

Investing in ASEAN

Association of Southeast Asian Nations

2025 | 2026

• one vision • one identity • one community •

| Brunei Darussalam | Cambodia | Indonesia | Lao PDR | Malaysia |







| Myanmar | Philippines | Singapore | Thailand | Vietnam |

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Allurentis is delighted to have been involved in partnership with ASEAN on this, the eleventh publication and would like to thank all sponsoring organisations for their kind contributions. We are confident that it will raise awareness with all readers and prove to be an invaluable resource, especially for those wishing to become involved in the extraordinary business opportunities and growth prospects within the region.

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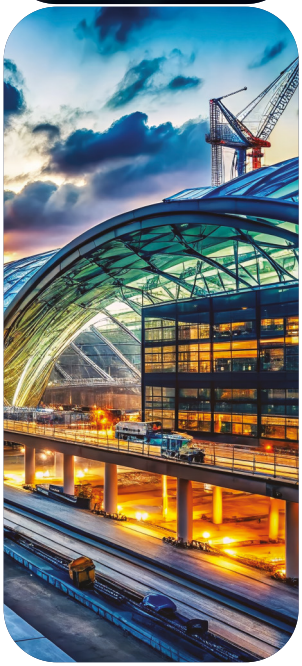
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A region of expanding opportunity

The Association of Southeast Asian Nations (ASEAN) has emerged as one of the world's most dynamic economic regions; a powerful collective force of 10 member states: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. With over 670 million people and a combined GDP of around £3 trillion, ASEAN's development over the past decade and more is testament to the power of regional integration and economic cooperation.

ASEAN's strategic importance in the global economy continues to grow. The bloc is projected to become the world's fourth-largest economy by 2030, driven by strong fundamentals including a rising middle class, digital transformation and increasing intra-regional trade. Despite occasional headwinds including global economic uncertainties and geopolitical tensions, ASEAN's economic resilience has repeatedly proven itself, with the region bouncing back strongly from the pandemic and maintaining impressive growth in the years since.

What makes ASEAN particularly compelling for investors is its unique combination of diversity and cohesion. Each member state brings distinctive strengths to the table – from Singapore's world-class financial services to Vietnam's manufacturing prowess, Indonesia's vast natural resources to Thailand's vibrant tourism industry. This diversity creates a complementary economic ecosystem that collectively strengthens the region's competitiveness on the global stage.

Regional alignment

The ASEAN Economic Community (AEC), established in 2015, continues to deepen integration across the region, progressively eliminating trade barriers and harmonising standards. This integration has been further enhanced by the world's largest free-trade agreement, the Regional Comprehensive Economic Partnership (RCEP), which accounts for around 30% of the world's GDP and over a quarter of global trade. Since coming into force in 2022, RCEP has connected ASEAN with major trading partners including China, Japan, South Korea, Australia, and New Zealand, creating an unprecedented economic zone.

Foreign direct investment (FDI) in ASEAN has also reached significant levels, with the region becoming an increasingly attractive destination for international capital. In 2023, ASEAN attracted £175 billion of FDI, particularly in sectors such as manufacturing, digital infrastructure, renewable energy and healthcare. The 'China+1' strategy has accelerated this trend, as multinational companies diversify their supply chains to enhance resilience and access new growth markets.

Areas of growth

The digital economy is one of ASEAN's most promising frontiers. The region has seen significant growth in e-commerce, digital financial services and technology adoption. Governments are investing in digital infrastructure and supportive regulatory frameworks, as outlined in the ASEAN Digital Masterplan 2025, creating an environment for innovation and digital entrepreneurship.

As witnessed in many regions of the world, sustainability has moved to the forefront of ASEAN's development agenda. Member states are increasingly aligning economic growth with environmental stewardship and social progress. This is reflected in initiatives such as

the ASEAN Strategic Plan of Action on Water Resources Management, which emphasises sustainable water resource development across the region.

Infrastructure development remains a key priority and opportunity, too. From expanding transportation networks connecting major population centres to smart city initiatives transforming urban environments, infrastructure investments are enhancing connectivity and improving quality of life throughout the region. These projects not only address critical development needs but also create substantial opportunities for private sector involvement.

The healthcare and life sciences sectors have also gained increasing prominence in ASEAN's economic landscape. With ageing populations in some member states and rising middle class demand for quality healthcare, investments in medical facilities, pharmaceuticals, biotechnology and digital health solutions are accelerating, often involving overseas partners.

Nuanced approach

While ASEAN offers tremendous opportunities, investors should approach the region with a nuanced understanding of its complexity. Regulatory environments, business practices and market conditions vary significantly across member states. Success often depends on developing country-specific strategies while leveraging the advantages of regional integration.



As ASEAN continues its remarkable journey of economic development and integration, the region offers a compelling proposition for global investors. Its combination of market scale, growth potential, strategic location and increasingly sophisticated business ecosystem makes it an essential component of any forward-looking global investment strategy. For those willing to understand its dynamics and engage meaningfully with its diverse markets, ASEAN represents not just a region of opportunity today, but a pivotal economic force for decades to come.

UK-ASEAN Business Council

The Rt Hon. the Lord Vaizey of Didcot, Chair, UKABC



The Rt Hon. the Lord Vaizey of Didcot

ASEAN is a region of growing geo-economic significance and one that all UK companies must consider in their global outreach. With over 680 million people, a youthful and increasingly digital population, and a GDP that positions it among the world's top five economies, ASEAN is currently set to become the fourth-largest economy globally by 2030. Its strategic location, economic integration, and focus on sustainability and digitalisation make it an indispensable partner in today's shifting global landscape.

Total trade between the UK and ASEAN is around £50 billion, underscoring the depth of our economic relationship and the growing interest from UK companies. From professional services and clean energy to education, infrastructure and fintech, UK businesses are well-placed to contribute to ASEAN's development priorities.

IN 2025 the UK-ASEAN Business Council is proud to support Malaysia's Chairmanship of ASEAN, during which we anticipate significant progress on regional economic cooperation. One of the most exciting developments is the ASEAN Digital Economy Framework Agreement (DEFA), which is expected to unlock the potential of a US$2 trillion digital economy by 2030. This initiative will accelerate trade, drive innovation, and provide a stronger digital backbone for regional integration – creating new opportunities for UK digital and tech firms.

The UK and ASEAN enjoy a deepening and strategic partnership, grounded in mutual economic interests and shared global values. The UK's Dialogue Partner status, now in its fourth year, and the implementation of the UK-ASEAN Plan of Action, and our collaboration across trade, climate, digitalisation, education, and health all reflect the growing breadth and ambition of our engagement. As we look ahead, this partnership will be instrumental in advancing inclusive, rules-based growth and positioning UK businesses as long-term partners in ASEAN's future.

As ASEAN continues to strengthen its internal integration and external partnerships, it is becoming a key player in shaping global economic rules, digital standards, and green finance flows. For UK businesses, this is not a region to observe from a distance – but to engage with directly, with ambition and intent.

The UK-ASEAN Business Council remains committed to helping British businesses navigate ASEAN's opportunities. Now is the time to invest in ASEAN – and be part of its dynamic future.

www.ukabc.org.uk

EU-ASEAN Business Council

Jens Ruebbert, Chairman, EU-ABC



Jens Ruebbert

In difficult geopolitical and geoeconomic times, ASEAN remains one of the few bright spots of economic growth in the world. Whatever is happening in terms of trade wars, or actual wars, globally, the fundamentals of ASEAN's growth story remain the same: strong GDP growth, relatively young tech-savvy populations, rapid movement up the development ladder, high rates of urbanisation, growing middle classes, and a key source of critical raw materials. Combine all of this with the increased desire to ensure sustainable and just economic growth, increasing awareness of the need for green economies, secure energy transition and tackling climate change, there is much to admire about Southeast Asia. And that is before we look at the progress that has been made on regional economic integration, and the further steps forward the Kuala Lumpur Declaration on ASEAN's Shared Future promises to bring.

It is a well-known fact that European businesses consistently see ASEAN as a region to invest and expand operations. This has been consistently borne out in the responses to the Council's annual Business Sentiment Survey. In 2024, more than six out of ten respondents said they see ASEAN as the region of best economic opportunity over the next five years. I see no reason why the 2025 Survey will produce any different result. More than eight out of ten respondents said they intend to expand operations over the next five years.

With two bilateral Free Trade Agreements already in place with Singapore and Vietnam, and four more currently under negotiation (Indonesia, Malaysia, the Philippines and Thailand), the future for trade and investment between Europe and ASEAN is looking very bright. The Council remains confident that the four FTAs being negotiated could be signed before the end of 2026, further enhancing the position of ASEAN as a destination for European businesses to make investments and for trade.

The Governments of ASEAN are consistently demonstrating a desire to focus on FDI and to ensure the right conditions are in place to allow businesses of all types to flourish. Be it in semi-conductors, automotive, pharmaceuticals, energy transition and renewable energy, technology, financial services, or a host of other sectors that our members operate in, the future is bright for them in ASEAN. And it is brighter still for the citizens of Southeast Asia.

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Harnessing opportunities for trade and investment in the ASEAN region

Noel Clehane, Global Head of Public Policy, BDO



Noel Clehane

A wide range of opportunities exist for UK businesses to trade with and expand into ASEAN, according to Noel Clehane, Global Head of Public Policy at BDO, the international accounting and advisory network, which has offices throughout the region.

What do you see as the principal attractions of the ASEAN region to UK businesses?

This is a huge economic region, with a population of over 650 million people, and its six largest economies, with some exceptions, have been growing at 5%-8% a year for several years. Those six largest ASEAN economies are of vital geopolitical and geoeconomic importance to European countries and businesses generally, including those from the UK. The trade policies of President Trump since his return to office have arguably further elevated the importance of ASEAN to European businesses.

The ASEAN region generally has very positive demographics, a fast-expanding middle class and a young and educated workforce with fast growing digital economies. Levels of GDP growth are significant and UK and European companies have been diversifying their supply-chains for some time, away from China into the ASEAN region and in particular to Vietnam, Malaysia, the Philippines and Indonesia. The ASEAN market itself is significant and growing and in aggregate is expected to be the fifth largest economy globally by 2030.

Could you explain what trade agreements there are between the UK and ASEAN?

In December 2024 the UK joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which now has twelve countries in it and the UK has become the first non-Asia Pacific country to become a member.

A second trade agreement that specifically involves the ten ASEAN countries and five other major Asia-Pacific economies is known as the Regional Comprehensive Economic Partnership (RCEP). Some would say it is not as ambitious as the CPTPP, but it is a trade agreement that encompasses all of the ASEAN countries, four of which are members of the CPTPP, and are therefore open to UK businesses. The RCEP agreement also includes China, Japan, South Korea, Australia and New Zealand.

There is a lot of overlap between these trade agreements and others in Asia-Pacific, sometimes referred to as a 'noodle bowl' of preferential trade agreements, and British companies establishing in ASEAN countries can

avail of the terms of the agreements that best suit them when trading in the region. In addition, the UK has specific free trade agreements with two ASEAN countries, Singapore and Vietnam, has an enhanced trade partnership with Thailand and Joint Economic Trade Committee (JETCOs) with three more, Malaysia, Indonesia and the Philippines.

What impact is the threat of US import tariffs having on the ASEAN region?

President Trump has threatened to impose tariffs on any countries which have a trade surplus with the US and that applies to a number of countries in the region, notably Thailand and Vietnam, but also Indonesia, so these countries are nervous about the potential impact on their exports of new tariffs and other US trade measures.

ASEAN countries are also nervous about tension between the US and China, because they have already seen that as Chinese companies have difficulty accessing the US market they have flooded Southeast Asia and Europe with cheap products such as electric vehicles and solar panels. As a result of these geoeconomic developments, ASEAN countries welcome investment from Europe and the UK in order to reduce their trade and investment dependency on both China and the US.

How do you see future development of ASEAN?

I am Vice Chairman of the EU-ASEAN Business Council, many of whose members are British businesses and in our latest annual survey across the region, 86% of members expected to increase their trade and investment in ASEAN over the next five years. As ASEAN integrates its economies further through the ASEAN Economic Community (AEC), it is looking to harmonise regulatory standards and customs procedures to create something that looks like the European Single Market, so that makes it very attractive to British companies wanting to be active in the region.

ASEAN offers huge potential and possibilities for UK business. The UK is very well-regarded in the region and British companies



have high-tech skills, services and products much in demand in the region including in clean energy, education, digital and financial services sectors.

International trade is not for the faint-hearted if you are a SME, and trade on the far side of the world is definitely not for the faint-hearted. For niche high-tech UK SMEs however, there are huge opportunities to bring their specialist knowledge and help ASEAN countries to green and digitise their economies and build infrastructure.

At BDO we see strong interest in ASEAN from our British clients across all sectors and we expect to see that increase further in the year ahead. To learn more about how BDO could help your business across the ASEAN region contact Noel Clehane: **noel.clehane@bdo.global** or Marty Lau: **marty.lau@bdo.co.uk**.

Financial services: Powering ASEAN's economic rise

Already the world's fifth largest economy, ASEAN is projected to become the fourth largest by 2030[1]. Behind this remarkable trajectory lies a financial services sector undergoing rapid transformation, presenting significant opportunities for global investors and businesses alike.

Economic context

ASEAN's financial markets have historically been heavily dependent on bank financing, with bank credit representing 88% of GDP compared to market-based financing at 54%[2]. However, capital markets are growing in importance as authorities implement reforms to diversify funding sources and channel investment toward innovative, sustainable businesses.

The region has seen a notable increase in capital market activity in recent years. The eight major ASEAN exchanges host nearly 3,900 listed companies with a market capitalisation representing 66% of the region's GDP[3]. Significant differences exist between markets, with Singapore, Malaysia and Thailand showing more developed equity markets (84%-97% of GDP), while Cambodia and Laos remain at earlier stages of development (17% and 4% of GDP respectively).

Digital transformation

Digital financial services have witnessed explosive growth across the region. Digital payments have become the most widely used digital applications after social media, with e-banking and e-wallet applications showing particularly strong penetration.

According to the ASEAN Digital Generation Report[4], 84% of respondents had used digital payment services, while 71% were frequent users performing payments mostly through online channels. The report also highlights the role digital finance has played in boosting financial inclusion for underserved groups:

- Over 50% of rural dwellers who use financial services access them digitally
- 65% of women have adopted digital finance apps (compared to 59% of men)
- One in five women needing loans now borrow from fintech lenders, making this the second most important source of formal borrowing after banks.

Artificial Intelligence (AI) is also reshaping financial services across the region. Major financial institutions are increasingly deploying AI applications for customer service, fraud detection, and credit assessment. For instance, Malaysia's Kakaobank has developed AI systems to explain decision-making processes to users, while Vietnam's VietABank uses AI for transaction monitoring to detect fraud in foreign currency transactions, personal credit, and digital banking[5].

Sustainable finance

Sustainable finance has emerged as a major growth area. Within ASEAN, corporations have issued £35 billion in sustainable bonds, or around 6% of the Asian total. While green bonds remain dominant (76% of

> Major financial institutions are increasingly deploying AI applications for customer service, fraud detection, and credit assessment.

issuance), sustainability bonds are gaining traction, particularly in ASEAN countries where they account for 36% of sustainable issuance[6].

The region has developed robust frameworks for sustainable finance, including the ASEAN Green Bond Standards, ASEAN Social Bond Standards, ASEAN Sustainability Bond Standards, and ASEAN Sustainability-Linked Bond Standards. These frameworks align with international standards while addressing regional priorities, creating a distinctly ASEAN sustainable finance ecosystem.

Investment landscape

For overseas investors, ASEAN presents a diverse range of opportunities across its financial markets. While institutional investors currently hold only 10% of public equity in ASEAN (compared to 45% globally), there is significant potential for growth as markets deepen and mature[7].

Several specific areas present particularly compelling opportunities:

1 | Digital financial services: The region's fintech ecosystem is flourishing, with innovations in payments, lending, wealth management, and insurance. Companies offering AI-based banking services, robo-advisory platforms, and digital lending solutions are expanding rapidly across the region.

2 | SME financing: Micro, small and medium enterprises (MSMEs) face persistent financing gaps, with only 58% of micro-enterprises receiving credit from financial institutions. This presents opportunities for innovative lending platforms using alternative data for credit assessment.

3 | Corporate bond market: As ASEAN economies seek to diversify funding sources, efforts to deepen corporate bond markets are creating new avenues for investment. Credit rating agencies, bond market infrastructure providers, and fixed-income asset managers stand to benefit.

4 | Cross-border payments: The region is working to enhance interoperability for cross-border payments, with the ASEAN Working Committee on Payment and Settlement Systems developing policy guidelines.

5 | Sustainable finance: With increasing focus on environmental and social factors, financial products supporting the transition to sustainable business models are seeing robust growth. This includes not only green bonds, but also sustainability-linked loans and transition finance instruments.

Future outlook

ASEAN's financial services sector has made significant progress in recent years, but challenges undoubtedly remain. Secondary market liquidity remains low compared to international standards, with most markets showing turnover ratios below global averages. Regulatory fragmentation across member states can also complicate cross-border provision of services, though regional initiatives are working to address this.

The uneven development of digital infrastructure also creates disparities in access to financial services. While Singapore boasts world-class digital infrastructure, for example, less developed markets still struggle with connectivity issues that hamper financial inclusion efforts.

Nevertheless, as regional integration deepens and digital transformation accelerates, ASEAN's financial services sector is expected to achieve substantial growth. The bloc's young population, expanding middle class, and increasing urbanisation provide strong tailwinds for financial services providers. With its collective GDP projected to reach £3.5 trillion by 2030, ASEAN represents one of the most promising financial markets globally.



The region offers a compelling combination of established markets with sophisticated financial systems alongside frontier markets with significant untapped potential. Those who can navigate the region's diversity and adapt their offerings to local needs, stand to benefit from ASEAN's continued economic rise.

[1] Asean.org, ASEAN Statistical Brief 2024
[2] OECD, Mobilising ASEAN Capital Markets for Sustainable Growth, 2024
[3] OECD, Mobilising ASEAN Capital Markets for Sustainable Growth, 2024
[4] World Economic Forum, ASEAN Digital Generation Report, 2022
[5] OECD, Mobilising ASEAN Capital Markets for Sustainable Growth, 2024
[6] OECD, Mobilising ASEAN Capital Markets for Sustainable Growth, 2024
[7] OECD, Mobilising ASEAN Capital Markets for Sustainable Growth, 2024


ACCA
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ACCA is dedicated to building a *resilient* accountancy profession through *globally recognised* qualifications, advancing ESG *expertise*, and supporting cross-border *collaboration*.
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Accounting for the future: Powering ASEAN's transformation

Helen Brand, Chief Executive, ACCA



Helen Brand

ACCA Chief Executive, Helen Brand, explores the growing contribution of accountants to ASEAN's business and economic success, and their expanding role in driving sustainability and leveraging technology.

How does ACCA contribute to developing the accountancy profession across ASEAN?

We have a proud history of supporting the development of the accountancy profession across ASEAN. 2024 marked our 88th anniversary in Singapore and Malaysia, and we now have 30,000 members in the region working in a huge variety of roles in all sectors.

Our collaborative approach underpins this success. We work closely with governments, regulators, and educational institutions to strengthen talent pipelines to meet the growing demand from employers for accountancy skills.

For example, our integration into Malaysia's Accountants Act recognises ACCA qualifications as a route to becoming a professional accountant. In Vietnam, we partner with the Ministry of Finance on the Joint Education Scheme; in Cambodia, we collaborate with the Cambodia Institute of Certified Public Accountants and Auditors; and in Brunei and Laos, we help to develop chartered accountancy qualifications.

From sustainability to AI, corporate governance and transparency to human capital and talent mobility, ASEAN is at the cutting edge of social and economic change. We have an important contribution to make in all of these areas.

Our engagement with employers is extensive and critical, ensuring our qualifications and the range of learning opportunities we provide – covering these areas and many more – meet their needs and are as relevant and forward-looking as possible. This helps us tailor learning pathways to meet real-world needs. A recent example is an ESG training programme we've developed with KPMG in Singapore, equipping finance professionals with practical skills in this field of increasing importance to employers.

Our insights reports offer valuable research and toolkits which help our quarter of a million members in 180 countries across the world – together with the wider profession and business community – think ahead and embrace new opportunities and challenges.

What are ACCA's priorities in the ASEAN region, and how do these align with the region's economic growth and transformation?

Our overall ambition is to lead the accountancy profession for a changed world. We focus on driving the career success of members, connecting employers with the talent they need to be successful, and building sustainable future value for all of our stakeholders across ASEAN and the rest of the world.

> These are exciting times for current and next generation accountants in ASEAN seeking purposeful, stimulating work and a broadening range of roles.

We're also redefining what it means to be an accountant. The twin forces of sustainability and technology are creating significant and exciting opportunities to expand their role. This aligns with the expected needs of employers in ASEAN, as well as the region's wider growth agenda and rapid transformation.

We champion sustainability by providing tools and guidance to help accountants embed ESG considerations into business decision-making, reporting and strategy. On technology, we equip accountants to embrace advances such as AI and data analytics. Our members in ASEAN and other parts of the world are increasingly driving these areas forward.

Talent mobility to meet the needs of employers and the ambitions of our members is also another key focus, which we support through our extensive global connections. We work to ensure the ACCA Qualification is recognised internationally, creating opportunities for members to move across borders, reinforcing ASEAN's drive towards deeper integration and sustainable growth.

The UK is a key partner for ASEAN in trade and economic development. How does ACCA support this?

Our large member communities in both regions enable us to connect expertise, standards, and talent across borders, and we collaborate with UK and ASEAN governments to strengthen regional ties.

In September 2024, we took part in the UK-ASEAN Economic Consultation to explore new opportunities for cross-border collaboration. With Malaysia's ASEAN chairmanship in 2025, we look forward to further collaboration. We also work with the UK-ASEAN Business Council to support the continued growth of trade.

The day-to-day work of our members in driving growth and attracting investment is key. Central to this is the evolving role of the CFO, who increasingly serves as a crucial value creator by guiding strategic investment decisions and championing sustainable economic development. We work to equip CFOs with future-focused skills and cutting-edge competencies, ensuring they can lead organisations through fast-changing regulatory environments, and seize financial, green and digital opportunities.

As ASEAN economies increasingly adopt digital and green practices, what opportunities and challenges do you foresee for the accountancy profession in the region?

These are exciting times for current and next generation accountants in ASEAN seeking purposeful, stimulating work and a broadening range of roles. Opportunities abound as businesses look to accountants for guidance on integrating technology, enhancing transparency, and embedding ESG principles into decision-making.

But challenges remain. Keeping pace with technological advancements and sustainability standards require accountants to constantly upskill and adapt.

By anticipating industry needs and preparing accountants to seize emerging opportunities, we work to ensure the accountancy profession remains resilient, relevant, and ready to meet ASEAN's evolving demands.

ASEAN's Green Future: A guide to FDI and sustainable investment opportunities

TWLS (TWL Law Group)



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Introduction: ASEAN's rising investment hub in a dynamic global economy

The Association of Southeast Asian Nations (ASEAN) is emerging as a dynamic economic hub, attracting significant foreign direct investment (FDI) due to its strategic location and a population of over 650 million, mostly in productive age groups. This combination offers unique opportunities through rapid economic growth, expanding consumer markets, and a youthful workforce. The region is recognised for resilience amidst global economic shifts, bolstered by initiatives like the ASEAN Economic Community (AEC), enhancing its global market position. ASEAN countries present diverse investment prospects in technology, infrastructure, and consumer markets, with a strong emphasis on sustainability through green finance and eco-friendly practices. These factors, alongside favourable legal frameworks, strategic policies, and trade agreements, make ASEAN a compelling destination for investors seeking stable yet high-growth markets, while also highlighting the critical FDI investment rules and challenges within the region's regulatory landscape.

FDI investment rules in ASEAN: Navigating the regulatory landscape

Each ASEAN country has its own set of FDI laws and regulations governing foreign ownership, operations, and investment inflows. While nations like Singapore and Malaysia adopt relatively open policies with minimal restrictions on foreign ownership in most sectors, others, such as Thailand, Vietnam, Indonesia and the Philippines, impose limits, particularly in industries of national interest like agriculture, natural resources and public utilities. Indonesia's Negative Investment List (DNI) restricts foreign ownership in sectors such as agriculture, telecommunications, and media to protect local businesses, whereas Singapore provides a robust legal framework that facilitates foreign

investment with minimal barriers. Similarly, Malaysia promotes foreign investment, particularly in high-tech, digital, and renewable energy sectors, through clear guidelines and incentives set by its Investment Development Authority (MIDA).

Investment incentives and protection

ASEAN nations attract FDI by offering incentives such as tax exemptions, special economic zones (SEZs), and financial subsidies. For example, Thailand's Board of Investment provides tax incentives for sectors like renewable energy, automotive and biotechnology, while the Philippines offers tax holidays and duty-free imports in infrastructure and IT. Moreover, ASEAN countries enhance foreign investor protection through investment protection agreements (IPAs) and bilateral trade agreements (BTAs), ensuring fair treatment, protection against expropriation, and dispute resolution mechanisms, thus providing significant legal safeguards for investors.

Challenges in FDI across ASEAN

While ASEAN offers a conducive environment for FDI, investors must be aware of several regulatory challenges. One of the primary issues is the disparity in local regulations, which can create compliance complexities for multinational corporations.

For example, differing tax laws, labour regulations, and environmental standards across ASEAN states may require investors to adapt their strategies depending on where they operate.

Furthermore, transparency and governance remain areas where progress is needed. Despite efforts to modernise regulatory frameworks, corruption, inconsistent enforcement of laws and a lack of regulatory predictability can hinder business operations in certain jurisdictions. Thus, it is critical for investors to conduct thorough due diligence, ensuring alignment with local laws and understanding potential risks related to regulatory inconsistencies.

Sustainability and carbon emission regulations in ASEAN

A path to green investments and development

Sustainability is increasingly shaping the economic, environmental, and social policies across the ASEAN region, positioning it at the



forefront of the global transition toward greener practices. The region's diverse member states are balancing rapid economic growth with environmental stewardship and social well-being, aligning with both international climate agreements and regional goals. This transition is not only a response to the global climate crisis but also a strategic initiative to attract sustainable investments and ensure long-term prosperity. Significant investments are pouring into sectors like energy, infrastructure, and manufacturing, with a strong focus on renewable energy, including solar, wind, and hydropower, to reduce dependence on fossil fuels. Governments are fostering green growth through tax incentives and subsidies, while also supporting innovation through

> Sustainability is increasingly shaping the economic, environmental, and social policies across the ASEAN region.

collaborations with academic institutions and private R&D firms in areas such as renewable energy, carbon capture, waste management, and energy efficiency. This momentum is positioning ASEAN as a leader in sustainable development and green investment.

Key regulations and incentives promoting eco-friendly business practices

A key driver of sustainable investment in ASEAN is the adoption of regulations promoting carbon reduction and green business practices. Countries have set ambitious emission targets, such as Indonesia's 29% and the Philippines' 70% reduction by 2030, reflecting strong government commitment. Green finance initiatives, including Singapore's Green Finance Action Plan and green bonds in Malaysia and Thailand, support eco-friendly projects. ESG reporting is also expanding, with Singapore mandating disclosures for listed companies and Thailand proposing similar guidelines. Additionally, ASEAN governments are advancing renewable energy through incentives such as Vietnam's target of 30% renewable electricity by 2030, encouraging clean energy investments.

Beyond regulatory measures, ASEAN countries are proactively driving sustainable development through ambitious national goals and strategic initiatives. Indonesia supports green growth with major tax incentives, aiming to become the world's fourth-largest economy by 2045. Vietnam is investing heavily in solar, wind, and green hydrogen, positioning itself as a regional energy leader. Thailand and Malaysia focus on green finance, with Thailand offering tax breaks and incentives for renewable energy projects, while Malaysia promotes Carbon Capture, Utilisation, and Storage (CCUS) technologies. Singapore advances a low-carbon future with its US$5 billion Future Energy Fund and R&D incentives. Together, these efforts position ASEAN as a leading force in sustainable development. By integrating green finance, regulatory advancements, and investment incentives, the region is not only fostering economic growth but also ensuring long-term environmental and social sustainability.

Conclusion: ASEAN's investment potential in sustainability

In conclusion, ASEAN stands out as a prime destination for FDI, driven by its investor-friendly policies and dynamic growth environment. The region's strong commitment to balancing robust economic growth with sustainability ensures a long-term, resilient investment climate that offers substantial opportunities across various sectors such as renewable energy, green technology, and sustainable infrastructure. With a clear focus on green development and innovation, ASEAN is well-positioned to attract sustainable investments that align with global goals.

Now is the time to seize the many opportunities available in this evolving investment landscape, capitalising on the region's growth potential while contributing to a more sustainable future.

TWLS

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TWLS is a Thai affiliated company of Thanlwin Legal. TWL Law Group is headquartered in Taiwan.

Over the years, TWL Law Group has won several accolades and have been highly recognized by IFLR1000, Asia Law, Legal500, AmCham, Word Bank, as well as local authorities such as government authorities across various jurisdictions of Southeast Asia.


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Business & Consumers: Rising consumer powerhouse

Long in the shadow of neighbouring economic giants such as China and India, ASEAN has quietly blossomed into one of the world's most vibrant consumer markets. With a population exceeding 670 million people and a combined GDP of approximately £3 trillion, ASEAN now represents the fifth-largest economy globally, making it an increasingly attractive destination for overseas businesses and investors.

Market of growing significance

ASEAN's economic trajectory has been remarkable, with the bloc's GDP soaring 51% from £1.9 trillion in 2015 to £2.9 trillion in 2023[1]. Trade figures are equally impressive, with total trade in goods reaching just under £3 trillion in 2022, representing a 14.9% increase since 2017. Impressively, the bloc achieved a trade surplus of £60 billion in the same year[2].

The consumer spending landscape across the region is becoming increasingly significant on the global stage. Private consumption is projected to grow by an additional £5.4 trillion over the next decade[3]. Current projections suggest ASEAN is on track to become the world's fourth-largest economy by 2030[4], underscoring its growing importance in the global economic order.

Demographic advantages

ASEAN's demographic profile presents both opportunities and challenges. The region boasts a predominantly young population, with nearly half under the age of 30[5]. This demographic dividend provides a dynamic, adaptable, and technologically savvy consumer base.

However, the region is also experiencing a gradual aging trend, with the percentage of people over 45 expected to rise from 40% to 55% over the next decade[6]. This demographic shift will inevitably reshape consumer priorities and spending patterns, creating new market opportunities, particularly in healthcare, personal care, and related services.

Consumer priorities

According to a 2024 study[7], consumer sentiment across ASEAN varies considerably, largely correlating with economic prospects. In countries with the highest GDP growth, consumer outlooks tend to be optimistic, such as Vietnam (71% positive), Indonesia (56%), and Malaysia (54%). In contrast, Thailand (38%) shows more moderate consumer confidence.

The study reveals that finances remain the primary concern for regional consumers, with 78% expressing worry about their financial situations. Despite these concerns, over 80% of respondents expect to be financially better off or maintain their current financial position in the coming year.

Current spending priorities across the region focus predominantly on essential categories. Food and non-alcoholic beverages, household goods and services, and personal care consistently rank among the top

spending categories[8]. Education is also a significant priority, particularly in Vietnam and Indonesia, reflecting the high value placed on personal development throughout the region.

Changing retail landscapes

The digital retail transformation across ASEAN has been swift and profound. According to regional research, 60 million people in the region became online consumers during the pandemic, reshaping retail landscapes and consumer behaviours.

Several ASEAN countries now lead globally in e-commerce growth, with the Philippines and Malaysia recording annual growth rates of 25% and 23% respectively[9]. Mobile payments have become integral to daily life for many, with platforms like Grab in Southeast Asia facilitating seamless digital transactions.

Despite the digital surge, physical retail remains important. Approximately two-thirds of ASEAN consumers prefer an omnichannel shopping approach that combines online and offline experiences. Convenience is paramount in both channels, with location and safety being the most valued aspects of physical retail, while delivery speed and mobile-friendly interfaces are critical for online shopping experiences[10].

Shifting preferences

ASEAN consumers are increasingly conscious about health, sustainability, and value. The trend toward healthier lifestyles is evident across all age groups, with 70% of regional consumers planning to reduce or maintain their alcohol and tobacco consumption over the next two years[11].

Price sensitivity remains high, with affordability being the primary factor influencing purchasing decisions across most product categories. This cost-consciousness is particularly pronounced in Southeast Asian countries, while consumers in more developed markets such as Singapore show greater consideration for quality and channel preferences.



Importantly for international brands, ASEAN consumers show a strong preference for domestic products across most categories. Household products, financial services, and health goods see the strongest domestic brand preference. International brands face their stiffest competition in clothing and footwear, and alcoholic beverages, where consumer loyalty to domestic options is less pronounced[12].

> As ASEAN continues its remarkable economic rise, its consumer markets offer compelling opportunities for businesses and investors.

Localisation

For businesses eyeing entry into ASEAN markets, understanding regional nuances is crucial. The region's diversity means that consumer preferences can vary significantly between countries. Strategic localisation will be essential for international brands competing against increasingly sophisticated domestic competitors.

Several sectors present particularly promising opportunities for investment. These include digital services and e-commerce, building on the region's rapid digital adoption; health and wellness products, catering to increasing health consciousness; affordable luxury goods, targeting the growing middle class; and sustainable and ethically produced goods, aligning with shifting consumer values.

Business opportunities

As ASEAN continues its remarkable economic rise, its consumer markets offer compelling opportunities for businesses and investors. The region's combination of youthful demographics, digital savviness, and improving purchasing power creates fertile ground for growth across numerous sectors.

For international brands seeking to capture a share of this dynamic market, success will hinge on understanding the region's diversity, respecting local preferences, and delivering quality products that offer good value. Those who can navigate these waters will find themselves well-positioned in one of the world's most promising consumer landscapes.

[1] Source of Asia, Doing Business in ASEAN 2024-25
[2] Asean.org, ASEAN Statistical Yearbook 2023
[3] Roland Berger, Asia Consumer Study 2024
[4] Source of Asia, Doing Business in ASEAN 2024-25
[5] Source of Asia, Doing Business in ASEAN 2024-25
[6] Roland Berger, Asia Consumer Study 2024
[7] United Overseas Bank, 2024 ASEAN Consumer Sentiment Study
[8] Roland Berger, Asia Consumer Study 2024
[9] Source of Asia, Doing Business in ASEAN 2024-25
[10] Roland Berger, Asia Consumer Study 2024
[11] Roland Berger, Asia Consumer Study 2024
[12] Roland Berger, Asia Consumer Study 2024

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Pathways to ASEAN: Practical insights for market expansion

Winnie Seow Mei, Head of Intermediaries Asia, Hawksford



Winnie Seow Mei

The ASEAN region's cultural richness and economic dynamism have made it a compelling destination for business expansion and investment. While some global markets have faced challenges in regaining momentum post-pandemic, ASEAN has distinguished itself by attracting strong foreign direct investment (FDI) and demonstrating robust economic performance.

Sustained growth and strong fundamentals

In 2023, ASEAN captured 17% of global FDI, totalling US$220 billion (ASEAN Investment Report 2024). The Asian Development Bank projects the region's economy will grow by 4.7% in 2025, significantly outpacing the IMF's global growth forecast of 3.2%. Evidently, growth rates will vary widely across ASEAN's diverse member states, with some among the most attractive and dynamic in the world.

Increased regional integration, extensive labour and consumer markets, and a favourable business climate are undoubtedly key drivers of growth. Malaysia, as the current ASEAN chair for 2025 under the theme of "inclusivity and sustainability", is continuing to make efforts to enhance the business environment by addressing critical issues such as renewable energy, healthcare, and geopolitical stability.

Opportunities across key sectors

Understanding which markets and industries are thriving can help create a clearer picture of where the potential lies. US-led foreign investment into the region in 2023 accounted for more than 30% of total investment (ASEAN Statistical Brief, June 2024). The EU, China, Hong Kong, and Japan have also maintained strong investment positions, with diverse interests across sectors including financial services, manufacturing, real estate, and retail.

While FDI flows from the US and EU were primarily centred on financial and insurance sectors, Chinese investors were more focused on manufacturing, wholesale, retail and real estate opportunities. This shouldn't come as a surprise given the region's focus on innovation and sustainability and the boom in its middle class income consumer population.

For instance, HSBC has reported that the electronics sector is one of the largest recipients of FDI in the region, with international technology companies choosing to establish manufacturing plants, research and development hubs and data centres, attracted by the pace of innovation and cost efficiencies.

The UK also continues to strengthen its trade ties with ASEAN. Total trade in goods and services between the UK and ASEAN member states stood at £47.2 billion at the end of 2023, with UK exports to the region up by 5% year on year. The UK's recent accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – whose membership in

ASEAN includes Brunei, Malaysia, Singapore and Vietnam – looks set to boost these UK-ASEAN ties further.

Meanwhile, the region's heavy energy consumption – the fourth largest after China, the US and India – has led to increased investment in sustainability from overseas. For example, in Indonesia, the country's massive nickel reserves are proving vital to electric vehicle manufacturing and have further cemented its role in global supply chains.

And, with 70% of the ASEAN population set to be considered middle class by 2030, the consumer market, including products, healthcare, leisure, e-commerce and digital financial services is anticipated to increase in demand to the tune of US$4 trillion.

Businesses wishing to diversify their supply chain are also looking to ASEAN manufacturing – especially where cutting-edge capabilities have been employed. In particular, Singapore has proved a compelling and cost-efficient option, combining manufacturing expertise with international sales proficiency.

Navigating regional complexities

Despite its attractiveness, ASEAN's regulatory, legal, and compliance landscape varies widely across its diverse member countries. Businesses must be cognisant of this and approach each market carefully, paying particular attention to taxation, free trade agreements, investment treaties, incentives, employment laws and compliance requirements in equal measure.

It is also important to recognise that dynamic markets – by definition – are rarely static. Rules evolve and new trade agreements are passed. The evolving regulatory environment, shifting trade policies, and geopolitical developments add further complexity. The recent US administration's tariff strategy, which could fuel further trade tensions, highlights the need for agility and informed decision-making.

Maximising the probability of success

Businesses and investors entering the ASEAN region need to be very clear on their objectives and have a strategy for navigating regional complexities and cultural nuances. Working with experienced advisors is crucial and can provide a competitive advantage.

Selecting a local partner or service provider with deep regional knowledge and international experience can make a vital difference in the speed and success of market entry.

Hawksford, for example, recently supported Italian stationary manufacturer Moleskine – a client of over 20 years – on its expansion into the ASEAN region. Understanding domestic market dynamics was crucial, with the Hawksford team providing regional expertise to open five companies and around 20 additional stores across the ASEAN and broader Asia region.

Hawksford combines deep-rooted regional knowledge with a commercial outlook and an established presence in Asia. We provide corporate, private client and fund support services to a diverse range of international clients and we are here to help you achieve your ambitions in the ASEAN region.

For more information on the ASEAN's opportunities, and to learn how Hawksford can support you in the region, visit **www.hawksford.com/asean**.

UK-ASEAN
BUSINESS COUNCIL

Your partner for growth in Southeast Asia

UK-ASEAN Business Council

As the global economy reorients toward Asia, the UK-ASEAN Business Council (UKABC) stands at the forefront of advancing the United Kingdom's strategic and commercial interests in Southeast Asia. Serving as an independent partner to the UK Government, ASEAN Member States, and the ASEAN Secretariat, UKABC plays a unique role in strengthening trade, investment, and policy cooperation between the UK and the dynamic ASEAN region.

A critical region for UK trade

The Association of Southeast Asian Nations (ASEAN) is one of the world's most compelling growth stories. Collectively, ASEAN represents the fifth largest economy globally, and is expected to become the fourth largest by 2030. This rapid rise is fuelled by robust GDP growth, a rising middle class, increased adoption of advanced technology, and a projected population of 800 million by 2045.

The region's digital economy alone is forecast to exceed US$2 trillion by 2030 – propelled by a young, digitally literate population and the implementation of the ASEAN Digital Economy Framework Agreement (DEFA). As global supply chains evolve in response to geopolitical shifts, ASEAN has also emerged as a neutral, strategic hub for international trade.

For UK companies, ASEAN is no longer a future opportunity – it is a present imperative.

Strategic events and business forums

UKABC delivers a high-impact programme in the UK and across Southeast Asia. It regularly hosts closed-door roundtables with visiting ASEAN ministers, convenes business dialogues on priority sectors, and leads delegations to major regional events.

One of its signature platforms is the UK-ASEAN Business Forum, the Council's annual flagship event. Held at HSBC's London headquarters, the 2025 edition welcomed over 120 senior leaders from business and government. Guests included Tengku Zafrul Aziz, Malaysia's Minister of Investment, Trade and Industry, who led a senior delegation alongside Tan Sri Nazir Razak, Chair of ASEAN-BAC Malaysia. UKABC also welcomed Baroness Jones of Whitchurch from the UK's Department for Business and Trade and The Rt Hon.. The Lord Mayor of London, Alderman Alastair King.

UKABC: A trusted partner in ASEAN

The UKABC is uniquely positioned to help UK companies succeed in this opportunity-rich environment. As a formal member of the ASEAN Business Advisory Council's Joint Business Council and the official representative of UK business in the ASEAN Economic Ministers – UK Consultative Meeting, UKABC is embedded in ASEAN's most influential policy and business platforms.

This gives the Council unparalleled access to decision-makers, ensuring that the UK private sector's voice is heard on issues such as market access, regulatory harmonisation, and digital trade. UKABC helps navigate complex policy terrain while also facilitating commercially meaningful engagement.

A network that delivers

At its core, the UKABC is powered by a strong and growing network

of partners and members. Its membership includes leading UK corporates across sectors such as finance, healthcare, energy, technology, education, and infrastructure. These members benefit from privileged access to decision-makers, tailored market insights, and business-matching opportunities.

UKABC's partnerships further strengthen its reach and influence. Among its key collaborators are the Department for Business and Trade, the Foreign, Commonwealth and Development Office, British Chambers of Commerce, BP, Hawksford, HSBC, KPMG, PwC, Prudential, Standard Chartered, Shell and many leading British corporates. These organisations share a commitment to expanding UK-ASEAN ties and are actively involved in shaping and participating in UKABC's programme of activities.

What we do

The Council's work is anchored around three pillars:

- **Connect:** UKABC facilitates introductions and dialogue between UK businesses and ASEAN policymakers, regulators, and enterprises.
- **Inform:** Through briefings, webinars, and market intelligence, UKABC equips businesses with the insights they need to succeed in ASEAN.
- **Advocate:** It ensures that the views of UK companies are reflected in UK and ASEAN policy discussions, especially in areas like trade liberalisation, digital economy regulation, and sustainable finance.

Whether through convening leaders at the ASEAN Business and Investment Summit or providing briefings on key sectors like green energy and digital payments, UKABC offers members a practical, action-oriented platform for growth.



The ASEAN opportunity, seized

As the UK deepens its economic engagement with Asia – especially following its accession to the CPTPP and the implementation of the UK-ASEAN Plan of Action – UKABC plays a vital role in ensuring British businesses are front and centre in Southeast Asia's growth story.

ASEAN is evolving fast. Its markets are modernising, its cities digitising, and its consumers diversifying. For UK businesses, the window of opportunity is open – and the UK-ASEAN Business Council is the gateway.

For more on UKABC's members, activities, and how to join, visit: **ukabc.org.uk**

Unlock Southeast Asian markets with BritCham Singapore

British Chamber of Commerce Singapore

Singapore stands as Asia's premier business hub, offering unparalleled access to Southeast Asia's dynamic economies. As a global trade and financial centre, Singapore excels in technology, financial services, healthcare, logistics, and advanced manufacturing – making it the ideal launchpad for Asian expansion.

The UK-Singapore relationship thrives through the UK-Singapore Free Trade Agreement and the UK's recent CPTPP accession, creating significant opportunities for British businesses. These agreements deliver reduced tariffs, enhanced market access, and stronger supply chain connectivity across the Trans-Pacific region.

British Chamber of Commerce Singapore: Your Strategic Partner

Established in 1954, BritCham Singapore connects over 3,700 professionals across more than 350 companies. Working closely with government bodies and industry leaders, we foster trade and investment partnerships between the UK and Singapore.

Our comprehensive trade services:

- **Market-Focused Packages:** Bespoke business solutions leveraging our extensive network. We provide targeted introductions to key stakeholders, helping businesses forge valuable connections.
- **Special Projects & Events:** From thought leadership forums to networking receptions, we deliver high-impact custom projects for both public and private sectors.
- **Trade Shows & Exhibitions:** Enhance your brand visibility with exclusive briefings and curated meetings that maximise networking opportunities.
- **Trade Missions:** Gain unparalleled access to Singapore's innovative industries through executive briefings, business matching sessions, and facility visits.

Powerful ecosystem & partnerships

Our robust ecosystem includes partnerships with UK and Singapore governments, the wider British Chamber network in Southeast Asia, and key industry players – ensuring you access the right resources and market intelligence.

Why Singapore?

Singapore offers pro-business policies, a strong legal framework, and a highly skilled workforce. With world-class infrastructure, political stability, and an extensive network of trade agreements including CPTPP and UKSFTA, Singapore provides seamless entry to Asia's high-growth markets.

Take the next step

Ready to establish or expand your business in Singapore and Southeast Asia? BritCham Singapore offers competitively priced solutions for businesses of all sizes. Connect with us today to discover how our trade services can unlock new opportunities for your company in one of the world's most promising regions.





Introducing the Institute of Directors ASEAN Special Interest Group

The Institute of Directors (IoD) has long been a cornerstone of business leadership and corporate governance in the UK, championing the interests of directors and business leaders across a wide range of sectors. Recognising the increasing importance of international connectivity, the IoD has launched the ASEAN Special Interest Group (SIG) – a strategic initiative designed to enhance UK-ASEAN business and trade relationships.



ASEAN, a region of ten dynamic economies, presents significant opportunities for UK businesses. With a combined GDP exceeding US$3.8 trillion and a population of over 650 million, it is one of the fastest-growing and most strategically important markets globally.

At its core, the IoD ASEAN SIG is a community of UK-based directors and business leaders who are either engaged in, or interested in, ASEAN-related trade and investment. Through the exchange of insights, best practices, and strategic connections, the group fosters collaboration within the broader UK-ASEAN business ecosystem.

If you are interested in engaging with the IoD ASEAN SIG, connect with Gavin and Robin on LinkedIn, or scan the QR codes below.

iod.com

LinkedIn group

"This is an exciting time for UK-ASEAN business, with growing trade volumes and deepening commercial partnerships. Strong connections exist between ASEAN and the UK in trade, investment and capital markets, not least in renewable energy, education, fintech, healthcare and property.

As international investors become more aware of the increasing growth trends in ASEAN, UK businesses are well placed to turn these opportunities into a tangible and successful reality for all parties. The IoD ASEAN Special Interest Group welcomes those engaged in this increasingly important economic region – and those looking to collaborate, share experiences, and create opportunities for developing trade and sustainable growth."

Gavin Wilkins
CCO, Hawksford and Co-Chair, IoD ASEAN SIG

Robin Stevens
Head of Capital Markets, MHA and Co-Chair, IoD ASEAN SIG

Infrastructure: Building the foundations for regional connectivity

As ASEAN blossoms into one of the world's most economically vibrant regions, the rapid urbanisation and expanding consumer base have created a growing need for robust infrastructure networks: modern transportation infrastructure that connects people, goods, and services across this diverse region.

ASEAN's location – acting as a bridge between the Pacific and Indian Oceans and positioned at the crossroads of Asia – makes it a crucial hub for vital air transport, maritime and rail freight routes. This positioning has become increasingly important as global supply chains evolve, with ASEAN countries becoming more integrated into regional and global production networks.

Evolving transport infrastructure

Maritime infrastructure forms the backbone of ASEAN's transportation network. With approximately 40% of global trade passing through the Strait of Malacca alone, ports across the region have become critical components of international supply chains. Singapore's port remains one of the busiest globally, handling 20% of the world's container shipping volume and 50% of the world's annual crude oil supply. Other significant ports include Malaysia's Tanjung Pelepas, Thailand's Laem Chabang, Vietnam's Hai Phong, Indonesia's Tanjung Priok, the Philippines' Manila port, and Myanmar's Thilawa port. These facilities are undergoing significant expansion to meet growing demand.

Increasing port capacity in Southeast Asia over the next few years is expected to keep up with demand, with additional capacity spread across major countries in the region. Indonesia alone will contribute 35% of the additional capacity, with developments including the expansion of Tanjung Priok, Teluk Lamong, and new ports in Patiban and Gresik.

Beyond maritime transport, ASEAN has also invested heavily in road and rail infrastructure. The region boasts 1.77 million km of roads, over 60% of which are paved, further facilitating intra-regional trade and mobility.

Major projects reshaping the landscape

Several flagship projects are transforming ASEAN's infrastructure landscape. Singapore's Tuas Megaport is set to add 4 million TEUs (twenty-foot equivalent units) of capacity, and will cement Singapore's position as a premier maritime hub. Meanwhile, Thailand's Laem Chabang Terminal D is adding 2.4 million TEUs, enhancing its shipping capabilities. Vietnam is also expanding Gemalink and Hai Phong Port with 1.2 million TEUs of additional capacity planned, positioning itself

“ASEAN countries are prioritising sustainability by implementing green initiatives, promoting ethical sourcing, and reducing environmental impact.”

as a key player in regional maritime trade. Indonesia's port network expansion includes multiple projects across the archipelago set to add over 6 million TEUs of capacity[1].

Infrastructure development remains a priority for ASEAN to enhance connectivity, boost economic growth, and improve the quality of life for the region's people.

The bloc's freight and logistics market is projected to grow from around £220 billion in 2025 to £300 billion by 2030, representing a CAGR of 6.35%[2]. This growth trajectory presents significant opportunities for investors.

According to recent statistics, infrastructure, particularly transportation infrastructure, has emerged as one of the key sectors attracting Foreign Direct Investment (FDI) into ASEAN countries. The transport and storage sector alone saw 73 announced greenfield projects in 2022, up from 48 in 2021[3].

Government policies and regional initiatives

ASEAN's commitment to infrastructure development is reflected in various regional blueprints and national policies. The Master Plan on ASEAN Connectivity 2025 is a comprehensive framework which aims to enhance physical, institutional, and people-to-people connectivity across the region, with sustainable infrastructure as one of its key strategic areas.

The ASEAN Investment Facilitation Framework streamlines processes for infrastructure investments, reducing bureaucratic hurdles and increasing investor confidence. Individual member states have also unveiled ambitious infrastructure development plans. Indonesia's Global Maritime Fulcrum strategy and Vietnam's Transport Infrastructure Development Plan 2021-2030 are examples of national frameworks aligned with regional objectives.

Sustainability and digitalisation

Two significant trends are reshaping ASEAN's infrastructure landscape: sustainability and digitalisation. ASEAN countries are prioritising sustainability by implementing green initiatives, promoting ethical sourcing, and reducing environmental impact. The ASEAN Sustainable Urbanisation Strategy, for example, emphasises green infrastructure, while projects such as Singapore's Tuas Mega Port incorporate sustainability features.

Similarly, digitally driven 'smart' infrastructure is becoming the norm rather than the exception. Singapore's Changi Airport, for example, utilises advanced technologies such as automated guided vehicles

and data analytics to optimise cargo handling and improve efficiency, demonstrating the region's commitment to digitalisation in infrastructure.

Challenges and opportunities

Despite significant progress, challenges remain. Funding gaps, regulatory inconsistencies across member states, and the need for technical expertise present obstacles to infrastructure development.

The Covid-19 pandemic also exposed vulnerabilities in the region's infrastructure. However, it also accelerated digitalisation trends that have positively impacted infrastructure development.

Furthermore, geopolitical tensions have prompted businesses to diversify their supply chains. ASEAN countries, with their strategic location and progressive infrastructure, have emerged as prime beneficiaries of this increasingly popular 'China Plus One' strategy.

Future of ASEAN infrastructure

As ASEAN strives to become the world's fourth-largest economy by 2030, infrastructure development will remain a priority. The region's strategy increasingly focuses on connectivity, sustainability, and resilience.

The expansion of cross-border transportation networks, harmonisation of regulations, and integration of digital technologies will shape the region's infrastructure landscape in the coming years. With continued investment and regional cooperation, ASEAN is poised to transform its infrastructure from a collection of national networks into an integrated regional system that supports its economic ambitions and enhances the quality of life for its people. As the region continues its economic ascent, the foundations being laid today will support decades of prosperity tomorrow.



[1] Source of Asia, Doing Business in ASEAN 2024-25

[2] Mordor Intelligence, ASEAN freight and logistics market size and share analysis - growth trends and forecasts up to 2030

[3] Asean.org, ASEAN Statistical Yearbook 2023

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Unlocking capital for development: Expanding ASEAN's project pipeline

David Boyland, Managing Director, Asia, Mott MacDonald



David Boyland

In the rapidly evolving landscape of ASEAN, robust infrastructure is essential for sustainable growth. Mott MacDonald, a global engineering, management and development consultancy, is at the forefront of this transformation. Our commitment to excellence drives infrastructure development across ASEAN, leveraging both local talent and UK expertise to foster sustainable growth, deliver benefits for our clients, and enhance outcomes for the communities we serve.

ASEAN is a dynamic and diverse group of countries with immense potential for economic growth and development. It has emerged as one of the fastest growing economic regions in the world. This impressive growth is driven by the region's demographics, with a youthful and increasingly tech-savvy population, and its strategic focus on innovation and inclusivity.

However, one potentially significant inhibitor to economic growth is the shortage of shovel-ready infrastructure projects due to insufficient development capital. Shovel-ready projects are those that have demonstrated technical and economic feasibility with a level of design optimisation to obtain all required approvals and licences, and are fully prepared to begin construction and create employment opportunities.

While there is no lack of investment capital for projects that are ready to break ground, the bottleneck lies in the early stages of project development. David Boyland, Managing Director for Asia, explores how unlocking capital for project creation and development can open vast opportunities in ASEAN's project pipeline, drawing on successful UK government programmes as a model.

The challenge

The ASEAN region, with a population of over 680 million people and a rapidly growing economy, remains an attractive destination for business. The region's economies are among the fastest growing in the world, driven by urbanisation and key sectors such as transportation, digital infrastructure, energy, and urban development.

Despite this growth, the region's infrastructure development has not fully kept pace with its economic expansion. One of the primary challenges in developing a robust project pipeline in ASEAN is the need for more investment in project preparation and planning. Adequate preparation and planning enables project developers and sponsors to more effectively lead project concept development and design optimisation through feasibility. Consequently, lack of preparation

and planning potentially leads to a shortage of viable infrastructure projects ready for construction. Enhancing project readiness is essential, enabling developed infrastructure to deliver its full socio-economic value.

The opportunity

By adopting proven global models, ASEAN can unlock unprecedented opportunities for innovation and economic growth. The UK, for example, has a long history of fostering innovation, development, and enhanced project outcomes through methods including government-funded incubator programmes, competitions and grants for innovative front-end design. These programmes have been instrumental in transforming early-stage ideas into viable projects ready for capital investment. ASEAN is in a position to adopt similar initiatives, funded by development banks and financial institutions, providing the necessary resources to support early-stage project development and bring projects to a shovel-ready state. There's potential to stimulate creativity and efficiency in project design, ultimately leading to more robust and sustainable infrastructure solutions.

Strategies worthwhile exploring include:

De-risking new technologies and innovations

Establishing early adopter and demonstration projects can showcase the viability and benefits of new technologies. By providing guarantees or insurance for these projects, governments can reduce the perceived risk for investors, making it easier to secure development capital. This approach can help move innovative projects from the conceptual stage become shovel-ready.

Government involvement and funding mechanisms

Government involvement is crucial in bridging the gap in early-stage project development. ASEAN governments can establish dedicated funds to support the initial phases of project development, including feasibility studies, environmental assessments, and securing necessary approvals. Further grants and low-interest loans can provide the necessary financial support to bring projects to a shovel-ready state. Additionally, growing the number of public-private partnerships (PPPs) to combine public sector support with private sector efficiency and expertise.

Industrial funding

It is important to establish funding mechanisms that ensure revenue is bankable and projects are financially viable. This includes using green finance and green bonds as enablers, and employing contracts for difference and capacity markets to foster competition and ensure cost-effective project delivery.

Encouraging design-based competitions

Design-based competitions that focus on solving specific challenges through genuine projects, with well-respected monitoring officers overseeing the process, can promote innovation. This approach ensures that new ideas and technologies are not locked out by price-based mechanisms.

Conclusion

Unlocking capital for development in ASEAN is not just about funding; it's about creating a sustainable pipeline of projects that drive innovation, economic growth and regional connectivity. By leveraging successful models from the UK and fostering collaboration, ASEAN can transform its infrastructure landscape and unlock its full potential. Investing in early-stage project development will be crucial to realising this potential. To do so, ASEAN should look to adapt the UK's successful incubator models, fostering a pipeline of shovel-ready projects, enhancing connectivity and productivity, and making the region more attractive for investment.

Infrastructure plays a key role in connecting our economies, enhancing our quality of life, and providing significant socio-economic advantages. Mott MacDonald is actively involved in transforming infrastructure development across ASEAN and known for project efficiency, sustainability and delivering innovative solutions. Their work in the region includes enhancing urban planning, transport infrastructure, and climate resilience, delivering projects that are not only viable but also socially and environmentally responsible.

Manufacturing: New era of innovation

Already a formidable player in the global manufacturing landscape, ASEAN has the potential to become the next manufacturing powerhouse. As geopolitical uncertainties and trade tensions reshape global supply chains, ASEAN countries are increasingly attracting foreign direct investment (FDI) and positioning themselves as viable locations for multinational corporations seeking to diversify their manufacturing bases.

The region's rise as a manufacturing hub is driven by several key factors. Firstly, ASEAN's geographical proximity to China and other established manufacturing centres allows for easy integration with existing supply chains, minimising disruption. The semi-conductor auxiliary value chain, for instance, has developed significantly in Vietnam and Malaysia over the past decade.

Secondly, ASEAN countries offer an increasingly favourable manufacturing environment, particularly in terms of labour. The region boasts the world's third-largest labour force, with a significant portion under 35 years of age. This demographic dividend provides a cost-effective workforce, with labour costs in countries such as Vietnam being up to 50% lower than China[1], for example, making it particularly attractive for labour-intensive manufacturing. While productivity levels are still catching up to China, public investments in upskilling programmes are helping to transform this labour force and improve its capabilities.

Policies and partnerships

Government initiatives and incentives across ASEAN countries have played a crucial role in attracting FDI. For example, Indonesia enacted the Omnibus Law on Job Creation in 2020, aimed at easing business processes and expanding the investment ecosystem. Malaysia has established seven economic corridors offering various incentives, including tax breaks and reduced land costs. Vietnam offers corporate tax incentives for high-tech industries and large-scale projects, along with import duty reductions on machinery and equipment needed for manufacturing operations[2].

The region's competitive corporate tax rates further enhance its appeal to foreign investors. Vietnam and Thailand, in particular, offer significantly lower corporate tax rates compared to other countries in the region. When combined with specific investment-based tax incentives, such as Vietnam's four-year tax exemption for enterprises investing in prioritised industries, these rates present an attractive proposition for potential investors.

> The manufacturing landscape in ASEAN is diverse and rapidly evolving, creating numerous opportunities across various sectors.

ASEAN countries have also developed an extensive network of free trade agreements, providing a significant competitive advantage. Vietnam, for instance, has 18 active free trade agreements covering most of the largest economies in the world, including the EU, UK, China, Japan, and South Korea. This wide-ranging network of trade agreements enhances market access and reduces trade barriers for manufacturers operating in the region.

Ease of doing business

In recent years, ASEAN countries have made concerted efforts to improve the ease of doing business. While Singapore has long been a leader in this regard, countries including Malaysia and Thailand have made significant strides in reducing operationalisation timelines and streamlining regulatory processes. These improvements have helped attract foreign investment and facilitated smoother business operations in the region.

Infrastructure development has been another key focus area for ASEAN countries. Governments across the region are investing heavily in road, rail, and port infrastructure to support manufacturing growth. For example, Vietnam's infrastructure investment is the highest in ASEAN at 6% of GDP[3], with projects such as the North-South Expressway and Long Thanh International Airport aimed at improving trade infrastructure.

Making opportunities

The manufacturing landscape in ASEAN is diverse and rapidly evolving, creating numerous opportunities across various sectors, with individual countries carving out their own niches.

The electronics industry is experiencing significant growth, with Vietnam and Malaysia becoming major players in the global electronics supply chain. Vietnam's electronics exports of over £80 billion annually demonstrate the sector's vitality and potential for further expansion[4].

The automotive sector presents substantial opportunities, particularly as the industry shift towards electric vehicles. Thailand has long been established as the 'Detroit of Asia' with its robust automotive manufacturing base, while Vietnam is strategically positioning itself in the electric vehicle market. As global automotive manufacturers seek to diversify their production bases, ASEAN countries are becoming increasingly preferred destinations.



In textile and apparel, Vietnam has already established itself as the second-largest exporter to the US after China. This sector continues to offer significant opportunities for investment, particularly as manufacturers seek alternatives to China.

Advanced manufacturing is another area where ASEAN is making impressive strides. Malaysia's focus on high-technology industries, particularly in the semiconductor sector, has created a comprehensive ecosystem for the production and assembly of semiconductors, integrated circuits, and other electronic components. The country's Northern Corridor Economic Region (NCER) is specifically focused on becoming a global industrial hub for high-technology industries.

Bright futures

ASEAN's combination of geographic advantages, government support, and favourable demographics makes it an increasingly attractive destination for manufacturing investments.

The post-pandemic era has accelerated the trend toward supply chain diversification, and the region stands to benefit significantly from this shift. ASEAN's manufacturing market is predicted to grow from £1.3 trillion in 2018 to £1.8 trillion by 2029, with the region playing an increasingly important global role[5].

For businesses looking to build resilient supply chains, now appears to be an opportune time to consider diversification into ASEAN's manufacturing landscape. Countries across the region are rolling out policies and incentives to attract a greater share of FDI in manufacturing, while simultaneously investing in infrastructure and economic zones to prepare for this inflow.

As companies worldwide seek long-term stability, operational efficiency, and access to burgeoning consumer markets, ASEAN offers a compelling proposition that is increasingly difficult to ignore.

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Supporting a fire safe future for ASEAN's buildings

Kenneth Su, Business Development Manager for ASEAN, Siderise Group



Kenneth Su

Siderise opened its Singapore office in 2020, marking a milestone in the passive fire protection manufacturer's international growth and investment in developing its ASEAN presence. Five years on, Kenneth Su, Business Development Manager for ASEAN, discusses the opportunities for countries to improve their passive fire safety practices, and explains how Siderise is going beyond to help project partners create safe and long-lasting buildings.

What is passive fire protection in terms of the building envelope?

Passive fire protection, such as cavity fire barriers and firestops, are installed within the external wall buildup and restrict the spread of fire and smoke from within a compartment for a prescribed period of time. This 'compartmentation' keeps the risk of fire spread at a manageable level, protecting escape routes to aid evacuation, allowing fire and rescue services to access the building safely, and limiting asset damage.

How has Siderise passive fire safety products gained recognition in ASEAN and beyond?

Our global reputation is built on the dependable high performance of our products. This is verified by robust fire testing to local and international standards at a product and system level. We also advocate for independent certification. These schemes often include ongoing surveillance and auditing, enabling us to demonstrate our continuous commitment to quality and giving our customers greater confidence in our claims. We also understand that construction teams need expert support to ensure passive fire safety measures are implemented in line with how they are designed and tested to work. Therefore, we provide comprehensive, free-of-charge technical services, available from design and specification to installation and handover.

It is this mix of quality manufacturing, thorough testing and supportive service that sets us apart in the global market, and why architects, consultants, façade contractors and other partners across ASEAN are using our products to protect their projects. We have been installed on some of the region's most iconic buildings such as The Standard in Singapore and Andaz One Bangkok in Thailand.

Where do you see the biggest opportunities for ASEAN to develop its fire safety practices?

Fire safety codes and practices vary across ASEAN. However, we are seeing an increased focus on this

> Knowledge-sharing is fundamental to progress, especially around a subject as complex as passive fire safety.

critical area of building safety, especially in the high-rise market as international investment has grown with investors demanding higher standards to reduce asset risk. There is a real opportunity for countries to learn lessons from regulatory updates happening around the world and adopt global best practice from the outset without waiting for authority mandates. This is something that's already happening, with consultants based in regions with more robust regulation such as Singapore applying their local knowledge to projects outside the country.

Partnering with passive fire protection manufacturers who not only provide thoroughly tested and locally-approved products, but who also freely share their knowledge with the market will help to raise standards. For example, the highly trained competent engineers in our technical services team can provide best practice advice, including guidance on how to detail a fully tested system into a project's design. For complex or ambitious designs, we also offer project-specific testing for bespoke solutions at our UKAS-accredited testing facility in the UK.

How is Siderise contributing to advancements in fire protection in the construction industry in ASEAN?

Knowledge-sharing is fundamental to progress, especially around a subject as complex as passive fire safety. Siderise has developed educational opportunities for construction professionals, including architects, developers and installers. These include in-person seminars and online learning via our Siderise Academy portal. We've had lots of engagement with this and have delivered educational seminars to prestigious bodies such as The Office of Bangkok Architects and The Association of Siamese Architects.

We also take the insights gained from our test data and project involvement and use it to participate in technical committees and associations to help drive the global construction industry towards better solution performance and competency standards. We've worked with governmental bodies, including in Southeast Asia, to provide technical detail to help shape national regulations and codes.

How is Siderise helping to address the shortage of trained engineers impacting many ASEAN countries?

Our dedicated Site Services Engineer based in Manila, Philippines works with installers at every stage of the construction process. This includes product installation training, supported by the Siderise Academy, and benchmark installations to demonstrate what a compliant installation looks like. The Siderise Inspection App then allows for installers to self-audit by remotely submitting inspection reports that are reviewed by Siderise Site Service Engineers. For more complex projects, in-person inspections and visits can also be scheduled. We've provided this support on a number of key projects in ASEAN, such as Andaz One Bangkok.

As global experts in passive fire protection for the building envelope with a mission to Go Beyond, contributing to safer buildings hardwired into our DNA, we feel that it is our duty to raise the bar by helping stakeholders build their competency.

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Logistics: Axis of global trade

The ASEAN region is a formidable logistics hub, strategically positioned between the economic powerhouses of East Asia and the expanding markets of South Asia. Building on its large and rapidly growing population and combined GDP of around £3 trillion, ASEAN's freight and logistics market is projected to grow from around £220 billion in 2025 to £300 billion by 2030, at a compound annual growth rate of 6.35%[1].

Strategic development

Logistics accounts for approximately 5% of ASEAN's GDP and employment, providing jobs for around 17 million people[2]. It has a wide array of natural advantages and, combined with government commitment and targeted national policies, it is working hard to make the most of what it has.

Initiatives include the Regional Comprehensive Economic Partnership (RCEP) with Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. Under the terms of the RCEP, signatories enable duty-free access to more than 90% of goods that otherwise would pay duty.

ASEAN's geographical advantage as a connector between East Asia, Southeast Asia, and South Asia has catalysed significant infrastructure development. The region's transport network includes 1.77 million km of roads serving some of the largest and fastest growing urban centres on the planet. Maritime capabilities are equally impressive, with sea cargo throughput of 2.5 million TEU and sea container throughput of 90 million TEU in 2024[3].

This infrastructure development isn't just about quantity – it's about strategic enhancement. Countries such as Vietnam, Thailand, and Malaysia have become prime manufacturing locations due to lower labour costs and favourable investment climates. Singapore's Changi Airport exemplifies advanced technology adoption, utilising automated guided vehicles and data analytics to optimise cargo handling and improve efficiency.

Evolving supply chain landscape

Global supply chains are undergoing rapid transformation, driven by technological innovations, geopolitical shifts, and increasing sustainability demands. ASEAN has positioned itself to capitalise on these changes, with countries like Vietnam securing deals from global leaders such as Samsung and Intel for low-tech electronic manufacturing and IT industries.

The Covid-19 pandemic and US-China trade tensions accelerated a significant trend: the 'China Plus One' strategy. Companies are increasingly diversifying their supply chains beyond China, with ASEAN being a primary beneficiary. Between 2020 and 2023, Southeast Asia's share in USA and EU-based brands' sourcing portfolios increased from 15% to 23%[4].



This shift is evident in shipping patterns as well. The proportion of container shipments to the USA from Southeast Asia increased significantly between 2013 and 2022, with Vietnam notably increasing its share from 6% in 2016 to 13% in 2022. Vietnam's container throughput volume grew at a CAGR of 8.6% from 2018 to 2022, the highest in the region[5].

Digitalising logistics

ASEAN's logistics sector is increasingly embracing digitalisation. The transition from traditional logistics to Logistics 4.0 is connecting multiple supply chains through internet networks, facilitating real-time communication between various subsystems and enabling efficient data exchange.

The ASEAN Single Window (ASW) is an electronic fast-track service for companies going through customs between member countries. Traders can exchange customs documentation through the ASW platform, expediting cargo clearance and reducing paperwork.

In a similar vein, the ASEAN Smart Logistics Network (ASLN) aims to promote logistics interconnectivity and integration within the bloc, improving connectivity and promoting smart and sustainable logistics infrastructure. This initiative stems from the ASEAN Connectivity Master Plan (ACMP) 2025, developed by the ASEAN Secretariat, which calls for stronger integration between member nations[6].

There are also numerous national initiatives to cut red tape and increase efficiencies. In Indonesia, the Sislognas programme emphasises locally integrated and globally connected systems, focusing on collaboration, streamlined processes, facilitated payments, and efficient port systems to update the national logistics landscape. Digital infrastructure programmes extend to optical fibre, satellites, and last-mile connectivity in rural areas[7].

> The ASEAN Smart Logistics Network (ASLN) aims to promote logistics interconnectivity and integration within the bloc.

Similarly, Malaysia's JENDELA (Jalinan Digital Negara) programme aims to provide fibre connectivity to nine million premises with gigabit speed by 2025, achieve 100% internet coverage in populated areas, and deliver 100Mbps mobile broadband speed[8].

Thailand has positioned itself as a regional logistics hub through its Thailand Digital Economy and Society Development Plan (2018-2037), which outlines a comprehensive framework to drive the economy with digital technology. The Action Plan on Thailand Logistics Development (2023-2027) emphasises infrastructure improvement, value chain enhancement, and customs clearance efficiency[9].

Promising outlook

While the outlook is promising, investors should be aware of persistent challenges. According to the World Bank's Logistics Performance Index 2023, there are significant disparities in logistics performance among ASEAN members. Singapore ranks first globally, while Malaysia (26th), Thailand (34th), Vietnam and the Philippines (both 43rd), and Indonesia (61st).

Key challenges include costs, road construction and infrastructure planning gaps, and insufficient technology integration. Logistics costs in Vietnam, for example, were equivalent to 20.9% of GDP in 2016, higher than those of China, Thailand, and Japan, largely due to operations caused by inadequate technology adoption.

Despite these challenges, the ASEAN logistics sector presents numerous opportunities for investors seeking to participate in one of the world's most dynamic areas. As the sector continues to evolve, those who can successfully navigate the nuances of the region's logistics landscape stand to reap significant rewards in this rapidly growing market.

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Tourism: A decade of growth, innovation and opportunity

Over the past decade, the tourism sector in the ASEAN region has undergone a remarkable transformation, driving economic growth and acting as a beacon for foreign investment. With its 10 diverse nations – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – ASEAN boasts a rich tapestry of cultural heritage, natural beauty and strategic initiatives that have collectively positioned it as one of the most dynamic tourism markets globally.

Growth and resilience

The ASEAN region has witnessed extraordinary growth in its tourism. In 2015, the region attracted 109 million international visitors. By 2024, barely two years after the Covid-19 pandemic, ASEAN had rebounded to welcome over 123 million tourists[1], generating substantial revenue streams across its member states. Thailand led the charge with 35+ million international arrivals in 2024, followed by Malaysia with 25 million, Vietnam with 17.5 million and Singapore with 16.5 million.

This resurgence can be attributed to several factors: robust economic recovery, significant infrastructure investments such as the Laos-China Railway and Siem Reap-Angkor International Airport in Cambodia, and innovative marketing strategies that have enhanced ASEAN's appeal as a unified travel destination. Notably, tourism now contributes up to 15% of regional GDP and remains a vital source of employment and foreign exchange earnings.

Investing in the region

ASEAN's success in tourism is underpinned by strategic government policies and collaborative regional initiatives. The ASEAN Tourism Strategic Plan (ATSP) 2016-2025 has been instrumental in shaping the sector's development. This blueprint focuses on enhancing competitiveness through sustainable practices, improving infrastructure and connectivity, and promoting ASEAN as a single destination. Key achievements include streamlined visa policies within member states and the establishment of regional tourism standards for green hotels, homestays, and community-based tourism.

Individual nations have also implemented forward-thinking policies to bolster their tourism sectors. Indonesia's Tourism 5.0 framework integrates digitalisation with sustainable practices to attract eco-conscious travellers. Similarly, Malaysia's National Tourism Policy 2020-2030 emphasises resilience and inclusivity while preparing for major events such as Visit Malaysia Year 2026. These efforts are complemented by regional discussions on introducing an ASEAN-wide tourism pass to facilitate seamless travel across member states.

Emerging opportunities

The ASEAN tourism landscape is ripe with opportunities, driven by evolving traveller preferences, technological advancements and a growing emphasis on sustainability. These trends are reshaping the sector and creating new avenues for investment and innovation.

Sustainable tourism is one of the fastest growing segments. The ASEAN Action Roadmap for Sustainable Tourism Development, endorsed by tourism ministers, outlines five key priorities: sustainable economic growth, social inclusiveness, resource efficiency and environmental sustainability, cultural diversity and heritage protection and resilience planning and adaptation. This roadmap opens up opportunities for businesses specialising in green technologies, sustainable infrastructure development and eco-tourism experiences.

Medical tourism continues to be a burgeoning sector, particularly in Thailand, Malaysia and Singapore. It is estimated that Thailand welcomes over three million medical tourists annually[2], while Malaysia attracts over 1 million[3]. The region is projected to account for 40% of the global medical tourism market share by 2032, with an impressive compound annual growth rate of 18%[4].

Cultural and heritage tourism is another avenue for growth. The ASEAN Framework on Sustainable Tourism Development emphasises the protection and promotion of cultural diversity and heritage. This creates opportunities for businesses that can offer authentic, culturally immersive experiences, from boutique hotels in historic districts to guided tours that showcase local traditions and crafts.

Community-based tourism is also gaining traction across the region. UNESCO's networking project aimed at bolstering community-based tourism in ASEAN waterway cities is a prime example of this trend. This initiative creates opportunities for businesses that can facilitate meaningful interactions between tourists and local communities, supporting sustainable economic development at the grassroots level.

Lastly, the rise of digital nomadism and remote work presents a unique opportunity for the ASEAN tourism sector. Countries in the region are adapting their visa policies to attract long-term visitors who can work remotely. This trend opens up possibilities for co-working spaces, long-stay accommodations, and services catering to the specific needs of digital nomads.



Poised for sustained growth

Projections indicate that ASEAN international arrivals could surpass pre-pandemic levels by 2025, with Vietnam alone expected to achieve a growth rate of 6.5%[5]. The region's commitment to sustainability will likely attract more eco-conscious travellers while fostering long-term resilience against environmental challenges.

Collaboration among member states will remain crucial in addressing shared challenges such as uneven distribution of tourist flows and disparities in infrastructure quality. By leveraging collective strengths, whether its Thailand's vibrant cultural festivals or Singapore's cutting-edge urban attractions, ASEAN can present itself as a cohesive yet diverse destination, from hospitality and infrastructure development to technology integration and sustainable practices. With its robust policy framework, growing middle class and unparalleled natural and cultural assets, ASEAN stands ready to solidify its position as a global leader in tourism.

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Education: Growth through transformation

ASEAN is one of the world's most dynamic education markets, driven by a young population, rapid digitalisation, and governments prioritising human capital development. Over the past decade, the sector has evolved from addressing basic literacy to fostering innovation-led growth, creating a wealth of opportunities for overseas investors.

ASEAN's education systems are as diverse as its economies. While Singapore and Malaysia boast world-class institutions, Cambodia and Laos still grapple with infrastructure gaps. Yet common threads bind the region: a collective commitment to the ASEAN Work Plan on Education 2021-2025, which prioritises digital transformation, vocational training and higher education harmonisation. Over the past few years, the sector has accelerated its shift toward hybrid learning models, with the smart education and learning market projected to grow from £47.6 billion in 2018 to £284.6 billion by 2027 – a 22.3% compound annual growth rate[1].

Vietnam exemplifies this momentum. With a 90% literacy rate and a curriculum increasingly focused on STEM, the country has become a hotspot for private investment, particularly in K-12 international schools and EdTech. Similarly, Indonesia's EdTech sector is poised to reach £1.42 billion by 2027, fuelled by initiatives such as Merdeka Belajar (Freedom to Learn), which promotes flexible, technology-driven education[2].

Policy drivers

ASEAN governments are actively reshaping the sector through ambitious policies. Singapore's EdTech Masterplan 2030 aims to cultivate 'digitally empowered, future-ready learners,' leveraging AI to personalise curricula. Similarly, Malaysia's Digital Education Learning Initiative (DELIMa), used by 1.7 million monthly active users, demonstrates how local-language platforms can bridge urban-rural divides.

Regional cooperation is equally transformative. The ASEAN Higher Education Roadmap 2025 seeks to harmonise standards and boost mobility, supported by initiatives like the EU-funded SHARE programme, which has injected £8.5 million (€10.3 million) into cross-border scholarships and research[3]. Meanwhile, the ASEAN Cyber University platform is expanding access to vocational and tertiary education, particularly in Cambodia, Laos, Myanmar, and Vietnam.

Opportunities for investors

Despite progress, there are still significant disparities investors need to consider. Broadband is essential for EdTech and online education programmes to prosper. In Singapore, broadband penetration exceeds 95%, whereas in Indonesia, only 22.4% enjoy fixed broadband in their homes[4].

Regulatory complexity also varies between countries: Vietnam allows full foreign ownership of educational institutions, for example, whereas Thailand currently does not, preferring a local partner approach.

Nevertheless, the ASEAN region offers a wealth of opportunities for private investors, driven by rising incomes, demographic shifts and a growing demand for globally competitive education. The market is evolving rapidly, with key segments such as EdTech, K-12 international schools and vocational training emerging as particularly attractive areas for investment.

With ASEAN governments prioritising digital learning and innovation, the region has become fertile ground for EdTech, with increasing demand for tools that facilitate hybrid education models. Between 2020 and early 2023, ASEAN-based investors poured approximately £6.5 billion into EdTech ventures, with an average deal size of £16 million. Singapore alone attracted £300 million across 71 deals during this period, reflecting its commitment to becoming a hub for educational innovation[5].

K-12 international schools are another dynamic growth area. Asia-Pacific is the largest and fastest-growing market within this sector, driven by



rising middle-class incomes and an increasing expatriate population. Countries like Indonesia, Vietnam, Malaysia and Thailand are seeing high demand for international curricula such as the International Baccalaureate (IB) and Cambridge International programmes. These schools cater not only to expatriates, but also to affluent local families seeking premium education options that prepare students for global opportunities.

Vocational training and upskilling initiatives present further opportunities for private sector involvement. ASEAN governments are heavily investing in technical and vocational education and training to address workforce gaps in industries such as green energy, AI, and logistics. Thailand's Thai MOOC platform and Indonesia's Ruang GTK teacher training initiative, which aims to upskill teachers in AI and analytics, exemplify how public-private partnerships are being leveraged to modernise vocational education systems. Meanwhile, transnational education partnerships, such as Malaysia's collaboration with Microsoft on AI curricula, are bridging skills gaps in advanced technologies.

While challenges such as regulatory complexities and uneven digital infrastructure persist, the potential rewards far outweigh the risks for investors who adopt a nuanced approach. By aligning their offerings with local needs, whether through partnerships with governments or direct investments in private institutions, overseas businesses can tap into one of the world's most promising education markets.

For investors, the message is clear: ASEAN's education sector is no longer just about textbooks and classrooms. It's a £285 billion ecosystem where technology, policy, and demographics converge to create unprecedented opportunities.

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Life Sciences & Pharmaceuticals: A rising global contender

As the global life sciences industry seeks new frontiers for growth, the ASEAN region is emerging as a compelling destination for investment, driven by over 670 million inhabitants and rapidly expanding middle class. The region's transformation from a historically underserved market to a strategic hub for innovation, presents an exciting opportunity for overseas businesses and investors.

The life sciences landscape across ASEAN markets demonstrates robust growth. Vietnam and Malaysia in particular have expanded over the past decade, as too have key markets such as Thailand and Singapore. This consistent growth trajectory underscores the region's potential, particularly when viewed against the backdrop of healthcare spending patterns. The medical devices sector mirrors this growth story, with Vietnam, Singapore, Malaysia and Thailand leading the charge, highlighting the region's increasing appetite for advanced medical technologies.

Unlike mature economies in the wider region, such as Japan and Australia, which allocate approximately 10% of GDP to healthcare, most ASEAN nations currently spend between 2% to 7%. Singapore commits 4.4% of GDP, less than half of the UK, suggesting significant scope for expansion[1]. This spending gap represents both a challenge and an opportunity for investors looking to enter markets with strong growth potential.

ASEAN's commitment to digital transformation is also reshaping its healthcare landscape. The ASEAN Digital Generation Report reveals that 87% of respondents wish to further digitalise financial services, a trend that extends into healthcare delivery and pharmaceutical distribution. This digital appetite creates fertile ground for health-tech companies and digital health service providers seeking to enter emerging markets with tech-savvy populations.

Regional harmonisation

One of ASEAN's most significant achievements has been the harmonisation of regulatory frameworks across member states. The ASEAN Pharmaceutical Regulatory Framework (APRF), introduced in 2022, aims to eliminate technical barriers to pharmaceutical trade, while maintaining rigorous safety and quality standards. This initiative has standardised 85% of technical requirements for drug approvals across the region. This in turn has reduced approval times by 25% and enabled mutual recognition agreements that allowed 320 products to gain multi-country authorisations in 2023 alone[2]. Subsequent initiatives such as the ASEAN Sectoral MRA on GMP Inspection and the ASEAN Common Technical Dossier also facilitate easier market access across member states, addressing long-standing challenges in cross-border pharmaceutical trade.

Singapore has complemented these regional efforts with national policies such as offering substantial tax deductions for clinical trial costs under its Research, Innovation and Enterprise 2025 plan. Similarly, in 2023 Thailand launched a programme to fast-track approvals for orphan drugs targeting rare diseases, while Indonesia has mandated that at least 70% of medicines in the government's e-catalogue come from local sources, aiming to reduce reliance on imports[3].

Investment in world-class innovation infrastructure has further helped to position ASEAN as a serious contender in global life sciences. Singapore's Biopolis, spanning 330,000m^2, has successfully attracted pharmaceutical giants including GlaxoSmithKline, Roche and Pfizer. South Korea's Pangyo Techno Valley generates an impressive £55 billion in GDP and houses 1,270 companies, with biotech tenants comprising 13% of occupants[4].

Nevertheless, challenges persist. Regulatory timelines vary significantly across the region, and infrastructure development also remains uneven.

Singapore may rank second globally for ease of doing business, but several other ASEAN states fall well outside the top 50, requiring investors to adopt nuanced, country-specific strategies.

Positive prospects for investment

The ASEAN investment climate remains overwhelmingly positive. According to research by FinanceAsia and DFIN[5], around 80% of investors expect to be involved in life sciences transactions within two years, compared to 40% who have engaged in the past two years. Medical technology and devices (25%), biotechnology (19.4%), and pharmaceutical R&D (19.4%) are identified as the most attractive investment sectors.

For businesses considering investment, success hinges on understanding the unique dynamics of each market while leveraging regional harmonisation initiatives. The combination of strong market fundamentals, supportive regulatory frameworks and significant unmet healthcare needs creates a compelling investment case. With 65% of the world's middle class expected to be in Asia-Pacific by 2030[6], companies offering digital health solutions and personalised medicine are particularly well-positioned to capitalise on this growth.

The rural healthcare challenge presents another significant opportunity, with 60% of ASEAN's population living in rural areas[7]. This demographic reality creates demand for telemedicine and last-mile healthcare delivery solutions, particularly as governments seek to achieve universal health coverage goals.



As ASEAN pursues its ambitions to develop into a global life sciences hub, the convergence of technological advancement, regulatory harmonisation and growing healthcare demands creates an unprecedented opportunity for international businesses. Those who navigate the region's complexities with strategic partnerships and local market understanding stand to reap substantial rewards in one of the world's most dynamic life sciences markets.

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Energy & Renewables: Harnessing the energy transition

The ASEAN region's energy landscape is evolving rapidly, driven by rising demand, climate priorities and technological innovation. With renewable energy capacity projected to grow by 35% by 2025[1], the bloc is fast becoming a focal point for investors seeking opportunities in solar, wind, and emerging green technologies.

Energy demand is expected to grow by 4.7% annually until 2040, significantly outpacing the global average. While fossil fuels still dominate, accounting for approximately 76% of the energy mix, renewables now comprise 24% of total capacity[2]. This shift towards renewables is not merely a matter of environmental consciousness, but increasingly one of economic pragmatism.

Government support

The ASEAN Plan of Action for Energy Cooperation (APAEC) Phase II is the cornerstone of regional energy policy, providing a comprehensive roadmap for sustainable energy development and integration. This plan sets ambitious targets, including achieving 23% renewables in the primary energy mix by 2025. To support this goal, APAEC supports the establishment of a unified ASEAN Power Grid to facilitate cross-border electricity trading. This initiative not only promotes energy security, but also creates opportunities for countries to optimise their renewable resources on a regional scale.

Individual ASEAN nations have complemented these regional efforts with their own ambitious strategies. Vietnam has seen a remarkable surge in solar capacity, for example, growing from 0.1GW in 2017 to 18.5GW in 2022[3]. This growth has been supported by a combination of favourable feed-in tariffs and tax incentives, demonstrating the powerful impact of well-designed policy frameworks.

The country has also set its sights on wind energy, aiming for 18-20GW of wind capacity by 2030[4]. This target is supported by innovative policies, including a direct power purchase agreement (DPPA) pilot programme that allows renewable energy producers to sell electricity directly to large consumers, bypassing the national utility.

Meanwhile, Thailand's Energy Efficiency Development Plan takes a holistic approach, mandating 30% renewables in the energy mix by 2037[5]. This includes installing 10GW of rooftop solar by 2037[6]. The country has also embraced technological innovation, introducing a blockchain-based peer-to-peer energy trading platform. This allows small-scale renewable energy producers to sell excess electricity directly to consumers, democratising the energy market and incentivising further renewable deployment.

Hydropower is another linchpin in the region's renewable energy mix. Its significance is particularly evident in countries like Myanmar, Cambodia and Laos, where hydroelectricity contributes to more than half of power generation, reaching up to 70% in Laos[7].

Geothermal energy, often overlooked in global renewable discussions, also plays a crucial role in ASEAN's energy landscape, particularly in Indonesia. Holding 40% of global geothermal reserves[8], Indonesia has positioned itself as a world leader in this technology. Projects such as the 330MW Sarulla geothermal plant in North Sumatra exemplify the country's commitment to harnessing this resource, fostering technological exchange and economic growth in the region.

Recent developments

The ASEAN renewable energy landscape is characterised by several trends that are reshaping the sector. Chief among these is the continued dominance of solar power, driven by a considerable fall in technology costs. Utility-scale solar costs have plummeted by 60% since 2015[9], making it increasingly competitive with fossil fuels. This cost reduction has spurred both utility-scale projects and distributed generation initiatives.

Wind power – particularly offshore wind – is emerging as a significant complementary technology, with the region boasting an estimated 600GW of potential capacity[10]. Vietnam's 3.8GW pipeline and the Philippines' 1.2GW project portfolio highlight the growing momentum in this sector. The higher capacity factors and larger scale of offshore projects make them particularly attractive to international investors and developers, promising to bring substantial new renewable capacity online in the coming years.

Green hydrogen is another frontier technology with the potential to reshape the energy landscape. Thailand and Malaysia are spearheading pilot projects in green hydrogen production[11], positioning the technology as a potential game-changer for hard-to-decarbonise sectors.

The expansion of the ASEAN power grid presents opportunities not just in infrastructure development, but in smart grid technologies, too, encompassing everything from advanced metering infrastructure to sophisticated grid management software. These smart grid technologies will be crucial for managing the increasing complexity of power systems with high renewable penetration, enabling greater efficiency and reliability.

Energy storage innovations are also helping to address key challenges in the sector. Land scarcity in many ASEAN countries has spurred creative solutions, such as floating solar farms. Singapore's 60MW Tengeh Reservoir project is a prime example of how countries can overcome geographical constraints to deploy renewables at scale. Additionally, the integration of battery storage systems is helping to address the intermittency challenges associated with solar and wind power, improving grid stability and reliability.

Emerging opportunities

The scale of the opportunity in ASEAN's renewable energy sector is immense. With electricity demand projected to grow by approximately 7.3% annually by 2030[12], the region could require over 2,770GW to 3,400GW of renewable power capacity by 2050 to meet this demand sustainably[13]. This massive build-out of renewable capacity represents a significant investment opportunity, driving innovation, creating jobs and positioning ASEAN as a key player in the global energy transition.

[1] Asean.org, ASEAN Plan of Action for Energy Cooperation 2016-2025
[2] IEA, ASEAN Renewables: Opportunities and Challenges, 2023
[3] Enerdata, Executive brief: Energy connectivity in ASEAN, 2023
[4] IEA, ASEAN Renewables: Opportunities and Challenges, 2023
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Powering Southeast Asia's clean energy transition

Srini Nagarajan, Managing Director and Head of Asia, BII



Srini Nagarajan

As the world's oldest Development Finance Institution (DFI), British International Investment (BII) is at the forefront of solving the biggest global development challenges, including climate change. Srini Nagarajan, Managing Director and Head of Asia, highlights the strategic importance of BII's target territories in Southeast Asia in achieving the DFI's ambitious climate finance goals.

Could you outline the history of BII and its role as a DFI?

We were formed in 1948 and a former Chairman, Lord Reith, once described our role as "doing good without losing money". That philosophy still applies today. The aim is to marry our impact objectives with our commercial goals, ensuring we do not crowd out private capital and remain true to our purpose.

As the UK's DFI, our goal is to invest in private sector businesses that drive positive economic, social, and environmental change. As a sustainable investor, we not only support businesses to thrive in ways that benefit local communities and the planet but also help them to grow over the long-term and withstand tough economic cycles.

When did BII first invest in ASEAN and what attracted it to the region?

We first invested in the mid-1960s and was drawn to the region because it was under-developed at the time. We saw great potential in leveraging nature-based solutions and so had investments in palm oil in countries like Indonesia and Papua New Guinea. We also owned a company called Pacific Rim Palm Oil in Singapore, which used to manage 73,000 hectares of palm oil plantation, across five plantations and employed 14,000 people across Southeast Asia.

What is the scale of your planned investment programme?

Our mandate in Southeast Asia is to help the larger economies including the Philippines, Indonesia and the Mekong region (Vietnam, Cambodia and Laos) to reduce emissions and adapt to the impacts of climate change. We plan to invest up to £500 million in climate-related projects by 2026, particularly in the renewables sector.

Our investments in the renewable energy sector include projects like SUSI Asia Energy Transition Fund, Skye Renewables Energy, BECIS, Xurya, and ib vogt. We're also supporting start-ups that are developing

innovative climate-smart solutions through our partnership with Wavemaker Impact, a Southeast Asian venture builder.

Furthermore we're actively looking for investment opportunities in other sectors critical to the green transition, including electric vehicle, waste management and water.

Attracting private sector partners and commercial capital for our investments is also a priority for BII. This is vital to closing the climate finance gap and accelerating transformation at scale. We plan to replicate the success of renewable energy platforms such as Ayana in India, which we built to attract commercial capital and contribute to the country's renewable energy targets. We've recently established a similar platform in Southeast Asia called Sustainable Asia Renewable Assets (SARA), which will build 500MW of greenfield renewable energy projects within the next five years.

Why is BII focused solely on climate finance in Southeast Asia?
Southeast Asia is central to BII's plan for at least 30% of all new commitments to be in climate finance. Our focus on climate finance is driven by the region's heavy reliance on fossil fuels and its significant potential for reducing global carbon emissions.

Electricity demand is projected to grow at an annual rate of 4% until 2035 and clean energy sources are expected to meet more than a third of this increased demand. However, there is a substantial financing gap as the region needs to boost clean energy investments to US$190 billion by 2035 to achieve its climate goal[1].

As an experienced climate finance investor who is willing to take on more risk in exchange for development, we are well-positioned to help by not just investing in climate solutions but also mobilising more private capital to fill this funding gap.



What are BII's key measures of success?
As a DFI, we prioritise our impact objectives over commercial goals. We want to build commercially sustainable businesses as this is important to attract further private investment. But profit maximisation is not our primary objective.

An immediate measure of success is deploying the requisite amount of capital into the right businesses that need our capital, which for BII means investing up to £500 million by 2026. In the longer term, success is defined by achieving our development impact goals, specifically supporting the growth of sustainable economies in Southeast Asia.

[1] "Southeast Asia's role in the global energy system is set to grow strongly over next decade", the International Energy Agency (IEA)

What does BII look for when considering a new investment opportunity?

When evaluating a new opportunity, the most important question we ask is whether BII's concessional capital is truly needed or if we are merely crowding out private capital. Next, we assess our contribution and what value we bring to the table. We also examine the integrity of the sponsors and who we're backing to ensure they are aligned with our values. Another consideration is the commercial viability of building an opportunity and whether it will meet our objectives. Finally, we consider our exit strategy and the likely timeframe – as a patient capital investor without fund-life constraints, we have some flexibility, though our typical exit horizon is five to eight years.

Why should energy businesses in this region consider BII as a source of finance?

Firstly, as the world's oldest DFI, we have a strong track record of investing in emerging and developing economies. Secondly, very few institutions can match our equity expertise. Over 65% of our portfolio is in equity investments, and this is unlike many other DFIs who primarily provide debt funding. Thirdly, we bring significant value to our investee companies through our sector knowledge as well as our high business integrity and ESG standards. Finally, the credibility of the BII brand is highly regarded and resonates well with regulators and rating agencies.

How should an energy business in the ASEAN region approach BII for support?

Businesses should start by contacting our office in Singapore or reaching out to me directly, and we will ensure that any enquiry is handled promptly. Our standard minimum ticket size is US$15-US$25 million – if the deal size is lower, then we may route the enquiry to one of our fund managers and choose to co-invest with them. While we expect a reasonably well-developed business plan, we are open to early-stage conversations. However, for us to engage seriously and dedicate time, a proper Information Memorandum is required.



Case Study 1 – SUSI Asia Energy Transition Fund

BII's first commitment on re-entering the region was with SUSI Asia Energy Transition Fund (SAETF), a Southeast Asia focused energy transition infrastructure fund managed by Swiss-based firm SUSI Partners.

SAETF targets infrastructure investments across the energy transition spectrum, such as renewable energy, energy efficiency, and energy storage projects, and focuses on emerging economies in Southeast Asia, including Indonesia, Vietnam and the Philippines.

BII's US$15 million commitment to the Fund in 2023, is supporting the growth of clean energy solutions and increasing the supply of clean, reliable and affordable electricity for businesses and consumers, especially in underserved areas.

Recently, BII jointly set up a new utility-scale renewable energy platform with SUSI and FMO. The platform – Sustainable Asia Renewable Assets (SARA) – will build 500MW of greenfield renewable energy projects within the next five years.

"The aim of creating a platform like SARA from the ground up is to take on early-stage risks that commercial investors typically avoid, establish a pipeline of viable projects, and ultimately attract commercial capital to these markets which is a key objective for us in the region." Srini Nagarajan

Case Study 2 – Skye Renewables Energy

Established in 2022, Skye Renewables Energy develops solar projects, providing off-grid clean energy to commercial and industrial (C&I) customers in Southeast Asia.

C&I businesses such as manufacturing plants, commercial buildings and industrial facilities require substantial amounts of energy to operate efficiently. This is contributing to the increased demand for energy in the region, which is expected to rise at an annual rate of 4% until 2035.

Skye provides rooftop solar power to C&I businesses which is helping to keep pace with this growing demand in a sustainable way. It also



benefits businesses as it provides access to more affordable and stable energy supply.

In 2024, BII made a joint investment with Idemitsu Kosan, one of Japan's leading energy companies, into Skye to scale up its operations with a solar capacity of over 300MW in the coming years. It is expected that this will help avoid 270,000 tonnes of CO2e annually, which is equivalent to the emissions generated by over 47,000 homes' electricity use in a year.

"This marks our first direct equity investment in Southeast Asia which will make a significant contribution to the region's green transition goals. Our investment will enable Skye Renewables to scale up renewable energy solutions, helping to decarbonise the energy-intensive commercial and industrial sector." Srini Nagarajan

Agriculture: Fertile ground for investment

ASEAN is one of the world's most productive agricultural regions, playing a crucial role in global food production and security. With its diverse climates, fertile soil, and abundant natural resources, the region offers compelling opportunities for international investors seeking growth in the agricultural sector.

The sector makes a significant contribution to ASEAN's economy. In 2022, the region produced an impressive 195.5 million tonnes of rice, 44.7 million tonnes of corn, and 82.1 million tonnes of cassava. This productivity shows no signs of slowing, with rice production expected to reach 206 million tonnes by the end of 2025[1].

The region's agricultural trade has experienced remarkable growth, with exports, domestic utilisation and self-sufficiency all projected to increase. Between 2013 and 2022, trade in agricultural products grew by a substantial 66.8%[2], and this growth is expected to continue.

Importantly, despite significant regional and global uncertainty over the past five years and more, ASEAN's agricultural sector has demonstrated remarkable resilience, maintaining positive growth since 2015 and continuing to grow by 2.3% even during the Covid-19 pandemic[3]. This sustained performance underscores the sector's strength and importance to the regional economy.

Key production centres

Agricultural production varies across ASEAN member states, with certain countries stronger in specific crops. Indonesia, Vietnam, Thailand, Myanmar and the Philippines are the top five paddy producers, collectively contributing 90.9% of the region's total rice production. For cassava, Thailand, Indonesia, Cambodia and Vietnam lead production, accounting for 77% of regional output. Indonesia is the largest maize producer, with output equivalent to 52.4% of total ASEAN production[4].

This distribution of agricultural specialisation creates a complementary regional production system that enhances overall food security while providing multiple entry points for foreign investors based on specific crop interests.

Untapped potential

Even with these impressive production figures, most ASEAN countries have yet to reach their full agricultural potential. The region's balanced climate, fertile soils, and diverse geography – from lowlands and uplands, to forests, rivers and coastlines – offer significant opportunities for expansion and optimisation.

Investment opportunities extend beyond traditional crop and livestock production to include managing food supply chains, developing agricultural infrastructure, implementing food safety systems, and pioneering agribusiness innovations. Specific growth areas include:

1|Infrastructure development: Investments in climate-resilient agricultural infrastructure to increase and protect crop production.

2|Food processing: Professionalising and systematising small-scale food processing operations.

> ASEAN is one of the world's most productive agricultural regions, playing a crucial role in global food production and security.

3|Agritech solutions: Driving high-tech agribusiness through innovations such as precision farming, drones, IoT devices and advanced analytics.

4|Value chain integration: Strengthening various activities along the agricultural value chain.

Growth drivers

There are multiple reasons to be optimistic for the future of the ASEAN agricultural sector. The region itself is home to nearly 700 million people, while its main food markets in East Asia and South Asia have populations of 1.6 billion and approximately 2 billion respectively. A significant portion of these populations form part of a growing middle class with increased purchasing power and evolving preferences, shifting from basic food staples to higher-value products, whether organic or processed.

ASEAN's strategic geographic position as a supply base for its larger neighbours is another catalyst for continued growth. The region's proximity to major markets such as China and Japan places it in an advantageous position for supplying food and other perishable goods. As the region's own economic growth continues alongside wider Asian development, intra-market trade of agricultural goods is also expected to increase.

Regional integration

Continuing regional integration in the agricultural sector is also likely to spur future growth, with efforts focused on easing trade between member states and facilitating faster movement of perishable goods across long distances. The strategy involves developing niche-based agriculture, supported by reduced trade barriers and improved infrastructure.

Sub-regional initiatives further enhance this integration. Countries in the Greater Mekong sub-region, including Thailand, Laos, Cambodia and Myanmar, have emphasised internal transportation routes to facilitate agricultural and food movement. The Brunei-Malaysia-Indonesia-Philippines growth area has similarly prioritised physical integration, with a Roll-On, Roll-Off vessel service operating between the Philippines and Indonesia since 2017[5].

Region-wide infrastructure developments include the ASEAN Highway Network and the Singapore-Kunming Rail Link, which aims to connect seven ASEAN countries with China, further integrating regional agricultural markets.

Investment considerations

For international investors considering ASEAN's agricultural sector, there are several areas that are gaining increasing attention:

1|Agritech innovation: The increasing adoption of digital technologies in agriculture presents significant opportunities in precision farming, smart irrigation systems, and agricultural data analytics.

2|Sustainable practices: Growing emphasis on sustainability opens possibilities for investments in organic farming, regenerative agriculture, and eco-friendly agrichemicals.

3|Agricultural insurance: Implementation of regional agricultural insurance guidelines creates openings for insurance providers to develop products tailored to local needs.

4|Research and development: Opportunities exist in developing climate-resilient crop varieties, sustainable farming techniques, and innovative agricultural products.

5|Financial services: With many smallholder farmers lacking access to credit, there's potential for fintech solutions and innovative financial products designed for the agricultural sector.



Given the size and diverse nature of the markets that comprise ASEAN, it is not surprising that challenges remain, such as environmental impacts, regulatory variations across ASEAN member states, and infrastructure needs in certain areas. Nevertheless, as ASEAN countries continue to balance food security, economic growth and sustainability, its agricultural sector is poised to play an increasingly vital role in the region's development, offering fertile ground for international investment and collaboration.

[1] https://investasean.asean.org/agriculture
[2] ASEAN Statistical Brief, Role of Agriculture, Forestry, and Fishing Industry in ASEAN Economy, April 2024
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Water: Managing water in the age of sustainability

ASEAN's water sector combines unprecedented challenges with substantial opportunities for overseas businesses and investors. As Southeast Asia as a whole grapples with rapid urbanisation, industrial growth and climate change impacts, the region's water infrastructure and management systems require significant investment and modernisation.

A sector of growing importance

Water availability and management are crucial for economic growth, food security, public health and trade. With continued population growth, rapid urbanisation and industrial expansion, ASEAN's water challenges have become more urgent than ever. According to the Asian Infrastructure Investment Bank (AIIB) Water Sector Strategy[1], at least half a billion people in the region currently face water shortages, with more than a billion lacking access to drinking water supply and sanitation services.

The investment landscape is substantial but inadequate. Based on current trends and requirements to meet UN Sustainable Development Goals (SDGs), AIIB estimates that ASEAN requires average annual investments of up to £264 billion through 2030, representing up to 7.5% of regional GDP. Water supply and sanitation represent the greatest investment need, followed by flood protection and irrigation.

Critical challenges

Domestic water demand in the ASEAN region is expected to grow, driven by population growth and urbanisation. Many service providers already struggle with supplying basic services, compounded by weak performance and very high levels of non-revenue water (water lost or unaccounted for in distribution systems).

Environmental degradation poses another significant challenge. Asia as a whole has one of the highest rates of wastewater discharged untreated to water bodies, creating severe consequences for public health and ecosystems. Climate change amplifies these problems, increasing the risk the local population will be adversely affected by natural disasters such as floods and droughts.

Infrastructure deficits remain substantial. Rural water access, while showing improvement with around 75% of the rural population living within 2km of an all-season road, is projected to see only marginal improvements by 2030. The rural access index is expected to increase from 75% to just 76% by 2030, leaving approximately 515 million rural inhabitants without proper access[2].

Differences in water management

The water sector's development varies significantly across ASEAN member states. Singapore leads the region with its advanced water management systems and technological innovations, while countries such as Cambodia, Laos and Myanmar face significant infrastructure and capacity challenges.

The ASEAN Strategic Plan of Action on Water Resources Management (SPAWRM) highlights the disparities in institutional capability and resources across member states. Fragmentation of water management between multiple agencies within countries impacts the harmonisation

of monitoring programmes for water quantity and quality. This institutional complexity often leads to inefficient water resource management and difficulties in implementing integrated approaches.

Opportunities for investment and development

Despite the challenges, the ASEAN water sector presents significant opportunities for overseas businesses and investors. The annual financing gap creates substantial space for private sector participation. The AIIB's water sector strategy specifically prioritises mobilising private capital and efficiencies, recognising that regional experience of private sector participation needs enhancement.

Technology adoption represents a particularly promising area. Innovation in green technology and nature-based solutions are seen as critical for improving water investment impacts. Digital technologies and data management systems can significantly improve efficiency of governance, management and service delivery, while contributing to disaster prediction, preparedness and management.

Infrastructure development presents clear opportunities. Planned investment in transport infrastructure from 2020 to 2030, for example, includes significant water-related components. Urban rail transit investments, which are projected to receive the same investment as heavy rail infrastructure for the first time, will require sophisticated water management systems for construction and operation.

Future direction

The future of ASEAN's water sector is being shaped by several key strategic initiatives. The SPAWRM identifies four critical areas: supply, demand and allocation; water quality and sanitation; extreme events; and governance and capacity building.

The AIIB's commitment to improving access to water services, increasing the availability and quality of water through improved resource management and improving resilience to water-related disasters signals strong institutional support for sector development. The bank's guiding principles of promoting sustainable infrastructure, integrated resource management, mobilising private capital, and adopting innovative technology provide a framework for future investment.

Promising potential

The ASEAN water sector represents both a critical development challenge and a significant investment opportunity. With proper infrastructure investment, technological adoption and institutional reform, the sector can support the region's ambitious economic growth targets while ensuring sustainable water resource management.

For overseas businesses and investors, the sector offers substantial opportunities in infrastructure development, technology solutions and service provision. The significant financing gap, combined with strong institutional support and clear strategic direction, makes the ASEAN water sector an attractive proposition for those with expertise in water management, infrastructure development, and innovative technologies.

As ASEAN continues its economic ascent, addressing its water challenges will be crucial for sustainable development. Investors and businesses that can contribute to solving these challenges while navigating the complex institutional landscape stand to benefit from one of the world's most dynamic and growing markets.

[1] AIIB, Water Sector Strategy

[2] ADB, Asian Transport 2030 Outlook

Defence: Evolving security context creates new opportunities

ASEAN's defence sector is evolving rapidly, shaped by a complex interplay of historical legacies, territorial realities and shifting security priorities. Over the past decade, Southeast Asia's defence expenditure has increased by nearly 33%, a growth rate that underscores the region's determination to modernise its military forces and address emerging threats[1].

This upward trend has established ASEAN as a focal point for global defence suppliers and contractors, with the region's collective ambitions and investments attracting significant international attention.

The region's defence budgets are driven by a range of factors, including concerns over maritime security, the need to counter terrorism and transnational crime and the imperative to replace or upgrade ageing military equipment. These drivers have not only increased the volume of procurement, but have also encouraged a shift towards more advanced and localised solutions.

Market dynamics

Singapore stands out as the technological leader within ASEAN's defence landscape. In 2024, its defence budget reached approximately £11.3 billion, highlighting the city-state's commitment to maintaining a qualitative edge in military capability[2]. Singapore's Defence Technology Community (DTC) serves as a model for regional collaboration, coordinating research and development efforts across government, academia and private enterprise. The Defence Science and Technology Agency (DSTA) has made significant investments in areas such as AI, cybersecurity and autonomous systems, although specific annual investment figures are not always publicly disclosed.

Indonesia, the region's largest economy, has taken a different but equally ambitious path. The country's 2023 defence budget was around £8.5 billion, with substantial allocations for naval modernisation and the development of indigenous aerospace capabilities[3]. The Defence Industry Law mandates technology transfer and domestic manufacturing requirements for foreign suppliers, fostering a vibrant ecosystem of local defence firms. This policy has enabled partnerships such as the joint KF-21 fighter jet development programme with South Korea, which is expected to enhance Indonesia's technological base and reduce its reliance on imports.

Vietnam and the Philippines are also investing heavily in military modernisation. Vietnam's defence budget is projected to reach nearly £8.1 billion by 2029, with current spending focused on artillery, missile defence and air force upgrades[4]. The country maintains a policy of non-alignment and eschews military alliances or foreign bases, yet it has deepened strategic partnerships with Russia, India and Japan to diversify its sources of military technology. The Philippines, meanwhile, had a core defence budget of approximately £3.2 billion in 2024, a significant increase that reflects its ongoing Horizon modernisation programmes[5]. These multi-phase initiatives are designed to enhance the country's naval and air capabilities, with particular emphasis on maritime domain awareness and the acquisition of new platforms and systems.

Thailand and Malaysia have adopted balanced approaches to defence development, each maintaining robust industrial bases with particular strengths in maintenance, repair and overhaul (MRO) services. Thailand's 2024 defence expenditure was forecast to reach around £4.5 billion[6], while Malaysia's budget for the same year was close to £3.3 billion[7].

Malaysia's Defence White Paper 2020-2030 outlines a comprehensive strategy for military modernisation, with an emphasis on building a sustainable defence ecosystem and improving maritime surveillance and response capabilities.

Strategic priorities

Across the region, defence industrial policies are being recalibrated to reduce dependency on foreign suppliers and foster local technological capacity. Indonesia's regulatory framework, for instance, requires foreign defence contractors to engage in technology transfer and offset agreements, facilitating the growth of local industry and skills. Singapore's approach, by contrast, is rooted in the integration of research and development across multiple sectors, ensuring that innovation in defence is closely aligned with national security objectives. Malaysia's strategic planning has also prioritised the development of homegrown capabilities, with significant allocations for maintenance and acquisition in recent budgets.

ASEAN's defence market is expected to expand further over the coming years. Projections suggest that the Southeast Asia defence market could reach nearly £16 billion by 2025, with continued growth anticipated through 2030[8]. Key areas of opportunity include unmanned systems, with the Asia-Pacific drones market forecast to grow rapidly, and cybersecurity, where ASEAN's market was valued at approximately £2 billion in 2024 and is expected to approach £3.2 billion by 2027[9]. Defence, government and financial services are among the sectors driving this demand, as the region seeks to bolster its resilience against both conventional and non-traditional threats.

Looking ahead, ASEAN's defence sector will be shaped by a confluence of geopolitical, technological and economic factors. Maritime disputes, particularly in the South China Sea, are likely to sustain investment in naval and coastal defence systems, while broader geopolitical tensions should encourage further diversification of suppliers and strategic partnerships. Technological disruption – especially in fields such as AI, quantum computing and biotechnology – presents both challenges and opportunities for the region. Against this background, the ASEAN defence sector presents a dynamic and rapidly evolving landscape, characterised by robust growth, increasing indigenous industrial development and evolving security concerns. The region's commitment to modernisation and innovation is likely to ensure its continued prominence on the global defence stage.

[1] SIPRI, Trends in world military expenditure 2023, April 2024
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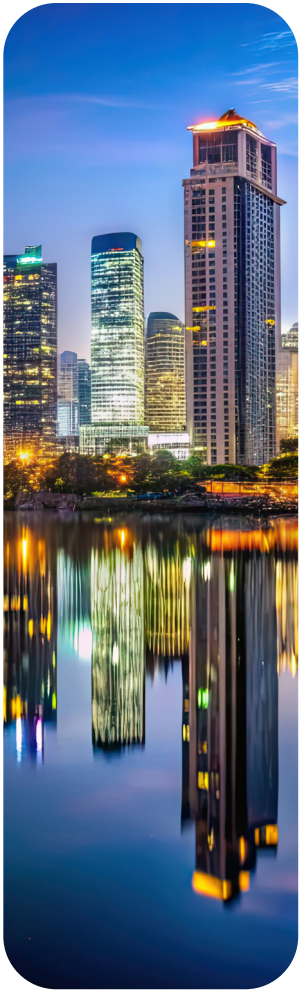
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