

Strengthening Victoria's Connections with Southeast Asia

Trade and Investment Opportunities



THE AUSTRALIAN
APEC STUDY CENTRE
Asia Pacific
Economic Cooperation

In partnership with
 **RMIT**
UNIVERSITY

Supported by



Education
and Training



Acknowledgements



The Victorian Government funded this report under the Victorian Higher Education State Investment Fund (VHESIF) as part of the RMIT Asia Trade and Innovation Hub. The Australian APEC Study Centre at RMIT University led this project in partnership with Asia Society Australia and RMIT University experts from the College of Business and Law (COBL) and School of Global, Urban and Social Studies (GUSS).

The Australian APEC Study Centre team comprised Kristen Bondietti, Briony Wood-Ingram, Hoa Tran and Aaron Soans under the guidance of Director, the Hon Dr Craig Emerson who also developed the forward with Richard Maude (Asia Society Australia). RMIT experts Prof Chris Ziguras, Dr Jing Qi (GUSS) and Dr Carol Bond (COBL) provided case studies and Jon Berry from Article Three contributed to the data analysis. Andrew Deane and Greg Earl (Asia Society Australia) provided consultation and production support.

Two advisory committees provided invaluable guidance for the project:

Research Advisory Group

- Rebecca Hall (Commissioner for Victoria to Southeast Asia)
- Graeme Maddern (Director Economic Policy, Department of Jobs, Precincts and Regions, Victorian Government)
- Philipp Ivanov (CEO, Asia Society Australia)
- Prof Vishal Kishore (Professor of Innovation and Public Policy, RMIT University)
- Dr Craig Emerson (Director, the Australian APEC Study Centre RMIT University)
- Layton Pike (Chief Global Adviser RMIT University)

Project Steering Group

- Cameron Brown (Principal Policy Advisor, International Policy, Department of Jobs, Precincts and Regions, Victorian Government)
- Prof Charlie Xue, Associate Deputy Vice-Chancellor International, STEM, RMIT University
- Prof Chris Ziguras, Associate Dean, Global & Language Studies, RMIT University
- Dominique Wiehahn, Manager, Asia Impact, RMIT University
- Prof Mathews Nkhoma, Associate Deputy Vice Chancellor, College of Business and Law, RMIT University
- Andrew Deane, Associate Director, Development & Partnerships, Asia Society Australia (Chair)

Foreword

Victoria and Southeast Asian countries as regional partners

Victoria stands out among Australia's states and territories as being well positioned to reap the benefits from its economic complementarity with the Southeast Asian region. Countries across the Association of Southeast Asian Nations (ASEAN) have young, fast-growing and increasingly affluent populations. They have become more digitally sophisticated, demanding higher-quality products and services.

If Victoria can build on the existing trade and investment relationship to help Southeast Asian countries grow their economies and raise the living standards of their people then exciting, new opportunities will open up for the State. But to do so, it needs to continue to build genuine partnerships with Southeast Asian nations – ones that transcend development cooperation, that value the region in its own right, and respond to priority needs in the contemporary post-COVID environment.

Recent geopolitical tensions and trade developments have meant that all the countries of ASEAN, like Australia, are seeking to diversify their export markets as well as their sources of imports and inbound investment. Existing Australian trade agreements with the region and its individual countries serve as frameworks to grow trade and investment and build cooperation, confidence, and trust. The Victorian government has trade and investment offices in Vietnam, Malaysia, Indonesia and Singapore. Victorian businesses have a presence in most markets across the region, although many of them face ongoing challenges.

Beyond being a good partner and neighbour, there are also national interest reasons for Australia to prioritise security cooperation with countries in Southeast Asia. Australia's interests are well served by helping them maintain their resilience, sovereignty and autonomy in a more contested and competitive Indo-Pacific region, and in continuing to invest in ASEAN-led institutions and processes. It is in Australia's interests for Southeast Asian countries to look to a diverse range of partners for its continued prosperity.

The Australian and Victorian governments have made important new investments in relations with Southeast Asian countries that can be consolidated and expanded. The pandemic has brought into sharp relief the importance of health and energy security in the region. Victoria can, for example, draw on its long-established health research infrastructure and its developing expertise in clean-energy and associated technologies to build new regional partnerships.

Other countries, such as China, Japan, the Republic of Korea and the United States, have often been better placed to provide the investment, infrastructure and trade opportunities Southeast Asian nations want. So, while our partnership is in good shape, Victoria will need to work harder than others to maintain its relevance, demonstrate its importance and advance its interests in our shared region.

This report examines the changed landscape, identifies the new opportunities, and sets out an agenda for government, business and other institutions to respond. However, analysis of the opportunities and challenges ahead will remain just that if not matched by businesses willing to take the risks, and by governments that are willing to support them.



The Hon Dr Craig Emerson

Executive Director, Australian APEC Study Centre at RMIT University



Mr Richard Maude

Executive Director of Policy, Asia Society Australia

Executive Summary



The post-COVID trade scene: Key developments

The Indo-Pacific trade and investment landscape has changed significantly in the past two years. New developments and emerging policy trends are reshaping the post-COVID trade environment, driven by pandemic responses and influenced by geopolitical tensions.

Digital transformation of trade, supply chain disruption, labour mobility challenges and emerging climate and energy policy approaches are key developments that are of particular importance for Victoria's trade relationship with Southeast Asian countries in the new landscape.

The changing nature of trade is driving growth in new services industries and accelerating digitisation of supply chains across economies in the Southeast Asian region. Digitally enabled services are becoming more important to support trade. However, significant regulatory barriers remain.

Extreme disruptions to supply chains, combined with geopolitical tensions of the past few years, have resulted in fundamental changes to how and where trade is conducted.

They have highlighted the importance of resilient, open and diversified trade and investment links and the role of effective strategies to manage geopolitical risks.

The COVID pandemic has exacerbated labour shortages, highlighted skills imbalances across the region and illuminated the dependence of trade on labour flows. It has also revealed the challenges of maintaining and creating open frameworks for movement of workers and professionals between markets, including amongst ASEAN economies.

Driven by policy developments and technological advances, Victoria and its partners in the region are investing significantly in the industries of the future, including renewable energy and other environmental goods. ASEAN is a rapidly growing market for renewable energy, driving greater two-way trade and investment collaboration.

Victoria and Southeast Asian countries: New opportunities and challenges

The post-COVID trade landscape presents opportunities to tap into the digital transformation in Southeast Asian countries, build market diversification and supply chain resilience, grow the green industries of the future, and improve cross border labour mobility. Significant challenges remain however. Both businesses and government require new strategies to build more resilient and diversified markets, input sources, and investment relationships.

While Victoria and Southeast Asian nations already share a long-standing and mutually beneficial trade and investment relationship, there is a need to enhance the trade partnership to realise opportunities, manage risks, and support a shared path to an open, prosperous and resilient region.

Southeast Asian countries and Victoria can build on their relationship not only by growing bilateral trade in goods and services, but by working together as investment partners, by strengthening mutually beneficial links to global value chains (GVCs), by deepening cultural ties, and forging closer strategic cooperation in the Indo-Pacific region.

Victoria needs to position itself to take advantage of emerging opportunities and mitigate new and ongoing risks. To do so, Victoria needs to demonstrate why and how, in the post-COVID world, it is well placed to meet ASEAN's needs as a trade and investment partner.

Executive Summary



Partners for prosperity: The recommendations

Recent developments warrant a fresh approach as to how Victoria trades and invests with countries in Southeast Asia. Now is the time to reinvigorate and strengthen the existing relationship to take advantage of opportunities, mitigate challenges and build engagement to deliver mutual benefits. But to position Victorian business for success in Southeast Asian markets in the new environment requires high-level engagement by both government and business leaders.

The Victorian government can take the lead in initiating a fresh approach to deepen trade and investment links with the region. It should include a broader conversation among business leaders and policy makers on what can be done to position Victoria to meet ASEAN's needs, to embolden Victorian business to partner with counterparts in ASEAN, and to better manage risk in the current and future environment.

Deepening of relationships and people to people linkages is vital to understanding the needs of ASEAN economies, and for identifying where Victoria can service these to grow mutually beneficial trade and investment. Priority should be given to understanding individual country and broader regional needs post-COVID, and how Victoria and these economies can address challenges and become stronger together.

Victorian business leaders and policy makers should come together for a high-level discussion to action a roadmap to deepen trade and investment linkages with Southeast Asian countries. Doing so will help Victorian businesses manage risk in the post-COVID trade landscape and contribute to a safer, more prosperous Indo-Pacific region.

Recommendations

1

Lead a new approach to trading after COVID:

- Establish a Victoria – Southeast Asia Taskforce to articulate a fresh approach.
- Determine priority issues for building trade with Southeast Asian markets.
- Identify policies to support Victorian interests at various levels of government.
- Prioritise people to people linkages.
- Lead a wider national initiative.

2

Tap into the digital transformation across the Southeast Asian region:

- Collaborate with Victorian business and researchers to identify key digital policy challenges, opportunities, gaps and needs.
- Provide a platform for dialogue between the private sector and ASEAN policy makers and regulators.
- Link Victorian business to federal initiatives that can help drive regulatory reform to address trade and investment barriers.

3

Support supply chain resilience:

- Support the establishment of 'supply chain councils' that bring together the key participants involved in, and concerned with, the operation of GVCs.
- Engage in collaborative dialogue with ASEAN business on approaches to help mitigate the risks of complex supply chains.
- Develop resources to help Victorian SME exporters and importers to understand supply chain choke points.
- Invest in improved infrastructure to support accessible transport pathways.

4

Build investment in the green industries of the future:

- Examine the role State Government can play in initiating private/public sector cooperation to facilitate business with Southeast Asian countries where this sort of private/public decision-making or cooperation occurs.
- Establish a regular dialogue between business and government.
- Support greater collaboration and greater cross-border cooperation on standards for renewable energy in the region.
- Commission research to map out investment barriers and potential areas of opportunity in the green economy.

5

Enhance labour mobility:

- Connect Victorian businesses with initiatives for mutual recognition of professional services and educational qualifications with ASEAN bodies.
- Build on business and cultural exchange programs.
- Help drive federal government initiatives to improve labour mobility for business, students and professionals.

Contents

Acknowledgements	2	Summary	38
Foreword	3	Annexes	40
Executive Summary	4	Annex one: Southeast Asian countries as trade and investment partners	41
Recommendations	6	Trade	41
Contents	7	Trade in goods	41
Introduction	8	Trade in services	46
Part one: The post-COVID trading outlook and the key developments	9	Investment	48
Digital transformation of trade	10	Southeast Asian countries as a link to global value chains	50
Supply chain disruption	13	ASEAN and Southeast Asian countries as a strategic and economic partner	51
Labour mobility challenges	15	Annex two: Victoria as a services exporter	55
Climate and energy policy	18	Victoria's services exports	55
Part two: New opportunities and challenges for Victoria in Southeast Asian markets	22	Education and tourism in detail	57
Partnering for a more prosperous region	23	Endnotes	60
Building bilateral trade	23		
Expanding two-way investment	24		
Strengthening links to global value chains	27		
Forging closer economic and strategic cooperation	27		
Deepening cultural ties	27		
Opportunities and challenges	29		
Tapping into digital transformation in the Southeast Asian region	29		
Building market diversification and supply chain resilience	31		
Growing the green industries of the future	31		
Improving cross-border labour mobility	33		
Part three: A fresh approach to business with Southeast Asian neighbours	35		
Recommendations	36		
To lead a new approach to trading after COVID:	36		
To tap into the digital transformation across the Southeast Asian region:	36		
To support supply chain resilience:	37		
To build investment in the green industries of the future:	37		
To enhance labour mobility:	37		

Introduction

The Southeast Asian region is a neighbouring economic powerhouse, an important trade and investment partner of Victoria, and a strategic priority for the State's enhanced economic engagement with the region.

Over the past two years, in the wake of the pandemic, the trade and investment landscape has been altered fundamentally. Businesses and policy makers now need to navigate a new trading environment, manage new and ongoing challenges and take advantage of potential opportunities.

With this in mind, this report:

- Provides an overview of recent policy developments in the post-COVID landscape impacting the trade and investment relationship with countries in the Southeast Asian region;
- Draws out key opportunities and challenges for business and government as they seek to build on the relationship with Southeast Asian countries and strengthen Victoria's participation in the region;
- Proposes high level recommendations for government on how it might position Victoria to take advantage of opportunities, mitigate challenges and build trade with Southeast Asian countries going forward. It serves as a starting point for further discussion.

Part I

Assesses the post-COVID trade landscape and looks at what is new. It provides an overview of recent developments across four key policy areas that are driving change in trade and investment in the region: digital transformation; supply chain disruption; labour mobility challenges and climate and energy policy.

Part II

Considers the trade and investment relationship between Victoria and the Southeast Asian region. What strengths can be built on? What opportunities and challenges arise in the new environment? It assesses the key strengths and trends in the trade and investment relationship and illustrates the growing importance of Southeast Asian nations as partners for Victoria in the emerging trade landscape.

Part III

Considers how to build the relationship in the new trade landscape. It sets out key recommendations to help position Victoria to strengthen trade and investment ties with individual countries and the region. It is intended as a starting point for a high-level discussion on how Victoria and Southeast Asian countries can deepen linkages in the post-COVID trade landscape and contribute to a safer, more prosperous Indo-Pacific region.

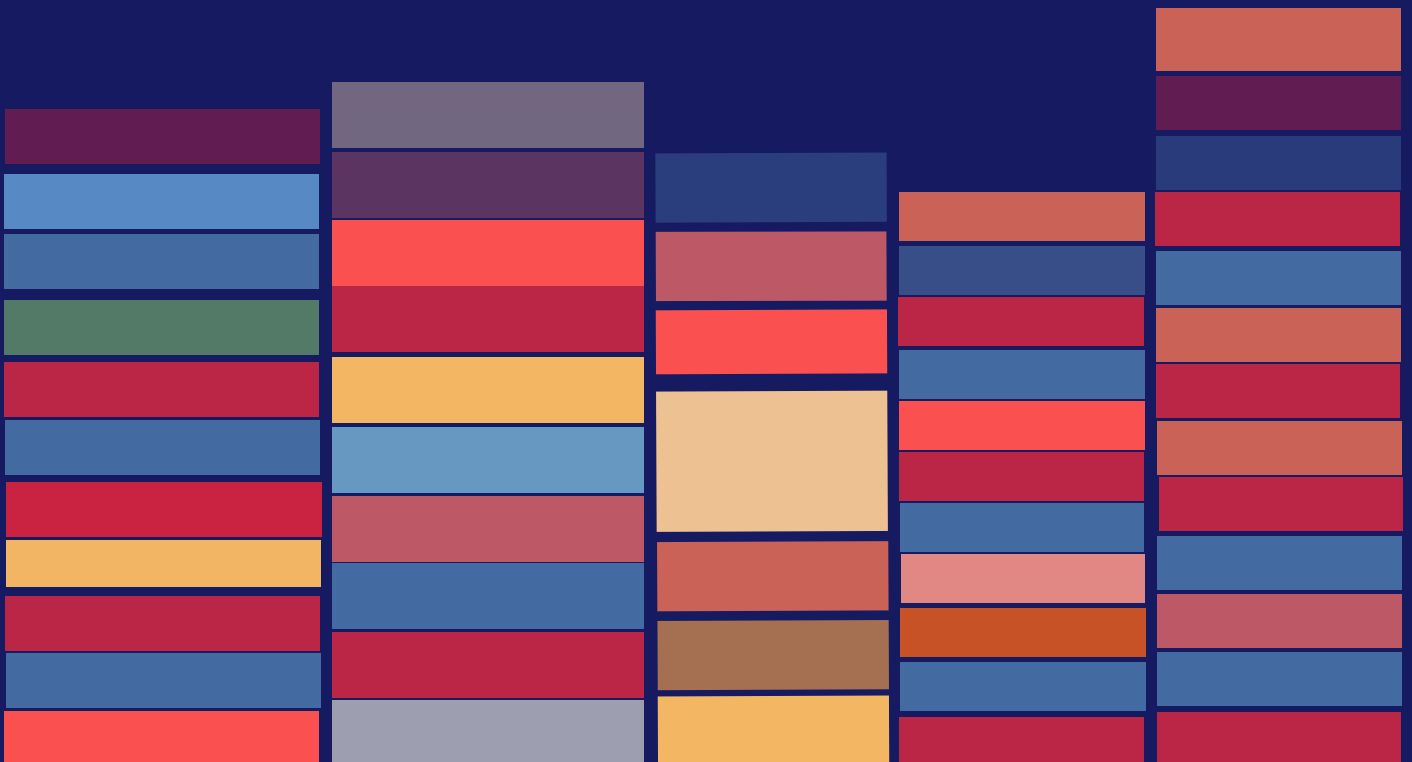
Part one:



The post-COVID trading outlook and the key developments

The Indo-Pacific trade and investment landscape has changed significantly in the past two years. New developments and emerging policy trends are shaping the post-COVID trade environment, driven by pandemic responses and influenced by geopolitical tensions.

Digital transformation of trade, supply chain disruption, labour mobility challenges and emerging climate and energy policy approaches are key developments that are of particular importance for Victoria's trade relationship with Southeast Asian markets in the evolving economic landscape.



Digital transformation of trade

The pandemic has accelerated the adoption of technology and the growth of the digital economy throughout the Southeast Asian region. This has led to increasing levels of investment in e-commerce, and expanded services trade, not only in pure digital services but also in digitally enabled goods and services across other areas of the economy. Regulation of cross-border digital transactions – and addressing barriers to them – has taken on a new importance in regional and bilateral agreements.

At the same time, digital transformation is creating new pressures for supply chains and digital infrastructure. Changes in technologies, business models and patterns of economic activity are demanding a more enabling policy environment, stronger regulatory cooperation and more effective partnerships with industry.

The growth of e-commerce has accelerated across countries in Southeast Asia

The pandemic has accelerated the transition to e-commerce. Digital payments have spread rapidly. Cross border consumption of online services has boomed. New digital platforms have developed in the wake of increased demand for digital entertainment, financial services and 'life services'. Entrepreneurs and small businesses have become micro-multinational enterprises (mMNEs) as they are engaged in cross-border e-commerce across different markets.⁰¹

The digital consumer base across the countries of Southeast Asia is growing. Since the pandemic started, there have been 60 million new digital consumers in the Southeast Asian region, contributing to a total digital consumer population of 350 million across Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.⁰² Consumers are buying online more often and are doing so for a wider range of categories compared to 2020.⁰³ However, the growth in the digital economy across ASEAN is not uniform. An estimated 150 million adults (or 31 per cent of the adult population) across Southeast Asia still did not have access to the internet in 2020.⁰⁴

E-commerce markets are expanding rapidly

Southeast Asia's e-commerce gross merchandise value – the monetary value of goods or services sold through online marketplaces over a specific period of time – grew at a compound annual rate of 49 per cent, from US\$117 billion in 2020 to US\$174 billion in 2022.⁰⁵

FOCUS: E-commerce markets in ASEAN

These markets are not homogenous; some markets are more developed than others.

Early-stage markets. Cambodia, Laos, Myanmar and Brunei have a relatively low overall level of digitalisation, and generally have limited infrastructure and platforms in place for the development of the digital industry. Per capita e-payment transactions are small, and online payment systems less developed. Despite the small size of these e-commerce markets, the industry in some countries, for example Laos, is expected to enjoy double-digit growth in the future.

Developing markets. Although Malaysia, the Philippines, Thailand, Indonesia and Vietnam have a developed internet infrastructure and user base, there is still a large gap between these markets and mature markets, such as Singapore, for example, in the application of e-payments. The e-commerce markets of Malaysia and the Philippines are exhibiting the most rapid rates of growth.

Advanced markets. Singapore serves as the hub of headquarters for cross-border e-commerce platforms in the Southeast Asian region. The Singaporean government actively promotes global digital trade.

Notably, internal differences within markets, primarily between urban and rural populations, can be more significant than differences between countries – for example, cities have much more in common with other cities and the rural areas have much more in common with other rural areas.

Source: Deloitte⁰⁶

Trade in digital services is growing

Digital technology and growth in e-commerce has facilitated trade in new forms of digital products and services. Digital financial services in particular have been growing strongly in Southeast Asian countries both during and post the pandemic. And other areas of economic activity – including healthcare (see focus box) – are rapidly evolving as digital capabilities provide new ways of delivering services.

FOCUS: Digital ecosystems for healthcare

Digital transformation is driving expansion in services that are not purely digital but are growing through digitally enabled ecosystems. McKinsey points out that consumer-centric digital ecosystems are emerging to seamlessly deliver the right healthcare in the right setting at the right time by integrating three critical components: (a) a network of health-service providers across care settings; (b) a system of intelligence that leverages behavioural, social, and health data to analyse patients' needs and select the appropriate provider; and (c) a technology backbone that enables data and insights to flow between care providers.

Health ecosystems are enabled by digital but are not purely digital, as they integrate both digital and physical health services. They tend not to be encapsulated by a single entity. They can manage multiple partners, including brick-and-mortar providers, health tech start-ups, and IT vendors. They involve a wide spectrum of players — not only healthcare incumbents such as insurers, providers, and governments but also non-traditional entrants such as consumer-technology giants, banks, telco-companies, industrial and retail conglomerates, and others.

Source: McKinsey⁶⁷

Digital transformation of trade in the Southeast Asian region is also expected to drive greater digital integration across the region. Bain estimates greater digital integration of Southeast Asia could add US\$1 trillion to regional gross domestic product by 2025.⁶⁸

Digital transformation has promoted policy flexibility

During the pandemic, many governments chose to relax or apply more flexibly some regulatory requirements applicable to digital trade, in order to reduce compliance burdens on business and facilitate trade.

FOCUS: Regulatory support for digital finance

Regulatory support for digital finance is increasing in some ASEAN economies.

- The Monetary Authority of Singapore is encouraging the entry of new players to provide innovative solutions that can improve access to financial services for under-penetrated market segments. It is aiding this by awarding digital banking licenses to challengers and granting non-bank financial institutions direct access to leverage the banking system's real-time retail payments infrastructure from February 2021.
- The central bank of Malaysia has invited applications for digital banking licenses and may issue up to five licenses to qualified applicants.
- In Thailand, the new investment framework now allows insurers to hold equity securities in healthcare firms and technology-related business up to 10 per cent and three per cent respectively.

Source: Ernst and Young⁶⁹

Cooperation and partnerships have accelerated

The pandemic has prompted governments to accelerate action to address digital regulatory challenges and to distribute the benefits of e-commerce growth in a more equitable way.¹⁰

Regional leaders have vowed to work to “propel the region towards a digitally-enabled economy that is secure, sustainable and transformative.”¹¹

Australia is also supporting cooperative activity with these countries on digital standards and skills. It has deepened co-operation in digital trade and fintech with Singapore. Wider regulatory cooperation is envisaged under the auspices of Australia's newly upgraded Comprehensive Strategic Partnership with ASEAN.

Frameworks for digital trade are emerging

Regional and bilateral trade agreements have been negotiated by governments to create rules and frameworks to facilitate digital trade and e-commerce in the region.

For example, the Regional Comprehensive Economic Partnership agreement (RCEP) includes commitments to support the flow of data, promote privacy and consumer protection and enable electronic authentication and electronic signature.¹² The Digital Economy Agreement between Singapore and Australia delivers a range of new trade rules, and a comprehensive framework for bilateral cooperation, to reduce barriers to trade and support growth in the digital economy.¹³ The current upgrade of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) is likely to build on RCEP e-commerce rules, and possibly modules of digital economy agreements such as the DEA, and the DEPA.

Barriers and controls on digital trade persist

While regulatory interest in digital trade has been strong, governments have been challenged by the borderless nature of the digital environment and how to manage a growing set of complex policy goals. Regulation of digital trade across Southeast Asian countries is characterised by proliferation of policies and a growing patchwork of regulations, laws and requirements in different markets.¹⁴ Regulation, though evolving, lacks transparency, predictability, and appropriate scope in many economies.¹⁵ The ability of governments to effectively manage the online environment still lags behind the pace of business innovation.

FOCUS: ASEAN regulatory restrictions on digital trade

Country	Regulatory area	Regulatory requirement
Brunei	Digital services	Local content and local hiring targets apply to companies in some sectors, including information and communication technology firms that work on government projects.
Cambodia	Internet services	Cambodia's National Assembly passed a sub-decree in February 2021 that establishes a National Internet Gateway that would require internet providers to route all online traffic through a single node.
Indonesia	Data localization	Data localisation requirements apply to public sector electronic system operators to process and store data in Indonesia. Public and private sector electronic system operators must register their electronic systems with authorities or face blocking.
Malaysia	E-payments	The Interoperable Credit Transfer Framework (ICTF), which requires that financial institutions process certain types of credit transfers in Malaysia via an approved operator of a shared payment infrastructure.
Philippines	Internet services	Government agencies must procure cloud computing services from the Government Cloud an infrastructure set up by the Department of Information and Communications Technology. Cloud service providers must partner with a 60 per cent Philippine-owned company for a government contract.
Thailand	Technology	The Office of the National Cybersecurity Committee has broad powers to monitor, test and seize computer systems and demand confidential information.
Vietnam	Internet-Based Content Services	Access to the Internet is permitted through a limited number of Internet service providers that are state-controlled companies or have substantial state control. Vietnam restricts or blocks access to certain websites deemed politically or culturally inappropriate. Offshore service providers with a large number of users in Vietnam must comply with online content restrictions.

Source: USTR¹⁶

Supply chain disruption

COVID-related border closures and lockdowns, combined with geopolitical tensions, have created unprecedented and ongoing disruption to supply chains. Impacts have been felt across manufacturing, labour and logistics, resulting in increasing costs, shipping delays and shortages of critical inputs and commodities. At the same time, new regulation is affecting supply chains in the form of regulation to protect national security, mitigate climate change, improve sustainability, and address forced labour.

At the time of writing, conflict in Ukraine is also sending shockwaves through global trading networks that are yet to be fully understood. Global supply chains for agricultural, manufactured and resources products are being disrupted by export bans and trade sanctions.

Supply chain challenges continue to evolve

Global supply chains for a wide range of goods have been severely disrupted since the beginning of the pandemic. Some challenges have been predictable, such as spiking demand for, and resulting shortages of, personal protective equipment and vaccines. Others have been less predictable, including global shipping container shortages and high prices for fertiliser. It is uncertain how long the disruptions will last.

ASEAN and the rest of Asia have been particularly affected by disrupted supply chains, largely due to the complexity of interlinked value chains they rely on for manufacturing and trade. For example, Vietnam is the world's second largest coffee exporter by volume,¹⁷ and the top producer of robusta coffee, which is used to make instant coffee and some espresso blends. Vietnamese coffee industry stakeholders have reported difficulty getting their beans to ports, and then problems accessing sea freight. The International Coffee Association's benchmark price was US\$2.07 per pound in December 2021, up 85 per cent from a year earlier.¹⁸

BACKGROUND: COVID-related supply chain challenges in ASEAN

Japan's external trade agency summarises ASEAN's COVID-related supply chain challenges as follows:

- Reduced orders due to economic contraction causing a decrease in production by final goods manufacturers, with the stoppage of production having an impact on suppliers;
- Production stoppages due to movement & travel restrictions and factory closures imposed by governments and local authorities;
- Production efficiency declines due to infection control measures at factories;
- Employees being unable to commute due to the suspension of public transport;
- Suspension of operations by suppliers handling raw materials and parts;
- Transport cost increases due to flight reductions, difficulties in delivery arrangements, and difficulties in importing & exporting due to flight suspension; and
- Increases in the length of time spent on customs clearance and the movement of goods due to the minimisation of numbers of customs officers.²⁸

Source: JETRO¹⁹

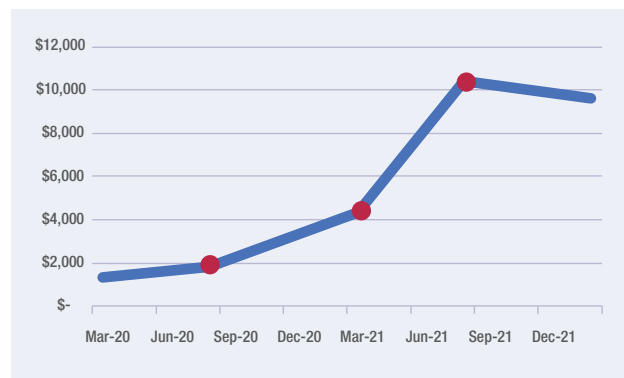
Exporters are facing high costs and capacity constraints

High costs and delays have created a challenging environment for manufacturers across the region, complicating their ability to source necessary inputs from international suppliers, and to send intermediate and final products to customers abroad. Capacity has also been constrained. Container capacity for intra-Asian trade (relied upon for the smooth operation of ASEAN's cross-border value chains) decreased by 10.8 per cent in the 12 months to January 2022.²⁰

FOCUS: Freight costs and delays

Container shipping costs have exploded since the beginning of the pandemic, rising by more than 600 per cent. Costs within Asia – from one ASEAN partner to another, and to and from China, Japan and Korea – have in some cases increased by a factor of ten.²¹

Average global container shipping costs (USD/TEU)



Source: Freightos Data (2022)²²

Victoria's exporters have also struggled with transport disruptions. The pandemic has exacerbated existing challenges to the international freight supply chain. Performance at container ports and a steady decline in the number of ships calling at Australian ports was observed before 2020. But in 2021, Australian exporters and importers struggled to find containers and ships for their products and inputs. Smaller companies were squeezed out completely.²³ Air freight almost halted completely, if not for the Australian government's International Freight Assistance Mechanism (IFAM) which provided for temporary and targeted emergency support to keep global air links open during the pandemic.

Challenges are testing supply chain resilience

The pandemic laid bare the vulnerabilities inherent in lean global supply chains, as disruptions to critical inputs put the production and supply of many products at risk.²⁴ Simultaneously, and not always as a result of the pandemic, exporters have been forced to manage challenges in their usual markets. For example, Australia's beef, wine, barley, coal, copper and timber exporters have experienced difficulties accessing the Chinese market since 2020.²⁵ Economies in Southeast Asia have faced similar challenges along supply chains for manufacturing components, garments and food products.

Governments and business in Australia and across ASEAN have responded by seeking to de-risk supply chains, in part by focusing on diversifying export markets, import sources and product inputs. The Australian government for example, has allocated significant funding to help Australian exporters find additional markets.²⁶ ASEAN members have benefited as Australia, and major traders such as the European Union (EU), the United States (US) and Japan have increasingly sought to reduce the market concentration of their exports.²⁷

Russia and Ukraine are major global suppliers of agricultural commodities and resources that are crucial food sources as well as inputs to other manufactured food products. Ukraine is a major wheat and sunflower seed exporter, for example. Disruptions to Russian gas and fertiliser exports – as well as general transport disruptions – are also affecting trade more widely in ways that have been difficult to predict.²⁸ This has been exacerbated by the various trade sanctions applied by many other jurisdictions.²⁹

Patterns of FDI are shifting in response to disruptions

Global firms have been incentivised in recent years to shift manufacturing facilities out of China, in part motivated by tariffs imposed on trade between China and the US under the Trump Administration. Economies in ASEAN have benefitted as manufacturers have relocated to the ASEAN region to supply the US market while maintaining the advantages of Asian value chains.³⁰

This trend can be observed in global FDI flows, as major western economies have increasingly sought to diversify their supply chains. For example, in 2019 ASEAN received a record amount of FDI, totalling US\$182 billion, which represented 11.9 per cent of total global FDI for that year.³¹ In 2020 global FDI fell by 25 per

cent, but ASEAN's share of that smaller total increased to 13.7 per cent.³²

Growing FDI in some ASEAN economies has also been facilitated by improvements in the investment regulatory and business environment. For example, Vietnam has implemented numerous incentives to encourage foreign investment.³³

Governments have moved to support diversification of trade and self-sufficiency

Governments have responded to supply chain shocks and geopolitical developments by seeking to support diversification of supply chains and export markets.³⁴ Domestic self-sufficiency in key industries has also become a stated policy goal of governments in China,³⁵ the United States,³⁶ Australia,³⁷ Europe³⁸ and many ASEAN nations.³⁹ Australia is not unique in its response, as industries and governments across the Indo-Pacific region seek to balance their economic and strategic interests.

New policy controls are emerging

Policy responses to manage supply chain and COVID disruptions have been accompanied by new controls and measures on trade and investment.

Controls have been accompanied by measures to support and strengthen supply chains between ASEAN and Australia. For example, Australia's IFAM has helped ensure access to air freight services for perishable, high-value exports that otherwise would have collapsed during the height of the pandemic.⁴⁰ The United States has developed an early warning system to identify and support East and Southeast Asian manufacturers at risk of shutting down due to COVID as part of a suite of policy responses aimed at reducing the impact of critical input shortages (e.g. semiconductors) for manufacturers.⁴¹

BACKGROUND: Policy changes impacting supply chains

Regulatory control	Policy measure	Impact on supply chains
Tariffs on manufactured and agricultural goods	The United States and China imposed 'Trump' 301 tariffs and retaliatory tariffs .	Increases costs of final goods and critical imports, diverts trade to lower cost markets.
Controls on forced labour used in source markets	Australia has introduced Modern Slavery legislation, as have other economies in the region.	Requires compliance with labour standards and due diligence along the entire supply chain as a condition for market access.
Carbon border adjustment taxes	Both the EU and Canada have proposed carbon border adjustment mechanisms	Levies a carbon tax on imports of certain commodities that compete with EU-goods. Currently apply to steel, fertiliser, cement, aluminium and electricity; however, the scope could expand in future.
Controls on FDI for security reasons	Australia applies national security screening on inward foreign investments that involve "national security land" or a "national security business."	Allows for blocking of any inward foreign investment deemed to have national security implications.
Export restrictions on critical minerals and inputs	Indonesia's export ban on coal has been lifted; however, remains as a policy instrument.	Limits supply of inputs required for effective functioning of trade in and across markets, raises costs, creates uncertainty in GVCs.
Export bans on essential goods	Throughout the pandemic, multiple economies restricted exports of medical goods and vaccines.	Limits capacity for manufacture, trade, functioning of essential industries.
Domestic support for manufacturing	The US has developed the CHIPS for America Act	Limits foreign participation in US technology and manufacturing for semiconductors with potential impacts for global supply.

Sources: See endnote⁴²

Labour mobility challenges

COVID-induced restrictions on labour movement and access instituted during 2020 and 2021 have not only led to severe labour market shocks but have exposed how economies, including Australia, are highly dependent on the mobility of workers within particular industries. Victoria, and economies across Southeast Asia, have felt the impact in key export areas, including education, manufacturing, tourism and agriculture.

Closed borders have exacerbated skills imbalances across Australia and the Southeast Asian region. Restrictions have also underlined the complexity and cross-border interconnectedness of labour markets, economies, supply chains and the dependence of trade and investment on labour mobility, highlighting the need for collaborative policy responses.

Labour shocks have disrupted key export industries

Pandemic induced lockdowns, border closures and travel restrictions have caused unprecedented shocks to labour markets in the region, severely disrupting the mobility of workers, travellers and students. Restrictions on movement have resulted in both sharp increases in labour demand (e.g. in the health sector) and reductions in labour supply (e.g. in agriculture and tourism).⁴³

BACKGROUND: Pandemic induced travel restrictions

All countries in the region imposed temporary restrictions for international travel beginning in 2020, including the closure of border crossing points and enhanced border surveillance, the suspension of visas, the interruption of international flights, as well as extensive testing and quarantines. This was complemented by internal measures, such as Myanmar's domestic flight ban, as well as the Philippines' suspension of public transport and temporary deployment ban for health-care workers.

As a result, in 2020, the official number of foreign workers in many destination economies, including those in Southeast Asia, dropped. The tally of foreign workers in Singapore was 1.2 million, lower by almost 200,000 compared with 2019. According to the Malaysian Employers Federation, the number of foreign workers in Malaysia fell by around 321,000 in 2020 from almost two million in 2019.

Sources: ADB, Migration Data Portal ⁴⁴

Areas of economic activity highly dependent on labour and labour mobility have been severely impacted - not only essential services (such as agriculture and food production, health services and social care, transport and logistics) but also key Victorian export areas such as tourism and education.

Pandemic induced border controls have also highlighted the dependence of these sectors on mobility from and between

particular markets. For Victoria, reliance on China as a source of both tourists and students is now stark. Labour mobility now forms part of a broader market diversification strategy for both business and government in supporting trade with the region.

Skills imbalances across Southeast Asian countries have been exacerbated

Pandemic disruptions have led to short term shortages of particular occupations, including hospital workers, employees of food retailers, and warehouse personnel. At the same time, technological change, supply chain development, digital transformation and climate change are increasing demand from business for adaptability and mix of skills. Skills pressures are likely to accelerate as the region recovers.⁴⁵ Skills imbalances across Southeast Asian economies have highlighted the need for education and training services that are more closely linked with labour market needs.

BACKGROUND: Skills mismatches in ASEAN

Skills imbalances, the gap between the demand for and supply of qualified workers, exist in many Southeast Asian countries across multiple skill levels. In Malaysia and Thailand for example, there exists a surplus of medium-skilled occupations alongside a shortage of low and high-skilled occupations. These indicate a gap between the demand for and supply of skills – the link between the education systems and the labour market's employee needs is weak.

Most recently, the COVID crisis has affected skills imbalances across countries. As many workers have become unemployed or have been furloughed, aggregate skills pressures are diminishing. Still, in many countries, shortages can be found of hospital workers, employees of food retailers, and warehouse personnel. As countries start to recover, skills pressures are likely to accelerate and, if their underlying causes are not addressed, could stall that recovery.

Labour markets in Southeast Asian countries also have a significant share of workers who are mismatched in terms of qualification level. For example, in Thailand, eight per cent of workers are under-qualified, while 34 per cent of workers are over-qualified. Shortages of high-level cognitive skills are likely to become more pronounced across Southeast Asia in future,⁴⁶ particularly in service-based industries.

Vocational Education and Training (VET) could potentially be a tool through which Southeast Asian countries can better establish and reinforce alignment between education and the labour market, while minimising skills imbalances. Focused technical training could also help address shortages in certain occupations requiring high-level technical and associate professional skills.

Source: OECD⁴⁷

Barriers to cross border mobility remain

Policy responses to pandemic-induced labour disruptions have been largely ad-hoc and reactive. Some countries have demonstrated flexibility by temporarily relaxing border controls, while others have increased restrictions on foreign workers to support local industries and employment. For example, emergency measures were taken by several countries to waive requirements for qualifications and skills in professions essential for maintaining health care.⁴⁸ Labour mobility remains a politically contentious issue.

However, regulatory frameworks for mobility of labour in ASEAN and across the Indo-Pacific region remain relatively restrictive compared to regulatory controls on goods, services and capital, more so when pandemic border closures – like those imposed by Australia – are taken into account. Barriers to entry, operation and recognition of qualifications persist. New requirements, such as compliance with modern slavery legislation, are also impacting on the use of labour in traded goods and services across supply chains.

FOCUS: Barriers to Australian workers in ASEAN markets

Country	Type of restriction
Malaysia	Limits on number of suppliers – Foreign nationals must not amount to more than 20 per cent of lecturers employed in an educational institution in Malaysia.
Vietnam	Nationality requirements – At least 20 per cent of the number of managers, executives and specialists of an entity established in Vietnam must be Vietnamese nationals.
Thailand	Qualification requirements – People must possess the qualifications and experience set by institutions in Thailand and meet other criteria set by the Ministry of Education.
Cambodia	Economic needs tests – Testing requirements apply to people responsible for setting up a commercial presence and to various categories of specialists/intra corporate transferees.
Laos	Quotas for foreign participation – The total number of unskilled foreign employees of any establishment must not exceed 10 per cent of the total staff; and the number of skilled foreigners must not exceed 20 per cent of the total staff.
Philippines	Nationality requirements – The practice of certain professions is limited to Filipino citizens. Local employment requirement – Each foreign person employed to deliver transport services must have two Filipino understudies.
Indonesia	Quotas for foreign participation – The share of foreign lawyers (advocates) in an Indonesian law firm must not exceed 20 per cent, and is limited to five foreign lawyers per firm.

Sources: AANZFTA, CPTPP, RCEP, IACEPA

Cooperation on labour mobility has been ad-hoc

There have been some cooperative efforts by both Australia and ASEAN to address labour mobility, though outcomes have generally been limited to particular sectors and economies.

Although it has a long-term vision to establish a single market and production base with the free flow of skilled labour,⁴⁹ ASEAN itself has no single policy on labour mobility. Tangible results remain limited to arrangements designed to promote movement of some skilled workers, and the ASEAN Mutual Recognition Arrangement (MRA) to support recognition of qualifications in select professional services.

More recently, ASEAN members have agreed to take steps toward establishment of regional travel corridors⁵⁰ for essential business travel to help revive tourism and speed up economic recovery, however this is not yet operational. Australia and some ASEAN countries have also established or discussed travel corridors, for example between Australia and Singapore.

More broadly, Thailand aims to advance the conversation within the Asia Pacific Economic Cooperation (APEC) group on cross-border travel as one of its priorities as the 2022 chair country, with a view to establishing an “APEC Travel Protocol” to complement the APEC Business Travel Card as a tool to facilitate cross-border travel for businesses and professionals.⁵¹

More tangible, yet limited, outcomes to enhance labour mobility between Australia and ASEAN may eventuate through the operation of the Australian Agriculture Visa Program.⁵² This is designed to alleviate labour shortages in the Australian farm sector, open to workers from ASEAN countries in agriculture, meat processing, fisheries and forestry industries. The program will be established through bilateral agreements with the individual countries involved, to be developed and implemented over the next three years.

BACKGROUND: Australia’s ASEAN farm visa

The Australian Agriculture Visa program is being introduced to address workforce shortages in the agriculture sector. The visa will allow Australian farmers to source workers from South-East Asian countries across a range of agriculture sectors, including horticulture, dairy, wool, grains, fisheries (including aquaculture) and forestry, including support services and primary processing. Skilled, semi-skilled and low-skilled employees will be able to work in these industries, however the program will focus on lower skilled occupations in the early phases.

The new visa program is currently under development and is being brought more into alignment with the existing Pacific worker schemes under the new Federal Government. Australia has commenced discussions with a number of countries in Southeast Asia. Discussions with Indonesia are advanced. A phased approach to establishing the Agriculture Visa program has been agreed with industry.

For ASEAN source countries, the program will also increase the potential for brain *gain*, for example, by building a critical mass of farmers from Southeast Asian countries with overseas experience and technological know-how in areas such as precision agriculture.

Sources: DFAT, ASPI⁵³

Recent trade deals are introducing frameworks for the future

Recent trade agreements, like the RCEP and the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) include provisions aimed at facilitating wider markets for more open cross-border movement of labour, in addition to some provisions in the older AANZFTA. Binding commitments in these agreements enhance certainty on entry and length of stay, and reduce barriers to labour mobility of skilled workers. They also provide a platform for advancing mutual recognition arrangements and facilitating preferential temporary entry arrangements. For example, the RCEP includes an Annex on professional services that provides a framework for professional bodies to engage in dialogue on recognition of qualifications, licences and registration.⁵⁴ The IA-CEPA economic cooperation program supports development of skills and training.

Climate and energy policy

A key focus of governments in the region over the past two years has been on policy to grow new industries for "green" goods and to incentivise new technologies for clean energy.

Technology in this area has advanced, trade in these goods has expanded and the participation of the region in value chains in emerging green industries has increased. Simultaneously, new barriers to trade are emerging. Multilateral and bilateral arrangements to support an open regional architecture for trade in environmental goods, services and technologies are being considered. Australia's Green Economy Agreement with Singapore is a good example.

Victoria and Southeast Asian nations share a mutual interest in developing the technologies, products and services for green industries of the future, and investing in frameworks that facilitate more open trade.

Green industries of the future are emerging

Recent years have seen growth in clean energy goods and technologies and the development of new industries to support decarbonisation and address climate change impacts. Key focus areas include renewable energy, electric vehicles and environmental technology. Growth has been driven by technological advances, increasing integration of value chains, and government policy and commitments to support green growth.

The Southeast Asian region is a rapidly growing market for renewable energy. It is set to play a major role in global energy transitions as a key supplier of critical minerals and manufacturer of clean energy products.⁵⁵ For example, Indonesia and the Philippines are the two largest nickel producers in the world; Indonesia and Myanmar are the second and third largest tin producers; Myanmar accounts for 13 per cent of global rare earth production; and Southeast Asia provides six per cent of the world's bauxite. Meanwhile, Malaysia and Vietnam are the world's second and third largest manufacturers of solar PV modules.⁵⁶ This coincides with the ASEAN group's collective target of increasing the region's proportion of energy from renewable sources from under 10 per cent in 2014 to at least 23 per cent by 2025.⁵⁷

Green technologies are advancing

Clean and renewable energy technology has advanced substantially in recent years.⁵⁸ Costs have fallen, with wind power down by 70 per cent over the decade to 2020, and solar by 89 per cent.⁵⁹ New products, industries, and technologies are emerging. For example, the growth in the automotive sector's demand for alternative energy can be expected to increase demand for a lithium-ion battery recycling industry, requiring products from raw materials to component and equipment production,⁶⁰ as well as emerging industries, such as green hydrogen.⁶¹ Victoria and many economies in Southeast Asia are already present in value chains for these industries.

Investment in renewable energy is expanding

Foreign direct investment (FDI) in renewable energy projects in ASEAN has risen from an average of US\$10.8 billion per year from 2015-2017 to US\$16.9 billion between 2018 and 2020.⁶² Growing FDI is driving two-way trade and investment collaboration, including between Australia and Southeast Asian economies. Achieving ASEAN's regional target to increase the amount of renewable energy in its total energy use by 2025⁶³ will require up to US\$367 billion in investment over the next five years.⁶⁴

FOCUS: Investment partnerships for renewable energy

Sun Cable: Australia and ASEAN have committed to a 70-year solar project that will transmit Australian solar power to the region – the Australia-ASEAN Power Link project. The construction of large-scale solar facilities in the Northern Territory will provide power to Darwin and transmit electricity by undersea cable to Singapore and the rest of the ASEAN region. The 'Sun Cable' project is estimated to cost \$30 billion and will provide as much as 15 per cent of Singapore's energy needs. Indonesia has reportedly approved the route the undersea cable will take, and the project has been granted Major Project status by the Australian government.

Geelong hub: Geelong Port, southwest of Melbourne, will invest \$100 million to establish a hydrogen hub in partnership with biomass gasification outfit CAC-H2. The hub will serve a production and distribution facility for green hydrogen and will provide for the production of green ammonia for export to Asia to meet growing demand in the region. It is intended to be operating by the end of 2023.

Indonesian fuel: Lion Energy, based in Indonesia, is also actively seeking opportunities in green hydrogen production, storage and distribution in Australia. It is currently undertaking preliminary discussions on the supply of green hydrogen to fleet operators and public agencies in Australia.

Hydrogen partnership: Australia and Japan have developed a partnership that could be a useful model for bilateral and regional cooperation in new industries. Under the initial pilot agreement, hydrogen produced in the Latrobe Valley is exported to Japan via specialised port infrastructure and ships. The first cargoes were shipped in January 2022. The next stage of the partnership includes a scoping study for additional renewable hydrogen processing.

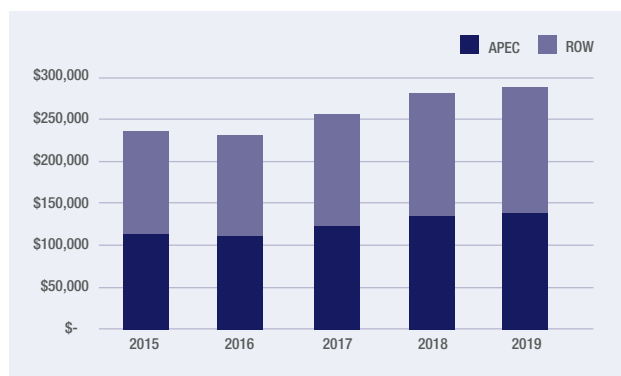
Sources: DISER; Bloomberg; Office of Prime Minister of Australia; FuelcellsWorks ⁶⁵

Trade in environmental goods is growing

Trade in environmental goods and technologies has expanded in recent years,⁶⁶ and for some goods, significantly outperformed trade in other products.⁶⁷ High oil prices and increased commitments to decarbonisation have helped to drive ASEAN trade in these goods.

New and emerging environmental goods are also growing. A recent APEC study of 21 selected new and environmental goods and technologies notes trade in these products could be potentially significant, and a growing source of trade across the Asia Pacific region and the rest of the world.⁶⁸

New and emerging environmental goods exports



Source: APEC Scoping Study on New and Emerging Environmental Goods⁶⁹

Many of these environmental goods are produced via cross-border value chains, creating opportunities for Victoria and countries in Southeast Asia to specialise in certain inputs and benefit from the growth of these global industries.

Policies to grow the green economy have proliferated

Policies for climate change adaptation and mitigation have been adopted by governments across the region. The regulatory mechanisms used have varied widely, including environmental laws, investment incentives, voluntary schemes, co-operative mechanisms/agreements and improved financing and enforcement methods.⁷⁰ These have all been generally targeted at supporting decarbonisation, encouraging the growth of sustainable green industries (such as hydrogen, electric vehicle manufacturing) and incentivising the production and export of environmental goods and technologies.⁷¹

Within ASEAN, there is growing recognition of the need for coordinated policies to encourage investment in green energy, technologies and industries to support transition to a low carbon economy.⁷² Among other initiatives,⁷³ ASEAN member states have set a regional target to increase the proportion of renewable energy in their primary energy mix from 23 per cent to 35 per cent by 2025.⁷⁴

BACKGROUND: Government initiatives on renewable energy

Australia: The country adopted a National Hydrogen Strategy in 2019 and in 2020 released its first annual Low Emissions Technology Statement as part of its Technology Investment Roadmap. The first annual statement identified five priority technologies and accompanying stretch goals: clean hydrogen, energy storage, carbon capture and storage, low emissions steel and aluminium, and soil carbon measurement.

Victoria: The State Government has increased the Victorian Renewable Energy Target (VRET) to 50 per cent by 2030, building on Victoria's previously legislated renewable energy generation targets of 25 per cent by 2020 and 40 per cent by 2025. Meeting the VRET targets will bring forward significant investment in new renewable energy projects in Victoria. VRET is part of a package of policy reforms designed to deliver investment and employment in Victoria, ensuring a sustainable economy for current and future generations.

Singapore: The nation's Green Plan 2030 advances the country's national agenda on sustainable development. It is based on five key pillars – green finance, sustainability, solar, electric vehicles and innovation. Each pillar is supported by new initiatives and targets.

Indonesia: Support for renewable energy investment has improved in recent years with targeted incentives such as the import duty exemptions for renewable energy machinery and the use of tax holidays or tax allowances for certain projects. Renewable power projects may obtain incentives from the central and/or regional government.

Sources: APEC Secretariat; Reed Smith; Singapore Government; OECD; Ashurst; Energy Victoria ⁷⁵

New frameworks for sustainable trade and investment are being agreed

Policies to encourage the development of green energy have been accompanied by cooperation agreements and commitments to support sustainable trade and investment. These arrangements provide frameworks to support growth in green sectors and along value chains in areas of export interest for Victoria and Southeast Asian countries.

BACKGROUND: Agreements for sustainable trade

The Australia/Singapore Green Economy Agreement: This Agreement seeks to promote green growth, deepen economic collaboration on climate change, and build on existing areas of cooperation. It is a framework agreement focused on practical initiatives to promote and facilitate trade and investment, including lowering the regulatory burden on businesses, reducing non-tariff barriers to trade in environmental goods and services, fostering convergence on regulations and standards, and accelerating the uptake of low emissions green technology.

The APEC Environmental Goods List: Other regional initiatives include commitments by APEC economies to reduce tariff barriers on environmental goods traded in the region. In 2012, APEC economies agreed to reduce applied tariff rates to five percent or less on a list of 54 environmental goods. This non-binding commitment has been successfully advanced, including among ASEAN APEC members. There is growing support among APEC economies for further reducing barriers to trade on new and emerging environmental goods, technologies, and innovations.⁷⁶

Sources: DFAT; Australian Trade Minister; APEC⁷⁷

New barriers are emerging

Barriers to trade and investment in “green trade” are still evident. Tariff barriers remain in some ASEAN economies. Trade in environmental goods is also affected by non-tariff measures. Most are export related, including licences and quotas; discriminatory concessional loans and grants to local exporters; and export tax rebates.⁷⁸

FOCUS: Trade barriers to emerging environmental products

Measure	Description
Standards for cells and batteries in electric vehicles	Safety requirements and test methods for cells and batteries for electric vehicles sold that are not fully aligned with international standards, including specifying recycling and utilisation, coding, traceability information management requirements for enterprises.
Local content requirements for inputs	Mandated use of locally manufactured batteries as a condition for local manufacture of electric vehicles.
Export restrictions on raw materials	Export restrictions on critical minerals such as cobalt, used in the manufacture of cells and batteries or other critical minerals used in parts across the supply chain for environmental goods.
Trade remedy actions on solar cells	Safeguard, anti-dumping and/or countervailing duty actions on goods such as solar cells and parts.
Restrictive ROO in FTAs	EVs need to meet multiple origin requirements to qualify for preferential tariff treatment, including requisite regional value content, originating core parts, originating steel and aluminium content and high wage labour value content.

Source: APEC⁷⁹

In some ASEAN economies, regulatory regimes for renewable energy can be difficult for business to navigate. For example, investment in Indonesia's renewable energy sector has been frustrated by complex and changing regulations, unattractive feed-in tariffs, weak and unstable electrical networks, and lack of skills, knowledge and awareness in the renewable energy sector.⁸⁰

BACKGROUND: Indonesian renewable energy regulation

Several aspects of the regulatory environment in Indonesia create barriers to trade and investment in renewable energy and technologies.

- Indonesia has had many revisions in rules and regulations that govern renewable energy and energy efficiency, some of which have caused uncertainty for project developers and investors. New regulations on renewable energy are yet to be issued.
- Co-ordination among government institutions and other key stakeholders on clean energy finance and investment still is a challenge.
- The business environment for renewable electricity can be difficult to navigate.
- There are gaps in energy efficiency policies, including low coverage of energy performance requirements.
- There remains a clean energy finance and investment skill gap. Low capacity in the market to propose bankable projects creates a critical barrier to finance and investment.

Source: OECD⁸¹

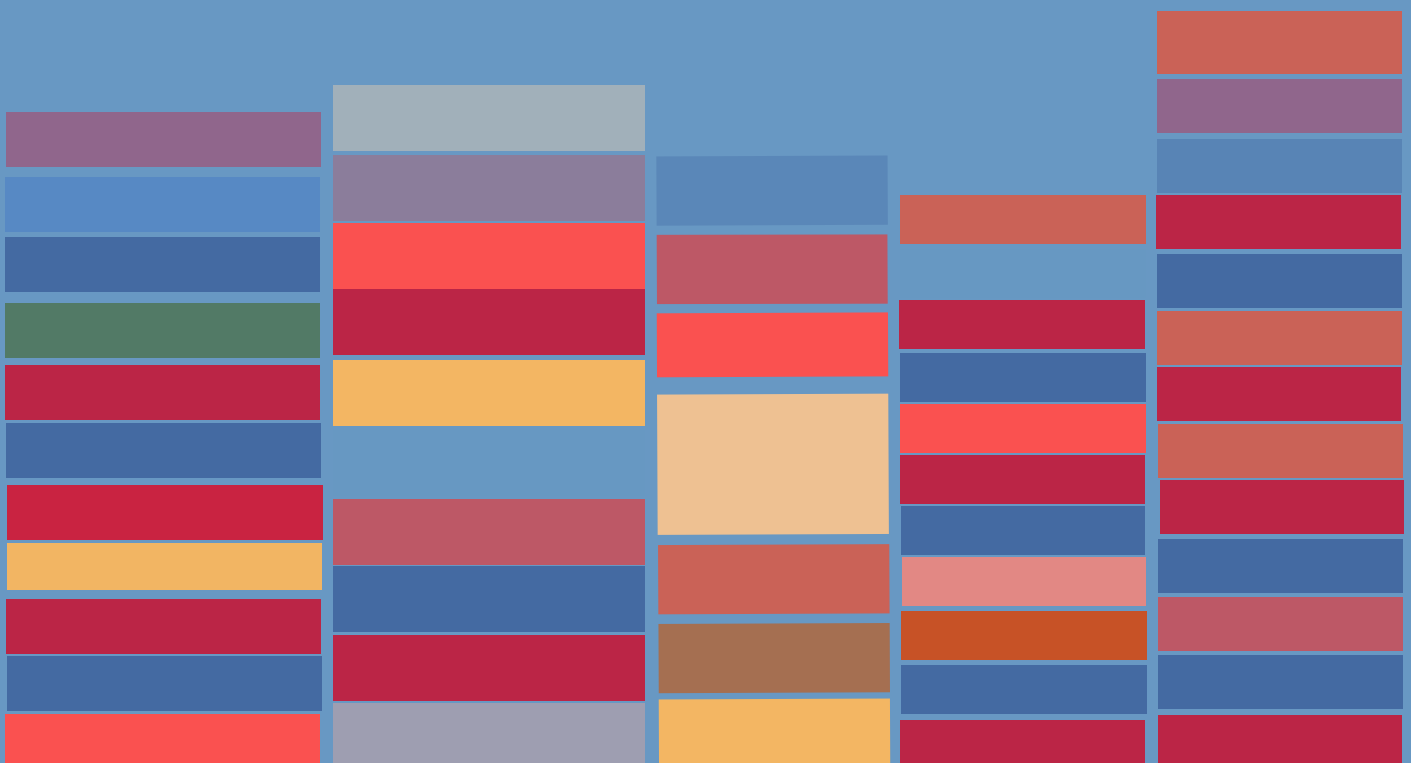
Part two:



New opportunities and challenges for Victoria in Southeast Asian markets

Recent developments in the post-COVID policy environment present potential opportunities, as well as serious challenges to both business and policy makers. They underscore the increasing importance of Southeast Asian markets to Victoria and to Victoria's participation in the region.

While Victoria and Southeast Asian countries already share a long-standing and mutually beneficial trade and investment relationship, there is a need to build the trade partnership to realise opportunities, manage risks, and support a shared path to an open, prosperous and resilient region.



Partnering for a more prosperous region

Southeast Asian countries and Victoria can build on their trade and investment relationship not only by growing trade in goods and services, but by working together as investment partners, by strengthening mutually beneficial links to GVCs, by deepening cultural ties and forging closer strategic cooperation in the Indo-Pacific region.

Building bilateral trade

Strong existing trade

In 2020, total goods exports from Victoria to the ten member states of ASEAN were valued at \$3.4 billion – 13 per cent of Victoria's total global goods exports.⁸² ASEAN is not far behind the top destinations for Victorian goods exports, China and the US, valued at \$5.5 and \$4.2 billion⁸³ respectively.

Countries in Southeast Asia are also important and growing services export markets. ASEAN countries accounted for about 14 per cent of Australia's total services exports in 2019/20 (data on services exports is not disaggregated at the state level by destination). ASEAN was the third largest market by region, on par with exports to the European Union.⁸⁴ (See Annex 1).

Trade is highly complementary

Victoria's exports of goods to Southeast Asian countries reflect its export strengths in agriculture, and in particular meat, dairy and horticulture. In 2020, for example, Victoria accounted for 88 per cent of the dairy products exported from Australia to ASEAN, as well as 45 per cent of vegetables and fruit that made the same journey.⁸⁵ (See Annex 1).

Australia's services exports to this region are concentrated in areas of Victorian services export capability, including in education, travel, business and financial services. Tourism and education are important Victorian services exports; in 2020, about 18 per cent of Victoria's student enrolments were ASEAN nationals.⁸⁶ ASEAN tourists comprised about 20 per cent of tourists visiting Victoria in 2018/19; collectively more than China (13 per cent), although the numbers dropped off from 2019/20 due to pandemic related border closures.⁸⁷ (See Annex 2).

Many of these services are embodied in other services products, or other traded goods, that are exported to Southeast Asian markets, often as digitally enabled services (see Strengthening Links to Global Value Chains, below).

There is potential for this trade to expand

Over the past two decades, growth in Victoria's goods exports to ASEAN has outpaced growth in Victoria's exports to the rest of the world. From 2000 to 2020, the value of exports to ASEAN grew by 62 per cent, while exports to the world grew by 13 per cent.

ASEAN markets for Victorian goods also performed better than the rest of the world during 2020, as the impacts of the pandemic were felt. From 2019 to 2020, Victoria's total exports to the world fell by 10 per cent, but exports to ASEAN only declined by two per cent. In particular, exports to Malaysia, Victoria's top ASEAN market, grew by 19 per cent.⁸⁸ Some of Victoria's top performing exports to ASEAN members were resources and manufactured goods.⁸⁹ (See Annex 1).

While education and tourism exports were hard hit by the pandemic, Australia's other services exports to ASEAN are also growing, particularly financial, personal, and cultural services. For example, financial services exports have increased by more than 60 per cent since 2015/16 and exports of personal and cultural services by 47 per cent. Both have expanded by more than 170 per cent over the last ten years.⁹⁰

This picture is broadly consistent with Victoria's overall services exports. Up until the past two years, Victoria has been growing its services exports. While education, travel and transport related exports fell off during the pandemic, they had been expanding steadily since 2015/16. There has been significant growth in financial services as well as in business services. Exports of recreational and cultural services are also increasing.⁹¹ (See Annex 2).

Simultaneously, ASEAN economies are steadily increasing the total value of the services they import, creating demand for more of this business. For example, since 2019 the relative share of imports of financial/insurance services has expanded in almost all ASEAN economies. The value of these imports has also increased substantially for some countries over the last five years, such as Cambodia and Indonesia.⁹² ICT is also taking a larger share of the services imports for some economies.⁹³

Expanding two-way investment

The bilateral investment relationship is underdeveloped

Two-way FDI between Australia and ASEAN is relatively small, particularly Australian outbound investment in ASEAN. Singapore is the dominant source of ASEAN investment in Australia and the main investment destination for Australian investors.

As of 2020, the total stock of ASEAN investment (including direct investment, portfolio investment and other investment) in Australia was \$149.7 billion, or just 3.8 per cent of total foreign investment.⁹⁴ FDI, the typically more long term investment,⁹⁵ from ASEAN amounted to 5.7 per cent of FDI in Australia in 2020.⁹⁶ Similarly, to date, ASEAN has not been a major destination for Victorian and Australian investors. The stock of total Australian investment in ASEAN in 2020 was \$92.5 billion, only three per cent of Australia's total offshore investment. FDI stocks were \$27.7 billion or 3.4 per cent of the total.

Australia's investment in ASEAN has increased over the last ten years, but at a lower rate of increase compared to Asia, the broader APEC region, and the OECD.⁹⁷ Australian investment fell sharply across all ASEAN destinations over 2019 and 2020.⁹⁸

FOCUS: Australian investment in ASEAN

The AustCham ASEAN Business Survey 2020 reveals that services firms continue to dominate the Australian business community in ASEAN including professional services, financial services, education and training, travel, hospitality, entertainment, industrial and manufacturing. Many of these services sub-sectors are areas of Victorian capability.

Australian businesses in ASEAN (consisting of privately owned Australian businesses, partially Australian-owned businesses, and businesses with Australian heritage) are diverse in terms of size and structure. The majority of firms are focused on a single market. Just over 20 per cent locate their regional headquarters in ASEAN, while 13 per cent have their global headquarters in the ASEAN region.

Expansion of trade and investment of Australian firms in ASEAN is driven by ASEAN's growing consumer class, infrastructure improvements, and continued regional integration. However, the Australian business community is generally wary of business conditions in many ASEAN destinations, so investment has grown incrementally.

Cambodia: Firms in Cambodia are focused on the local market, although 30 per cent of firms have located regional or global headquarters in Cambodia. Key sectors of operation are transport, logistics, consumer goods, healthcare, agriculture and ICT.

Indonesia: Australian business in Indonesia is made up of both small and large businesses, concentrated in property, financial services and professional services. Almost 70 per cent of firms are focused on the Indonesian market and have been in the market for a relatively short period of time (up to ten years).

Laos: Most Australian businesses in Laos are engaged in financial services, and most firms are small, employing 50 people or less with turnover of \$20 million or less. Laos continues to attract new investment with 45 per cent of firms entering the market in the last two years.

Malaysia: The Australian business community is dominated by professional and financial services sectors, though other industries are present. Almost 38 per cent of firms have been operating in Malaysia for more than 10 years, though 43 per cent of businesses have entered the market within the last five years.

Philippines: Australian business is mainly focused on serving the local market. Financial and professional services firms are most represented. There is new investment from Australian business, with 32 per cent of firms having entered the market within the last two years.

Singapore: Singapore acts as a business hub, with much of the Australian business community in Singapore acting as either their firm's global, regional or Southeast Asian headquarters. Professional services is the primary industry.

Thailand: Australian business in Thailand is quite diverse in terms of market of focus. Australian businesses most commonly operate in the professional services, consumer goods and the energy / resources sectors. Australian business in Thailand exhibits a broad spread of experience.

Vietnam: Education and training, and hospitality dominate Australian business in Vietnam. Most Australian firms (72 per cent) are focused exclusively on the local market. Firms operating in Vietnam continue to grow and diversify in size. New entries are dynamic, with 32 per cent of firms entering the market in the last two years.

Source: AustCham ASEAN⁹⁹

There is scope to build two-way investment. Notwithstanding its relative small size, ASEAN total investment in Australia is growing, expanding by 128 per cent since 2010, and by just over 29 per cent since 2015. Investment from ASEAN has increased in recent years, by 11.6 per cent between 2019 and 2020, which is a greater increase than for all other regions.¹⁰⁰ FDI grew by five per cent over this time, when both total investment and FDI from all other regions fell. Economies such as the Philippines, Indonesia and Vietnam are expanding their investment in Australia, as many ASEAN countries are increasingly seeking to invest offshore.¹⁰¹

FOCUS: Vietnam's investment in Australia

Vietnam's outward investment activity in Australia is expanding. Current levels of Vietnam's investment are modest. However, from 2010-2020, Vietnam's registered capital investment in Australia expanded, growing by an average of US\$3.7 million per year between 2010-2015, then accelerating between 2015-2020. Across this latter period the average annual investment flow from Vietnam to Australia between was US\$82 million, with a peak of US\$154 million in 2019.

The number of new Vietnamese investment projects in Australia has also increased significantly over the last five years, rising from three in 2015 to 14 in 2018, 16 in 2019 and 14 in 2020.

By industry, Vietnam's investment in Australia is mainly focused on agriculture, forestry and fisheries, wholesale and retail, manufacturing and processing, followed by real estate, financial, banking and insurance activities.

Source: Vietnam Ministry of Planning and Investment; A Path to Australia: Opportunities and Market Insights for Vietnamese Businesses

More detail on investment is at Annex 1.

FOCUS: Victorian Government Trade and Investment Network and support for Southeast Asia

The Victorian Government has prioritised trade engagement with Southeast Asia with strategy, programs and resources over the past ten years. Victorian Government representative offices deliver services for exporters, support to investors and promote Victoria. Victoria is well positioned to build on its already strong and growing relationship with Southeast Asia to support exports, grow investment and strengthen the State's further integration into the region.

Global Victoria. Global Victoria is the Victorian Government's trade facilitation agency and gateway to global economies and communities. It has the largest international network of any Australian state or territory, with 23 Victorian Government Trade and Investment (VGTI) offices globally and four in Southeast Asia. Five Trade Directors, with a focus on six markets, support exporters to enter new markets, gain market share/insights, promote their products, and address market access issues. In addition, four Education Specialists, based in Malaysia, Singapore and Indonesia, help education providers to access opportunities and create new partnerships in priority Southeast Asian markets, and promote Melbourne, Victoria's capital, as Australia's best study destination. Global Victoria works closely with Austrade and other partners in market. In 2021/22 more than 250 exporters engaged with the Victorian Government's Southeast Asia team.

Invest Victoria. Invest Victoria is the investment promotion agency for Victoria. New investment resources have recently been deployed to Southeast Asia with a focus on Singapore, Indonesia and Vietnam. Victoria's investment program is focused on attracting new talent, capital, and ideas, with a focus on health and medtech, agriculture, advanced manufacturing, digital and new energy. Victoria offers a compelling case to new investors working closely with all Victorian universities to support the establishment of Asia Pacific research and development or technology hubs.

Regional presence. The Victorian Government has recently prioritised strengthening its relationship with economies in Southeast Asia by expanding its physical presence in the region. It now has offices in Malaysia, Singapore, Indonesia and Vietnam. Support for Thailand, Philippines and other markets is managed through partnerships or specific projects. In 2021 an in-market specialist was deployed to support the growth of the agriculture sector into the region under Agriculture Victoria's Pathways to Export Program. Victoria's presence in the region forms a powerful regional asset for Victorian businesses looking to access new opportunities.

Victoria's vision for the region. The Victorian Government's Southeast Asia Trade and Investment Strategy, developed prior to the pandemic, seeks to strengthen Victoria's presence in the Southeast Asia region and foster long-term economic partnerships. It prioritises four key actions: connecting Victorian businesses to regional opportunities; building capability through Asia-focused trade programs; raising competitiveness and promoting Victoria's unique strengths; and supporting market entry regardless of size or location. The strategy supports initiatives that strengthen 'Brand Australia' as a marketing tool for Victorian exporters of goods and services.

Study Melbourne Hubs. Around 17 per cent of Victoria's international students come from countries in Southeast Asia. Education is a cornerstone to Victoria's bilateral relations in the region, complemented by the presence of transnational education campuses and programs. As part of the Victorian Government's International Education Short-Term Recovery Plan released in December 2020, two Study Melbourne Hubs have been established in Ho Chi Minh City and Kuala Lumpur. The hubs have played an important role in assisting Victorian education providers to connect with enrolled students studying online and offshore prior to Australia's borders reopening. They are also increasingly providing predeparture support to returning students, promoting Victoria as a study destination to prospective students, and engaging with Victorian alumni and education agents.

Provincial partnerships, sports and culture. The Victorian Government has prioritised engagement in the region through sport and culture. Since 2016 Victoria and Yogyakarta, Indonesia, have partnered under an MOU to advance education, cultural exchange and ideas, including a formal agreement between Melbourne Symphony Orchestra and the Ministry of Culture. In May 2022 the Victorian Government and Ho Chi Minh City Government in Vietnam entered into an MOU to partner on trade and investment. Southeast Asia represents strong opportunities for engagement in sport such as football, basketball and Australian Rules Football, and is a major market for creative industries. Victoria's reputation as a global sporting and creative capital is well regarded in the region and there are opportunities for commercial and cultural engagement.

Continued next page...

Victoria's exporters. Global Victoria aims to build the skills and knowledge of Victorian businesses to grow in the region through inbound and outbound trade mission programs, export capability initiatives and support through its extensive international network of VGTI offices. A suite of programs and initiatives has been designed to strengthen Victorian export skills and capabilities and increase Victorian potential in exporting products and services to Southeast Asia markets.

- The \$4.7 million Global Victoria Trade Alliance (GVTA) program assists Victorian exporters to adapt their export strategies to respond to rapidly changing global market conditions. The Australia Indonesia Business Council, the Malaysia Australia Business Council and AsiaLink Business were partners in the GVTA program and engaged with more than 130 exporters interested in the region.
- The Export Skills program provides new exporters with essential education and training to be export ready. The Victorian Government offers this program through partnerships with various industry associations.
- The Export Recovery Package helps Victorian exporters to adapt their export strategies to changing global markets. More than 50 recipients used their Global Gateway grants to support market expansion and insight in Southeast Asia.
- The Victorian eCommerce Network assists Victorian exporters to connect, collaborate and share knowledge with other like-minded businesses interested in taking advantage of global eCommerce opportunities. During COVID and in response to the growing demand for high quality goods via e-retail, a Southeast Asia E-commerce accelerator was piloted with more than 11 companies participating.

- Previous programs such as The Hamer Scholarships and the Asia Gateway Voucher Programs supported Victorian industry to understand and leverage opportunities across Southeast Asia. The Hamer Scholarships provided for 5-6 months of intensive language study at an approved institution overseas. The Asia Gateway Voucher Program offered funding of up to \$50,000, on a one-to-one, co-contribution basis for small and medium Victorian organisations seeking to access and expand into Asian markets.
- The Pathways to Export program provides dedicated export resources and in-market specialists to support agriculture and food producers who are new to exporting, or who currently export produce and want to expand or diversify their markets.

Source: See endnotes¹¹¹

Strengthening links to global value chains

ASEAN countries are highly integrated into goods and services value chains across the Indo-Pacific¹⁰²

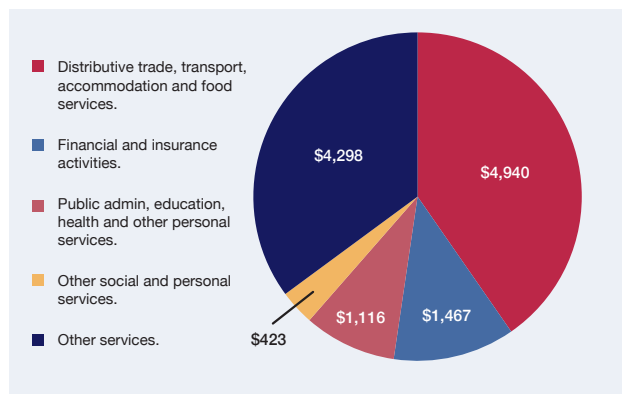
ASEAN participation in GVCs is significant and rivals that of the US and China. Countries in Southeast Asia are increasingly important global source of manufactured exports, including textiles, technology goods and vehicles. Australian (including Victorian) firms are increasingly contributing value to goods that are both sold in ASEAN markets and are embodied in ASEAN products that are then exported to the rest of the world. Of the US\$2.8 billion total value of ASEAN's food product exports in 2018, Australian firms contributed US\$146 million, making Australia the sixth most important non-ASEAN source of value added.¹⁰³

Victoria is a highly complementary value chain partner for ASEAN countries

Australian value is added by both goods and services firms, including in areas of Victorian export capability, such as agriculture (food and fibre) and services (education, transport, IT and business services). For example, Victoria's agricultural exports (e.g. milk powder) are transformed into processed products (e.g. chocolate, sauces and condiments) and consumed within ASEAN and/or exported to the rest of the world.

Services are also an important part of these value chains, contributing the largest share of Australian value-added to ASEAN final products. Industries of Victorian services export capability, including transport and accommodation, as well as financial and insurance services, are major sources of value added.¹⁰⁴ (See Annex 1).

Contribution of Australian Services to ASEAN Final Demand 2018 (US\$m)



Source: OECD TIVA

There is scope for partners on both sides to increase gains from these connections, especially in new and emerging areas of trade and investment. Victorian and ASEAN cross-investment also facilitates cooperative value chains. The Victorian government is seeking further investment from the ASEAN region in the fields of digital services, food and beverages, infrastructure, energy and logistics.¹⁰⁵

Forging closer economic and strategic cooperation

ASEAN is vital to the region's success and supports Australian and Victorian security and prosperity¹⁰⁶

ASEAN's centrality to trade and investment in the Indo Pacific region is underpinned by its strong economic relationships with external economic partners, its leadership in regional institutions; its role in global and regional value chains, and expanding participation in trade and investment frameworks.

Facilitating deeper links with the region is a broader government focus

Australia has sought to strengthen its longstanding partnership with ASEAN to address current and future challenges in the Indo-Pacific region. The Comprehensive Strategic Partnership between ASEAN and Australia, established in 2021, signifies a sense of mutual value, strategic alignment and positive intent¹⁰⁷ and serves as a base on which to further strengthen ties. It also supports various initiatives to expand trade and investment with ASEAN, many of which relate to key areas of Victoria's trade.

The recently elected Australian government has committed to deepening Australia's ties with countries in Southeast Asia, including by appointing a special envoy to ASEAN and providing \$470 million in aid. It will also seek to strengthen the bilateral investment relationship with Indonesia through a \$200 million climate and infrastructure partnership and build on trade and investment ties through the IA-CEPA. (See Annex 3).

Australia and ASEAN share a network of trade agreements¹⁰⁸

These agreements underpin open regional trading frameworks on which to build cooperation on trade and investment. RCEP for example, is intended to serve as a platform for ongoing dialogue and cooperation on trade and investment between ASEAN and key regional partners.¹⁰⁹ The IA-CEPA has a built-in cooperation program to strengthen trade and investment in priority areas, as do other agreements. The AANZFTA is currently being updated to better address new and emerging areas of trade and investment. With Singapore, Australia also has a digital economy agreement and is negotiating a green economy agreement. (See Annex 3).

Deepening cultural ties

Victoria and countries in Southeast Asia already share strong cultural ties that are supported by education, tourism and business linkages

These people to people links can be deepened through greater trade and investment engagement, investment partnerships and economic cooperation. For example, educational links between Victoria and Southeast Asian countries are a major driver of trade, investment, tourism and migration flows. Study in Victoria plays a very significant role in education across ASEAN countries. Student alumni play a pivotal role in initiating and facilitating connections between businesses, government and communities. (See case study below).

CASE STUDY: How education links drive new business

Victorian education builds connections

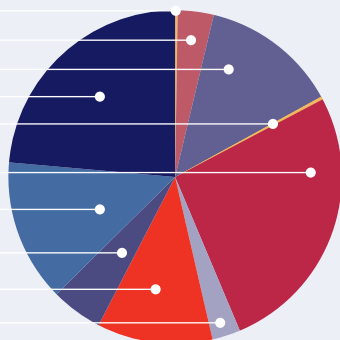
Tens of thousands of students from ASEAN countries studied in Victoria in the early period of international education up to the 1980s, accounting for the majority of incoming students. Many of the graduates from this era went on to play influential roles in their home countries during this formative period for international engagement, benefiting from their tertiary education, international exposure and English language proficiency. This large alumni group played a pivotal role in initiating and facilitating connections between businesses, government and communities that continue to benefit Victoria today.

Study in Australia continues to play a very significant role in education across ASEAN countries

Australia is the most popular destination for outbound higher education students from Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, the second most popular for students from Brunei, third from Vietnam and Laos, and fourth Myanmar. The number of students from ASEAN countries studying in Victoria peaked at 55,445 in 2019 prior to the impacts of COVID, with by far the largest proportion studying business programs. These graduates, whether they go on to settle in Victoria or return to their home country in Southeast Asia, join a large and intergenerational diaspora community that links Victoria to the region in profound ways. See the table below, and Annex 3.

Number of International Students in Victoria from ASEAN Countries, 2019, All Education Levels

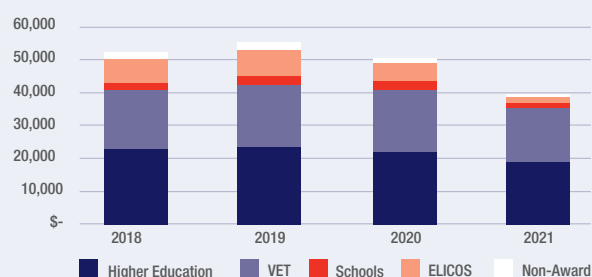
Brunei	139
Cambodia	1,931
Indonesia	7,361
Vietnam	13,084
Laos	154
Malaysia	14,618
Thailand	7,657
Singapore	2,775
Philippines	6,209
Myanmar	1,517



ASEAN students are returning to Victoria post-COVID

Travel restrictions and the closure of physical campuses significantly disrupted educational mobility, reducing the number of ASEAN students in Victoria. As the table below shows, the largest impacts were in pathway programs, including schools, English language courses and foundation programs. Enrolments in higher education and vocational education and training proved surprisingly resilient, dropping by only 17 per cent between 2019 and 2021. The early signs of recovery are evident already, with the number of ASEAN students commencing in Victoria in the first three months of 2022 being 21 per cent higher than the same period in 2021.

ASEAN Enrolments in Victoria, 2018-21, by Education Level

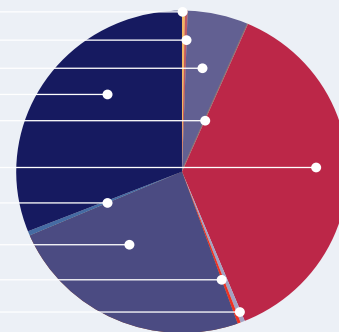


Victorian institutions are investing in ASEAN's education

Victorian universities have been pioneers of transnational education in Southeast Asian countries, and now deliver programs to tens of thousands of students in ASEAN countries, either in partnership with local universities and colleges, online, or through branch campuses. There are currently more than 30,000 students enrolled by Victorian higher education providers who are studying in offshore programs in ASEAN member countries. Victorian universities developed the first international university campus in Malaysia, and the first and only international university campuses in Vietnam and Indonesia. Victorian universities remain active in providing education in-country, together accounting for nearly 40 per cent of Australia's offshore enrolments. Victorian campuses and student numbers are noted below. Universities report that during the pandemic, demand for places in Victoria's offshore campuses increased significantly, as students unable to travel sought high quality international study options locally.

Victorian Higher Education Offshore Enrolments, 2021

Brunei	90
Cambodia	74
Indonesia	1,794
Vietnam	9,315
Laos	0
Malaysia	11,199
Thailand	135
Singapore	7,197
Philippines	94
Myanmar	128



Victorian University Campuses in Southeast Asian Countries

University	Campus Location	Established	Approximate student numbers
Monash	Petaling Jaya, Malaysia	1998	6,760
RMIT	Ho Chi Minh City, Vietnam	2000	8,750
Swinburne	Kuching, Malaysia	2000	2,500
RMIT	Hanoi, Vietnam	2004	1,950
Monash	Jakarta, Indonesia	2020	900

Sources:¹¹⁰ DEET; RMIT; Senate Standing Committee on Foreign Affairs and Defence, Australia and ASEAN, Australian Government Publishing Service; UNESCO

Opportunities and challenges

To build trade with the Southeast Asian region, Victoria will need to position itself to take advantage of emerging opportunities and mitigate new and ongoing risks.

Emerging developments present opportunities to: tap into the digital transformation across ASEAN; build market diversification and supply chain resilience; grow the green industries of the future; and improve cross border labour mobility.

Significant challenges remain, however. Both businesses and government require new strategies to build more resilient and diversified markets, input sources, and investment relationships. Most notably, Victoria needs to demonstrate why and how, in the post-COVID world, it is well placed to meet ASEAN's needs as a trade and investment partner.

Tapping into digital transformation in the Southeast Asian region

Digital transformation of trade is driving growth in new services industries and accelerating digitisation of supply chains across economies in Southeast Asia. Digitally enabled services are becoming more important to support trade. However, significant regulatory barriers continue to impede trade and investment.

- Victoria can build **trade with economies in Southeast Asia in key areas of services export capability** and growth to meet ASEAN's growing needs for digital services. This includes growing exports of digitally enabled products and services (such as edtech, fintech and healthtech) to ASEAN markets, as final products and as inputs into wider ASEAN networks and value chains. Understanding of the services needs of various ASEAN economies, including gaps in digital development and infrastructure, and where Victorian suppliers can best support these, is key.
- **Navigating regulatory restrictions and diverging rules among ASEAN growth markets** remains a challenge. There is a need to address existing and emerging barriers on cross border data flows, as well as rules on data security, privacy and protection. While FTAs have gone some way towards curbing these barriers, Victorian trade and investment continues to be hampered by a range of controls. Regulatory cooperation and coordination on data policies – both across ASEAN and the region – has similarly not kept pace with the growth in digital trade, creating commercial unpredictability.¹¹²
- The new operating environment presents an opportunity for **greater focus on building regulatory cooperation with ASEAN to support more open frameworks for digital trade in the region**. Greater interoperability of digital systems across the region would increase the potential for expanding trade across both goods and services that rely on cross border digital flows. Linking of Victorian business to initiatives that can help drive regulatory reform – such as economic cooperation programs under existing FTAs- can help facilitate national outcomes that benefit Victoria.

CASE STUDY: The edtech route to regional growth

Demand for edtech solutions across economies in Southeast Asia has grown over the last few years. Policy changes are creating a more flexible regulatory environment. Victoria's world class edtech* sector can build on its existing links with the region to realise trade and investment opportunities.

Victoria is a thriving regional edtech hub

Edtech involves the application of technological resources and processes to education services and practices. Victoria's edtech ecosystem already has close linkages with the Indo-Pacific region through its world class education institutions, international education services, the global recognition of the Australia Qualifications Framework, and Australia's mutual recognition agreements for professional qualifications. From 2021, Melbourne has hosted the *EduTECH International Congress and Expo*, the largest education technology exhibition in the Southern Hemisphere. The Global Victoria Edtech Innovation Alliance (EIA) assesses and promotes the potential of Victorian edtech for export through the pilot projects of the Innovation Sprints. Victoria has 225 edtech companies, comprising a third of Australia's edtech sector, and more than 80 per cent of online program management (OPM) enrolments. Eighty-one Australian edtech companies already export to countries in Southeast Asia, a market in which edtech investment reached US\$480 million between 2015 and 2019.

The pandemic has increased demand for edtech solutions

The education sectors in ASEAN countries are increasingly demanding edtech solutions to shift campus-based learning to digital learning and improve students' digital competencies. In addition, the edtech sector across Southeast Asia will continue to be driven by its population and middle-class growth, education and workforce training needs; the affordability and convenience of digital and personalised learning; the implementation of artificial Intelligence in education, and an ongoing cultural focus on learning and employability. Indonesia's edtech market was estimated to be worth US\$112 million in 2019 and is expected to grow at 24.9 per cent annually.

Quality assured online and blended learning may become a significant area of growth, though barriers remain

As the COVID pandemic has encouraged the potential and significance of quality online learning, policy and regulations have accommodated flexible modes of delivery. The changing policy environment offers opportunities for growth, however, barriers remain to recognition of overseas degrees, with considerable variations across the ten countries (see Table below). Increasingly, recognition of overseas degrees studied online will depend on the critical role of program quality, institutional reputation, and local partners.

Recognition of Overseas Degrees Studied Online

Country	Recognition issues of overseas degrees studied online
Indonesia	Not recognised. Blended delivery is permitted in joint and dual/double degrees with local partner institutions.
Malaysia	Recognised if the online degree is recognised in the home country.
Philippines	Recognised if the online degree is recognised in the home country.
Singapore	Recognised if the online degree is recognised in the home country and by professional bodies. For example, the Board of Professional Engineers requires at least 50 per cent of approved engineering degrees to be studied on-campus.
Thailand	Not recognised.
Vietnam	Recognised only if the program has obtained Ministry approval to be offered in Vietnam. Joint programs with local partner institutions delivered in blended mode are permitted (with max 30 per cent online).

Victoria has strengthened its edtech links with Southeast Asian countries despite the uncertainty of the past two years

During the height of the pandemic, when thousands of international students were not able to travel to Australia, the Victorian Government established a network of offshore Study Melbourne Hubs, including two in the Southeast Asian region, located in Kuala Lumpur and Ho Chi Minh City. The hubs provide learning support and engagement opportunities for international students enrolled with Victorian education providers. In June 2021 Global Victoria organised a virtual edtech mission to showcase Victorian edtech companies to major Southeast Asian hubs for transnational higher education and international schools, including Indonesia, Malaysia, Vietnam, and Thailand.

Partnerships are providing opportunities for growth. This new model of partnership between government and education institutions in key cities and the region provides an opportunity for building local ecosystems that also draw in Victorian businesses and edtech providers, along with a wide range of local partners in country.

Sources: See endnote¹¹³

Building market diversification and supply chain resilience

Extreme disruptions to supply chains and geopolitical tensions of the past few years have resulted in fundamental changes to how and where trade is conducted. They have highlighted the importance of resilient, open and diversified trade and investment links and effective strategies to manage geopolitical risks. At the same time, ASEAN has emerged as a major global trader, in aggregate representing a less costly source of labour than China.¹¹⁴

- ASEAN's regional value chains are increasingly driving benefits for participants throughout the region, with different markets specialising in different stages and inputs. For example, Victorian firms can **source key inputs from ASEAN economies to support Australian manufacture and export** (such as ingredients for processed foods); and **diversify services trade in key export areas of education, tourism and financial services** as ASEAN economies steadily grow their services imports.
- **Business can manage geopolitical risk** through broad engagement with a wide range of trading partners across the Southeast Asian region.
- The pandemic has highlighted the need for governments to support infrastructure to allow goods and services to move freely across borders. Government **can help to maintain open transport pathways to alleviate disruptions and attract investment** (eg: in air freight).
- **Both businesses and governments however will face ongoing challenges to support supply chain resilience.** The impacts of the pandemic are still being felt. Many exporters are faced with freight rates well above long-term averages, and necessary labour is in short supply. Conflict in Ukraine is ongoing. Impacts on value chains are still emerging.

Growing the green industries of the future

Victoria and its partners in the ASEAN region are investing significantly in the industries of the future, including renewable energy and other environmental goods. ASEAN is a rapidly growing market for renewable energy, potentially driving greater two-way trade and investment collaboration.

- Emerging environmental goods and industries, including hydrogen and ammonia, are offering new trade opportunities in the region. Victoria's energy industries are well positioned to **deepen engagement with partners in Southeast Asia to participate in growing trade**. Victoria can also leverage its capability in technical and specialised services to develop new areas of trade in growth areas, such as environmental goods, services and technologies.
- Green industries require complex manufacturing networks and substantial investment. Investors and governments from Victoria and Southeast Asian countries can maximise returns from these industries by **seeking opportunities for two-way investment, joint ventures and cooperative value chain integration**.
- Deeper engagement in renewable energy trade and investment partnerships between counterparts in the Southeast Asian region and Victoria will enable stakeholders on both sides to **better mitigate risks to supply and enhance their participation in these new industries**.

FOCUS: Australia-Indonesia electric vehicle value chains

Indonesia's EV sector is growing, has strong government support and provides multiple potential points of entry for Australian firms. Indonesia is already a significant player in auto manufacturing, and the government has announced that 20 per cent of Indonesia's new vehicle production will be electric by 2025, equating to 400,000 vehicles per year, half of which will be exported.

This emerging industry is a market for Australian exporters of lithium and cobalt, for battery design services, and mining, equipment, technology and services (METS), to support the extraction of Indonesia's world-leading reserves of tin and nickel reserves, which are also key EV minerals. Cooperation on education, research and development is also a key opportunity.

Sources: Australia-Indonesia Centre (2020); Climateworks (2021)¹¹⁵; Indonesia Investments (2021)¹¹⁶

- However, supply chains will need to **navigate regulatory frameworks and adapt to deal with new and emerging regulatory and policy changes impacting on trade and investment**. Emerging legislation in the areas of climate change and labour standards in key global markets for example, has increased the need for enhanced supply chain due diligence.
- **Perceptions of risk in Southeast Asian markets** need to be addressed if investments in new growth areas are to be expanded and strengthened. While FTAs with some ASEAN markets have sought to improve this, Australian offshore investment continues to be focused on major existing destinations such as the US, UK and New Zealand.

CASE STUDY: Cooperating in the industries of the future

There are opportunities for Victoria to partner with Southeast Asia institutions to invest in renewable energy projects that unlock economic activity and strengthen trade ties.

Victoria is investing in renewable energy projects and technologies

The State's goals to meet 2050 decarbonisation targets are enshrined in legislation. Victoria has pledged \$1.6 billion in the 2020-21 budget to invest in renewables, grid infrastructure, energy efficiency and decarbonisation projects including investment in six renewable energy zones. Meeting Renewable Energy Targets, and realising new investments, has the potential to generate billions of dollars of economic activity in Victoria and create thousands of jobs.

International partnerships will help build investment in Victoria's renewable energy industries

Victoria is currently engaged in a \$43.3 million investment project for a hydrogen refuelling station to be built by Viva Energy for fuel cell electric vehicles (FCEV). This investment will allow consumers to import FCEVs from Japan and South Korea, for example, and participate in efforts to decarbonise transportation in Victoria. The State has already partnered with Japan on the Hydrogen Energy Supply Chain Project to ship liquid hydrogen on a specially built carrier from the Port of Hastings in Victoria to Kobe in Japan for use in hydrogen fuelled buses. Toyota has reopened its Altona manufacturing site as a state-of-the-art Product Centre of Excellence to design and test hydrogen-powered vehicles.

There are opportunities to expand trade and investment in renewable energy with Southeast Asian countries

Victoria's hydrogen investment partnership with Japan heralds the dawn of a new global energy industry. Southeast Asian markets provide Victorian firms with opportunities for investment, partnership and energy sales. As the hydrogen industry matures, demand for other renewable sources such as solar and wind, will also increase. There are also potential funding opportunities for future projects linked with the Singapore Green Plan and the Australia/Singapore Green Economy Agreement. Victorian businesses and research groups can apply for related funding through Singapore's [National Research Foundation](#). Victorian businesses can also engage with Indonesia on energy-related, and other, projects through the Indonesia – Australia [skills exchange program](#). The Vietnamese Business Association of Australia is located in Melbourne and is actively promoting business development opportunities between both countries, which includes energy-related firms. Other renewable energy opportunities exist in Victoria's renewable energy zones. Victorian expertise in this area can be exported to Southeast Asian countries aspiring to set and achieve their own renewable energy targets.

Business will need to navigate regulatory frameworks

The Victorian Government is beginning the process of requesting proposals from firms to deliver reliable renewable energy to homes and businesses across Victoria. Firms from Southeast Asian economies and joint ventures with Victorian firms may be able to take advantage of this initiative. To facilitate the entry of innovative new firms, the Australian Energy Regulator provides a streamlined process called "Regulatory Sandboxing". This process allows energy innovators and start-ups to navigate complex regulatory frameworks in order to enable the trial of new products and services that will deliver greater choice and cheaper energy options for consumers. In addition, any new energy partners will need to pass a regulatory investment test for projects valued at more than \$6 million.

Sources: See footnote¹⁷

Improving cross-border labour mobility

The pandemic has exacerbated labour shortages, highlighted skills imbalances across the region and shown the dependence of trade on labour flows from and in particular markets. It has also revealed the challenges of maintaining, and creating, open frameworks for movement of workers and professionals between markets, including among ASEAN economies.

- As Southeast Asian nations move toward COVID recovery, Victoria can position itself to **help these countries address skills imbalances in critical industries through education and training that meets labour market needs**. For example, Victoria's capability in technical and vocational education and training may assist in addressing shortages in certain occupations requiring high-level technical and professional skills. Assessing needs across industry sectors and countries is key.
- Improved mobility of labour between Australia and Southeast Asian markets would also help to **alleviate labour shortages in Victorian export industries** (such as agriculture and manufacturing). **Linking Victorian interests with federal government initiatives to support improved mobility**, including under FTA cooperation programs, may assist.
- Improved Victorian linkages with wider national initiatives, such as FTA cooperation programs, is also needed to **address existing and emerging barriers to labour mobility and recognition of skills**. While FTAs have gone some way to address these measures, significant barriers to student, business and worker mobility remain.

FOCUS: How trade deals can build partnerships – THE IA-CEPA skills package

Reciprocal Skills Exchange Program

– This pilot project gives businesses from each country the opportunity to send people with tertiary-level skill qualifications to undertake work-related training for up to six months in the other country. It applies to financial and insurance services; mining, engineering and related technical services; and information, media and telecommunications services.

Workplace Skills Training Program

– An MOU focused on skills development through a pilot program on workplace-based training. This allows up to 200 sponsored Indonesians per year to undertake workplace-based training in Australia for up to six months across a range of sectors.

Work and Holiday Arrangements

– A separate bilateral arrangement allows Australian and Indonesian travellers aged between 18 and 30 to work and holiday in the other country for up to 12 months. Under IA-CEPA, the annual limit on work and holiday visas for Indonesians will increase from 1,000 places to 4,100 places, reaching 5,000 by the sixth year.

Sources:

<https://www.austrade.gov.au/australian/export/free-trade-agreements/iacepa>

<https://www.dfat.gov.au/about-us/publications/trade-investment/business-envoy/Pages/march-2020/quick-guide-ia-cepa-skills-package>

CASE STUDY: A cross border pathway for professionals on the move

Greater recognition of professional qualifications between Australia and Southeast Asian economies would enhance opportunities for trade in key areas of Victorian capability.

International recognition of professional qualifications is a significant enabler of a broad range of business linkages through facilitating the international mobility of professionals, the ability of professional services firms to operate internationally, attracting more students into Australian professional education programs in Australia and offshore, and streamlining the cross-border delivery of services that involve regulated professions.

ASEAN economies have been slow to engage in mutual recognition

This continues to limit opportunities for businesses, education providers and professionals in Australia and Southeast Asia. The [APEC Inventory of Mutual Recognition Agreements for Professional Qualifications](#), launched in 2021, reveals a large discrepancy between a small number of APEC economies that have been very active in pursuing mutual recognition – including Australia – and others that have not. Of the 82 multilateral and bilateral MRAs that Australia currently has in place, only eight involve Malaysia, eight involve Singapore, three involve the Philippines, and there are single agreements with Indonesia, Myanmar, Vietnam and Laos. There are no agreements between Australia and Brunei, Cambodia or Thailand. By contrast, Australia has 31 agreements with New Zealand, 18 with the UK, 16 with Canada, 14 with the USA, and 12 with Hong Kong.

Wider coverage of occupations would also benefit Victorian providers

Of the agreements between Australia and ASEAN, five occupations – engineers, accountants, surveyors, actuaries and architects – are prominent. These five account for over 80 per cent of all MRAs entered into by APEC economies. Conversely, health professions are significantly underrepresented. See table below.

Victoria can plug into ASEAN-wide initiatives

Despite slow progress on MRAs to date, there is considerable work underway across ASEAN to further the development of these agreements. Victoria, with its extensive business, educational, and diasporic links, stands to benefit from greater harmonisation. There are opportunities for the Victorian government, businesses, professional associations and licensing bodies to support the development of new and enhanced recognition agreements involving ASEAN economies, across a wide range of fields.

Mutual Recognition of Professional Qualifications between Australia and ASEAN

	Engineers	Accountants	Surveyors	Architects
Brunei				
Cambodia				
Indonesia				
Laos				
Malaysia				
Myanmar				
Philippines				
Singapore				
Thailand				
Vietnam				

For details see <https://aasc.knack.com/mra-inventory>

Sources: APEC¹¹⁸

Part three:



A fresh approach to business with Southeast Asian neighbours

Fundamental changes to the landscape reinforce how important Victoria's participation in the region is for its future prosperity. Southeast Asian countries matter as partners for trade, for investment, as a link to regional value chains, for strategic and economic cooperation, and for forging a shared path to an inclusive and open Indo-Pacific region.



A fresh approach

Recent developments warrant a new approach by the State's businesses to the ASEAN countries. Now is the time to reinvigorate and strengthen the existing relationship to take advantage of opportunities, mitigate challenges and build engagement to deliver mutual benefits.

As Southeast Asian countries pursue a path to COVID recovery and advances their trade and investment relationships in the region, Victoria needs to demonstrate why it should be an integral part of that process and how it is well placed as a trade and investment partner for these neighbouring countries.

The Victorian Government can take the lead in initiating a new approach to deepen trade and investment links. The approach should include a broader conversation among business leaders and policy makers on what can be done to position the State to meet ASEAN's needs, to embolden Victorian business to partner with counterparts in ASEAN, and to better manage risk.

Deepening of relationships and people to people linkages is vital to understanding the needs of ASEAN economies, and for identifying where Victoria can meet these needs to grow mutually beneficial trade and investment. Priority should be given to listening and enquiring as to what ASEAN needs after the pandemic, and how Victoria and ASEAN economies can address challenges and become stronger together.

Recommendations

To lead a new approach to trading after COVID:

- **Establish a Victoria – Southeast Asia Taskforce to articulate a fresh approach.** The Taskforce should bring together Victorian business (eg: companies, industry associations, business chambers); research institutes (eg: universities, Asia Society Australia, Asialink); and policy makers involved in, or interested in, building trade and investment with Southeast Asian countries. Over time it could serve as a forum for dialogue on trade and investment partnerships and undertake collaborative activity in the region to disseminate and share knowledge.
- **Determine priority issues for building trade with Southeast Asian markets.** The Taskforce should produce a roadmap that determines priority issues for business to build trade and investment partnerships with ASEAN peers and propose a substantive work program with actions and targets to address them. The roadmap should have whole of government involvement across key agencies. A pilot program could be initiated in key areas of focus where there is common Victorian and ASEAN interest; for example, in renewable energy, digital services and advanced manufacturing (see opportunities section).

- **Identify policies to support Victorian interests at various levels of government.** The roadmap should also address how Victoria can contribute to shaping Australia's responses to trade with Southeast Asian partners, including identifying policies Victoria could adopt to support its interests at various levels of government in Australia in the context of other states and territories. Mechanisms for increased collaboration between Victoria and the Commonwealth on how specific business/social interests could be pursued in regional and multilateral trade agreements, should also be explored, including RCEP, IA-CEPA and AANZFTA.
- **Prioritise people to people linkages.** The roadmap should prioritise actions to deepen cultural, academic and business links with Southeast Asian countries across different countries and sectors. Existing programs for cultural and academic exchanges can be expanded. Consideration could be given to funding mechanisms for Victorian business to explore relationships through greater exposure to ASEAN economies, cultures and ways of doing business.
- **Lead a wider national initiative.** Victoria's Taskforce could propose a wider national initiative to bring stakeholders across Australian states and territories together to support coordinated action- for example through the formation of Commonwealth and states groupings of ministers responsible for the economy, trade, finance, health, science, agriculture, education - with the objective of devising a responsive approach that is tailored to relations with individual regional country members.

To tap into the digital transformation across the Southeast Asian region:

- **Collaborate with Victorian business and researchers to identify key digital policy challenges, opportunities, gaps and needs** in priority ASEAN markets.
- **Provide a platform for dialogue** between the private sector and ASEAN policy makers and regulators on digital policy challenges to map out operational pain points, identify areas for improved efficiencies, and allow for experiential sharing.¹¹⁹
- **Link Victorian business to federal initiatives that can help drive regulatory reform** to address trade and investment barriers (such as greater harmonisation of standards/rules for cross border data flows and data privacy). Victorian business interests are reflected in economic cooperation programs under the RCEP, IA-CEPA and the upgrade of the AANZFTA agreement.

To support supply chain resilience:

- **Support the establishment of ‘supply chain councils’** that bring together the key participants involved in, and concerned with, the operation of GVCs to facilitate deliberation and cooperation among government agencies that regulate GVCs, the actors that operate and are affected by them, and the research community to identify options to reduce the incidence of value chain frictions.¹²⁰
- **Engage in collaborative dialogue with ASEAN business** on approaches to help mitigate the risks of complex supply chains. Share learnings from counterparts in the region to identify areas for potential cooperation in priority areas (as identified in the roadmap recommended above).
- **Develop resources to help Victorian SME exporters and importers** to understand supply chain choke points and requirements for trade with Southeast Asian markets and better assess risks.
- **Invest in improved infrastructure to support accessible transport pathways** (eg: aviation routes).

To build investment in the green industries of the future:

- **Examine the role State Government can play in initiating private/public sector cooperation to facilitate business** with Southeast Asian countries where this sort of private/public decision-making or cooperation occurs. This could involve a consortia approach where public institutions and private companies work to help offshore business operate at the necessary scale possibly through co-investment or other policy support, as suggested by the Department of Foreign Affairs and Trade ‘A Blueprint for Trade and Investment with Indonesia’.¹²¹
- **Establish a regular dialogue between business and government** to help inform business interests and build business confidence in the region. For example, as more companies adopt emissions reduction or climate neutrality commitments, dialogue between the private sector and governments can help gauge collective progress being made towards the Paris Agreement.¹²²
- **Support greater collaboration and greater cross-border cooperation** on standards for renewable energy in the region by linking Victorian businesses to broader government initiatives and by leading coordinated approaches with other states and territories.
- **Commission research to map out investment barriers and potential areas of opportunity** in the green economy. Identify areas where state initiatives, regulatory settings and investment policy can be improved or accessed to foster investment linkages with Southeast Asian partners.

To enhance labour mobility:

- **Connect Victorian businesses with initiatives for mutual recognition of professional services and educational qualifications with ASEAN bodies.** Build on existing relationships in the education sector among Victorian universities’ Southeast Asia-based alumni to support ASEAN industry engagement. Work with the professional bodies and other stakeholders in ASEAN economies on valuable pathways for intra-ASEAN recognition.
- **Build on business and cultural exchange programs.** Develop programs to encourage students, academics and businesspeople from Southeast Asian countries to undertake internships or visiting research/industry fellowships with Victoria-based companies, institutions and organisations to undertake collaborative research and activities, focused on key areas identified in the roadmap.
- **Help drive federal government initiatives** to improve labour mobility for business, students and professionals.

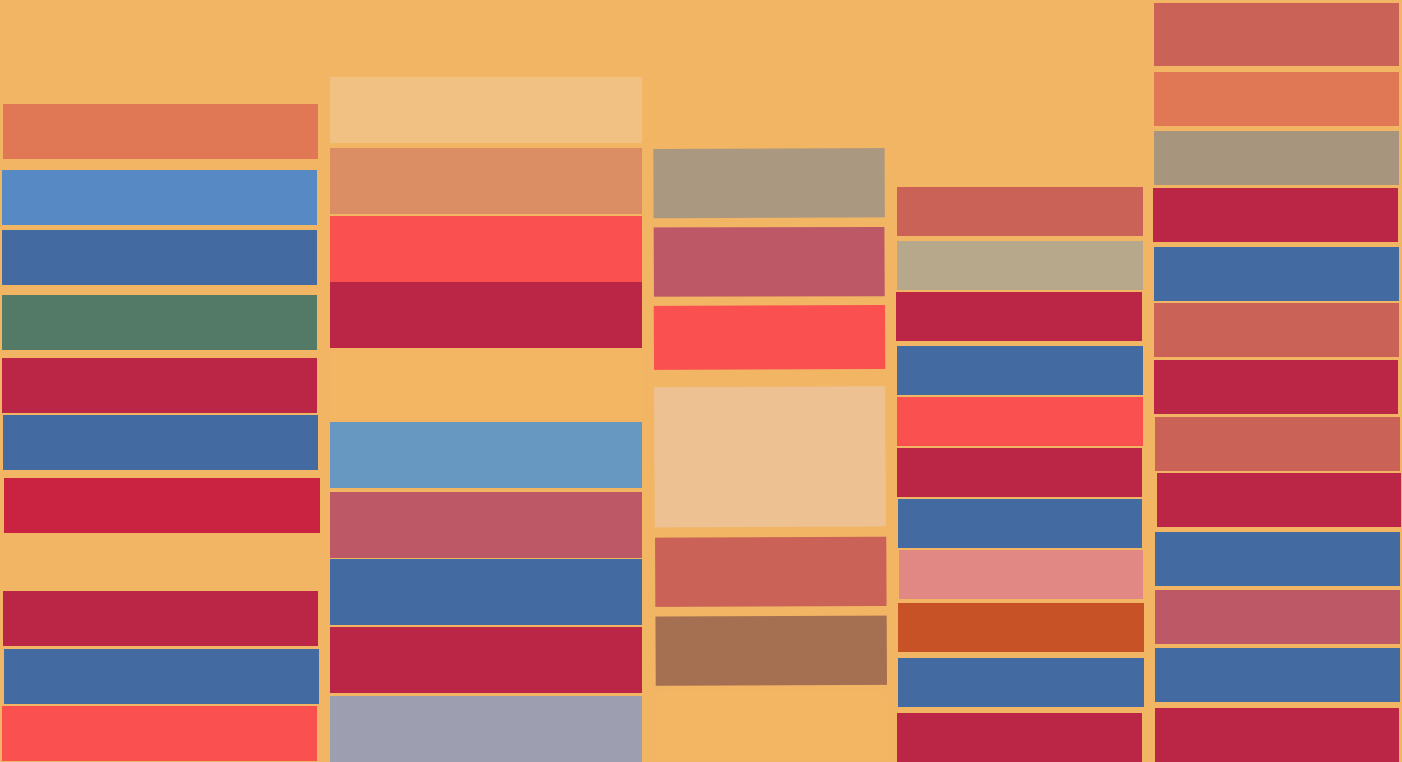
As a next step, Victorian business leaders and policy makers should come together for a high-level discussion to action a roadmap to deepen trade and investment linkages with Southeast Asian partners. Doing so will help Victorian businesses manage risk in the post-COVID trade landscape and contribute to a safer, more prosperous Indo-Pacific region.

Summary

	Key developments	Opportunities	Challenges	Recommendations
Digital transformation	<p>The growth of e-commerce has accelerated across the Southeast Asian region</p> <p>E-commerce markets are expanding rapidly, trade in digital services is growing</p> <p>Digital transformation has promoted policy flexibility</p> <p>Cooperation and partnerships have accelerated</p> <p>Frameworks for digital trade are emerging</p> <p>But barriers and controls on digital trade persist.</p>	<p>Expand trade with Southeast Asian markets in key areas of services export capability and growth, as final products and as inputs into wider ASEAN networks and value chains</p> <p>Enhance regulatory cooperation with ASEAN to support more open frameworks for digital trade in the region</p> <p>Leverage initiatives that can help drive regulatory reform – such as economic cooperation programs under existing FTAs</p>	<p>Understanding the services needs of various ASEAN economies, including gaps in digital development and infrastructure</p> <p>Navigating regulatory restrictions and diverging rules among ASEAN growth markets</p>	<p>Collaborate with Victorian business and academia to identify key digital policy challenges, opportunities, gaps and needs in priority ASEAN markets</p> <p>Provide a platform for dialogue between the private sector and ASEAN policy makers and regulators on digital policy challenges</p> <p>Link Victorian business to federal initiatives that can help drive regulatory reform to address trade and investment barriers</p>
Supply chain disruption	<p>Supply chain challenges continue to evolve, testing supply chain resilience</p> <p>Exporters are facing high costs and capacity constraints.</p> <p>Patterns of FDI are shifting in response to disruptions</p> <p>Governments have moved to support diversification of trade</p> <p>New policy controls are emerging</p>	<p>Plug in to ASEAN value chain networks to expand regional participation, grow two-way investment, and enhance cooperative value chain integration</p> <p>Diversify two-way trade in areas of complementarity: agricultural products, commodities, specialised component manufactures, financial, business, education and ICT services</p> <p>Tap in to rising demand for education, business and financial services and specialised inputs in ASEAN growth markets</p>	<p>Managing ongoing supply chain disruptions, rising costs and labour shortages.</p> <p>Addressing impacts of geopolitical factors on value chains</p> <p>Developing strategies to diversify trade and investment relationships, build resilient supply chains</p>	<p>Support the establishment of ‘supply chain councils’ that bring together the key actors involved in, and concerned with, the operation of GVCs to facilitate cooperation</p> <p>Engage in collaborative dialogue with ASEAN business on approaches to help mitigate the risks of convoluted supply chains</p> <p>Develop resources to help Victorian SMEs to understand supply chain choke points and better assess risks</p> <p>Invest in improved infrastructure to support accessible transport pathways</p>

	Key developments	Opportunities	Challenges	Recommendations
Labour mobility challenges	<p>Labour shocks have disrupted key export industries</p> <p>Skills imbalances across Southeast Asian countries have been exacerbated</p> <p>Cooperation on labour mobility has been ad-hoc</p> <p>Recent FTAs are introducing frameworks for the future</p> <p>But barriers to cross border mobility remain</p>	<p>Position Victoria to help Southeast Asian nations address skills imbalances in critical industries through education and training</p> <p>Expand education and travel/tourism linkages to facilitate movement of labour and skills</p> <p>Link Victorian interests with federal government initiatives to support improved mobility, including under FTA cooperation programs</p>	<p>Assessing the needs of ASEAN economies and across industry sectors</p> <p>Addressing existing and emerging barriers to labour mobility and recognition of skills.</p>	<p>Connect Victorian businesses with initiatives for mutual recognition of professional services and educational qualifications with ASEAN bodies</p> <p>Build on business and cultural exchange programs to encourage students, academics and businesspeople from Southeast Asian countries to undertake internships or visiting researcher/industry fellowships focused on key areas identified in the roadmap</p> <p>Help drive federal government initiatives to improve labour mobility for business, students and professionals</p>
Green energy and climate change policy	<p>Green ‘industries of the future’ are emerging</p> <p>Green technologies are advancing, investment in renewable energy is expanding, trade in environmental goods is growing</p> <p>Policies to grow the green economy have proliferated</p> <p>New frameworks for sustainable trade and investment are being agreed.</p> <p>New barriers are emerging.</p>	<p>Participate in new trade in goods, services and technologies</p> <p>Leverage Victorian capability in technical and specialised services to partner with Southeast Asian countries in new areas of trade</p> <p>Secure Victoria’s participation in regional value chains for industries of the future.</p>	<p>Navigating regulatory frameworks, adapting to evolving regulatory environments</p> <p>Managing perceptions of risk in Southeast Asian markets</p>	<p>Initiate the development of private and public sector groupings, provide co-investment/funding for priority ASEAN countries and their particular needs</p> <p>Establish a regular dialogue between business and government to help inform business interests and build business confidence in the region</p> <p>Support greater collaboration and greater cross-border cooperation on standards for renewable energy</p> <p>Commission research to map out investment barriers and potential areas of opportunity.</p>

Annexes



Annex one: Southeast Asian countries as trade and investment partners

Trade

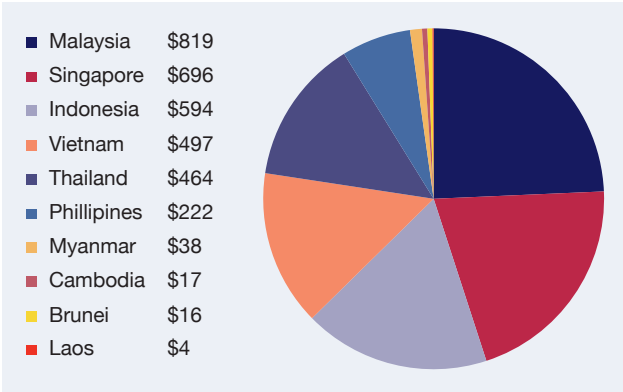
Trade in goods

Southeast Asian countries are important markets for Victoria’s goods exporters

In 2020, total goods exports from Victoria to the ten member states of the Association of Southeast Asian Nations (ASEAN) were valued at \$3.4 billion – 13% of Victoria’s total global goods exports. ASEAN is not that far behind China and the US, which at \$5.5 and \$4.2 billion¹²³ respectively are the top destinations for Victorian goods exports.

The larger economies in ASEAN – Malaysia, Singapore, Indonesia, Vietnam, Thailand, and the Philippines – account for the lion’s share of Victoria’s export sales to the region.

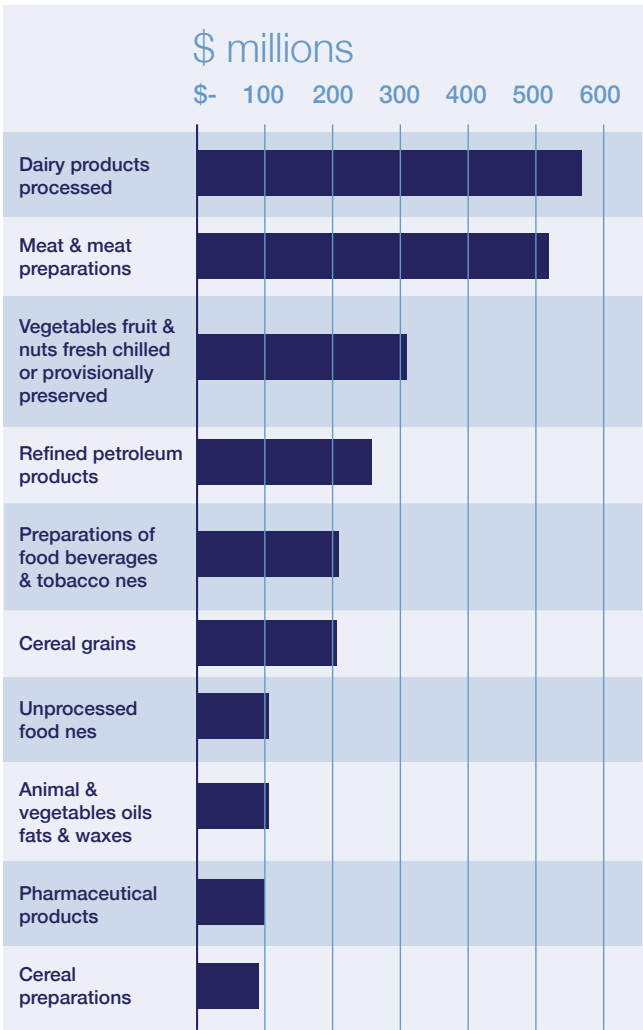
Victoria’s goods exports to ASEAN – 2020 (\$m)



Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top exports from Victoria to the region are mostly agricultural products, including dairy products, meat, fresh produce and grains. This reflects Victoria’s export strengths – in 2020, the state accounted for 88% of the dairy products exported from Australia to ASEAN, as well as 45% of vegetables and fruit that made the same journey.¹²⁴

Victoria’s goods exports to ASEAN (Top ten categories), 2020



Source: DFAT (2021), State-Country TRIEC Pivot Tables

While agricultural exports dominate goods trade, some of Victoria’s top performing exports to ASEAN members are resources and manufactured goods.

Top 3 GOODS export categories for each ASEAN member (2020)

Member	Top exports by category
Malaysia	<ul style="list-style-type: none"> • Meat & meat preparations • Processed dairy products • Refined petroleum
Singapore	<ul style="list-style-type: none"> • Refined petroleum products • Dairy products processed • Meat & meat preparations
Indonesia	<ul style="list-style-type: none"> • Meat & meat preparations • Dairy products processed • Vegetables fruit & nuts fresh chilled or provisionally preserved
Vietnam	<ul style="list-style-type: none"> • Vegetables fruit & nuts fresh chilled or provisionally preserved • Non-ferrous metals simply transformed • Cereal grains
Thailand	<ul style="list-style-type: none"> • Non-ferrous metals simply transformed • Dairy products processed • Cereal grains
Philippines	<ul style="list-style-type: none"> • Dairy products processed • Vegetables fruit & nuts fresh chilled or provisionally preserved • Meat & meat preparations
Myanmar	<ul style="list-style-type: none"> • Cereal grains • Cereal preparations • Dairy products processed
Cambodia	<ul style="list-style-type: none"> • Cereal preparations • Meat & meat preparations • Live animals chiefly for food
Brunei	<ul style="list-style-type: none"> • Dairy products processed • Meat & meat preparations • Vegetables fruit & nuts
Laos	<ul style="list-style-type: none"> • Machinery for specialised industries • Textiles clothing & footwear • Meat & meat preparations

Source: DFAT (2021), State-Country TRIEC Pivot Tables

Victoria's goods exports to ASEAN are growing

Over the past two decades, growth in Victoria's goods exports to ASEAN has outpaced growth in Victoria's exports to the rest of the world.

From 2000 to 2020, the value of exports to ASEAN grew by 62%, while Victoria's total global exports grew by just 13%.

ASEAN markets for Victorian goods also performed better than the rest of the world during 2020, as the impacts of the pandemic were felt. From 2019 to 2020, Victoria's total global exports fell by 10%, but exports to ASEAN only declined by 2%. Exports to Malaysia – Victoria's top ASEAN market, actually grew by 19%.

Victoria's goods exports have performed particularly well in certain ASEAN economies. Exports to Malaysia have doubled since 2000 and increased by 32% since 2015. Smaller member states have exhibited even faster growth, with exports to Myanmar, Cambodia and Laos growing by 702%, 852% and 979% respectively since 2000, albeit from lower bases. Different Victorian products have found success in each of these markets; for example, dairy and meat have tapped growing demand in Cambodia, whereas standout performers in Laos include machinery and pharmaceuticals.

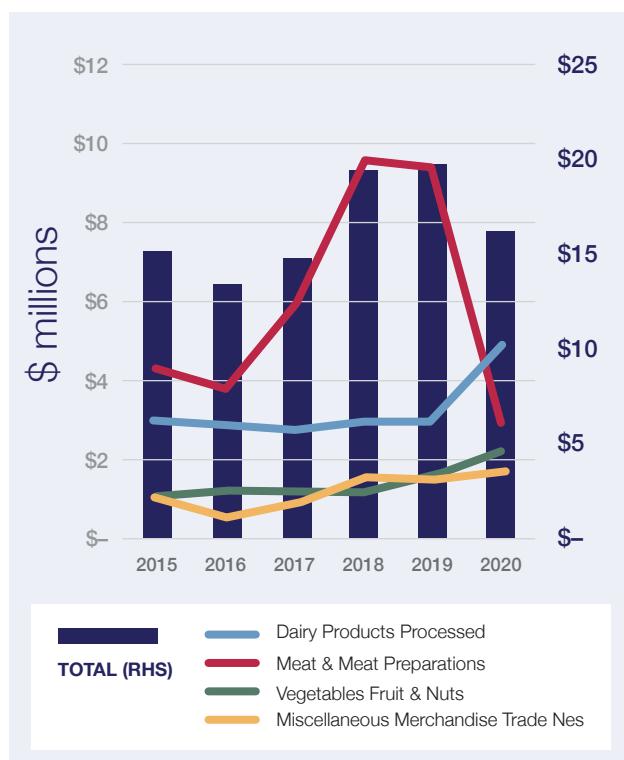
Victoria's selected high growth goods exports to ASEAN¹²⁵

Member	Product	Value 2020	Growth 2015-2020
Brunei	Dairy products processed	\$5m	63%
Cambodia	Cereal preparations	\$7m	>1000%
Indonesia	Pharmaceutical products	\$9.2m	41%
Malaysia	Sugars honey coffee cocoas & confectionery	\$18.1m	343%
Philippines	Pharmaceutical products	\$12.8m	104%
Singapore	Inorganic chemicals	\$45m	4854%
Thailand	Cork & wood	\$9.1m	277%
Vietnam	Preparations of food beverages & tobacco not elsewhere specified (nes).	\$31m	134%

Source: DFAT (2021), State-Country TRIEC Pivot Tables

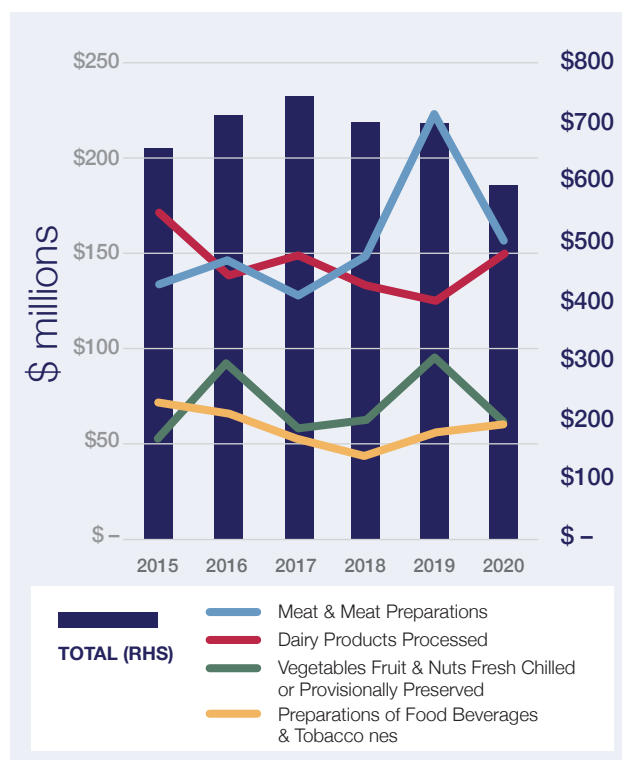
Top Victorian goods bought by each ASEAN member are reflected in the following series of charts.

Top goods exports to Brunei



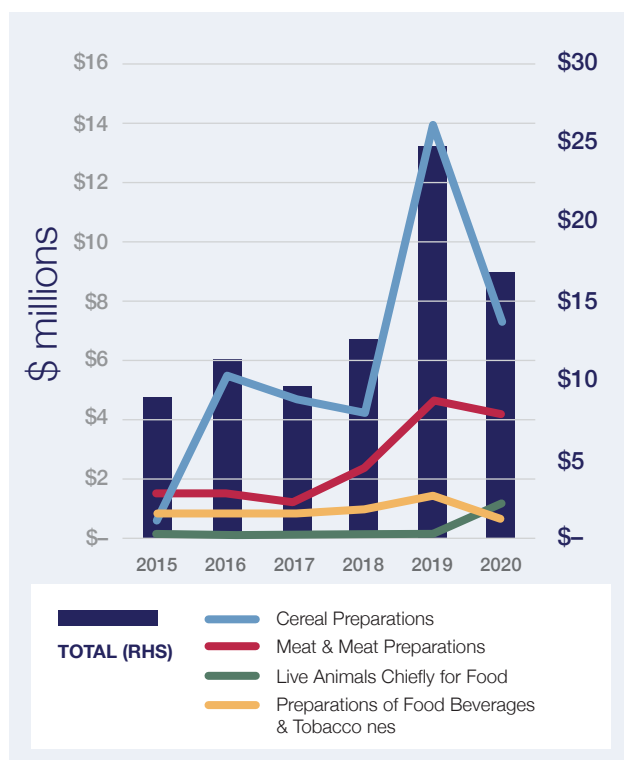
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Indonesia



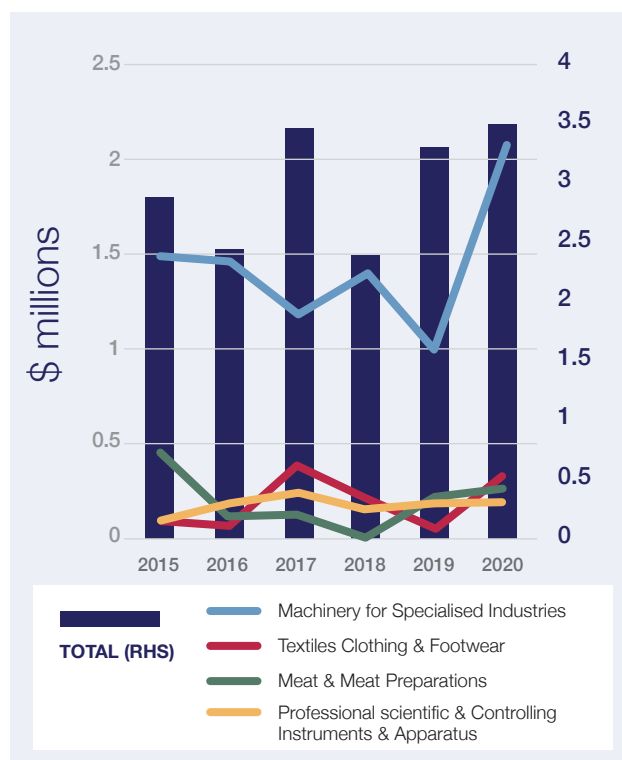
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Cambodia



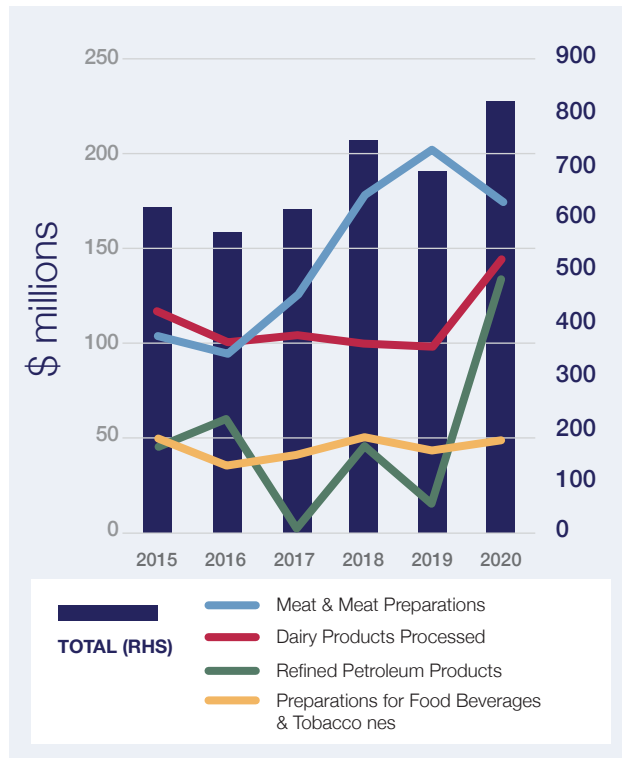
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Laos



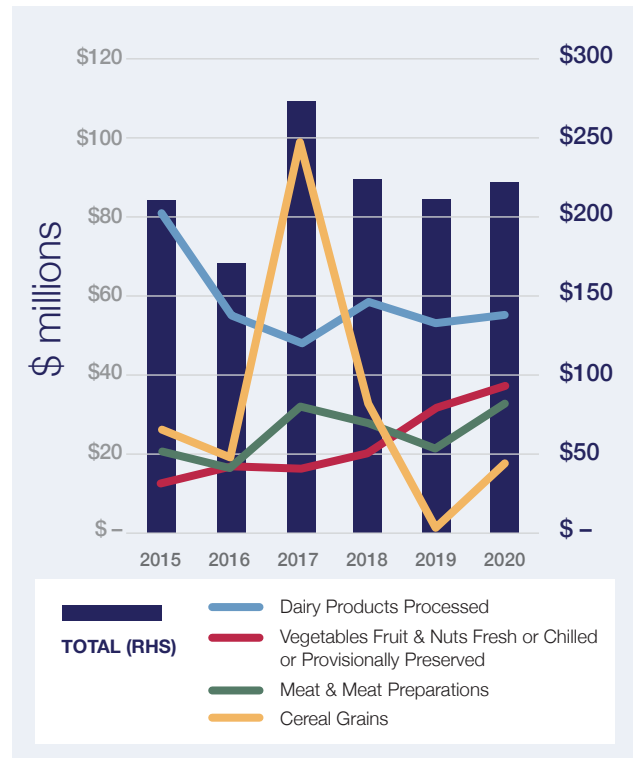
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Malaysia



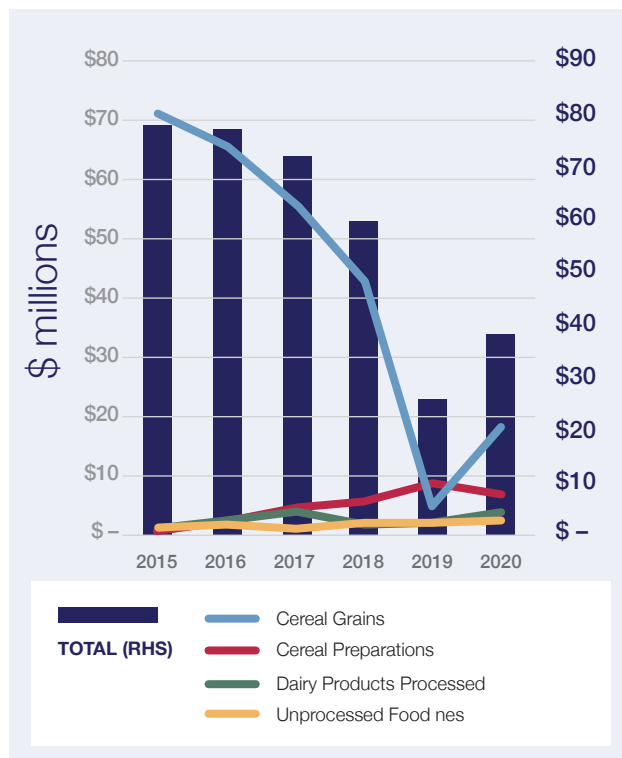
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to the Philippines



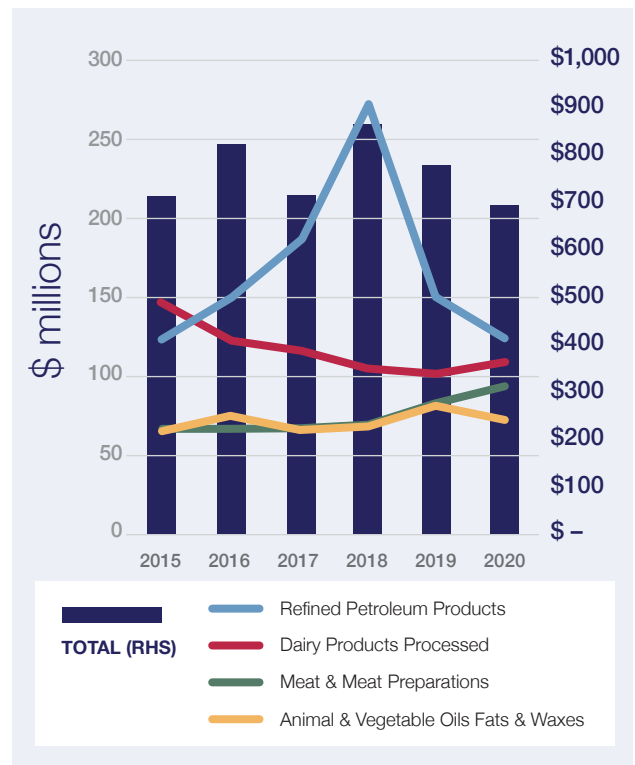
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Myanmar



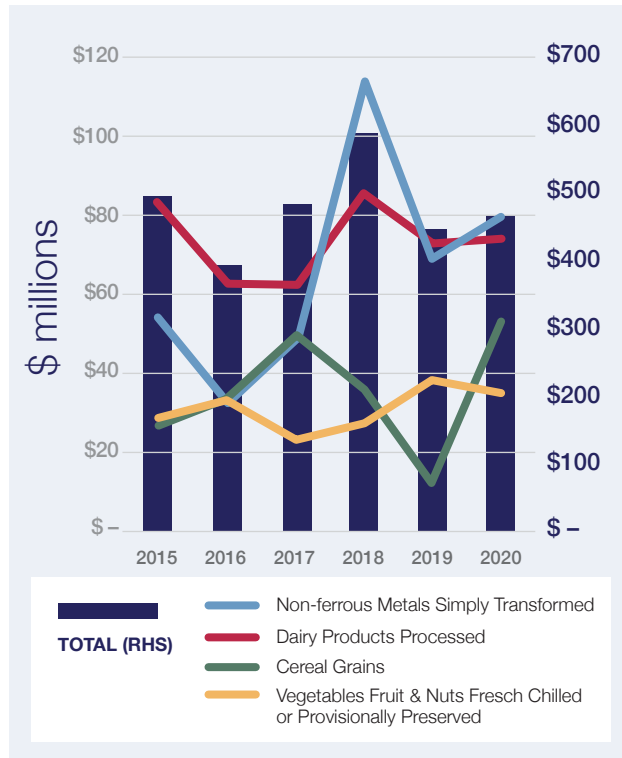
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Singapore



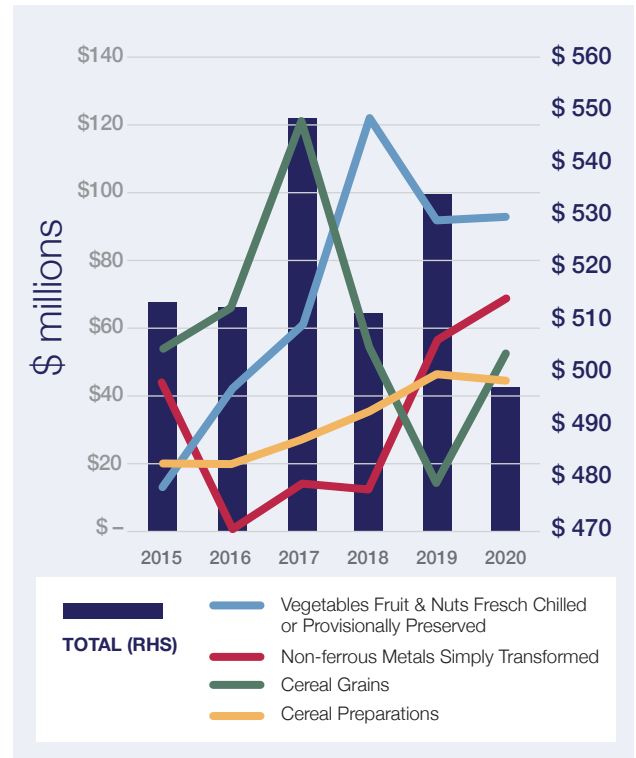
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Thailand



Source: DFAT (2021), State-Country TRIEC Pivot Tables

Top goods exports to Vietnam



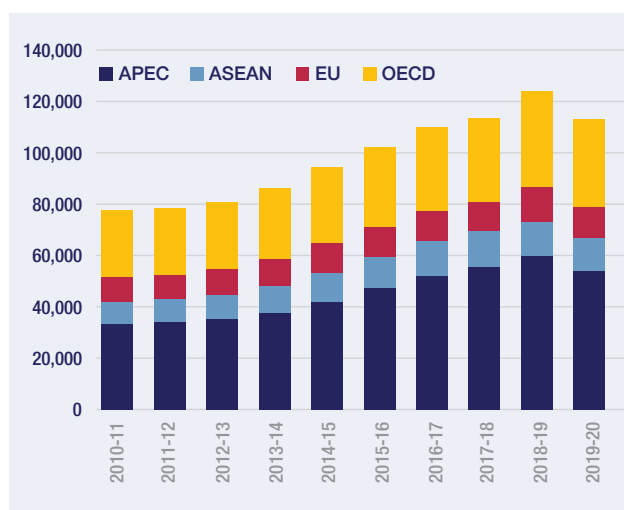
Source: DFAT (2021), State-Country TRIEC Pivot Tables

Trade in services

Southeast Asian countries are important and growing services export markets

While data on services exports to ASEAN is generally not disaggregated at the state level,¹²⁶ data for Australia's services exports show ASEAN countries accounted for about \$12.8 billion, or 14% of Australia's total services exports in 2019/20. ASEAN was the third largest market by region, on par with exports to the EU, but less than exports to OECD countries (around 30%) and the APEC region as a whole (48%).¹²⁷

Australia's services exports by region (\$m)*

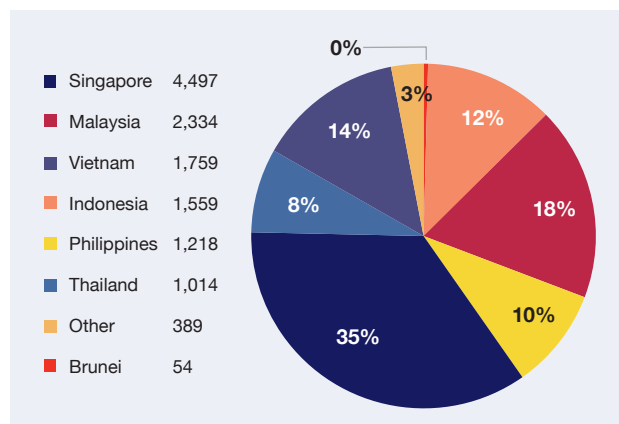


Source: ABS cat 5368.0.55.003 *Value totals exceed total exports due to inclusion of countries in multiple categories

Despite this share remaining relatively stable since 2015/16, services exports have increased significantly in value over the last ten years (growing 44% since 2010/11). This has been followed more recently by a slower increase in value, growing 6% since 2015/16.

Within ASEAN, Singapore, Malaysia, Vietnam and Indonesia are major services export markets- accounting for 35%, 18% and 14% of services exports respectively. Exports to both the Philippines and Vietnam have grown over the last five years.

Australia's services exports to ASEAN by country 2019/20 (\$m)



Source: ABS cat 5368.0.55.003

Exports are strong in areas in which Victoria has services export capability

For example, Australia's financial services exports to ASEAN have increased by more than 60% since 2015/16, and exports of personal and cultural services by 47%; both have expanded by more than 170% over the last ten years. Since 2010/11, exports across all categories (except transport) have expanded by 40% or more.

These services are exported to multiple ASEAN markets, especially Singapore, Malaysia and Indonesia. Exports to Cambodia and the Philippines are growing in some areas, such as education and tourism. Vietnam is an increasingly important and growing export market for exports of education, tourism, and personal and recreational services.

Australia's services exports to ASEAN in areas of Victorian capability

Service	Value of services exports to ASEAN 19/20	ASEAN share of Australia's services exports 19/20	Growth ASEAN services exports 5 years; 10 years**	Top export markets, value 19/20
Education	\$6b	16%	26% 68.5%	Vietnam Malaysia Indonesia
Tourism	\$8b	14.9%	10% 47%	Malaysia Vietnam Indonesia
Transport	\$1b	9%	10% 6.2%	Singapore Malaysia Indonesia
Financial	\$351m \$106m*	6.5% 15.8% *	60.2% 183%	Singapore Thailand Malaysia*
Business	\$1.7b	14.9%	-22% 41.8%	Singapore Malaysia
Pers/recreational	\$255m	8.19%	47% 171%	Singapore Vietnam

Source: ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20 * insurance and pension services ** increase in exports from 15/16 - 19/20 and 10/11 - 19/20.

ASEAN economies are also increasingly importing services

Demand for imported financial and insurance services in ASEAN is growing. Since 2019 the relative share of imports of financial/insurance services has expanded in almost all ASEAN economies. The value of these imports has also increased substantially for some countries over the last five years, such as Cambodia and Indonesia.¹²⁸ ICT is also becoming an important component of services trade.¹²⁹

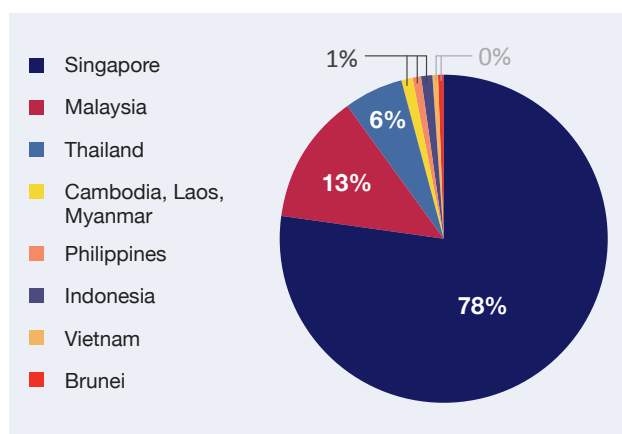
Investment

ASEAN country investment in Australia is small, but growing

As of 2020, the total stock of ASEAN investment (including direct investment, portfolio investment and other investment) in Australia was \$149.7 billion, or just 3.8% of total foreign investment.¹³⁰ Foreign direct investment¹³¹ (FDI) from ASEAN amounted to 5.7% of FDI in Australia in 2020.¹³² (Data disaggregated by state is not available.)

ASEAN investment in Australia is currently dominated by a few ASEAN countries, in particular Singapore, although investment from other countries is growing, albeit from a small base.

Foreign Investment in Australia by ASEAN country, 2020



Source: ABS cat 5352.0 – International Investment Position, Australia: Supplementary Statistics, 2020.

Case Study: ASEAN investment in Victoria

A growing number of investors from Southeast Asian countries are pursuing business opportunities in Victoria. Investments have been made across digital technologies, healthcare, financial services, food and beverage, hospitality, energy and transportation sectors.

For example, the Victorian Government recently facilitated the establishment of Singapore-based **Niometrics'** third major research and development hub, and Australia-New Zealand Headquarters, in Melbourne. Niometrics serves 12 telecommunications network operators across Singapore, Greece, Indonesia, UAE, Philippines and Vietnam.

Bukalapak, one of Indonesia's largest all-commerce companies, has chosen Melbourne's tech sector as its first international base to establish a research and development centre. In partnership with Victorian Government, Bukalapak will set up the Technology Hub in Melbourne to access Victoria's tech and innovation capabilities, tap into the state's pool of tech talent and explore partnership opportunities with Victorian universities.

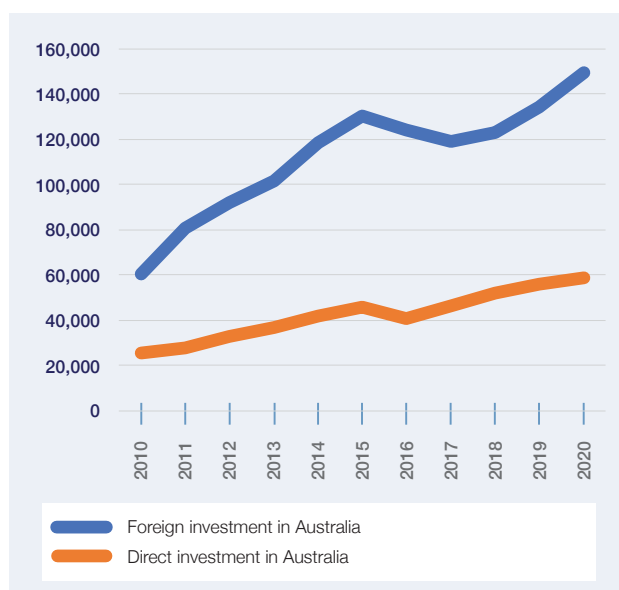
Homage, a Singapore-based global health technology start-up, has picked Melbourne for its Australian headquarters, further strengthening the state's medical technologies sector. Homage is an award-winning medical technology and personal care platform that combines curated and trained care professionals with smart technology to manage and provide on-demand holistic home and community-based caregiving to seniors and adults.

Top tier tech firm **NCS** has established its Australian base in Melbourne. The office features a Cloud Centre of Excellence (CoE) – which will help local businesses move to cloud technology and data storage, and leverage this to increase business efficiency. Singapore-headquartered NCS is a leading technology firm in the Asia-Pacific region, providing a broad range of tech and digital solutions to clients.

Sources:¹³³ Invest Vic.

Despite its relatively small size, total investment in Australia from ASEAN economies is growing, expanding by more by 128% since 2010, and by just over 29% since 2015. Even in recent years - between 2019 and 2020 - investment from ASEAN increased by 11.6%, a greater increase than for all other regions.¹³⁴ FDI grew by 5% between 2019 and 2020, when total investment from all economies as a whole declined, and when FDI from all other regions fell. New FDI from Vietnam was \$14 million in 2020.

ASEAN total foreign investment and direct investment in Australia, (\$m)



Source: ABS cat 5352.0 – International Investment Position, Australia: Supplementary Statistics, 2020.

Vietnam's investment in Australia

Vietnam's outward investment activity in Australia is expanding. Current levels of Vietnam's investment in Australia are modest. However, from 2010-2020, Vietnam's registered capital investment in Australia expanded, growing an average of US\$3.7 million per year between 2010-2015, then accelerating to an average of US\$82 million between 2015-2020. 2019 saw the largest single-year investment flow from Vietnam to Australia on record of US\$154 million.

The number of new Vietnamese investment projects in Australia has also increased significantly over the last five years, rising from three in 2015 to 14 in 2018, 16 in 2019 and 14 in 2020.

By industry, Vietnam's investment in Australia is mainly focused on agriculture, forestry, and fisheries, wholesale and retail, manufacturing and processing, followed by real estate, financial, banking and insurance activities.

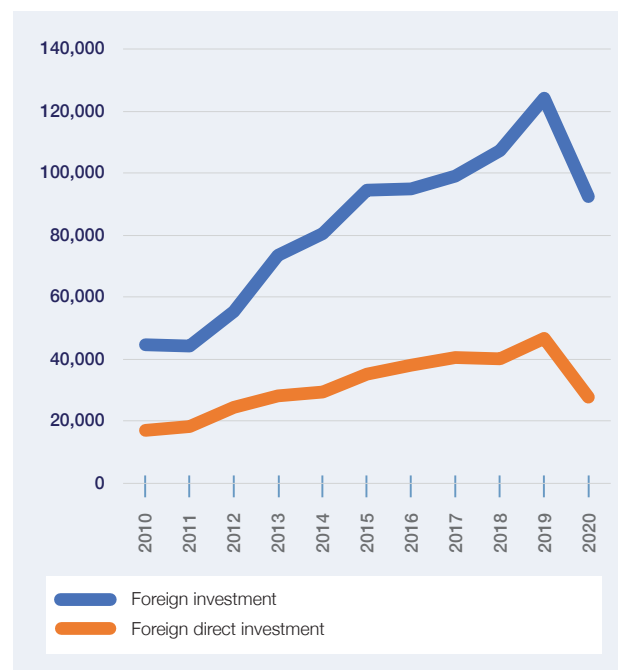
Source: Vietnam Ministry of Planning and Investment; A Path to Australia

There is scope to build two-way investment

To date, ASEAN has not been a major destination for Victorian and Australian investors; Australian investment offshore remains concentrated in the United States, the United Kingdom, New Zealand and Japan.¹³⁵ The stock of total Australian investment in ASEAN in 2020 was \$92.5b, only 3% of Australia's total offshore investment. FDI stocks were \$27.7b, 3.4%. Within ASEAN as a whole, major investment destinations are predominantly Singapore, Malaysia and the Philippines.

Australia's investment in ASEAN member nations has grown over the last ten years, but at a lower rate of increase compared to Asia, the broader APEC region, and the OECD.¹³⁶ Australian investment fell sharply across all ASEAN destinations over 2019 and 2020.

Australian investment in ASEAN 2010-2020 (\$m)



Source: ABS cat 5352.0

ASEAN as a global investment destination

UNCTAD reports that 2019 and 2020 were exceptional years for ASEAN in terms of foreign direct investment. 2019 saw the region's highest-ever inflows, at US\$182 billion – making ASEAN the largest recipient of FDI in the developing world – and 2020 saw the unprecedented impact of the COVID-19 pandemic, with a 25% fall in FDI, to US\$137 billion. Despite this, ASEAN remained an attractive investment destination; the region's share of global FDI rose from 11.9 per cent in 2019 to 13.7 per cent.

The pandemic affected most member states, with seven seeing a drop in investment. Brunei, Cambodia, Laos, Myanmar and Vietnam were relatively resilient, with either an increase in investment or a small change in inflows.

Investment within ASEAN was resilient, rising by five per cent to US\$23 billion, pushing up the intra-ASEAN share of FDI in the region from 12 to 17 per cent. A significant portion of such investment originates from outside the region and is channelled through a few member states. Such conduit investment involves ultimate owners from outside the region. ASEAN remains an important destination for international project finance activities, mostly in infrastructure.

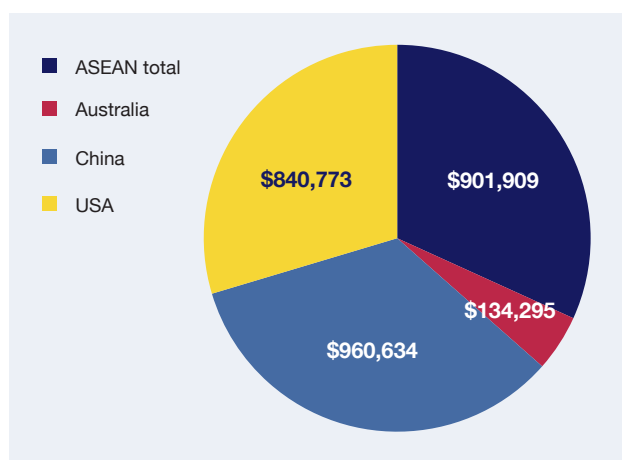
Source: <https://unctad.org/webflyer/asean-investment-report-2021>

Southeast Asian countries as a link to global value chains

Victoria and Southeast Asian nations already participate in global value chains

Southeast Asian countries are an increasingly important global source of manufactured exports, including textiles, technology goods and vehicles. Many of these countries are highly integrated into goods and services value chains across the Indo-Pacific.¹³⁷ Participation by ASEAN economies¹³⁸ in GVCs is significant and rivals that of the US and China. ASEAN countries have collectively emerged as a major global trader, in aggregate representing a less costly source of labour than China.¹³⁹

GVC participation 2018 (US\$m)



Source: UNCTAD-Eora Global Value Chain Database

Firms in Australia, including Victoria, sell goods and services to ASEAN firms that become inputs into value chains across the ASEAN region. When exports of manufactured goods from ASEAN economies increase, this increases demand across ASEAN for many Australian exports that are used as inputs into those finished goods. These include Australian mining outputs (minerals, and metals), agricultural products (food and fibre) and services (education, transport, IT and business services).

Modern manufacturing networks and GVCs – Victoria and the Southeast Asian region

Global Value Chains involve finished goods and services exported by or consumed within one country that contain value added by multiple other jurisdictions. GVCs have become an important feature of almost every industry in the region. They have allowed companies, regions and entire countries to specialise in producing the outputs that best match their comparative advantage.

The benefits generated by GVCs are shared by the final exporter and each of the economies that contribute inputs.

The relationships and networks that underpin modern manufacturing are complex, and there are multiple ways that trading partners can benefit from each other's economic success. For Victoria and Southeast Asian countries, there are several key relationships that drive benefits on both sides. For example, Victoria's agricultural exports (e.g.: milk powder) that are transformed into processed products (e.g.: chocolate, sauces and condiments) and consumed within ASEAN economies and/or exported to the rest of the world. Of the US\$28 billion total value of food product exports from ASEAN countries in 2018, Australian firms contributed US\$146 million, making Australia the sixth most important non-ASEAN source of value added.

Victorian and ASEAN member cross-investment also facilitates cooperative value chains. The Victorian government is seeking further investment from the ASEAN region in the fields of digital services, food and beverages, infrastructure, energy and logistics.

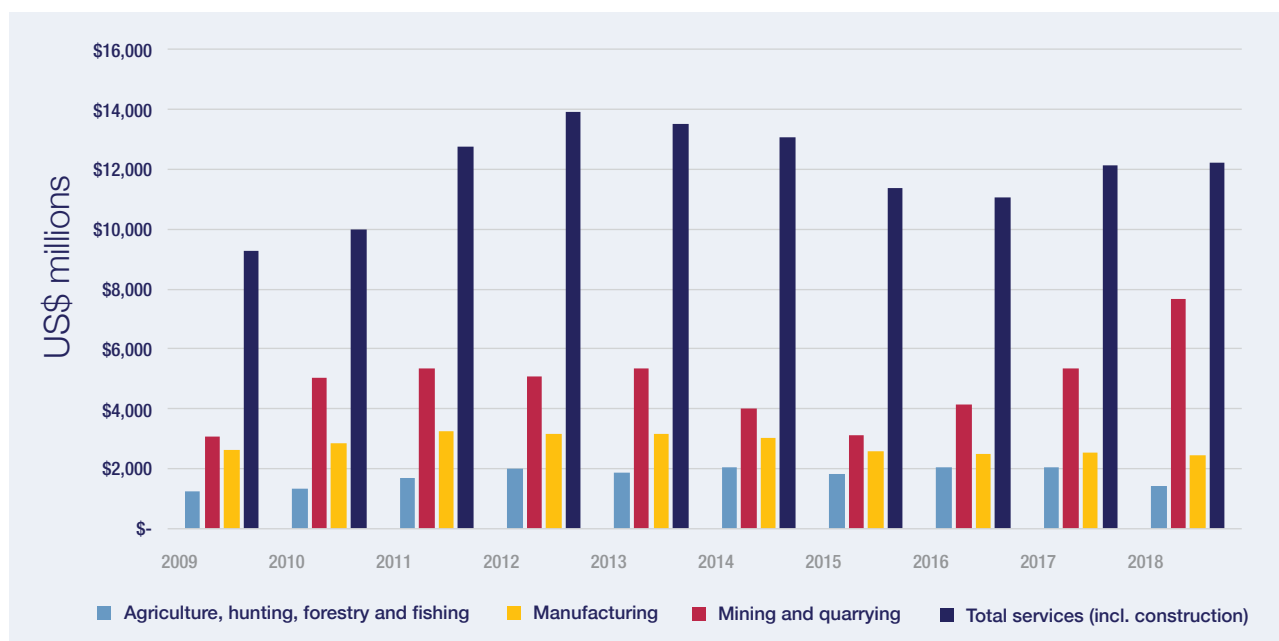
Source: OECD TIVA, Global Vic (2019), Global Vic (2019) Globally Connected: Victoria's Southeast Asia Trade and Investment Strategy

Victorian firms add value to ASEAN GVCs

Australian value is added by both goods and services firms, including those in areas of Victorian capability – agriculture, manufacturing and business services. Although data is not disaggregated by state, Victoria's position as a leading Australian exporter in these areas suggests that a significant share of the value added by these Australian sectors is contributed by Victorian firms. For example, Victorian value in the form of agricultural exports is exported to ASEAN nations, where it is incorporated into processed products that are then consumed in the ASEAN region and exported to the rest of the world.

Australian value-add content in ASEAN final demand

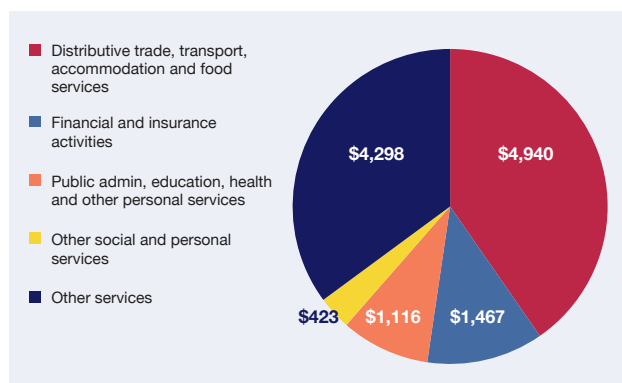
(US\$m)



Source: OECD TIVA

Most Australian value is added by Australia's services industries, which comprise the largest share of Australian value-added in final demand across ASEAN. Industries of Victorian services export capability, including transport and accommodation, as well as financial and insurance services, are major sources of value added.

Australian services value added to ASEAN final demand 2018 (US\$m)



Source: OECD TIVA

ASEAN and Southeast Asian countries as a strategic and economic partner

ASEAN is vital to the region's success and supports Australia and Victoria's own security and prosperity¹⁴⁰

ASEAN's centrality to trade and investment in the Indo-Pacific region is underpinned by its strong economic relationships with external economic partners, its leadership in regional institutions; its role in global and regional value chains, and expanding participation in trade and investment frameworks. ASEAN economies and Victoria have a shared interest in an open, inclusive, prosperous and resilient region and a shared path to recovery from COVID.

Australia is investing in strategic partnerships with ASEAN countries

Australia has recently sought to strengthen its longstanding partnership with ASEAN to addresses current and future challenges in the Indo-Pacific region. At the first annual ASEAN-Australia Leaders' Summit in 2021, ASEAN leaders agreed to establish a Comprehensive Strategic Partnership (CSP) between ASEAN and Australia.

The CSP signifies a sense of mutual value, strategic alignment and positive intent¹⁴¹ and serves as a base on which to further strengthen ties. It is underpinned by an increased level of investment by the Australian government to support Southeast Asia's recovery from COVID, along with a broader development program and vaccine access initiative.¹⁴²

It also supports various initiatives to expand trade and investment with ASEAN, many of which are relate to key areas of Victoria's trade. For example, Australia has committed to invest

\$154 million to activities that support economic cooperation with ASEAN in education, skills, technology and FTA implementation. Similar initiatives for cooperation and engagement exist at the country specific level.

The recently elected Australian government has sought to deepen Australia's ties with the Southeast Asian region, including by the planned appointment of a special envoy to ASEAN and providing \$470 million in aid. It will also seek to strengthen the bilateral investment relationship with Indonesia through a \$200 million climate and infrastructure partnership and build on trade and investment ties through the IA-CEPA.

Australia/ASEAN strategic partnerships

Initiative	
Vietnam	Australia-Viet Nam Enhanced Economic Engagement Strategy - sets out a roadmap to deepen the trade and investment relationship in education, skills and training; resources and energy; agriculture, forestry and fisheries; manufacturing; tourism; science, technology and innovation; digital economy; and other services.
Indonesia	IA-CEPA Economic and Development Partnership – builds on IA-CEPA with cooperation to enhance the economic and development partnership, connect people, secure Australia's and Indonesia's and the region's shared interests.
Malaysia	Comprehensive Strategic Partnership - deepens bilateral trade through cooperation on digital economy and agriculture, cross border travel, support FTA frameworks.
Cambodia	Mekong Australia Partnership - provides for cooperation and development for water resource management; renewable energy, food processing sector, and education scholarships.
Singapore	Australia-Singapore Comprehensive Strategic Partnership - deepens cooperation on cross border travel, public-private partnership on low emissions maritime and shipping, discussions on an Australia-Singapore FinTech Bridge.
Thailand	Strategic partnership – seeks to expand economic engagement and growth, strengthen political and security engagement, intensify sectoral collaboration, facilitate people to people links.

Sources: see links.

Australia and ASEAN share a strong network of free trade agreements (FTAs)

Agreements include the longstanding ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), and more recently the Regional Comprehensive Economic Partnership (RCEP), as well as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) (including Malaysia and Vietnam), and bilateral agreements: the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA); the Singapore-Australia Free Trade Agreement (SAFTA); the Thailand-Australia Free Trade Agreement (TAFTA); and the Malaysia-Australia Free Trade Agreement (MAFTA).

With Singapore, Australia also has a digital economy agreement and is negotiating a green economy agreement.

These agreements not only offer market access advantages to Victorian exporters but also underpin open regional trading frameworks on which to build cooperation on trade and investment and support Australia and Victoria's integration in the region. RCEP for example, is intended to serve as a platform for ongoing dialogue and cooperation on trade and investment between ASEAN and key regional partners.¹⁴³ IA-CEPA has a built-in cooperation program to strengthen trade and investment in priority areas, as do other agreements. The AANZFTA is currently being updated to better address new and emerging areas of trade and investment.

Leveraging free trade agreements with ASEAN economies – illustrative examples

Benefit	Example
Better access to regional and global value chains (RVCs/GVCs)	<p>Rules of origin</p> <p>RCEP provides a single set of rules and procedures for accessing preferential tariffs across the region. Regional cumulation rules facilitate inputs from the most efficient and cost-effective regional source.</p> <p>Customs and trade facilitation</p> <p>RCEP also includes “WTO +” trade facilitation elements, including for timeframes for the release of goods, perishable goods and advance rulings.</p>
More open regulatory frameworks for services, labour mobility, digital trade	<p>Labour mobility and temporary entry</p> <p>RCEP and CPTPP provide for enhanced certainty on entry and length of stay, reduced barriers to labour mobility, and preferential temporary entry arrangements.</p> <p>Market access</p> <p>CPTPP allows Australian universities and vocational education providers to establish or expand a campus or institution in ASEAN, including in Brunei Darussalam, Malaysia and Vietnam.</p> <p>Mutual recognition of qualifications</p> <p>RCEP includes an Annex on professional services that includes specific disciplines to address regulatory barriers to professional services trade and provides a framework for professional bodies to pursue recognition of qualifications, licenses and registration.</p> <p>Data localisation</p> <p>Under CPTPP businesses will not be forced to build data storage centres, or use local computing services, in CPTPP countries where they wish to conduct business.</p>
More predictable investment environment	<p>MFN treatment</p> <p>If Indonesia provides better outcomes to investors from a third country under a future trade agreement, Australian investors will gain that better treatment under IA-CEPA.</p> <p>Investment protection</p> <p>CPTPP provides additional protections to Australian investors operating in CPTPP countries.</p>
Improved market access	<p>Services</p> <p>RCEP provides new access commitments in key services sectors, including construction and engineering (Indonesia, Thailand, Malaysia); tourism, recreational and cultural services (Thailand, Malaysia); transport (the Philippines, Thailand, Malaysia, Laos); insurance and banking services (the Philippines, Thailand); and ICT (Indonesia, Thailand, Malaysia, Laos).</p> <p>Investment</p> <p>Under CPTPP Vietnam increased its foreign equity cap for ‘strategic’ investors in joint stock commercial banks from 15 to 20 per cent.</p> <p>Goods</p> <p>Under IA-CEPA 99% of Australian goods exports by value to Indonesia will enter duty free or under significantly improved preferential arrangements, compared with 85% under AANZFTA.</p>
Enhanced cooperation and investment links	<p>Cooperation agenda</p> <p>RCEP will include an Economic and Technical Cooperation chapter that provides for trade and investment related cooperation.</p> <p>Partnerships</p> <p>The IA-CEPA skills package also includes reciprocal skills exchange program and workplace skills training program that will help build people-to-people links and increase the Indonesia literacy of Australian business.</p>

Source: DFAT

FOCUS: Building partnerships through FTAs – the IA-CEPA skills package

Vocational Education

Australian suppliers can own 67% of investments in the Indonesian work training sector. There is provision for some recognition of qualifications of Australian training providers - Australian training providers may offer Australian qualifications, and Indonesian qualifications in some subjects.

Reciprocal Skills Exchange Program

This pilot project gives businesses from each country the opportunity to send people with tertiary-level skill qualifications to undertake work-related training for up to six months in the other country. It applies to financial and insurance services; mining, engineering and related technical services, and, information media and telecommunications services.

Workplace Skills Training Program

An MOU focused on skills development through a pilot program on workplace-based training. This allows up to 200 sponsored Indonesians per year to undertake workplace-based training in Australia for up to six months across a range of sectors.

Work and Holiday Arrangements

A separate bilateral arrangement allows Australian and Indonesian travellers aged between 18 and 30 to work and holiday in the other country for up to 12 months. Under IA-CEPA, the annual limit of Work and Holiday visas for Indonesians will increase from 1,000 places to 5,000 by the sixth year.

Source: <https://www.austrade.gov.au/australian/export/free-trade-agreements/iacepa>;
<https://www.dfat.gov.au/about-us/publications/trade-investment/business-envoy/Pages/march-2020/quick-guide-ia-cepa-skills-package>

Annex two:

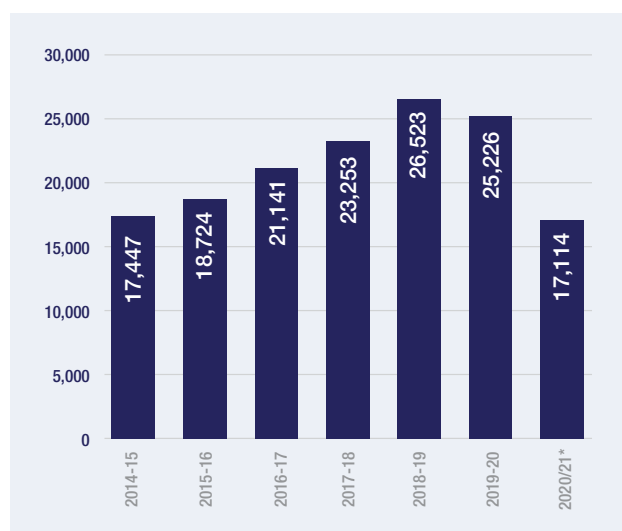
Victoria as a services exporter

Victoria's services exports

Victoria is significant exporter of services to the world. These exports reached a high of \$26.5 billion in 2018/19, though suffered during the pandemic, falling by 35% to \$17.1 billion over 2020/21. This can be largely attributed to border closures and limits on student and tourist mobility.

Up until this time however, Victoria's services exports were growing strongly – expanding by 34.7% since 2015/16 and by over 90% since 2010/11.¹⁴⁴

Victoria's services exports (\$m)



Source: ABS cat 5368.0.55.003 (2020/21 using ABS Cat 52220)

Victoria is a dominant exporter of education and travel services. International education is the largest services export industry, comprising more than half of the state's services exports in 2019/20. Victoria accounts for more than a third of all Australian education exports.¹⁴⁵

Personal travel (which accounts for 18% of Victoria's services exports) and business services (10%) are also significant, followed by transport (predominantly passenger 8%); financial services (4%); computer and information services (about 2%), and personal cultural and recreational services.¹⁴⁶

Victoria's key exports

Victoria's increasing capability in financial and insurance services is reflected in the presence of major Australian retail and institutional banks, a world leading superannuation and asset management sector and emerging fintech industry.¹⁴⁷

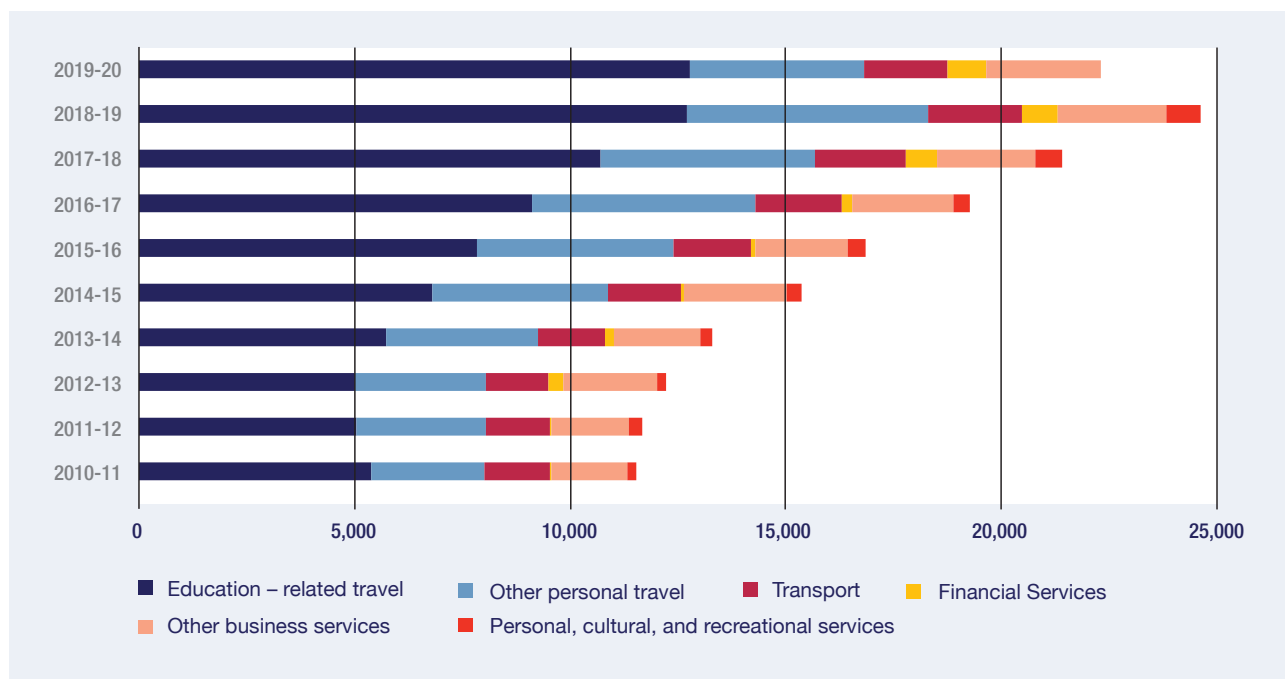
Victoria accounts for more than a quarter of Australia's exports of personal, cultural and recreational services¹⁴⁸, encompassing a wide range of services such as audiovisual and digital gaming, medical research and healthcare delivery systems, training and technologies.

Victoria accounts for over 22% of Australia's exports of business services. Victoria is home to innovative professional services firms that provide design, urban planning, management, legal consulting and technical services to other services and economic sectors including ICT, health, financial, agriculture, infrastructure, and resources industries. Business services support Victoria's advanced services economy.

Sources: https://global.vic.gov.au/_data/assets/pdf_file/0009/327519/12111-DJPR-GV-Southeast-Asia-Strategy_V2-WEB.pdf; <https://global.vic.gov.au/victorias-capabilities/industry-sectors/professional-services/financial-services/>

Up until the past two years, exports across all categories have been growing, including education, travel, transport, business services, financial services, computer and information services, and personal and recreational services.

Composition of Victoria's exports 2010/11 – 2019/20

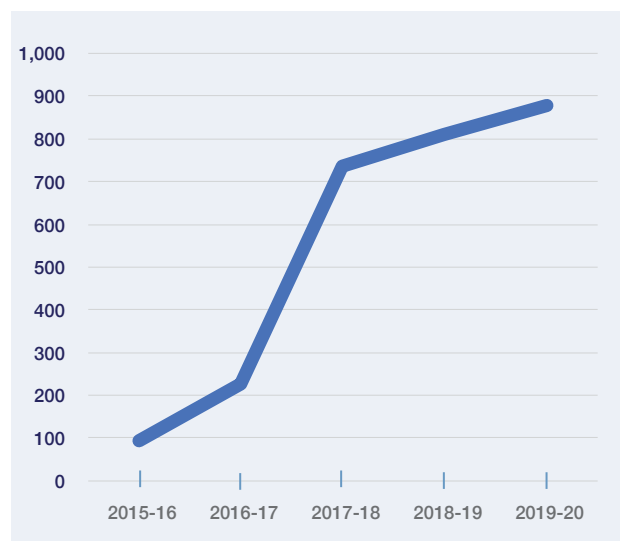


Source: ABS cat 5368.0.55.003

While education, travel and transport related exports fell off during the pandemic, they had been expanding steadily since 2015/16. There has been significant growth in financial services as well as in business services. Exports of recreational and cultural services are also increasing.

Victoria's exports of financial services in particular have grown significantly in recent years. They have expanded from a low base, increasing from \$21 million in 2010/11 to reach \$879 million by 2019/20. Exports expanded by 820% from 2015/16. Notably they also rose during the pandemic, increasing by \$69 million between 2018/19 and 2019/20, while other major exports fell. Insurance and pension services, particularly auxiliary services, experienced similar growth.¹⁴⁹

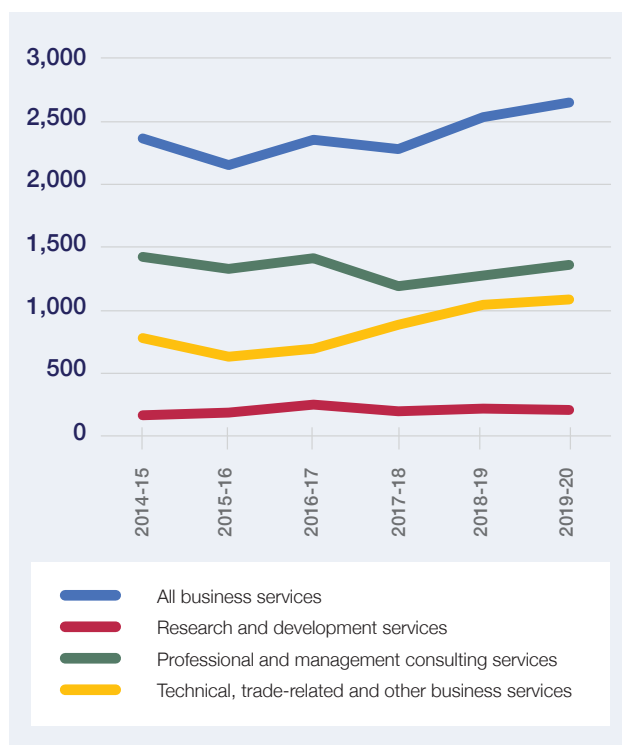
Victoria's services exports (\$m) (excl insurance and pension services)



Source: ABS cat 5368.0.55.003

Business services exports have also grown steadily and held up well during the last two years, increasing 33% between 2010/11 and 19/20, and about 19% - by 501m - since 15/16. Technical, trade related and other business services for example, have shown strong growth.¹⁵⁰ Other technical business services increased by 485m or over 79% over the ten years from 2010/11 to 2019/20.

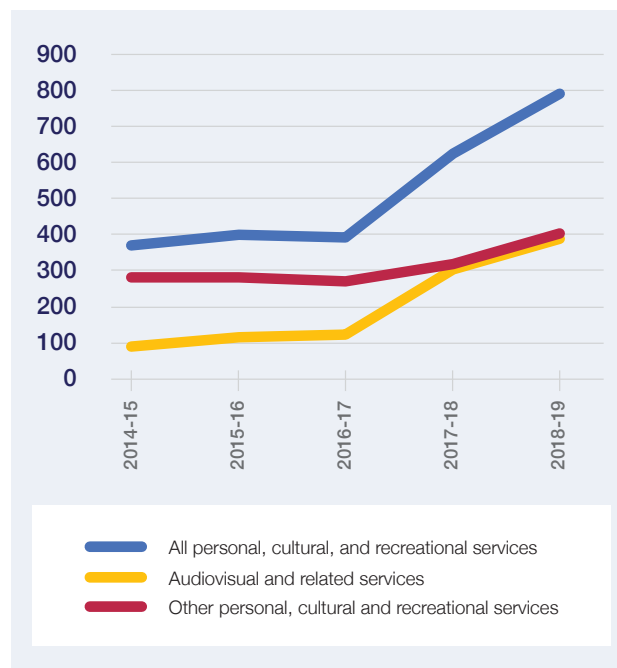
Victoria's exports of business services (\$m)



Source: ABS cat 5368.0.55.003

Victoria's personal and cultural services exports have expanded over the last five years. Total services exports grew by over 50% between 2016/17 and 18/19 (from \$394 million to \$792 million). Audio visual services in particular grew strongly, increasing by over 68%; other exports in this category (including health related services) similarly growing from to \$271 million to \$404 million, by more than 32%.¹⁵¹

Victoria's exports of personal and cultural services (\$m)



Source: ABS cat 5368.0.55.003

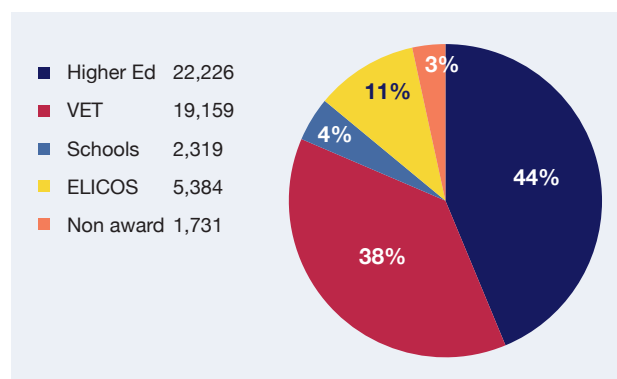
Education and tourism in detail

The ASEAN region is an important and growing market for Victoria's key exports of education and tourism.

Education

In 2020, about 18% of Victoria's student enrolments (284,284) were from ASEAN nationals. This share has remained relatively stable since 2017.¹⁵² Most ASEAN students studying in Victoria are enrolled in higher education. The VET sector is important for students from Malaysia, Myanmar, the Philippines and Vietnam.

Asean student enrolments in Victoria by sector 2020



Source: AEI International Student data 2020

Malaysia and Vietnam are the largest student markets, followed by Indonesia, the Philippines and Thailand. Enrolments from Cambodia, Philippines, and Myanmar are growing. Since 2017 the number of students from Cambodia enrolled in Victoria has increased by 62%; by 264% for Myanmar and by 148% for Philippines. Student numbers from Laos are also growing, albeit are still very low (less than 200 in 2020).

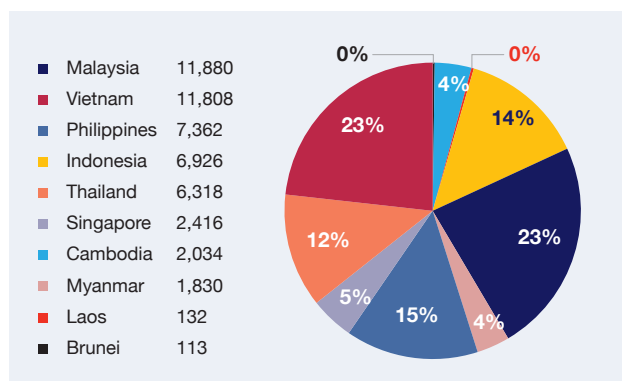
By area of study, students from ASEAN countries are enrolled primarily in management and commerce, followed by social studies, hospitality, health and engineering.

Students from ASEAN countries enrolled in Victoria by area of study, 2019

Study area	Higher Education	VE	Total
Management and Commerce	9,477	10,341	19,818
Society and Culture	2,071	1,975	4,046
Food, Hospitality and Personal Services	81	3,934	4,015
Health	2,338	323	2,661
Engineering and Related Technologies	1,833	644	2,477
Information Technology	1,934	315	2,249
Natural and Physical Sciences	1,893	47	1,940
Creative Arts	1,612	152	1,764
Education	761	505	1,266
Architecture and Building	877	265	1,142
Agriculture, Environmental and Related Studies	122	40	162
Mixed fields	631	457	1,088
Non-award			2,423
English language intensive programs			7,916
School			2,478
Total			55,445

Source: Department of Education and Training

Student enrolments from ASEAN countries by country 2020



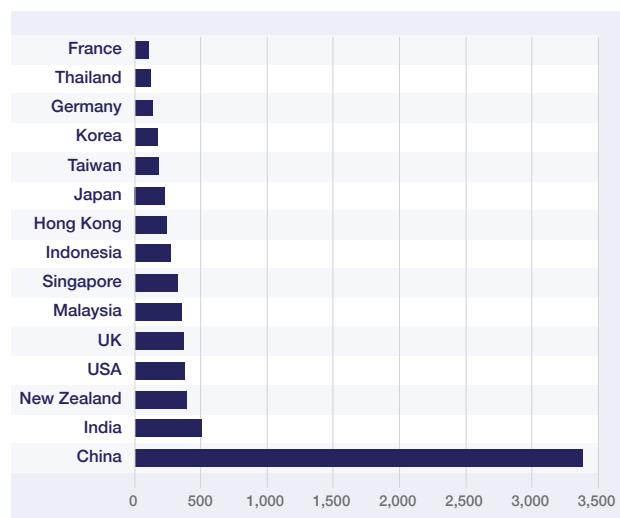
Source: Source: AEI International Student data 2020

Tourism

Tourists from ASEAN countries comprised about 20% of tourists visiting Victoria in 2018/19; collectively more than China (13%). The number and share of arrivals from ASEAN remained relatively steady from 2015/16 up to 2018/19, with numbers dropping off from 2019/20 due to pandemic related border closures.¹⁵³

Several ASEAN countries are among the top 15 tourism markets by visitor spend, including Malaysia, Singapore, Indonesia and Thailand, though ASEAN's collective contribution is still significantly less than China. Average annual growth in tourism expenditure from Singapore and Indonesia is between 6 and 8%. This is a lower rate than for China, India and Japan, as well as several other countries.¹⁵⁴

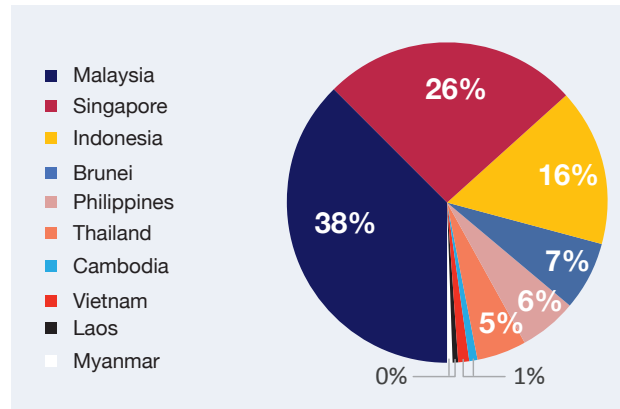
Victoria's international tourism expenditure by origin market, (\$m) 2019



Source: International Visitor Survey, Regional Expenditure Model (REX), Tourism Research Australia International Expenditure in Victoria, year ending Dec 2019

Arrivals from ASEAN countries are predominantly from Malaysia, Singapore and Indonesia, although tourist numbers from Vietnam and the Philippines have been increasing since 2015/16.

Short term tourist arrivals to Victoria by ASEAN country 2018/19



Source: BP0022 Overseas Arrivals and Departures (OAD) pivot table 2019-20

Endnotes

- 01 <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/technology-media-telecommunications/deloitte-cn-tmt-deloitte-launches-technology-empowered-digital-trade-in-asia-pacific-report-en-211214.pdf>
- 02 Digital consumers include people who have used at least one service online, from groceries and food delivery to online entertainment and finance. <https://asia.nikkei.com/Business/Business-trends/ASEAN-s-digital-economy-projected-to-hit-1tn-by-2030> The countries in Southeast Asia with the highest percentage of digital consumers are Malaysia (88% or 22 million people), Indonesia (80% or 165 million people) and Singapore (79% or 4 million people). In Singapore, Malaysia and the Philippines, cross-border e-commerce makes up a significant part of the overall e-commerce market. See https://scontent.fmel8-1.fna.fbcdn.net/v/t39.8562-6/240725403_245810084073631_4081640424985540226_n.pdf?_nc_cat=109&ccb=1-5&_nc_sid=ad8a9d&_nc_ohc=H-V9rEnQQKYAX8SNBqm&_nc_ht=scontent.fmel8-1.fna&oh=00_AT9oYITrRLBoKJkQPha_5i9sHU7eq_hv7GfYcyCx2m-L0Q&oe=620741E4;
- 03 <https://www.facebook.com/business/news/southeast-asia-the-home-for-digital-transformation#Point1>
- 04 Singapore Institute of International Affairs, 2022, Charting ASEAN's Digital Future: Emerging Policy Challenges
- 05 See – <https://asialinkbusiness.com.au/news-media/southeast-asias-digital-boom>;
– <https://www.macquarie.com/au/en/perspectives/delivering-digital-financial-inclusion-in-southeast-asia.html>;
– <https://home.kpmg/xx/en/home/insights/2020/09/pulse-of-fintech-h1-20-global.html>;
– <https://www.mckinsey.com/industries/financial-services/our-insights/digital-banking-in-indonesia-building-loyalty-and-generating-growth>;
– <https://asia.nikkei.com/Business/Business-trends/ASEAN-s-digital-economy-projected-to-hit-1tn-by-2030>;
- 06 <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/technology-media-telecommunications/deloitte-cn-tmt-deloitte-launches-technology-empowered-digital-trade-in-asia-pacific-report-en-211214.pdf>
- 07 <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/the-future-of-healthcare-in-asia-digital-health-ecosystems>
- 08 <https://asia.nikkei.com/Opinion/COVID-s-striking-impact-on-Southeast-Asia-s-digital-economy#>
- 09 https://www.ey.com/en_au/financial-services-asia-pacific/how-2021-will-reshape-southeast-asias-financial-services-ecosystem
- 10 <https://www.eastasiaforum.org/2021/04/20/managing-digital-trade-in-asia/>
- 11 ASEAN ICT Masterplan 2020. See https://asean.org/wp-content/uploads/2021/02/V4.-Final-Draft_-AIM2020_Review_Final_Draft_19Nov2020.pdf
- 12 <https://www.dfat.gov.au/sites/default/files/rcep-outcomes-ecommerce.pdf>
- 13 <https://www.dfat.gov.au/trade/services-and-digital-trade/australia-and-singapore-digital-economy-agreement>
- 14 <https://www.eastasiaforum.org/2021/04/20/managing-digital-trade-in-asia/>
- 15 <https://www.adb.org/sites/default/files/publication/770436/aeir-2022-highlights.pdf>

-
- 16 <https://ustr.gov/sites/default/files/files/reports/2021/2021NTE.pdf>
-
- 17 <https://en.vietnamplus.vn/vietnam-still-no2-coffee-exporter/220183.vnp#:~:text=Nguyen%20Nam%20Hai%2C%20vice%20president,of%20the%20global%20market%20share.>
-
- 18 <https://www.cnbc.com/2021/12/01/coffee-could-rally-for-years-after-hitting-10-year-high-analysts-say.html>
-
- 19 JETRO, The Impact of COVID-19 on Supply Chains in the ASEAN Plus Three Region, with Policy Recommendations available at https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/COVID-19_202011.pdf
-
- 20 See <https://www.dhl.com/content/dam/dhl/global/dhl-global-forwarding/documents/pdf/glo-dgf-ocean-market-update.pdf>
-
- 21 See https://www.scmp.com/economy/china-economy/article/3159054/china-shipping-southeast-asia-sees-prices-surge-tenfold?module=perpetual_scroll_0&pgtype=article&campaign=3159054
-
- 22 <https://fbx.freightos.com/freight-index/FBX>
-
- 23 ACCC (2021), Container stevedoring monitoring report 2020-21, <https://www.accc.gov.au/publications/container-stevedoring-monitoring-report/container-stevedoring-monitoring-report-2020-21>
-
- 24 See <https://www.nytimes.com/2021/06/01/business/coronavirus-global-shortages.html>
-
- 25 See <https://ihsmarkit.com/research-analysis/australiachina-trade-tensions-the-great-escape-july21.html>
-
- 26 See <https://www.dfat.gov.au/about-us/publications/trade-investment/business-envoy/july-2021/trade-diversification-australian-exports>
-
- 27 See, for example, <https://economictimes.indiatimes.com/news/economy/foreign-trade/trade-diversification-away-from-china-may-favour-asean-moodys-investors-service/articleshow/77740922.cms>
-
- 28 For example, some European auto manufacturers – who rely on Ukrainian manufacturers of wiring harnesses – have cut production .Harvard Business Review, How the War in Ukraine Is Further Disrupting Global Supply Chains (2024) <https://hbr.org/2022/03/how-the-war-in-ukraine-is-further-disrupting-global-supply-chains>
-
- 29 BBC (2022), What sanctions are being imposed on Russia over Ukraine invasion?, <https://www.bbc.com/news/world-europe-60125659>
-
- 30 See, for example, Guo et al (2020) <https://www.brandeis.edu/global/faculty/student-research/papers/early-indications-during-us-china-trade-war.pdf>
-
- 31 UNCTAD (2021) ASEAN Investment Report 2020–2021 (<https://unctad.org/webflyer/asean-investment-report-2021>)
-
- 32 UNCTAD (2021) ASEAN Investment Report 2020–2021 (<https://unctad.org/webflyer/asean-investment-report-2021>)
-
- 33 Asia Society (2020) <https://asiasociety.org/australia/path-viet-nam-opportunities-and-market-insights-australian-business>
-
- 34 See, for example, <https://www.cnbc.com/2021/09/06/australian-economy-must-diversify-to-fend-off-china-shocks-treasurer-says.html#:~:text=Australia%20must%20diversify%20its%20economy,of%20recent%20free%20trade%20agreements.>
-
- 35 See <https://www.china-briefing.com/news/made-in-china-2025-explained/>

- 36 See <http://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>
- 37 See <https://www.industry.gov.au/data-and-publications/make-it-happen-the-australian-governments-modern-manufacturing-strategy>
- 38 See <https://www.reuters.com/world/europe/tech-is-make-or-break-issue-eu-chief-executive-says-2021-09-15/>
- 39 See <https://thediplomat.com/2021/06/who-is-winning-southeast-asias-car-wars/>
- 40 <https://www.austrade.gov.au/news/news/international-freight-assistance-mechanism>
- 41 See <https://www.whitehouse.gov/briefing-room/blog/2021/09/23/when-the-chips-are-down-preventing-and-addressing-supply-chain-disruptions/>
- 42 – <https://www.piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide>;
– <https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx>;
– https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3661;
– <https://firb.gov.au/national-security>;
– <https://www.reuters.com/business/energy/indonesias-coal-ban-sends-prices-soaring-other-exporters-fail-step-up-russell-2022-01-24/#:~:text=Indonesia's%20government%20imposed%20a%20month,domestic%20supplies%2C%20but%20by%20Jan.&text=Australia's%20exports%20of%20all%20grades,highest%20since%20September%20last%20year>;
– <https://www.bloomberg.com/news/articles/2021-11-10/wheat-jumps-as-russia-tax-comments-add-fuel-to-a-jittery-market> and
– <https://www.bloomberg.com/news/articles/2021-09-20/russia-s-gas-limits-pose-increasing-concern-u-s-envoy-says>;
– <https://www.globaltradealert.org/>;
– <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/21/fact-sheet-biden-harris-administration-bringing-semiconductor-manufacturing-back-to-america2/#:~:text=It%20includes%20full%20funding%20for,and%20continued%20American%20technological%20leadership>.
- 43 <https://comparativemigrationstudies.springeropen.com/articles/10.1186/s40878-021-00252-2>
- 44 – <https://www.adb.org/sites/default/files/publication/761401/adb-brief-204-labor-mobility-remittances-asia-pacific-covid-19.pdf>;
– <https://www.migrationdataportal.org/regional-data-overview/south-eastern-asia#recent-trends>;
- 45 https://www.oecd.org/southeast-asia/events/regional-forum/OECD_SEA_RegionalForum_2021_Discussion_Note.pdf
- 46 https://www.oecd.org/southeast-asia/events/regional-forum/OECD_SEA_RegionalForum_2021_Discussion_Note.pdf
- 47 Results from the OECD Skills for Jobs database shed some light on which occupations and skills are facing the most pressing skills imbalances. The database uses information on employment, unemployment, hours worked, wages and under-qualification to extract signals of shortage or surplus pressure by occupation. https://www.oecd.org/southeast-asia/events/regional-forum/OECD_SEA_RegionalForum_2021_Discussion_Note.pdf
- 48 https://www.iom.int/sites/g/files/tmzbdl486/files/documents/policy_brief_labour_mobility_and_skills_in_covid_time_final_final_0.pdf; In Singapore, for example, a first step towards a reopening of labour migration was taken in July 2021 when a pilot programme started bringing in migrant workers from India to fill labour shortages in the construction, marine and processing sectors in Singapore. The pilot includes a pandemic-adapted recruitment process that integrates existing training, testing and onboarding processes with COVID-19 testing and quarantine on arrival.

Thailand is also reportedly seeking 400,000 migrant workers to meet workforce demands in the wake of COVID-19 downturns in admission. See https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_832073.pdf;

-
- 49 <http://investasean.asean.org/index.php/page/view/asean-economic-community/view/670/newsid/754>
-
- 50 https://asean.org/wp-content/uploads/2020/11/5-ASEAN-Declaration-on-an-ASEAN-Travel-Corridor-Arrangement_FINAL.pdf
-
- 51 ABAC
-
- 52 https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/8136505/upload_binary/8136505.pdf;fileType=application%2Fpdf#search=%22media/pressrel/8136505%22
-
- 53 – <https://www.dfat.gov.au/sites/default/files/australian-agriculture-visa-fact-sheet.pdf>;
– <https://www.aspistrategist.org.au/australias-asean-worker-scheme-and-southeast-asias-migrant-labour-dilemma/>
-
- 54 See RCEP Annex 8C on Professional Services. <https://www.dfat.gov.au/sites/default/files/rcep-outcomes-services-and-investment.pdf>
-
- 55 <https://www.iea.org/news/southeast-asian-nations-face-growing-energy-security-challenges-and-need-to-accelerate-their-clean-energy-transitions>
-
- 56 <https://www.iea.org/news/southeast-asian-nations-face-growing-energy-security-challenges-and-need-to-accelerate-their-clean-energy-transitions>
-
- 57 IRENA (2016) https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Jan/IRENA_Market_Southeast_Asia_2018.pdf
-
- 58 – <https://www.apec.org/Publications/2012/04/A-Snapshot-of-Current-Trade-Trends-in-Potential-Environmental-Goods-and-Services>;
– <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 59 <https://www.eia.gov/energyexplained/us-energy-facts/>
-
- 60 <https://www.energy-storage.news/news/every-step-of-lithium-battery-value-chain-will-have-an-interest-in-recycling>
-
- 61 <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 62 UNCTAD (2021) <https://asean.org/wp-content/uploads/2021/09/AIR-2020-2021.pdf>
-
- 63 <https://aseanenergy.org/asean-resp-asean-renewable-energy-policies/>
-
- 64 ASEAN Secretary General Lim Jock Hoi in <https://www.reuters.com/business/energy/asean-southeast-asian-nations-tout-green-power-links-ahead-cop26-2021-10-26/> This includes private investments. See https://www.jetro.go.jp/view_interface.php?blockId=32332087
-
- 65 – <https://www.bloomberg.com/news/articles/2021-09-23/outback-to-singapore-solar-power-bid-clears-indonesia-hurdle>;
– <https://www.industry.gov.au/data-and-publications/exporting-solar-energy-under-the-sea-a-potential-world-first-for-australian-technology>;
– <https://www.pm.gov.au/media/australia-indonesia-joint-statement-cooperation-green-economy-and-energy-transition>;
– <https://fuelcellsworks.com/news/geelongport-establishes-the-geelong-hydrogen-hub/>;
– <https://fuelcellsworks.com/news/australia-lion-energy-issues-update-on-green-hydrogen-roadmap/>; <https://lionenergy.com.au>

-
- 66 <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 67 There is as yet no internationally agreed definition of what constitutes an environmental good. The APEC Environmental Goods List includes a list of goods deemed 'environmental goods' by APEC economies. However, new goods not on this list that serve environmental purposes are now emerging. See <https://www.apec.org/publications/2021/10/a-review-of-the-apec-list-of-environmental-goods>
-
- 68 <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 69 <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 70 <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 71 https://www.unescap.org/sites/default/files/S4-Trade_in_envgoods.pdf
-
- 72 Current priorities of the ASEAN energy cooperation are to secure its energy needs and to create favourable conditions for ASEAN's goals in clean energy development. <https://asean.org/our-communities/economic-community/asean-energy-cooperation/priority-areas-of-cooperation/>
-
- 73 Some of ASEAN's other regional commitments include the Strategy 5b of ASEAN's Comprehensive Recovery Framework (2020), Brunei's 8th Priority Economic Deliverable (PED) under its Sustainability thrust as the 2021 ASEAN Chair, and the joint statement by ASEAN Finance Ministers and Central Bank Governors in March 2021 to establish the ASEAN Taxonomy Board and develop an ASEAN Taxonomy for Sustainable Finance. https://www.jetro.go.jp/view_interface.php?blockId=32332087
-
- 74 <https://aseanenergy.org/asean-resp-asean-renewable-energy-policies/>
-
- 75 – <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>;
– <https://www.reedsmith.com/en/perspectives/2021/04/singapore-green-plan-what-does-this-mean-for-sustainable-development>;
– <https://www.greenplan.gov.sg>;
– https://www.oecd-ilibrary.org/sites/0007dd9d-en/1/3/7/index.html?itemId=/content/publication/0007dd9d-en&csp_=30efe11411d35ffc8b15ef4fd828cdb2&itemIGO=oecd&itemContentType=book#section-d1e14366;
– <https://www.ashurst.com/en/news-and-insights/legal-updates/indonesia-renewable-energy-laws-and-regulations-2022>;
– <https://www.energy.vic.gov.au/renewable-energy/victorias-renewable-energy-targets>;
-
- 76 Last year APEC Ministers Responsible for Trade affirmed their readiness to build on the successful legacy of the 2012 EGL, noting that since this time, new environmentally friendly goods, technologies and innovations have emerged that are not covered by the original list. <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
-
- 77 – <https://www.dfat.gov.au/geo/singapore/singapore-australia-green-economy-agreement/singapore-australia-green-economy-agreement-propelling-our-sustainable-future>;
– <https://www.trademinister.gov.au/minister/dan-tehan/media-release/singapore-australia-green-economy-agreement>;
– <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>;

- 78 Other common non-tariff barriers are subsidies implemented in the form of capital injections into firms, in-kind grants, local tax relief and import incentives; local content measures (e.g., localisation requirements) for firms to obtain a benefit; non-automatic import licensing procedures and prohibitions; and contingency trade-protective measures https://www.apec.org/docs/default-source/Publications/2021/10/A-Review-of-the-APEC-List-of-Environmental-Goods/221_PSU_Review-of-APEC-List-of-Environmental-Goods.pdf
- 79 <https://www.apec.org/publications/2021/12/scoping-study-on-new-and-emerging-environmental-goods>
- 80 <https://www.lowyinstitute.org/the-interpreter/australia-indonesia-and-climate-change>
- 81 <https://www.oecd.org/env/clean-energy-finance-and-investment-policy-review-of-indonesia-0007dd9d-en.htm>
- 82 DFAT (2021), State-Country TRIEC Pivot Tables
- 83 DFAT (2021)
- 84 ASEAN accounted for \$12.824b out of total \$92.321b exports in 2019/20. Note some countries are included in one or more regional categories. ASEAN countries included in both APEC and ASEAN totals except for Cambodia, Laos, Myanmar. ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20 Table 5.13 International Trade in Services, Credits, Financial Year by Country & Service, \$m - Services Credits
- 85 DFAT (2021) While not insignificant, it is less than half the number of enrolments from China (44%), and lower than India (24.4%)
- 86 AEI International Student data 2020 <https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2020.aspx>
- 87 Total number Vic arrivals from ASEAN citizens in 2019/20 was 150,400, compared to 239,300 arrivals in 2018/19, and below 2015/16 levels of 200,000. Short term visitor arrivals; from ASEAN (country of citizenship); main reason for travel holiday; up to 6 months duration of stay, into Vic, by air and sea <https://data.gov.au/dataset/ds-dga-5a0ab398-c897-4ae3-986d-f94452a165d7/details>; Source: Abs data for Aus short term arrivals [https://explore.data.abs.gov.au/vis?tm=visitor%20arrivals&pg=0&df\[ds\]=ABS_ABS_TOPICS&df\[id\]=OAD_COUNTRY&df\[ag\]=ABS&df\[vs\]=1.0.0&pd=2018-01%2C2021-10&dq=06.TO5..M&ly\[c\]=TIME_PERIOD&vw=tb](https://explore.data.abs.gov.au/vis?tm=visitor%20arrivals&pg=0&df[ds]=ABS_ABS_TOPICS&df[id]=OAD_COUNTRY&df[ag]=ABS&df[vs]=1.0.0&pd=2018-01%2C2021-10&dq=06.TO5..M&ly[c]=TIME_PERIOD&vw=tb)
- 88 ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20.
- 89 See Annex 1.
- 90 See Annex 1. ABS Cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20.
- 91 See Annex 2. ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20. Table 3.2 International Trade in Services, Credits, State by Financial Year, \$m - Vic.
- 92 For example, Cambodia's imports of financial and insurance services increased from 141 million in 2015 to 174m USD in 2020. Indonesia's imports of these services increased from 1.6b USD in 2015 to 2b in 2020. World bank data <https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=SG>
- 93 ICT held a 10 per cent share of the services imports of Thailand and Malaysia in both 2019 and 2020. World bank data <https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=SG>
- 94 <https://www.abs.gov.au/ausstats/abs@.nsf/66f306f503e529a5ca25697e0017661f/09998F91F5A8A7BFCA25697E0018FB0A?opendocument>

- 95 Defined as Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. See <https://www.imf.org/external/pubs/ft/bop/2007/pdf/chap6.pdf>
- 96 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2020. Table 2. Foreign Investment in Australia: Level of Investment by Country and Country Groups by type of investment and year (\$million); DFAT, International Investment Australia 2020
- 97 including Canada; China; India; Ireland; Japan; Korea; Taiwan; UAE and the UK. See ABS cat 5352.0.
- 98 ABS cat 5352.0
- 99 https://austchamasean.com/wp-content/uploads/2021/08/ABA2021_Final-27-Aug.pdf
- 100 For example, investment from APEC and the EU declined; from the OECD expanded 2.8% and 3.5% for all of Asia. ABS cat 5352.0.
- 101 Levels of Investment from Singapore and Thailand also grew. Since 2010, the stock of investment from Indonesia, and Singapore has increased by 170%; Malaysia over 125%, Thailand and the Philippines by more than 30%. ABS cat 5352.0 See Annex 1.
- 102 <https://asiasociety.org/australia/path-australia-opportunities-and-market-insights-vietnamese-businesses>
- 103 See UNCTAD-Eora Global Value Chain Database.
- 104 OECD TiVA database.
- 105 OECD TiVA database. See Annex 1.
- 106 Global Vic (2019) Globally Connected: Victoria's Southeast Asia Trade and Investment Strategy
- 107 <https://www.dfat.gov.au/geo/southeast-asia/investing-our-southeast-asian-partnerships>
- 108 <https://www.lowyinstitute.org/the-interpreter/do-comprehensive-strategic-partnerships-matter>
- 109 Agreements include the longstanding ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), and more recently the Regional Comprehensive Economic Partnership (RCEP), as well as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) (including Malaysia and Vietnam), and bilateral agreements with Indonesia (the Indonesia-Australia Comprehensive Economic Partnership Agreement - IACEPA), Singapore (the Singapore-Australia Free Trade Agreement - SAFTA), Thailand (the Thailand-Australia Free Trade Agreement - TAFTA) and Malaysia (the Malaysia-Australia Free Trade Agreement - MAFTA)
- 110 DFAT, <https://www.dfat.gov.au/sites/default/files/rcep-outcomes-at-a-glance.pdf>
- 111 – https://global.vic.gov.au/__data/assets/pdf_file/0011/2058086/12111-DJPR-GV-Southeast-Asia-Strategy_V2-WEB.pdf
– <https://global.vic.gov.au/our-programs-and-services/our-programs/global-victoria-trade-alliance>
– <https://global.vic.gov.au/our-programs-and-services/our-programs/export-skills>
– <https://global.vic.gov.au/our-programs-and-services/our-programs/export-recovery-package>
– <https://global.vic.gov.au/our-programs-and-services/our-programs/victorian-ecommerce-network>

- https://business.vic.gov.au/_data/assets/pdf_file/0006/1541454/Info-Flyer-Hamer-Scholarships.pdf
- https://asialinkbusiness.com.au/uploads/content/Asia_Gateway_Flyer_2018_Red.pdf

- 112 Department of Education and Training, 2020 RMIT University, 2021; Senate Standing Committee on Foreign Affairs and Defence, Australia and ASEAN, Australian Government Publishing Service, 1980, pp.55-6; <http://uis.unesco.org/en/uis-student-flow>
- 113 Singapore Institute of International Affairs, 2022, Charting ASEAN's Digital Future: Emerging Policy Challenges
- 114 Australian Government (n.d.); EduGrowth (n.d.); Global Victoria (2020; 2021); Study Melbourne (2020; 2021); Victorian Government (2016; n.d Aus Gov (n.d.). The Australian Edtech Directory. <https://australianedtech.com.au/>; K NARIC (Nov 2021). Guide to Recognition Issues in International Distance Learning: Southeast Asia.
- 115 In aggregate, ASEAN's export performance between 2016 and 2020 has more or less matched that of China. ASEAN's exports grew 21%, from US\$1.15 trillion to US\$1.39 trillion, while China's grew 23 per cent from US\$2.1 trillion to US\$2.59 trillion. With per capita GDP of US\$4,500, ASEAN member countries in aggregate now represent a far less costly source of labor than China. See Stewart Paterson, 'Supply chains are trying to diversify. Will ASEAN step in?', Hinrich Foundation, 2022. See <https://www.hinrich-foundation.com/research/article/fdi/supply-chains-diversify-asean/>
- 116 <https://www.climateworksaustralia.org/news/indonesia-has-set-an-ambitious-target-for-electric-vehicles-what-factors-can-support-the-nations-shift-to-an-electric-dominated-transport-sector/>
- 117 <https://www.indonesia-investments.com/business/industries-sectors/automotive-industry/item6047#:~:text=Indonesia%20is%20the%20second%20largest,production%20in%20the%20ASEAN%20region>
- 118 – <http://www.cleanenergyregulator.gov.au/About/Legislation-and-regulations>;
 – <https://www.energy.vic.gov.au/renewable-energy/victorias-renewable-energy-targets>;
 – <https://www.energy.vic.gov.au/renewable-energy/renewable-energy-zones>;
 – <https://arena.gov.au/arena-at-a-glance/>;
 – <https://arena.gov.au/projects/new-energies-service-station-geelong-demonstration-project/>;
 – <https://www.torquetoyota.com.au/2021/12/13/toyota-opens-state-of-the-art-product-centre-at-altona/>;
 – <https://www.hydrogenenergysupplychain.com/>
- 119 Ziguras, C 2021 Mutual Recognition of Professional Qualifications in the Asia Pacific: Lessons from the Inventory of Mutual Recognition Agreements in APEC, Asia Pacific Economic Cooperation, September, <https://www.apec.org/publications/2021/11/mutual-recognition-of-professional-qualifications-in-the-asia-pacific-lessons-from-the-inventory-of-mutual-recognition-agreements-in-apec>
- 120 [https://research.hinrichfoundation.com/hubfs/White%20Paper%20PDFs/Charting%20ASEANs%20digital%20future%20Emerging%20policy%20challenges%20\(SIIA\)/SIIA%20-%20Charting%20ASEANs%20digital%20future%20-%20Emerging%20policy%20challenges.pdf?__hsfp=3758296965&__hssc=251652889.2.1654124283043&__hstc=251652889.300f5cdb776e6eb8ccdbc666d2e591f9.1654124283043.1654124283043.1654124283043.1](https://research.hinrichfoundation.com/hubfs/White%20Paper%20PDFs/Charting%20ASEANs%20digital%20future%20Emerging%20policy%20challenges%20(SIIA)/SIIA%20-%20Charting%20ASEANs%20digital%20future%20-%20Emerging%20policy%20challenges.pdf?__hsfp=3758296965&__hssc=251652889.2.1654124283043&__hstc=251652889.300f5cdb776e6eb8ccdbc666d2e591f9.1654124283043.1654124283043.1654124283043.1)
- 121 This concept is drawn from Findlay, C., Hoekman, B. Value chain approaches to reducing policy spillovers on international business. J Int Bus Policy 4, 390–409 (2021). <https://doi.org/10.1057/s42214-020-00083-5>
- 122 <https://www.dfat.gov.au/sites/default/files/blueprint-trade-investment-indonesia.pdf>
- 123 All figures from DFAT in \$A unless otherwise specified (2021)
- 124 DFAT (2021)
- 125 Examples in this table are limited to export categories that exhibited greater than 40% growth from 2015 to 2020 and were worth at least AUD5 million in 2020. Some other categories exhibited higher rates of growth, but from a lower base. A selection has been made to include examples from multiple ASEAN member states.
- 126 Some data is available for international education and tourism. See Annex 2.
- 127 ASEAN accounted for \$12.824b out of total \$92.321b exports in 2019/20. Note some countries are included in one or more regional categories. ASEAN countries included in both APEC and ASEAN totals except for Cambodia, Laos, Myanmar. ABS cat 5368.0.55.003 - International Trade: Supplementary Information,

Financial Year, 2019-20 Table 5.13 International Trade in Services, Credits, Financial Year by Country & Service, \$m - Services Credits.

-
- 128 For example, Cambodia's imports of financial and insurance services increased from US\$141 million in 2015 to US\$174 million in 2020. Indonesia's imports of these services increased from US\$1.6 billion in 2015 to US\$2 billion in 2020. World bank data <https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=SG>
-
- 129 ICT held a 10% share of the services imports of Thailand and Malaysia in both 2019 and 2020. World bank data <https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=SG>
-
- 130 <https://www.abs.gov.au/ausstats/abs@.nsf/66f306f503e529a5ca25697e0017661f/09998F91F5A8A7BFCA25697E0018FB0A?opendocument>
-
- 131 Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. See <https://www.imf.org/external/pubs/ft/bop/2007/pdf/chap6.pdf>
-
- 132 ABS Cat 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2020. Table 2. Foreign Investment in Australia: Level of Investment by Country and Country Groups by type of investment and year (\$million); DFAT, International Investment Australia 2020.
-
- 133 – <https://www.invest.vic.gov.au/news-and-events/news/2018/july/niometrics-selects-melbourne-for-its-anz-hr-and-r-and-d-hub>;
– <https://www.invest.vic.gov.au/news-and-events/news/2022/january/indonesian-tech-company-opens-its-technology-hub-in-melbourne>;
– <https://www.invest.vic.gov.au/news-and-events/news/2021/august/tech-giant-ncs-lands-in-melbourne>.
-
- 134 For example, investment from APEC and the EU declined; from the OECD expanded 2.8% and 3.5% for all of Asia. ABS cat 5352.0.
-
- 135 Stocks in 2020. 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2020. Table 2. Foreign Investment in Australia: Level of Investment by Country and Country Groups by type of investment and year (\$million); DFAT, International Investment Australia 2020
-
- 136 Including Canada; China; India; Ireland; Japan; Korea; Taiwan; UAE and the UK. See ABS cat 5352.0.
-
- 137 UNCTAD-Eora Global Value Chain Database
-
- 138 A measure of the foreign value that a country imports and then incorporates into its own exports, plus the domestic value it exports as intermediate inputs to further processing overseas

139 In aggregate, ASEAN's export performance between 2016 and 2020 has more or less matched that of China. ASEAN's exports grew 21%, from US\$1.15 trillion to US\$1.39 trillion, while China's grew 23% from US\$2.1 trillion to US\$2.59 trillion. With per capita GDP of US\$4,500, ASEAN member countries in aggregate now represent a far less costly source of labour than China. See Stewart Paterson, 'Supply chains are trying to diversify. Will ASEAN step in?', Hinrich Foundation, 2022. See <https://www.hinrichfoundation.com/research/article/fdi/supply-chains-diversify-asean/>

140 <https://www.dfat.gov.au/geo/southeast-asia/investing-our-southeast-asian-partnerships>

141 <https://www.lowyinstitute.org/the-interpreter/do-comprehensive-strategic-partnerships-matter>

142 At the ASEAN Australia Summit in November 2020, the then Prime Minister announced a package of approximately \$500 million in new economic, development and security measures to support Southeast Asia's recovery from COVID-19. The package of investments aligns with ASEAN's priorities under the ASEAN Outlook on the IndoPacific. <https://www.dfat.gov.au/geo/southeast-asia/investing-our-southeast-asian-partnerships>.

143 DFAT, <https://www.dfat.gov.au/sites/default/files/rcep-outcomes-at-a-glance.pdf>

144 ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20. Table 3.2 International Trade in Services, Credits, State by Financial Year, \$m - Vic.

145 Victoria's education related exports were \$12.8m in 2019/20 out of a total of 37.5m total Australian exports. ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20. Table 3.2 International Trade in Services, Credits, State by Financial Year, \$m - Vic.

146 ABS cat 5368.0.55.003

147 https://www.invest.vic.gov.au/_data/assets/pdf_file/0008/109970/Melbourne,-a-Leading-Financial-Services-Market.pdf;

148 ABS cat 5368.0.55.003.

149 These services grew from 39m AUD in 2010/11 to 95m in 2019/20. Also increased over 18/19 despite pandemic. Source: ABS cat 5368.0.55.003 - International Trade: Supplementary Information, Financial Year, 2019-20. Table 3.2 International Trade in Services, Credits, State by Financial Year, \$m - Vic.

150 Exports grew from 632m in 15/16 to 1,082 in 19/20. Grew by 450m or 41.5%. See ABS cat 5368.0.55.003.

151 No data reported for 2019/20 at time of writing.

152 AEI International Student data 2020 <https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2020.aspx>

153 Total number Vic arrivals from ASEAN citizens in 2019/20 was 150,400, compared to 239,300 arrivals in 2018/19, and below 2015/16 levels of 200,000. Short term visitor arrivals; from ASEAN (country of citizenship); main reason for travel holiday; up to 6 months duration of stay, into Vic, by air and sea.

<https://data.gov.au/dataset/ds-dga-5a0ab398-c897-4ae3-986d-f94452a165d7/details> ;
Source: Abs data for Aus short term arrivals [https://explore.data.abs.gov.au/vis?tm=visitor%20arrivals&pg=0&df\[ds\]=ABS_ABS_TOPICS&df\[id\]=OAD_COUNTRY&df\[ag\]=ABS&df\[vs\]=1.0.0&pd=2018-01%2C2021-10&dq=06.TO5..M&ly\[c\]=TIME_PERIOD&vw=tb](https://explore.data.abs.gov.au/vis?tm=visitor%20arrivals&pg=0&df[ds]=ABS_ABS_TOPICS&df[id]=OAD_COUNTRY&df[ag]=ABS&df[vs]=1.0.0&pd=2018-01%2C2021-10&dq=06.TO5..M&ly[c]=TIME_PERIOD&vw=tb)

154 International Visitor Survey, Regional Expenditure Model (REX), Tourism Research Australia

International Expenditure in Victoria, year ending Dec 2019. Average annual growth in expenditure from China, India and Japan is over 20%. Spend from Taiwan, the US and the Netherlands has also grown faster, at around 10%.



THE AUSTRALIAN
APEC STUDY CENTRE
Asia Pacific
Economic Cooperation

In partnership with



The Australian APEC Study Centre at RMIT University
50 Cardigan Street, Carlton, VIC 3053 Ph: +61 3 9925 7250

www.apec.org.au

