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As part of the *Café Insights* series of interviews with inspiring speakers, The Insight Bureau recently caught up with Ben Simpfendorfer, an economist and Asia business strategist, when we asked him to throw light on China's Belt & Road Initiative and its implications for MNCs, as well as comments on ASEAN's unfolding potential.



Andrew Vine

Well, hello, and welcome to another in the series of Café Insights. I'm Andrew Vine, CEO of The Insight Bureau, and today I'm in conversation with Ben Simpfendorfer. How are you?

Ben Simpfendorfer

Very well, thank you.

AV

So, Ben, you're based in Hong Kong, you're the founder of the Silk Road Associates, you have written a couple of books -- more recently, *The Rise of the New East* and *The New Silk Road*. And you describe yourself as an economist, but more of a business strategist these days. So, welcome.

BEN

Thank you. Delighted.

AV

And I hear you've just flown in from Laos.

BEN

I have, I've just spent the last few days there ...

AV

How was that?

BEN

Fabulous. China is building out a new railway connecting up Kunming to Vientiane, and so we were there to conduct some due diligence on that railway, and the surrounding industrial park. Construction has started, and it's a real game changing moment for what is quite a small country.

AV

Yes, and it's not a country that many people have been to. We had a little chat earlier, and it's not that easy to get to, and it's always been considered the back door of Thailand, all landlocked...

BEN

Landlocked is the right way to describe it, and that's why this railway is so important. And it's opening up new commercial opportunities, and not just for Chinese firms, but also Korean, Japanese, American, European... So, I would expect to see a very different commercial landscape over the next few years.

AV

Today, I want to focus exclusively on this whole thing about the "Belt & Road Initiative." I feel that a lot of people are talking about it, but very few people really understand what it's all about. And you're the expert in all of this; I mean, you were asked to join the Foreign Experts Committee of the State Administration for foreign Experts Affairs -- no better person to ask. What essentially is it?

- BEN China's Belt & Road is an attempt to take its firms international, to build out new multinationals, as well to build out supply chains across the region, which will make it easier for China to do business with Asia, Middle East, and Africa, parts of the world that account for two-thirds of its population, half the global economy, so China is essentially finding a way to do business with the world's commercial future.
- AV At one stage it was obvious that China needed to go and find resources around the world, but this is different.
- BEN Yes. Absolutely. There is a focus on not just building out infrastructure -- and that can be anything from ports to railways -- but then also selling product to the region. Don't forget that Chinese consumer goods companies -- particularly smartphone companies -- have done very well across Asia, Middle East, and Africa. Their brands are everywhere. So, it really is a full commercial ecosystem.
- AV Now, in which of the countries are we already beginning to see this roll-out?
- BEN We have data analytics on over 1,000 China-linked projects in the Belt & Road region, and there's a lot of activity in Southeast Asia, as well as South Asia. And East Africa, you see a nice spread of projects. And it's not just in the power sector, but also, of course, in ports, and railways, increasingly in the real estate sector as well. But the real opportunities are in Southeast Asia. That's where you get the commercial scale that both makes these infrastructure projects profitable, but at the same time, creates new consumer markets for Chinese multinationals.
- AV When you look at ASEAN as a landmass, essentially, it's continental ASEAN which is quite an attractive region in itself, coupled with new connectivity with China, all points to a big boon.
- BEN Absolutely. And China's supply chains with the Greater Mekong region -- so Malaysia, Thailand, Vietnam -- these supply chains are already quite robust. China is already shipping parts and components to this part of the world for processing, and then shipped to the rest of the world. But also, land links are beginning to improve, both with railway construction, but also road construction. And so, what we're seeing, again, is the establishment of an ecosystem that is allowing Chinese multinationals to really take advantage of the Greater Mekong's commercial scale, the sheer size of its markets, which are very large compared to any other part of the Belt & Road region.
- AV Yes, and I know even countries like Singapore, city-state as it is, is quite enthusiastic about this, but probably more so from the financing side of things.
- BEN Over the last 12 months there's been a real game-changing moment; I've tracked Chinese activities across the region for almost 15 years now, and perhaps, for the first time, Chinese companies are looking to collaborate with foreign companies. They're looking to engage professional service providers, and that is quite a change from the type of behavior that we've seen over the last 15 years, or so. Singapore, of course, will benefit insofar that it can help Chinese companies, both to find local partners in the ASEAN region, but also to provide those professional services that will be so crucial to the success of Chinese multinationals.
- AV At a time when we see America taking its foot off the accelerator a little when it comes to its China engagement -- and Asia generally -- is this producing a kind of vacuum that China's rubbing its hands together and saying, "this accelerates our vision for growth in the region?"

- BEN The timing is certainly very good for China, and not only because America, to some extent, has retreated from select markets in the Belt and Road region. The timing is also very good simply because growth rates in the region -- Asia, Middle East, Africa -- are still very robust. Domestic demand is very robust. So, there's an opportune moment for Chinese multinationals to step in and fill that gap, and become the preferred, or one of the preferred, suppliers to the region. Over the last 12 months, I've had opportunities to go through and conduct due diligence in markets such as Bangladesh, Myanmar, and I'm just back from Kenya and Ethiopia; the Chinese presence in all these markets is quite astounding. I was only just in Addis Ababa, and the sheer number of Chinese construction companies building out commercial real estate, across the capital, is really quite stunning. And that's before you even start to look at the industrial parts, the railway projects that have been built in the country.
- AV So, this really does look like a boon time for the wider Asia region. We've been talking about Asia's story really being a China story for a long while now, but this is going to be much more inclusive of other parts of the region.
- BEN It will be, and it's not just about China. What you're actually seeing is Korean and Japanese firms that are now more aggressively bidding on tenders for infrastructure projects. They're looking to enter into new markets, expand their markets more aggressively than before, because they are worried about Chinese competition. I was only recently in the Burmese town of Dawei looking at a port infrastructure project there that's been funded by the Japanese. And it's clear, to me at least, that the Japanese, perhaps, wouldn't have been interested in the port if it wasn't for the fact the Chinese are so active in the north of the country in Kyaukpyu.
- AV Should we be viewing this as, perhaps, a threat from the Western point of view?
- BEN Western multinationals -- American, European firms -- are waking up to the fact that competition is already fierce, but heating up further. Chinese, Korean, Japanese firms are going to be even more intense competitors over the coming decades. So, I think it's critical for Western firms to collaborate, to become part of the ecosystem, if they want to develop a sustainable business in this part of the world for the coming decades.
- AV Well, it does sound like there is a lot of opportunity for everyone. Thank you very much for joining.
- BEN Thank you.
- AV See you again next time in Singapore.
- BEN Thanks.

Ben Simpfendorfer is a leading Asia Economist & Business Strategist, and Founder and CEO of Silk Road Associates
He is also the author of *The New Silk Road* and *The Rise of the New East*.

To learn more about Ben Simpfendorfer's experience and insight, visit:
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