



Media Release

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New growth opportunities for NZ Agri as ASEAN becomes Asia's third engine of growth

- Opportunity for NZ exporters to diversify from China, Australia -

A resurgent ASEAN will provide a significant opportunity for New Zealand exporters to diversify and reduce their reliance on the China and Australian markets over the next decade, according to ANZ Bank NZ.

A new ANZ Research report finds that greater economic integration could see ASEAN replace China as the world's leading manufacturing centre over the next 10 – 15 years and emerge as a key market for New Zealand food and agriculture products with the potential for NZ-ASEAN trade and investment to increase from US\$13 billion last year to US\$22–US\$27 billion by 2025.

"*ASEAN: The Next Horizon*," released today, highlights the region's enormous potential driven by closer economic integration, demographics, low labour costs and its strategic position at the intersection of global trade and shipping routes.

Report Key Points

- ASEAN is on track to become Asia's third engine of growth alongside China and India and will be the fifth largest economy in the world by 2020.
- Greater ASEAN integration and the creation of the ASEAN Economic Community could spur annual regional GDP growth of 6-8%.
- Over the same period, annual intra-regional trade could reach US\$1 trillion and G4 (US, Europe, Japan and China) trade of US\$3.7 trillion.
- Foreign direct investment (FDI) into ASEAN from the G4 will continue to grow strongly to around US\$106 billion as companies look to expand production bases in the region.
- Three ASEAN sub-regions to evolve:
 - Myanmar, Cambodia, Laos providing a large youthful labour force for new production platforms.
 - Thailand, Vietnam, Indonesia and the Philippines competing as the most cost effective mid-value manufacturing centres.
 - Singapore, Malaysia will develop as dominant finance, technology and design hubs.

Graham Turley, ANZ NZ Managing Director Commercial & Agri, said New Zealand exporters were conscious of the risks of heavy reliance on a small number of large export markets.

"With its accelerating urbanization, rising incomes and consumption, ASEAN will be a market of considerable scale and will provide New Zealand exporters with an alternative to their two main export markets of China and Australia," Mr Turley said.

"With abundant land, water and skills, and geographical proximity to ASEAN, New Zealand's agricultural export sector is ideally positioned to meet this growing demand.

"However, capturing this opportunity will not happen of its own accord, with the rest of the world also contesting these opportunities. It will be crucial for the New Zealand agriculture sector to invest in production growth and improving supply chains to ASEAN."

New Zealand's exports to ASEAN have doubled over the past 25 years and now account for around 10% of all exports. However, that share has remained broadly unchanged in recent years despite strong growth in New Zealand's exports to China.

Speaking at the report's launch today, ANZ CEO International and Institutional Banking Andrew Géczy said: "Strong demand growth, rising living standards and ASEAN's large infrastructure needs present an enormous opportunity for Australian and New Zealand business.

"While China is often top of mind as a growth export market, ASEAN deserves more attention particularly as progress continues toward the formation of the ASEAN Economic Community which will unlock a new phase of growth in the region," he said.

The report finds that Australia might consider a similar approach to New Zealand's ASEAN Strategy to lift its falling agricultural market share.

Mr Géczy added: "The ASEAN-Australia-New Zealand Free Trade Area Agreement will be an important underpinning to this opportunity. Many of its terms are still being implemented however and completing the implementation of the agreement needs to be prioritised."

Copies of the report 'ASEAN: The Next Horizon' can be obtained from ANZ's [Media Centre](#).

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