

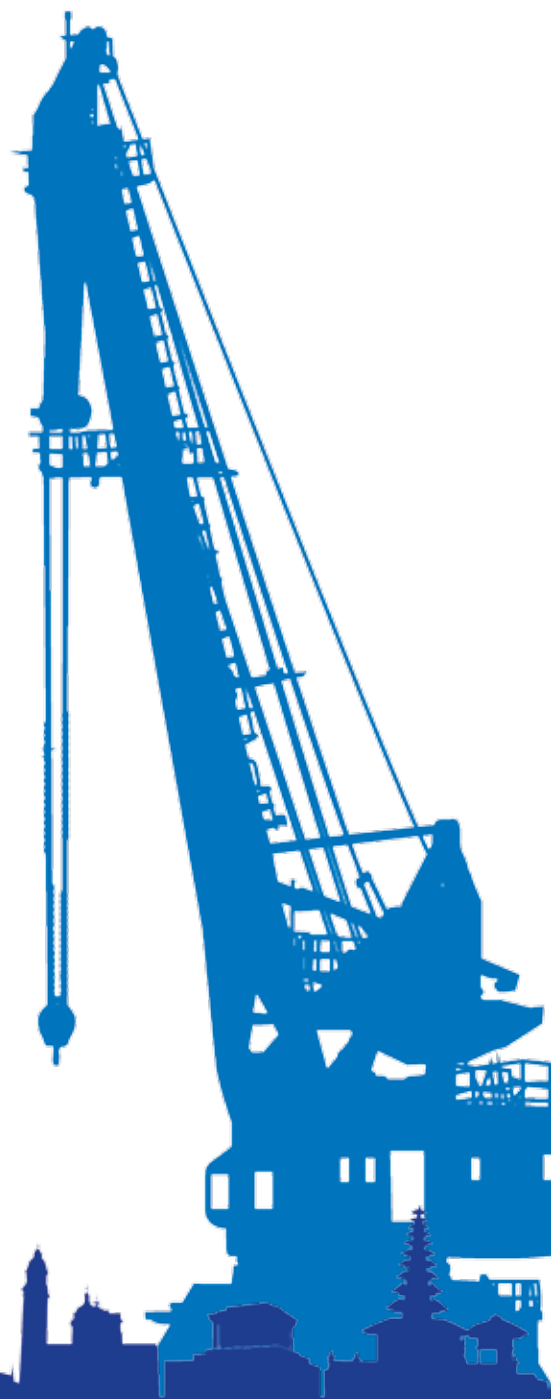


# BUSINESS SENTIMENT SURVEY 2015

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# FOREWORD

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Over the past decade, EU-ASEAN relations have grown significantly. ASEAN is the EU's third most important trading partner outside of Europe, with almost €180 billion in bilateral trade in goods in 2014. The EU is also the leading investor in ASEAN with €156 billion in foreign direct investment (FDI) stock and a major partner in services trade, with over €54 billion in bilateral trade in services in 2013. Over the coming years, ASEAN's importance will grow as the region's economic integration project strengthens. Next to the ASEAN Economic Community (AEC), a number of ASEAN member economies are negotiating Free Trade Agreements (FTAs) with the EU, making ASEAN an ever more attractive partner for European companies to trade with and invest in.

The purpose of the EU-ASEAN Business Sentiment Survey is to capture the thoughts and attitudes of European businesses operating in the region. This is the first of what we expect to be an ongoing annual report looking at the views of European businesses across ASEAN in a number of key areas (e.g. economic outlook; policy frameworks; stakeholder engagement). The purpose of this Survey is to gauge how European businesses view ASEAN, both in terms of economic and trade potential and in terms of political developments, such as ASEAN's regional integration project. We have also taken the opportunity to look at related issues such as the utilisation of FTAs and how European businesses in ASEAN view the support that they get from the European Union.

The Survey shows some interesting results. For ASEAN as a whole, it is largely positive. European businesses have a very positive outlook for their operations and trade in the region: growth, both in terms of turnover and employment, are generally expected and it is clear that most of the respondents view the ASEAN region as a bright spot for future investment and development of their businesses.

The use, by European companies, of the various FTAs negotiated by ASEAN Member States with global trading partners, appears to be very limited – this could result from a lack of knowledge or understanding of the Agreements available or a reflection of the trade patterns for the respondents in the region.

This Survey is divided into several sections, providing first some basic information on the nature of the respondents to the survey, before moving on to look at the current business environment and the economic outlook for businesses, both within the region and how the region is perceived more globally. The final section looks at broader policy issues such as government support, trade policies, regional integration etc.

The Survey does not claim to offer a comprehensive overview of the views and opinions of all European businesses in the region. It is, rather, a snapshot of a broad cross section of businesses with responses from each of the ASEAN Member States. Responses have come from large, long established multinational corporations with multi-site operations throughout the region through to small consultancies; from publicly listed organisations through to sole proprietorships. Regrettably, there were insufficient responses from European businesses in Brunei for their inputs to be included in the final results. Those responses have been included in the overall ASEAN statistics, but data purely for Brunei has been excluded in this publication because the sample pool was too small. We hope that this will be rectified going forward in future years.

## ACKNOWLEDGEMENTS

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This survey was conducted on-line and anonymously, with our partners sending the survey link to their members and encouraging participation, as well as the Business Council sending it directly to its own members. We would like to thank all the respondents for taking their time to work through our questions and the following organisations for their support in the production of this report:

- European Chamber of Commerce in Cambodia
- European Chamber of Commerce Indonesia
- Italian Chamber of Commerce and Industry for Indonesia
- European Chamber of Commerce and Industry in Lao PDR
- EU-Malaysia Chamber of Commerce and Industry
- French-Myanmar Chamber of Commerce & Industry
- Delegation of German Industry and Commerce in Myanmar
- European Chamber of Commerce of the Philippines
- European Chamber of Commerce in Singapore
- European Association for Business and Commerce Thailand
- European Chamber of Commerce in Vietnam

The Business Council would also like to thank the EU Delegations in South East Asia for their help with disseminating the survey. We particularly appreciate the support of the EU Delegation to Singapore and Robin Hoenig for his assistance in collecting and analysing the data from the survey. Thanks also go to Evelyn Teoh who assisted in compiling and sorting the data during her internship with the Business Council.

## KEY FINDINGS

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- **71%** of the respondents indicated that in terms of worldwide revenues, *ASEAN has become more important over the past 2 years*
- **70%** of the respondents foresee an *increase in profits in ASEAN*
- **80%** of the respondents indicated that over the next 5 years, they *expect trade and investment with the region to increase*
- **63%** of respondents across the ASEAN region predict that they will *employ more staff in the next 5 years*
- Respondents identified *diversification of customer base; adequate laws and regulations to encourage foreign investment; and, reasonable production cost as the three most important factors* that drive investment decisions in ASEAN
- **58%** of respondents indicated that *further economic integration within ASEAN is important to the success of their business*
- **61%** of the respondents indicated that the *FTAs the European Union is negotiating with ASEAN countries will help their company's trade and investment performance*
- *The majority* of respondents are *not fully informed about the various trade agreements that are in place or which are being negotiated*, perhaps showing a lack of communication from governments on the benefits of these agreements for business
- **Half** of the respondents *do not have an ASEAN business strategy* despite broad support for the AEC
- **69%** of respondents feel that *the European Union should be more engaged* in supporting business activity in ASEAN

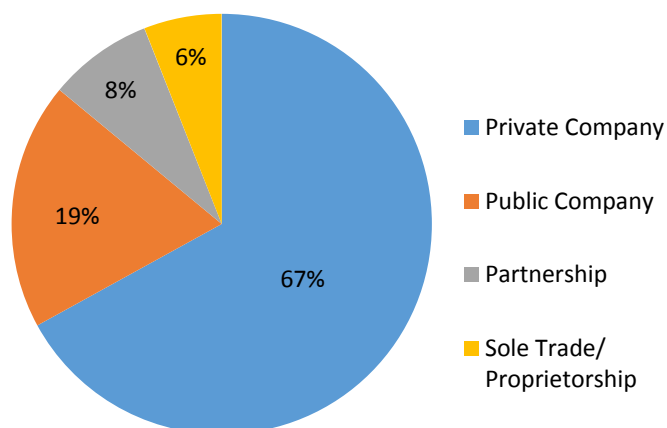
## RESPONDENT PROFILE

Respondents to this Business Sentiment Survey were exclusively businesses that are either European headquartered or majority owned and controlled by European nationals. In this section, we provide some more information on the nature and businesses of the respondents. Respondents cover a broad range of industries, ownership models, sizes, and longevity in the ASEAN region, as well as representing business interests in all ten of the ASEAN Member States. For more details on respondents, please see the annex at the end of this Survey.

### Type of Ownership

The ownership model of the respondents covers the full range of business types. The majority of the respondents, two-thirds in fact, indicated that their businesses were private companies, though in some of these cases the parent company is listed in Europe. The second largest grouping were publicly owned corporations at around a fifth of respondents. The remaining, perhaps not unsurprisingly, were either partnerships (8%) or sole trade proprietorships (6%). (See Fig. 1)

FIGURE 1: MAJORITY OF RESPONDENTS ARE PRIVATE COMPANIES

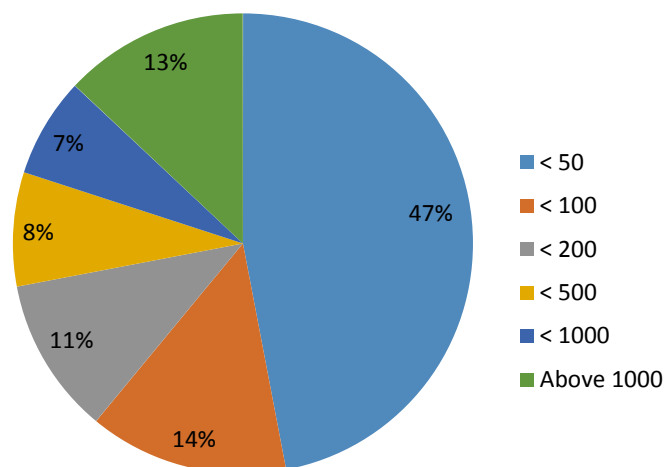


### Company Size

Respondents were asked to indicate the size of their company as measured by the number of full-time employees. Nearly half of the respondents indicated that their company employs less than 50 people, implying a strong presence of small and medium sized organisations (SMEs) at a regional level, even though they may be part of much larger organisations on a worldwide basis. Perhaps more significantly, more than a fifth of the respondents indicated that they currently employ over 500 people within the ASEAN region,

showing a strong presence of larger European MNCs. A sizeable number (13%) employ more than 1,000 people. (See Fig. 2)

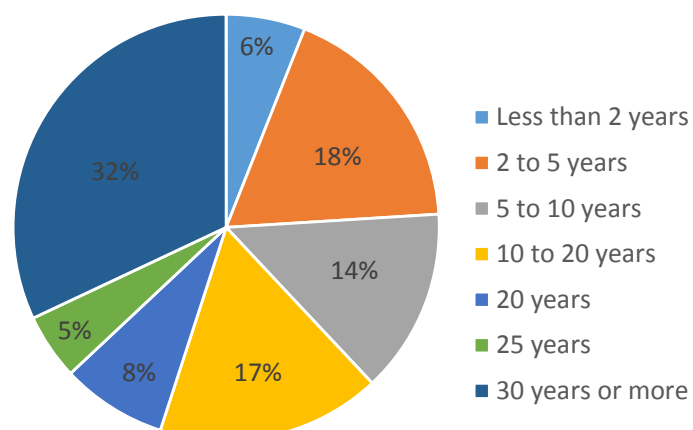
FIGURE 2: CLOSE TO HALF OF RESPONDENTS HAVE LESS THAN 50 EMPLOYEES



### Presence in ASEAN

European businesses have firmly established themselves in ASEAN. Indeed, reflecting the long-term nature of European investment in the region, just under half of respondents have been in the region for 20 years or more, with a third of them having maintained a trading and investment presence for 30 years or more. These are significant statistics indicating the long-term view that many European businesses have taken to the region. That said, nearly two-fifths of the respondents indicated that they entered the ASEAN market over the past 10 years, presumably drawn to the region by its rising economic and commercial importance. (See Fig. 3)

FIGURE 3: NEARLY A THIRD OF RESPONDENTS HAVE BEEN PRESENT IN ASEAN FOR OVER 30 YEARS



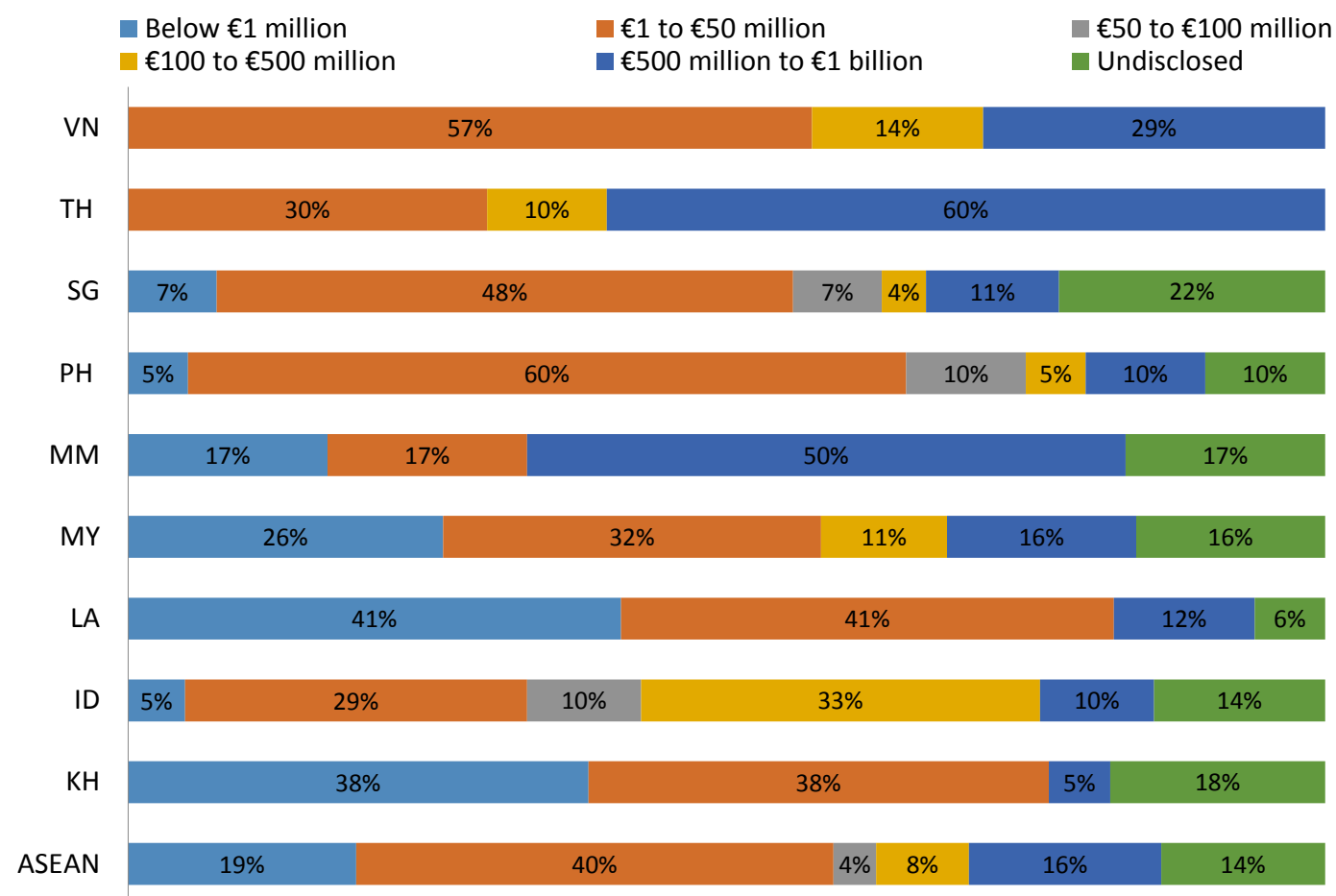


# CURRENT BUSINESS ENVIRONMENT

## Company Turnover in ASEAN

In ASEAN as a whole, 40% of respondents indicated that their turnover in their response location (i.e. the ASEAN country in which they were answering the survey) was between €1 to €50 million. In particular, a large segment of the respondents in Vietnam (57%), Philippines (60%) and Singapore (48%) indicated that their turnover would fall within the aforementioned range. Overall, across the ASEAN region, there was a good spread of company size in terms of turnover. (See Fig. 3)s

FIGURE 3: MORE THAN TWO-THIRDS OF RESPONDENTS HAVE MORE THAN €1 MILLION TURNOVER IN THEIR ASEAN LOCATION

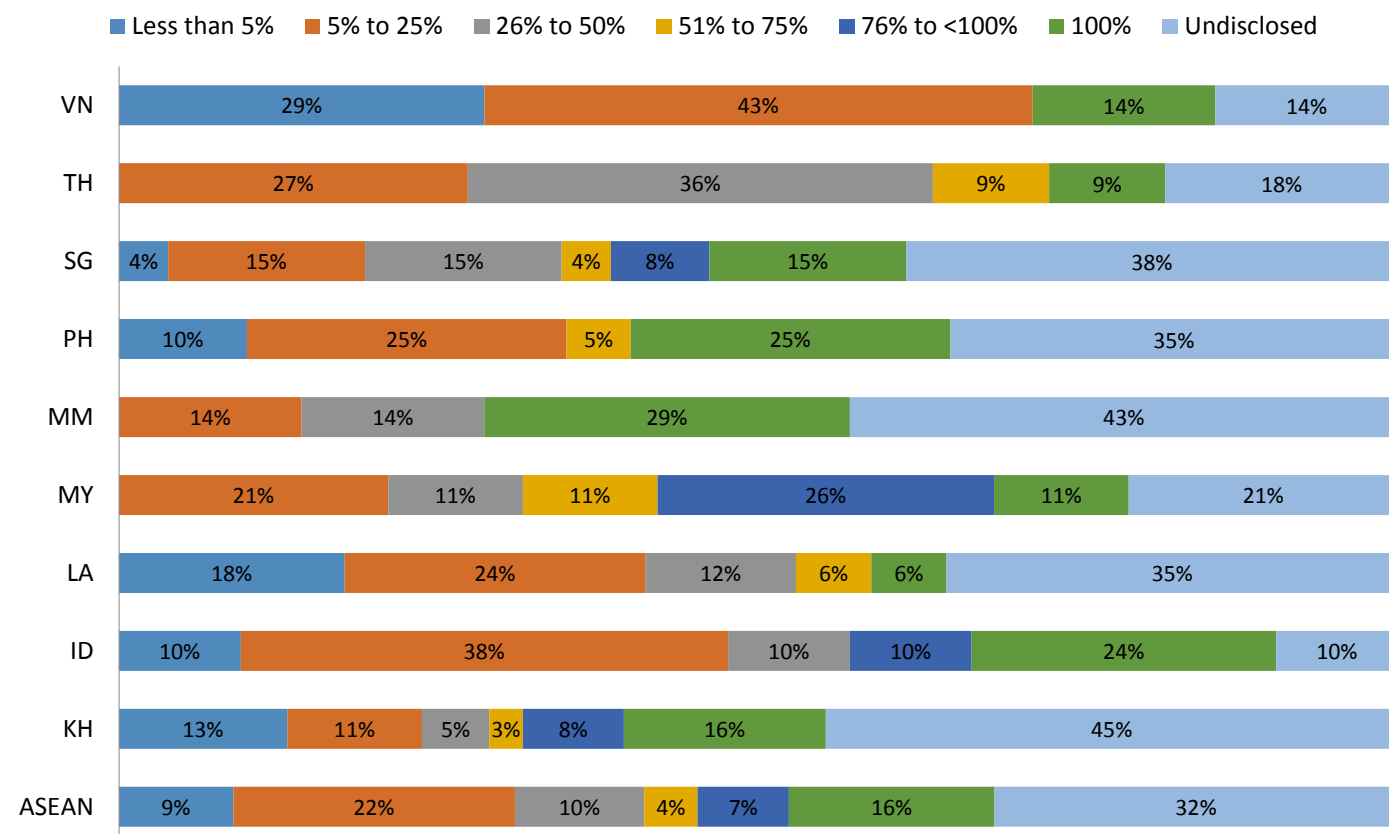


Note: Some figures do not add up to 100% due to rounding

The survey showed that there is a great degree of variation when it comes to respondents' indication of their turnover in their response location as a percentage of their total ASEAN turnover. Approximately a quarter of the respondents from Indonesia (24%), Myanmar (29%) and the Philippines (25%) indicated that their turnover would amount to 100% of their ASEAN turnover suggesting a strong response from companies whose sole area of operation was within those countries. A smaller percentage from Laos (6%), Singapore (15%) and Thailand (9%) reported that all of their ASEAN turnover was from within those countries. Large segments of respondents in Indonesia (38%), Thailand (27%) and Vietnam (43%) fell into the 5% to 25% range. (See Fig. 4)



FIGURE 4: TURNOVER IN RESPONSE LOCATION AS A PERCENTAGE OF TOTAL ASEAN TURNOVER VARIES WIDELY ACROSS ASEAN COUNTRIES



Note: Some figures do not add up to 100% due to rounding

We also asked respondents to rank all ASEAN countries on a scale of 1 to 10 in terms of their importance in the total turnover for their ASEAN operations. The responses to the question did not throw up any real surprises given the role of Singapore as a regional HQ for many European companies, and the industrial strength of Thailand, Malaysia and Indonesia. The only surprise was the high ranking of Cambodia, though this is a reflection of the high number of respondents from Cambodia whose business operations are, perhaps, Cambodia-centric. The table below is the accumulated outcome of the ranking.

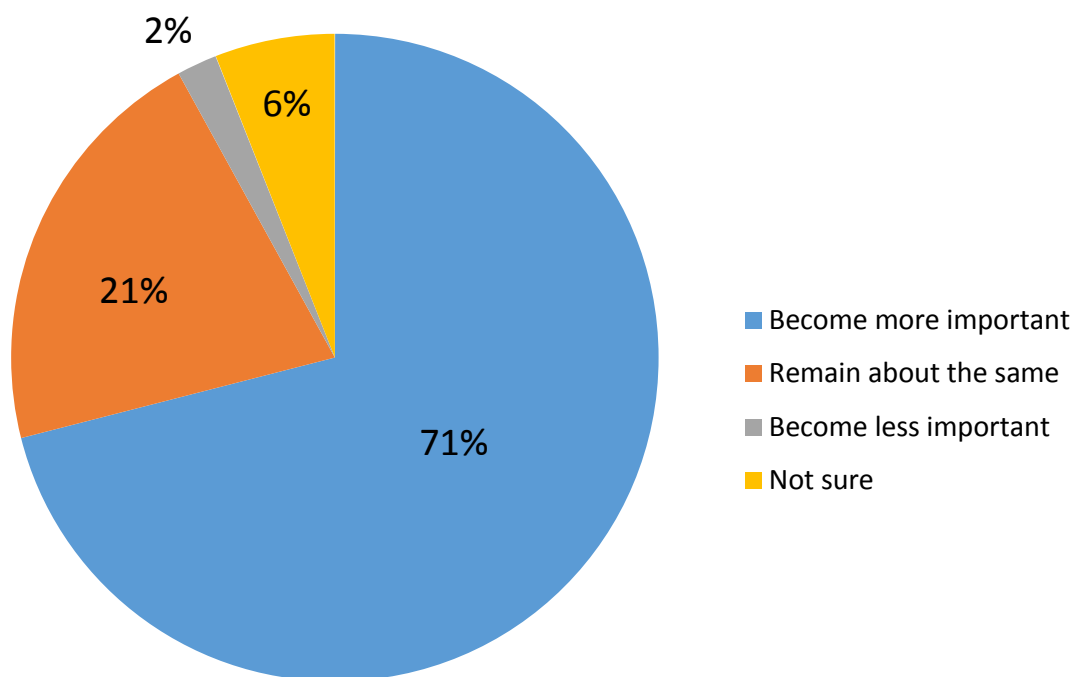
FIGURE 5: SINGAPORE IS THE MOST IMPORTANT COUNTRY FOR SURVEY RESPONDENTS IN TERMS OF TOTAL ASEAN TURNOVER

1	SINGAPORE
2	CAMBODIA
3	THAILAND
4	MALAYSIA
5	INDONESIA
6	LAOS
7	THE PHILIPPINES
8	VIETNAM
9	MYANMAR


## Importance of ASEAN Markets in Terms of Worldwide Revenues Over the Past Two Years

Reflecting perhaps the dynamic feel of the region, coupled with moves towards greater ASEAN integration, most of the respondents to the Survey reported that ASEAN was of increasing importance for their companies. 71% of the respondents indicated that in terms of worldwide revenues, ASEAN has become more important, whereas 21% of the respondents felt that it had remained about the same. Only 2% of the respondents found that the relevance of ASEAN markets in terms of worldwide revenues had declined over the past 2 years. This is an excellent indication for the leadership of ASEAN as to the importance that the region is playing in the global economy. (See Fig. 6)

FIGURE 6: ASEAN HAS BECOME MORE IMPORTANT IN TERMS OF WORLDWIDE REVENUE OVER THE PAST TWO YEARS FOR NEARLY THREE-QUARTERS OF RESPONDENTS



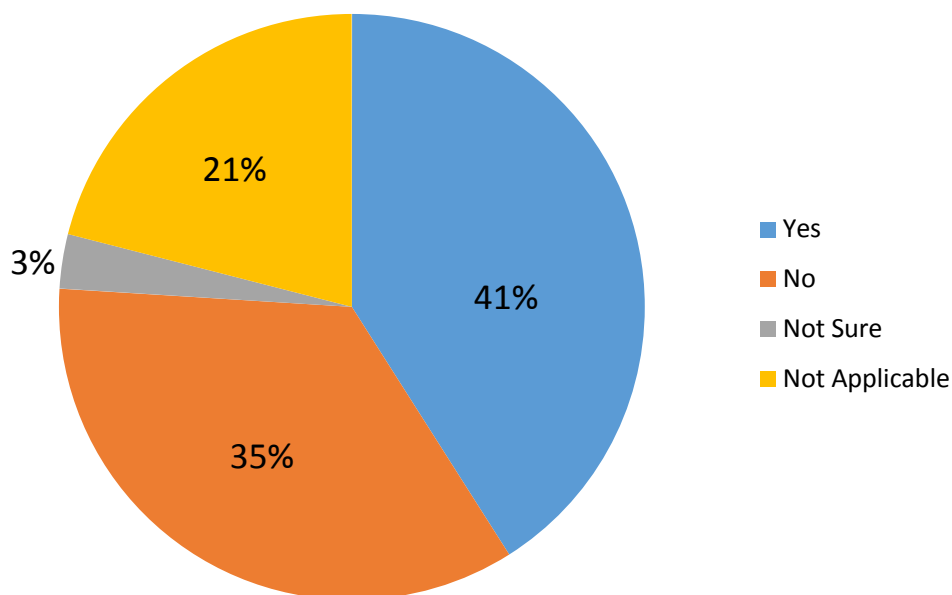
On the adjacent page we have ranked the ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore, and Thailand) according to the degree of satisfaction amongst businesses with a number of variables that influence the ease of conducting business in the region (e.g. cost and skill level of labour; ease of customs procedures; quality of infrastructure etc.). Perhaps not surprisingly, Singapore achieves the greatest level of satisfaction from the respondents, reflecting its status as the most advanced economy in the region and the consistent business friendly policies that have been adopted. Malaysia also features prominently in most areas.

	1	2	3	4	5
Availability of competitively priced labour					
Availability of skilled labour					
Ease of recruiting labour from abroad					
Prevalence of business-friendly customs procedures					
Ease of importing goods					
Infrastructure					
Stable government and political system					
Regulatory regime					
Provision of government incentives					
Sentiment towards the EU					
Fiscal structure					
Administrative cost for business					

## Use of Regional Supply Chains in ASEAN

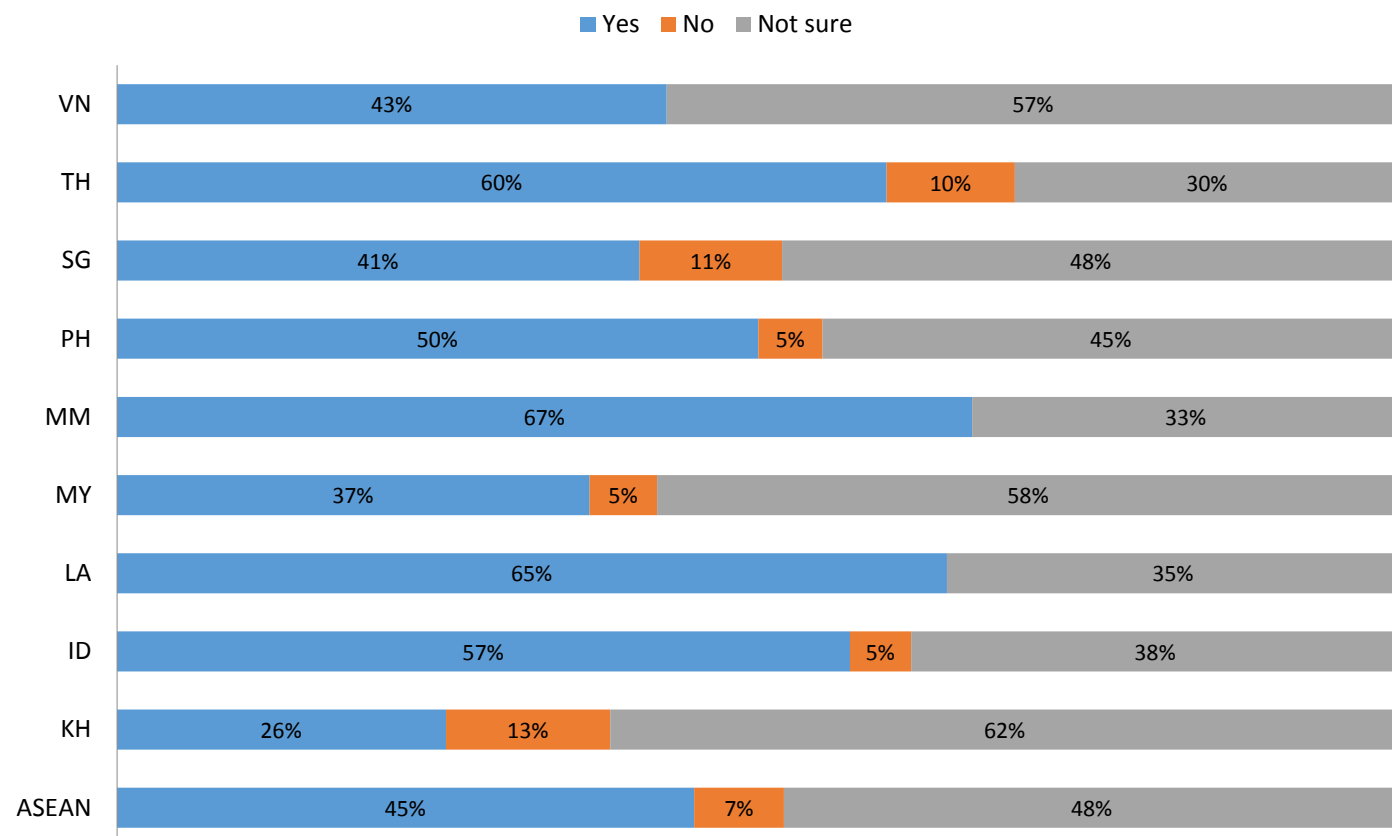
In view of the launch of the AEC at the end of 2015, our Survey sought to understand the prevalence and use of regional supply chains in the region. Increasing the use of regional supply chains, and increasing the sourcing of supplies from SMEs, is a key issue within ASEAN and one of the prime goals of the AEC as it would boost intra-ASEAN trade. Interestingly, two-fifths of the respondents indicated they make use of regional supply chains in ASEAN, whereas 35% indicated that they do not – this roughly equal split would seem to be a reflection of the number of smaller consultancy-like operations that have responded to the survey. Furthermore, 20% of the respondents indicated that the question was ‘not applicable’ to their business, suggesting that these respondents operated in sectors which did not make use of supply chains at all. (See Fig. 7)

FIGURE 7: LESS THAN HALF OF RESPONDENTS MAKE USE OF REGIONAL SUPPLY CHAINS IN ASEAN



We also asked about the prospects for increasing the use of regional supply chains. There is no doubt that greater use of regional supply chains would occur, something that would undoubtedly benefit the economies of ASEAN, if there were fewer barriers to doing so. As part of the Survey, we asked if there were too many barriers within the region for the efficient use of regional supply chains. At an ASEAN-wide level, 45% of the respondents indicated that there are too many barriers for the efficient use of supply chains – this did not surprise us given the prevalence of Non-Tariff Barriers to trade and the number of issues surrounding customs that were highlighted in the Business Council’s recent paper *Realising the Potential of ASEAN*. In particular, European businesses in Laos (65%), Myanmar (67%), Thailand (60%) and Indonesia (53%) felt that this was the case. (See Fig. 8)

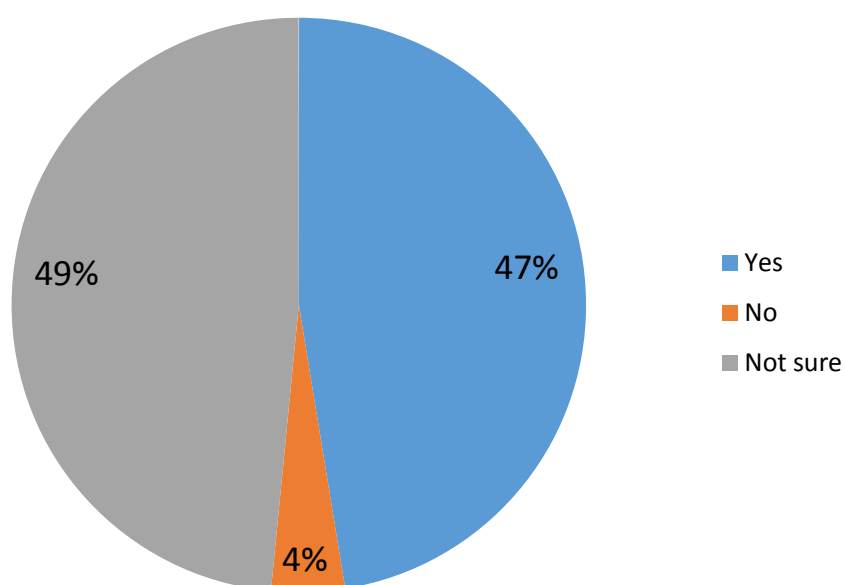
FIGURE 8: NEARLY HALF OF RESPONDENTS BELIEVE THAT THERE ARE TOO MANY NON-TARIFF BARRIERS TO MAKE USE OF ASEAN SUPPLY CHAINS



Note: Some figures do not add up to 100% due to rounding

Not unsurprisingly, there was a strong indication that, should trade barriers within the region be eased, companies would make more use of regional supply chains, with only 4% saying that they would not make more use of regional supply chains should barriers be reduced. (See Fig. 9)

FIGURE 9: NEARLY HALF OF RESPONDENTS WOULD MAKE MORE USE OF REGIONAL SUPPLY CHAINS IF NON-TARIFF BARRIERS WERE REDUCED

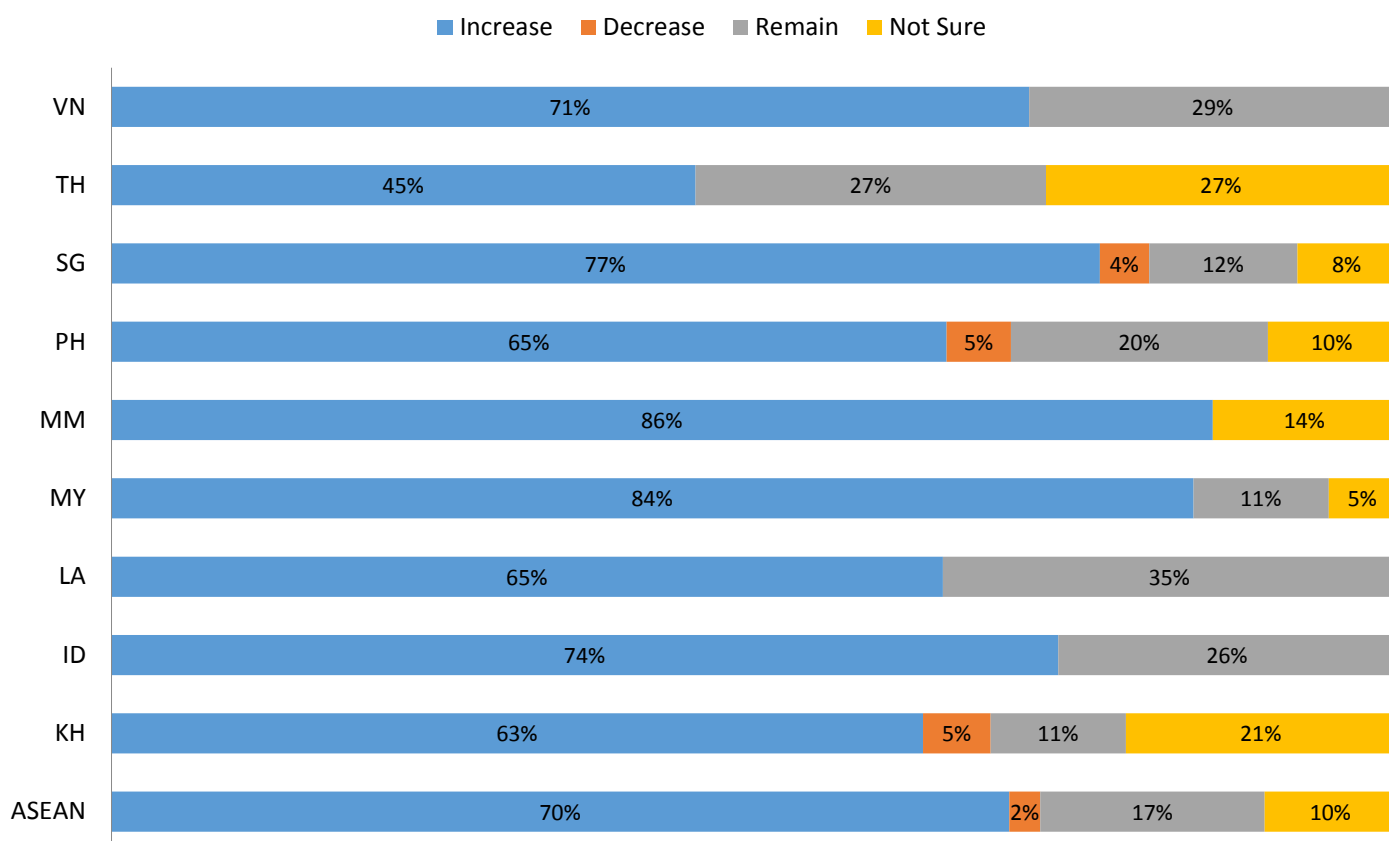


# BUSINESS OUTLOOK

## Profit Outlook in 2015

There is no doubt that ASEAN offers an attractive environment in which to do business. Various business reports and studies consistently point to the region's robust economic growth – the OECD is predicting ASEAN-wide growth in GDP of more than 5% over the next five years. The region's attraction as a place to do business is reflected in the profit outlook for European businesses for 2015. An overwhelming majority, or 70% of the respondents, foresaw an increase in profits. In particular, the majority of respondents in Malaysia (84%), Myanmar (86%), Singapore (77%) and Indonesia (74%) were confident that profits would be higher this year than in previous years. Thailand is an outlier with regards to the aforementioned statement with less than half (45%) of the respondents indicating they were expecting a rise in their profits. (See Fig. 10)

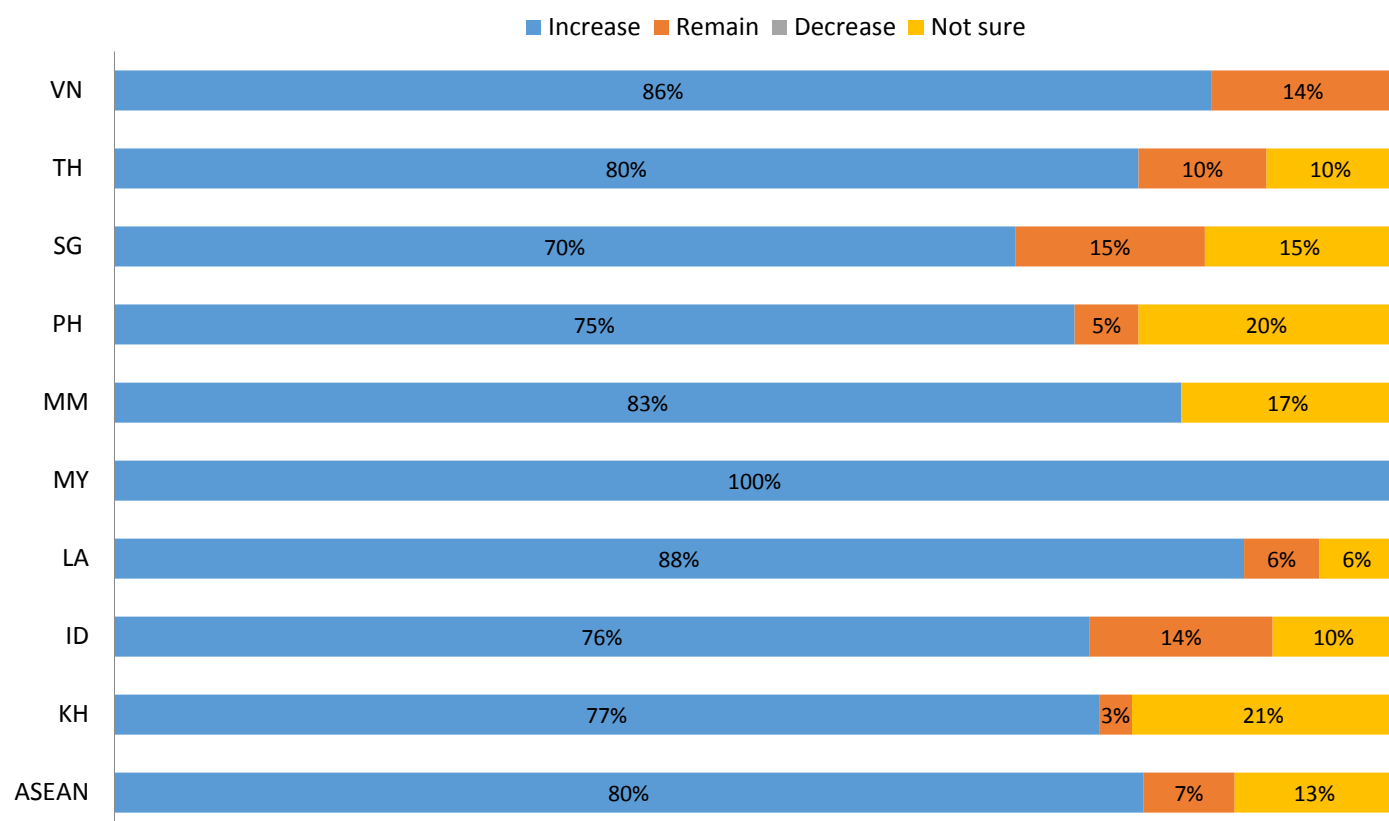
FIGURE 10: THE OVERWHELMING MAJORITY OF RESPONDENTS EXPECT THEIR PROFITS IN ASEAN TO INCREASE IN 2015



Note: Some figures do not add up to 100% due to rounding

Looking ahead, European businesses continue to have a positive outlook for ASEAN. Four-fifths of the respondents to the survey indicated that over the next 5 years their level of trade and investment will increase, while only 7% indicated that it will remain about the same. None of the respondents expected the levels of their trade and investment to decrease, demonstrating a strong confidence in the economic outlook for the region. Confidence in the future was particularly strong in Malaysia, Laos and Vietnam where 100%, 88% and 86% respondents respectively expected trade and investment to increase. 14% of the respondents based in Indonesia and 15% of those in Singapore indicated that their trade and investment will remain about the same. Taken together this is news that should be pleasing to the ears of the politicians in the region. (See Fig. 11)

FIGURE 11: MORE THAN THREE-QUARTERS OF RESPONDENTS EXPECT THEIR LEVEL OF TRADE AND INVESTMENT IN THE REGION TO INCREASE OVER THE NEXT FIVE YEARS

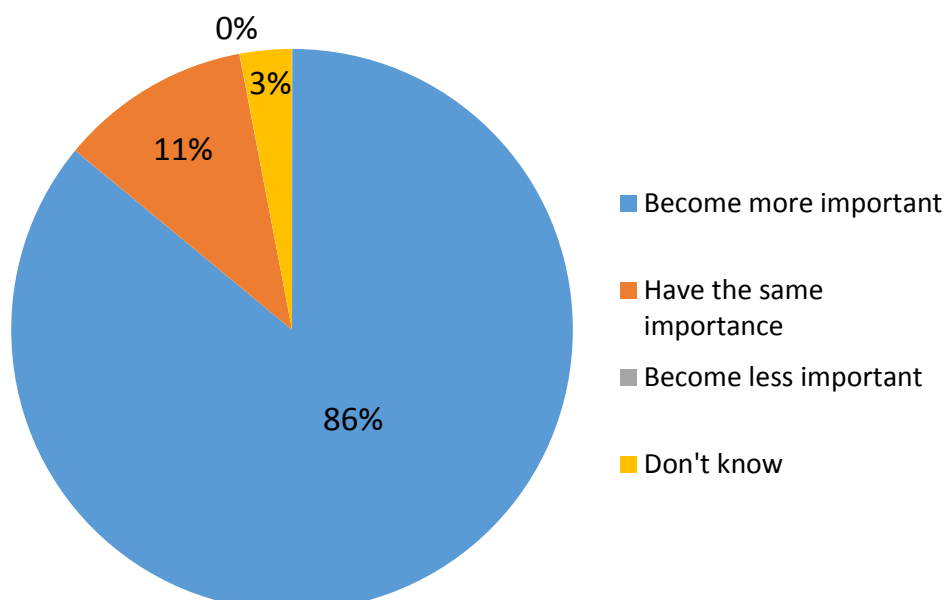


Note: Some figures do not add up to 100% due to rounding

### Future Importance of the ASEAN Region

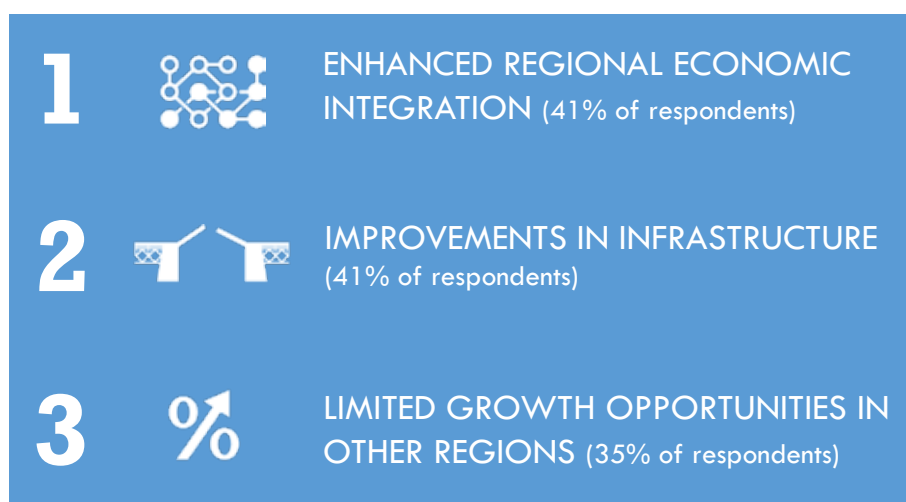
Clearly, European companies see ASEAN markets as a pivotal commercial hub and appear to want to gain a stronger foothold in the region. Respondents (86%) indicated that ASEAN will become more important going forward, relative to their worldwide revenues, whereas none indicated that ASEAN will become less important. (See Fig. 12)

FIGURE 12: THE VAST MAJORITY OF RESPONDENTS PREDICT THAT THE ASEAN REGION'S RELATIVE IMPORTANCE TO WORLDWIDE REVENUES WILL INCREASE OVER THE NEXT TWO YEARS





When asked about the reasons for this confidence in ASEAN, European companies identified the following three reasons for why they felt ASEAN markets will become more important over the next two years:

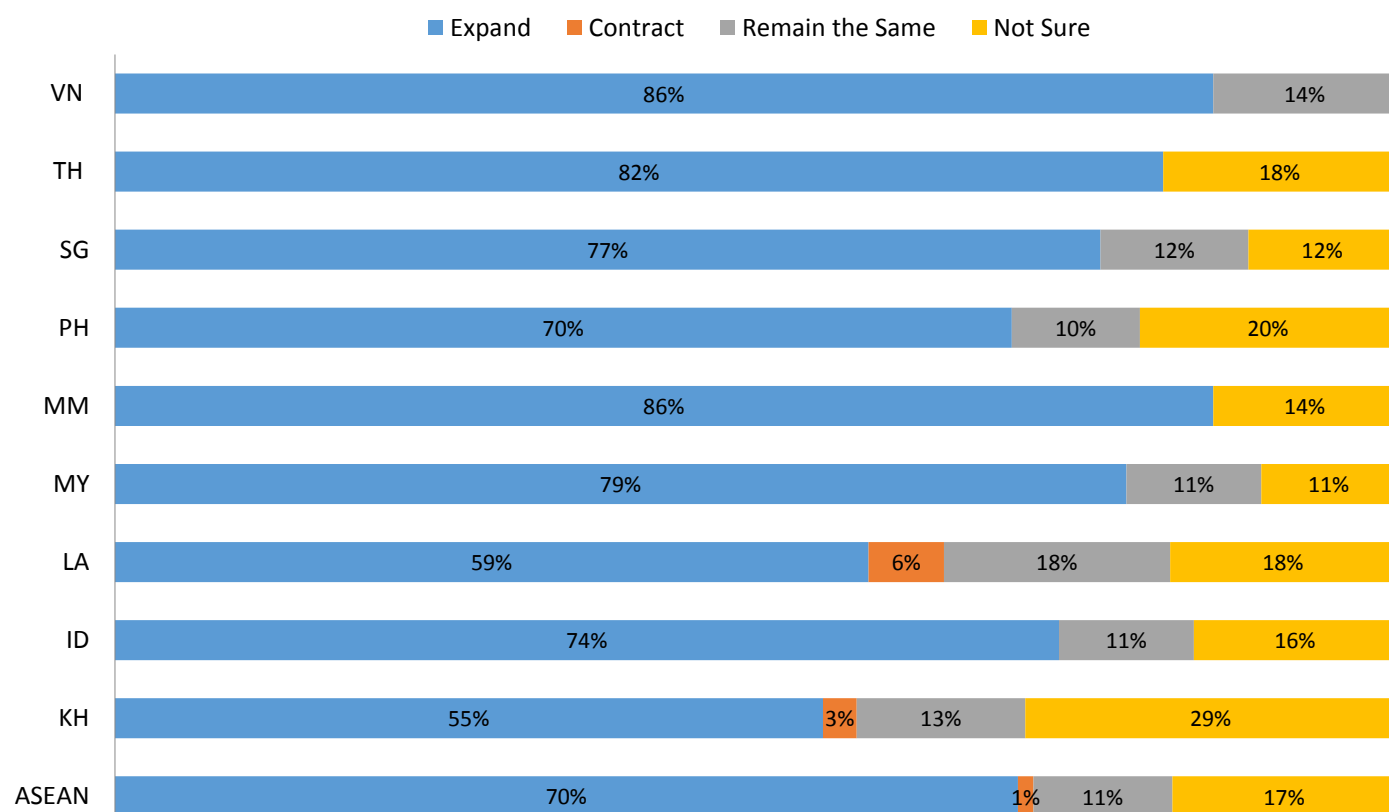


Regional economic integration and infrastructure improvement are closely correlated, as they are both trade facilitators. Other reasons, including economic recovery or changes in business strategy, were seen as being less important.

### Expansion Plans for the Region

We further asked respondents about their future plans for their operations in ASEAN, seeking to know whether European companies were planning to grow further. 70% of the respondents to this survey indicated that their company is planning to expand, with only 1% stating they would contract their business: another strong indication of business confidence in the region. In particular, in Myanmar (86%), Thailand (82%) and Vietnam (86%) respondents have expressed their intention to grow their businesses. In contrast, fewer respondents from Laos (59%) and Cambodia (55%) indicated that they would expand in the near future, even though a majority of businesses still planned to expand. (See Fig. 13)

FIGURE 13: NEARLY THREE-QUARTERS OF RESPONDENTS PLAN TO EXPAND THEIR ASEAN OPERATIONS




Note: Some figures do not add up to 100% due to rounding

The factors that drive expansion decisions are important for governments to understand so that they can put in place the right policy and regulatory environment to attract more investment. Respondents were asked to rank the following factors that drive their decision to invest in their response location:

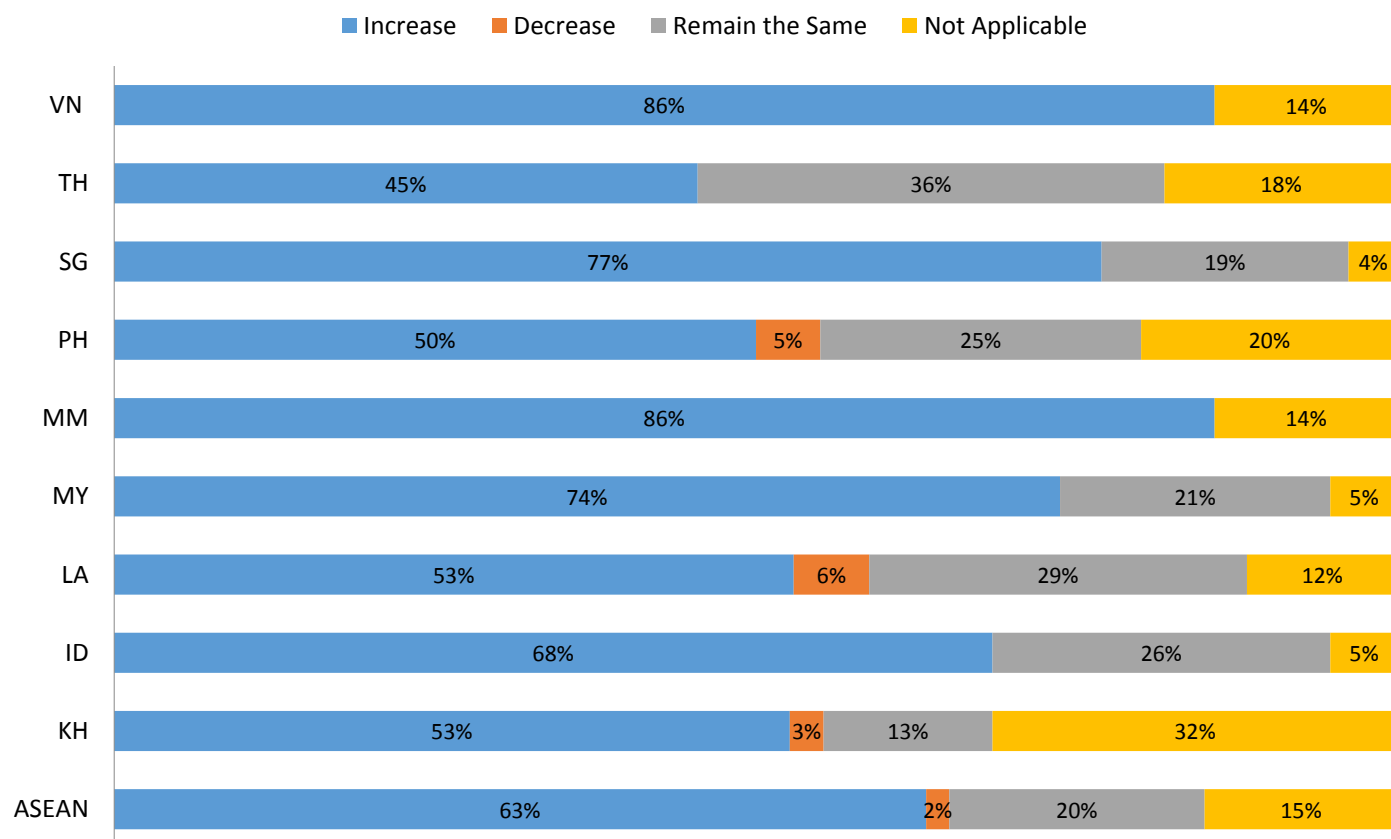
- Adequate laws and regulations to encourage foreign investment;
- Availability of trained personnel/efficient manpower;
- Diversification of customer base;
- Reasonable production costs including labour cost; and,
- Stable government and political systems.

The table below displays the top three factors identified in the different ASEAN countries. Overall, the diversification of customer base appears to be the most important reason driving European businesses' decisions to grow their presence in ASEAN.

FACTORS	
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Adequate laws and regulations to encourage foreign investment</li> <li>3. Reasonable production costs</li> </ol>
	<ol style="list-style-type: none"> <li>1. Adequate laws and regulations to encourage foreign investment</li> <li>2. Diversification of customer base</li> <li>3. Availability of trained personnel / efficient manpower</li> </ol>
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Reasonable production costs</li> <li>3. Market potential</li> </ol>
	<ol style="list-style-type: none"> <li>1. Adequate laws and regulations to encourage foreign investment</li> <li>2. Diversification of customer base</li> <li>3. Stable government and political system</li> </ol>
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Reasonable production costs</li> <li>3. Availability of trained personnel / efficient manpower</li> </ol>
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Reasonable production costs</li> <li>3. Adequate laws and regulations to encourage foreign investment</li> </ol>
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Reasonable production costs</li> <li>3. Availability of trained personnel / efficient manpower</li> </ol>
	<ol style="list-style-type: none"> <li>1. Adequate laws and regulations to encourage foreign investment</li> <li>2. Diversification of customer base</li> <li>3. Stable government and political system</li> </ol>
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Reasonable production costs</li> <li>3. Adequate laws and regulations to encourage foreign investment</li> </ol>
	<ol style="list-style-type: none"> <li>1. Diversification of customer base</li> <li>2. Adequate laws and regulations to encourage foreign investment</li> <li>3. Reasonable production costs</li> </ol>

A majority of respondents also predicted an increase in employment, perhaps not unsurprisingly, given the numbers which indicated a likelihood to expand their operations. In ASEAN, 63% of the respondents indicated that they expect their total number of employees in their response location to increase. In particular, in Vietnam (86%), Myanmar (86%), and Singapore (77%) respondents indicated that their company intends to expand their workforce in the near future. Very few respondents reported an intention to reduce employment. (See Fig. 14)

FIGURE 14: NEARLY TWO-THIRDS OF RESPONDENTS EXPECT TO INCREASE THEIR EMPLOYEE HEADCOUNT IN THEIR RESPONSE LOCATION



Note: Some figures do not add up to 100% due to rounding



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# ASEAN POLITICAL ECONOMY, REGULATORY FRAMEWORKS AND ECONOMIC INTEGRATION

In this section we sought the views of European companies on a number of more general trade policy and governmental initiatives that might have an impact on their business operations. We included questions aimed at understanding if there was a competitive bias in the region; the depth of understanding, and importance, of FTAs, and the levels of consultation and general support from government institutions.

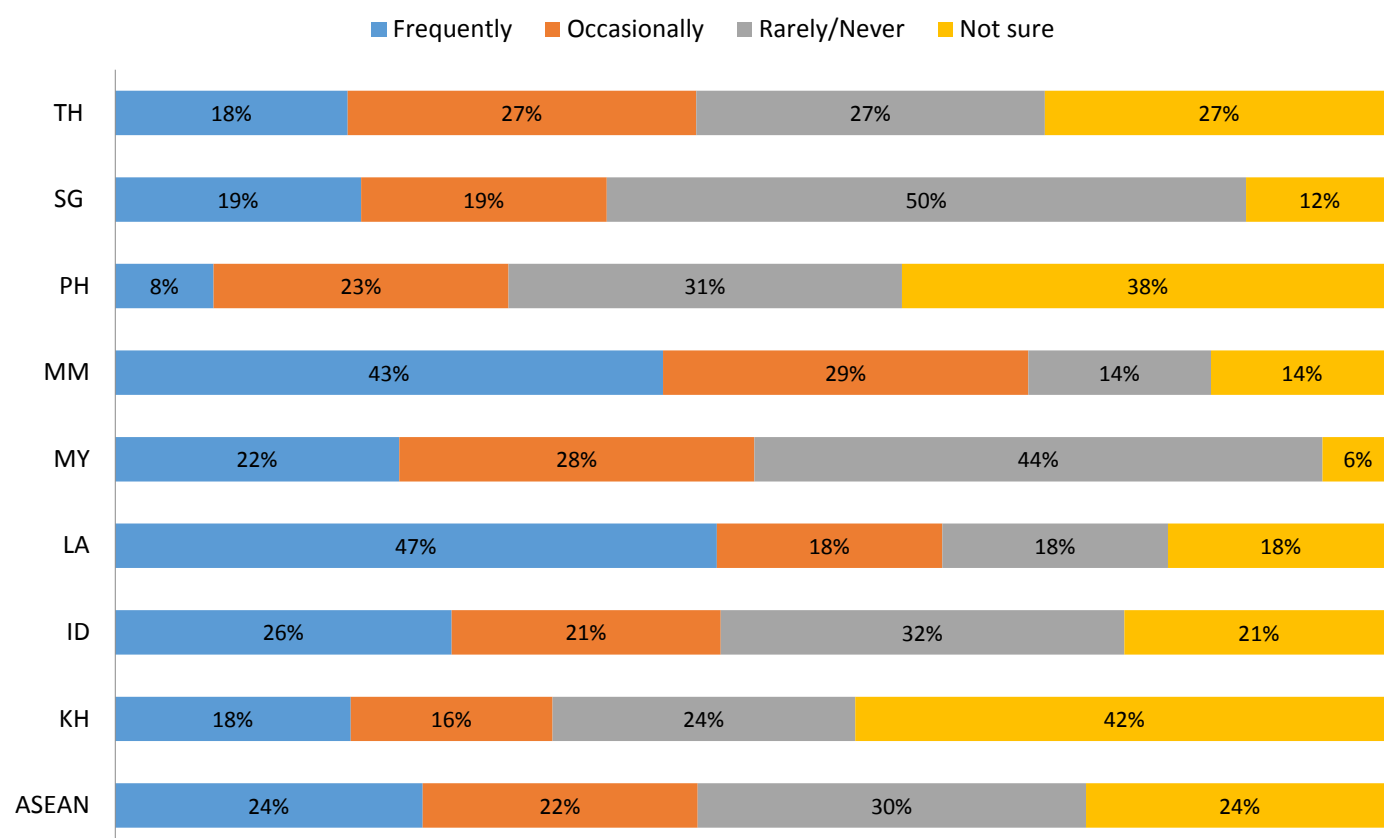
## The Competitive Environment

We asked respondents whether they felt that their companies faced a degree of unfair competition from local or regional incumbents, and/or state owned enterprises (SOEs) in their response location. This could be the result of legislative measures from ASEAN Member States designed to protect local operations from external competition, or more passive favouritism towards local enterprises in the awarding of contracts.

On an ASEAN-wide basis, just under half of the respondents (46%) to this survey reported that they either frequently or occasionally faced unfair competition from local, regional or state-owned enterprises. This number is high and is a reflection of the progress that still needs to be made throughout much of region, especially in areas such as government procurement. More positively, nearly a third of respondents (30%) reported that they were rarely or never subjected to anti-competitive behaviour in ASEAN. (See Fig. 15)

The highest levels of concern about unfair competitive practices came from respondents in Laos (47%) and Myanmar (43%). In contrast to this, in Singapore and Malaysia, European business activity appears to be less disrupted by the aforementioned practices.

FIGURE 15: NEARLY TWO-THIRDS OF RESPONDENTS REPORT THAT THEY FREQUENTLY OR OCCASIONALLY FACE UNFAIR COMPETITION IN THEIR RESPONSE LOCATION



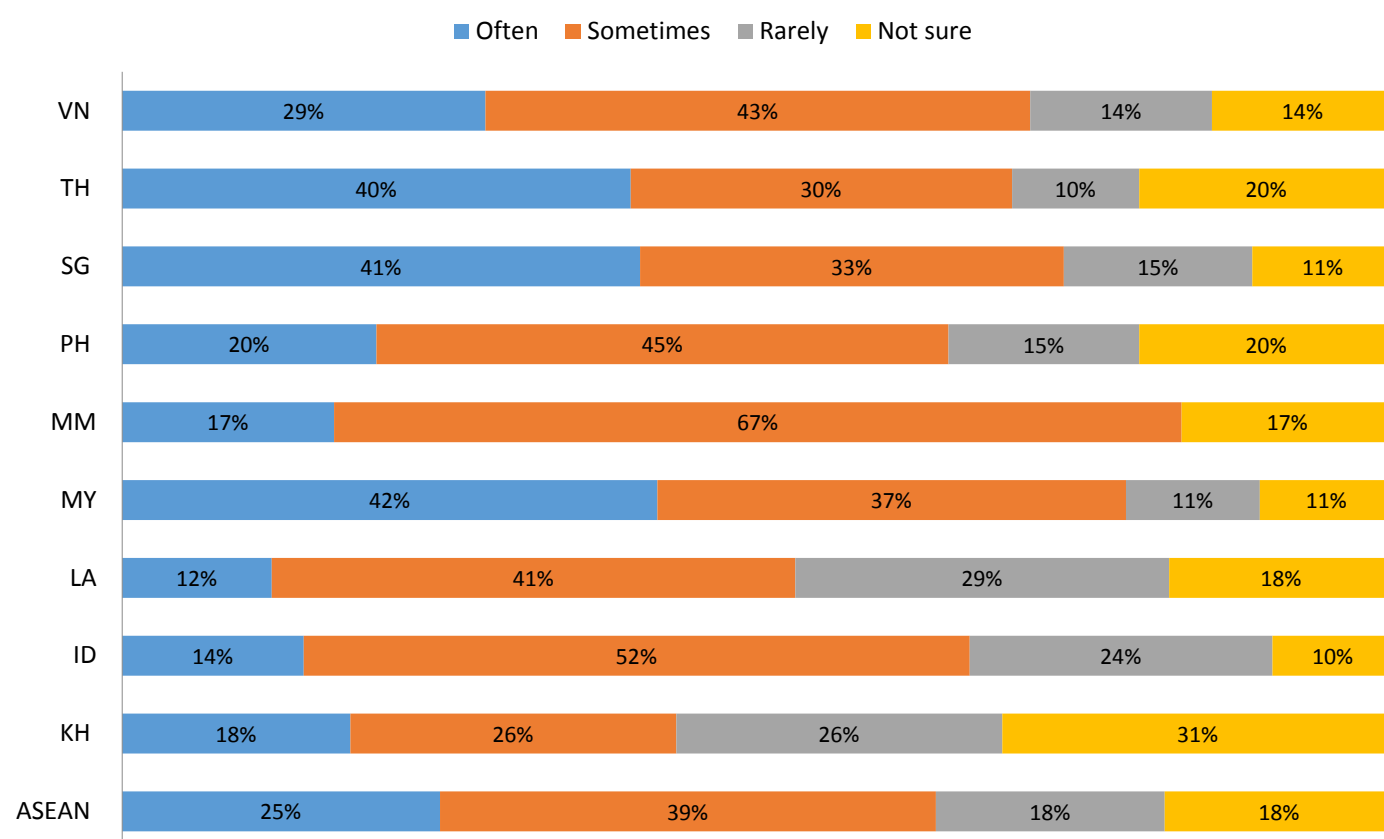
Note: Some figures do not add up to 100% due to rounding



## Government Consultation

Increasingly the private sector looks to governments to consult and involve them in decision-making and policy-setting. Whilst industry recognises the need for governments to show a degree of separation between policy-setting and the private sector, the former should not be conducted entirely in isolation, as it can lead to new rules and regulations that are incompatible with the reality of business and industry. It is pleasing to note, therefore, the high levels of consultation that seem to exist within the ASEAN region. Respondents in Malaysia (42%), Singapore (41%), and Thailand (40%) in particular reported a high level of consultation. In contrast, others reported that industry was consulted less frequently with Laos, Cambodia and Indonesia scoring poorly in this regard. For instance, in Laos, 41% of the respondents stated that the government would only consider private sector needs 'sometimes' and nearly a third reported that the government would 'rarely' do so. (See Fig. 16)

FIGURE 16: ONLY A QUARTER OF RESPONDENTS REPORT THAT THE GOVERNMENT IN THEIR RESPONSE LOCATION FREQUENTLY CONSULTS WITH THE PRIVATE SECTOR



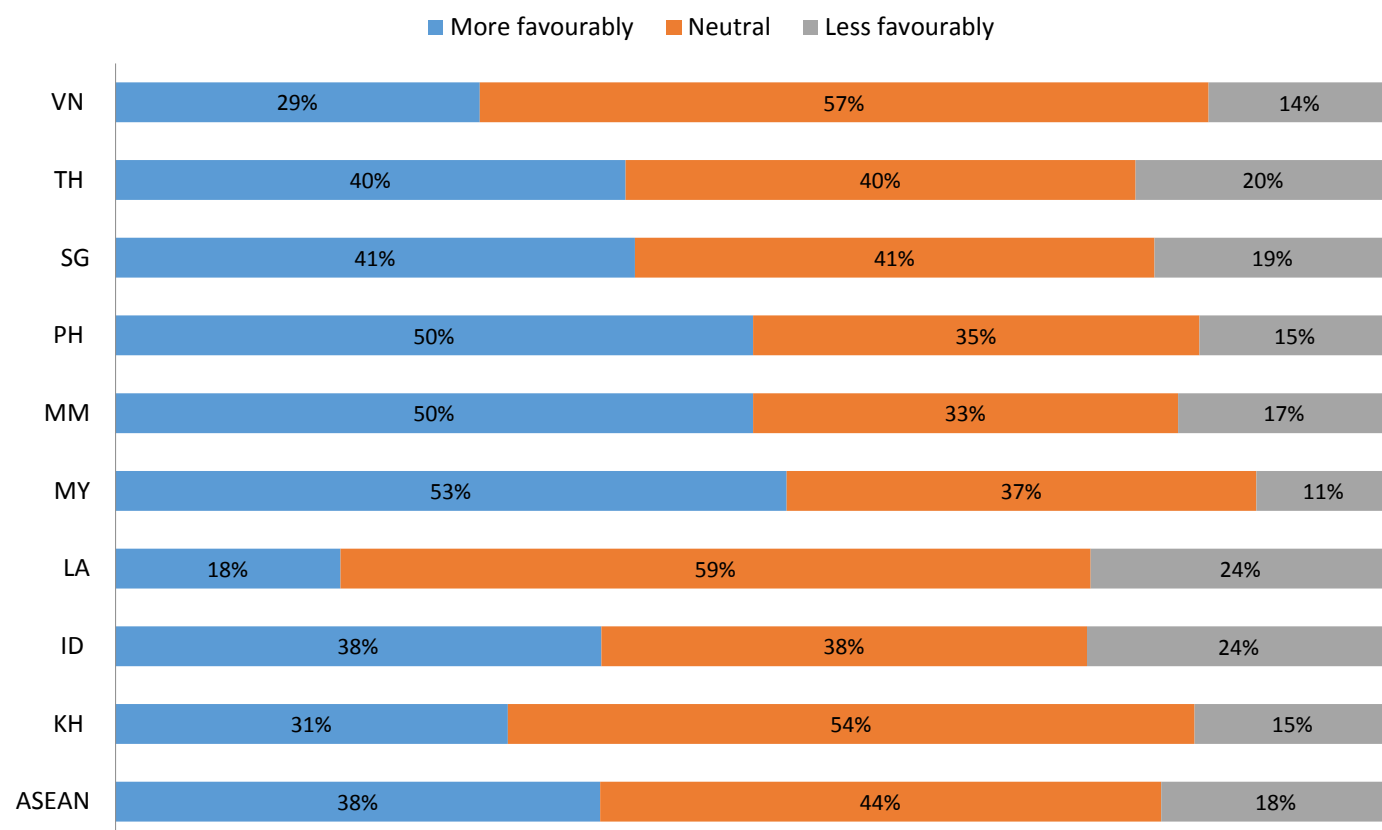
Note: Some figures do not add up to 100% due to rounding

## Perception of European Companies in ASEAN

38% of European companies felt they are perceived more favourably than their Asian counterparts, whereas 44% of the respondents stated that the sentiment towards European companies and Asian counterparts was about the same. In particular, in Malaysia (53%), Myanmar (50%) and the Philippines (50%), respondents feel that they are seen more favourable than regional competitors. (See Fig. 17)

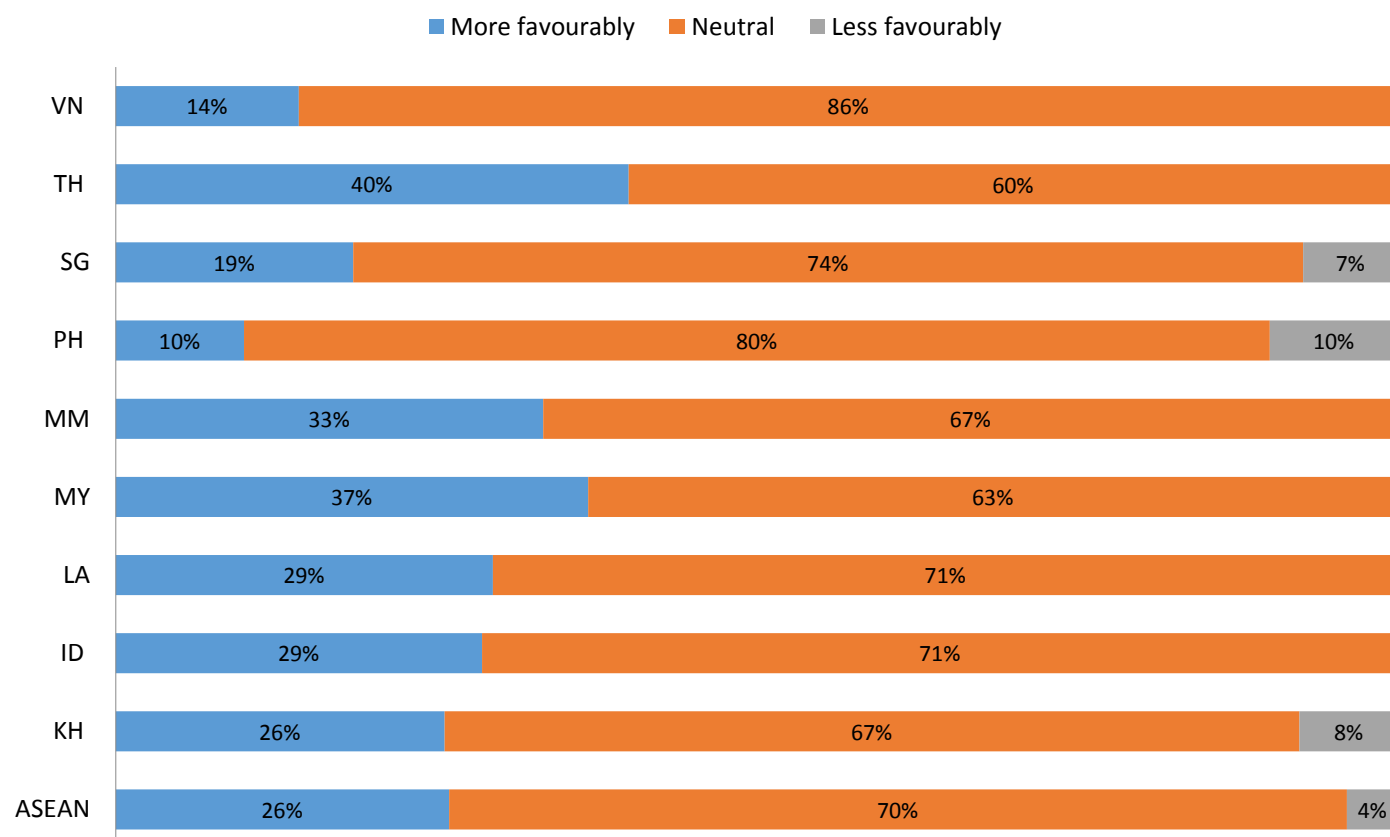
The survey further showed that respondents believe that they are perceived more favourably than their US counterparts. This was especially true for respondents in Thailand (40%), Malaysia (37%) and Myanmar (33%). Despite this, it is important to note that 70% of respondents said that European companies in ASEAN are perceived as 'neutral' compared to their US counterparts. (See Fig. 18)

FIGURE 17: NEARLY TWO-FIFTHS OF RESPONDENTS BELIEVE THEY ARE PERCEIVED MORE FAVOURABLY THAN THEIR ASIAN COUNTERPARTS



Note: Some figures do not add up to 100% due to rounding

FIGURE 18: LESS THAN 5% OF RESPONDENTS BELIEVE THEY ARE PERCEIVED LESS FAVOURABLY THAN THEIR U.S. COUNTERPARTS



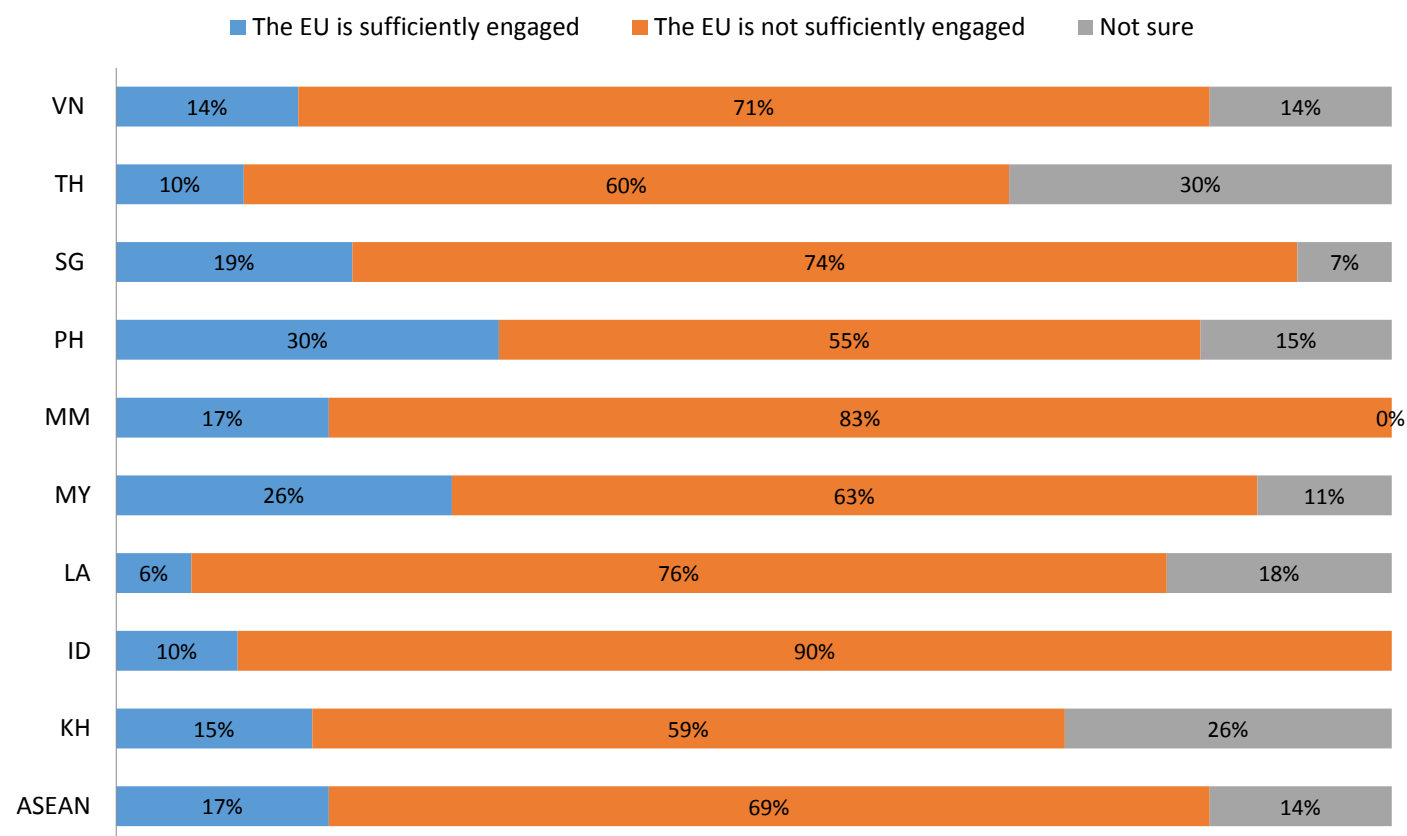
Note: Some figures do not add up to 100% due to rounding



## Support from the European Union

In ASEAN, 69% of respondents found that the European Union is not sufficiently engaged in supporting business activity in their response location. In particular, respondents in Vietnam (43%), Indonesia (33%) and Thailand (30%) felt the EU is not sufficiently engaged. (See Fig. 19)

FIGURE 19: MORE THAN TWO-THIRDS OF RESPONDENTS BELIEVE THE EU IS EITHER NOT SUFFICIENTLY ENGAGED OR SHOULD BE MORE ENGAGED IN ASEAN



Note: Some figures do not add up to 100% due to rounding

## Attitudes Towards the ASEAN Economic Community

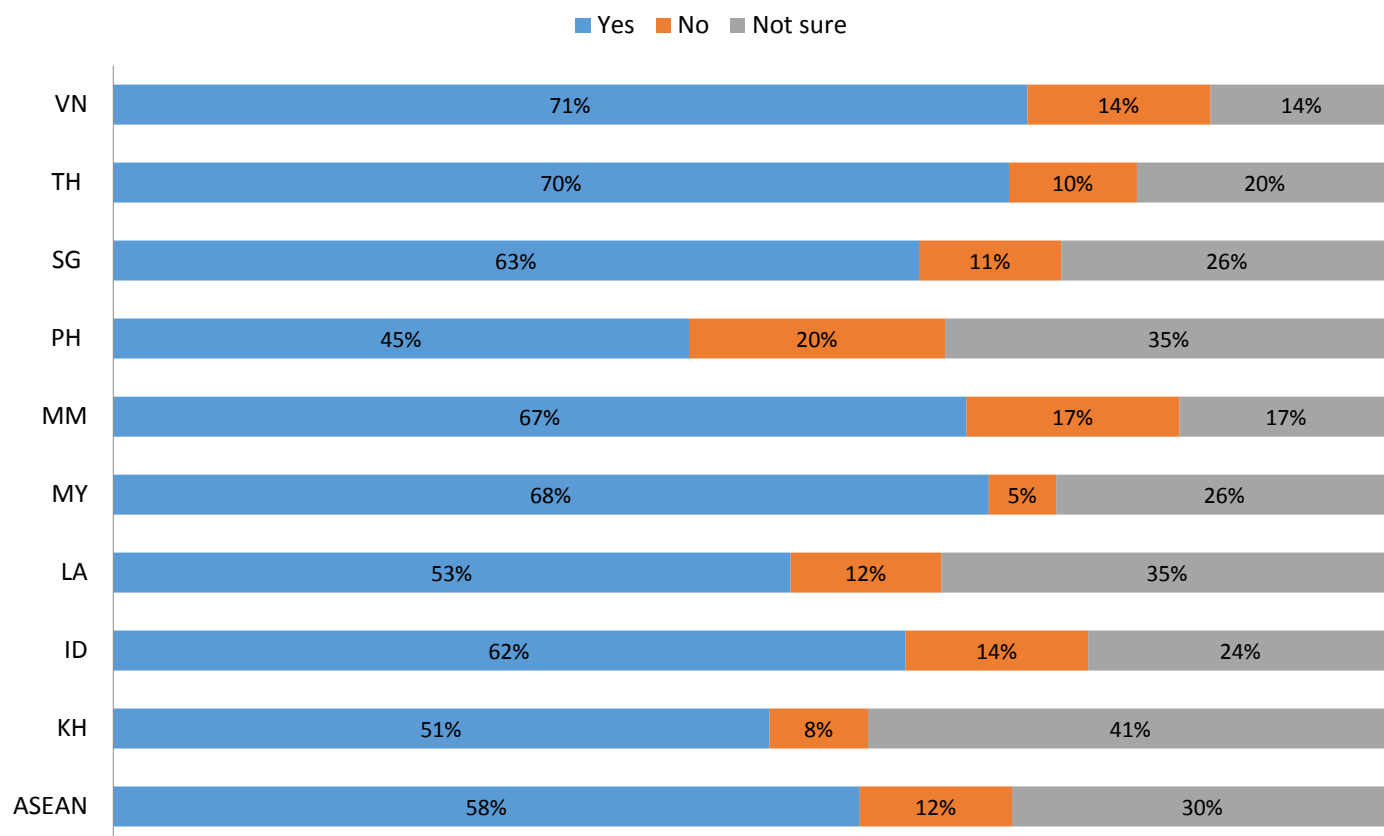
58% of respondents indicated that further economic integration within ASEAN is important to their business success in the region. More than two-thirds of the respondents from both Vietnam and Thailand indicated that further regional economic integration is important to improve their commercial activities. (See Fig. 20)

One important outcome here is that there appears to be a great degree of uncertainty concerning the benefits of further economic integration, as close to one in three of all respondents indicated that they were not sure whether further economic integration complements or aids their business activity in ASEAN. Most notably, 41% of the respondents in Cambodia held this position.

The strategic nature of broader international trade-related agreements is clearly recognised by the European business community with high percentages stating that the following agreements were important to their business: the ASEAN Trade in Goods Agreement (ATIGA); the ASEAN Comprehensive Investment Agreement; the WTO Trade Facilitation Agreement; and the ASEAN Framework Agreement on Services. (See Fig. 21)

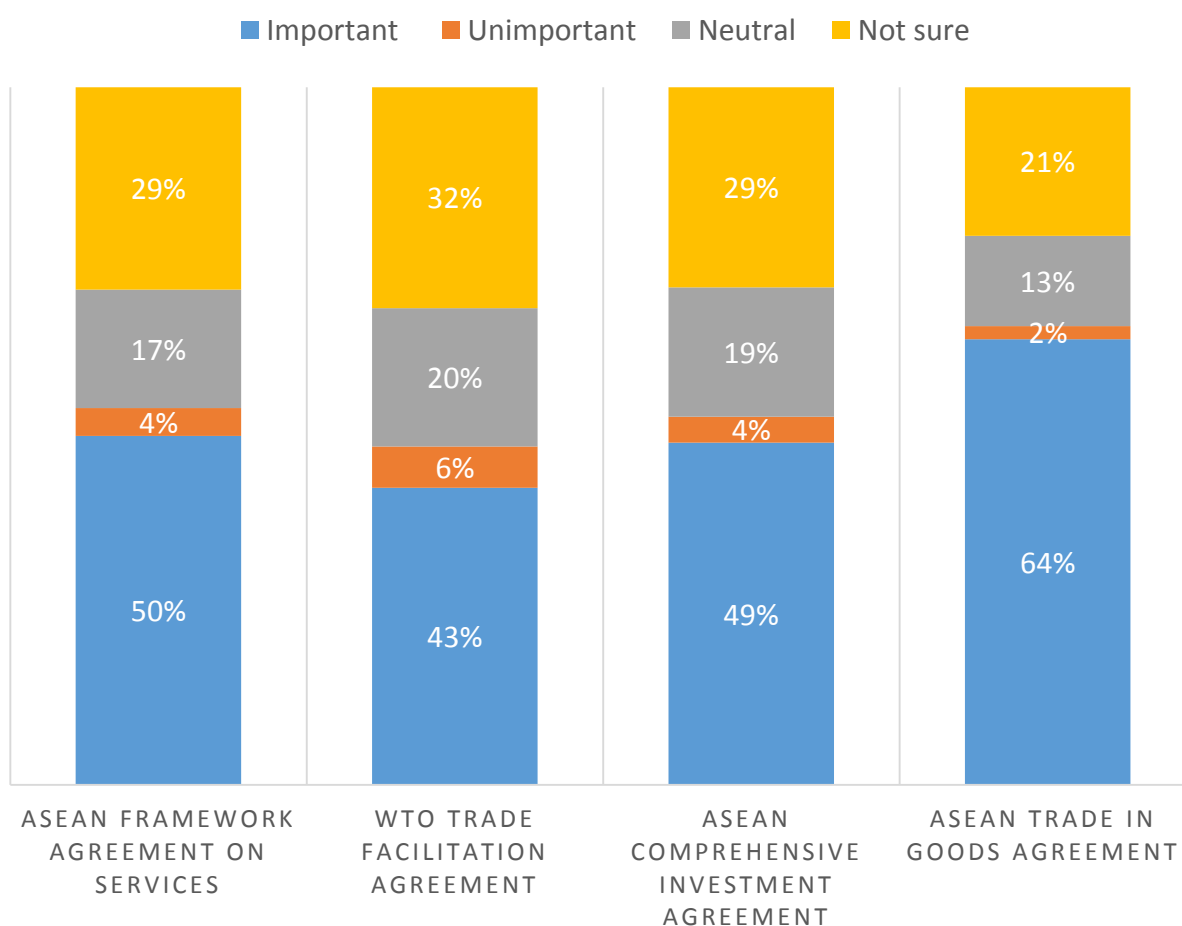
ATIGA gets special recognition from the respondents to the Survey, most likely because it is the agreement that underpins the intra-ASEAN FTA and is, therefore, the Agreement with which those moving goods around the region will be most familiar.

FIGURE 20: NEARLY A THIRD OF RESPONDENTS ARE UNCERTAIN OF THE IMPACT OF ECONOMIC INTEGRATION ON THEIR BUSINESS



Note: Some figures do not add up to 100% due to rounding

FIGURE 21: NEARLY TWO-THIRDS OF RESPONDENTS CONSIDER ATIGA TO BE IMPORTANT TO THEIR BUSINESS



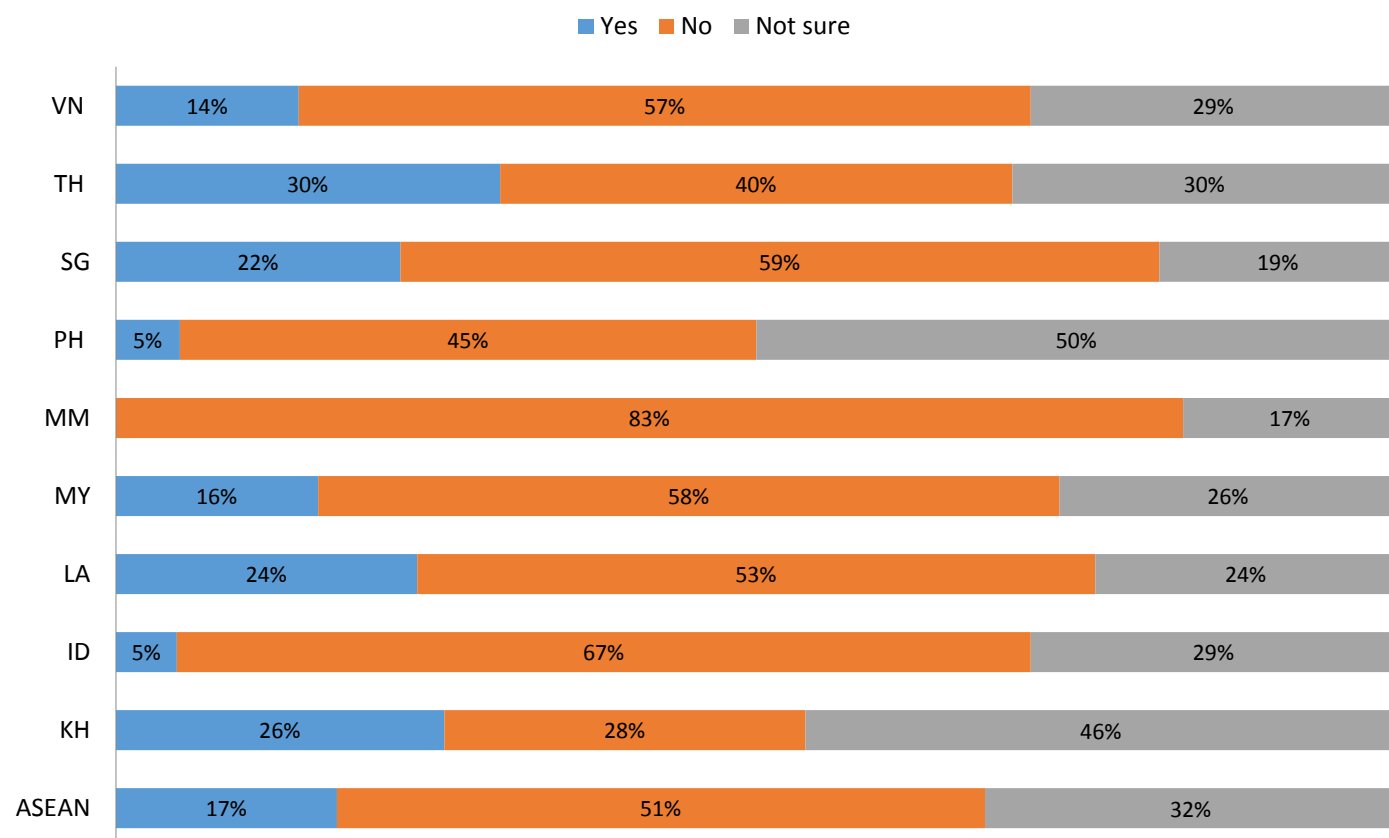
Note: Some figures do not add up to 100% due to rounding

## ASEAN Regional Strategy

To gauge their preparedness for the launch of the AEC at the end of 2015, companies were asked about how they structured their business dealings in the region. 17% of the respondents indicated that they had an ASEAN regional strategy based on the AEC's goals, whereas, perhaps rather disappointingly, 51% said that they did not. In fact, in the majority of response locations, businesses admitted that they did not have a regional strategy, with Myanmar (83%), Indonesia (67%) and Singapore (59%) coming out on top. (See Fig. 22)

30% of the respondents from Thailand and 26% of the respondents from Cambodia stated that their company pursued a regional strategy consistent with the AEC's goals, placing them well above the ASEAN mean at 17%.

FIGURE 22: LESS THAN A FIFTH OF RESPONDENTS HAVE AN ASEAN REGIONAL STRATEGY



Note: Some figures do not add up to 100% due to rounding

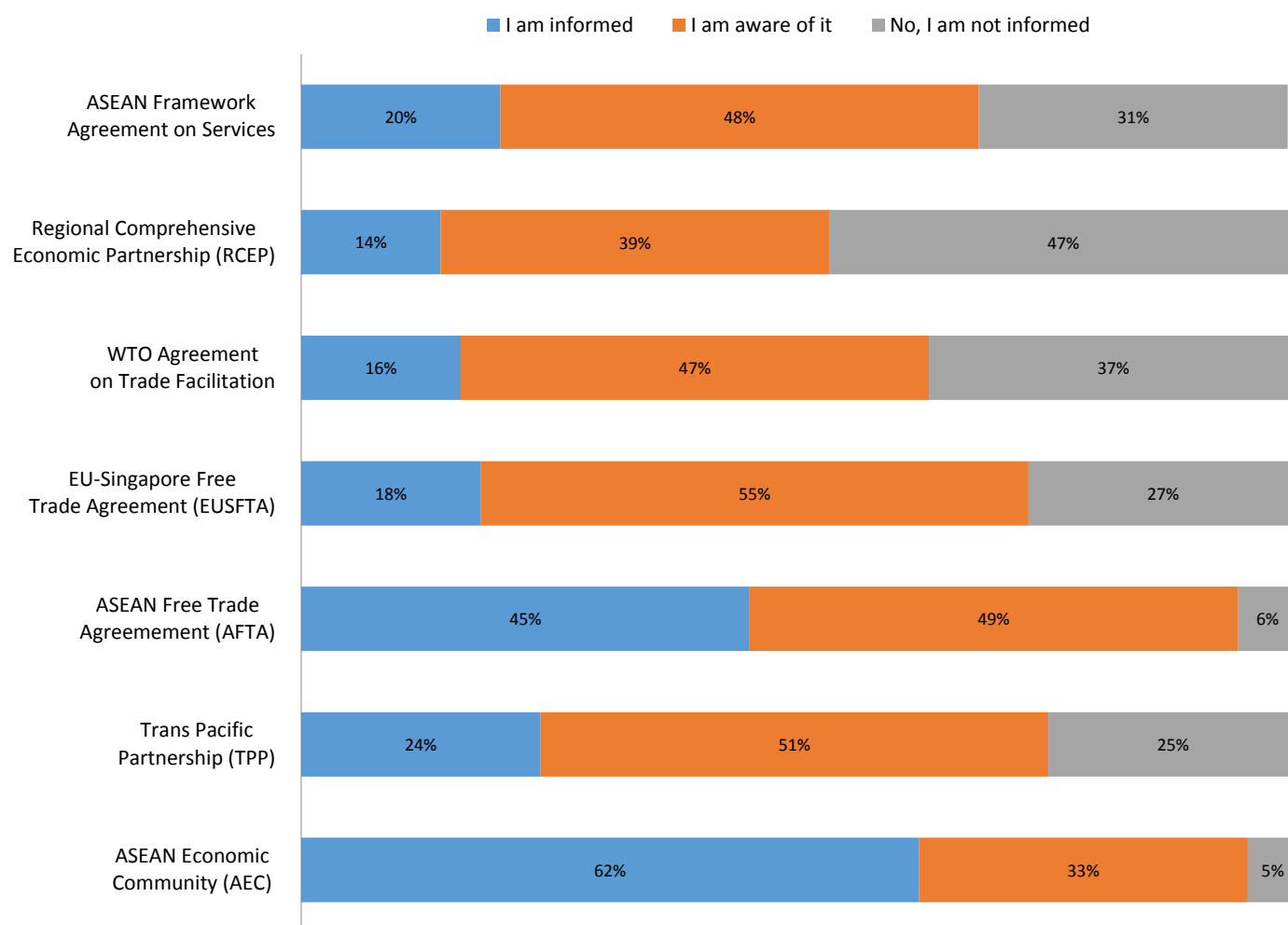
## Free Trade Agreements and their Importance

The majority of respondents stated that further regional economic integration is important for their operations in ASEAN and would stimulate future trade and investment in the region. However, the survey revealed that the majority of respondents were not fully informed about the various trade agreements that are currently in place or which are being negotiated, perhaps showing a lack of communication from governments on the benefits of these agreements for business.

Taking the first FTA concluded between the EU and an ASEAN country, only 18% of respondents said they were informed about the EU-Singapore Free Trade Agreement, which was finalised in 2014, though not yet implemented; 54% indicated that they were aware of it and 28% said there were not informed. Similar results were found for almost all the trade agreements in the region: respondents appear neither to be fully informed about the content nor about the current state of affairs of trade agreements that should significantly impact their commercial activity in ASEAN. (See Fig. 23)

The ASEAN Economic Community (AEC) is the exception, with 62% of respondents indicating that they were informed and 33% of the respondents stated that they were aware of this agreement.

FIGURE 23: THERE IS RELATIVELY HIGH AWARENESS OF ASEAN TRADE AGREEMENTS COMPARED TO GLOBAL AGREEMENTS



Note: Some figures do not add up to 100% due to rounding

## Use of ASEAN's FTAs

74% of the respondents indicated that they did not use any of the ASEAN +1 FTAs to export goods to Australia, China, India, Japan, New Zealand or South Korea. (See Fig. 24) Similarly, 91% of the respondents indicated that they did not use ASEAN's FTAs to export their services to the aforementioned countries. This seems to suggest that respondents are primarily focused on supplying the ASEAN market. (See Fig. 25)

FIGURE 24: THE VAST MAJORITY OF RESPONDENTS DO NOT USE ANY OF THE ASEAN+1 FTAs TO EXPORT GOODS

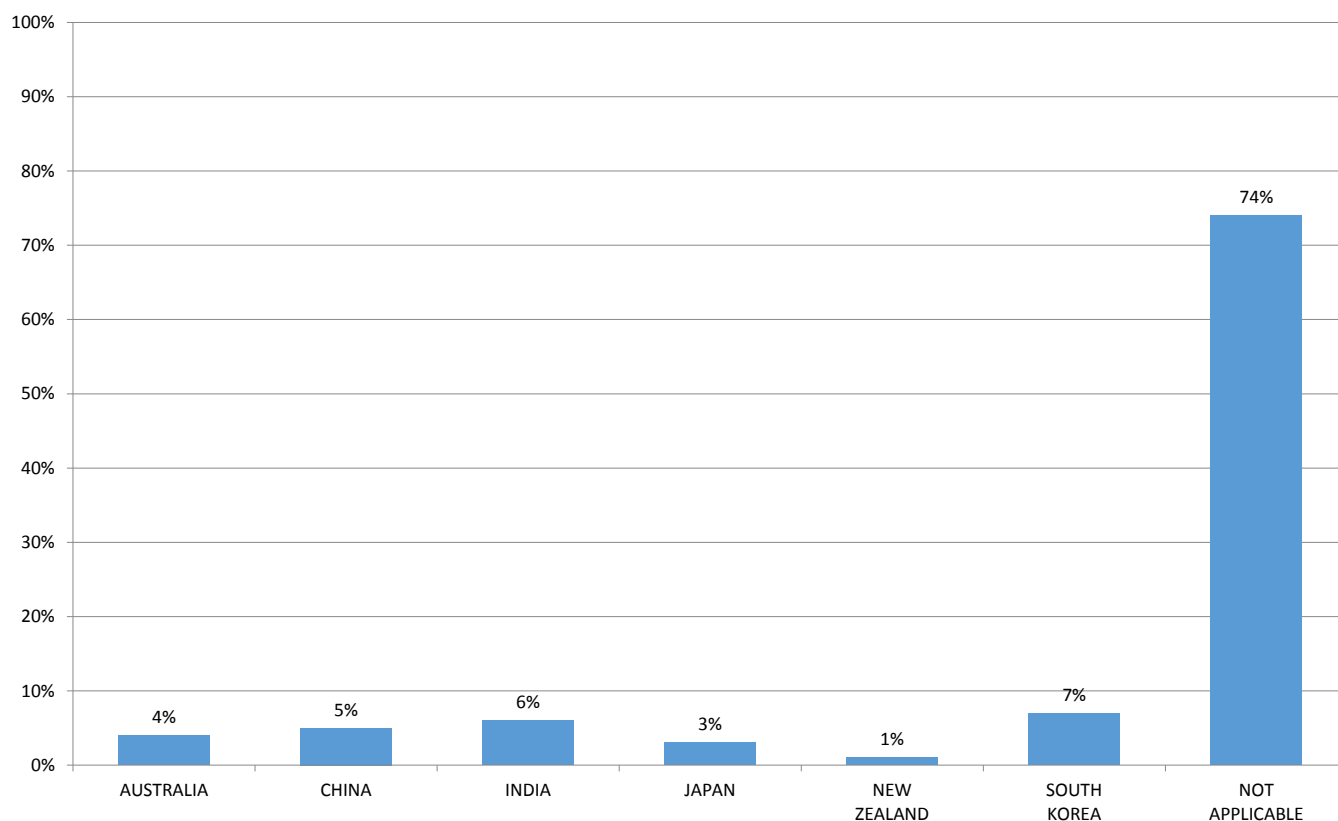
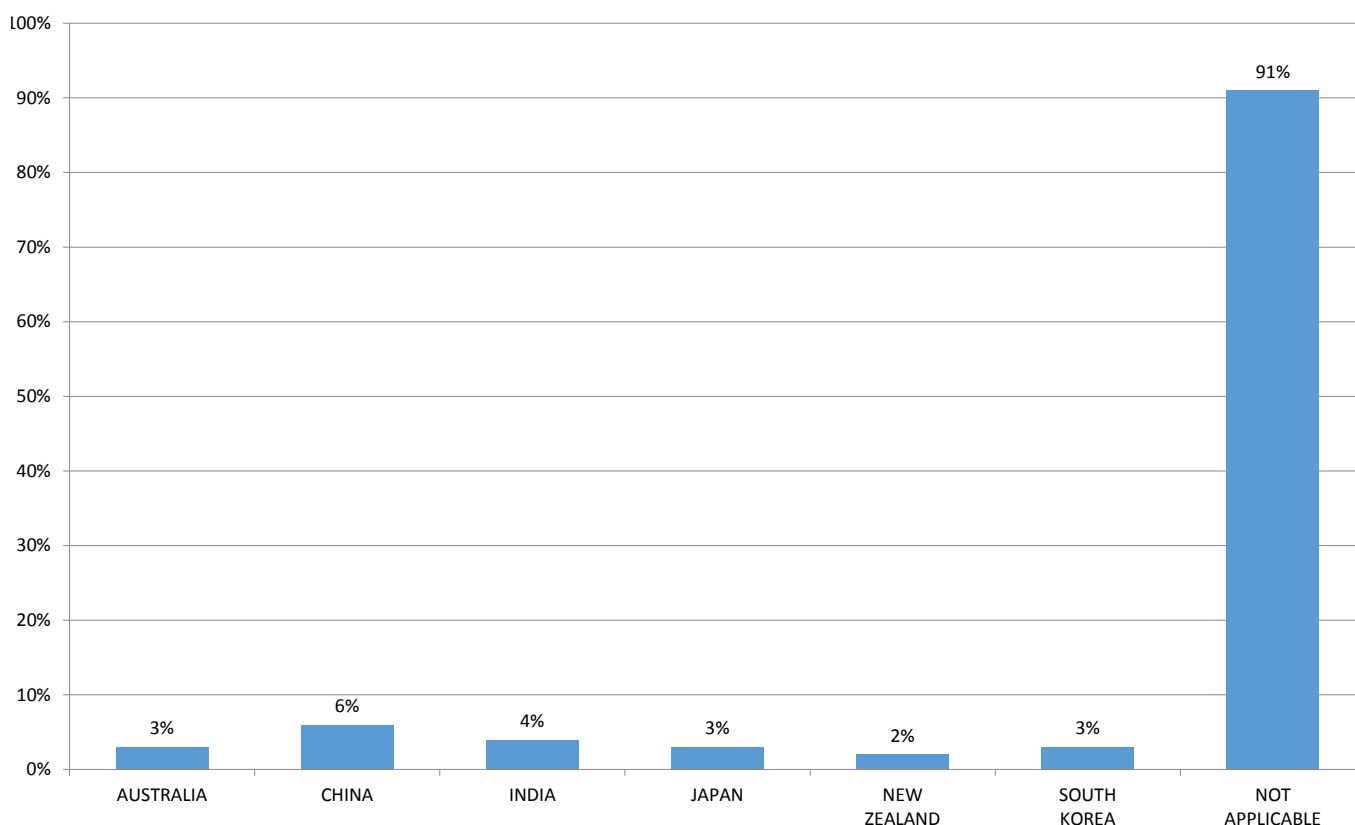
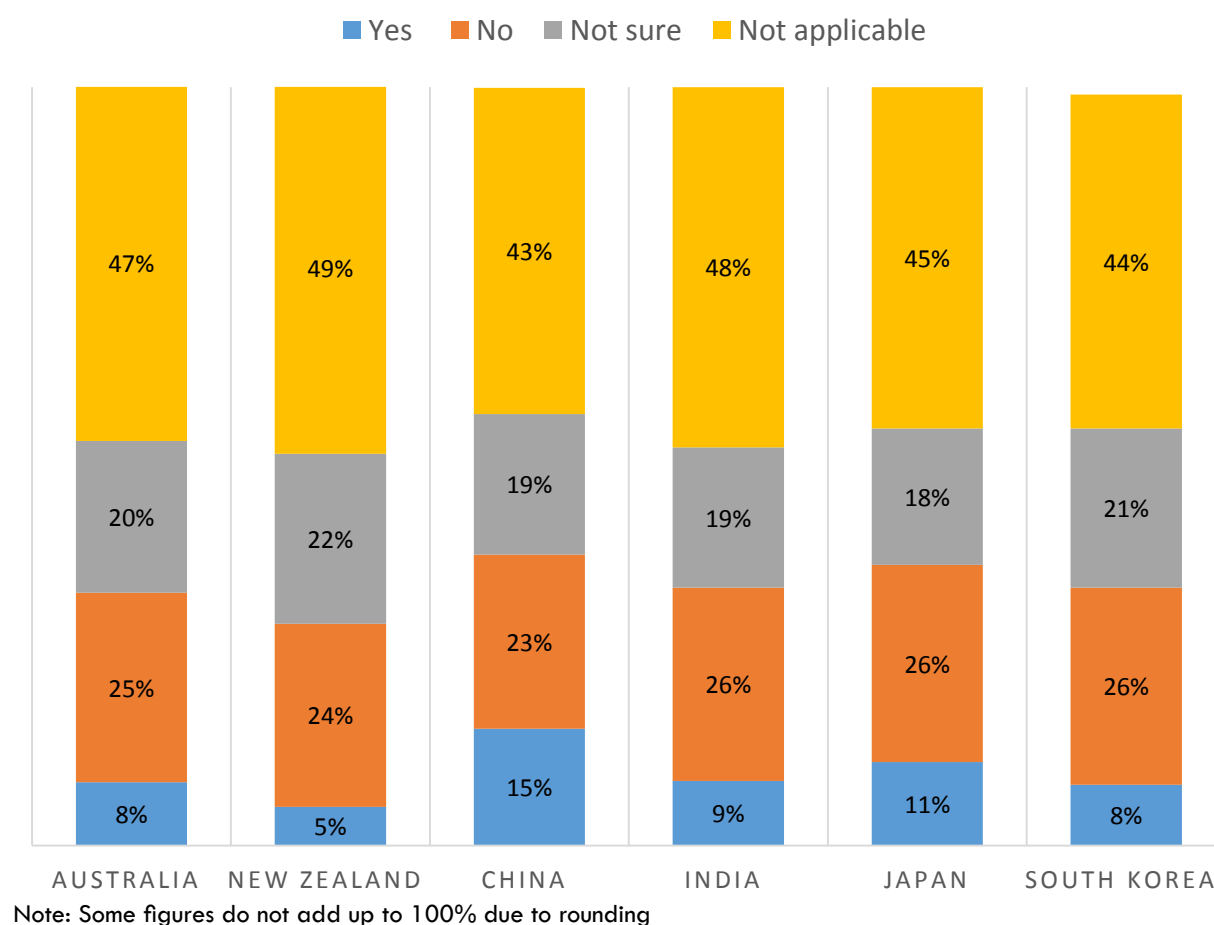


FIGURE 25: ALMOST NONE OF THE RESPONDENTS USE ASEAN+1 FTAs TO EXPORT SERVICES



Asked whether they envisioned making use of these agreements, only a few respondents indicated that they intended to make use of ASEAN's FTAs with Australia, New Zealand, China, Japan and South Korea in the future. Coupled with the importance that the respondents assigned to regional integration in ASEAN, this suggests that the survey respondents are focused primarily on the ASEAN market.

FIGURE 26: MOST RESPONDENTS DO NOT INTEND TO MAKE USE OF ASEAN+1 FTAs IN THE FUTURE



### Impact of the Regional Comprehensive Economic Partnership

RCEP is a proposed Free Trade Agreement (FTA) between the ten member states of ASEAN and the six countries with which ASEAN has existing FTAs (Australia, China, India, Japan, Korea, and New Zealand). RCEP is still in the process of being negotiated and a statement on its progress is expected at the ASEAN Summit in November 2015.

Respondents were asked whether RCEP would help, hinder, or have a neutral effect on their trade and investment performance. 28% of the respondents indicated that RCEP will help their company's regional trade performance and positively influence investments, while 23% stated that the agreement will have a neutral effect. Interestingly, close to half of respondents said that they were unsure about the impact of RCEP on their trade performance and investments, suggesting that they did not know enough about the agreement. (See Fig. 27)

Respondents were also asked to indicate the impact of RCEP on their company's future investment decisions in the region. Results show that there is a high degree of uncertainty, with respondents in Malaysia (74%), Indonesia (71%) and Laos (71%) indicating that they were 'not sure'. In Vietnam, 43% of the respondents said that RCEP would favourably impact their future investment decisions in the region, whereas 14% said that it would not. (See Fig. 28)

FIGURE 27: LESS THAN A THIRD OF RESPONDENTS BELIEVE THAT THE RCEP WILL BE HELPFUL FOR THEIR TRADE AND INVESTMENT PERFORMANCE

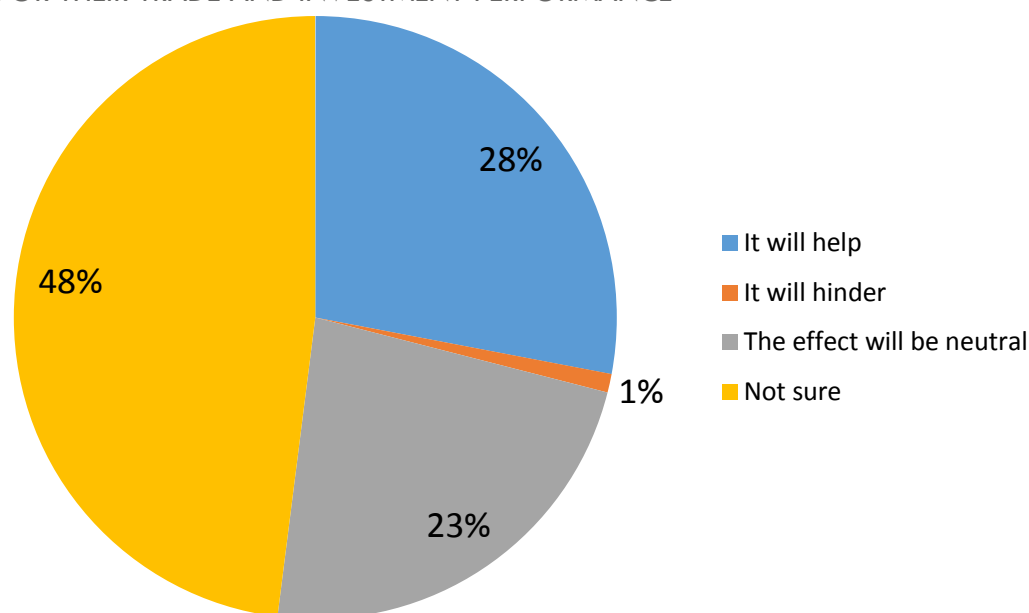
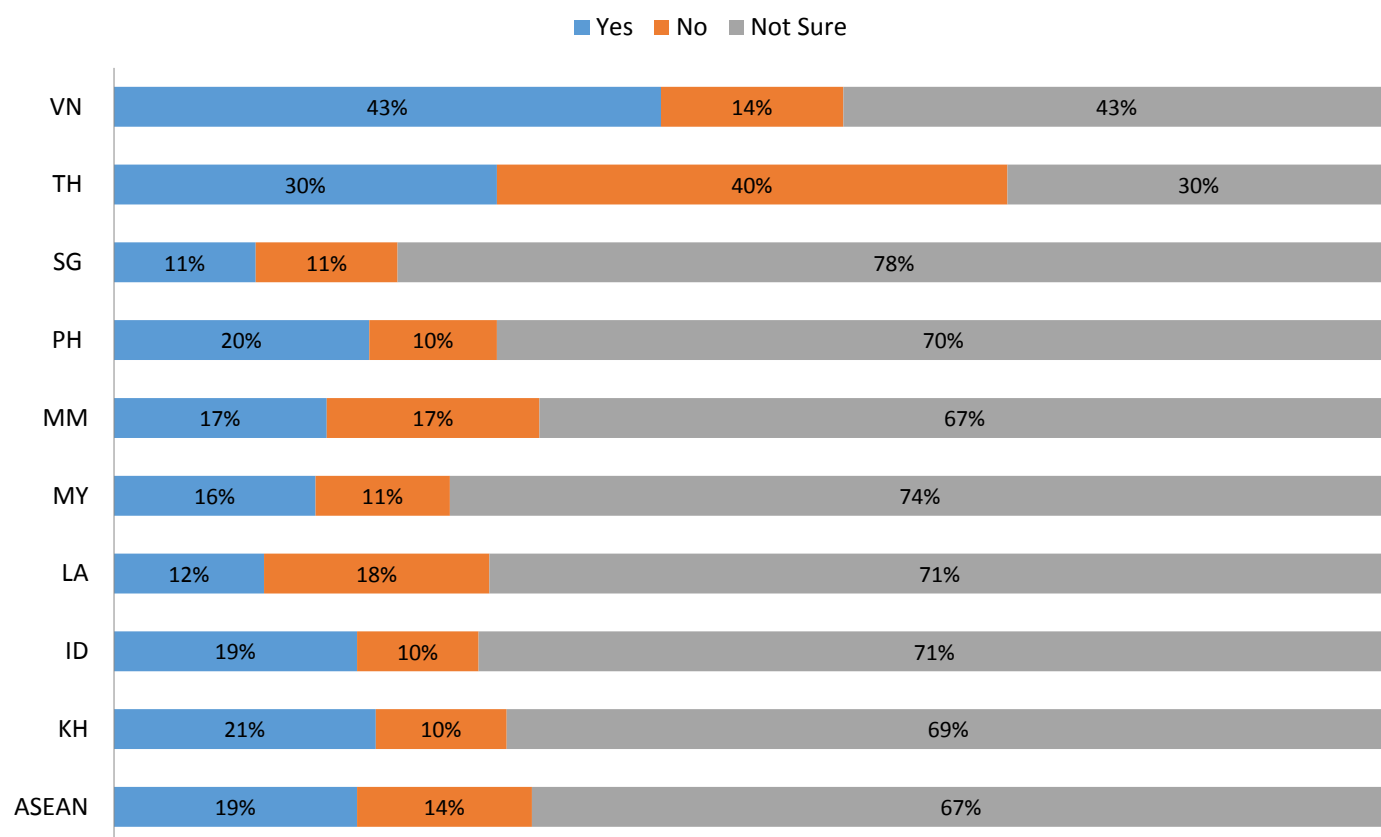


FIGURE 28: LESS THAN A FIFTH OF RESPONDENTS SAY THAT THE RCEP WILL HAVE AN IMPACT ON THEIR FUTURE TRADE AND INVESTMENT IN ASEAN



Note: Some figures do not add up to 100% due to rounding

### Impact of the Trans Pacific Partnership

Respondents were also asked about their views on the Trans Pacific Partnership (TPP) – a plurilateral trade agreement involving four ASEAN countries (Brunei Darussalam, Malaysia, Singapore and Vietnam) and eight other partners (Australia, Canada, Chile, Japan, Mexico, New Zealand, Peru, United States). This question was asked before the recent apparent stalling of the TPP process. 26% of the respondents indicated that the TPP would help their company's regional trade and investment performance; whereas 27% stated that the agreement would have a neutral effect on them. Interestingly, close to half of respondents said that they were unsure about the impact of TPP on their trade performance and investments, suggesting that they did not know enough about the agreement. (See Fig. 29)



Asked whether they thought that the TPP would impact future investment decision in the region, results showed that there is an important degree of uncertainty among European respondents in ASEAN. In particular, respondents from Indonesia (76%) and Singapore (74%) are highly uncertain. Interestingly, the responses do not show a large degree of variation between ASEAN countries which are in TPP and those that are not in TPP. (See Fig. 30)

FIGURE 29: MORE THAN A QUARTER OF RESPONDENTS BELIEVE THE TPP WILL HELP THEIR TRADE AND INVESTMENT PERFORMANCE IN THE REGION

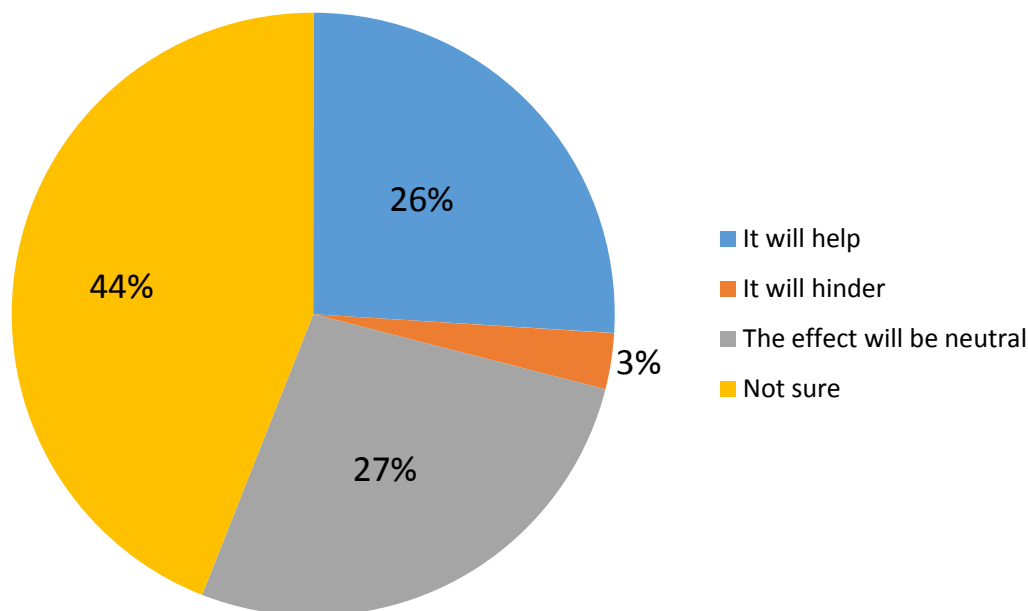
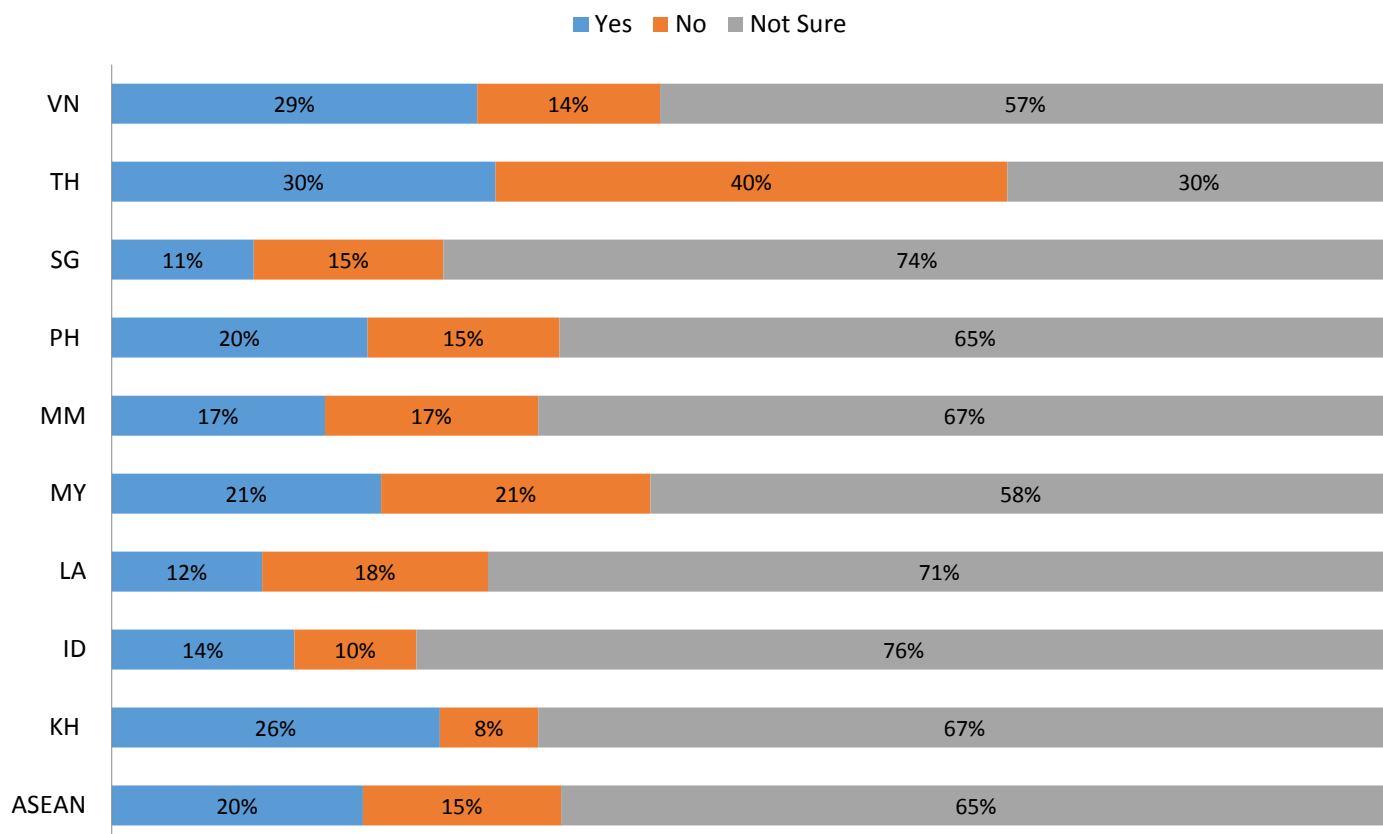


FIGURE 30: ONLY A FIFTH OF RESPONDENTS BELIEVE THAT THE TPP WILL IMPACT FUTURE TRADE AND INVESTMENT IN THE REGION



Note: Some figures do not add up to 100% due to rounding

## Impact of Potential EU-ASEAN Member State FTAs

In view of the EU's ongoing FTA negotiations with a number of ASEAN countries, respondents were asked whether they thought these negotiations would be beneficial. 61% of the respondents indicated that the FTAs the EU is negotiating with ASEAN countries would help their company, whereas only 2% of the respondents indicated these agreements would hinder their trade and investment performance. (See Fig. 31)

Respondents were also asked how the eventual conclusion of these trade agreements would impact their company's investments in the region. 27% of the respondents indicated that the conclusion of FTAs between the EU and ASEAN countries would positively impact their investments in the region, whereas 23% stated the opposite. In particular, respondents in Vietnam (43%), Malaysia (37%) and Myanmar (33%) found that conclusions of FTAs would positively impact their investments. (See Fig. 32)

The responses also showed that there is a great degree of uncertainty. In particular, respondents from Cambodia (56%), Indonesia (57%) and Laos (58%) indicated that they were not sure whether their investment decisions in the region would be impacted by the conclusion of FTAs between the EU and ASEAN countries.

FIGURE 31: NEARLY TWO-THIRDS OF RESPONDENTS BELIEVE THAT BILATERAL FTAs WITH THE EU WOULD HELP THEIR TRADE AND INVESTMENT PERFORMANCE

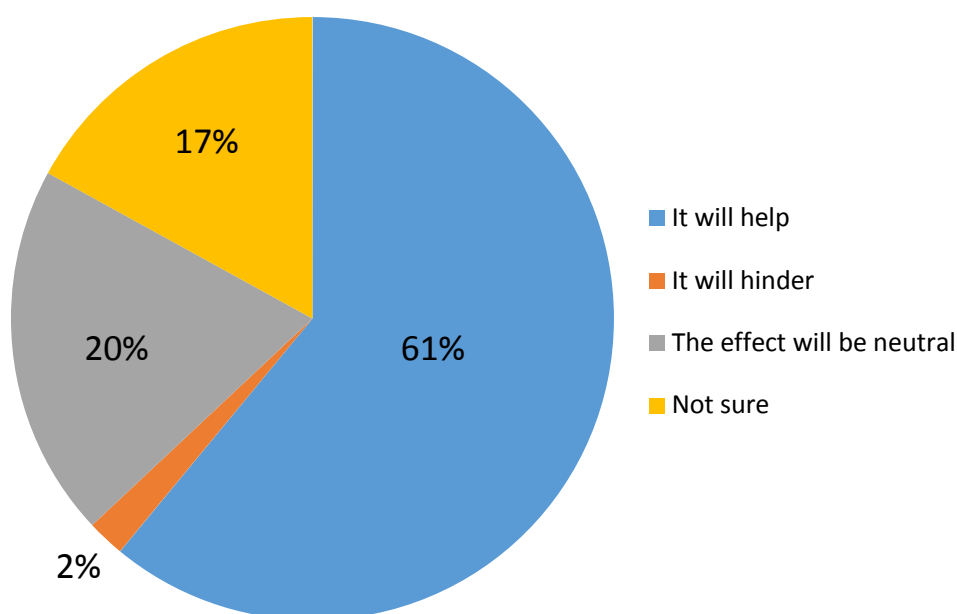
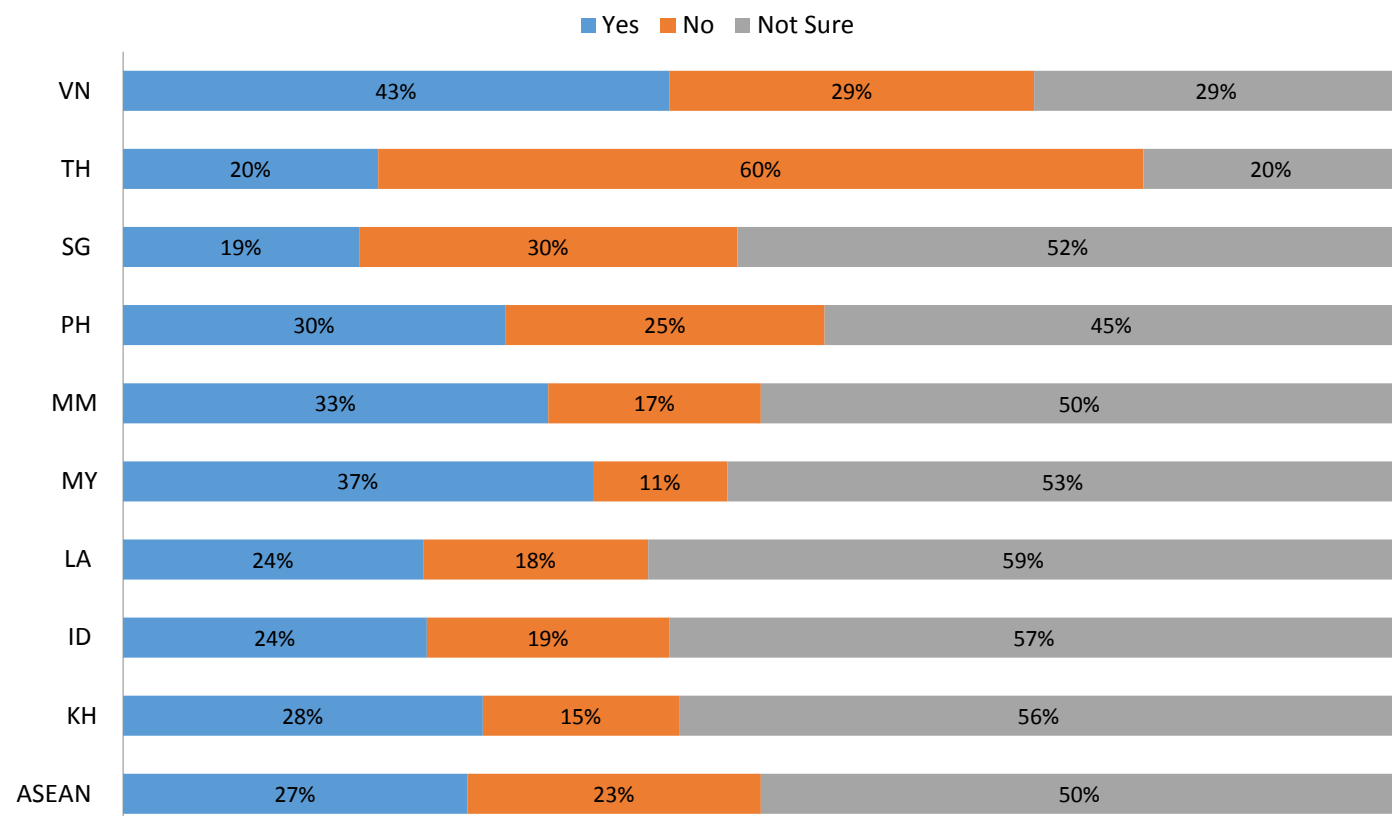


FIGURE 32: THERE IS A HIGH DEGREE OF UNCERTAINTY ON THE POTENTIAL IMPACT OF A BILATERAL FTA WITH THE EUROPEAN UNION



Note: Some figures do not add up to 100% due to rounding

Respondents were asked to identify what aspects of the EU FTAs being negotiated with ASEAN countries were most important to their business. The following three factors were identified as the three most important aspects of the FTAs that are being negotiated between the EU and ASEAN countries:

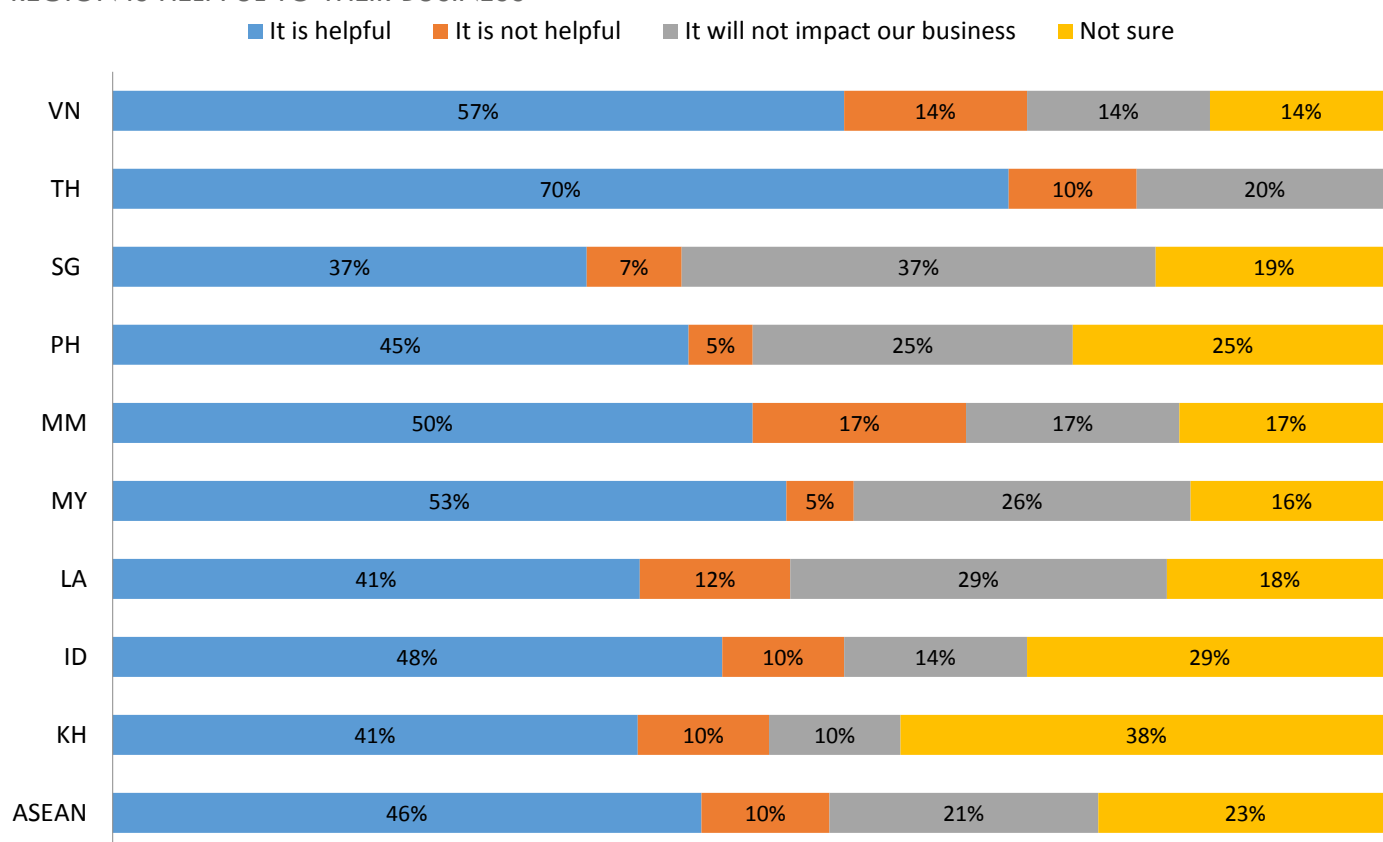
- 1  ENFORCEABLE INVESTMENT RULES AND PROTECTION
- 2  REDUCTION IN TARIFF BARRIERS
- 3  PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

## Proliferation of FTAs - The Noodle Bowl Effect

Free Trade Agreements (FTAs) have been successful in promoting greater cooperation between countries, reducing trade barriers, increasing trade in goods and services, economic growth and employment creation. However, the proliferation of FTAs and the multiplication of rules that govern these agreements have been blamed for causing excessive complication and subsequently, a reduction in the utilisation rates of such agreements.

To understand how European businesses in the region viewed the growth in number of FTAs in ASEAN, they were asked to indicate whether they felt it was a helpful or unhelpful phenomenon. 46% of respondents indicated that the proliferation of FTAs was helpful to their business; 21% were of the opinion that it would not impact their business and 10% stipulated that this process was not helpful. Respondents in Thailand (70%) and Vietnam (57%) found that their businesses could profit from the proliferation of FTAs, while in Singapore, 37% of the respondents were of the opinion that the aforementioned process would not impact their business. (See Fig. 33)

FIGURE 33: NEARLY HALF OF RESPONDENTS BELIEVE THAT THE INCREASE IN THE NUMBER OF FTAs IN THE REGION IS HELPFUL TO THEIR BUSINESS



Note: Some figures do not add up to 100% due to rounding

# SURVEY RESPONDENTS

## European Chamber of Commerce Members

- Brunei: List of members not available
- Cambodia: List of 198 members, the response rate was 19% (38)
- Indonesia: List of 204 members, the response rate was 8% (17)
- Laos: List of 106 members, the response rate was 16% (17)
- Malaysia: List of 127 members, the response rate was 14% (18)
- Myanmar: List of members not available
- Philippines: List of 743 members, the response rate was 1.5% (11)
- Singapore: List of 123 members, the response rate was 18% (23)
- Thailand: List of 175 members, the response rate was 6% (11)
- Vietnam: List of 705 members, the response rate was 1% (7)

## Total sample size (ASEAN): 151 respondents

FIGURE 34: MAKEUP OF RESPONDENTS BY RESPONSE LOCATION

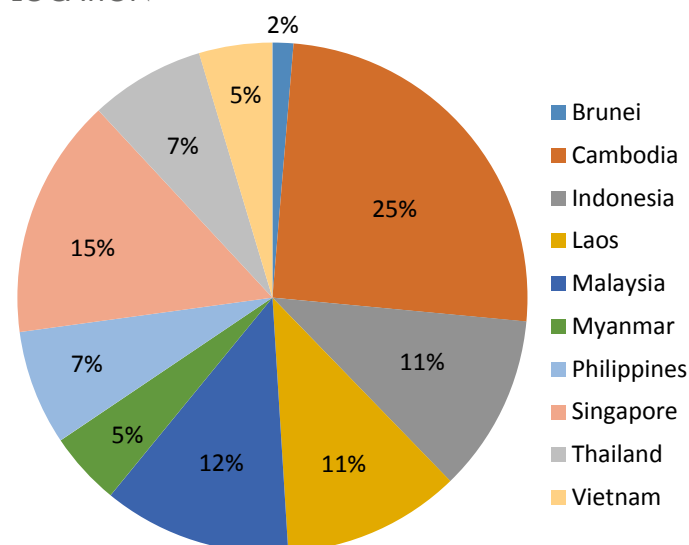
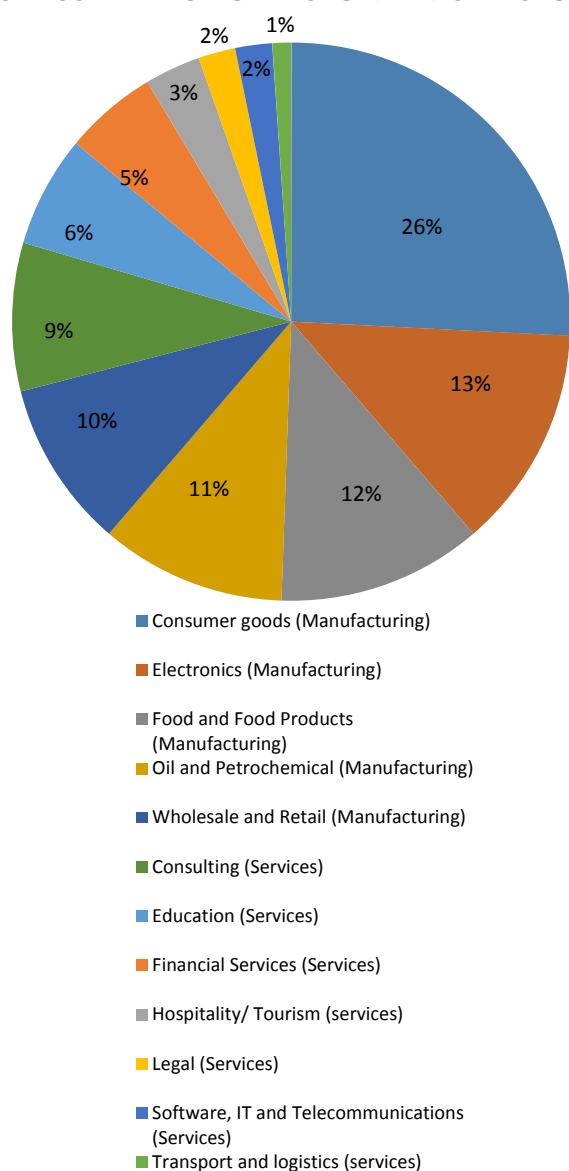


FIGURE 35: MAKEUP OF RESPONDENTS BY SECTOR



## About the EU-ASEAN Business Sentiment Survey

*This is the inaugural edition of the EU-ASEAN Business Sentiment Survey. The Survey aims to serve as a barometer for the business sentiment and outlook of European businesses in South East Asia on key issues such as macroeconomic conditions, the policy and regulatory environment, and the development of bilateral and plurilateral free trade agreements in the region.*

*The Survey is produced with the cooperation of European Chambers of Commerce and EU Delegations throughout the ASEAN Member States.*

*The Survey may be viewed at [www.eu-asean.eu](http://www.eu-asean.eu).*

## About the EU-ASEAN Business Council

*The EU-ASEAN Business Council (EU-ABC) is the primary voice for European business within the ASEAN region, being endorsed by the European Commission and recognised as such by the ASEAN Secretariat. Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region.*

*The mission of the EU-ABC is to:*

- *Advocate for European business interests in the ASEAN region;*
- *Push for the reduction and eventual elimination of barriers to trade (both tariffs and NTBs);*
- *Facilitate trade and investment between Europe and ASEAN;*
- *Collaborate and interact with the ASEAN Secretariat and other related bodies;*
- *Contribute to and promote pan-ASEAN economic integration; and*
- *Support the establishment of an EU-ASEAN free trade agreement, and FTAs between the EU and ASEAN Member States in the meantime.*

*For more information, please visit [www.eu-asean.eu](http://www.eu-asean.eu)*



# EUROPEAN BUSINESS AT THE HEART OF ASEAN



## EU-ASEAN Business Council (EU-ABC)

The EU-ASEAN Business Council (EU-ABC) is the primary voice for European businesses within the ASEAN region, being endorsed as it is by the European Commission and recognised as such by ASEAN. Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region.

## Our Members

The EU-ABC's membership consists of large European multinational corporations and all of the officially recognised European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including fast moving consumer goods, high-end electronics and communications. Our members all have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.

## Mission Statement

- ★ Advocate on behalf of European business in ASEAN
- ★ To facilitate trade and tackle its barriers
- ★ To collaborate and interact with the ASEAN secretariat
- ★ To be a dialogue partner with ASEAN governments
- ★ To contribute to and promote ASEAN integration
- ★ To support the establishment of an EU-ASEAN FTA

## Member Benefits

- ★ Meaningful dialogue with policy makers and key stakeholders.
- ★ Receive regular business-focused information.
- ★ The EU-ABC provides sustained strong advocacy support and advice.
- ★ The EU-ABC can provide sustained efforts to influence policy and decision makers.
- ★ High-level engagement opportunities to engage with ASEAN policy makers.
- ★ Networking sessions with members to exchange information & ideas.