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Australian companies risk missing ASEAN opportunity

- *Vietnam's rapid economic growth is creating a leading opportunity for Australian education services, particularly in the tertiary and professional areas.*
- *Vietnam is a growing destination for students from other ASEAN countries, creating opportunity for Australian providers to tap into regional demand from a single location*
- *Vietnam is Australia's fastest growing ASEAN trading partner, accessible through AANZFTA and mutual membership of RCEP and TPP negotiations*

Australian companies need to change their mindset if they are to capitalise on the significant opportunities offered by the fast-growing ASEAN market, according to a new report from HSBC Australia and the Export Council of Australia.

"ASEAN is forecast to become the world's fourth largest economy by 2050 so it is crucial for Australia to reinforce its competitive position in the region. New trade agreements and initiatives such as China's Belt and Road Initiative provide a strong platform for more Australian companies to tap into ASEAN's predicted growth," said HSBC Australia's Chief Executive Officer, Tony Cripps.

The ASEAN Connected report includes a detailed examination of six key ASEAN markets: Singapore, Malaysia, the Philippines, Indonesia, Thailand and Vietnam and finds that business success relies on an appropriate risk appetite, on-the-ground engagement and an ability to adapt to different business cultures.

"It is crucial for Australia's future prosperity that we find ways to reinforce our competitive position in ASEAN, as the region becomes more interconnected and attracts more and more of the world's best and brightest," said Export Council of Australia's Chief Executive Officer, Lisa McAuley.

The report's findings include a survey of 83 mid-market enterprises which found that Singapore was by far the most attractive ASEAN market for Australian companies, followed by Indonesia and Malaysia.

According to the report, Vietnam's rapid economic growth is creating a leading opportunity for Australian education services, particularly in the tertiary and professional areas. Australia is already the leading study destination for Vietnamese students, almost 30,000 of whom were enrolled in Australian institutions in 2015¹. This makes Vietnam the

third largest source of overseas students in Australia, after China and India². The education opportunity in Vietnam is large, growing, and multi-faceted. Australia is in a strong position to capitalise on this, considering their well-known education strengths and expertise. According to Australia Department of Foreign Affairs and Trade, education is currently Australia's largest export to Vietnam and a key component of our bilateral relationship.

Vietnam is also Australia's fastest-growing trading partner in ASEAN, with overall trade increasing 12% year-on-year in 2015³. Australian companies can benefit from Vietnam market access provided by AANZFTA, an agreement especially useful in Vietnam's case considering Australia lacks a bilateral FTA with the country. Vietnam is party to both the TPP and RCEP negotiations, and, as a developing country in need of numerous reforms, stands to be one of the biggest beneficiaries of further economic liberalisation through these initiatives. The AEC is likely to have a similar reform-boosting effect.

"There is positivity toward the AEC, because it will allow local markets access to broader goods and services," said Winfield Wong, Head of Wholesale Banking, HSBC Vietnam. "You would also expect more investment, especially from developed countries like Korea, Japan, Thailand, Singapore and Hong Kong. We have seen more upscale production starting to move to Vietnam. Some of the internationally well-known electronics firms are not just looking at manufacturing and chip plants, but also R&D centres, which are being set up this year."

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1-2 "Vietnam Country Brief." Australia Department of Foreign Affairs and Trade.

3 "Vietnam Fact Sheet." Australia Department of Foreign Affairs and Trade, updated June 2016.

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Notes to Editors:

HSBC Vietnam

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank's current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and three full-service branches in Binh Duong, Can Tho, and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, network, product range, staff and customer base.