

# ASEAN Trade and Investment Strategy

## Consultation Paper

### **What are we doing?**

Victoria enjoys strong relationships with Association of South East Asian Nations (ASEAN) member countries and has a committed presence in market.

The growth of the region's 'consuming class' and associated demand for the quality food and fibre, education, and professional services for which Victoria is renowned provides a strong basis for our trade and investment partnerships with the region to develop further.

The South East Asian region is already a key destination for Victorian exports, but we have a great opportunity to capitalise on the significant and growing markets on our doorstep and we can do more to better leverage existing links, relationships and expected growth in the region.

Victoria is also investing in growing partnerships across ASEAN and developing the capabilities of Victorian businesses to ensure that we are not only the most Asia capable state but also a gateway for companies seeking to do business with the region. We are helping to build the inter-cultural skills and connecting business leaders to Asian markets through programs such as Asia Gateway and Hamer Scholarships.

To enhance and better inform this strong relationship and existing economic relationship, Trade Victoria is developing an ASEAN Trade and Investment Strategy.

The Strategy will identify ways to engage further and strengthen our engagement with the ASEAN region. It will outline the priority markets and sectors the Victorian Government is pursuing to enhance and grow trade, investment and people-to-people links.

To inform the strategy, we are undertaking targeted consultations.

This paper outlines some of the key questions and ideas we want to discuss with you. The consultation will draw on a number of perspectives from both Victoria and the ASEAN region to help jointly develop a Strategy that will build on an already strong relationship.

### **What's happening the ASEAN region?**

ASEAN is comprised of ten nations with a population of more than 630 million people. If the region were a single country, it would already be the fifth-largest

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economy in the world, with a combined Gross Domestic Product (GDP) of \$US2.7 trillion in 2017.

In 2016, the region's annual average GDP growth was 4.6 per cent, outpacing the global average of 3.2 per cent. Taken as a whole, ASEAN is set to become the equivalent of the world's fourth largest economy by 2030.

ASEAN has a larger population than the European Union or North America, and the third-largest labour force in the world, behind China and India. Its youthful population, declining fertility rates and stronger workforce participation is producing a 'demographic dividend', with ASEAN's working-age population expected to account for 68 per cent of the region's total population by 2025.

Already some 67 million households in ASEAN states are part of the 'consuming class,' with incomes exceeding the level at which they can begin to make significant discretionary purchases. That number could almost double to 125 million households by 2025, making ASEAN a pivotal consumer market of the future.

Other key trends and drivers in the region include:

- **Population growth in cities/demographic shifts** - the region is set to become the equivalent of the world's fourth largest economy by 2030 with much of its population being under 50 and living in cities.
- **Growing consumer class** - increased consumption and growing middle class shift from buying staple commodities to high value and quality food, beverage and agricultural products.
- **Economic diversification** - Sovereign Wealth Funds are being increasingly used by ASEAN regional governments, to invest in domestic infrastructure, food and water security, and providing alternative funding methods to deliver critical infrastructure.
- **Innovation and digital transformation** - ASEAN Governments are investing heavily to leverage the benefits of digital transformation. The region is known for a strong adoption of mobile phones and mobile internet usage.
- **Skills gaps and access to labour** - ASEAN states are undertaking major educational reforms, focusing on quality and technical skills. There are skills gaps in healthcare, manufacturing, engineering, construction, hospitality and tourism, retail, ICT, banking and financial services.

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### **What do we need from you?**

We are seeking your input to inform the strategy's development. Your input will help provide:

- An informed perspective from both Victorian and ASEAN states on the shared trade and investment opportunities
- Thorough analysis of sectoral and geographical opportunities, with a focus on Victoria's future industries and ASEAN states industry strengths
- A nuanced understanding of how Victoria can engage effectively to build strong and enduring partnerships between industry, government and our regional communities.

### **What do we want to hear from you about?**

*How do we deepen and expand trade links between ASEAN states and Victoria?*

Trade and investment flows between Victoria and ASEAN have benefited significantly as a growing number of governments from the region embrace open market economic policies.

In November 2015, ASEAN declared itself as the ASEAN Community. This includes the ASEAN Economic Community which provides a framework for simplifying and standardising the trade and business environments among ASEAN member states.

However, ASEAN is still a region of different markets, varying economic developments, and diverse cultures. For example, Singapore ranks as second in the global ease of doing business rankings and has a GDP per capital more than 30 times higher than of Laos and more than 50 times high than of Cambodia and Myanmar.

For Victoria businesses, it is important to understand the different political systems, regulations, cultural sensitivities and ways of doing business in each ASEAN country.

We are seeking your views on what you consider the opportunities, impediments or challenges in advancing Victoria's engagement with ASEAN states:

**Q. How is your organisation interested in entering and/or expanding its trade and investment links with the ASEAN region?**

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### **Q. How can government reduce barriers to entry for Victorian businesses in accessing ASEAN markets?**

*Which industry sectors provide the most growth opportunities for Victoria and ASEAN states?*

The region's interests and needs are well aligned with Victorian expertise and skills, making the relationship a natural partnership.

ASEAN is already a key destination for Victorian exports, including dairy, grain, meat and temperate fruit. The region is a significant source of tourists and international students, with Vietnam alone representing our third largest source of international students after China and India.

High growth sectors that align with Victoria's strengths and ASEAN states aspirations include:

- Education and training, focusing on skills training aligned with ASEAN states' demand and workforce needs
- Food and fibre, focusing on the region's growing demand for premium quality food and beverage products
- Infrastructure, including consultancy and advisory services on Public Private Partnerships, water management, urban design, transport and logistics and environmental challenges
- E-Commerce, focusing on innovation, digital technology and start-ups in fintech
- Health, including collaboration on specific health challenges, system design, and the provision of health services

Your insights into sector-specific opportunities will help refine and focus the Strategy's direction.

### **Q. Are these the right sectors to focus on to build a strong economic relationship and pursue current and future opportunities?**

### **Q. How can industry best pursue these opportunities and how can government best support industry to do so in ASEAN states?**

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*How do we enhance and grow the strong connections between Victorian and ASEAN states?*

The ASEAN region and Victoria are connected through a growing number of economic and social connections that underpin and shape our relationship.

Victoria is home to a diverse and vibrant South East Asian diaspora comprised of people who migrated during the 1960s and 1970s and the more recent flow of professionals and students from the region. The 2016 census indicated that 244,000 ASEAN-born reside in Victoria.

Victoria also has a committed presence in market. The Kuala Lumpur Victorian Government Trade and Investment (VGTI) office has been open since 2008, the Jakarta VGTI office was reopened in 2014 and the Singapore office in 2016. These offices are headed by the Commissioner for Victoria and support Victorian businesses to access markets throughout South East Asia, as well as fostering government to government links.

We are seeking your perspectives on how a Trade and Investment Strategy can continue to grow Victoria and ASEAN states close connections and use them to support other aspects of the relationship.

**Q. What interactions, if any, has your organisation had with Victorian Government programs that facilitate economic engagement with the region?**

**Q. How can Victoria utilise strong people-to-people connections to develop a deeper understanding of the region and enhance our trade and investment engagement?**

**Q. How can Victoria and ASEAN states translate these deep people to people connections into greater economic outcomes?**

### **How can you engage?**

We welcome all contributions you may wish to provide and would be happy to answer and further enquiries you may have. Please email [asean@ecodev.vic.gov.au](mailto:asean@ecodev.vic.gov.au)