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Borderless Business: India-ASEAN Corridor

Opening doors to diverse opportunities

Contents:

Executive Summary

Borderless Business: India-ASEAN Corridor, a strategic point-of-view commissioned by Standard Chartered and prepared by PwC, highlights target opportunities and key success factors for Indian companies to drive growth in the Association of Southeast Asian Nations (ASEAN) region. The report analyses macro-level factors, industry shifts and company developments and incorporates insights from a pulse survey[a] of senior-level executives from Indian businesses engaged in cross-border activities across the India-ASEAN corridor.

WHY ASEAN: An expanding trade and investment hub for Indian businesses

ASEAN has emerged as a key growth partner for Indian businesses over the past two decades, on account of its geographical proximity, expanding cultural relations and a promising economic trajectory. Many Indian companies have increased their market presence in ASEAN over the years, covering a wide range of areas such as trade, investments, innovation and talent development. Growing government-level collaboration has also been instrumental in driving economic activity along the corridor. India has signed several trade and investment agreements with ASEAN members, creating more open markets for Indian goods and services. Recent agreements such as the ASEAN-India Plan of Action 2021-25 are further expanding cooperation in areas such as the digital economy and renewable energy, while also strengthening connectivity and financial integration.

Looking ahead, ASEAN seems well-poised to play an important role in enabling India's future growth ambitions. In particular, the region's rising middle class, an expanding industrial sector and growing trade connections with global markets offer attractive propositions for Indian companies seeking growth beyond their domestic shores.

WHERE TO INVEST: Growing sector opportunities enable Indian companies to thrive

ASEAN features amongst the fastest growing digital economies worldwide, with the pandemic triggering a stronger wave of digital adoption. As leading providers of Information Technology (IT) solutions globally, Indian businesses are well-positioned to tap into these trends. 'New economy'[b] Indian companies can also play a major role in driving ASEAN's digital shift by offering more innovative solutions to consumers and enterprises. Seeing the potential, many Indian unicorns are already planning to target ASEAN for growth.

Besides this, growing health-related concerns and expanding healthcare coverage are set to drive demand for

a Survey commissioned by Standard Chartered in September 2021 and completed by senior executives from 41 Indian companies focusing on the India–ASEAN corridor.

b The new economy uses innovation (technological, social, institutional) to drive economic transformation and generate new sources of value adapted to changing societal objectives (World Economic Forum Report, 2020).

Corridor Highlights

USD28B Worth of merchandise exports from India into ASEAN in Q1-Q3 2021

42% Year-on-year growth in merchandise exports from India into ASEAN for Q1-Q3 2021

USD2B Worth of FDI inflows from India into ASEAN in 2020

2x Growth in FDI inflows from India into ASEAN over 2016-2020

Growth Sectors

- IT and new economy businesses
- Pharmaceuticals
- Renewable energy
- Automotive
- Trading

pharmaceuticals. ASEAN's energy demand has also risen sharply, aligned with its economic growth. To meet its needs and address climate concerns, the region is increasingly shifting towards solar and wind-based solutions, offering new opportunities for Indian companies. With rising consumer spending, sectors such as automotive and trading are expected to gain momentum as well. In particular, growing interest in electric vehicles is expected to boost auto demand. While direct entry is being considered by many companies, trading also remains an attractive conduit for market expansion. Driven by its prospering industrial and infrastructure sectors, ASEAN imports from India across areas such as metals, chemicals, machinery and electrical goods, and textiles and apparel continue to register consistent growth.

HOW TO GROW: Focus areas for Indian companies to succeed in ASEAN

Indian businesses looking to seize these opportunities will need to prioritise certain areas to succeed in ASEAN. Alliances with local players will be key to understanding market nuances and bridging capability gaps. Besides corporate partnerships, Indian businesses can also work with other stakeholders such as financial institutions and government agencies to address financing needs, grasp diverse compliance norms and mitigate risks. The ASEAN consumer is increasingly demanding greater choice at more competitive price points, driving many global manufacturers to expand production presence in the region. Large Indian companies can consider this route to growth as well. Besides targeting the regional consumer, Indian manufacturers can utilise ASEAN's trade connections to boost exports across key markets such as the EU and the US. New trade agreements (e.g. Regional Comprehensive Economic Partnership: RCEP) can also help Indian companies in ASEAN to become more competitive in the Asia Pacific region.

Regardless of their route to expansion, it will be important for companies to realise that consumer preferences, employee expectations and government priorities in ASEAN continue to evolve – with COVID-19 accelerating a shift towards sustainability. Accordingly, Indian businesses will need to incorporate Environmental, Social and Governance (ESG) principles in their business models as well – by transitioning to more eco-friendly products, adopting sustainable sourcing practices and enhancing employee and community well-being. ASEAN's fast-changing landscape further requires special attention towards growing digital threats, compelling Indian companies to prioritise cybersecurity measures to manage these emerging risks. Looking ahead, ASEAN offers tremendous potential for Indian companies looking to internationalise. However, businesses will need to evolve with changing times and strengthen their governance and risk management practices to better tackle future disruptions – all while supporting ASEAN in achieving more balanced and inclusive growth.

Survey Insights*

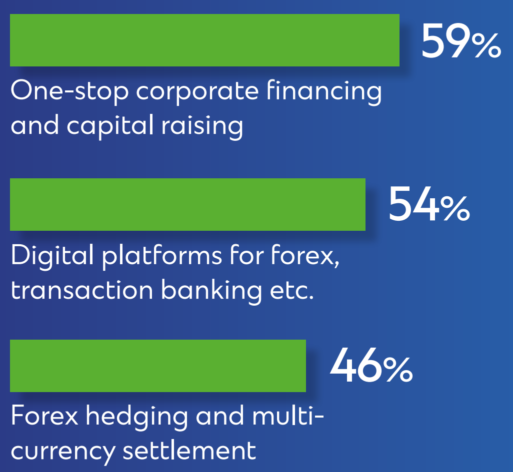
Key focus areas for Indian companies

73% New partnerships and joint ventures

59% Leadership and talent development

41% Sustainability and ESG initiatives

Key requirements from banking partners

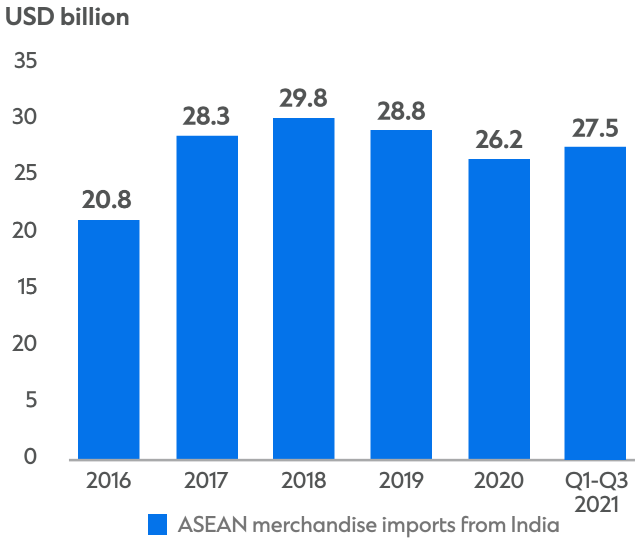


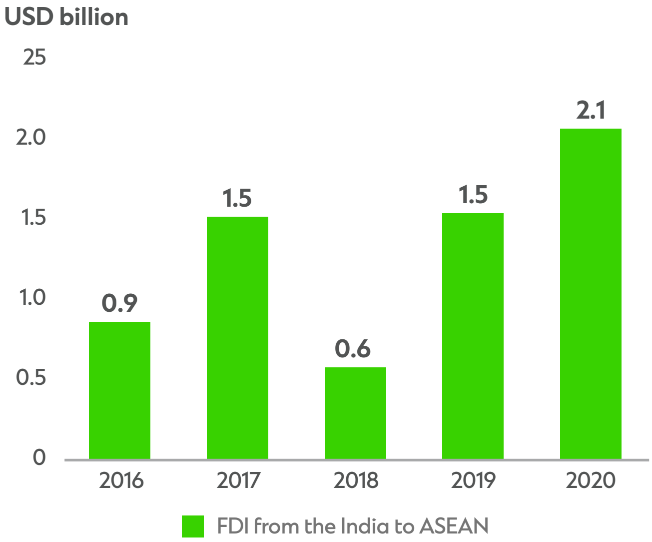
* Values indicate percentage of survey respondents who included the stated factors as one of their top three ranked choices

Overview of the India-ASEAN Corridor:
Opening New Doors for Indian Businesses in ASEAN

Trade and investment relations along the corridor have grown significantly since the first ASEAN-India Summit held in 2002 and today, ASEAN has emerged as one of India's largest trading partners. Within Southeast Asia, Indonesia was the leading destination for Indian exports (20 per cent share) in Q1-Q3 2021, followed by Vietnam (19 per cent), Thailand and Singapore (18 per cent each), and Malaysia (16 per cent) to make up the top five. While trade flows across the India-ASEAN corridor have witnessed a dip in recent years (aligned with global trends), Foreign Direct Investment (FDI) flows from India into ASEAN have risen strongly – more than doubling since 2016 to reach USD2.1 billion in 2020.

Figure 1: Imports and FDI from India into ASEAN





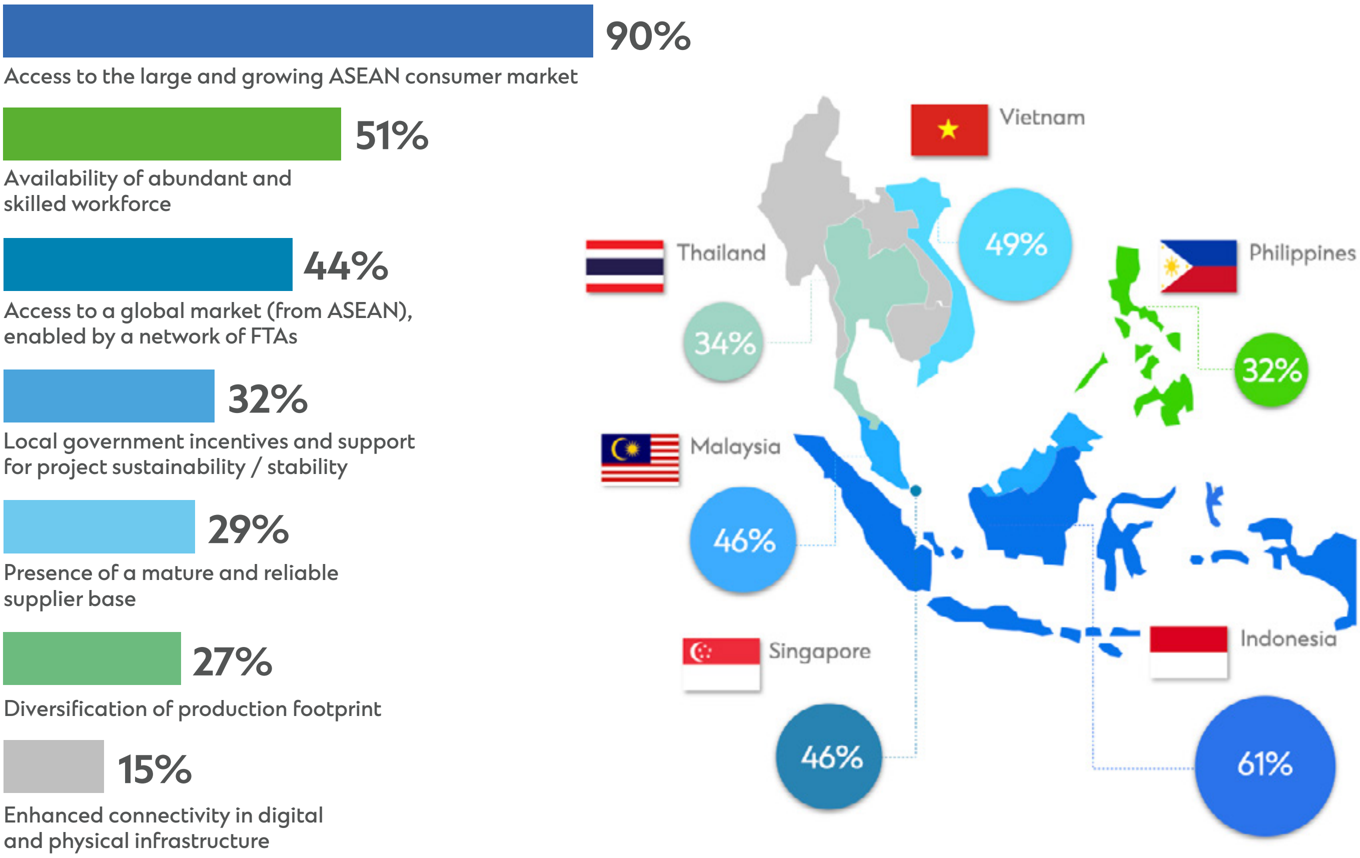
Source: ASEAN Stats

ASEAN's vast and expanding consumer base, along with a rapidly maturing industrial sector, offer an attractive proposition to Indian businesses seeking new growth opportunities. Our survey reveals that a formidable 90 per cent of Indian businesses are driven to ASEAN due to its large market size, while 51 per cent are attracted to the region's extensive talent pool. A majority (61 per cent) of Indian companies viewed Indonesia as their top ASEAN market for expansion, followed by Vietnam (49 per cent), Malaysia and Singapore (46 per cent each). Government-led programmes continue to play a key role in facilitating business activity in the corridor. India views ASEAN as an important growth partner under its 'Act East Policy', and new strategic initiatives have been launched to drive engagement in upcoming sectors such as digital solutions and renewable energy.

46%

of Indian companies expect more than 10 per cent growth in their ASEAN revenues over the next 12 months

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

84%

of Indian companies that consider Singapore a key target market in ASEAN, plan to establish their regional headquarters in the city-state

Singapore emerges as a business hub for Indian companies in ASEAN

Singapore is fast becoming a major hub for Indian companies looking to expand into ASEAN. Attracted by its institutional stability, robust infrastructure and strategic location in Southeast Asia, more than 8,000 Indian companies were already registered in the country, as of 2020. Our pulse survey further reveals that a vast majority of Indian companies targeting Singapore plan to establish their ASEAN headquarters in the country (including sales, marketing and corporate functions). A notable 20 per cent of these Indian businesses are also looking to create holding companies or investment vehicles in Singapore, being attracted to its favourable tax, investment and legal climate. Singapore hosts centralised treasury centres for many international companies, to help monitor cash flows and manage currency risks across their ASEAN operations. Finally, the country's robust financial markets, advanced technology ecosystem and innovation-driven policies are attracting a growing number of Indian start-ups to make Singapore their gateway into the larger ASEAN market.[2]

Trade and investment initiatives drive Indian businesses to expand in Southeast Asia

Economic ties between ASEAN and India have been facilitated through various multilateral and bilateral initiatives. In particular, the ASEAN-India Free Trade Area (AIFTA) has been a significant driver of economic activity, eliminating tariffs for 75 per cent of goods traded across the corridor. Similarly, the ASEAN-India Investment Agreement (AIIA) has helped attract Indian investments into growing ASEAN markets. Besides these, key bilateral agreements such as the India-Singapore Comprehensive Economic Cooperation Agreement (CECA) and the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) continue to drive corridor trade (across goods and services) and improve market access for Indian companies. More recently, the 'India-Vietnam Joint Vision for Peace, Prosperity and People' was announced in December 2020, to deepen collaboration in areas of information and communication technology (ICT), renewable energy, smart cities and e-commerce. In another notable development, the Monetary Authority of Singapore and the Reserve Bank of India have announced plans to link their payment systems by July 2022, in order to drive faster and cheaper cross-border payments.[3]

A vibrant consumer market and an expanding industrial base offer new growth avenues

ASEAN is the world's third most populous economy at present, and the region's consumer market is projected to reach USD4 trillion by 2030. Growth will be driven by ASEAN's expanding middle class[c] accounting for more than two-thirds of the population by 2030. This will create new opportunities for businesses offering higher quality products, greater product choice and richer experiences to ASEAN consumers. In addition, ASEAN's industrial base has also been experiencing robust growth, with many multinationals (MNCs) increasing regional production to remain cost competitive and address global supply chain risks.

The availability of attractive government incentives and access to a large and skilled workforce are further promoting production investments in the region. Led by these trends, Manufacturing Gross Value Added (GVA) in ASEAN-6[d] countries is expected to reach USD950 billion by 2025, growing annually by 9 per cent over 2020-25. With expanding manufacturing activity, ASEAN's demand for industrial inputs (e.g. metals, machinery) will also continue to rise, creating even greater trading opportunities for Indian companies.[4]

Strategic government programmes focus on bolstering future economic collaboration

With its 'Act East' Policy, India aims to enhance trade and commerce with its eastern neighbourhood, positioning ASEAN as an important player in driving its future growth aspirations. The Indian Government has established 'comprehensive strategic partnerships' with individual ASEAN countries such as Indonesia, Malaysia, Singapore and Vietnam, making stronger economic engagement an important objective of these bilateral arrangements. At a more regional level, the 'Mekong Ganga Cooperation (MGC) Plan of Action (2019-2022)' aims to strengthen transport and digital connectivity and foster social innovations amongst member countries (Cambodia, India, Laos, Myanmar, Thailand and Vietnam). Besides this, the 'ASEAN-India Plan of Action 2021-25' was also recently adopted to develop a more impactful alliance. The plan envisages greater cooperation in areas such as energy, digital economy, food and agriculture, and climate change. It seeks to achieve this by facilitating trade and investments, bolstering transport connectivity, strengthening financial integration, building workforce skills and promoting collaboration between ASEAN and Indian businesses.[5]

c Defined as households with daily expenditures of US$10-100 per person, in purchasing power parity terms

d ASEAN-6 markets include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam

"ASEAN is increasingly an important trade and investment destination for India. In the first three quarters in 2021, the worth of merchandise exports from India into ASEAN was USD28 billion. The region has also been attracting more and more direct investments from India, with a two-fold increase since 2016, to reach USD2.1 billion in 2020. As the only international bank with a presence in all 10 ASEAN markets and having been in the region for more than 160 years, Standard Chartered has a deep understanding of the local nuances, business practices and regulatory environment. This puts us in a good position to support Indian companies in capturing the various growth opportunities that ASEAN offers, especially in growth sectors such as pharmaceuticals, renewable energy and electric vehicles."

Freddy Ong
Head of Client Coverage,
Corporate, Commercial and Institutional Banking, Singapore, Standard Chartered

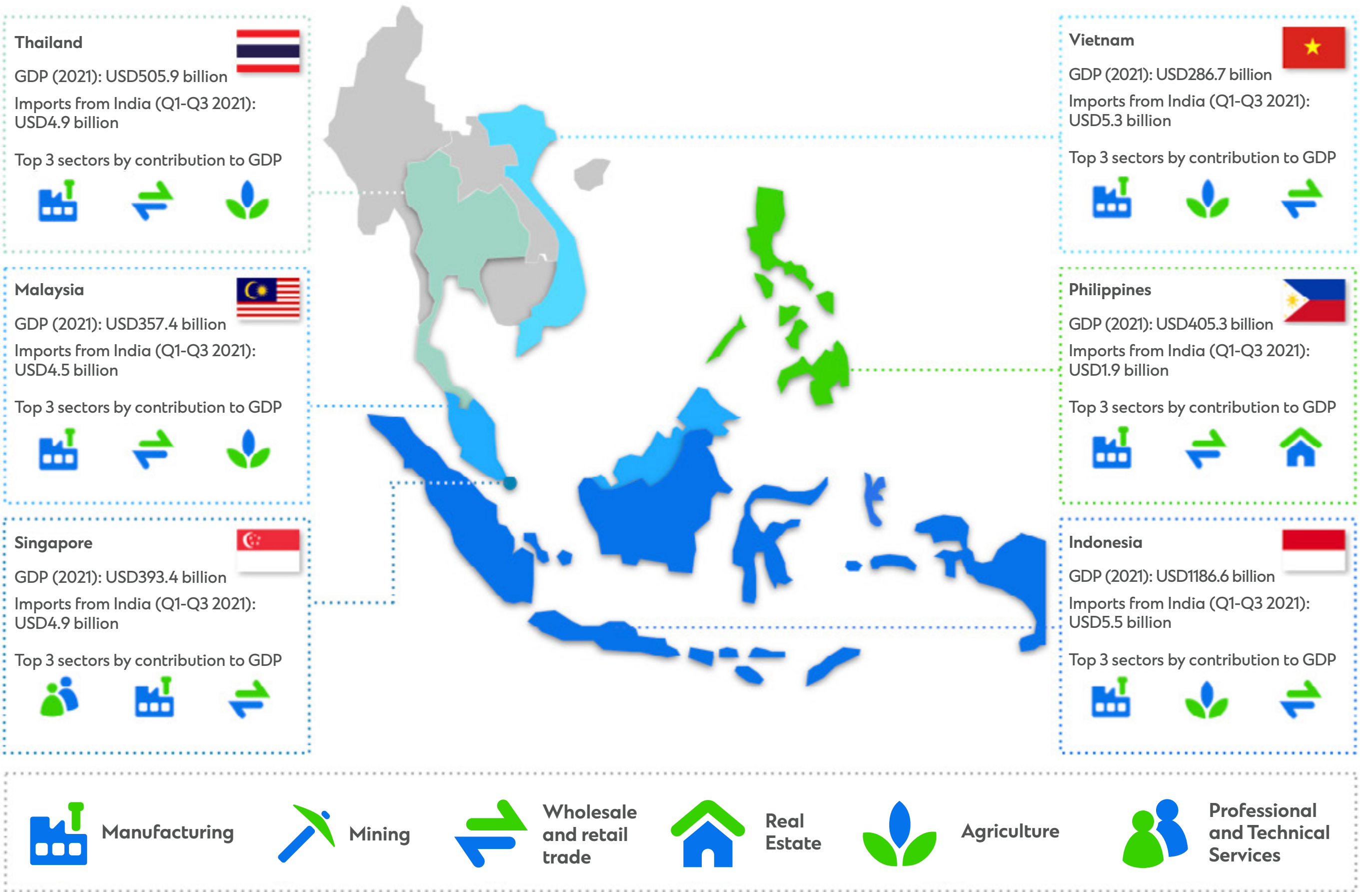
"ASEAN is one of India's largest trading partners. With its 'Act East' Policy, India aims to enhance trade and commerce with its eastern neighbours, positioning the ASEAN region as an important player to deliver future growth aspirations for the nation. Standard Chartered is committed to delivering sustainable trade finance solutions to our clients – this trade corridor is expected to grow rapidly on the back of a strong Government impetus and a perceptible shift in consumer demand in favour of clean technology. Sectors like IT services, trading, pharmaceuticals, automobile (particularly electric vehicles) and renewable energy offer significant export opportunities to Indian firms. With Standard Chartered's long-standing and prominent presence in ASEAN and India, we are uniquely-positioned to facilitate the growth of trade and commerce in this extremely important trade corridor."

Gaurav Bhatnagar
Head of Trade and Working Capital,
India and South Asia,
Standard Chartered

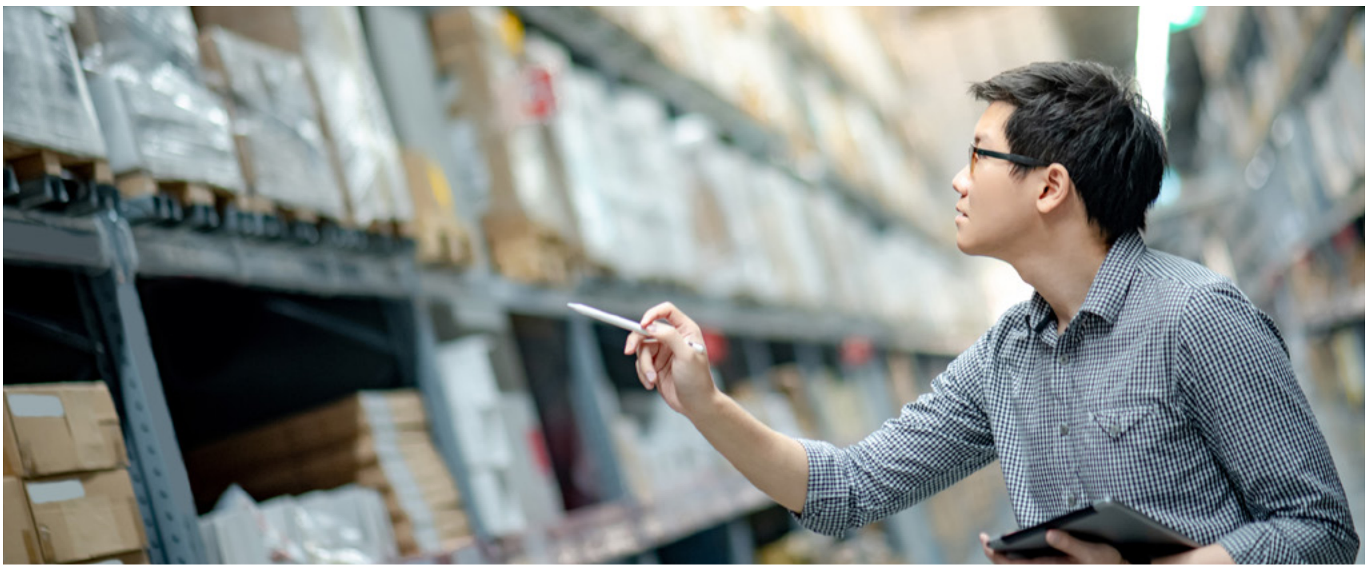
Our Growth Watchlist: Five Sectors Driving the Future of the India-ASEAN Corridor

ASEAN's steady economic rise has brought increasing prosperity to its people, with ongoing market reforms and new government initiatives driving a strong post-COVID recovery. Led by favourable demand trends and long-term industry shifts, ASEAN continues to generate significant opportunities for Indian businesses across a varied list of sectors. The region's drive for digital transformation is creating new growth prospects for India's technology stalwarts and emerging 'new economy' companies. A booming consumer market is also driving growth in sectors such as pharmaceuticals, energy and automobiles. However, an ongoing shift towards sustainability will create stronger demand within green segments such as renewables and electric vehicles in the years ahead. Besides these, demand for key Indian imports will also remain strong, especially for metals, machinery and chemicals to support ASEAN's thriving industrial sector.

Figure 3: Key sectors in ASEAN-6 (by contribution to national GDP), 2021



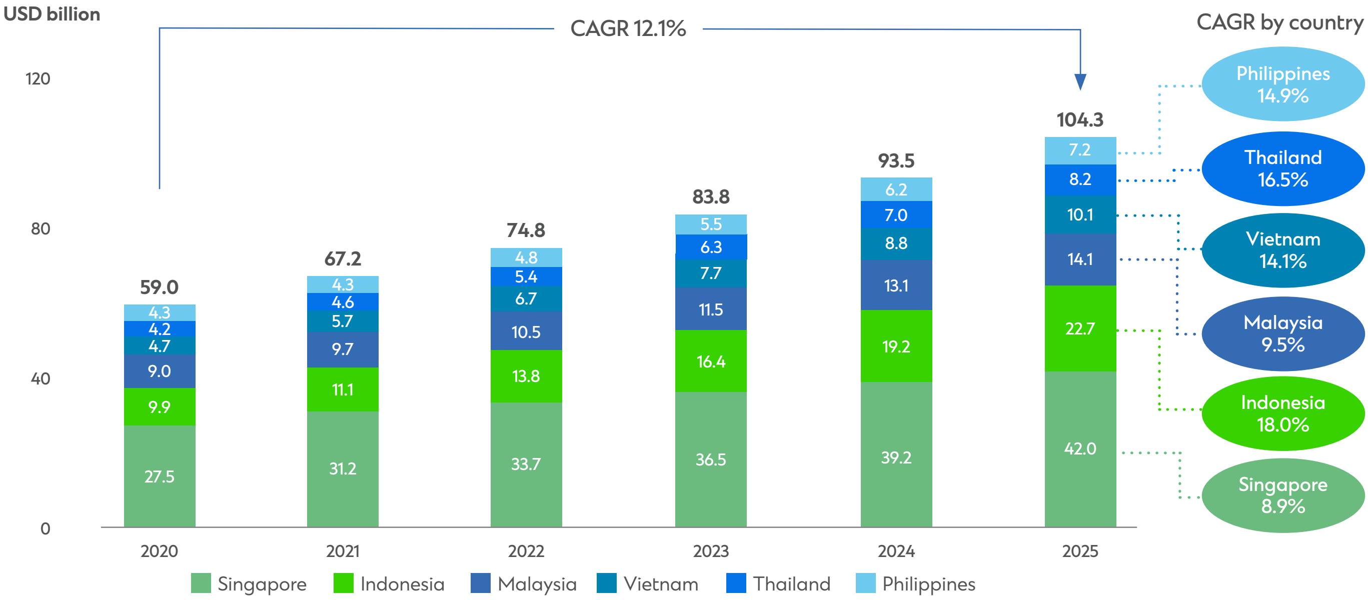
Source: ASEAN Stats, IMF, Fitch Solutions



I. Surging digitalisation offers new business opportunities

Accelerated by COVID-19, digitalisation is increasingly being prioritised by ASEAN markets to drive economic growth. Adding almost 125,000 internet users every day, ASEAN's digital economy is estimated to contribute another USD1 trillion to the region's GDP by 2030. These trends are creating new opportunities for Indian companies, with demand for Information Technology (IT) software and services in ASEAN-6 expected to reach USD104 billion by 2025. Being leading exporters of IT solutions worldwide, large Indian technology businesses are well-suited to explore these prospects, while creating opportunities for new economy companies as well. Southeast Asia is projected to be one of the largest markets globally for digital businesses, with 80 per cent of its population expected to be online by 2030. The rising presence of digitally native and younger shoppers, growing consumer spending and increasing government-level collaboration, further make ASEAN an attractive choice for Indian digital companies. The corridor is already witnessing growing activity in the sector. As per a 2020 study, more than 35 notable Indian start-ups have either expanded or were planning to enter Southeast Asia, across areas such as consumer services, enterprise technology and fintech solutions.[6]

Figure 4: IT software and services sales in ASEAN-6 countries



Source: Fitch Solutions

ASEAN's digitalisation push is driving Indian technology companies and start-ups to expand operations in the region

Singapore

Aiming to become a leading technology hub by 2025, Singapore's 'Smart Nation' strategy plans to drive the adoption of high-tech digital solutions across industries. The country's 2021 Budget has also allocated USD740 million to help local businesses in becoming digitally ready over the next three years. India's Ed-tech platform Byju's acquired Singapore-based Great Learning in 2021, in a deal valued at USD600 million to further expand its service offerings and market reach.

Malaysia

Recent government budgets and stimulus packages have provided strong incentives for digital transformation among businesses. Malaysia's response to the pandemic has also included measures to boost digital payments and e-commerce through programmes such as ePENJANA, MSME E-Commerce and Shop Malaysia Online. India's TCS is currently working with the Malaysian Government to create new tech jobs and develop digital talent, as part of the national MyDIGITAL initiative.

Vietnam

The country aims to accelerate digitalisation through trainings, consultancy and funding assistance for businesses, supporting at least 800 firms, 100 cooperatives and 4,000 household businesses in becoming models of digital transformation by 2025. India's HCL Technologies began operations in Vietnam in July 2020, with plans to hire 3,000 local employees by 2023, to cater to clients across financial services, healthcare, infrastructure, engineering and cybersecurity.

Source: Singapore Infocomm Media Development Authority, The Hindu, Nikkei Asia, Vietnam Plus, Company Press Releases

New economy companies from India are targeting growth opportunities in ASEAN's booming digital sector

Byju's acquires Singapore's Great Learning to expand market offerings

India's education technology unicorn Byju's acquired Singapore-based Great Learning in a USD600 million deal in 2021 – to foray into the professional upskilling and higher education segment.

As of July 2021, Great Learning had served 1.5 million users through its network of 2,800 industry experts worldwide. It also works with over 500 corporate partners for their upskilling and talent needs.

The acquisition has helped Byju's gain expertise in professional courses such as data sciences, business analytics and cloud computing. Byju's plans to invest an additional USD400 million to accelerate Great Learning's growth.

CarDekho plans expansion across key Southeast Asian markets by 2022

India's auto search and e-commerce platform CarDekho aims to grow its presence in ASEAN in the coming years. In particular, it plans to enter Malaysia in 2021, followed by Thailand and Vietnam in 2022.

The company has earmarked USD25 million for its expansion programme in the region.

Replicating its growth strategy in India, CarDekho plans to first focus on its 'new auto' business in these target markets, followed by 'auto finance' and 'used cars' verticals.

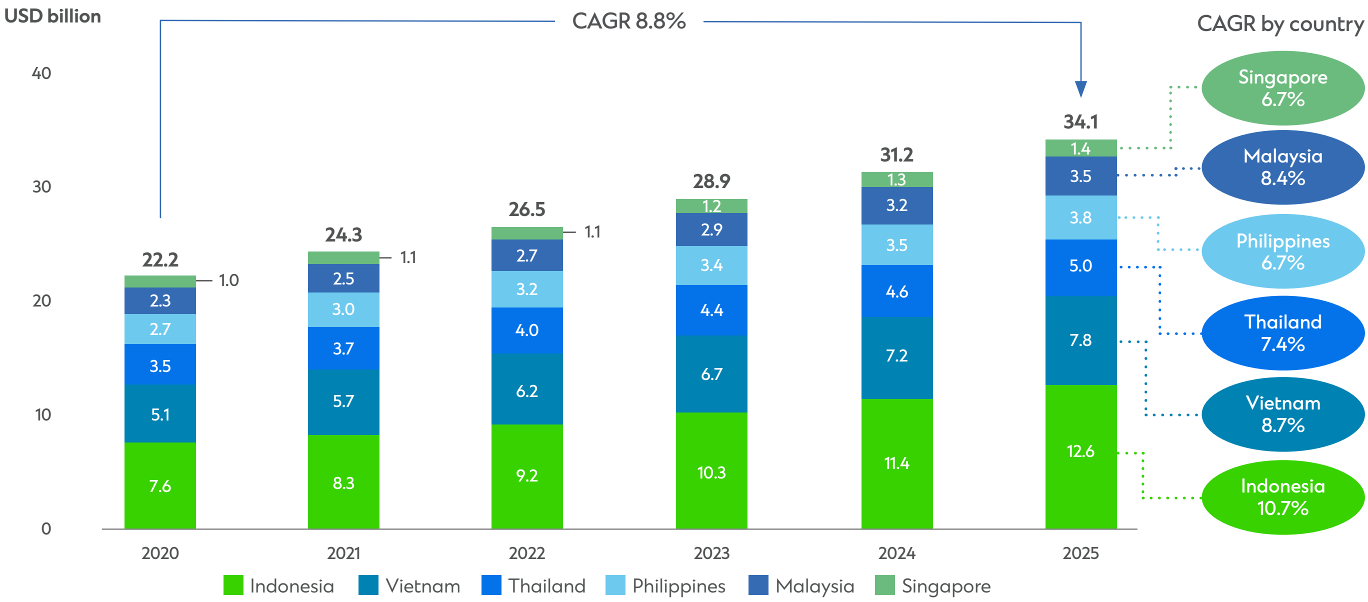
CarDekho already has a strong presence in ASEAN markets such as Indonesia (since 2015) and the Philippines (since 2019).

Source: Economic Times, Tech in Asia, Mint

2. Pharmaceutical sales rise amidst growing health concerns

Demand for pharmaceuticals is expected to remain strong in ASEAN, driven by the implementation of universal healthcare schemes across many regional markets and increased commitment to the healthcare sector by governments amidst the pandemic. An ageing population in certain markets such as Thailand and Singapore, and growing prevalence of lifestyle-related diseases are also expected to boost healthcare spending across the region. Led by these factors, the pharmaceuticals market in ASEAN-6 countries is projected to reach USD34 billion by 2025, growing at 8.8 per cent annually over 2020-25. Indonesia, Vietnam and Thailand represent the largest markets at present, collectively accounting for three quarters of regional demand in 2020. With healthcare affordability becoming a priority across these leading countries, generic drugs are expected to drive demand growth in ASEAN. As one of the largest manufacturers and exporters of generic medicines, Indian pharmaceutical companies are well-positioned to address these needs. Recent trends already suggest a growing Indian presence, with ASEAN's pharmaceuticals imports from India reaching USD1.2 billion in 2020, growing at a high 13 per cent (CAGR) over 2016-20.[7]

Figure 5: Sales of pharmaceutical products in ASEAN-6 countries



Source: Fitch Solutions

Policy support in major ASEAN economies is helping boost the pharmaceuticals sector

Indonesia

To attract foreign investors, Indonesia's New Investment List has lifted caps on foreign investment in the pharmaceuticals sector, permitting 100 per cent foreign ownership in manufacturing and wholesaling of finished and raw pharmaceutical products. In October 2020, Hetero, a leading Indian producer of generic and antiretroviral drugs, partnered with Indonesia's PT Kalbe Farma to launch the antiviral drug 'Covifor' for COVID-19 treatment in Indonesia.

Vietnam

The government aims to increase the share of locally-produced pharmaceuticals to 80 per cent (45 per cent at present), and is offering favourable income tax and import tax policies along with land rent exemptions to manufacturers. In July 2021, a group of Indian pharmaceutical firms announced plans to develop a USD500 million Pharma Industrial Park in Vietnam. Besides addressing local needs, the park is also expected to generate export revenues of around USD5 billion annually.

Thailand

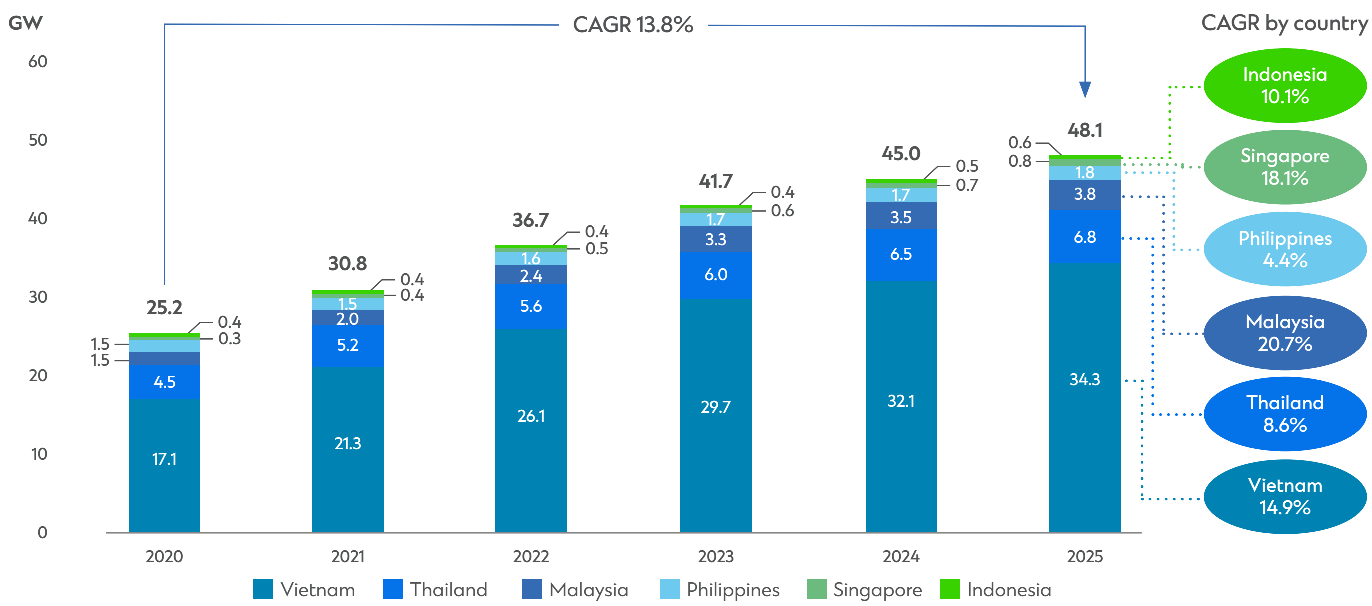
As part of its goal of becoming a regional life sciences centre, Thailand's Government has selected healthcare to be one of its 10 priority industries – granting incentives to pharmaceutical investors and developing a regulatory framework to support local R&D activities. Many major Indian pharmaceutical companies such as Sun Pharma and Dr Reddy's Laboratories have a longstanding sales presence in the country. Sun Pharma also has contract manufacturing arrangements in Thailand.

Source: CPhI, Vietnam Investment Review, Vietnam Plus, Hindu Business Line, Company websites

3. Energy security and climate concerns spur growth in renewables

Led by steady economic growth and improvements in living standards, ASEAN's energy requirements continue to be on a sharp growth trajectory. Over the past two decades, electricity consumption in ASEAN has grown at 6 per cent annually (amongst the fastest rates globally), and is projected to increase further by 70 per cent by 2040. To meet these needs and address concerns over rising emissions, ASEAN governments are targeting a notable 23 per cent share of renewables in total primary energy supply by 2025. In particular, solar and wind energy segments are expected to drive growth. Vietnam is a leading regional market at present, accounting for more than two-thirds of installed solar and wind energy capacity in ASEAN in 2020. Malaysia has also emerged as a major destination for manufacturing photovoltaic systems, while Singapore is aiming to become a green financing hub in Asia, launching initiatives, such as the Singapore Green Finance Centre (SGFC), to promote research and talent development in this field. Expansion plans such as these are creating new opportunities for Indian businesses seeking to invest or provide solutions to help attain ASEAN's sustainability objectives.[8]

Figure 6: Solar and wind energy capacity in ASEAN-6 countries



Source: Fitch Solutions

ASEAN's green energy goals are driving growth in the solar and wind energy segments

Indonesia

Indonesia's 2021-2030 National Electricity Plan seeks to increase the share of renewables in power generation to 48 per cent, a strong rise over a 30 per cent target set in the prior 2019-2028 plan. Solar energy is a key focus area and Indonesia plans to develop 60 new floating PV plants by 2030. India's Fourth Partner Energy (4PEL) entered into a Joint Venture with Indonesia's Indika Energy in March 2021, to develop integrated solar, storage and EV charging solutions in the country.

Vietnam

As part of its Power Development Plan 8 programme, Vietnam plans to triple renewable energy production by 2045. It has allowed 100 per cent foreign ownership in the renewable energy sector and is prioritising the development of 35 new offshore wind projects by 2030. In 2020, a Joint Venture between India's Adani Green Energy Limited and Vietnam's TSV commenced construction work for the 27.3 MW Phuoc Minh Wind Power Project in the Ninh Thuan province of Vietnam.

Malaysia

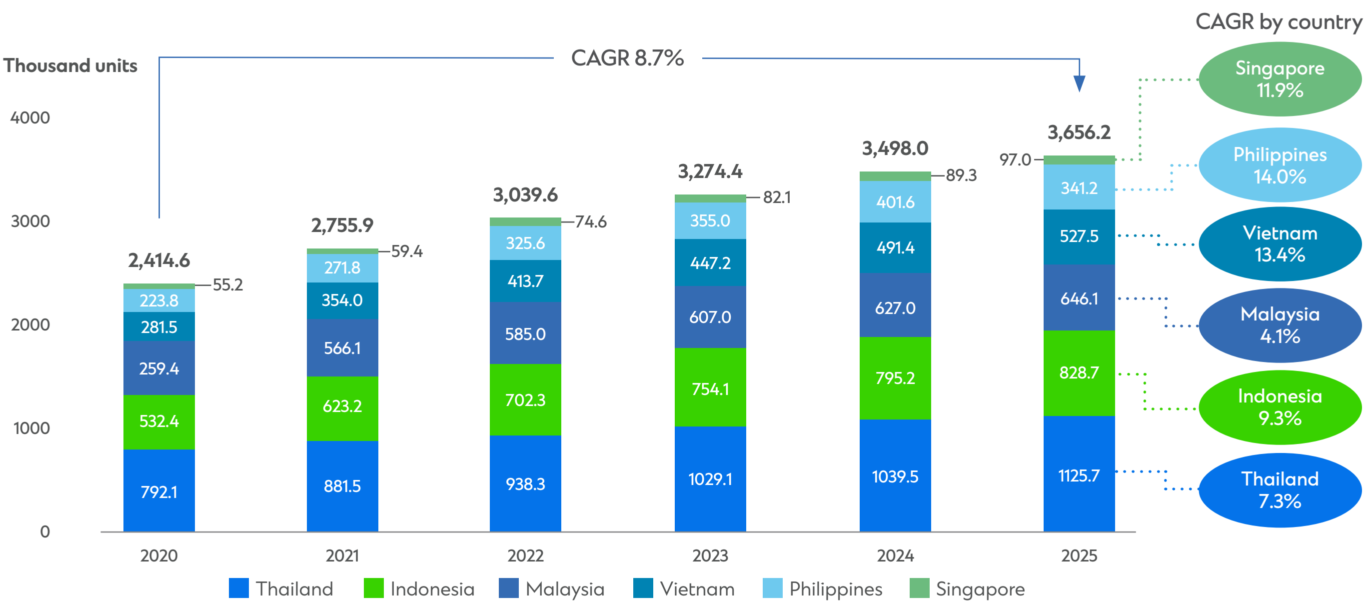
Malaysia's updated Renewable Energy Policy aims to boost the share of renewable energy in total installed capacity to 31 per cent by 2025 and 40 per cent by 2035. The majority of Malaysia's renewable energy needs are expected to be met by the solar segment. New government initiatives such as the Green Technology Financing Scheme 3.0 (GTFS 3.0), launched in November 2020 are helping improve access to sector funding and foster the development of sustainability standards.

Source: Company websites, Vietnam Times, Vietnam Plus, The Star, Green Tech Malaysia

4. Auto sales to regain momentum with rising interest in Electric Vehicles

As the region recovers from the pandemic, improved consumer sentiment and increased business activity are expected to revive growth in the automotive sector in ASEAN. Vehicle sales are projected to rise at 8.7 per cent annually to reach 3.7 million units by 2025, with segments such as Electric Vehicles (EVs) gaining strong interest and witnessing rising investments from global businesses. Thailand, the region's leading auto market, aims to sell only EVs by 2035, while Indonesia plans to become a major hub for EV battery production by leveraging its vast nickel resources. Governments across the region are also offering incentives and building support infrastructure to facilitate growth. For example, Malaysia is offering tax incentives to EV buyers under its National Automotive Policy (NAP 2020), while Singapore is looking to deploy 60,000 charging stations by 2030, up from only 1,900 currently. Two-wheelers are expected to lead EV adoption in ASEAN considering their lower cost of ownership as compared to other vehicle segments. Anticipating this potential, several new economy Indian companies such as Ola Electric and Ather Energy have already expressed plans to launch electric scooters in Southeast Asia in the coming years.[9]

Figure 7: Sales of passenger and commercial vehicles in ASEAN-6 countries



Source: Fitch Solutions

ASEAN governments increase focus on Electric Vehicles to transform their domestic automotive markets

Thailand

Government schemes to boost demand (e.g. vehicle scrappage incentives) and industrial policies designed to attract manufacturing investments (e.g. reduced excise taxes for EV manufacturing) are driving growth. In July 2020, India's Bajaj Auto announced plans to set up an R&D centre and an International Business Centre (IBC) in Thailand, to enable growth across its ASEAN operations. It is also establishing a distributor network in the country for its line-up of premium sports bikes.

Indonesia

Demand for passenger and electric vehicles is expected to be spurred by the easing of vehicle loan requirements, suspension of luxury vehicle taxes and government policies encouraging EV adoption (such as tax holidays for EV producers). India's TVS Motor Company has a long-established sales and manufacturing presence in Indonesia. In 2020, the company announced plans to boost exports from its Indonesian unit, to expand to other international markets.

Vietnam

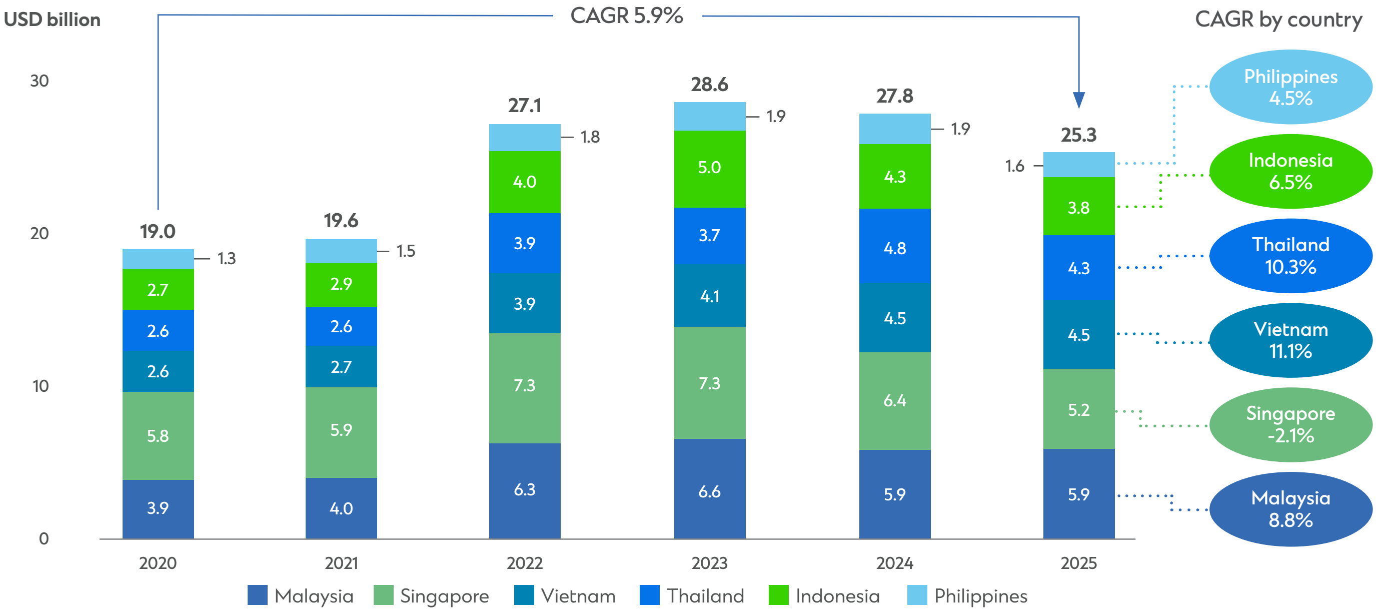
Vietnam has announced plans to cut registration fees for new electric vehicles by 50 per cent, as compared to vehicles with internal combustion engines. The fee reduction came into effect at the end of 2021 and will be valid for five years. Leading Indian players are also targeting expansion in Vietnam. Tata Motors (in partnership with Vietnam's TMT Motors) launched a new line of trucks in 2019 to strengthen its position in the country's light-duty commercial vehicle segment.

Source: ASEAN Briefing, Times of India, Mint, Vietnam News. The Hindu Business Line

5. Trading remains a strong channel for business growth

Besides direct expansion, ASEAN continues to offer trading opportunities for Indian companies targeting overseas growth. Merchandise imports from India into ASEAN-6 have grown substantially from USD19 billion in 2015 to USD25 billion in 2020. Accounting for almost 20 per cent of these imports, metals represent a key trading segment. Rising demand for iron and steel continues to drive metals trade, aligned with greater industrial and infrastructure investments in ASEAN. Increased cost-competitiveness has also bolstered India's aluminium exports, having found a major market in ASEAN (31 per cent of India's global exports in 2020). Chemicals is another major trading segment, accounting for 12 per cent of India's imports into ASEAN in 2020. Demand for speciality chemicals is on the rise across industries such as automobiles, electronics, life sciences, construction and textiles in Southeast Asia. In addition, many MNCs are looking to reduce their over-reliance on a few countries (such as China) for supplies – offering opportunities for Indian businesses to benefit from these trends. With ASEAN's widening industrial base and fast-expanding consumer demand, other trading segments such as machinery and electrical goods and textiles and apparel are also expected to register growth across the corridor.[10]

Figure 8: Merchandise imports from India into ASEAN-6 countries



Source: ASEAN stats

Indian businesses continue to trade a wide range of products with ASEAN

Thailand

The country imported USD870 million worth of machinery and electrical goods from India in 2020, making it the largest ASEAN destination for Indian goods in this segment. In 2020, Thailand adopted a revised Power Development Plan that seeks to add 56,431MW of capacity by 2037, creating demand for power generation equipment. India's BHEL views Southeast Asia as a key market for exports, and is focusing on both the traditional and renewable power sector.

Vietnam

Vietnam is ASEAN's largest importer of Indian iron and steel products, importing USD1.2 billion worth of goods in 2020. Continued investments in the country's industrial and infrastructure sectors is expected to boost steel consumption – relying mainly on imports, for flat steel products. Indian steel producer SAIL already exports to ASEAN markets such as Vietnam (and the Philippines) and considers Southeast Asia as a high potential region to drive future growth.

Singapore

Singapore has emerged as a regional leader in the production of biopharmaceuticals, operating over 50 biopharma manufacturing plants at present. Indian chemicals manufacturer Anupam Rasayan derives 68 per cent of its annual revenues from overseas markets, led by areas such as life-sciences chemicals, dyes and polymer additives. Singapore denotes a major export market for the company (largest in Asia), accounting for 17 per cent of its annual revenues in 2020.

Source: Enterprise Singapore, Vietnam Plus, Hindu Business Line, Argus Media, Company Reports

Role of financial partners

Financial partners can provide companies with financing and cash management solutions to facilitate cross-border payments, collections and liquidity management. They can further help navigate complex regulations across global markets and ease the client's compliance burden.

Case study:

Trade facilities and support for an Indian Engineering, Procurement and Construction (EPC) company

Background

Client is a leading Indian EPC company having a presence in areas such as power transmission and distribution and cable and tower supply in Southeast Asia (Malaysia, Thailand) and other global markets.

Client needed an Authorised Dealer (AD) Bank to approve project exports as per Reserve Bank of India (RBI) guidelines. It also required trade facilities (such as pre-shipment export finance, issuance of cross-border guarantees), as well as solutions for remitting export proceeds to India.

Transaction Highlights

Acting as the AD bank, Standard Chartered provided Project Export Memorandum (PEM) approvals as per RBI norms.

On the financing side, the Bank's One-stop Guarantee Programme supported the client with the issuance of cross-border bank guarantees.

Standard Chartered's presence in target markets also helped meet the client's cash management needs. The Bank opened local currency accounts for the client to manage project expenses and remit funds to India.

Impact

Enabled greater convenience for the client, allowing them to issue bank guarantees across the globe by leveraging Standard Chartered's extensive network.

Facilitated faster realisation of export proceeds and eased the management of local expenses.

Lowered the client's compliance burden by providing guidance on market regulations (both for India and target destinations).

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

Indian businesses targeting ASEAN's diverse and evolving markets must consider several critical areas to achieve profitable and resilient growth. Our survey results demonstrate (see Figure 9) that almost three-quarters of Indian businesses are seeking local partnerships to ease entry and enhance market presence in ASEAN. In addition, a notable share of companies are looking to adopt sustainability principles while also embarking on a digitalisation journey to evolve as per ASEAN's changing needs. Many Indian businesses are planning to expand their production networks in ASEAN as well, to improve their regional competitiveness and target global exports. Supporting all these focus areas is the need to develop local talent and adopt stronger risk management practices in ASEAN - these crucial aspects are being recognised by many Indian businesses 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

1. Enter local partnerships to enhance market understanding and address capability gaps

Regional alliances can enable Indian companies to successfully navigate ASEAN's diverse regulatory and business landscape. In particular, Indian businesses can take advantage of the region's mature support ecosystem, comprising government agencies and financial institutions, to accelerate their growth plans.

A. Leverage corporate mergers and acquisitions (M&A) to adapt the business model

For successful expansion, Indian businesses will need to strengthen their understanding of local practices, policy requirements and the competitive landscape in ASEAN. Consumer preferences in the region are also evolving rapidly, requiring companies to provide more targeted offerings with greater agility. A growing number of Indian businesses are therefore exploring Joint Ventures (JVs) with local players to address these concerns. By suitably adapting their business models for the ASEAN market, partnerships can help ease entry requirements and reduce investment risks for Indian companies. Besides this, larger Indian companies can also consider acquisitions in ASEAN to expedite their internationalisation plans. Acquisitions can provide quicker access to new resources and capabilities in emerging sectors (such as electric vehicles or digital technologies), which will be critical to staying competitive in the future.

To achieve their growth objectives, Indian businesses considering the M&A route will need to focus on cultural integration with their ASEAN partners. Establishing a dedicated corporate alliance function to oversee international partnerships in ASEAN can help in this regard. This function will be responsible for spearheading integration efforts, and help partner companies to overcome differences in their organisational structures and business practices.

73%

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

Support ASEAN's talent development efforts for the future

Indian businesses can play a key role in developing local talent in ASEAN and support the region in becoming future-ready. By sharing their expertise and best practices, large Indian companies can help ASEAN in developing more specialised skills, and in turn emerge as strategic growth partners for regional governments.

For example, through its Initial Learning Programme (ILP), Tata Consultancy Services (TCS) is contributing to Malaysia's efforts in bridging digital skill gaps – developing talent in areas such as coding, data analytics and application development. In another initiative, the company has partnered with Petronas to launch 'SEEd.Lab', an incubation programme supporting entrepreneurs in Malaysia. Similarly, HCL Technologies is developing digital talent in Vietnam, working closely with local technology and engineering institutions. Our survey further affirms a strong realisation of this aspect, with 59 per cent of Indian companies considering leadership and talent development as a key focus area for growth in ASEAN.[11]

Local partnerships provide Indian businesses with a foundation for growth in ASEAN

India's Rebel Foods establishes local alliances to expand across Southeast Asia

India's Rebel Foods and Indonesia's Gojek entered into a Joint Venture (JV) in 2019, with the aim of establishing up to 100 cloud kitchens or delivery-only restaurants across Indonesia. The partnership has already launched 40 cloud kitchens, as of July 2021.

Rebel Foods brings its extensive operations experience in running cloud kitchens to the JV, with Gojek offering its broad customer base and delivery network in Indonesia. Gojek is also exploring its user data to offer more tailored choices to consumers.

Following its entry into Indonesia, Rebel Foods has further expanded its footprint in Southeast Asia with the help of other local partners. It currently also operates in Malaysia, the Philippines, Singapore and Thailand.

Tata Motors takes the partnership route to target the commercial vehicles market in Vietnam

Since 2015, India's Tata Motors has been working with its partner TMT Motors, a leading automobile manufacturer and distributor in Vietnam, to strengthen its footprint in the Southeast Asian country's commercial vehicles market.

As part of the distribution, supply and technology license agreements signed with its Vietnamese partner, Tata Motors provides Completely Knocked Down (CKD) and Completely Built Unit (CBU) vehicles for assembly and distribution by TMT motors.

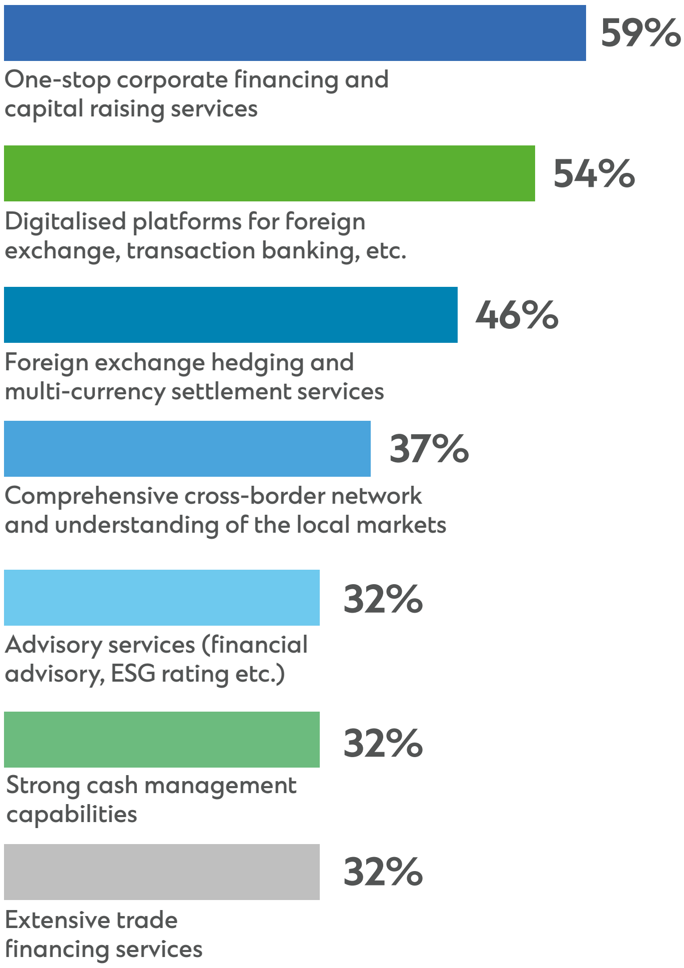
With support from its partner, Tata Motors has been steadily expanding its portfolio of vehicles and sales points in Vietnam. In 2018, it established a new 3S (sales, service and spares) facility in Ho Chi Minh — the largest integrated commercial vehicle dealership in Vietnam. The company also launched a new Ultra Basic Utility Vehicle (BUV) range of light commercial vehicles in 2019.

Source: Mint, Hindu Business Line, Autocar Professional, Nikkei Asia

B. Explore cross-stakeholder partnerships to strengthen expansion plans

ASEAN's ecosystem of government institutions and financial partners can offer strong assistance to Indian companies in mitigating entry and growth risks, especially for Indian start-ups and new economy businesses. For example, Singapore's 'Global Innovation Alliance (GIA)' helps start-ups to scale their ASEAN operations by providing access to a pool of experts, along with funding assistance to develop digital capabilities. Similarly, Thailand's 'Strategic Talent Centre' connects businesses with suitable science and technology experts globally to enable greater collaboration between them. Indian companies targeting ASEAN can also work with financial partners having strong regional presence and extensive market expertise in the region. These partners can facilitate access to specific capital needs (e.g. trade finance or green finance) and suggest suitable hedging strategies against foreign exchange risks, counterparty risks or other market fluctuations. To drive cross-border trade, banking partners in ASEAN can also provide Indian companies with access to suitable digital tools that simplify cross-border payments and documentation. Our survey results further highlight these trends, with most Indian companies listing 'corporate financing and capital needs' and 'digitalised platforms for foreign exchange and transaction banking' as key requirements from their banking partners.[12]

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



Note: Survey question asked: 'What 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 financing and hedging solutions to gain access to diverse sources of capital and minimise currency risks associated with cross-border transactions.

Case study:

Financing and hedging solutions for Indian High-Yield (HY) issuers in Singapore

Background

Clients were Indian companies looking to diversify their capital pool by accessing the USD bond market through maiden issuances.

They previously faced various constraints in raising capital through onshore entities. Clients therefore wanted to explore if and how funds could be raised in offshore entities and then invested into India to support their growth plans.

Clients also wanted to hedge currency risks associated with these financing options.

Transaction Highlights

Standard Chartered structured an offshore-onshore financing structure for clients to issue bonds using offshore holding companies / Special Purpose Vehicles (SPVs), and then invest onshore into India through the Voluntary Retention Route (VRR).

Standard Chartered in India and Singapore collaborated to provide a Non-Deliverable (ND) hedging solution that optimised hedging costs (given lower pricing in ND markets), required only single-point documentation and ensured a landed cost within the client's budget.

Impact

Reduced costs as a result of efficient hedge product structuring.

Improved customer experience by ensuring a hassle-free process, requiring only single-point documentation.

Enabled access to new sources of capital, with the offshore-onshore solution allowing clients to leverage strong sentiments towards Emerging Markets (EM) USD issuances, especially in the renewables sector.

2. Align the business model with growing sustainability needs to become resilient and remain competitive

ASEAN governments see the pandemic as an opportunity to realign the region's growth trajectory towards a more sustainable and inclusive future. A rising number of ASEAN consumers are also making greener choices, with sustainability commitments being viewed as a key differentiator by regional talent. Together these trends will require Indian businesses to reassess their growth priorities in ASEAN.

41%

of Indian companies consider environmental and social sustainability initiatives as a key focus area in ASEAN

A. Strengthen market positioning by adopting sustainability principles

Consumers in ASEAN are making more sustainability-led choices, and are showing greater support for companies that adopt environmentally and socially responsible practices. These consumers are also willing to pay a premium for sustainable products, creating new opportunities for businesses. For example, as per a 2021 survey by PwC, almost 80 per cent of consumers in Thailand are looking to buy more eco-friendly products in the future. Supporting these choices, governments across the region have adopted a stronger stance towards addressing climate risks and reducing emissions as well.[14]

With the pandemic exposing the need for greater resilience, Indian businesses in ASEAN will also need to align to these changing trends. Companies can incorporate sustainability in their business models through a wide range of options such as by introducing new products (e.g. by using biodegradable materials or by transitioning towards electric vehicles) and by adopting new business practices (e.g. sustainable sourcing models or recycling programmes). This will enable Indian companies to not only develop more robust operations but also to strengthen their brand positioning and long-term prospects in ASEAN. Businesses, however, are not alone in this journey and can leverage government initiatives to support the shift towards sustainability. For example, the Singapore Government's 'Enterprise Sustainability Programme' supports companies in developing their sustainability strategy, adopting sustainability standards and developing more targeted market offerings.[15]

B. Include workforce and supply chain partners within the sustainability agenda

A stronger commitment to sustainability is also becoming key to attracting talent in ASEAN. The millennial workforce is increasingly choosing companies showcasing greater responsibility towards the environment and the community. Besides environmental considerations, Indian businesses targeting ASEAN can also differentiate by showcasing their commitment to people's well-being. Addressing changing employee expectations will be key in this regard – such as creating a more flexible work environment and offering more personalised growth propositions for key talent. Leading Indian businesses have already started focusing on these areas. For example, Wipro's Malaysian subsidiary was awarded for its excellence in HR development by the country's Ministry of Human Resources for its leadership and talent development programmes. Besides employees, larger Indian businesses will also need to work with their regional partners to achieve impact. This will involve integrating sustainability-related criteria within supplier selection processes in ASEAN, and offering regional partners with the right incentives (e.g. long-term contracts, favourable credit terms) to adhere to sustainability norms. Leading Indian firms can also provide sustainability trainings and share best practices with smaller partners and start-ups in ASEAN, to achieve industry-wide impact.[16]

Explore green financing to transition to a net-zero future

A 2021 Standard Chartered study shows that 67 per cent of global companies view lack of capital as a major obstacle to achieving net-zero emissions. To bridge this financing gap, ASEAN is making strides in expanding green financing options for businesses. Issuance of Green, Social and Sustainability (GSS) bonds and loans in ASEAN reached a record high of USD12 billion in 2020. Singapore led the region with a 50 per cent share in 2020 (by issuance amount), followed by Indonesia (24 per cent) and the Philippines (9 per cent). Governments in the region are also developing additional mechanisms to promote sustainable investments. For example, Malaysia published a new taxonomy in 2021 to help determine activities that qualify as environmentally sustainable. Discussions are also underway to implement an 'ASEAN Taxonomy for Sustainable Finance' to complement the efforts of individual markets.[13]

Leading Indian solar developer contributes to Indonesia's future sustainability goals

Background

Indonesia's national electricity supply plan has earmarked USD35 billion to develop renewable power in the country over the coming decade (2021-2030).

Taking this agenda forward, India's Fourth Partner Energy (4PEL) has entered into a 49-51 Joint Venture (JV) with Indonesia's Indika Energy – establishing a new company called Empat Mitra Indika Tenaga Surya (EMITS) in March 2021.

Highlights

EMITS will focus on developing solar, battery storage and EV charging solutions, catering to Indonesia's commercial and industrial sectors.

The JV is also expected to invest USD500 million in Indonesia over the next five years.

Indika Energy brings its local market knowledge and engineering skills to the partnership, with 4PEL contributing with its expertise in developing solar projects.

Through the JV, Indika Energy aims to increase its revenues from non-coal based operations by 50 per cent by 2025.

On the other hand, 4PEL is looking to target Indonesia's growing potential, and use learnings from this alliance to target other ASEAN markets such as Myanmar, Singapore and Vietnam in the future.

> "This partnership with Indika Energy is an important part of our strategic expansion into key markets across Southeast Asia. The commercial potential for renewable energy in Indonesia is immense, as the country has a clear imperative towards aggressive decarbonisation.
>
> – Vivek Subramanian, Executive Director, 4PEL

Source: Nikkei Asia, Economic Times, Company Press Releases

3. Expand the production footprint to gain regional competitiveness and bolster global exports

Indian companies can enhance their manufacturing presence in ASEAN, taking advantage of its diverse production and supplier capabilities, supportive government policies and implementation assistance offered by local agencies. Besides serving as a fast-growing regional market, Indian businesses can also use ASEAN's global trade networks to expand their reach across international markets.

A. Utilise government support to ease entry and improve investment viability

With growing global competition, the importance of government support and incentives has increased significantly to attract foreign investments. Regional governments in ASEAN have also been introducing sector reforms and offering favourable terms for foreign companies, especially those willing to establish production operations within the region. For example, projects considered 'strategic' to the Indonesian economy are being offered 100 per cent exemption on corporate income tax for a duration of 5-20 years, depending on the investment size. Additional incentives are also being offered on machinery and raw material imports by the Indonesian Government.[17]

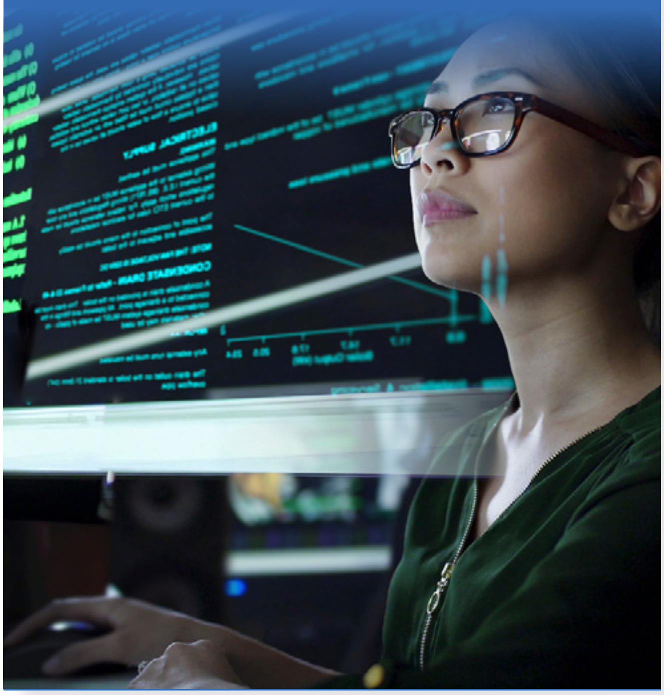
Besides policy support, Investment Promotion Agencies (IPAs) in ASEAN, such as the Singapore Economic Development Board (EDB) or the Malaysian Investment Development Board (MIDA), can also help Indian businesses to connect with various government departments and other partners – to facilitate business incorporation, taxation, land acquisition or other legal aspects. Indian manufacturers can work with IPAs to identify suitable site locations, coordinate site visits and collaborate with local recruitment agencies. Companies can further explore new propositions such as the twinning model offered by the Southeast Asia Manufacturing Alliance (SMA). Through SMA, companies can work with Singapore's investment agencies and other regional industrial parks, taking advantage of Singapore's technological expertise with lower production costs offered by other ASEAN countries. Similarly, the Project Acceleration and Coordination Unit (PACU) created by MIDA provides end-to-end support to manufacturing firms, from facilitating approvals to coordinating with government departments and service providers to speed up implementation.[19]

B. Take advantage of ASEAN's trade connections to target international markets

ASEAN's wide network of free trade agreements can open new channels of growth for Indian manufacturers establishing operations in the region. In particular, the Regional Comprehensive Economic Partnership (RCEP) – signed by 10 ASEAN and 5 other countries (Australia, China, Japan, New Zealand and South Korea) – is expected to give new impetus to trade across Asia Pacific. Indian manufacturers in ASEAN can make use of reduced tariffs, common rule of origins and other trade facilitation measures under RCEP to access participating markets more effectively. This will become more relevant for key export-oriented sectors such as pharmaceuticals, automotive, metals and chemicals. In addition, Indian companies can leverage ASEAN's global ties through agreements such as the European Union (EU)-Singapore Free Trade Agreement (EUSFTA), the EU-Vietnam Free Trade Agreement (EUVFTA) and the US-Singapore Free Trade Agreement (USSFTA). Neither the EU nor the US have such trade mechanisms with India, making Indian products less competitive in these markets at present.[20]

Strengthen operations with regional Research and Development (R&D) efforts

Besides building manufacturing presence closer to regional consumers, large Indian businesses can also enhance their local R&D focus to gain a competitive advantage. To do so, businesses can explore partnerships with several world-class academic and research institutions in ASEAN, fostering innovation that supports changing market needs. Leading Indian brands have already started broadening their vision for the region – moving beyond manufacturing and sales towards building stronger innovation capabilities in ASEAN. For example, India's Bajaj Auto is planning to establish a new R&D centre in Thailand, with the facility being one of its first design centres outside India. Similarly, Indian pharmaceutical company Biocon also operates one of Asia's largest integrated insulin manufacturing and R&D facilities in Malaysia.[18]



63%

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

Figure 11: Manufacturing capabilities of ASEAN-6 countries

Indonesia

- Manufacturing industry share of GDP (2020): 20.7 per cent
- Focus on entering technology value chains and emerge as a manufacturing hub, especially for electric vehicles

Singapore

- Manufacturing industry share of GDP (2020): 20.3 per cent
- Strong and diverse manufacturing base, with capabilities suited for sectors such as aerospace, electronics, biomedical sciences, chemicals and precision engineering
- Focus on robotics and additive manufacturing, advanced technologies in predictive analytics and artificial intelligence

Malaysia

- Manufacturing industry share of GDP (2020): 20.5 per cent
- Lower costs for electricity, labour and raw materials, including machinery and parts
- Focus on Industry 4.0 to drive growth in sectors such as electrical and electronics, chemicals and chemical products, and machinery and equipment

Thailand

- Manufacturing industry share of GDP (2020): 27.9 per cent.
- Strong manufacturing base, well-developed infrastructure, and competitive investment incentives, especially for automobiles

Philippines

- Manufacturing industry share of GDP (2020): 18.5 per cent
- Focus on improving productivity and progressing up the value chain. However, low-tech manufacturing in F&B and textiles continue to dominate.
- Growth in high-tech segments such as chemicals and electronics supported by the government

Vietnam

- Manufacturing industry share of GDP (2020): 16.3 per cent
- Geographical proximity to China, relatively lower labour costs
- Focus on labour-intensive manufacturing in sectors such as garments and footwear, and automotive clusters
- Increasing capabilities in electronics assembly

Potential High-Growth Manufacturing Sectors

Automotive | Electronics | Chemicals | Biomedical sciences | Robotics and AI | Textiles and footwear | Food and beverage

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

Indian companies plan to develop Vietnam's first Pharmaceuticals Industrial Park

Background:

Attracted to Vietnam's growing market and favourable production incentives, a group of Indian companies are planning to come together to build Vietnam's first pharmaceuticals industrial park.

The group represents leading players in the Indian industry, accounting for a significant 30 per cent share of India's pharmaceutical exports at present.

Besides targeting the fast-growing local market, Indian companies are also looking to increase global exports from this Vietnamese location.

Highlights:

The park aims to establish a complete production chain in Vietnam – from raw materials to finished pharmaceutical products – creating jobs for 50,000 direct labourers and 200,000 indirect labourers.

The Indian group is looking to make an initial investment of USD500 million in the project. Once completed, the park is also estimated to generate USD5 billion a year in export revenues.

Potential locations for the park include Da Nang, Long An, Hai Duong, Bac Ninh, Thua Thien Hue and Thai Nguyen. Discussions with Vietnamese authorities began in July 2021, and the group is currently assessing the merits of various locations to establish the park.

For example, Da Nang is offering investors land rent exemption for the first three years of operation, a 10 per cent tax rate for 15 years, a four-year tax exemption and a 50 per cent cut in income tax for the next nine years.

Source: Economic Times, Fitch Solutions, Vietnam Times, VietnamPlus

4. Prioritise cyber resilience to safeguard digital assets, making use of new digital platforms to boost trade

As Indian businesses intensify their digitalisation efforts in ASEAN, they will need to bolster cybersecurity measures to mitigate growing digital risks. Companies can also utilise certain regional initiatives in ASEAN that aim to make trading more efficient and enhance the security of cross-border data flows.

A. Enhance digital trust to manage cyber threats and comply with stricter regulations

Digitalisation has become an imperative to succeed in the post-pandemic world, more so in fast-evolving regions such as ASEAN. Successful digital transformation will, however, require Indian businesses to enhance digital trust amongst all ecosystem participants in ASEAN, including employees, customers and supply chain partners. Changes in the region's regulatory environment further necessitate stronger measures to improve data security. For example, Singapore revised its Personal Data Protection Act in November 2020, to make businesses more accountable through mandatory reporting and higher financial penalties for data breaches. Other markets such as Vietnam and Indonesia are also drafting more comprehensive data protection laws that will impact how companies collect, transfer and store data.[22]

Despite these developments, our survey reveals that only 12 per cent of Indian businesses consider cyber security and data protection as strategic priorities in ASEAN at present. This will need to change, as the region faces growing instances and increasing sophistication of cyber threats. As per a 2021 study, the average cost of a data breach amounted to USD2.71 million per incident in ASEAN, highlighting the significant financial damage caused by cyberattacks. To mitigate these issues, Indian companies in ASEAN will foremost be required to adopt an 'assumed breach' mindset – by moving away from a prevention-led to a preparation-focused approach to managing cyber threats. Companies can adopt new security models such as the 'zero-trust' architecture, which focuses on stronger user authentication and on managing cyber threats more proactively to provide continuous protection to digital assets. Businesses in ASEAN will also need to develop stronger incident response plans and conduct regular scenario-based simulation exercises to consistently validate their action plans and understand their execution readiness.[23]

Transform traditional workplaces through new technology solutions

While digitalisation has gained prominence to improve operational metrics and customer experience, Indian business will also need to create next-gen digital workplaces to align with changing employee expectations in ASEAN. The region's growing millennial workforce has been demanding a more flexible and enriching work environment, with the pandemic creating an even stronger need for workplaces to evolve. To become future-ready, Indian businesses in ASEAN can adopt new cloud-based solutions (such as project management or desktop virtualisation tools) that allow employees to collaborate more efficiently and securely from remote locations. Digital solutions that can improve the effectiveness of people initiatives will also be important. For example, HR analytics tools allow companies to better understand workforce behaviour and design more targeted career development plans. Leading Indian companies have already initiated workplace transformation in ASEAN. For example, Wipro Consumer Care's Indonesian subsidiary was able to reduce the length of its appraisal process from 57 days to only 18 days by replacing manual processes with new digital tools.[21]

B. Facilitate cross-border trade by utilising emerging technology platforms

To improve cross-border trade, Indian companies can take advantage of regional initiatives that enable more trusted and secured data sharing. For example, the 'TradeTrust' platform promoted by the Singapore Government utilises blockchain technology to enable digital exchange of trade documents. This lowers complexities and inefficiencies associated with traditional paper-based processes, ensuring more seamless trade flows amongst participants. Another notable initiative is the Singapore Trade Data Exchange (SGTraDex) platform, being developed by Standard Chartered and other government and industry partners. The platform offers a digitally connected ecosystem of shippers (importers and exporters), logistics players and financial institutions, both within ASEAN and across the globe. It aims to increase transparency and visibility among partners, expedite customs clearances and document processing and improve access to trade finance for smaller businesses. SGTraDex is expected to be fully operable by early 2022, and is estimated to generate USD200 million in value annually for its participants.[24]

Leading Indian technology companies are contributing to digitalisation objectives in Southeast Asia

Wipro spearheads Thailand's digital currency initiative

In 2019, Wipro developed a blockchain-based prototype solution to settle interbank transactions between the Bank of Thailand and eight commercial banks (including Standard Chartered) using digital currency.

The prototype was developed under the Bank of Thailand's Project Inthanon, which seeks to use blockchain technologies to reduce costs and inefficiencies associated with domestic and cross-border fund transfers.

The solution has significantly improved payment efficiency by enabling 24/7 interbank settlements, and is being seen as a key step towards making Thailand's financial sector future-ready.

Infosys supports Temasek's digital transformation journey

In 2018, Infosys established a JV with Singapore's Temasek to manage the investment company's cloud migration programme, allowing it to host applications on a cloud platform.

Infosys acquired a 60 per cent stake in the JV, with Temasek holding the rest. The JV combines teams from Infosys and more than 200 employees and contractors of Temasek's subsidiary Trusted Source, which delivered IT services to Temasek prior to the deal.

Boosted by Infosys' digital capabilities, the JV is now providing a wider range of services to Temasek and its clients, covering areas such as data analytics, cybersecurity, digital experiences and AI and automation technologies.

5. Revamp risk management and governance practices to drive resilient and balanced growth

Indian businesses targeting growth in ASEAN will need to be cognisant of the institutional differences and market disparities across different markets. Besides accounting for these variations, companies will also need to strengthen their risk management processes as per emerging trends and challenges in the region, to build resilience against future disruptions.

A. Understand changing growth expectations and existing regional disparities

Rising social inequality and climate change have emerged as key growth challenges worldwide, including in ASEAN. Considering its wide-ranging impact on lives and livelihoods, the pandemic is also making governments push for more balanced and inclusive growth in the future. Businesses will now be required to play a leading role in enabling such a shift in ASEAN – by fostering innovative solutions and building partnerships with governments and community organisations to achieve far-reaching impact. Accordingly, there is a growing need for Indian companies targeting ASEAN to adopt more holistic governance frameworks that balance the interests of corporate shareholders with regional stakeholders. To do so, Indian companies will be required to monitor and manage their environmental impact, as well as focus on social aspects such as workforce safety, diversity and inclusion, and gender representation.

Furthermore, ASEAN denotes a widely diverse bloc in terms of institutional strength at present. Different ASEAN markets can vary significantly in areas such as the level of political stability, regulatory quality, strength of the legal system and the enforcement of intellectual property norms. Indian businesses in ASEAN will also need to be aware of these variations, carefully understand their business implications and incorporate these elements within their governance and risk management frameworks for the region. Businesses will need to build stronger due diligence skills (covering technical, financial and legal factors) to better estimate the viability of different ASEAN markets, and conduct regular partner audits to identify potential issues in time.

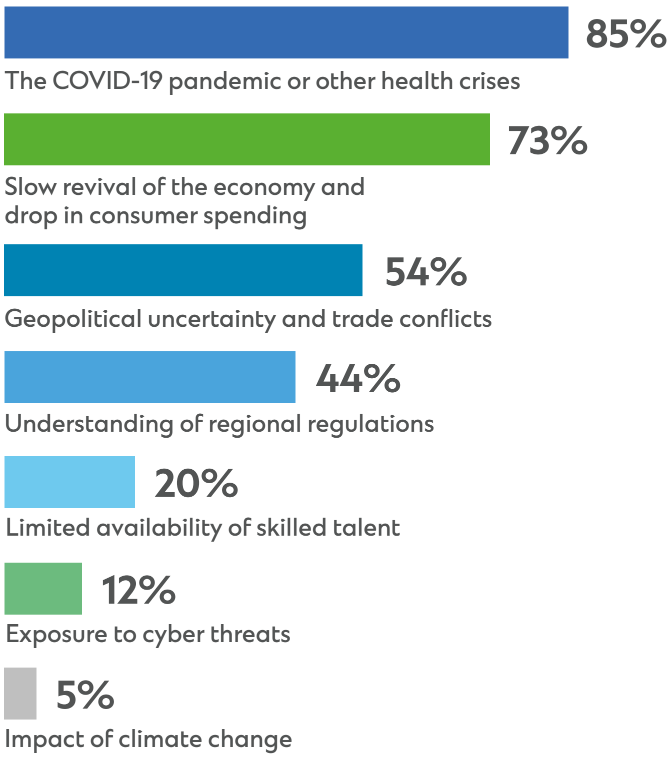
Focus on data governance to boost digital resilience

Indian companies can make use of certain frameworks and tools to drive their digitalisation efforts in ASEAN, while enhancing their cyber-readiness. New regional initiatives launched by the ASEAN Secretariat are focused on improving data governance and protection in the region. By harmonising data management standards between ASEAN nations, these mechanisms are also fostering digital trust and enabling greater participation of businesses in ASEAN's digital economy. Launched in January 2021, the ASEAN Data Management Framework (DMF) is a notable example in this regard. It provides businesses in ASEAN with step-by-step guidance on data governance structures, data protection safeguards and risk management protocols. Another initiative called 'Model Contractual Clauses for Cross Border Data Flows' provides tools and contractual templates to companies, to facilitate data transfers between ASEAN countries.[25]

B. Bolster the risk management approach to tackle future disruptions

Disruptions caused by the pandemic have brought to surface the limitations of traditional growth models. Our survey illustrates the risks associated by Indian companies in ASEAN (see Figure 12), with COVID-19, geopolitical uncertainties and trade conflicts emerging as major concerns at present.

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, Indian businesses in ASEAN will need to reshape their risk management frameworks for the future. For example, Indian companies looking to build manufacturing capacity in Southeast Asia will need to prioritise climate and talent related risks, besides traditional cost and infrastructure related parameters. Companies will also need to adopt a more agile approach to risk management, shifting from annual risk assessments to more frequent scans of the business landscape. To reduce gaps in risk coverage, Indian companies will also need to ensure that different risk functions such as compliance, internal audit and reporting work closely with each other. These functions can further embrace new data analytics tools and strengthen their scenario planning capabilities to proactively identify and manage challenges in ASEAN. Establishing a dedicated risk management team for ASEAN will also be important. This team will be responsible for monitoring and communicating country-level risks with the regional leadership. It will also be tasked with developing more comprehensive business continuity plans, to handle possible disruptions in the future.

Conclusion

As India advances its growth ambitions through its 'Act East' policy, ASEAN will remain a major target market for Indian businesses looking to expand internationally. Driven by its strong economic fundamentals and growing government-level engagement across the corridor, ASEAN has the potential to become a key growth partner for Indian companies in the years ahead. Growth prospects are on the rise across a wide range of sectors, including both established (pharmaceuticals, automobiles and trading) and emerging areas (digital solutions, electric vehicles and clean energy). However, to make the most of these opportunities, Indian businesses will need to work closely with local partners to better understand regional nuances and manage expansion risks. They will also need to support the region's digital transformation and sustainability agenda, by driving cybersecurity and incorporating ESG principles within local operations. Finally, balancing profitability with resilience will be a must in the post-COVID world, and Indian companies will need to adopt more robust governance frameworks to mitigate future growth risks in ASEAN.

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