

# **ASEAN Economic Community (AEC) vs The Belt and Road Initiative (OBOR): Challenges or Opportunities?**

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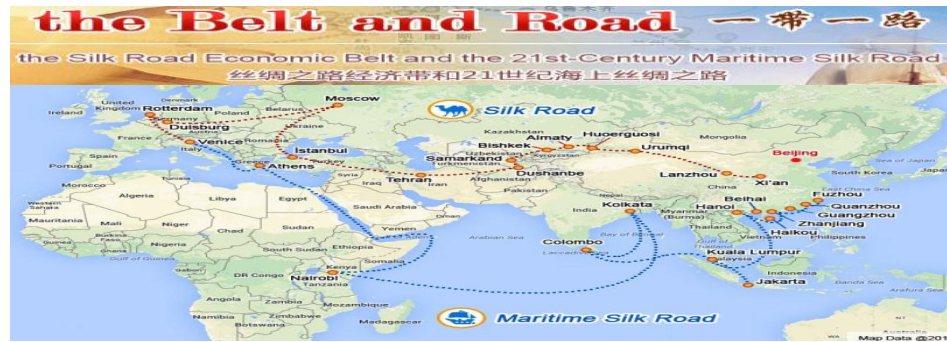


# World Trade Organization (WTO) & Trade Liberalization

- WTO was established in 1995 (replaced the General Agreement on Tariffs and Trade (GATT)).
  - Purpose: to promote free and fair trade through multilateral talks and negotiations, and to arbitrate between countries that are in dispute.
  - Lack of progress in WTO:
    1. WTO takes too long to arbitrate and settle disputes
    2. Favours the powerful and trading blocs (US / EU)
    3. Failure to promote multilateralism
- ⇒ **Countries started to opt for bilateral and/or regional agreements**



**Transatlantic Trade and Investment Partnership (TTIP)**



**Trade in Services Agreement (TISA)**







- ❖ **10 ASEAN economies**
- ❖ **AEC Blueprint:** Signed in 2007
- ❖ **Defined:** The AEC will “establish ASEAN as a single market and production base with the goal of making ASEAN more dynamic and competitive.”

**the Belt and Road 一带一路**  
 the Silk Road Economic Belt and the 21st-Century Maritime Silk Road  
 丝绸之路经济带和21世纪海上丝绸之路



- ❖ One Belt One Road (OBOR) refers to the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”.
- ❖ It is Chinese President Xi Jinping’s signature world economic strategy - in late 2013.
- ❖ Purpose: To connect China with the rest of Asia, Africa and Europe via land and sea.
- ❖ Five areas of cooperation with Belt and Road countries and regions: policy, infrastructure, trade, finance and people.

## THE BELT AND ROAD INITIATIVE MAP



Photo credit: [China maps out 'One Belt, One Road' with action plan. Global Times. 31 Mar 2015.](#)

### Silk Road Economic Belt

- The land-based Silk Road Economic Belt begins in Xi'an, China, and linking up with the rest of Central Asia, Europe, the Middle East and Russia.
- The Silk Road Economic Belt focuses on connecting China to Europe through Central Asia and Russia, the Persian Gulf through Central Asia and South East Asia, South Asia and the Indian Ocean.

### 21st Century Maritime Silk Road

- The Maritime Silk Road will complement the Silk Road Economic Belt, focusing on utilising sea routes and Chinese coastal ports to link China with Europe via the South China Sea and the Indian Ocean, and the South Pacific Ocean through the South China Sea.

## THE BELT AND ROAD INITIATIVE MAP

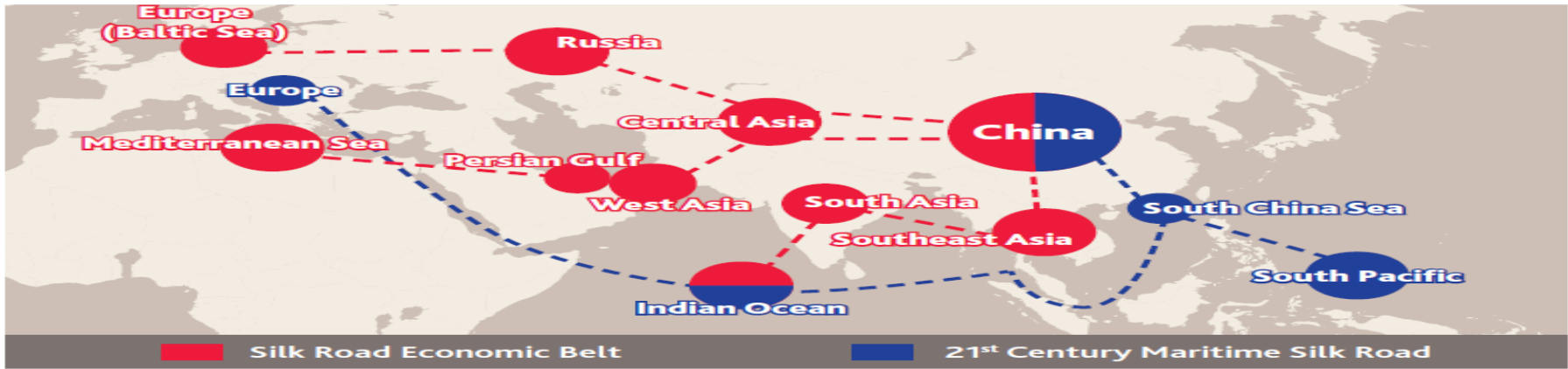


Photo credit: [China maps out 'One Belt, One Road' with action plan. Global Times. 31 Mar 2015.](#)

Inside China:

**The “Silk Road Economic Belt”** includes 12 provinces and one municipality, namely Xinjiang, Shaanxi, Gansu, Ningxia, Qinghai, Inner Mongolia, Heilongjiang, Jilin, Liaoning, Guangxi, Yunnan, Tibet and Chongqing.

**The “21st Century Maritime Silk Road”** includes four provinces and one municipality, namely Fujian, Guangdong, Zhejiang, Hainan and Shanghai.

Outside of China, over 50 countries are along the “belt” and the “road.” They include:

**Asia:** Philippines, Vietnam, Cambodia, Thailand, Malaysia, Singapore, Brunei, Indonesia, Myanmar, Nepal, Bangladesh, India, Pakistan, Sri Lanka, Mongolia, Maldives, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Iran, Kuwait, Bahrain, the United Arab Emirates, the Sultanate of Oman, Qatar, Israel and Saudi Arabia, Hong Kong, Macau, Taiwan.

**Africa:** Kenya, Sudan, Egypt and Djibouti.

**Europe:** Russia, Georgia, Armenia, Azerbaijan, Cyprus, Turkey, Greece, Italy, Switzerland, Austria, Hungary, Serbia, Romania, Moldova, Germany, the Netherlands.



# AEC vs Belt & Road: Challenges or Opportunities?





# Opportunities 1: Strong Macroeconomic Fundamentals

**Table A4. Emerging Market and Developing Economies: Real GDP**  
(Annual percent change)

	Average	2008	2009	2010	2011	2012	2013	2014	2015	Projections		
	1998–2007									2016	2017	2021
<b>Emerging and Developing Asia</b>	<b>7.6</b>	<b>7.2</b>	<b>7.5</b>	<b>9.6</b>	<b>7.8</b>	<b>6.9</b>	<b>6.9</b>	<b>6.8</b>	<b>6.6</b>	<b>6.4</b>	<b>6.3</b>	<b>6.4</b>
Bangladesh	5.7	5.5	5.3	6.0	6.5	6.3	6.0	6.3	6.4	6.6	6.9	6.5
Bhutan	7.7	10.8	5.7	9.3	10.1	6.4	4.9	6.4	7.7	8.4	8.6	7.5
Brunei Darussalam	2.0	-2.0	-1.8	2.7	3.7	0.9	-2.1	-2.3	-0.2	-2.0	3.0	6.8
Cambodia	9.3	6.7	0.1	6.0	7.1	7.3	7.4	7.1	6.9	7.0	7.0	6.7
China	9.9	9.6	9.2	10.6	9.5	7.7	7.7	7.3	6.9	6.5	6.2	6.0
Fiji	2.3	1.0	-1.4	3.0	2.7	1.4	4.7	5.3	4.3	2.5	3.9	3.6
India	7.1	3.9	8.5	10.3	6.6	5.6	6.6	7.2	7.3	7.5	7.5	7.8
Indonesia	2.7	7.4	4.7	6.4	6.2	6.0	5.6	5.0	4.8	4.9	5.3	6.0
Kiribati	1.9	-1.8	0.3	-1.6	0.5	5.2	5.8	2.4	4.2	2.7	2.5	2.0
Lao P.D.R.	6.3	7.8	7.5	8.1	8.0	7.9	8.0	7.4	7.0	7.4	7.4	7.3
Malaysia	4.2	4.8	-1.5	7.5	5.3	5.5	4.7	6.0	5.0	4.4	4.8	5.0
Maldives	8.8	12.7	-5.3	7.2	8.7	2.5	4.7	6.5	1.9	3.5	3.9	4.7
Marshall Islands	1.8	-1.7	6.2	1.3	4.0	1.9	-1.1	1.0	1.6	1.8	1.8	1.3
Micronesia	1.0	-2.2	1.0	3.5	1.8	-0.5	-3.6	-3.4	-0.2	1.1	0.7	0.6
Mongolia	5.7	7.8	-2.1	7.3	17.3	12.3	11.6	7.9	2.3	0.4	2.5	7.2
Myanmar	12.0	3.6	5.1	5.3	5.6	7.3	8.4	8.7	7.0	8.6	7.7	7.7
Nepal	3.8	6.1	4.5	4.8	3.4	4.8	4.1	5.4	3.4	0.5	4.5	3.8
Palau	...	-5.6	-9.1	3.3	5.0	3.2	-2.4	4.2	9.4	2.0	5.0	3.0
Papua New Guinea	2.4	6.6	6.1	7.7	10.7	8.1	5.5	8.5	9.0	3.1	4.4	3.3
Philippines	4.2	4.2	1.1	7.6	3.7	6.7	7.1	6.1	5.8	6.0	6.2	6.5
Samoa	3.7	2.9	-6.4	-1.4	5.4	0.4	-1.9	1.2	1.7	1.2	-0.1	1.9
Solomon Islands	1.1	7.1	-4.7	6.9	12.9	4.7	3.0	2.0	3.3	3.0	3.3	3.2
Sri Lanka	4.3	6.0	3.5	8.0	8.4	9.1	3.4	4.5	5.2	5.0	5.0	5.0
Thailand	3.8	1.7	-0.7	7.5	0.8	7.2	2.7	0.8	2.8	3.0	3.2	3.0
Timor-Leste <sup>4</sup>	...	14.2	13.0	9.4	9.5	6.4	2.8	5.5	4.3	5.0	5.5	5.5
Tonga	1.2	2.7	3.0	3.2	1.8	-1.1	-0.6	2.0	2.6	2.8	2.6	1.8
Tuvalu	...	8.0	-4.4	-2.7	8.5	0.2	1.3	2.2	2.6	3.9	1.9	1.7
Vanuatu	2.5	6.5	3.3	1.6	1.2	1.8	2.0	2.3	-0.8	4.5	4.0	2.5
Vietnam	6.8	5.7	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.3	6.2	6.2

Source: International Monetary Fund (2016). World Economic Outlook, April 2016.

**Table A7. Emerging Market and Developing Economies: Consumer Prices<sup>1</sup>***(Annual percent change)*

	Average										Projections			End of Period <sup>2</sup>		
	1998–2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2021	2015	Projections		
														2016	2017	
<b>Emerging and Developing Asia</b>	<b>4.2</b>	<b>7.6</b>	<b>2.8</b>	<b>5.1</b>	<b>6.5</b>	<b>4.6</b>	<b>4.7</b>	<b>3.5</b>	<b>2.7</b>	<b>2.9</b>	<b>3.2</b>	<b>3.7</b>	<b>2.7</b>	<b>3.0</b>	<b>3.2</b>	
Bangladesh	5.7	8.9	4.9	9.4	11.5	6.2	7.5	7.0	6.4	6.7	6.9	5.7	6.5	7.0	7.0	
Bhutan	5.0	6.3	7.1	4.8	8.6	10.1	8.6	9.6	7.2	6.1	6.0	5.6	7.4	7.6	6.9	
Brunei Darussalam	0.2	2.1	1.0	0.2	0.1	0.1	0.4	-0.2	-0.4	0.2	0.1	0.0	-1.0	0.2	0.1	
Cambodia	3.8	25.0	-0.7	4.0	5.5	2.9	3.0	3.9	1.2	2.1	2.8	0.2	2.8	2.4	2.9	
China	1.1	5.9	-0.7	3.3	5.4	2.6	2.6	2.0	1.4	1.8	2.0	3.0	1.6	1.8	2.0	
Fiji	3.0	7.7	3.7	3.7	7.3	3.4	2.9	0.5	2.8	3.3	2.8	2.8	2.8	3.3	2.8	
India	5.2	9.2	10.6	9.5	9.5	9.9	9.4	5.9	4.9	5.3	5.3	4.9	5.4	5.1	5.4	
Indonesia	14.1	9.8	5.0	5.1	5.3	4.0	6.4	6.4	6.4	4.3	4.5	4.0	3.4	4.5	4.4	
Kiribati	1.8	13.7	9.8	-3.9	1.5	-3.0	-1.5	2.1	1.4	0.3	0.7	2.1	1.4	0.3	0.8	
Lao P.D.R.	24.0	7.6	0.0	6.0	7.6	4.3	6.4	5.5	5.3	1.5	2.3	3.1	5.5	1.2	2.3	
Malaysia	2.4	5.4	0.6	1.7	3.2	1.7	2.1	3.1	2.1	3.1	2.9	3.0	2.7	3.1	2.9	
Maldives	1.8	12.0	4.5	6.2	11.3	10.9	4.0	2.5	1.4	2.1	2.6	4.2	1.9	2.0	3.2	
Marshall Islands	...	14.7	0.5	1.8	5.4	4.3	1.9	1.1	-4.0	-1.3	0.8	2.1	-4.0	-1.3	0.8	
Micronesia	2.0	6.6	7.7	3.7	4.3	6.3	2.0	0.6	-1.0	1.9	1.3	3.0	-1.0	1.9	1.3	
Mongolia	7.3	26.8	6.3	10.2	7.7	15.0	8.6	12.9	5.9	1.9	4.3	6.4	1.1	3.7	6.5	
Myanmar	23.4	11.5	2.2	8.2	2.8	2.8	5.7	5.9	11.5	9.6	8.2	6.4	10.5	8.7	7.7	
Nepal	5.5	6.7	12.6	9.6	9.6	8.3	9.9	9.0	7.2	10.2	11.1	5.6	7.6	12.9	9.3	
Palau	...	9.9	4.7	1.1	2.6	5.4	2.8	4.0	2.2	2.5	2.5	2.0	2.7	2.3	2.6	
Papua New Guinea	8.6	10.8	6.9	5.1	4.4	4.5	5.0	5.3	6.0	6.0	5.0	5.0	6.0	6.0	5.0	
Philippines	5.2	8.2	4.2	3.8	4.7	3.2	2.9	4.2	1.4	2.0	3.4	3.5	1.5	2.9	3.2	
Samoa	4.5	11.6	6.3	0.8	5.2	2.0	0.6	-0.4	0.9	1.2	2.0	3.0	0.4	2.0	2.0	
Solomon Islands	8.7	17.3	7.1	0.9	7.4	5.9	5.4	5.2	-0.4	2.1	2.6	3.1	2.2	2.9	2.6	
Sri Lanka	9.8	22.4	3.5	6.2	6.7	7.5	6.9	3.3	0.9	3.4	4.5	5.0	2.8	4.1	5.0	
Thailand	2.8	5.5	-0.9	3.3	3.8	3.0	2.2	1.9	-0.9	0.2	2.0	2.5	-0.9	1.6	1.8	
Timor-Leste	...	7.4	-0.2	5.2	13.2	10.9	9.5	0.7	0.6	1.5	3.8	4.0	-0.6	3.6	4.0	
Tonga	7.6	7.5	3.5	3.9	4.6	2.0	1.5	1.2	-0.1	-0.3	0.7	2.4	-0.4	-0.4	1.7	
Tuvalu	...	10.4	-0.3	-1.9	0.5	1.4	2.0	1.1	3.3	3.0	2.9	2.5	3.3	3.0	2.9	
Vanuatu	2.5	4.2	5.2	2.7	0.7	1.4	1.3	1.0	3.3	2.5	3.2	3.0	3.5	3.0	3.3	
Vietnam	4.9	23.1	6.7	9.2	18.7	9.1	6.6	4.1	0.6	1.3	2.3	4.0	0.6	2.0	2.6	

**Table A6. Advanced Economies: Consumer Prices<sup>1</sup>***(Annual percent change)*

	Average										Projections			End of Period <sup>2</sup>		
	1998–2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2021	2015	Projections		
														2016	2017	
Singapore	0.7	6.6	0.6	2.8	5.2	4.6	2.4	1.0	-0.5	0.2	1.3	1.9	-0.7	1.3	1.9	

# Opportunities 2: Open, flexible economies with diversified export structures

Table V.25.  
Ten Major Export Commodities of ASEAN to ASEAN by 2-digit HS Code, 2012-2013

2012				2013			
HS	Commodities	Value	Share	HS	Commodities	Value	Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	84,291.9	26.0	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	87,461.2	26.5
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	58,959.2	18.2	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	61,791.9	18.7
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	40,571.2	12.5	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	40,215.3	12.2
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	14,465.5	4.5	39	Plastics and articles thereof	13,272.1	4.0
39	Plastics and articles thereof	12,515.9	3.9	87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	13,135.3	4.0
29	Organic chemicals	7,175.9	2.2	29	Organic chemicals	7,610.7	2.3
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	6,619.0	2.0	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	6,888.5	2.1
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	6,093.3	1.9	73	Articles of iron or steel	5,890.0	1.8
73	Articles of iron or steel	5,666.0	1.7	40	Rubber and articles thereof	5,061.5	1.5
40	Rubber and articles thereof	5,600.0	1.7	72	Iron and steel	4,692.8	1.4
	<b>Ten Major Commodities</b>	<b>241,958.0</b>	<b>74.7</b>		<b>Ten Major Commodities</b>	<b>246,019.2</b>	<b>74.5</b>
	<b>Others</b>	<b>81,897.1</b>	<b>25.3</b>		<b>Others</b>	<b>84,298.9</b>	<b>25.5</b>
	<b>Total</b>	<b>323,855.0</b>	<b>100.0</b>		<b>Total</b>	<b>330,318.1</b>	<b>100.0</b>

Source : ASEAN Trade Statistics Database as of 4 December 2014

Note : Value is in US\$ Million; Share is in %

# Opportunities 2: Open, flexible economies with diversified export structures

Table V.26.  
Ten Major Import Commodities of ASEAN from ASEAN by 2-digit HS Code, 2012-2013

2012				2013			
HS	Commodities	Value	Share	HS	Commodities	Value	Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	84,881.7	30.5	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	86,275.2	31.0
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	52,348.5	18.8	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	53,620.1	19.3
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	28,074.3	10.1	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	27,355.6	9.8
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	11,860.6	4.3	87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	11,795.9	4.2
39	Plastics and articles thereof	10,084.4	3.6	39	Plastics and articles thereof	10,747.2	3.9
29	Organic chemicals	5,835.7	2.1	29	Organic chemicals	6,497.5	2.3
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	5,719.2	2.1	71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	4,964.0	1.8
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	5,433.6	2.0	40	Rubber and articles thereof	4,742.7	1.7
40	Rubber and articles thereof	5,085.6	1.8	73	Articles of iron or steel	4,536.2	1.6
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	4,459.1	1.6	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	4,494.3	1.6
	<b>Ten Major Commodities</b>	<b>213,782.8</b>	<b>76.8</b>		<b>Ten Major Commodities</b>	<b>215,028.7</b>	<b>77.3</b>
	<b>Others</b>	<b>64,410.4</b>	<b>23.2</b>		<b>Others</b>	<b>63,211.6</b>	<b>22.7</b>
	<b>Total</b>	<b>278,193.2</b>	<b>100.0</b>		<b>Total</b>	<b>278,240.2</b>	<b>100.0</b>

Source : ASEAN Trade Statistics Database as of 4 December 2014

Note : Value is in US\$ Million; Share is in %



**Table V.31.**  
**Ten Major Export Commodities of ASEAN to China by 2-digit HS Code, 2012-2013**

2012				2013			
HS	Commodities	Value	Share	HS	Commodities	Value	Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	35,920.2	25.3	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	39,329.9	25.8
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	21,601.7	15.2	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	21,223.8	13.9
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	16,185.3	11.4	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	13,765.2	9.0
40	Rubber and articles thereof	12,402.8	8.7	40	Rubber and articles thereof	12,177.5	8.0
39	Plastics and articles thereof	8,337.7	5.9	39	Plastics and articles thereof	9,266.7	6.1
29	Organic chemicals	7,391.0	5.2	29	Organic chemicals	8,226.1	5.4
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	7,286.2	5.1	15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	5,640.5	3.7
26	Ores, slag and ash	3,731.6	2.6	26	Ores, slag and ash	5,516.0	3.6
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	2,766.5	1.9	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3,330.7	2.2
44	Wood and articles of wood; wood charcoal	2,581.3	1.8	44	Wood and articles of wood; wood charcoal	3,307.4	2.2
	<b>Ten Major Commodities</b>	<b>118,204.1</b>	<b>83.3</b>		<b>Ten Major Commodities</b>	<b>121,783.7</b>	<b>79.8</b>
	<b>Others</b>	<b>23,687.9</b>	<b>16.7</b>		<b>Others</b>	<b>30,761.8</b>	<b>20.2</b>
	<b>Total</b>	<b>141,892.0</b>	<b>100.0</b>		<b>Total</b>	<b>152,545.5</b>	<b>100.0</b>

Source : ASEAN Trade Statistics Database as of 4 December 2014

Note : Value is in US\$ Million; Share is in %

**Table V.32.**  
**Ten Major Import Commodities of ASEAN from China by 2-digit HS Code, 2012-2013**

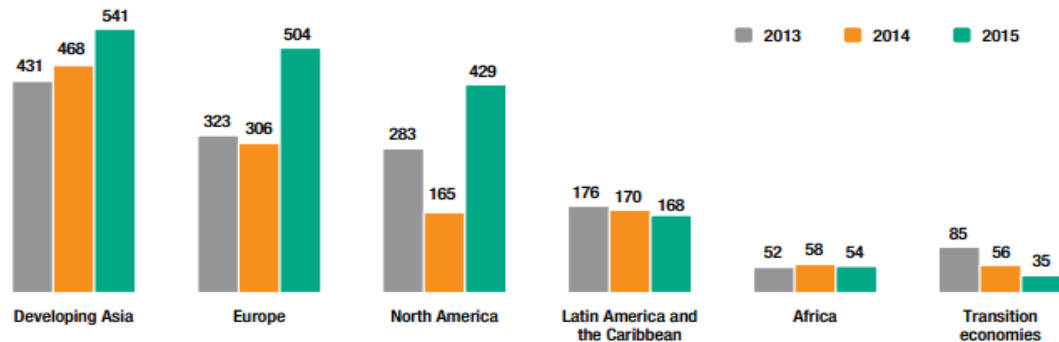
2012				2013			
HS	Commodities	Value	Share	HS	Commodities	Value	Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	53,646.3	30.2	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	62,426.9	31.5
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	37,347.9	21.0	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	38,701.2	19.5
72	Iron and steel	8,424.5	4.7	72	Iron and steel	9,729.2	4.9
73	Articles of iron or steel	6,204.4	3.5	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	8,150.1	4.1
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	5,714.0	3.2	73	Articles of iron or steel	6,364.8	3.2
39	Plastics and articles thereof	4,836.3	2.7	39	Plastics and articles thereof	5,653.3	2.9
29	Organic chemicals	3,704.0	2.1	29	Organic chemicals	4,169.2	2.1
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3,325.3	1.9	87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	3,753.8	1.9
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	3,160.7	1.8	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3,544.4	1.8
55	Man-made staple fibres	2,723.1	1.5	76	Aluminum and articles thereof	2,639.6	1.3
	<b>Ten Major Commodities</b>	<b>129,176.5</b>	<b>72.7</b>		<b>Ten Major Commodities</b>	<b>145,132.4</b>	<b>73.3</b>
	<b>Others</b>	<b>48,416.3</b>	<b>27.3</b>		<b>Others</b>	<b>52,830.4</b>	<b>26.7</b>
	<b>Total</b>	<b>177,592.8</b>	<b>100.0</b>		<b>Total</b>	<b>197,962.8</b>	<b>100.0</b>

Source : ASEAN Trade Statistics Database as of 4 December 2014

Note : Value is in US\$ Million; Share is in %

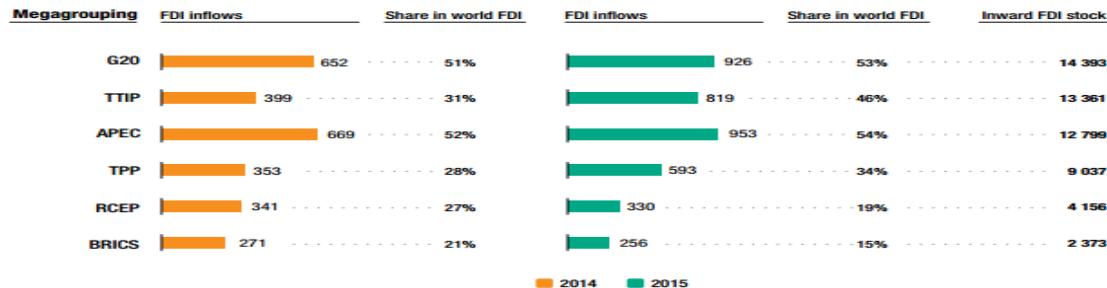
# Opportunities 3: Large FDI inflows and regional production networks

FDI inflows, by region, 2013–2015 (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

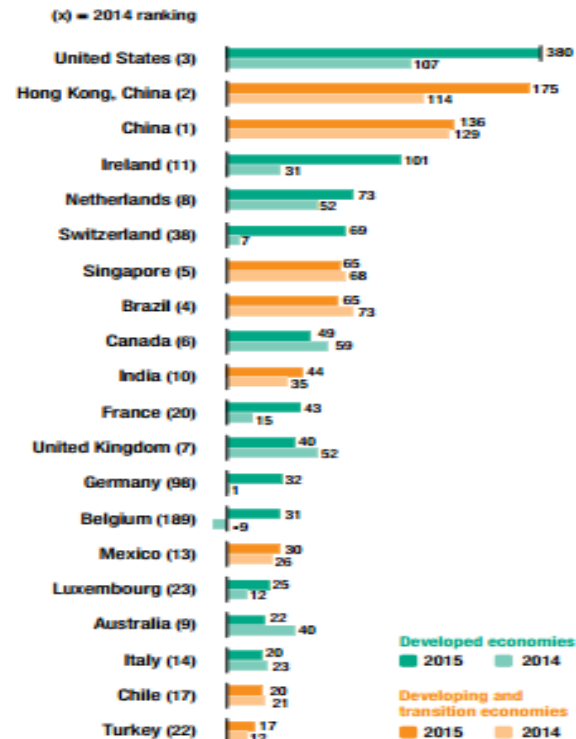
FDI inflows in selected megagroupings, 2014 and 2015 (Billions of dollars and per cent)



Source: ©UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

Note: In descending order of 2015 inward FDI stock. G20 = includes only the 19 member countries (excludes the European Union); TTIP = Transatlantic Trade and Investment Partnership (under negotiation); APEC = Asia-Pacific Economic Cooperation; TPP = Trans-Pacific Partnership; RCEP = Regional Comprehensive Economic Partnership (under negotiation); BRICS = Brazil, Russian Federation, India, China and South Africa.

FDI inflows, top 20 host economies, 2014 and 2015 (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

# Opportunities 3: Large FDI inflows and regional production networks

**Annex table 1. FDI flows, by region and economy, 2010–2015 (Millions of dollars)**

Region/economy	FDI inflows					
	2010	2011	2012	2013	2014	2015
Asia	412 407	426 702	409 553	431 412	467 935	540 722
East and South-East Asia	314 152	329 518	329 582	350 266	383 199	447 876
East Asia	203 579	233 579	213 191	221 577	258 407	322 144
China	114 734	123 985	121 080	123 911	128 500	135 610
Hong Kong, China	72 319 <sup>f</sup>	96 212 <sup>c</sup>	70 841 <sup>c</sup>	74 546 <sup>c</sup>	114 055 <sup>c</sup>	174 892 <sup>c</sup>
Korea, Democratic People's Republic of	14 <sup>b</sup>	126 <sup>b</sup>	221 <sup>b</sup>	89 <sup>b</sup>	63 <sup>b</sup>	83 <sup>b</sup>
Korea, Republic of	9 497 <sup>d</sup>	9 773 <sup>d</sup>	9 496 <sup>d</sup>	12 767 <sup>d</sup>	9 274 <sup>d</sup>	5 042 <sup>d</sup>
Macao, China	2 831	726	3 894	4 527	3 294	3 907 <sup>b</sup>
Mongolia	1 691	4 715	4 452	2 140	382	195
Taiwan Province of China	2 492 <sup>d</sup>	-1 957 <sup>d</sup>	3 207 <sup>d</sup>	3 598 <sup>d</sup>	2 839 <sup>d</sup>	2 415 <sup>d</sup>
South-East Asia	110 572	95 939	116 391	128 689	124 792	125 732
Brunei Darussalam	481	691	865	776	568	173
Cambodia	1 342	1 372	1 835	1 872	1 720	1 701
Indonesia	13 771	19 241	19 138	18 817	21 866	15 508
Lao People's Democratic Republic	279	301	294	427	721	1 220 <sup>b</sup>
Malaysia	9 060	12 198	9 239	12 115	10 877	11 121
Myanmar	6 669	1 118	497	584	946	2 824
Philippines	1 298	1 852	2 449	2 430	6 813	5 234
Singapore	55 076 <sup>d</sup>	48 329 <sup>d</sup>	57 150 <sup>d</sup>	66 067 <sup>d</sup>	68 496 <sup>d</sup>	65 262 <sup>d</sup>
Thailand	14 568	3 271	16 517	16 652	3 537	10 845
Timor-Leste	29	47	39	50	49	43
Viet Nam	8 000	7 519	8 368	8 900	9 200	11 800
South Asia	35 069	44 352	32 413	35 629	41 446	50 485
Afghanistan	211	83	94	69	54 <sup>b</sup>	58 <sup>b</sup>
Bangladesh	913	1 136	1 293	1 599	1 551	2 235
Bhutan	76	29	49	14	32	12
India	27 417	36 190	24 196	28 199	34 582	44 208
Iran, Islamic Republic of	3 649	4 277	4 662	3 050	2 105	2 050 <sup>b</sup>
Maldives	216	424	228	361	333	324
Nepal	87	95	92	71	30	51
Pakistan	2 022	1 162	859	1 333	1 865	865
Sri Lanka	478	956	941	933	894	681

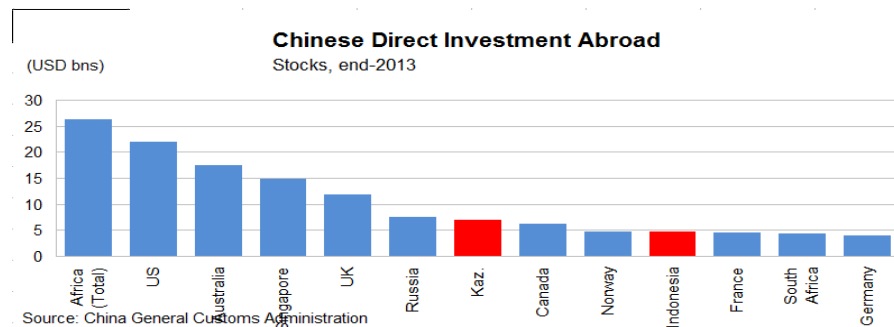


# Opportunities 4: Strong record of macroeconomic & financial cooperation initiatives

**Silk Road Infrastructure Fund** - Launched in February 2014 - China-led US\$40bn Silk Road Infrastructure Fund

**Asian Infra Investment Bank (AIIB)** - Founded in October 2014 - 57 countries have signed the AIIB Articles of Agreement to be [founding members](#), which involved with registered capital of US\$100bn. AIIB was established to support infrastructure construction in the Asia-Pacific region.

**New Development Bank** - Established on 15 July 2014, by Brazil, Russia, India, China and South Africa - The bank was seeded with US\$50bn initial capital, with the intention to increase capital to US\$100bn.



# Opportunities 4: Strong record of macroeconomic & financial cooperation initiatives

## Potential financial opportunities for infrastructure projects

- Financial institutions / banks would provide the financing via bonds, stocks and IPOs for Chinese companies seeking funding.



**The China-Pakistan Economic Corridor** - 3,000-kilometre corridor spans from Kashgar in Xinjiang to Pakistan's Gwadar port.

Aim: To build highways, railroads, gas and oil pipelines as well as communication cables along the corridor - worth US\$46 billion.

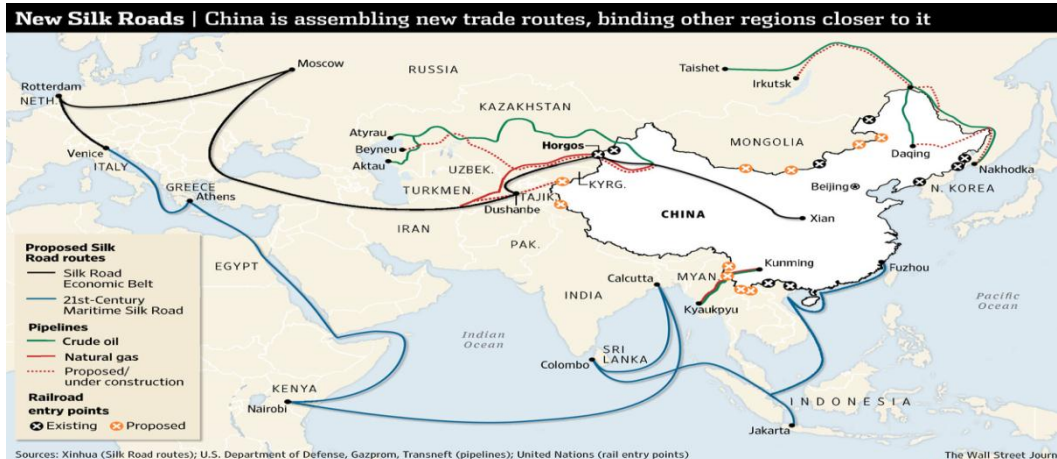
**The Mombasa-Nairobi Railway** - It will span 2,700 kilometres and is expected to cost US\$25 billion.

**Other infrastructure projects** - Jakarta-Bandung Railway in Indonesia, the Moscow-Kazan Railway, the Kunming-Vientiane Railway, the Kunming-Bangkok Railway, Kuantan-China Industrial Park and the China-Belarus Industrial Park.



# Opportunities 5: Huge market potential

❖ A population of over **600 million people** and a combined GDP of **US\$2.3 trillion**.



❖ The initiative involves more than **50 countries** with a **collective GDP of US\$2 trillion** and affect **4.4 billion people**.

# Opportunities 6: Potential to develop regional hubs in various new areas (education, health, logistics, tourism, finance)

## Logistics Industry - Transport infrastructure and supporting services

- **Road and Freight Transport** - Freight and logistics companies will benefit from enhanced commitments that support integrated logistics supply chains.
- Singapore – logistic hub - Chinese enterprises have increased their investments into Singapore's infrastructure.
- Logistics and supporting transport services, such as transportation document preparation services, cargo handling, storage and warehousing, materials and stock management, packing, freight brokerage and freight inspection services are key elements to efficient, integrated and seamless supply chains.

### ***Ease Expansion Across the Supply Chain***

"Though [the] TPP will not impact us directly, it would positively impact our customers, which would create opportunities for us to assist them to compete more effectively in terms of cost containment and revenue enhancement."

## Tourism Industry

- Countries are more interconnected - greater increase in the number of people travelling for leisure or business
- Visa applications between the countries along the Belt and Road / ASEAN.





# Opportunities 6: Potential to develop regional hubs in various new areas (education, health, logistics, tourism, finance)

## Clean Energy Industry

- A leading clean energy hub - a reference market for the trial of their products and services before expanding to neighbouring countries in the region.



## Food and Beverage (Halal) Industry

- A leading Islamic food / product hub

## Professional Services

- To increase the opportunities for professional services firms (financial services, architecture, accountancy, etc)

## Others

- Energy, chemicals, transportation, medical equipment, construction, machinery and a range of services

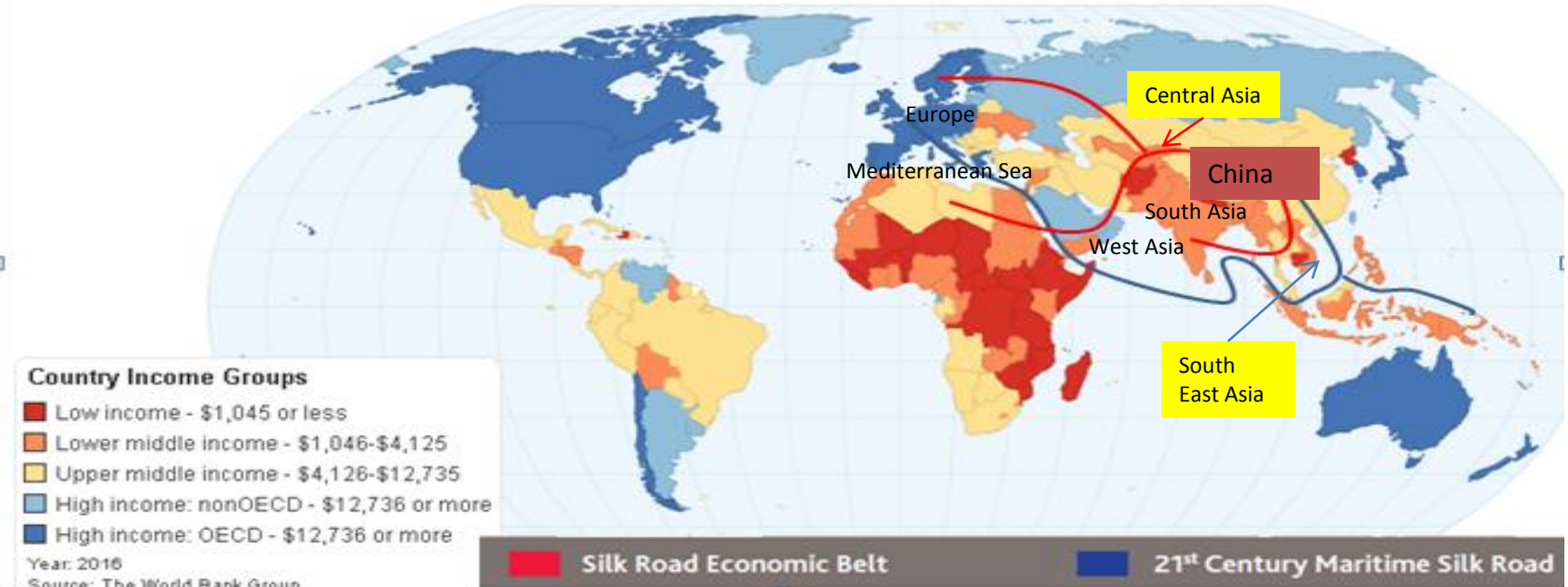


# Challenges / Weaknesses / Threats

# Challenges 1: Huge Development Gaps

- Countries involved feature far greater diversity in terms of economic development.
- AEC - middle-income developing countries; and least-developed countries.

Country Income Groups (World Bank Classification)



# Challenges 2: Disparity in governance and rule of law

- Legal and regulatory system in some economies can be opaque, inconsistent, and arbitrary.

**ASEAN Business Outlook Survey 2015**  
**588 executives – small, medium and large US**  
**companies in all 10 ASEAN companies**



## **Challenges**

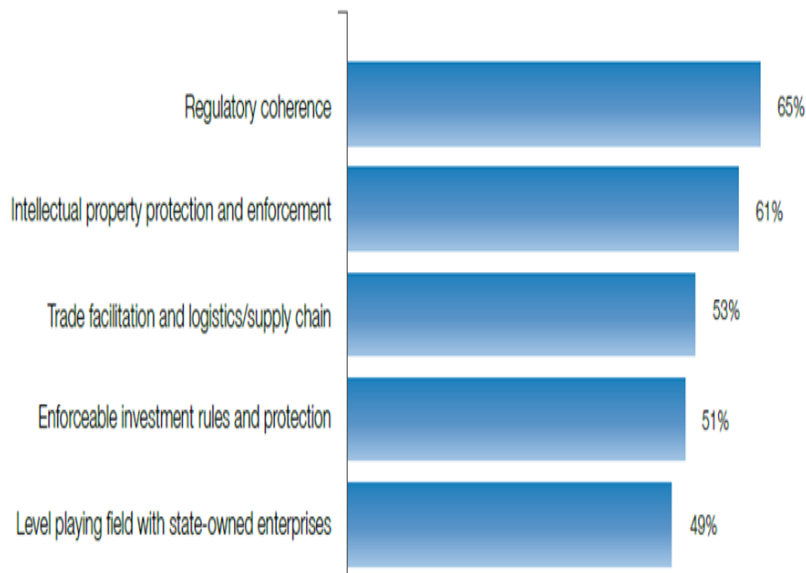
“Government compliance with ASEAN requirements is intentionally slow or nonexistent.”

“[The b]enefits of integration are still a long way off in terms of people and infrastructure.”

## **Unclear Impact**

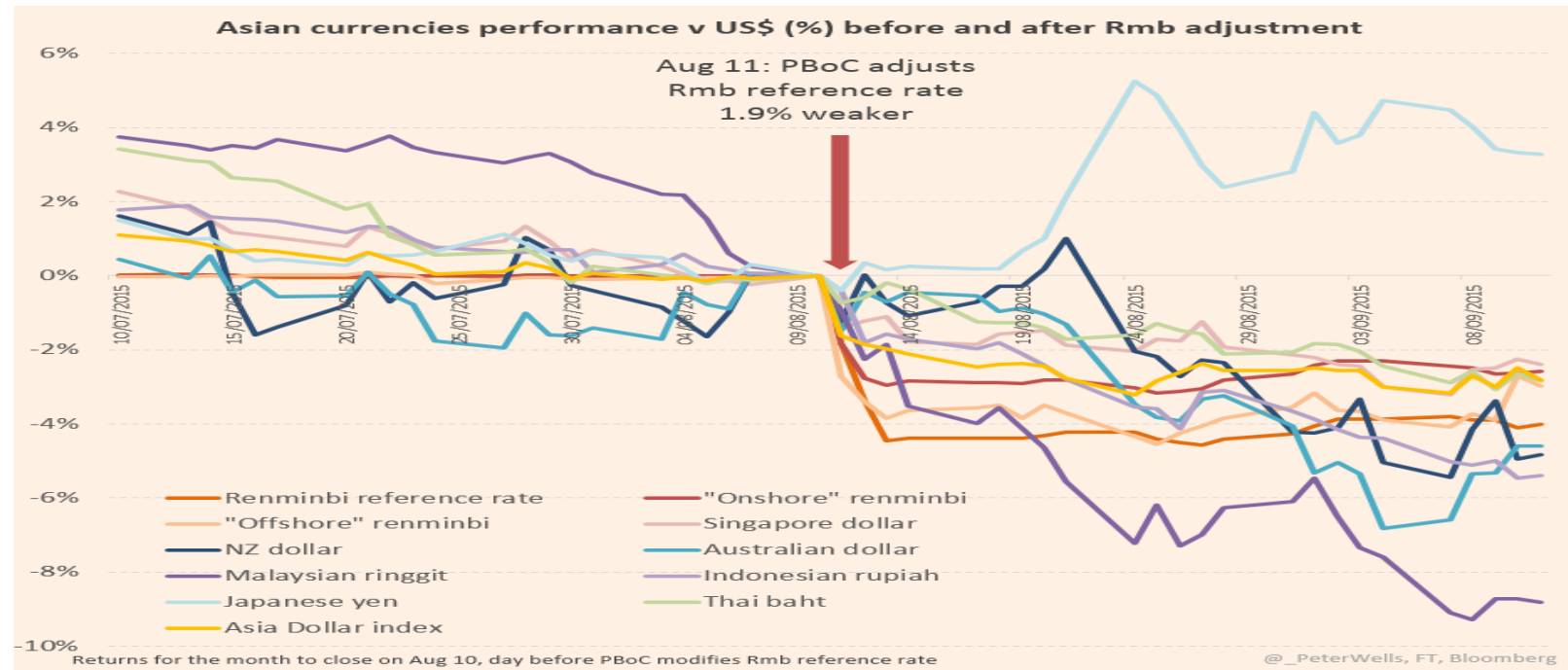
“The framework is not yet clear enough to judge its impact.”

What Aspects of the TPP are Important to Your Company?



# Challenges 3: Vulnerability to external shocks due to high degree of openness

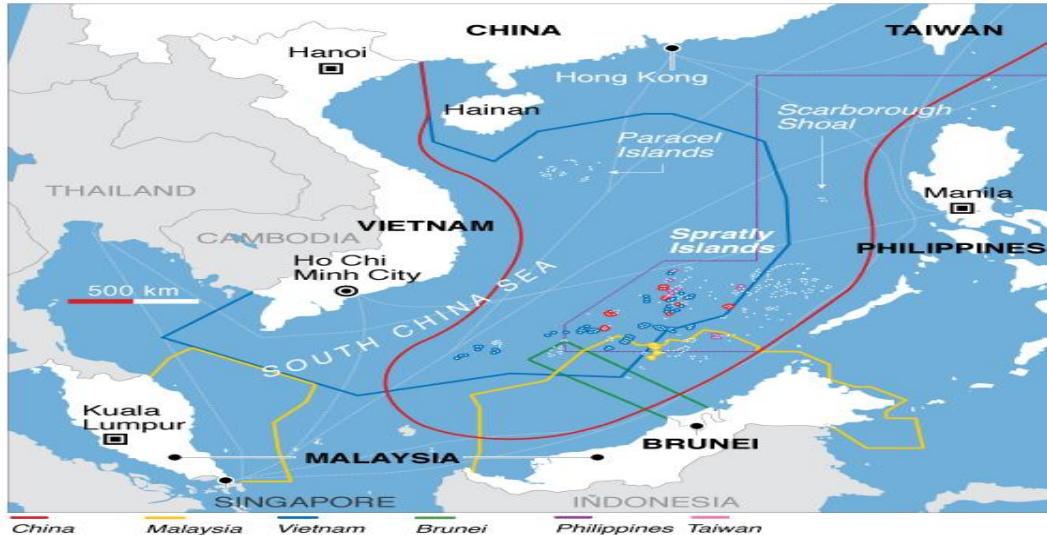
- East Asian Financial Crisis (mid 1997)
- Global Financial Crisis (2007-2008)
- Exchange rate fluctuation (RMB vs ASEAN currencies)



# Challenges 4: Lack of harmonized policies to manage crises

South China Sea dispute between China and ASEAN members: a New Threat?

- International arbitration court - China has no historic title over the waters of the South China Sea.
- **CNN:** The Philippines has turned down bilateral talks with Beijing over the South China Sea dispute, after China's foreign ministry insisted a landmark court ruling against them...





# Challenges 5: Meet Global Standards

- Businesses need to build up their internal capabilities and adopt best business practices to be able to meet global standards.
- As a global partner, SMEs/SMIs are required to work with local government / trade association in assisting them **integrate into the trading community and meet global compliance standards.**

Table 1.11: Fifteen countries with the most frequent agri-food import rejections and their import shares in 2010 (%)

Rank	Japan		Australia		EU		United States	
		Import share		Import share		Import share		Import share
1	<b>China</b>	<b>14.0</b>	<b>China</b>	<b>6.9</b>	Iran	0.3	Mexico	15.4
2	United States	24.4	<b>Japan</b>	<b>0.6</b>	Turkey	3.5	India	1.9
3	<b>Viet Nam</b>	<b>1.7</b>	India	1.6	<b>China</b>	<b>5.2</b>	<b>China</b>	<b>6.4</b>
4	<b>Thailand</b>	<b>6.1</b>	United States	10.6	India	3.0	UK	2.2
5	Ghana	0.2	<b>Thailand</b>	<b>7.0</b>	United States	7.6	Canada	16.6
6	Ecuador	0.3	Italy	4.1	<b>Thailand</b>	<b>2.6</b>	<b>Viet Nam</b>	<b>2.0</b>
7	<b>Indonesia</b>	<b>1.8</b>	<b>Philippines</b>	<b>0.4</b>	Brazil	8.4	Dominican Republic	0.5
8	Italy	1.2	<b>Rep. of Korea</b>	<b>0.7</b>	Argentina	4.2	<b>Thailand</b>	<b>4.2</b>
9	<b>Rep. of Korea</b>	<b>2.9</b>	<b>Malaysia</b>	<b>4.1</b>	<b>Viet Nam</b>	<b>2.1</b>	<b>Japan</b>	<b>0.8</b>
10	Canada	6.4	<b>Viet Nam</b>	<b>2.9</b>	<b>Indonesia</b>	<b>3.1</b>	<b>Indonesia</b>	<b>2.4</b>
11	India	1.5	<b>Indonesia</b>	<b>1.8</b>	Egypt	0.6	<b>Rep. of Korea</b>	<b>0.5</b>
12	France	2.6	France	3.2	Ghana	0.3	<b>Philippines</b>	<b>1.2</b>
13	<b>Philippines</b>	<b>2.0</b>	UK	3.2	Morocco	2.8	France	3.5
14	Brazil	4.0	South Africa	0.9	Ukraine	1.6	Italy	3.5
15	Australia	7.1	Sri Lanka	0.4	Nigeria	0.6	Pakistan	0.1

Note: Ranking is according to total cases during 2006–2010 for Japan, 2003–2010 for Australia, 2002–2010 for the EU, and 2002–2010 for the United States

# Common Purpose(s), Pros and Cons by FIE Structure Type

Foreign-invested Entity (FIE) Structure Type	Common Purpose(s)	Pros	Cons
Representative Office (RO)	<ul style="list-style-type: none"> <li>- Market research</li> <li>- Liaise with home country companies</li> </ul>	<ul style="list-style-type: none"> <li>- Easiest foreign investment structure to set up</li> <li>- No registered capital Requirement</li> </ul>	<ul style="list-style-type: none"> <li>- Paves way for future investment</li> <li>- Must recruit staff from local agency</li> </ul>
Wholly Foreign owned Enterprise (WFOE)	<ul style="list-style-type: none"> <li>- Manufacturing</li> <li>- Service provision</li> <li>- Trading</li> </ul>	<ul style="list-style-type: none"> <li>- Greater freedom in business activities than RO</li> <li>- 100% ownership and management control</li> </ul>	<ul style="list-style-type: none"> <li>- Registered capital requirement</li> <li>- Lengthy establishment process</li> </ul>
Joint Venture (JV)	<ul style="list-style-type: none"> <li>- Entering industries that by law require a local partner</li> <li>- Leveraging a partner's existing facilities, workforce, sales/distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>- See common purpose(s)</li> </ul>	<ul style="list-style-type: none"> <li>- Split profits</li> <li>- Less management control than a WFOE</li> <li>- Technology transfer/IP risks</li> <li>- Inheriting partner liabilities</li> </ul>
Foreign invested Partnerships (FIP)	<ul style="list-style-type: none"> <li>- Investment vehicle</li> <li>- Service provision</li> </ul>	<ul style="list-style-type: none"> <li>- Allows for domestic and foreign ownership</li> <li>- Easier setup (does not require registered capital verification)</li> <li>- Substantial tax savings</li> </ul>	<ul style="list-style-type: none"> <li>- Unlimited liability of the general partner</li> <li>- Newness of structure (potential challenges with taxation or foreign currency exchanges)</li> </ul>

# Thank you!

