

HANOI  
HIGH LEVEL DIALOGUE  
ON ASEAN ITALY  
ECONOMIC RELATIONS

# PRESENTATION BY PAOLO BORZATTA

## HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

Third Edition

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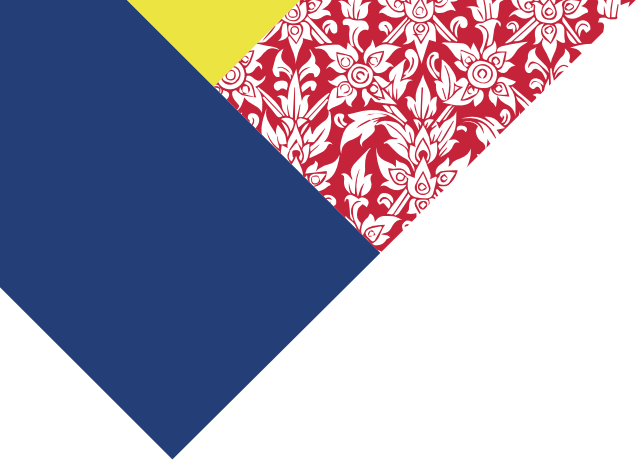


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# Trade, global value chains and industrialization in an era of rising protectionism: implications and opportunities for **Italy-ASEAN relations**

*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*

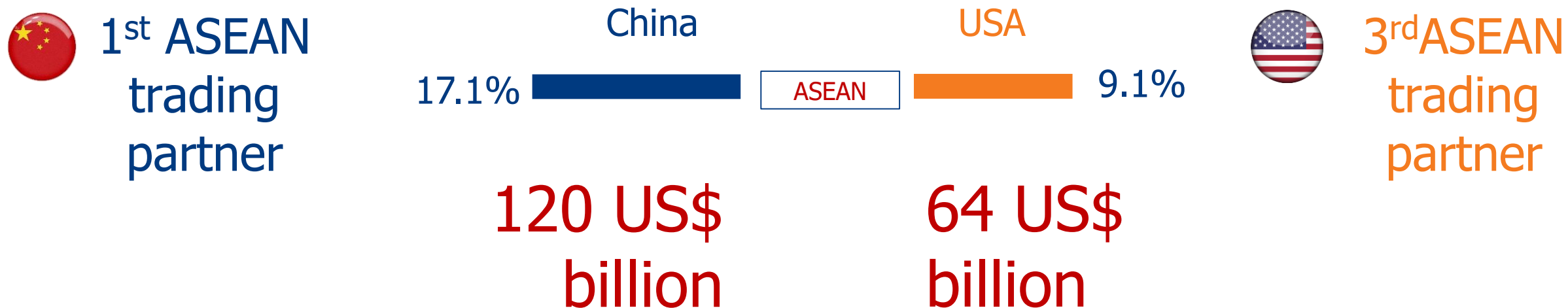
## “Trade war” between the United States and China impacts global economic growth and political stability



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

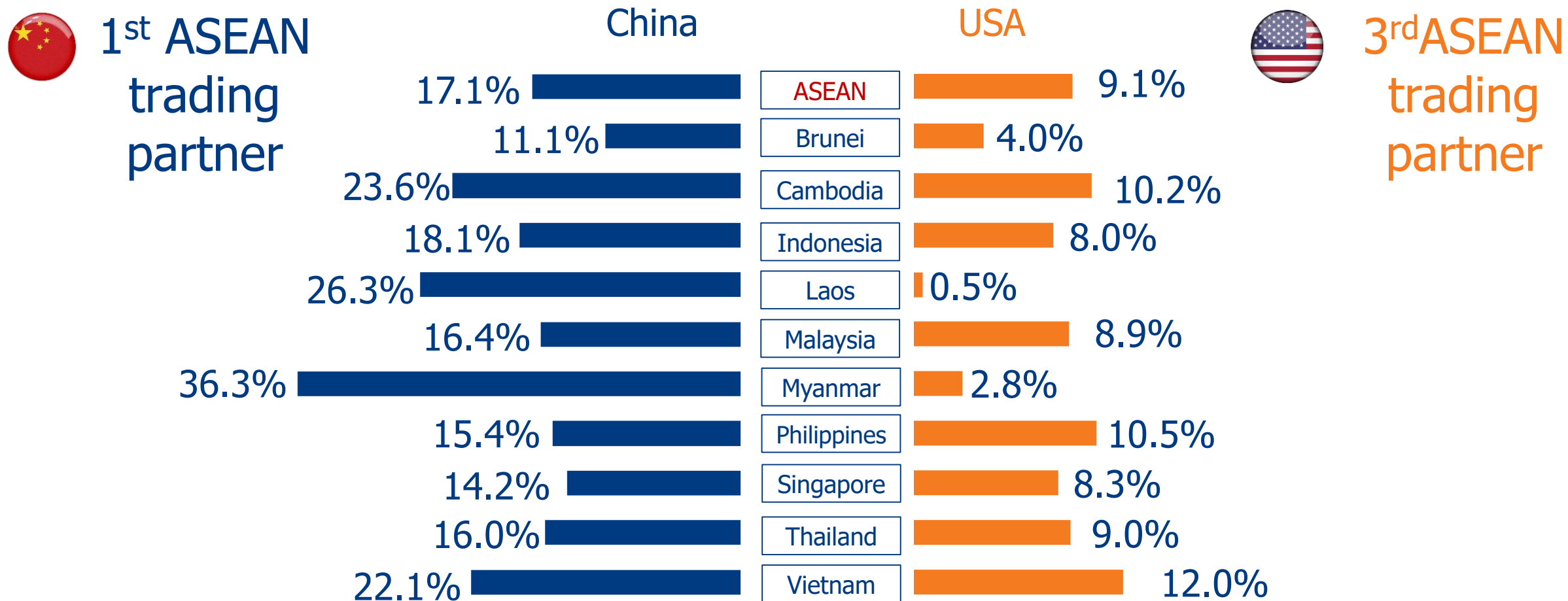
## China and the USA are essential trading partners for ASEAN

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



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



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

ASEAN region ranks:

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

**3<sup>rd</sup>** in **population** (654 million people in 2018)

**3<sup>rd</sup>** in **import value** (US\$1.5 billion in 2017)

**4<sup>th</sup>** in **export value** (US\$1.6 billion in 2017)

**5<sup>th</sup>** 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



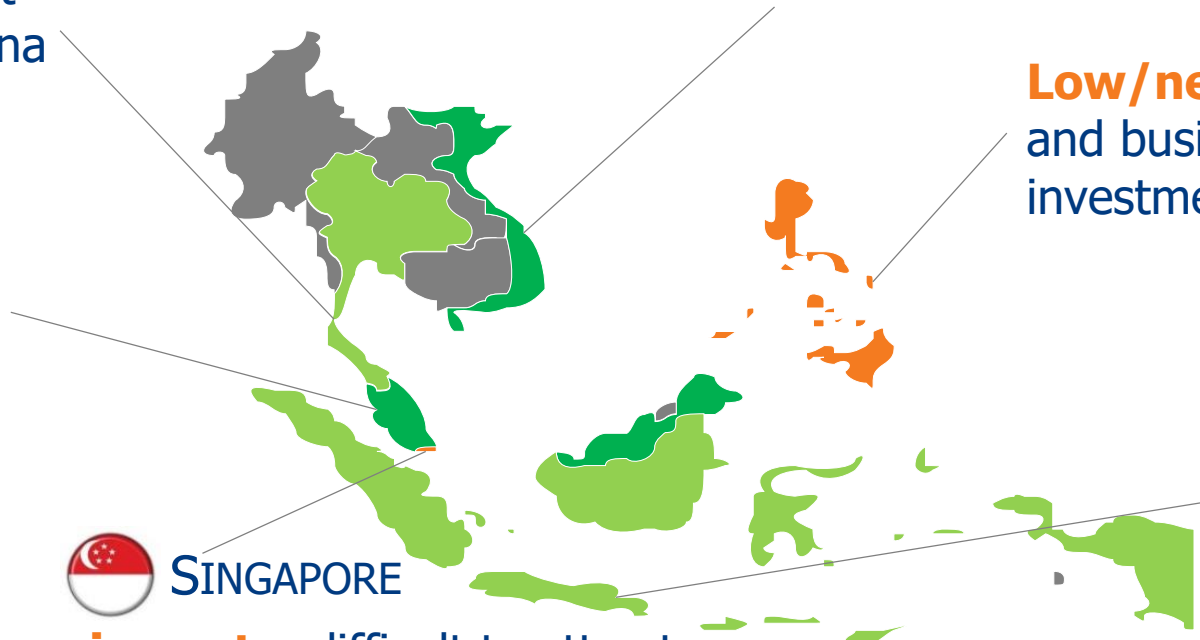
INDONESIA

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



SINGAPORE

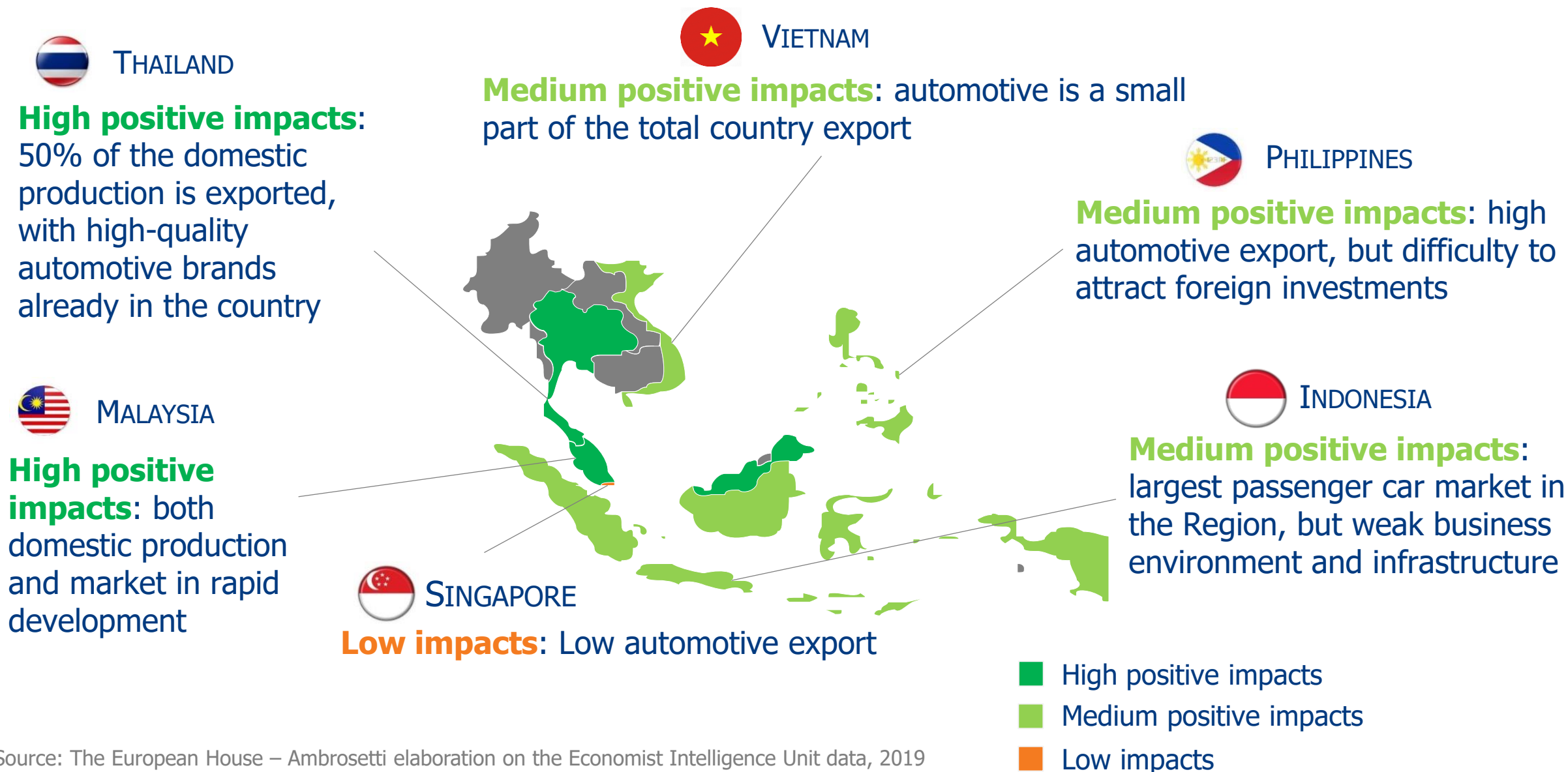
**Low impacts:** difficult to attract investments due to high taxes, limited land, and high labor costs



- 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:** 3<sup>rd</sup> largest exporter globally and can position itself as a substitute for the American imports from China



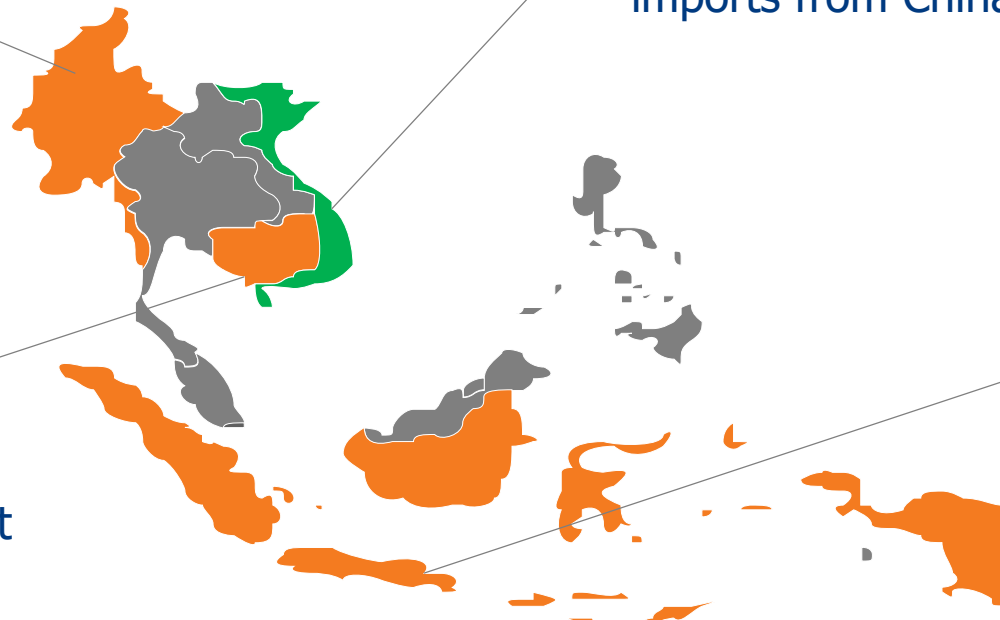
INDONESIA

**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

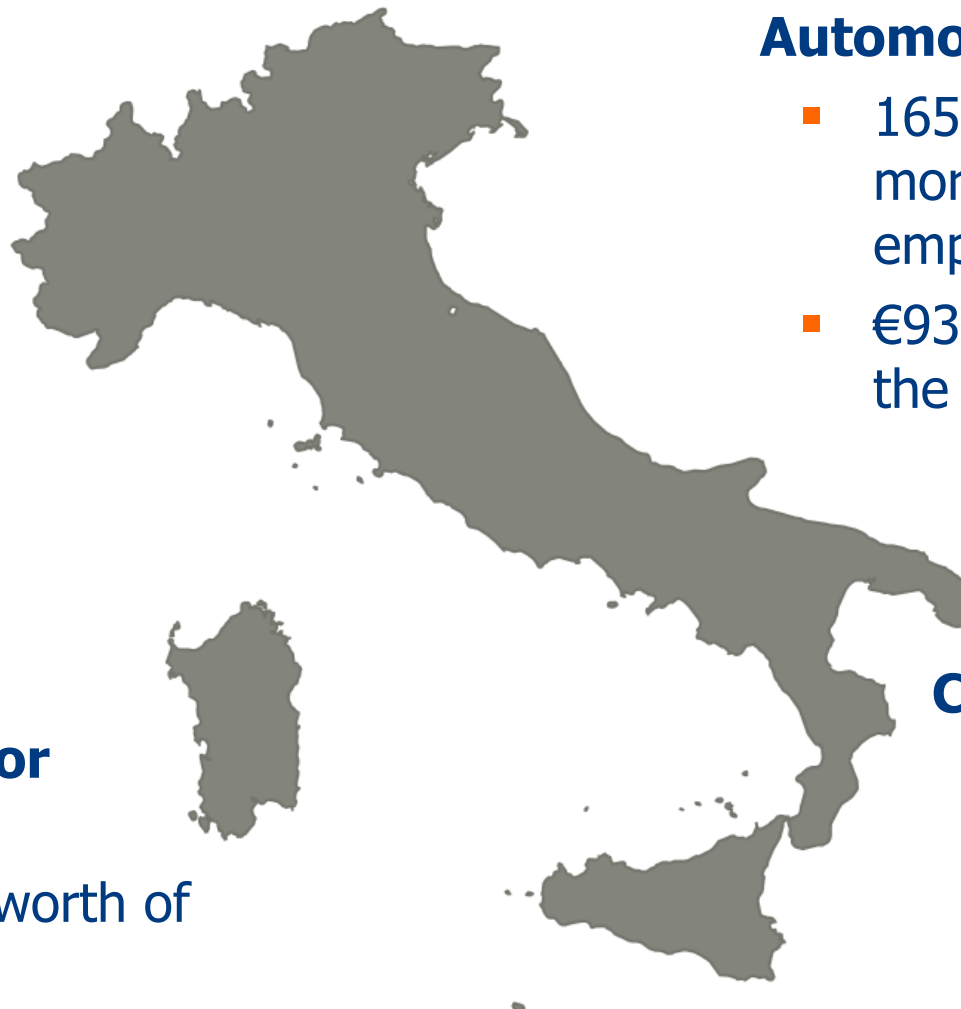
## Italian enterprises with their expertise and technology could be an important asset for rearranging ASEAN industrial value chains

### 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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