



# Rediscover ASEAN

A growth story of 10 countries



**EY**

Building a better  
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“ With 2017 marking the 50th anniversary of ASEAN, it is amazing to reflect that all 10 member countries have been growing together with a common “One Vision” aspiration.

Our journey to economic progression was based on the sharing of a common direction and sense of community which facilitates our individual transformation – we are developing on the thrust of one another like the “V” formation of the geese flight.

Moving forward, I am confident that ASEAN’s shared vision of being outward looking, living in peace, stability and prosperity will accelerate its growth to be the world’s most dynamic business hub.

”



Max Loh  
EY Asean Managing Partner

# Rediscover ASEAN

ASEAN is increasingly in focus to be the next global investment destination of choice by both regional and global investors.

Strategically located in the central hub of Asia Pacific, where two-thirds of the world population reside, ASEAN is a dynamic economic hub of over 630 million people, generating Gross Domestic Product (GDP) of US\$2.5t and international trade of US\$2.3t.

Despite ASEAN's stable track record of above-average GDP growth of 5.2% compound annual growth rate (CAGR) in the last decade, her young and dynamic profile presents wide opportunities for investors to participate in her continued growth ascent.

ASEAN's economic dynamism is driven by her regional centrality, sheer demographic volume, breadth of diversified industries, conducive and resource-rich ecosystems, strong global and regional trade links, and buoyant tourism activities supported by well-connected transportation logistics.

Looking ahead, ASEAN's growth momentum and resilience will be determined by geopolitical trade trends, member country economic policies as well as the business investment and influence of regional titans on ASEAN's resource deployment and infrastructure investments, including physical and digital aspects.

## Why rediscover ASEAN?

- ▶ **Buoyant growth dynamics**, economies and demographics
- ▶ **Significant investment on infrastructure** – physical and digital
- ▶ **Rising foreign direct investment (FDI)** interest from global and regional investors
- ▶ **Burgeoning middle-class consumers base**
- ▶ **Attractive tax incentives** to set up business or regional hub

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# Foreword

Selamat Datang, Sawasdee Kha, Yin dee dtôn  
ráp, Chào Mừng, Nyín Dee, Soum swa-kumm,  
Kyaosopartaal, Maligayang pagdating

## Welcome to ASEAN

ASEAN, a diverse community of 10 countries, home to over 630 million people and strategically located in the central nexus of Asia, between China and India, is rapidly progressing to be a key investment destination of choice.

Despite challenging economic externalities, regional and global investors remain vested in ASEAN in view of her relatively stable economies – member countries are anticipated to generate healthy GDP growth rates between 3% and 8% over 2017 to 2021.

Aside from her robust economic dynamics, ASEAN has a relatively young and diverse multilingual talent pool, burgeoning middle-class segment and a strong investment pipeline of infrastructure development projects.

ASEAN is now on the cusp of improving her regional intra- and intercountry transport connectivity, including implementing the *ASEAN Connectivity 2025* masterplan.

In the longer term, ASEAN's growth will continue to be shaped by economic policies, regional trade policies (including the Regional Comprehensive Economic Partnership or RCEP), investment incentives, and infrastructure financing capacities and capabilities.

With 2017 marking the 50<sup>th</sup> anniversary of ASEAN, we hope EY's *Rediscover ASEAN* can refresh your insights on the new developments in this region.

Should your company or organization consider exploring investment opportunities in any of these countries, we look forward to assisting you.

Sincerely,



Yeo Eng Ping  
EY Asean Tax Leader

“ At a time of volatility in various parts of the world, ASEAN may well be the *prized ecosystem* of certainty – consistent and resilient economic growth.

”



Dato' Abdul Rauf Rashid  
EY Asean Assurance Leader



# The story you already know

## Sizeable GDP

**US\$2.5t**

GDP growth  
5.2% CAGR (2005-15)

## Large demographics

**630m**

World's fourth most populous bloc

## Robust trade

**US\$2.3t**

Total ASEAN trade (2015)

## Steady FDI inflow

**US\$121b**

FDI inflow into ASEAN (2015)

## Significant banking assets

**US\$1.9t**

7.2% CAGR (2005-14)

## Stable deal activity

**US\$87b**

Average annual deal value (2011-16)



# The new story you need to know

## High investment interest

In the next five years, the percentage of companies expecting to increase trade and investment in ASEAN:

87%  
US companies

86%  
Australian companies

85%  
European companies

55%  
Japanese companies<sup>†</sup>

Market capitalization of selected ASEAN\* countries

US\$2.2t  
11.2% CAGR (2005-16)

By 2020, China's business focus in ASEAN is projected to increase to:

US\$1t in trade  
US\$150b worth of investment

<sup>†</sup>Survey results showed Japanese companies are likely to increase their footprint in ASEAN in the next one to two years.

## Large infrastructure spend

### Regional transport connectivity

- Air: ASEAN Single Aviation Market (ASAM)
- Rail: KL-Singapore High-speed Rail (HSR)
- Singapore-Kunming Rail Link (SKRL)
- Land: ASEAN Highway Network (AHN)
- Sea: ASEAN Roll-On/Roll-Off Shipping Network

ASEAN infrastructure annual investment estimates

US\$110b per annum until 2025

### Digital connectivity

- SEA-ME-WE 5 submarine fiber optic cable
- ASEAN Broadband Corridor

Note:

\*Market capitalization of seven bourses in ASEAN include Bursa Malaysia, Hanoi Stock Exchange(since 2013), Ho Chi Minh Stock Exchange (since 2014), Indonesia Stock Exchange, Philippines Stock Exchange, Singapore Exchange and the Stock Exchange of Thailand.

# Investment radar

“ Today's 'volatile, uncertain, complex and ambiguous' world demands predictive insights and the right set of data and tools to identify long-term growth opportunities. ”



Chow Sang Hoe  
EY Asean Advisory Leader



## Who is driving ASEAN deal flows?

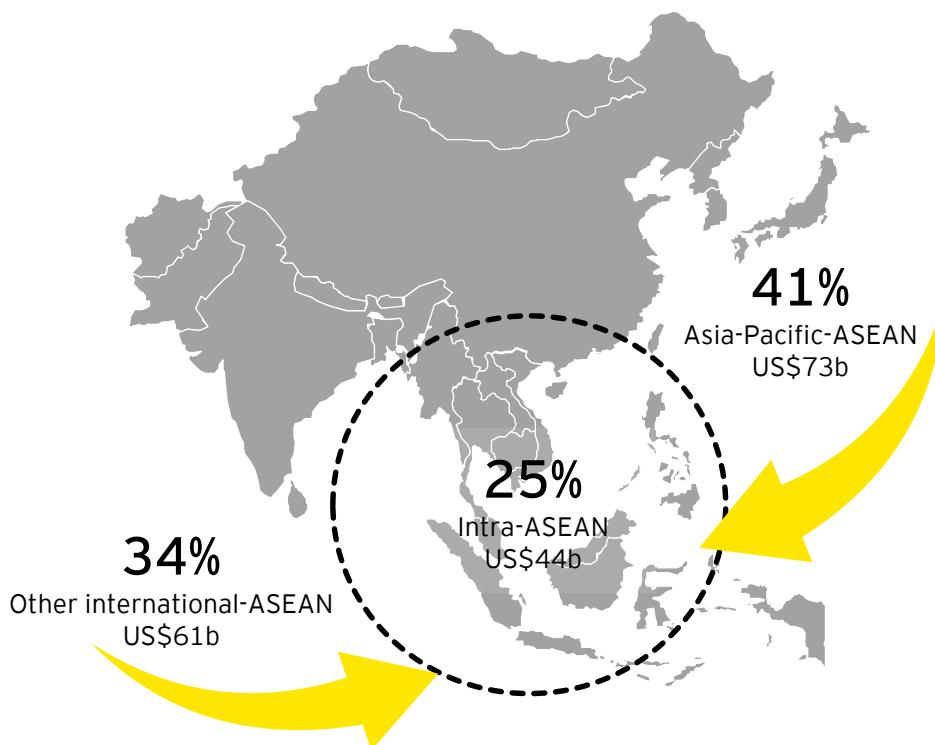
Asia-Pacific, including ASEAN investors, drive two-thirds of deal activities.

ASEAN is marked as a key growth hot spot in the world today. With its 10 diverse markets, of which a number are progressing to be developed nations and some are in the developing stage, there are wide business and investment opportunities.

Over the last six years (2010-16), ASEAN deals were characterized by:

- ▶ Bulk of deals or 41% of ASEAN M&A activities were from Asia-Pacific, particularly Japan and China\* (Japan: 162 deals involving US\$33b, China: 129 deals involving US\$29b; both predominantly in the financial services sector).
- ▶ ASEAN investors were also active acquirers in the region as they transacted a quarter (25%) of ASEAN M&A deals. ASEAN-driven deals are largely in the consumer (US\$18b) and energy (US\$5.8b) sectors.
- ▶ Other international acquirers comprised one-third of ASEAN deal flows; key investor interest emanated from US, UK and Netherlands, most significantly in the consumer (US\$12.8b) and energy (US\$9.5b) sectors.

Chart 1: Strong and diverse deal transactions flow



### Notes:

- ▶ Deals include completed M&A, public-listed and private business deals in Southeast Asia from 1 January 2010 to 31 December 2016.
- ▶ Asia-Pacific-ASEAN deals refer to deals involving businesses in ASEAN, Hong Kong, India, Mainland China, Japan, South Korea and Taiwan.
- ▶ Intra-ASEAN deals refer to cross-border deals among ASEAN members.
- ▶ International-ASEAN deals refer to deals involving businesses in ASEAN and the rest of the world (exclude Asia).

### Source:

- ▶ Deals: result details, 2016, *Mergermarket*

# What do global businesses think of ASEAN?

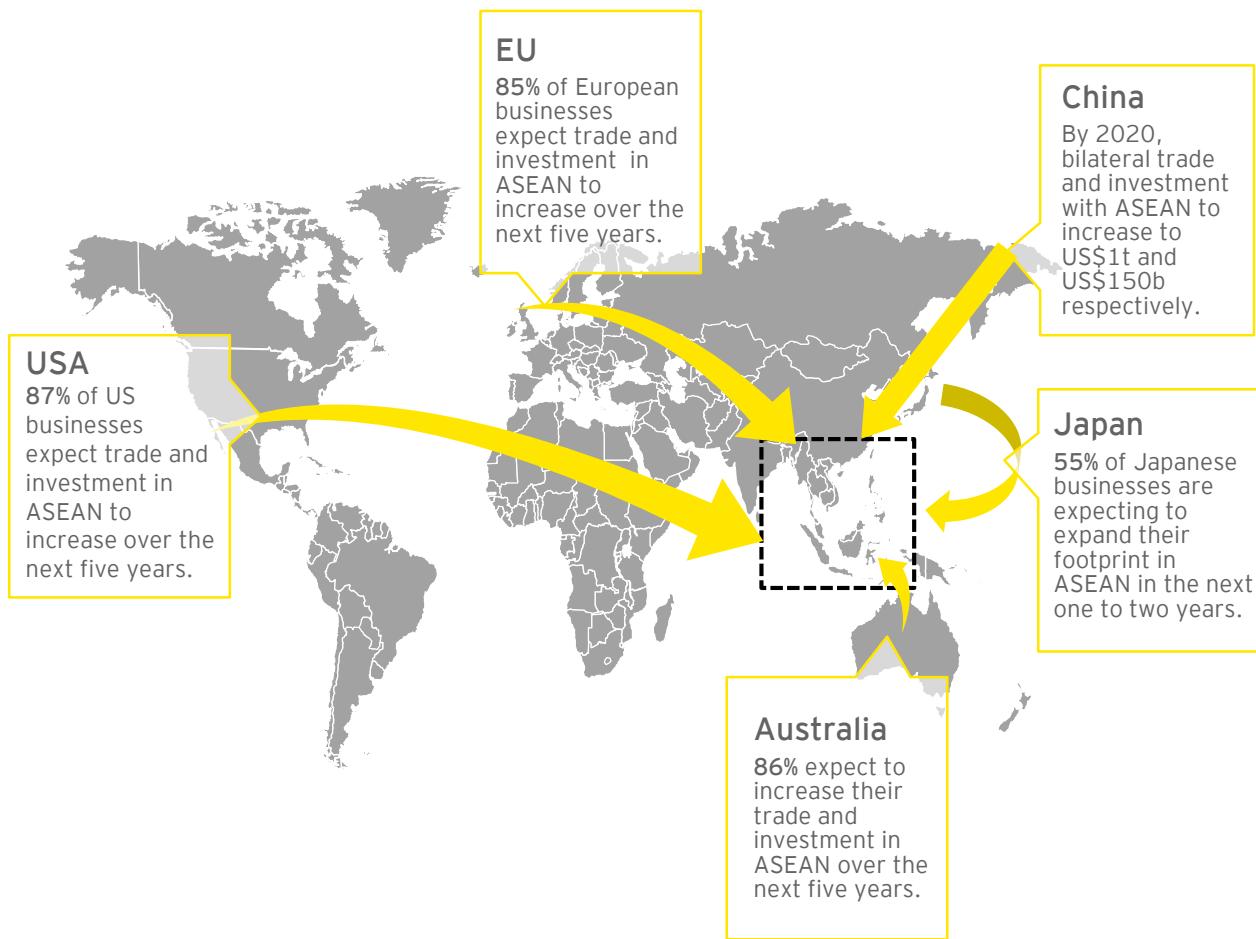
Anticipates trade and investment expansion in ASEAN

Among emerging markets, ASEAN is fast becoming a focal point of global investor interest as reflected by numerous investor surveys across key OECD markets, including Australia, China, Japan, the European Union (EU) and USA.

ASEAN "as is" is a key Asian regional hub propelled by vibrant economic and trade dynamics, and young consumer demographics. In recent years, key developments taking place in leading ASEAN countries included significant infrastructure upgrades and significant deal transaction flows in consumer-related transactions.

With long-range investment initiatives to better link ASEAN markets through rail infrastructure, including the Singapore to Kuala Lumpur HSR, ASEAN is fast evolving to be the world's infrastructure hot spot.

Chart 2: ASEAN focus – international trade and investment expectations



## Sources:

- ASEAN Business Outlook Survey 2017, *AmCham Singapore and U.S. Chamber of Commerce*
- ASEAN Business Sentiment Survey 2016, *EU-ASEAN Business Council*
- Australian Business in ASEAN Survey 2016, *Australian Chamber of Commerce Singapore (AustCham Singapore)*
- Chairman's statement of the 19<sup>th</sup> ASEAN-China Summit to commemorate the 25<sup>th</sup> Anniversary of ASEAN-China Dialogue Relations, September 2016, *ASEAN Secretariat*
- Survey on Business Conditions of Japanese Companies in Asia and Oceania, 2016, *Japan External Trade Organization (JETRO)*



## How is ASEAN FDI performance?

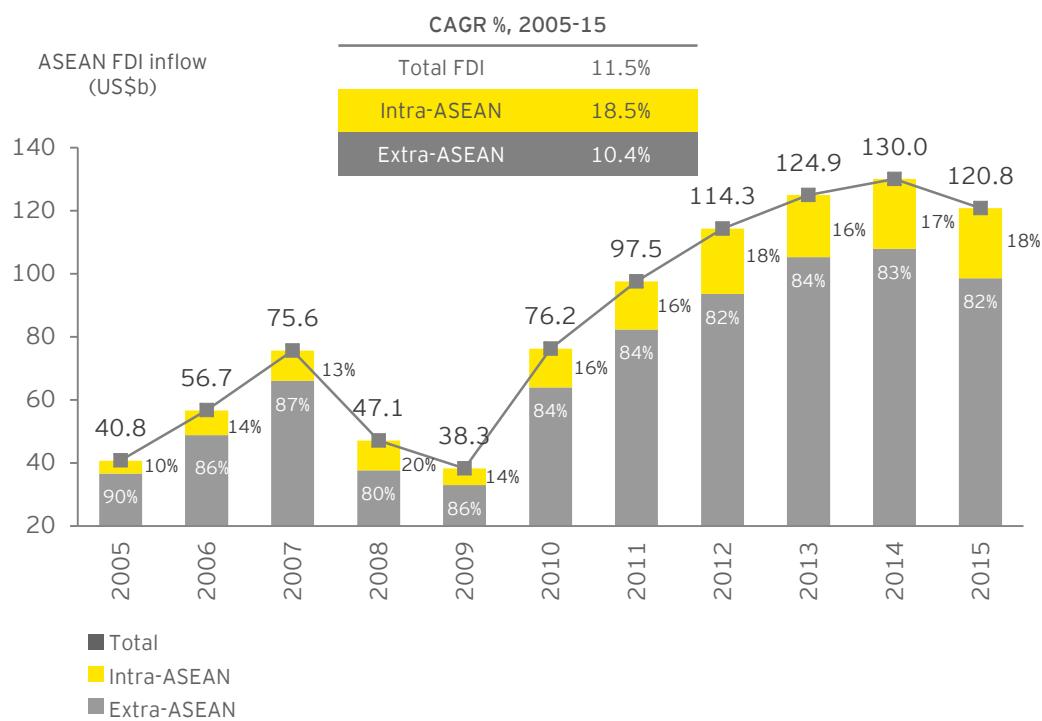
Double-digit FDI growth in recent decade

As a testament to the strength of foreign investor confidence in ASEAN, FDI inflow into ASEAN achieved double-digit growth of 11.5% CAGR over the last decade (2005 to 2015).

Extra-ASEAN FDI is proportionately larger – for example in 2015, extra-ASEAN comprised nearly 82% of total FDI into ASEAN.

The growth rate of intra-ASEAN deals is nearly twice (1.8 times) that of extra-ASEAN FDI, reflecting a dynamic regional investment community.

Chart 3: ASEAN FDI inflow, 2005 to 2015

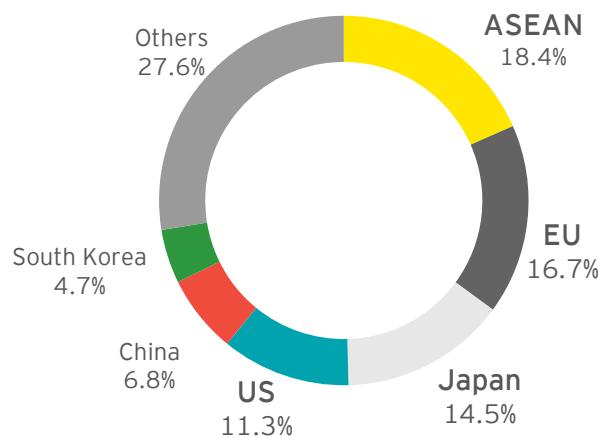


### Sources:

- ▶ ASEAN FDI Database, ASEAN Secretariat
- ▶ ASEAN Investment Report 2016, ASEAN Secretariat
- ▶ EY analysis

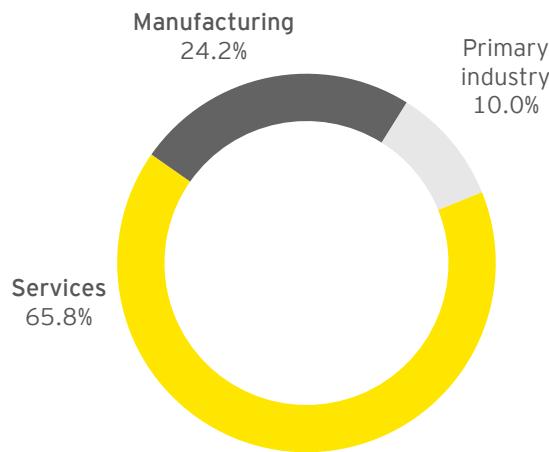
EU is the top contributor of ASEAN FDI (17%), followed by Japan (14%), US (11%) and China (7%).

Chart 4: Source of ASEAN FDI inflow by economy, 2015



Nearly two-thirds of ASEAN's FDI inflow was in the services sector, predominantly in the financial and insurance segments (33%).

Chart 5: Source of ASEAN FDI inflow by industry, 2015



#### Notes:

- ▶ Services include: financial and insurance activities (33%), wholesale and retail trade (9%), real estate activities (8%), transportation and storage (3%), electricity, gas, steam and air conditioning supply (2%), information and communication (2%) and other services (10%).
- ▶ Primary industry includes: agriculture, forestry, fishing (4%); and mining and quarrying (6%).

#### Sources:

- ▶ ASEAN FDI Database, ASEAN Secretariat
- ▶ ASEAN Investment Report 2016, ASEAN Secretariat
- ▶ EY analysis

# ASEAN deal landscape

M&A activities in ASEAN are diverse and buoyant

Over the last six years, from 2010 to 2016, ASEAN deal activities were generally diverse across a wide spectrum of sectors. Key themes driving ASEAN's deals landscape include consumer-led and regionalization.

## Consumer-led

With ASEAN's generally "young" demographics (about half of ASEAN population is below 30 years of age), it is not surprising that the key deal segments were consumer-driven sectors, including consumer, energy, financial services and real estate.

## Regionalization

Across the 10 ASEAN countries, an estimated US\$581b of deals were recorded, of which over half (68%) are regional deals either intra-ASEAN or inter-Asia-Pacific region, reflecting dynamic regional activities. Further analyses of deals reveal that the average deal size for the top five sectors was estimated at US\$343m per deal.

Chart 6: ASEAN completed deals landscape, 2010-2016

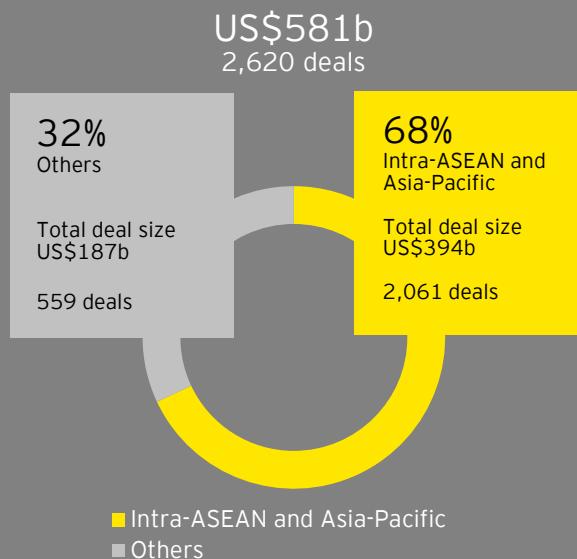
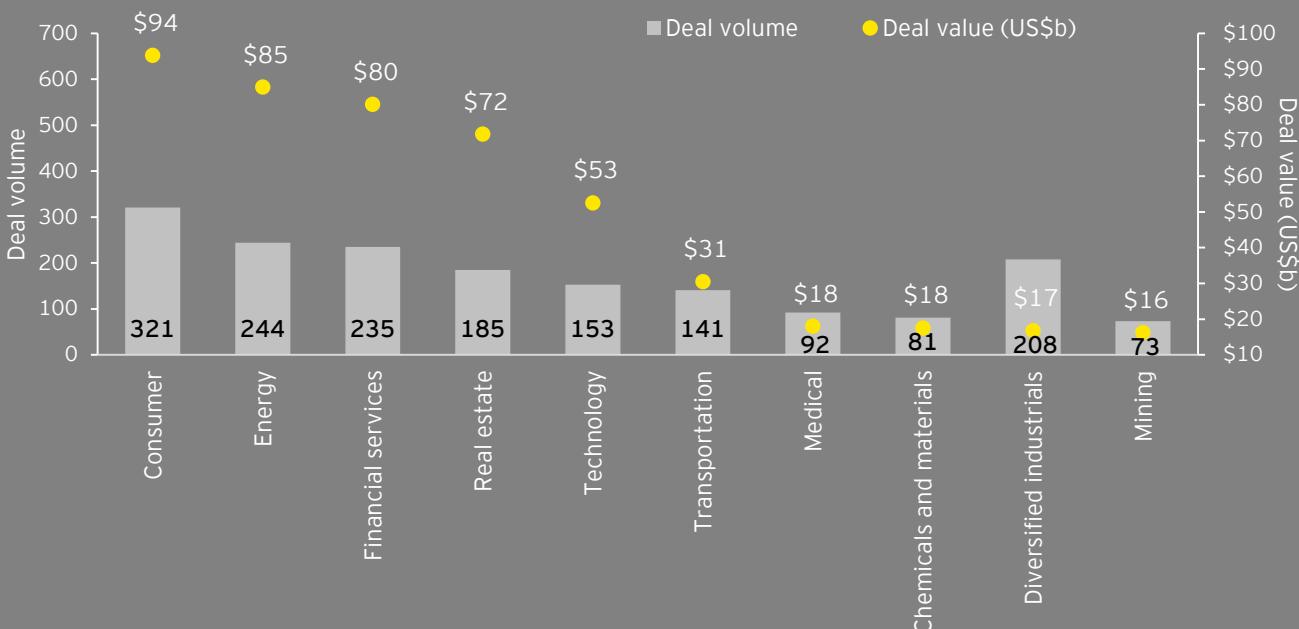


Chart 7: ASEAN top 10 completed deals (by sector), 2010-16



### Notes:

- Deals include completed M&As in Southeast Asia over 1 January 2010 to 31 December 2016 with disclosed deal value. Deal value is taken as the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable.
- Consumer sector include food and beverages, apparel, and retail.
- Energy sector include oil and gas, electric power generation, and alternative energy.
- Financial services sector includes banking, investment banking, fund management and insurance-related services.
- Technology sector includes computer services, software, hardware and semiconductors.
- Medical sector includes pharmaceuticals.
- Diversified industrials sector includes automation, electronics, and industrial products and services.

### Sources:

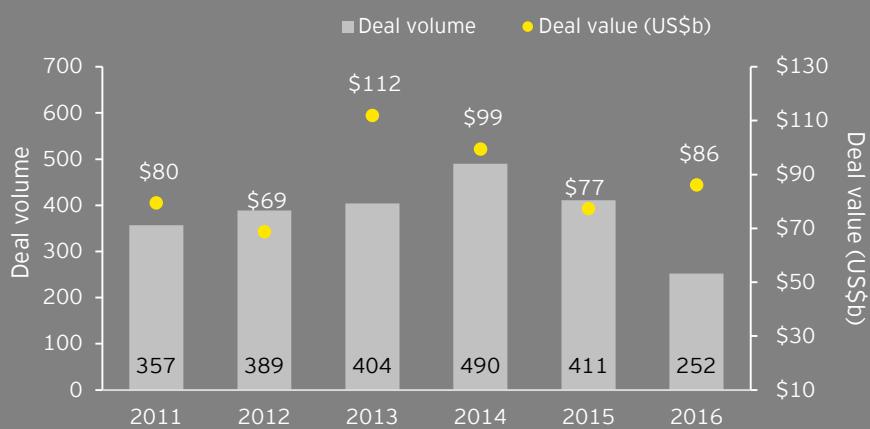
- Deals: result details, 2016, *Mergermarket*
- Marketing to the ASEAN Consumer, 2015, *Euromonitor International*

## ASEAN deal performance

Stable deal activity, averaging US\$87b per annum

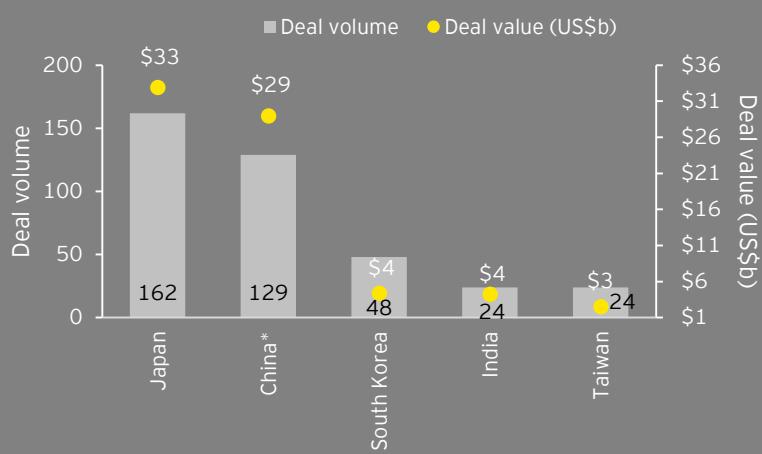
Annually, an estimated 383 deals valued at US\$87b were transacted over the last six years.

Chart 8: ASEAN deal performance, 2011-16



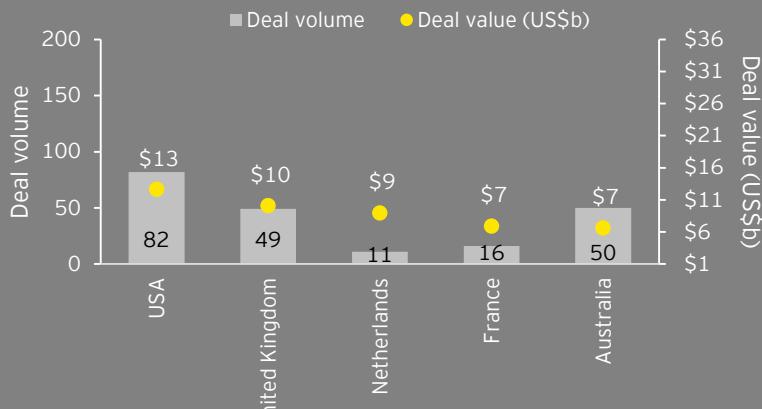
ASEAN attracted strong regional interest, largely from Japan and China.

Chart 9: ASEAN active acquirers (in Asia), 2010-16



European investment (including UK, Netherlands and France) into ASEAN is significant at US\$26b.

Chart 10: ASEAN active acquirers (outside Asia), 2010-16



Note:

\*China includes Mainland China and Hong Kong.

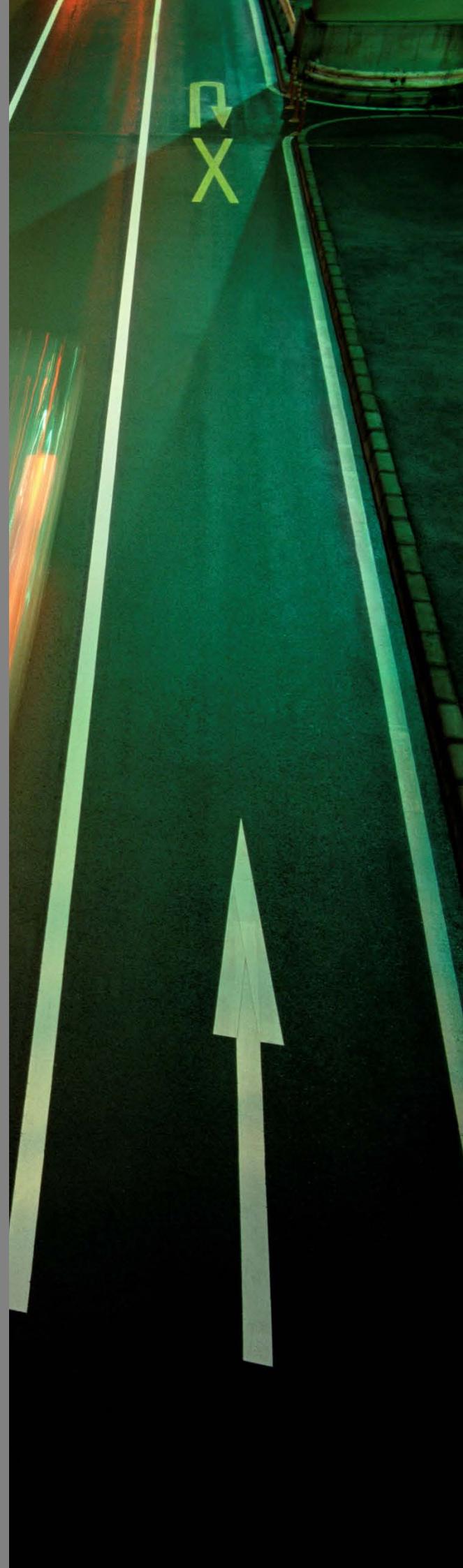
Source:

► Deals: result details, 2016, Mergermarket

“ Ultimately, ASEAN is one of the few regions that still has robust fundamentals – it has three stages of economic development, from advanced to developing to emerging economies which excite investors. Businesses need to hold a long-term view of their prospects in the region. ”



Vikram Chakravarty  
EY Asean  
Transactions Advisory Services Leader



## ASEAN acquisitions by sectors

Consumer and financial services are top ASEAN deals

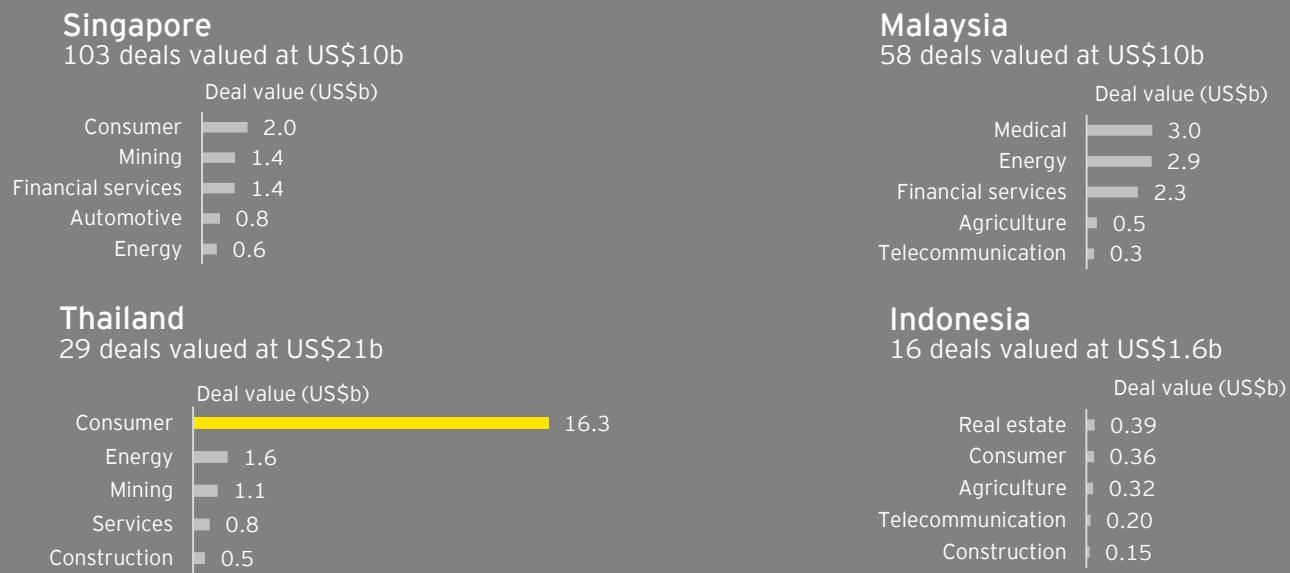
### ASEAN companies are active acquirers within ASEAN

From 2010 to 2016, Singaporean companies registered 109 cross-border\* deals valued at US\$10b. The key deals are in the consumer, mining and financial services sectors.

Over the same period, Malaysian companies completed 58 cross-border\* deals valued at US\$10b. The top five deals are in the medical (including pharmaceutical), energy, financial services, agriculture and telecommunication sectors.

Thai companies transacted 29 cross-border\* deals valued at US\$21b – its consumer sector valued at US\$16b was prominent.

Chart 11: Selected ASEAN completed cross-border\* deals



### Regional dynamos are active in ASEAN dealscape

Over the last six years, Japanese firms have completed 162 deals at US\$32b in ASEAN. The bulk of the Japanese deals are in the financial services sector.

China is the second-most active acquirer in ASEAN with 129 deals at US\$29b.

Chart 12: Selected ASEAN top international acquirers



Notes:

\*Cross-border deals involve companies in ASEAN acquiring stakes in another ASEAN member state.

\*\*China includes Mainland China and Hong Kong.

Source:

► Deals: result details, 2016, Mergermarket

# ASEAN deals activities in 2016

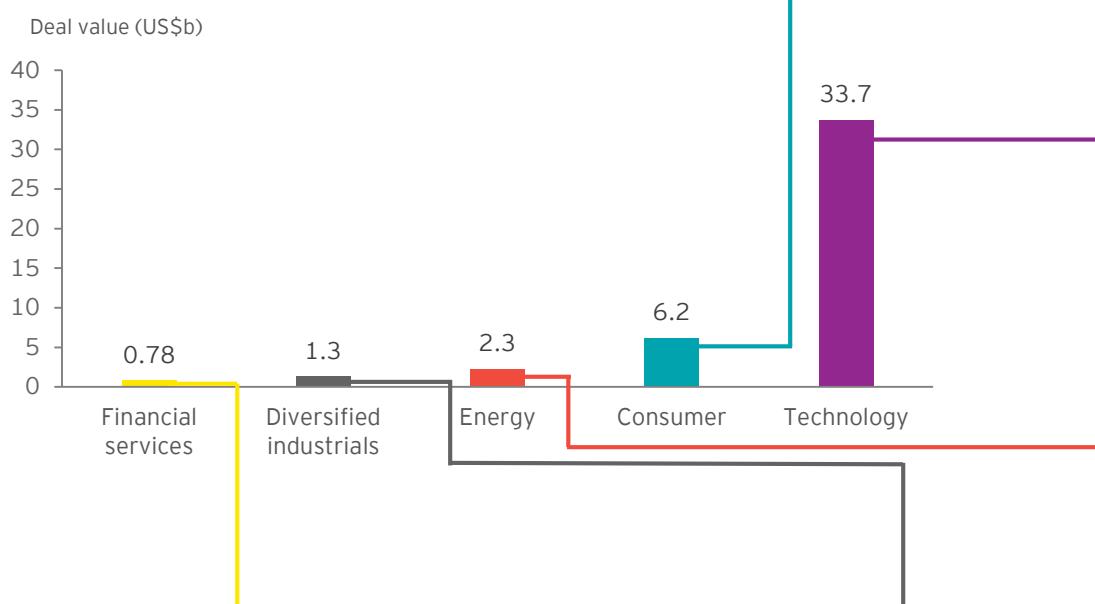
## Technology sector topped ASEAN's completed deals

Chart 13: ASEAN's top completed deal by sectors

### Did you know?

In 2016, the largest deal in ASEAN involved Avago Technologies acquiring Broadcom Corporation at US\$33.7b.

Source:  
► Mergermarket



### Top deals: financial services sector

| Investment date | Target  | Acquirer                                   | Value (US\$b) |
|-----------------|---|--|---------------|
| 1 Apr           | Security Bank Corporation (Philippines)   | Bank of Tokyo-Mitsubishi UFJ, Ltd. (Japan) | 0.78          |
| 28 Nov          | Barclays Bank Plc (Wealth and Investment Management businesses (Singapore and Hong Kong)) | Bank of Singapore Limited (Singapore)      | 0.32          |
| 10 Aug          | CM International Holding Pte. Ltd. (Singapore)  | Hana Financial Group Inc. (South Korea)    | 0.20          |

### Top deals: diversified industrials sector

| Investment date | Target  | Acquirer                                | Value (US\$b) |
|-----------------|---|---|---------------|
| 8 Jan           | Groupe FCI (Singapore)                        | Amphenol East Asia Limited (Hong Kong)  | 1.3           |
| 18 Mar          | Interplex Holdings Ltd (Singapore)            | Baring Private Equity Asia (Hong Kong)  | 0.5           |
| 17 May          | SWM Environment Holdings Sdn. Bhd. (Malaysia) | Taliworks Corporation Berhad (Malaysia) | 0.06          |

#### Notes:

- Deals include completed M&As in Southeast Asia from 1 January to 31 December 2016 with disclosed deal value. Deal value is taken as the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable.
- Financial services sector includes banking, investment banking, fund management and insurance-related services.
- Diversified industrials sector includes industrial products, and services and electronics.

#### Source:

- Deals: result details, 2016, Mergermarket

### Top deals: technology sector

| Investment date | Target  | Acquirer   | Value (US\$b) |
|-----------------|---|--|---------------|
| 1 Feb           | Broadcom Corporation (US)                         | Avago Technologies (Singapore)                           | 33.7          |
| 20 Sept         | Grab (Singapore)                                  | SoftBank-led investor consortium (Japan)                 | 0.75          |
| 29 Apr          | Advanced Micro Devices Export Sdn Bhd (Malaysia)* | Nantong Fujitsu Microelectronics Co Ltd (Mainland China) | 0.37          |

### Top deals: consumer sector

| Investment date | Target                           | Acquirer   | Value (US\$b) |
|-----------------|----------------------------------|--|---------------|
| 11 May          | Big C Supercenter PCL (Thailand) | Berli Jucker Public Co. Ltd. (Thailand)                  | 6.2           |
| 29 Apr          | Big C Vietnam (Vietnam)          | Central Group (Thailand)                                 | 1.1           |
| 23 Dec          | Bellisio Foods Inc. (US)         | Charoen Pokphand Foods Public Company Limited (Thailand) | 1.1           |

### Top deals: energy sector

| Investment date | Target   | Acquirer  | Value (US\$b) |
|-----------------|--|---|---------------|
| 23 May          | Edra Global Energy Berhad (Malaysia)   | China General Nuclear Power Corporation Ltd. (Mainland China) | 2.3           |
| 14 Oct          | ITC Holdings Corporation (USA)   | GIC Private Limited (Singapore)                               | 1.2           |
| 27 Dec          | GNPower Mariveles Coal Plant Ltd Co.; GNPower Dinginin Ltd Co. (Philippines) | Aboitiz Power Corporation (Philippines)                       | 1.2           |

#### Notes:

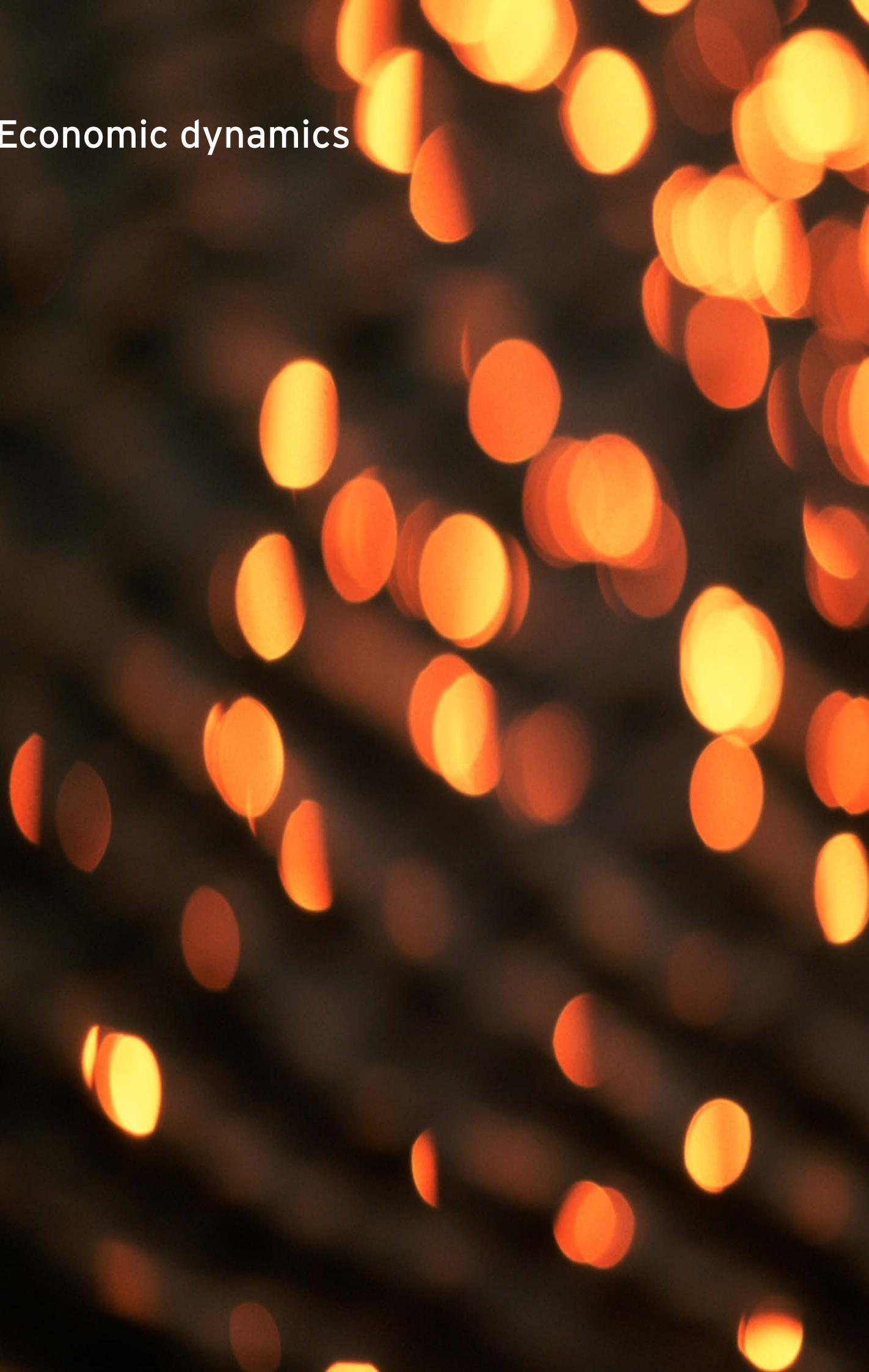
- Deals include completed M&As in Southeast Asia from 1 January to 31 December 2016 with disclosed deal value. Deal value is taken as the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable.
- Consumer sector includes foods, beverages, apparel and retail.
- Energy sector includes oil and gas, electrical power generation, and alternative energy.
- Technology-related sector includes computer services, software, hardware and semiconductors.

\*Nantong Fujitsu Microelectronics Co Ltd has acquired 85% stake in Advanced Micro Devices Export Sdn Bhd and AMD Technologies (China) Co Ltd respectively from Advanced Micro Devices Inc. for US\$370.6m

#### Source:

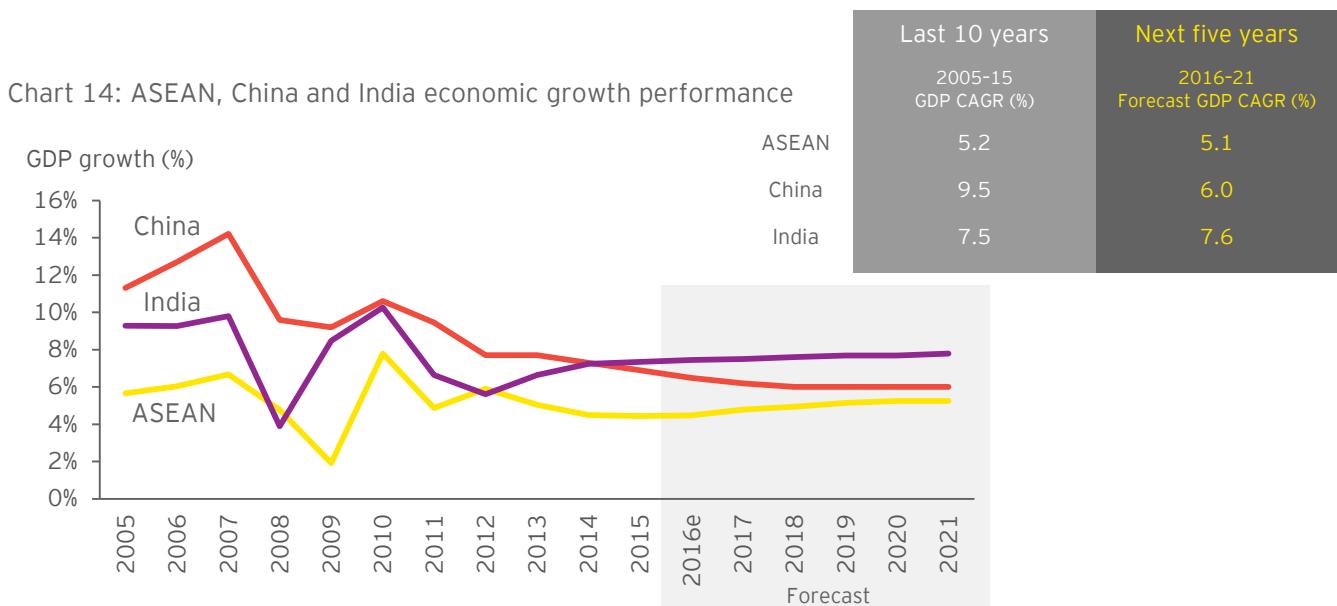
- Deals: result details, 2016, *Mergermarket*

# Economic dynamics



## ASEAN is Asia's growth nucleus

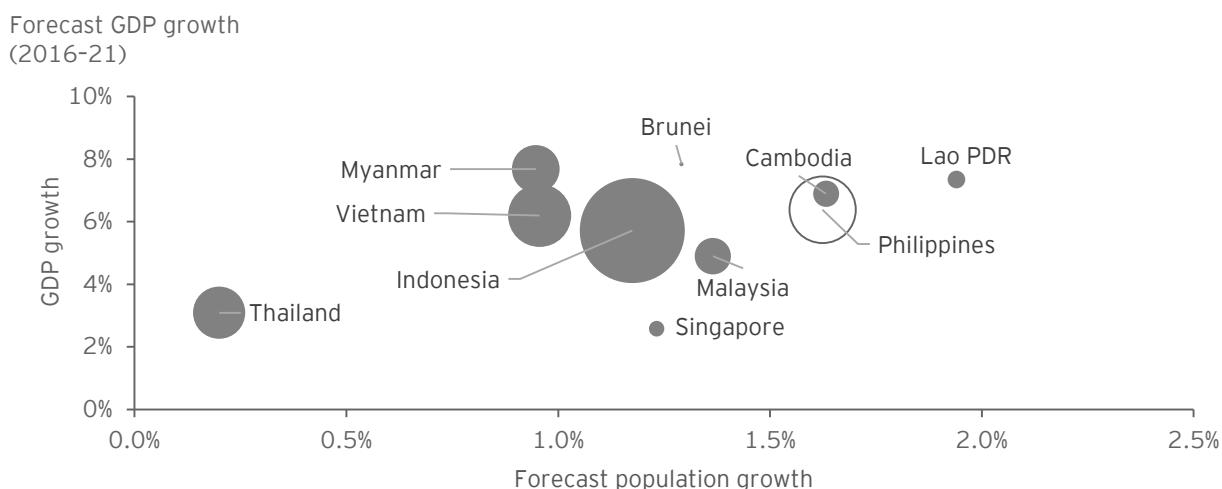
Over the last decade, ASEAN economic growth was on a steady and modest growth track with CAGR of 5.2%. By 2021, ASEAN is expected to continue her steady growth at 5.1% CAGR. With China and India powering at 6% to 7.6% GDP growth, ASEAN with her centrality and steady growth is well-positioned to be Asia's sustainable growth nucleus.



### Which ASEAN economies are on faster growth track?

From 2016 to 2021, ASEAN's emerging markets, i.e., Cambodia, Lao People's Democratic Republic (Lao PDR) and Myanmar are expected to grow above 7%. Indonesia, Malaysia, Philippines and Vietnam are projected to generate steady growth of 5% to 6% CAGR (2016-20) in line with their population growth.

Chart 15: Projected ASEAN economic and population growth



Notes:

- Size of bubbles indicate projected population size by 2020.
- GDP growth is based on GDP constant 2010 value.

Sources:

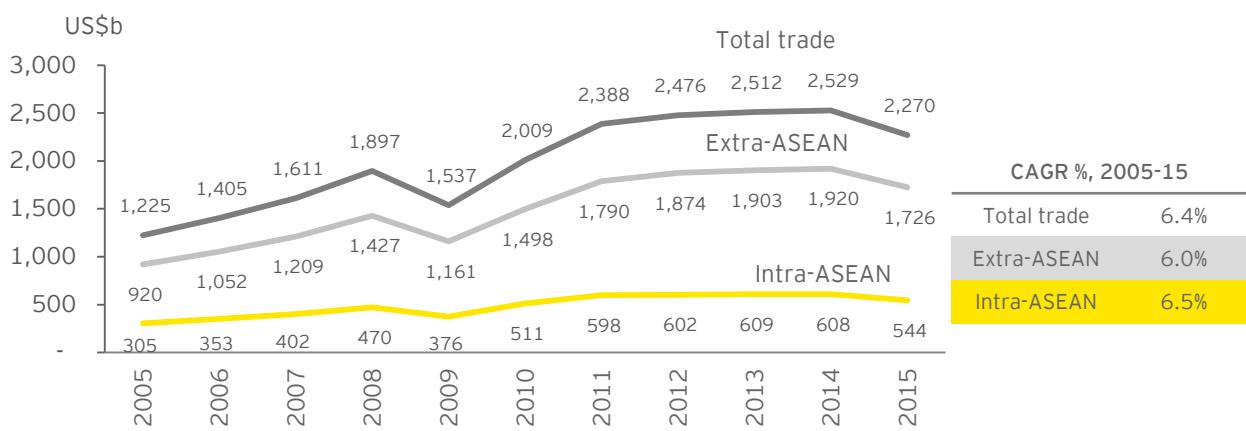
- World Population Prospects: The 2015 Revision, Department of Economic and Social Affairs, Population Division, United Nations
- World Economic Outlook Database, October 2016, International Monetary Fund (IMF)
- EY analysis

## ASEAN's expanding trade with global economies

ASEAN trade linkages with the rest of the world is well-entrenched, as reflected by ASEAN's trade with over 230 markets globally. Over the last decade, ASEAN's total trade increased steadily by 6.4% CAGR to US\$2.3t in 2015. Intra-ASEAN trade also grew at a steady pace of 6.5%.

With the wider integration of economic activities within the ASEAN Economic Community (AEC), there is higher upside for intra-ASEAN trade growth. In the longer term, the RCEP involving ASEAN, Australia, China, India, New Zealand, Japan and South Korea may spur wider regional trade growth.

Chart 16: ASEAN trade trends

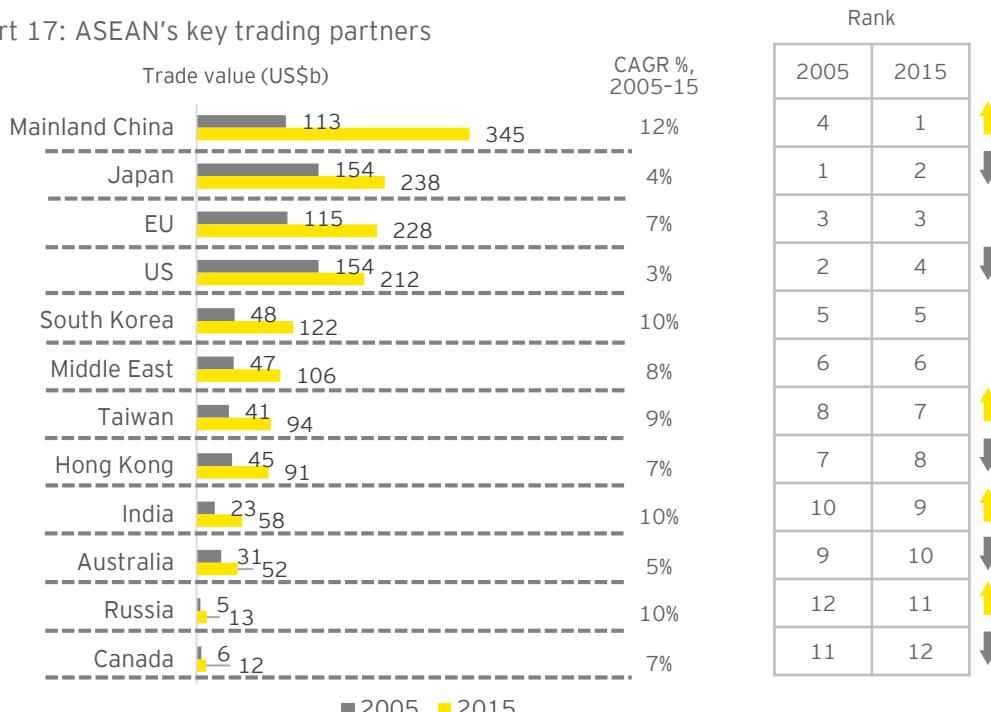


### Who are ASEAN's key trading partners?

Mainland China's ranking as ASEAN's key trading partner rose to the top position.

ASEAN's other key trade partners include Japan, EU and US.

Chart 17: ASEAN's key trading partners



Notes:

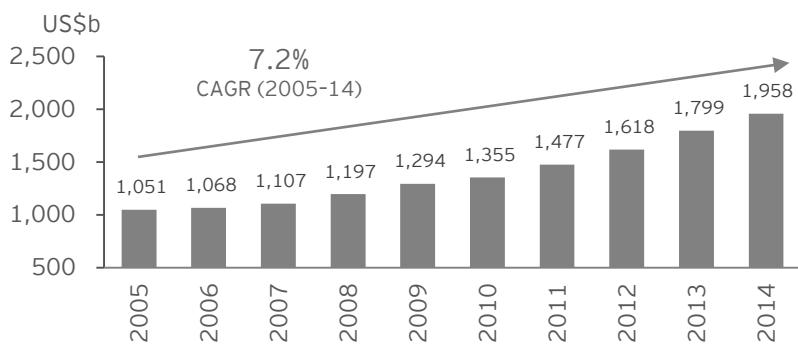
- Some figures may not add up to 100% due to rounding errors.
- EU includes Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom and Croatia.
- Middle East includes Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates and Yemen.

Sources:

- ASEAN Statistical Yearbook 2015, *The ASEAN Secretariat*
- ASEAN External Trade Statistics, 2005 and 2015, *The ASEAN Secretariat*
- EY analysis

## ASEAN's strengthening banking and capital markets

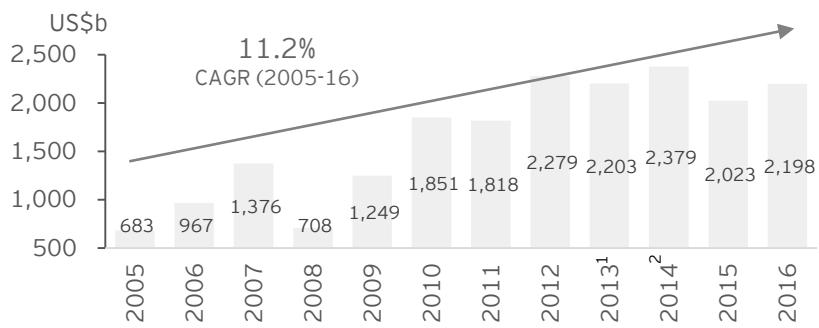
Chart 18: ASEAN-8 banks' assets (2005-14)



In tandem with the surge in FDI and trade activities, the size of ASEAN's financial system has more than doubled this last decade.

Whilst ASEAN's total banking assets doubled to nearly US\$2t, its equity market based on the market capitalization of the seven bourses tripled to US\$2.2t.

Chart 19: ASEAN market capitalization\* (2005-16)

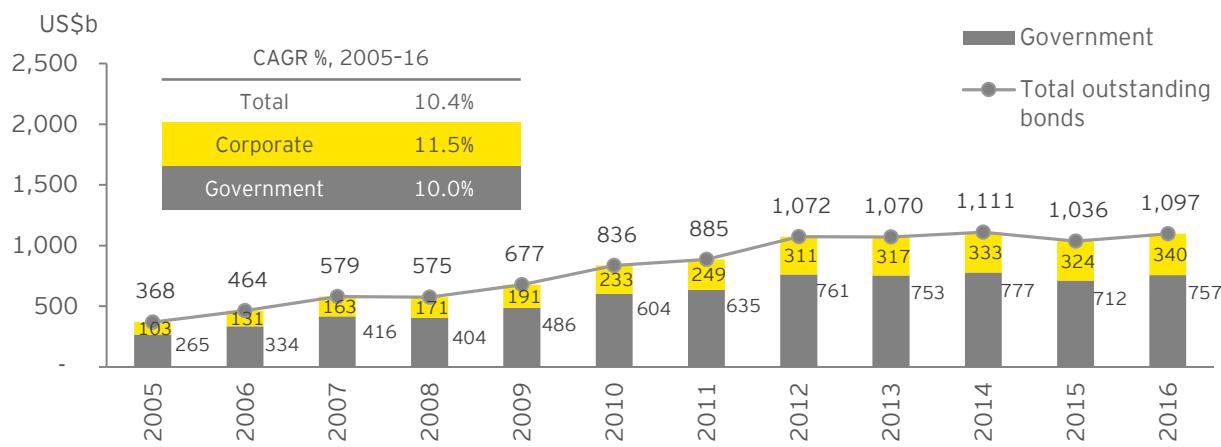


According to Asian Bonds Monitor, the issuance of government and corporate bonds in ASEAN-6 has also tripled to US\$1.1t (10.4% CAGR, 2005-16).

The deepening of ASEAN's financial system augurs well for her market stability and financial resilience.

\*Market capitalization of seven bourses in ASEAN (as at 31 December each year) which include Bursa Malaysia, Hanoi Stock Exchange (since 2013)<sup>1</sup>, Ho Chi Minh Stock Exchange (since 2014)<sup>2</sup>, Indonesia Stock Exchange, Philippines Stock Exchange, Singapore Exchange and the Stock Exchange of Thailand.

Chart 20: ASEAN-6 total outstanding bonds (2005-16)



### Notes:

- ASEAN-8 deposit money banks assets (2005 - 2014) include data for all ASEAN members except Myanmar and Lao PDR due to non-availability of data from World Bank.
- Deposit money banks' assets include claims on domestic real non-financial sector, which includes central, state and local governments; non-financial public enterprises; and private sector. Deposit money banks comprise commercial banks and other financial institutions that accept transferable deposits, such as demand deposits.
- ASEAN market capitalization comprise the seven bourses in ASEAN (as of 31 December each year) which include Bursa Malaysia, Hanoi Stock Exchange\*(since 2013), Ho Chi Minh Stock Exchange\*\* (since 2014), Indonesia Stock Exchange, Philippines Stock Exchange, Singapore Exchange and the Stock Exchange of Thailand.
- ASEAN-6 comprise Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- Bonds are defined as long-term bonds and notes, treasury bills, commercial paper and other short-term notes. Government bond issuance includes bonds issued by central governments, central banks, local governments and quasi-government institutions. Corporate bond issuance includes bonds issued by both public and private companies, and financial institutions.
- Total outstanding government and corporate bonds are as of December for each year.

### Sources:

- Asian Bonds Online, Asian Development Bank
- World Bank Databank, The World Bank Group
- World Federation of Exchanges
- EY analysis

## Infrastructure progress





## ASEAN's growing infrastructure investments

As ASEAN undergoes economic and population growth, as reflected by increasing urbanization and industrialization, her appetite for infrastructure development and upgrades is significant at an estimated US\$110b per annum through to 2025. Key areas of investment include:

- ▶ ASEAN multimodal transport connectivity (i.e., air, land, rail and sea) to improve logistic efficiency and support the growth of commerce, trade and investment.
- ▶ Utilities infrastructure to provide energy security to meet industrial, commercial and residential demands.
- ▶ ICT infrastructure to propel ASEAN's competitiveness in the digital economy.

By 2025, there are a number of key infrastructure projects which will improve efficiencies in the delivery of goods, services and people across ASEAN.

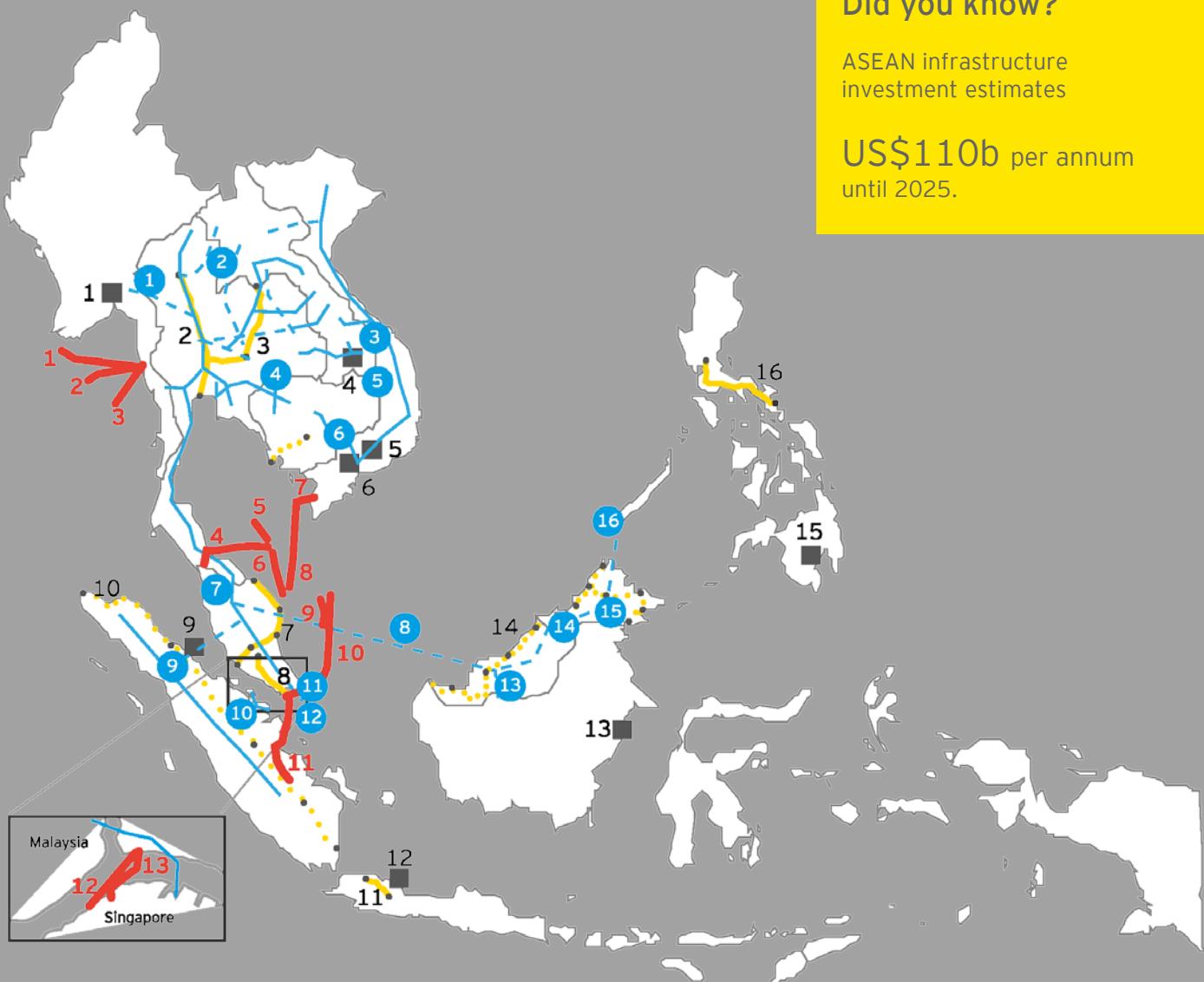
Chart 21: ASEAN – selected transport infrastructure projects

| Proposed projects or upgrades                              | Size or length    | Estimated value (US\$) | Proposed projects or upgrades          | Size or length | Estimated value (US\$) |
|--|-------------------|------------------------|--|----------------|------------------------|
| 1 Yangon Central Rail Station upgrade and redevelopment    | 25ha              | 2.0b                   | 8 KL-Singapore HSR                     | 350km          | 15.0b                  |
| 2 Bangkok-Chiang Mai High Speed Rail (HSR)                 | 673km             | 15.2b                  | 9 Kuala Tanjung Seaport                | Not available  | 2.7b                   |
| 3 Bangkok-Nakhon Rachasima-Nong Khai High Speed Rail (HSR) | 873km             | 16.0b                  | 10 Trans Sumatra Highway               | 2,600km        | 11.3b                  |
| 4 Xe-Pian Xe-Namnoy hydroelectric power plant              | 410MW power plant | 1.0b                   | 11 Jakarta-Bandung HSR                 | 142.3km        | 5.2b                   |
| 5 Long Thanh International Airport                         | 5,000ha           | 16.0b                  | 12 Kertajati airport                   | 1,800ha        | 0.34b                  |
| 6 Ho Chi Minh Metro Rail System                            | 94.7km            | 12.7b                  | 13 Bontang oil refinery                | Not available  | 14.5b                  |
| 7 East Coast Rail Line (ECRL)                              | 620km             | 18.3b                  | 14 Pan Borneo Highway                  | 1,452km        | 6.5b                   |
|  |                   |                        | 15 Davao Light Railway Transit (LRT)   | 28km           | 0.87b                  |
|  |                   |                        | 16 North-South Commuter Railway (NSCR) | 709km          | 3.7b                   |

Sources:

- ▶ ASEAN Investment Report 2015, ASEAN Secretariat
- ▶ ASEAN Power Grid: Powering the Region, 2016, 4th North East Asia Energy Security Forum, ASEAN Power Grid Consultative Committee (APGCC)
- ▶ Assessment of ASEAN Energy Cooperation within the ASEAN Economic Community, 2013, Economic Research Institute for ASEAN and East Asia (ERIA)
- ▶ Development of ASEAN Energy Sector, 2013, ASEAN Centre for Energy (ACE)
- ▶ Southeast Asia Energy Outlook 2015, International Energy Agency (IEA)
- ▶ Trans ASEAN Gas Pipeline Project (TAGP), 2015, ASEAN Council on Petroleum (ASCOPE)
- ▶ Respective infrastructure projects news and press releases
- ▶ EY analysis

Chart 22: ASEAN's key infrastructure projects



### Did you know?

ASEAN infrastructure investment estimates

US\$110b per annum until 2025.

|       |                                      |
|-------|--------------------------------------|
| —     | ASEAN Power Grid (APG) existing      |
| - - - | ASEAN Power Grid (APG) in progress   |
| —     | Trans ASEAN Gas Pipeline (TAGP)      |
| · · · | Proposed new road projects           |
| —     | Proposed new railway projects        |
| ■     | Proposed new infrastructure projects |

| APG projects |                               |
|--------------|-------------------------------|
| 1            | Thailand-Myanmar              |
| 2            | Thailand-Lao PDR              |
| 3            | Lao PDR-Vietnam               |
| 4            | Thailand-Cambodia             |
| 5            | Lao PDR-Cambodia              |
| 6            | Vietnam-Cambodia              |
| 7            | Thailand-Peninsular Malaysia  |
| 8            | Sarawak-Peninsular Malaysia   |
| 9            | Peninsular Malaysia-Sumatra   |
| 10           | Singapore-Sumatra             |
| 11           | Peninsular Malaysia-Singapore |
| 12           | Batam-Singapore               |
| 13           | Sarawak-West Kalimantan       |
| 14           | Sarawak-Sabah - Brunei        |
| 15           | East Sabah-West Kalimantan    |
| 16           | Philippines-Sabah             |

| TAGP projects |                         |
|---------------|-------------------------|
| 1             | Myanmar-Thailand        |
| 2             | M9-Thailand             |
| 3             | Myanmar-Thailand        |
| 4             | Malaysia-JDA            |
| 5             | JDA-Thailand            |
| 6             | JDA-Malaysia            |
| 7             | CAA-Vietnam             |
| 8             | CAA-Malaysia            |
| 9             | West Natuna-Duyong      |
| 10            | West Natuna-Singapore   |
| 11            | South Sumatra-Singapore |
| 12 / 13       | Singapore-Malaysia      |

# ASEAN's infrastructure interconnectivity

ASEAN's transformation to be well-connected via enhanced logistic efficiencies will further improve her linkages to the global supply chain and support her growth in trade and tourism activities.

Chart 23: ASEAN's multimodal connectivity

|            |   |             |   |
|------------|---|-------------|---|
| <b>Air</b> | <b>ASEAN Open Skies agreement:<br/>ASEAN Single Aviation Market<br/>(ASAM)</b>  | <b>Rail</b> | <b>Singapore-Kunming Rail Link<br/>(SKRL)</b>   |
|            | <ul style="list-style-type: none"><li>▶ Freedom of ASEAN members carriers to access other ASEAN members international airports</li><li>▶ No restriction on frequency and maximum capacity of flights</li><li>▶ No restriction to fly from home country to foreign country (as transit point)</li></ul>  |             | <ul style="list-style-type: none"><li>▶ Rail system spanning over 6,890km connecting linking ASEAN key cities, i.e., Singapore, KL, Bangkok, Phnom Penh, Ho Chi Minh to Southern China (Kunming)</li><li>▶ Kunming is expected to be the interchange for the proposed HSR link to Singapore via Vietnam, Laos, Thailand and Malaysia.</li></ul> |
| <b>Sea</b> | <b>ASEAN Roll-On / Roll-Off (RO-RO) Shipping Network and Short Sea Shipping</b>   | <b>Land</b> | <b>ASEAN Highway Network (AHN)</b>  |
|            | <ul style="list-style-type: none"><li>▶ Consolidate maritime connectivity through the development of port and port-associated industries to reduce shipping time</li><li>▶ Work-in-progress to operationalize three priority routes:<ul style="list-style-type: none"><li>▶ Dumai (Indonesia)-Malacca (Malaysia)</li><li>▶ Belawan (Indonesia)-Penang (Malaysia)-Phuket (Thailand)</li><li>▶ Davao (Philippines)-Bitung (Indonesia)</li></ul></li></ul> |             | <ul style="list-style-type: none"><li>▶ Road spanning 38,400km connecting ASEAN land transport with China and India</li><li>▶ New sections of planned highway linking India, Myanmar and Thailand are operational since September 2015.</li></ul>   |

## Sources:

- ▶ ASEAN Investment Report 2015, ASEAN Secretariat
- ▶ Master Plan on ASEAN Connectivity 2025, 2016, ASEAN Secretariat
- ▶ EY analysis

## Significant investment in digital infrastructure propelling ASEAN's competitiveness

The adoption of internet-enabled digital technology is an essential for developed nations today.

As such, ASEAN's ICT infrastructure investment focus is vital to improving her competitiveness in the digital economy.

A key cross-border initiative is the SEA-ME-WE 5 submarine fiber optic cable link project which connects ASEAN\*, Middle East and Western Europe. This 20,000km cable linking Singapore and France (completed in December 2016) provides transmission speeds of up to 100Gbps. In addition, the ASEAN Broadband Corridor is aimed at providing affordable and universal broadband access in ASEAN.

Country-specific digital infrastructure investments include:

- ▶ Indonesia's Nusantara Super Highway project (Palapa Ring) – a fiber optic network spanning 36,000km (underwater and ground) across 440 cities linking Sumatra, Java, Kalimantan (Borneo), Nusa Tenggara, Papua, Sulawesi and Maluku
- ▶ Malaysia's High Speed Broadband (HSBB) and Sub-Urban Broadband Project (SUBB) – to increase download speed (20 Mbps to 100Mbps)
- ▶ Singapore ultra-high speed broadband project – download speed increased from megabits per second (Mbps) to gigabits per second (Gbps)

ASEAN's rising digital competitiveness is reflected by Alibaba Group, the world's largest e-commerce company plans to establish its first regional e-fulfillment hub in Digital Free Trade Zone (DFTZ) at KLIA Aeropolis, Malaysia to serve the ASEAN e-commerce community.

Notes:

\*ASEAN include Indonesia, Malaysia, Myanmar, Singapore and Thailand only.

Sources:

- ▶ ASEAN Power Grid: Powering the Region, 2016, 4th North East Asia Energy Security Forum, ASEAN Power Grid Consultative Committee (APGCC)
- ▶ ASEAN ICT Masterplan 2020, 2015, ASEAN Secretariat
- ▶ ASEAN Plan of Action for Energy Cooperation 2010-2015, ASEAN Centre for Energy (ACE)
- ▶ Development of ASEAN Energy Sector, 2013, ASEAN Centre for Energy (ACE)
- ▶ Investing in ASEAN 2017, Allurentis Limited
- ▶ Southeast Asia Energy Outlook 2015, International Energy Agency (IEA)
- ▶ The ASEAN Digital Revolution, 2015, A.T. Kearney Inc.
- ▶ Trans ASEAN Gas Pipeline Project (TAGP), 2015, ASEAN Council on Petroleum (ASCOPE)
- ▶ EY analysis

## Strengthening energy security to meet industry demands

The International Energy Agency (IEA) forecasted that by 2040, ASEAN's energy demand will increase 80% to 1,070m tonnes of oil equivalent (MTOE) and electricity demand will triple to 2,200 terawatt-hours (TWh).

As such, two flagships projects to ensure ASEAN's energy security and sustainability are APG and TAGP. Both projects involve bilateral and regional partnerships to connect and integrate electricity grid and gas pipelines across ASEAN. In addition, these projects promote efficient utilization, optimization and sharing of ASEAN's energy resources.

When all the planned interconnections are operational in the next decade, APG will have 16 electricity interconnections providing 23,200MW cross-border electricity. Currently, six cross-border interconnections are operational while others are in either the construction or planning stages.

To date, the TAGP includes 13 bilaterally connected gas pipelines covering 3,631km. Ultimately, the TAGP aims to have 16 multilateral gas pipelines across ASEAN.

Initiatives are underway to harmonize a regulatory framework for cross-border supply, transportation and distribution of electricity and gas among ASEAN members.

## ASEAN's tourism activity propelled by increasing air connectivity

According to the World Travel and Tourism Council, ASEAN's international tourism receipts amounted to US\$116b in 2015. In the next decade, it is projected that international tourist arrivals would reach 192m and contribute US\$223b (6.3% growth rate per annum).

A key factor propelling ASEAN's tourism growth is the ASEAN Open Skies Agreement – ASAM. The liberalization of the ASEAN aviation sector has both eased restrictions on air travel and facilitated the expansion of low-cost airlines in the region. As is, ASEAN's airlines' capacities increased 80% in less than a decade and low-cost carriers enlarged their fleet size and opened new medium and long haul routes in order to meet passengers' demand.

Industry analysts forecast that ASEAN aircraft fleets may triple in size by 2030 in view of the additional 3,750 new aircraft orders valued at US\$550b. The significant growth in fleet size should catalyze growth of the aviation maintenance, repair and overhaul (MRO) services industry. Already, there are investment plans to establish and upgrade MRO operations in Singapore, Malaysia, Philippines, Indonesia, Thailand and Vietnam as regional MRO hubs.

The hotel and hospitality services sector is also poised to benefit from the increased frequency in travel and tourism. Real estate projects to build new hotels, retail outlets, gaming and recreation centers, as well as upgrades in roads and tourist sites are developing across ASEAN's major tourist destinations.

## Did you know?

|                |   |
|----------------|---|
| <b>105m</b>    | <b>Massive ASEAN tourist arrivals</b>   |
| ►              | Strong growth at 8% CAGR (2010-15)      |
| ►              | Projected 192m tourist arrivals by 2026 |
| <b>3 times</b> | <b>ASEAN aircraft fleet size</b>        |
|                | to triple by 2030                       |
| <b>3,750</b>   | <b>New orders</b>                       |
|                | 3,750 aircrafts valued at US\$550b      |

### Sources:

- Investing in ASEAN 2017, Allurentis Limited
- Tourism statistics, ASEAN Secretariat
- Travel and tourism. Economic impact 2016. South East Asia, World Travel and Tourism Council (WTTC)

A large stack of colorful, hand-woven baskets with intricate patterns. The baskets are made from various materials like bamboo, reeds, and dried leaves, and feature a variety of designs including floral motifs, geometric shapes, and traditional batik-like patterns. They are stacked in multiple layers, creating a dense and visually rich texture.

## Country profiles

# Brunei Darussalam

## Country profile

|                              |                     |
|------------------------------|---------------------|
| Capital                      | Bandar Seri Begawan |
| Land area (km <sup>2</sup> ) | 5,765               |

| Economic indicators                      | 2015   | 2016e  | 2017f  |
|--|--------|--------|--------|
| GDP, % change<br>(constant prices)       | -0.6   | 0.4    | 3.9    |
| GDP<br>(current prices, US\$b)           | 12.9   | 10.5   | 11.8   |
| GDP per capita<br>(current prices, US\$) | 30,993 | 24,713 | 27,560 |
| Current account balance<br>(% of GDP)    | 12.0   | 4.3    | -4.1   |
| Government gross debt<br>(% of GDP)      | 2.8    | 3.4    | 3.0    |

Note:  
2016e refers to estimated value  
2017f refers to forecasted value

| Social indicators                                 | 2016 |
|---|------|
| Population (million)                              | 0.43 |
| Population density (persons per km <sup>2</sup> ) | 81.4 |
| Urban population (% total) <sup>1</sup>           | 77.2 |
| Life expectancy (years) <sup>2</sup>              | 78.8 |

<sup>1</sup>Urban population as of 2015

<sup>2</sup>Life expectancy as of 2014

| Doing business indicators     | 2016 rank <sup>1</sup> | 2017 rank <sup>2</sup> | Change |
|-------------------------------|------------------------|------------------------|--------|
| Ease of doing business        | 97                     | 72                     | +25    |
| Starting a business           | 75                     | 84                     | -9     |
| Trading across borders        | 143                    | 142                    | +1     |
| Protecting minority investors | 118                    | 102                    | +16    |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017

<sup>2</sup>Rank out of 190

### Note:

- Key tax incentives are updated as of September 2016.

### Sources:

- Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*
- Doing Business 2017, *The World Bank Group*
- Trademap, *International Trade Centre*
- World Statistics Pocketbook, *United Nations Statistics Division*
- World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*
- World Development Indicators, *The World Bank*
- World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Tax exemption:

It is applicable to companies with annual gross sales or turnover less than BND1m.

### Industrial and manufacturing allowances for machinery and plant:

Approved industry companies that incur capital expenditure on the installation of machinery or plant for production purposes between 1 January 2014 and 31 December 2019 are entitled to capital allowances as follows:

- A 100% allowance on capital expenditure incurred
- An additional 50% allowance on capital expenditure incurred

### Newly incorporated company or registered branch:

The first BND100,000 is tax-free for the first three years of assessment; thereafter it is taxed at 25% of the full rate.

Chart 24: Brunei's composition of exports, 2015

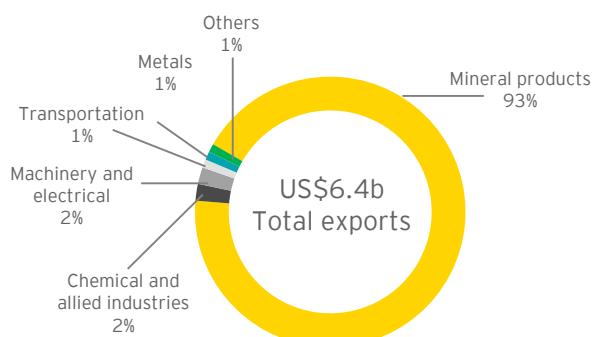
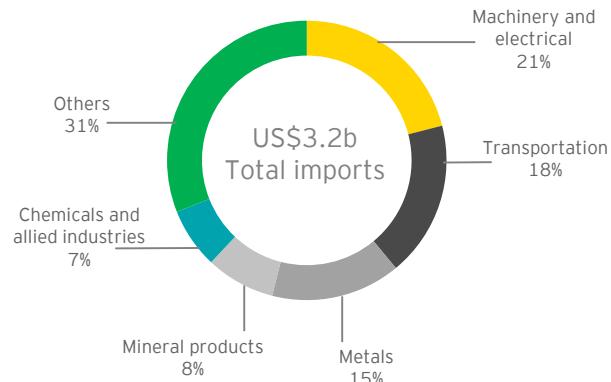


Chart 25: Brunei's composition of imports, 2015



## Brunei Darussalam: economic clusters and development plan

Chart 26: Brunei Darussalam economic clusters

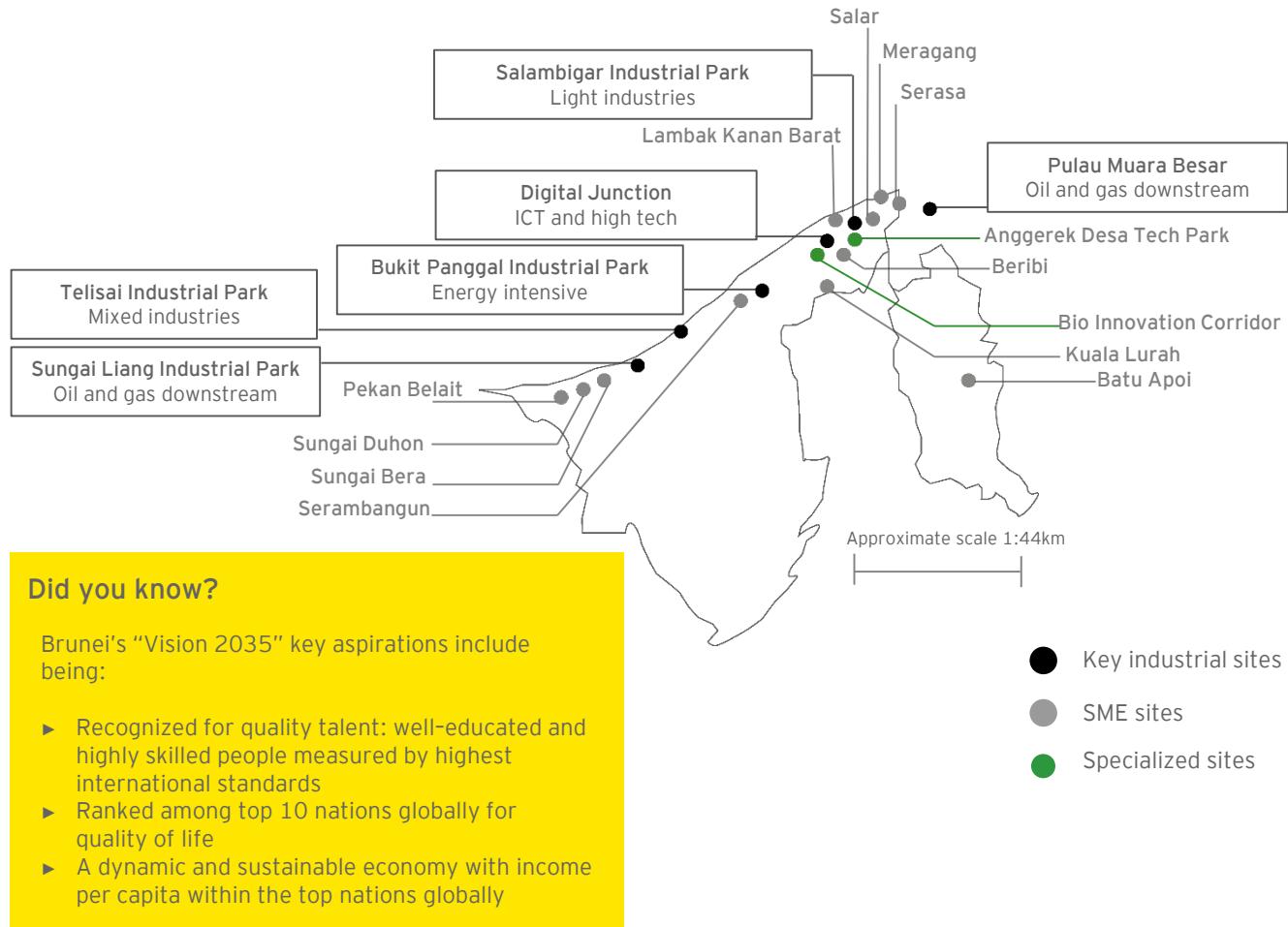
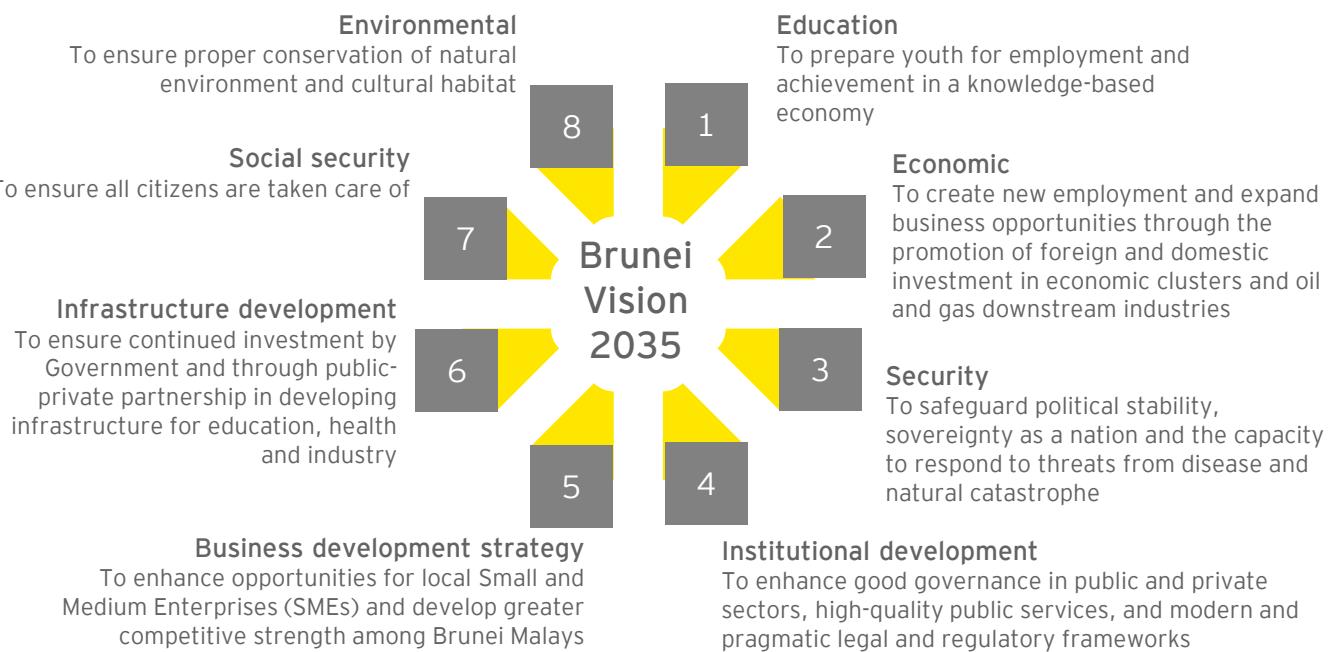


Chart 27: Eight strategies to accomplish "Brunei Vision 2035"



Source:

► Brunei's National Vision, Wawasan 2035, Brunei Economic Development Board

# Cambodia

## Country profile

|                              |            |
|------------------------------|------------|
| Capital                      | Phnom Penh |
| Land area (km <sup>2</sup> ) | 181,035    |

| Economic indicators                      | 2015  | 2016e | 2017f |
|--|-------|-------|-------|
| GDP, % change<br>(constant prices)       | 7.0   | 6.9   | 6.9   |
| GDP<br>(current prices, US\$b)           | 17.8  | 19.4  | 20.9  |
| GDP per capita<br>(current prices, US\$) | 1,144 | 1,227 | 1,307 |
| Current account balance<br>(% of GDP)    | -10.6 | -10.2 | -9.4  |
| Government gross debt<br>(% of GDP)      | 32.5  | 33.0  | 33.6  |

Note:  
2016e refers to estimated value  
2017f refers to forecasted value

| Social indicators                                 | 2016 |
|---|------|
| Population (million)                              | 15.8 |
| Population density (persons per km <sup>2</sup> ) | 89.7 |
| Urban population (% total) <sup>1</sup>           | 20.7 |
| Life expectancy (years) <sup>2</sup>              | 68.2 |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business indicators     | 2016 rank <sup>1</sup> | 2017 rank <sup>2</sup> | Change |
|-------------------------------|------------------------|------------------------|--------|
| Ease of doing business        | 128                    | 131                    | -3     |
| Starting a business           | 179                    | 180                    | -1     |
| Trading across borders        | 101                    | 102                    | -1     |
| Protecting minority investors | 108                    | 114                    | -6     |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017

<sup>2</sup>Rank out of 190

Note:  
► Key tax incentives are updated as of September 2016.

Sources:  
 ► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
 ► Doing Business 2017, *The World Bank Group*  
 ► Trademap, *International Trade Centre*  
 ► World Statistics Pocketbook, *United Nations Statistics Division*  
 ► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
 ► World Development Indicators, *The World Bank*  
 ► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Qualified Investment Projects (QIPs):

Any project, which is granted QIP status by the Council for Development of Cambodia will be entitled to the following incentives:

- Minimum tax exemptions
- Use of a special depreciation allowance or the tax exemption period in the form of a "trigger period" plus three years plus "priority period"
- Import duty exemption with respect to the importation of production equipment, construction materials, raw materials, intermediate goods and accessories that serve production
- A 100% export duty exemption

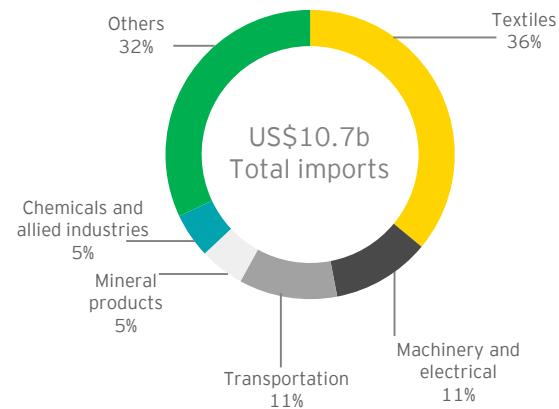
### Value-Added-Tax (VAT) exemption:

Available for 100% export-oriented enterprises operating in Special Economic Zones (SEZs) for the importation of raw materials

Chart 28: Cambodia's composition of exports, 2015

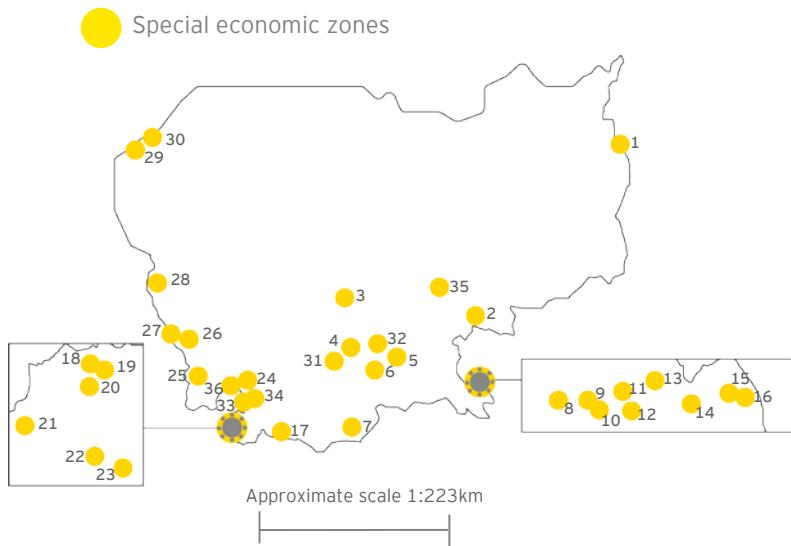


Chart 29: Cambodia's composition of imports, 2015



# Cambodia: economic clusters and development plan

Chart 30: Cambodia's 36 Special Economic Zones (SEZs)



| SEZs                                     | Province         |
|--|------------------|
| 1. Try Pheap Ou Ya Dav SEZ               | Ratanak Kiri     |
| 2. Thary Kampong Cham SEZ                | Kampong Cham     |
| 3. Zhong Jian Jin Bian Jing Ji Te Qu SEZ | Kampong Chhnang  |
| 4. Phnom Penh SEZ                        | Phnom Penh       |
| 5. Sovannaphum SEZ                       | Kandal           |
| 6. Goldfame Pak Shun SEZ                 | Kandal           |
| 7. Doung Chhiv Phnom Den SEZ             | Takeo            |
| 8. Svay Rieng GIGA Resource SEZ          | Svay Rieng       |
| 9. Hi-Park SEZ                           | Svay Rieng       |
| 10. Shandong Sunshell Svay Rieng SEZ     | Svay Rieng       |
| 11. P (SEZ) I C                          | Svay Rieng       |
| 12. Dragon King Bavet SEZ                | Svay Rieng       |
| 13. N.L.C SEZ                            | Svay Rieng       |
| 14. Tai Seng Bavet SEZ                   | Svay Rieng       |
| 15. Manhattan (Svay Rieng) SEZ           | Svay Rieng       |
| 16. D&M Bavet SEZ                        | Svay Rieng       |
| 17. Kampot SEZ                           | Kampot           |
| 18. Kampong Saom SEZ                     | Preah Sihanouk   |
| 19. Sihanoukville SEZ 1                  | Preah Sihanouk   |
| 20. Stung Hav SEZ                        | Preah Sihanouk   |
| 21. Sihanoukville Port SEZ               | Preah Sihanouk   |
| 22. S.N.C SEZ                            | Preah Sihanouk   |
| 23. Sihanoukville SEZ 2                  | Preah Sihanouk   |
| 24. Oknha Mong SEZ                       | Koh Kong         |
| 25. Kiri Sakor Koh Kong SEZ              | Koh Kong         |
| 26. Neang Kok Koh Kong SEZ               | Koh Kong         |
| 27. Suoy Chheng SEZ                      | Koh Kong         |
| 28. MDS Thmorda SEZ                      | Pursat           |
| 29. Sanco Cambo SEZ                      | Banteay Meanchey |
| 30. Poi Pet O'Neang SEZ                  | Banteay Meanchey |
| 31. Tian Rui Agricultural Trade SEZ      | Kampong Speu     |
| 32. KANDAL S.E.Z                         | Kandal           |
| 33. RATANA SEZ                           | Koh Kong         |
| 34. Chhak Kampongsao SEZ                 | Koh Kong         |
| 35. UBE Snoul SEZ                        | Kratie           |
| 36. H.K.T S.E.Z                          | Preah Sihanouk   |

## Did you know?

Cambodia's long-term development plan is embodied in the "Rectangular Strategy".

The Government is implementing phase III of the Rectangular Strategy (2014-18) with four strategic objectives and four priority areas.

## Cambodia's Phase III of Rectangular Strategy (2014-18)

### Strategic objectives

- Average 7% GDP growth
- More job opportunities for youth
- Reduce poverty incidence by more than 1% annually
- Strengthen institutional capacity and governance

### Priority areas

- Enhance training and development of human resources
- Improve transport infrastructure and distribution networks
- Value-addition in agriculture and agro-industry sectors
- Strengthen governance and capacity of public institutions

Chart 31: Cambodia's Rectangular Strategy



### Sources:

- National Strategic Development Plan 2014-18, Royal Government of Cambodia
- Cambodia's special economic zones, Open Development Cambodia

# Indonesia

## Country profile

|                              |           |
|------------------------------|-----------|
| Capital                      | Jakarta   |
| Land area (km <sup>2</sup> ) | 1,913,579 |

| Economic indicators                      | 2015  | 2016e | 2017f  |
|--|-------|-------|--------|
| GDP, % change<br>(constant prices)       | 4.8   | 4.9   | 5.3    |
| GDP<br>(current prices, US\$b)           | 859.0 | 941.0 | 1014.9 |
| GDP per capita<br>(current prices, US\$) | 3,362 | 3,636 | 3,871  |
| Current account balance<br>(% of GDP)    | -2.1  | -2.3  | -2.3   |
| Government gross debt<br>(% of GDP)      | 27.3  | 27.5  | 28.2   |

Note:  
2016e refers to estimated value  
2017f refers to forecasted value

| Social indicators                                 | 2016  |
|---|-------|
| Population (million)                              | 260.6 |
| Population density (persons per km <sup>2</sup> ) | 143.8 |
| Urban population (% total) <sup>1</sup>           | 53.7  |
| Life expectancy (years) <sup>2</sup>              | 68.9  |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business indicators     | 2016 rank <sup>1</sup> | 2017 rank <sup>2</sup> | Change |
|-------------------------------|------------------------|------------------------|--------|
| Ease of doing business        | 106                    | 91                     | +15    |
| Starting a business           | 167                    | 151                    | +16    |
| Trading across borders        | 113                    | 108                    | +5     |
| Protecting minority investors | 69                     | 70                     | -1     |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017

<sup>2</sup>Rank out of 190

Note:  
► Key tax incentives are updated as of September 2016.

Sources:  
► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
► Doing Business 2017, *The World Bank Group*  
► Trademap, *International Trade Centre*  
► World Statistics Pocketbook, *United Nations Statistics Division*  
► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
► World Development Indicators, *The World Bank*  
► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Tax allowances

- Applicable for certain lines of business and certain regions
- The investment allowance is:
  - A reduction of net income by 30% of the amount invested in the form of tangible fixed assets including land which is used for main business activity;
  - Claimed at an annual rate of 5% over six years period calculated from the commencement of its commercial productions
- Accelerated depreciation of tangible assets and amortization of intangible assets acquired in the framework of new investment or business expansion
- Conditional extended period of tax allowance up to 10 years for the carry forward of a tax loss (normally five years)
- Reduced tax rate of 10% (or lower rate under a double tax treaty) for dividends paid to nonresidents

### Tax holiday

- Applicable for new taxpayers to carry out new investment in pioneer industries
- Corporate income tax reduction from 10% up to 100% for five to 15 years, starting from commencement of commercial productions
- Extended period of tax holiday up to 20 years which may be conditionally granted by the Minister of Finance

Chart 32: Indonesia's composition of exports, 2015

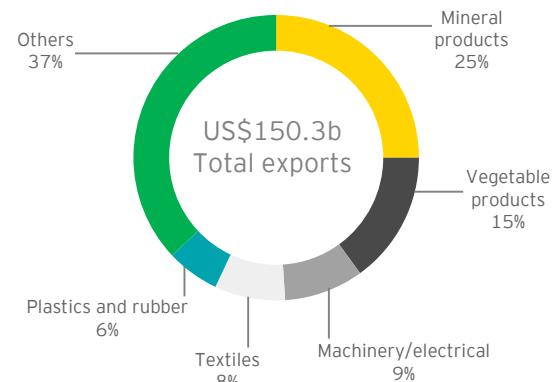
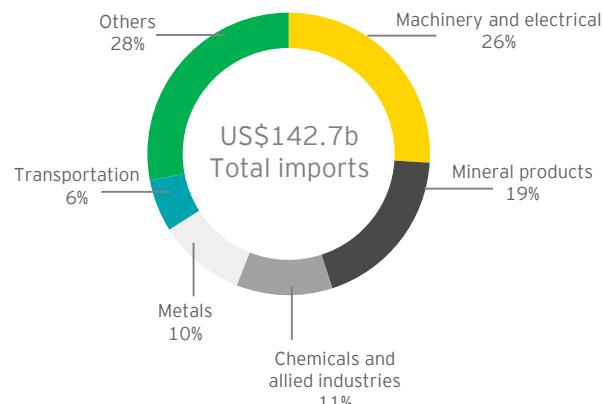


Chart 33: Indonesia's composition of imports, 2015



## Indonesia: economic clusters and development plan

Chart 34: Indonesia's six economic corridors

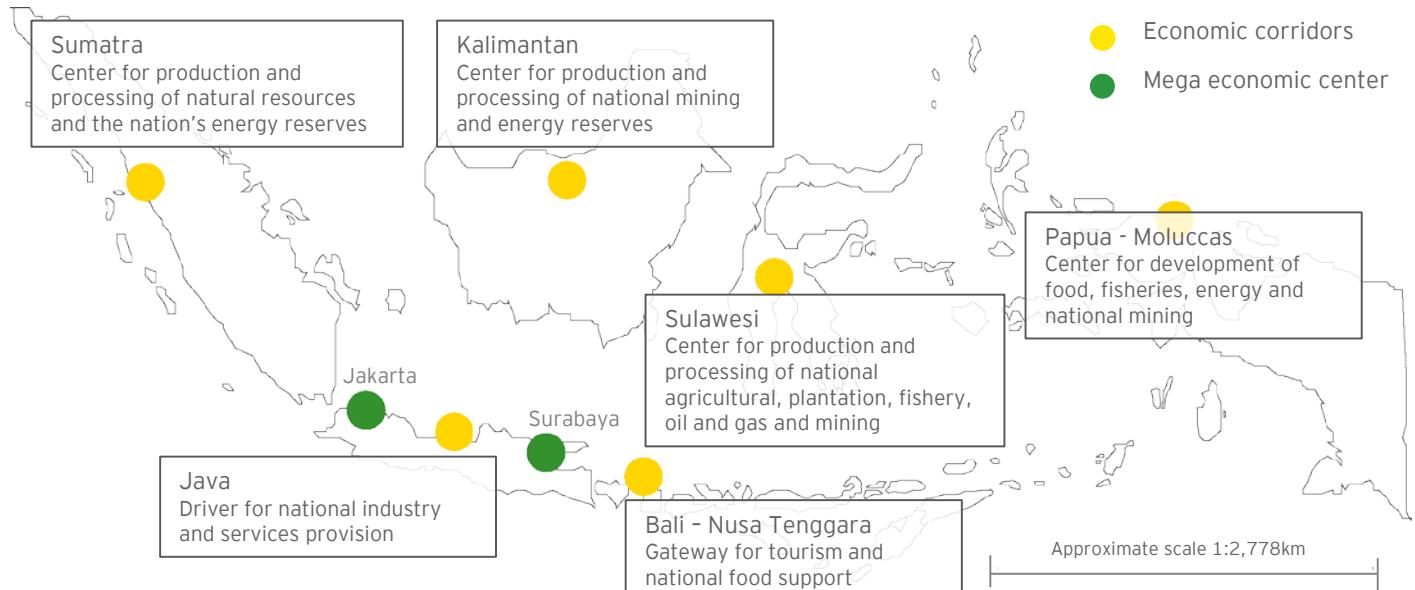
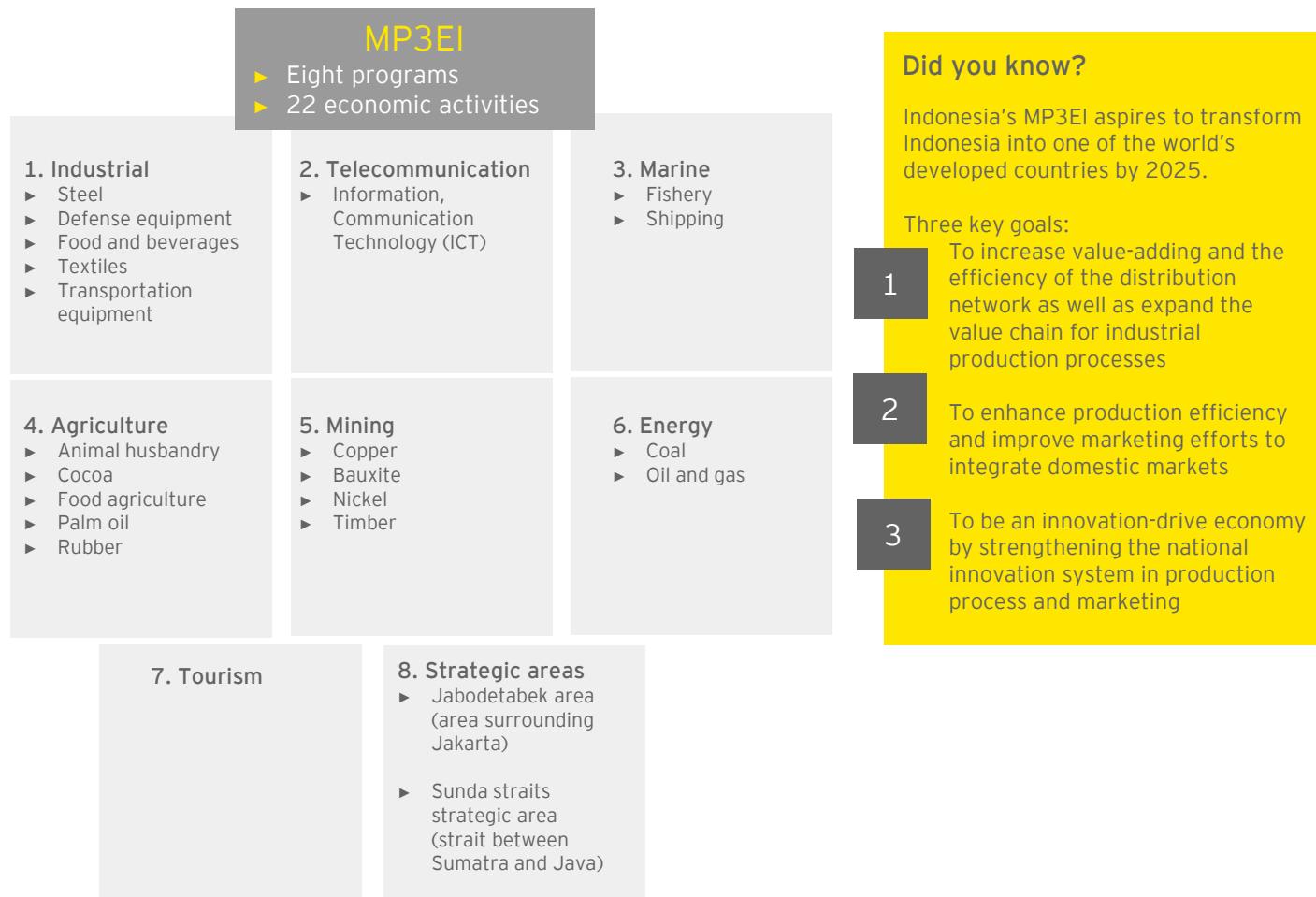


Chart 35:  
Indonesia's Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), 2011-25



Sources:

- ▶ Masterplan: for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), 2011-25, National Development Planning Agency (Bappenas)

# Lao People's Democratic Republic (Lao PDR)

## Country profile

|                              |           |
|------------------------------|-----------|
| Capital                      | Vientiane |
| Land area (km <sup>2</sup> ) | 236,800   |

| Economic indicators                      | 2015  | 2016e | 2017f |
|--|-------|-------|-------|
| GDP, % change<br>(constant prices)       | 7.6   | 7.5   | 7.3   |
| GDP<br>(current prices, US\$b)           | 12.6  | 13.8  | 14.8  |
| GDP per capita<br>(current prices, US\$) | 1,787 | 1,921 | 2,029 |
| Current account balance<br>(% of GDP)    | -23.1 | -18.0 | -17.6 |
| Government gross debt<br>(% of GDP)      | 63.0  | 61.7  | 62.6  |

Note:  
 2016e refers to estimated value  
 2017f refers to forecasted value

| Social indicators                                 | 2016 |
|---|------|
| Population (million)                              | 6.9  |
| Population density (persons per km <sup>2</sup> ) | 30.0 |
| Urban population (% total) <sup>1</sup>           | 38.6 |
| Life expectancy (years) <sup>2</sup>              | 66.1 |

<sup>1</sup>Urban population as of 2015

<sup>2</sup>Life expectancy as of 2014

| Doing business indicators     | 2016 rank <sup>1</sup> | 2017 rank <sup>2</sup> | Change |
|-------------------------------|------------------------|------------------------|--------|
| Ease of doing business        | 136                    | 139                    | -3     |
| Starting a business           | 168                    | 160                    | +8     |
| Trading across borders        | 116                    | 120                    | -4     |
| Protecting minority investors | 166                    | 165                    | +1     |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017

<sup>2</sup>Rank out of 190

### Note:

- Key tax incentives are updated as of September 2016.

### Sources:

- Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*
- Doing Business 2017, *The World Bank Group*
- Trademap, *International Trade Centre*
- World Statistics Pocketbook, *United Nations Statistics Division*
- World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*
- World Development Indicators, *The World Bank*
- World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Tax holiday

Investors involved in promoted or concessionary activities are exempted from import and export duties for up to 10 years.

Investors can carry forward tax losses up to a period of three years only (subject to the approval of the appropriate public and tax authority after signing concession agreements).

Chart 36: Lao PDR's composition of exports, 2015

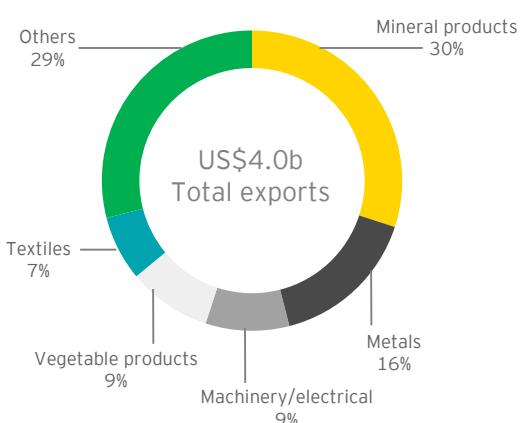
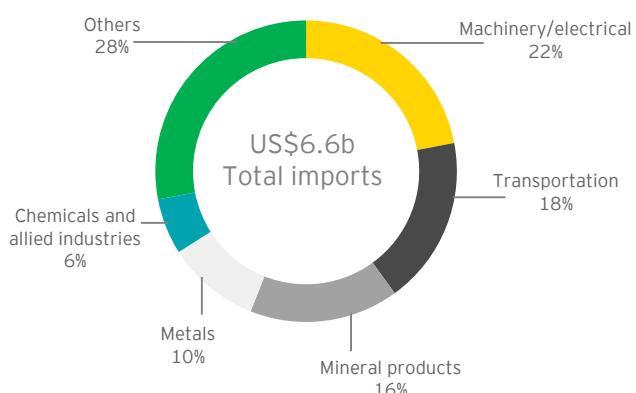


Chart 37: Lao PDR's composition of imports, 2015



## Lao PDR: economic clusters and development plan

Chart 38: Lao PDR 10 economic clusters

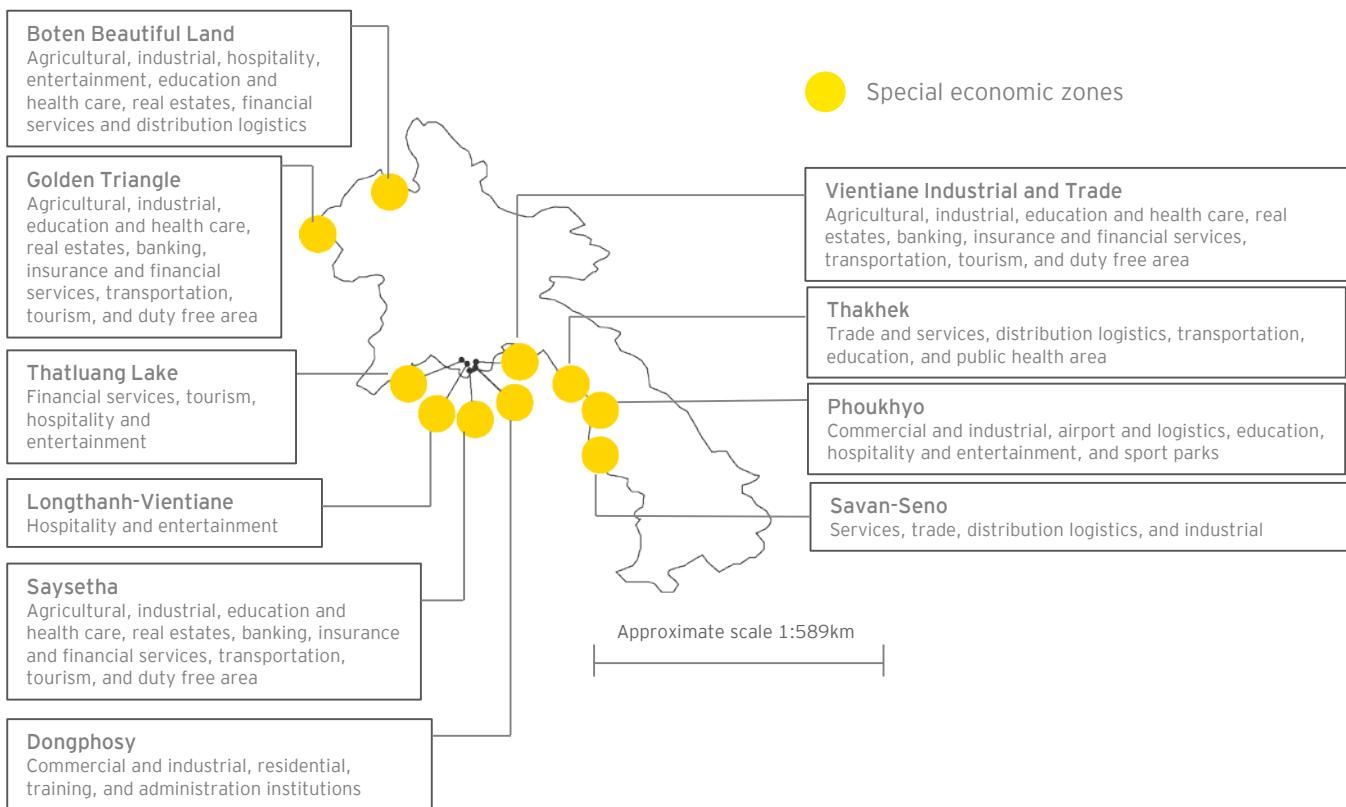
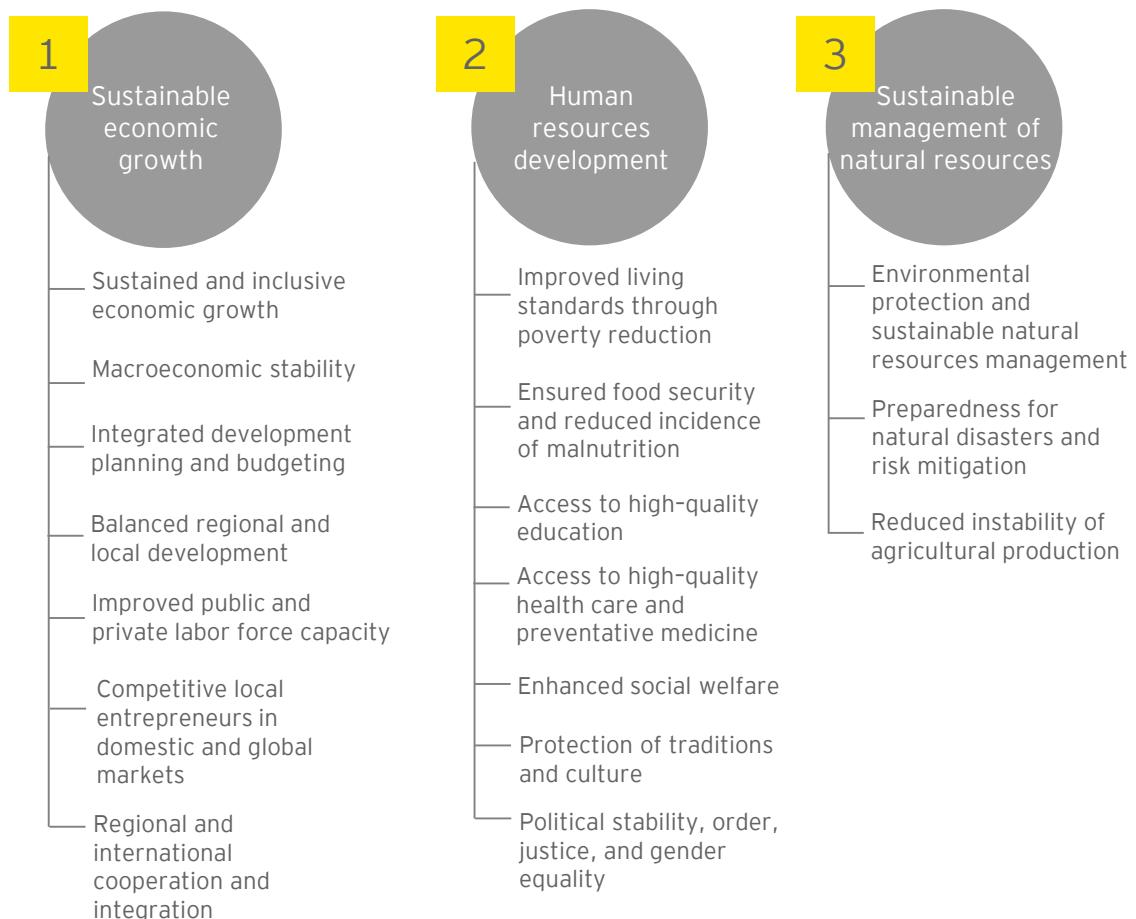


Chart 39: Lao PDR Eighth National Socio-Economic Development Plan, 2015-20 (8<sup>th</sup> NSEDP)



Sources:

- The Eight National Socio-Economic Development Plan (2016-20), Ministry of Planning and Investment, Vientiane Capital, Lao PDR
- Ministry of Planning and Investment, Investment Promotion Department, Vientiane Capital, Laos PDR

# Malaysia

## Country profile

|                              |              |
|------------------------------|--------------|
| Capital                      | Kuala Lumpur |
| Land area (km <sup>2</sup> ) | 330,290      |

| Economic indicators                      | 2015  | 2016e | 2017f  |
|--|-------|-------|--------|
| GDP, % change<br>(constant prices)       | 5.0   | 4.2   | 4.6    |
| GDP<br>(current prices, US\$b)           | 296.3 | 302.7 | 336.3  |
| GDP per capita<br>(current prices, US\$) | 9,501 | 9,546 | 10,426 |
| Current account<br>balance (% of GDP)    | 3.0   | 1.2   | 1.5    |
| Government gross debt<br>(% of GDP)      | 57.4  | 56.6  | 55.7   |

Note:  
 2016e refers to estimated value  
 2017f refers to forecasted value

| Social indicators                                 | 2016 |
|---|------|
| Population (million)                              | 30.8 |
| Population density (persons per km <sup>2</sup> ) | 93.6 |
| Urban population (% total) <sup>1</sup>           | 74.7 |
| Life expectancy (years) <sup>2</sup>              | 74.7 |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business<br>indicators     | 2016<br>rank <sup>1</sup> | 2017<br>rank <sup>2</sup> | Change |
|----------------------------------|---------------------------|---------------------------|--------|
| Ease of doing business           | 22                        | 23                        | -1     |
| Starting a business              | 59                        | 112                       | -53    |
| Trading across borders           | 58                        | 60                        | -2     |
| Protecting minority<br>investors | 3                         | 3                         | -      |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017  
<sup>2</sup>Rank out of 190

Note:  
 ► Key tax incentives are updated as of September 2016.

Sources:  
 ► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
 ► Doing Business 2017, *The World Bank Group*  
 ► Trademap, *International Trade Centre*  
 ► World Statistics Pocketbook, *United Nations Statistics Division*  
 ► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
 ► World Development Indicators, *The World Bank*  
 ► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Principal Hub (PH) Incentive

- Developed with the aim to attract multinational companies to establish their regional or global operations in Malaysia
- PH companies are offered a 3-tiered concessionary corporate income tax rate (either 0%, 5% or 10%) based on the level of criteria to be met, for a period of five years. This may be extended by another five years, subject to companies meeting the required incremental conditions

### Multimedia Super Corridor (MSC) Status

- A 70% or 100% income tax exemption on statutory income for a period of five years and extendable for another five years; or
- Investment tax allowance of 100% of qualifying capital expenditure for a period of five years for companies carrying out approved technology activities i.e., Information Technology, Global Business Services or Creative Multimedia Content

### Pioneer status (PS) and Investment tax allowance (ITA)

- Available to companies engaged in 'promoted activities' e.g. research and development activities or producing 'promoted products'
- PS: Partial (70%) or full (100%) income tax exemption on statutory income up to a period of 10 years; or
- ITA: Allowance of 60% or 100% of qualifying capital expenditure up to a period of 10 years available for offset against 70% or 100% of statutory income

### Reinvestment allowance (RA)

- Available to manufacturing companies and companies engaged in agricultural projects, that reinvest their capital for purposes of an expansion, modernization, automation, or diversification project
- This RA is given at the rate of 60% of qualifying capital expenditure, which can be offset against 70% of statutory income, or a conditional 100% (subject to achievement of Ministry mandated productivity levels)

Note: PH, MSC Status, PS and ITA incentives require pre-approval from the relevant authority and the incentives above are mutually exclusive.

Chart 40: Malaysia's composition of exports, 2015

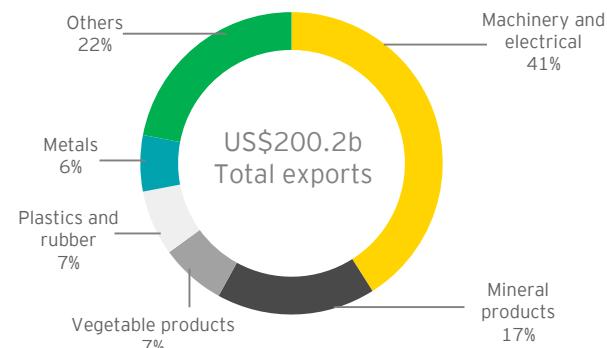
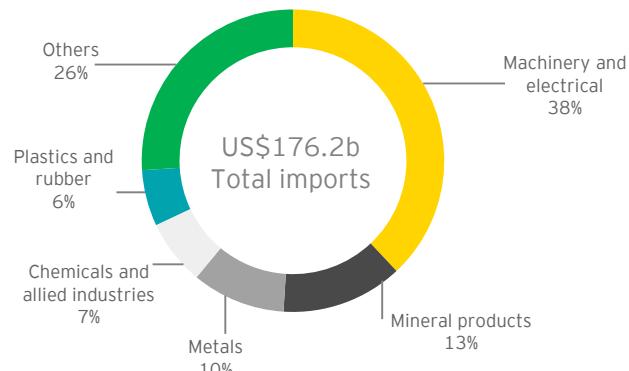


Chart 41: Malaysia's composition of imports, 2015



## Malaysia: economic clusters and development plan

Chart 42: Malaysia's six economic clusters

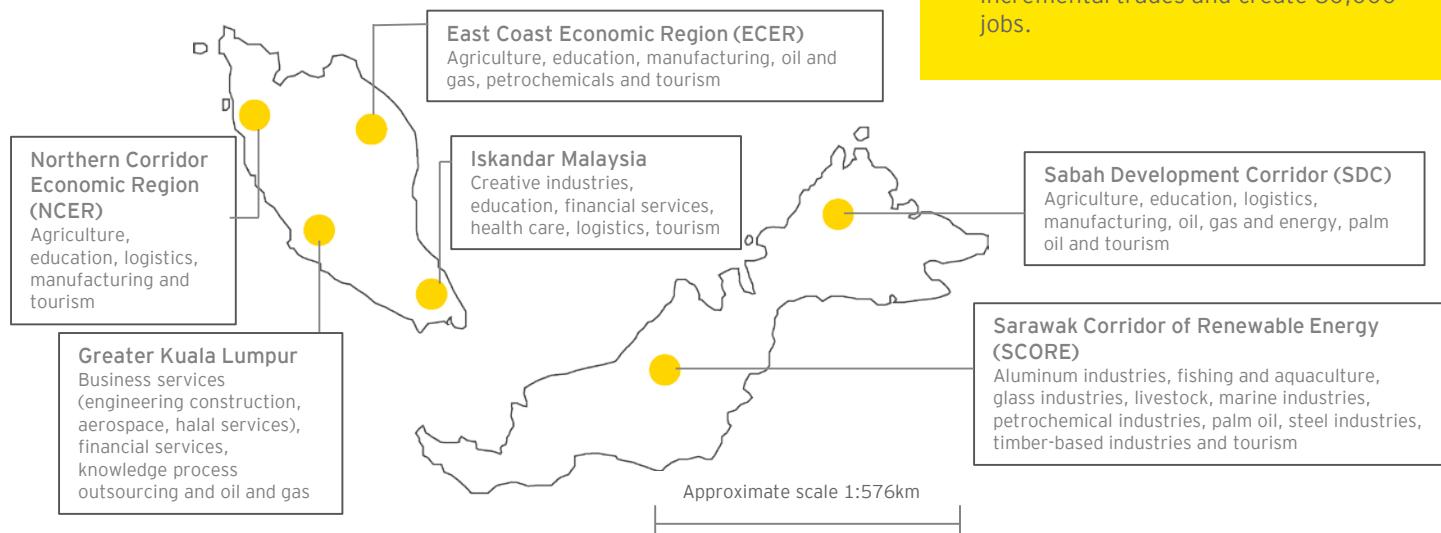
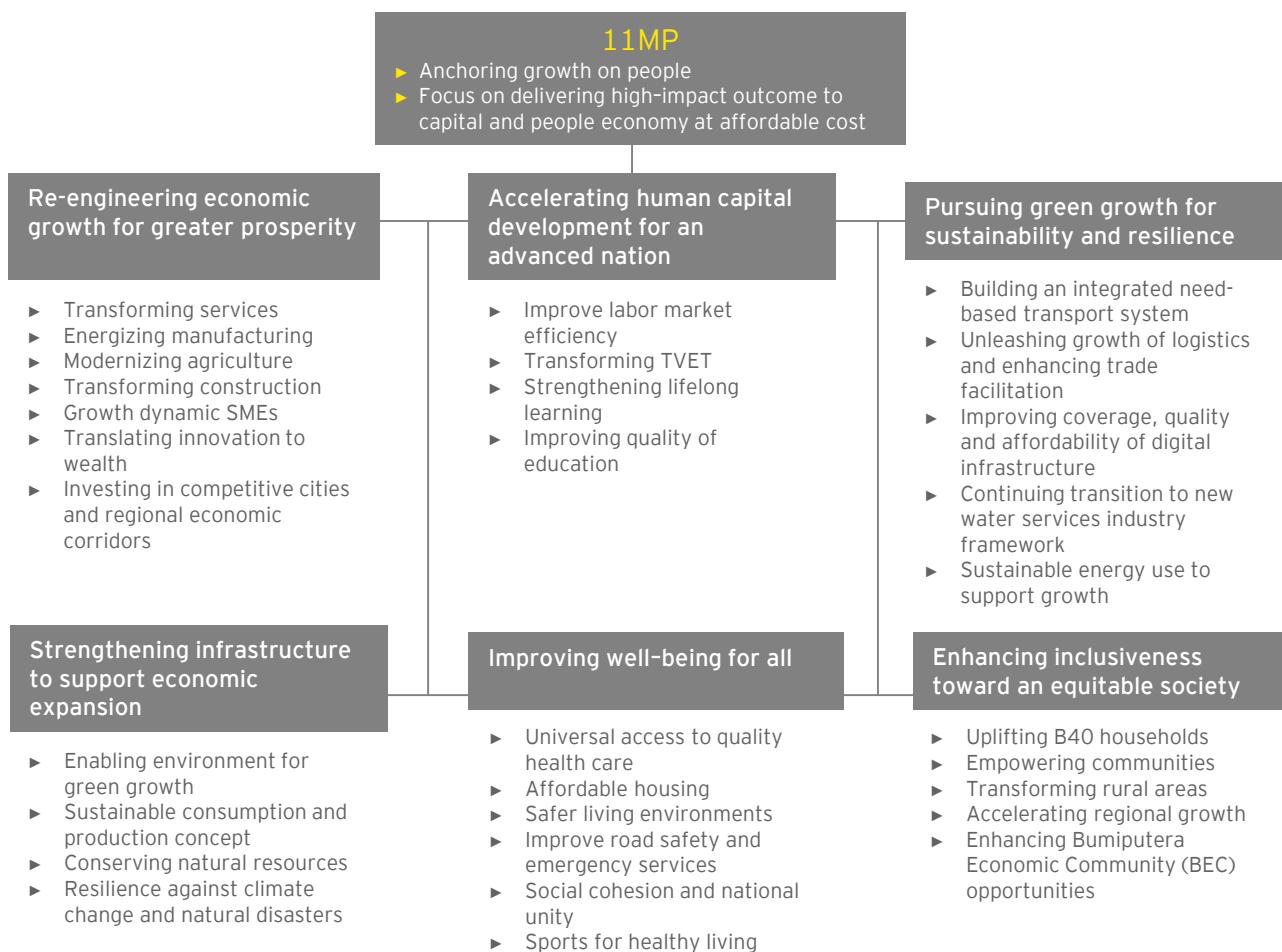


Chart 43:  
Six thrusts outlined in Malaysia's 11th Malaysia Plan (11MP), 2016-20



### Did you know?

- Alibaba Group announced its first regional e-fulfilment hub in Malaysia's Digital Free trade Zone (DFTZ) to serve the ASEAN e-commerce business community.
- DFTZ is anticipated to harness US\$65b incremental trades and create 60,000 jobs.

Sources:  
 ▶ Eleventh Malaysia Plan 2016-20, Anchoring Growth on People, Economic Planning Unit, Prime Minister's Department, Malaysia  
 ▶ Various economic corridors website

# Myanmar

## Country profile

|                              |             |
|------------------------------|-------------|
| Capital                      | Nay Pyi Taw |
| Land area (km <sup>2</sup> ) | 653,080     |

| Economic indicators                      | 2015  | 2016e | 2017f |
|--|-------|-------|-------|
| GDP, % change<br>(constant prices)       | 7.0   | 8.1   | 7.7   |
| GDP<br>(current prices, US\$b)           | 62.8  | 68.2  | 75.7  |
| GDP per capita<br>(current prices, US\$) | 1,212 | 1,306 | 1,438 |
| Current account balance<br>(% of GDP)    | -7.8  | -8.3  | -8.1  |
| Government gross debt<br>(% of GDP)      | 34.3  | 34.2  | 34.2  |

Note:  
2016e refers to estimated value  
2017f refers to forecasted value

| Social indicators                                 | 2016 |
|---|------|
| Population (million)                              | 54.3 |
| Population density (persons per km <sup>2</sup> ) | 83.2 |
| Urban population (% total) <sup>1</sup>           | 34.1 |
| Life expectancy (years) <sup>2</sup>              | 65.9 |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business<br>indicators     | 2016<br>rank <sup>1</sup> | 2017<br>rank <sup>2</sup> | Change |
|----------------------------------|---------------------------|---------------------------|--------|
| Ease of doing business           | 171                       | 170                       | +1     |
| Starting a business              | 170                       | 146                       | +24    |
| Trading across borders           | 149                       | 159                       | -10    |
| Protecting minority<br>investors | 181                       | 179                       | +2     |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017

<sup>2</sup>Rank out of 190

Note:  
► Key tax incentives are updated as of September 2016.

Sources:  
► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
► Doing Business 2017, *The World Bank Group*  
► Trademap, *International Trade Centre*  
► World Statistics Pocketbook, *United Nations Statistics Division*  
► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
► World Development Indicators, *The World Bank*  
► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Myanmar Foreign Investment Law (MFIL)<sup>1</sup>

- A 50% tax relief for export profits produced by a manufacturing business
- Tax deduction for depreciation on selected capital assets and R&D expenses
- Carry-forward or offset of losses for up to three consecutive years
- Exemption from customs duty on selected imports and commercial tax on export goods
- Tax exemption is for five consecutive years

### Special Corporate Income tax incentive

- Corporate tax exemption for the first five or seven years<sup>2</sup> with 50% tax relief for the second consecutive five-year period
- A 50% tax relief for corporate reinvestment reserves created and reinvested therein within a year of inception
- Loss carry-forward up to five years
- Five years import duty exemption on capital equipment and construction material and followed by 50% import duty exemption in the subsequent five years

<sup>1</sup>At the time of this publication, an updated Myanmar Investment Law was submitted for Myanmar's Parliament approval and subject to change.

<sup>2</sup>The five years' corporate tax exemption is for businesses located in promoted areas while the seven years' corporate tax exemption is for businesses in exempted zone

Chart 44: Myanmar's composition of exports, 2015

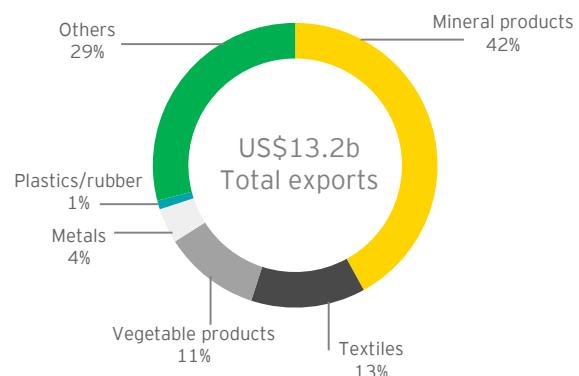
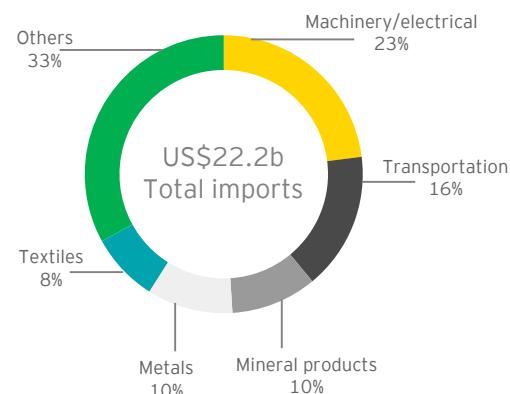


Chart 45: Myanmar's composition of imports, 2015



## Myanmar: economic clusters and development plan

Chart 46: Myanmar's three economic clusters (SEZs)\*

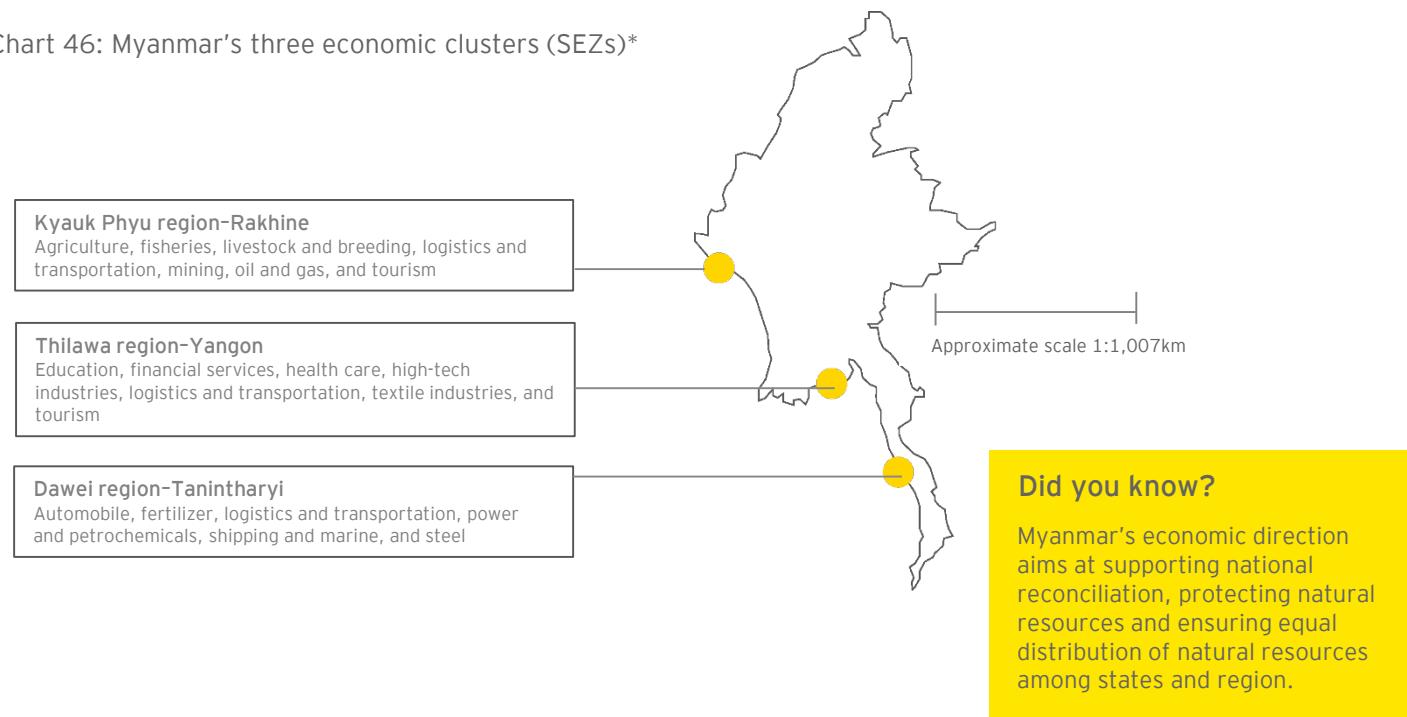
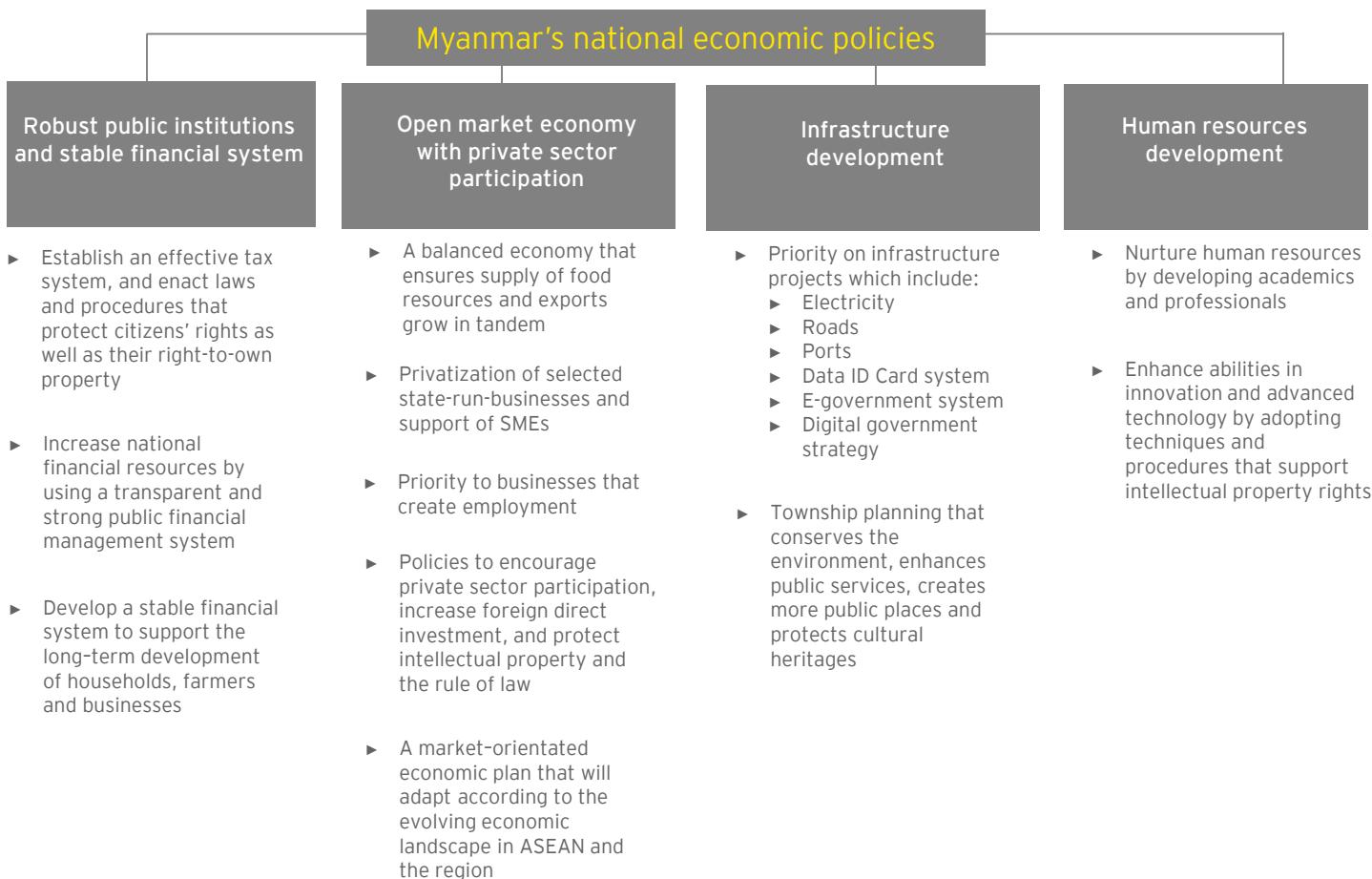


Chart 47: Focus areas of Myanmar's national economic pillars



Note:

\*Industries located in Myanmar's Special Economic Zones (SEZs) are entitled custom duty and other taxes exemption for the export and import of goods.

Sources:

- Khandelwal A.K. and Teachout M., Special economic zones for Myanmar, February 2016, *International Growth Center*
- Myanmar Economic Policy, 12 Point Outlines, July 2016

# Philippines

## Country profile

|                              |         |
|------------------------------|---------|
| Capital                      | Manila  |
| Land area (km <sup>2</sup> ) | 300,000 |

| Economic indicators                      | 2015  | 2016e | 2017f |
|--|-------|-------|-------|
| GDP, % change<br>(constant prices)       | 5.9   | 6.4   | 6.7   |
| GDP<br>(current prices, US\$b)           | 292.5 | 311.7 | 348.6 |
| GDP per capita<br>(current prices, US\$) | 2,862 | 2,991 | 3,280 |
| Current account balance<br>(% of GDP)    | 2.9   | 1.8   | 1.4   |
| Government gross debt<br>(% of GDP)      | 34.8  | 33.4  | 32.4  |

Note:  
2016e refers to estimated value  
2017f refers to forecasted value

| Social indicators                                 | 2016  |
|---|-------|
| Population (million)                              | 102.3 |
| Population density (persons per km <sup>2</sup> ) | 342.9 |
| Urban population (% total) <sup>1</sup>           | 44.4  |
| Life expectancy (years) <sup>2</sup>              | 68.3  |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business indicators     | 2016 rank <sup>1</sup> | 2017 rank <sup>2</sup> | Change |
|-------------------------------|------------------------|------------------------|--------|
| Ease of doing business        | 99                     | 99                     | -      |
| Starting a business           | 164                    | 171                    | -7     |
| Trading across borders        | 93                     | 95                     | -2     |
| Protecting minority investors | 136                    | 137                    | -1     |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017  
<sup>2</sup>Rank out of 190

Note:  
► Key tax incentives are updated as of September 2016.

Sources:  
► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
► Doing Business 2017, *The World Bank Group*  
► Trademap, *International Trade Centre*  
► World Statistics Pocketbook, *United Nations Statistics Division*  
► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
► World Development Indicators, *The World Bank*  
► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Regional Operating Headquarters (ROHQ)

- A 10% preferential tax on taxable income derived from performing qualifying services
- Exemption from various local government taxes, fees or charges, except real property tax on land improvements and equipment

### Philippine Economic Zone Authority (PEZA)

- Income tax holiday (ITH) for four or six years\* for manufacturing enterprises located in the Philippines economic zones
- Post-ITH period, the enterprise is subject to 5% tax on gross income earned, in lieu of all national and local taxes, except real property taxes on land owned by developers.

### Board of Investments (BOI)

- Income tax holiday for four or six\* years for manufacturing enterprises
- Exemption from local business taxes for four or six years\* from date of BOI registration

\*The four years' ITH or local business tax exemption applies to projects with non-pioneer status while the six years' is for projects with pioneer status.

Chart 48: The Philippines' composition of exports, 2015

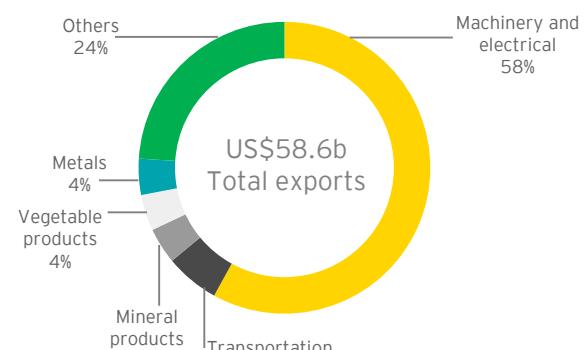
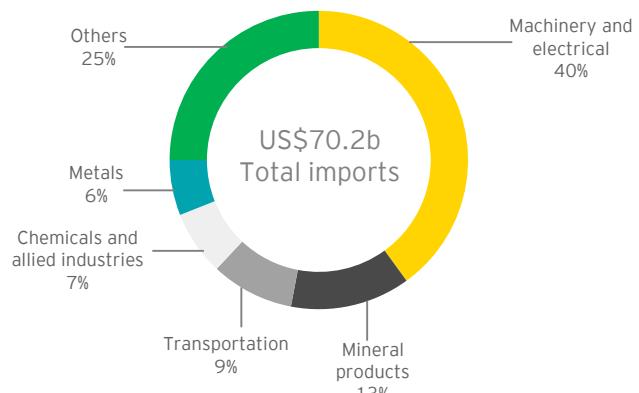


Chart 49: Philippines' composition of imports, 2015



## Philippines: economic clusters and development plan

Chart 50: The Philippines key economic clusters

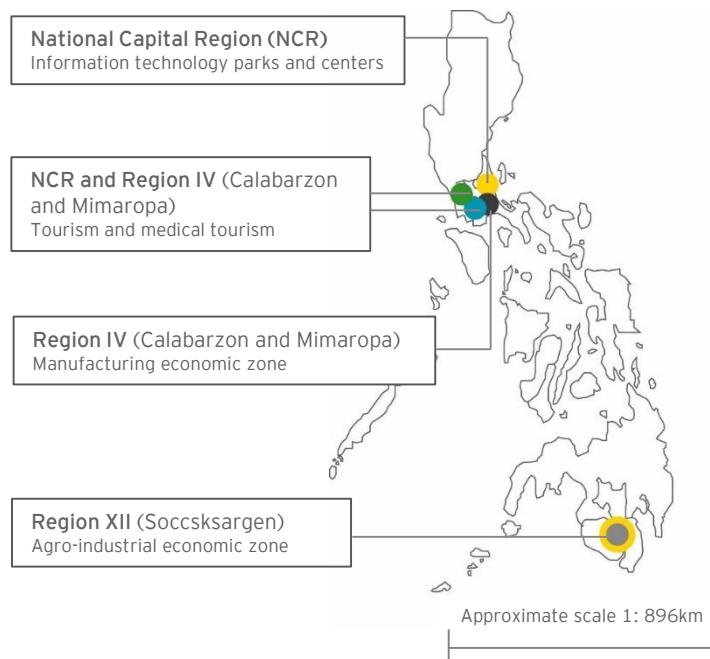
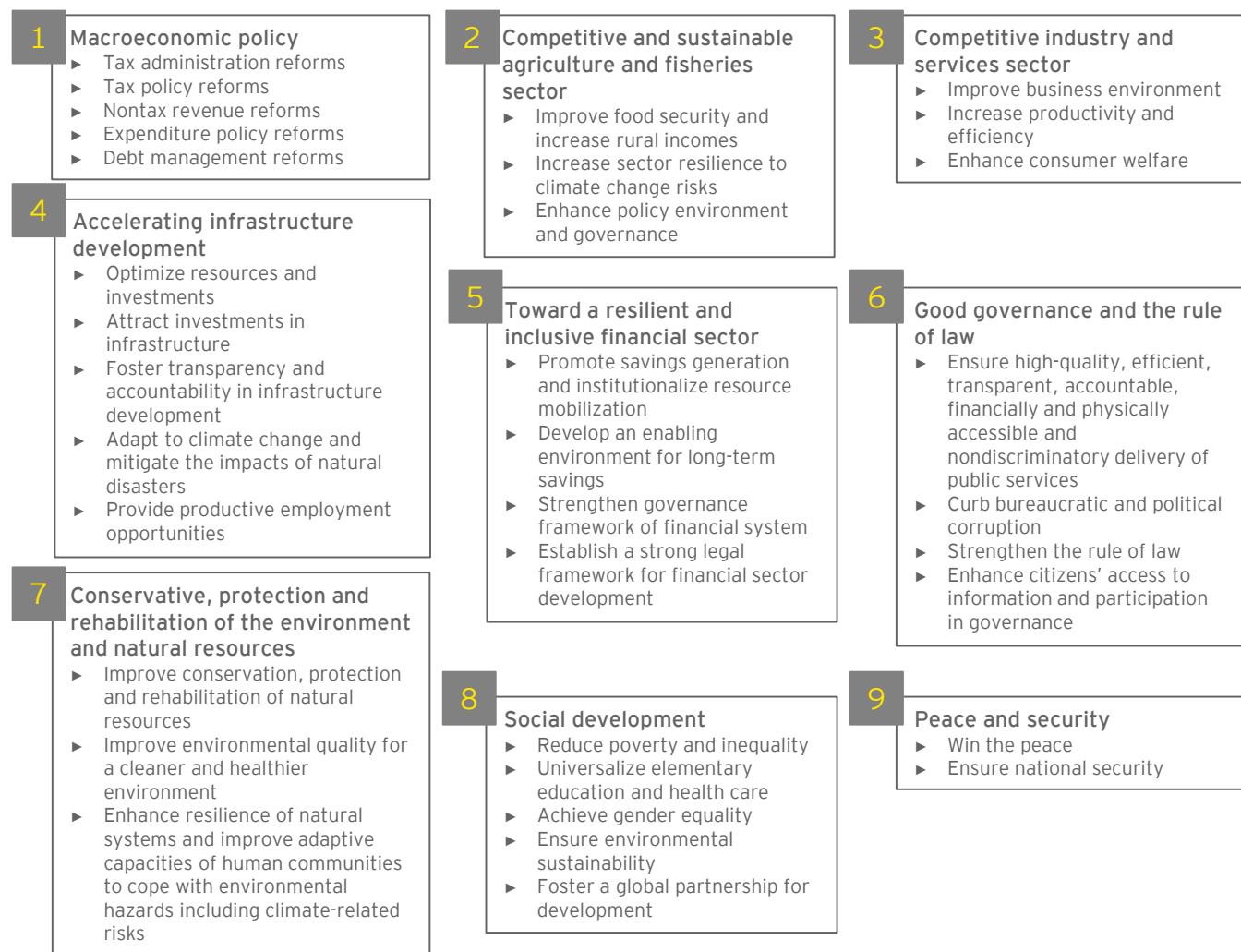


Chart 51: The Philippines economic development plan (2011-16)



Sources:

- Philippine Development Plan 2011-16, *The National Economic and Development Authority of the Philippines*
- List of Operating Special Economic Zones as of October 2016, *Philippine Economic Zone Authority*

The Philippines' four key economic clusters are:

- Information Technology Parks and Centers: 148 in National Capital Region (NCR)
- Manufacturing Economic Zones: 36 in Region IV (Calabarzon and Mimaropa)
- Agro-Industrial Economic Zones: 6 in Region XII (Soccsksargen)
- Tourism Economic Zones (TEZ) and Medical Tourism Economic Zones (MTEZ):
  - Five TEZs and one MTEZ in NCR
  - Four TEZs and one MTEZ in Region IV

### Did you know?

The Philippines economic plan (2011-16) aspires to achieve sustainable growth by creating employment and reducing poverty.

# Singapore

## Country profile

|                              |           |
|------------------------------|-----------|
| Capital                      | Singapore |
| Land area (km <sup>2</sup> ) | 719       |

| Economic indicators                      | 2015   | 2016e  | 2017f  |
|--|--------|--------|--------|
| GDP, % change<br>(constant prices)       | 2.0    | 1.7    | 2.2    |
| GDP<br>(current prices, US\$b)           | 292.7  | 296.6  | 311.3  |
| GDP per capita<br>(current prices, US\$) | 52,887 | 53,053 | 55,252 |
| Current account balance<br>(% of GDP)    | 19.8   | 19.3   | 19.3   |
| Government gross debt<br>(% of GDP)      | 104.7  | 106.4  | 105.7  |

Note:  
 2016e refers to estimated value  
 2017f refers to forecasted value

## Social indicators

2016

|   |       |
|---|-------|
| Population (million)                              | 5.6   |
| Population density (persons per km <sup>2</sup> ) | 7,797 |
| Urban population (% total) <sup>1</sup>           | 100   |
| Life expectancy (years) <sup>2</sup>              | 82.6  |

<sup>1</sup>Urban population as of 2015

<sup>2</sup>Life expectancy as of 2014

| Doing business<br>indicators     | 2016<br>rank <sup>1</sup> | 2017<br>rank <sup>2</sup> | Change |
|----------------------------------|---------------------------|---------------------------|--------|
| Ease of doing business           | 3                         | 2                         | +1     |
| Starting a business              | 7                         | 6                         | +1     |
| Trading across borders           | 41                        | 41                        | -      |
| Protecting minority<br>investors | 1                         | 1                         | -      |

<sup>1</sup>Rank out of 189; ranking adjusted annually as of 2017

<sup>2</sup>Rank out of 190

### Note:

- Key tax incentives are updated as of September 2016.

### Sources:

- Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*
- Doing Business 2017, *The World Bank Group*
- Trademap, *International Trade Centre*
- World Statistics Pocketbook, *United Nations Statistics Division*
- World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*
- World Development Indicators, *The World Bank*
- World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Headquarters program

- Under the International Headquarters (IHQ) Award, companies are offered customized incentive packages with lower concessionary tax rates of 5% or 10% on qualifying income
- Regional Headquarters (RHQ) Award offers a concessionary tax rate of 15% for up to five years on qualifying income

### Approved Royalties Incentives (ARI)

Reduced rate of withholding (typically 5%) for royalty payments, technical assistance fees and contributions to R&D costs paid to non-residents, given as part of an overall incentive package

### Finance and Treasury Center (FTC) Incentive

A 8% tax concession on qualifying income (from FTC activities) and withholding tax exemption for qualifying interest payment

### Global Trader Program (GTP)

Concessionary tax rate of 5% or 10% on qualifying income derived by approved global trading companies from transactions in qualifying products

### Enhanced research and development (R&D) deductions

- Taxpayers may claim a 50% enhanced tax deduction on qualifying salary, consumables, and outsourced expenditure relating to R&D carried out in Singapore, regardless of whether it relates to the taxpayers' existing trade or business, from year of assessment 2009 to 2025
- If a taxpayer outsources R&D activities to an R&D organization in Singapore, either 60% of the payment can be claimed, or the portion of the payment that relates to salary and consumables

Chart 52: Singapore's composition of exports, 2015

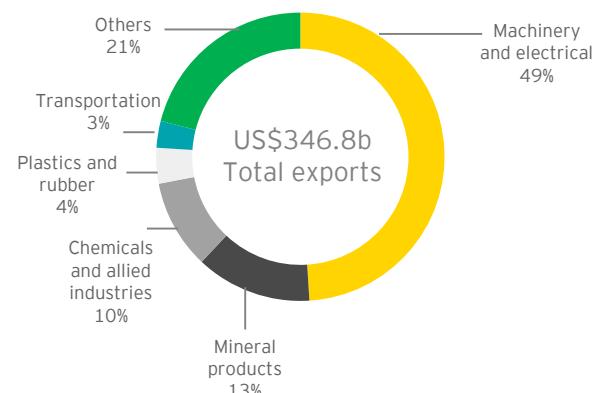
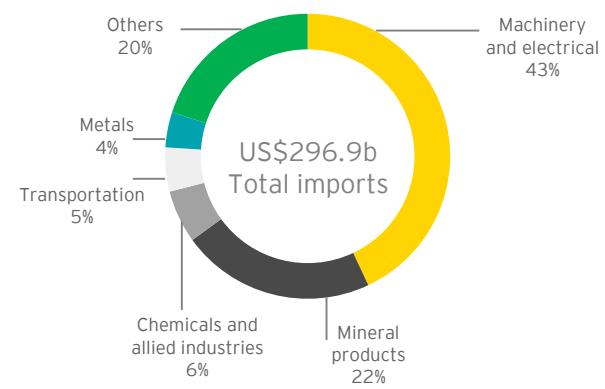


Chart 53: Singapore's composition of imports, 2015



## Singapore: economic clusters and development plan

Chart 54: Singapore's key economic clusters

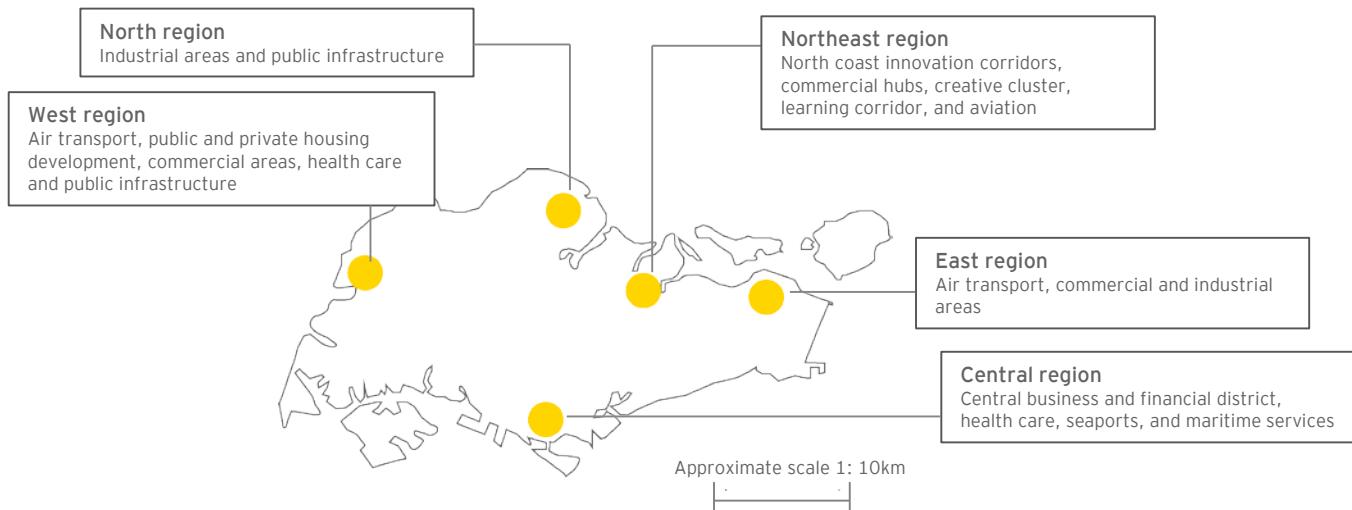
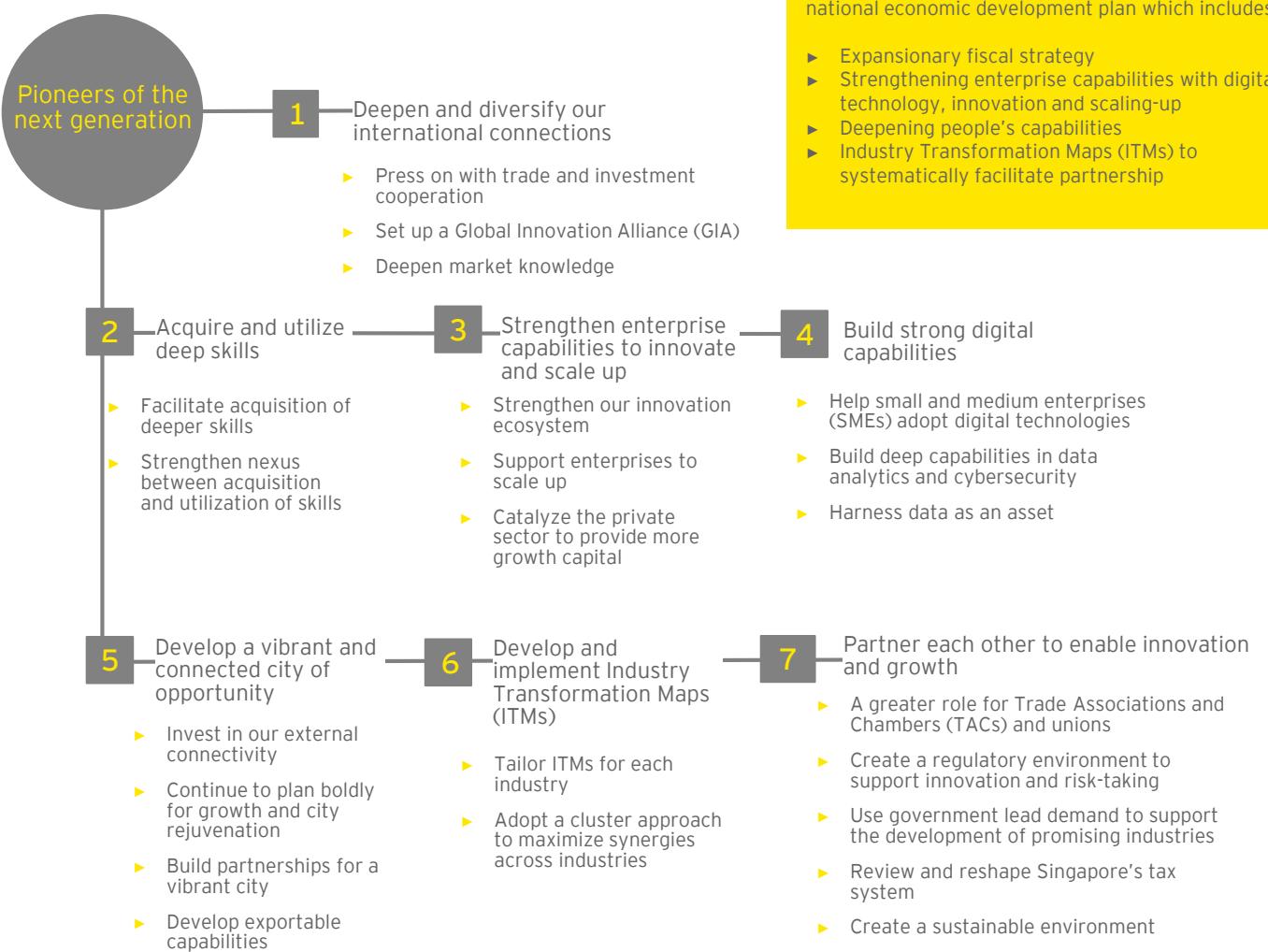


Chart 55: Singapore's strategy for its future economy



### Sources:

- ▶ Report of the Committee on the Future Economy, Pioneers of the Next Generation, 2017, Committee on the Future Economy (CFE)
- ▶ Master Plan 2014, Urban Redevelopment Authority Singapore

# Thailand

## Country profile

|                              |         |
|------------------------------|---------|
| Capital                      | Bangkok |
| Land area (km <sup>2</sup> ) | 513,120 |

| Economic indicators                      | 2015  | 2016e | 2017f |
|--|-------|-------|-------|
| GDP, % change<br>(constant prices)       | 2.8   | 3.2   | 3.3   |
| GDP<br>(current prices, US\$b)           | 395.3 | 390.6 | 403.6 |
| GDP per capita<br>(current prices, US\$) | 5,742 | 5,662 | 5,841 |
| Current account balance<br>(% of GDP)    | 7.8   | 9.7   | 7.7   |
| Government gross debt<br>(% of GDP)      | 43.1  | 43.6  | 44.3  |

Note:  
2016e refers to estimated value  
2017f refers to forecasted value

| Social indicators                                 | 2016  |
|---|-------|
| Population (million)                              | 68.2  |
| Population density (persons per km <sup>2</sup> ) | 133.4 |
| Urban population (% total) <sup>1</sup>           | 50.4  |
| Life expectancy (years) <sup>2</sup>              | 74.4  |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business<br>indicators     | 2016<br>rank <sup>1</sup> | 2017<br>rank <sup>2</sup> | Change |
|----------------------------------|---------------------------|---------------------------|--------|
| Ease of doing business           | 46                        | 46                        | -      |
| Starting a business              | 93                        | 78                        | +15    |
| Trading across borders           | 54                        | 56                        | -2     |
| Protecting minority<br>investors | 25                        | 27                        | -2     |

<sup>1</sup>Rank out of 189; ranking adjusted annually as of 2017  
<sup>2</sup>Rank out of 190

Note:  
► Key tax incentives are updated as of September 2016.

Sources:  
► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
► Doing Business 2017, *The World Bank Group*  
► Trademap, *International Trade Centre*  
► World Statistics Pocketbook, *United Nations Statistics Division*  
► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
► World Development Indicators, *The World Bank*  
► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### International Headquarter (IHQ) and International Trading Center (ITC) incentives

- Corporate income tax exemption on qualified service income received from overseas associated enterprises and sale income from out-out transactions
- Reduced corporate income tax rate of 10% on the qualified income received from associated enterprises in Thailand
- Special business tax (SBT) exemption for IHQ's income derived from the provision of treasury center services to associated enterprises
- Dividend withholding tax exemption on dividend paid out of tax-exempted IHQ or ITC profit
- Interest withholding tax exemption on interest paid to overseas associated enterprises as a result of treasury center services
- Reduced personal income tax to 15% on expatriates' employment income earned from IHQ and ITC businesses for up to 15 years

### Board of Investment (BOI) privileges

- Corporate income tax privileges:
  - Maximum of 13 years corporate income tax exemption; or
  - Maximum of 10 years 50% corporate income tax reduction; or
  - Maximum of 10 years tax allowance of up to 70% of the actual investment amount
- Exemption or reduction of import duty on raw materials, essential materials or certain goods
- Dividend withholding tax exemption on dividend paid out of tax-exempted BOI profit during the tax exemption period or within six months after the end of tax exemption period

Chart 56: Thailand's composition of exports, 2015

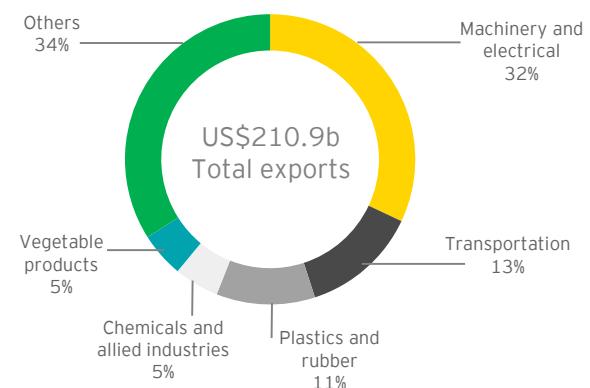
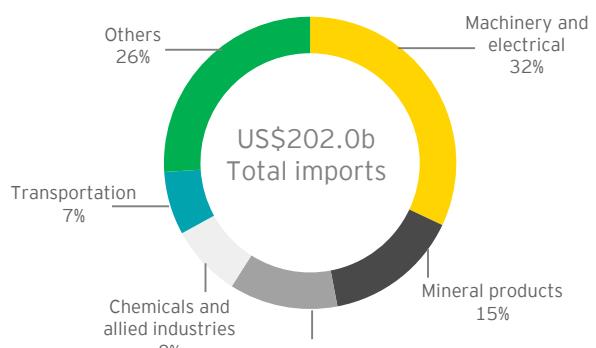


Chart 57: Thailand's composition of imports, 2015



## Thailand: economic clusters and development plan

Chart 58: Thailand's key economic clusters

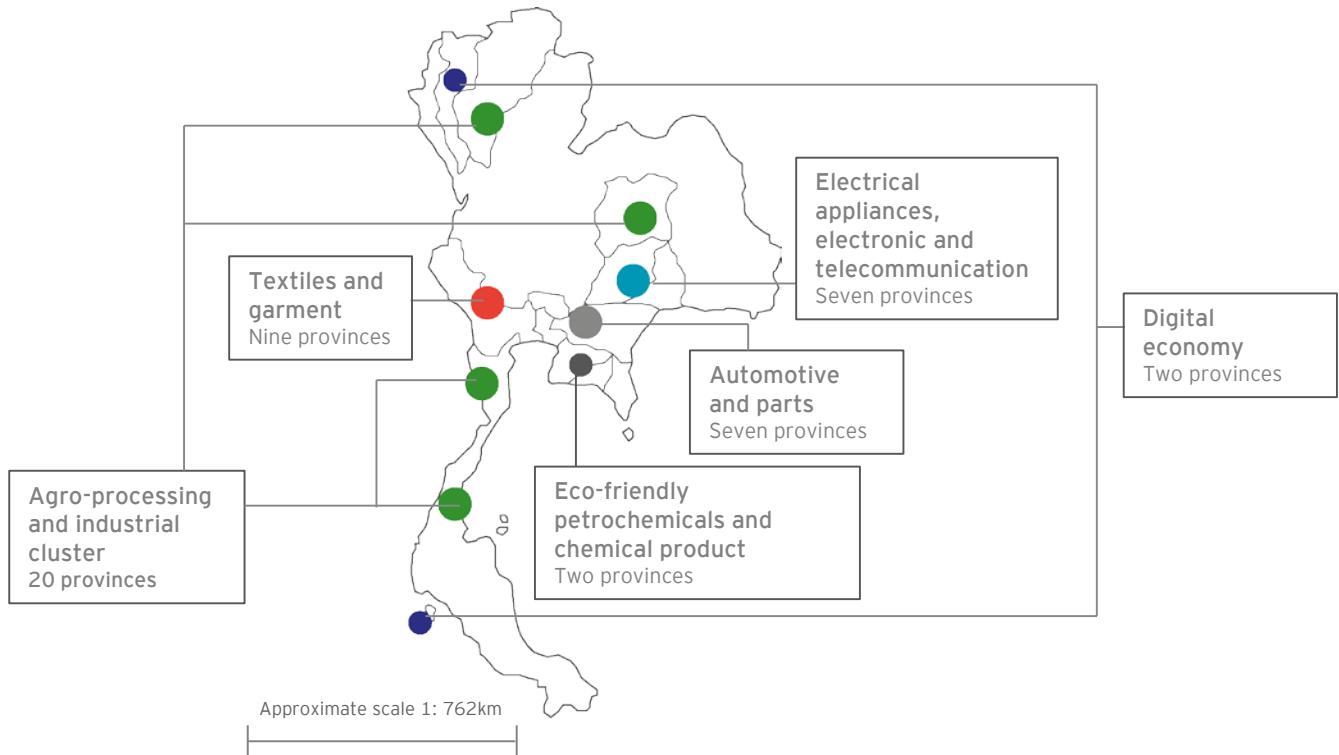


Chart 59:  
Six major strategies of Thailand's 11th National Economic and Social Development Plan (NESDP), 2011-16

### Thailand's 11 NESDP (2011-16)

Holistic approach with development centered on people

- 1 Strengthen agricultural sector, food and energy security
- 2 Develop human qualities toward a sustainable knowledge-based society
- 3 Restructure economy toward quality and sustainability
- 4 Create regional connectivity for social and economic stability
- 5 Managing natural resources and environment toward sustainability
- 6 Promote a just society

#### Did you know?

- Thailand's 11th NESDP is the first step toward the long-term vision of 2027 – "A happy society with equity, fairness and resilience."
- The 11 NESDP adheres to the philosophy of sufficiency economy and focuses on progress that is people-centered.

#### Sources:

- The 11 National Economic and Social Development Plan (2012-16), National Economic and Social Development Board, Office of Prime Minister, Thailand
- Thailand Moving Ahead with Cluster Development, 2015, Thailand Board of Investment

# Vietnam

## Country profile

|                              |         |
|------------------------------|---------|
| Capital                      | Hanoi   |
| Land area (km <sup>2</sup> ) | 330,951 |

| Economic indicators                      | 2015  | 2016e | 2017f |
|--|-------|-------|-------|
| GDP, % change<br>(constant prices)       | 6.7   | 6.1   | 6.2   |
| GDP<br>(current prices, US\$b)           | 191.5 | 200.5 | 215.9 |
| GDP per capita<br>(current prices, US\$) | 2,088 | 2,164 | 2,306 |
| Current account balance<br>(% of GDP)    | 0.5   | 0.4   | 0.1   |
| Government gross debt<br>(% of GDP)      | 58.3  | 62.0  | 64.6  |

Note:  
 2016e refers to estimated value  
 2017f refers to forecasted value

| Social indicators                                 | 2016  |
|---|-------|
| Population (million)                              | 94.4  |
| Population density (persons per km <sup>2</sup> ) | 304.6 |
| Urban population (% total) <sup>1</sup>           | 33.6  |
| Life expectancy (years) <sup>2</sup>              | 75.6  |

<sup>1</sup>Urban population as of 2015  
<sup>2</sup>Life expectancy as of 2014

| Doing business indicators     | 2016 rank <sup>1</sup> | 2017 rank <sup>2</sup> | Change |
|-------------------------------|------------------------|------------------------|--------|
| Ease of doing business        | 91                     | 82                     | +9     |
| Starting a business           | 111                    | 121                    | -10    |
| Trading across borders        | 108                    | 93                     | +15    |
| Protecting minority investors | 118                    | 87                     | +31    |

<sup>1</sup>Rank out of 189: ranking adjusted annually as of 2017  
<sup>2</sup>Rank out of 190

Note:  
 ► Key tax incentives are updated as of September 2016.

Sources:  
 ► Economic outlook for Southeast Asia, China and India 2017: Addressing Energy Challenges, *Organisation for Economic Co-operation and Development (OECD)*  
 ► Doing Business 2017, *The World Bank Group*  
 ► Trademap, *International Trade Centre*  
 ► World Statistics Pocketbook, *United Nations Statistics Division*  
 ► World Economic Outlook Database, October 2016, *International Monetary Fund (IMF)*  
 ► World Development Indicators, *The World Bank*  
 ► World Integrated Trade Solution, *The World Bank*

## Key tax incentives

### Preferential corporate income tax (CIT) rates

- A 17% tax rate up to 10 years for regulated, encouraged business sectors at encouraged locations or scale of projects
- A 10% tax rate up to 15 years (applicable to selected social sectors)

### Tax holidays and reduction

- Tax holidays for two to four years
- Commencement from first year with taxable income if no taxable income within the first three years, the tax incentive period can be triggered from the fourth year
- A 50% tax reduction for four, five or nine years post-tax holiday period

Chart 60: Vietnam's composition of exports, 2015

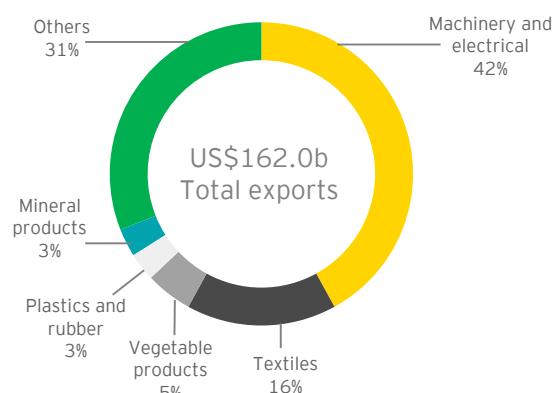
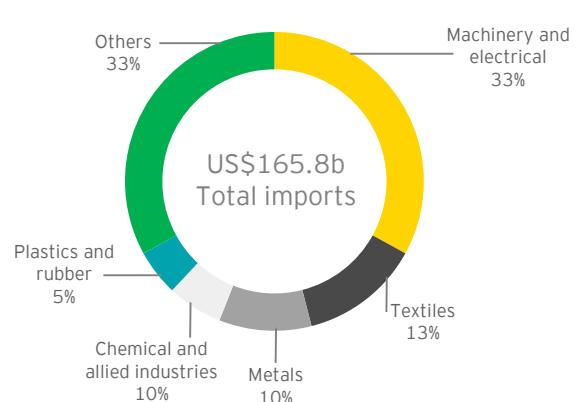


Chart 61: Vietnam's composition of imports, 2015



## Vietnam: economic clusters and development plan

Chart 62: Vietnam's six key economic clusters

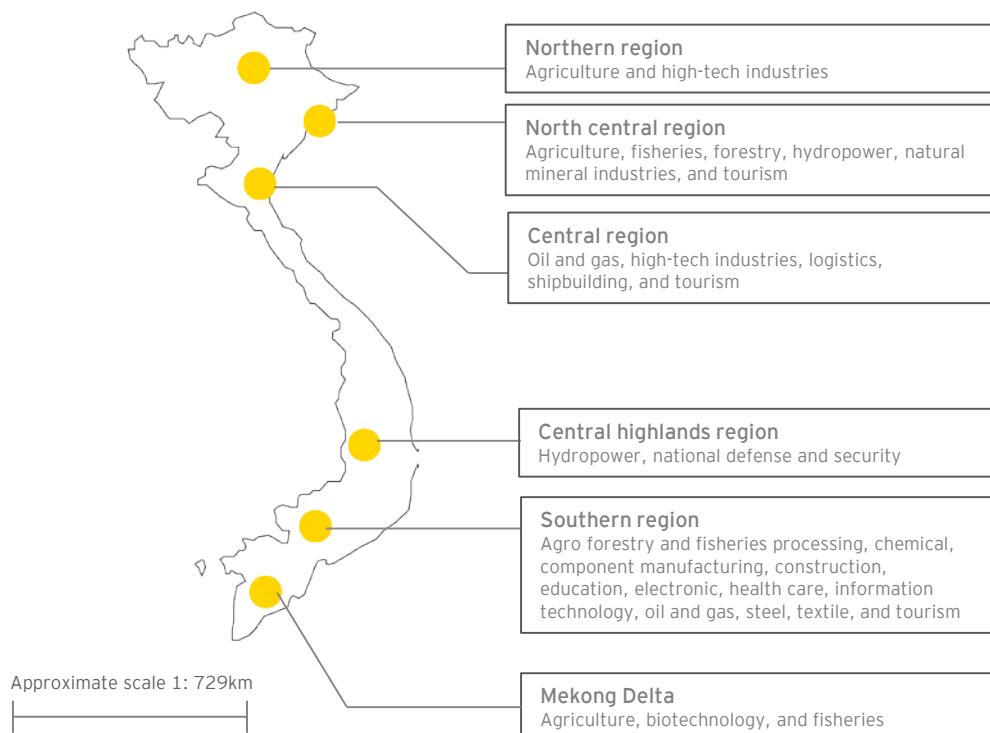


Chart 63:  
The 12 focus areas of Vietnam's SEDP, 2016-20

### Did you know?

Vietnam's Social Economic Development Plan (SEDP), 2016-20 is part of a long-term strategy to turn Vietnam into an industrialized nation by 2020 through a socialist-oriented market economy model.



Sources:

- Socio-Economic Development Plan 2016-20, April 2016, National Assembly in Vietnam
- Vietnam Economic Regions, Vietnam Trade Promotion Agency

# Appendices





# Incentives to establish regional hub in ASEAN

| Singapore   | Malaysia  | Thailand   |
|---|---|--|
| <b>Headquarters program</b> <ul style="list-style-type: none"> <li>► Under the International Headquarters (IHQ) Award, companies are offered customized incentive packages with lower concessionary tax rates of 5% or 10% on qualifying income</li> <li>► Regional Headquarters (RHQ) Award offers a concessionary tax rate of 15% for up to five years on qualifying income</li> </ul>  | <b>Principal Hub (PH) Incentive</b> <ul style="list-style-type: none"> <li>► Developed with the aim to attract multinational companies to establish their regional or global operations in Malaysia</li> <li>► PH companies are offered a 3-tiered concessionary corporate income tax rate (either 0%, 5% or 10%) based on the level of criteria to be met, for a period of five years. This may be extended by another five years, subject to companies meeting the required incremental conditions</li> </ul> | <b>International Headquarter (IHQ) and International Trading Center (ITC) incentives</b> <ul style="list-style-type: none"> <li>► Corporate income tax exemption on qualified service income received from overseas associated enterprises and sale income from out-out transactions</li> <li>► Reduced corporate income tax rate of 10% on the qualified income received from associated enterprises in Thailand</li> <li>► Special business tax (SBT) exemption for IHQ's income derived from the provision of treasury center services to associated enterprises</li> <li>► Dividend withholding tax exemption on dividend paid out of tax-exempted IHQ and ITC profit</li> <li>► Interest withholding tax exemption on interest paid to overseas associated enterprises as a result of treasury center services</li> <li>► Reduced personal income tax to 15% on expatriates' employment income earned from IHQ and ITC businesses for up to 15 years</li> </ul> |
| <b>Approved Royalties Incentives (ARI)</b><br>Reduced rate of withholding (at 5%) for royalty payments or technical assistance fees, given as part of an overall incentive package  | <b>Multimedia Super Corridor (MSC) Status</b> <ul style="list-style-type: none"> <li>► A 70% or 100% income tax exemption on statutory income for a period of five years and extendable for another five years; or</li> <li>► Investment tax allowance of 100% of qualifying capital expenditure for a period of five years for companies carrying out approved technology activities i.e., Information Technology, Global Business Services or Creative Multimedia Content</li> </ul>                          |  |
| <b>Finance and Treasury Center (FTC) Incentive</b><br>A 8% tax concession on qualifying income (from FTC activities) and withholding tax exemption for qualifying interest payment  |   |  |
| <b>Global Trader Program (GTP)</b><br>Concessionary tax rate of 5% or 10% on qualifying income derived by approved global trading companies from transactions in qualifying products  |   |  |
| <b>Enhanced research and development (R&amp;D) deductions</b> <ul style="list-style-type: none"> <li>► Taxpayers may claim a 50% enhanced tax deduction on qualifying salary, consumables, and outsourced expenditure relating to R&amp;D carried out in Singapore, regardless of whether it relates to the taxpayers' existing trade or business, from year of assessment 2009 to 2025</li> <li>► If a taxpayer outsources R&amp;D activities to an R&amp;D organization in Singapore, either 60% of the payment can be claimed, or the portion of the payment that relates to salary and consumables</li> </ul> | Note: PH and MSC Status incentives require pre-approval from the relevant authority and the incentives above are mutually exclusive.  |  |

## Philippines

### Regional Operating Headquarters (ROHQ)

- A 10% preferential tax on taxable income derived from performing qualifying services
- Exemption from various local government taxes, fees or charges, except real property tax on land improvements and equipment

Sources:

- Various tax authorities published information
- EY analysis

# Selected tax holidays and allowances

| Indonesia  | Malaysia  | Singapore   |
|--|---|---|
| <p><b>Tax allowances</b></p> <ul style="list-style-type: none"> <li>▶ Applicable for certain lines of business and certain regions</li> <li>▶ The investment allowance is:           <ul style="list-style-type: none"> <li>▶ A reduction of net income by 30% of the amount invested in the form of tangible fixed assets including land which is used for main business activity</li> <li>▶ Claimed at an annual rate of 5% over six years period calculated from the commencement of its commercial productions</li> </ul> </li> <li>▶ Accelerated depreciation of tangible assets and amortization of intangible assets acquired in the framework of new investment or business expansion</li> <li>▶ Conditional extended period of tax allowance up to 10 years for the carry forward of a tax loss (normally five years)</li> <li>▶ Reduced tax rate of 10% (or lower rate under a double tax treaty) for dividends paid to nonresidents</li> </ul> <p><b>Tax holiday</b></p> <ul style="list-style-type: none"> <li>▶ Applicable for new taxpayers to carry out new investment in pioneer industries</li> <li>▶ Corporate income tax reduction from 10% up to 100% for five to 15 years, starting from commencement of commercial productions</li> <li>▶ Extended period of tax holiday up to 20 years which may be conditionally granted by the Minister of Finance</li> </ul> | <p><b>Pioneer status (PS) and Investment tax allowance (ITA)</b></p> <ul style="list-style-type: none"> <li>▶ Available to companies engaged in 'promoted activities' e.g. research and development activities or producing 'promoted products'</li> <li>▶ PS: Partial (70%) or full 100% income tax exemption on statutory income up to a period of 10 years; or</li> <li>▶ ITA: Allowance of 60% or 100% of qualifying capital expenditure up to a period of 10 years available for offset against 70% or 100% of statutory income</li> </ul> <p><b>Reinvestment allowance (RA)</b></p> <ul style="list-style-type: none"> <li>▶ Available to manufacturing companies and companies engaged in agricultural projects, that reinvest their capital for purposes of an expansion, modernization, automation, or diversification project</li> <li>▶ This RA is given at the rate of 60% of qualifying capital expenditure, which can be offset against 70% of statutory income, or a conditional 100% (subject to achievement of Ministry mandated productivity levels)</li> </ul> <p>Note: PS and ITA incentives require pre-approval from the relevant authority and are mutually exclusive.</p> | <p><b>Manufacturing industry incentives</b></p> <ul style="list-style-type: none"> <li>▶ Pioneer status manufacturing industry entitled for full tax exemption up to 15 years</li> <li>▶ Development and Expansion Incentive (DEI)—manufacturing industry businesses developing and expanding their operations in Singapore are taxed at 5% or 10% up to 40 years (subject to limitations per incentive application or renewal)</li> </ul> <p><b>Investment allowance (IA)</b></p> <p>An allowance up to 100% (in addition to the normal tax depreciation allowance) in respect of expenditure incurred on qualifying productive equipment within a prescribed qualifying period on qualifying projects</p> |

| Philippines   | Brunei  |
|---|---|
| <p><b>Philippine Economic Zone Authority (PEZA)</b></p> <ul style="list-style-type: none"> <li>▶ Income tax holiday (ITH) for four or six years* for manufacturing enterprises located in the Philippines economic zones</li> <li>▶ Post-ITH period, the enterprise is subject to 5% tax on gross income earned, in lieu of all national and local taxes, except real property taxes on land owned by developers.</li> </ul> <p><b>Board of Investments (BOI)</b></p> <ul style="list-style-type: none"> <li>▶ Income tax holiday for four or six* years for manufacturing enterprises</li> <li>▶ Exemption from local business taxes for four or six years* from date of BOI registration</li> </ul> <p>*The four years' tax exemption applies to projects with non-pioneer status while the six years' is for projects with pioneer status.</p> | <p><b>Tax exemption</b></p> <p>It is applicable to companies with annual gross sales or turnover less than BND1m.</p> <p><b>Industrial and manufacturing allowances for machinery and plant</b></p> <p>Approved industry companies that incur capital expenditure on the installation of machinery or plant for production purposes between 1 January 2014 and 31 December 2019 are entitled to capital allowances as follows:</p> <ul style="list-style-type: none"> <li>▶ A 100% allowance on capital expenditure incurred</li> <li>▶ An additional 50% allowance on capital expenditure incurred</li> </ul> <p><b>Newly incorporated company or registered branch</b></p> <p>The first BND100,000 is tax-free for the first three years of assessment; thereafter it is taxed at 25% of the full rate.</p> |

Sources:

- ▶ Various tax authorities published information
- ▶ EY analysis

## Selected tax holidays and allowances

| Thailand  | Vietnam   | Myanmar  |
|---|---|--|
| <p><b>Board of Investment (BOI) privileges</b></p> <ul style="list-style-type: none"> <li>▶ Corporate income tax privileges:           <ul style="list-style-type: none"> <li>▶ Maximum of 13 years corporate income tax exemption; or</li> <li>▶ Maximum of 10 years 50% corporate income tax reduction; or</li> <li>▶ Maximum of 10 years tax allowance of up to 70% of the actual investment amount</li> </ul> </li> <li>▶ Exemption or reduction of import duty on raw material or essential materials or certain goods</li> <li>▶ Dividend withholding tax exemption on dividend paid out of tax-exempted BOI profit during the tax exemption period or within six months after the end of tax exemption period</li> </ul> | <p><b>Preferential corporate income tax (CIT) rates</b></p> <ul style="list-style-type: none"> <li>▶ A 17% tax rate up to 10 years for regulated encouraged business sectors at encouraged locations or scale of projects</li> <li>▶ A 10% tax rate up to 15 years (applicable to selected social sectors)</li> </ul> <p><b>Tax holidays and reduction</b></p> <ul style="list-style-type: none"> <li>▶ Tax holidays for two to four years</li> <li>▶ Commencement from first year with taxable income if no taxable income within the first three years, tax incentive period can be triggered from the fourth year</li> <li>▶ A 50% tax reduction for four, five or nine years post-tax holiday period</li> </ul> | <p><b>Myanmar Foreign Investment Law (MFIL)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>▶ A 50% tax relief for export profits produced by a manufacturing business</li> <li>▶ Tax deduction for depreciation on selected capital assets and R&amp;D expenses</li> <li>▶ Carry-forward or offset of losses for up to three consecutive years</li> <li>▶ Exemption from customs duty on selected imports and commercial tax on export goods</li> <li>▶ Tax exemption is for five consecutive years</li> </ul> <p><b>Special Corporate Income tax incentive</b></p> <ul style="list-style-type: none"> <li>▶ Corporate tax exemption for the first five or seven years<sup>2</sup> with 50% tax relief for the second consecutive five-year period</li> <li>▶ A 50% tax relief for corporate reinvestment reserves created and reinvested therein within a year of inception</li> <li>▶ Loss carry-forward up to five years</li> <li>▶ Five years import duty exemption on capital equipment and construction material and followed by 50% import duty exemption in the subsequent five years</li> </ul> |

<sup>1</sup>At the time of this publication, an updated Myanmar Investment Law was submitted for Myanmar's Parliament approval and subject to change.

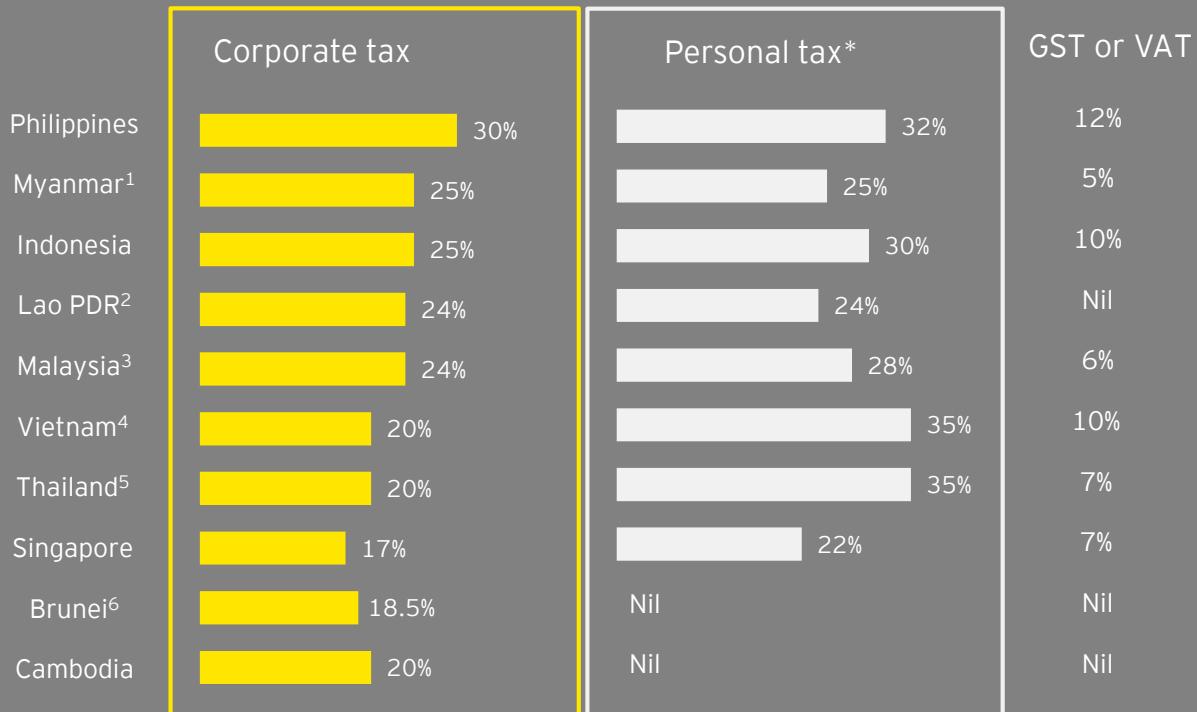
<sup>2</sup>The five years' corporate tax exemption is for businesses located in promoted areas while the seven years' corporate tax exemption is for businesses in exempted zone

| Cambodia  | Lao PDR  |
|---|--|
| <p><b>Qualified Investment Projects (QIPs):</b></p> <p>Any project, which is granted QIP status by the Council for Development of Cambodia will be entitled to the following incentives:</p> <ul style="list-style-type: none"> <li>▶ Minimum tax exemptions</li> <li>▶ Use of a special depreciation allowance or the tax exemption period in the form of a "trigger period" plus three years plus "priority period"</li> <li>▶ Import duty exemption with respect to the importation of production equipment, construction materials, raw materials, intermediate goods and accessories that serve production</li> <li>▶ A 100% export duty exemption</li> </ul> <p><b>Value-Added-Tax (VAT) exemption:</b></p> <p>Available for 100% export-oriented enterprises operating in Special Economic Zones (SEZs) for the importation of raw materials</p> | <p><b>Tax holiday</b></p> <p>Investors involved in promoted or concessionary activities are exempted from import and export duties for up to 10 years.</p> <p>Investors can carry forward tax losses up to a period of three years only (subject to the approval of the appropriate public and tax authority after signing concession agreements).</p> |

### Sources:

- ▶ Various tax authorities published information
- ▶ EY analysis

# ASEAN tax: personal, corporate and VAT or GST



\*personal tax for residents in the highest income bracket of respective countries

## Notes:

1. For Myanmar the GST or VAT is termed, commercial tax instead which covers tax on goods and services (5%), development and sale of buildings (3%) and domestic flights (3%).
2. For Lao PDR, companies in tobacco sector are subject to a tax rate of 26%.
3. For Malaysia, companies in petroleum sector are subject to tax rate of 38%.
4. For Vietnam, enterprises operating in the oil and gas industry are subject to corporate income tax rates ranging from 32% to 50%, depending on the location and specific project conditions. Enterprises engaging in prospecting, exploration and exploitation of mineral resources (for example, silver, gold and gemstones) are subject to corporate income tax rates of 40% to 50%, depending on the project's location.
5. For Thailand, amendment on VAT rate is expected by 30 September 2017.
6. For Brunei, companies in petroleum sector are subject to income tax rate of 55%.

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- Worldwide Personal Tax and Immigration Guide, 2016-2017, EY
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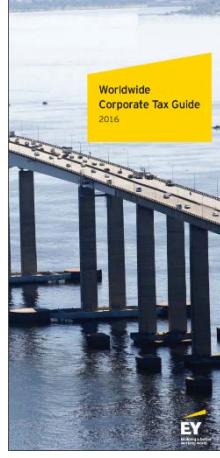
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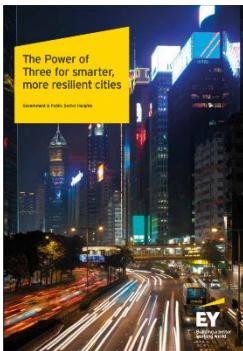
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