

GEOPOLITICS – IMPLICATIONS FOR ASEAN INVESTORS



KUALA LUMPUR, MALAYSIA, 15 JUNE 2023



BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

Agenda

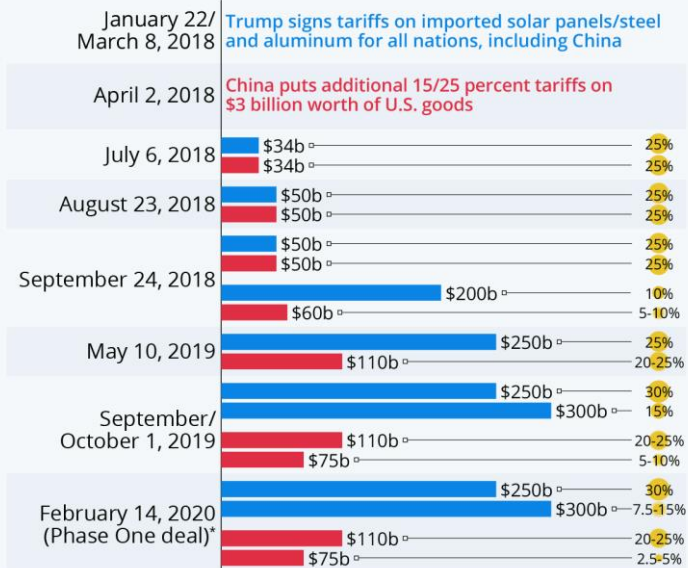
- Timeline and current state of US-China relationship
- Opportunities and risks with investments in the ASEAN region
- Role of ASEAN government policies in shaping investment opportunities

Timeline and current state of US-China relationship

U.S.-China Trade War: A Timeline

Cumulative tariffs between the U.S. in China in 2018-2020

■ US tariff action ■ Chinese tariff action ● Tariff rate



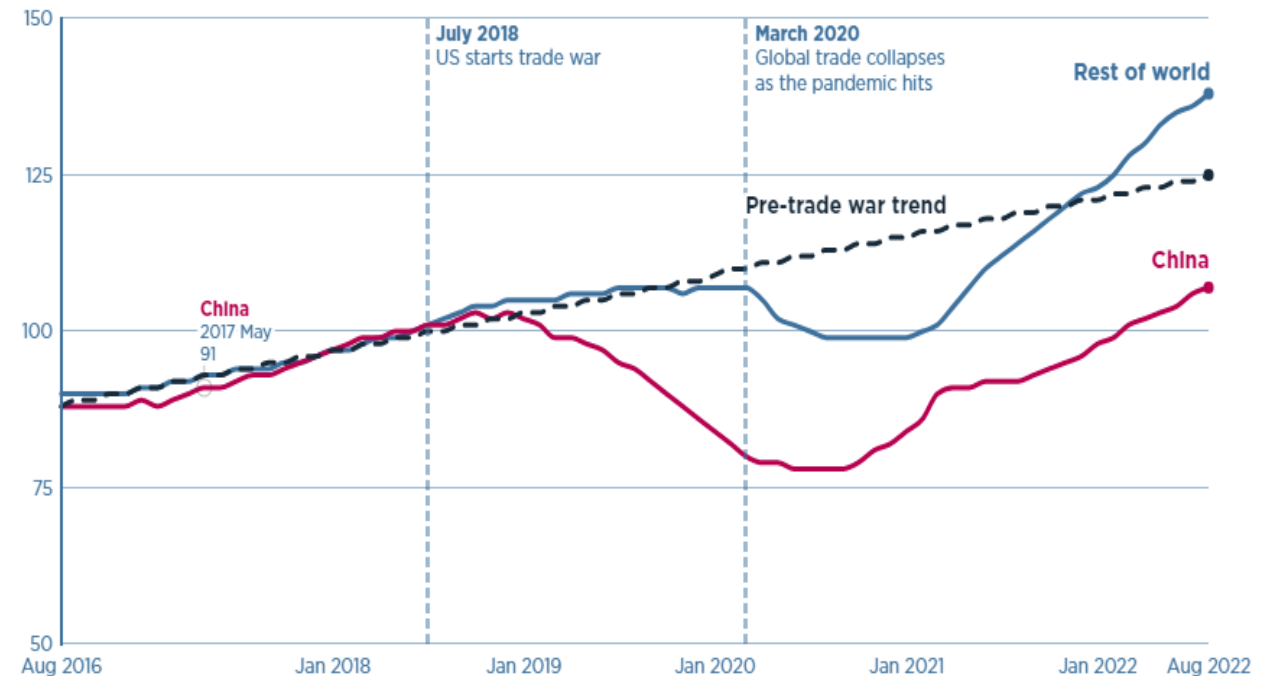
* China/the U.S. have also been accepting tariff exemption applications for a range of products
Source: Media reports



Source: Statista, August 17, 2020

US Imports from China have only recently returned to pre-trade war levels, while imports from the rest of the world are above trend

Value of US goods imports from China and rest of world, 2016-2022 (June 2018 = 100)



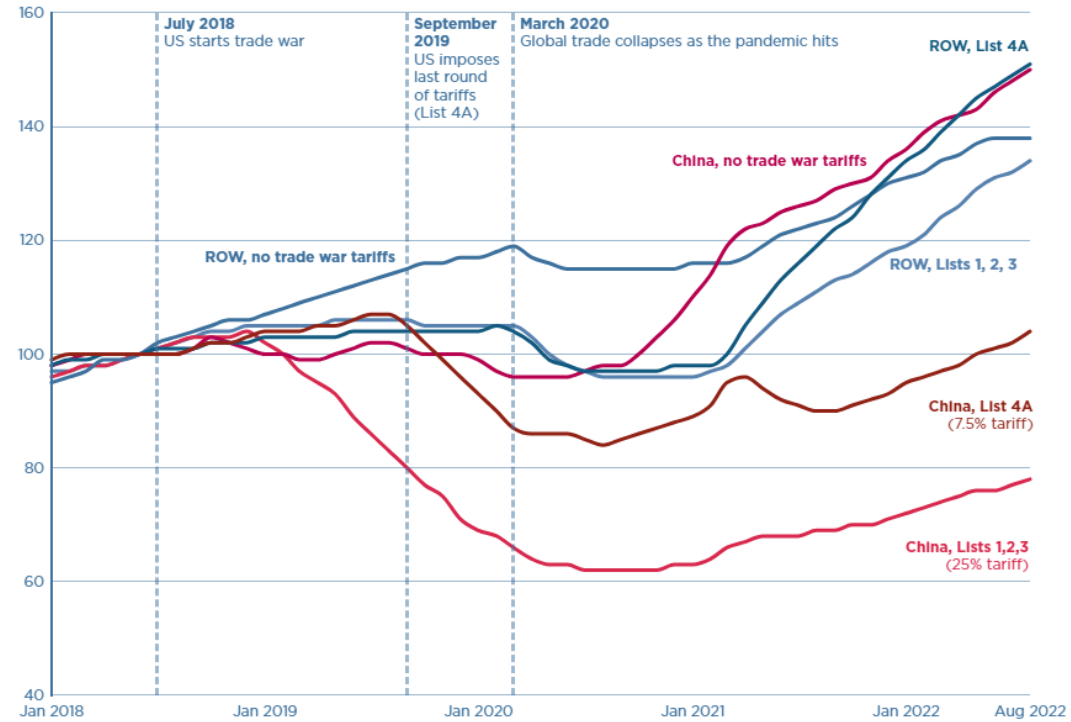
Notes: Indexed value of US monthly imports, not seasonally adjusted, 12-month trailing sums. Pre-trade war trend based on US imports from the world from August 2016 through June 2018.

Source: Four years into the trade war, are the US and China decoupling, Chad P. Bown, Peterson Institute for International Economics, Oct 20, 2022

Timeline and current state of US-China relationship

US Imports from China of products hit with tariffs remain low, while Imports of products not facing tariffs have surged

Value of US imports from China and rest of world by trade war tariff list, 2018–2022 (June 2018 = 100)

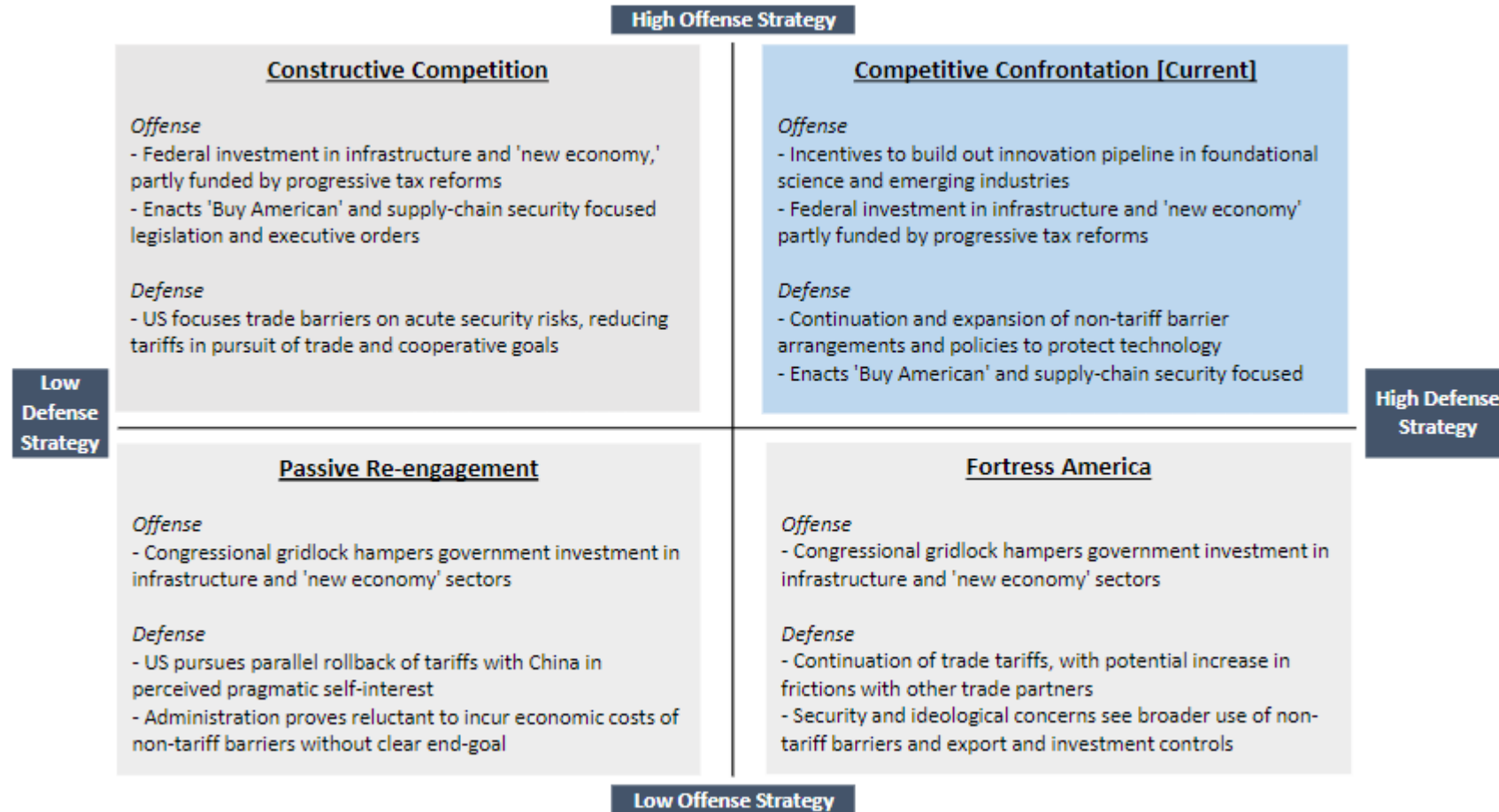


ROW = Rest of world

Notes: Indexed value of US monthly imports, not seasonally adjusted, 12-month trailing sums. A "list" refers to the group of products subject to the US tariffs imposed on imports from China under Section 301 of the Trade Act of 1974.

Source: *Four years into the trade war, are the US and China decoupling*, Chad P. Bown, Peterson Institute for International Economics, Oct 20, 2022

Timeline and current state of US-China relationship



Source: Morgan Stanley Research, "Seeking Security in the Multipolar World", Apr 23, 2023

Timeline and current state of US-China relationship

- Different point of view and approaches have and will continue to make bilateral relationship volatile and fraught
- Accidents can throw things off
- Time is running out
- A delicate path for ASEAN political class as well

Implications

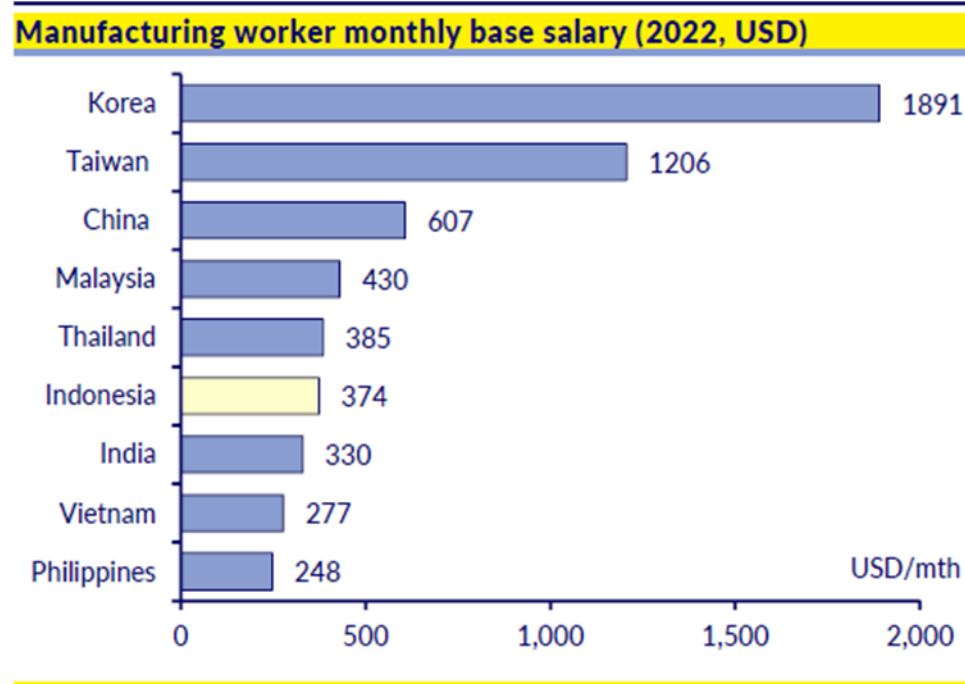
- Security has displaced cost as the determining condition for *strategic* sectors and supply lines
- China as the world's factory to "China + N" factories

Opportunities and risks with investments in the ASEAN region

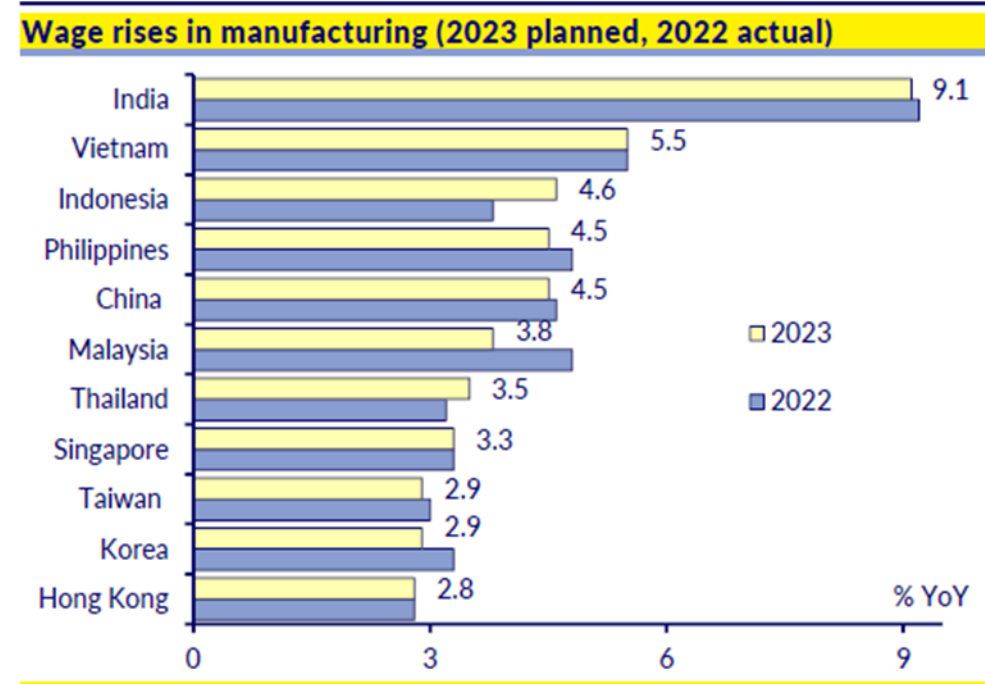
- Will focus on FDI and equity investments
- ASEAN has the ingredients of playing a significant role as part of the +N “factories”
- Competitive wage levels, generally decent infrastructure and existing base of production
- Also importantly – general positive environment for investments

Opportunities and risks with investments in the ASEAN region

ASEAN Manufacturing wages



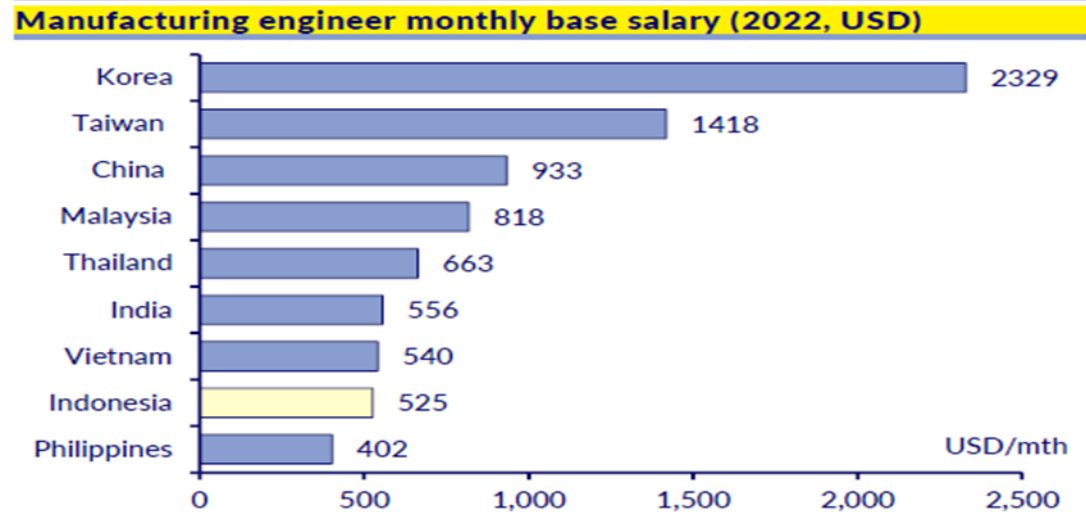
Source: Jetro 2022 survey, CLSA



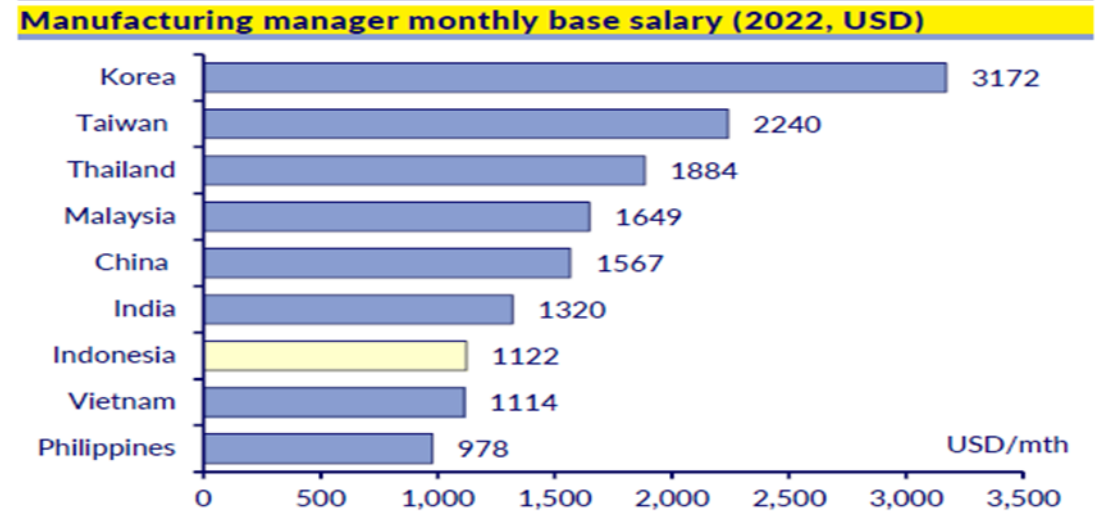
Source: Jetro 2022 survey, CLSA

Opportunities and risks with investments in the ASEAN region

ASEAN Manufacturing wages



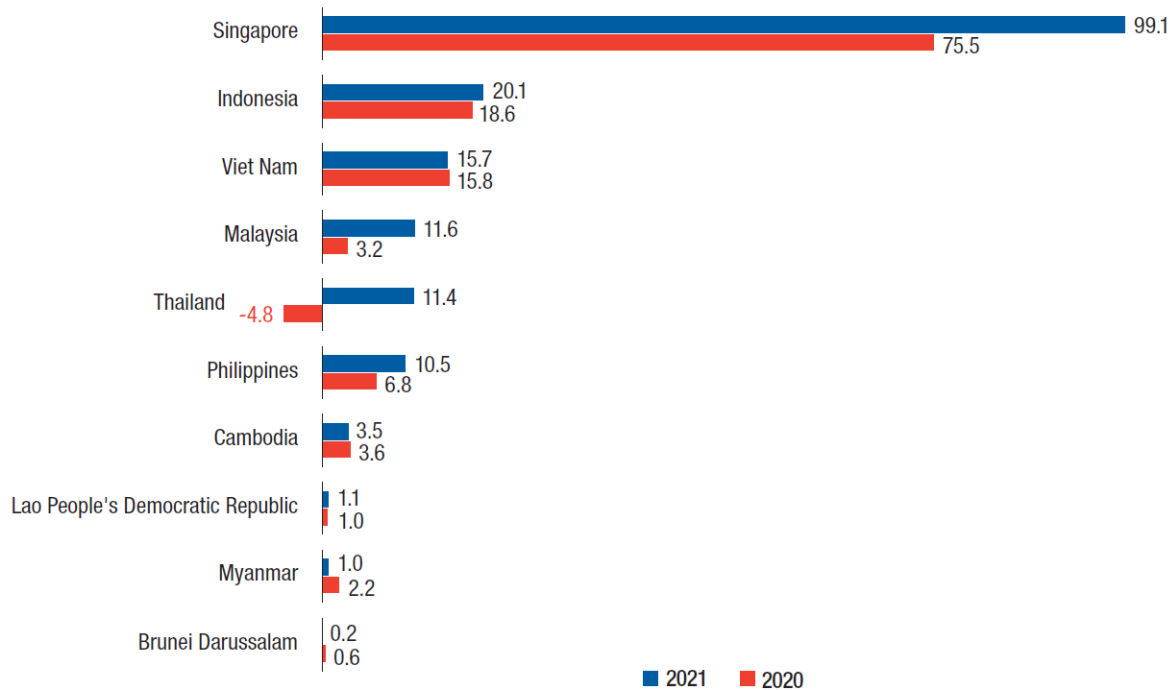
Source: Jetro 2022 survey, CLSA



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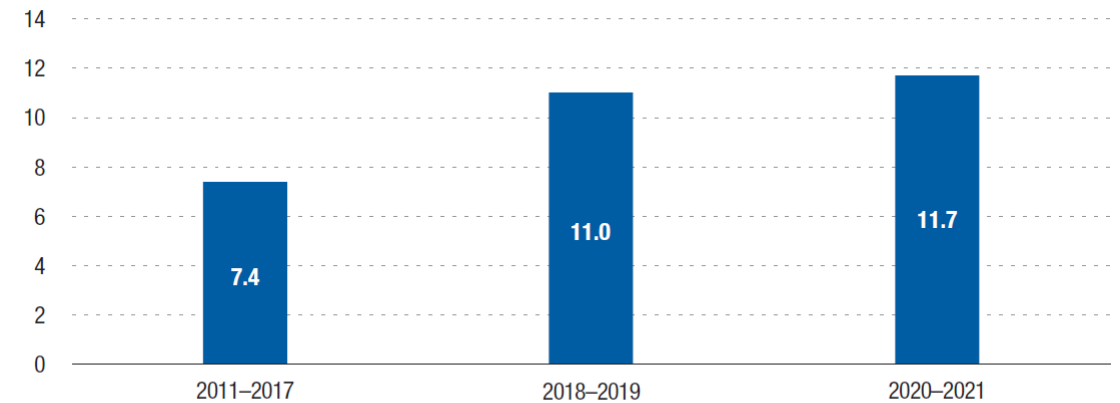
Opportunities and risks with investments in the ASEAN region

FDI inflows in ASEAN Member States, 2020 and 2021 (Billions of dollars)



Source: ASEAN Secretariat.

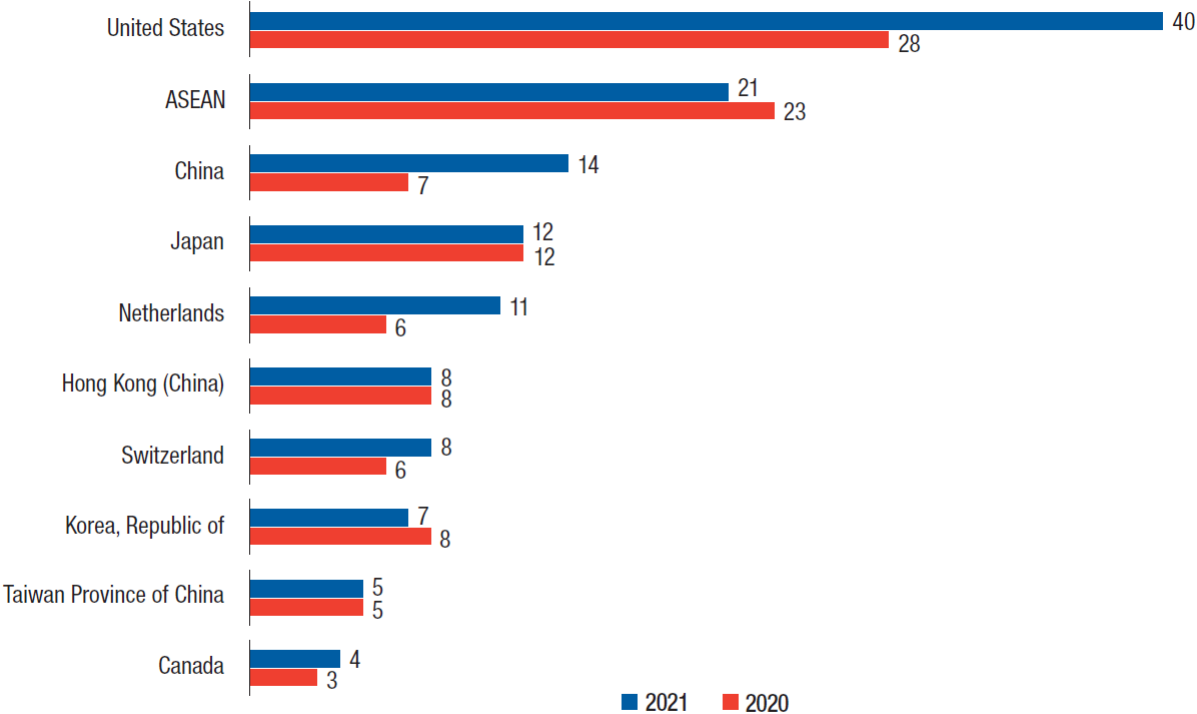
ASEAN share of global FDI inflows (Percent)



Source: UNCTAD, FDI/MNE database (<https://unctad.org/fdistatistics>).

Opportunities and risks with investments in the ASEAN region

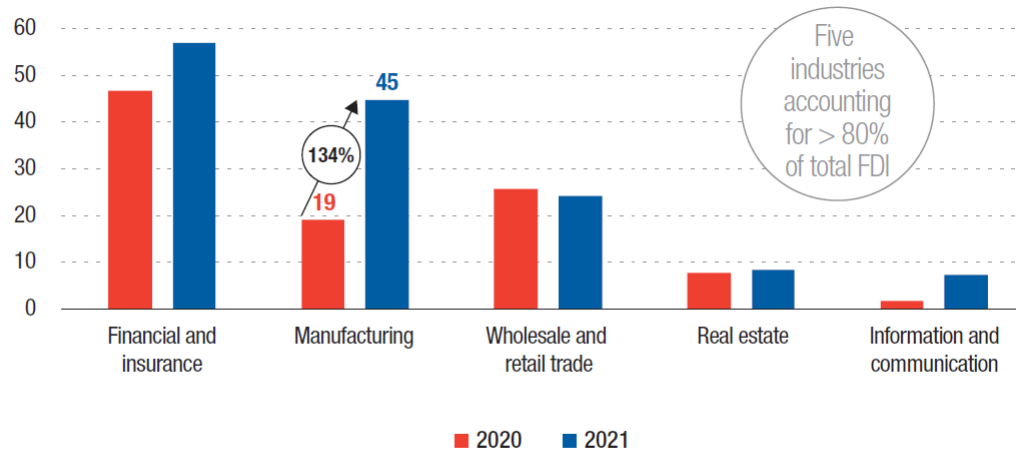
ASEAN: FDI inflows by top 10 investors, 2020-2021 (Billions of dollars)



Source: ASEAN Secretariat.

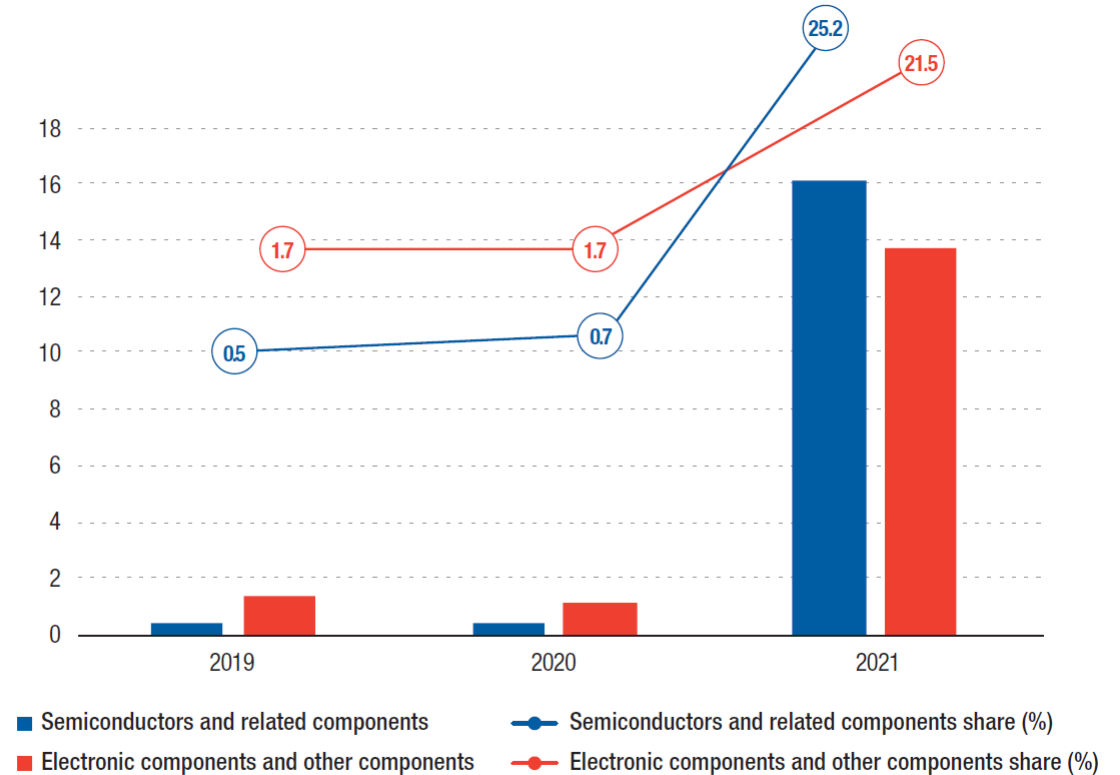
Opportunities and risks with investments in the ASEAN region

ASEAN: FDI by industry, 2020-2021 (Billions of dollars)



Source: ASEAN Secretariat.

ASEAN: announced greenfield investment in semiconductors and in electronic components, 2019-2021 (Billions of dollars and percent)

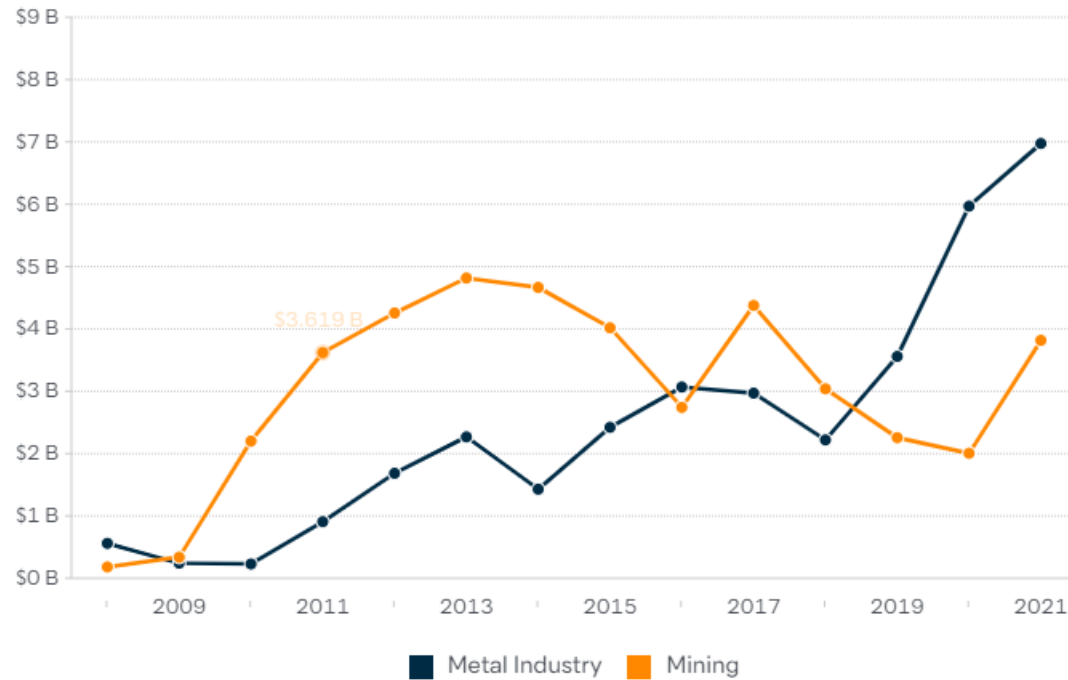


Source: UNCTAD, based on information from the *Financial Times Ltd*, fdi Markets (www.fdimarkets.com).

Role of ASEAN government policies in shaping investment opportunities

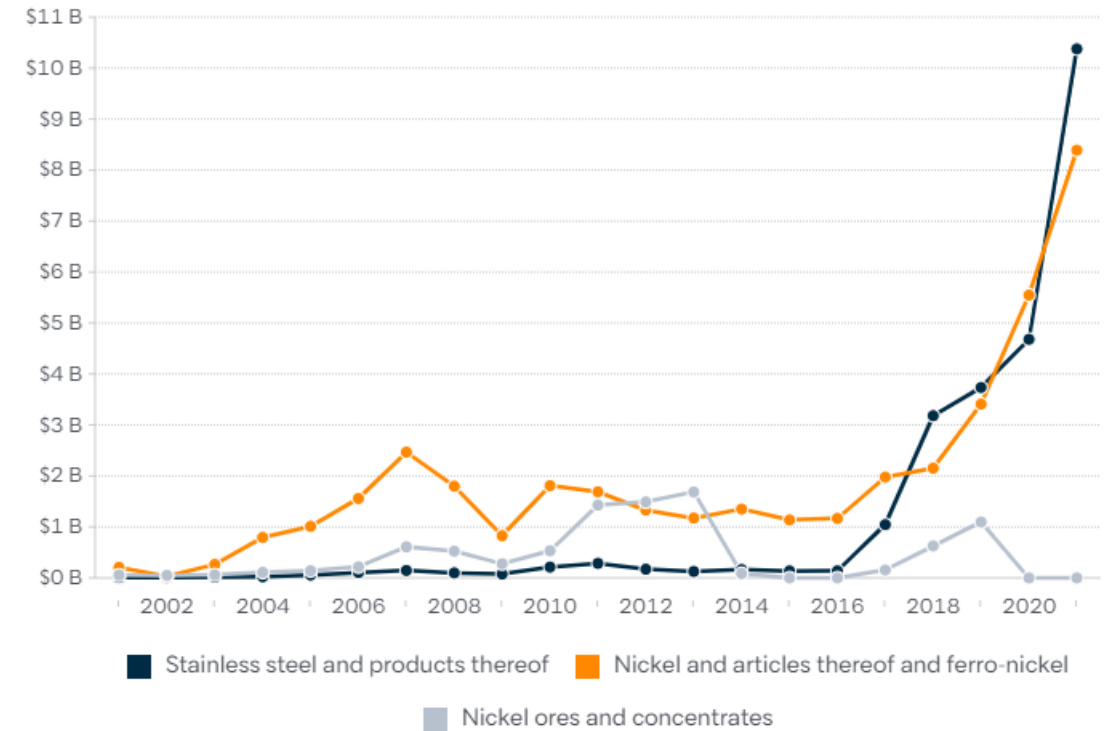
- Indonesian example

Foreign direct investment in Indonesia
Investment (US\$ billion)



Source: Ministry of Investment

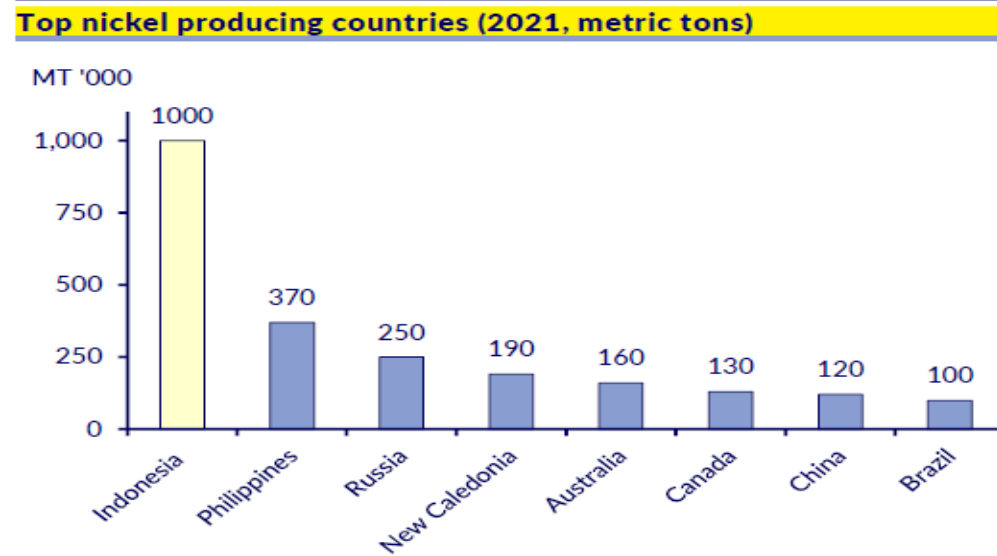
Indonesia's exports
US\$ billion



Source: UN Comtrade

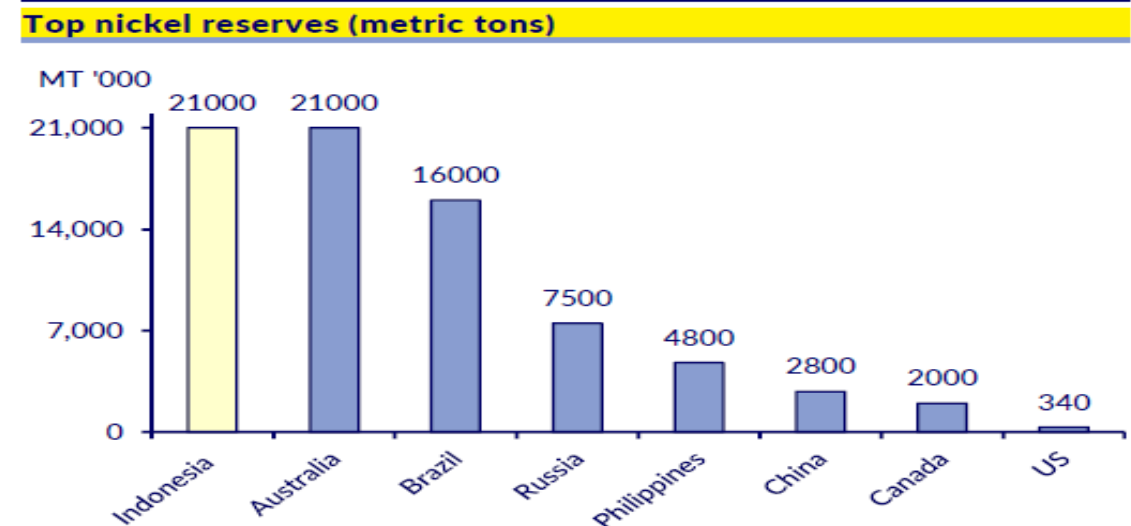
Indonesian – moving up the Nickel value chain

Top Nickel Production Countries



Source: Investing News Nickel INN, CLSA

Top Nickel Reserves Countries



Source: US Geological Survey, CLSA

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