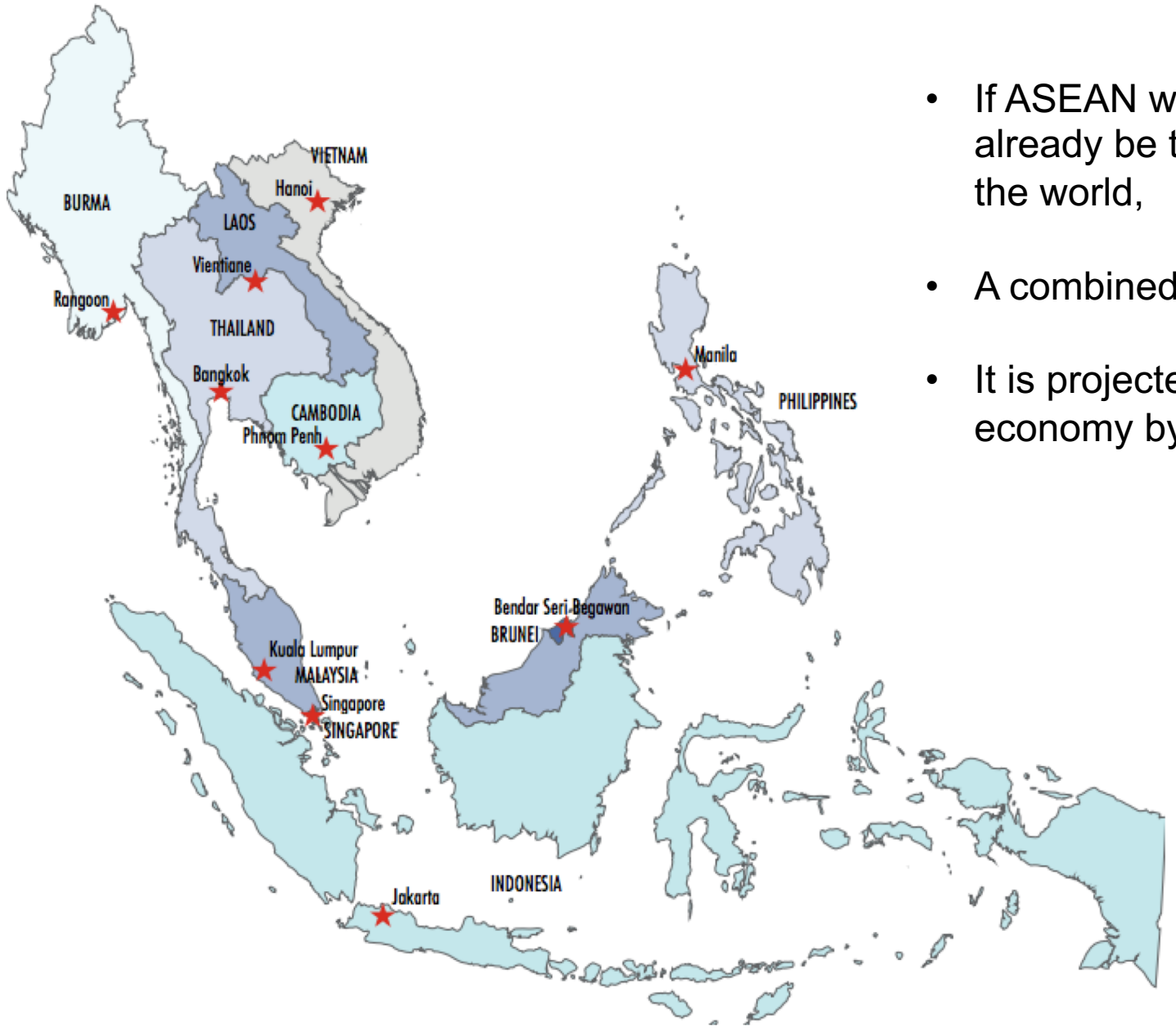
European Chamber of Commerce (Singapore)

EU-Japan business collaboration in ASEAN

ASEAN



- If ASEAN were a single country, it would already be the seventh-largest economy in the world,
- A combined GDP of $2.4 trillion.
- It is projected to rank as the fourth-largest economy by 2050.

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ASEAN

TABLE 1: Growth of Real Gross Domestic Product (GDP), in %

Country	2010-2016	2017	2018p	2019f	2020f
Global	**3.9**	**3.8**	**3.6**	**3.3**	**3.6**
Advanced Economies	**1.9**	**2.4**	**2.2**	**1.8**	**1.7**
United States (US)	2.2	2.2	2.9	2.3	1.9
Euro Area	1.1	2.4	1.8	1.3	1.5
Japan	1.4	1.9	0.8	1.0	0.5
Developing Asia	**7.4**	**6.6**	**6.4**	**6.3**	**6.3**
China	8.1	6.8	6.6	6.3	6.1
India	7.5	7.2	7.1	7.3	7.5
ASEAN	**5.5**	**5.3**	**5.1**	**4.9**	**5.0**
Brunei Darussalam	-0.1	1.3	0.1	1.0	1.5
Cambodia	7.0	6.8	7.0	7.0	6.8
Indonesia	5.6	5.1	5.2	5.2	5.3
Lao PDR	7.7	6.9	6.7	6.5	6.5
Malaysia	5.4	5.9	4.8	4.5	4.7
Myanmar	7.4	6.8	6.4	6.6	6.8
Philippines	6.3	6.7	6.2	6.4	6.4
Singapore	5.6	3.9	3.3	2.6	2.6
Thailand	3.6	4.0	4.1	3.9	3.7
Viet Nam	6.0	6.8	7.1	6.8	6.7

TABLE 2: Growth in Trade and Foreign Direct Investments (FDI), in %

Country	Trade in Goods			Trade in Services			FDI		
	2010-2016	2017	2018p	2010-2016	2017	2018p	2010-2016	2017	2018p
Global	**3.6**	**10.7**	**10.0**	**n.a**	**n.a**	**n.a**	**7.3**	**-22.0**	**-13.4**
US	4.8	6.9	8.2	11.8	5.1	13.8	18.5	-41.2	-9.2
China	7.6	11.4	12.6	9.0	6.1	6.9	5.0	0.3	3.7
ASEAN	5.5	15.0	8.1	5.0	5.6	6.9*	15.5	23.5	5.3

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ASEAN - Master Plan on ASEAN Connectivity (MPAC)

MPAC launched in October 2010

ASEAN Connectivity is a concept that consists of three parts:

- **physical connectivity**: transportation, information and communications technology (ICT), and energy
- **institutional connectivity:** the liberalization and facilitation of trade in goods, investment and trade in services
- **people-to-people connectivity:** education, culture and tourism.

Enhancing ASEAN Connectivity by, for example, maintaining road networks (physical connectivity) and eliminating non-tariff barriers in trade and investment (institutional connectivity) is integral to **further building the ASEAN Community** since a well-connected ASEAN will facilitate the flow of goods and people and contribute towards a **more competitive** and resilient region.

Connectivity

	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	ASEAN
Internet subscribers per 100 persons	90.0	69.0	32.3	30.0	80.1	88.9	55.5	84.4	52.9	46.5	48.5
Cellular phones per 100 persons	127.0	118.2	173.8	54.1	131.2	106.2	110.4	148.2	176.0	128.1	147.3
Visitor arrivals ('000)	259.0	5,602.2	14,039.8	3,868.8	25,948.5	3,443.1	6,620.9	17,423.0	35,592.0	12,922.2	125,719.4
- Intra-ASEAN (%)	50.7	38.6	32.2	71.0	75.1	50.3	7.4	35.7	26.2	13.0	38.6
- Extra-ASEAN (%)	49.3	61.4	67.8	29.0	24.9	49.7	92.6	64.3	73.8	87.0	61.4

Source : ASEAN Secretariat, UNICT

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Japan's support for ASEAN Connectivity

The Japan International Cooperation Agency (JICA)

Japan enhances ASEAN Connectivity through 'quality infrastructure investment' and other efforts.

Japan has been providing support in three core areas to enhance ASEAN Connectivity with the development of:

Land: East-West and Southern Economic Corridors
Maritime: Maritime ASEAN Economic Corridor
Soft Infrastructure Projects throughout the ASEAN Region

The 'Flagship Projects' : approximately **70 projects**

Japan remains a **key trade and investment** partner to ASEAN countries.

Trade between ASEAN and Japan reached USD **217.9 billion** in 2017,

Japan is ASEAN's fourth largest trading partner.

Japan was ASEAN's second largest external source of foreign direct investment (FDI) in 2017

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JICA support - example

Philippines

The Japan International Cooperation Agency (JICA) provide a loan of up to 985m for the first phase of the **Metro Manila Subway** project.

The **loan** will be used to construct stations, underground tunnels between stations, depots and other public works, as well as procure rail systems and rolling stocks.

Development of the project will see the use of Special Terms for Economic Partnership (STEP), which refers to special terms for **promoting the visibility of Japanese technology and expertise.**

The Metro Manila Subway will feature **13 underground stations** measuring approximately 25km long.
Upon completion, the project is expected to accommodate growing transportation needs and **ease traffic congestion in Metro Manila**

Completion of the project is expected in **September 2025**, once all the facilities are put into service.

Japan's support for ASEAN Connectivity - examples

- **Cambodia**

construction of the **Neak Loeung Bridge**
Sumitomo Mitsu Construction Co., LTD (SMC)- Japanese contractor

The crossing point for the Mekong River on Cambodia's National Route 1 in the Southern Economic Corridor used to be serviced by ferries until the Neak Loeung Bridge was constructed. **During the peak seasons, the waiting time for crossing the river lasted up to seven hours**. The construction of the bridge using grant aid improved the situation to a large extent.

- **Laos**

rehabilitation of **National Route 9**

Laos' National Route 9, which is in the Lao PDR section of the **East-West Economic Corridor**, was in need of repair due to an increase in the volume of traffic and overloaded vehicles. Japan carried out pavement rehabilitation and structural reinforcement on the damaged areas using grant aid.

These projects contribute not only to the economic activities of the agricultural and trade sectors within the country but also to the overall **development of the Mekong region** by facilitating the movement of goods and people.

- **Indonesia**

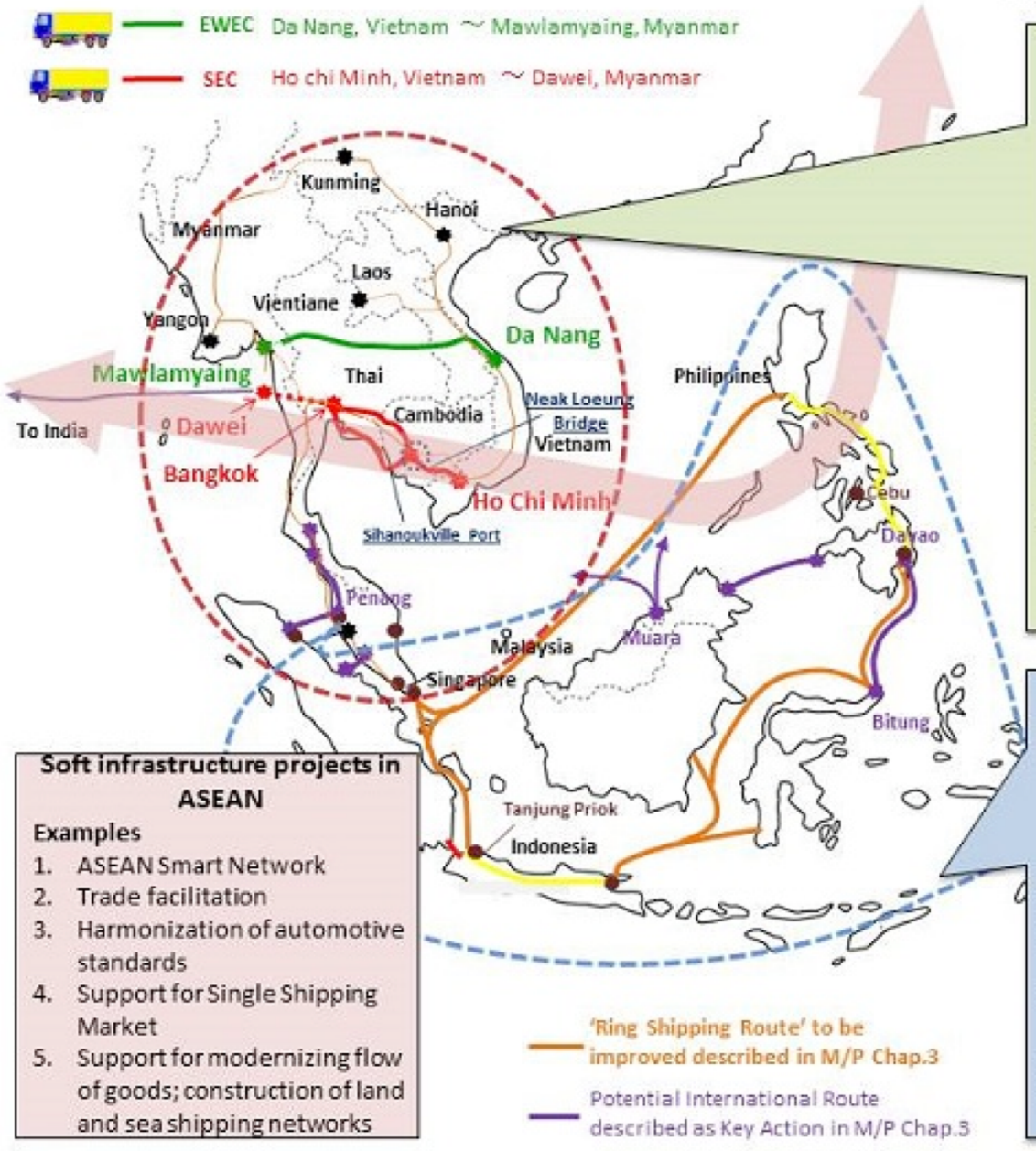
enhancing the **Vessel Traffic Service (VTS) System**

For this project, Japan supported endeavors to enhance the operational capacity of VTS by, for example, **conducting workshops on VTS operation and maintenance for the straits of Malacca and Singapore** and the surrounding area.

Through these projects, Japan is contributing to **maritime safety** in the straits of Malacca and Singapore, both of which serve as vital maritime routes for world trade.

Japan's cooperation on ASEAN Connectivity

Support for enhancing connectivity in the ASEAN regio



Soft infrastructure projects in ASEAN

Examples

1. ASEAN Smart Network
2. Trade facilitation
3. Harmonization of automotive standards
4. Support for Single Shipping Market
5. Support for modernizing flow of goods; construction of land and sea shipping networks

<Vital Arteries of the Land Corridors> (EWEC & SEC)

Hard infrastructure development in the Mekong region connecting the South China Sea and the Indian Ocean

Support rehabilitation of the "South Corridor" connecting Ho Chi Minh, Phnom Penh, Bangkok and Dawei & "East-West Corridor" extending from Da Nang to Mawlamyaing. Develop both corridors to enable overland access across the Indochina Peninsula and significantly ease the transportation and distribution of goods.

Sample Projects

1. Missing Link Rehabilitation (e.g. Neak Loeung Bridge in Cambodia, South-North & Vietnam, central highway)
2. Port Development (e.g. Cai Mep–Thi Vai International Port in Vietnam, Sihanoukville Port Multipurpose Terminal in Cambodia, etc.)

<Maritime ASEAN Economic Corridor>

Consolidate connectivity by developing the ports, port-associated industries as well as energy and ICT network targeting cities in Malaysia, Singapore, Indonesia, Brunei and the Philippines.

Sample Projects

1. Development of the Roll-on/Roll-off (RoRo) Network and short-sea shipping (Philippines, Indonesia, etc.)
2. Development of the vessel traffic service systems (Indonesia, etc.)
3. Expansion work on Port Tanjung Priok (Indonesia)
4. Interconnecting electric power cables from Java to Sumatra, etc. (Indonesia, etc.)

Gaining infrastructure orders due to Japanese expertise

Japanese general contractors are snagging **quite a few of the orders** for the development of infrastructure in ASEAN.

Rivals from China and South Korea pose a major challenge, since their lower personnel costs allow them to offer relative bargains.
But Japanese players are **winning over clients by touting their technological expertise.**

Some examples:

Penta-Ocean: subway construction in Singapore (a $260 million order)
Sumitomo Mitsui Construction : will build a 5.4km bridge in Vietnam (a $219 million order) and the Neak Loeung Bridge in Cambodia
Obayashi has bagged a high-speed railway contract in Indonesia

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Main reasons for EU-Japanese involvement in 3rd country projects

		2019	2018	2017
1	Making use of our company's global sales & service network	51% ↗	43% ↗	40%
2	Easier accessibility of foreign markets due to internationalisation	34% ↗	25% ↗	18%
3	Increasing the (strategic) importance of our Japanese subsidiary	30% ↗	19% ↘	20%
4	Saturation of Japanese market	13% ↗	10% ↗	8%
5	Being able to attain higher margins	5% →	5% ↗	3%

European-Japanese collaboration/partnership - examples

Singapore

Joint venture for the Tuas Terminal Finger 3 : (Reclamation, Wharf Construction and Dredging Phase 2)

- Penta-Ocean Construction Co., Ltd. (**Japan**)
- Hyundai Engineering & Construction Co., Ltd. (**South Korea**)
- Boskalis International BV Company (**Netherlands**)

- a contract value of **SGD 1.46 billion.**
- construct a reclamation of 387 ha of land and 23m deep-water berths to accommodate future large container ships
- by 2040 when the Tuas Port is completed, it will double the volume of containers handled in Singapore in 2017.

Thailand

Construction of the new Continental Greenfield tire plant in Rayong province

Supplier-client collaboration

- Takenaka (**Japan**)
- Continental (**Germany**)

- Size of the site is 750 000 m²
- a potential expansion up to 25 million tires capacity per year.
- fitted with state-of-the-art technology
- environmentally friendly plant

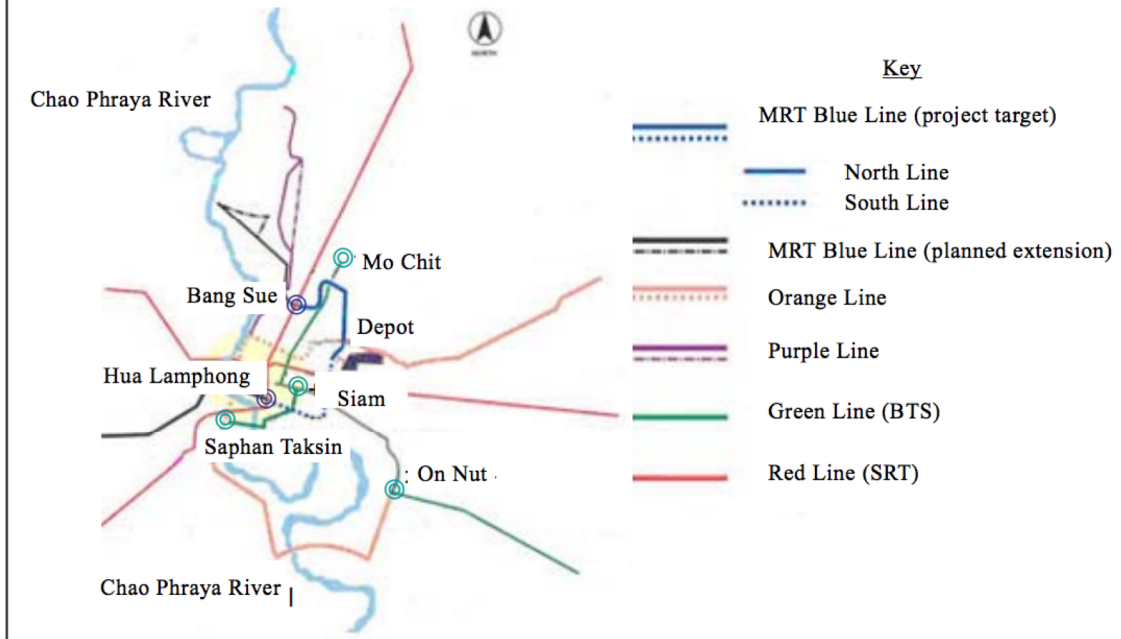
European-Japanese collaboration/partnership - examples

- Siemens (**Germany**)
- Bilifinger + Berger Bauaktien Gesellschaft (**Germany**)
- Kumagai Gumi Co. Ltd. (**Japan**)
- Tokyu Construction (**Japan**)
- Hazama Corporation (**Japan**)
- Mitsui & Co., Ltd. (**Japan**)
- Kajima Corporation (**Japan**)
- Maeda Corporation (**Japan**)
- Mitsubishi Corporation (**Japan**)
- Hazama Corporation (**Japan**)
- Maeda Corporation (**Japan**)

Thailand
Bangkok Subway – Blue Line

Bangkok Metro Public Company Limited (BMCL) signed a turn-key contract with Siemens and Lincas

This project is positioned as part of the development of a mass transit network for the purpose of relieving traffic congestion and reducing air pollution.



Thank You!

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