ASEAN NEW GROWTH ENGINE IN ASIA

PRESENTATION FÜR PPT-GRUPPEN
2016-03-17
Business Sweden ASEAN
AGENDA

- Association of Southeast Asia Nations (ASEAN) in Asia context
  - Sweden in ASEAN context
  - ASEAN Manufacturing
    - Pulp and paper industry in ASEAN
SHIFT OF GRAVITY IN ECONOMIC ACTIVITY TOWARDS ASIA IS EVIDENT

% SHARE OF WORLD REAL GDP

BY 2025 MORE THAN 50% OF GLOBAL GDP WILL BE GENERATED IN ASIA

SOURCE: INTERNATIONAL MONETARY FUND
The Association of Southeast Asian Nations (ASEAN) is a political and economic organisation of ten countries located in Southeast Asia, which was formed on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Since then, membership has expanded to include Brunei, Myanmar, Cambodia, Laos, and Vietnam.
CREATION OF ASEAN TO ACCELERATE ECONOMIC GROWTH, SOCIAL PROGRESS AND CULTURAL DEVELOPMENT

**ASEAN was established** in Bangkok at the height of the Vietnam War by the five original member countries: Indonesia, Malaysia, Philippines, Singapore, and Thailand.

**The ASEAN Economic Community (AEC)** shall be the goal of regional economic integration by 2015 through:
- Single Market and Production Base
- Competitive Economic Region
- Equitable Economic Development
- Integration into the Global Economy

**1967**
- Thailand
- Philippines
- Malaysia
- Singapore
- Indonesia

**1977**
- Brunei

**1987**
- Vietnam
- Myanmar
- Cambodia
- Laos

**1997**
- Myanmar and Lao join ASEAN in July 1997

**2007**
- Cambodia join ASEAN in April 1999. This completes the current member states.

**2015-20**
- Brunei Darussalam join ASEAN in January 1984
- Vietnam join ASEAN in July 1994

**SOURCE:** ASEAN SECRETARIAT
AEC - PAPER TIGER OR SUCCESSFUL REGIONAL INTEGRATION?

Opportunities

- Intra ASEAN tariffs eliminated
- Strong growth in intra ASEAN trade
- Access to regional and global supply chains

Challenges

- Unification of standards and procedures are lagging
- Many trade and investment barriers remain
- National agendas over ride regional

BEYOND AEC, ASEAN’S MAJOR ACCOMPLISHMENT IS THAT IT HAS PROVIDED A PLATFORM TO RESOLVE CONFLICTS ENABLING STABILITY AND ECONOMIC GROWTH

SOURCE: BUSINESS SWEDEN
ASEAN IS HOME TO SOME OF THE LARGEST AND FASTEST GROWING MARKETS IN THE WORLD

ASEAN GDP DEVELOPMENT (CURRENT USD)

ASEAN GDP 2014, COUNTRY SHARE (CURRENT USD)

INDONESIA IS THE MAIN GROWTH ENGINE SUPPORTED BY GROWING NEIGHBORING MARKETS

SOURCE: WORLD BANK

24 MARCH, 2016
ASEAN 6 KEEPING THE PACE OF WORLD’S FASTEST GROWING ECONOMIES

GDP GROWTH DEVELOPMENT (2000 – 2014)

SOURCE: WORLD BANK
FDI INTO THE ASEAN6 HAS SURPASSED CHINA FOR THE PAST TWO YEARS

VALUE OF FOREIGN DIRECT INVESTMENT INFLOWS
USD BILLION

EUROPEAN UNION AND JAPAN ARE THE BIGGEST INVESTORS IN THE ASEAN6 REGION

SOURCE: ASEAN FOREIGN DIRECT INVESTMENT STATISTICS DATABASE, UNCTAD
SEVEN FTA’S WITH MAJOR NEIGHBOURING ECONOMIES IN FORCE

1. ASEAN Free Trade Area
2. ASEAN-China
3. ASEAN South-Korea
4. ASEAN-Japan
5. ASEAN- Australia and New Zealand
6. ASEAN-India

THESE FREE TRADE AGREEMENTS HAVE A SIGNIFICANT INFLUENCE ON THE REGION’S GROWTH

SOURCE: BUSINESS SWEDEN ANALYSIS
THE ASEAN TRADE BECOMING MORE INTRA ASIA ORIENTED

ASEAN EXPORT DEVELOPMENT
SHARE OF TOTAL EXPORT WITH MAIN PARTNERS

- ASEAN: 30%
- EU: 25%
- US: 20%
- Japan: 15%
- China: 10%
- India: 5%
- Others: 0%

ASEAN IMPORT DEVELOPMENT
SHARE OF TOTAL IMPORT WITH MAIN PARTNERS

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CHINA IS BECOMING THE MOST IMPORTANT SINGLE TRADING PARTNER

SOURCE: INTERNATIONAL TRADE CENTRE
SIGNIFICANTLY IMPROVED BUSINESS CLIMATE IN MOST ASEAN COUNTRIES OVER THE LAST DECADE…

EASE OF DOING BUSINESS INDEX RANKING 2006 VS. 2015

Can’t keep pace
Improving

Rank change 2006 - 2015

SOURCE: WORLD BANK – EASE OF DOING BUSINESS
...HOWEVER CORRUPTION STILL REMAINS A MAJOR HURDLE IN THE REGION OVERALL GROWTH

CORRUPTION PERCEPTION INDEX RANKING 2006 VS. 2014

Implications for Swedish Companies
• Government bureaucracy red tape (applying for permits, import licenses etc.)
• Customs are very corrupt, especially in Philippines and Indonesia
• Local content requirements in some product categories
• Local partners required by law in certain countries/segments

SOURCE: WORLD BANK – TRANSPARENCY INDEX
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ASEAN IS AN IMPORTANT REGION IN ASIA FOR SWEDISH EXPORTS

Gr China approx. 900 companies
ASEAN approx. 600 companies
India approx. 200 companies

As interest in the region has increased so has Business Sweden

Business Sweden office and year of establishment

SOURCE: BUSINESS SWEDEN
SWEDISH FOOTPRINT IN ASEAN IS RATHER STRONG AND IS GROWING EVERY YEAR

90% OF REGIONAL HQ’S ARE IN SINGAPORE AND MALAYSIA

SOURCE: BUSINESS SWEDEN
SWEDISH EXPORTS TO ASEAN REGION HAS BEEN GROWING IN LINE WITH EXPORTS TO ASIA AS A WHOLE

Although something has happened during the last 5 years

INDEX OF SWEDISH EXPORT TO ASIA & ASEAN

Source: SCB, Swedish Statistic Office

SPLIT OF SWEDISH EXPORT TO ASEAN IN 2014

Total export USD 2.4 billion

Singapore 33%

Thailand 22%

Indonesia 17%

Malaysia 16%

Vietnam 7%

Philippines 5%
SWEDEN IS LOSING THE GROUND IN EXPORT TO ASEAN IN COMPARISON TO OTHER MAJOR EUROPEAN ECONOMIES

SWEDEN VS MAJOR EUROPEAN ECONOMIES EXPORT TO ASEAN 2004-2014 BILLION USD

SWEDEN HAS EXPERIENCED THE SLOWEST GROWTH OVER THE PAST DECADE

SOURCE: INTERNATIONAL TRADE CENTRE 2015
SWEDISH COMPANIES DO THEIR HOMEWORK BEFORE ENTERING THE ASEAN MARKET

HOW DID YOU DECIDE TO ESTABLISH YOURSELF IN ASEAN AND WHY?

Share of responses

- Based on analysis & research: 40%
- Followed existing customer: 25%
- After spontaneous contact: 25%
- Overall expansion: 10%

“Business potential and market growth”

“Incoming leads at European trade fairs”

“Great business opportunities”

“We followed our customers as they where mowing their operations to ASEAN”

SOURCE: BUSINESS SWEDEN SURVEY
ONLY 24% FINDS IT DIFFICULT TO FIND A RELIABLE BUSINESS PARTNER IN ASEAN

HOW EASY IS IT TO FIND RELIABLE BUSINESS PARTNERS IN ASEAN?
Share of responses

- Very easy: 6%
- Easy: 28%
- Average: 40%
- Difficult: 16%
- Very difficult: 8%
- Don't know: 2%

SOURCE: BUSINESS SWEDEN SURVEY
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ASEAN IS A MAJOR GLOBAL MANUFACTURING HUB

MANUFACTURING POTENTIAL IS SUBSTANTIAL AND WILL BE AN ALTERNATIVE TO CHINA GOING FORWARD

SOURCE: BUSINESS SWEDEN RESEARCH, MCKINSEY
MORE THAN 35% OF ALL FDI’S THAT HAS FLOWN INTO ASEAN HAS BEEN TOWARDS MANUFACTURING

FOREIGN DIRECT INVESTMENT STOCK
USD BILLION

- Singapore: 912
- Indonesia: 253
- Thailand: 199
- Malaysia: 134
- Vietnam: 91
- Philippines: 57

ORIGIN OF FDI INFLOWS INTO ASEAN

- European Union: 22%
- Japan: 19%
- ASEAN: 17%
- China: 7%
- Hong Kong: 4%
- USA: 3%
- S. Korea: 3%
- Australia: 2%
- Other: 23%

EUROPEAN UNION AND JAPAN ARE THE BIGGEST INVESTORS IN THE ASEAN REGION

SOURCE: UNCTAD
MANUFACTURING SECTOR IS GOING TO CONTINUE TO SEE STRONG GROWTH OVER THE NEXT 10 TO 20 YEARS

GENERAL EVOLUTIONARY CURVE OF COUNTRIES THROUGH THE PROCESS OF INDUSTRIALIZATION

PRE-INDUSTRIAL ECONOMIES | POST - INDUSTRIAL ECONOMIES

Manufacturing value added as % of GDP

GNI per capita (US$ PPP Constant)

SOURCE: BUSINESS SWEDEN ANALYSIS BASED ON FRONTIER STRATEGY GROUP

Thailand

Indonesia

Vietnam

Philippines

Malaysia

Singapore

Technological shift period for Upper-middle-income economies

The area of the circle is proportional to manufacturing value added 2013
TO MAINTAIN STRONG POSITION IN THE VALUE CHAIN
SIGNIFICANT PRODUCTIVITY IMPROVEMENTS NEEDED

ANNUAL LABOR PRODUCTIVITY COMPOUND GROWTH RATE %

Vietnam: 6.3%  
Singapore: 5.8%  
Thailand: 5.2%  
Indonesia: 4.7%  
Malaysia: 4.1%  
Philippines: 3.5%

Historical productivity growth (2000-13)
Required productivity growth (2013-30)
to maintain historical GDP growth rate

PRODUCTIVITY

- Productivity gains will be imperative to capture a greater share of global manufacturing
- Urbanization moving people from low to high productivity jobs
- Adopting international best practices through present multinationals
- Leapfrogging through new technologies

ASEAN COUNTRIES WILL NEED SOLUTIONS AND PROCESSES TO INCREASE PRODUCTIVITY

SOURCE: IHS, UNITED NATIONS, WORLD BANK & MC KINSEY GLOBAL INSTITUTE
Higher levels of technology penetration can:
- boost the value of human capital
- enable product innovation
- improve product quality and consistency
- ensure efficient information management, and make businesses more responsive to customer needs.

By closing gaps in new technology use ASEAN can gain competitive advantages and improve its labour productivity.

We see that all ASEAN 6 countries (exception is Singapore) despite improvement are below global average and need to build capacity in this area further.

* Technology readiness index look at utilization of new technology in the production processes

SOURCE: WORLD ECONOMIC FORUM
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- Pulp and paper industry: Indonesia, Thailand and Malaysia
INDONESIA IS A SIGNIFICANT REGIONAL EXPORTER OF BOTH PULP AND PAPER

THAILAND AND MALAYSIA ARE PRIMARILY ACTIVE ON PAPER SIDE

SOURCE: UN COMTRADE AS OF JANUARY 2015
IN 2015 IMPORT OF PULP&PAPER MACHINERY TO THREE FOCUS COUNTRIES HAS REACHED USD 735 MILLION

IMPORT OF PAPER MAKING MACHINERY (HS 8441*) USD MILLION

<table>
<thead>
<tr>
<th>Year</th>
<th>Indonesia</th>
<th>Thailand</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0.7</td>
<td>0.2</td>
<td>1.1</td>
</tr>
<tr>
<td>2010</td>
<td>1.1</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>2012</td>
<td>0.7</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>2014</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% share of import form Sweden

**HS 8441: MACHINERY FOR MAKING UP PAPER PULP, PAPER/PAPERBOARD, INCL CUTTING MACHINES

IMPORT OF PULP MAKING MACHINERY (HS 8439**) USD MILLION

<table>
<thead>
<tr>
<th>Year</th>
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<tr>
<td>2008</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>10.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>12.1</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2.2</td>
<td>3.9</td>
<td>1.4</td>
</tr>
</tbody>
</table>

% share of import from Sweden

**HS 8439 : MACHINERY FOR MAKING PULP OF FIBROUS CELLULOSIC MATERIAL FOR MAKING FIN PAPER

SWEDEN HOLDS SIGNIFICANT SHARE IN THE IMPORTED PULP MACHINERY

SOURCE: UN COMTRADE AS OF JANUARY 2015
# MAJOR PULP AND PAPER COMPANIES IN INDONESIA

<table>
<thead>
<tr>
<th>Company</th>
<th>Production capacity (ton)</th>
<th>Number of mills</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>APRIL</td>
<td>3,650,000</td>
<td>1</td>
<td>Chemical wood pulp, White paper/office paper</td>
</tr>
<tr>
<td>Indah Kiat</td>
<td>2,180,000</td>
<td>1</td>
<td>Industrial paperboard, White paperboard, Folding boxes</td>
</tr>
<tr>
<td>Tjiwi Kimia</td>
<td>1,520,000</td>
<td>1</td>
<td>Coated art, Cast coated, Specialty paper, Carbonless paper, Office stationery</td>
</tr>
<tr>
<td>Fajar Paper</td>
<td>1,200,000</td>
<td>1</td>
<td>Kraft liner board, Corrugated medium paper, Coated duplex board</td>
</tr>
</tbody>
</table>

*Source: Company Webpage*
# MAJOR PULP AND PAPER COMPANIES IN THAILAND

<table>
<thead>
<tr>
<th>Company</th>
<th>Production capacity (ton)</th>
<th>Number of mills</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCG Packaging</td>
<td>3,850,000</td>
<td>15 in Thailand, Additional 6 in ASEAN</td>
<td>Corrugated containers, White paper/office paper, Kraft paper</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>500,000</td>
<td>1</td>
<td>Liner Paper, Extensible sack kraft paper, Corrugated paper and boards</td>
</tr>
</tbody>
</table>

*Source: Company Webpage*
### MAJOR PULP AND PAPER COMPANIES IN MALAYSIA

<table>
<thead>
<tr>
<th>Company</th>
<th>Production capacity (ton)</th>
<th>Number of mills</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUDA</td>
<td>300 000</td>
<td>1</td>
<td>Industrial brown paper, Paper boards, Corrugated boxes, Multi-wall paper bags, PE laminated paper</td>
</tr>
<tr>
<td>MNI</td>
<td>280 000</td>
<td>1</td>
<td>News paper print</td>
</tr>
<tr>
<td>GSPP</td>
<td>280 000</td>
<td>1</td>
<td>Industrial brown grade paper</td>
</tr>
<tr>
<td>SFI</td>
<td>170 000</td>
<td>1</td>
<td>White paper/office paper</td>
</tr>
</tbody>
</table>

**SOURCE:** COMPANY WEBPAGE
THANK YOU!

Contact information

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