

/ LOCAL INSIGHT

What can ASEAN offer the international manufacturers?

The Association of Southeast Asian Nations (ASEAN) is one of the most successful inter-governmental organisations in the world today. The ASEAN Free Trade Area (AFTA), which includes its ten member states, has increased Intra-Asia trade fourfold from 2000 to 2017, while global trade grew only 2.8 times in the same period. A key driver of this growth is the manufacturing sector of the ASEAN economies, contributing more than 20% of gross domestic products in markets like Singapore, Indonesia, Malaysia, and Thailand. The sector has shown an annual growth rate of 6.6% between 2016 and 2021 and is attracting more and more foreign investments because of its low operating and transaction costs.

The pandemic has proven to be a golden opportunity for the ASEAN nations to move up the manufacturing value chain. Worldwide political and economic trends, especially the increasing wages and tightening regulations in China and its ongoing trade war with the United States, have prompted international companies to rethink where they make and source their products. **As Boston Consulting Group concludes in its latest analysis of the ASEAN manufacturing sector:** “Companies seek to make their supply chains more resilient against disruption, those in sectors ranging from medical technology to consumer electronics have made a shift to Southeast Asia as a leading alternative location, to diversify their manufacturing footprints and to produce goods closer to end markets.”



What can ASEAN offer your company?













ASEAN is working hard to resolve internal hurdles for international manufacturers in the region. In November 2020 a free trade agreement, The Regional Comprehensive Economic Partnership (RCEP), was signed by fifteen East Asian and Pacific Nations, which is expected to significantly accelerate the flow of finished goods and investment between the Southeast Asian countries and its trade partners such as China, Japan, South Korea and Australia.

“Currently international companies that manufacture in ASEAN for the regional market are still facing challenges when it comes to exporting their products from country to country”, says Arnoul d’Arschot, Head of Advisory & Business Development at ALTIOS International. “But the RCEP will create greater access to Asia’s biggest and most developed markets, which will lower the costs of importing manufacturing inputs, and make it easier for companies to build supply chains that leverage different advantages and skills across the region.”













The Southeast Asian countries that make up ASEAN are no longer just a low cost destination where international companies manufacture their goods at competitive prices to then export them back to Europe or the U.S.. **The markets of the member countries offer very interesting prospects.** For example, sixty-five per cent of the region’s population is expected to be middle class by 2030. In fact, one of the region’s rising stars, Vietnam, took just 10 years, from 2010 to 2019, to double its GDP per capita from 1629 dollar to 3419 dollar.

ASEAN is also preparing its members for the Fourth Industrial Revolution, by setting up structures that give manufacturers in less developed countries, like Indonesia and the Philippines, to work with solution providers from Singapore to adapt to this development faster. “If ASEAN can take full advantage of these trends, it is estimated that by 2030 the region can generate up to 600 billion dollars a year in additional manufacturing output, increase annual foreign-direct investment in manufacturing by up to 22 billion dollars, and create up to 140,000 new jobs a year”, says Arnoul d’Arschot.

/ Today's leading manufacturers in ASEAN and their key industries

Manufacturing as % of the GDP	Segment as % of manufacturing GDP
 \$120 billion - 25.2% Thailand	 Electronics 19%  Apparel 8.8%  Automobile 6.6%
 \$96 billion - 21.5% Singapore	 Electronics 22%  Medical products 17%  Machinery 8%
 \$78 billion - 22.3% Malaysia	 Machinery 27.8%  Electronics 23%  Chemicals 11.6%

/ Emerging ASEAN nations and their key industries

Manufacturing as % of the GDP	Segment as % of manufacturing GDP
 \$158 billion - 25.2% Indonesia	 Agriculture 33%  Electronics 15%  Chemicals 14.7%
 \$70 billion - 21.4% Philippines	 Food 32.6%  Electronics 12%  Apparel 4.2%
 \$45 billion - 23.7% Vietnam	 Agriculture 22.8%  Apparel 15.4%  Machinery 14.7%

Softbox: Manufacturing innovative and award winning packaging systems in ASEAN

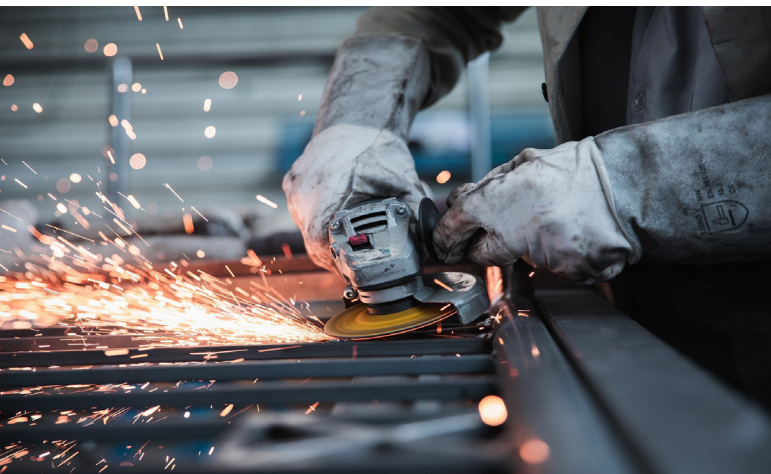
Packaging innovator Softbox is based in Singapore, where it works with multiple manufacturers to produce its award-winning temperature controlled packaging solutions. "Our systems offer a great solution for sectors that need to strictly control the temperature of their products while shipping, like the pharmaceutical industry", explains Christophe Guillot, Regional Manager Asia for Softbox.

"For example, we designed a special, ultra-low temperature system for COVID-19 vaccines in 2020. Creating and manufacturing specific packaging systems requires us to work with manufacturers that are both innovative and detail-oriented."

Softbox is benefitting a lot from the fast adaptation of industry 4.0 solutions in the manufacturing sector of Singapore. "Our solutions initially were only suitable for one time use, but we're currently focusing on the sustainability and the reusability of our products, so we are working on a new range that can be reused several times or refurbished", says Christophe Guillot. "Besides this, the newly available technologies allow us to improve the tracking and control options our clients have with our packaging. For example, customers get better insights in the temperature regulation and the location of the products, which are solutions the market is asking for currently due to the big challenges in global distribution. Our technology makes sure our clients' products will reach their destination with complete integrity."

How to set up manufacturing in ASEAN

If you are interested in setting up a manufacturing location in one of the ASEAN countries, it is important to have a very clear idea of the goal you want to achieve in the region and then select the country that best fits that scenario. "Every country in ASEAN asks for its own approach. They are very different, different economies, they are at different moments in their growth", says Arnoul d'Arschot. "For example, Singapore is a very mature economy, but Indonesia and Vietnam are still developing. You can't approach ASEAN as a whole or with one strategy. It's therefore important to establish your objective and then find a partner with good knowledge on the region to help you find the country that is the right fit for your company and can help you get started there quick and effortless. "



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This article was written from a webinar « Is Asean the new Global Manufacturing Hub?

Insights & Promising Trends » organised in October 2021, with:

- Speakers Arnoul d'Arschot, Head of Advisory and Business Development for ALTIOS Southeast Asia / Bruno Mascart, Group Managing Partner, from ALTIOS,*
- Special guests Christophe Guillot, Asia Regional Manager, Softbox Systems Ltd. / Stéphane Livet, VP Sales Asia, SPS INGROUPE*

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