

# ASEAN-China-India triangular corridor 2023

Unlocking Partnerships Between Powerhouses



HSBC

Opening up a world of opportunity

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# Series foreword

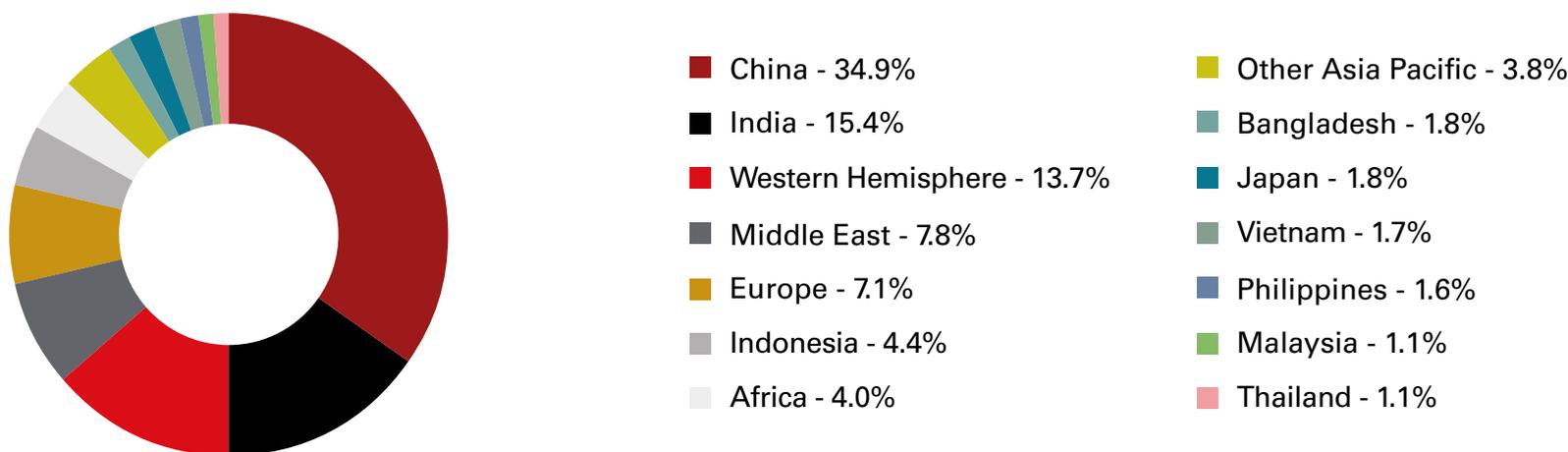
This report forms part of our Asia-focused series of four publications. The other three cover the economic corridors of Asia-Europe, Asia-United States, and ASEAN-China's Greater Bay Area.

In this report, we consider the current state of trade and investment and their key growth opportunities between the Association of Southeast Asian Nations (ASEAN) and China and India. The ASEAN countries considered in detail in this report are Malaysia, Singapore, Indonesia, Thailand, and Vietnam (referred to as ASEAN-5 in the scope of this report).

ASEAN 10 member countries	"ASEAN-5" in the scope of this report
Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam	Malaysia, Singapore, Indonesia, Thailand, Vietnam

Why this focus on Asia? Asia and the Pacific will contribute 67.4% of global growth in 2023, a much greater share than in recent years<sup>1</sup>. GDP growth for the region is forecast to accelerate to 4.6% in 2023 from 3.8% last year. 34.9% of this growth will come from China following the reopening of its economy that will drive consumption again, then by India (15.4%), and Indonesia (4.4%). In comparison, the Western Hemisphere as a whole will contribute 13.7% to growth, the Middle East 7.8%, and Europe 7.1%. Asian economies are booming and amid much change and volatility, this series is a guide for corporates and investors of the key trade and investment opportunities intra-Asia as well as Asia and the key economies of the United States and Europe.

## Asian countries have the largest share of projected global growth in 2023



Source: IMF, May 2023

# Executive summary

Trade and investment between the 10-member countries of ASEAN, China, and India are becoming increasingly important as the three markets are among the fastest-growing in the world.

ASEAN is a particularly promising region for Chinese and Indian corporates and investors to look to, especially as its GDP growth is among the world's highest. ASEAN is now a \$3 trillion economy<sup>2</sup> that is expected to reach \$4.5 trillion by 2030.<sup>3</sup> At this time, one in six households entering the world's consuming class is forecast to be in an ASEAN country. The five key markets driving this growth are Malaysia, Indonesia, Singapore, Thailand, and Vietnam, referred to in this report as the ASEAN-5. The region's digital economy in particular presents significant opportunities for China and India-based corporates and investors.

China's and India's growths are projected to taper off after 2023 but remain strong compared with many other regions of the world. As in ASEAN, foreign direct investment (FDI) inflows continue to rise, demonstrating persistent confidence in the three markets.

This report outlines the opportunity for ASEAN-India in the digital economy. India's digital economy sectors present a \$1 trillion opportunity<sup>4</sup>, while ASEAN's digital economy opportunity was valued at almost \$200 billion in 2022 in terms of gross merchandise value (GMV) and is forecast to rise to \$330 billion by 2025.<sup>5</sup> Four sectors with large opportunity sizes power ASEAN's digital economy: e-commerce; travel and tourism; food and transport; and online media.

For the ASEAN-China Corridor, this report focuses on six cities in China that are collectively playing an important role in driving growth opportunities in the country – Shanghai, Beijing, Nanjing, Hangzhou, Suzhou, and Qingdao (listed by descending order of population size). For the purposes of this report, we refer to these cities as the “Super Six”: they make up 6% of China's population but contributed 27% of China's GDP in 2021 and made up 31% of retail sales in the same year. As such, ASEAN exporters can and should engage more with these hubs.

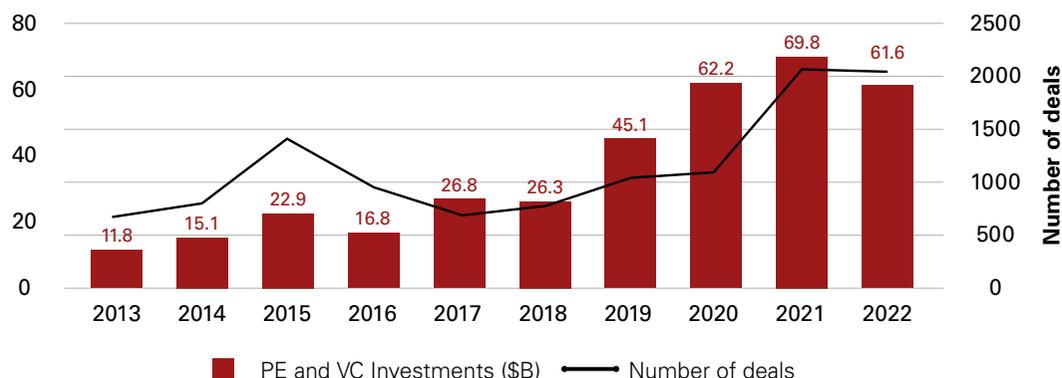
Data from the International Trade Centre (ITC) and analysis from HSBC show an estimated \$527 billion export opportunity for China and India corporates and investors in the ASEAN-5 markets, with particularly notable gaps to be filled in machinery & electricity, and electronic equipment sectors. For ASEAN corporates and investors looking to China and India, ITC and HSBC see an estimated \$448 billion export potential opportunity, with growth to be seized in electronic equipment, machinery & electricity, and chemicals.

Two trade blocs involving ASEAN, China, and India show promise to drive growth. The numbers for the Regional Comprehensive Economic Partnership (RCEP) and the Indo-Pacific Economic Framework (IPEF) are impressive: RCEP connects 15 Asia-Pacific nations and comprises a third of global GDP,<sup>6</sup> while IPEF involves 14 nations and 40% of global GDP.<sup>7</sup> Both trade blocs are in their early stages still, making it premature to jump to any substantial conclusions on whether they will materialise into something more tangible, and they are both unlikely to impact trade flows in the near to medium term.

# Summary infographics

- PE and VC investments in India suggest India's growth story is well underway, creating opportunities for ASEAN investors

Annual PE and VC investments & number of deals in India, 2013-2022 (\$B)



Source: Google, Temasek and Bain, 2022

- Beyond mainland China's Greater Bay Area lies much growth potential in rest of the mainland for ASEAN investors – we highlight the “Super Six” cities as a key example

“Super Six” cities in focus: Key Numbers<sup>8</sup>

City	Province	Population (million)	Retail Sales (RMB Bln)	GDP (RMB Bln)
Shanghai	Shanghai Municipality	29.2	1,807.90	4,321.50
Beijing	Beijing Municipality	21.8	1,506.40	3,610.30
Nanjing	Jiangsu	9.7	720.30	1,481.80
Hangzhou	Zhejiang	8.2	6,744.00	18,109.00
Suzhou	Jiangsu	8.1	770.20	2,017.00
Qingdao	Shandong	6.0	520.40	1,240.10
<b>Mainland China Totals</b>	-	<b>1425.7</b>	<b>39,392.80</b>	<b>114,920.00</b>
<b>6 cities' % share of mainland China's totals</b>	-	<b>6%</b>	<b>31%</b>	<b>27%</b>

Source: Various - Provincial Statistical Yearbooks, HKTDC, UN and others (2020-2022)

- \$448 billion export potential opportunity from ASEAN-5 to mainland China and India markets

Export Potential: ASEAN-5 countries to mainland China and India						
	Exporters					
Market (\$ million)	Indonesia	Malaysia	Singapore	Thailand	Vietnam	TOTALS
Mainland China	46,000	81,000	70,000	63,000	115,000	375,000
India	15,000	14,000	20,000	12,000	12,000	73,000
<b>TOTALS</b>	<b>61,000</b>	<b>95,000</b>	<b>90,000</b>	<b>75,000</b>	<b>127,000</b>	<b>448,000</b>

Source: ITC Export Potential Map, 2023

- \$527 billion export potential opportunity from mainland China and India to ASEAN-5 markets

Export Potential: mainland China and India to ASEAN-5 markets						
	Market (\$ million)					
Exporters	Indonesia	Malaysia	Singapore	Thailand	Vietnam	TOTALS
Mainland China	75,000	85,000	62,000	76,000	181,000	479,000
India	9,800	9,300	6,700	8,500	14,000	48,300
<b>TOTALS</b>	<b>84,800</b>	<b>94,300</b>	<b>68,700</b>	<b>84,500</b>	<b>195,000</b>	<b>527,300</b>

Source: ITC Export Potential Map, 2023

**The ASEAN-China-India  
triangular corridor contains  
three key powerhouses**



## Global Macroeconomic Context, GDP and FDI Forecasts suggest promising prospects for growth from ASEAN, mainland China, and India

Although trade returned to growth in the Q1 2023, the United Nations Conference on Trade and Development's (UNCTAD) estimates suggested exports and imports were weak in Q2, remaining at similar levels to Q1 for both goods and services.<sup>9</sup> As such, the Q2 forecasts for global trade were decidedly mixed. Moreover, several risks persist for the global trade environment such as geopolitical tensions, a weakening global economy, and slowing industrial output from the world's two biggest economies – the US and mainland China.<sup>10</sup> Nonetheless, some factors that augur well for global growth also exist, such as rising demand for commercial services in sectors such as information and communication technology (ICT) and travel and tourism, trade supporting the green transition, and ongoing low shipping costs.<sup>11</sup>

Nonetheless, despite this muted global context, ASEAN, mainland China, and India remain bright spots for the global economy given their strong underlying fundamentals. More specifically, these three markets together made up 44% of the world's population<sup>12</sup> and what is particularly more impressive, to add to the demographic strengths of these markets, is their increased share of global GDP in recent years: in 2012, this was just 17% of global GDP, and over the past decade it has risen to 25% of global GDP in 2022.<sup>13</sup> This sizeable gain indicates good growth prospects for corporates and investors to tap into within each of these three markets.

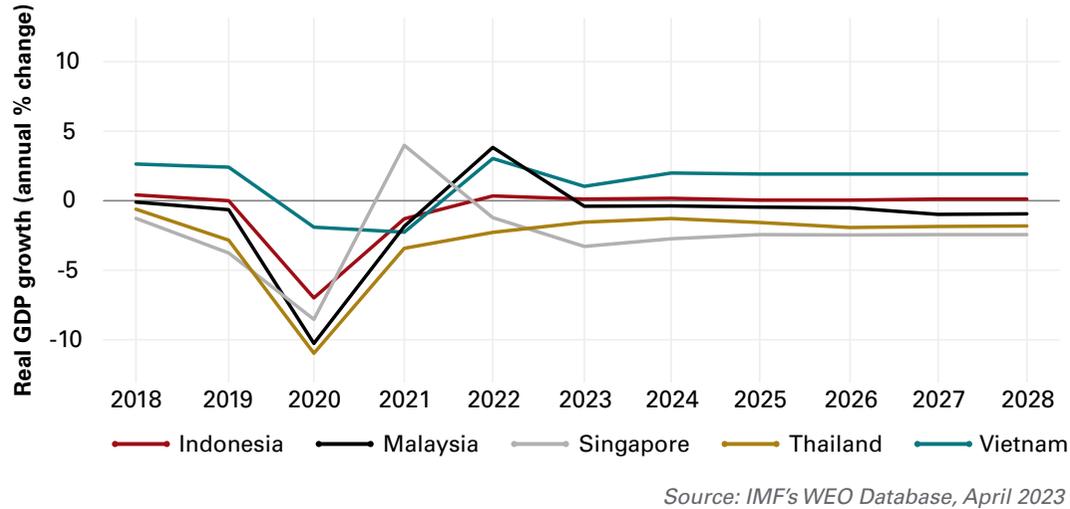
GDP growth forecasts over the 10-year period 2018-28 for the ASEAN-5 markets suggest these countries are recovering strongly from the pandemic, and that they will maintain substantial economic potential over the next few years. However, mainland China's and India's GDP growth are both forecast to taper off from 2023 onward, making it important to temper views about the prospects for the ASEAN-India and ASEAN-China corridors over the medium-term.

Moreover, FDI inflows for ASEAN, mainland China, and India paint a similarly impressive picture that underlines these three markets' growing importance as core engines of the global economy. According to the World Investment Report 2023, in 2022 FDI inflows for ASEAN, mainland China and India were \$222 billion, \$189 billion, and \$49 billion, respectively. Analysis of these three markets' share of global FDI over the past decade (2012-2022) shows this share has increased considerably, doubling from 18% in 2012 to 36% in 2022.

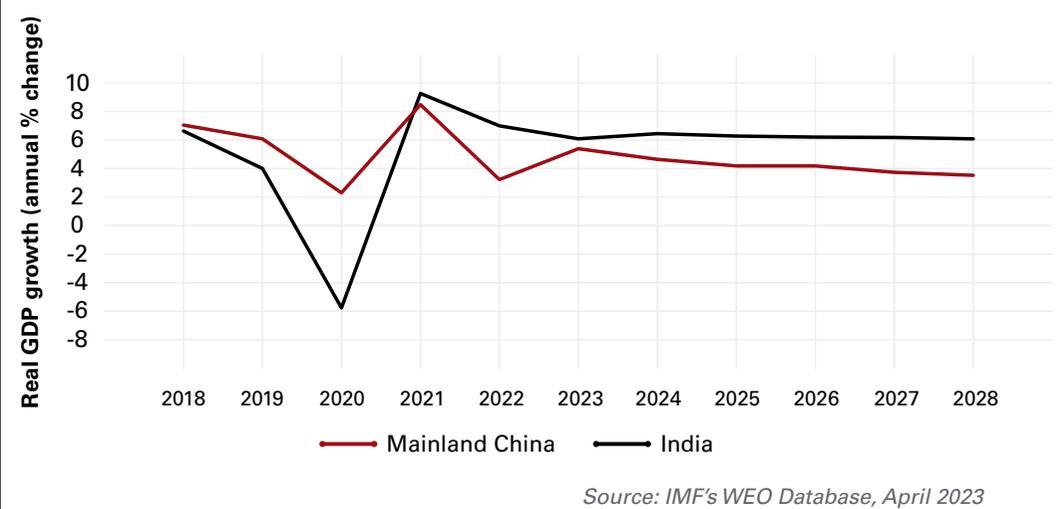


## GDP Growth Forecasts: ASEAN-5, mainland China and India

ASEAN-5 countries are recovering strongly and are projected to return to pre-pandemic GDP growth levels

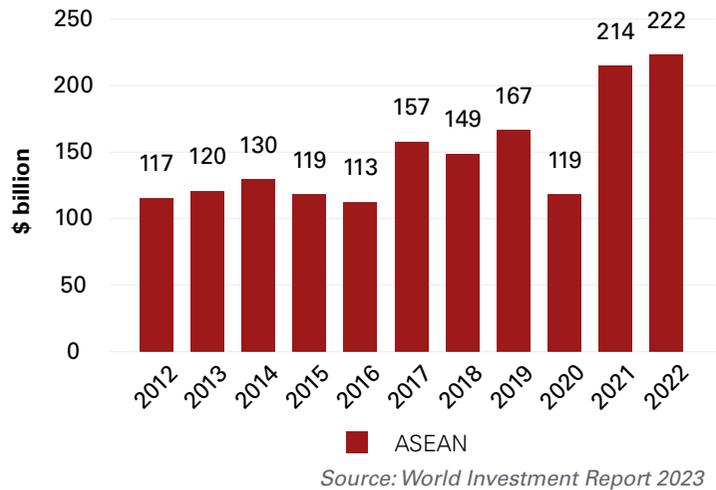


GDP Growth: Mainland China's growth is forecast to taper off from 2023 onward

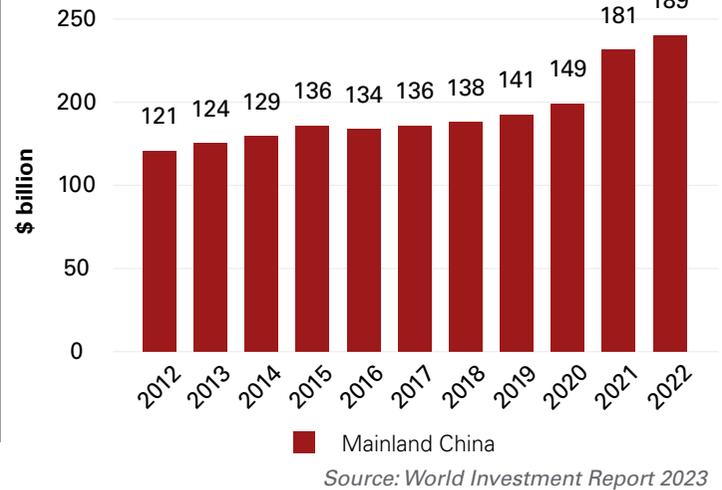


## GDP Growth Forecasts: ASEAN-5, mainland China and India

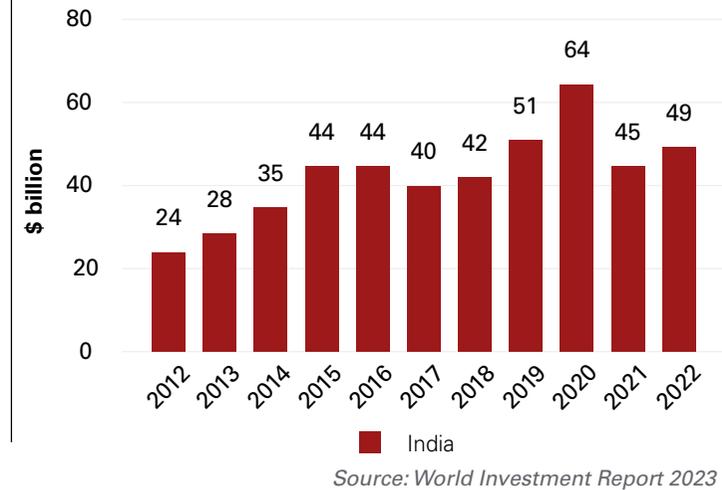
FDI inflows to ASEAN went from \$117 billion in 2012 to \$222 billion in 2022



FDI inflows to mainland China rose from \$121 billion to \$189 billion (2012-2022)



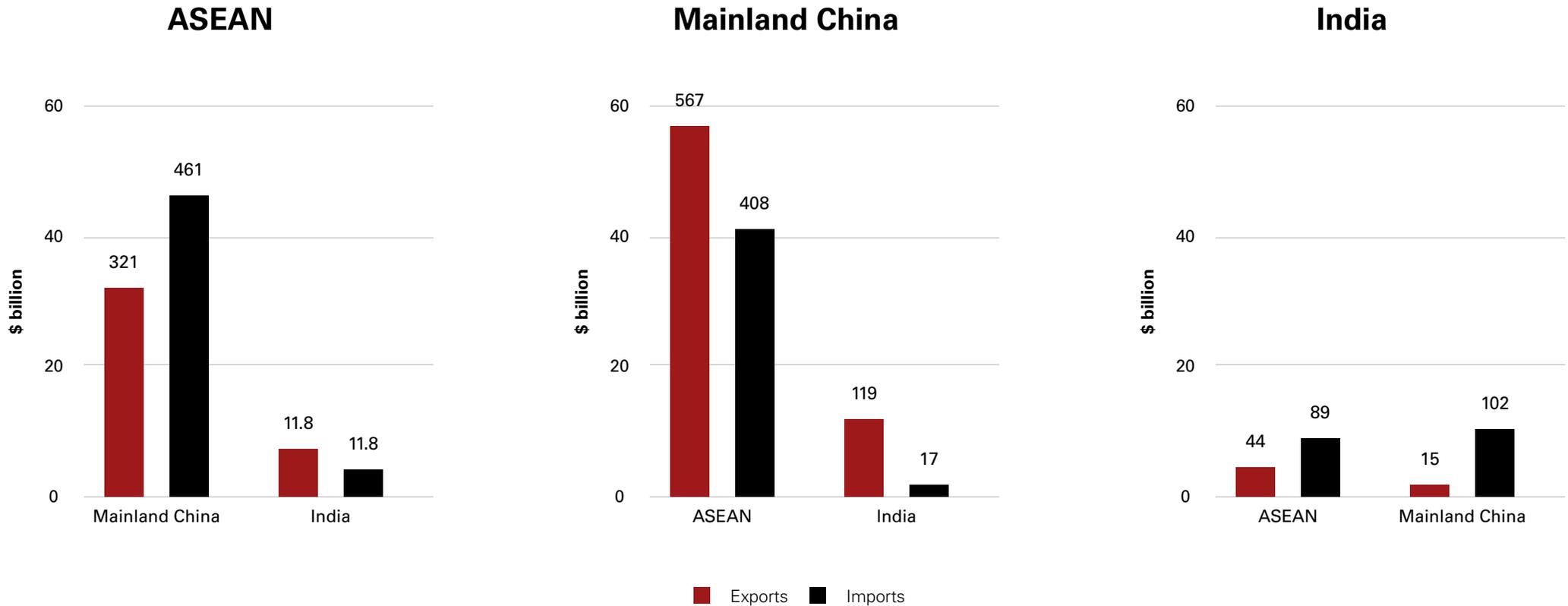
FDI into India doubled from \$24 billion in 2012 to \$49 billion in 2022



## Solid trade relations underpin the ASEAN-China-India triangular corridor, despite slowdown in Mainland China

Trade data show significant flows between ASEAN and mainland China and ASEAN and India, and vice versa. Chinese imports from ASEAN doubled from \$200 billion in 2013 to \$408 billion in 2022, while Indian imports from ASEAN rose from \$42 billion in 2013 to \$89 billion in 2022. In the other direction, ASEAN imports from mainland China more than doubled from \$198 billion in 2013 to \$461 billion in 2022, while ASEAN imports from India grew from \$26 billion in 2013 to \$41 billion in 2022.<sup>14</sup> A key insight arising from the data is the large degree of trade interdependence between ASEAN and mainland China, and ASEAN and India, which should foster further trade and collaboration along the ASEAN-China-India triangular corridors over time.

### ASEAN-China-India Trade Flows: ASEAN-China flows are substantial in both directions

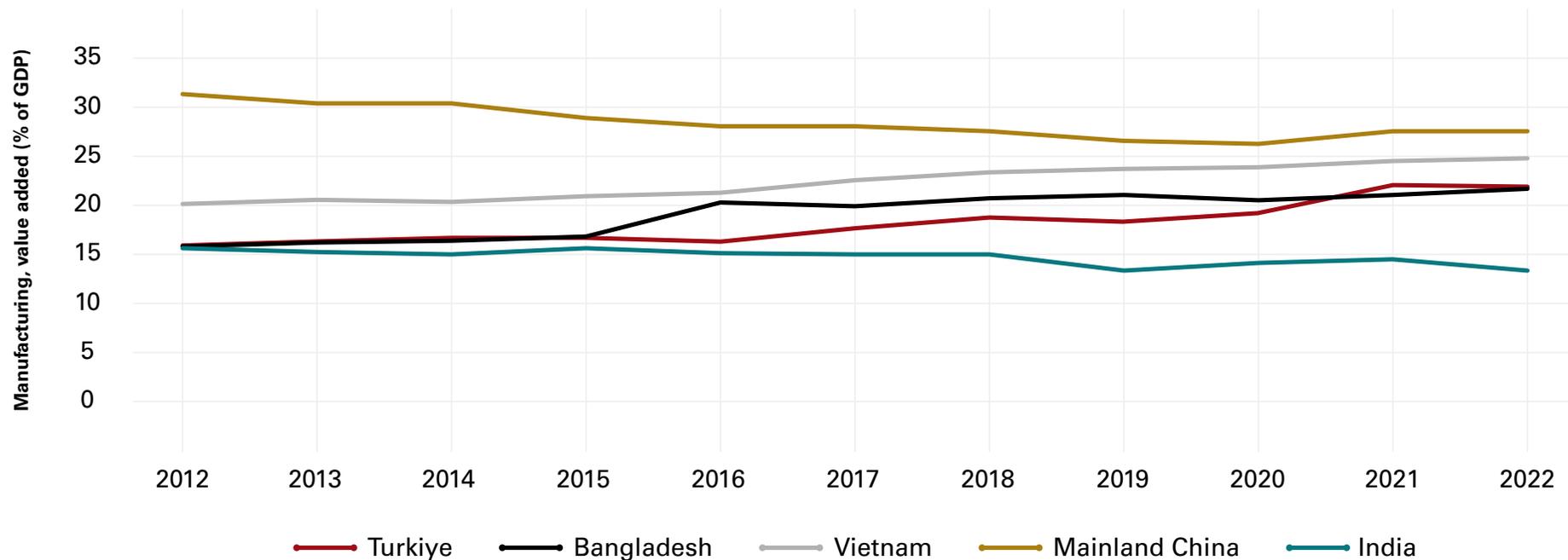


Source: ITC Trade Map, 2023

One of the major economic themes of 2023 has been the slowdown in mainland China's economy, which has been driven by a decline in the property market and low household spending, which is lower than most other major economies.<sup>15</sup> The potential impacts of mainland China's slowdown on businesses could include negative effects on exporters to mainland China and domestic retailers, due to weaker B2B and private consumption growth. Also, mainland China's slower growth will negatively impact commodity exporters such as Australia and Latin America.<sup>16</sup>

Consequently, countries are diversifying away from overreliance on mainland China and exploring opportunities in other Asian countries for manufacturing. Some of the promising countries include Vietnam and Bangladesh, both of which increased their manufacturing share of GDP significantly in the decade 2012-2022. Other beneficiaries of US and European firms' redirection away from mainland China include Malaysia.<sup>17</sup>

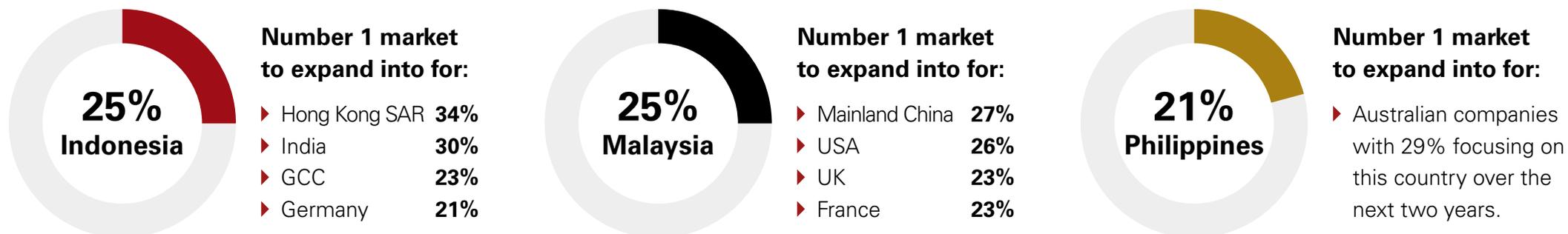
**Manufacturing's share of GDP is declining in mainland China, but rising in Vietnam and Bangladesh**



Source: World Bank, 2023

Other markets that are especially attractive for global investors and corporates to expand into are ASEAN's Indonesia, Malaysia, and the Philippines.

### Top 3 ASEAN markets to expand into over the next 2 years



Source: HSBC Global Research, 2023

The mainland China-India relationship is a story of latent potential between two giants of the global economy. On the one hand, mainland China-India trade reached an all-time high of \$135.98 billion in 2022.<sup>18</sup> On the other hand, to give some context to this figure, ASEAN-Mainland China bilateral trade totalled \$973.5 million in 2022.<sup>19</sup> Moreover, India's imports from mainland China increased across at least 25 commodity groups, including consumer electronics, automotive parts and iron and steel products, suggesting an uptake in trade and investment.<sup>20</sup> However, this growth in India's imports from mainland China is tempered by the existing trade imbalance, given India's sizeable trade deficit with mainland China, which stood at \$47.04 billion for H1 2023. Overall, the mainland China-India economic story remains a work in progress.

### Overlapping trade blocs present both opportunities and challenges for ASEAN, China, and India – but still early days

Two of the most publicised and discussed emerging regional trade networks are the Regional Comprehensive Economic Partnership (RCEP) and the Indo-Pacific Economic Framework (IPEF). Looking at RCEP and IPEF side-by-side, ASEAN markets emerge as a common denominator in both frameworks. Moreover, both trading blocs configure similarly – mainland China or India spearheads their respective blocs (RCEP and IPEF) and aligns with ASEAN and other key regional markets. In both cases, the numbers are impressive: RCEP connects 15 Asia-Pacific nations and comprises a third of global GDP,<sup>21</sup> while IPEF involves 14 nations and 40% of global GDP.<sup>22</sup> Suffice to say, both RCEP and IPEF are still in their early stages, making it premature to jump to any substantial conclusions on whether they will materialise into something more tangible, and they are both unlikely to impact trade flows in the near to medium term. Also, it is possible that the overlapping nature of both blocs may hinder the overall impact for either bloc.

Nonetheless, the development of these trading blocs represent notable achievements in trade negotiations, and this progress underscores deep historical trade and investment ties between ASEAN and mainland China and ASEAN and India, creating relatively bright prospects along both these corridors. ASEAN's linking role between mainland China and India, two giants of the Asian and global economies, will be increasingly important in years to come, given the still latent potential of the mainland China-India corridor. In section 2 of this report, we will look at the ASEAN-India aspect of the triangular corridor, while in Section 3 we will analyse the ASEAN-China aspect of the triangular corridor.

**ASEAN-India aspect  
of the triangular corridor  
is realising its potential**

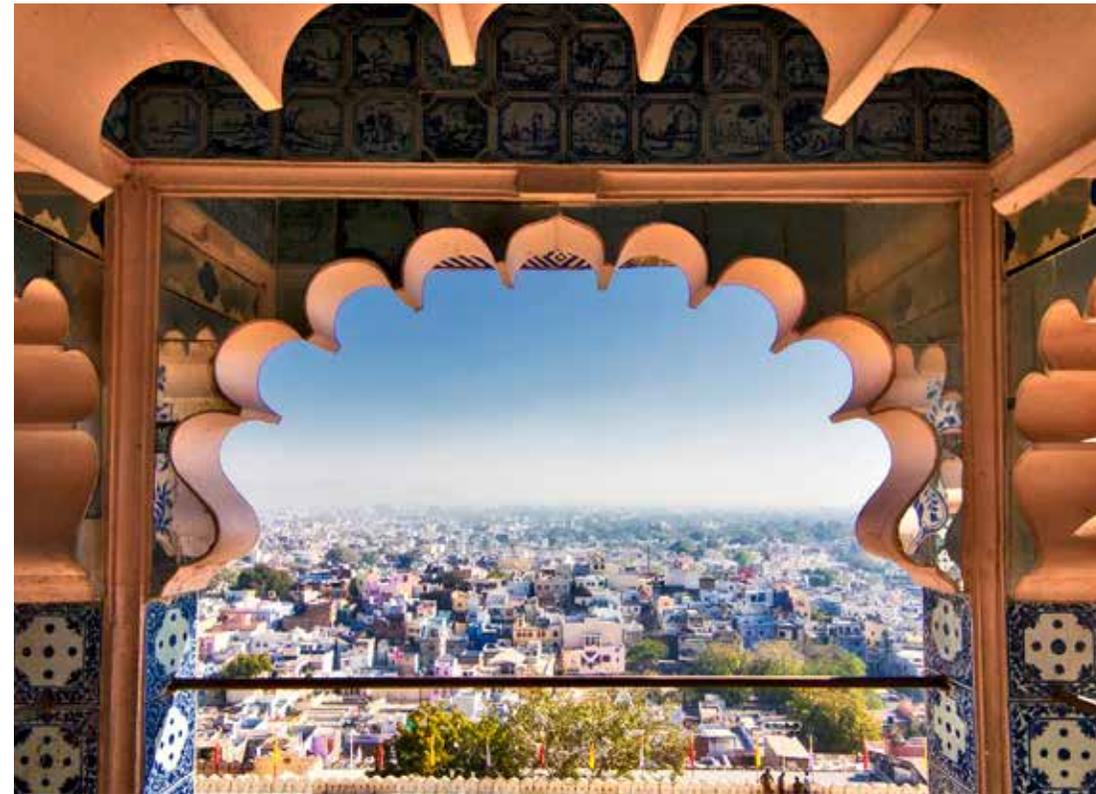


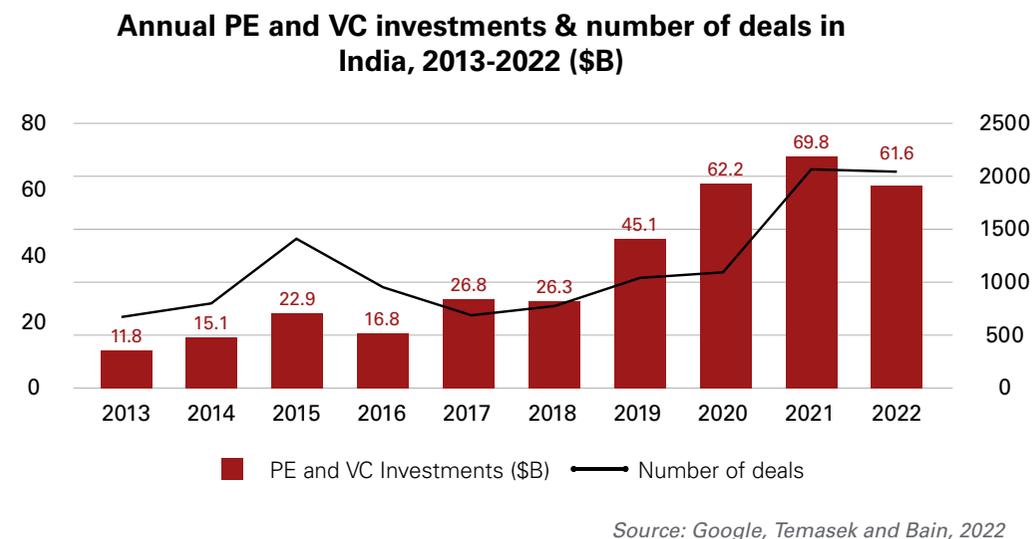
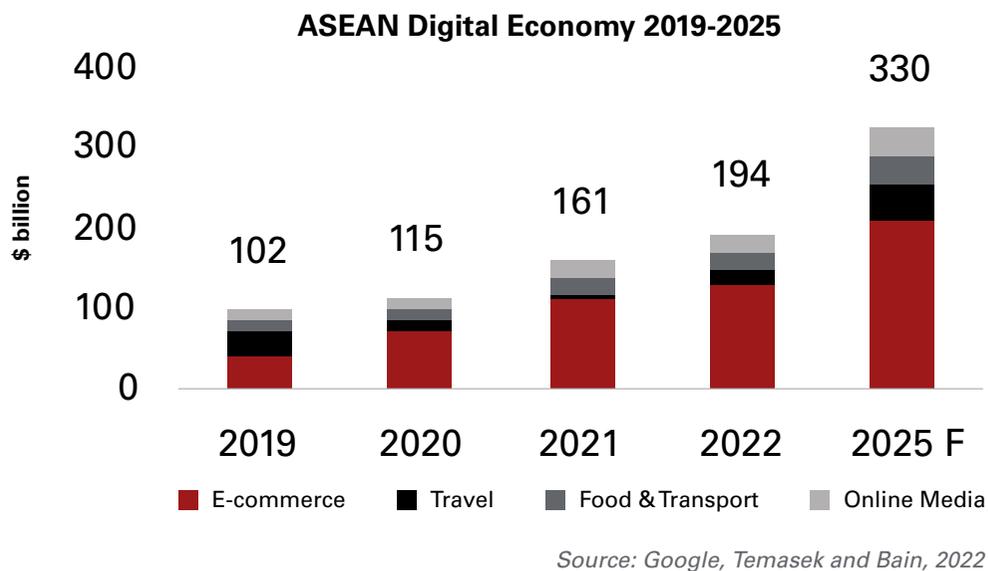
## Overview & Trends: By tapping into the opportunities presented by ASEAN's and India's booms, both sides of the corridor can unlock more opportunities soon, especially in their digital economies

Both ASEAN and India are booming economically: India's GDP in 2022 was **\$3.3 trillion**, making it the fifth largest economy in the world by GDP output.<sup>23</sup> At the same time, ASEAN is now a **\$3 trillion economy**.<sup>24</sup> Moreover, ASEAN's GDP growth exceeds that of much of the rest of the world, with the 10-member body growing 30% from 2011 to 2021, compared with global growth of 23% over the same period.<sup>25</sup> To give some context on ASEAN's place and potential in the global economy, its GDP is set to pass \$4 trillion by 2025, and it currently exports a total of \$1.3 trillion, with forecasts indicating exports will rise to US\$2.8 trillion by 2025, thus making ASEAN the world's fastest-growing trade bloc.<sup>26</sup> Furthermore, in 2020, ASEAN received \$70 billion in new investments, constituting the largest FDI inflow of any emerging market region, and if treated as a single entity, ASEAN would be the third largest economy in Asia and the fifth largest in the world after the US, China, Japan and Germany.<sup>27</sup> Also, ASEAN's population is forecast to reach 723 million by 2030, while one in six households entering the world's consuming class will be in an ASEAN country.<sup>28</sup>

Additionally, national retail sales in key ASEAN markets and India were significant, at \$1.163 trillion for India, \$407 billion for Indonesia, \$112 billion for Malaysia, and these three countries along with Vietnam (also in ASEAN) made up four of the top 10 ranked countries in 2021 in a global index on retail development.<sup>29</sup> In India, 25% growth in consumption is projected by 2030 due to premiumisation driven by the growth of high income and upper/middle income households from 38% of the economy in 2022 to 56% by 2030.<sup>30</sup> These figures and rankings suggest strong underlying consumer demand in these markets, fuelled by factors such as rising incomes, urbanisation, changing demographics. Put simply, with a combined population of over 2 billion (679 million in ASEAN in 2023<sup>31</sup> and 1.4 billion in India as of 2022<sup>32</sup>), ASEAN and India are two markets alone that hold much potential for growth that should attract global and local corporates and investors alike.

Although India and ASEAN are quite different economies with different underlying challenges and opportunities, there is a common denominator that augurs well for both markets: their rising digital economies. India's digital economy sectors alone present a **\$1 trillion opportunity**<sup>33</sup>, while ASEAN's digital economy opportunity was valued at almost \$200 billion in 2022 in terms of gross merchandise value (GMV) and is forecast to rise to \$330 billion by 2025, having already doubled across the three years to 2022.<sup>34</sup> Four sectors with large opportunity sizes power ASEAN's digital economy, or 'e-economy': e-commerce; travel and tourism; food and transport; and online media. For illustration, the charts on the next page break down ASEAN's digital economy and projected growth by sector<sup>35</sup>, as well as the notable increases in annual PE and VC investments and the number of deals from 2013-2022 which further illustrate that investors are already backing India's digital economy in a big way.





Regarding other potential sector opportunities in ASEAN for Indian corporates and investors, although key emerging sectors vary by country, some popular sectors occur across each of the ASEAN-5 markets. These include: e-commerce; digital financial services (DFS); online entertainment; online media; food & transport; and education. A 2022 report from Google, Temasek and Bain elaborated on some of the current trends in these sectors:<sup>36</sup>

ASEAN's Digital Economy	
Leading Sectors	Nascent Sectors
<ul style="list-style-type: none"> <li>▶ <b>E-commerce:</b> Marketplaces, Direct-to-Consumer, Groceries</li> <li>▶ <b>Transport &amp; Food:</b> Transport, Food delivery</li> <li>▶ <b>Online travel:</b> Flights, Hotels, Vacation rentals</li> <li>▶ <b>Online media:</b> Advertising, Gaming, Video-on-demand, Music-on-demand</li> <li>▶ <b>Financial services:</b> Payments, Remittances, Lending, Insurance, Investments</li> </ul>	<ul style="list-style-type: none"> <li>▶ Healthtech</li> <li>▶ SaaS</li> <li>▶ Web3</li> <li>▶ Edtech</li> </ul>

Source: Google, Temasek and Bain, 2022

## Current trends in ASEAN's digital economy – leading and nascent sectors

### E-commerce

17% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$211 BN



- ▶ Continued widespread adoption of e-commerce services
- ▶ But a usage gap exists between urban and suburban areas, especially in online groceries

### Travel & Tourism

37% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$44 BN



- ▶ Domestic travel is recovering well
- ▶ International travel is taking longer, held back by airlines' difficulties in meeting demand and high prices

### Food & Transport

20% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$39 BN



- ▶ Food delivery growth tripled during the pandemic, but now consumers are returning to pre-pandemic eating habits
- ▶ Transport is benefitting from workers returning to offices

### Online Media

15% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$36 BN



- ▶ Growth has slowed to single-digit figures
- ▶ Digital ads seem to have a more promising longer-term outlook due to social media engagement

### Healthcare

- ▶ Growth forecasts are promising
- ▶ Key drivers include rural adoption, poor access, and rising healthcare costs



### Education

- ▶ Several challenges for edtech in ASEAN, e.g. reduced average spend, lower uptake of online courses, and issues in scaling



In India, key digital economy opportunities for ASEAN corporates and investors include software as a service (SaaS), Fintech (especially digital payments, lending, investments and insurtech), e-commerce (both B2B and B2C). Other key opportunities in India's digital economy are edtech, healthtech, and other digital economy-enabled opportunities such as online ride-hailing, travel and media.<sup>37</sup> The growth potential for India's digital economy, also known as its internet economy, is forecast to go from a 0.5% share of India's GDP in 2010, and 4-5% share in 2022, to a **12-13% share of India's GDP by 2030**, signifying the crucial importance of the internet economy to India's growth story over the coming decade.<sup>38</sup>

It is worth noting that for ASEAN corporates to unlock these myriad opportunities in India, they will likely need to tap into various enablers, including India's skilled and creative talent, customised approaches that consider India market's specific nature, and more regulatory support. Companies can already act on the first two factors especially and help develop the regulatory ecosystem in collaboration with the relevant stakeholders. Moreover, a 2023 report from Google, Temasek and Bain explored some of the current sector trends for India's digital economy, including the sectors' compound annual growth rates (CAGR) for 2022-2025 and the opportunity side in gross merchandise value (GMV) by 2025 in to help indicate the near-term outlook:<sup>39</sup>

India's Digital Economy	
Leading Sectors	Nascent Sectors
<ul style="list-style-type: none"> <li>▶ <b>B2C E-Commerce:</b> Big-ticket items, groceries</li> <li>▶ <b>Fintech:</b> Digital payments, lending, investments</li> <li>▶ <b>Software as a service (SaaS)</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ Online food delivery</li> <li>▶ Edtech</li> <li>▶ Healthtech</li> </ul>

Source: Google, Temasek and Bain, 2022



## Current trends in India's digital economy – leading and nascent sectors

### B2C E-commerce

26% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$120 BN - \$130 BN



- ▶ India's new online shoppers are mostly young consumers and come from Tier 2+ (smaller cities outside of India's Top 60 cities)
- ▶ ~ 220M online shopper base and ~ 40M new shoppers added annually
- ▶ By 2030, B2C e-commerce is projected to grow almost 6x its current size

### Fintech

34% CAGR 2022-2025 for digital payments

Opportunity size (GMV)  
by 2025: \$46 BN - \$50 BN



- ▶ Key numbers: 5M buy-now-pay-later (BNPL) users, 18x growth in active discount broker users from 2019 to 2022, and ~10M insurance policies sold via online platforms
- ▶ Digital payment solution providers, such as payment gateways (PG) and point of sale (POS), are expanding into full-stack merchant solutions to drive higher engagement
- ▶ Financing of small-ticket consumption is growing in semi-urban regions, driven by younger users

### Software as a service (SaaS)

25% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$25 BN - \$30 BN



- ▶ Key numbers: 1.6K funded SaaS startups, 42K India-based employees working at Indian-owned SaaS companies, and 95% rise in seed deals from 2019 to 2022
- ▶ Pursuing global opportunities is possible, with a strong and supportive SaaS ecosystem in place in India
- ▶ Talent gaps remain a critical challenge; SaaS players must address limited supply and strong competition for talent

Source: Google, Temasek and Bain, 2022

## Online food delivery

22% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$14 BN - \$17 BN



- ▶ Key numbers: 1BN yearly orders via food delivery apps, 65M Indians ordered online, and 44% of outside food consumption happens via online ordering
- ▶ Full-service restaurants will probably continue shift to cloud kitchens to reduce manpower and real estate overheads

## Edtech

26% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$7 BN - \$8 BN



- ▶ Offline mismatch in supply of teachers vs. demand for courses will fuel long-term growth
- ▶ Key numbers: edtech GMV will rise to \$25-30 billion by 2030, up from just \$4 billion in 2022
- ▶ Online certifications and courses will see growing demand as the fast-evolving nature of work needs constant upskilling and reskilling

## Healthcare

41% CAGR 2022-2025

Opportunity size (GMV)  
by 2025: \$4 BN - \$5 BN

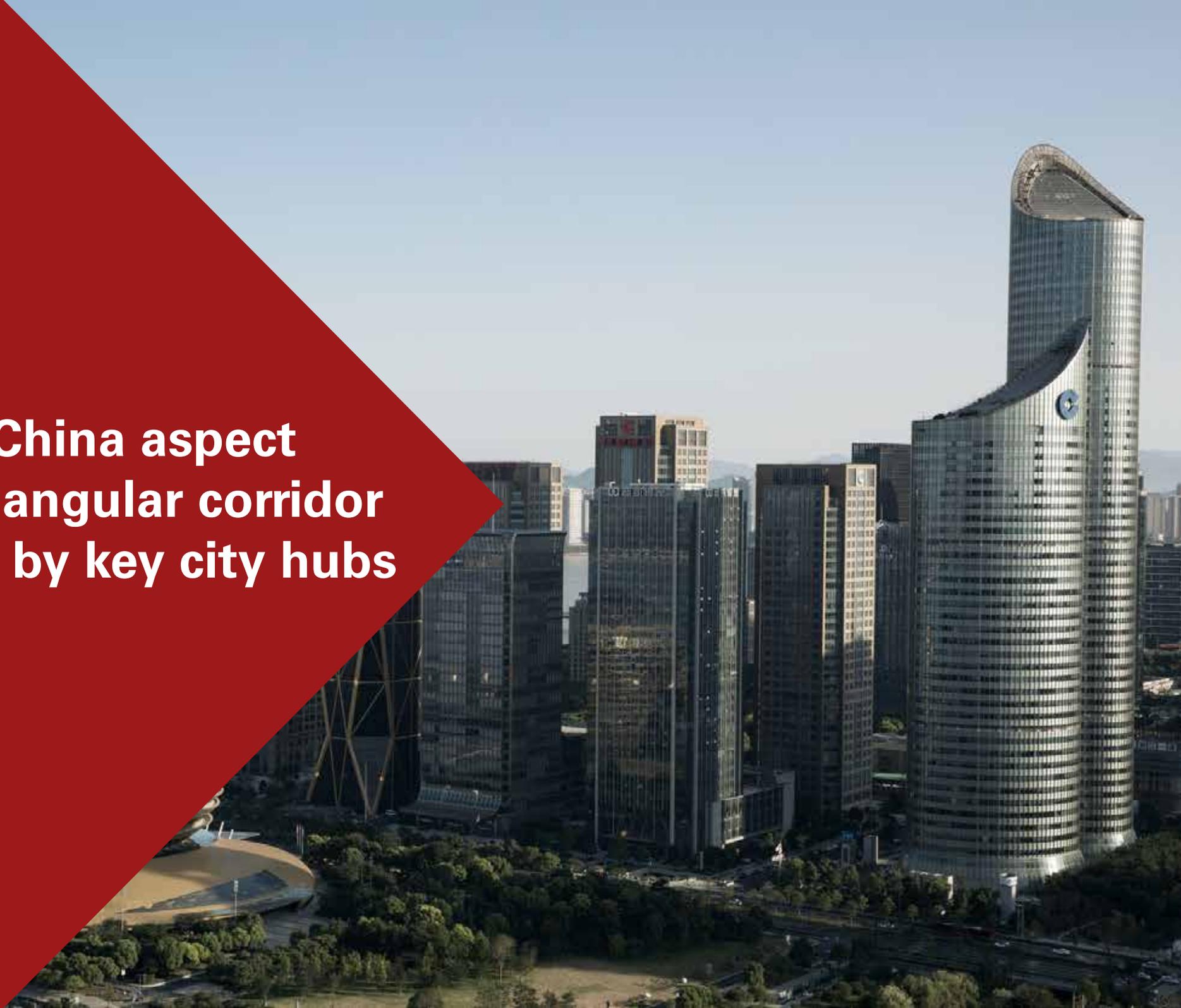


- ▶ Key numbers: 60M orders made from pharmacies, and 8K healthtech startups exist in India
- ▶ Healthtech offers considerable headroom for growth — only 2% of India's internet users go online for healthcare reasons (vs. 26% in China for overall healthcare needs)

Source: Google, Temasek and Bain, 2022

In section 3, we will analyse the ASEAN-China aspect of the triangular corridor in greater detail, and will also look at key trade sectors, overall export potential opportunities, and key sector opportunities for the ASEAN-China-India corridor.

**ASEAN-China aspect  
of the triangular corridor  
is driven by key city hubs**



## Overview & Trends: Beyond China's Greater Bay Area, there lies much latent potential in the rest of the mainland

The Greater Bay Area (GBA) has garnered much interest in recent years, and to that end, one of our reports in this series focuses exclusively on the ASEAN-GBA Corridor. At the same time, it is worth noting that there is much latent potential still to be tapped in the rest of mainland China. This section focuses on six cities in the rest of mainland China that are also collectively playing an important role in driving growth opportunities in the country – Shanghai, Beijing, Nanjing, Hangzhou, Suzhou, and Qingdao (listed by descending order of population size). For the purposes of this report, we refer to these six cities as the “Super Six,” due to their outsized impact on key economic indicators such as GDP and retail sales. As the table shows, these “Super Six” cities make up 6% of mainland China’s population but contributed **27% of mainland China’s GDP in 2021** and made up **31% of retail sales in 2021**. As such, ASEAN exporters can and should engage more with these hubs.

**“Super Six” cities in focus: Key Numbers<sup>40</sup>**

City	Province	Population (million)	Retail Sales (RMB BN)	GDP (RMB BN)
Shanghai	Shanghai Municipality	29.2	1,807.90	4,321.50
Beijing	Beijing Municipality	21.8	1,506.40	3,610.30
Nanjing	Jiangsu	9.7	720.30	1,481.80
Hangzhou	Zhejiang	8.2	6,744.00	18,109.00
Suzhou	Jiangsu	8.1	770.20	2,017.00
Qingdao	Shandong	6.0	520.40	1,240.10
<b>Mainland China Totals</b>	-	<b>1425.7</b>	<b>39,392.80</b>	<b>114,920.00</b>
<b>6 cities' % share of mainland China's totals</b>	-	<b>6%</b>	<b>31%</b>	<b>27%</b>

Source: Various - Provincial Statistical Yearbooks, HKTDC, UN and others (2020-2022)

Other trending aspects of development in the rest of mainland China include sustainability and the burgeoning youth-driven entrepreneurship opportunity. On sustainability, mainland China had its first National Ecology Day in August 2023, which helped bring attention to the country's efforts in global climate and environmental governance, including its pledges to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060.<sup>41</sup> Other salient figures that illustrate mainland China’s achievements in its environmental journey include the reduction in carbon dioxide emissions per unit of GDP by 34.4% and the decrease in its particulate matter 2.5 (PM 2.5) density by 57%, with both milestones achieved over the past decade 2013-2023. Moreover, mainland China’s forest coverage has also increased from 21.63% to 24.02%. This sustained emphasis on sustainability should in turn create new opportunities in sustainability-driven fields as domestic awareness and capacity-building around environmental, social and governance (ESG) issues continues to make strides.

Separately, given the youth unemployment situation, the next generation of Chinese workers may choose to be more entrepreneurial and establish or seek out opportunities in new industries<sup>42</sup>. Such developments will be encouraging for investors and businesses looking to expand into mainland China beyond the GBA and already saturated/expensive cities. Given that ASEAN is a top trading partner for mainland China<sup>43</sup>, it is already well-placed to make use of the opportunities arising in mainland China from the focus on sustainability and the potential rise in youth entrepreneurship.

Moreover, significant economic integration between ASEAN and mainland China is already taking place.

## // Over the last 30 years, trade between mainland China and ASEAN grew 85 times //

In 2020 ASEAN became mainland China's largest trading partner.<sup>44</sup> Such economic integration considers most of these countries' competitive advantages to create mutual synergies. For instance, Indonesia and Malaysia are rich in natural resources, while mainland China's GBA, Thailand and Vietnam are important manufacturing hubs. Additionally, Hong Kong SAR and Singapore are global financial centres, and Shenzhen is transforming itself into from mainland China's Silicon Valley to Asia's Silicon Valley. With the advent of the Regional Comprehensive Economic Partnership (RCEP) that creates a trading bloc of 15 countries that make up 30% of global GDP, further integration between ASEAN and mainland China is on the horizon, opening more opportunities for corporates and investors in both directions of the ASEAN-Mainland China corridor.<sup>45</sup>

For Chinese companies hoping to tap into the ASEAN market potential, opportunities and challenges are both abundant. Regarding challenges, each of the ten ASEAN markets offers a different development profile, necessitating a dual strategy in practice, whereby companies operating in the region have specific strategies for certain major markets (e.g. Malaysia, Indonesia, Thailand and Vietnam), and a broader regional strategy to optimise resource usage in aspects such as financing, talent development and innovation. Moreover, several high-profile companies choose to set up ASEAN regional hubs in places like Singapore, such as Ali-cloud, Google, Envison, IBM and Bytedance – in fact, 60% of companies entering Singapore use it as a regional hub for the whole of ASEAN.<sup>46</sup>

Finally, ASEAN corporates could benefit from focusing on the rapidly changing core sectors that are fuelling mainland China's next stage of growth and development. These core sectors undergoing considerable adaption include manufacturing, transportation, logistics, medicine, urban management, and finance, and are witnessing cross-sectoral disruption via novel technologies such as artificial intelligence (AI), Internet of Things (IoT), and blockchain. These technologies are also transforming crucial components of mainland China's economy such as its manufacturing sector and its supply chain capabilities.<sup>47</sup>



## Beyond the GBA: Spotlight on Chongqing

If you asked someone outside of mainland China to pinpoint Chongqing's location on a map, chances are a lot of people would struggle to do so. Yet Chongqing is the largest city in the world according to several city population lists, such as City Monitor, with close to 32 million inhabitants.<sup>49</sup> Moreover, Chongqing's growth is partly by design – in 2000, mainland China launched a “Go West” strategy to encourage investment in west Chinese cities like Chongqing and transform them into manufacturing hubs. Consequently, Chongqing is a growing area of interest for corporates and investors, as it is west mainland China's main economic hub, leveraging a strong transport infrastructure and inland port.

Chongqing is also part of the broader Chengdu-Chongqing economic circle, which is the focus of a regional development strategy like those for other economic circles such as the Guangdong-Hong Kong SAR-Macau SAR Greater Bay Area (GBA), the Yangtze River Delta and the Beijing-Tianjin-Hebei region. Part of what makes Chongqing a particularly exciting growth story is that unlike the other hubs that focus on mainland China's eastern and coastal regions, Chongqing acts as a focal point for growth, investment, and development in mainland China's western regions. Like a magnet for mainland China's domestic market of 400 million in the western region, Chongqing is a case in point on what is possible when stakeholders work together to develop a city's capabilities. For example, both Chongqing and Chengdu have invested heavily in their transport infrastructures, which in turn should enable the next phase of growth that connects both cities via the New International Land-Sea Trade Corridor to over 300 ports globally. Unsurprisingly, Chongqing is now firmly on the radar for corporates and investors, and HSBC recognised this potential by setting up a hub in Chongqing to better serve the midland part of mainland China.

In case you are still wondering: Chongqing is in south-west mainland China and straddles both the Yangtze and Jialing rivers.

### Chengdu-Chongqing economic circle: key numbers

**1.9%** of mainland China's total land mass

**6.9%** of mainland China's population in 2019

**6.3%** of mainland China's GDP in 2019

*Source: Mainland China's State Council Information Office<sup>49</sup>*

## Key trade sectors for ASEAN, mainland China, and India

The two charts display the leading export and import sectors of the ASEAN-5 nations (Indonesia, Malaysia, Singapore, Thailand, and Vietnam), mainland China and India. Key categories across the countries include mineral fuels, oils, and distillation products; electrical and electronic equipment; and machinery, nuclear reactors, and boilers.<sup>50</sup>

Top 3 Exports	Indonesia	Malaysia	Singapore	Thailand	Vietnam	Mainland China	India
1	 \$45.1 BN	 \$102.8 BN	 \$166.8 BN	 \$44.7 BN	 \$131.3 BN	 \$898.96 BN	 \$98.47 BN
2	 \$32.8 BN	 \$37.2 BN	 \$69.1 BN	 \$40.0 BN	 \$24.1 BN	 \$547.59 BN	 \$39.27 BN
3	 \$20.9 BN	 \$25.5 BN	 \$45.9 BN	 \$31.6 BN	 \$18.2 BN	 \$139.48 BN	 \$27.50 BN

Top 3 Imports	Indonesia	Malaysia	Singapore	Thailand	Vietnam	Mainland China	India
1	 \$28.8 BN	 \$71.4 BN	 \$137.7 BN	 \$52.9 BN	 \$118.1 BN	 \$668.66 BN	 \$277.24 BN
2	 \$25.8 BN	 \$29.8 BN	 \$75.3 BN	 \$41.1 BN	 \$24.1 BN	 \$402.62 BN	 \$78.17 BN
3	 \$22.3 BN	 \$21.6 BN	 \$59.8 BN	 \$29.9 BN	 \$19.9 BN	 \$272.76 BN	 \$69.68 BN

-  Mineral fuels, oils, distillation products
-  Machinery, nuclear reactors, boilers
-  Electrical, electronic equipment
-  Footwear, gaiters and the like
-  Furniture, lighting signs, prefabricated buildings
-  Ores slag and ash

-  Animal, vegetable fats and oils, cleavage products
-  Vehicles other than railway, tramway
-  Iron and steel
-  Plastics
-  Pearls, precious stones, metals, coins

Source: UN COMTRADE, 2023

## Overall opportunities: \$448 billion export potential for ASEAN-5 to mainland China and India; \$527 billion export potential for mainland China and India to ASEAN-5

Data from ITC indicate there is export potential of \$448 billion from ASEAN-5 exporting markets to mainland China and India. This figure breaks down into a \$375 billion ASEAN-5 opportunity to mainland China and a \$73 billion ASEAN-5 opportunity to India. As the table below shows, Vietnam, followed by Malaysia and Singapore, will drive the bulk of these export potential opportunities to 2027.

# \$448 billion

Export potential of ASEAN-5 to mainland China and India markets

Export Potential: ASEAN-5 countries to mainland China and India						
	Exporters					
Market (\$ million)	Indonesia	Malaysia	Singapore	Thailand	Vietnam	TOTALS
Mainland China	46,000	81,000	70,000	63,000	115,000	375,000
India	15,000	14,000	20,000	12,000	12,000	73,000
<b>TOTALS</b>	<b>61,000</b>	<b>95,000</b>	<b>90,000</b>	<b>75,000</b>	<b>127,000</b>	<b>448,000</b>

Source: ITC Export Potential Map, 2023<sup>51</sup>

Conversely, data from ITC in the other direction suggest there is export potential of \$527 billion from mainland China and India into the ASEAN-5 markets. This figure breaks down into a \$479 billion mainland China opportunity to ASEAN and a \$48 billion India opportunity to ASEAN. As the table below shows, Vietnam and Malaysia are the markets that will see the most export potential opportunities from mainland China and India in the years to 2027, making them ones to watch.

# \$527 billion

Export potential of mainland China and India to ASEAN-5 markets

Export Potential: mainland China and India to ASEAN-5 markets						
	Market (\$ million)					
Exporters	Indonesia	Malaysia	Singapore	Thailand	Vietnam	TOTALS
Mainland China	75,000	85,000	62,000	76,000	181,000	479,000
India	9,800	9,300	6,700	8,500	14,000	48,300
<b>TOTALS</b>	<b>84,800</b>	<b>94,300</b>	<b>68,700</b>	<b>84,500</b>	<b>195,000</b>	<b>527,300</b>

Source: ITC Export Potential Map, 2023<sup>52</sup>

## Key Sector opportunities: ASEAN-China-India presents considerable opportunities for corporates in various directions

Data from ITC on the sectors with the greatest untapped export potential highlight the most promising opportunities for ASEAN-5 based corporates, based on export gaps up to 2027, in the mainland China and India markets.

### Export potential opportunities: ASEAN-5 to mainland China and India markets

Exporter: Indonesia	To mainland China		To India	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
	 Ferrous metals	4,100	 Vegetable oils & fats	2,400
	 Mineral resources	3,100	 Chemicals	1,000
	 Motor vehicles & parts	1,500	 Precious metals	863

Source: ITC Export Potential Map, 2023

Exporter: Malaysia	To mainland China		To India	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
	 Electronic equipment	15,000	 Electronic equipment	3,000
	 Machinery, electricity	6,400	 Vegetable oils & fats	1,600
	 Chemicals	3,400	 Chemicals	761

Source: ITC Export Potential Map, 2023

Exporter: Singapore	To mainland China		To India	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
 Electronic equipment	14,000	 Electronic equipment	3,300	
 Machinery, electricity	7,000	 Machinery, electricity	1,900	
 Optical products, watches, & medical instruments	2,800	 Chemicals	1,300	

Source: ITC Export Potential Map, 2023

Exporter: Thailand	To mainland China		To India	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
 Electronic equipment	5,500	 Electronic equipment	1,500	
 Plastics & rubber	3,800	 Precious metals	1,300	
 Machinery, electricity	3,700	 Machinery, electricity	613	

Source: ITC Export Potential Map, 2023

Exporter: Vietnam	To mainland China		To India	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
 Electronic equipment	30,000	 Electronic equipment	4,600	
 Machinery, electricity	5,100	 Machinery, electricity	473	
 Plastics & rubber	4,100	 Footwear	277	

Source: ITC Export Potential Map, 2023

Conversely, in the other direction of the trade corridors, data from ITC on the sectors with the greatest untapped export potential also indicates the most promising opportunities for mainland China and India-based corporates exporting into the ASEAN-5 markets, based on export gaps up to 2027.

## Export potential opportunities: Mainland China and Hong Kong SAR to ASEAN-5 markets

	Indonesia		Malaysia		Singapore		Thailand		Vietnam	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
Exporter: Mainland China	 Machinery, electricity	6,800	 Electronic equipment	15,000	 Electronic equipment	9,100	 Electronic equipment	7,900	 Electronic equipment	36,000
	 Electronic equipment	3,900	 Machinery, electricity	6,500	 Machinery, electricity	5,000	 Machinery, electricity	4,100	 Machinery, electricity	13,000
	 Miscellaneous manufactured products	2,000	 Plastics & rubber	1,900	 Miscellaneous manufactured products	1,200	 Metal products	1,600	 Synthetic textile fabric	5,300

Source: ITC Export Potential Map, 2023

	Indonesia		Malaysia		Singapore		Thailand		Vietnam	
	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)	Top Sectors	Export Gap (\$ million)
Exporter: India	 Ferrous metals	1,000	 Machinery, electricity	729	 Jewellery & precious metal articles	770	 Ferrous metals	627	 Machinery, electricity	1,300
	 Machinery, electricity	926	 Ferrous metals	709	 Machinery, electricity	656	 Machinery, electricity	505	 Metals (except ferrous & precious)	950
	 Chemicals	690	 Plastics & rubber	530	 Chemicals	422	 Chemicals	493	 Chemicals	910

Source: ITC Export Potential Map, 2023

## Challenges to watch out for when doing business along the ASEAN-China-India triangular corridor

Although the outlook for doing business is mainly positive along the ASEAN-China-India corridor, there are several challenges to market entry in each of the three markets that corporates and investors should be aware of and consider when formulating their business strategies and execution timelines. Several key challenges are outlined in the table below:

### Market entry challenges along the ASEAN-China-India triangular corridor

In ASEAN	In Mainland China	In India
<p><b>Large variation</b> between economies within ASEAN</p> <p>Lack of a common regional <b>currency</b></p> <p>Lack of open <b>borders</b> within ASEAN region</p> <p><b>Separate regulations</b> for each of the ten ASEAN markets</p>	<p>Rising <b>labour costs</b></p> <p><b>Industrial overcapacity</b> in some segments</p> <p><b>The rise of formidable domestic challengers:</b> within the mainland China market, local competitors are fast emerging that are posing a serious challenge to foreign corporates and investors</p> <p><b>Mainland China's ageing population:</b> this is reducing the labour supply</p>	<p><b>High Tariffs and Protectionist Policies:</b> India has the highest average applied tariff of any G20 country</p> <p><b>Price Sensitivity:</b> Indian companies and consumers are highly price sensitive, making it important to adjust sales models where needed</p> <p><b>Infrastructure:</b> road, rail, and airports and seaports all face capacity constraints</p> <p><b>Power of States:</b> States are encouraged to compete against each other, making it crucial for corporates and investors to tailor strategies specific to each state's strengths and challenges</p>

Sources: Bain & Company (2020), Trade.gov (2022 & 2023) and McKinsey & Company (2023)<sup>9</sup>

# Conclusion

The ASEAN-China and ASEAN-India corridors present numerous opportunities for investors and corporates in the three markets.

ASEAN holds enormous promise due to its large and growing population and economy. It has a rapidly expanding consumer base driven by trends including urbanisation, high-value-added services, and a developed export trade. The digital economy holds particular promise for an increasingly digitally savvy population base, driven largely by e-commerce, travel, food and transport, and online media sectors.

There remain challenges for market entrants to the region, however, such as their highly diversified economies, currencies, and regulatory regimes, and a lack of open borders. China and India-based corporates seeking to make headway in ASEAN markets will need to design strategies tailored to each, and take heed of key success factors and trends such as supply chain adaptations and a heightened focus on workforce and ESG aspects.

Future trends will similarly present challenges but also opportunities for ASEAN-based corporates and investors seeking to enter India such as in the nascent sectors of edtech and healthtech. ASEAN corporates will likely need to tap into various enablers, including India's skilled and creative talent, customised approaches that consider India market's specific nature, and more regulatory support.

For ASEAN corporates and investors looking to China, the six cities of Shanghai, Beijing, Nanjing, Hangzhou, Suzhou, and Qingdao hold growth opportunities beyond China's Greater Bay Area. Trending aspects of development in these cities include sustainability and the burgeoning youth-driven entrepreneurship opportunity. ASEAN corporates could also benefit from focusing on the rapidly changing core sectors that are fuelling China's next stage of growth and development, which include manufacturing, transportation, logistics, medicine, urban management, and finance.



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