goods; and applying for licenses, Intellectual Property Right protection, or certification for market access for food, pharmaceutical, or medical products. At the same time, the government puts significant efforts into updating and revising business-related laws and regulations to create clarity, consistency, and efficiency to foster an enabling business environment for all.



VIETNAM SPOTLIGHT



VIETNAM A TOP DESTINATION FOR FDI

Vietnam is one of the fastest growing economies in the region, if not the world. It has become a top destination for investment in manufacturing as companies diversify supply chains to reduce reliance on China. It benefits from a geostrategic location close to major supplier and consumer markets, a long coastline with major ports, a stable political and macroeconomic environment, a welcoming approach to FDI, integration into a global network of FTAs, including CPTPP, RCEP, and FTAs with the EU and UK, and a young, affordable, entrepreneurial tech-savvy workforce.

Vietnam itself has become a growing consumer market with the World Bank estimating 50% of its nearly 100 million population will be middle class by 2035, 98% of them own their homes with no debt and thus have plenty of disposable income. Overall the Vietnamese consumer has highly favorable views of the United States and U.S. brands. The relative openness of Vietnam's Internet and digital economy, and close ties to Silicon Valley, have contributed to Ho Chi Minh City becoming a regional hub for innovative tech startups. Vietnam also benefits from close people-to-people ties with the United States, with Vietnam the 6th largest source country for international students in the United States, and more than 2,000,000 Vietnamese-Americans.

ECONOMIC RECOVERY WELL UNDERWAY

Vietnam's economic recovery in 2022 has been impressive, with economic growth numbers delivering on the Government's efforts to ensure a 'V-shaped' trajectory following a very challenging 2021. With growth over 8% through three quarters, export figures back to pre-COVID levels, and borders open, Vietnam is looking to the future. And with China's Zero-COVID policies continuing to drive companies to redirect investment, Vietnam looks well-positioned to continue to grow. While there are some challenges on the horizon for 2023, not least the effect of a global economic slowdown on Vietnam's export-driven economy, the country's economic fundamentals and political stability provide confidence that Vietnam will remain an extremely attractive place for American companies to do business.

TRADE & FDI

Perhaps the single most important indicator of Vietnam's return to normality has been its trade figures. Over eight months to August, total trade was just under USD 500 billion, up over 15% from 2021. Vietnam recorded a trade surplus of almost USD 4 billion. Exports to the United States have been a particular bright spot as the U.S.-Vietnam trade relationship goes from strength



to strength. The United States remains Vietnam's top export market, and Vietnam is one of the fastest-growing markets for U.S. exports. Vietnam exported USD 78 billion in goods to the United States and the two countries are on track to set a new annual trade record this year.

At the same time, this is in a context where new FDI commitments have fallen slightly, a reflection of the challenging start to the year as Vietnam emerged from COVID restrictions. Despite this, FDI disbursement continues its upward trajectory through the second half of the year as companies feel more confident and return to normal business operations.

Domestic consumer spending has also recovered. This has been buoyed by Vietnam's limited exposure, so far, to significant inflationary pressures with CPI up less than 3% so far this year. Vietnam's domestic consumers provide a rapidly growing market. Vietnam's consumer spending will get a further boost when tourists return to Vietnam's many historic, cultural, and natural attractions, including a vast coastline.

U.S RELATIONS

Diplomatically, the U.S.-Vietnam relationship continues to be strong. After a 2021 that was punctuated with a series of high-level official visits, including both Vice President Harris and Secretary of Defense Austin, 2022 has seen Special Presidential Envoy for Climate Secretary Kerry making two trips to Hanoi, in addition to Deputy Secretary of State Sherman's visit in June. Vietnam's Prime Minister Pham Minh Chinh joined the US-ASEAN Summit in Washington in May and took the opportunity for a longer swing through the United States, meeting U.S. businesses in Washington and New York before traveling to California and visiting the campuses of Google, Meta, and Apple. With the 10-year anniversary of the U.S.-Vietnam bilateral comprehensive partnership approaching in July 2023, both sides are looking for ways to strengthen their partnership and make it more strategic.

IPEF

Although the Vietnamese government, like most of the U.S. business community, would prefer the United States join the CPTPP, Vietnam has signed up to all four pillars of the Indo-Pacific Economic Framework and its officials are participating actively in discussions, particularly on supply chain resiliency, digital trade, and the clean economy.

ENERGY

A key U.S. Government focus is supporting Vietnam's energy transition following the Prime Minister Chinh's strong commitment to net zero by 2050 made at COP26 last year. This has been a focus of Secretary Kerry's visits to Vietnam and also presents a major opportunity for U.S. companies to support the country's rapidly growing energy needs. While there continue to be policy challenges, Vietnam remains the only developing market to successfully install more than 20,000 megawatts of renewable energy in less than four years and there is a clear path for the renewable energy sector to continue to grow.

2022











ASEAN BUSINESS OUTLOOK SURVEY:

ASEAN: The Future of the 21st Century Economy



PROFILE OF RESPONDENTS

TOTAL RESPONDENTS

	 Cambodia	 Indonesia	 Laos	 Malaysia	 Myanmar	 Philippines	 Singapore	 Thailand	 Vietnam	 ASEAN
Country	7%	7%	2%	16%	5%	5%	23%	26%	10%	-
Manufacturing	20%	40%	0%	46%	29%	25%	6%	21%	20%	23%
Services	80%	40%	67%	46%	57%	75%	62%	50%	73%	58%
Others	0%	20%	33%	8%	14%	0%	32%	29%	7%	19%

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