
A supplement to PwC's 2017 APEC CEO Survey

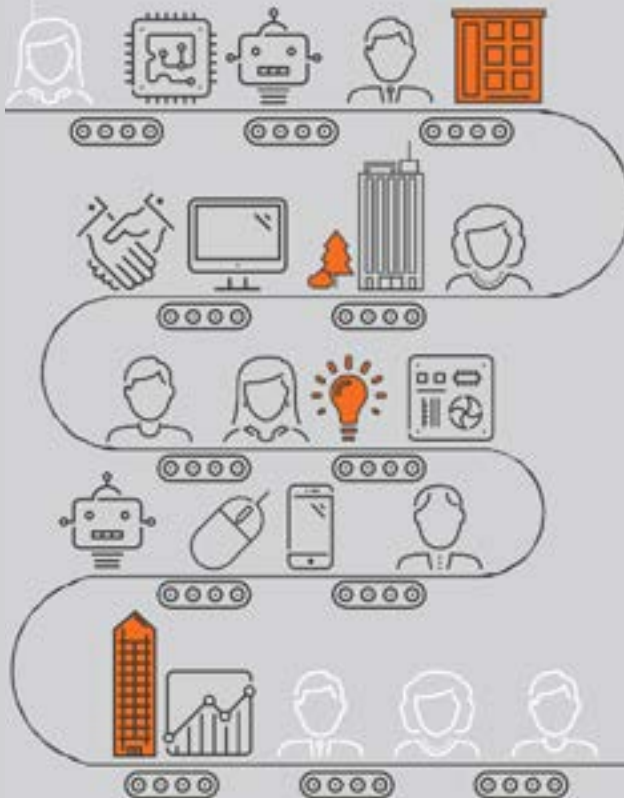
*Doing business in
Asia Pacific 2017-2018:
A world in transition*
The ASEAN Report



www.pwc.com/sg

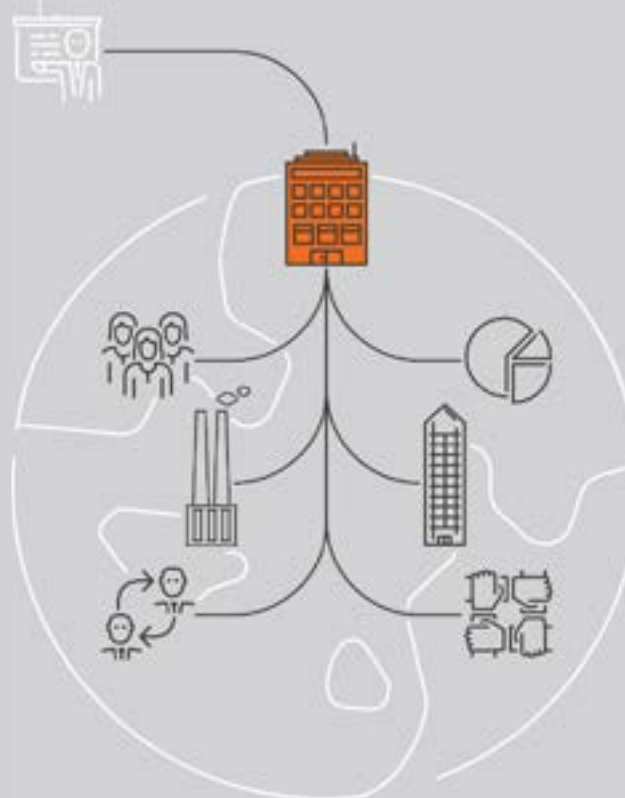
Making

of the workforce of the future



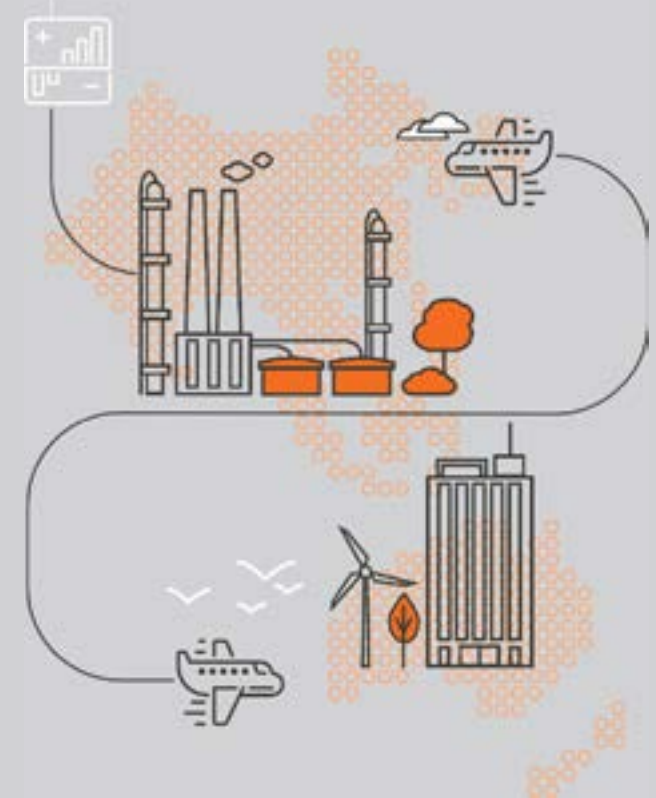
An operating model

for a fluid trade policy environment



Outlook

for business growth in Asia Pacific region in 2018



Contents

Overview	4
2018 Outlook for business growth	9
An operating model for a fluid trade policy environment	15
Making of the workforce of the future	21
Concluding thoughts	27
Profile survey respondents	29
Appendices	30

The ASEAN report

Overview



Overview

Over the next three years, business leaders across the 21-member countries of the Asia-Pacific Economic Cooperation (APEC) expect their businesses to become increasingly global and automated amidst greater economic integration in the region. At the same time, they remain cautious about shifting views on global trade openness and are prepared to adjust how they operate internationally. This year's APEC CEO Survey polled 1,400 business leaders for their perspectives on the business landscape. The results reveal these key trends:

The Asia Pacific region is becoming more economically linked despite rising trade friction

Though progress has been slow, the majority of business leaders surveyed see deepening economic integration in the region (Figure 1, page 6). Future growth opportunities are expected due to the development of trade agreements. China's increasingly outward-looking economy could act as an engine for growth for Asian economies, with its Belt and Road Initiative serving as a potential catalyst for greater connectivity, investment and growth.

APEC-based companies will become increasingly interconnected. A net 50% of business leaders surveyed plan to increase their global investments in the coming year, where around seven in 10 of them (71%) intend to channel these investments into other APEC economies.

The international trade environment is becoming more restrictive

New impediments to cross-border business are starting to emerge. These include barriers to employing foreign labour, moving services and data across borders, and investing in a foreign economy. Business leaders expect these barriers to tighten over the next 12 months, signaling rising complexities for international businesses. They intend to monitor these developments closely.

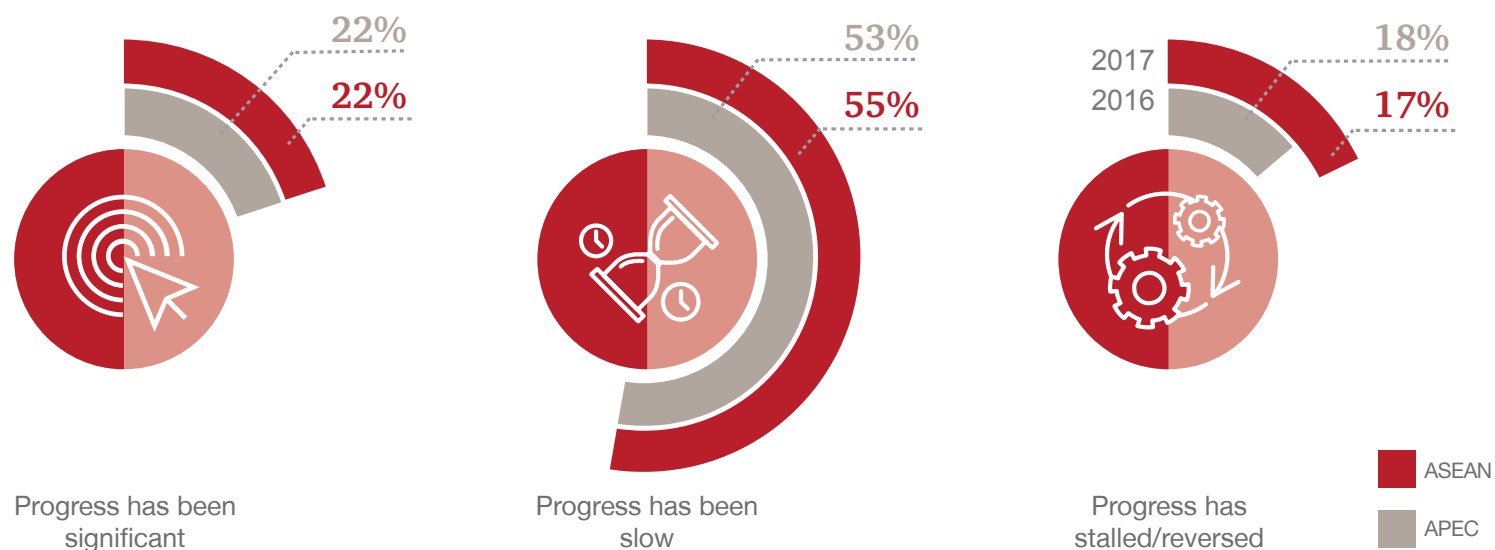
Stronger reliance on foreign partnerships and increasing activities in markets with established bilateral ties

In the face of an uncertain trade policy climate and diverging views on trade openness, the majority of APEC business leaders plan to boost overseas growth by seeking greater cross-border business collaborations and by venturing into economies with established bilateral ties. These strategies underscore the importance of partnerships and trade agreements in building greater business certainty amidst a rapidly-changing external environment.

Workforce transformation is underway to secure growth in the digital economy

More than half of the business leaders surveyed are already automating certain functions in their organisations as the move towards a digital economy gains momentum. Yet, the human element remains critical. Companies that can identify, attract and retain talent with the right skills and competencies to best complement their digital or technology adoption will be the ones that can truly benefit from the digital age.

Figure 1: Progress towards free trade across the Asia Pacific region in the last 12 months according to business leaders



Q: How would you assess the progress that has been made towards free trade across the Asia Pacific region in the last 12 months?

Base: ASEAN CEOs 412, Don't know 6%. APEC CEOs 1331, Don't know 7%.

Source: PwC's APEC CEO Survey, 2017

These APEC trends also hold true for business leaders from the Association of South East Asian Nations (ASEAN)* that are part of this survey. As an upcoming economic powerhouse, ASEAN is a major manufacturing and services hub in Asia Pacific, which also houses one of the world's fastest growing consumer markets. A comparable percentage of ASEAN business leaders share similar sentiments to their APEC counterparts in these areas:

- Progress towards free trade across the Asia Pacific region
- Confidence and outlook in business growth
- Increased barriers encountered in the global trade environment
- Adoption of new strategies to secure growth in overseas markets
- Managing digital transitions in the workplace

At the same time, the survey findings reveal that the ASEAN responses stand out from the APEC average in the following areas:

Confidence in increasing exports

Across APEC, the outlook on exports is muted. ASEAN, with its lower-than-average scores, recorded a softening confidence in export growth. As ASEAN tends to rely on trade agreements to facilitate export opportunities, the uncertainty surrounding the Trans-Pacific Partnership (TPP) following the US' withdrawal could have weakened sentiment.

Expansion of global footprint in the next three years

Even in the face of rising trade uncertainty, a higher-than-average percentage of ASEAN business leaders expect to widen their businesses' global footprint over the next three years. The results suggest that ASEAN business leaders are more eager than their APEC counterparts to drive expansion into other markets, despite greater investment barriers. Increasing outbound investment will play a critical role in their internationalisation strategy.

Growth strategies in relation to China

ASEAN business leaders continue to eye China as a vast market with exciting business possibilities. They emerged more enthusiastic than their APEC peers in collaborating with partners in China and in building their brand there. The results also suggest that ASEAN businesses are more focused on capturing opportunities in China than the rest of APEC. Meanwhile, the findings reveal that a lesser percentage of ASEAN business leaders plan to develop new products and services for existing markets in China, suggesting possible challenges faced in accessing and navigating the Chinese market.

Wholesale training of workforce in ways to use data

A third of business leaders surveyed across APEC are laying the groundwork for the future by investing in the development of a data-driven and analytical workforce. However, findings reveal that the percentage of ASEAN business leaders investing in the wholesale training of their workforce on how to use data falls

behind the APEC average. Instead, ASEAN businesses are currently prioritising automation as the key building block in their digital workforce strategy. As the need for data to drive business efficiency increases, so will the priority to bring the workforce up to speed on harnessing the benefits of data.

This year's responses reveal optimistic business outlook across ASEAN – Viet Nam and Indonesia are among APEC business leaders' top investment destinations and nearly half of the business leaders in the Philippines (49%) are very confident in their revenue growth prospects in the coming year. Meanwhile, Singapore stands out as the region's most outward-oriented economy.

This ASEAN* cut of our 2017 APEC CEO Survey studies the responses of 445 business leaders surveyed across seven ASEAN economies in comparison to the APEC average in these three key themes:

- **Outlook for business growth**
- **An operating model for a fluid trade policy environment**
- **Making the workforce of the future**

* This report reflects the survey results gathered across the seven ASEAN economies which are part of the APEC economic forum: Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam.

PwC's 2017 APEC CEO Survey: Research methodology

We surveyed industry leaders from 9 May to 14 July 2017 for the 2017 APEC CEO Survey. We also conducted in-depth interviews with CEOs and other top corporate officers and business specialists. We used an online and paper methodology to achieve 1,412 valid responses from CEOs and industry leaders, with responses from each of the 21 APEC economies. The 21 APEC member economies are: Australia, Brunei Darussalam, Canada, Chile, People's Republic of China; Hong Kong, China; Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Chinese Taipei, Thailand, The United States and Viet Nam.

We grouped respondents by the APEC economy for which they have primary responsibility. The US and China have the highest representation, each with 9% of respondents; followed by 8% each in both Viet Nam and Peru; and 6% each in Australia, Singapore, Hong Kong and Mexico. By sector, 39% of respondents are in industrials, 21% in consumer; 17% in financial services; 10% in technology; 4% in professional services and 8% are in other industries.

Over half of the respondents in ASEAN are from organisations with an annual revenue of US\$500 million or higher. Learn more about this ASEAN report's survey respondents profile at page 29.

Finally, this multilingual survey was made available in six languages: English, Simplified Chinese, Japanese, Korean, Spanish and Vietnamese. Insights from the in-depth interviews are quoted in this report, and video selections are available at www.pwc.com/apec, as is further information on the data and the graphics. Note: Not all figures add up to 100% due to rounding. An overall rank order was produced for questions where respondents were asked to provide a ranked response in order from high to low.



The ASEAN report

2018 Outlook for business growth

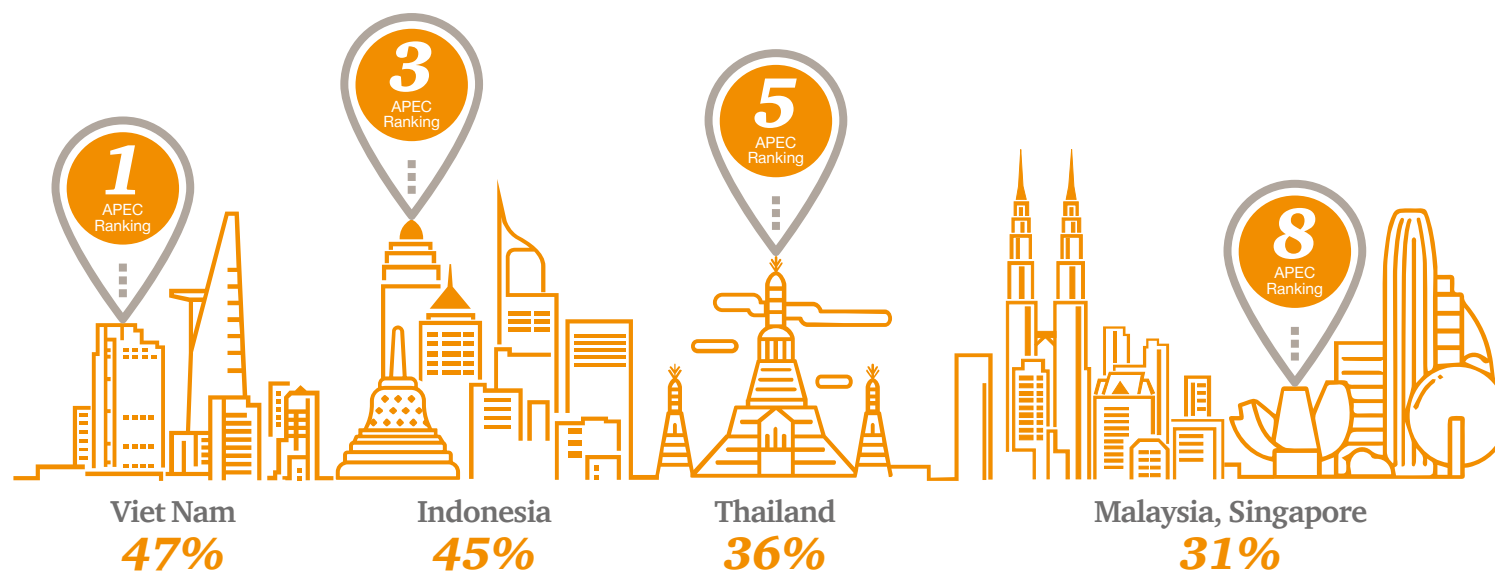


2018 Outlook for business growth

Tiger economies: Viet Nam and Indonesia

Business leaders surveyed ranked Viet Nam and Indonesia among the top destinations across APEC for outbound investment over the next year, with Viet Nam leading the list (Figure 2).

Figure 2: Top ASEAN destinations to receive increased cross-border investment over the next 12 months (showing net increase)



Q: Now thinking of your footprint in APEC economies, will your business investments increase, stay the same or decrease over the next twelve months in each of the APEC economies?

Base: Cross-border investment - APEC CEOs 379-483.

Note: "Net increase" refers to % of respondents who are "increasing" their investment minus % of respondents who are "decreasing" their investment. "Increasing" includes those currently investing in the economy with plans to increase AND those planning to invest in the economy for the first time minus those who will decrease their investment. Percentages recalculated on respondents with a footprint in each relevant economy only.

Source: PwC's APEC CEO Survey, 2017

Consistent with this trend, business leaders surveyed in Viet Nam and Indonesia emerged more confident than their ASEAN and APEC counterparts when it comes to:

- Launching a new product/service or entering a new line of business (Viet Nam: 36%, Indonesia: 32%, both ASEAN and APEC: 27%)
- Increasing profit margins in domestic operations (Viet Nam: 36%, Indonesia: 35%, ASEAN: 25%, APEC: 26%)

Viet Nam and Indonesia are both fast-growing economies with expanding domestic markets. These factors have contributed to the above-average optimism in these countries on business growth prospects. It is also interesting to note that each economy is driven and sustained by unique growth engines:

Viet Nam: Boosting manufacturing and export activities

- Viet Nam's strong economic growth is driven by its low cost base, a buoyant retail sector powered by strong domestic consumption and an export-oriented manufacturing sector¹
- Positioned as one of the new "workshops of the world," Viet Nam has become a major manufacturing hub for electronics, electrical products, clothing, footwear and furniture²
- In the span of five years, it has overtaken its regional neighbours (Thailand, the Philippines, India and Indonesia) in high technology exports³
- The economy plans to triple its export value in 2020 (from 2010 levels), hit a trade balance in 2020, and achieve a trade surplus in 2021-2030⁴

Indonesia: Yielding success from "short-term pain, long-term growth" reforms

- Indonesia is reaping the fruits from its recent government-driven structural reforms and is increasingly viewed as an attractive investment destination⁵
- Over the past year, the economy has moved up five notches from a 41st to 36th place ranking (among 137 economies) in the World Economic Forum's *Global Competitiveness Index*, and is also now ranked as the top innovator among emerging economies⁶
- In May 2017, Standard and Poor's upgraded Indonesia's sovereign ratings to an investment grade⁷
- Of the business leaders surveyed in Indonesia, more than four in 10 say they are very confident in increasing revenue growth over the next year, higher than the ASEAN and APEC average (Indonesia: 44%, ASEAN: 36%, APEC: 37%)

¹ *Vietnam's Economy Shows Fundamental Strength, with Stable and Positive Medium Term Outlook*, The World Bank, July 2017

² *Spotlight on Viet Nam: The Leading Emerging Market*, PwC, October 2017

³ Ibid

⁴ *VN to improve competitiveness of major export products by 2020*, *Việt Nam News*, August 2017

⁵ *Jokowi's reform efforts are beginning to pay off*, *Nikkei Asian Review*, June 2016

⁶ *The Global Competitiveness Report 2017–2018*, World Economic Forum, 2017

⁷ *S&P lifts Indonesia sovereign rating to investment grade, cheering markets*, Reuters, May 2017

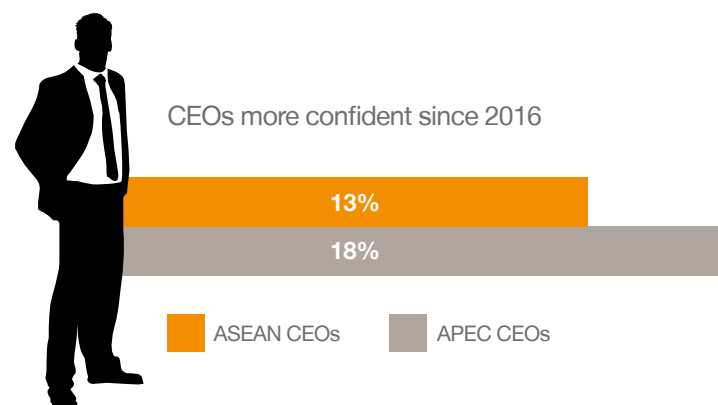
Muted confidence in increasing exports

Business leader's confidence of a rise in exports appears muted across APEC. Less than two in 10 surveyed are more confident in increasing exports compared to a year ago (ASEAN: 13%, APEC: 18%, Figure 3). The weaker sentiment can be traced to the current cloud of uncertainty lingering over trade policies and openness. This also demonstrates the significance of trade agreements in securing overseas growth, given that businesses tend to rely on trade deals to gain a foothold into foreign markets (further discussed on page 16, under *"Opening doors to opportunities through trade agreements,"* in the next chapter).

Over the past three decades, ASEAN's economy has ridden on the back of an export boom⁸. It is interesting that its business leaders are now less certain than their APEC counterparts of continued export-driven growth. Formerly the largest economy in the TPP, the US' withdrawal from the trade accord is seen as a setback. For participating ASEAN economies, including Viet Nam and Malaysia, this translates to a loss of opportunities⁹.

At the same time, a higher percentage of ASEAN business leaders would like to see the APEC organisation take a leading role in driving free trade across the wider region (ASEAN: 66%, APEC: 60%).

Figure 3: Business leaders' confidence in increasing exports



Q: Compared to a year ago, how has your confidence changed about achieving the following? – Increasing export

Base: ASEAN CEOs 445. APEC CEOs 1412

Note: Results showing % of respondents who answered "more confident" only

Source: PwC's APEC CEO Survey, 2017

⁸ Asean firms should look to South Asia for more growth, The Straits Times, February 2017

⁹ Asean, Singapore and the challenge of a protectionist America, The Straits Times, January 2017

Strong gravitation towards China

China's sphere of economic influence is expected to widen as it takes up the mantle to drive free trade. With the rollout of its Belt and Road Initiative, as well as efforts to expedite trade talks on the RCEP¹⁰, China is positioning itself as a global free trade champion. Our survey findings support this trend – close to half of the business leaders surveyed (46% in both ASEAN and APEC) expect the Chinese Renminbi (RMB) to appreciate in the next 12 months.

Meanwhile, ASEAN businesses appear to be more focused on opportunities in China compared to the APEC average. This is no surprise as given ASEAN's close geographical proximity to China, the region is likely to benefit more from China's investments, especially as direct beneficiaries of its Belt and Road project, and gain from its economic growth than the rest of the world. With the US' exit from the TPP, ASEAN businesses expect a pivot towards China as bilateral ties with the economic giant deepen¹¹.

When asked about their business growth strategies in relation to China, responses from ASEAN business leaders indicate that they are more likely than their APEC peers to (Figure 4, page 14):

- Increase collaboration with partners in China (ASEAN: 49%, APEC: 42%)
- Focus on building their brand there (ASEAN: 41%, APEC: 35%)

Concurrently, a smaller percentage of ASEAN business leaders have plans to:

- Develop new products and services for existing markets in China (ASEAN: 30%, APEC: 38%)
- Diversify their business outside of China (ASEAN: 15%, APEC: 23%)

The results reflect that ASEAN businesses are increasingly seeking to establish cross-border partnerships, a sign that collaborative advantages are an important part of their growth strategy (further discussed on page 18, under *Aspiration to expand global footprint*, in the next chapter).

Drawn towards business opportunities in China, a smaller percentage of ASEAN business leaders see the need to diversify their business outside of the economic giant.

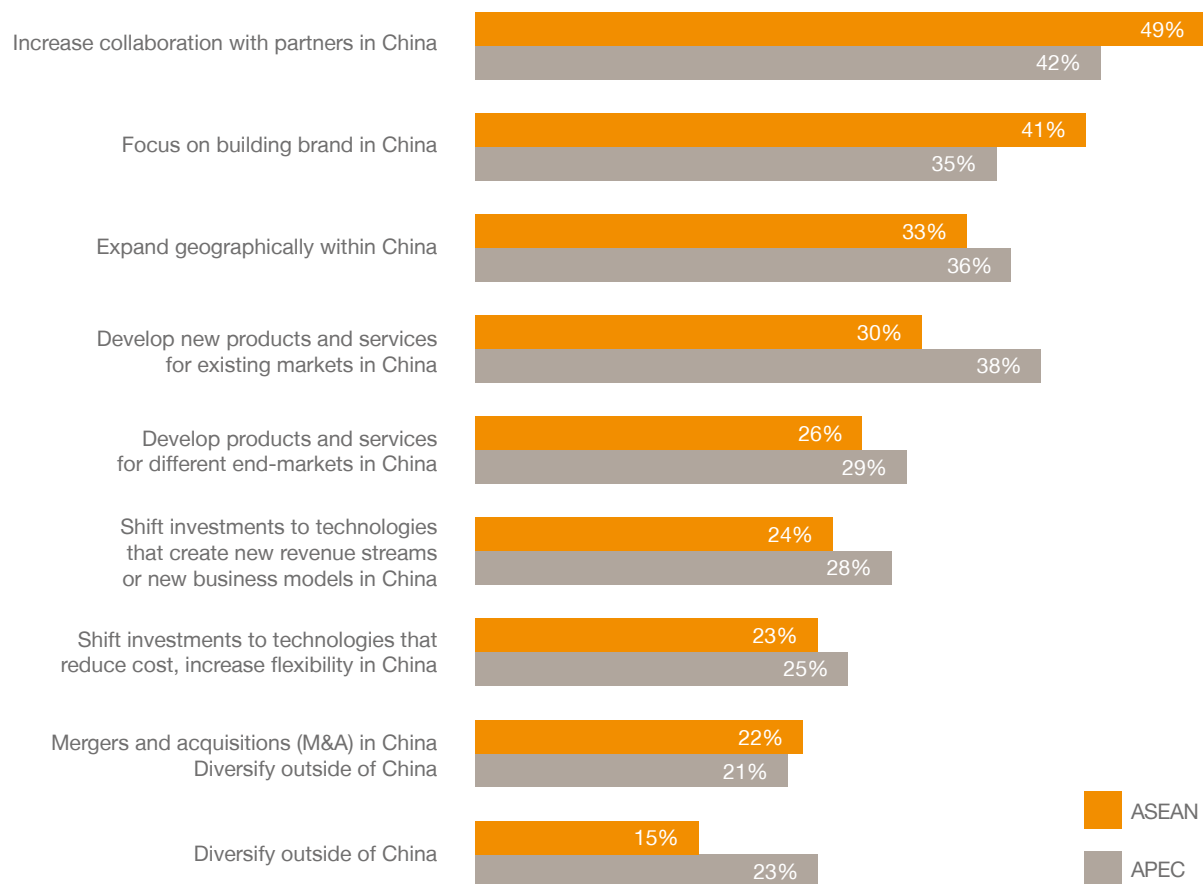
Meanwhile, the lower-than-average percentage of business leaders who are looking to develop new products and services for existing markets in China may suggest intensifying competition and challenges to accessing as well as navigating China's markets. In response, a higher percentage of ASEAN business leaders recognise the need to strengthen their brand presence in China.

Of the ASEAN economies, business leaders from Singapore demonstrate greater enthusiasm in partnering for success (61%) and building their brand (49%) in China. Unlike other ASEAN economies with a fast-growing domestic consumer demographic, Singapore's relatively small domestic market means that growth opportunities are often found in overseas markets instead. Therefore, Singapore-based businesses tend to be more outward-oriented than their ASEAN neighbours.

¹⁰ China, Singapore seek to expedite RCEP trade talks, Reuters, June 2017

¹¹ ASEAN Business Outlook Survey, US Chamber of Commerce, September 2017

Figure 4: Business leaders' strategies for doing business in China



Q: Considering your outlook for your organisation in the People's Republic of China, which of the following strategies, if any, do you plan to undertake over the next 3 years?

Base: ASEAN CEOs 137, Don't know 10%. APEC CEOs 638, Don't know 5%.

Source: PwC's APEC CEO Survey, 2017

The ASEAN report

An operating model for a fluid trade policy environment



An operating model for a fluid trade policy environment

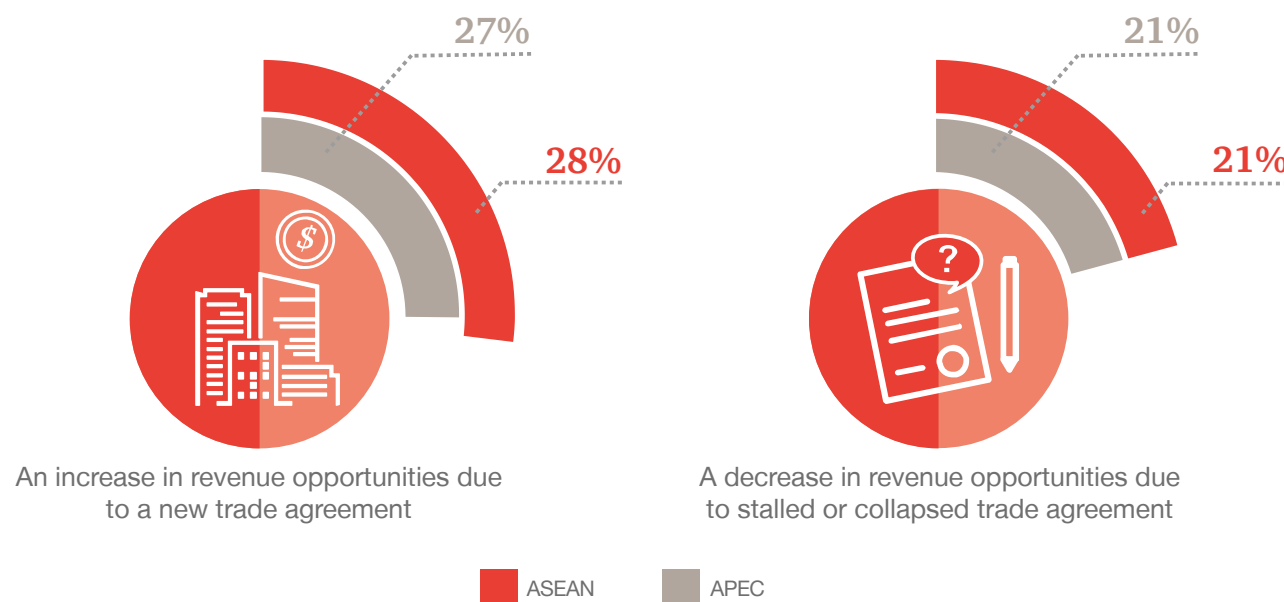
Opening doors to opportunities through trade agreements

According to more than one fifth of business leaders surveyed across ASEAN and APEC, revenue growth is expected due to the development on new trade agreements (Figure 5):

- 28% of ASEAN business leaders and 27% across APEC anticipate revenue opportunities to increase due to new trade agreements
- 21% across both ASEAN and APEC expect a decrease in revenue opportunities due to stalled or collapsed trade agreements

This is especially the case for Viet Nam's export-oriented manufacturing economy. The survey results reveal that a higher-than-average percentage of business leaders from the export-reliant economy expect revenue opportunities to increase (38%) or decrease (27%) as a result of trade agreements outcomes. The mixed response could also be attributed to differing development in trade agreements with major import markets. On one hand, US has withdrawn from the TPP. On the other hand, Viet Nam is the second ASEAN economy (after Singapore) to negotiate a free trade agreement with the European Union (EU). Crucially, the deal covers both the manufacturing and services sectors – a sign that the authorities could be laying the groundwork for an eventual long-term transition from a manufacturing to service-driven economy.

Figure 5: Business leaders expect revenue opportunities to increase/decrease as a result of trade agreement outcomes



Q: Which of the following changes have do you expect to experience in the global trade environment in the next 12 months?

Base: ASEAN CEOs 434, Don't know 10%, None of the above 12%. APEC CEOs 1375, Don't know 9%, None of the above 15%.

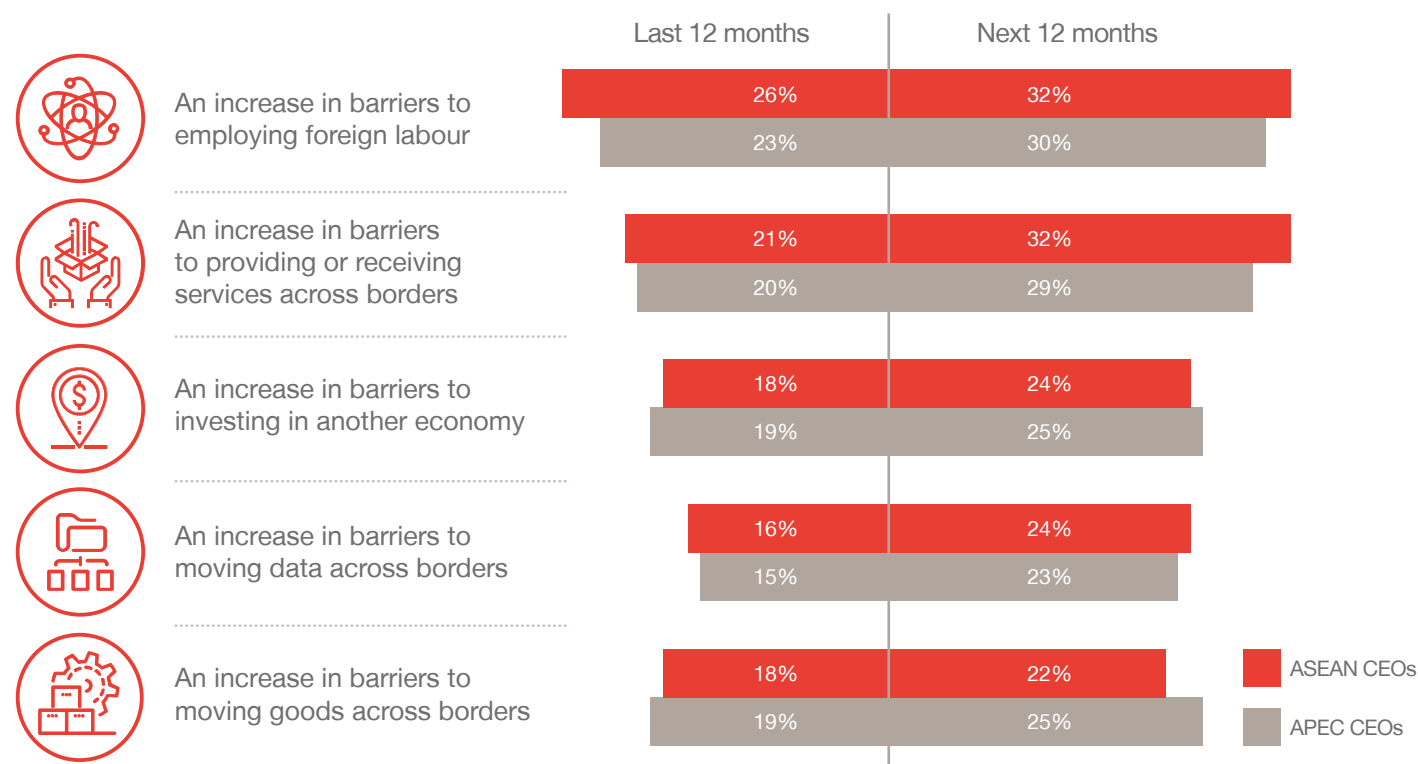
Note: Results showing responses pertaining to increase/decrease of revenue opportunities in relation to trade agreements only
Source: PwC's APEC CEO Survey, 2017

More restricted trade and investment environment around the corner

In the past year, more than a fifth of business leaders surveyed in ASEAN and APEC experienced increased barriers across a range of trade openness measures, especially in employing foreign labour (ASEAN: 26%, APEC: 23%), and providing or receiving services across borders (ASEAN: 21%, APEC 20%). In addition, more respondents expect to encounter these issues in the coming year (Figure 6).

An increasingly restrictive foreign investment climate looms, signaling rising complexities for international business as more business leaders expect to face increased barriers in investing in another economy in 2018 – from less than a fifth of the respondents at present (ASEAN: 18%, APEC: 19%), to around a quarter in the course of one year (ASEAN: 24%, APEC: 25%). At the same time, nearly a quarter of business leaders expect moving data across borders to become more difficult in the year to come (ASEAN: 24%, APEC: 23%), indicating possible constraints or challenges ahead in the digital trade environment.

Figure 6: Experienced and expected changes to the global environment according to business leaders



Q: Which of the following changes have do you expect to experience in the global trade environment in the next 12 months?

Base: ASEAN CEOs 434, Don't know 9%-10%, None of the above 12%-28%. APEC CEOs 1375, Don't know 9%, None of the above 15%-26%.

Source: PwC's APEC CEO Survey, 2017

The restrictive investment measures are weighing more heavily on business leaders in Singapore. Over the past year, a higher-than-average percentage of Singapore respondents experienced increased barriers to:

- Employing foreign labour (38%)
- Providing or receiving services across borders (29%)
- Moving data across borders (26%)
- Investing in another economy (23%)

These onerous measures are more heavily felt in Singapore because the city state is one of the most open and outward-oriented economies in the region. As a result, Singapore is more exposed to headwinds in international trade and the global investment environment than its regional neighbours.

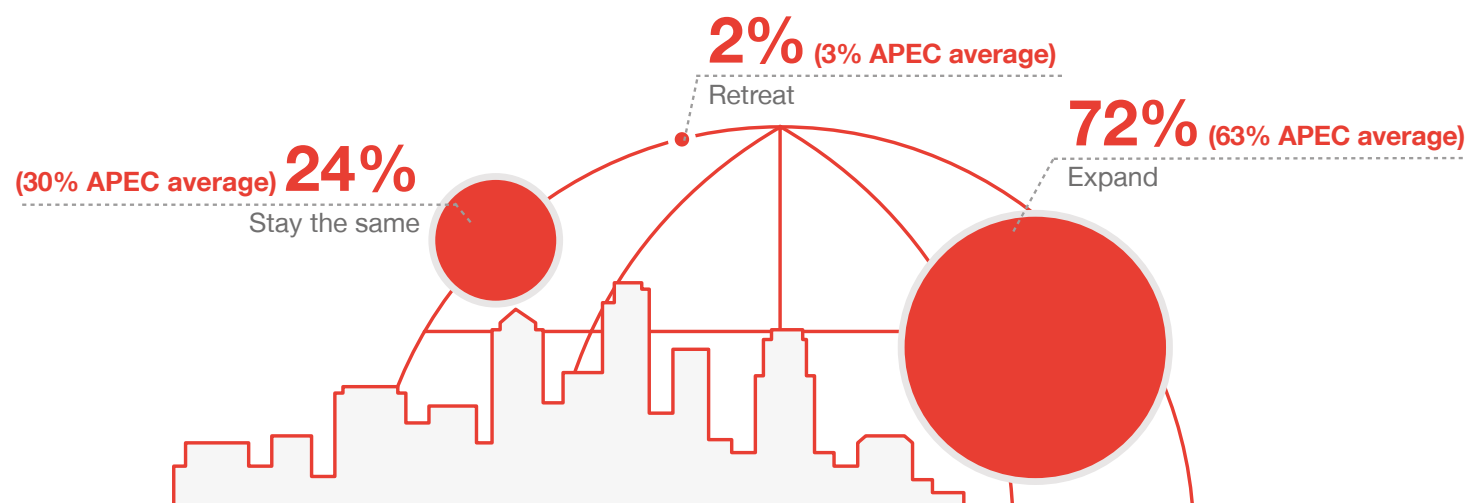
Aspiration to expand global footprint

Despite rising barriers to cross-border business and dipping export confidence, a majority of ASEAN business leaders – above the APEC average – expect to broaden their global footprint over the next three years (ASEAN: 72%, APEC: 63%; Figure 7). Among the ASEAN nations, Malaysia (89%) and Viet Nam (86%) lead the pack and are the most optimistic.

Ranked as the region's top emerging economy¹², Malaysia is positioning itself as a gateway to Asia's emerging markets and as a cost-friendly base for businesses¹³. Meanwhile, Viet Nam is a contender for one of the fastest growing economies in the world between 2016 and 2050. It is projected to be among the top 20 economies in the world, and top 10 in Asia, by 2050¹⁴.

Amid today's business climate where businesses face rising barriers to foreign trade and investments, what strategies are ASEAN business leaders planning to adopt to penetrate foreign markets, capitalise on opportunities, increase revenue, and enhance business certainty?

Figure 7: More than seven in 10 ASEAN business leaders expect their global footprint to expand over the next 3 years



Q: Now thinking of your global footprint, do you expect it to expand, stay the same or retreat over the next 3 years?

Base: ASEAN CEOs 413, Don't know 2%. APEC CEOs 1333, Don't know 3%.

Source: PwC's APEC CEO Survey, 2017

¹² *The Global Competitiveness Report 2017–2018*, World Economic Forum, 2017

¹³ *Greater Kuala Lumpur: Bridge between Asia and the world*, PwC, July 2017

¹⁴ *Spotlight on Viet Nam: The Leading Emerging Market*, PwC, October 2017

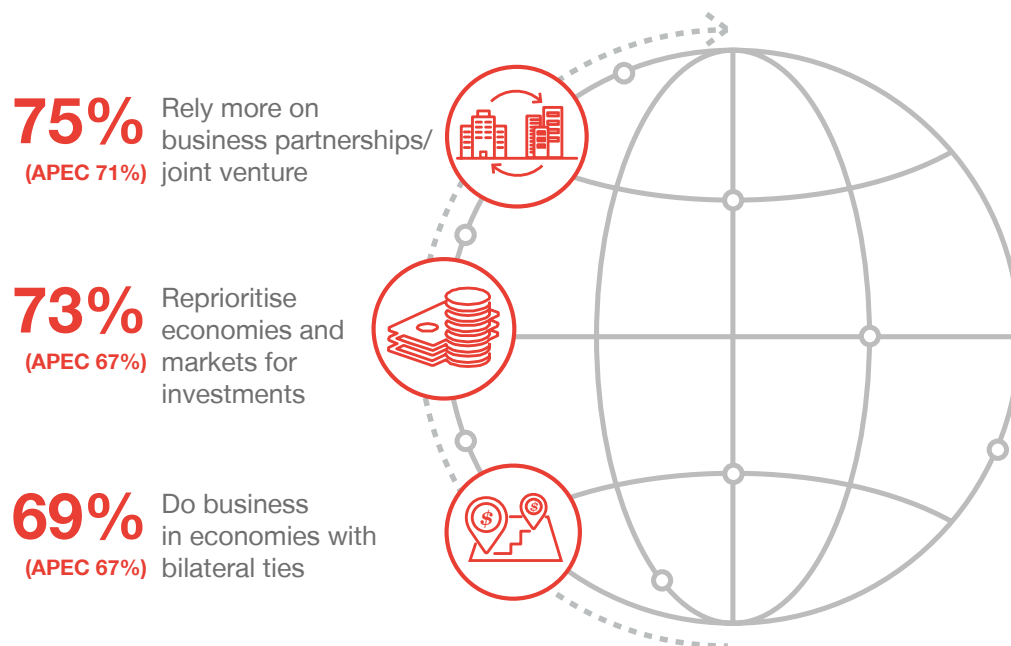
Leverage partnerships alliances to expand internationally

Besides rising barriers, businesses face escalating cross-border execution, regulatory and operational complexities in venturing beyond local borders. These intricacies make it challenging for businesses to achieve rapid growth and flourish in overseas markets. In response, the majority of business leaders surveyed across ASEAN and APEC expect to rely more on business partnerships and joint ventures to expand and succeed internationally (ASEAN: 75%, APEC: 71%). Furthermore, more than six in 10 business leaders surveyed plan to increase business activity in economies with established bilateral ties (ASEAN: 69%, APEC: 67%).

Increase and prioritise global investments

Over the next year, the majority of ASEAN business leaders – above the APEC average – plan to boost their investments globally (net increase for ASEAN is 58% and 50% for APEC) to increase their access to overseas markets. In line with this trend, and in response to rising investment barriers in the near horizon, a higher-than-average percentage of ASEAN business leaders are rebalancing or reprioritising their allocation of investments to foreign markets (ASEAN: 73%, APEC: 67%). With that in mind, the availability of existing or established bilateral relations with other economies is likely to play a part in influencing their investment decisions.

Figure 8: Top three areas of adjustments to adapt to trade policy uncertainties according to ASEAN business leaders



Q: To what extent will you adapt to secure growth in overseas markets given your view on policy directions in trade?

Base: ASEAN CEOs 416, Don't know 5% - 12%, Not applicable 7% - 24%. APEC CEOs 1336-1337, Don't know 5%-10%, Not applicable 9%-22%.

Note: Results are based on respondents who answered "to some extent" and "to a great extent"

Source: PwC's APEC CEO Survey, 2017

“We have noticed a shift in the value chain. Business and economies in the region are shifting their activities to economies that offer advantages, thereby giving rise to cross-border links and expansions.”

Truong Thi Le Khanh
Chairperson, Vinh Hoan Corporation



The ASEAN report

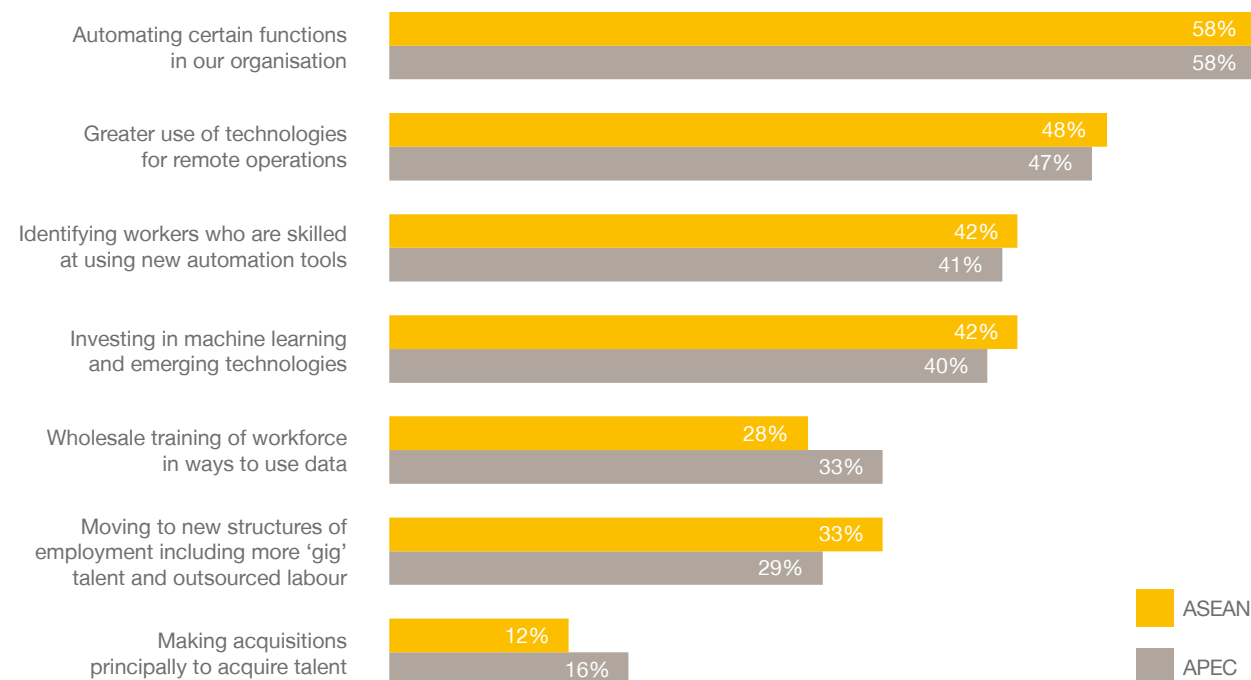
Making of the workforce of the future



Gearing up for a digital age

With Industry 4.0 picking up pace globally, traditional models of business will be disrupted and the race to transition to digital enterprises will intensify. This will redefine the region's workforce and business processes. Across ASEAN and APEC, automation emerged as business leaders' top agenda as they gear up for a digital future (58% in both ASEAN and APEC; Figure 9). As observed in our main report, APEC offices and factories will be vastly different in five to 10 years, and the intricate sourcing networks and supply chains that support them will undergo a complete transformation.

Figure 9: Current digital workforce strategies according to business leaders



Q: Which of the following workforce strategies are you currently using to adapt to and profit in an increasingly digital age?

Base: ASEAN CEOs 409, Don't know 1%, None of the above 3%, Other 1%. APEC CEOs 1314, Don't know 2%, None of the above 4%, Other 1%.

Source: PwC's APEC CEO Survey, 2017

“A lot of airlines’ working environment is still processed by paper – immigration for example and other forms. In the next few years that will be digitised and everything will be accessible by mobile. So we have invested heavily to make sure that we have evolved and continue to evolve according to people’s lifestyle, our passengers’ lifestyles.”

Tassapon Bijleveld
CEO, Thai AirAsia

Economies such as the Philippines and Singapore lead the ASEAN landscape (and in some respects, the APEC landscape) in having a higher percentage of business leaders investing in a range of workforce strategies. These include:

- Automation (the Philippines: 75%, Singapore: 64%)
- Greater use of technologies for remote operations (Indonesia: 56%, the Philippines: 55%, Singapore: 54%)
- Investing in machine learning and emerging technologies (the Philippines: 46%, Singapore: 53%)

For the Philippines, automation is perhaps a necessary pathway given its extensive information technology and business process management sector which makes up a significant portion of its economy. The sector accounts for one million jobs in contact centres, business process outsourcing and

offshore service delivery¹⁵. Already, the Philippines has overtaken India as the leading call-centre country¹⁶. Many outsourcing companies and in-house centres in the Philippines are already experimenting with automation to improve their operations and deliver greater value to overseas clients by reducing time cycles, lowering transaction costs and reducing headcount¹⁷.

In Singapore, the government is leading the drive to transform the nation into a smart economy by accelerating the development of the country’s digital ecosystem. To ensure that the country can achieve sustainable growth and remain competitive in a global digital age, the Singapore’s Committee on the Future Economy has unveiled nationwide strategies to restructure the economy through innovation, digital enablement, increased connectivity and deep skills training¹⁸.

¹⁵ *The robots are coming*, PwC, October 2016

¹⁶ *Business Process Outsourcing in The Philippines*, ASEAN Briefing, October 2017

¹⁷ *The robots are coming*, PwC, October 2016

¹⁸ “7 Strategies,” *The CFE Report*, Committee on the Future Economy, February 2017

“Technology will play an important and more significant role in order to be more efficient and effective. It’s about scalability, it’s about efficacy of that business model. So, we think that more and more companies that will come to market will have a component of technology driving their business model, and we can see in Singapore as well, in particular with the focus on the Smart Nation Initiative...”

Mohamed Nasser Ismail

Senior Vice President, Head of Equity Capital Market (SME)
& Capital Market Development,
Singapore Exchange

Indonesia also stood out from the crowd with a higher-than-average percentage of its business leaders currently investing in greater use of technologies for remote operations. This finding suggests that businesses in Indonesia are laying the groundwork for more effective utilisation or deployment for its growing skilled workforce, and are tapping on technologies beyond automation to improve production as well as operation efficiency.



Room for catching up in data training

This year's findings also reveal that a lower-than-average percentage of business leaders in ASEAN are investing in workforce training to enhance data literacy (ASEAN: 28%, APEC: 33%). For ASEAN businesses, improving labour-intensive processes is their current top priority given that manufacturing is still a key engine of growth, and they are likely to be investing in hardware and automation machinery to boost production efficiency.

Many organisations may grasp the importance of data, but are currently holding back on their digital transformation efforts as they clarify priorities before embarking on their

digital journeys. As ASEAN businesses increasingly use data-driven insights to improve decision-making and enhance products and services, it will become imperative for them to train their workforce to leverage on data platforms.

It is notable that huge gaps exist between the various ASEAN economies in their digital capabilities and readiness¹⁹. Rankings from the International Telecommunication Union's (ITU) *Information and Communications Technology (ICT) Index 2016* reveal different stages of digital readiness among the ASEAN economies (Figure 10). Not all businesses across ASEAN share the same level of digital and data sophistication and the majority has yet to catch up with more digitally-developed economies such as Singapore.

Figure 10: ICT development gap between ASEAN economies

ASEAN ranking	Global ranking
1. Singapore	20
2. Malaysia	61
3. Brunei Darussalam	77
4. Thailand	82
5. Viet Nam	105
6. The Philippines	107
7. Indonesia	115
8. Cambodia	125
9. Myanmar	140
10. Lao P.D.R.	144

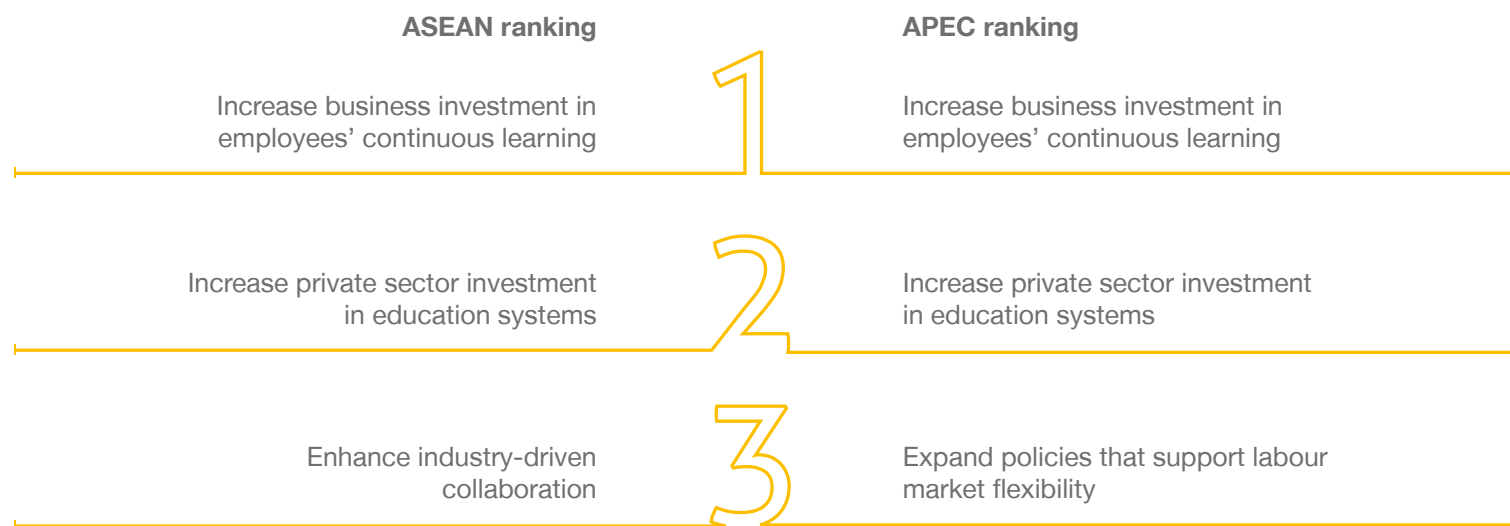
Source: ICT Development Index 2016, ITU, November 2016

19 To thrive in the digital revolution, South-East Asia must turn its diversity into a strength, World Economic Forum, May 2017

Nevertheless, talent remains essential and valuable in the digital age

For businesses to realise the full potential of automation, they need to have the right talent to accelerate the digital transformation of the business. Here, business leaders will need to play an active role in shifting culture, changing mindsets and helping workers adapt in the digital age. Figure 11 illustrates the three most effective strategies to help employees embrace greater automation and jobs rebalancing – according to business leaders surveyed across ASEAN and APEC.

Figure 11: Top 3 most effective ways business leaders can help workers adapt to automation and jobs rebalancing



Q: In your view, what are the most effective ways to help all workers in APEC economies adapt to an era of greater automation and jobs rebalancing?

Base: ASEAN CEOs 400, Don't know 3%. APEC CEOs 1300 Don't know 3%

Note: Results are based on index analysis, excludes "don't know" and "other" responses

Source: PwC's APEC CEO Survey, 2017

The results reveal these interesting insights: Rather than relying on traditional education systems to create the workforce of tomorrow, business leaders believe it is more effective to initiate change by training and preparing existing as well as future workers. This also suggests that to succeed in

the long run, the ideal workforce of the future will comprise talent with a strong understanding of the business and who are able to learn, adapt, and evolve together with their organisations.

The findings also reveal that business leaders at the APEC level recognise

the value of improved labour market flexibility and the need to expand the policies that support it. Meanwhile, ASEAN business leaders are placing priority on enhancing industry-driven collaboration, reflecting the region's aspiration to grow and develop their industries.

The ASEAN report

Concluding thoughts



Concluding thoughts

The future of ASEAN and its economic growth is promising, fuelled by one of the world's fastest growing consumer markets, ongoing government-driven reforms, improving infrastructures as well as the cost-competitive advantages it offers foreign businesses.

At the same time, ASEAN businesses are increasingly experiencing that the fate of economies worldwide are inextricably linked. Enabled by the digital revolution, markets have become more interconnected. The result: ASEAN businesses will face intense competition from multinational companies from developed markets both in their own turf and regionally. Resilient ASEAN

companies with regional as well as global aspirations will find ways to:

- Overcome the uncertainties and barriers faced in the changing trade climate by being innovative, adaptable and flexible with their business growth strategies
- Diversify their avenues or channels to access overseas markets to reduce reliance on trade agreements
- Plan and strategise for a transition from a low-cost operation to a high value-added business hub – such as through developing local talent, investing in digital capabilities, benchmarking business performance against international standards and more

ASEAN is composed of economies with differing levels of maturity, market scale and core industries. Growth is underpinned by a rising middle class as well as a diverse and a rapidly-growing base of affluent consumers. Governments in ASEAN are nevertheless cautious as they attempt to strike a balance between opening up their markets to foreign investors and ensuring that the domestic environment remains favourable for local businesses to grow, thrive and mature.

On that note, markets and businesses must work together to strengthen intra-ASEAN economic collaboration and deepen regional integration. As a united collective anchored in strong economic ties, ASEAN stands to gain from the advantages offered by the close geographical proximity of its member economies. With its rising economic profile, ASEAN has tremendous potential to develop an enhanced and integrated trade and investment environment that will enable it to capture a larger share of the global economic pie.



Profile of survey respondents

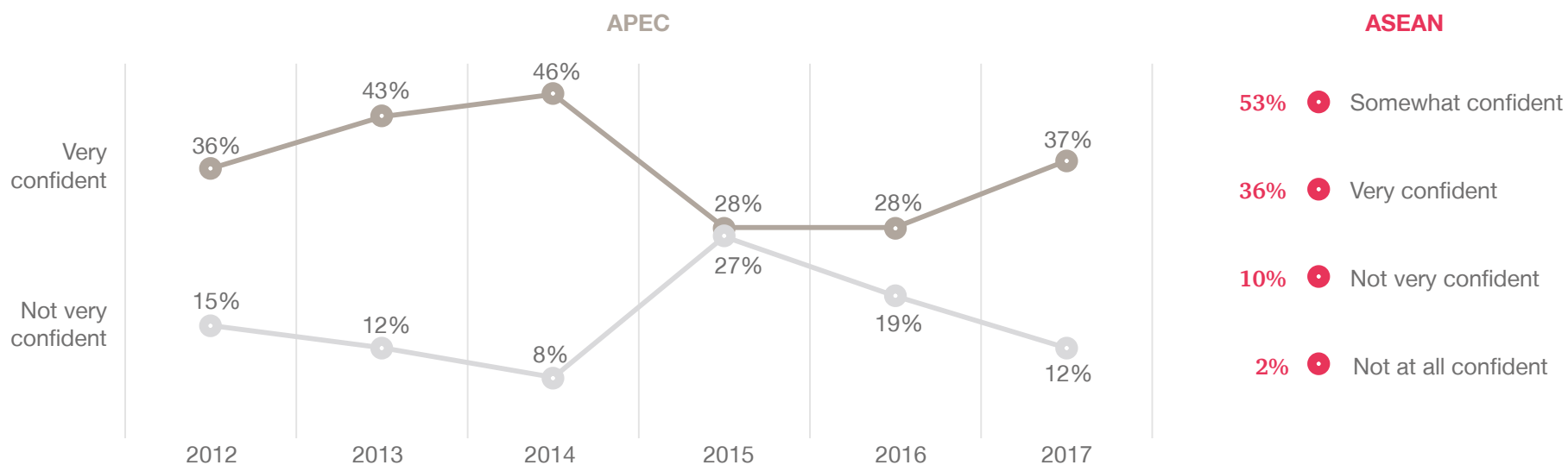


The ASEAN report

Appendices



Appendix 1: Confidence in revenue growth over the next 12 months



Q1: How confident are you about your organisation's prospects for revenue growth in your principal economy in APEC over the next 12 months?

Base: ASEAN CEOs 445. APEC CEOs 2017:1412, 2016: 1154, 2015: 800, 2014: 635, 2013: 467, 2012: 362.

[Note: Showing very confident and not very confident for APEC CEOs overall only]

Source: PwC's APEC CEO Survey, 2017

Appendix 2: Change in confidence compared to a year ago

Q: Compared to a year ago, how has your confidence changed about achieving the following?	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Prospects for revenue growth over the next 12 months	37%	36%	PH: 49% ID: 44%
Launching new product/service, or entering a new line of business compared to a year ago	27%	27%	VN: 36% ID: 32%
Increasing profit margins in domestic operations compared to a year ago	26%	25%	VN: 36% ID: 35%
Expanding operations in Asia Pacific - beyond principal economy - compared to a year ago	24%	21%	SG: 33% MY: 28%
Increasing profit margins in international operations compared to a year ago	21%	20%	MY: 30% SG: 26%
Increasing exports compared to a year ago	18%	13%	MY: 19%
Securing the talent and skills needed to perform globally compared to a year ago	17%	17%	MY: 26% ID: 22%
Forecasting compliance costs and tax liabilities - in principal economy - compared to a year ago	17%	15%	ID: 21%

Base: ASEAN CEOs 445. APEC CEOs 1412.

Source: PwC's APEC CEO Survey, 2017

Appendix 3: Where should APEC take a 'lead' role?

Q: In addressing the following priorities, what should APEC's role be? (as a leader, advisor, incubator of ideas, etc)	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Free trade among APEC economies	60%	66%	SG: 79% PH: 77%
Food security	27%	32%	SG: 38% PH: 43%
Energy security	26%	29%	N/A
Supply chain resilience	23%	28%	VN: 40%
Free flow of investments	41%	50%	PH: 65% SG: 57%
Alignment of member economies' standards	37%	43%	SG: 57% PH: 57%
Accelerate economic integration of MSMEs	30%	39%	PH: 45% SG: 44%
Labour mobility	30%	37%	SG: 47%
Reskilling the workforce for the digital age	27%	35%	MY: 46% SG: 42%
Building governmental institutional capacity	28%	31%	SG: 44% ID: 36%

Base: ASEAN CEOs 400, Don't know 2%-7%. APEC CEOs 1299, Don't know 3%-9%

Note: Results show respondents who selected "Lead" only

Source: PwC's APEC CEO Survey, 2017

Appendix 4: Expectations of changes in currency value**Q1:** What is your expectation for the exchange rate of the USD to other major currencies in the next 12 months?**Q2:** What is your expectation for the exchange rate of RMB to the USD in the next 12 months?

	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Expectation of US dollar versus other major currencies			
Appreciate	71%	70%	MY: 85%
Depreciate	21%	22%	ID: 30%
Expectation of Chinese RMB versus US dollar			
Appreciate	46%	46%	ID: 58%
Depreciate	37%	35%	MY: 47% SG: 43%

Base (Q1): ASEAN CEOs 445, Don't know 9%. APEC CEOs 1412, Don't know 8%.**Base (Q2):** ASEAN CEOs 445, Don't know 19%. APEC CEOs 1412, Don't know 17%.**Source:** PwC's APEC CEO Survey, 2017

Appendix 5: Outlook for business growth in China

Which of the following changes have you experienced and expect to experience in the global trade environment in the last 12 months/next 12 months?	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Expand geographically within China	36%	33%	MY: 53% SG: 39%
Develop products and services for different end-markets in China	29%	26%	SG: 33% VN: 32% VN: 32%
Shift investments to technologies that create new revenue streams or new business models in China	28%	24%	VN: 32%
Shift investments to technologies that reduce cost, increase flexibility in China	25%	23%	MY: 40% ID: 31%
Mergers and acquisitions in China	21%	22%	SG: 29%
Diversify outside of China	23%	15%	VN: 21%
Develop new products and services for existing markets in China	38%	30%	SG: 37%
Increased collaboration with partners in China	42%	49%	MY: 67% SG: 61%
Focus on building brand in China	35%	41%	SG: 49%

Base: ASEAN CEOs 137, Don't know 10%. APEC CEOs 638, Don't know 5%.

Source: PwC's APEC CEO Survey, 2017

Appendix 6: Changes experienced and anticipated in the global trade environment

Q: Which of the following changes have you experienced and expect to experience in the global trade environment in the last 12 months/next 12 months?

	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
	Experienced in the last 12 months			Expect to experience in the next 12 months		
Increase in barriers to employing foreign labour	23%	26%	SG: 38% ID: 36%	30%	32%	SG: 50%
Increase in barriers to providing/receiving services across borders	20%	21%	SG: 29% MY: 28%	29%	32%	SG: 40% MY: 40%
Increase in barriers to moving goods across borders in China	19%	18%	ID: 25%	25%	22%	N/A
Increase in barriers to investing in another economy (constraints on FDI, M&A)	19%	18%	MY: 23% SG: 23%	25%	24%	MY: 30%
Decrease in revenue opportunities due to stalled or collapsed trade agreement	16%	15%	N/A	21%	21%	VN: 27%
Increase in barriers to moving data across borders	15%	16%	SG: 26% SG: 23%	23%	24%	MY: 30%
Increase in revenue opportunities due to new trade agreement	14%	12%	MY: 18%	27%	28%	VN: 38%

Base: ASEAN CEOs 434, Don't know 9%-10%, None of the above 12%-28%. APEC CEOs 1375, Don't know 9%, None of the above 15%-26%.

Source: PwC's APEC CEO Survey, 2017

Appendix 7: Global investment intentions and global footprint

Q1: Thinking of your business investments globally, will your investments increase, stay the same or decrease in the next 12 months?

Q2: Now thinking of your global footprint, do you expect it to expand, stay the same or retreat over the next 3 years?

	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Increase investments globally (net increase)	50%	58%	MY: 68%
Develop products and services for different end-markets in China	29%	26%	SG: 33% VN: 32% VN: 32%
Expect global footprint to expand over the next 3 years	63%	72%	MY: 89% VN: 86%

Base (Q1): ASEAN CEOs 445, Don't know 4%. APEC CEOs 1412, Don't know 3%.

Base (Q2) ASEAN CEOs 413, Don't know 2%. APEC CEOs 1333, Don't know 3%.

Source: PwC APEC CEO Survey 2017-2018

Appendix 8: Progress towards free trade across the Asia Pacific region in the last 12 months

Q: How would you assess the progress that has been made towards free trade across the Asia Pacific region in the last 12 months?

	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Progress has been significant	22%	22%	N/A
Progress has been slow	53%	55%	MY: 63%
Progress has stalled	15%	14%	SG: 23%
Progress has been reversed	3%	3%	N/A

Base: ASEAN CEOs 412, Don't know 6%. APEC CEOs 1331, Don't know 7%.

Source: PwC's APEC CEO Survey, 2017

Appendix 9: Adapting new strategies to secure growth in overseas markets

Q: To what extent will you adapt to secure growth in overseas markets given your view on policy directions in trade (% respondents who answered “to some extent” and “to a great extent”)

	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Conduct more value-added activities globally (e.g. R&D)	68%	66%	ID: 74%
Conduct more domestic sourcing and manufacturing	61%	66%	VN: 79% ID: 74%
Re-priorities economies and markets for investment	67%	73%	VN: 80% SG: 79%
Rely more on business partnerships/joint ventures	71%	75%	SG: 81% PH: 80%
Increase business activity in economies with established bilateral ties	67%	69%	MY: 80% VN: 77%
Make more use of foreign financing sources	56%	54%	MY: 72%
Shift to a 'build where you sell' global model	51%	52%	VN: 65%
Increase use of Foreign Trade Zones	48%	48%	MY: 64% VN: 56%
Rely more on acquisitions	57%	59%	VN: 74%
Make more use of foreign procurement offices	47%	48%	MY: 68%

Base: ASEAN CEOs 416, Don't know 5%-12%, Not applicable 7%-24%. APEC CEOs 1336-1337, Don't know 5%-10%, Not applicable 9%-22%.

Source: PwC's APEC CEO Survey, 2017

Appendix 10: Workforce strategies business leaders are currently adapting

Q: Which of the following workforce strategies are you currently using to adapt to and profit in an increasingly digital age?

	APEC	ASEAN	ASEAN economies with a 5% (or more) difference above the ASEAN average
Automating certain functions in our organisation	58%	58%	PH: 75% SG: 64%
Wholesale training of workforce in ways to use data	33%	28%	VN: 36%
Greater use of technologies for remote operations	47%	48%	ID: 56% PH: 55% SG: 54%
Identify workers who are skilled at using new automation tools	41%	42%	N/A
Investing in machine learning and emerging technologies	40%	42%	SG: 53%
Moving to new structures of employment including more 'gig' talent and outsourced labour	29%	33%	MY: 48%
Making acquisitions principally to acquire talent	16%	12%	N/A

Base: ASEAN CEOs 409, Don't know 1%, None of the above 3%, Other 1%. APEC CEOs 1314 Don't know 2%, None of the above 4%, Other 1%.

Source: PwC's APEC CEO Survey, 2017

Connect with us

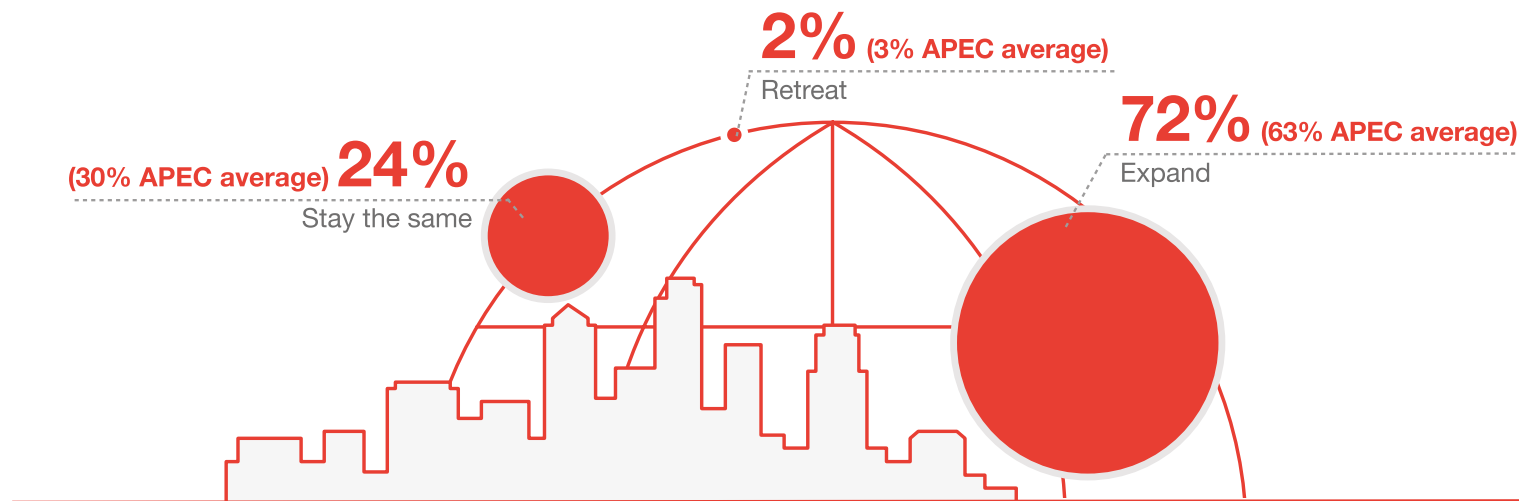


Sam Kok Weng

Asia Pacific Markets Leader
kok.weng.sam@sg.pwc.com



Figure 7: More than seven in 10 ASEAN business leaders expect their global footprint to expand over the next 3 years



Q: Now thinking of your global footprint, do you expect it to expand, stay the same or retreat over the next 3 years?

Base: ASEAN CEOs 413, Don't know 2%. APEC CEOs 1333, Don't know 3%.

Source: PwC's APEC CEO Survey, 2017