

HANOI
HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS

Trade, global value chains and industrialization in an era of rising protectionism: implications and opportunities for **Italy-ASEAN relations**

Position paper

Presented by Paolo Borzatta

In 2019, for the sixth consecutive year, The European House - Ambrosetti has been nominated - in the “Best Private Think Tanks” category - the No. 1 Think Tank in Italy, ranking in the European top ten, in the World top twenty and ranking in the World top one-hundred most-esteemed and independent out of 8,100 Think Tanks globally, in the University of Pennsylvania 2018 Global Go To Think Tank Index Report

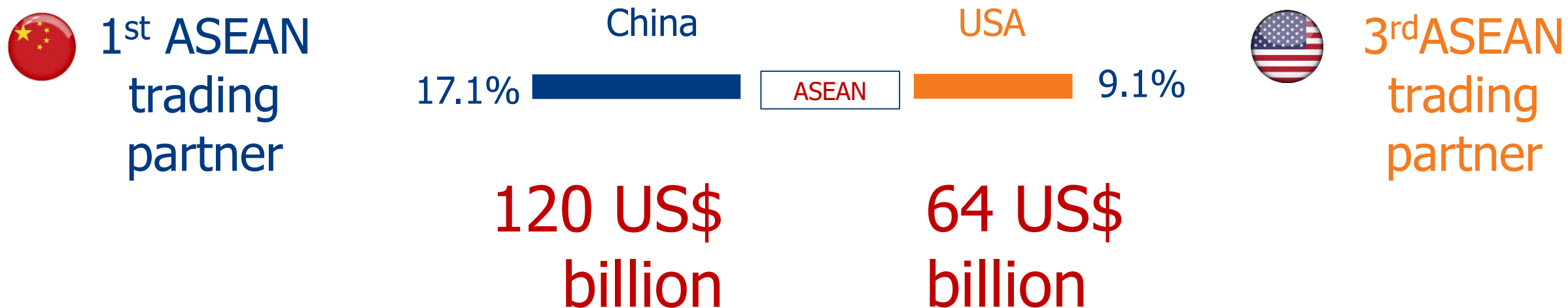
“Trade war” between the United States and China impacts global economic growth and political stability



IMF estimates that US - China trade war will cost:
\$400-500 billion or **0.1%-0.3%** of global GDP

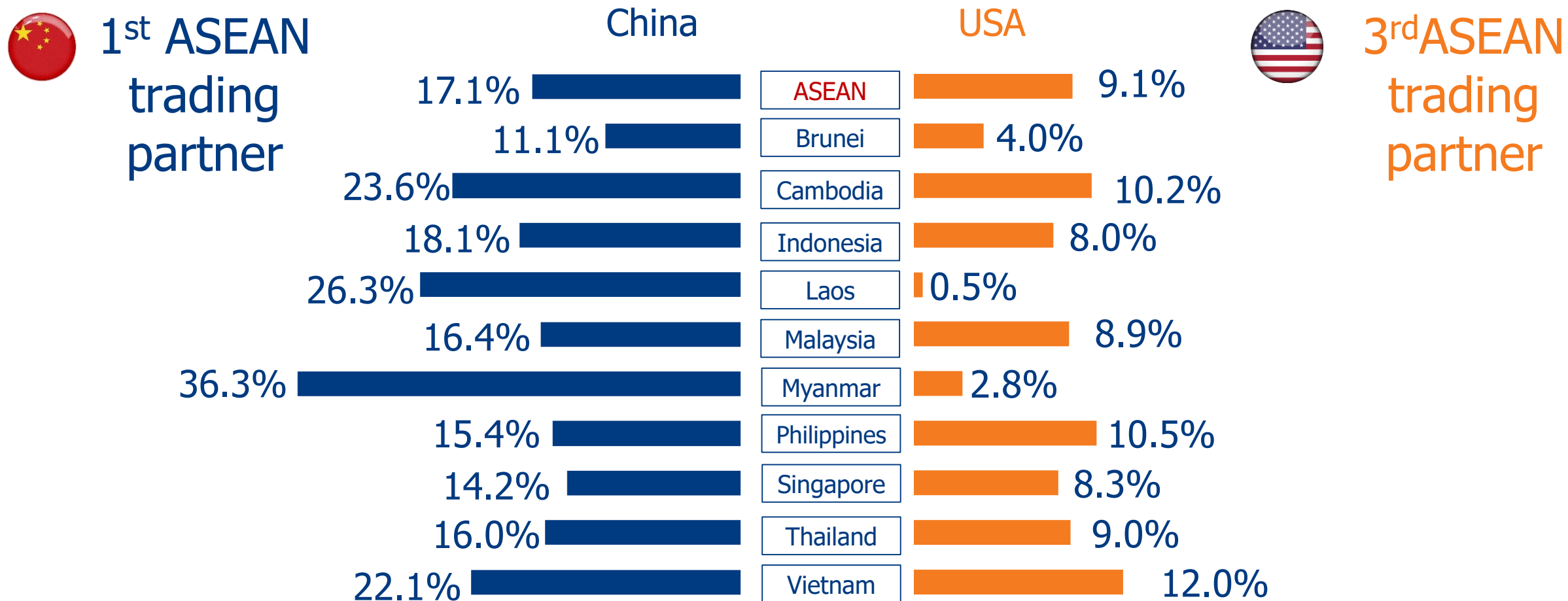
China and the USA are essential trading partners for ASEAN

Trade with China and the US as the share of total trade of ASEAN countries (%), 2017



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... in fact, ASEAN trade and industries are making the Region a global power

ASEAN region ranks:

2nd in stock of **Foreign Direct Investment** (\$2,200 billion in 2017)

3rd in **population** (654 million people in 2018)

3rd in **import value** (US\$1.5 billion in 2017)

4th in **export value** (US\$1.6 billion in 2017)

5th in terms of **Gross Domestic Product** (US\$ 2,923 billion in 2018)

How tensions between the United States and China might impact on value chains in the region?

Value chains

- Electronic products and components



- Automotive and car components



- Apparel and garments



Trade war impacts and opportunities for ASEAN

- **Good opportunities:** ASEAN countries have the opportunity to attract investments as an alternative industrial platform to China
- **Good opportunities:** limited finished vehicles trade between US and China, but significant components interchange can be an opportunity for ASEAN
- **Limited opportunities:** the sector is very important for regional economy, but not all countries are ready to attract massive investments flows in the near future. Vietnam stands out as an exception

Impacts on electronic products and components value chains



THAILAND

Medium positive impacts:

high level of export, but limited exposure to China and the USA



MALAYSIA

High positive impacts:

developed manufacturing sector, good infrastructure, and logistics



VIETNAM

High positive impacts: developed manufacturing sector, good infrastructure, and logistics



PHILIPPINES

Low/negative impacts: weak regulatory and business environment, disincentivizing investments in the country



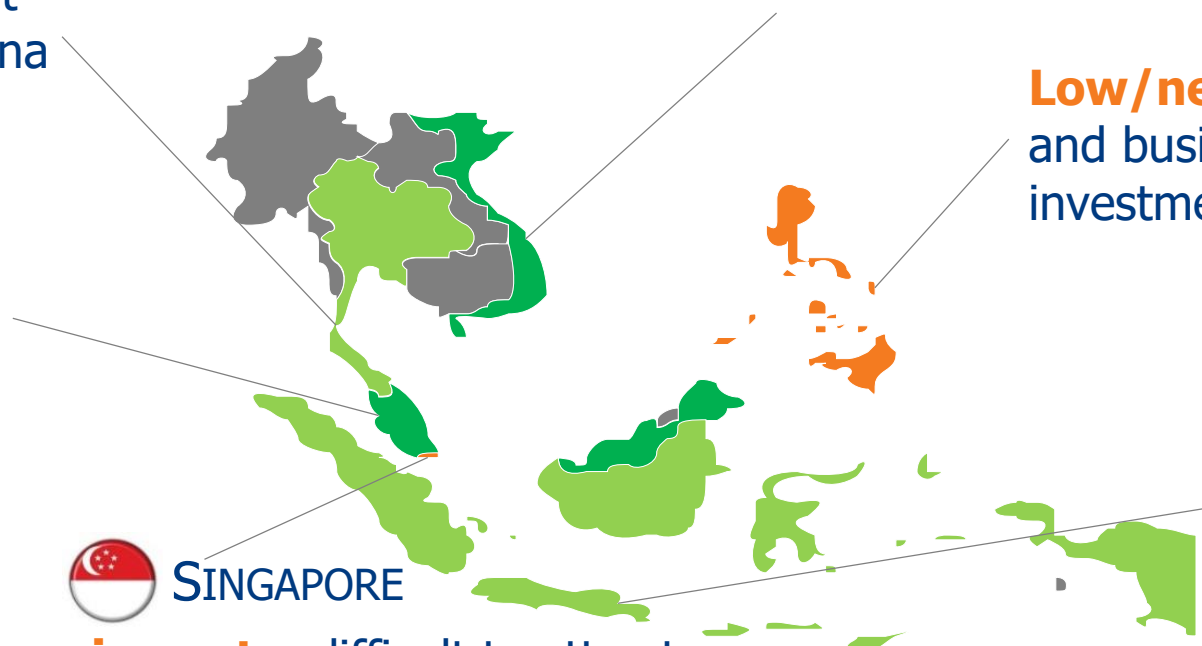
INDONESIA

Medium impacts: limited exposure to China and USA mitigates the expected positive effects



SINGAPORE

Low impacts: difficult to attract investments due to high taxes, limited land, and high labor costs

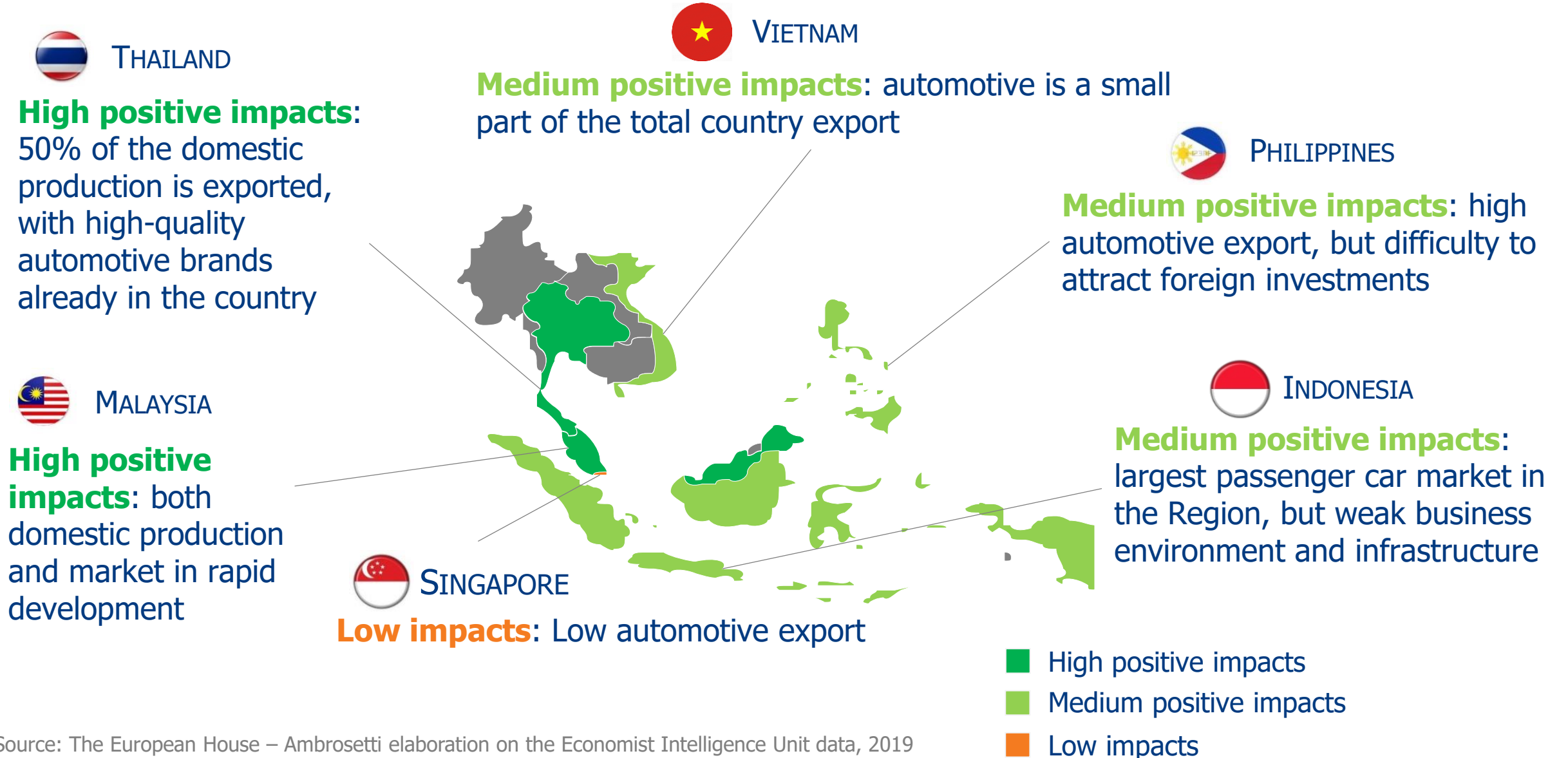


■ High positive impacts

■ Medium positive impacts

■ Low impacts

Impacts on automotive and car components value chains



Impacts on apparel and garments value chains



MYANMAR

Low impacts: small domestic market and weak business environment, hamper investments in the country



VIETNAM

High positive impacts: 3rd largest exporter globally and can position itself as a substitute for the American imports from China



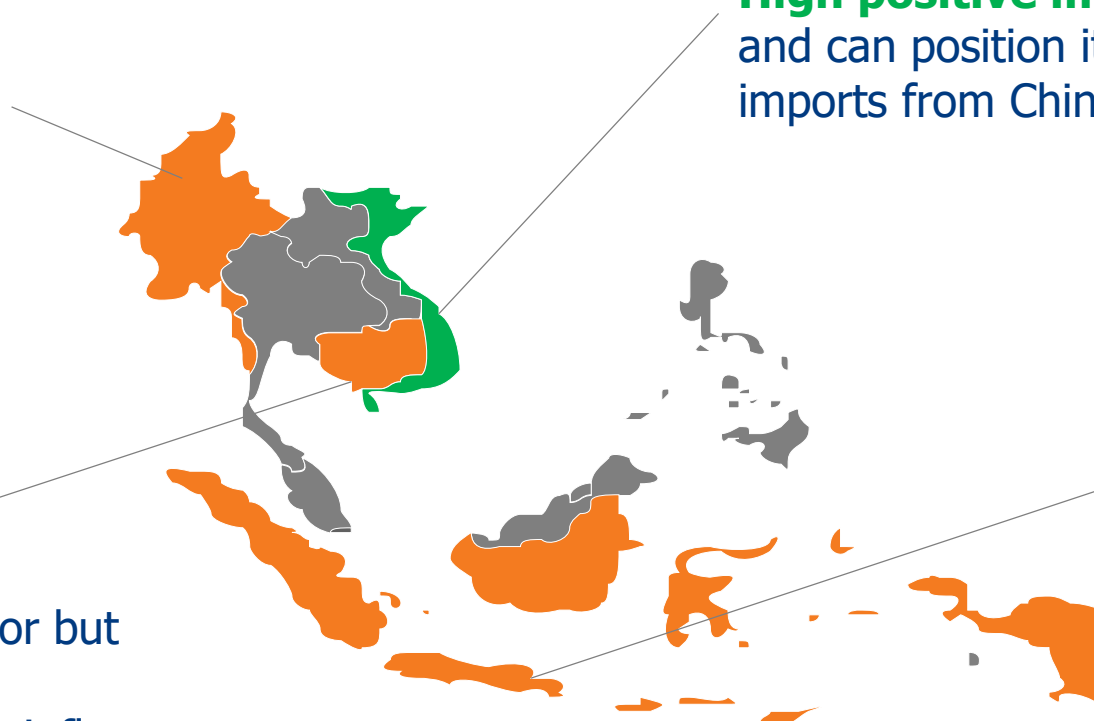
INDONESIA

Low impacts: relevant sector, but needs technological upgrades



CAMBODIA

Low impacts: relevant sector but increase in labor cost is undermining the investments inflow



■ High positive impacts

■ Medium positive impacts

■ Low impacts

Italian enterprises with their expertise and technology could be an important asset for rearranging ASEAN industrial value chains

Electronic products and components

- Increasing revenues (+4.0% in 2017)
- Semiconductors production registered a growth of 11% in 2017, for a total value of €8.3 billion

Apparel and garments sector

- 14,000 textile companies, generating over €20 billion worth of goods



Automotive sector

- 165,000 direct employees and more than 100,000 indirect employees
- €93 billion in revenues (5% of the Italian GDP)

Car components sector

- 156,463 employees (+1,3% with respect to 2016)
- €46.5 billion in revenues

Thank you!

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