

In collaboration with



**HIGH LEVEL DIALOGUE  
ON ASEAN ITALY  
ECONOMIC RELATIONS**

# **HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS**

## **Digital Round Tables**

### **3° digital Round Table**

### **Tuesday, November 10, 2020**

## **PRESENTATION BY LORENZO TAVAZZI**

# Opportunities and perspectives for ASEAN-Italy relations in the post-COVID scenario

## Main results of the study

### Lorenzo Tavazzi

Partner and Responsible for International Development  
The European House – Ambrosetti

For the seventh consecutive year, The European House - Ambrosetti has been nominated - in the category "Best Private Think Tanks" - 1st Italian Think Tank, among the top 10 in Europe and among the top 100 most appreciated independent Think Tanks out of 8,248 globally in the 2019 edition of the University of Pennsylvania's "Global Go To Think Tank Index Report"

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## Objectives of the study



Analysing the:

- State-of-the-art of ASEAN economy in the **pre-COVID era**
- **Impact of the COVID-19** crisis on the ASEAN area



Identifying the **elements of attractiveness of ASEAN countries** according to Global Attractiveness Index of The European House - Ambrosetti



Understanding which **sectors** drive the economy of ASEAN countries today and what **opportunities there will be for the future**

**Providing a complete overview of information on ASEAN countries to Italian companies interested in investing and doing business in the Region**

## Key takeaway #1

The ASEAN region is a **highly resilient economic powerhouse** even in the COVID-19 pandemic

If it was a single economy, ASEAN area would be the 3<sup>rd</sup> largest in Asia and 5<sup>th</sup> largest in the world



**GDP: US\$3,235 bln**

3<sup>rd</sup> largest economy in Asia  
and 5<sup>th</sup> largest in the world



**Export: US\$1,424 bln**

4<sup>th</sup> largest market in the world



**FDI flows in 2019:**

**US\$ 156 bln**

10% of the global total



**Population: 660 mln**

3<sup>rd</sup> largest market in the world  
**28.9 years** of median age



**Import: US\$1,389 bln**

3<sup>rd</sup> largest market in the world



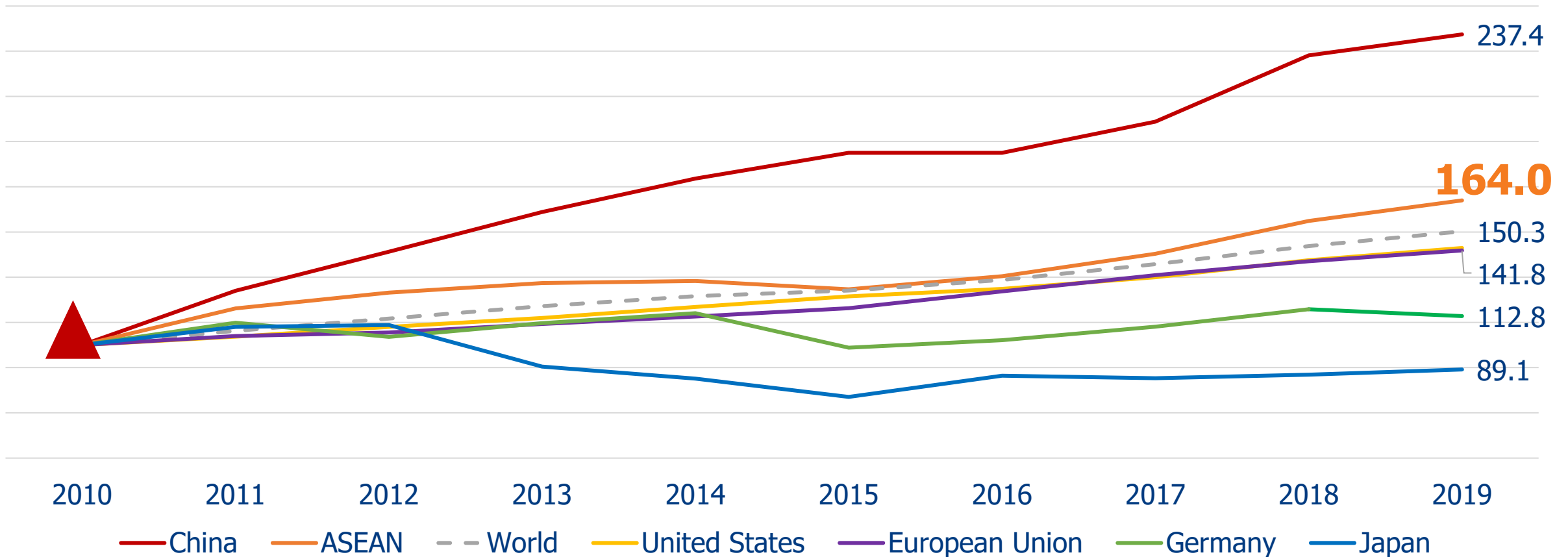
**Manufacturing value**

**added: 21% of total VA**

compared to 10% of the world

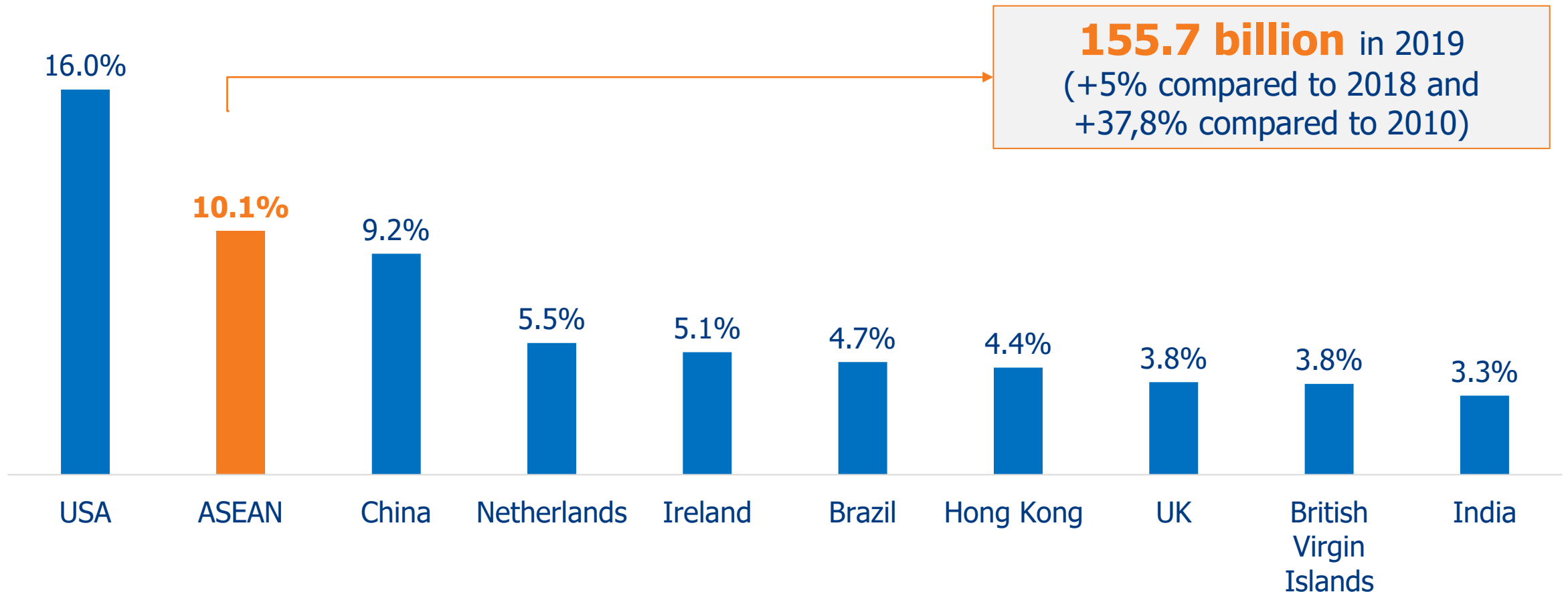
## Over the last decade, GDP growth in ASEAN area **overperformed the world average**

### GDP in the first 6 economies in the world (2010=100), 2010-2019



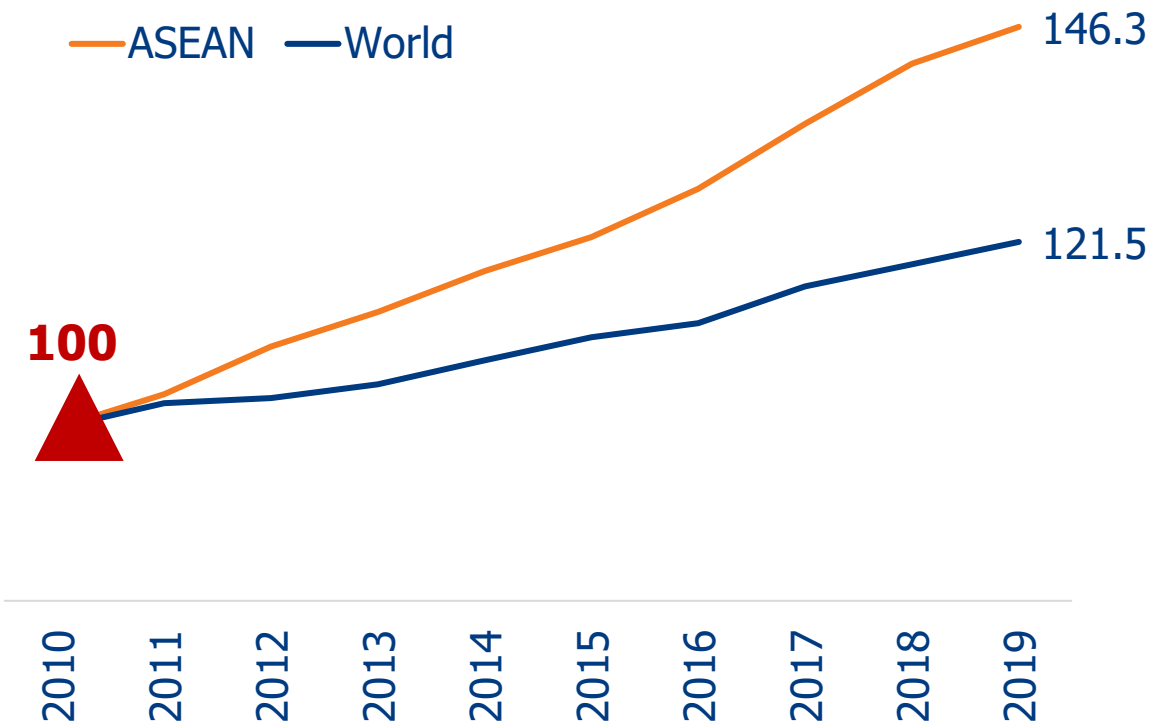
## To date ASEAN area is the **2<sup>nd</sup>** global destination for FDI

### First 10 countries for inward FDI flows (% of global inward FDI flows), 2019

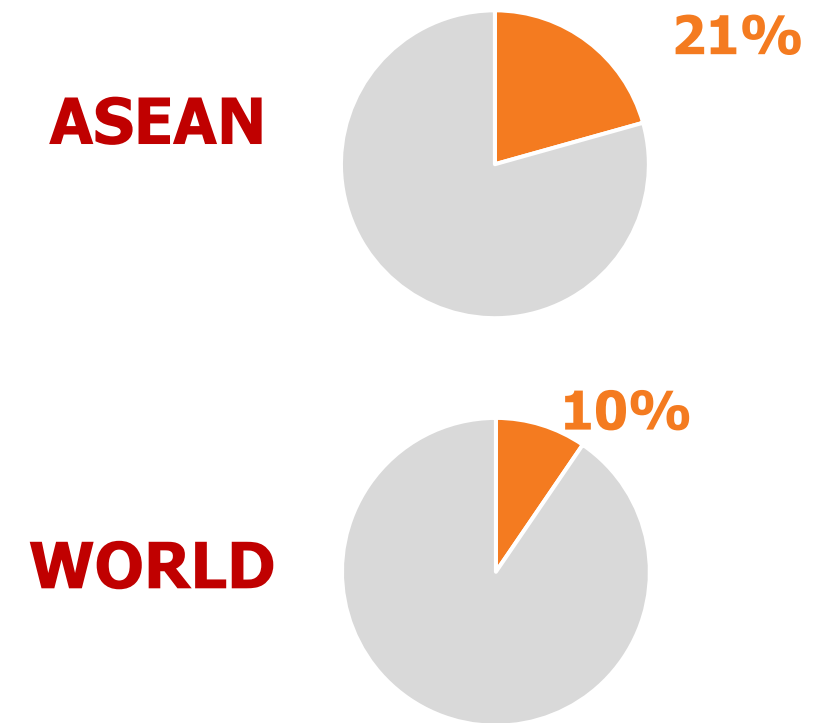


## ASEAN area is a globally acknowledged **manufacturing hub**

**Growth of manufacturing value added in ASEAN and in the world (2010=100), 2010-2018**



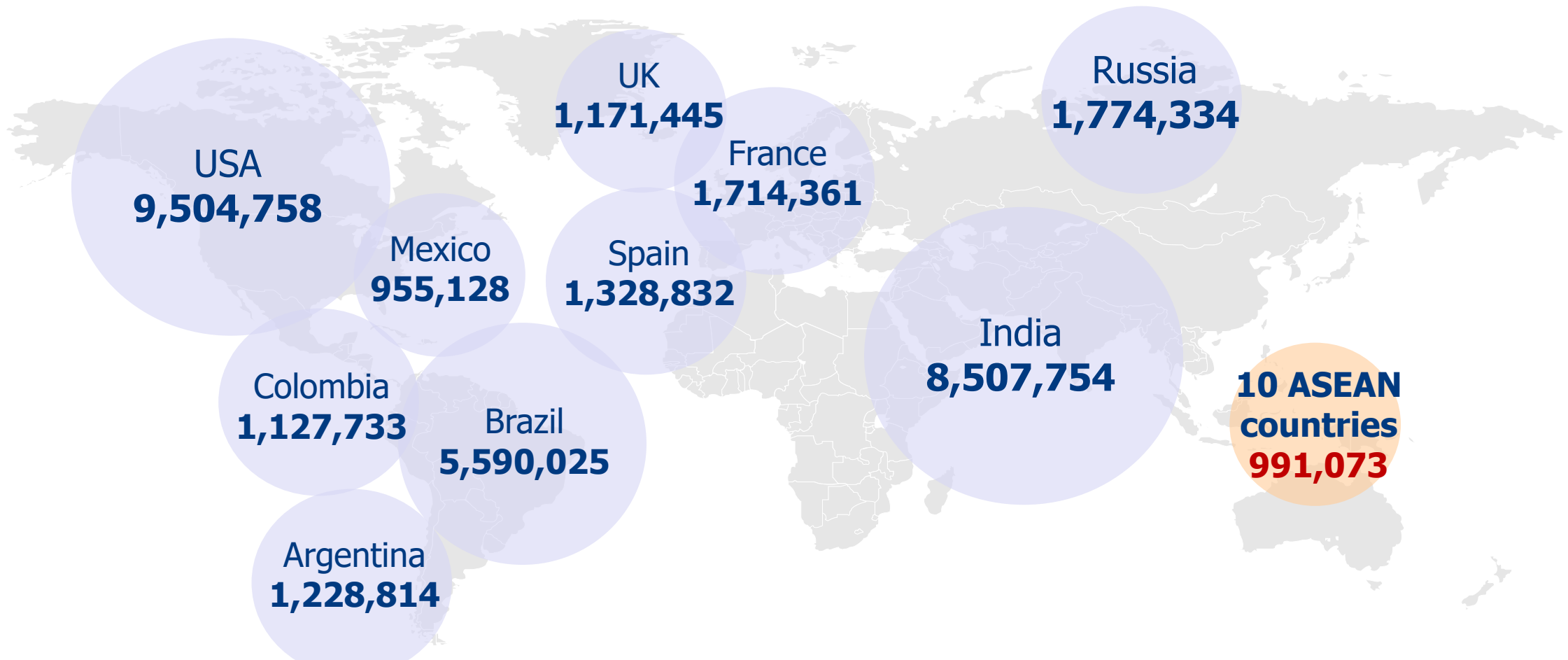
**Share of manufacturing value added on GDP in ASEAN and in the world (%), 2019**





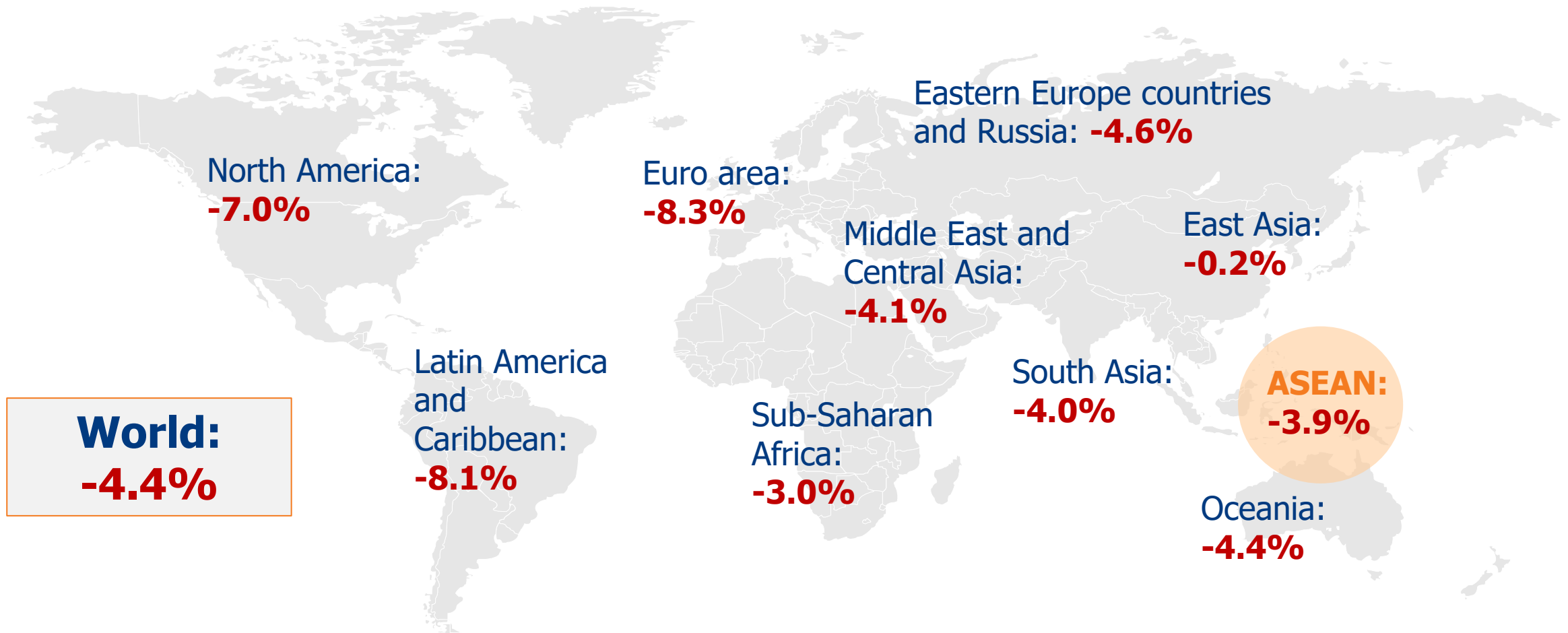
## ASEAN countries **reacted better** than the rest of the world to the COVID-19 pandemic

### Cumulative COVID-19 cases in the first 10 countries and in ASEAN



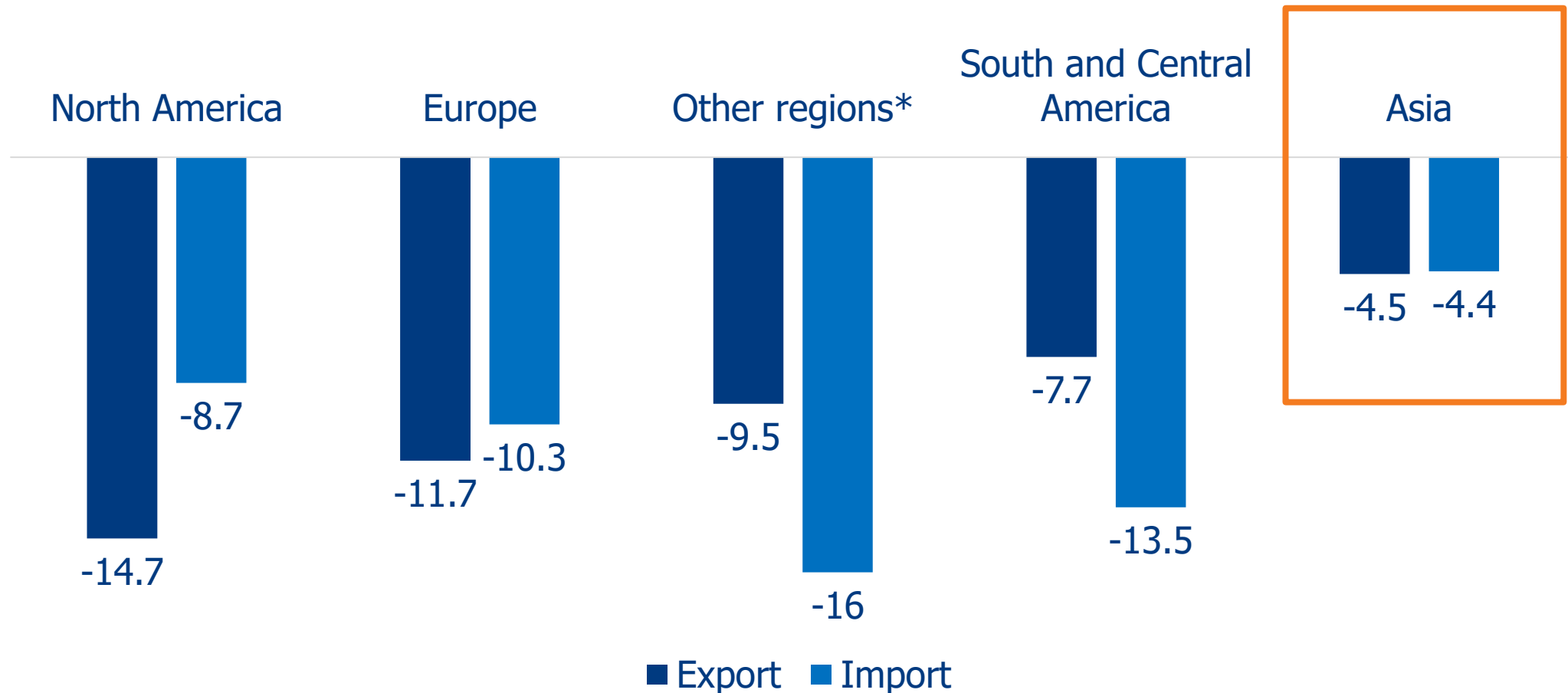
## The ASEAN region is expected to be **one the most resilient in the world economically wise**

### GDP growth in the world's regions (% var.), 2020E



ASEAN area (within Asia) will have the **least negative impact in trade in 2020**

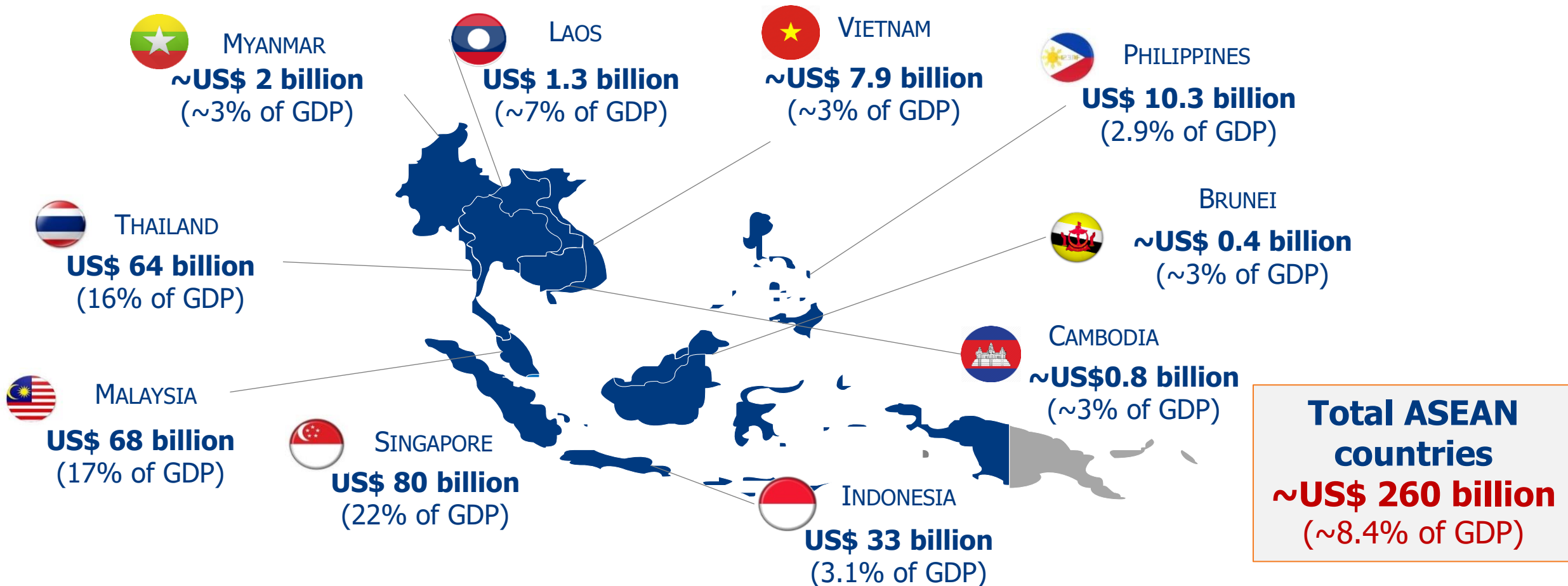
Trade growth in the world's regions (% var.), 2020E



(\* ) Other regions comprise Africa, Middle East and Commonwealth of Independent States (CIS), including associate and former member States.

The governments of all the ASEAN countries put in place **extraordinary aid** to support the relaunch of the economy

### Economic supports put in place by ASEAN countries for the COVID-19 crisis



## ASEAN is projected to be one of the **fastest growing area globally in 2021**

### ASEAN GDP growth (% var.), 2019, 2020E (before and after COVID-19) and 2021E

	2019	2020E (before COVID-19)	2020E (October 2020)	2021E (October 2020)
Brunei	+3.9	+1.5	+0,1	+3.2
Cambodia	+7.0	+6.8	-2.8	+6.8
Indonesia	+5.0	+5.3	-1.5	+6.1
Laos	+5.2	+6.2	+0.2	+4.8
Malaysia	+4.3	+4.8	-6.0	+7.8
Myanmar	+6.5	+6.8	+2.0	+5.7
Philippines	+6.0	+7.0	-8.3	+7.4
Singapore	+0.7	+1.5	-6.0	+5.0
Thailand	+2.4	+3.2	-7.1	+4.0
Vietnam	+7.0	+6.8	+1.6	+6.7
<b>ASEAN weighted average</b>	<b>+4.4</b>	<b>+5.0</b>	<b>-3.9</b>	<b>+6.0</b>
<b>World</b>			<b>-4.4</b>	<b>+5.2</b>

## Key takeaway #2

ASEAN countries show remarkable features through the lenses of the **Global Attractiveness Index**

## The **Global Attractiveness Index** of The European House – Ambrosetti

5<sup>TH</sup> EDITION IN 2020

### MISSION:

To make available to international decision makers a Country Indicator, able to offer a **representative picture** of the attractiveness and competitive sustainability of countries and, consequently, to provide **reliable indications** to support system choices in terms of growth and optimization of the pro-business environment

The soundness of the Global Attractiveness Index is certified through the **independent statistical audit** of the **European Commission's Joint Research Center**

With the support of:

**TOYOTA**

MATERIAL HANDLING

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| Assicurazioni |



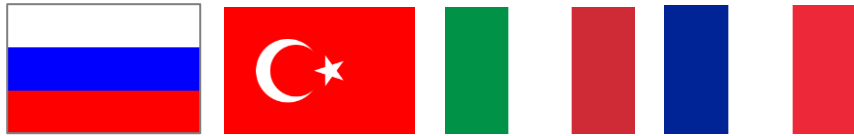
PHILIP MORRIS  
ITALIA S.R.L.



## As of now the Global Attractiveness Index has been...



Officially presented in **7 Countries and to the European Commission**



Included within the **set of official indicators** monitored by four governments



Supported by **international research Institutions**: Joint Research Centre and European Political Strategy Centre



Presented at the **OECD** in Paris and inclusion among OECD's official indicators (on-going)



Presented to **more than 10,000 CEOs** and investors hired on Italy's repositioning in the country rankings. Presented to the **Ministers and Under-Secretaries of the previous and current Government** in formal and informal meetings, to the Parliamentary Commissions and in 3 editions of the Forum The European House - Ambrosetti in Cernobbio



## The **structure** of the Global Attractiveness Index (GAI)

**14** years surveyed →

**144** Countries →

**Global Attractiveness  
Index 2020**

- **Historical Index** calculation over five years (2015-2020), **the only index with this feature**
- More than **80** KPIs analysed and tested for each country and each year
- Over **800,000 data** updates and checks

**A**  
**Positioning Index  
(PI)**

Openness

Innovation

Efficiency

Endowment

**B**  
**Dynamism  
Index (DI)**

Δ Openness

Δ Innovation

Δ Efficiency

Δ Endowment

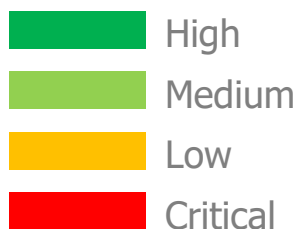
**C**  
**Sustainability  
Index (SI)**

Resilience

Vulnerability

## The top-20 most attractive countries of the GAI 2020

Legend:

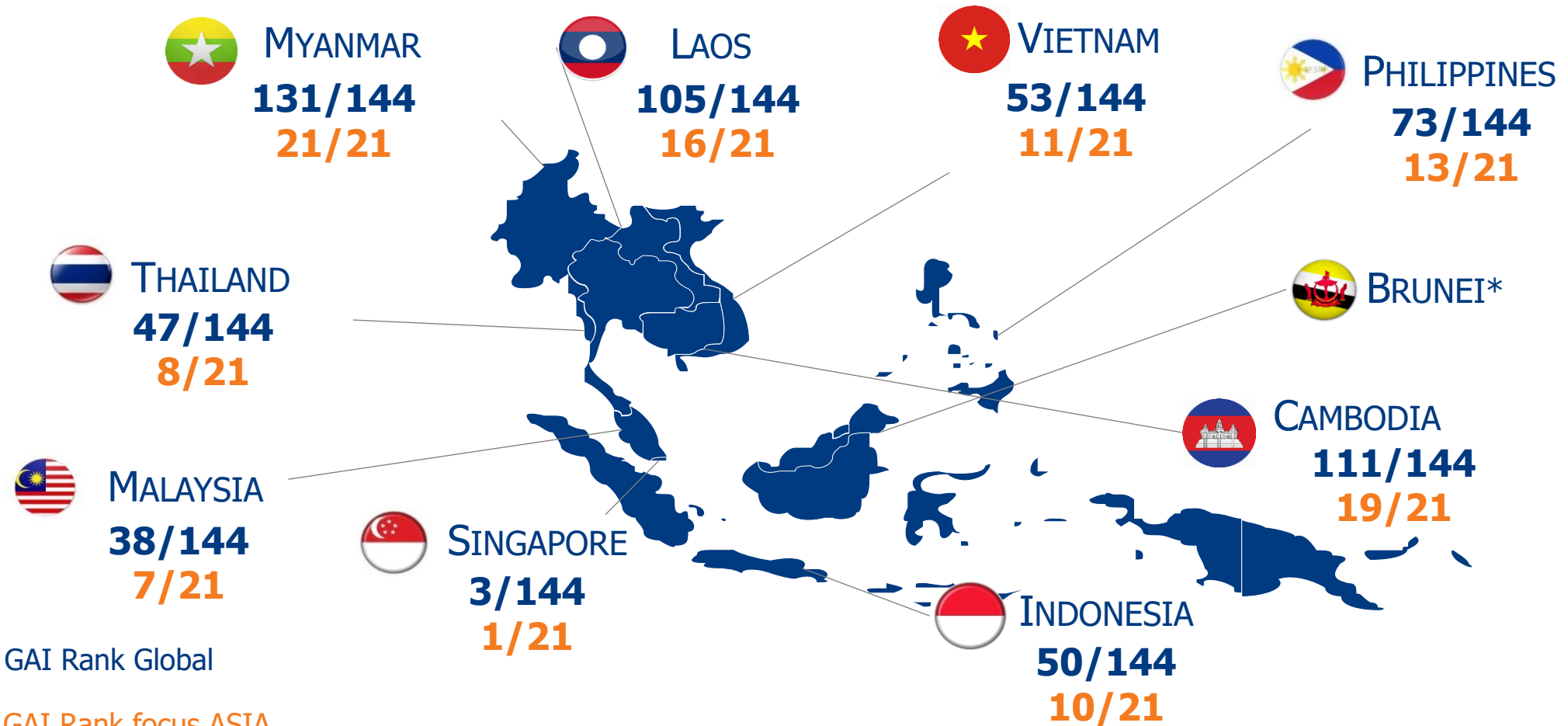


Index expressed  
between 1=min  
and 100=max

	GAI Rank 2020	GAI Score 2020	GAI Rank 2019	GAI Score 2019	Dynamicity 2020	Sustainability 2020
Germany	1	100.00	1	100.00	Low	High
United States	2	99.61	2	98.76	Critical	Low
<b>Singapore</b>	3	90.51	6	87.17	Critical	High
Japan	4	90.06	3	90.76	Critical	Low
UK	5	89.17	4	90.69	Low	High
Hong Kong	6	87.89	5	89.21	Medium	High
China	7	82.13	8	81.23	Critical	Critical
Canada	8	80.75	10	80.11	Critical	High
South Korea	9	80.06	9	80.63	Critical	Medium
Netherlands	10	79.86	11	75.00	High	Medium
France	11	78.05	7	82.13	Low	Medium
Australia	12	73.95	12	74.47	Critical	High
UAE	13	69.89	15	64.90	High	Medium
Switzerland	14	68.11	13	70.50	Critical	High
Ireland	15	66.07	17	61.77	Low	High
Austria	16	64.73	14	65.91	Medium	High
Denmark	17	63.73	16	64.20	Low	High
<b>Italy</b>	<b>18</b>	<b>60.36</b>	<b>18</b>	<b>61.15</b>	Low	Medium
Belgium	19	60.24	20	60.10	Medium	Medium
Qatar	20	59.91	24	58.57	Medium	High



## An overview of ASEAN countries in the GAI 2020



## ASEAN countries are among the **best performing ones in Asia in the GAI ranking**



Among Asian countries, **3** of **top-10** countries in the GAI Index are from **ASEAN**



**3 ASEAN** countries are in the **top-10** Asian countries for **GAI positions gained** in the last year



**4 ASEAN** countries in **top-8** Asia countries for positions gained in **openness pillar** in the last year



**4 ASEAN** countries in **top-8** Asia countries for positions gained in **innovation pillar** in the last year



**5 ASEAN** countries in **top-10** Asia countries for positions gained in **efficiency pillar** in the last year



**6 ASEAN** countries in **top-10** Asia countries for positions gained in **endowment pillar** in the last year

NB. Lists of Asian countries considered: Bangladesh, Bhutan, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea Rep., Lao, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste, Vietnam. The comparison is based on GAI 2020 and GAI 2019.

## The GAI highlights the strengths of each ASEAN country (1/2)

- **Cambodia** ranks **3<sup>rd</sup>** in the world for the **lowest unemployment rate (0.7%)** and **21<sup>st</sup> for the lowest tax rates (23.1%)**
- **Indonesia** ranks **8<sup>th</sup>** in the world and **1<sup>st</sup>** in ASEAN for the percentage of **Gross Fixed Investments (GFCF)** on GDP (32.3%) and boasts a distinguished academic and innovation environment: it is the **6<sup>th</sup>** country in the world and **1<sup>st</sup>** in ASEAN for n. of **graduates** and **21<sup>st</sup>** country and **1<sup>st</sup>** in ASEAN in the world for n. of **scientific publications**
- **Lao** has the **2<sup>nd</sup> lowest unemployment in the world (0.6%)**, after Qatar, and the **tax rates** is the **24<sup>th</sup>** lowest in the world (24.1%)
- **Malaysia** is **highly innovative** and **rich of talents**: it is the **21<sup>st</sup>** country in the world for n. of **graduates** (3<sup>rd</sup> in ASEAN), **17<sup>th</sup>** for percentage of **foreign college students** on young population (2<sup>nd</sup> among ASEAN countries after Singapore), **22<sup>nd</sup>** for n. of **scientific publications** (2<sup>nd</sup> in ASEAN countries after Indonesia). The country also ranks **9<sup>th</sup>** for export of **high-tech goods** (2<sup>nd</sup> in ASEAN after Singapore)
- **Myanmar** ranks **28<sup>th</sup>** in the world for the **number of graduates** and **9<sup>th</sup>** for the **lowest unemployment rate (1.6%)**



## The GAI highlights the strengths of each ASEAN country (2/2)

- **Philippines** rank **21<sup>st</sup>** in the world for the share of **Gross Fixed Investments on national GDP** (26.8%), which corresponds to the **2<sup>nd</sup>** highest value among ASEAN countries (after Indonesia)
- **Singapore** ranks **3<sup>rd</sup>** in the overall **GAI ranking** on 144 countries worldwide. It is characterized by:
  - **High "openness"**: it ranks **11<sup>th</sup>** in the world for **export+import** activity, **10<sup>th</sup>** for n. of **foreign tourists** + national tourists travelling abroad on total population, **3<sup>rd</sup>** for **foreign college students** on young population and **9<sup>th</sup>** for n. of **immigrants** on total population
  - **High innovation**: it is the **6<sup>th</sup>** country in world for **exports of high-tech goods**
  - **High efficiency**: it is **7<sup>th</sup>** in the world for the **Logistic Performance Index**, **12<sup>th</sup>** for **Rule of Law Index** and **15<sup>th</sup>** for **lowest total tax rate** (equal to 21%)
- **Thailand** is the **2<sup>nd</sup>** ASEAN economy and is characterized by a **high-level of efficiency** thanks to a **low unemployment rate** (**5<sup>th</sup>** lowest in the world and **3<sup>rd</sup>** in ASEAN), a good **Logistic Performance Index** (**31<sup>st</sup>** in the world, **2<sup>nd</sup>** in ASEAN) and a high **Total Factor Productivity Growth** (**25<sup>th</sup>** in the world, **1<sup>st</sup>** in ASEAN)
- **Vietnam** has an important stock of **human capital**, being the **11<sup>th</sup>** country in the world for **n. of graduates** (**2<sup>nd</sup>** in ASEAN after Indonesia) and has a high-tech based manufacturing that ranks the country **11<sup>th</sup>** in the world for export of **high-tech goods** (**3<sup>rd</sup>** in ASEAN)

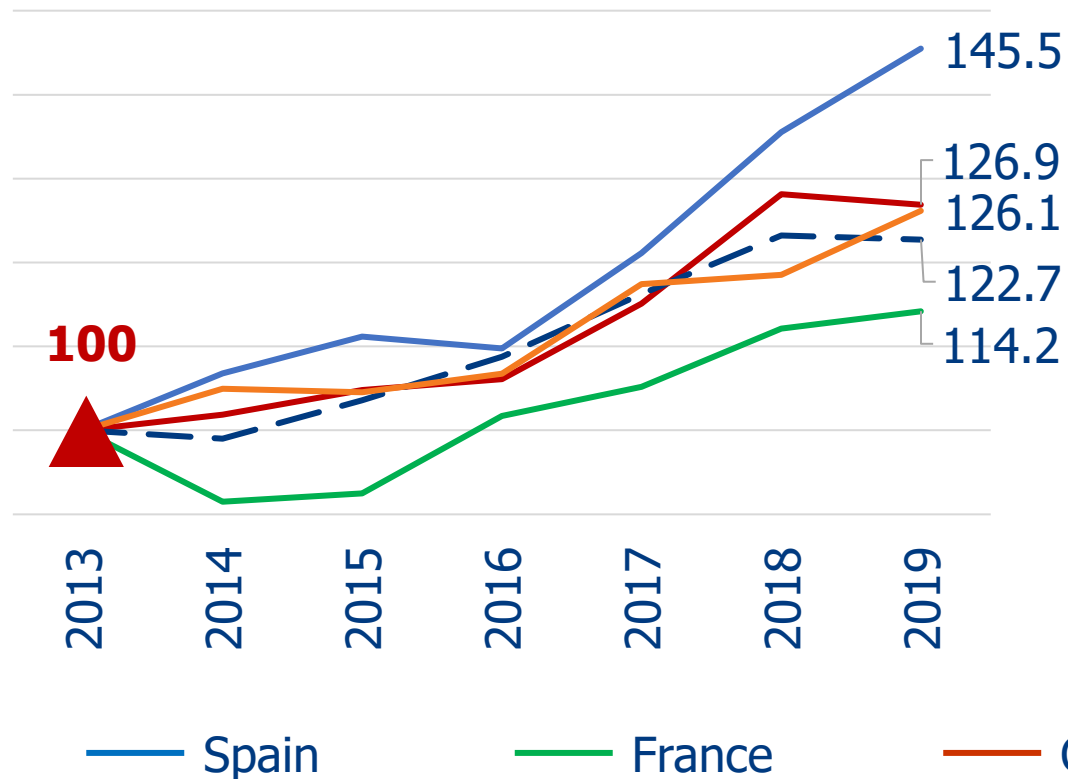


## Key takeaway #3

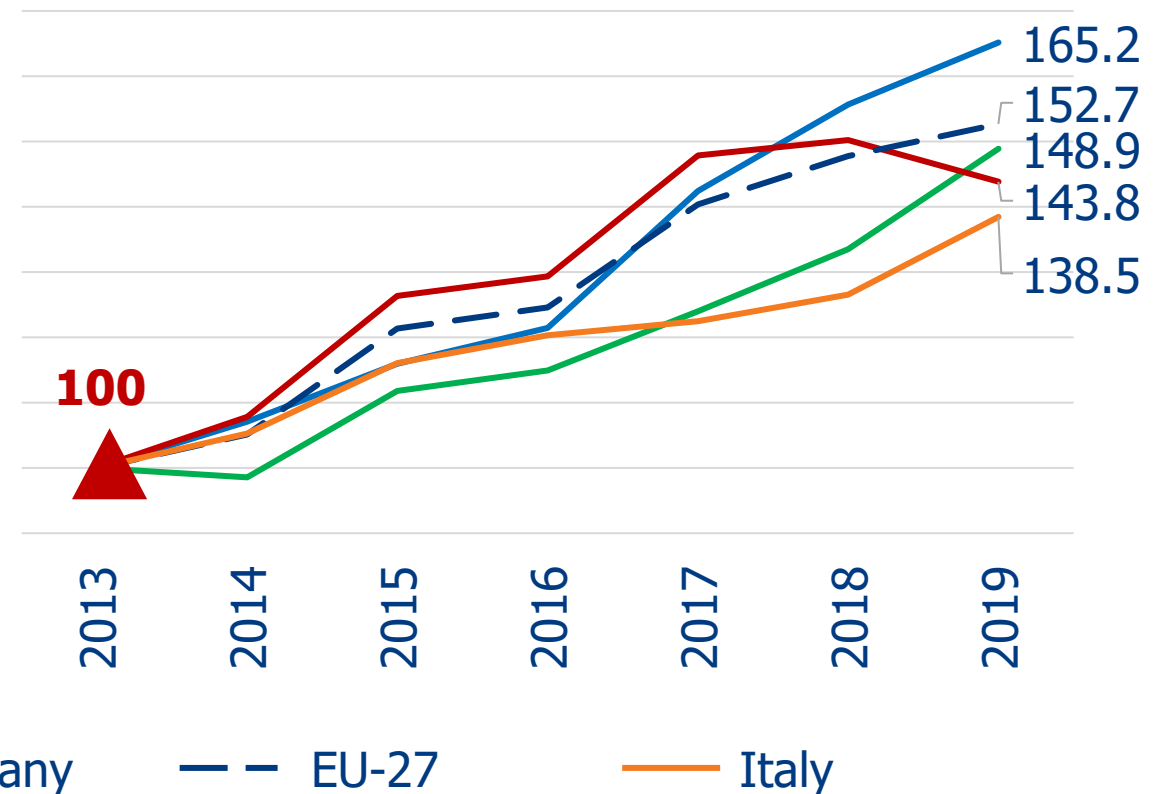
**Several opportunities lay ahead for Italian companies**  
in ASEAN countries in the post-COVID scenario

Until the end of 2019, trade relations between Italy and ASEAN countries were **growing in line with the rest of the European Union**

**EXPORT from European countries to ASEAN countries, 2013-2019 (2013=100)**



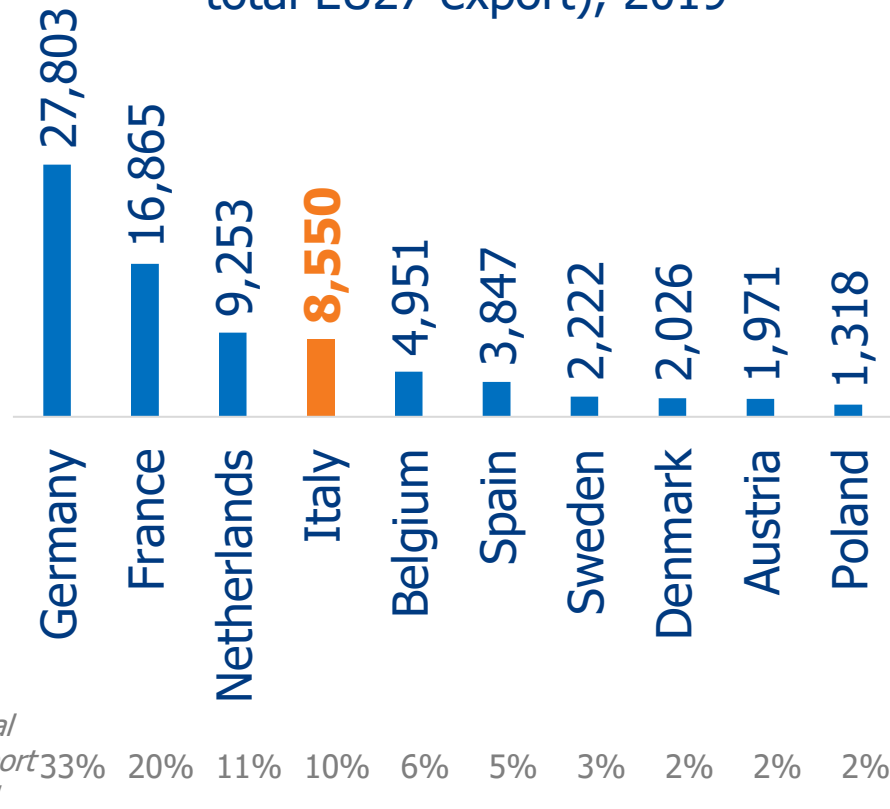
**IMPORT from ASEAN countries in European countries, 2013-2019 (2013=100)**



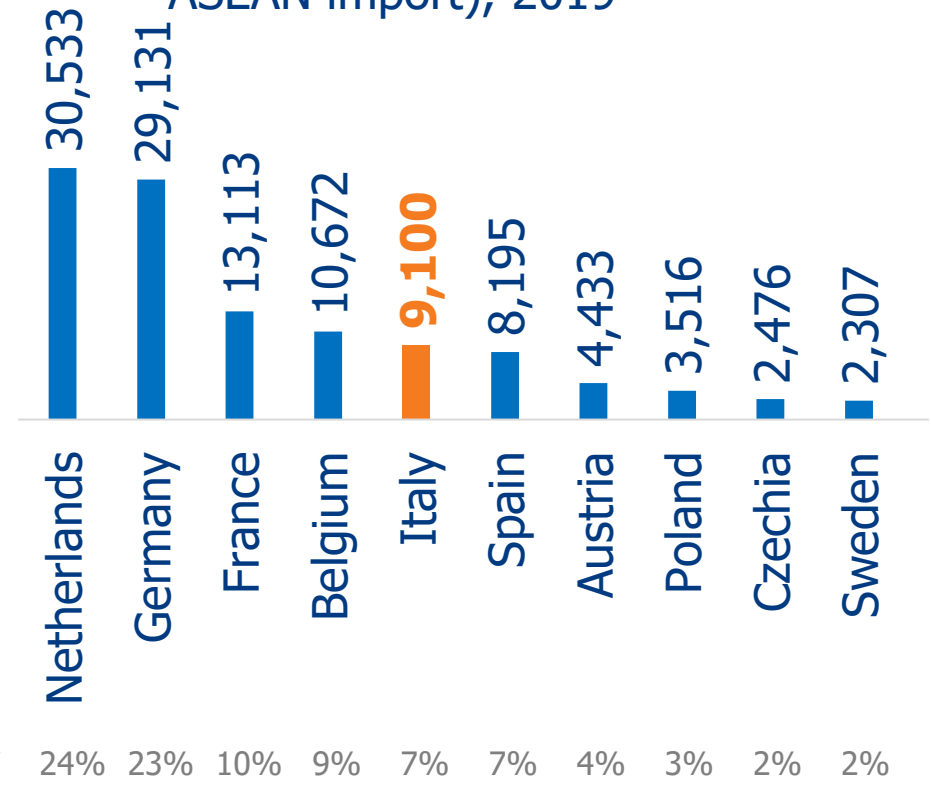


## Before the COVID-19 crisis, Italy-ASEAN relations were **significant but still with an untapped potential**

**EXPORT from top-10 EU27 countries to ASEAN countries** (million of Euros and % on total EU27 export), 2019








**IMPORT in ASEAN countries from top-10 EU27 countries** (million of Euros and % on total ASEAN import), 2019



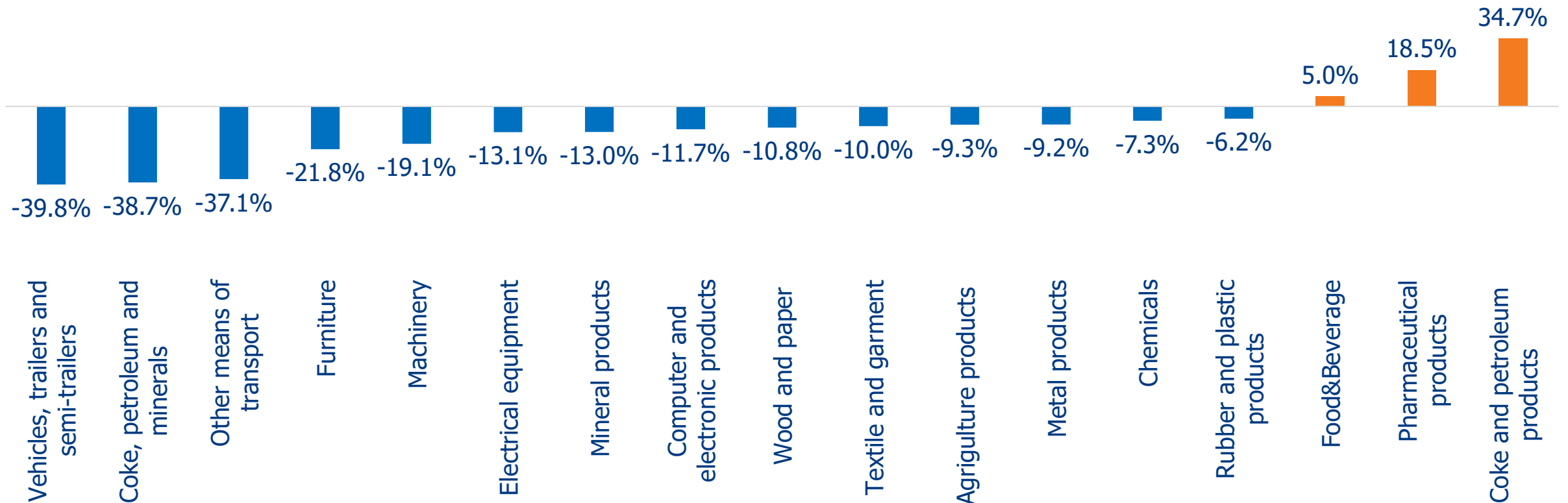
## Italy and ASEAN trade relations **suffered less** the pandemic than other countries

**Change in trade between EU and ASEAN countries in the first 8 months of 2020 compared to the same period in 2019, Jan.-Aug. 2020-2019 (%)**

	Export to ASEAN countries	Import from ASEAN countries	Total trade
 Germany	-17.2%	-6.5%	-11.6%
 Italy	<b>-17.9%</b>	<b>-9.1%</b>	<b>-13.2%</b>
 EU27	-18.3%	-3.0%	-9.2%
 Spain	-25.9%	-17.8%	-20.3%
 France	-32.9%	-18.4%	-26.3%

## Food&beverage, Pharma e Oil products have been more resilient to the reduction in trade between Italy and the ASEAN countries

**Change in trade between Italy and ASEAN countries by sector in the first 7 months of 2020 compared to the same period in 2019, Jan.-July. 2020-2019 (% change of export+import)**




**N.B.: sector-specific trade data are not available for August 2020 but only until July 2020.**


## The study identified the **driving sectors** in the post-COVID relaunch in each ASEAN country


	Food & Beverage	Textile and garment	Electrical equipment	Machinery	Automotive	Chemicals	Mineral Fuels & Oils& Gas	Energy and green tech.	Construction, infrastructure, engineering	Aerospace
Brunei							✓			
Cambodia	✓	✓			✓					
Indonesia	✓			✓			✓		✓	✓
Laos	✓		✓				✓	✓	✓	
Malaysia			✓				✓	✓		✓
Myanmar	✓	✓					✓	✓	✓	
Philippines	✓		✓	✓				✓	✓	✓
Singapore			✓					✓		✓
Thailand	✓		✓	✓	✓	✓		✓		
Vietnam	✓	✓	✓	✓				✓	✓	


N.B.: Only sectors with a percentage of added value, export and import of more than 15% were considered; to these, other high growing sectors have been added; relevant sectors but without complete available statistics (e.g. digital economy, etc.) have not been included; financial sector is not included  
 Source: The European House – Ambrosetti elaboration, 2020


## In each of the main sectors that drive ASEAN's economy, Italy holds distinctive competences

- 


**Food and Beverage: €64.6 bn of agri-food value added**, more than 2 times automotive of France and Spain and almost double of France, Germany and British aerospace sector
- 


**Textile and garment:** According to the Trade Performance Index, Italy is **1<sup>st</sup> in the world for competitiveness** in clothing and footwear sector
- 


**Electrical equipment:** According to ISTAT's Synthetic Indicator of Competitiveness (ISCo), food and beverages, clothing, **electronics** are the only sectors showing a **competitive improvement** compared to the manufacturing average in both 2018 and 2019
- 


**Automotive:** The Italian automotive industry contributes to **5.6%** of the GDP and **7%** of the manufacturing industry's workforce. The Italian automotive industry is specialized in the production of **components** for export and **luxury vehicles**
- 


**Aerospace:** Italy's AD&S industry is ranked **4<sup>th</sup>** in Europe and **7<sup>th</sup>** in the world. The sector directly employs 50,000 highly qualified workers and almost 200,000, taking into account the entire extended value chain, and represents the 2nd largest sector for investments in R&D

- 

**Machinery:** Italy is world leader in the production of metallurgy machines and machines for the food, beverage and tobacco industries with global shares of **18.7%** and **16.5%** respectively. In general, the machinery sector accounts for **20%** of all Italian exports
- 

**Chemicals:** Italy is the **3<sup>rd</sup> in the EU** for production value of **chemicals** (9.5% of European production) and **1<sup>st</sup> in the EU** for **production of medicines** (\$31.2 bn of production value)
- 

**Minerals and Oil:** Italy has a tradition of refining and is home to important multinationals with cutting-edge technologies
- 

**Energy and green technologies:** Italy is among the most advanced countries in the field of **renewable energy sources**, which contribute with 17.8% to the total national energy mix. Moreover, Italy, thanks to its historical use of gas and its position, can become the European **hydrogen hub**
- 

**Construction, infrastructure and engineering:** Investment in construction, €116 billion in 2016, represents approximately **9.6%** of GDP and **46.7%** of the gross fixed investments made in the country. The industry's production value was €171 billion in 2018 (increasing 2.5% over 2017), accounting for **8.8%** of national GDP

## A BRIGHT PERSPECTIVE FOR THE FUTURE: ASEAN and Italy (and the EU) have further strengthened their relations during the pandemic

### March 2020

- Ministerial-level digital meeting between the EU High Representatives, Singaporean Foreign Affairs Minister and others to share experience on the **COVID-19 pandemic management**
- Involvement of south-east Asian scientists in **18 coronavirus research projects** funded by the EU's Horizon 2020 programme

### June 2020

Two digital meetings with the **Italian State Secretary Manlio Di Stefano** and the Deputy **Minister of Foreign Affairs of Indonesia**, Mahendra Siregar, and the **Deputy Minister of Foreign Affairs of Malaysia**, Kamarudin Bin Jaffar, on the cooperation in the fight against the pandemic, the development of bilateral political and economic relations and regional cooperation

### February 2020

Consent by the European Commission to the Trade Agreement and an Investment Protection Agreement between the **European Union and Vietnam**

### April 2020

Launch of a **'Team Europe'** coronavirus package, re-allocating €20 billion from existing development aid programmes of the European Commission, the European Investment Bank and the Member States: **€350 million** of this have gone to South-East Asia for providing healthcare, food and economic support

### September 2020

Confirmation by the ASEAN Secretariat and the Italian Ministry of Foreign Affairs of **Italy as development partner of the ASEAN countries**

Thank you for your attention



*Coming together is a beginning*

*Keeping together is progress*

*Working together is success*

*Henry Ford*

**Lorenzo Tavazzi**

Partner and Responsible for International Development

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