Department of Industry

ASEAN Strategy

NSW strategy for growing trade & investment with ASEAN
March 2018
The Australian state of NSW is a regional powerhouse that benefits from one of the world’s most stable political and regulatory environments. It has a business-friendly government committed to building ever-stronger trade relations with the fast-growing ASEAN member countries.

We are recognised globally for our clean, green and safe agricultural produce. There is also high demand for NSW’s expertise and talent in service industries, including our educational sector.

NSW businesses already have a competitive advantage in ASEAN, partly due to Australia’s geographic proximity to the ASEAN region, and also as a result of the ASEAN–Australia–New Zealand Free Trade Agreement (FTA) and our bilateral FTAs with Malaysia, Singapore and Thailand.

Almost 300,000 NSW residents were born in ASEAN member countries. This has helped to forge not only strong cultural connections between NSW and ASEAN member countries, but also longstanding trade and investment relationships. These connections shape our ability to appreciate regional, cultural and business norms, and to create and support sustainable business relationships.

NSW is excited at the prospect of further deepening and strengthening our relationships with ASEAN member countries in existing areas of cooperation, as well as exploring new trade and investment opportunities that will offer mutual benefits.

The Honourable Niall Blair, MLC
Minister for Primary Industries
Minister for Regional Water
Minister for Trade & Industry
EXECUTIVE SUMMARY

NSW’s first ASEAN strategy sets out practical action for the NSW Government that will lift our economic and cultural relationship with markets in the ASEAN region to the next level.

This strategy identifies the actions the NSW Government will take in support of achieving a 10% annual growth in our trade and investment relationship with ASEAN, every year over the next 5 years. This strategy will be updated regularly in response to new market intelligence and opportunities that will benefit both NSW and ASEAN member countries.

ASEAN’s economic expansion has outpaced the rest of the world and the region is set to become the equivalent of the world’s fourth-largest economy by 2030. ASEAN is already our second-largest trading partner, with almost $20 billion worth of goods moving between NSW and ASEAN member countries each year. And the potential for growth is significant.

The NSW Government will work closely with the private sector and with other governments to grow our engagement with ASEAN. We will focus on Singapore, Malaysia and Indonesia, where we already have strong economic partnerships, and access other ASEAN nations through these markets as gateways.

ASEAN is becoming more urbanised, wealthy and digitised. The growth and transformation of ASEAN is being driven by expanding cities, a growing consumer class, digital disruption and international connectivity. In response, we will direct our efforts into six broad areas that support ASEAN’s growth and change.

1. INFRASTRUCTURE AND SMART CITIES
   Grow and nurture partnerships on infrastructure and smart cities, including sharing what we have learned from our more than 20 years in public-private partnerships.

2. TECHNOLOGY
   Strengthen innovation and technology linkages between NSW and ASEAN markets as leaders in fintech, medtech and agtech.

3. EDUCATION
   Increase the flow of students between NSW and ASEAN member countries and build alumni relationships in the region.

4. HIGH-QUALITY FOOD
   Promote NSW as a leading producer of high quality and diverse agricultural products.

5. MINING SERVICES
   Work with NSW businesses to promote capabilities in mining equipment, technology and services (METS).

6. TOURISM
   Grow tourism and deepen cultural awareness and linkages.

In each of these six focus areas, there is the opportunity for us to build on our existing partnership with the region so as to further enhance trade and investment flows to the benefit of both NSW and ASEAN member countries.

ASEAN—A PRIORITY MARKET FOR NSW

ASEAN is a rapidly growing region with an expanding consumer class that values NSW’s reputation for high-quality produce, business services and innovation.

The combined ASEAN economy is strong and growing

ASEAN (the Association of Southeast Asian Nations) was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand and expanded to include Brunei Darussalam, Vietnam, Laos, Myanmar and Cambodia. The first 50 years of ASEAN has seen deepening integration, connectivity and strengthening of relationships, including with NSW. The establishment of the ASEAN Economic Community (AEC) in 2015 is testament to the region’s commitment to ongoing transformation towards a highly integrated and cohesive ASEAN economy. AEC’s vision is to enhance ASEAN’s trade and production networks and set up a more unified market and seamless flow of trade, investment, capital, and skilled labour.

ASEAN is a diverse region with a combined GDP of $2.5 trillion (2016), the third-largest economy in Asia and fifth-largest economy in the world. In 2016, ASEAN’s annual average GDP growth was 4.6%, well above the global average. ASEAN’s combined economy is forecast to be the world’s fourth-largest economy by 2030. The region’s total population exceeds 630 million, with a burgeoning middle class population that is forecast to grow to nearly half a billion by 2030.
ASEAN is NSW’s second largest trading partner

NSW merchandise exports to ASEAN member countries were worth $4.6 billion in 2016–17, an increase of 2.3% per annum over the last five years. ASEAN represented 10% of all global merchandise exports from NSW by value. Mineral and fuel exports, such as coal, aluminum and copper ores, are among our top exports to ASEAN. Agricultural produce including wheat, cotton, and beef, were also significant exports from NSW to ASEAN, growing 1.5% per annum over the last five years to $1.2 billion in 2016–17.

$19.1 BN in two-way merchandise trade (2016-17), greater than the US and Japan

Australia’s regional Free Trade Agreement (FTA) with ASEAN and New Zealand (AANZFTA), and bilateral FTAs with Malaysia, Singapore and Thailand provide greater certainty for Australian exporters and offer a competitive advantage for many exports.

ASEAN–AUSTRALIA–NEW ZEALAND FREE TRADE AGREEMENT (AANZFTA)

In force since 2010, AANZFTA provides 100% tariff elimination for Australia, New Zealand and Singapore and over 93% tariff elimination* for all other ASEAN member countries except for Vietnam (90%); Cambodia, Laos and Myanmar (85–88%). AANZFTA’s First Protocol addresses implementation issues with certificates of origin and rules of origin and is in force for all parties except Indonesia. A 2017–18 review is underway to ensure the agreement remains relevant to business and supports greater regional economic integration.

MALAYSIA–AUSTRALIA FREE TRADE AGREEMENT (MAFTA)

In place since 2013, MAFTA provides for 98.8% tariff elimination* and builds on AANZFTA to open new opportunities for Australian businesses, provide Australian service providers with better access to the Malaysian market, and reduce barriers to trade.

SINGAPORE–AUSTRALIA FREE TRADE AGREEMENT (SAFTA)

In place since 2003, SAFTA provides for 100% tariff elimination* and improved market access for Australian exporters of services (particularly education, environmental, telecommunications, and professional services). This has created a more open and predictable bilateral business environment across a range of areas including in competition policy, government procurement, intellectual property, e-commerce, customs and business travel. Amendments from the 2016 review of SAFTA will come into effect on completion of domestic treaty policies.

*Percentage of tariff-free lines

AUSTRALIA–SINGAPORE COMPREHENSIVE STRATEGIC PARTNERSHIP

In 2015 Australia and Singapore signed a Joint Declaration on the Comprehensive Strategic Partnership (CSP). The two governments have since embarked on a ten year plan to enhance our strategic, trade, economic, defence and people to people links, to deepen collaboration in all areas of bilateral relations and enhance the integration of our economies in order to achieve a Closer Economic Relationship (CER).

THAILAND–AUSTRALIA FREE TRADE AGREEMENT (TAFTA)

In force since 2005, TAFTA provides for 100% tariff elimination*, greater certainty for Australian investors (including in services) accessing the Thai market and guarantees a range of rights. The easing of visa and related requirements for temporary entry of Australian business people further supports business links.

In addition, under negotiation are the Regional Comprehensive Economic Partnership and the Indonesia–Australia Comprehensive Economic Partnership Agreement.

The comprehensive and progressive agreement for the Trans-Pacific Partnership involving four ASEAN member countries (Brunei, Malaysia, Singapore, and Vietnam) plus Australia, Canada, Chile, Japan, Mexico, Peru and New Zealand was signed on 8 March 2018. This will allow NSW businesses to benefit from new trade rules with reduced tariffs and common laws and regulations. For example, the TPP-11 will make it cheaper and easier for NSW farmers to export beef, rice, wheat and dairy products into these 10 countries.
Investment and services exports are growing strongly

Investment between Australia and ASEAN was worth $224.4 billion in 2016, of which 36% is foreign direct investment (FDI). The growing financial strength and significant cash holdings of ASEAN businesses as they become more competitive and enter new markets has seen the level of FDI from ASEAN in Australia more than quadruple in the last decade. ASEAN is now Australia’s fifth-largest source of FDI.

The strong investment linkages reflect Sydney’s reputation as Australia’s global business hub, financial services centre and gateway to ASEAN. The NSW Government’s $80 billion infrastructure commitment and the building of the new 24-hour airport in Sydney’s west highlight a strong pipeline of projects that can promote future investment collaboration. Inbound investment from ASEAN into Australia is largely from Singapore ($31.2 billion) and Malaysia ($11.4 billion), with other ASEAN member countries having a primarily trade-based relationship with Australia.

$224.4 BN

Two-way investment in 2016, greater than two-way investment between Australia and China.

CASE STUDY

Pontiac Land Group

investment into Sydney’s tourism infrastructure

Pontiac, one of Singapore’s largest property developers, will transform two of Sydney’s historic sandstone buildings into a 240-room luxury hotel in the heart of the CBD. Pontiac Land won the bid to lease the heritage buildings and will undertake a $300 million refurbishment when the buildings are vacated in 2018. The luxury hotel is expected to open in 2021, enabling locals and tourists to enjoy these iconic sandstone assets.

Australian service exports into ASEAN member countries are also significant and growing. ASEAN was the second largest market for Australian service exports in 2016-17 with $13.1 billion worth of services exported including education and business services. The range of service exports continues to expand to meet the region’s need to upskill the workforce, and support infrastructure and other economic development.

Figure 1. Australian services exports to ASEAN have grown 8% each year over the last 5 years

Service exports to ASEAN from Australia

NSW’s vibrant tourism sector also continues to attract growing numbers of ASEAN tourists. In 2016-17, 284,000 visitors from Indonesia, Malaysia, and Singapore enjoyed the beauty of our state, generating an economic injection of $655 million.

The ASEAN middle class is forecast to grow to 161 million households in 2030, up from 38 million in 2015. Rising consumer demand creates opportunities for NSW to showcase capabilities across a range of sectors such as tourism, education and training, health services, technology and agribusiness.
Figure 2. GDP of ASEAN member countries totalled US$2.7 trillion in 2017 (IMF)

Source: IMF World Economic Outlook Database, October 2017

Figure 3. NSW merchandise exports to ASEAN member countries

Source: DFAT, Trade Statistical pivot tables, state/territory level 2016–2017

Figure 4. Top NSW exports to ASEAN member countries

Source: The Australian Department of Foreign Affairs and Trade, NSW 2016-2017
ESTABLISHED CONNECTIONS WITH ASEAN

NSW is closely connected with ASEAN markets through our community links, our business partnerships and government-to-government relationships.

With ASEAN celebrating 50 years, NSW is pleased to welcome the ASEAN–Australia Special Summit to Sydney in March 2018. This is an important opportunity to grow our trade, investment and cultural connections with mutual benefits for our complementary economies.

Connections between NSW and ASEAN business leaders

The NSW Government has business development managers embedded in Austrade in Singapore, Malaysia and Indonesia. Our ASEAN-based staff support NSW businesses to export to Singapore, Malaysia and Indonesia and facilitate investment from ASEAN into NSW.

NSW will continue to work closely with business chambers based in ASEAN and the new Australia-ASEAN Chamber of Commerce in Singapore to de-mystify markets across the ASEAN region by providing information about opportunities to Australian companies and making connections for Australian business.

NSW has government-to-government connections that support our economic partnerships

Our two formal government-to-government relationships with ASEAN also provide a platform for deepening our cultural connections and growing our economic partnerships:

Jakarta-NSW Sister State Relationship

NSW and Jakarta established a Sister State Relationship in 1994, with an agreement to collaborate on investment, trade and economic development, urban development, education and training, tourism, zoological parks and health. In 2015, NSW and Jakarta renewed the relationship with a revitalised agreement to work together in the areas of: infrastructure (smart cities); education and training; trade and economic development; public servants (knowledge sharing); and zoological parks. Significant progress has been made, including exchanges of zoo animals and knowledge sharing between governments.

Philippines-NSW Twinning Partnership on PPPs

The Public-Private Partnership Centre of the Philippines and Infrastructure New South Wales (INSW) entered into a twinning partnership in 2014, to foster close cooperation and capacity building, through exchanges in the field of infrastructure development and public-private partnerships (PPPs). One of the activities identified by both the Philippines and INSW is a capacity building and knowledge exchange in the area of PPP project implementation and contract management in which INSW has considerable experience. There have been a series of successful information exchanges between the Philippines and NSW under the partnership resulting in improvements to the PPP probity process in the Philippines.
NSW has deep people-to-people linkages with ASEAN member countries

The links between NSW and ASEAN are strong and long-standing. Almost 300,000 NSW residents were born in ASEAN member countries. Our geographic proximity and the historical migration that has shaped our community reinforce these ties. These connections shape our ability to appreciate regional cultural and business norms and create and support sustainable business relationships.

The excellence of our education and training sector has attracted a growing number of international students to NSW, further underpinning the connections between ASEAN and NSW. ASEAN is the second-largest source market for international students in NSW, with 54,000 ASEAN students enrolled here in 2016.

The Commonwealth Government’s New Colombo Plan, which involves a scholarship/internship/mentorship program plus a grants program, will further strengthen the ASEAN-NSW connection with a new generation of Australians undertaking study and internships in ASEAN member countries.
ASEAN has a growing consumer base that is becoming more urbanised, wealthy and digitised. This creates a range of opportunities for NSW to partner with ASEAN member countries to help meet the increasing demand for high-quality produce, specialised services, infrastructure solutions and innovative technologies.

ASEAN’s combined population is the third-largest in the world, behind China and India, at almost 640 million in 2016. The group of ASEAN member countries has experienced accelerated economic growth. ASEAN’s combined GDP of US$2.5 trillion comprises 3.4% of the world’s GDP. In 2016, the region’s annual average GDP growth was 4.6%, well above the global average. This track record of growth is set to continue. Combined GDP target for the ASEAN member countries is projected to increase from US $2.5 trillion in 2016 to US $6.7 trillion by 2030. If the region is considered as a single nation, this would make it the fourth-largest in the world by 2030. This impressive pace of economic growth has meant that there are many transformations occurring in the ASEAN region.

### 1. Expanding Cities

Already, over one-third of ASEAN’s population live in cities, and contribute more than two-thirds of the region’s economic output. As the region continues on the path of economic modernisation, an estimated additional 90 million people will live in cities by 2030. The process of urbanisation will demand substantial investment across the region to address infrastructure requirements. There will also be demand for resources, technology and innovative products and services to resolve associated challenges such as overcrowding and pollution.

### 2. Growing Consumer Class

Growing economic output also means greater purchasing power and demand for high-quality produce. Some of ASEAN’s largest cities, such as Bangkok, Jakarta and Kuala Lumpur, have already attained high-income status. This trend will increase into the future, through ASEAN’s growing middle-weight regions and second-tier cities gaining more economic momentum. This burgeoning middle class in ASEAN will drive a substantial increase in consumer demand. The number of middle class households in the region is forecast to more than quadruple from 38 million in 2015 to 161 million by 2030. Middle-class consumers will have greater demand for high-quality produce. For example, there has been a significant shift in recent years for consumers in the ASEAN region to purchase more high-value and quality food, dairy and agricultural products.

### 3. Innovation and Digital Disruption

Higher purchasing power also means improved access to services and technology. Consumers in the ASEAN region are benefiting from increased usage of digital technology and devices, and are increasingly accessing online applications and ecommerce products. The implications for the services sector are also significant and wide-ranging. For example, education and training are central to cultivating a skilled workforce in ASEAN and making it easier and cheaper to conduct business.

### 4. Deepening Integration and Connectivity

ASEAN nations are increasingly economically connected to Australia with Free Trade Agreements making it easier and cheaper to conduct business. Increased cultural connections build an understanding of business culture further enhancing the ease of doing business. The business connections NSW has established in Singapore, Malaysia and Indonesia will be a gateway for access to other ASEAN markets.

### Figure 6. Areas where NSW capabilities can support the transformation of ASEAN member countries

<table>
<thead>
<tr>
<th>Driver of transformation</th>
<th>What this means</th>
<th>Focus areas for NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expanding Cities</strong></td>
<td>Accelerating economic growth, improving productivity and raising demand</td>
<td>NSW innovative in public-private partnership infrastructure funding, NSW Smart City technology and Smart Buildings services</td>
</tr>
<tr>
<td><strong>Growing Consumer Class</strong></td>
<td>Greater consumer purchasing demand</td>
<td>NSW high-quality food produce, Financial services products, education and tourism</td>
</tr>
<tr>
<td><strong>Innovation and Digital Disruption</strong></td>
<td>Increased demand for technology creating the world’s fastest-growing online market for goods and services</td>
<td>NSW fintech, medtech and agtech, Smartphone-enabled services, technology services</td>
</tr>
<tr>
<td><strong>Deepening Integration/Connectivity</strong></td>
<td>Benefits through connectivity and Free Trade Agreements making it easier to conduct business and supporting stronger regional value chains</td>
<td>NSW exporters have a competitive advantage in market access, NSW’s existing connectivity in Singapore, Indonesia and Malaysia will be a gateway for access to other markets</td>
</tr>
</tbody>
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Opportunities for NSW businesses in ASEAN

ASEAN is already a major trading and investment partner to NSW and there is immense scope for NSW businesses to partner with ASEAN member countries to address the opportunities presented in the growth drivers identified in Figure 6.
There is a strong fit between the emerging needs of ASEAN markets and NSW economic capabilities

To respond to the trend of expanding cities across the ASEAN region, NSW can showcase its expertise in providing smart infrastructure solutions and specialised services to support urbanisation, NSW has a strong track record in smart infrastructure, sustainable urban redevelopment and pollution control. Our businesses can export this know-how, along with our skills in project and contract management, project governance and intellectual property management, to ASEAN markets. Our mature services sector can offer specialised services and technologies to meet the demands of rapid urbanisation. For example, NSW businesses have strong capabilities in water technology and flood mitigation, which is of interest for Indonesia, Thailand, Malaysia and Vietnam.

NSW’s reputation as a ‘clean, green and safe’ producer of food products can cater to ASEAN’s increasingly wealthy and digitised consumer base that has a growing appetite for high-quality and consistent produce. NSW can benefit from this demand by building on our existing reputation, and expanding our exports to ASEAN member countries in areas such as of premium foods, food service, processed foods, retail and wholesale goods.

NSW’s strength in supporting innovation positions us well to meet opportunities created by an increasingly digitised ASEAN region. There can be increased collaboration between entrepreneurs from ASEAN with technology startups in NSW to grow our commercial technology connections.

NSW’s leading fintech capabilities create opportunity for NSW-based startups and technology-based companies (including in cyber-security) to export their technology to the region, as well as to receive funding from ASEAN-based venture capital firms. ASEAN’s need for more professional programmers and data analysts generates opportunity for NSW-based universities offering computer science programs and related training. Furthermore, the rapid development of e-commerce in Indonesia provides an additional avenue for NSW-based exporters to bring more products to market.

In addition to the opportunities in the areas of expanding cities, a growing consumer class, and digital transformation, NSW education and training providers can help to support the policy focus of ASEAN member countries as they cultivate a skilled labour force. Upskilling the workforce has been identified as a priority for many ASEAN member countries in order to meet the demands of continued economic expansion. NSW is well positioned to meet this need as a close neighbour and a world leader in education, qualification frameworks, and qualification recognition. NSW is already the top destination for international students in Australia, so there is a unique opportunity to offer education and training solutions to help upskill the workforce across ASEAN markets.

CASE STUDY
Stone & Chalk and UnionSPACE Indonesia friendship agreement

A new agreement between NSW-based fintech incubator Stone & Chalk and Indonesia’s UnionSPACE, launched recently by the Hon Niall Blair, Minister for Trade & Industry, will enable:

- information and ideas exchange on successful financial technologies, education environment and legal conditions
- exchange of fintech startups so that members can use each other’s fintech hub co-working spaces
- online live-streaming and interaction during events or other programs
- respective members to visit, explore, and establish a network in the other’s markets
- connection of respective members to venture capital firms or any growth facilitators through pitching events where possible.

In 2018 a large delegation of Indonesian fintech companies landed in NSW to form connections with Sydney-based fintech companies and accelerators.
ASEAN is a large and diverse market. NSW will continue to focus effort in areas where NSW business capabilities match strong demand for goods and services. Indonesia, Malaysia and Singapore represent close to 60% of ASEAN’s total GDP and are currently the largest trade and investment markets for NSW.

**Brunei Darussalam**

Brunei Darussalam is looking to improve the long-term sustainability of its economy by diversifying from natural resource sectors. Given Brunei imports large amounts of food and beverages as well as other manufactured goods, there is an opportunity for increased NSW exports in agribusiness and edible products/preparations.

The Brunei Government’s diversifying efforts also include training a skilled workforce to support a more sustainable economy. NSW offers competitive strengths in international education for Brunei students looking to obtain globally recognised qualifications in a wide array of academic disciplines and vocational education and training (VET).

**Cambodia**

Cambodia has a fast-growing GDP per capita and increasing middle class with jobs in service sectors. However, agricultural sectors continue to be the major source of income for a large proportion of the Cambodian population.

A boost in tourism numbers in the last decade has contributed to the growth of non-agricultural sectors in Cambodia. Such growth is creating demand for professional services and highly skilled management.

There are complementary strengths in Cambodia’s agricultural production and NSW agribusinesses’ innovative technology and solutions. The growing demand for highly skilled workers and professional services create an opportunity for NSW international education providers to meet the training needs, while professional services firms based in NSW can provide business solutions for the increasing complexity of Cambodian economic activities.

**Indonesia**

Indonesia has a large, young, tech-savvy population of 259 million (2016) that is urbanising rapidly. To meet the future needs of the growing population, the Indonesian government has set an ambitious infrastructure program of US$480 billion, which will be financed by both the public and private sectors. The size of the program is close to half of Indonesia’s GDP and will span from 2015 to 2019. It presents an investment opportunity for construction companies and project financiers in NSW.

The rapid growth in population and swift adoption of technology in consumer behaviour and business operations present an opportunity for further collaboration between governments and businesses in Indonesia and NSW. Indonesia’s need for world-class talent and training for its digital innovation and technology could be met by NSW’s globally competitive universities and burgeoning startup ecosystem centred at the Sydney Startup Hub.

NSW’s leading exports to Indonesia currently include wheat, coal, beef and construction materials. Given the increasing demand for edible products and processing in Indonesia, there is scope for growth in NSW exports from its food and beverage and food technology sectors.

**Laos**

Laos has a rapidly growing economy with concentrated activities in tourism, agriculture and natural resources sectors. As the Laos Government aims to continue its economic growth past 2020, NSW can provide access to world-leading professional and consulting services for business growth, equipment and innovative solutions for agribusiness and natural resources. Tertiary education institutions and vocational training facilities in NSW also provide the optimal training ground for upskilling the workforce.
Malaysia

Malaysia serves as an accessible point of entry for international businesses looking to venture into the ASEAN market. Malaysia has a growing young and educated middle class with expectations for personalised and high-quality goods and services. The Malaysian Government is expecting its urban areas to provide dwelling for more than 80% of the population, which is creating a demand for smart cities technology and the need for public infrastructure including transport.

As the consumption pattern in Malaysia becomes more sophisticated, there is an opportunity for greater collaboration between Malaysian and NSW institutions to produce innovative smart cities and digital business solutions.

Myanmar

Myanmar is a budding economy with rapidly growing tourism and natural resource markets. Myanmar’s geographic location close to other ASEAN markets and its youthful workforce present an opportunity for NSW businesses looking to provide vocational training services and agribusiness solutions that will enhance farming productivity.

Philippines

The Philippines has an expanding middle class with a high rate of smartphone saturation and a large base of domestic consumers. The Philippine Government is delivering an ambitious infrastructure construction program with a total value of $193 billion spanning from 2016 to 2022.

The Philippines’ population growth and increasing domestic consumption presents particular opportunities for the NSW food and beverage sector and the services sector. Innovative, productivity-enhancing solutions offered by NSW agribusinesses could contribute towards improved efficiency in the global supply chain and commercialisation of domestic agricultural products in the Philippines.

Professional services firms located in NSW have significant experience in consulting and providing services related to construction and project financing of public infrastructure. Provision of such expertise can support the Philippines ‘Build Build Build’ program.

Singapore

Singapore functions as the logistics hub and the financial centre for business operation in ASEAN. Singapore is an industrialised and high-income economy with a stable rate of exports-driven growth. The structure of Singapore’s international trade and investment reflects its highly industrialised market, providing access to leading technology and research and development. Singapore’s sophisticated consumer base is showing a growing appetite for high-quality food and beverage imports. To meet these needs, NSW businesses in food and beverages, advanced manufacturing and natural resources sectors are well placed to use Singapore as the ASEAN hub for their global supply chain.

Singapore and NSW have reciprocal strengths in innovation and technology across various industry sectors including healthcare, construction and financial services. There is scope for greater collaboration and partnership under the Singaporean Government’s innovation program, particularly for NSW institutions seeking opportunities in cyber security and construction of data centres.

Singapore also offers an extensive range of investment opportunities in the infrastructure sector including engineering, procurement and construction, as well as project financing. With the experience of delivering a $73 billion infrastructure program, NSW government agencies and companies offer valuable expertise in this sector.

There is a demand for a highly skilled and multilingual professional workforce in both markets. NSW is home to six world-class universities and can offer long-term solutions to address talent acquisition concerns in Singapore.
Thailand

Thailand has a steadily growing export-oriented economy. This steady growth is driven by Thailand’s globally competitive manufacturing capabilities, particularly in the automotive and electronics sectors. The Thai Government is looking to make its economy more resilient to the dynamic impacts of the ‘fourth industrial revolution’ by strengthening its digital innovation and technological capabilities. This drive is creating demand for NSW expertise in emerging technology across various sectors including healthcare, education, defence and aerospace, smart cities and edible products and processing.

Vietnam

Vietnam has successfully commenced transitioning into a market-based, industrial economy. Vietnam has the fastest growing middle class in ASEAN with a forecast total GDP per capita growth of 153% from 2012-20. This growth is driven by Vietnam’s young labour force and its robust manufacturing sector. Rapid growth will continue to create demand for higher levels of education among its workforce and education service providers in NSW have an opportunity to meet this need.

As the expanding middle class continues to demand high-quality agricultural goods, NSW producers and suppliers have an opportunity to grow their customer base into the Vietnamese market. NSW continues to be a major supplier of cotton and wool for Vietnamese garment manufacturing activities.

CASE STUDY

Gemstar

Gemstar, a NSW born and bred company, is a personalised accelerator focused on launching Australian businesses into Asia, as well as assisting Asian businesses enter Australia and promoting bilateral trade. Gemstar plays a leadership role in bridging the gap between startups, scale-ups, investors, research institutes, partners and customers through its marketing-led and highly strategic approach.

Since its inception in 2013, Gemstar has become the ‘go-to’ market access partner for budding talent, startups and scale-up companies wanting to accelerate expansion into Southeast Asia in a confident, trusted and low-risk manner.

With operations across Australia, and with its flagship Innovation Centre of Excellence in Singapore, Gemstar is the perfect ‘landing pad’ for any Australian business wanting to expand into the region. Since opening its doors, Gemstar has unearthed more than 15 companies and helped fast track their Southeast Asian growth strategies.

Gemstar itself is a NSW SME success story. Founded and headed up by Gemma Manning, an Australian business woman, the company has gone from strength to strength in ASEAN, not only opening an innovation centre, but also launching a number of programs including a young entrepreneurs program that has been turned into an accredited diploma in Singapore. Gemstar is set to further expand over the next 12 months and open centres in Perth and Saigon in Vietnam.
Priority initiatives
PRIORITY INITIATIVES

1 GROW AND NURTURE PARTNERSHIPS ON INFRASTRUCTURE AND SMART CITIES

NSW best practice in sustainable urban development (green building, planning, engineering, construction, financing, and contract management for major projects) is needed as ASEAN addresses the challenge of rapid urbanisation.

Sydney is ranked number one out of 30 global cities for sustainability and the natural environment and number two for quality of living (PwC’s City of Opportunity Report, 2016). NSW is also leading on smart transport with driverless vehicle trials, the country’s first driverless metro rail, and trucks fitted with cooperative intelligent transport systems.

NSW is developing and using groundbreaking smart city technologies that are providing solutions to worldwide urban infrastructure challenges. For example, Barangaroo, Sydney’s new financial services hub is a carbon-neutral, water-positive and completely sustainable urban redevelopment.

NSW also has world-leading urban infrastructure research and development facilities. The SMART Infrastructure Facility at the University of Wollongong south of Sydney is an international leader in applied infrastructure research. The Commonwealth Scientific and Industrial Research Organisation’s Data61 facility is partnering with other organisations to develop innovative technologies for sustainable, resilient and liveable cities.

The NSW Government has a 20-year State Infrastructure Strategy with $80.1 billion to be invested in economic growth-generating infrastructure over the next four years. Our extensive pipeline of infrastructure projects will require private sector involvement and investment. There is an immediate opportunity for ASEAN firms as the NSW Government welcomes international best practice and foreign investment. The NSW Government will use its networks in Australia and ASEAN, in particular in Singapore, to ensure that firms are aware of emerging investment opportunities in NSW. Singapore companies have invested in NSW tourism infrastructure.

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GROW AND NURTURE PARTNERSHIPS ON INFRASTRUCTURE AND SMART CITIES

Infrastructure and smart cities are high on the agenda for ASEAN member countries. The Indonesian Government has estimated infrastructure needs of around US$450 billion (5 year period 2015-19). The Jakarta Government is leading a whole-of-government approach to smart cities, including smart transport, smart living and smart economy, and promoting a cashless society. Given Singapore’s natural geographic restrictions, it has a strong drive to become a global leader in ‘green building’ development. Developer interest from Singapore in student accommodation opportunities in Sydney is increasing. Industrial and urban development is one of the three big trends seen in Malaysia. Infrastructure mobility and access to crucial amenities are important for widening economic opportunities available to the Malaysian people (primarily for lower-income and rural households).

CASE STUDY

blueVisions

NSW based company blueVisions is an international project and contract management consultancy focused on increasing certainty of outcomes and reducing risks on clients’ projects and investments. blueVisions recently won and commenced work on significant infrastructure projects in Indonesia, including a greenfield airport in Yogyakarta.

ACTIONS FOR NSW GOVERNMENT

- Support growth in infrastructure and smart cities services exports to ASEAN by delivering symposia on ‘doing business in ASEAN’ to planning, engineering, construction, financing and contract management companies across NSW.
- Connect NSW companies with capabilities in sustainable urban development, particularly in the areas of smart cities, to decision makers in Indonesia, Malaysia and Singapore.
- Increase ASEAN investment into NSW’s $80.1 billion infrastructure projects by targeting active Singapore bidders (e.g. Ascendas Singbridge, Mapletree, Far East Group, Oxley, OUE).
- Target Indonesian infrastructure financing companies with interest in water management and efficiency infrastructure projects.
- Partner with Singapore businesses to export NSW capabilities (planning, engineering, construction, financing, and contract management for major projects) and share best practice and innovation in the delivery of Asia’s rapid urbanisation.
- Work with key stakeholders (government, business leaders, and academia) to help increase the awareness in Malaysia and Indonesia of NSW’s capabilities in smart city infrastructure and urban development, highlighting NSW-based architecture and engineering firms with experience working with large-scale infrastructure projects.
STRENGTHEN INNOVATION AND TECHNOLOGY LINKAGES BETWEEN NSW AND ASEAN MARKETS

NSW is home to some of the world’s most innovative and creative businesses, excelling in agtech, edutech, cleantech, fintech, medtech, METS and defencetech. NSW is Australia’s innovation hub. Key technologies used in Wi-Fi, Google Maps and the cochlear implant ‘bionic ear’ all have significant roots in NSW.

NSW is also the startup state, home to more than 40% of Australia’s startup businesses. This success is a product of government, academia and business coming together to create an innovation-friendly ecosystem. To foster the startup ecosystem, the NSW Government launched the Sydney Startup Hub in the heart of the CBD in early 2018. It consists of 17,000 square metres of floor space over 11 floors and will accommodate up to 2,500 people. We welcome collaboration with ASEAN technology companies, particularly in fintech, medtech and agtech, to support growth in ASEAN member countries.

Financial technology startups have boomed in Australia, from fewer than 100 in 2014 to nearly 600 in July 2017. Most of these fintech companies are based in Sydney, NSW’s capital, Australia’s financial services centre and global city. Further linkages between fintech in NSW and in Singapore and Indonesia would support the increasing demand for these services in ASEAN member countries. For example, the Bank of Indonesia launched national ‘branchless banking’ and ‘cashless society’ programs in 2014. Implementation of both programs creates demand for banking technology and innovation on electronic payment systems (particularly mobile payment methods).

It is forecast that the number of ecommerce users in Indonesia will reach 39 million by 2020, with an average 12% year-on-year growth rate.

Medical technology devices and services are in increasing demand in ASEAN member countries to tackle issues arising from an ageing population. Australia is recognised as having an innovative health system focused on aged care and built upon a robust framework of quality accreditation.

For example, Singapore is a growing medtech hub with over 30 medical technology companies that have set up commercial-scale plants to produce medical devices, geared towards regional and global export.

Food safety and farm production technology is also a strength for NSW and an area of growth for ASEAN member countries. It is also crucial for Indonesia. Agriculture technologies are needed to ensure stability of supply of agriculture products (particularly meat and dairy) for households and industry.

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ACTIONS FOR NSW GOVERNMENT

- Encourage linkages between fintech
ecosystems in Sydney, Singapore
and Indonesia.

- Promote Sydney, and the new Sydney
Startup Hub, as ‘the next destination
for fintech startups’.

- Promote investment and business
partnerships between NSW
and Singapore in the medtech
manufacturing sector (including
robotics) to address Singapore’s
growing demand for health products
and services.

- Leverage NSW’s competitive
advantage in e-health solutions and
data management to digitise
records management in Indonesia’s
health sector.

- Leverage the Australian Landing Pad
in Singapore for NSW startups to gain
accelerated access to networks and
market opportunities throughout Asia.

- Support NSW technology companies
with market entry into Asia and
diversity through Malaysia’s
Multimedia Super Corridor (MSC
National ICT Initiative) and as a platform
for outbound innovation delegations.

- Promote NSW’s capability in mining
technology to increase market
share, offer solutions and enhance
productivity in Indonesia.

- Promote NSW’s capability in banking
innovation and technology to streamline
Indonesia’s rapidly developing ICT
and e-commerce sector (i.e. payment
processing – credit card and bank
account, including mobile devices).

- Leverage NSW’s Sister State
Relationship with Jakarta to promote
NSW’s capability at the ‘Innovation
Showcase’ in agtech.

- Support NSW water technology and
flood mitigation businesses to access
networks and opportunities in ASEAN
in particular Indonesia, Thailand,
Malaysia and Vietnam.

- Continue to provide support for
NSW exporters and potential exporters
through the team of export advisers
located across regional NSW delivering
the TradeStart program—a formal
partnership with Austrade promoting
and supporting export, international
business and the government’s
trade agenda.

- Support NSW exporters and potential
exporters with the Export Capability
Building Program, with workshops and
seminars focusing on ASEAN markets.
International students from ASEAN member countries account for 20% of international enrolments in NSW (2016).

NSW has a world-class tertiary education sector, with two universities in the world’s top 50—the University of New South Wales and the University of Sydney. NSW also has the largest share of international students in Australia. Our technical and vocational education system is world-renowned for its industry linkages through TAFE NSW and our quality private education and training providers.

**Figure 7. NSW’s international students from ASEAN member countries (2017)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>12.9%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>19.0%</td>
</tr>
<tr>
<td>Thailand</td>
<td>33.5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19.9%</td>
</tr>
<tr>
<td>Philippines</td>
<td>8.6%</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.9%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1.3%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>1.1%</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>0.3%</td>
</tr>
<tr>
<td>Laos</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Our secondary school system has strong international ties with thousands of international students studying in our government and independent schools each year. They also welcome regular study tours of students, teachers and policy-makers each year to share best practice.

Opportunities also exist for transnational education programs and delivery models that suit the needs of adult learners (online, part-time study). There are a multitude of partnerships in the region where NSW institutions are co-delivering programs with local partners to meet local needs. Singapore and Australia have strong historical education ties and NSW remains a leading international education destination for students from across the region. The Malaysian Government has identified a target of increasing the percentage of skilled and semi-skilled workers to 50% of its workforce by 2020. A ‘Smart Indonesia’ program has been implemented to improve the quality of human capital skills level through professional certification, education and training. Indonesia is a mature and loyal market for student recruitment and remains the number one destination, competing for student recruitment (including Penang, Johor Bahru and Kuching).

**CASE STUDY**

International students studying in NSW have the opportunity to participate in the StudyNSW Global Scope Program, which offers students three to six weeks of a work-integrated learning experience with different employers to build their employability.

**PROJECT**

**NSW Trade & Investment: Key sector presentations for international investors**

**Student feedback:**

‘Through the Global Scope Program I gained practical experience working with SMEs which furthered my professional skills in presenting and report writing. The real world is different from university where people want the information up front instead of a structured report that builds to a climax. The program has helped me in my professional life with communicating in a concise and relevant manner.’

—Su Gelk Tan, Malaysia.

**PROJECT**

**Party Kit Co Growth Strategy**

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—Christa Levania, Indonesia.

*Currently studying a Masters of Commerce (HR) at UNSW.*

**ACTIONS FOR NSW GOVERNMENT**

- Encourage the flow of students between ASEAN member countries and NSW, by promoting NSW education and training capability and world-class education facilities.
- Continue to enhance the experience of international students in our state through StudyNSW.
- Build the NSW brand in Malaysia through greater engagement targeting markets outside of Kuala Lumpur for student recruitment (including Penang, Johor Bahru and Kuching).
- Support the delivery of technical and vocational training by encouraging partnerships between NSW education providers (private providers and TAFE NSW) in the areas of nursing (palliative/elderly patient care), aviation, e-commerce and transportation to advance industry development and to address skills shortages in Malaysia and Indonesia.
- Deepen engagement with NSW alumni across the region as key advocates for our State to grow stronger people to business to business links.
Trade in agribusiness between Australia and ASEAN is worth $12.4 billion each year (ABS, 2016).

Demand for premium food products is high in ASEAN, with countries like Singapore importing over 90% of consumed food. The market is competitive and consumers are highly sophisticated. ASEAN consumers have shifted from buying commodities and unprocessed ingredients to purchasing packaged foods and high-value imported items (meat, dairy and confectionery). In urban areas there is a growing demand for fresh, clean, traceable food, while an increasing trend towards health and wellness is also creating a demand for natural and functional foods (organic, sugar free, gluten free).

Leading agriculture and food companies in ASEAN choose NSW food products because of the high quality produce resulting from favourable growing conditions and a well-regulated production environment. Stringent quarantine policies, sound management practices and strict environmental controls keep the state free of many pests and diseases found in other parts of the world.

Opportunities for NSW businesses to export to ASEAN exist in premium foods, food service, processed foods, retail and wholesale goods, particularly in markets where existing FTAs have resulted in improved market access.

**Figure 8. Top ten NSW agricultural exports to ASEAN member countries 2016-17**

<table>
<thead>
<tr>
<th>Product Category</th>
<th>2016-17 (AUD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHEAT</td>
<td>489</td>
</tr>
<tr>
<td>COTTON</td>
<td>220</td>
</tr>
<tr>
<td>BEEF, FCF</td>
<td>103</td>
</tr>
<tr>
<td>MEAT (EXCL BEEF, FCF)</td>
<td>61</td>
</tr>
<tr>
<td>FRUIT &amp; NUTS</td>
<td>43</td>
</tr>
<tr>
<td>ANIMAL FEED</td>
<td>39</td>
</tr>
<tr>
<td>CEREAL PREPARATIONS</td>
<td>24</td>
</tr>
<tr>
<td>CHEESE &amp; CURD</td>
<td>24</td>
</tr>
<tr>
<td>ALCOHOLIC BEVERAGES</td>
<td>21</td>
</tr>
<tr>
<td>EDIBLE PRODUCTS &amp; PREPARATIONS, NES</td>
<td>20</td>
</tr>
</tbody>
</table>

**ACTIONS FOR NSW GOVERNMENT**

- Expand the existing footprint for NSW food exports into Singapore, and for re-export into neighbouring Asian markets (China, Philippines).
- Profile NSW business with capability in exporting premium high end products (healthy snacks, wine and cheese) to the growing middle class, tourists and hotel chains in large cities in Indonesia (Jakarta, Surabaya and Bali).
- Target businesses with export capability and readiness to enter the ASEAN market and take a NSW delegation to Food and Hotel Asia as a platform to promote their products into ASEAN.
- Position NSW as a reputable supplier of premium food imports to meet consumer and importer demand for variety and premium packaged goods in Malaysia.
- Create greater awareness of NSW capabilities in health and nutrition to meet the growing sophistication and demand for healthy eating among consumers in Singapore.
- Promote NSW’s capability in research, innovation and technology in agriculture and aquaculture productivity.
- Work with Singapore to improve the supply chain and export costs to the rest of ASEAN, starting with red meat.
- Work with Malaysian buyers to provide Halal products for export to ASEAN member countries and the Middle East.
5  POSITION NSW AS A COMPETITIVE EXPORTER OF MINERAL RESOURCES, ENERGY PRODUCTS AND METS

The growth in energy demand will require substantial inputs from overseas METS suppliers for new projects, associated infrastructure and for expansion and modernisation activities. The expertise and services offered by NSW METS companies, especially those related to aspects of the coal chain, puts them in a good position to participate in ASEAN growth opportunities.

A substantial increase in planned energy demand in Vietnam, Philippines and Malaysia over the next decade will require an expansion in coal-fired generation coupled with the implementation of new technologies. High-quality NSW coal can fuel the increasing electricity needs and help meet reduced emission targets.

ACTIONS FOR NSW GOVERNMENT

- Increase promotional and marketing activities to enhance the level of market awareness brand recognition of NSW as a world class METS provider in coal services, particularly mine development, materials handling, safety, planning and environmental expertise.
- Identify and progress opportunities to partner between NSW and ASEAN authorities businesses via the NSW Trade Commissioner to improve market access for NSW METS providers.

6  GROW TOURISM AND DEEPEN CULTURAL AWARENESS AND LINKAGES

Of the four million tourists that visit NSW each year, only a small proportion of them come from ASEAN member countries. The largest source market in ASEAN is Singapore, with 120,000 visitors to NSW each year. While Singapore is our 10th largest source market for tourists, it is ranked number one for highest average spend per night per tourist. Malaysia and Indonesia are the next largest source markets for tourists from ASEAN with 88,000 and 73,000 tourists in NSW each year respectively.

More NSW travellers are visiting ASEAN member countries, with 4.2 million Australian tourists visiting each year. Bangkok is the most visited city in the world, attracting more than 21 million visitors each year. Over 800,000 Australians travel to Thailand every year. NSW can work with Thailand to share ways to provide unique tourist experiences, run ecotourism and operate more sustainably.

International travellers consistently rank Sydney as one of the world’s best cities. They are drawn by the beauty of its harbour, its splendid beaches, beautifully preserved bushland within easy reach of the city, and countless quality restaurants serving up just about every style of cuisine.

As NSW is attracting less than 1% of the tourists departing ASEAN member countries, there is potential to significantly increase tourism from our neighbouring ASEAN markets.

ACTIONS FOR NSW GOVERNMENT

- Continue aviation and route development to keep pace with demand between Sydney and Singapore.
- Improve the experience and convenience for Singapore and visitors in NSW.
- Progress the MOU between the NSW Government and the Jakarta Capital City Government with biannual meetings between NSW Department of Premier and Cabinet and the Indonesian Consul General.
- Share best practice in areas such as infrastructure financing and government services.
- Foster capacity building and knowledge exchange, as identified in the MOU between NSW Government and the Jakarta Government.
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