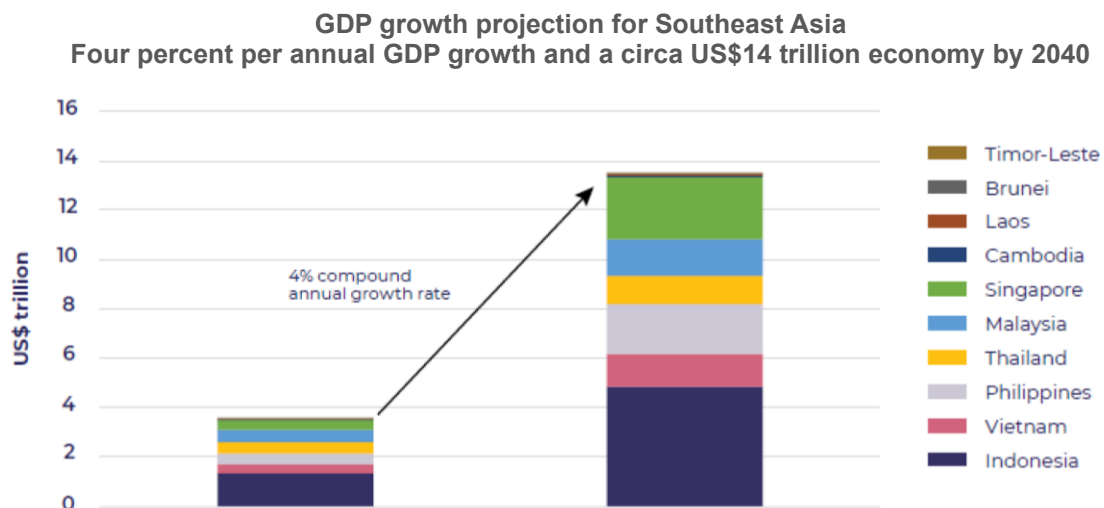


Why Southeast Asia remains an untapped market for investors

Southeast Asia is one of the fastest growing regions in the world, yet Australian companies and investors are only capturing a small slice of its massive potential.

“Southeast Asia imported more than \$US1.6 trillion worth of goods and services back in 2021, however we only represent 2.1 per cent of that,” Frontier Advisors Head of Real Assets, Manish Rastogi, said. “So, we’ve got to do more to really get that on track.”

According to the [Invested: Australia’s Southeast Asia Economic Strategy to 2040](#) report, the region, which comprises 11 nations which generate about US\$3.6 trillion GDP, also needs considerable capital investment from investors. By 2040, the region is forecast to need an estimated [\\$3 trillion](#) in infrastructure investment, and have similar needs for [green investment](#).



Source: Source: Australia’s Southeast Asia Economic Strategy to 2040, DFAT, Economist Intelligence Unit (2023).

Former Macquarie Group CEO Nicholas Moore was appointed as Special Envoy for Southeast Asia in late-2022. He has led a new strategy to help increase Australia’s relatively low levels of trade and investment across the region.

“The world is seeing something different than the Australian corporate sector and the Australian investor sector is seeing in the region,” Moore said.

The strategy, outlined in *Invested: Australia’s Southeast Asia Economic Strategy to 2040*, made four recommendations:

- **Raise awareness** about opportunities in the region, addressing a lack of knowledge of markets, sectors, and declining regional literacy.
- **Remove blockages** to address tariff and non-tariff barriers, including through mutual recognition of qualifications and standards harmonisation, managing risks and enhancing mobility.
- **Build capability** to ensure Australia and the region have the skills and capability to pursue opportunities and address economic challenges.
- **Deepen investment** to promote economic growth and prosperity.

The Government has since unveiled a group of [investment deal team hubs](#) on the ground to focus on opportunities in Singapore, Jakarta, and Ho Chi Minh City, as well other support. In March, the Government established a [\\$2 billion investment financing facility](#) to boost investment.

“The structuring of that is really very much open to the parties involved, whether it's going to be insurance, going to be debt, or going to be equity,” Moore said.

Nicola Yeomans, Partner Co-Head Private Capital, King & Wood Mallesons, said investment treaties gave investors protection if a government makes a change that reduces value.

“We see that all the time in the region – people structuring their investments to rely on those treaty agreements,” she said. “So, there's a bit of tax structuring, there's always investment protection structuring, and we can talk about insurance separately as well as another way to dovetail and protect investment risk.”

She said there was a lot of stability around legal structures and foreign investment rules in the ASEAN region.

“I've been doing deals in South-East Asia and India for 17-18 years, and I look at the political stability of the region and compare it to what's happening in places like France and US, and I personally feel that there is a lot of stability in ASEAN (Association of Southeast Asian Nations),” Yeomans said.

“There haven't actually been a lot of changes in recent years other than reducing the limits on foreign investment. There's a real want amongst those governments in ASEAN to receive foreign investment. They need it for infrastructure investment, they need it for tech investments and that's why landing pads are so important.”

Yeomans said local partnerships were important for successful foreign institutional investors, such as the Canada Pension Plan Investment Board (CPPIB), which invested with a local partner, Astra Infra, in [an Indonesian toll road](#).

“You can't just turn up in the region and sit in Changi and do negotiations at Changi Airport and then fly out. It just doesn't work like that – you have to get onto the ground, spend the time with partners – learn, learn, learn – and build relationships.”

Download the DFAT paper at: <https://www.dfat.gov.au/southeastasiaeconomicstrategy>.

Frontier believes Southeast Asia is an attractive investment opportunity with high growth prospects. Australian investors are offered support from DFAT in sourcing and researching opportunities or can partner with asset managers or local corporates. Additionally, there is a large potential pipeline of infrastructure assets coming to market.

Frontier can advise asset owners on their Asian infrastructure allocations including the right fund managers to partner with.