



The background of the slide features a large iceberg floating in a blue ocean. The tip of the iceberg, which is visible above the water, is relatively small and jagged. The vast majority of the iceberg is submerged below the water surface, illustrating the concept of hidden potential or a large footprint that is not immediately apparent. The water is a deep blue, and the sky is a lighter blue with some wispy clouds.

# ASEAN Pathfinder Project

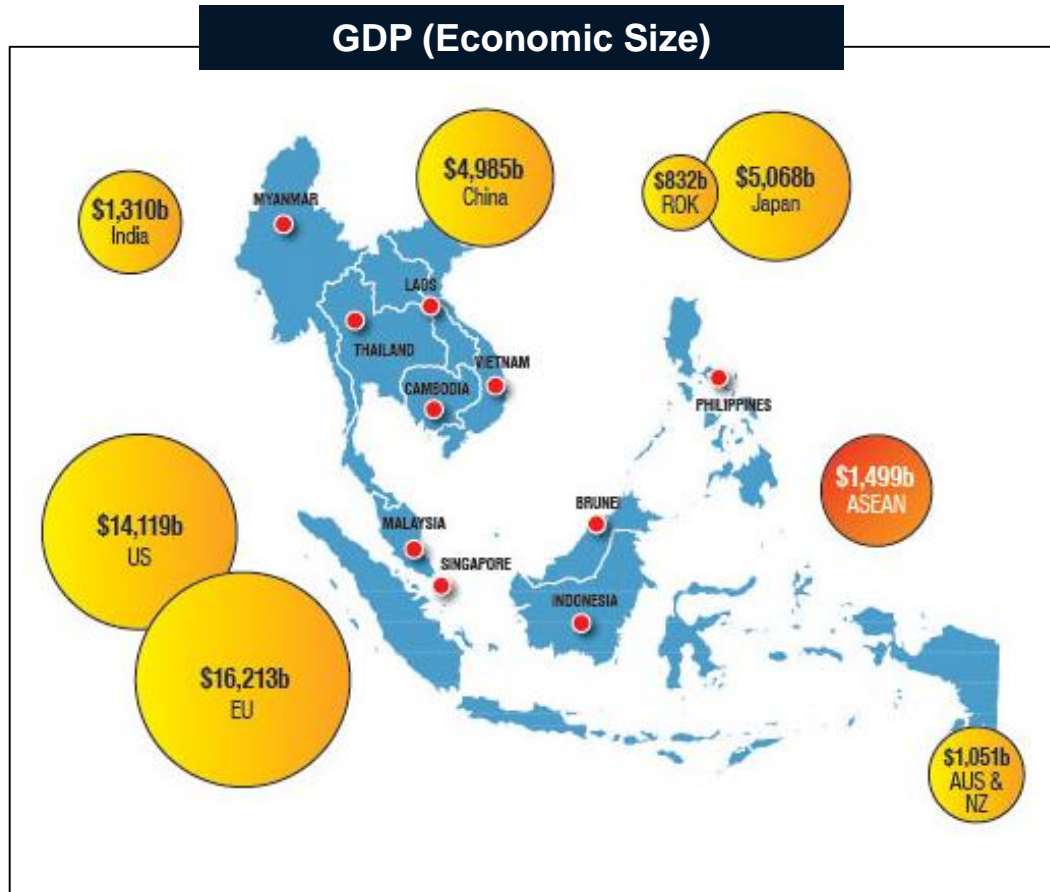
**Fostering private sector players to expand their footprint across ASEAN**

**14 May 2015**

**Presented by YB Senator Dato' Sri Idris Jala**

Minister in the Prime Minister's Department, CEO of PEMANDU and Managing Director of BFR Institute

# ASEAN is the 7<sup>th</sup> largest economy in the world



## Benefits of Greater ASEAN Economic Integration

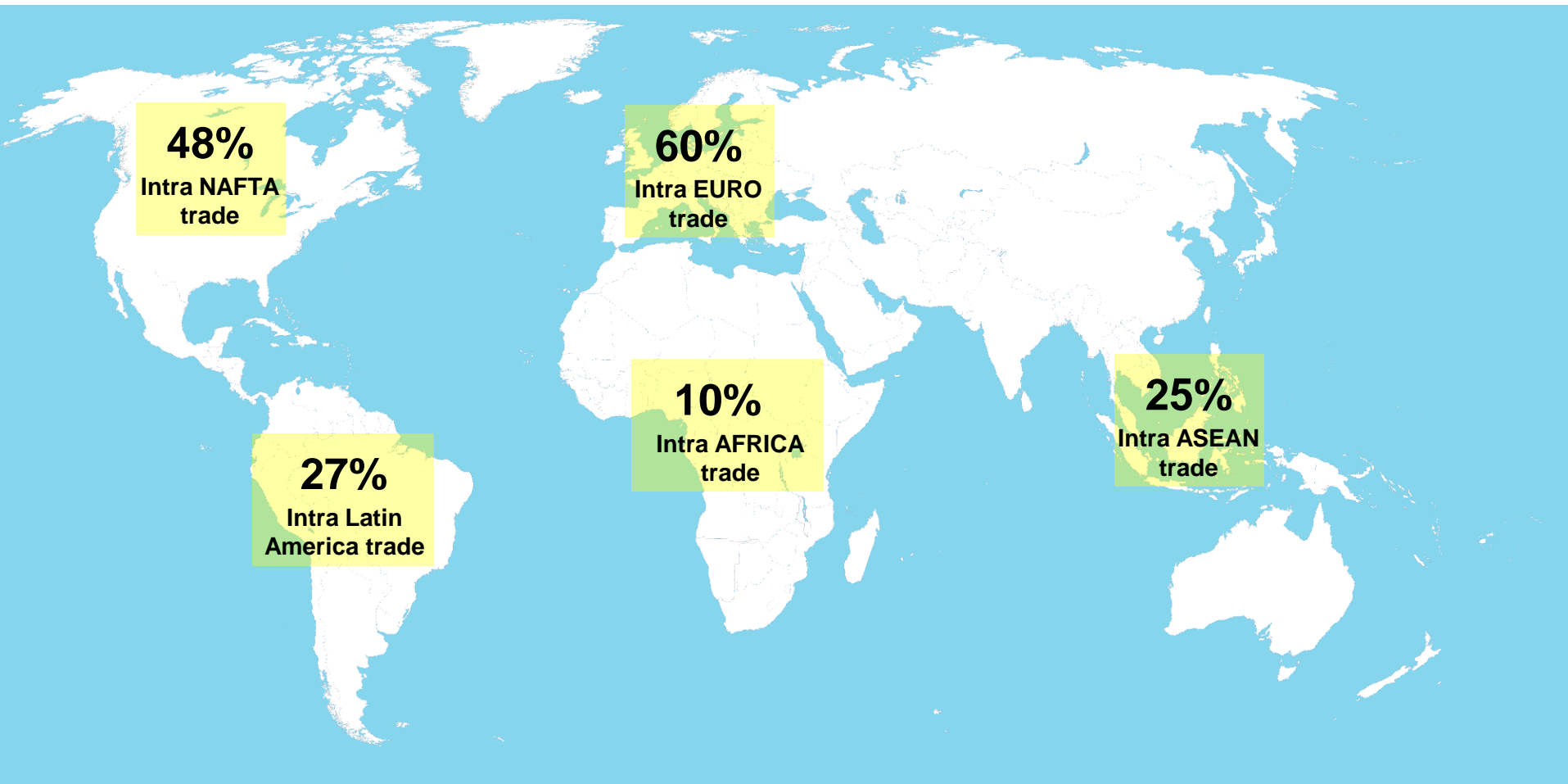
- Larger internal market, leading to greater regional economic stability at the national level<sup>1</sup>
- Greater investment opportunities for ASEAN firms with fewer transaction costs<sup>2</sup>
- More job opportunities for ASEAN citizens<sup>3</sup>
- Greater geopolitical leverage vis-à-vis larger nations, in the areas of security, territorial claims and trade policy

(1) Note: Assuming free movement of capital and skilled labour, as well as trade

(2) Driven by policy and standards harmonisation as well as the incentives of an open market

(3) In principle, opportunities for skilled citizens to work in any ASEAN nation

While much has been done at the policy level, intra-ASEAN trade has remained **relatively low at 25%** compared to other regions...



Source: AFDB, ASEAN, EC Europa, Global Edge, Economist

All data are as of year 2013 except NAFTA - 2012

# ...and the number of ASEAN companies that have more than USD1 billion revenue annually is also relatively very low

Companies with Headquarters of more than USD1 billion in revenue in 2010

2010		Number of companies <sup>1</sup>	Company revenue \$ billion	Average revenue per company \$ billion
1	United States	2,123	15,221	7.2
2	Japan	1,028	7,347	7.1
3	China	674	6,208	9.2
4	Germany	463	3,729	8.1
5	United Kingdom	358	2,818	7.9
6	France	236	3,075	13.0
	<b>ASEAN<sup>2</sup></b>	<b>227</b>	<b>1,068</b>	<b>4.7</b>
7	Australia	203	960	4.7
8	Canada	194	1,071	5.5
9	Italy	179	1,149	6.4
10	Russia	165	924	5.6
11	India	158	898	5.7
12	South Korea	151	1,398	9.3
13	Switzerland	140	1,308	9.3

ASEAN is home to 227 of world's largest companies and ranked 7<sup>th</sup> largest host of such companies:

## Ranking of ASEAN Member States

2010		Number of companies <sup>1</sup>	Company revenue \$ billion	Average revenue per company \$ billion
23	Singapore	64	343	5.4
28	Thailand	51	259	5.1
31	Malaysia	40	193	4.8
36	Indonesia	33	136	4.1
43	Vietnam	20	90	4.5
44	Philippines	19	47	2.5

Source: McKinsey

# Let us reflect on the implementation of the AEC blueprint

# The AEC Blueprint was adopted in 2007 to enhance intra-trade amongst ASEAN countries

**To drive economic integration thus enhancing intra-trade while integrating better into the global economy**

Single Market and Production Base	Competitive Economic Region	Equitable Economic Development	Integration into Global Economy
<ol style="list-style-type: none"> <li>1. Free flow of goods</li> <li>2. Free flow of services</li> <li>3. Free flow of investment</li> <li>4. Freer flow of capital</li> <li>5. Free flow of skilled labour</li> <li>6. Priority Integration Sectors</li> <li>7. Food, Agriculture and Forestry</li> </ol>	<ol style="list-style-type: none"> <li>1. Competition Policy</li> <li>2. Consumer Protection</li> <li>3. Intellectual Property Rights (IPR)</li> <li>4. Infrastructure Development</li> <li>5. Taxation</li> <li>6. E-Commerce</li> </ol>	<ol style="list-style-type: none"> <li>1. SME development</li> <li>2. Initiative for ASEAN Integration (IAI)</li> </ol>	<ol style="list-style-type: none"> <li>1. Coherent Approach towards External Economic Relations</li> <li>2. Enhanced participation in global supply networks</li> </ol>

Source: ASEAN

# Based on the various engagement platforms, there are key issues raised that is affecting the implementation of the AEC blueprint

## Summits related to AEC in 2014

**The Economist**

South East Asia Summit 2014, Jakarta (26-27 Aug 2014)

**FT** FINANCIAL TIMES

ASEAN Economic Summit 2014, Singapore (11-12 Nov 2014)

**Bloomberg**

ASEAN Business Summit 2014, Bangkok (1-2 Dec 2014)

**A**

Overwhelming view from the private sector that **implementation is not fast**

**B**

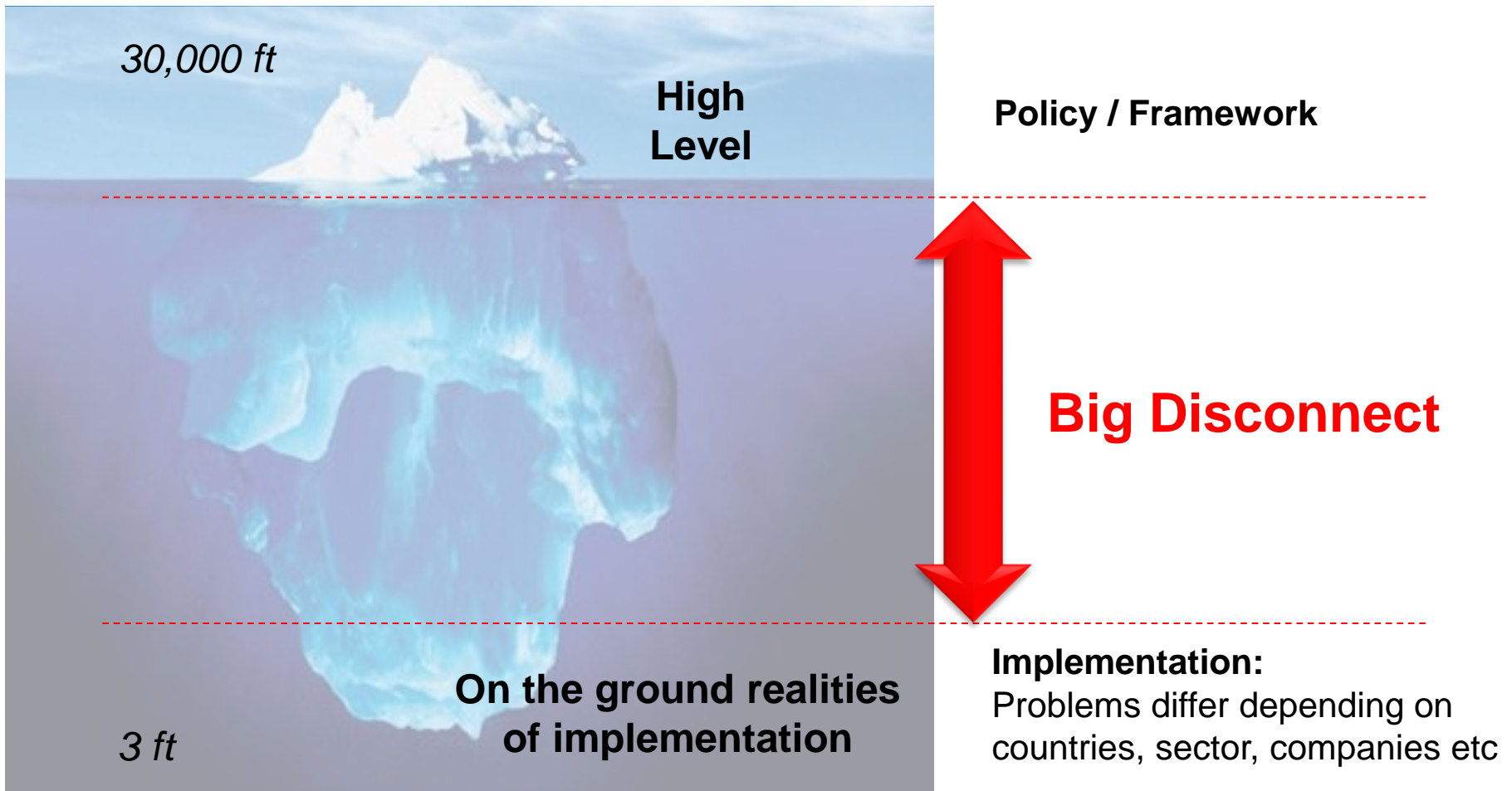
**Policy level solutions are good** i.e. removal of tariff barriers **but implementation is an issue** i.e. non tariff barriers

**C**

Different level of country development leads to a **perception that some ASEAN countries are benefiting better than others** (smaller developing countries are overwhelmed)



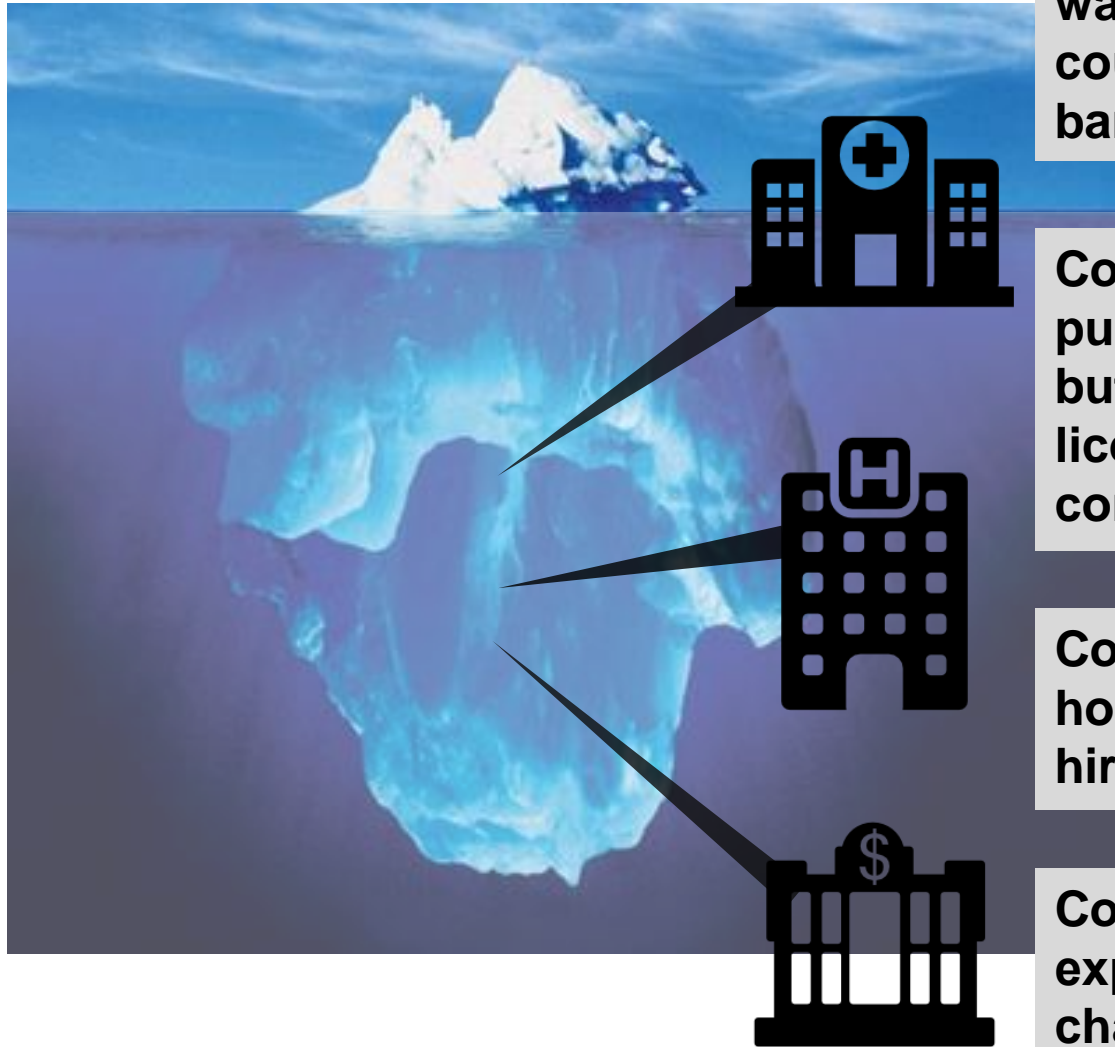
# There is a big disconnect between high level decision making and ground level implementation



At high level policy, AEC seems to be a reality. However, the companies that want to expand regionally face many different challenges and problems



# Illustrations of different hidden challenges faced by various companies



**Company A (hospital/clinic) wants to expand but host country has many non-tariff barriers**

**Company B (hotel) has purchased land in host country but it is unable to secure license/approval to commence construction**

**Company C (Bank) operates in host country but not allowed to hire ASEAN expatriates**

**Company D would like to export it's goods but have challenges with non-tariff barriers**

# **We need to change the way we operate— how?**

**By doing, we learn how to transform quickly and effectively...**



# Doing things differently: The Economic Transformation Programme (ETP) and the Government Transformation Programme (GTP)

We took a  
radical and  
transformational  
approach (BFR™  
Methodology)



# June-July 2010: We conducted 12 National Key Economic Areas (NKEA) Labs

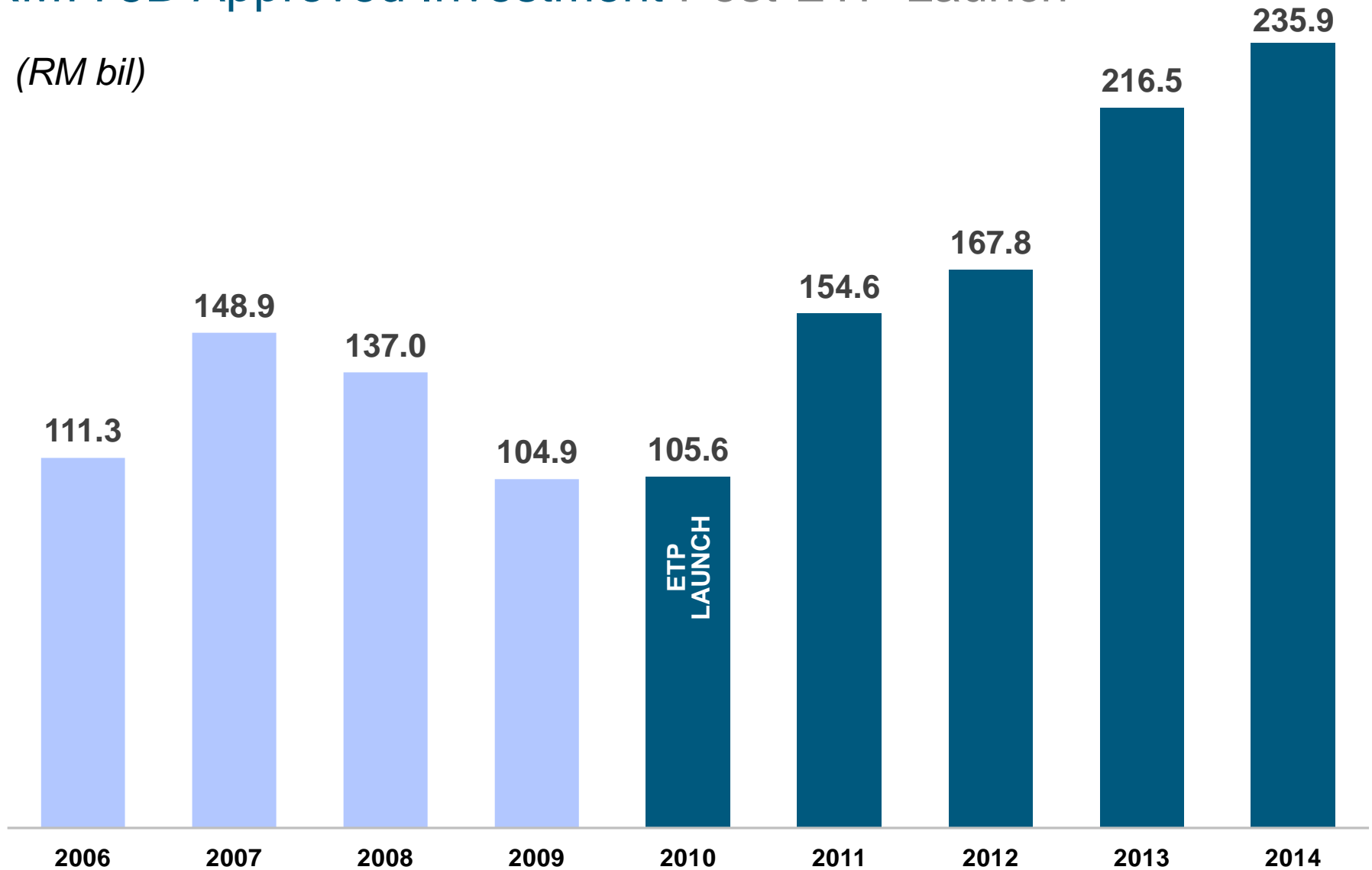
500+ member lab from 210 companies, 13 NGOs & 32 government agencies



# Strong Pipeline

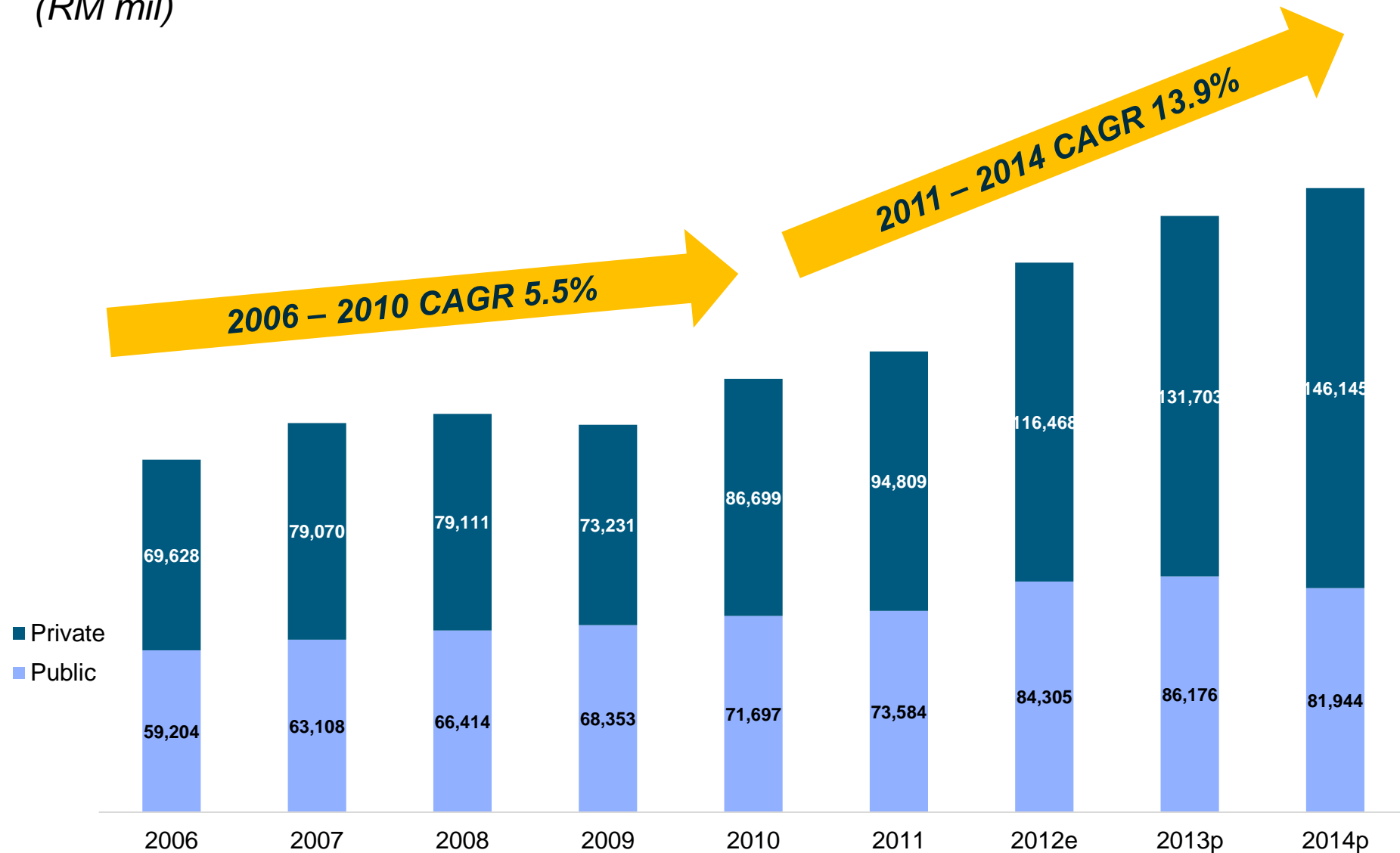
## RM775B Approved Investment Post-ETP Launch

(RM bil)



# Realised Private Investment Accelerated Post-ETP

(RM mil)





**What about the AEC?**

**How to achieve solutions with results  
that can be felt**

# We need to get businesses to lead, with the support of governments to pave the way

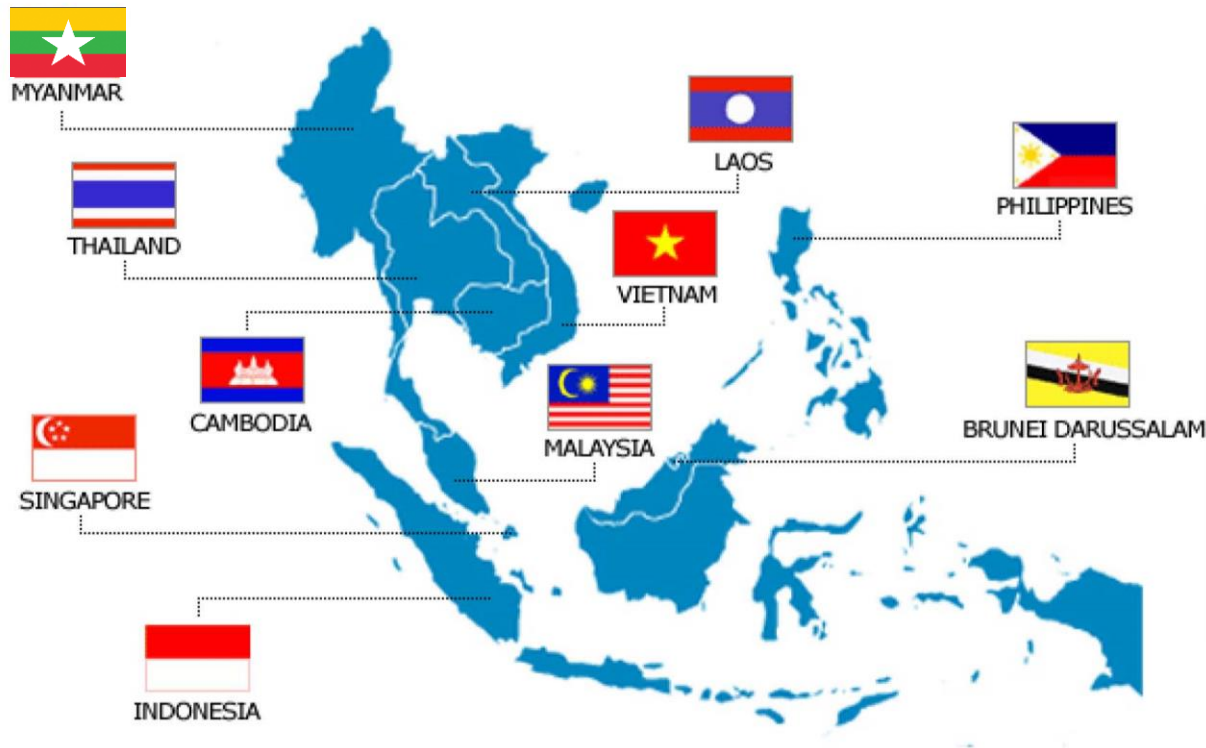


**Solve ground-level problems to show the way forward**

## 3 Drivers to make the AEC happen:

- ✓ **Business-led** – Companies have the answers
- ✓ **Results driven** – Governments have the “muscle”
- ✓ **Discipline of action** – What gets measured *consistently* gets done

# We plan to complete the AEC Roadmap by operationalizing the economic plan through pathfinder projects



## Wave 1:

Develop 10 local champions from each ASEAN country who are existing or new companies that intend to expand their foot print to the ASEAN region

**10 companies X 10 countries = 100 pathfinder companies**

# Every country must be represented by their private sector players from all scales

## *Example of private sector breakdown*

3

Big players

4

Medium size entrepreneurs

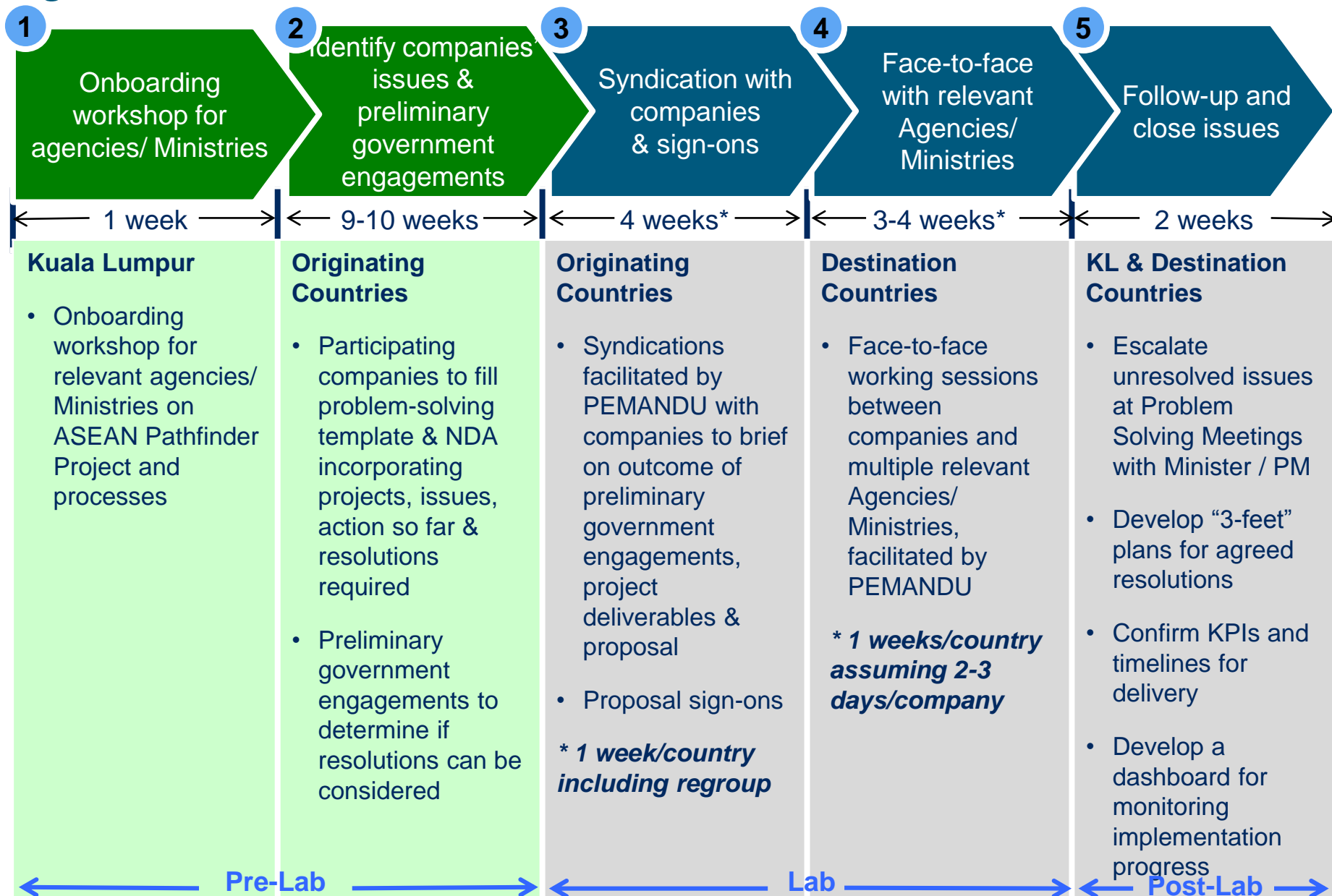
3

Small size entrepreneurs

Identify companies that will participate in Wave 1 which are big – medium – small players through the following guidelines, for example:

1	<b>Proven track-record</b> have been operating in home country for at least 5-10 years
2	<b>Has clear ASEAN expansion strategy</b> competitive advantage matched to specific ASEAN markets
3	<b>Sound financials</b> consistent revenue and income growth; solid balance sheet
4	<b>Has capacity (resources) and capability (knowledge) for ASEAN expansion</b>
5	<b>Has already started with some effort in ASEAN expansion</b> Commenced initial engagement with relevant agencies/ Ministries; applications submitted

# High level timeline

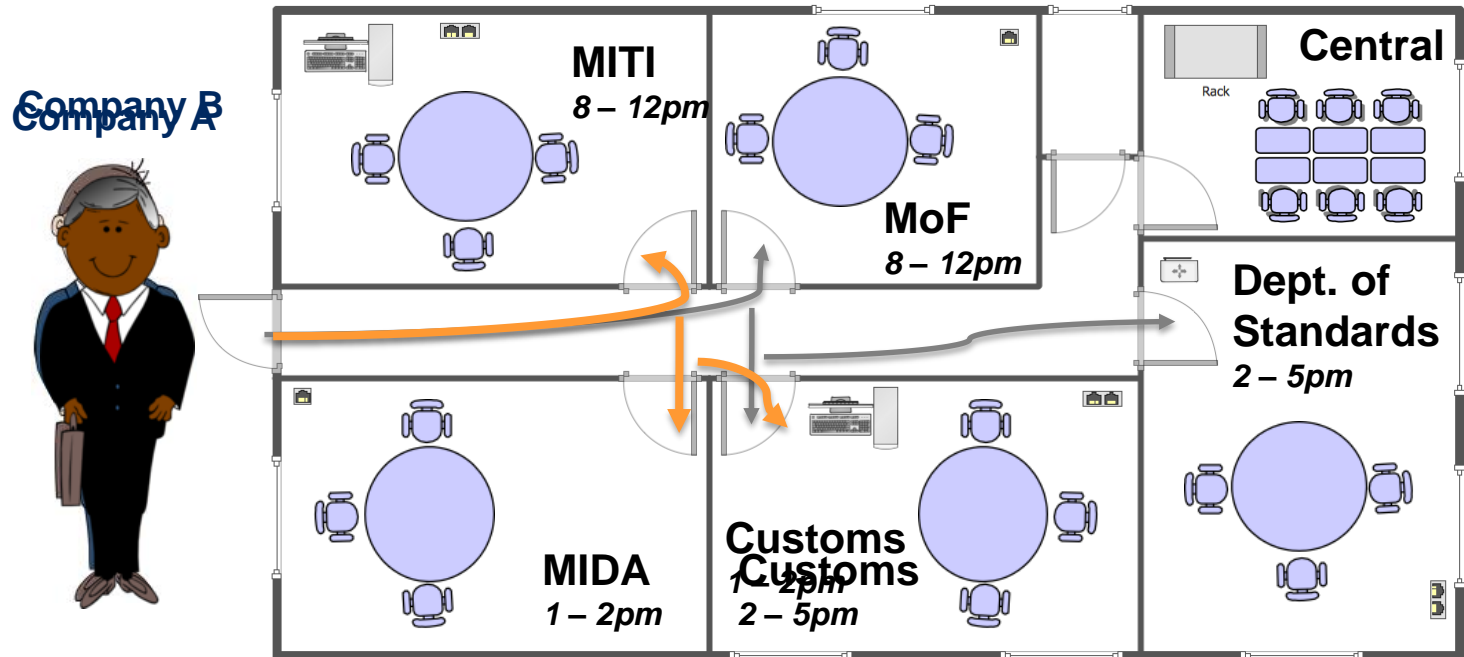


# An example: Engaging Malaysia

Face-to-face  
with relevant Agencies/ Ministries



At each destination country, sessions are organized with Agencies/ Ministries for resolution of issues



- Key decision makers from Agencies/ Ministries are brought to one location, and divided up into rooms according to issue
- Sessions with companies will be facilitated by PEMANDU

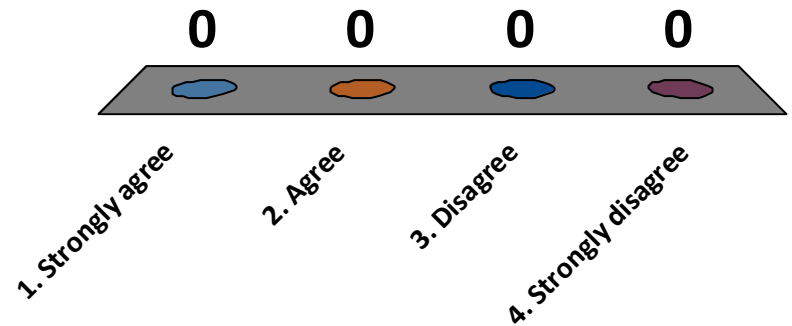
# The pathfinder project opens the path rather than bypass



# What is your take?

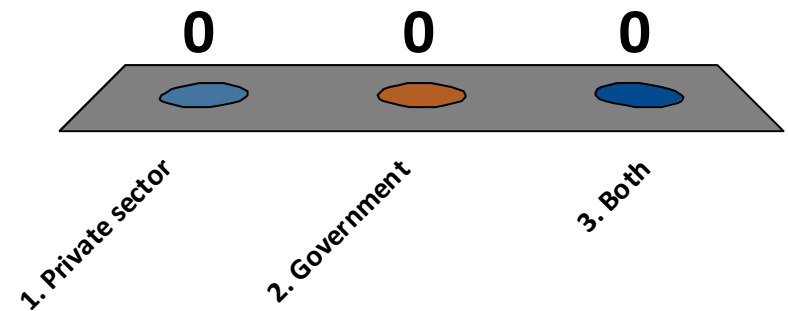
Do you agree that this needs to be executed immediately in order to make **YOU - our local champions become global/regional players?**

1. Strongly agree
2. Agree
3. Disagree
4. Strongly disagree



# Who do you think should fund this initiative, private sector or government?

1. Private sector
2. Government
3. Both



# Our expected cost?

# Expected cost of conducting Wave 1 pathfinder Projects

## Proposal

Large Companies:	<b>USD 23,900 per company</b>
Medium Sized Companies:	<b>USD 15,300 per company</b>
Small Companies:	<b>Cost absorbed</b>

All cost excludes participant's flight and accommodation

# What's next?

# Next Steps

Action Items	Deadline
1. Governments to appoint country facilitators	<b>5 June 2015</b>
2. Onboarding workshop for country facilitators	<b>16 June 2015</b>
3. Ministry of Trade/Commerce to engage and select companies	<b>1 June 2015</b>
4. Face to face syndications with agencies in destination countries to start	<b>1 Sept 2015</b>



# Q & A