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# Borderless Business: US-ASEAN Corridor

Opening doors to diverse opportunities



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# Executive Summary





Borderless Business: US-ASEAN Corridor, a strategic point-of-view commissioned by Standard Chartered and prepared by PwC, highlights target opportunities and key success factors for US companies to drive sustainable and resilient growth in ASEAN. The report analyses key macro-level factors, industry shifts and company developments – and incorporates insights collated via a pulse survey<sup>a</sup> of senior-level executives from US businesses engaged in cross-border activities across the US-ASEAN corridor.

### WHY ASEAN: An expanding hotbed for US investment and business growth

The Association of Southeast Asian Nations (ASEAN) has established itself as a major business partner for the US. Over the past three decades, the US-ASEAN corridor has witnessed growing engagement in areas related to trade and investments, technology and innovation, and infrastructure and skill development. While many US multinationals (MNCs) already have some presence in the region, there still remains a significant potential for them to expand in the future.

The International Monetary Fund (IMF) forecasts the US to register a post-COVID economic recovery in 2021 and 2022. However, realisation of these trends will depend on the extent of opportunities available for US businesses domestically and within international markets. ASEAN is poised to be a major international market for growth in this regard – with US companies benefiting from established frameworks fostering government and industry-level collaboration.

Changing geopolitical conditions and market dynamics are already driving US investments into ASEAN to help rebalance and regionalise supply chains. A rapidly expanding middle-class along with the region's widening trade links also offer new opportunities for investment and sales growth in the years ahead.

### WHERE TO INVEST: Growing sector opportunities allow US companies to thrive

Fast-rising technology adoption is supporting consumption growth in ASEAN. The pandemic has further accentuated the need to build resilience by digitalising supply chains and distribution channels. US technology companies can play a major role in driving this shift in ASEAN – offering cloud-based solutions and making investments in the region's digital infrastructure with strong global leadership. Sectors such as consumer goods, medical devices and pharmaceuticals will also benefit from ASEAN's growing consumer spending. An increasing number of MNCs in these sectors are already looking to shift production closer to large consumption hubs

<sup>a</sup> Survey commissioned by Standard Chartered in July 2021 and completed by senior executives from 40 US companies focusing on the US-ASEAN corridor

## Corridor Highlights

USD **97B**

Worth of merchandise imports from the US into ASEAN in 2020

**3<sup>rd</sup>**

US's ranking as ASEAN's trade partner for merchandise imports in 2020

USD **35B**

Worth of FDI inflows from the US into ASEAN in 2020

**25%**

Share of US in FDI inflows into ASEAN in 2020 (largest globally)

## Growth Sectors



Digital infrastructure and services



Medical devices and pharmaceuticals



Chemicals, plastics and rubber products



Consumer goods



Renewable energy

such as ASEAN, to become more competitive and agile. Rising industrialisation, propelled by the region's strong manufacturing capabilities, will also continue to drive growth in areas such as chemicals, plastics and rubber goods. Finally, aligned with its economic and social progress, energy requirements in ASEAN continue to grow at unprecedented levels. This is driving a shift towards renewable energy, especially solar and wind-based solutions. Besides being important for clean technology companies from the US, this trend is also encouraging traditional energy companies to start transitioning towards alternative energy options, to remain relevant.

### HOW TO GROW: Focus areas for US companies to succeed in changing times

US MNCs looking to explore these growth opportunities will need to recalibrate their historical strategies, and focus on some key areas to succeed in ASEAN's evolving landscape. New partnerships will be essential to adapt business models as per target markets in the region. Besides alliances with local industry players, US MNCs will also need to work with regional financial institutions and government agencies. These partners can help navigate through ASEAN's diverse business landscape, help address financing gaps and reduce expansion risks.

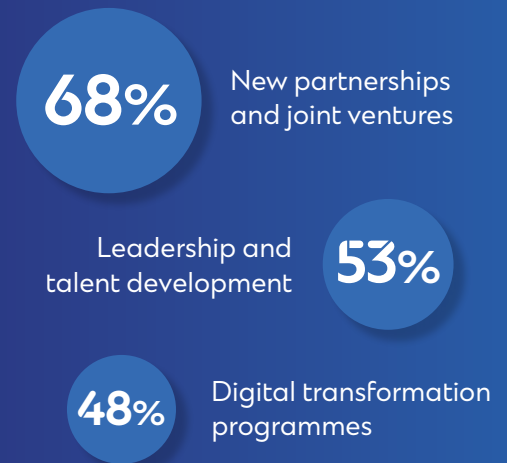
Learning from disruptions caused by the pandemic, supply chain resilience has now become a priority for US companies. As US MNCs look to diversify their production presence and enhance capacity in alternative locations such as ASEAN, they will also need to identify supply chain partners within ASEAN and work with these regional partners to digitally integrate operations and strengthen cyber-resilience.

Finally, aligned with changing consumer expectations and government priorities, US companies in ASEAN will also need to start incorporating Environmental, Social and Governance (ESG) principles within their business models. This will entail various aspects such as launching more environment-friendly products, adopting more sustainable sourcing practices and strengthening regional governance frameworks to mitigate future disruption risks.

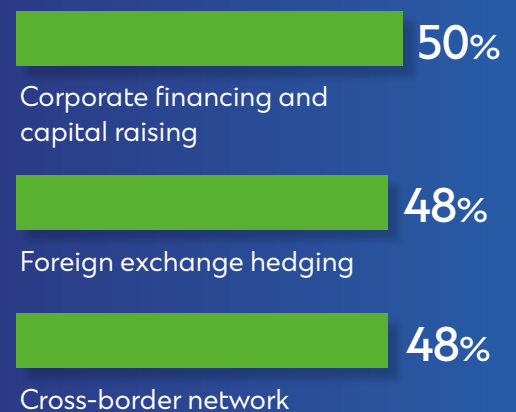
Looking ahead, there are immense business and investment opportunities for US MNCs in ASEAN, who can play a significant role in driving the region's future transformation. However, evolving social and economic priorities will require US companies to prioritise more purposeful growth in the future – with the aim of becoming long-term sustainability partners for ASEAN governments and exemplars of ethical practices for ASEAN consumers.

## Survey Insights\*

### Key focus areas for US MNCs



### Key requirements from banking partners



\* Values indicate % of survey respondents who included the initiative as one of the top 3 ranked choices



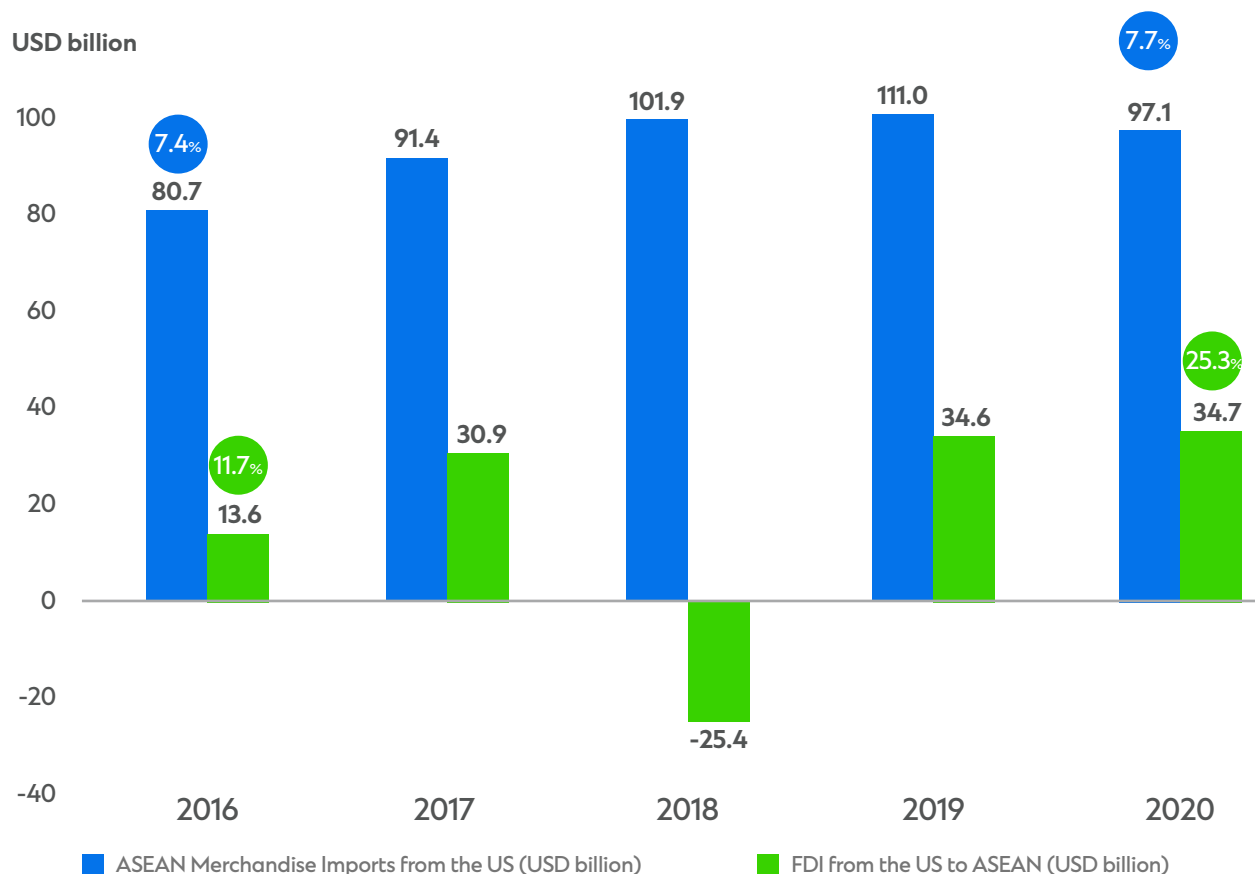
# Overview of the US-ASEAN Corridor: Opening New Doors for US Businesses in ASEAN



The 10-member ASEAN bloc enjoys a robust trade and investment relationship with the US. In terms of merchandise imports, the US is already ASEAN's third largest trading partner after China and Japan – with imports from the US recording above average growth (4.7 per cent CAGR) over 2016-2020. An even stronger

picture of US-ASEAN engagement is visible on the investment front – where US share in Foreign Direct Investment (FDI) inflows to ASEAN has risen from 11.7 per cent in 2016 to a significant 25.3 per cent in 2020. With this, the US became the largest contributor of FDI into ASEAN in 2020.<sup>1</sup>

**Figure 1: Imports and FDI from the US into ASEAN**



Note: Figures in blue bubbles indicate US share of ASEAN merchandise imports (%), green bubbles indicate US share of FDI inflows to ASEAN (%)

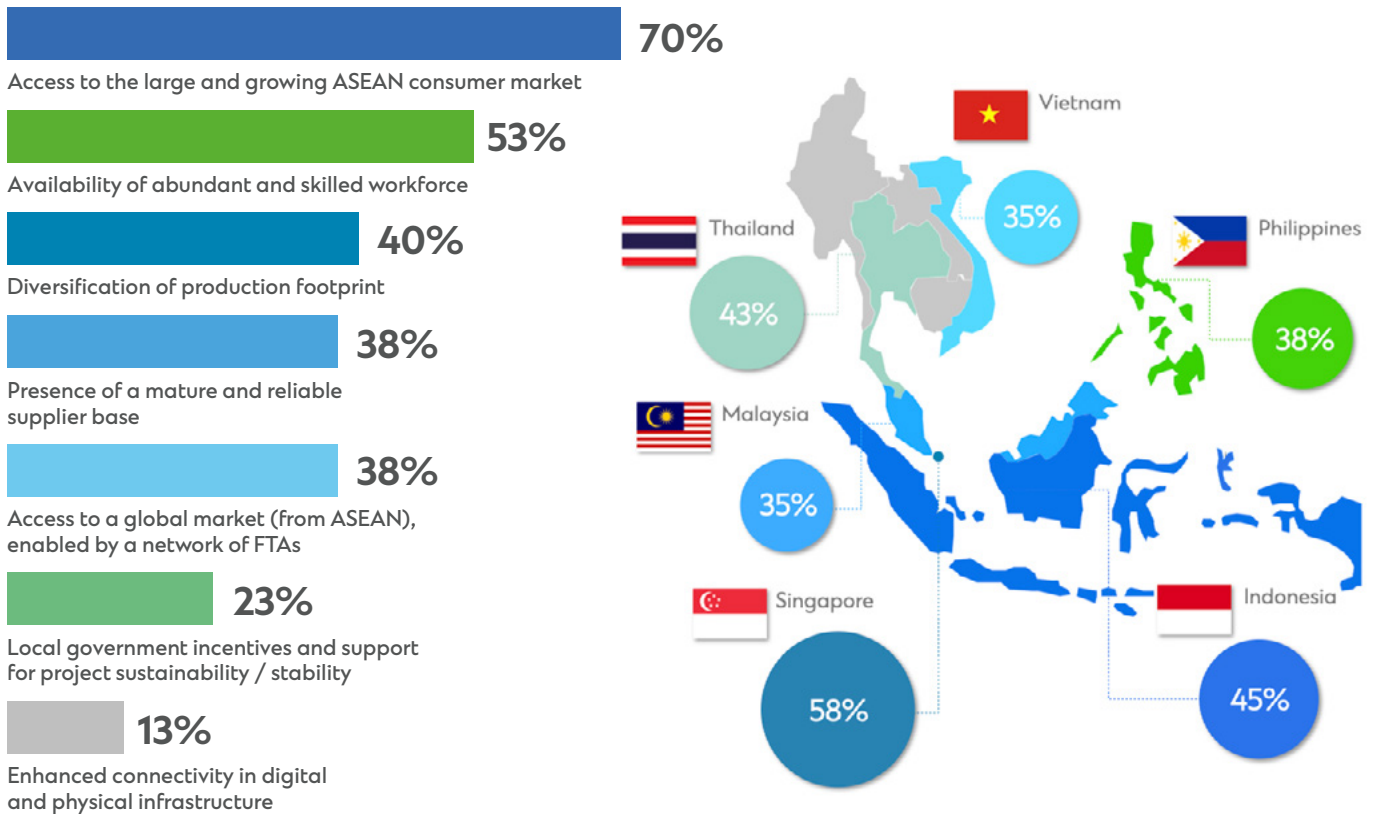
Source: ASEAN Stats

ASEAN continues to present significant growth opportunities for US businesses. In addition to a sizeable regional market of over 650 million people, ASEAN countries offer US companies wider access to global markets through a network of free trade agreements (FTAs), including the 15-nation Regional Comprehensive Economic Partnership (RCEP) signed in 2020. US companies operating in or planning to expand in ASEAN through local manufacturing can take advantage of RCEP's provisions – including tariff reductions and common rules of origin – thereby gaining easier access to participating markets. Moreover, those facing the need to manage rising production costs and

global supply chain risks will also find a strong manufacturing and supplier base in ASEAN. Our recent pulse survey highlights these drivers as well, with a majority (58 per cent) of US companies viewing Singapore as the top ASEAN market for expansion, followed by Indonesia (45 per cent) and Thailand (43 per cent). Growing collaboration between the US and ASEAN governments is also promising for businesses looking for easier entry and growth options. In particular, new collaboration frameworks such as the US-ASEAN Plan of Action (2021-25) and other sector-specific initiatives are prioritising cooperation in next-generation areas such as digital technologies and renewable energy.<sup>2</sup>



**Figure 2: Key drivers for focus on ASEAN and major economies offering the best expansion opportunities**



Note: Survey questions asked: 'What are the key drivers for your focus on ASEAN?' and 'Which of these major economies within ASEAN do you think offer the best expansion (sales / production) opportunities for your company?'

For key drivers – values indicated above refer to % of survey respondents who included the driver as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021

## A growing middle class with an expanding workforce provides an attractive proposition for US companies

Already the world's third most populous economy, ASEAN's population is projected to continue rising to 723 million people by 2030 – with 67 per cent represented by the middle class (defined as those with daily expenditures of up to USD100). By 2030, the number of high and upper-middle income households are also projected to double to 60 million – thereby driving demand for higher quality products, greater product choice and a better customer experience. ASEAN also offers a strong supply-side proposition to US companies with an expanding workforce that is projected to record the second-largest growth worldwide (adding 37 million people) by 2030. Besides offering cost-competitive labour for lower-value manufacturing, ASEAN has access to a strong pool of talent with advanced technical and professional skills, and high proficiency in the

English language. With efforts now focused on upskilling the workforce (e.g. as per Industry 4.0 needs), the region is rapidly expanding its skill set to become future ready as well.<sup>3</sup>

# 73%

**of US companies in ASEAN consider geopolitical uncertainty and trade conflicts as significant risks to their business**

## Trade uncertainties, cost pressures and COVID-19 related disruptions steer US investments into ASEAN

Increased trade tensions and supply chain risks over the past few years have led to a growing need amongst US companies to review and rebalance their manufacturing and sourcing presence. Rising trade tariffs have negatively impacted market competitiveness, while growing labour and compliance costs in



mature production locations (such as China) have also prompted US companies to explore new destinations. More recently, the COVID-19 pandemic has further exposed weaknesses in global supply networks – driving a push towards footprint realignment. ASEAN seems well-positioned to tap into the opportunities created by these trends. Besides lower production costs in many ASEAN markets, governments across the bloc have also been offering multiple investment and tax incentives to attract global players. Manufacturing capabilities in the region have also matured significantly, making ASEAN a major participant in global supply chains at present. Many companies are further looking to shift their supply chains closer to large end-markets such as ASEAN – to improve supply reliability and offer more relevant products to consumers, at greater competitive price points.<sup>4</sup>

## Collaboration paves the way for greater participation of US businesses in Southeast Asia

Strengthening the US-ASEAN alliance has been a strategic policy goal, most recently formalised in the ‘US-ASEAN Strategic Plan of Action

(2021-2025)’. The Plan encourages collaboration across multiple sectors such as energy, science and technology, food and agriculture and digital infrastructure. It seeks to achieve this by facilitating trade and investments, supporting Small and Medium Enterprises (SMEs), building workforce skills and harmonising industry standards. In particular, the development of renewable energy has emerged as a key area of cooperation – with the US government’s ‘Asia EDGE’ initiative to help modernise ASEAN’s energy infrastructure and develop clean energy sources in the region. Key programmes within the initiative such as ‘Clean Power Asia’ have helped mobilise over USD7 billion in renewable energy investments in Southeast Asia from 2016 to 2021. Building a stronger digital ecosystem in ASEAN has become another focus area for collaboration – driven by initiatives such as the ‘Digital Connectivity and Cybersecurity Partnership’ (DCCP). The DCCP aims to promote exports of US ICT goods and encourage favourable conditions for US technology investments abroad. Within ASEAN, it is focused on promoting international standards for cross-border digital trade, strengthening regulations for cybersecurity, and supporting initiatives to expand broadband infrastructure.<sup>5</sup>



“

“ASEAN is core to Standard Chartered’s business strategy. An attractive growing market for consumer goods, medical devices and pharmaceuticals, the region offers US companies significant opportunities to expand their production and supply networks. As the only international bank with full presence in all 10 markets in ASEAN, we play a critical role in supporting our clients’ growth ambitions in the region. Our network and capabilities facilitate our clients’ market penetration and expansion and enable seamless cross-border trade and investments, while our digital co-creations allow them to streamline operations and enhance their customers’ experience.”

“Thanks to a sizeable market, increased adoption of new technology and a rapidly expanding middle class, ASEAN continues to be full of exciting business opportunities for US companies across various sectors. As US companies push ahead with their growth ambitions, their ability to diversify their production presence to increase supply chain resilience, align with consumer expectations and government priorities - such as Environmental, Social and Governance practices and partner with local industry players, financial institutions and government agencies will influence their growth in this dynamic region.”



**Heidi Toribio**

Regional Co-Head, Client Coverage, Asia, Corporate, Commercial and Institutional Banking, Standard Chartered



**Steven Cranwell**

Chief Executive Officer, Americas, Standard Chartered

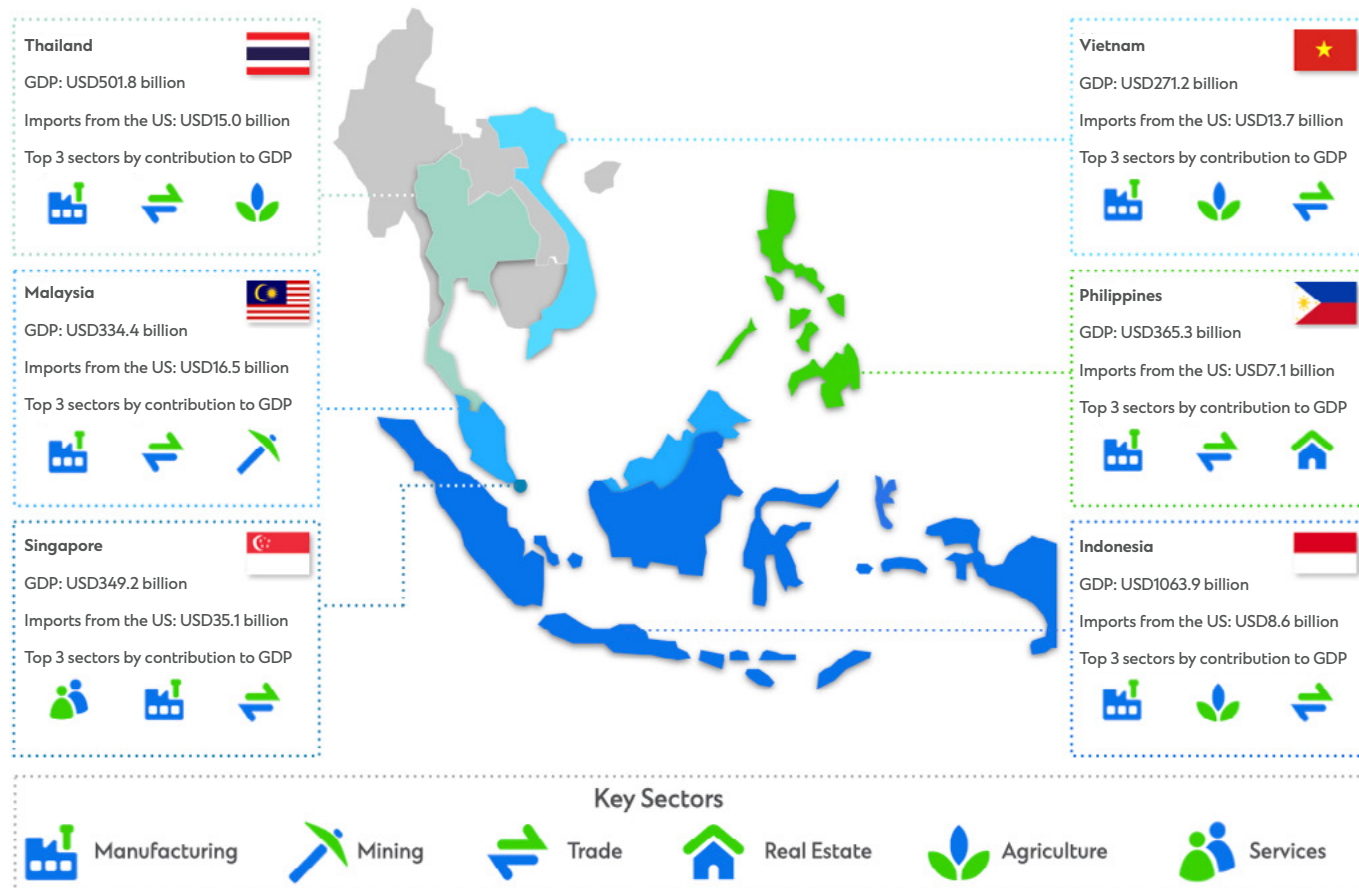


# Our Growth Watchlist: Five Sectors Driving the Future of the US-ASEAN Corridor

ASEAN's steady progress is creating multiple opportunities for US companies. ASEAN-6 markets (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) are already an integral part of global supply chains. Their diverse manufacturing landscape provides US companies with the opportunity to expand production and supply networks across capital and labour intensive sectors. Rising

industrialisation is also enabling growth in sectors such as chemicals, plastics and rubber products – while a growing consumer market is driving demand for consumer goods, medical devices and pharmaceuticals. Besides these, ASEAN's focus on becoming future-ready with digital technologies and renewable energy also offers US MNCs with opportunities to expand in the region.

**Figure 3: Key sectors in ASEAN-6 (by contribution to national GDP, 2020)**



Source: ASEAN Stats

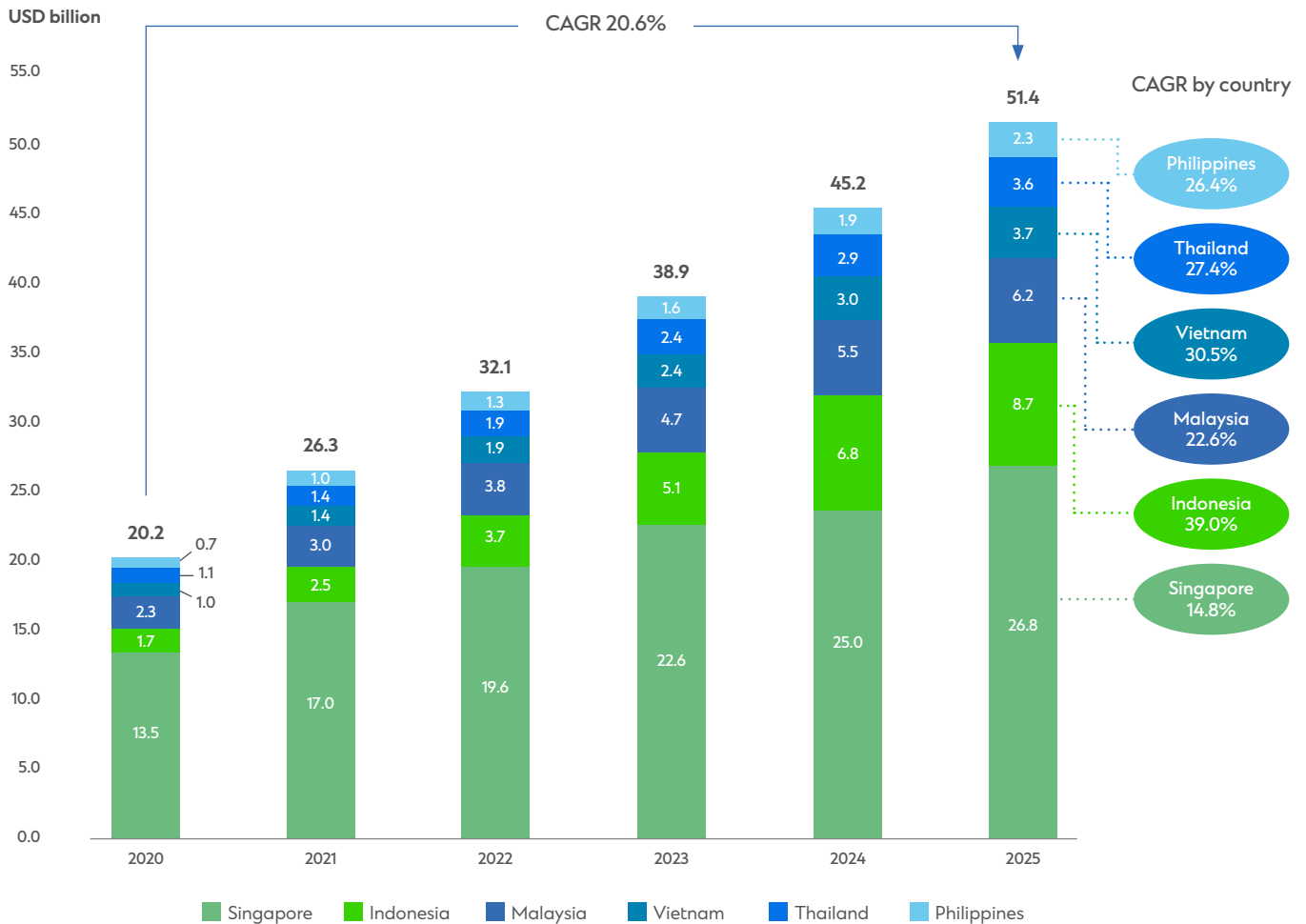
## I. Digitalisation becomes a pillar for post-COVID growth

ASEAN is emerging as amongst the largest markets globally for digital businesses. About 80 per cent of the population is expected to be online by 2030, with the digital economy adding an estimated USD1 trillion to ASEAN's GDP by then. As of 2020, ASEAN was home to 12 technology unicorns (such as Grab, the GoTo Group, and Lazada) and most countries have implemented programmes to incubate their start-up ecosystems. With the pandemic further

expediting the shift towards online services – opportunities are now on the rise for US digital companies (B2B and B2C) to cater to ASEAN's changing needs. Cloud computing spending in ASEAN-6 countries is expected to rise by 21 per cent per year by 2025, and this growth will offer major investment and business opportunities for US companies. Strengthening ASEAN's digital infrastructure such as by building new data centres or data cables will also be key – with leading US technology firms such as Microsoft and Google already making significant investments in recent years.<sup>6</sup>



Figure 4: Cloud computing spending in ASEAN-6 countries



Source: Fitch Solutions

Note: Figures include spending across cloud infrastructure, software solutions and platform-as-a-service business

### ASEAN's growing ecosystem of digital start-ups and rising digital infrastructure needs are attracting leading US technology businesses



#### Indonesia

ASEAN's largest economy and consumer market, Indonesia, is home to a number of fast growing digital start-ups. With internet penetration reaching 92% in urban areas and 82% among the rural population by 2030 – new investment and business opportunities are on the rise. Driven by these trends, leading US technology companies have been investing in Indonesian start-ups, such as Facebook and Google's investments in the GoTo Group (a merger between Gojek and Tokopedia) and Microsoft's investments in Bukalapak in 2020.



#### Malaysia

Recent government budgets and economic stimulus packages have provided strong incentives for digital transformation of businesses, while also focusing on areas such as digital connectivity, 5G ecosystems and smart automation. US tech companies are already supporting Malaysia's digital infrastructure needs. In April 2021, Microsoft committed to investing USD1 billion over the next five years to establish new data centres in Malaysia, as part of its 'Bersama Malaysia' initiative.



#### Singapore

Already featuring amongst leading nations worldwide in terms of 'technology readiness', Singapore's 2021 Budget has allocated another USD740 million to help local businesses in becoming digitally ready over the next three years. In 2021, Dell Technologies launched a USD50 million research and development centre in Singapore to drive innovation in edge computing. The centre also focuses on other areas such as cybersecurity, Augmented Reality (AR) and digital analytics.

Source: World Economic Forum, Nikkei Asia, Singapore Economic Development Board, Malaysia Country Commercial Guide, The Straits Times

## Microsoft expands cloud infrastructure and services offerings in ASEAN



### Background

In 2021, Microsoft announced plans to build new data centres to expand delivery of cloud services in both Malaysia and Indonesia.

The company has also announced partnerships with SAP to promote enterprise cloud systems in Thailand (2020) and Vietnam (2019).



### Highlights



Under its 'Bersama Malaysia' initiative, Microsoft plans to invest USD1 billion to build data centres in Malaysia and skill an additional 1 million Malaysians by the end of 2023. As per IDC, these investments are expected to add up to USD4.6 billion in revenues and create 19,000 jobs across Malaysia's digital ecosystem by 2025.



As part of the company's 'Berdayakan Ekonomi Digital Indonesia' initiative, Microsoft plans to build new data centres in Indonesia to offer local cloud services. According to IDC, Microsoft's investments are expected to generate up to USD6.3 billion in revenues and contribute 60,000 jobs to the local economy by 2025.



Microsoft's partnership with SAP will help bring the latter's enterprise solutions to Microsoft Azure cloud platform. The two companies will also co-engineer, go to market together, and provide joint support services to customers in Thailand and Vietnam.

Source: Company website, Press articles





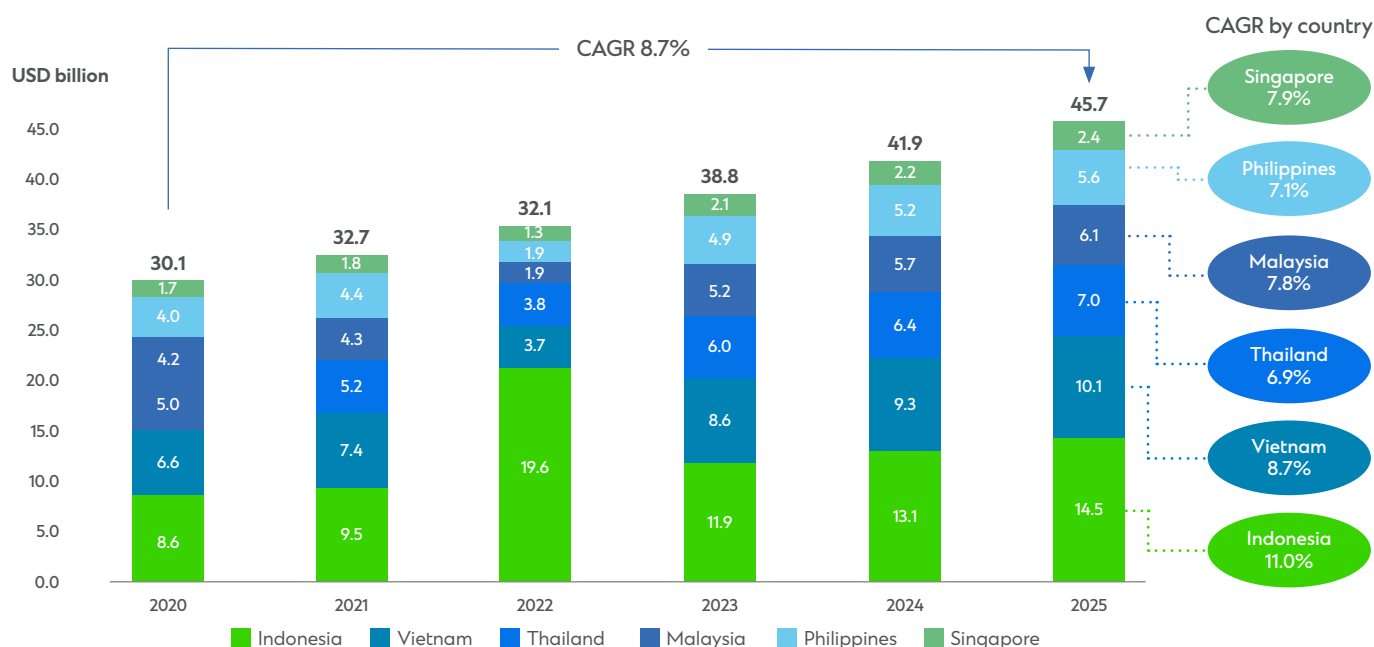
## 2. Medical devices and pharmaceuticals witness a strong surge

Healthcare spending in ASEAN is expected to remain on an upward trajectory, driven by the expansion of universal healthcare schemes across many regional markets and rising health concerns from COVID-19. Certain markets such as Singapore and Thailand are also ageing much faster than their regional counterparts, making healthcare a priority area for their governments. Led by these trends, sales of medical devices and pharmaceuticals

in ASEAN-6 are projected to grow by almost 9 per cent per year by 2025. Indonesia, Vietnam and Thailand represent the largest demand centres in the region – collectively accounting for two-thirds of ASEAN's market in 2020.

Besides targeting this growing demand, many companies are also looking to enhance local production of medical devices to remain price competitive – with Malaysia and Thailand emerging as major manufacturing hubs. Biopharmaceuticals represent another key growth area – with Singapore becoming a regional leader, and operating over 50 biopharma manufacturing plants at present.<sup>7</sup>

Figure 5: Sales of medical devices and pharmaceutical products in ASEAN-6



Source: Fitch Solutions

Note: Figures include segments such as medical consumables, dental products, diagnostic imaging products, orthopaedics and prosthetics, patient aids, OTC medicines and prescription drugs

### Policy support in major ASEAN economies is helping boost the local medical devices and pharmaceuticals sector



#### Indonesia

Representing ASEAN's largest pharma market, Indonesia is keen on improving business conditions for foreign investors. The 'New Investment List' passed in March 2021 has lifted caps on foreign investment, allowing 100% foreign ownership in manufacturing and wholesaling of finished and raw pharmaceutical products. Pfizer already manufactures formulated drugs in Indonesia to treat cardiovascular and infectious diseases.



#### Thailand

As part of its goal of becoming a regional life sciences centre, Thailand's government has selected healthcare to be one of its 10 priority industries – granting incentives to pharmaceutical investors and developing a regulatory framework to support local R&D activities. In October 2019, Eli Lilly partnered with Zuelig Pharma (a healthcare services provider in Asia) to distribute Eli Lilly products in Thailand (and Malaysia).



#### Malaysia

Medical devices was designated as a priority growth sector under the 11th Malaysia Plan (2016-20) and is expected to remain a key focus area in the upcoming plan as well. To transform Malaysia into a high value-adding economy, the government has launched many tax incentives and other policies to encourage sector growth – such as grants to drive industrial automation (Industry4WRD programme). In 2021, DexCom, a manufacturer of glucose monitoring systems, started construction of a new production facility in Malaysia – its first plant outside the US.

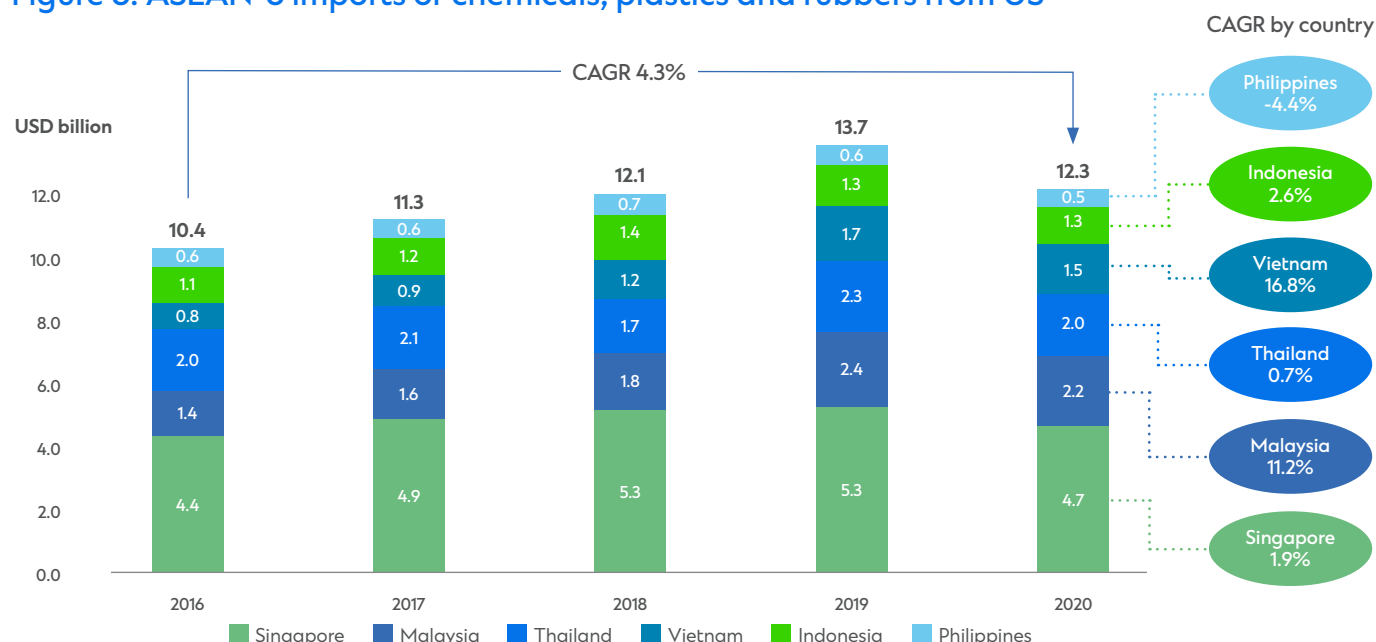
Source: CPH Insights, Fitch Solutions, Malaysian Investment Development Authority

### 3. Industrialisation is driving demand for chemicals, plastics and rubber products

US companies in the chemicals, plastics and rubber sector have had a long presence in ASEAN – and many of these companies continue to invest in the region to support its growing industrial base. ASEAN-6 countries imported USD12.3 billion worth of sector products from the US in 2020 – with chemicals leading demand (57 per cent share in imports), followed by plastics (38 per cent) and rubber products (5 per cent). Looking ahead, rapid industrialisation in ASEAN is expected to spur demand for a wide range

of chemicals to serve more specialised needs. Accordingly, key production hubs for chemicals such as Indonesia, Malaysia, Singapore and Thailand are now looking to move up the value chain. They are increasingly shifting focus from commodity chemicals to developing higher margin speciality products having applications in industries such as automobiles, electronics, healthcare, construction and textiles. Many of these countries are also offering incentives to attract foreign investments in the production and R&D of chemical products, while launching initiatives to increase the adoption of smart manufacturing solutions.<sup>8</sup>

Figure 6: ASEAN-6 imports of chemicals, plastics and rubbers from US



Source: ASEAN Stats

Note: HS codes 28-29 and 31-40 were used for this analysis

#### Boosting productivity and investments through industry initiatives is a key growth driver for chemicals



##### Singapore

The city-state launched a new framework (developed by its Economic Development Board, Chemical Industry Council and Association of Process Industry) in 2019, to boost competitiveness in chemicals manufacturing and help attract investments in the sector. Many US chemical companies already have a presence in Singapore. In January 2021, DuPont announced plans to construct a new enzyme-blending facility in Singapore, to provide customised products to the regional life sciences industry.



##### Malaysia

The government offers various tax and production incentives as part of its plans to grow the chemicals sector – prioritised as one of the focus '3+2' sectors in the 11th Malaysia Plan. The country's productivity improvement initiative (Malaysia Productivity Blueprint) is also focusing on the chemicals sector (among others) to shift towards higher value-adding activities. In February 2021, Air Products opened its first cryogenic nitrogen plant in Malaysia, to serve the growing electronics industry.



##### Indonesia

With its Industry 4.0 initiative, Indonesia has earmarked chemicals (among four other sectors) as an area requiring focused attention for development. Indonesia also offers tax holidays to companies operating and investing in the chemicals sector, along with tax deduction incentives for R&D activities. Cabot Corporation has been investing in expanding the capacity for carbon black production in Indonesia over 2019-21 – targeting an additional 80,000 metric tons of production per year.

Source: Fitch Solutions, Malaysian Investment Development Authority, Singapore Economic Development Board (EDB), Indonesia Investments, Straits Times, Bloomberg, Gas World

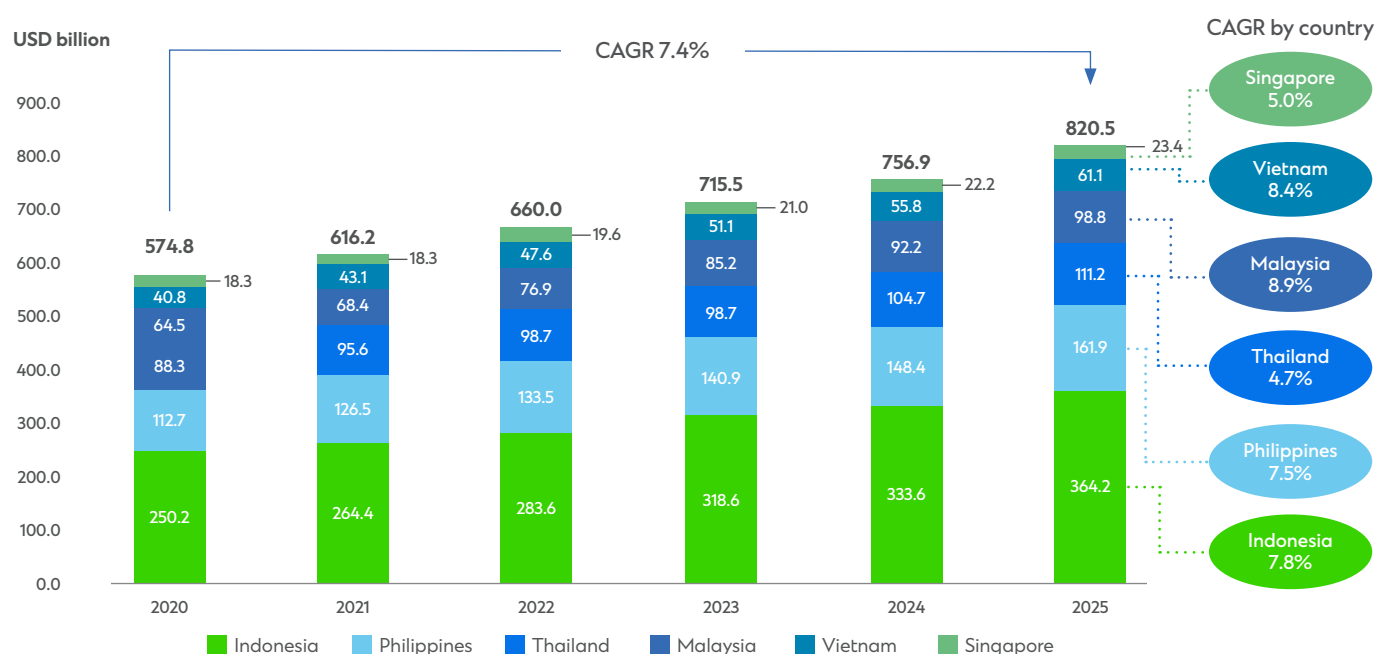


## 4. Consumer goods to witness steady growth led by a rising middle-class

With an expanding middle-class and growing consumer spending, ASEAN presents a strong opportunity for US consumer goods companies seeking growth in international shores. Looking at ASEAN-6 markets, household spending on consumer goods is projected to grow at a CAGR of 7.4 per cent to reach a significant USD820.5 billion by 2025. Food products denote a key growth area. Representing the largest portion of consumer spending (85 per cent share) in 2020, food sales are projected to remain

dominant and reach USD695 billion by 2025. Besides being a major demand hub, factors such as lower production costs, availability of skilled labour and the region's pro-investment policies, also make ASEAN an attractive destination for US manufacturers. Many consumer goods companies are increasingly looking to enhance production in the region, to improve their understanding of local needs and be able to adapt to changing conditions with greater agility. Industry players in ASEAN are also seeking to strengthen their e-commerce presence in the years ahead, with the pandemic boosting the region's shift toward online shopping.<sup>9</sup>

**Figure 7: Household spending on consumer products in ASEAN-6**



Note: Segments covered include food, alcoholic and non-alcoholic drinks, and personal care products

Source: Fitch Solutions

### Favourable regulatory policies and rising consumer demand are driving growth and investments in key consumer markets



#### Thailand

Aims to become a food-technology hub, offering tax exemptions and production incentives for foreign companies. Investments are growing in areas such as seasonings, plant-based proteins, ready-to-eat food, frozen meats and fruits and health drinks. Atlantic Natural Foods, a US manufacturer of shelf-stable plant-based foods, built a 47,000 square foot factory in Thailand in 2020, to meet local demand.



#### Indonesia

The largest economy in ASEAN will continue to see a sharp rise in consumer spending, with three-quarters of the population being in the middle-class by 2030. Rising population along with growing income levels is pushing the demand for personal care products. Targeting this local growth, Kimberley Clark acquired Softex Indonesia, a leader in the country's personal care market, for USD1.2 billion in 2020.



#### Philippines

A growing domestic market, availability of a skilled and English-speaking workforce and government incentives (such as tax cuts under the CREATE Act) are helping attract foreign investments. Cargill Foods has committed USD250 million in new investments into the Philippines over 2020-2023, to grow its coconut oil production, animal feed, nutrition, and agricultural supply-chain businesses.

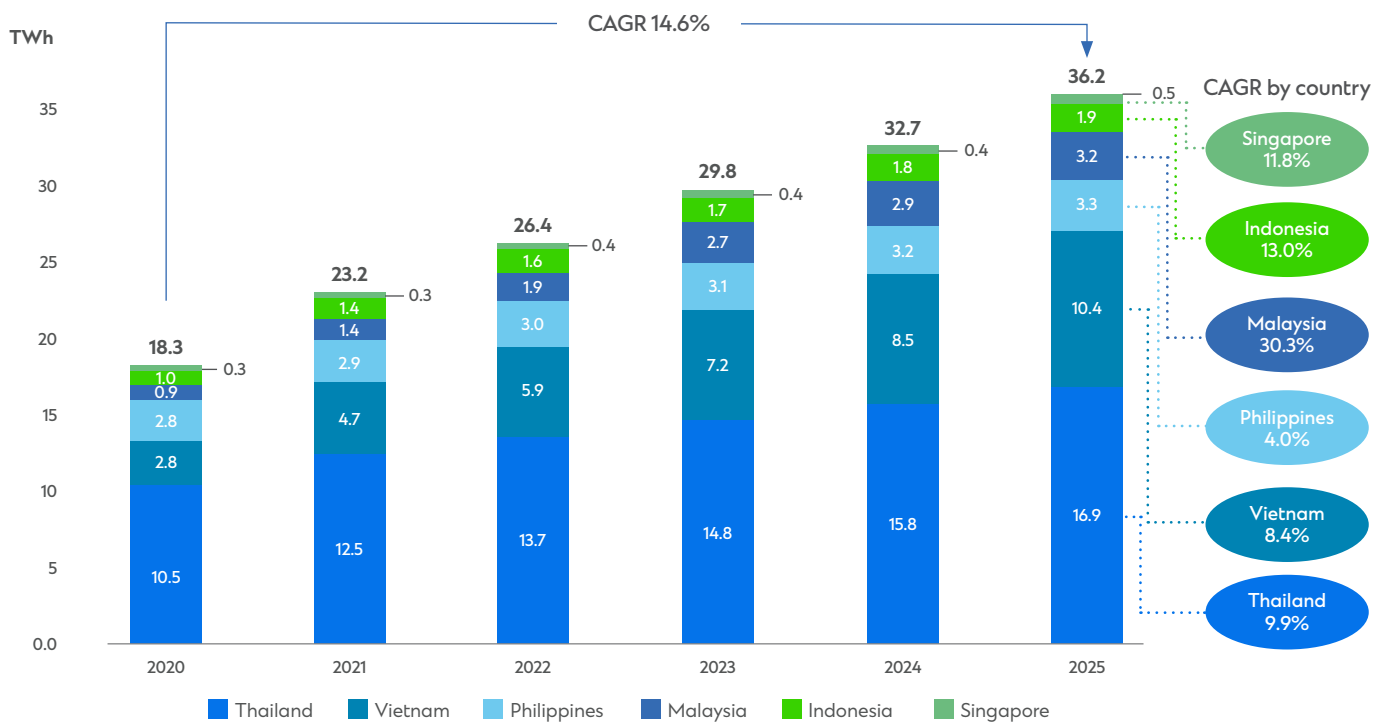
Source: PRN Newswire, Company websites, Philippine News Agency, Press Articles

## 5. Energy needs and sustainability ambitions foster growth in renewables

Aligned with its economic performance and improvements in living standards, energy requirements in ASEAN continue to witness strong growth. Electricity demand has risen at amongst the fastest rates worldwide (6 per cent per year) over the past two decades, and is projected to grow by another 30 per cent by 2025 – thereby accentuating energy security and climate-change concerns. To address these challenges, ASEAN governments have

committed to increasing renewable energy supply to 23 per cent of total primary energy by 2025. Solar and wind energy represent fast growing segments within renewables. Thailand leads the region in generating solar and wind power at present, while Malaysia has become a hub for solar photovoltaic (PV) production. Indonesia and Singapore are also building large-scale solar farms, while Vietnam plans to develop 35 new offshore wind projects by 2030. Expansion plans such as these are creating new opportunities for US businesses seeking to invest or provide solutions to help meet the region's sustainability objectives.<sup>10</sup>

Figure 8: Solar and wind energy generation in ASEAN-6 countries



Source: Fitch Solutions

### Increasing focus from national governments creates opportunities for investments in renewable energy



#### Thailand

Government-led initiatives such as the Solar Rooftop Scheme by the Energy Ministry and the floating solar farm project by the Industrial Estate Authority of Thailand, are driving growth in Thailand's solar energy segment. Witnessing growing interest from global investors, Thailand recorded USD1.7 billion worth of investment applications in the first 9 months of 2020, across 300 sustainability-based projects.



#### Vietnam

Vietnam allows 100 per cent foreign ownership in the renewable energy sector. USAID-backed V-LEAP program is helping develop clean-energy policies and mobilise private investments in Vietnam. First Solar, a solar PV solutions provider, headquartered in the US, already has significant manufacturing presence in Vietnam – having invested USD360 million to further expand and upgrade its facilities in 2018.



#### Singapore

The Singapore Green Plan 2030 is driving the adoption of clean energy sources to promote sustainable living. The government's vision is also receiving support from traditional energy firms. Chevron started establishing electric-vehicle charging stations in 2021, and has also invested in the development of carbon capture technologies and greenhouse gas emission quantification systems in Singapore.

Source: Fitch Solutions, Thailand Board of Investment, Singapore Green Plan 2030, Vietnam Investment Review, USAID, Bangkok Post, Business Times



## Standard Chartered takes the lead in sustainable finance in Vietnam, affirming the Bank's commitment to the UN Sustainable Development Goals



### Background

- Standard Chartered successfully completed a USD462 million trade finance transaction for renewable wind power projects in Vietnam, in May 2021.
- In another significant deal, the Bank helped price a USD200 million corporate green bond issuance by BIM Land JSC, a Vietnamese real estate company.



### Highlights

- The Bank's trade finance transaction will provide financing support for four wind power projects in Vietnam – helping advance the sustainable development agenda in the country.
- In the BIM Land JSC project, the Bank played a critical role in structuring the transaction, creating the green bond framework, developing the marketing and execution strategies and advising the issuer on favourable windows in the market.
- BIM Land JSC plans to utilise the funds raised from the bond to finance Excellence in Design for Greater Efficiencies or EDGE-certified (a green building certification) projects in Vietnam.



"By using our sustainable financing solutions, our clients can now complement their sustainable procurement and their own sustainable agenda with Standard Chartered's tailor-made solutions. The recent wind power and green bond transactions are two notable deals that reinforce our sustainability commitment. Leveraging on these, we will take greater strides to meet our clients' sustainable finance needs."

– Michele Wee, CEO,  
Standard Chartered Bank  
Vietnam

Source: Standard Chartered, Press articles





# Acting with Impact: Five Focus Areas for US Companies to Drive Resilient Growth in ASEAN

US businesses looking to navigate ASEAN's fast evolving market will need to focus on several critical areas. Our survey reveals (Figure 9) that many US companies are already prioritising new partnerships to enhance market access, while also embarking on a digitalisation journey to build resilience. In addition, businesses are expanding their production networks and supply chains in ASEAN to manage global

uncertainties. Besides these priorities, US businesses will also need to follow a more sustainable growth path aligned with changing market needs in ASEAN, and incorporate stronger risk management practices to grow successfully. Underlying all these focus areas will be the need for talent development in ASEAN, which is being recognised by many US companies as well.

**Figure 9: Key focus areas to drive resilient growth in ASEAN**



Note: Survey question asked: 'What are the key initiatives / focus areas for your organisation to drive resilient and rebalanced growth in ASEAN? Please select the relevant options and rank them in order of importance, 1 being the most important.'

Values indicated above refer to the % of survey respondents who included the initiative as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021



## I. Open doors to regional and global markets through local alliances and strong trade connections

US companies keen to tap into ASEAN's potential will find an enabling ecosystem of government institutions and industry partners – along with access to additional growth channels facilitated by ASEAN's multiple trade agreements.

### A. Adapt the business model through local collaboration

US companies can engage with various partners to understand local nuances, facilitate expansion and reduce growth risks.

# 68%

**of US businesses view 'adapting the business model to local industry practices and conditions' as a growth challenge in ASEAN**

- **Financial Institutions:** Financial partners with a strong regional presence and extensive market expertise can help companies navigate the local business and regulatory landscape, support their financing needs and develop suitable hedging strategies to secure investments from foreign exchange risks, counterparty risks or other market fluctuations. In our survey, the highest number of respondents indicated 'one-stop corporate financing and capital raising services' as a key requirement from their banking partners. With sustainable investments gaining importance, financial institutions are also providing solutions such as green bonds and ESG advisory to assist companies with their expansion plans and ESG targets.

### Develop local talent to become strategic partners for ASEAN

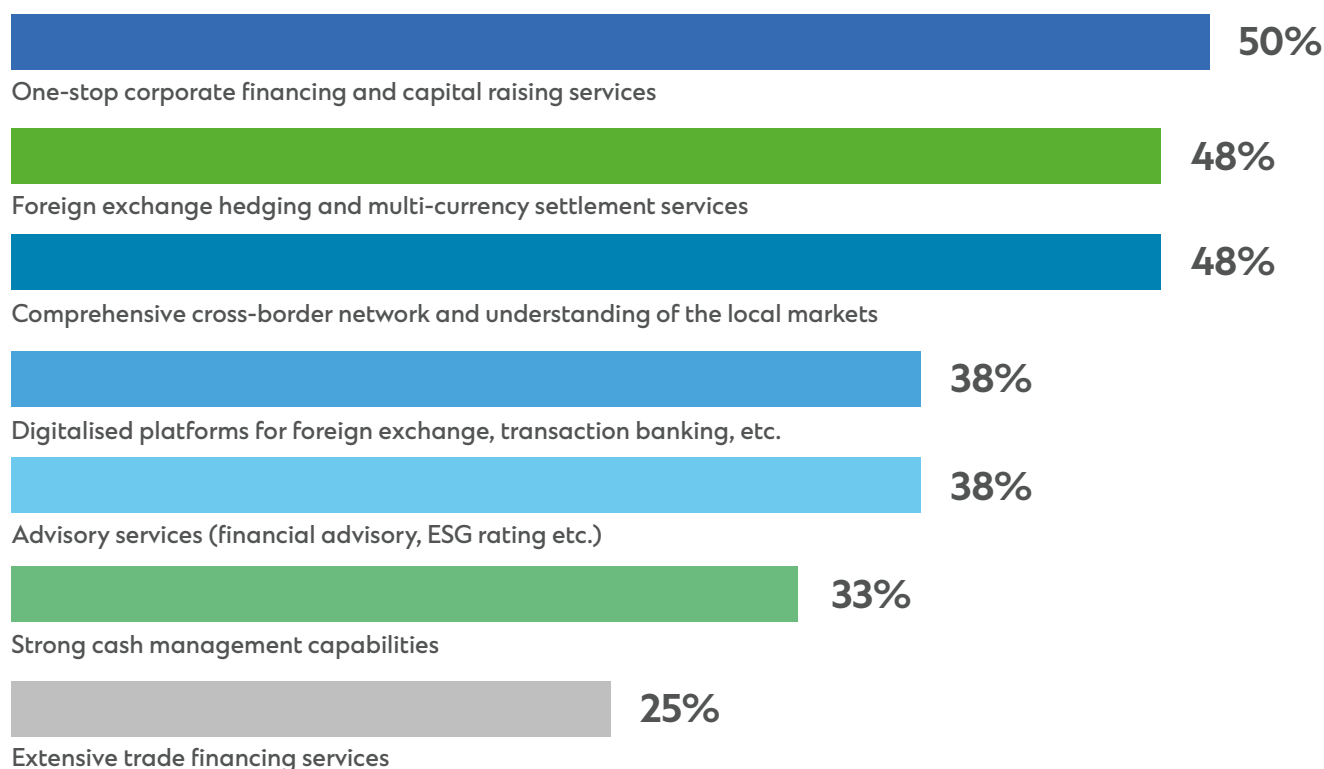
Building local talent will be key for US MNCs seeking to adapt their business models in ASEAN. By bringing in expertise and best practices from their global operations, US MNCs can help ASEAN to build skills in more specialised areas, to become strategic growth partners for regional governments. Companies will also be required to understand and design more localised employee propositions (monetary and non-monetary benefits) and adopt new technology solutions to attract and retain the best talent in the region.

Besides these, US MNCs in ASEAN will need to start involving their local HR teams much earlier into the planning process such as while conducting market evaluation studies. This will allow timely interventions to be made to support execution by understanding training gaps, hiring requirements or the need for new organisation roles. Large US MNCs can also help drive ASEAN's transformation agenda. Some of these companies have been in ASEAN for many years, having supported the region's historical transformation journey (e.g. from low-tech to high-tech manufacturing). These firms are today well-positioned to continue working with different local stakeholders (e.g. universities, industry bodies and government programmes) to develop future-ready talent in the region.





Figure 10: Key requirements from banking partners to support growth in ASEAN



Note: Survey question asked: 'Where are the key requirements from your banking partner, to support your growth in ASEAN? Please select the relevant options and rank them in order of importance, 1 being the most important.'

Values indicated above refer to the % of survey respondents who included the requirement as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021



### Role of financial partners

Financial partners can provide companies with customised cash management solutions to facilitate cross-border payments, collections, information and liquidity management. Financial partners can also help navigate complex regulations and reduce the client's compliance burden.

### Case study:

Order and payments management for a network and communications product manufacturer



#### Background

Client is a network and communications product manufacturer looking to expand its emerging-markets business by ensuring availability of working capital.

Client wanted to reduce financial administrative costs and share payment risks with channel partners, while fulfilling orders and paying invoices in a timely manner. They also wanted real-time reporting of channel partners' credit limits and tracking of invoices for financing and payment.



#### Transaction Highlights

- Straight2Bank Access Host-to-Host securely connected client's ERP back-end system with Standard Chartered to directly import purchase orders and invoices.
- Invoices and purchase orders were automatically matched to calculate financing for payments to the client.
- Straight2Bank enabled real-time assessment of channel partners' credit limits as well as monitoring of purchase orders and invoices.



#### Impact

- Increased productivity and performance from automation of payments and supply-chain financing via Straight2Bank Access.
- Improvement in process efficiency with payment processes automated and simplified into a single step.
- Real-time visibility and transparency of payment transactions with the ability to monitor status of purchase orders and invoices through Straight2Bank.

- **Government agencies:** Investment promotion agencies (IPAs) – such as the Singapore Economic Development Board (EDB) or the Thailand Board of Investment (BOI) – can help connect US businesses with multiple government departments and other partners, to assist with business incorporation, taxation, land acquisition or other legal aspects. Those looking to relocate manufacturing can work with IPAs to identify target locations, coordinate site visits and connect with local recruitment agencies. Innovative propositions such as the twinning model offered by the Southeast Asia Manufacturing Alliance (SMA) can also be explored. The alliance allows companies to work with Singapore’s investment agencies and regional industrial parks – to jointly leverage Singapore’s technological expertise along with lower production costs offered by neighbouring countries. Another initiative by Thailand’s BOI aims to build local innovation expertise and facilitate a transition to Industry 4.0 solutions. The agency operates a ‘Strategic Talent Centre’ to connect companies with suitable science and technology experts globally, and enable stronger collaboration between them.<sup>11</sup>

# 68%

**of US companies give high importance to local partnerships to achieve growth in ASEAN**

- **Corporate partnerships and acquisitions:** US companies can explore joint ventures with local players to reduce market risks, or consider acquisitions to expedite entry into new ASEAN geographies or target segments. Working with local partners will enable them to better understand consumer behaviour, competitor strategies and local practices. Companies can also quickly gain access to new capabilities such as innovative products, R&D skills or a pre-existing customer base through acquisitions.

## B. Explore ASEAN’s trade connections to enhance international presence

Multilateral trade agreements such as the RCEP offer an additional channel for US manufacturers to grow their global presence. Signed by 10 ASEAN countries and 5 other markets (China, South Korea, Japan, Australia and New Zealand), RCEP is expected to be a major driver of trade in the broader Asia Pacific region – providing opportunities for US manufacturers in ASEAN, to source from and sell into new markets. US companies can also take advantage of ASEAN’s ties with other international markets such as the EU-Singapore Free Trade Agreement (EUSFTA), the EU-Vietnam Free Trade Agreement (EUVFTA) or the ASEAN-India Free Trade Area (AIFTA). Both the EU and India have no FTAs with the US at present, making it less viable for US companies to compete in these markets.<sup>12</sup>

# 43%

**of our survey respondents plan to increase investments in ASEAN, post ratification of the RCEP agreement**

## Applied Engineering forms strategic partnership with QES, facilitated by the Malaysian Investment Development Authority

### Background

- In July 2021, Applied Engineering (AE) announced plans to establish a Joint Venture (JV) with Malaysian firm QES Manufacturing (QES) to provide high-tech electronic manufacturing services in Malaysia.
- The Malaysian Investment Development Authority (MIDA) helped match the two companies, with the agency's San Jose office working closely with AE for a year and a half in order to close the deal.



### Highlights

- AE has pursued this venture as part of a strategic move to expand into ASEAN, so that it can service existing customers in the region and find new growth opportunities more effectively.
- QES will support the JV through its existing regional relationships in Asia, while AE will bring in its advanced technical expertise.
- The JV will cater to clients in the semiconductor equipment manufacturing, life science and medical devices, defence and aerospace market segments – in Malaysia, other ASEAN countries and China.



MIDA is optimistic that AE's presence here will further boost the development of our high technology equipment ecosystem. This JV is in line with MIDA's strategies to attract high-tech companies to invest in the country and expand domestic linkages into regional and global supply chains, as per the National Investment Aspirations (NIAs).

– Arham Abdul Rahman,  
Chief Executive Officer of the Malaysian  
Investment Development Authority



We will play our role to support this high technology equipment manufacturing project using our established networks across ASEAN. Together with MIDA, QES anticipates AET will create a sustainable high technology equipment manufacturing eco-system within the E&E and medical segments for Malaysia.

– Chew Ne Weng,  
President of QES

Source: MIDA, Invest Penang



## 2. Advance ASEAN's digital transformation agenda in collaboration with regional stakeholders

ASEAN is undergoing a rapid digital transformation, supported by government policies such as the ASEAN Digital Masterplan 2025, which seeks to increase the use of digital technologies for a strong post-COVID recovery. Considering their rising investment positions in ASEAN, US MNCs can play a major role in building stronger digital capabilities in the region – by leading technology adoption and supporting their regional supply chain partners.

### A. Digitally integrate operations by working with regional partners

To become future-ready, ASEAN governments plan to digitally transform their manufacturing and logistics sectors. For example, Indonesia's 'Making Indonesia 4.0 Roadmap' seeks to boost the country's labour productivity by accelerating the adoption of Internet of Things, Artificial Intelligence and Robotics. Similarly, Malaysia's Industry4WRD Policy is encouraging a cross-sector shift towards Industry 4.0 solutions. However, these programmes need stronger cooperation with the private sector, and US companies can play a major role: first, as technology providers selling advanced digital solutions, developing local infrastructure and nurturing next-generation digital talent. And second, as leading technology adopters who can co-develop the right solutions and information exchange processes with their regional supply chain partners.<sup>13</sup>

# 48%

**of US companies place strong emphasis on digital transformation programmes to drive resilient growth in ASEAN**

### Utilise technology to improve workplace productivity and experience

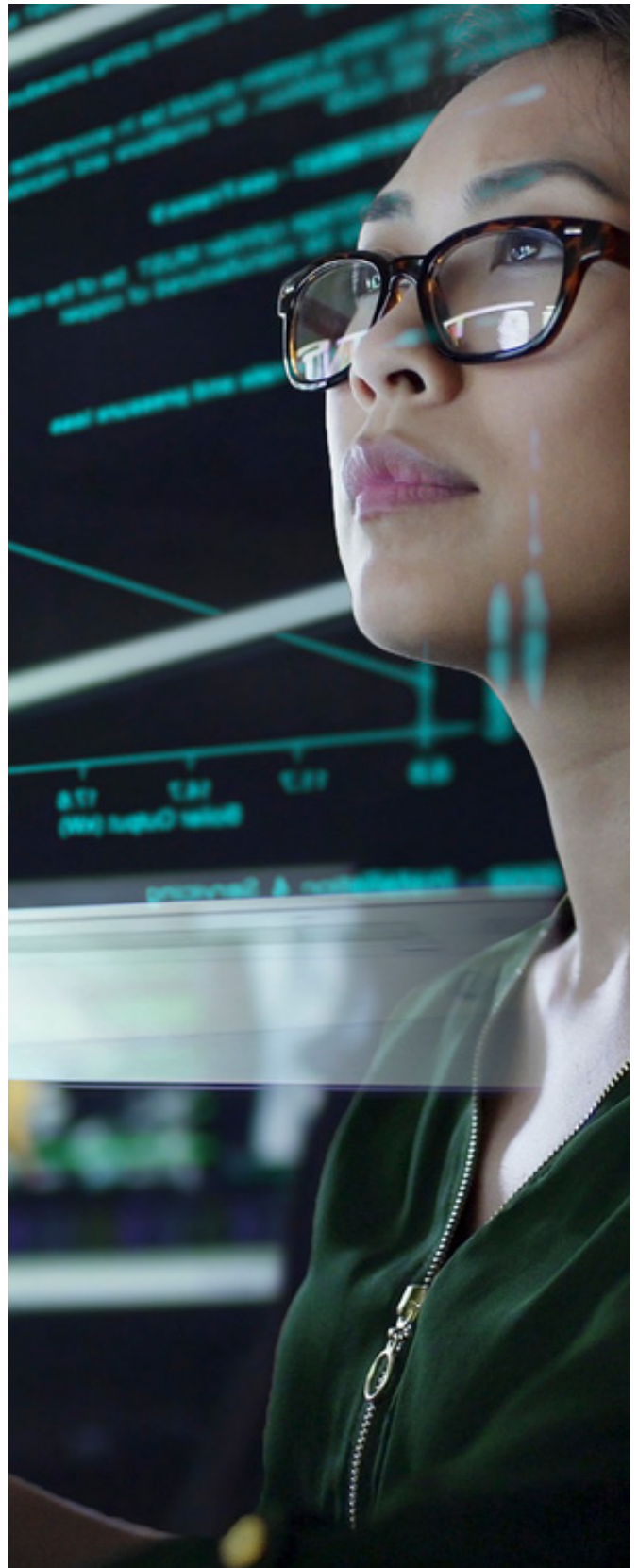
Besides focusing on customer-facing and supply chain functions, US companies in ASEAN will also need to start transforming the traditional workplace through digitalisation. Employee expectations in ASEAN have already been changing in recent years, with a rising millennial workforce demanding a more flexible and enriching work environment. Moreover, the pandemic has now sent a strong signal for workplaces to evolve and remain productive. These trends will require US businesses to adopt new cloud-based solutions (such as project management or desktop virtualisation tools) that allow employees to collaborate more efficiently from remote locations. Similarly, solutions that can improve the effectiveness of HR initiatives (such as HR analytics) will also be important – leveraging workforce data to understand changing needs and design more targeted career development plans.



Digitalisation has become a must to succeed in the post-COVID world. However, for visible and lasting impact, US companies will need to go beyond only digitalising their internal organisations – and focus on digitally integrating their procurement, production, and distribution operations. Structural reconfiguration, such as by establishing a ‘digital control tower’ can help in centrally managing regional networks. Such a control tower may be equipped with advanced analytics systems for scenario planning, and, is digitally linked with different elements of the supply chain for real-time communication. Besides this, organisational changes can also be introduced. With supply chains becoming a strategic priority, new roles such as a ‘Regional Supply Chain Officer’ can be established in ASEAN, to pay adequate attention to digital integration efforts and expedite execution.

## **B. Prioritise cyber resilience to succeed in the emerging digital economy**

As US businesses intensify their digitalisation efforts, they will also need stronger cybersecurity measures to manage growing threats to data and digital identities. Our survey indicates that only 20 per cent of US companies currently see cybersecurity as a strategic priority in ASEAN. This will need to change, and US companies will need to recognise the importance of building digital trust for effective and efficient data flows. To do so, US companies will need to adopt an ‘assumed breach’ approach to enabling cybersecurity – shifting to proactively monitoring threats, detecting breaches and responding quickly to infringements. For example, Microsoft operates with such an assumed breach strategy to detect and manage digital vulnerabilities. Ongoing initiatives in ASEAN can also help companies in this journey such as Singapore’s ‘SG Cyber Safe Programme’ offering toolkits for cybersecurity self-assessment and talent development.<sup>14</sup>



### 3. Expand the operational footprint to counter global supply chain risks while enhancing resilience

US companies have historically been spreading their supply chains across global markets – only to make these networks more complex and exposed to disruptions. Amidst increasing supply chain challenges worldwide, US companies now need to re-evaluate their existing footprint and build more resilient networks in ASEAN for the future.

#### A. Diversify operations by following a risk-driven and regionalised mindset

Supply chain disruptions caused by trade conflicts, climate disasters and the COVID-19 pandemic are pushing a growing number of US manufacturers to address their overdependence on a few markets (such as China). Moving from a cost-driven mindset to a more risk-driven approach, these US companies are diversifying operations to new locations such as ASEAN, to build greater safeguards in their supply chains. However, this expansion will not entail a complete withdrawal from China, considering the need to cater to its large domestic market. Following a ‘China Plus One’ model, US companies can look at building alternative production capacity in ASEAN – both to cater to the growing regional demand, and to gain access to other global markets having strong trade relations with the region. Moreover, to mitigate visibility challenges associated with global supply chains, US manufacturers will need to work with regional supply chain partners who are able to monitor and respond quickly to possible disruptions.

# 52%

**of US companies with existing production presence in ASEAN plan to further increase capacity by at least 10 per cent in the next 12 months**

#### Shift to a ‘just-in-case’ approach to manage critical operations

Shifting from a ‘just-in-time’ to a ‘just-in-case’ approach will be key to managing supply chains in ASEAN. Such an approach helps develop greater safeguards as opposed to being driven only by cost and efficiency metrics. To do so, US businesses must identify ‘critical’ segments in the supply chain for which the cost of a potential disruption far exceeds the cost of building back-up capacity. For these segments, companies must develop alternative supply options (new sites or back-up suppliers) to avoid a single point of failure. Holding a greater ‘buffer stock’ of critical materials can also help avoid a crisis – such as the one afflicting many electronics companies facing semiconductor shortages at present. These steps need to be viewed as value creators for premium customers than as costs – by maintaining product flows, they help ensure a strong customer experience during both usual and uncertain times.







### Role of financial partners

Financial partners can address growing trade financing needs in the ASEAN region. They can also help build stronger relationships with local customers and suppliers, by streamlining reporting, improving visibility and enhancing the transaction experience for all parties.

### Case study:

Bespoke structured trade finance solution for a US technology company in Asia



#### Background

- Client is a technology company looking to grow business with a key ASEAN buyer.
- To improve the buyer-supplier experience, the client needed the ability to provide flexible financing periods – while also receiving funds in a timely manner.



#### Transaction Highlights

- As part of the offered solution, client can send invoices to Standard Chartered on a monthly basis.
- The bank then generates bills on the client's behalf and requests for additional credit periods.
- Bills are discounted and funds are remitted to the client.
- Funds are repaid on bill due dates by the client's buyer.



#### Impact

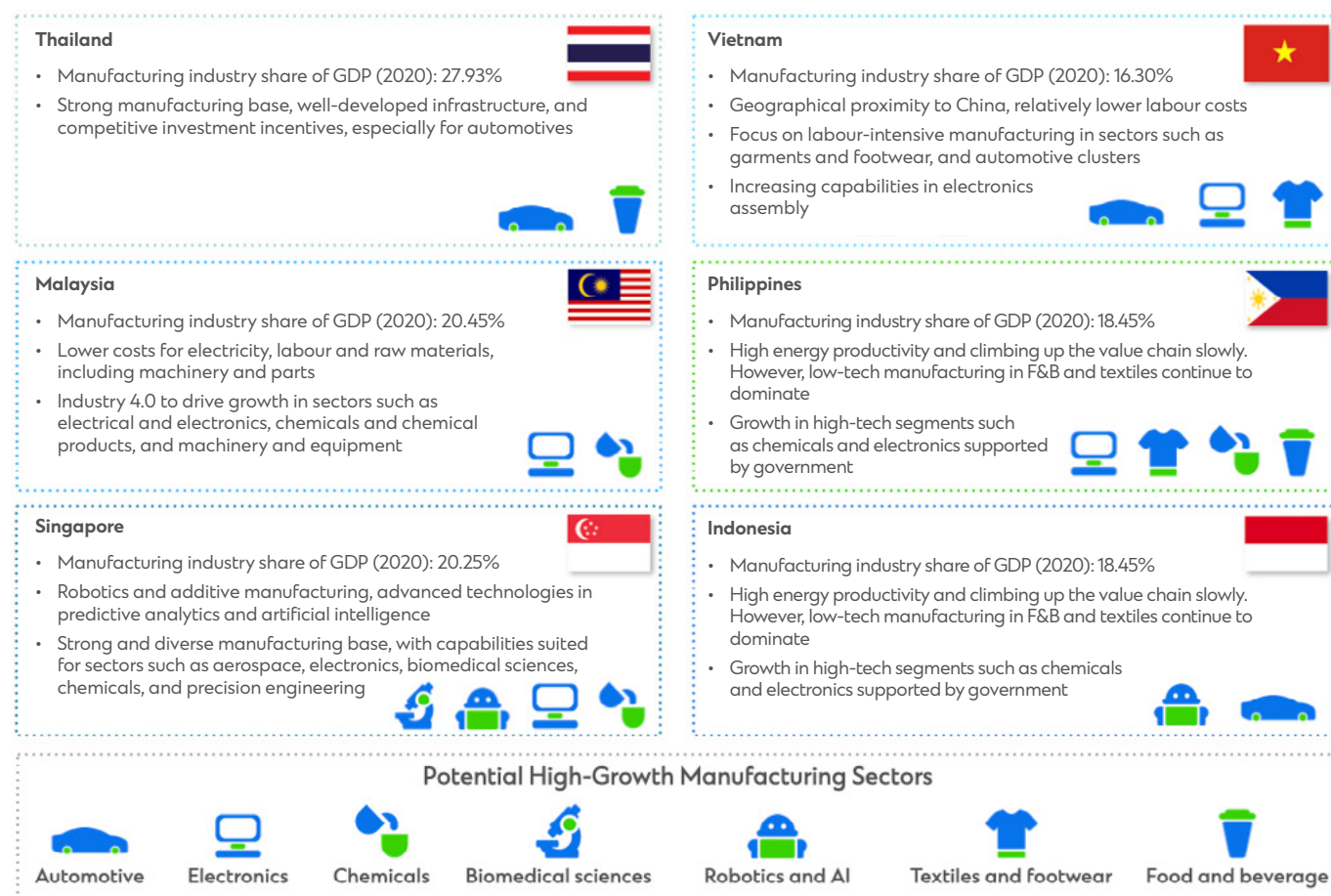
- Increased sales for the client.
- Improved relationship between client and the buyer in availing additional credit period, while still being able to recognise the revenue on invoice due date.
- Documentation tailored to work on company's documentation preferences.
- Real-time visibility of transactions with the ability to monitor status of invoices through a bespoke reporting mechanism.

## B. Understand ASEAN's diverse industrial landscape and market dynamics

ASEAN's proximity to China makes it a favourable choice for US businesses looking to diversify their supply chains. In addition, the region's production and supplier landscape has grown in strength, backed by significant efforts from member countries to improve their business environment. However, ASEAN denotes a highly diverse landscape – with markets varying in terms of their economic status, maturity of production capabilities, quality of infrastructure and the policy environment. More mature ASEAN markets are further evolving in their focus areas and are keen to shift towards higher

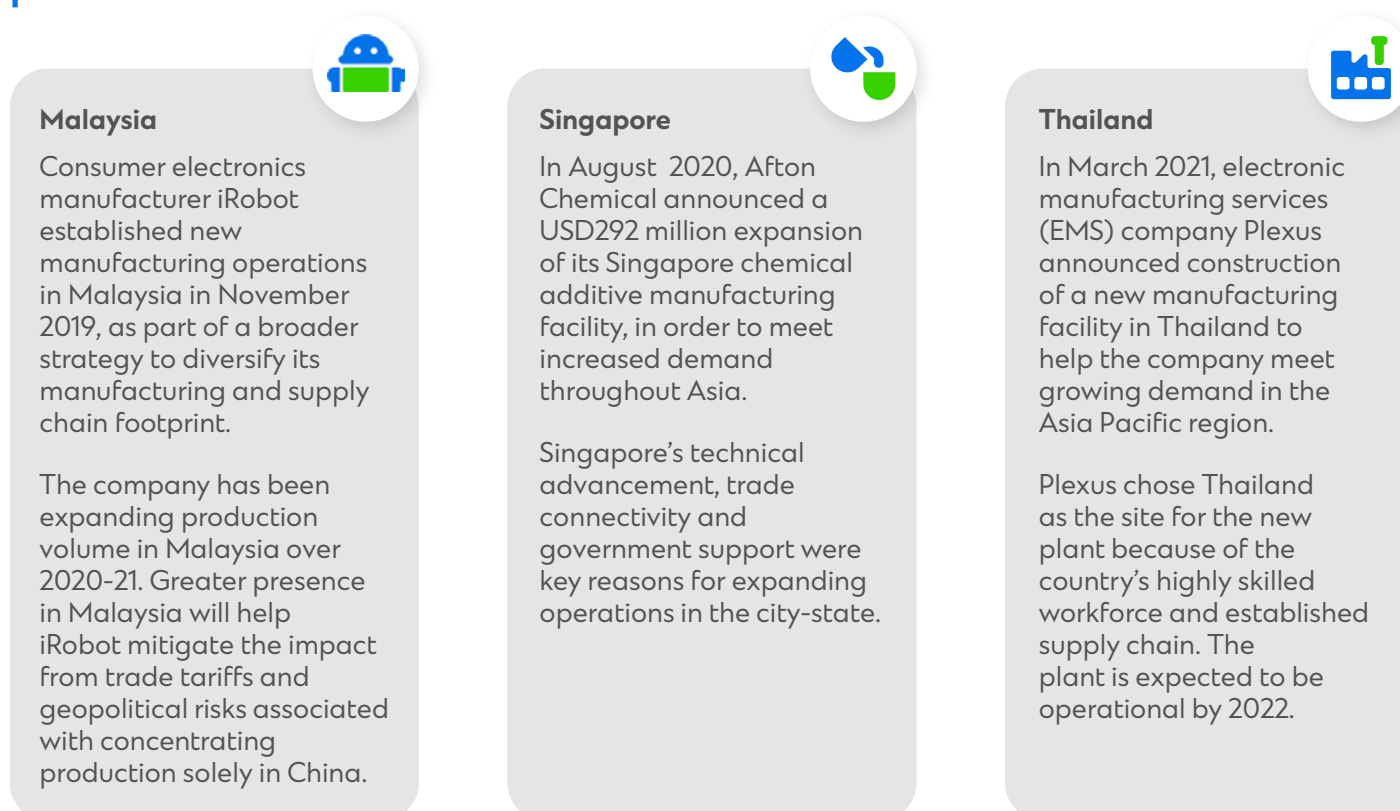
value-adding manufacturing. For example, Malaysia is moving from medical disposables to producing sophisticated devices such as diagnostic imaging systems, while Singapore is focusing on becoming a regional innovation centre. On the other hand, lower-cost markets offering strong government support (such as Vietnam) are becoming preferred destinations for labour-intensive manufacturing. In view of these diverse and evolving capabilities, US businesses will need to be cognizant of different regulatory requirements and areas of expertise among ASEAN markets, as they seek to target the region for growth.<sup>15</sup>

Figure 11: Manufacturing capabilities of ASEAN-6 countries



Source: Fitch Solutions, ASEAN Statistical Yearbook 2020, ASEAN Briefing, Oxford Business Group, Harvard Business Review, Channel News Asia, Insights Solutions Global.

## US manufacturers, across a range of sectors, are building production presence in ASEAN



Source: Reuters, Nikkei Asia, Company Websites, Press Articles

## 4. Enhance environmental and social responsibility efforts to unlock new growth opportunities

As ASEAN boosts its efforts to recover from the pandemic, regional governments are increasingly looking at the COVID-19 crisis as an opportunity to reshape their growth trajectory and enable a more sustainable and inclusive future. A growing number of ASEAN consumers are also being influenced by sustainability considerations requiring US businesses to adopt new growth models to remain competitive. Adoption of sustainability principles will not only offer new business opportunities for companies, but also enable access to new sources of capital (e.g. green bonds) to finance their growth plans in ASEAN.

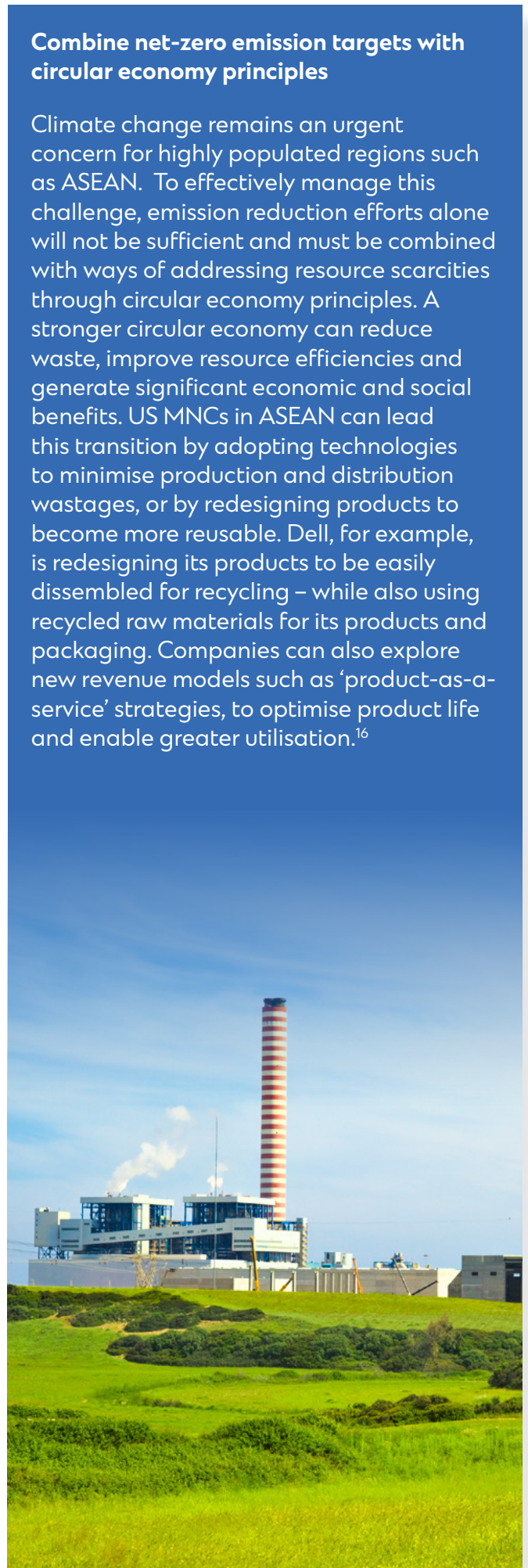
### A. Develop solutions for sustainability-conscious consumers in ASEAN

ASEAN consumers are showing a growing preference for sustainably-sourced and eco-friendly products, intensified by the pandemic. A 2020 'Global Consumer Insights' survey conducted by PwC showcases this trend, with 52 per cent consumers in Southeast Asia wanting businesses to be held accountable for environmental impact. This shift presents new opportunities for US companies to differentiate with a sustainability-driven brand positioning. For example, demand for a healthier lifestyle and concerns over the environmental impact of food choices is driving innovations such as plant and cell-based proteins. Start-ups and traditional meat processors in the US have started launching these alternative food options and many are establishing R&D and manufacturing operations in ASEAN.<sup>17</sup>

US companies in ASEAN that start aligning their offerings with these evolving consumer preferences by introducing new products (e.g. those using biodegradable materials), adopting new business practices (e.g. sustainable sourcing programmes) or by using new positioning strategies (e.g. based on circular economy models) are expected to reap strong returns in the post-COVID world. With economic activity regaining momentum, consumer willingness to pay a premium for sustainable brands can help companies in building stronger loyalty and improve long-term profitability.

### Combine net-zero emission targets with circular economy principles

Climate change remains an urgent concern for highly populated regions such as ASEAN. To effectively manage this challenge, emission reduction efforts alone will not be sufficient and must be combined with ways of addressing resource scarcities through circular economy principles. A stronger circular economy can reduce waste, improve resource efficiencies and generate significant economic and social benefits. US MNCs in ASEAN can lead this transition by adopting technologies to minimise production and distribution wastages, or by redesigning products to become more reusable. Dell, for example, is redesigning its products to be easily disassembled for recycling – while also using recycled raw materials for its products and packaging. Companies can also explore new revenue models such as 'product-as-a-service' strategies, to optimise product life and enable greater utilisation.<sup>16</sup>





## B. Drive sustainability adoption across regional operations

US MNCs will need to ensure their sustainability practices also extend across supply and distribution operations in ASEAN, as failure in one weak link can disrupt the entire network. Moreover, according to a report by Standard Chartered, supply chain emissions accounted for an average 73 per cent of an MNC's emissions – making close collaboration with supply chain partners an imperative to achieving sustainability goals. As a start, US businesses will need to integrate sustainability-related criteria in their supplier selection processes in ASEAN (e.g. supplier's exposure to climate risks, or compliance with local environmental regulations). Additionally, MNCs may offer regional partners incentives (e.g. long-term contracts, favourable credit terms) to comply with sustainability KPIs, while providing training assistance and sharing best practices to upskill smaller companies. Finally, US companies in ASEAN will also need to adopt stronger monitoring and reporting systems to continually assess their partner's sustainability performance.<sup>18</sup>

## Standard Chartered joins fight against climate change

Driven by corporate climate commitments, global demand for high-quality carbon credits in the voluntary carbon market is estimated to increase by 15 times by 2030. There is now an urgent need for carbon credits to become a viable, cost-effective solution for companies looking to reduce emissions and meet their decarbonisation goals. Standard Chartered is leading the way on this, with Bill Winters (Chief Executive, Standard Chartered) chairing the Taskforce on Scaling Voluntary Carbon Markets (TSVCM). In May 2021, the Bank also entered into a partnership with industry stakeholders in Singapore to develop Asia's first carbon trading exchange called Climate Impact X (CIX). To be launched by the end of 2021, CIX will be a global carbon exchange and marketplace providing companies with high-quality carbon credits designed to address hard-to-abate emissions. It will use satellite monitoring, machine learning and blockchain technology to enhance transparency, integrity and the quality of carbon credits.<sup>19</sup>



## Coca Cola enhances sustainability efforts in Indonesia



### Background

In 2019, Coca Cola expressed its commitment to the World Without Waste programme that promotes increased recyclability and increase in use of recycled contents in packaging. They have implemented these and other sustainable initiatives in Indonesia.



### Recycling

The company has partnered with Dynapack to build a bottle-to-bottle grade PET recycling facility in Indonesia.

This will allow Coca Cola to produce bottles from recycled plastic, thereby reducing the amount of new plastic resin used by an estimated 25,000 tons each year by 2022.



### Plastic Reduction

Coca Cola is an active partner in the Indonesian government's effort on the 'System Change Scenario of National Plastic Action Partnership' – which intends to reduce ocean leakage in Indonesia by 70% by 2025.

Since 2014, Coca Cola has reduced plastic use across PET packaging in Indonesia by 28.5 per cent.

It has also introduced lightweight plastic bottles in the country, coated with a thin glass layer that require 1,000 tonnes less plastic each year to produce.



### Renewable energy

In 2020, Coca Cola installed 7.13 megawatts of rooftop solar panels at its West Cikarang plant, to power site operations. This installation is estimated to cut carbon gas emissions by up to 8.9 million kg each year.

It is also considering expanding solar farm operations to other sites within Indonesia, and is currently conducting a feasibility study to install solar panels at its Pasuruan plant.

Source: Company website, Jakarta Globe





## 5. Strengthen governance and risk management for resilient and purposeful growth

Besides environmental and social factors, it will also be essential for companies to focus on governance related aspects, to achieve their ESG goals. To be successful, it will be imperative for US companies to recognise institutional differences and market disparities in ASEAN – and strengthen their regional governance and risk management processes accordingly.

### A. Reshape governance to build trust with regional stakeholders

Considering its wide-ranging impact on lives and livelihoods, the pandemic has now created a compelling need to restore trust amongst stakeholders including governments, businesses, employees and communities. Large US companies are well-placed to enable this change – driving new partnerships with ASEAN governments and community organisations for far reaching impact. However, these partnerships will also need stronger governance principles to be successful – fixing accountability for all participants, while keeping some flexibility to redesign tasks as per changing regional needs. Meeting balanced growth objectives will also need more holistic governance frameworks in ASEAN – incorporating multiple aspects such as environmental impact, social responsibility, workforce safety, inclusion and diversity and gender representation, amongst others. Finally, fostering processes that encourage information sharing and transparency will be integral to building trust between partners. New technologies can facilitate real-time visibility for all, but will require stronger data governance and cybersecurity measures to improve resilience.

### B. Develop robust risk management capabilities to manage future disruptions

Disruptions caused by COVID-19 are questioning the viability of traditional growth strategies in ASEAN – requiring companies to develop new models that balance profitability with resilience against emerging risks. Our survey illustrates the risks associated by US companies with operations in ASEAN (Figure 12), with geopolitical and trade issues being a leading concern.

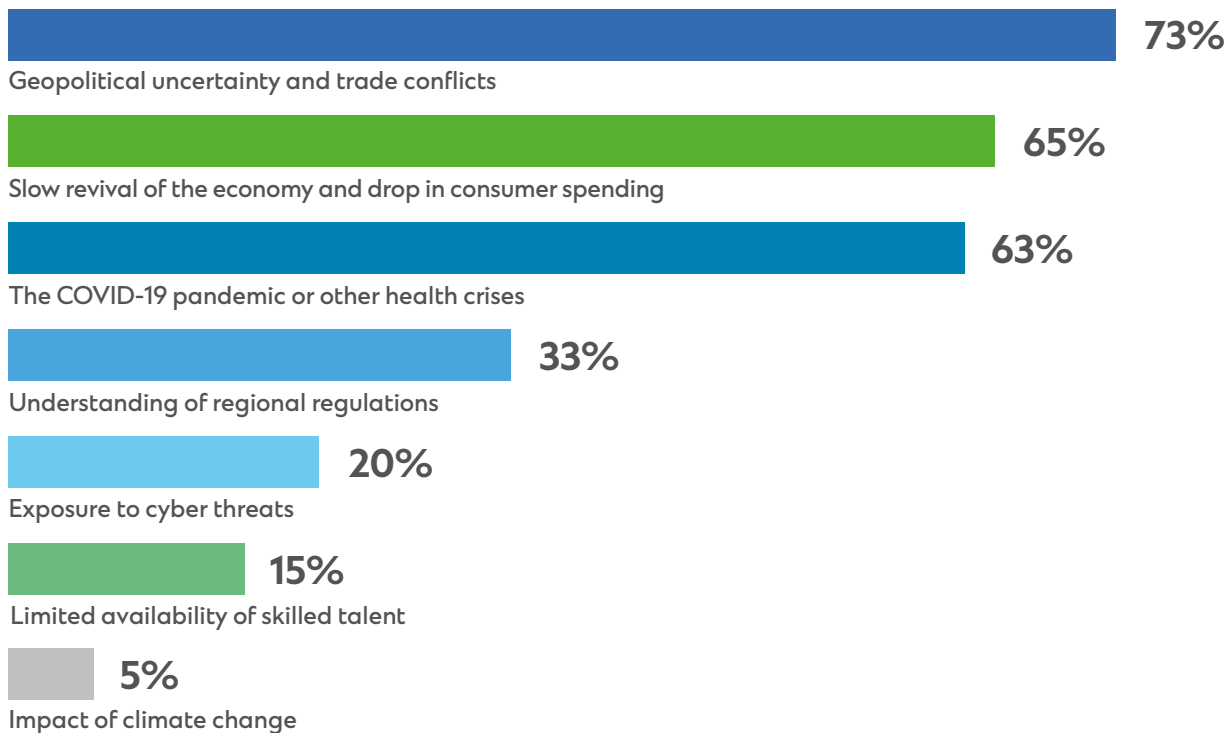
### Bolster data governance for cross-stakeholder collaboration

Improved data governance and protection enabled by new regional initiatives can help instil greater digital trust and promote effective data sharing for growth. In January 2021, the ASEAN Secretariat launched new mechanisms to harmonise data governance practices across the region, and enable companies to participate in ASEAN's digital economy. The ASEAN Data Management Framework (DMF) provides businesses with step-by-step guidance on data governance structures, data protection safeguards and risk management protocols. Other tools under the initiative provide contractual templates to facilitate cross-border data flows between ASEAN countries.

New industry-led solutions are also focusing on this aspect. Standard Chartered is a founding partner of the Singapore Trade Data Exchange (SGTraDex) – a digital infrastructure solution pioneered by the Singapore Together Alliance for Action (AfA) on Supply Chain Digitalisation. The exchange helps streamline information flows across a globally fragmented supply chain ecosystem – offering a scalable and secure data platform for trade partners.<sup>20</sup>





**Figure 12: Key risks for businesses in ASEAN**

Note: Survey question asked: 'What are the key risks for your business in ASEAN? Please select the relevant options and rank them in order of significance, 1 being the highest risk factor.'

Values indicated above refer to the % of survey respondents who included the risk as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021

In view of these issues, US businesses in ASEAN will need to expand their traditional risk management frameworks to strengthen crisis planning. Companies looking to shift manufacturing to ASEAN will need to prioritise environmental and social risks – besides the traditional labour and infrastructure related parameters. For example, risk of natural hazards and the impact of climate change on resource availability will be important when assessing location feasibility. Similarly, US companies will also need stronger risk management frameworks to navigate different political contexts in ASEAN. To manage such issues, US businesses can establish a dedicated risk management team for ASEAN – that will be tasked with monitoring and communicating risks with the regional leadership. This team will need to develop targeted Standard Operating Procedures (SOPs) to manage risks, and outline the company's strategy and communication protocols in case of a disruption. Focus will also need to be given to building stronger scenario-planning capabilities in ASEAN, to anticipate and respond to emerging risks more effectively.<sup>21</sup>

## Conclusion

With the advent of the pandemic and a growing burden of trade and other geopolitical challenges – US businesses will increasingly need to target new international corridors to achieve revenue growth, optimise costs and mitigate business risks. Driven by its strong demand and supply side propositions, ASEAN has the potential to become a major growth partner for US companies in the coming years – across a wide range of consumer, industrial and other emerging sectors such as digital and clean energy solutions. In this regard, working with regional partners, including government agencies, financial institutions and local industry players, will be essential for US companies to understand ASEAN's diverse nuances. US businesses will also need to strengthen their regional supply chains and digitally integrate operations while developing stronger cyber resilience. Changing consumer expectations and government priorities will further require them to lead the development and implementation of ESG objectives in ASEAN – by working with all regional stakeholders through more robust governance frameworks.

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