

# business envoy

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## Rapid growth in ASEAN set to transform our region

### Australia's Ambassador to ASEAN Jane Duke

ASEAN and Australia are neighbours in a region that is transforming at an unprecedented rate.

ASEAN's combined GDP is forecast to grow by 5.4 per cent per year for the next decade, outpacing the global average. For our part, Australia is in its 27th year of uninterrupted economic growth.

To service this growth, ASEAN and Australian businesses are demanding access to high-quality resources, cutting-edge technologies and productive workforces. This will require strong investments in infrastructure, human capital and research and development.

The time is ripe for Australia and ASEAN to make the most of our comparative advantages and increase cooperation and knowledge sharing between governments as we seek to address current economic trends.

Prime Minister Turnbull hosted ASEAN Leaders for the first ever *ASEAN-Australia Special Summit* on home soil in March. At this historic meeting, Leaders committed to deepen integration between our economies, and to expand trade, resist protectionism and uphold the rules-based multilateral trading system.

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## Rapid growth in ASEAN set to transform our region

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Leaders also announced a suite of initiatives to boost trade, investment and business links between Australia and ASEAN. To ensure they were fit for purpose, recommendations from the business community helped inform these initiatives that will shape the Australia-ASEAN partnership for the 21st century. The initiatives cut across a broad range of sectors including digital trade, smart cities, infrastructure, and economic policy cooperation.

The *ASEAN-Australia Business Summit*, an important lead-in event to the *ASEAN-Australia Special Summit*, included a CEO Forum where 120 of the region's top CEOs discussed critical issues and responses to developments around Industry 4.0, and ASEAN's future energy and infrastructure needs.

Prime Minister Turnbull and Singapore's Prime Minister Lee opened the SME Conference component of the Business Summit, which brought together hundreds of Australian small-and-medium sized enterprises to build networks and enhance their understanding of the ASEAN region. Prime Minister Lee noted that the ASEAN region presents great opportunities for the entrepreneurship and innovation embodied by small business.

The networks and information sharing facilitated by the Business Summit are supported by the Australian Government's commitment to upgrade, improve and expand the range of free trade agreements to give Australian businesses a competitive edge in ASEAN markets.

We are presently undertaking a General Review of our comprehensive free trade agreement, the ASEAN-Australia-New Zealand FTA, to ensure it continues to meet the needs of our businesses and enhances regional economic integration.

AANZFTA complements our existing FTAs with Singapore, Malaysia and Thailand and our negotiations for an Indonesia-Australia Comprehensive Economic Partnership.

We are expanding the markets in which Australian businesses have preferential access to new corners of the globe.

With ASEAN and its other FTA partners China, India, Japan, the Republic of Korea and New Zealand, we aim to conclude negotiations on the Regional Comprehensive Economic Partnership in the near future.

At the same time as opening new markets and expanding access in existing trade partnership countries, the Australian Government is committed to increasing awareness of the growing range of trade and investment opportunities in ASEAN.

Three recent publications provide valuable information for Australian businesses looking to take advantage of ASEAN's immense economic opportunity.

*ASEAN Now – Insights for Australian Business*, profiles export opportunities in each of the ten ASEAN markets. Another report entitled *Australian Green Building: Developing a Smart, Sustainable ASEAN*, by Austrade and the Green Building Council of Australia, highlights the niche expertise Australia's building industry can offer ASEAN's rapid urbanisation. Australian missions in ASEAN countries are promoting this report. Finally, the *Sunrise Report* by CSIRO's Data61 identifies seven emerging high growth industries in ASEAN.

This dedicated ASEAN edition of *business envoy* is another important resource to inform Australian businesses about the opportunities offered by this dynamic region on our doorstep that is fast becoming a centre of world trade.



# Australian business increasingly looking to ASEAN

Australia-ASEAN Chamber of Commerce



In the last two years the share of Australian firms planning to significantly increase their presence in ASEAN has almost doubled, the AustCham ASEAN 2018 Annual Business Survey shows.

The survey, published in March, finds that about 87 per cent of Australian firms surveyed plan to increase their trade and or investment in ASEAN over the next five years. A strong 44 per cent said they plan to increase their presence significantly, almost double the share reflected in the 2016 survey.

The survey identified three main reasons behind this surge. They were ASEAN's growing consumer class, the prospect of greater ASEAN economic integration, and infrastructure improvements in the region. Almost one quarter of firms said e-commerce opportunities, included for the first time in the survey, were a top three driver to increase investment in ASEAN.

But it isn't all smooth sailing. Survey respondents pointed to corruption, restrictions on ownership and investment and access to skilled labour as the top three concerns for Australian firms. Many Australian businesses also said they require further information about ASEAN markets, most notably, Vietnam, Myanmar, Malaysia and Thailand.

The 2018 Annual Business Survey was conducted by AustCham ASEAN, a 'chamber of chambers' which was launched by Prime Minister Turnbull on 3 June 2017. The Chamber draws on the officially registered chambers and business councils from across ASEAN as its membership base.

AustCham ASEAN aims to deepen Australian business engagement with ASEAN in three ways: by informing Australian business on regional integration developments and the business landscape, explaining the contribution of Australian business to ASEAN markets, and advocating for policies, rules and regulations that support Australian business activities in ASEAN. Visit AustCham ASEAN's website for more information [www.austchamasean.com](http://www.austchamasean.com)

AustCham ASEAN launched their 2018 Annual Business Survey at a Sydney event in partnership with the New South Wales Government, ANZ, James Cook University, and Linfox, in the lead-up to the *ASEAN-Australia Special Summit*. Copies of the 2018 Annual Business Survey can be found at [www.austchamasean.com/about/businesssurvey](http://www.austchamasean.com/about/businesssurvey)



# ASEAN: Act now to capitalise on future growth

Sally-Ann Watts,  
ASEAN General Manager,  
Austrade

ASEAN is already one of Australia's top three trading partners, yet its future holds even greater promise for nimble Australian businesses. Taken as a whole, the region is set to become the equivalent of the world's fourth largest economy by 2030. By then, more than half the people who make up the world's middle class will live within a six-hour flight from Bangkok.

Now is the time for Australian business to build relationships, establish connections and expand footprints to capitalise on ASEAN's future growth.

This message to Australian business was heard loud and clear at the March 2018 *ASEAN-Australia Special Summit*. The Summit included a robust business program and was an opportunity to deepen Australian business' understanding of trade and investment opportunities in ASEAN. With geographic proximity, strong cultural links and established trade, the foundations for growth are already in place.

The Sydney Declaration – the joint statement from the Summit – sets out a clear vision for the future of the ASEAN-Australia partnership, and includes an agreement to boost trade, investment and business links.

From mature ASEAN markets such as Singapore to rapidly emerging markets such as Indonesia and Vietnam, ASEAN is a diverse and exciting region. I urge Australian companies, including SMEs, to take an in-depth look at ASEAN.



There are many drivers of growth creating opportunities for Australian business, but I will touch on a handful where Austrade is playing a more active role.

Rapid urbanisation across ASEAN is translating into new opportunities for Australian businesses to export services and technologies for green building and smart cities. Australia has a strong reputation for liveability and Austrade is promoting Australian solutions that can, and are, helping build and renovate ASEAN cities of the future.

Mass urbanisation is accompanied by a rapidly expanding middle class. This in turn is driving substantial

increases in consumer demand. As consumer patterns change, Austrade is working with Australian exporters in food and beverage, agriculture and agribusiness, services including telecommunications and healthcare, as well as education and training providers to help meet this demand.

ASEAN governments are investing heavily to capitalise on the benefits of digital transformation. Creating a digitally enabled region that's secure, sustainable and transformative is the goal of ASEAN's *ICT Master Plan 2020*. What's more, ASEAN citizens have seized the digital opportunity thanks to cheaper and more accessible devices and improved connectivity.



With exceptionally strong digital take up rates across the region, some ASEAN countries will have double the current annual rate of growth in e-commerce by 2020. Austrade is specifically promoting opportunities in fintech, edtech, medtech and digital health, and cyber security, for example.

The establishment of Landing Pads is a great example of how Austrade is adapting to the changing face of industry. We have five Landing Pads in key global markets, including Singapore, which can be used as a base into other regional markets. Austrade also works with other incubators across the region to assist Australian start-ups investigate opportunities in ASEAN markets.

ASEAN's future success will be defined by 'connectivity', the two-way movement of goods, services, finance, people, data and communication. Australian businesses have a range of free trade agreements they can use to take advantage of ASEAN's connectivity agenda. See the Department of Foreign Affairs and Trade's FTA Portal at <https://ftaportal.dfat.gov.au> for more information.

At Austrade, our focus is on identifying new possibilities and niches for Australian suppliers. We look at where partnerships can be formed between innovators and investors, business and industry, and helping Australian businesses access global markets.

Austrade market teams can advise and support businesses looking to expand into the region. We have offices in Indonesia, Malaysia, Thailand, Singapore, Vietnam, the Philippines and Myanmar.

Finally, a piece of advice for Australian business – ASEAN comprises 10 diverse and rapidly changing markets, and companies should carefully assess the risks and benefits of each, get good advice, and plan for the unexpected. Read our *ASEAN Now – Insights for Australian Business* report, available at [www.austrade.gov.au/asean-now](http://www.austrade.gov.au/asean-now) for more information, including practical tips on doing business in ASEAN.



## Women's economic empowerment - driving growth in ASEAN

Women's economic empowerment is an important economic, social and human rights issue for ASEAN.

Recent research by UN Women estimates the income cost to ASEAN economies of gender gaps in labour force and entrepreneurship equate to an average 17 per cent of GDP. A study by McKinsey Global Institute calculates that advancing gender equality could lift GDP by 8 per cent over the business-as-usual scenario, adding US\$900 billion in additional annual output to the economies of East and South East Asia in 2025.

Female workforce participation rates vary between ASEAN countries. According to International Labour Organization modelled estimates for 2017, Cambodia, Laos and Vietnam, for example, have high female workforce participation rates of 81, 77 and 73 per cent respectively. Most other ASEAN countries are in the 50-60 per cent range, with the Philippines the lowest at 50.

The male-female labour force participation gap also varies among ASEAN countries. It is narrow in Laos, at 3 per cent, and widest in Indonesia at 33 per cent. Since 1990, the gap has shrunk in some countries, suggesting that change is possible with positive policy adjustments in support of women's workforce participation.

Australia is a strong supporter of ASEAN's women's economic empowerment goals.

In 2017, Australia co-hosted an event, titled *Women's Economic Empowerment: the next driver of ASEAN's success*, as part of the ASEAN Women's Business Conference in Manila, the Philippines. The event focused on practical ways to increase women's participation in the workforce to support stronger economic growth across ASEAN. This event influenced the subsequent *ASEAN Manila Statement and Action Agenda on mainstreaming Women's Economic Empowerment*, which are available on ASEAN's website, [www.asean.org](http://www.asean.org).

In March, the Australian Government hosted the Women in Business Breakfast event during the *ASEAN-Australia Business Summit*. The event aimed to reinforce the important message that women's economic empowerment underpins future regional prosperity. It brought together more than 130 delegates from business, civil society and government.

Together, ASEAN countries have committed to gender equality and women's empowerment through a number of channels. These include the *Declaration of the Advancement of Women in the ASEAN Region (1988)*, the *ASEAN Strategic Action Plan for SME Development 2016-2025*, and the *Action Agenda on Mainstreaming Women's Economic Empowerment* mentioned above.



# Australia-ASEAN Council

As a dynamic and exciting part of the Indo-Pacific region, people-to-people connections are growing. They provide a strong foundation for Australia's ongoing friendship with the countries of Southeast Asia. The Australia-ASEAN Council is an integral part of the Australian Government's broader public and economic diplomacy strategy. It assists in projecting a positive image of contemporary Australia into Southeast Asia.



The Board of the Council is chaired by Christine Holgate, CEO and Managing Director of Australia Post, and comprises eminent Australians from the business, finance, media, agriculture, arts and culture sectors.

The Council aims to foster lasting partnerships across all tiers of society, from schools and local communities to leaders and opinion shapers. Activities help to promote Australia's interests in Southeast Asia, educate Australians and increase awareness of opportunities to connect with Southeast Asia.

Minister for Foreign Affairs Julie Bishop launched the Council on 8 September 2015.

The Australia-ASEAN Council website is [www.dfat.gov.au/aac](http://www.dfat.gov.au/aac)

*Minister Bishop with students participating in the Australia-ASEAN Council's ASEAN-Australia Youth Forum. During the forum students simulated a meeting between leaders of Australia and ASEAN countries to discuss and reach consensus on key issues facing the region.*

*The Australia-ASEAN Council supported a number of initiatives to involve the community in the ASEAN-Australia Special Summit.*



# AAC

AUSTRALIA-ASEAN COUNCIL

# Dispatches from

## our Ambassadors in ASEAN

### Investing in infrastructure in the Indo-Pacific

Bruce Gosper

HIGH COMMISSIONER TO SINGAPORE

The ASEAN region is one of the fastest growing in the world. With a young population, rapidly emerging markets, high rates of urbanisation, and expanding consumption, ASEAN is ripe with economic opportunity and potential.

Yet for all of its economic dynamism, the ASEAN economy is constrained by an infrastructure deficit. This deficit limits innovation, productivity and, ultimately, economic potential. The Global Infrastructure Hub estimates that ASEAN countries will require a total of US\$4.2 trillion in infrastructure investment up to 2040 to support future growth.

The region is responding to this challenge. Under the *Master Plan on ASEAN Connectivity 2025*, ASEAN has identified a range of strategies and regional priorities for infrastructure development. ASEAN's efforts are receiving much-needed support from the region's multilateral development banks, including the Asian Development Bank and World Bank.

However, more must be done. Australia, with our expertise in infrastructure, legal, financial and consultancy services, and large pool of domestic capital, is well placed to assist with this effort. Indeed, we are working closely with ASEAN to ensure it achieves its economic potential through infrastructure development.

The inaugural *ASEAN-Australia Special Summit* in Sydney this year brought together infrastructure leaders from across the region to discuss and provide recommendations for addressing ASEAN's infrastructure deficit.

These recommendations include greater regional collaboration to increase flow and quality of private and public infrastructure investments; establishing an infrastructure pipeline of investment-ready projects for potential investors; and developing an ASEAN-Australia infrastructure skills dialogue to provide the region with the requisite infrastructure skills and knowledge.

As a regional hub with a similar strategic outlook, Singapore and Australia are natural partners for taking forward these recommendations. This is why Australia's High Commission to Singapore, Austrade in Singapore, and the Singapore Government are co-hosting an Singapore-Australia Infrastructure Investment Forum in Singapore in July 2018.

Building on the conversations at the Special Summit, the Forum will bring together Australian, Singaporean and global infrastructure leaders to generate awareness and share information on Australian and ASEAN infrastructure markets, and will promote collaboration and opportunities on infrastructure projects in the region.

The region's infrastructure challenges are daunting. And addressing the deficit will require vast sums of capital, expertise and sustained regional cooperation. Yet ultimately, a more connected and integrated ASEAN will make for a more prosperous region: Singapore and Australia are working together to ensure ASEAN meets its economic potential by 2025 and beyond.

### Opportunities abound in dynamic Malaysia

Andrew Goledzinowski AM

HIGH COMMISSIONER TO MALAYSIA

It is an exciting time to be in Malaysia. With an historic change in government following recent elections, Australian businesses have a new opportunity to benefit from our already sophisticated trade and investment relationship. Malaysia is one of ASEAN's most integrated and open economies. Our longstanding economic relations are buttressed by a shared history, strong people-to-people links, and high-quality free trade agreements in the Malaysia-Australia Free Trade Agreement and the ASEAN-Australia-New Zealand Free Trade Agreement.

Malaysia is an advanced middle-income nation, whose urbanisation growth rate is the highest in ASEAN. By 2020, over 60 per cent of its population is forecast to reach middle or upper-middle income status. They will have growing disposable incomes and easy access to credit, supported by a highly developed financial sector. These more affluent and sophisticated consumers will demand greater product choice, better quality brands, and higher standards of service.

This presents significant opportunities for Australian suppliers of high-end goods and services – particularly in food, healthcare, education and digital economy. Malaysia has a vibrant food scene, driven by its multi-ethnic population and sizeable expatriate communities. Malaysia's healthcare expenditure is the second highest in ASEAN, expected to exceed \$30 billion by 2020. Australia is already Malaysia's most popular overseas study destination. Malaysia's digital economy is forecast to comprise over 20 per cent of its GDP by 2025. Coupled with high mobile device penetration rates and the first digital free trade zone outside China, this presents significant e-commerce and fintech opportunities.

Malaysia is entering a dynamic phase in its economic trajectory as it seeks to become an advanced, high-income economy. Now is the time to consider Malaysia as a new export market, or as a base to access the broader ASEAN economy. Its mature institutions, aspirational and tech-savvy English-speaking population, and investor-friendly policies create long-term opportunities for Australian businesses in ASEAN.





## Tourism sector ripe for investment

Nicola Rosenblum

HIGH COMMISSIONER TO BRUNEI DARUSSALAM

Rich in natural and cultural beauty Brunei Darussalam has been largely undiscovered by international tourism. Opportunities exist for Australian companies to provide advice on branding and expanding market access, or to partner with local providers to develop facilities and infrastructure.

Known as the Green Heart of Borneo, the Kingdom of Unexpected Treasures and the Abode of Peace, 60 per cent of Brunei's land area is protected rainforest. A highlight is the Temburong National Park – a secluded slice of rainforest wilderness with opportunities for expansion in emerging areas such



*Temburong National Park is home to the sun bear and many other animals native to the region.*

as eco-tourism, glamping, detox or yoga retreats and water tourism. A 30 kilometre bridge, due for completion in 2019, will facilitate access to this untouched area with great tourism potential, both domestically and internationally.

Brunei is ranked highly by travellers on safety, accessibility, friendliness, and dining options. Cultural attractions include the Kampong Ayer water village ('Venice of the East'), ornate mosques, and the Royal Regalia Museum presenting the unique history of Brunei. Add golf courses, a high end seaside resort, amusement park and spectacular sunsets and you have the makings of a perfect minibreak or stopover option.

Daily flights to Melbourne, London and a range of regional destinations connect Brunei to key markets, but tourist levels remain low. In 2017, Brunei received only 250,000 tourists by air, predominantly from Malaysia, China, Philippines and Indonesia. Australia and New Zealand comprise less than six per cent per cent of arrivals in-country, however a steady pipeline of Australians transiting Brunei daily on long-haul flights to Dubai and London provides a ready market to tap.

The Government of Brunei has nominated the tourism sector as one of its five priority industry clusters for attracting foreign direct investment. Australia is already known for its high-quality products and services. With our strong experience in eco-tourism, green building standards and services innovation, Australian businesses are well placed to help Brunei shape its tourism pitch and regulatory environment, build local capacity and develop sustainable and appropriate tourism infrastructure.

## International education opportunities in Cambodia

Angela Corcoran

AMBASSADOR TO CAMBODIA

Education is Australia's single largest services export to Cambodia. In 2016-17, Australia exported \$107 million of services to Cambodia, of which \$84 million or 78.5 per cent was in education.

With a population of just over 16 million, the Cambodian education market is small relative to its neighbours Vietnam and Thailand. However, with average economic growth of 7.6 per cent between 1994 and 2017 and a young population, of which 60 per cent is under the age of 30, there has been a steady growth in the number of Cambodians studying abroad. In 2017, there were over 1800 Cambodians studying at Australian schools, universities, vocational training institutes and English language centres. This is a growth of 28 per cent compared to 2016, and indicates that the growing Cambodian middle class is prepared to invest in education.

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Australia is well positioned to take advantage of these new opportunities in the Cambodian education market. Australia continues to be the number one English language destination for Cambodians looking to study abroad, closely followed by the United States and United Kingdom. This is due to Australia's high-quality education system, proximity, and reputation as a safe and welcoming destination for foreign students. Australia's attraction is also in part due to the long-standing Australian Government scholarships program, which has supported more than 750 Cambodians to study in Australia at the postgraduate level since 1994. This has enhanced the Australian education brand in Cambodia and its reputation for quality.

Partnerships between Australian and Cambodian education institutions are emerging. For example, in 2017 the University of Adelaide and the Royal University of Phnom Penh launched a joint policy research centre. This will see a growing number of joint policy research products, as well as strengthen institutional and people-to-people exchanges between Australia and Cambodia.

As a market, Cambodia is not without challenges: the large number and mixed quality of Cambodian higher education institutions, particularly private higher education institutions, are of concern. World Bank data indicates that in 1997, there were only eight higher education institutions and by 2016, this number increased to 121, of which 64 per cent are private higher education institutions.

As the Cambodian middle class continues to grow, our education institutions can expect to see higher numbers of Cambodians choosing to study in Australia – and this presents new opportunities for Australian education institutions.

### Laos: Land-locked to land linked, opportunities of integration

Jean-Bernard Carrasco

AMBASSADOR TO LAOS

You don't need to be in Laos long to hear how the country is transitioning from being landlocked to land-linked. While there remain many challenges to making this goal a reality, it's clear the Lao Government is focussing on regional connectivity, ASEAN integration and infrastructure development as a pathway for economic growth. The East West Economic Corridor, together with the Kunming Vientiane railway, are examples of new linkages changing the shape of Laos and the region.

The Lao Government is also committed to improving the business environment and making the country more attractive to foreign investment. Prime Minister Thongloun Sisoulith has set the target of reaching double figures in the World Bank's ease of doing business index (Laos currently ranks at 141). I was present when the Prime Minister reiterated this commitment recently when he met

with Australian businesses at the *Lao-Australia Business Forum* as part of the *ASEAN-Australia Special Summit*.

What this means for Australian business is that despite a challenging business and investment environment and small domestic market, new opportunities are opening up in an economy that has until now been dominated by the natural resource sector.

One area of opportunity created by Laos' improving connectivity is the emergence of new agricultural supply chains. Laos is committed to improving the productivity of its agricultural sector, developing high-quality agricultural exports and accessing new markets. Australian companies are well placed to contribute, including by producing agricultural goods for neighbouring markets, importing technologies to support the sector's growth and providing advisory services.

A second area of opportunity for Australian companies is in renewables and green growth. The Lao government is currently drafting a national green growth strategy. With a long history of operating in this area, Australian companies have the technology, expertise and experience to be an important part of this process.

### Vietnam: Investment food for thought

Craig Chittick

AMBASSADOR TO VIETNAM

From aromatic beef *pho* to thirst quenching *bia hoi*, Australian agricultural exporters supply many of the key ingredients in some of Vietnam's most iconic dishes. As Vietnam's economy grows – it recorded a strong 6.8 per cent increase in GDP in 2017 – so too does its demand for high-quality Australian agricultural exports. In 2017 alone, Vietnam imported \$2.2 billion worth of agricultural products from Australia.

Yet the Australia-Vietnam agriculture relationship is not about goods trade alone. Increasingly, Australian companies are making high-quality investments in Vietnam's agriculture and food manufacturing sectors. These companies are using Australian raw materials and technology to service the growing appetite of Vietnam's burgeoning middle class for premium food and beverage.

For example, Interflour Group, part owned by Australia's CBH Group, operates flour and malt mills in Vietnam. Using Australian grain, the company supplies much of the flour that makes Vietnam's world-renowned *banh mi* and malt to help fill the glasses of Vietnam's beer drinkers enjoying an emerging craft beer scene. In dairy, VN Futuremilk, an Australian company based in northern Vietnam, uses Australian world-leading technology to produce high-quality milk for Vietnam's largest dairy company. And in manufacturing, Mavin Group



Assistant Minister for Trade, Tourism and Investment Mark Coulton inspects Mavin Group's fish feed on 4 April 2018. Photo: Tran Thanh Hai.

operates a fully integrated supply chain producing animal feed, veterinary products, and popular small goods for the local market.

With Vietnam's middle class expected to grow from 10 per cent to 50 per cent of the population by 2035, the opportunities for Australian investment in Vietnam's agriculture and food manufacturing sectors are significant. The Government of Vietnam is actively seeking foreign investment in both sectors, and has a credible and Australian-supported plan for economic reform. This plan, along with ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and conclusion of the Regional Comprehensive Economic Partnership, makes investment in Vietnam even more attractive.

The time for investing in Vietnam is now. Australian companies are well placed to capitalise on Vietnam's growing food and beverage market, and to build on the success of existing Australian investments that help make Vietnamese cuisine so delicious.

## Philippines: Embracing digital transformation

### Amanda Gorely

AMBASSADOR TO THE PHILIPPINES

The Philippines is undoubtedly the social media capital of the world with 67 million active social media users who spend an average of three hours and 57 minutes each day on social media. This is the highest usage rate of anywhere in the world, a ranking that the Philippines has maintained for the past three years. The average internet user spends nine hours and 29 minutes per day on the internet, the second highest internet usage time of any country in the world.

The high degree of social media penetration continues to disrupt and transform all sectors of the Philippine economy. E-commerce is on the rise thanks to market leaders like Lazada. Some estimates suggest there will be 46.1 million Filipino e-commerce users by 2020. However, at this stage, overall, digital payments and technology enabled businesses are still in their infancy in the Philippines. Only one per cent of the country's 2.5 billion monthly payment transactions were made electronically, with total fintech transactions valued at about \$6.1 million in 2017.

The Philippine Government is working to remove the barriers to greater private sector innovation and reduce the digital gap. It has committed to improve internet infrastructure and encourage investments to address the country's telecommunication duopoly. A number of ICT policies were introduced in 2017, including the national broadband and cybersecurity plans. It is also in the process of establishing a cybersecurity centre and academia to boost its resilience to cyber attacks.

Similarly, industry is also looking at ways to drive innovation in the Philippines. The adoption of new technology and digital transformation has become an essential element in business strategies in the Philippines, with the formation of innovation and digital transformation units that leverage technology to deliver greater services and operational efficiencies, as well as incubators and start-up ecosystems.

This is why now is the time for Australian business, government and academia to partner with the Philippines, leveraging Australia's robust regulatory framework and well-established innovative research and development and product solutions. The Philippines could particularly benefit from Australian expertise in the fintech regulatory regime, identity authentication, banking solutions for the unbanked, micro-lending, digital health, edutech and cyber risk management.

The Australian Embassy in the Philippines, through Austrade, brought together thoughtleaders

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from Australia and the Philippines to share their expertise at the first Australian Innovation Summit in Manila, on the Philippines-Australia Friendship Day, 22 May 2018. Over 150 representatives from government, industry and academia discussed the latest innovation trends impacting economies and the potential to join forces to address local and regional challenges and harness opportunities. A delegation from the Australian Digital Commerce Association (ADCA) showcased relevant applications and explored bilateral cooperation.

### Vocational training and education opportunities in Indonesia

Gary Quinlan AO

AMBASSADOR TO INDONESIA

Indonesia is developing a new policy that would permit foreign owned universities to establish an education institution in the country, without the need to establish a local education partner. Given the country's need for investment in skills training, this is a welcome development.

With half of Indonesia's population of 262 million below 30 years old, there is growing demand for high-quality tertiary education, vocational education and training (VET) to help propel the country into its next stage of development.

Education plays a big role in Australia's broader relationship with Indonesia. We have a long history of education and training ties, as is evident in the hundreds of thousands of Indonesian alumni of Australian institutions, including senior leaders of government and business. And these ties are going from strength to strength: in 2017 Australia welcomed over 15,600 students from Indonesia.

Indonesia has an urgent need to improve the quality and relevance of its domestic skills training to enable it to achieve its development and economic priorities. Australian VET providers are well placed to help bridge the gaps between industry's needs and the skills currently available in Indonesia by delivering higher-quality training.

With our reputation as a world-class education services provider, Australia is in an ideal position to contribute to meeting Indonesia's education needs at all levels – school, VET, higher education, and research and English language.

We are already working with the Indonesian Government to address some of the current regulatory and market access barriers, support Australian providers to establish themselves locally, and seek out new avenues for the provision of Australian education and training to Indonesians.

A number of Australian universities, with support from post, have met with Indonesian authorities to discuss opportunities to enter the market on the back of Indonesia's proposed new reforms.

As is often the case in Indonesia, progress won't be straightforward. Local private universities, which account for 88 per cent of Indonesia's university sector, are opposing the reforms due to concerns about increased competition. Nevertheless, as Indonesia is forecast to have 11 million tertiary students in 2024 – well beyond the country's current tertiary training capacity – there will be increasing opportunities for international education institutions to help meet this demand.

### Thailand: Partnering with Australia to develop world-class hospitality skills

Paul Robilliard

AMBASSADOR TO THAILAND

As the second largest economy in ASEAN, Thailand is moving ahead in its aim to develop higher-value and knowledge-based industries. Central to its plans are policies that will transition its manufacturing and services sectors to become more high-tech and innovative, in line with its Thailand 4.0 economic policies. Thailand also wants to maintain its reputation as a top global tourist destination and position itself as a gateway to Asia.

To maintain the country's competitive edge in the tourism and hospitality sector, Thai workers need next-generation skills to respond to the latest industry trends and to meet the high service standards demanded by increasingly discerning consumers. With its world-class reputation in training and education, Australia is well placed to collaborate with Thailand to develop a workforce which is more competitive and able to deliver cutting-edge services.

Australia's expertise in VET is highly regarded in Thailand and the number of successful partnerships in industry and academia is growing.

The newly launched 'International Chef Program', which trains students from selected vocational colleges across Thailand to Australian hospitality industry standards is producing world-class chefs with internationally recognised qualifications.

The International Chef Program was developed in partnership with one of Thailand's leading hotel and hospitality conglomerates, Minor International, an Australian VET provider, Workskills International, and the Thai Office of Vocational Education Commission, Ministry of Education. Coffee Club, an Australian café chain that is managed in Thailand by Minor, runs this program.

The course includes core elements of Australian chef qualifications and incorporates additional content enabling graduates to operate in an Asian context. Qualifications earned enhance the employment opportunities of graduates in Thailand, and in the rest of ASEAN, providing the much-needed skilled labour force to maintain Thailand's position as a high-quality tourism and hospitality destination.





With Thailand needing to produce 1.6 million skilled workers each year to achieve its Thailand 4.0 objectives, and Australia's reputation for quality vocational education, the outlook for Australian businesses in Thailand's thriving education sector is strong.

## METS opportunities in Myanmar

### Nicholas Coppel

AMBASSADOR TO MYANMAR

Myanmar is undergoing profound and rapid change after decades of military rule. In my three and a half years as Australia's Ambassador, I have watched how Myanmar is opening up to global market forces. This is welcome news and presents opportunities for business.

The world knows Myanmar for its sparkling rubies and the largest jade deposits in the world. It has extensive mineral wealth and reserves spanning heavy metals, jade and gemstones, coal and uranium, in addition to offshore oil and natural gas. Myanmar has a long mining history and growing trade links, but much of the country's deposits remain untapped. Lack of modern technology, opaque government processes, conflict and availability of capital are constraints to opening Myanmar's mineral wealth.

Australia's world-leading mining and Mining Equipment, Technology and Services (METS) sector companies are well placed to take advantage of opportunities in Myanmar. Woodside Energy, PanAust and Valentis are examples of companies with a presence in Myanmar, demonstrating long-term vision to tap into Myanmar's plentiful natural resources. They have committed resources and expertise to work with local partners, assisting in the development of efficient and sustainable extractive industries. This sector is set to become a major source of growth.

The extractives sector is not without its challenges. Administration is not as transparent as we might hope and mine opportunities are often located in hard to reach areas. The Myanmar Government is taking steps to improve the ease of doing business by engaging in the Extractive Industries Transparency Initiative, simplifying their mining regulations and implementing a new Investment Law.

With Myanmar moving towards a more transparent legal framework and with rules and regulations being refreshed, we expect Australian business interests in Myanmar to grow over the coming years as they seek to play a role in Myanmar's growth.

# Australia in the **ASEAN** region



The Association of Southeast Asian Nations (ASEAN) was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. The grouping later expanded to include Brunei Darussalam, Vietnam, Laos, Myanmar and Cambodia.

Australia became the first of ASEAN's ten dialogue partners in 1974. We entered into a Strategic Partnership in 2014 and agreed to commence biennial leaders' summits in 2015, with the first of these held in Vientiane in November 2016.



# Australia's representatives in ASEAN



## ASEAN



**JANE DUKE**  
Ambassador to the  
Association of Southeast  
Asian Nations



**SALLY-ANN WATTS**  
ASEAN General Manager  
Austrade

<http://asean.mission.gov.au>



## LAOS



**JEAN-BERNARD  
CARRASCO**  
Ambassador  
to Laos

**YVONNE CHAN**  
Senior Trade and Investment  
Commissioner  
(see Vietnam)

<http://laos.embassy.gov.au>



## SINGAPORE



**BRUCE GOSPER**  
High Commissioner  
to Singapore



**PRERANA MEHTA**  
Senior Trade and Investment  
Commissioner (acting)

### SINGAPORE LANDING PAD

[www.australiaunlimited.com/landingpads/locations/singapore](http://www.australiaunlimited.com/landingpads/locations/singapore)

<http://singapore.embassy.gov.au>



## BRUNEI DARUSSALAM



**NICOLA ROSENBLUM**  
High Commissioner to  
Brunei Darussalam

**DANIEL HAVAS**  
Senior Trade and Investment  
Commissioner  
(see Malaysia)

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## MALAYSIA



**ANDREW  
GOLEDZINOWSKI AM**  
High Commissioner  
to Malaysia



**DANIEL HAVAS**  
Senior Trade and Investment  
Commissioner

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## THAILAND



**PAUL ROBILLIARD**  
Ambassador  
to Thailand



**SUSAN KAHWATI**  
Senior Trade and Investment  
Commissioner

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## CAMBODIA



**ANGELA CORCORAN**  
Ambassador  
to Cambodia

**YVONNE CHAN**  
Senior Trade and Investment  
Commissioner  
(see Vietnam)

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## MYANMAR



**NICHOLAS COPPEL**  
Ambassador to  
Myanmar



**JEFF TURNER**  
Senior Trade and Investment  
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## VIETNAM



**CRAIG CHITTIK**  
Ambassador  
to Vietnam



**YVONNE CHAN**  
Senior Trade and Investment  
Commissioner

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## INDONESIA



**GARY QUINLAN AO**  
Ambassador  
to Indonesia

**SALLY-ANN WATTS**  
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## THE PHILIPPINES



**AMANDA GORELY**  
Ambassador  
to the Philippines



**ELODIE JOURNET**  
Senior Trade and Investment  
Commissioner

<http://philippines.embassy.gov.au>

# Building on the gains of the ASEAN-Australia Special Summit

Grant King  
President, Business Council of Australia

The Business Council of Australia welcomes efforts by the Australian Government to boost Australia's economic and people-to-people links with ASEAN. The challenge is to maintain the momentum created by the stellar *ASEAN-Australia Special Summit* in March, with its ground-breaking Business Summit and CEO Forum to which the Business Council and its members contributed.



ASEAN countries are key partners for Australia. It is up to us to know our neighbours well, and to deepen relationships. This will be the basis for many mutually beneficial opportunities for collaboration.

Business Council member companies are already deeply engaged in the ASEAN region: ANZ; Cochlear; Commonwealth Bank; Coca-Cola Amatil; HSBC; JBS; King & Wood Mallesons; Macquarie Group; Siemens; Telstra; and Woodside, to name just a few of our members. Their commercial relationships will be deepened further by important government initiatives, including:

- Ratifying the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11). The Agreement already includes four ASEAN members – Brunei, Malaysia, Singapore and Vietnam – and membership should be open for other ASEAN countries.
- Driving forward the Regional Comprehensive Economic Partnership (RCEP) with ASEAN and other regional partners. While it may not be possible to attain standards as high as the TPP-11, Australia should strive for streamlined rules of origin in RCEP to boost Australian participation in global value chains.
- Progressing digital trade outcomes – both in RCEP and the recent *ASEAN-Australia Digital Trade Standards Initiative* – to build greater consensus in this field with ASEAN. Strong outcomes could facilitate goods trade, by digitising documentary processes, and boosting digital delivery of cross-border services.
- Implementing the *ASEAN-Australia Infrastructure Cooperation Initiative*, and linking ASEAN projects to the database maintained by the Global Infrastructure Hub.
- Last but not least, continuing the good work of the New Colombo Plan, which supports scholarships and internships for Australians in ASEAN.

The Business Council strongly supports all these endeavours to enhance engagement with ASEAN. Both Government and businesses need to be ambitious and creative in building relationships and ultimately capitalising and delivering on the opportunities they present!



# Update on the Australian Government's ambitious trade agenda

In just the first few months of this year, the Minister for Trade, Tourism and Investment, Steven Ciobo, has announced some significant wins for Australia in pursuing its ambitious trade agenda. These are the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) and the signing of the Peru-Australia Free Trade Agreement (PAFTA).

On 8 March, the Minister signed the TPP-11 in Santiago, Chile, with counterparts from ten other Asia-Pacific nations, including four ASEAN members: Brunei, Malaysia, Singapore and Vietnam.

The TPP-11 will eliminate 98 per cent of tariffs in the TPP-11 region, which accounted for nearly one quarter of Australia's total goods and services exports, worth \$88 billion, last financial year.

The TPP-11 will also provide valuable new preferential market access opportunities for Australian exporters in Canada and Mexico. For example,

Australian exports of beef and refined sugar to Canada will see tariffs eliminated within five years, while tariffs for Australian exports to Mexico of sheepmeat will be eliminated within eight years.

The Agreement also builds upon the FTAs we already have with other TPP-11 members. For example, under the ASEAN-Australia-New Zealand FTA (AANZFTA), the tariff on Australian wine exports to Vietnam will be reduced to 20 per cent in 2022. Under TPP-11, these tariffs will be eliminated entirely within 11 years of entry into force.

Under the TPP-11, Australia's world-class service providers

will also benefit from improved transparency and predictability when operating in the TPP-11 markets, some of which are among the fastest-growing economies in the world. The TPP-11's high-quality standards, including on government procurement, intellectual property laws, labour rights and state-owned enterprises, will improve the business environment for Australian companies seeking to invest in and compete with local firms in TPP-11 markets, including in ASEAN TPP-11 signatories.

With increasing demand for high-quality education services, the TPP-11 is timely for the Australian education sector. For example, Australian providers of education services will be able to

## Australia's trade and investment with TPP-11 countries in 2016-17

Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam

### The TPP-11 countries represent



**13.3%** of the world economy  
(valued at **US\$10.6 trillion**)



**14.3%** of world trade  
(valued at **US\$6 trillion**)



**6.7%** of world population



### Australia-TPP-11 Trade

- Total exports **\$88.0 billion**
- Total imports **\$76.0 billion**
- Total two-way trade **\$164 billion** (22.3% of all Australian trade)

### Top 5 Australian Exports to TPP-11 countries

- 1 Coal **\$16.8 billion**
- 2 Liquefied natural gas **\$14.1 billion**
- 3 Personal travel, excluding education **\$5.7 billion**
- 4 Iron ores & concentrates **\$5.4 billion**
- 5 Education-related travel services **\$4.1 billion**

### Top 5 Australian Imports from TPP-11 countries

- 1 Refined petroleum **\$9.3 billion**
- 2 Personal travel, excluding education **\$8.9 billion**
- 3 Passenger motor vehicles **\$7.6 billion**
- 4 Transport services **\$4.3 billion**
- 5 Crude petroleum **\$4.0 billion**

### Australia-TPP-11 Investment

- In 2017 the total stock of foreign investment in Australia (valued at **approximately \$417 billion**) from TPP countries was **12.8%**
- In 2017 the total stock of Australian foreign investment<sup>(1)</sup> (valued at **approximately \$354 billion**) in TPP countries was **15.5%**

(1) excludes Peru

bid for government procurement services contracts in Brunei, Canada, Japan, Malaysia, Mexico and Peru. In addition, Australian suppliers of mining services will have guaranteed access for their mining and energy exploration efforts across the TPP-11 bloc, and private health and allied services companies will benefit from greater clarity about access and operating conditions in Malaysia, Mexico and Vietnam.

The TPP-11 and the accompanying National Interest Analysis were tabled in the Australian Parliament on 26 March. The Joint Standing Committee on Treaties is undertaking an inquiry into the Agreement, with the first hearing held on 7 May. Parliament will consider changes to legislation and the regulations needed to implement the Agreement. There will also be an inquiry by the Senate Foreign Affairs, Defence and Trade References Committee. Australia's focus at present is on bringing the TPP-11 into force as soon as possible, and this will occur 60 days after six signatories have ratified the Agreement.

In February, Minister Ciobo signed the Peru-Australia FTA. PAFTA will eliminate more than 99 per cent of tariffs within five years of the Agreement's entry into force. PAFTA is also among our most ambitious trade agreements for services, providing recognition of Australian degrees and greater access for Australian financial, legal and other professional service operators in Peru.

Australia's ambitious trade agenda includes FTA negotiations with the Regional Comprehensive Economic Partnership (RCEP) economies and bilateral negotiations with ASEAN-member Indonesia. Finalising the Indonesia-Australia Comprehensive Economic Partnership Agreement would advance our commercial and strategic interests, add ballast to one of our most important bilateral relationships and support Indonesia's reform agenda.

RCEP, which was launched by ASEAN, along with its existing FTA partners, Australia, China, India, Japan, the Republic of Korea and New Zealand in 2012, will seek to build on our earlier successes in AANZFTA. RCEP negotiations have the potential to deliver major commercial opportunities across the Indo-Pacific and strengthen the regional trade and investment environment.

We look forward to welcoming European Trade Commissioner Malmström to Australia this month to formally launch negotiations on the EU-Australia FTA. Negotiations are also underway with Hong Kong, India, the Pacific Alliance countries (Chile, Colombia, Mexico and Peru) and we are preparing for future FTA negotiations with the United Kingdom. For more information go to [www.dfat.gov.au/fta](http://www.dfat.gov.au/fta)

Concluding an FTA does not mark the end of the negotiating road. Australia sees its FTAs as 'living agreements'. After agreements enter into force we actively make use of in-built work programs to maintain our engagement with our FTA partners. For example, we are currently engaged in reviews with China (through the China-Australia FTA services and investment reviews), and ASEAN and New Zealand (through the AANZFTA General Review).

Last year, we comprehensively updated our FTA with Singapore, with new market access underpinned by new rules providing greater certainty for exporters of goods, services and for investment.

The Australian Government is committed to helping businesses, particularly SMEs, make the most of the opportunities our existing FTAs offer. Australia has 10 FTAs in force, with New Zealand; Singapore; the United States; Thailand; Chile; the ten ASEAN member countries; Malaysia; Korea; Japan; and China. DFAT's FTA Portal provides information for Australian goods exporters and importers, and now services providers, looking to explore the

benefits of these agreements and how to apply for preferential treatment under them.

In April, Minister Ciobo launched an upgrade to the FTA Portal so that it now covers services commitments made by Australia's FTA partners in the architectural, engineering, legal, accounting, auditing and tax advisory sectors. Other sectors will be added by the middle of the year. The Portal's website is <https://ftaportal.dfat.gov.au/>

The Government is also addressing the so-called 'noodle bowl' effect of overlapping FTAs. Where more than one FTA covers a market, Australian exporters can use a comparison tool in the FTA Portal to identify the one that offers the greatest benefits for their good or service.

Along with the FTA Portal, the Government's FTA seminar series is designed to answer the questions small and regional businesses have about how to access the benefits of FTAs. One hundred seminars have been held to date and feedback from businesses has been positive. More seminars are planned later this year, and will include information on new FTAs, such as the TPP-11 and PAFTA. Upcoming seminars are advertised on Austrade's website [www.austrade.gov.au/ftaseminars](http://www.austrade.gov.au/ftaseminars)

Australia's FTA agenda is one part of our commitment that spans bilateral, plurilateral and multilateral initiatives and negotiations that put in place transparent, high standard rules to promote open markets and regional economic integration. Australia's ongoing activism in the WTO and other fora such as APEC and the G20 are examples of these efforts.

The overarching aim of Australia's ambitious trade agenda is to ensure Australian businesses have the opportunity to access key international markets in which they can trade their products and services and to reinforce the global rules-based order which has enabled greater trade and improved living standards, not only in Australia, but around the world.

## AANZFTA

AANZFTA entered into force in 2010 and is delivering real commercial benefits for Australian businesses. AANZFTA is Australia's largest regional FTA in force and the highest quality of ASEAN's FTAs with its partners.

AANZFTA is complemented by our bilateral FTAs with Malaysia, Singapore and Thailand (as well as New Zealand). Australian officials negotiating the RCEP and the Indonesia-Australia Comprehensive Economic Partnership are seeking to build on AANZFTA.

Australian business use of AANZFTA continues to grow, with the number of export shipments from Australia issued with AANZFTA certificates of origin increasing each year. By 2020, over 96 per cent of imports from Australia could enter ASEAN tariff-free (based on average composition of imports in 2012-13), up from 67 per cent prior to AANZFTA's entry into force.

Through AANZFTA's economic cooperation support program, Australia is working to assist ASEAN countries to enact and implement

competition law and policy, improve patent examinations and recognise qualifications within ASEAN – to list just a few examples.

Parties to AANZFTA are conducting a General Review to ensure the Agreement remains relevant to business. Last year, officials prepared a report assessing AANZFTA's implementation and operation to date. The report notes AANZFTA has been a key platform for Australia and New Zealand's trade and investment engagement with ASEAN, and a useful 'incubator' for regional cooperation. The report concludes that Parties need to devote greater attention to issues such as rules of origin and trade facilitation, non-tariff measures, services, investment and engagement with business, including SMEs.

Officials will submit recommendations to Ministers later this year on how to upgrade and improve the Agreement.

For further information on AANZFTA, please see [www.dfat.gov.au](http://www.dfat.gov.au)

## A coordinated approach to facilitating trade

Australia and ASEAN are working together to tackle non-tariff measures (NTMs) in the region.

A decade on from the entry into force of AANZFTA, future gains in regional trade will come less through tariff elimination than by tackling NTMs.

NTMs are government policy measures, other than customs tariffs, that may have an economic effect on international trade in goods and services, as well as international investment. Many NTMs exist for legitimate reasons, such as to protect consumers or the environment.

However, NTMs may also unnecessarily restrict trade and investment, or increase exporters' costs or protect domestic companies from international competition.

The Trade in Goods Chapter of AANZFTA mandated the Committee on Trade in Goods to review NTMs affecting trade in goods among the Parties, with a view to facilitating trade between the Parties. In 2017, Ministers from the twelve AANZFTA countries endorsed recommendations for future work by the Committee to address NTMs.

Rather than duplicate existing programs aimed at tackling NTMs, the Committee on Trade in Goods will look to expand them, with an emphasis on encouraging good regulatory practice, improving stakeholder engagement and addressing

NTMs faced by SMEs. This was reinforced at the Integration Partnership Forum at the 2018 AANZFTA Meeting in Da Nang, Vietnam, which focused on Good Regulatory Practice and Non-Tariff Measures.

NTMs will also become a standing issue on the agenda of future meetings of the Committee, and its subcommittees covering Sanitary and Phytosanitary measures, Standards, Technical Regulations, Conformance and Rules of Origin.

The Committee's recommendations can be found in full on DFAT's AANZFTA webpage [www.dfat.gov.au/trade/agreements/in-force/aanzfta/for-business/Pages/for-business.aspx](http://www.dfat.gov.au/trade/agreements/in-force/aanzfta/for-business/Pages/for-business.aspx)

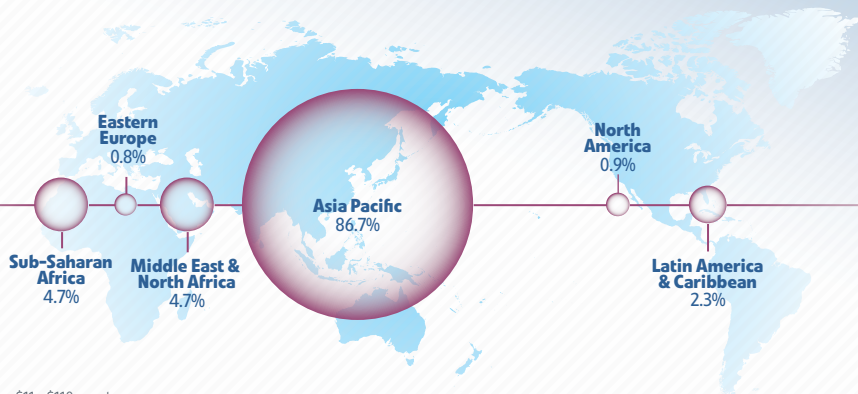
# How ASEAN can give Australian exporters access to global value chains

**Louise McGrath**

National Manager, Business and International Advisory Services,  
The Australian Industry Group

## Majority of New Middle Class to come from Asia

Regional distribution forecast of the next billion people to enter the global middle class\*



\*Defined as earning \$11 - \$110 per day.  
Source: World data lab.

In a modern world of fast air travel, data connectivity and video conferencing, it is easy to forget the role that something as ancient and permanent as geography can have on how we interact with the world today. In a world where 70 per cent of global trade is made up of intermediary goods, the ability of a company to participate in global value chains (GVCs) greatly determines their success or otherwise in becoming a global company.

Australia's geographic location means that we are not physically in the centre of GVCs and run the risk of only interacting with them at either the beginning, by supplying raw materials, or at the end, purchasing finished products. The real value lies in the middle of the chain, where the use of intellectual property and technology make a significant contribution to the product's overall value. Again, our geography has given us abundant natural resources that have helped us to maintain a record beating 27 years of economic growth, but has it limited our success in accessing GVCs?

Ai Group sees engagement with ASEAN and multilateral free trade agreements as key in improving Australia's control of international distribution and engagement with GVCs generally. Although we might be outside the global shipping routes, our proximity to ASEAN and its growing middle class gives us an edge over European and North American competitors. We are fortunate to be at the heart of global consumer growth.

However, the benefits of FTAs with ASEAN don't just lie in access to a consumer market, what excites Ai Group is the potential to reduce regional red tape. Ai Group has been using its membership of the East Asia Business Council ([www.eabex.org](http://www.eabex.org)) Working

Group on RCEP, the ASEAN centric regional FTA, to advocate for greater efficiencies in trade facilitation. Recent estimates show that 30 per cent of global commerce is conducted between affiliates of the same multinational corporation. This raises the importance of trade transaction costs including burdensome border administration, particularly where products must travel through numerous countries before the final good can be sold. Broadly defined, trade facilitation is any measure that contributes to lowering trade transaction costs and creating standards efficiencies. There are numerous costs to inaction on trade facilitation including the direct and administrative costs to traders; direct administrative cost to governments; time lost, which results in higher working capital needs; and uncertainty.

Among the many ways to enable trade, reforming border administration requires relatively little money and can be done quickly. Unlike tariffs, which provide revenue for governments, resources spent on overcoming administrative barriers are lost.

It has been said that for every one per cent reduction of trade costs, trade increases by five per cent. Imagine how much we could improve Australian trade with ASEAN if we simply reduced the costs of trade compliance.

# Cables from post

## Dispatches from Australia's global diplomatic network

### From Wellington: Developing Indigenous business linkages

A high-profile delegation of Indigenous Australian business leaders visited New Zealand in late January 2018 to establish trade and investment linkages and foster collaboration. The delegation met with Māori ministers and members of parliament, as well as iwi and Māori businesses around the country. They learned from the successes and experiences of the Māori economy and took part in a working group under the auspices of the Australia New Zealand Leadership Forum, consistent with the Australian and New Zealand governments' aim of strengthening the trans-Tasman single economic market. Estimates suggest there are between 12,000 and 16,000 Indigenous-owned businesses in Australia. Collectively, Supply Nation registered Indigenous businesses earn more than \$1 billion each year.

### From Paris: Ambassador's dispatch to Le Figaro

France's most popular newspaper website Le Figaro, which records 110 million visitors a month, published an opinion piece on 30 April 2018 by Australia's Ambassador Brendan Berne on French-Australian relations in the context of President Macron's visit to Australia and First World War commemorations. Ambassador Berne wrote that France and Australia share the same values, including promoting peace and prosperity under the international rules-based order. In recognition of those values as well as the growing business relationship with France – two-way trade in goods and services worth \$9 billion – Prime Minister Turnbull and President Macron agreed in a Vision Statement released in Sydney on 2 May to establish an annual Australia-France ministerial dialogue on trade and investment.

### From Lima: Peru's mining outlook

Mining remains a key driver for Peru's growth with production and investment in the sector once again on the rise. Peru is one of the pioneer countries in implementing the Extractive Industries Transparency Initiative, which it has used to strengthen transparency and improve the management of revenues from the oil, gas and mining sectors. Peru has a number of major mining proposals slated to begin in 2018 and is pursuing a pipeline of projects worth around \$61 billion out to 2021. Despite concerns around red-tape and infrastructure, companies operating in Peru appear optimistic about the future of their operations, and many are looking to increase their Andean exposure. (Perth hosted the seventh *Latin America Down Under* conference on 17–18 May 2018.)

### From Canberra: FTAs: Services sectors added to FTA Portal

The Australian Government's FTA Portal has been expanded to include services exports. The first set of services sectors to be added includes architectural, engineering, legal, accounting, auditing and taxation. The FTA Portal enables exporters to identify market access commitments for different modes of delivery, such as cross border supply, working in country, and establishing a commercial presence, across all FTAs currently in force. Where more than one FTA is in place with a partner country, the Portal includes an interactive tool to compare bilateral and regional FTAs to identify which offers the greatest benefits. The FTA Portal is at <https://ftaportal.dfat.gov.au>





### **From Dublin:** Ireland's successful economic recovery

With growing tax receipts and a positive economic outlook, the Irish Government announced a new strategy in February 2018 for tackling the growing need for investment in the country's infrastructure. 'Project Ireland 2040' aims to develop regional centres as well as improve infrastructure through a 10-year approximately \$184 billion program to cope with the expected population increase and an ageing population. The *National Development Plan 2018-2027* of investment priorities will offer the chance for Australian companies to bid for infrastructure projects including new motorways – such as a \$1.4 billion motorway between Cork and Limerick, a second runway at Dublin Airport, redevelopment of Dublin Port, a new Dublin Metro project and an expansion to Dublin's commuter rail network.

### **From Pretoria:** Construction complete on world's largest graphite mine

Four Australian companies are active in graphite and ruby mining in northern Mozambique, making it an emerging hub in southern Africa for Australian miners. Syrah Resources' Balama Graphite Mine was officially inaugurated in mid-April by Mozambican President Nyusi. Graphite is a vital element of lithium-ion batteries for electric cars and, as the largest graphite project in the world, the Balama Mine will substantially increase global production when fully online. The project employed 2,300 people during the construction phase and will retain 650 to 700 people, 90 per cent of whom are Mozambican with 60 per cent drawn from local communities. Mozambique is likely to promote Syrah as a model of good foreign investment and mining engagement to other potential investors.

### **From Addis Ababa:** Opportunities for tertiary collaboration

Ethiopia's Addis Ababa University (AAU) is interested in collaborating with Australian universities to set up its new school of Asian studies and to expand its dry land agriculture expertise. The university is looking for advice on curriculum, guest lecturers and, in the future, academic exchanges. AAU currently has more than 48,000 students and is expanding its partnerships with Indo-Pacific academic institutions. AAU has collaborations with universities in Australia, the United States, Canada, China, several European Union-member countries and in Africa.

# Business success stories

## Cebu Pacific: Australia-Philippines aviation links taking off

Cebu Pacific is the largest carrier in the Philippines, offering its low-cost services to more destinations and routes with higher domestic flight frequency than any other airline.

Cebu Pacific currently offers flights to a total of 37 domestic and 26 international destinations, operating an extensive network across Asia, Australia, the Middle East, and the United States. Its network encompasses many ASEAN nations such as Thailand, Indonesia and Vietnam.

Since its inaugural flight to Sydney in 2014, passenger traffic between Manila and Sydney has grown rapidly. Cebu Pacific now operates a daily service and plans to commence a second route to Melbourne from August 2018. This new service is expected to bring 41,000 visitors to Australia each year, adding to the 164,565 passengers Cebu Pacific carried in 2017. It will also provide expanded freight capacity.

Air cargo transportation between Sydney and the Philippines increased by 25.5 per cent in 2017 and passenger business increased by 11 per cent, improving tourism, trade and business opportunities. According to the airline, Cebu Pacific has garnered 35 per cent of the overall market share.

Further strengthening this relationship, Australia is helping train Cebu Pacific's pilots.

In October 2017, Cebu Pacific signed an agreement with Australian education provider Flight Training Adelaide to launch Cebu's Pilot Cadet program. The airline requires more pilots to support its expansion plans over the next five years.

This investment by Cebu Pacific will see 240 trainee pilots going to Adelaide over the next five years to undertake a 52-week integrated flying training, flight theory and education program. By the end, trainees will have an Australian commercial pilot licence. Upon returning to Manila, they will complete local training to obtain their pilot licence and become first officers of the airline.

To enable more aspiring pilots, Cebu Pacific will shoulder expenses and provide financing options with its "study now, pay later" scheme. Cadet Pilots can then reimburse the cost at no interest via salary deduction over a maximum of ten years.

The first tranche of 16 trainee pilots are already training at Flight Training Adelaide, while a second batch of cadet pilots is in the final stages of being selected. Cebu Pacific and Flight Training Adelaide have just opened applications for the third batch of cadet pilots.

## Seven practical tips for making your business a success in ASEAN

ASEAN is a diverse region and thus a one stop shop approach to entering the market may not work. Businesses should develop unique market entry plans for each ASEAN country that identify risks and how to manage them.

### ▶ Stay informed of regulatory developments

Each ASEAN country has its own legal and regulatory framework and unexpected regulatory changes can be a risk in some ASEAN countries. Businesses planning to expand into the region should obtain professional advice to better understand these frameworks.

### ▶ Be mindful of governance

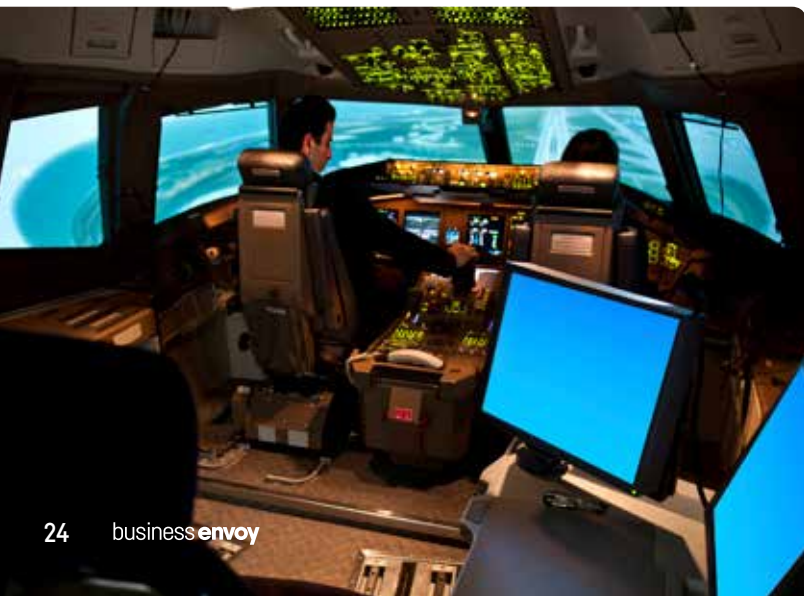
Bribery of foreign public officials is a crime and Australian individuals and companies can be prosecuted in Australia or overseas for bribing foreign officials when overseas. Australian businesses need to be aware of how anti-bribery laws in other countries may apply to them.

### ▶ Plan for financial risks

Businesses must consider financial risks associated with emerging economies. Restrictions on foreign investment and anti-competitive practices continue to undermine the potential of many ASEAN markets.

### ▶ Pay attention to development and logistical challenges

The availability of qualified and experienced personnel, local labour laws, and how firms interact with local and national governments will need to be considered. It is important to plan the route to market where infrastructure is underdeveloped.



ASEAN and Australian businesses share a strong trade and investment relationship and interest in doing business is growing. Here we present two business case studies from the Philippines. For more successful case studies, see [www.austrade.gov.au/asean-now](http://www.austrade.gov.au/asean-now)

## Philippine operated terminal in Australia creates a world first



### Consider political instability and security risks

Australian businesses should monitor the political situation in individual countries, assess the risks associated with business activities, and take appropriate precautions.

### Show patience and cultural sensitivity

In ASEAN, commitments of time and empathy are needed when approaching cultural borders, particularly if business activities straddle multiple markets.

### Practise due diligence

Business decisions must be supported by robust due diligence and risk management processes. 'Think local' about the market, but approach governance and corporate social responsibility from an Australian perspective.

For more information see *ASEAN Now – Insights for Australian Business*, 'How should companies approach doing business in ASEAN?' at [www.austrade.gov.au/asean-now](http://www.austrade.gov.au/asean-now)

Australian port operator Victoria International Container Terminal Limited (VICT), a subsidiary of Philippine-based port specialist International Container Terminal Services, Inc. (ICTSI), launched the world's first fully automated container handling facility at the Port of Melbourne's Webb Dock Container Terminal and Empty Container Park.

Established in 1987 in the Philippines, ICTSI develops and operates container ports and terminals worldwide, with a current portfolio of 30 ports in 18 countries.

In May 2014, VICT won a 26-year contract for the design, construction, commissioning, operation, maintenance and financing of the new container handling and storage facility at the Port of Melbourne, the largest seaport and trading gateway in Australia. The project, completed in 2017, marked ICTSI's first entry into Australia.

According to ICTSI, much of the investment for the project went into cutting-edge technology

and the highest standards of port safety, including installing robotic ship-to-shore cranes to deliver extra capacity, and support continued growth at the Port of Melbourne.

ICTSI and its contractor BMD Constructions and terminal designer AECOM won the SMART Infrastructure Project Award for the project at the *National Infrastructure Awards* in Sydney in 2017.

This project has also led ICTSI to introduce an Australian company to the Philippines. ICTSI has been working with Australia's One-Stop Connections and stakeholders in the Port of Manila to introduce a terminal appointment booking system (TABS) to address traffic congestion around Manila's ports. TABS regulates the number of trucks entering central Manila and the port, thereby reducing port congestion. TABS is a collaborative solution of the Philippine Government and supply-chain stakeholders.



# Australia's ASEAN FTAs cement a strong commercial relationship

Export Council of Australia

Australia's hosting of ASEAN Leaders in Sydney earlier this year for the ASEAN-Australia Special Summit was a historic occasion that further cements strong ties with our neighbours to the north.

From a commercial perspective, Australia's four ASEAN free trade agreements – with Malaysia, Singapore, Thailand and ASEAN as a whole – are collectively the most attractive FTA markets for Australian companies, according to the 2017 Australia's International Business Survey (AIBS) results.

The ASEAN region was collectively the most popular destination market for both goods and services exporters, as well as the top market for international revenue earned.

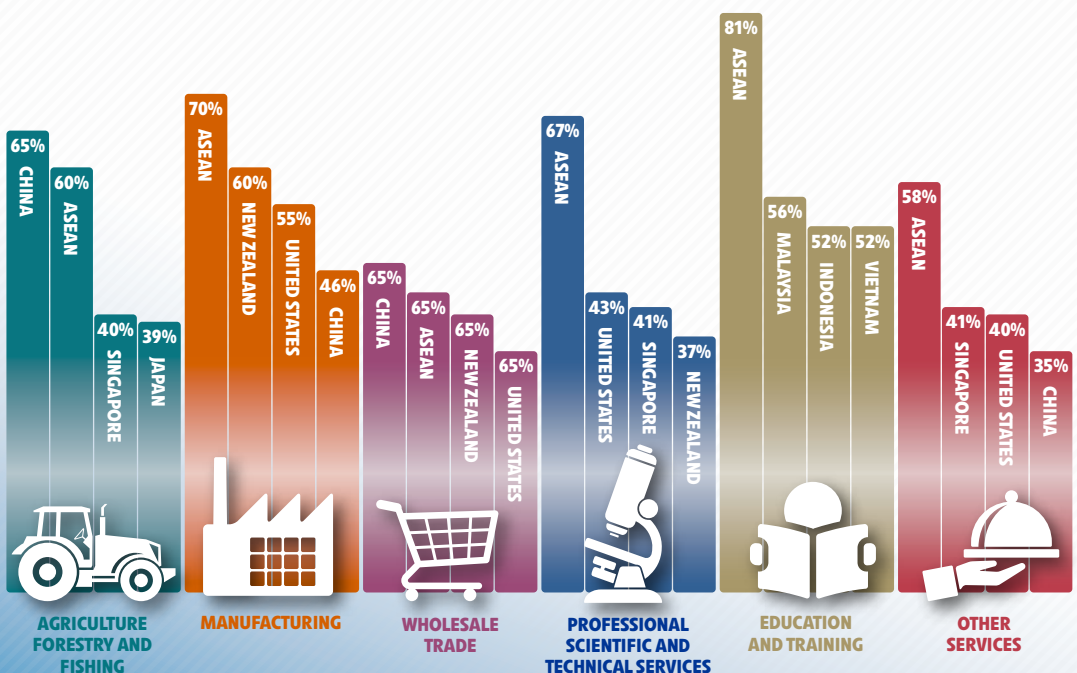
Amongst the markets with which we have an FTA, the ASEAN region was collectively the largest destination market for Australian education and training exporters (81 per cent), manufacturing exporters (70 per cent), and professional service exporters (67 per cent). It was the second largest market for agricultural exporters (60 per cent) and wholesale traders (43 per cent).

Individual ASEAN countries are also prominent goods and service export destinations in their own right, according to the survey results. For example, Singapore was the second largest individual market for professional services exporters (41 per cent) and agricultural exporters (40 per cent). For education and training service exporters, Malaysia (56 per cent), Indonesia (52 per cent) and Vietnam (52 per cent) were the top three individual markets.

As a sample of Australia's international business activity, these AIBS figures paint a solid picture of Australia's commercial relationship with the ASEAN region.

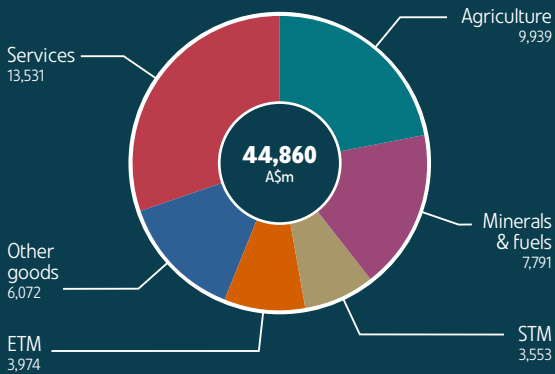
AIBS is an annual study conducted by the Export Council of Australia, Austrade, and the Export Finance and Insurance Corporation (Efic). Now in its fifth year, we look forward to releasing the 2018 edition of the survey in the coming months.

## Top markets by industry of FTA exporters, by goods / services exports



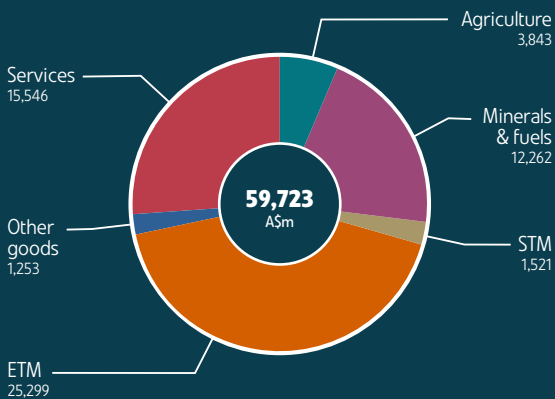
# Australia's trade with ASEAN

## Australia's Exports to ASEAN 2017<sup>(a)</sup>



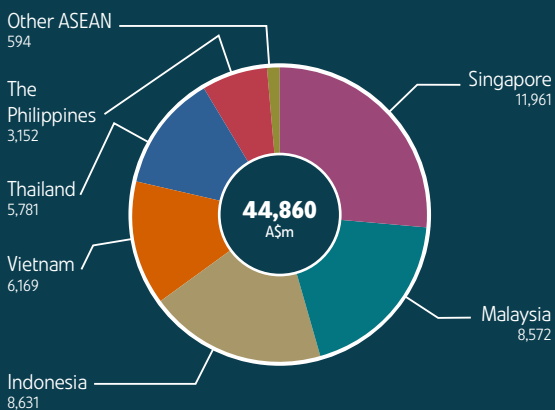
Totals may not add due to rounding.

## Australia's Imports from ASEAN 2017<sup>(a)</sup>



Totals may not add due to rounding.

## Australia's Goods and Services Exports to ASEAN countries 2017<sup>(a)</sup>



(a) Excludes some confidential items of trade.  
Source: Based on ABS data.

## Australia's trade and investment statistics

### TOP EXPORT AND IMPORT COUNTRIES/REGIONS

	A\$ billion 2017	% growth year on year
<b>EXPORTS</b>	<b>386.7</b>	<b>↑ 14.8</b>
China	116.0	↑ 21.2
Japan	47.2	↑ 22.8
Republic of Korea	23.4	↑ 14.4
United States	21.0	↑ 1.8
India	20.2	↑ 32.6
ASEAN <sup>(a)</sup>	44.9	↑ 13.9
EU28 <sup>(a)</sup>	29.0	↓ 9.0
<b>IMPORTS</b>	<b>376.6</b>	<b>↑ 7.4</b>
China	67.4	↑ 8.1
United States <sup>(b)</sup>	47.5	↑ 5.6
Republic of Korea <sup>(b)</sup>	31.9	↑ 167.9
Japan	24.6	↑ 8.0
Thailand	17.2	↑ 2.1
ASEAN <sup>(a)</sup>	59.7	↑ 5.9
EU28 <sup>(a)</sup>	71.6	↑ 3.4

### TRADE BY BROAD SECTOR

	A\$ billion 2017	% growth year on year
<b>EXPORTS</b>	<b>386.7</b>	<b>↑ 14.8</b>
Rural	48.4	↑ 13.7
Resources	177.7	↑ 26.6
Manufactures	45.0	↑ 2.9
Other goods	12.6	↑ 2.0
Gold	18.3	↓ 8.9
Services	84.7	↑ 8.8
<b>IMPORTS</b>	<b>376.6</b>	<b>↑ 7.4</b>
Two-way trade	763.2	↑ 11.0
Balance of trade	10.1	..

### TOP EXPORTS AND IMPORTS

	A\$ billion 2017	% growth year on year
<b>EXPORTS</b>	<b>386.7</b>	<b>↑ 14.8</b>
Iron ores & concentrates	63.1	↑ 17.4
Coal	57.1	↑ 35.2
Education-related travel	30.3	↑ 17.3
Natural gas	25.6	↑ 43.0
Personal travel (excl education)	21.3	↑ 0.4
<b>IMPORTS</b>	<b>376.6</b>	<b>↑ 7.4</b>
Personal travel (excl education)	40.0	↑ 7.7
Passenger motor vehicles	22.8	↑ 6.6
Refined petroleum	19.2	↑ 29.0
Ships, boats & floating structures	18.9	..
Telecom equipment & parts	12.8	↑ 6.8

### AUSTRALIA'S INTERNATIONAL INVESTMENT POSITION

	A\$ billion as at 2017	% growth year on year
<b>FOREIGN DIRECT INVESTMENT IN AUSTRALIA</b>	<b>849.1</b>	<b>↑ 6.5</b>
United States	189.9	↓ 1.6
Japan	92.5	↑ 1.6
United Kingdom	83.2	↑ 11.4
Netherlands	53.5	↑ 3.3
China	40.7	↑ 5.1
ASEAN	42.0	↑ 13.4
EU28	188.7	↑ 8.6
<b>AUSTRALIAN DIRECT INVESTMENT ABROAD</b>	<b>590.6</b>	<b>↑ 6.5</b>
United States	127.3	↑ 8.1
United Kingdom	83.9	↑ 14.3
New Zealand	62.1	↓ 6.5
Singapore	20.2	↑ 0.5
Papua New Guinea	16.3	↑ 2.1
ASEAN	40.3	↑ 6.2
EU28	117.8	↑ 12.1

(a) Excludes some confidential items of trade.

(b) Includes DFAT estimates for 2017.

# business envoy

## Acknowledgements

*Business envoy* brings insights from Australia's global diplomatic network to the Australian business community. It considers global geopolitical events and trends, their economic implications and what they might mean for Australian business.

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