

# High Level Dialogue on ASEAN Italy Economic Relations

## Digital Round Table – October 6<sup>th</sup>, 2021

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

Main Partner



With the institutional support of



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Strategic partner



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- **The perspectives of the ASEAN economy in the light of the COVID-19 crisis**
- The rebound of the Italian economy to the COVID-19 crisis and relations with ASEAN
- The ASEAN Comprehensive Recovery Framework and opportunities for collaboration with Italy

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



**GDP: US\$ 3,081 bn**

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



**Export: US\$ 1,394 bn**

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



**FDI flows in 2019:**

**US\$ 155.7 billion**

10% of the global total



**Population: 667 mln**

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



**Import: US\$ 1,267 bn**

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

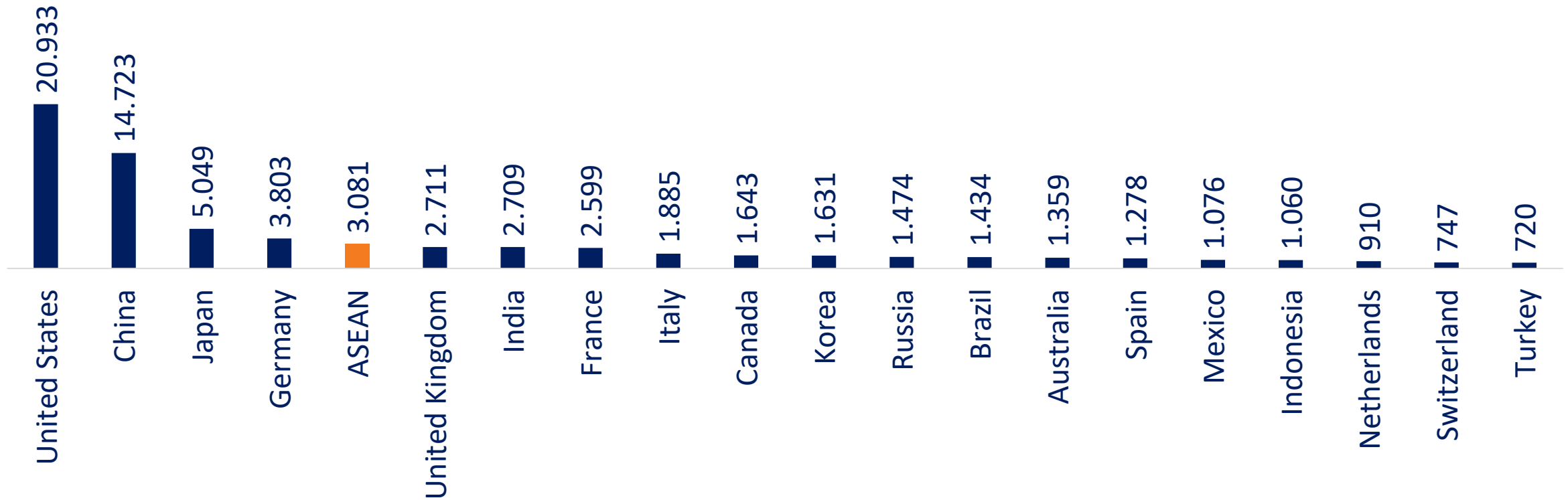


**Manufacturing value added: 21% of total VA**

compared to 10% of the world

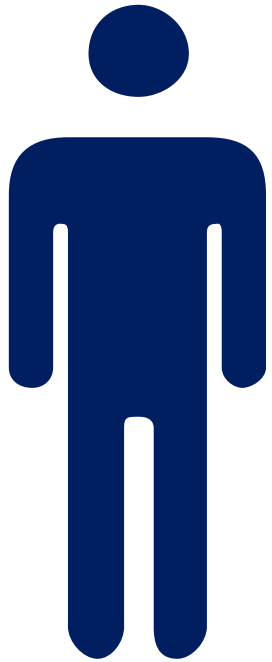
# ASEAN region is one of the most important in the world: as a single economy, it would be the 3<sup>rd</sup> largest in Asia and 5<sup>th</sup> in the world

**GDP in the first 20 economies in the world (billion US\$), 2020**

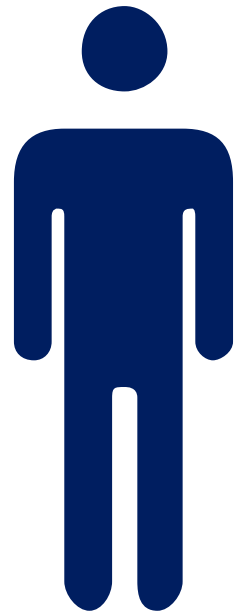


# ASEAN region is the 3<sup>rd</sup> largest market in the world

Population (million), 2020



**China**  
1,404



**India**  
1,370



**ASEAN**  
662



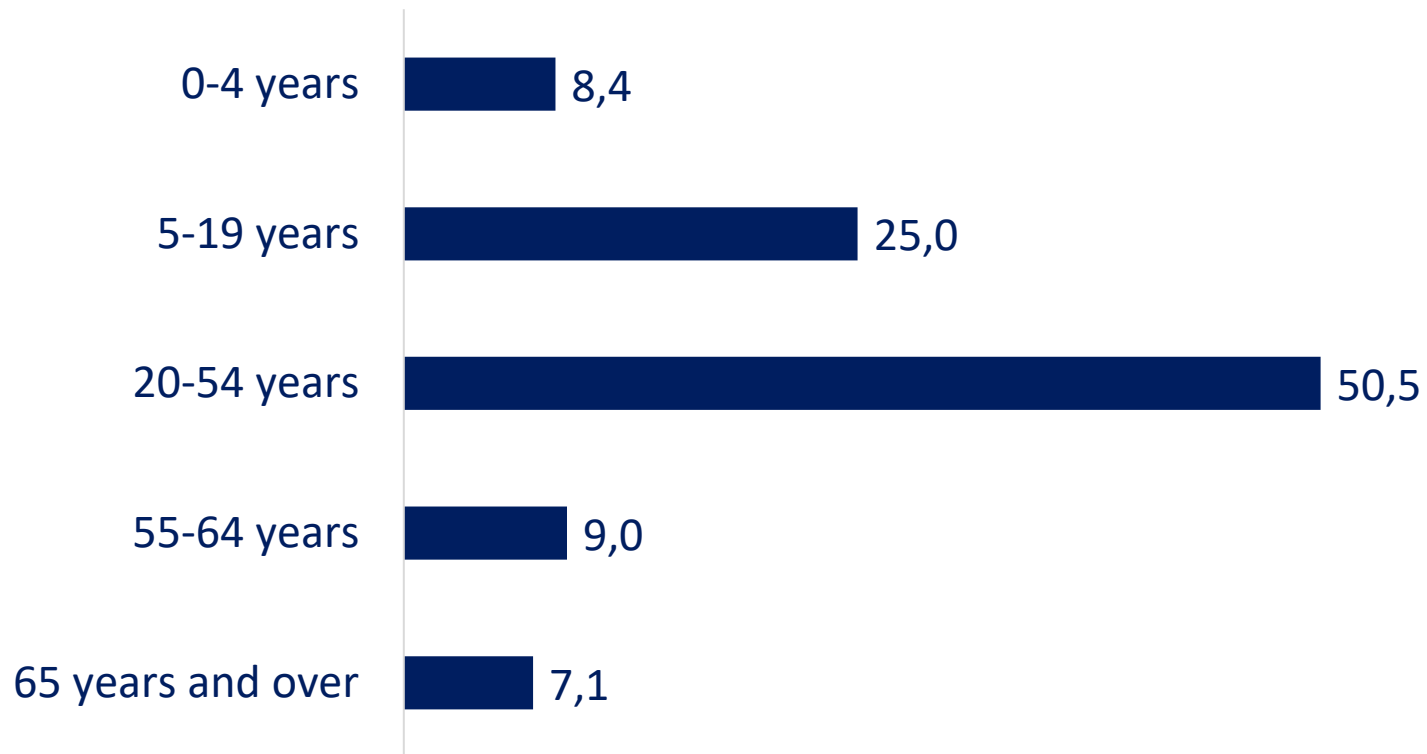
**EU**  
448



**USA**  
332

# ASEAN population is made of young people

ASEAN population by age group (%), 2020



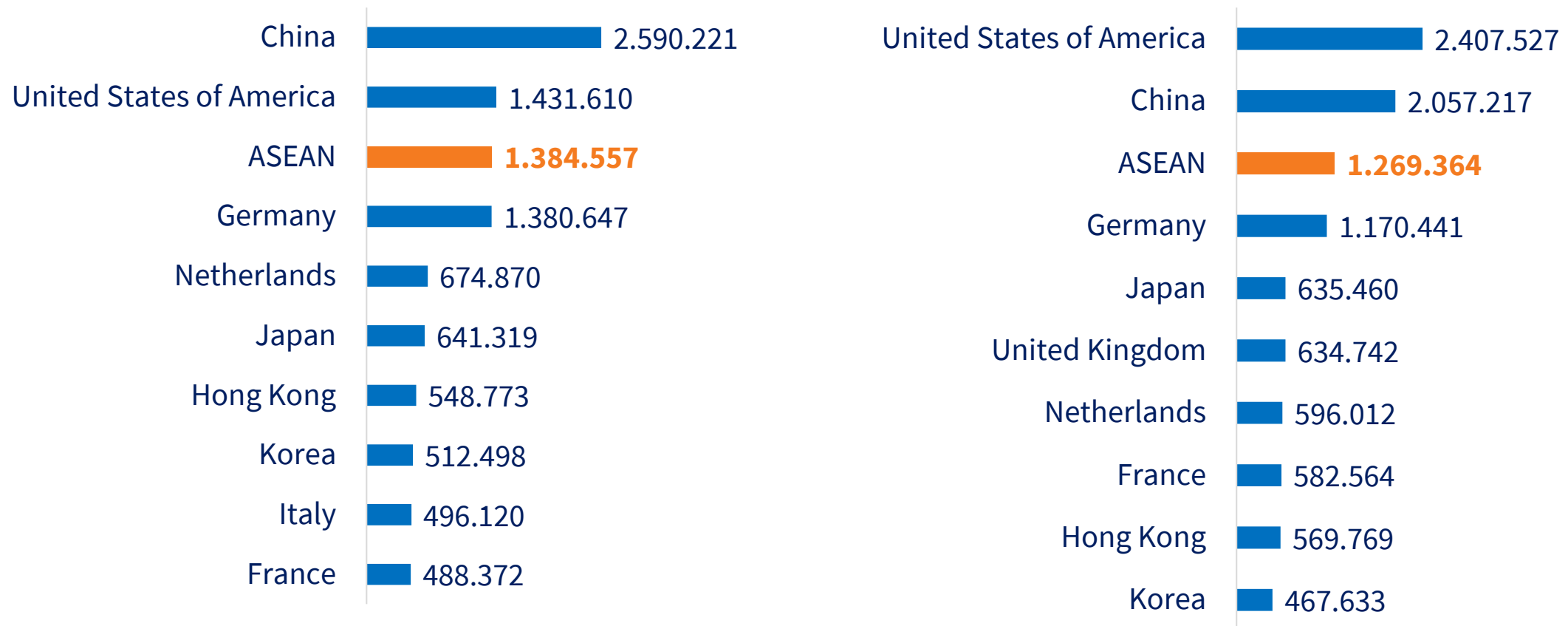
**30.4 years**  
is the median age of the  
ASEAN population

vs

48.4 years in Japan, 47.3 years in  
Italy, 45.7 years in Germany, 38.4  
years in China and 38.3 years in  
USA

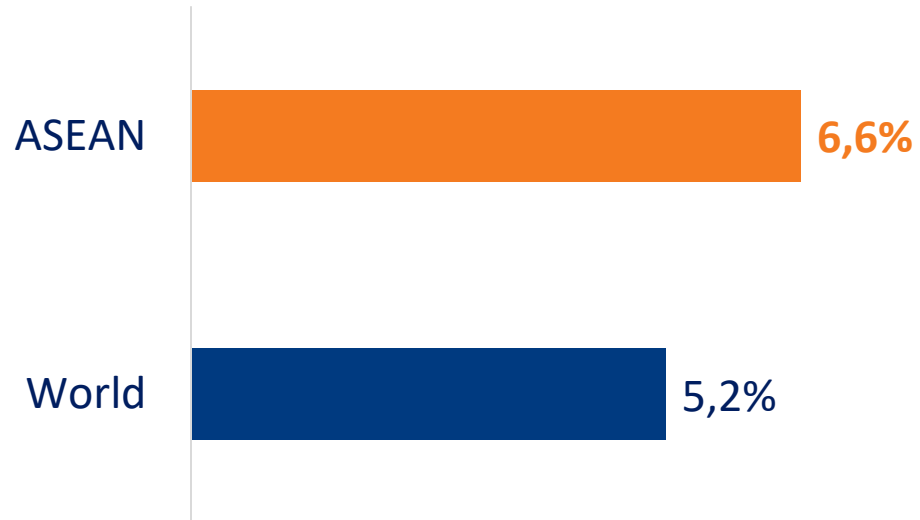
# ASEAN region is the 3<sup>rd</sup> in the world for import and export

First 10 countries in the world for export (left side) and import (right side) –  
(million Euros), 2020

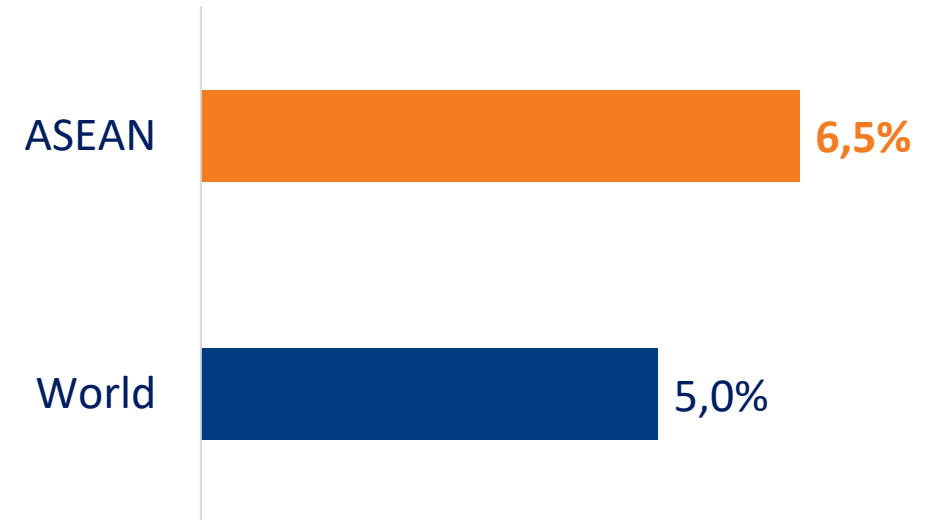


# ASEAN imports and exports will grow more than the global average in the coming years

**Imports growth in ASEAN and in the world**  
(CAGR\*), 2020-2025



**Exports growth in ASEAN and in the world**  
(CAGR\*), 2020-2025

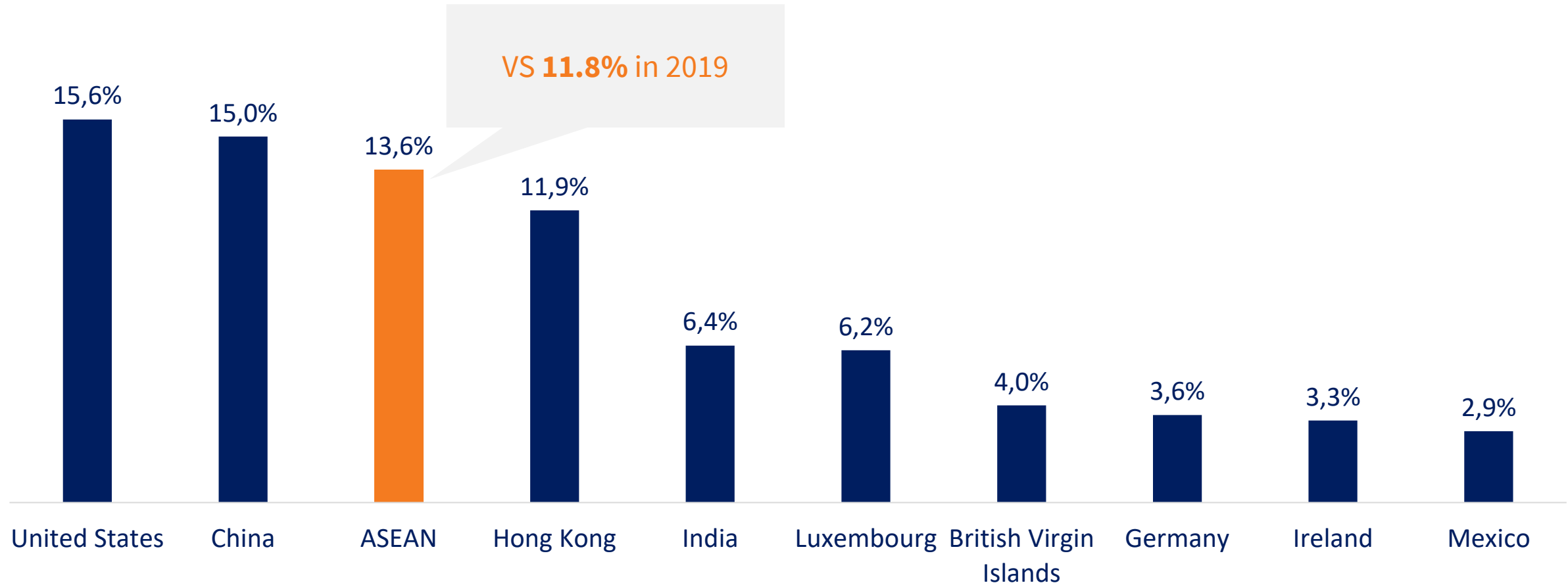


By 2025, **ASEAN** will represent **7.3%** of **world imports** and **7.7%** of **world exports**



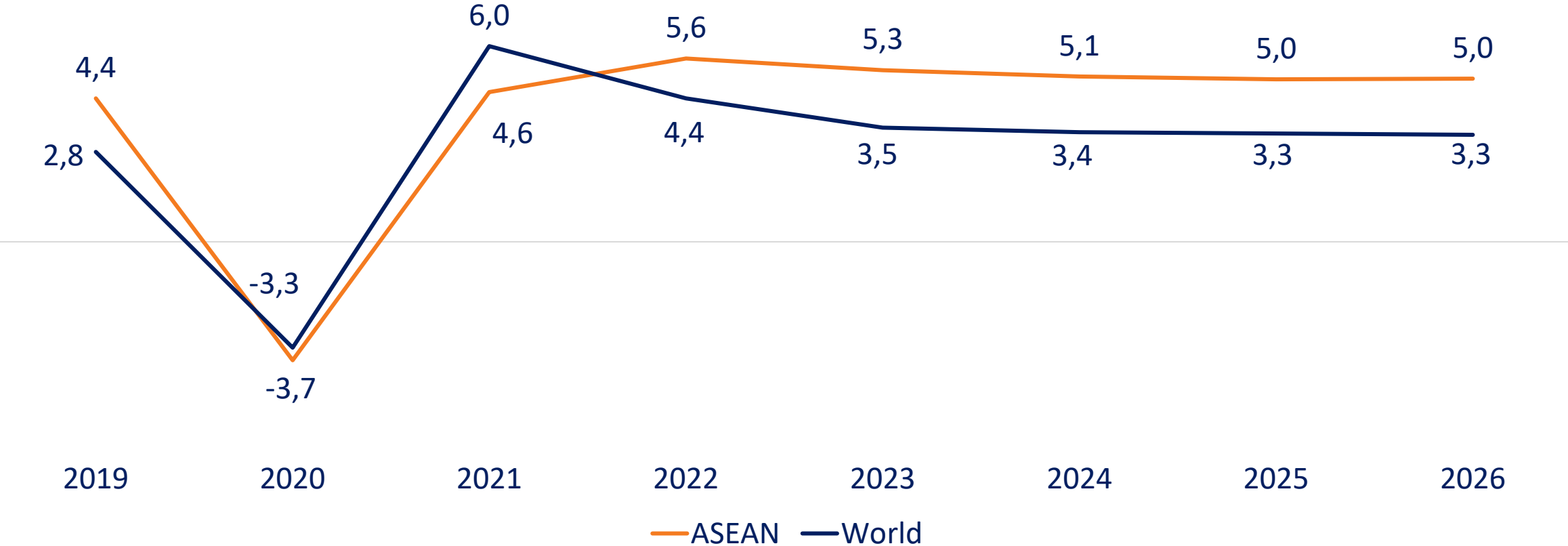
# ASEAN region is the 3<sup>rd</sup> global destination for FDI

First 10 countries for inward FDI flows (in million US\$), 2020



# Even if ASEAN has been hit more severely by Covid-19, it is expected to recovery and grow faster than the world average

GDP growth in ASEAN and in the world (% var.), 2019-2026<sup>E</sup>



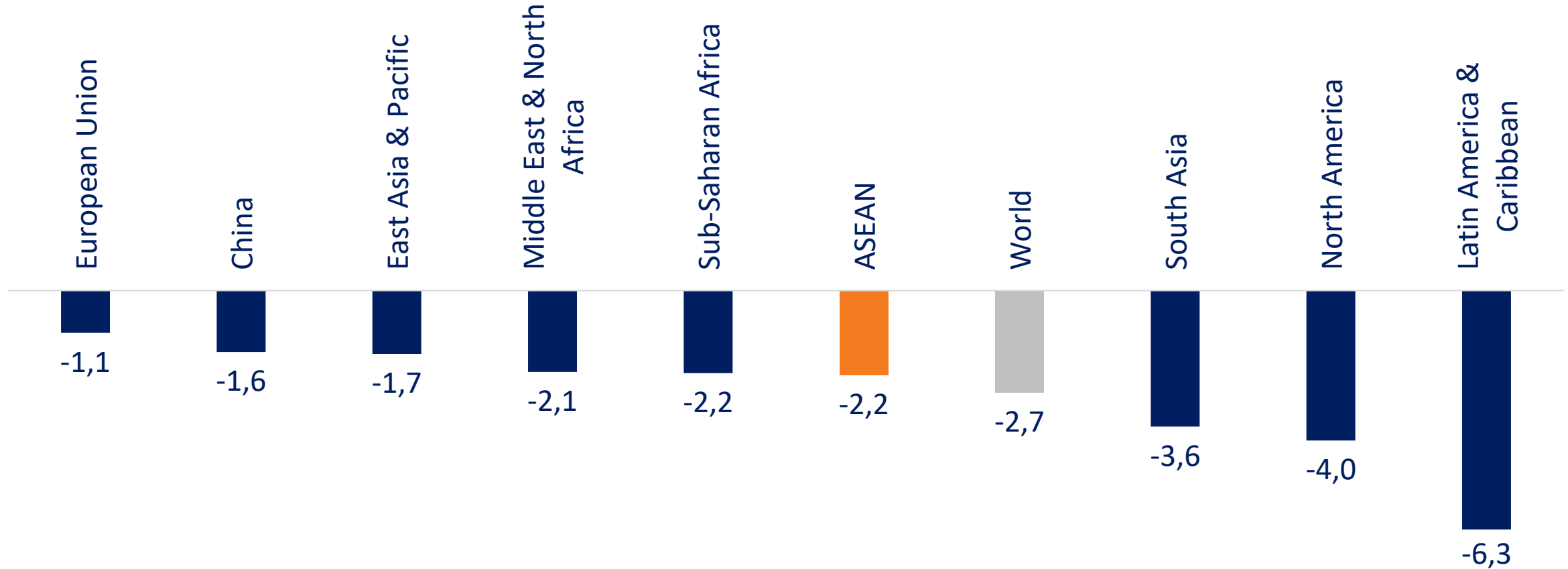
# ASEAN is projected to be one of the fastest growing area globally in 2021

**ASEAN GDP growth, 2019, 2020 (before and after COVID-19) and 2021<sup>E</sup> (% var.)**

	2019	2020 (before COVID-19)	2020	2021 (July 2021)
Brunei	+3.9	+1.5	+1.2	+1.6
Cambodia	+7.0	+6.8	-3.5	+4.2
Indonesia	+5.0	+5.3	-2.1	+4.3
Laos	+5.2	+6.2	-0.4	+4.6
Malaysia	+4.3	+4.8	-5.6	+6.5
Myanmar	+6.5	+6.8	+3.2	-8.9
Philippines	+6.0	+7.0	-9.5	+6.9
Singapore	+0.7	+1.5	-5.4	+5.2
Thailand	+2.4	+3.2	-6.1	+2.6
Vietnam	+7.0	+6.8	+2.9	+6.5
<b>ASEAN weighted average</b>	<b>+4.4</b>	<b>+5.0</b>	<b>-3.7</b>	<b>+4.6</b>
<b>World</b>			<b>-3.3</b>	<b>+6.0</b>

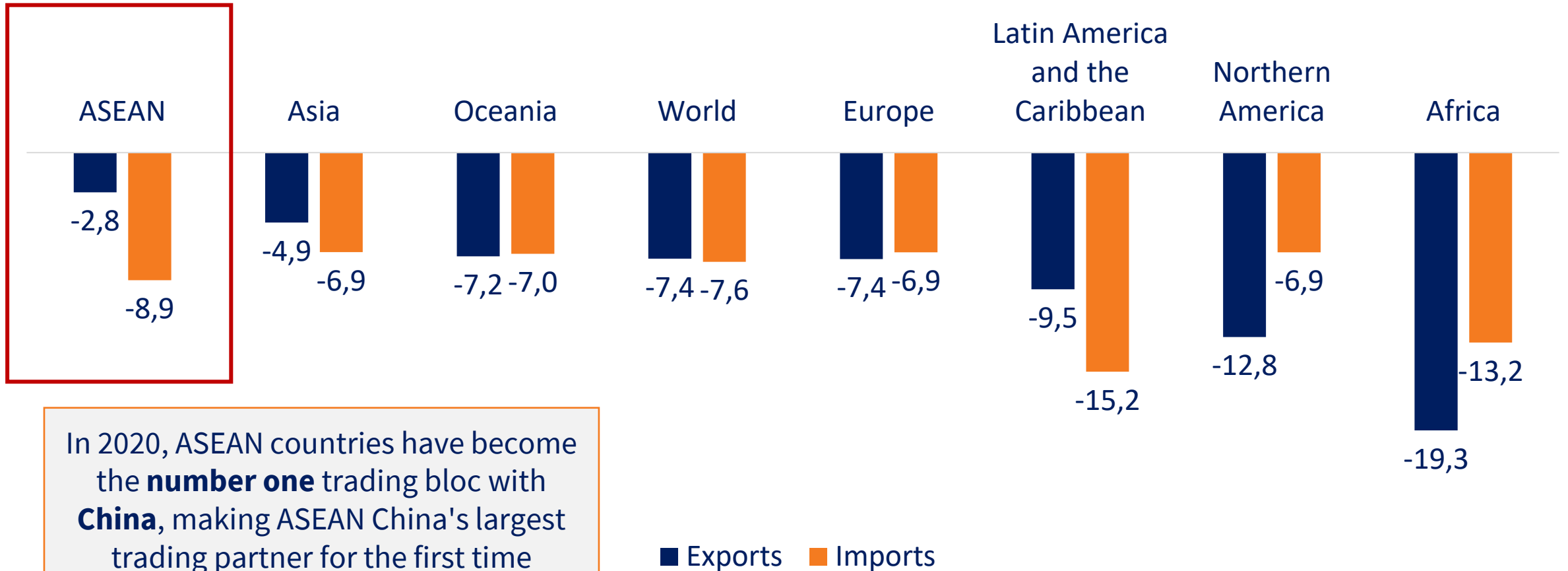
# In 2020, ASEAN had an impact on the employment less severe than the world average

Employment to population ratio in world's regions (var. in percentage points), 2019-2020



# In 2020, ASEAN countries had the least negative impact in exports

Trade growth in the world's regions (% var.), 2019-2020



In 2020, ASEAN countries have become the **number one** trading bloc with **China**, making ASEAN China's largest trading partner for the first time

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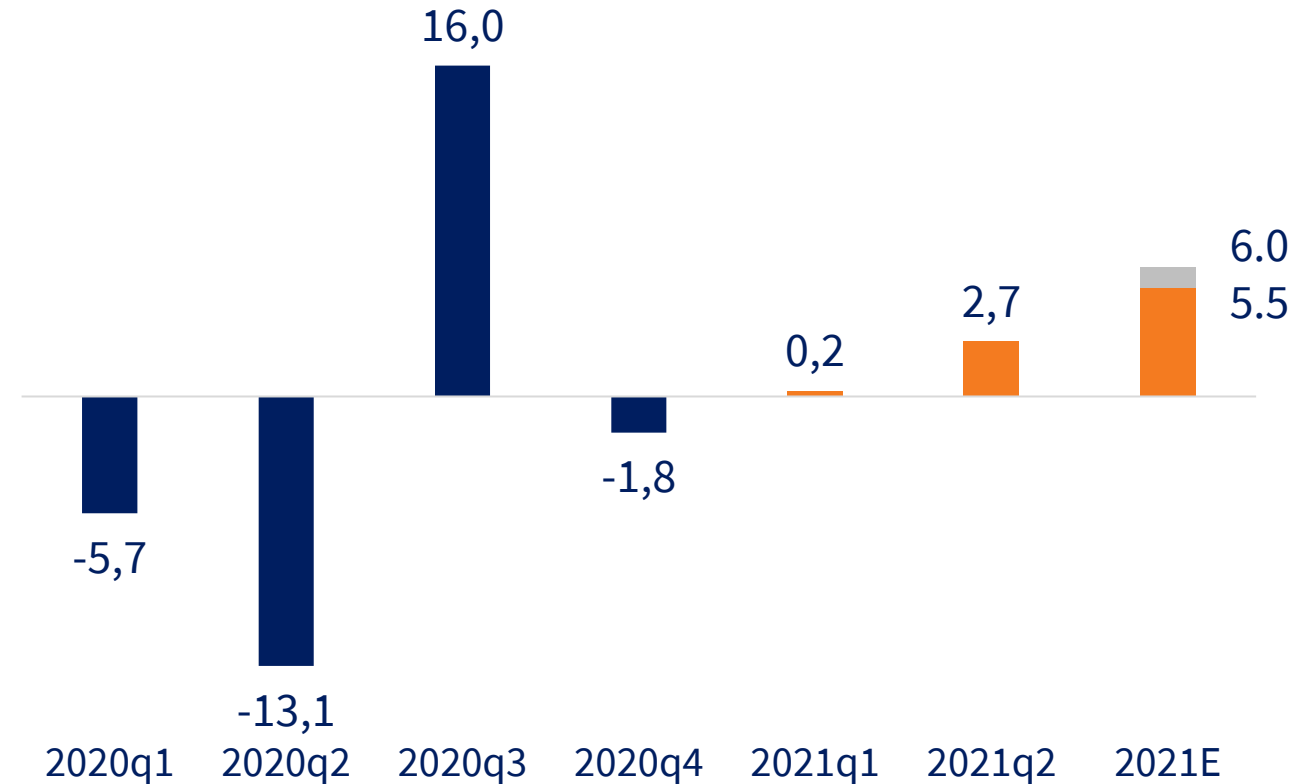
- The perspectives of the ASEAN economy in the light of the COVID-19 crisis
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- The ASEAN Comprehensive Recovery Framework and opportunities for collaboration with Italy

# Italy has been hit severely in 2020 by COVID-19 but it is expected to recover and grow strongly in 2021



- GDP generated in the second quarter of 2021 amounts to **413.6 billion of Euros**
- The acquired variation (overall annual growth in the presence of zero growth quarters) for 2021 is **+4.8%**
- The higher level of expected GDP growth (+6% this year) and lower net borrowing (expected to be 9.4% of GDP) allow for a **decrease in the public debt-to-product ratio** (from 155.6% in 2020 to 153.5% in 2021)

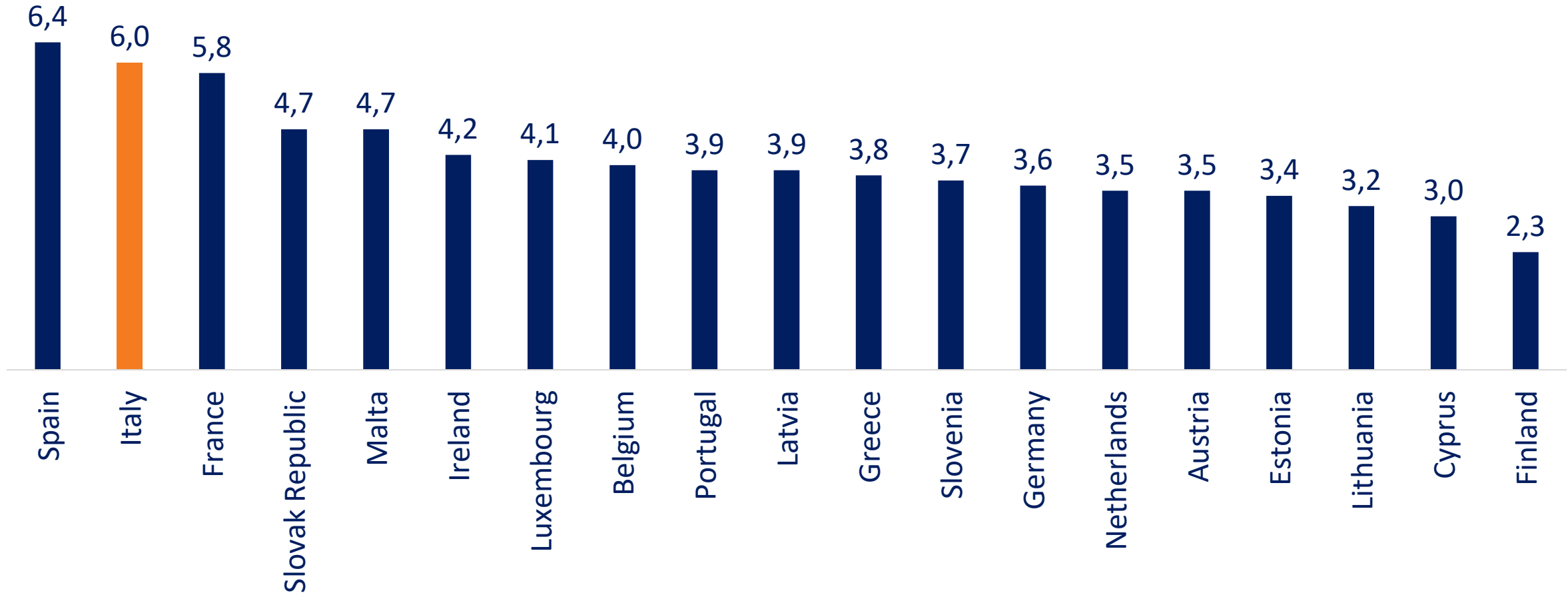
GDP conjunctural variation (%), 2020q1-2021<sup>E</sup>



# In 2021, Italy is expected to be the 2<sup>nd</sup> fastest growing country in the Euro area



GDP growth in the Euro area (%), 2021<sup>E</sup>



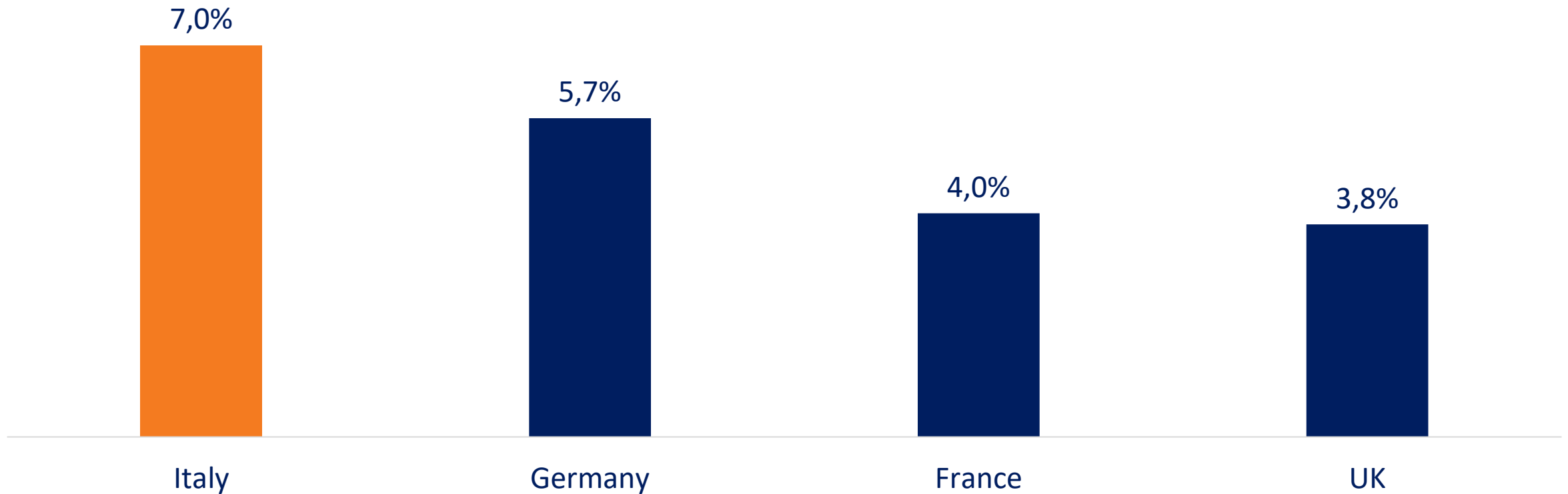
N.B.: the closure estimate for Italy refers to the estimates published by the Italian Government.

Source: The European House - Ambrosetti elaboration on IMF and Italian Government data, 2021



# In the first half of 2021, Italy had a relevant increase in industrial production compared to other European economies

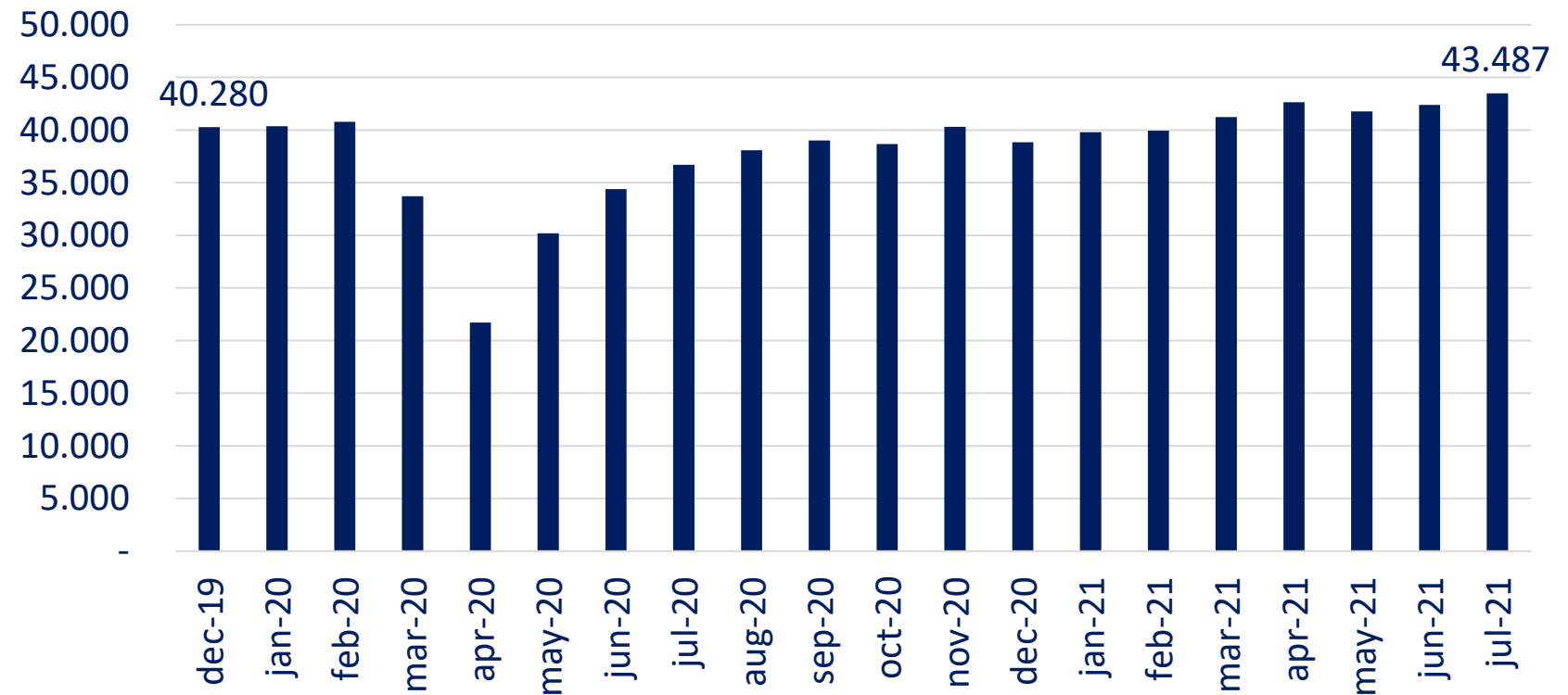
Variation of industrial production in some European countries  
(%), July 2020 – July 2021



# There is also a significant recovery in national exports, which have returned to pre-crisis levels

- In the first seven months of 2019 exports amounted to **€280,641 mln**
- Italy is among the **top-5 exporters** in the world, with a manufacturing trade balance of more than **\$100 billions**

Export (million of Euros), December 2019 – July 2021



237.9 bln €

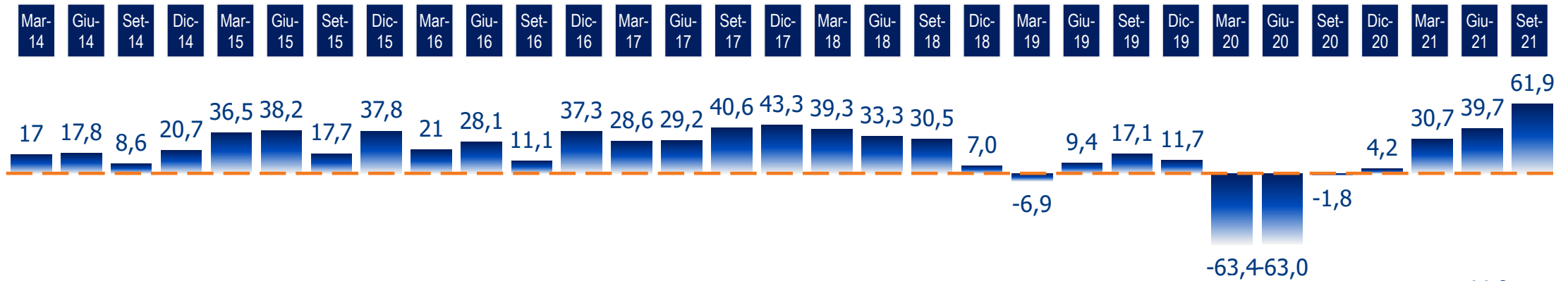
+22%

291.3 bln €

# Expectation from Italian business leaders for the next six months are at an all-time high

## Ambrosetti Club Economic Indicator, six-months forecast

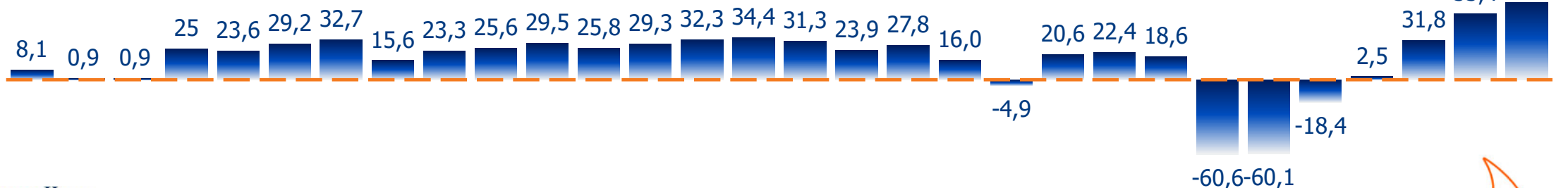
**Business situation**



**Employment situation**

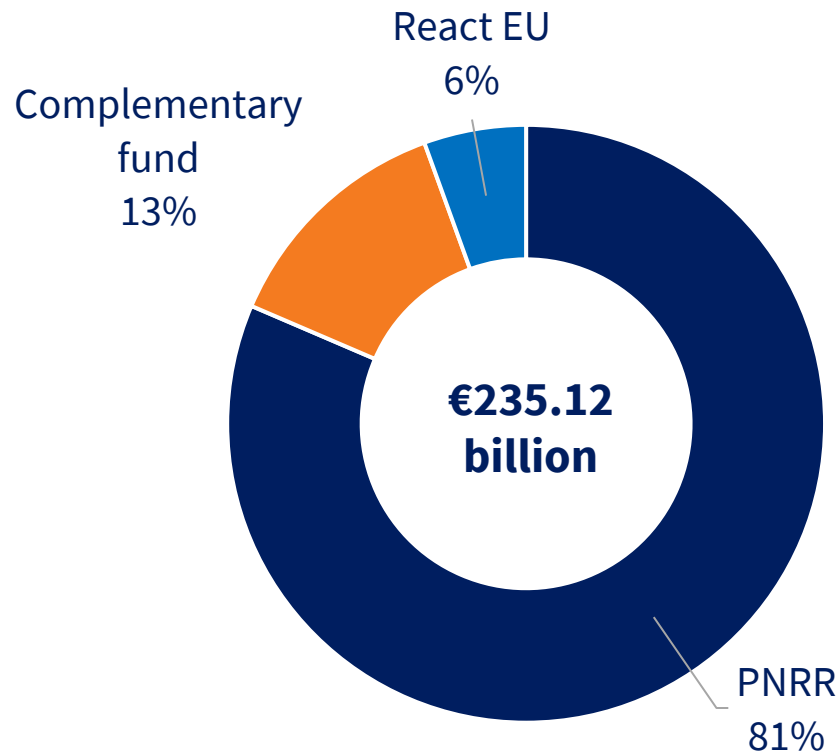


**Investment situation**

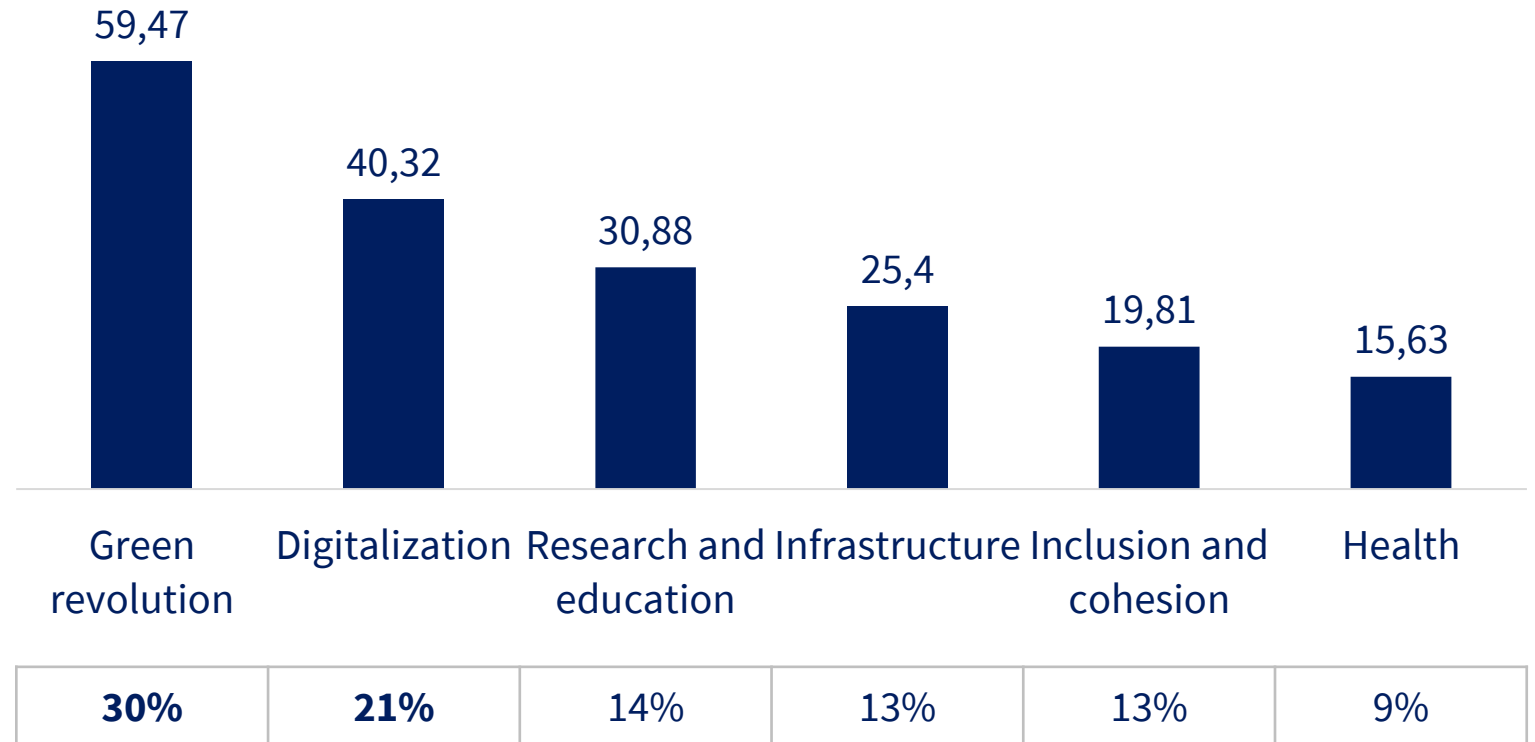


# Moreover, €235 billions of investments will be deployed in Italy thanks to the National Plan of Recovery and Resilience

**Composition of the PNRR by funding**  
(billion Euros and percentage values),  
2021



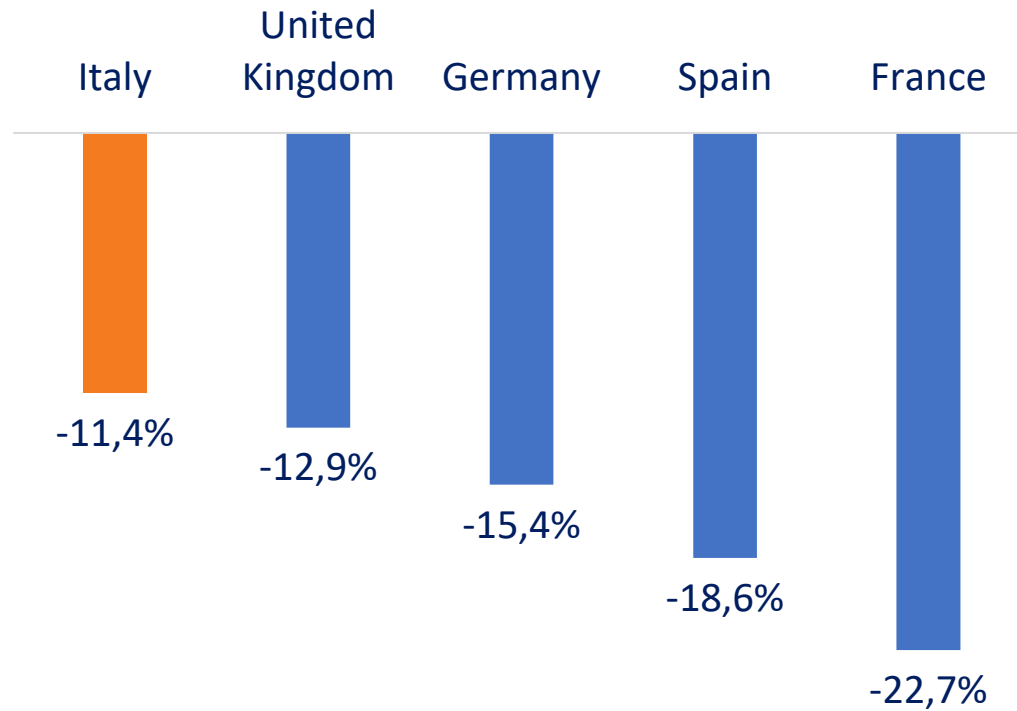
**Composition of the PNRR by Mission\***  
(billion Euros and percentage values), 2021



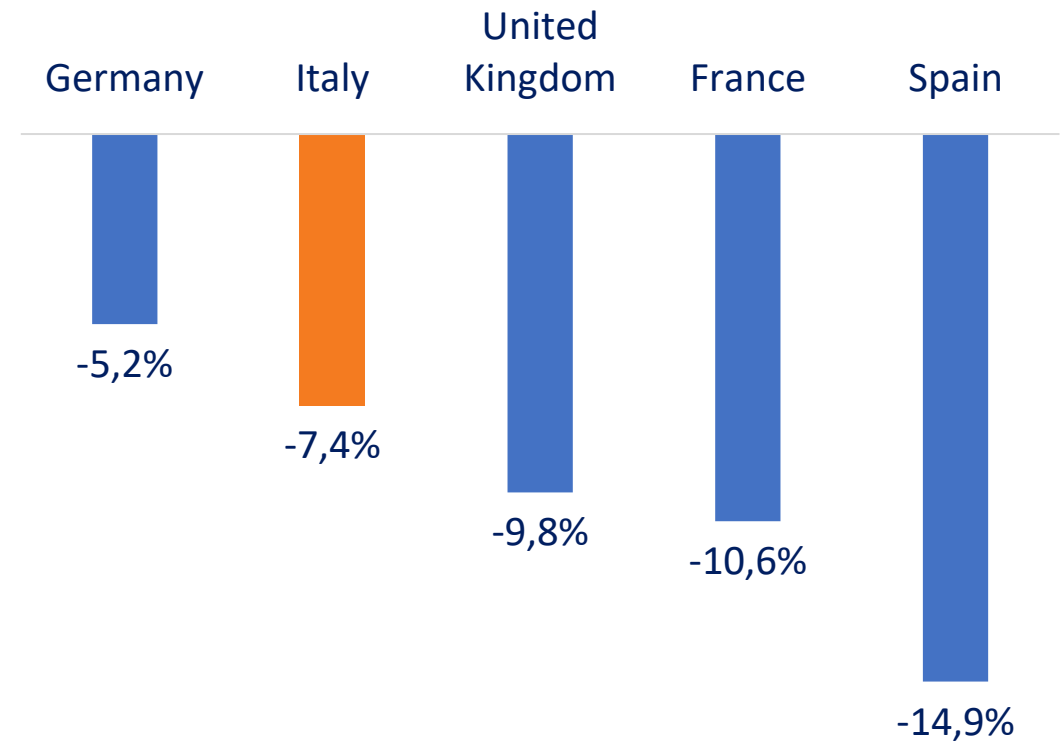
(\* ) Excludes the financial allocations from the Supplementary Fund and React EU.

# Italy is the country – among the European «Big 5» - that has suffered the least impact from the crisis in its relations with ASEAN

**EXPORT from European “Big5” countries to ASEAN countries** (% change 2020 vs 2019), 2020

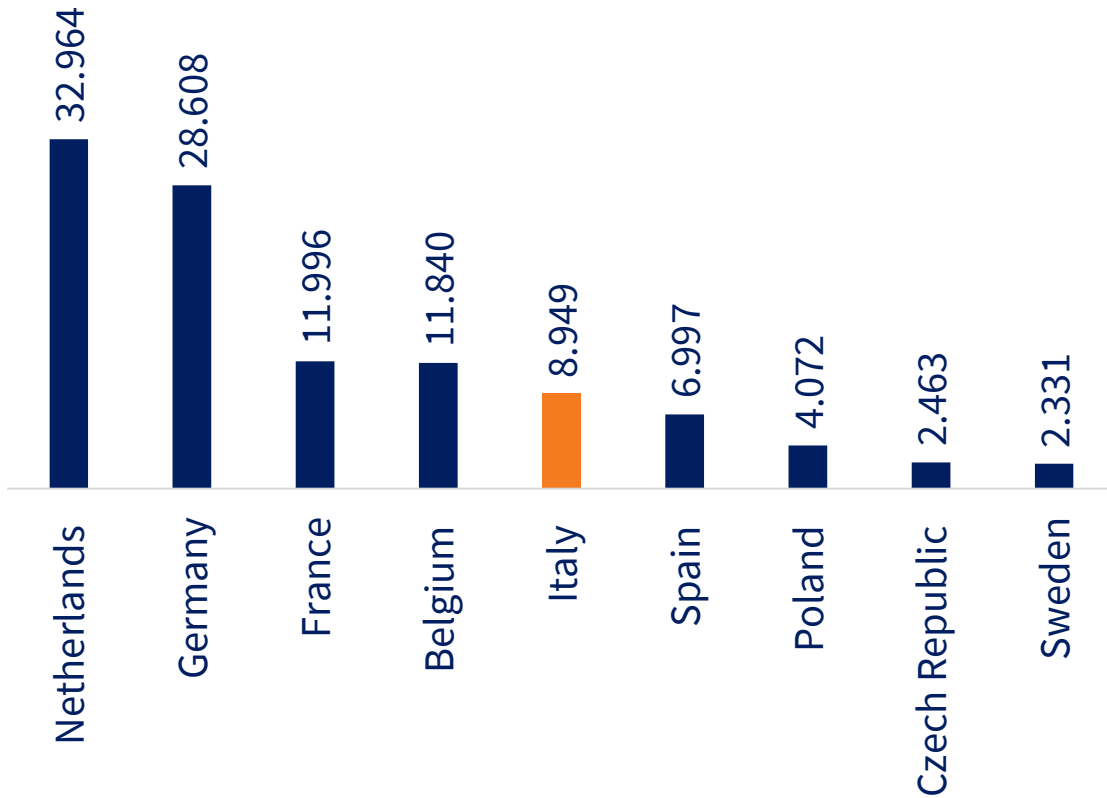


**IMPORT in ASEAN countries from European “Big5” countries** (% change 2020 vs 2019), 2020

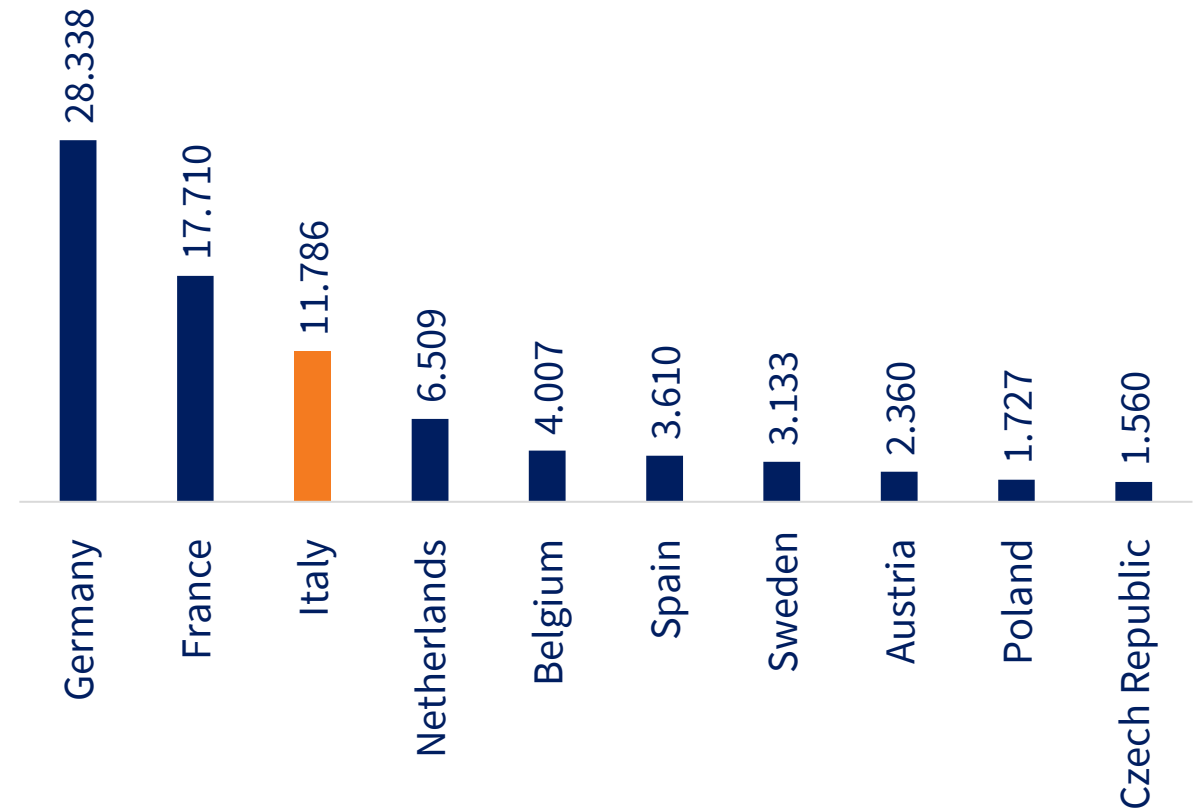


# However, Italy-ASEAN relations are still below potential...

**EXPORT from top-10 EU27 countries to ASEAN countries**  
(million of Euros and % on total EU27 export), 2020

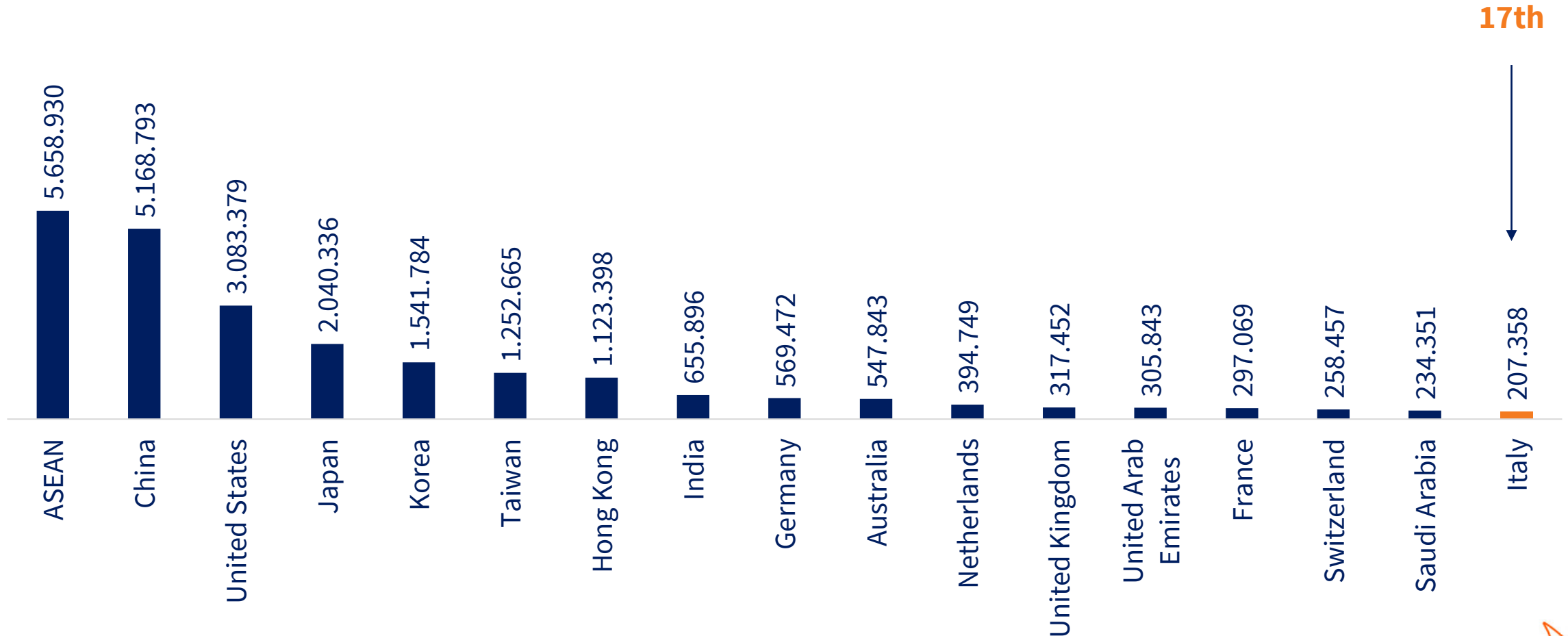


**IMPORT in ASEAN countries from top-10 EU27 countries**  
(million of Euros and % on total ASEAN import), 2020



# ... especially in the global scenario

Total trade partners of ASEAN countries (import+export) - (million Euros), 2020



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# The ASEAN Comprehensive Recovery Framework is based on 5 pillars

## Enhancing health systems

- Sustaining current health gains
- Strengthening essential health services
- Strengthening vaccine security
- Enhancing human resources capacity
- Strengthening prevention, preparedness and resilience

## Strengthening human security

- Broadening social protection and welfare
- Ensuring food security, food safety and nutrition
- Promoting human capital development
- Ensuring responsive labour policies
- Mainstreaming gender equality and human rights

## Maximising economic integration

- Keeping markets open
- Strengthening supply chain and transport connectivity
- Enabling trade facilitation
- Setting up travel corridors
- Accelerating sectoral recovery
- Streamlining investment process

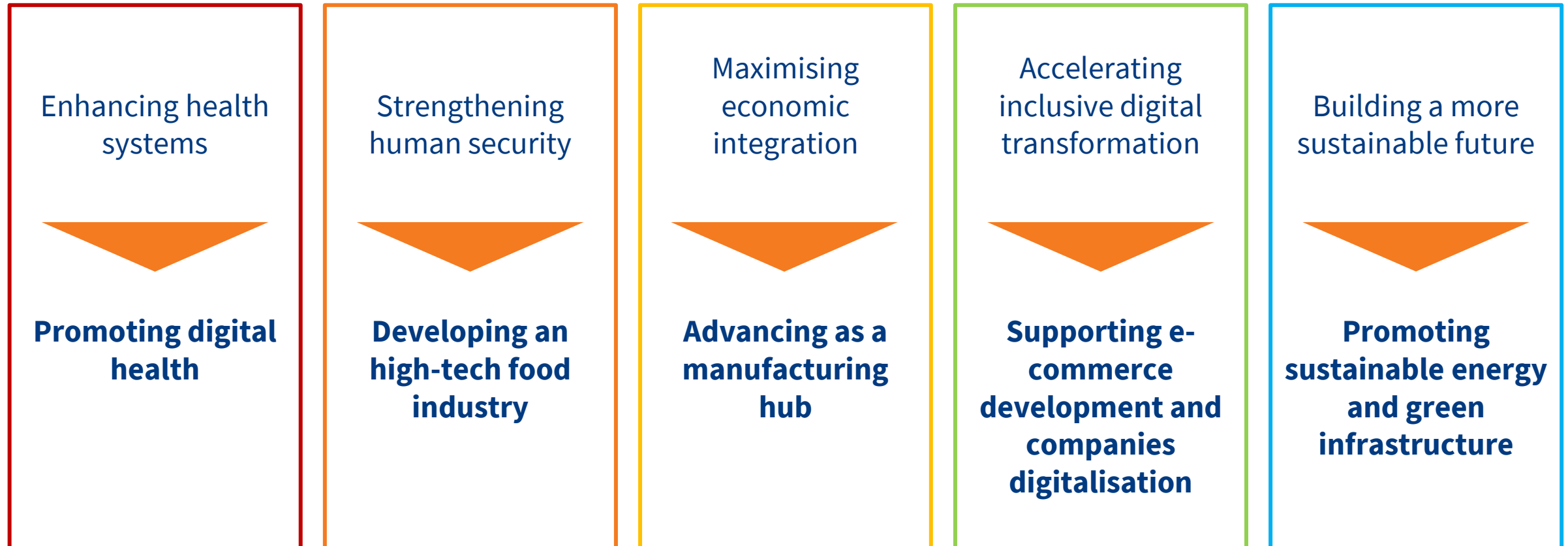
## Accelerating inclusive digital transformation

- Preparing for the 4<sup>th</sup> industrial revolution
- Promoting e-commerce and e-government
- Developing digital financial services
- Enhancing connectivity
- Promoting ICT in education
- Improving digital legal framework and cybersecurity

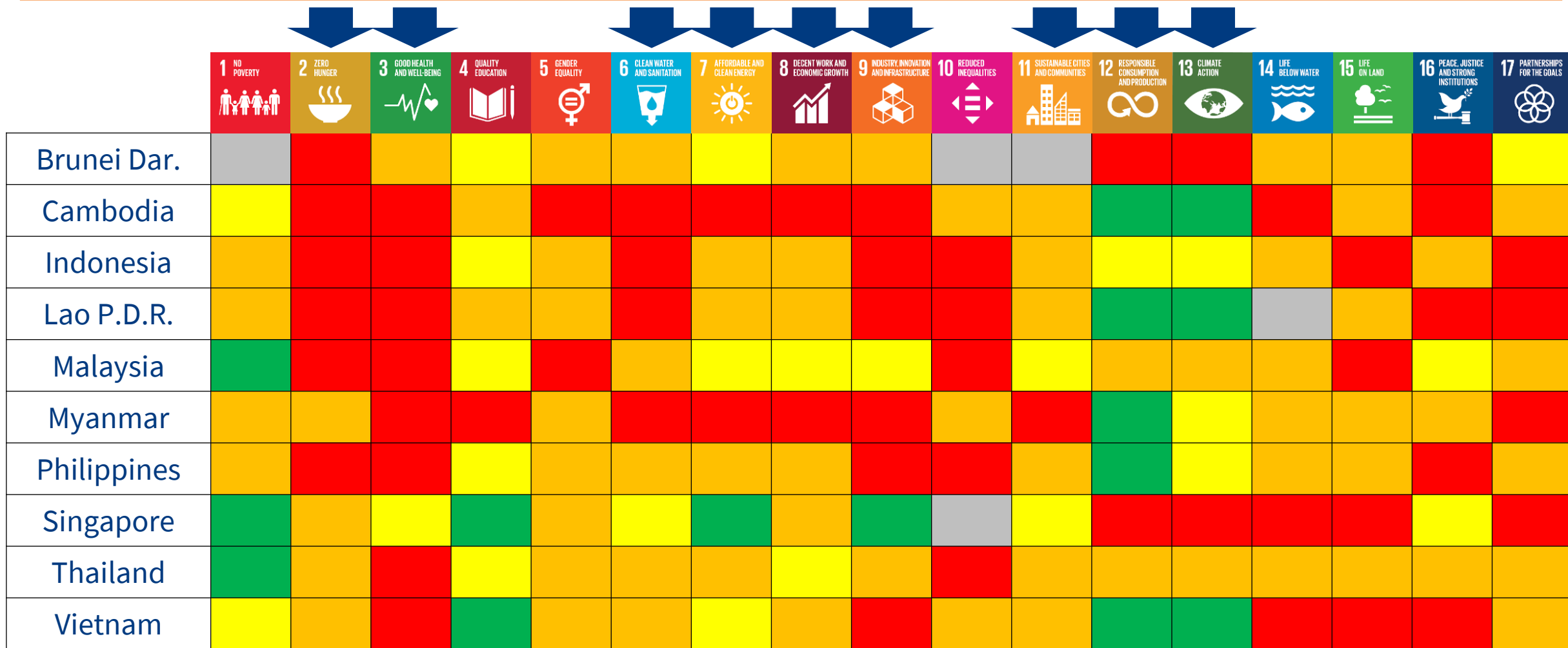
## Building a more sustainable future

- Promoting sustainable development and sustainable energy
- Building green infrastructure
- Promoting sustainable agriculture
- Managing disaster risks
- Promoting sustainable investment and financing

# 5 megatrends, having major implications for ASEAN countries, stem from the Comprehensive Recovery Framework



# The 5 megatrends impact on some SDGs that ASEAN still needs to work on



■ SDG achieved   
 ■ Challenges remain   
 ■ Significant challenges remain   
 ■ Major challenges remain   
 ■ Information unavailable

1.

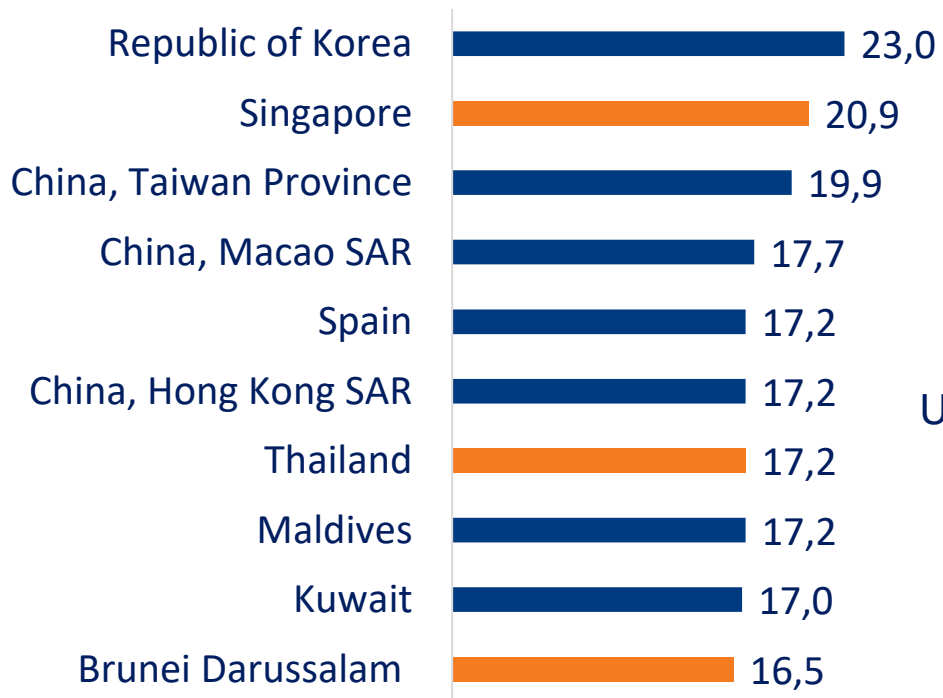
**Digital health**

# Some trends are putting extreme pressure on ASEAN's health systems

1

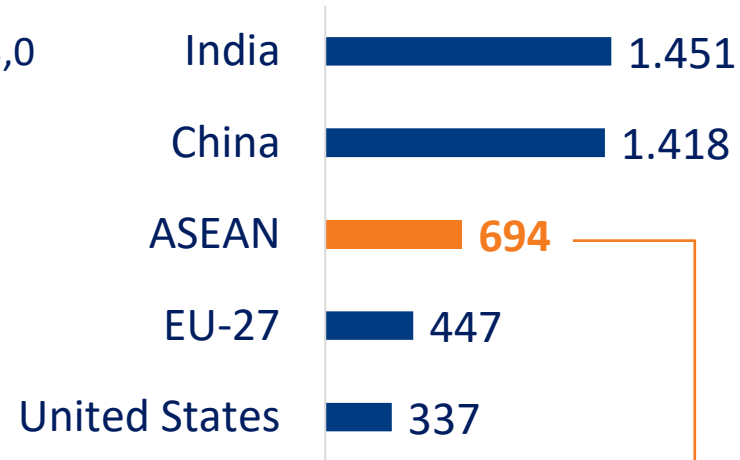
## 1. Ageing population

Countries or areas with the largest % point increase in the share of persons aged 65+ years (%), 2019-2050



## 2. Growing population

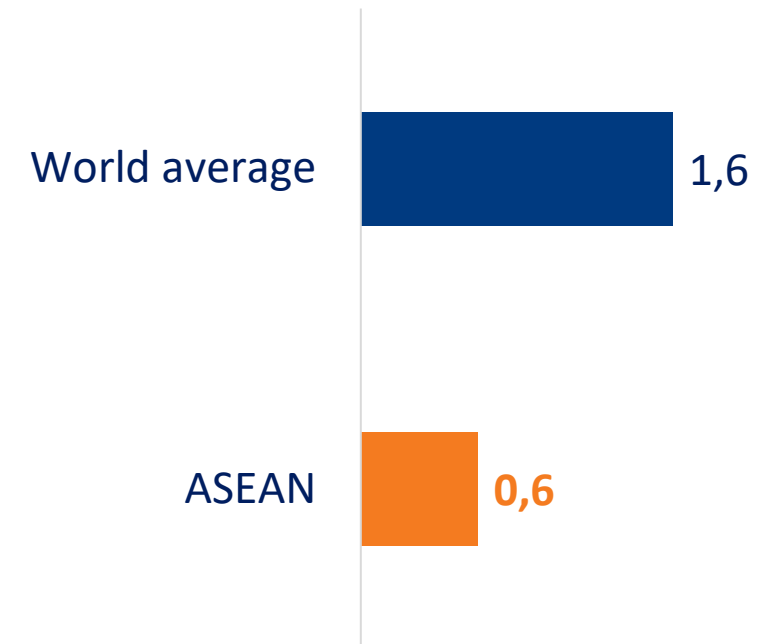
5 largest populations in the world (million people), 2025



+4.9% vs 2020  
8.5% of the world population

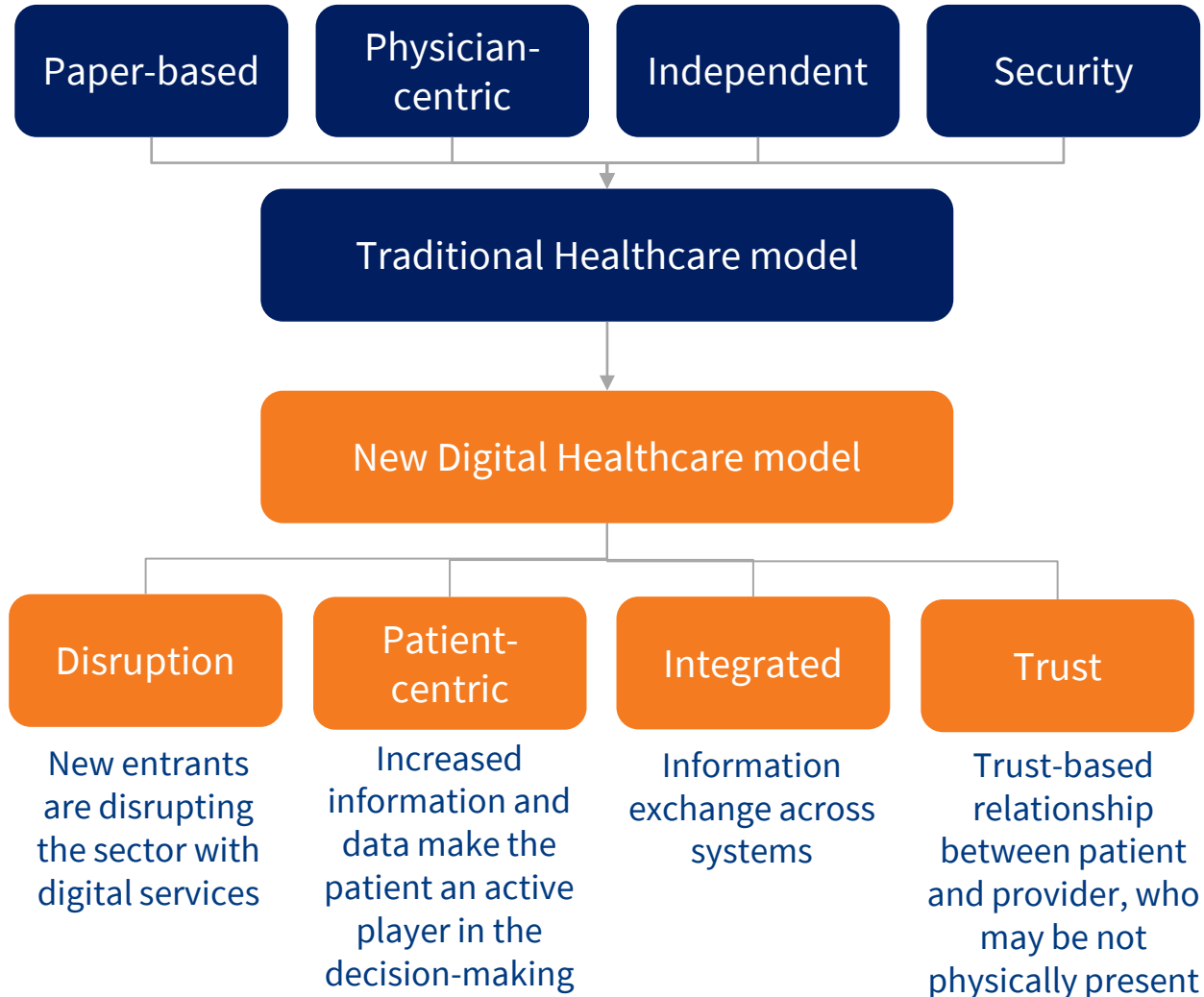
## 3. Physicians shortage

Physicians every 1,000 people, last available year



# The pathway to digital health can bring considerable benefits to ASEAN countries

1



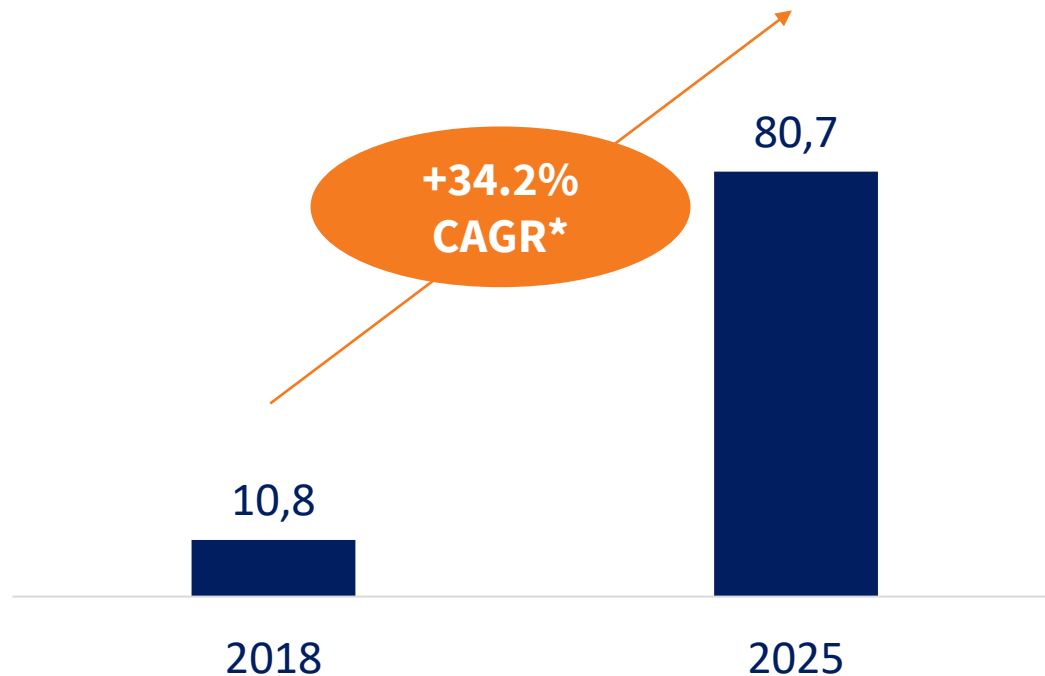
Benefits for ASEAN countries:

- Solving the **scarce number of physicians in the region**
- **Achieving universal health coverage** (on which all ten countries in ASEAN have committed)
- Supporting **digital infrastructure development**

# The digital health market is going to grow in the Region and some examples of adoption already exist

1

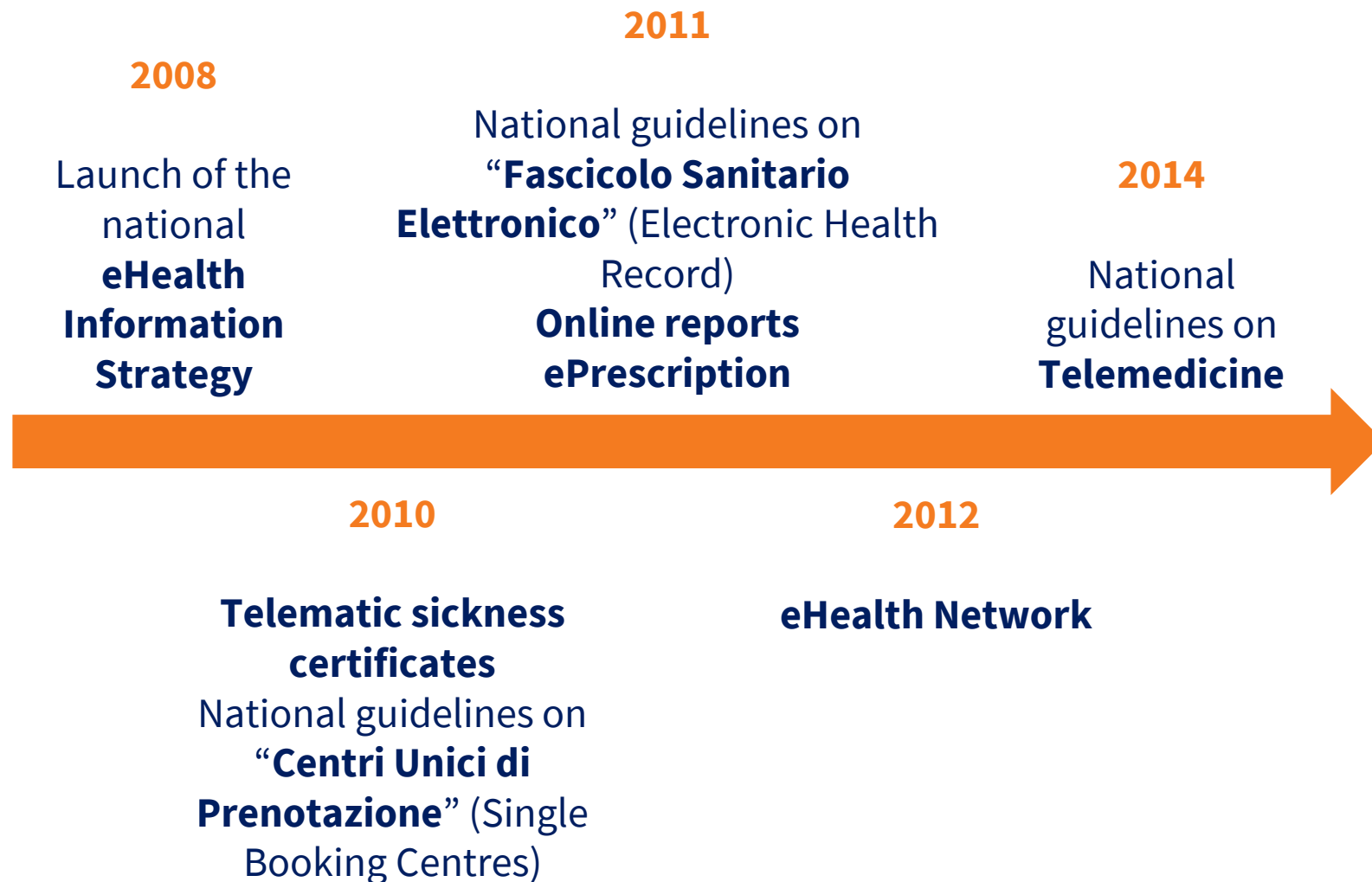
**Asia Pacific Digital Health market**  
(\$US billion), 2018-2025



- In **Thailand**, the IBM Watson supercomputer analytics has been integrated into the **oncology department** of a hospital, to process patient data, medical literature and guidelines to offer **personalized treatments**
- In **Singapore**, an **Artificial Intelligence** agent has been developed that can **forecast dengue incidences** up to four months ahead
- In **Thailand**, a project has been launched to increase healthcare access in **remote areas** through **telemedicine**, thanks to which patients and public hospitals combined are expected to **save US\$ 1.2 billion annually**

# Italy has a relevant experience in projects related to digital healthcare

1



**Collaborations** could be established between **Italy and ASEAN countries** in the form of **Public-Private Partnerships** for the exchange of **competences and know-how** on the **applications of digital technologies** to the healthcare sector



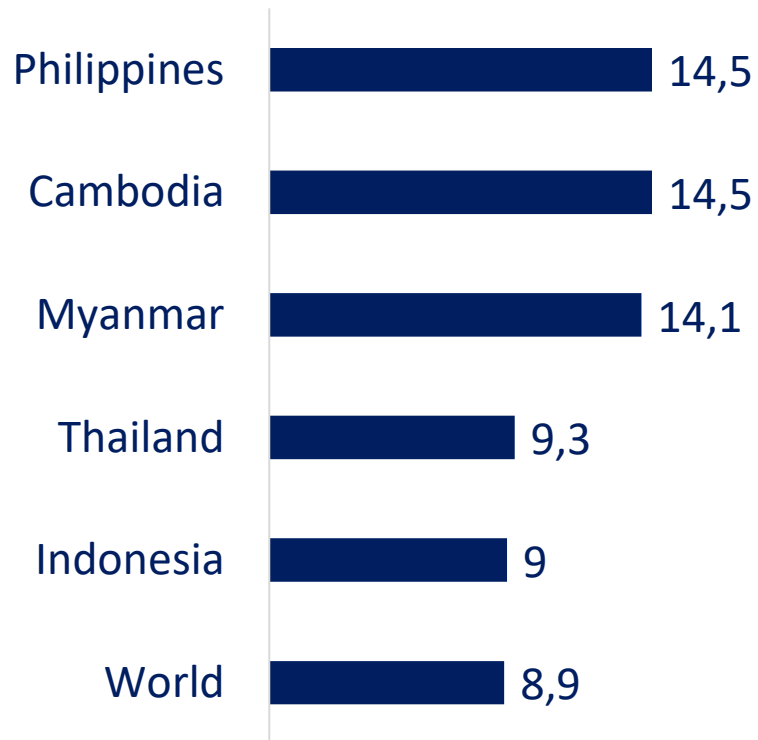
2.

## High-tech food industry

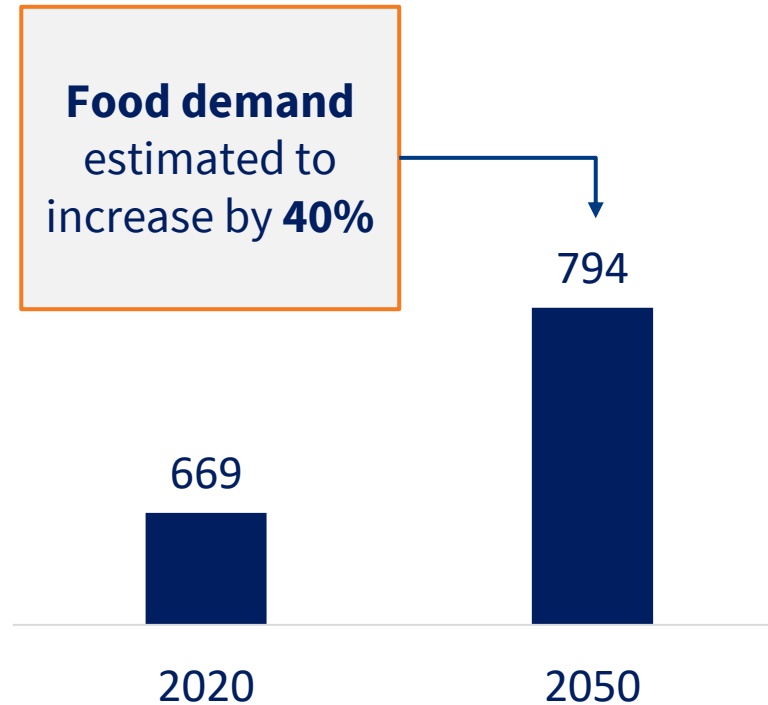
# Some trends are putting rising pressure on ASEAN's agri-food value chains

2

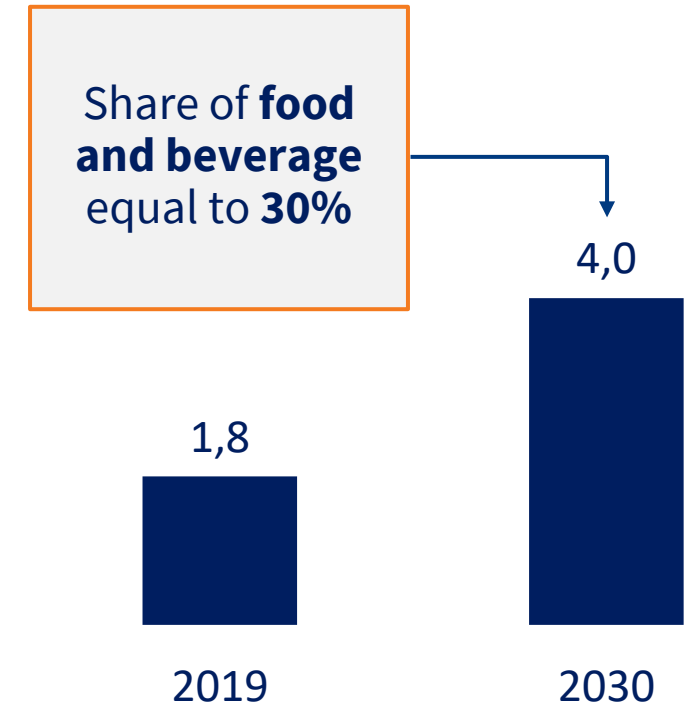
**Prevalence of undernourishment**  
(% of population), 2018



**ASEAN population**  
(million people), 2020-2050



**ASEAN consumption**  
(\$ trillion), 2019-2030



# Tech innovations can reshape the DNA of agriculture fostering productivity and sustainability

2



## Mobile technologies

ASEAN >500 mln. mobile internet subscribers allow information sharing (weather, seeds, techniques, dosage guidance), lower money transactions costs and provide access to marketplaces



## Metering and Big Data

Agriculture IoT: 75 mln. devices in 2020 (2x vs. 2016) help to save resources (water, energy, land), increase efficiency, manage risk, respond to varying field conditions and cut herbicide and pesticide use



## Satellite technologies

It enables precision farming through observing, measuring and responding to inter and intra-field variability in crops in real time



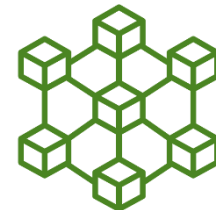
## Smart machineries

Agricultural drones and smart machineries will help in soil and field analysis, planting, irrigation, harvesting and quality evaluation



## Climate-smart agriculture

Management techniques aimed at reducing GHG emission from agriculture and increasing productivity, food security and sustainability



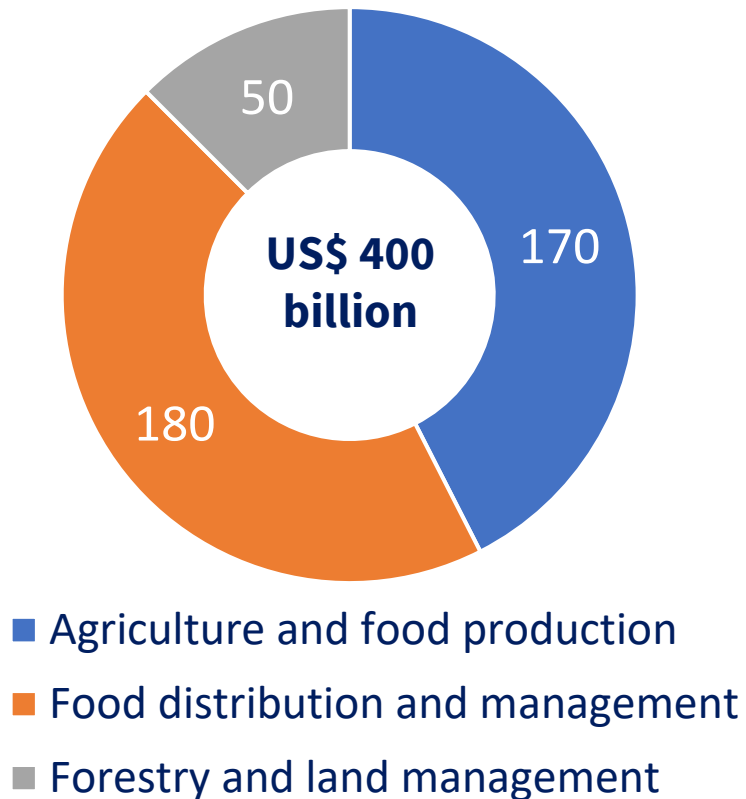
## Blockchain

Blockchain allows to guarantee the traceability of the production chain and of the transformation of agricultural products, certifying their quality and origin

# ASEAN is a fertile region for investment opportunities in advanced agriculture and food industry

2

**Investment needed for high-tech food/agriculture/land use in ASEAN (US\$ billion), 2030**



**New technologies applied to agriculture and food industry** have the potential to:

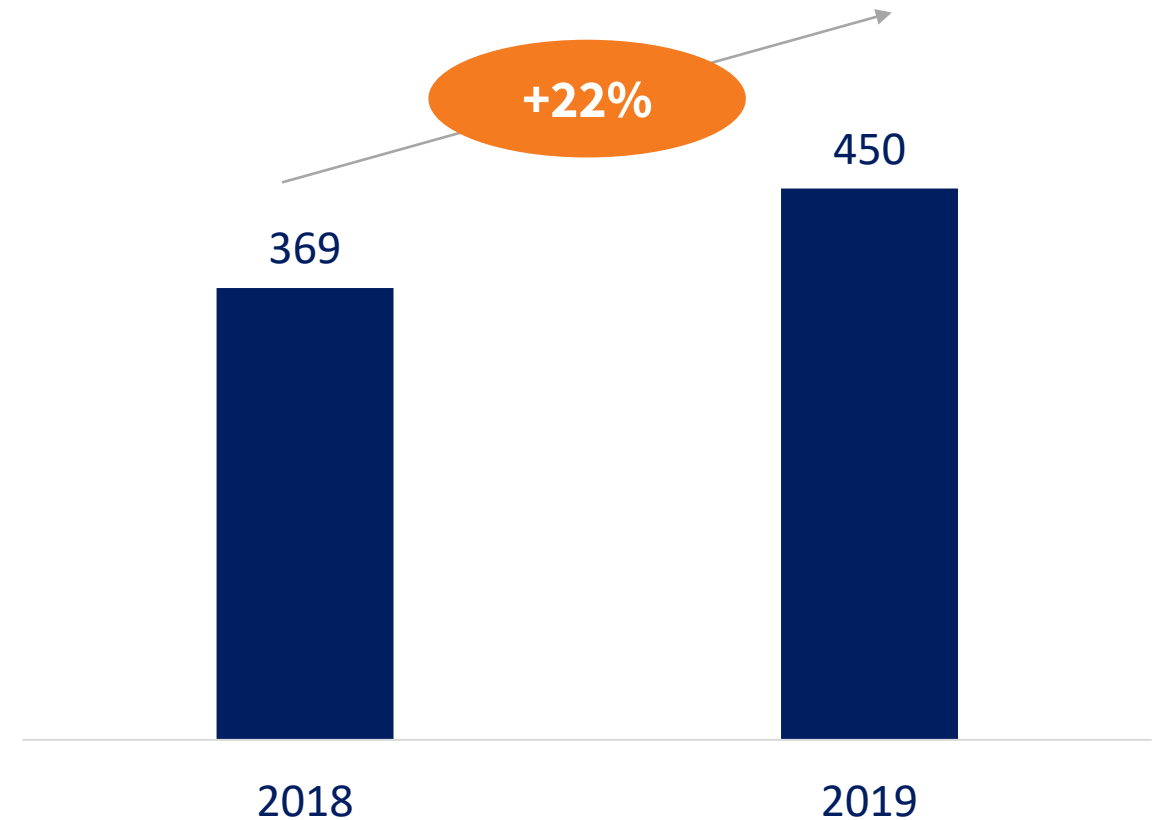
- **Enhance farm yields** (with an estimated economic impact in ASEAN of \$10-57 billion per year by 2025)
- Build **climate-resistant** growing systems
- Develop **sustainable production** systems
- Use **less resources** and enhance **food security**

# Digital solutions are increasingly being applied in the Italian agri-food sector

2

- Italy is the **2<sup>nd</sup> country in the world** for the **share of the agri-food sector on GDP** (2.2%) and the **2<sup>nd</sup> European country** for the **turnover of the agricultural sector**
- Among the innovative digital solutions for **food traceability** offered on the Italian market there is the **Blockchain**
  - In 2019, **agri-food** represented the **third sector for Blockchain** operational projects in Italy, after finance and the Public Administration
- There are more than **160 structured companies and startups** in Italy offering “**Agriculture 4.0**” solutions, which could find fertile ground in the growing high-tech agri-food ASEAN sector

**Agriculture 4.0 market in Italy**  
(€ million), 2018-2019

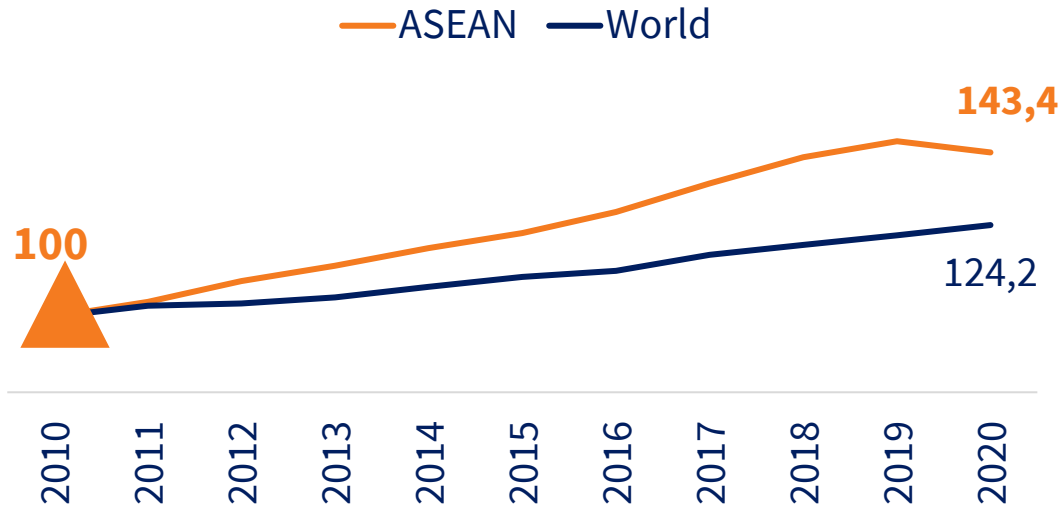


3.

# Advanced manufacturing

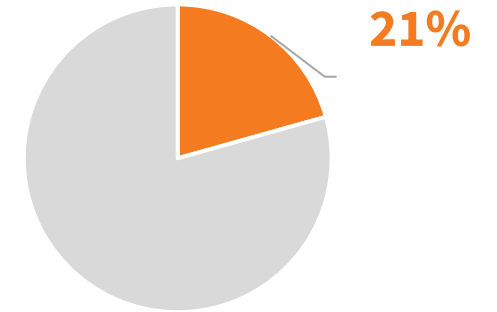
# ASEAN area is a globally acknowledged manufacturing hub

**Growth of manufacturing value added in ASEAN and in the world (2010=100), 2010-2020**

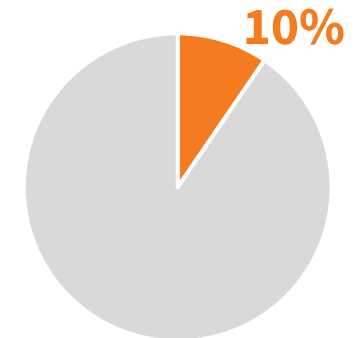


**Share of manufacturing value added on GDP in ASEAN and in the world (%), 2020**

**ASEAN**



**WORLD**



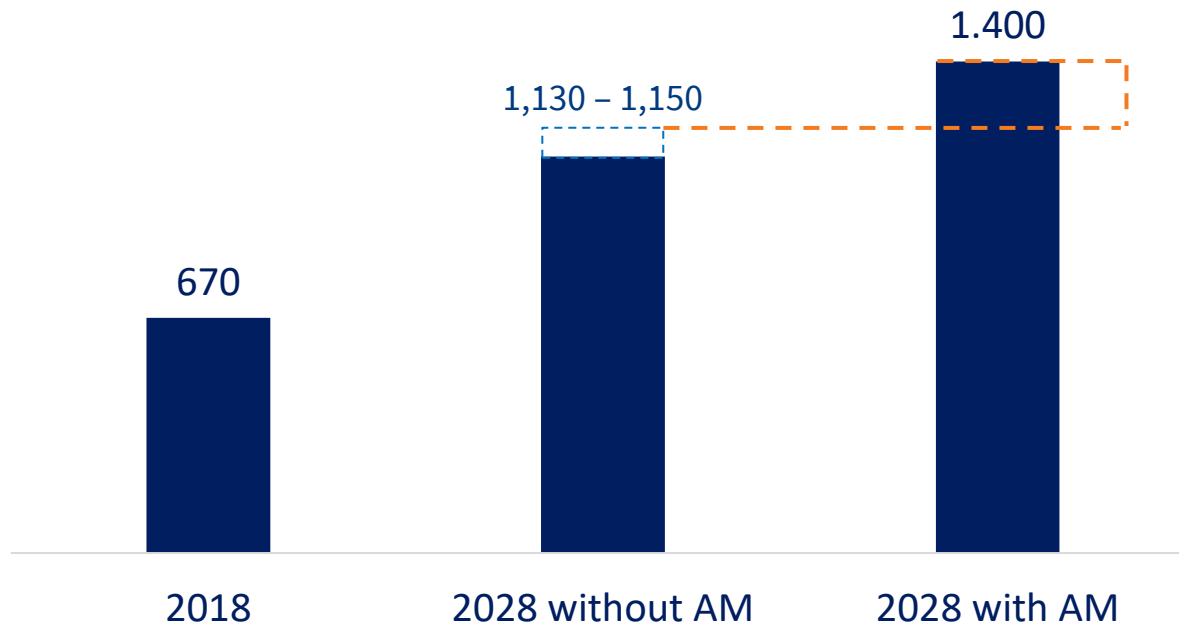
ASEAN countries are considered as a manufacturing hub especially thanks to:

- Lower **costs of work, on average 30% lower than China**
- **Young and skilled workforce**, especially graduates in engineering and manufacturing

# ASEAN manufacturing industry could benefit hugely from high-tech solutions brought by the 4<sup>th</sup> industrial revolution

3

**Manufacturing value added in ASEAN**  
(US\$ billion), 2018-2028E



**US\$250-270 billion** (35-40%) of the increased value added comes from **advanced manufacturing technologies** that enable to:

- Improve productivity (gain of US\$210-230 billion)
- Improve quality and increase revenues (gain of US\$40-45 billion)



# Many ASEAN countries have policy initiatives related to Industry 4.0

3



**Malaysia Digital Transformation Acceleration Programme**  
Making Malaysian companies more competitive through **digital transformation**



**Singapore Smart Nation Initiative**  
**Digitalising industries** to increase business efficacy and create new jobs



**Thailand 4.0**  
Developing **Technology Cluster** and **Future Industries**



**Making Indonesia 4.0**  
Building nationwide **digital infrastructure**, establishing **innovation ecosystem** and incentivizing **technology investment**



**Vietnam Digital Transformation Alliance**  
Creating infrastructure and services to **help businesses in the digital transformation**

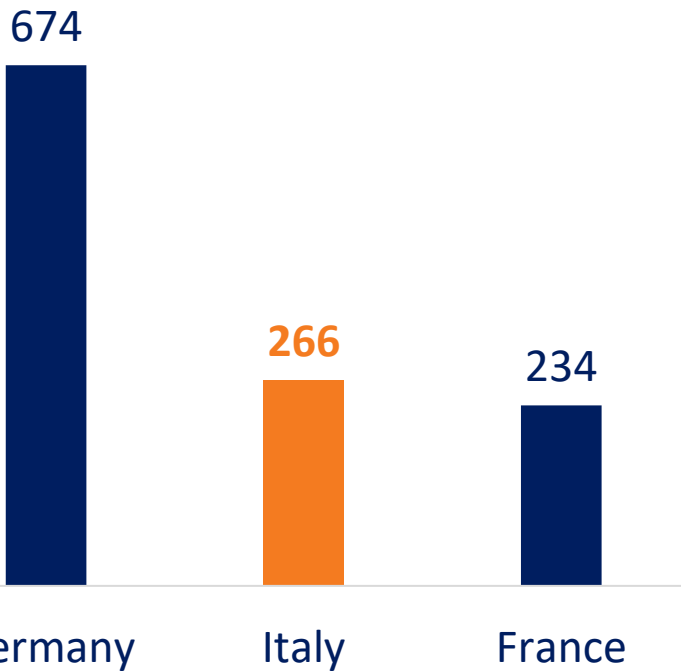


**Industry Philippines 4.0**  
Continuing **technology upgrading** to maintain a globally competitive and **innovative manufacturing industry**

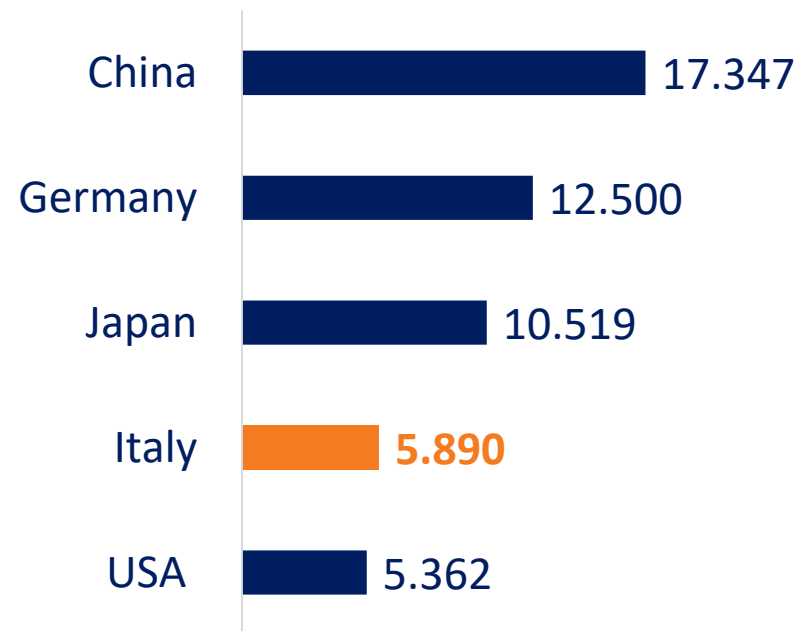
# Italy is the second largest manufacturer in Europe and the fourth biggest machine tool manufacturer worldwide

3

**Manufacturing Added Value**  
(€ billion), last available year



**World biggest machine tool manufacturers**  
(€ million), 2019



- In 2019, the **Industry 4.0 market in Italy** reached a value of **€3.9 billion**, 22% more than the previous year and almost tripled in 4 years
- **Collaboration partnerships** could be activated between **Italian universities, research centres** for development and innovation and **4.0 competence centres** and **ASEAN companies** interested in the exchange of knowledge and competences on Industry 4.0 applications

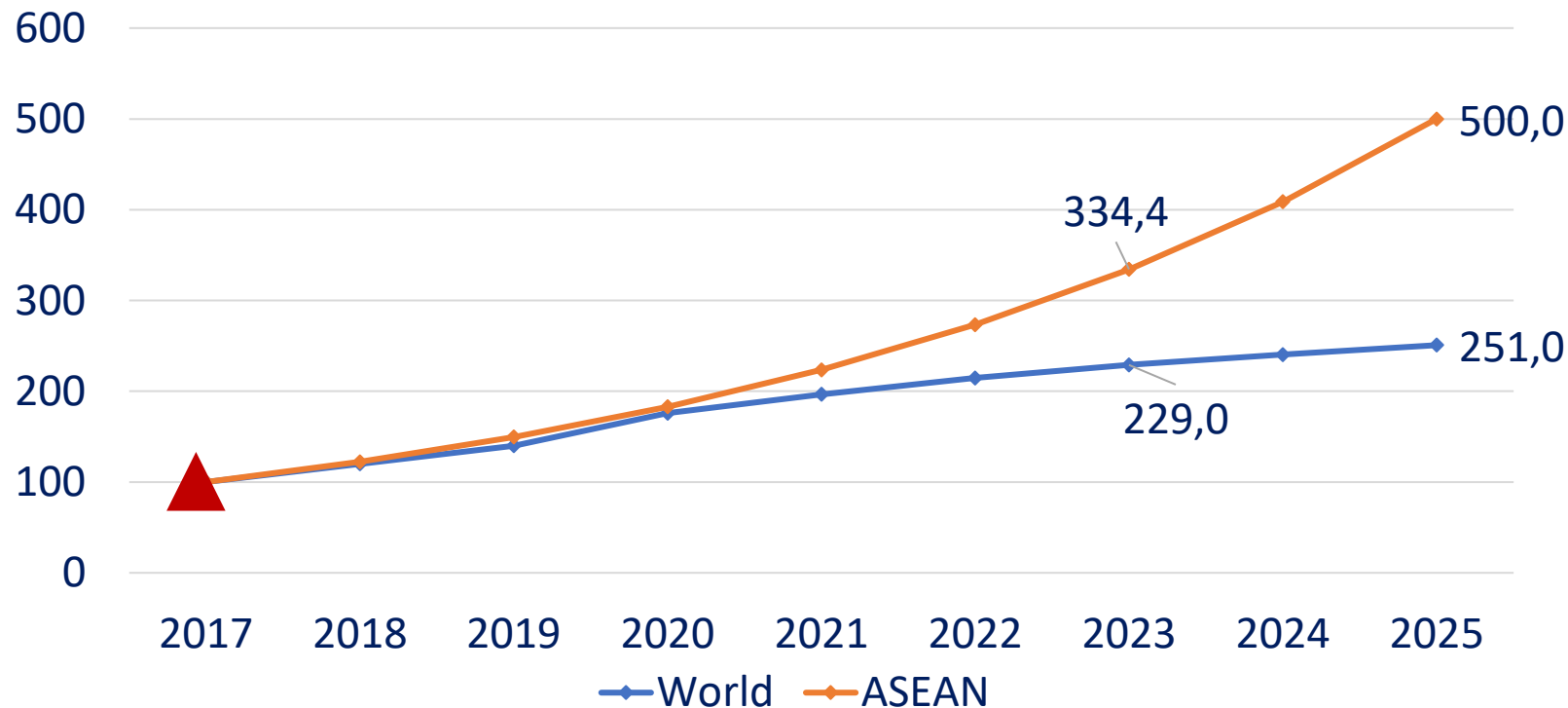
4.

# **E-commerce development and companies digitalisation**

# In the next years, the ASEAN e-commerce market is expected to grow significantly

4

Growth of the e-commerce market in ASEAN and in the world (2017=100), 2017-2025

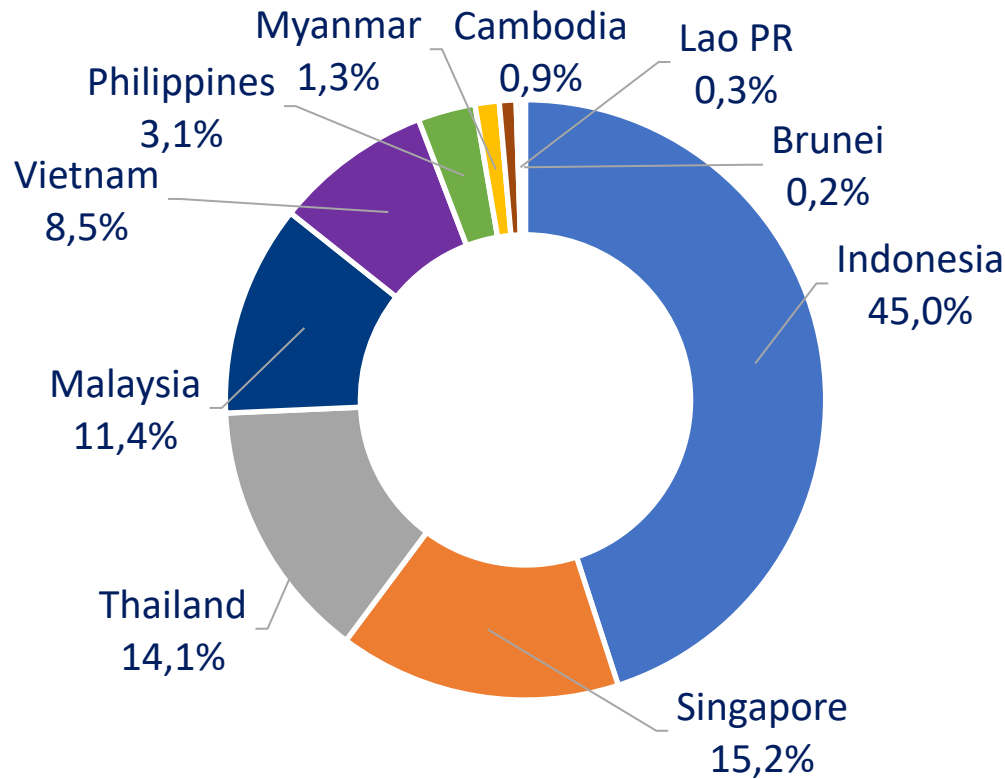


Together with China and India, thanks also to free trade and market integration, the ASEAN region could be part of **the world's epicentre of e-commerce** by **2023**, taking over **40%** of the world's e-commerce market

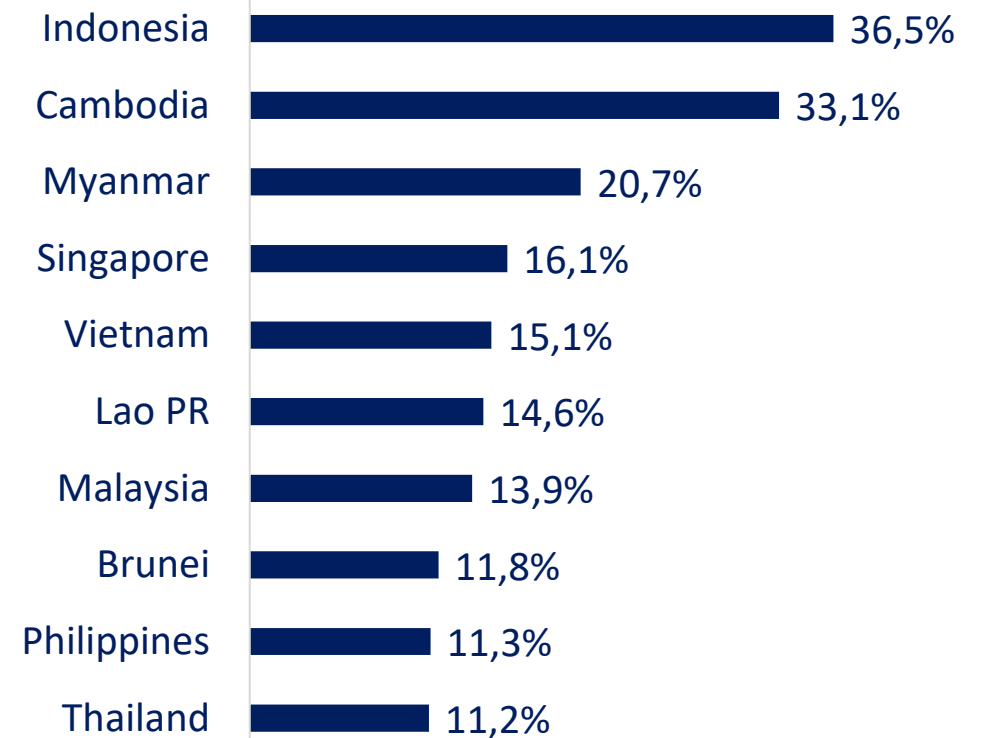
# E-commerce in all ASEAN member states is projected to achieve a double-digit rate of growth...

4

### Share of the ASEAN e-commerce market by country, 2018



### Growth of the e-commerce market in ASEAN countries (CAGR\*), 2018-2023



# ... also thanks to national e-commerce strategies

4

- In 2016, the Government launched the vision to make **Indonesia ‘the digital energy of Asia’**
- The government set up a strategy to **accelerate digitisation of SMEs** by initiating a strategic plan, developing a roadmap that aims at achieving **U\$130 billion** in e-commerce transactions by 2020, establishing friendly **FDI policies** to attract techno-based investment, facilitating access to funding and adopting pro-innovation policies for start-ups and inno-tech hubs



- The government has developed a variety of projects to make SMEs more competitive, including **SMEs Go Online** implemented by the Office of Small and Medium Enterprises Promotion, that provides SMEs and OneTambon-One-Product community enterprises with **hands-on capacity-building courses**



- In 2016 Malaysia has established the **Digital Free Trade Zone** to make Malaysia Asia’s leading transshipment Hub by 2025
- The Ministry of International Trade and Industry (MITI) Malaysia launched e-commerce initiatives to bring about **80% of small and medium-sized enterprises (SMEs)** into the world of e-commerce and to reach more than 87 million customers in the ASEAN region



- The Vietnamese government has unveiled a **national e-commerce development plan** for Vietnam, which will see the sector growing by 25% each year to reach **US\$35 billion** in sales within the next five years
- The plan aims to get **half of the country’s population** buying online within five years, which would be a boon for its economy



# In order to fully exploit the potential, there are some outstanding issues to face and on which ASEAN can collaborate with Italy

4

## Connectivity

There still exist gaps of development in **ICT infrastructure**, both in terms of network coverage (i.e. internet penetration ranges between 22% in the Lao PDR and 81% in Singapore) and speed of connection (i.e. 20.3 megabits in Singapore compared to 5.5 Mbps in the Philippines)

Italy is working heavily on digitalization, both through **government policies** (e-gov platforms) and targeted **technological investments** (ultra-wideband deployment)

## Cybersecurity

According to the global cybersecurity index, Malaysia and Singapore seem to be better prepared for cyberthreats than the others. Most of the ASEAN countries, however, **are lagging behind**

The **Italian AD&S sector** is one of the world's leading and its technologies can offer important solutions for cybersecurity

## Digital finance

Total transaction value of digital payments by ASEAN in 2018 had reached **US\$73 billion** and is expected to **double** by 2023. However, e-payment is more likely a service platform, rather than a payment network, that can ensure security, traceability and protection. Thus, **industrial standards and harmonising regulations** are needed

The government launched the '**Cashless Plan**', one of the most comprehensive in the world, in close cooperation with the payments industry players

## Logistics

According to the Logistics Performance Index (LPI), the scores of some ASEAN countries (Philippines, Cambodia, Myanmar and Lao) are lower than the world average. However, the general level of **infrastructure needs to be improved throughout the Region**, with the exception of Singapore which has one of the highest score in the LPI

Italy has strong competencies in **infrastructure and logistics**, developing intelligent and fast transport systems

## Italian competences



**5.**

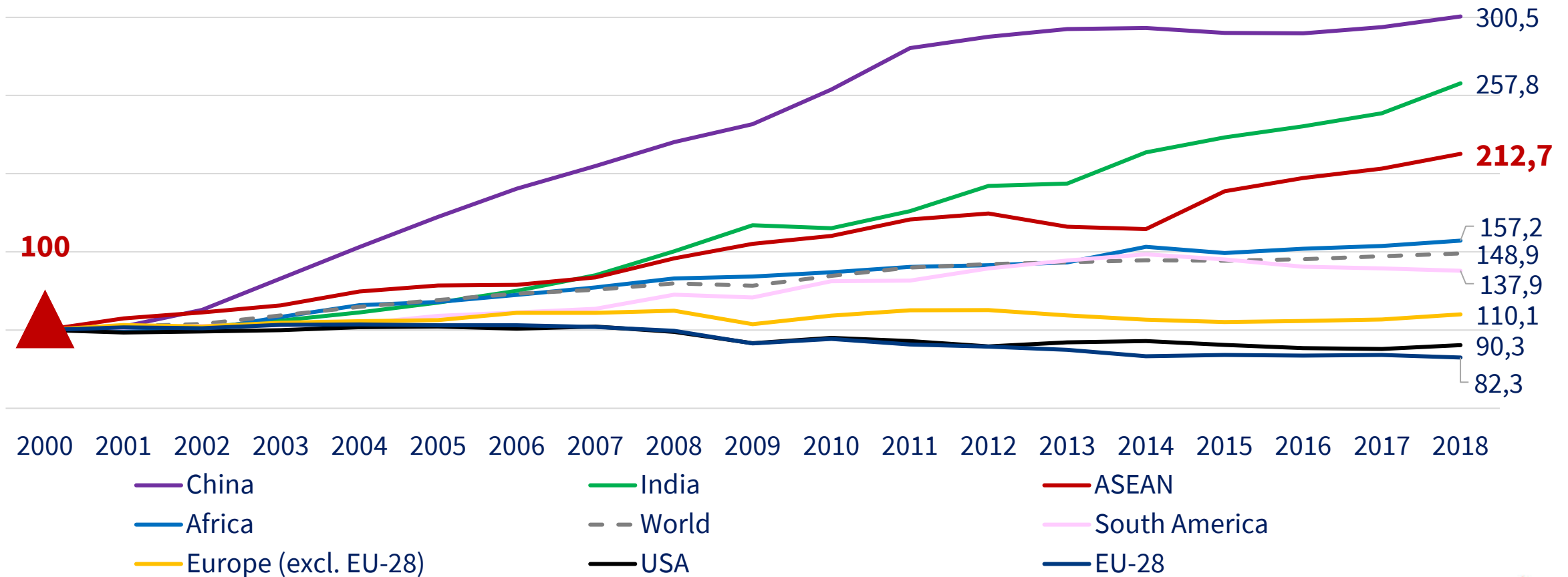
**Sustainable energy and  
green infrastructure**



# A first point of attention: ASEAN is among the first economies in the world for the growth of CO<sub>2</sub> emissions in the last 20 years

5

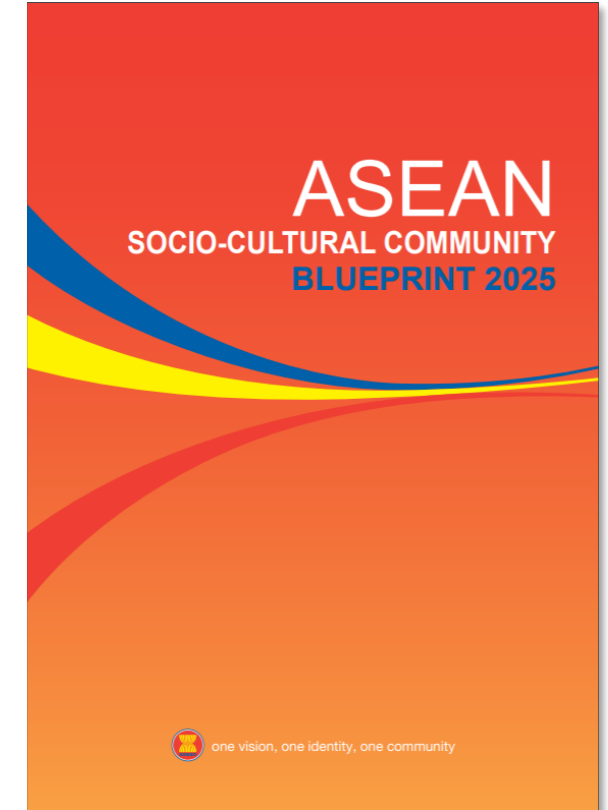
## CO<sub>2</sub> emissions in some economies worldwide (2000=100), 2000-2018



# The ASEAN Socio-Cultural Community Blueprint 2025 envisions a sustainable ASEAN Community

5

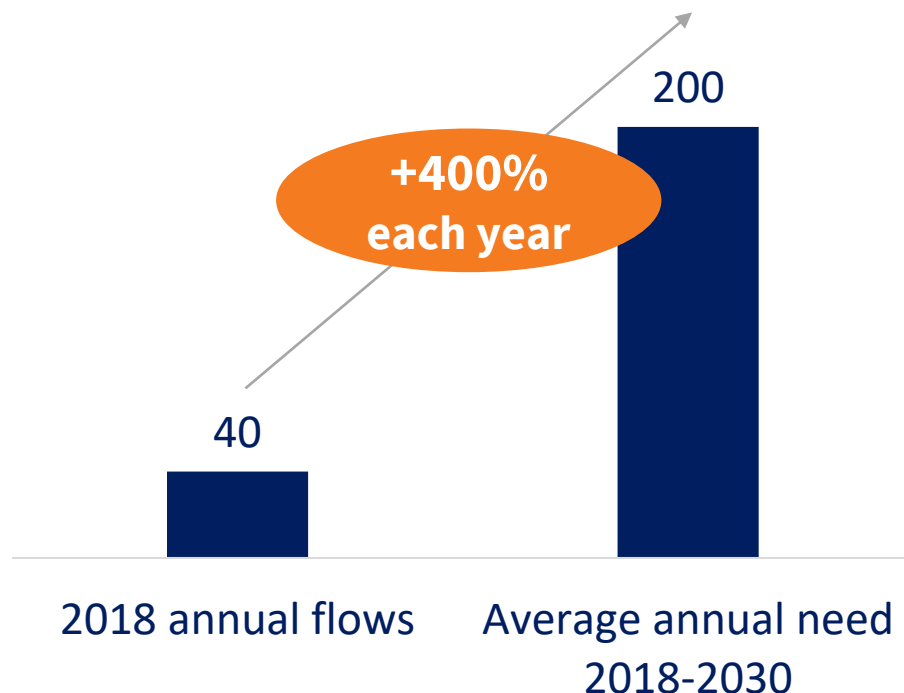
- **ASEAN cooperation on the environment** is guided by the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025, the ASCC strategy and planning mechanism, and led by the ASEAN Ministers responsible for the environment
- ASEAN cooperation on the environment focuses on **two** interconnected **main work areas**:
  1. **Environment**, on which an **ASEAN strategic plan** is currently **being developed** to translate the ASCC Blueprint 2025 into a comprehensive plan of actions which will focus on **seven strategic priorities**: nature conservation and biodiversity, coastal and marine environment, water resources management, environmentally sustainable cities, climate change, chemicals and waste and environmental education
  2. **Transboundary haze pollution**, which is specifically targeted by the ASEAN Agreement on Transboundary Haze Pollution (**AATHP**), signed in 2002 to prevent, monitor, and mitigate land and forest fires in order to control transboundary haze pollution



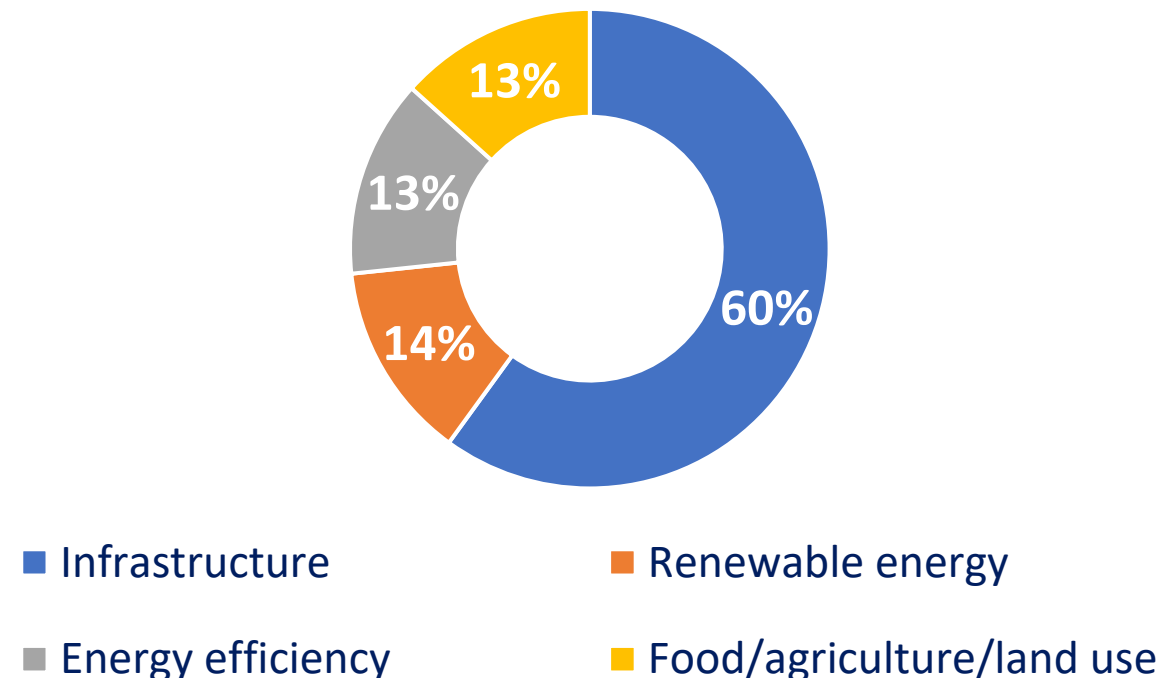
# The ASEAN region needs huge amounts of sustainable investments

5

**Annual ASEAN flows and need of green finance**  
(billion US\$), 2018-2030



**Sustainable investment needed by category**  
(%), 2016-2030

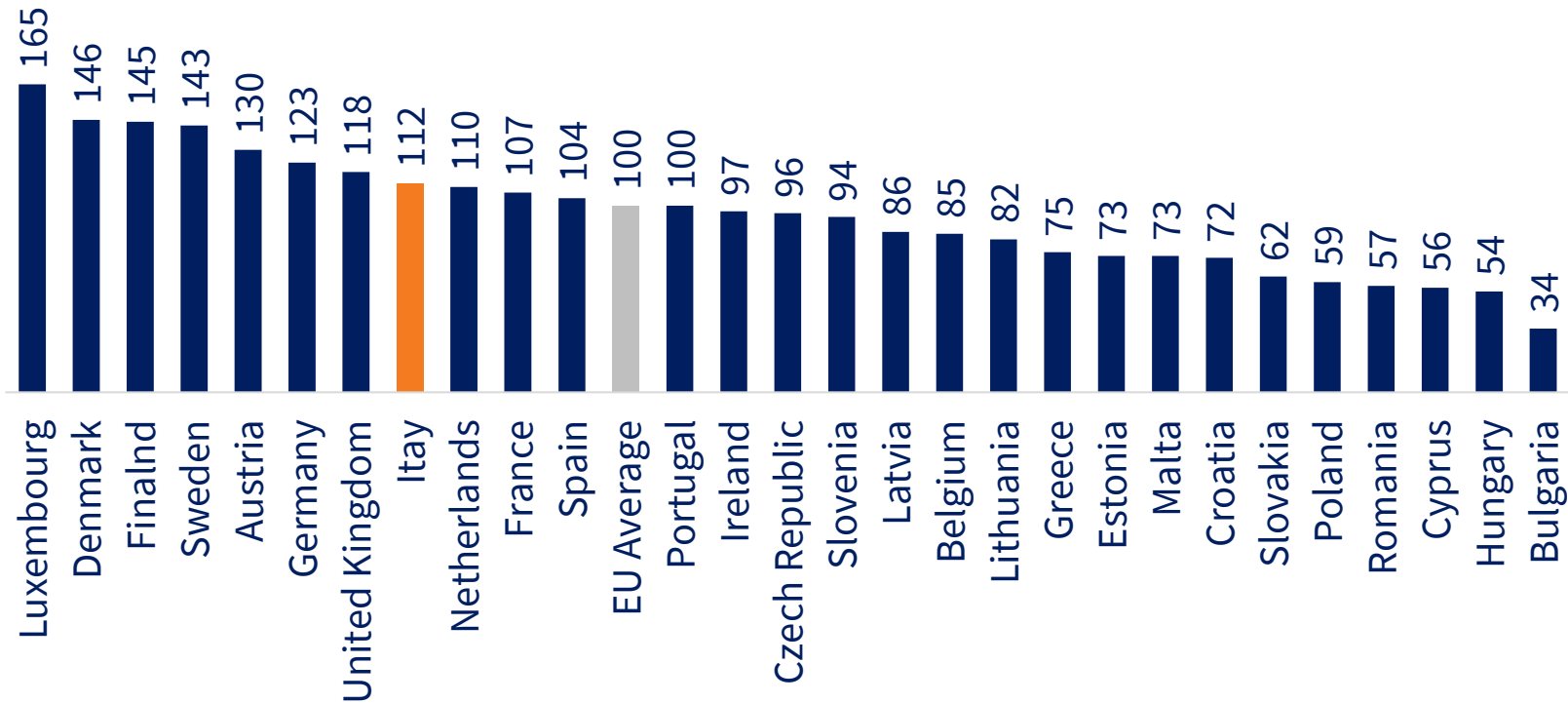


Currently, around 75% of flows comes from public finance and 25% from private finance. Public flows are expected to decrease to around 40%, which creates great **opportunities for private green finance investments**

# Italy is among the European leaders for eco-innovation and can establish partnerships with ASEAN companies and authorities

5

## The Eco-Innovation Index\* of the European Union countries, 2019



- Italy shows best performance in **resource-efficiency outcomes**, where the country ranks fifth after Luxembourg, Malta, UK and Ireland
- The country expertise in innovation and sustainability, especially in some specific sectors (i.e. sustainable energy and infrastructure) can be favourable in establishing **partnerships** with ASEAN counterparts

(\*) The Eco Innovation Index is made of 16 indicators grouped into five dimensions: eco-innovation inputs, eco-innovation activities, eco-innovation outputs, resource efficiency and socio-economic outcomes. The Eco-Innovation Index shows how well individual Member States perform in different dimensions of eco-innovation compared to the EU average.

