ASEAN Pathfinder Project

Fostering private sector players to expand their footprint across ASEAN

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Presented by YB Senator Dato' Sri Idris Jala
Minister in the Prime Minister’s Department, CEO of PEMANDU and Managing Director of BFR Institute
Benefits of Greater ASEAN Economic Integration

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

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\(^1\) 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

<table>
<thead>
<tr>
<th>2010</th>
<th>Number of companies¹</th>
<th>Company revenue $ billion</th>
<th>Average revenue per company $ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 United States</td>
<td>2,123</td>
<td>15,221</td>
<td>7.2</td>
</tr>
<tr>
<td>2 Japan</td>
<td>1,028</td>
<td>7,347</td>
<td>7.1</td>
</tr>
<tr>
<td>3 China</td>
<td>674</td>
<td>6,208</td>
<td>9.2</td>
</tr>
<tr>
<td>4 Germany</td>
<td>463</td>
<td>3,729</td>
<td>8.1</td>
</tr>
<tr>
<td>5 United Kingdom</td>
<td>358</td>
<td>2,818</td>
<td>7.9</td>
</tr>
<tr>
<td>6 France</td>
<td>236</td>
<td>3,075</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>ASEAN²</strong></td>
<td><strong>227</strong></td>
<td><strong>1,068</strong></td>
<td><strong>4.7</strong></td>
</tr>
<tr>
<td>7 Australia</td>
<td>203</td>
<td>980</td>
<td>4.7</td>
</tr>
<tr>
<td>8 Canada</td>
<td>194</td>
<td>1,071</td>
<td>5.5</td>
</tr>
<tr>
<td>9 Italy</td>
<td>179</td>
<td>1,149</td>
<td>6.4</td>
</tr>
<tr>
<td>10 Russia</td>
<td>165</td>
<td>924</td>
<td>5.6</td>
</tr>
<tr>
<td>11 India</td>
<td>158</td>
<td>898</td>
<td>5.7</td>
</tr>
<tr>
<td>12 South Korea</td>
<td>151</td>
<td>1,398</td>
<td>9.3</td>
</tr>
<tr>
<td>13 Switzerland</td>
<td>140</td>
<td>1,308</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Source: McKinsey

ASEAN is home to 227 of world’s largest companies and ranked 7th largest host of such companies:

Ranking of ASEAN Member States

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<th>Number of companies¹</th>
<th>Company revenue $ billion</th>
<th>Average revenue per company $ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Singapore 64</td>
<td>343</td>
<td>5.4</td>
</tr>
<tr>
<td>28</td>
<td>Thailand 51</td>
<td>259</td>
<td>5.1</td>
</tr>
<tr>
<td>31</td>
<td>Malaysia 40</td>
<td>193</td>
<td>4.8</td>
</tr>
<tr>
<td>36</td>
<td>Indonesia 33</td>
<td>136</td>
<td>4.1</td>
</tr>
<tr>
<td>43</td>
<td>Vietnam 20</td>
<td>90</td>
<td>4.5</td>
</tr>
<tr>
<td>44</td>
<td>Philippines 19</td>
<td>47</td>
<td>2.5</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Single Market and Production Base</th>
<th>Competitive Economic Region</th>
<th>Equitable Economic Development</th>
<th>Integration into Global Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Free flow of services</td>
<td>2. Consumer Protection</td>
<td></td>
<td>towards External</td>
</tr>
<tr>
<td>4. Freer flow of capital</td>
<td>Rights (IPR)</td>
<td></td>
<td>2. Enhanced</td>
</tr>
<tr>
<td>5. Free flow of skilled labour</td>
<td>4. Infrastructure Development</td>
<td></td>
<td>participation in global</td>
</tr>
<tr>
<td>6. Priority Integration Sectors</td>
<td>5. Taxation</td>
<td></td>
<td>supply networks</td>
</tr>
<tr>
<td>7. Food, Agriculture and Forestry</td>
<td>6. E-Commerce</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**

- **South East Asia Summit 2014, Jakarta (26-27 Aug 2014)**
- **ASEAN Economic Summit 2014, Singapore (11-12 Nov 2014)**
- **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 its 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...

Operating the “organisation” differently

Doing “Action”

The organisation becomes different

Being “Character”
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)

Source: MIDA
Realised Private Investment Accelerated Post-ETP

(RM mil)

2006 – 2010 CAGR 5.5%

2011 – 2014 CAGR 13.9%

Source: Department of Statistics, Private Investment in Constant 2005 Prices in RM
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

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

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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Big players</td>
</tr>
<tr>
<td>4</td>
<td>Medium size entrepreneurs</td>
</tr>
<tr>
<td>3</td>
<td>Small size entrepreneurs</td>
</tr>
</tbody>
</table>

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

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

1. **Onboarding workshop for agencies/ Ministries**
   - Duration: 1 week
   - Kuala Lumpur
     - Onboarding workshop for relevant agencies/ Ministries on ASEAN Pathfinder Project and processes

2. **Identify companies issues & preliminary government engagements**
   - Duration: 9-10 weeks
   - Originating Countries
     - Participating companies to fill problem-solving template & NDA incorporating projects, issues, action so far & resolutions required
     - Preliminary government engagements to determine if resolutions can be considered

3. **Syndication with companies & sign-ons**
   - Duration: 4 weeks*
   - Originating Countries
     - Syndications facilitated by PEMANDU with companies to brief on outcome of preliminary government engagements, project deliverables & proposal
     - Proposal sign-ons

4. **Face-to-face with relevant Agencies/ Ministries**
   - Duration: 3-4 weeks*
   - Destination Countries
     - Face-to-face working sessions between companies and multiple relevant Agencies/ Ministries, facilitated by PEMANDU
     - * 1 weeks/country assuming 2-3 days/company

5. **Follow-up and close issues**
   - Duration: 2 weeks
   - KL & Destination Countries
     - Escalate unresolved issues at Problem Solving Meetings with Minister / PM
     - Develop “3-feet” plans for agreed resolutions
     - Confirm KPIs and timelines for delivery
     - Develop a dashboard for monitoring implementation progress

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**Duration: ~20 weeks**
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

<table>
<thead>
<tr>
<th>Company Size</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Companies:</td>
<td>USD 23,900 per company</td>
</tr>
<tr>
<td>Medium Sized Companies:</td>
<td>USD 15,300 per company</td>
</tr>
<tr>
<td>Small Companies:</td>
<td>Cost absorbed</td>
</tr>
</tbody>
</table>

All cost excludes participant’s flight and accommodation.
What’s next?
Next Steps

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