

EU–Japan Business Collaborations in Third Markets

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- Corporate “Third Market” Business – Market Barriers
- Governments in “Third Markets” – Integration
- “Third Market” Strategy – Connectivity

- Global supply chains require overseas production
 - Barriers: Export Promotion, EPAs, BITs, ISDS -> Globalization / Governance
 - Ex: Japanese automobile production in ASEAN/NAFTA

- Regional integration with a focus on efficiency
 - Local production with regional networks (BRI) -> Regional Partner Ecosystems
 - Ex: BRI infrastructure projects

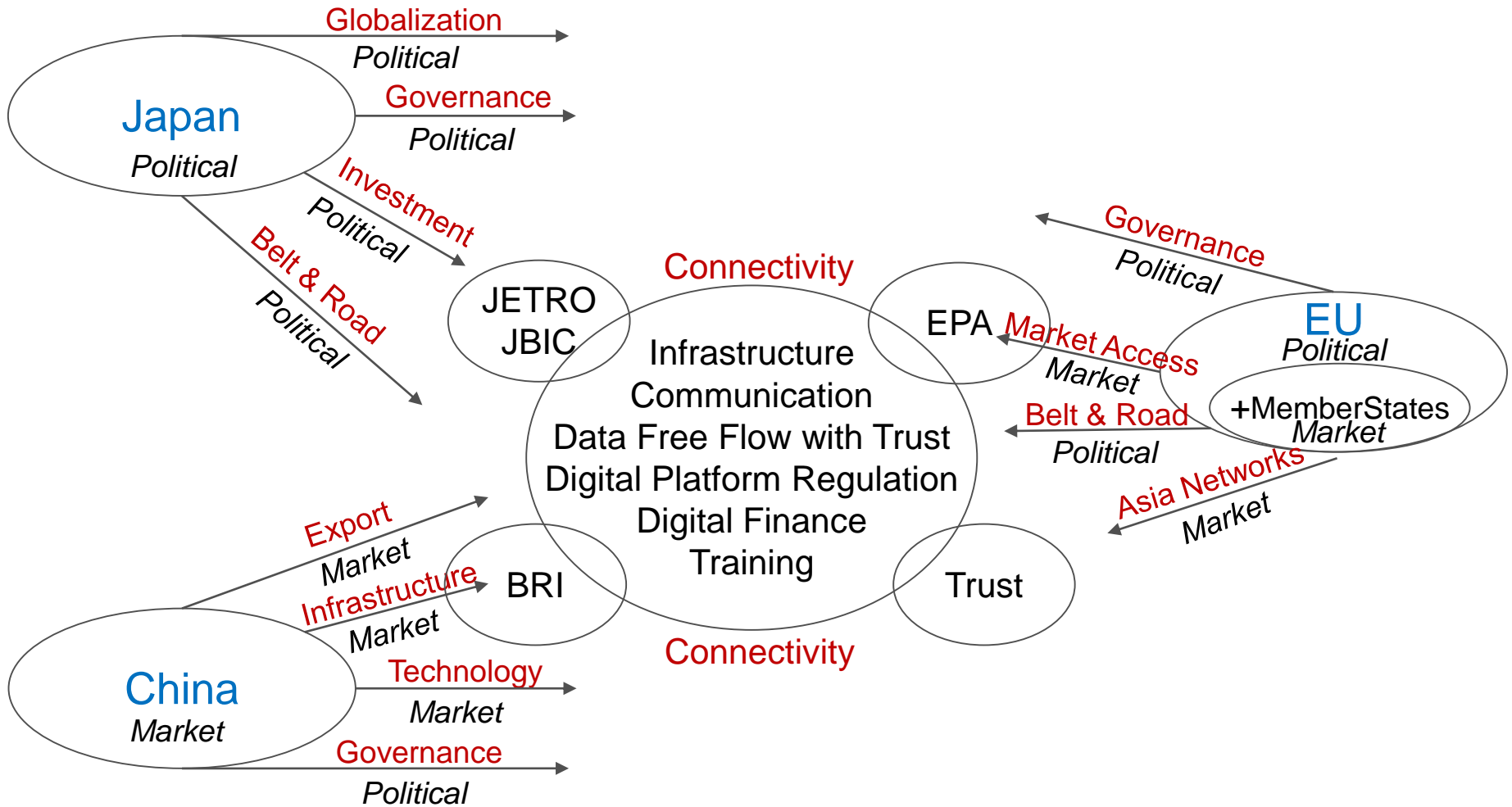
- Digital platform business
 - Regional/local connectivity (Clouds) -> Global Digital Ecosystems
 - Ex: Microsoft Azure, Apple Store, Alibaba Asia E-Commerce

- Global supply chains require overseas production
 - Export Promotion, EPAs, BITs, ISDS -> Globalization / Governance
 - Ex: WTO

- Regional integration vs. bilateral relations
 - ASEAN/BRI/EU challenge “Third Countries” -> Regional Partner Ecosystems
 - Ex: China bilateral cooperation within EU, EU/JP want to influence BRI governance

- Digital platform standards/norms
 - Digital platform regulation, firewalls, taxes -> Global Digital Ecosystems
 - EX: Chinese Internet, US Cloud Act, EU Digital Services Act

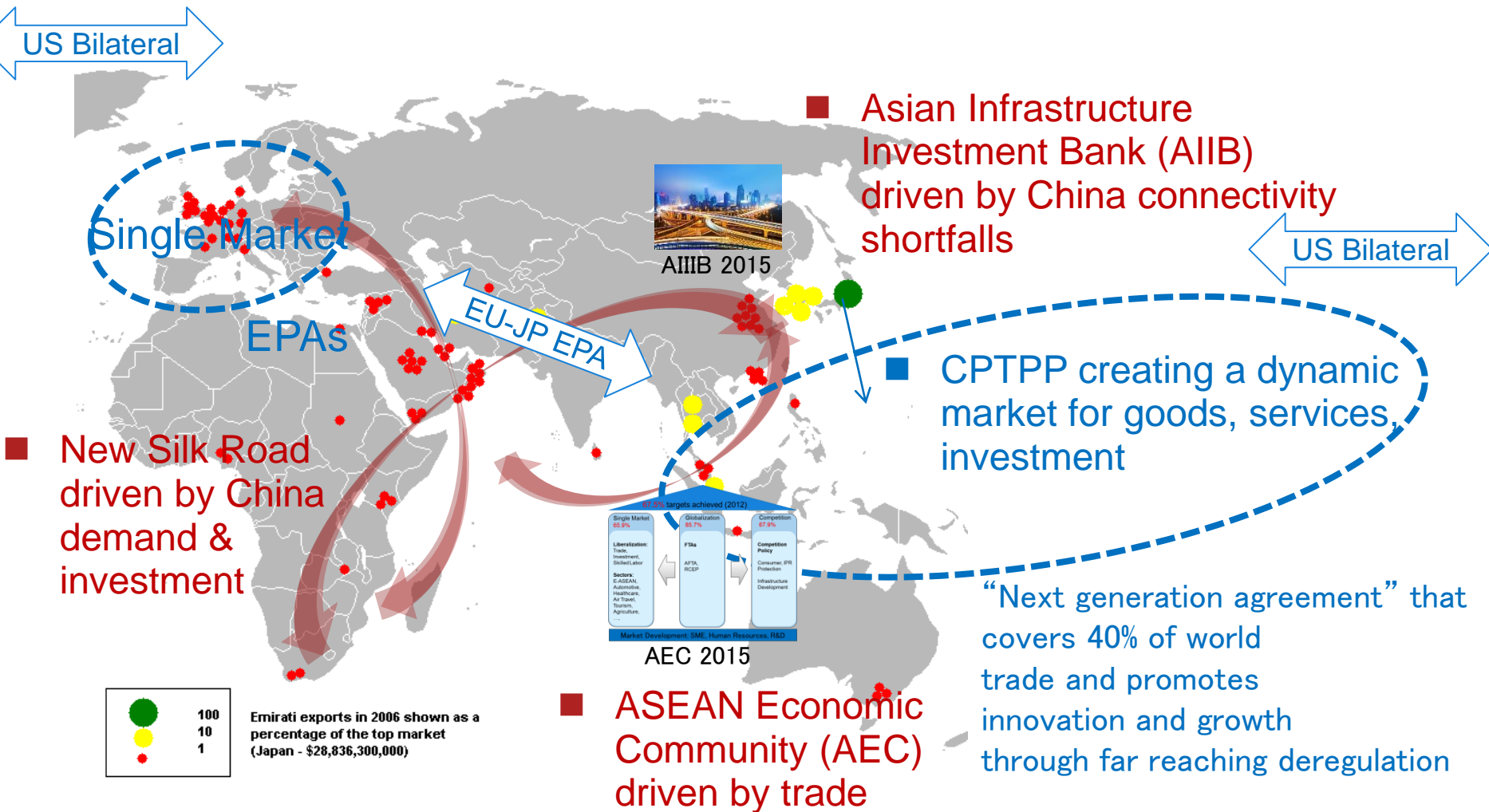
Third Market Strategies – Market & Political Interests



➤ Connectivity aligns market and political interests

- Common Interests: Regionalization Challenges

Globalization vs. Regionalization



ASEAN Markets & Interests remain Diverse

Thailand

Challenge: China & Indonesia Competition

-> Part of China/Japan supply chain

Opportunity: Business Services, Infrastructure

Mfg, Logistics -> Productivity upgrades

Infrastructure -> ODA, China Projects

Vietnam

Challenge: Governance

-> US export / China import dependence

Opportunity: China Competitor

Trade, Logistics -> New regional Asia supply chains

Infrastructure -> ODA, China Projects

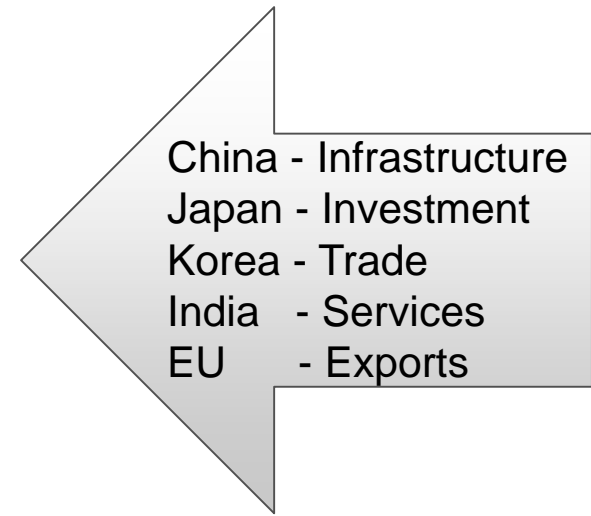
Malaysia

Challenge: (China) Trade

-> Energy prices

Opportunity: Singapore Integr.

-> Infrastructure



China - Infrastructure
Japan - Investment
Korea - Trade
India - Services
EU - Exports

Singapore

Challenge: Narrow Market

-> End of Immigration

-> Slow Growth, Deflation

Opportunity: Headquarters

-> Social Infrastructure

Indonesia

Challenge: Infrastructure, Governance

-> Government Inefficiencies

-> Exchange rate

Opportunity: Infrastructure

Wholesale -> Distribution Key to Success

Infrastructure -> Airports, Hospitals, Buildings

Philippines

Challenge: Investment, Governance

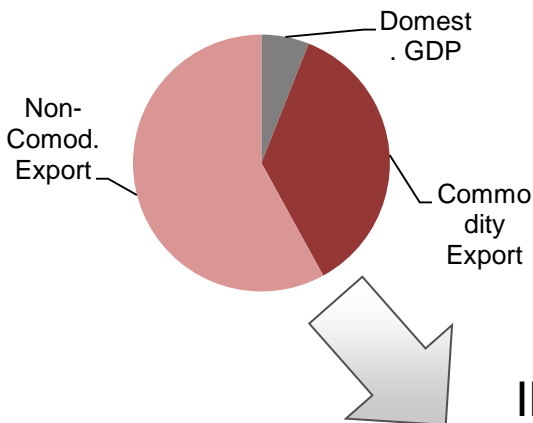
-> PPP projects stuck

-> Increasing China dependence

Opportunity: India competition

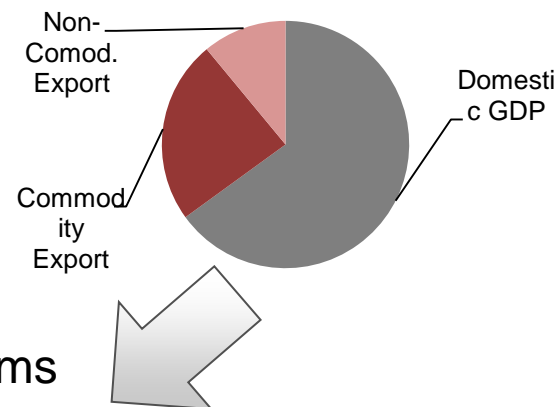
-> BPO, Mfg Services, Security Systems

Malaysia (GDP Sectors)

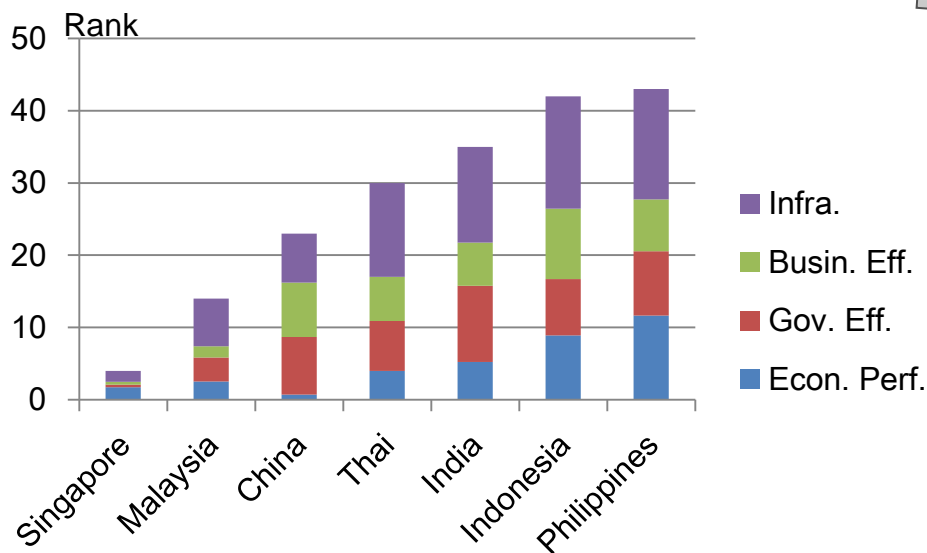


Diverse ASEAN markets:
export- vs. domestic-oriented
governance

Indonesia (GDP Sectors)



IMD Competitiveness Rank & Problems



➤ **Interconnected:**
Gains for
efficient
exporters

➤ **Domestic:**
Infrastructure
challenged by
governance

➤ **Connectivity is key**

Note: Domestic GDP sums consumption, fixed investment and inventory; data for 2011.

A Common Challenge: ASEAN Integration

Single Market

Highly developed EU-style market framework

Liberalization

ASEAN – X
= no commitment
= external FTA impact

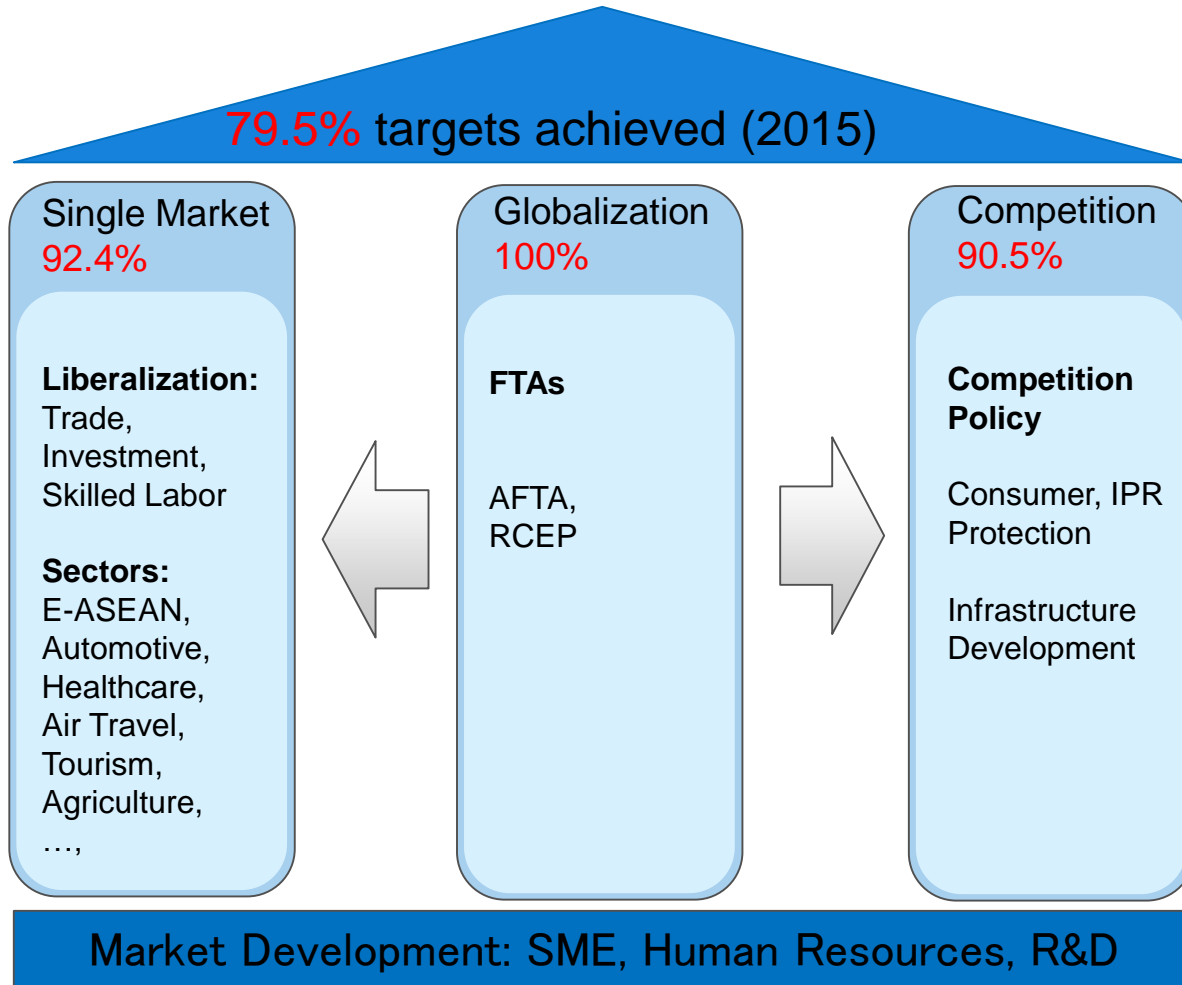
Integration

No institution building
No dispute settlement mechanism

Dependence on external ODA

Competition

Low internal, high external competition
= external FTA



Implementation

70% of targets achieved
= plans written, implementation waiting

Development

Small internal infrastructure funds, no cross-border budget
Unreliable PPP governance
Dependence on external ODA

Globalization

GATS, external FTAs more binding than AEC

Community

“ASEAN Way” of informal, non-binding inter-governmental cooperation
= no framework

- Trade and RCEP (ASEAN+6) have become integration anchors
- Integration beyond trade (AEC): low commitment, limited institution building

- Case: Infrastructure Connectivity beyond BRI

Siemens BTS Skytrain (2000)
Siemens MRT Subway (2004)
 Cars, Systems, Maintenance



Private Finance +
 German ODA
 PPP +
 Japanese ODA

CRC Changchun
BTS Skytrain Expansion
 (2009)
 Cars

Italian-Thai
 (Constructor)

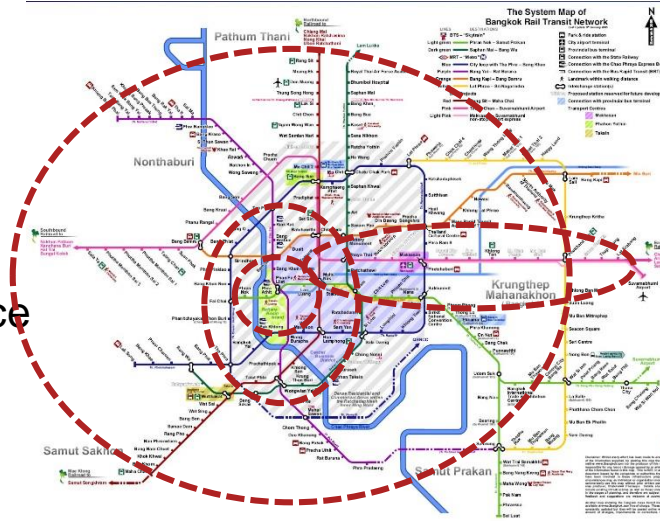
High Competition

Siemens
SRT Airport Link (2010)
 Cars, Systems, Maintenance

B Grimm,
 Sino-Thai,
 China Rail
 (Constructor)



Government +
 Japanese ODA



Siemens
BTS & MRT Systems, Maintenance

High Income

Bombardier Transport **Porsche Design**
CRC & BTS Systems **BTS, MRT, SRT Train Design**

Infrastructure Competition

- Siemens wins Metro contract
- CRC Changchun wins Expansion contract
- Siemens wins Airport Link contract
- CRC Changchun competes for National Rail contracts
- Siemens founds 50:50 Thai Joint Venture

Systems Opportunity

- Siemens keeps Systems, Maintenance Contracts
- Bombardier develops CRC Changchun Systems
- Porsche Design gets all Train Design

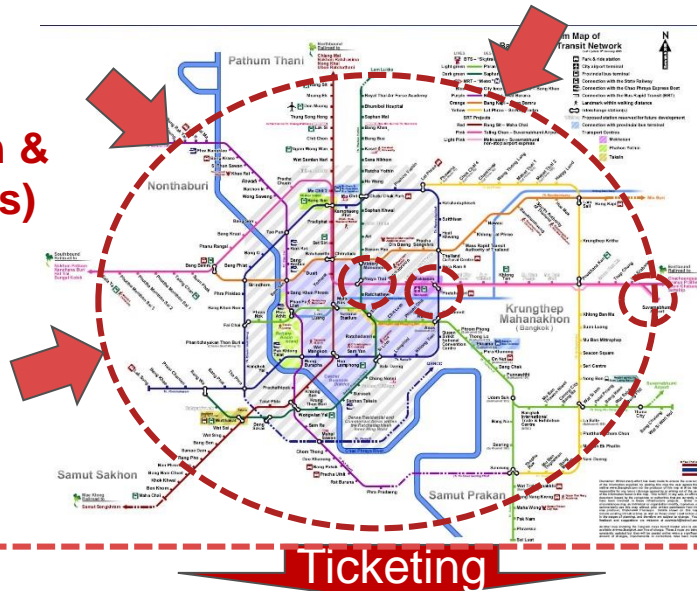
City Air Terminal (Siemens) Systems, Maintenance



Airport Cargo (Siemens) Cargo Handling



Highway Toll Collection & Traffic Control (Siemens) Systems, Maintenance



“Smart City” Opportunity

- Siemens lost infrastructure construction to Chinese competitors, but wins
 - Airport Cargo Systems
 - City Terminal Systems
 - Traffic Control Systems
- Bangkok E-Money Ticketing System
 - Sony Felica Japan-only standard
 - Siemens no system
 - NXP (Phillips) global NFC system wins

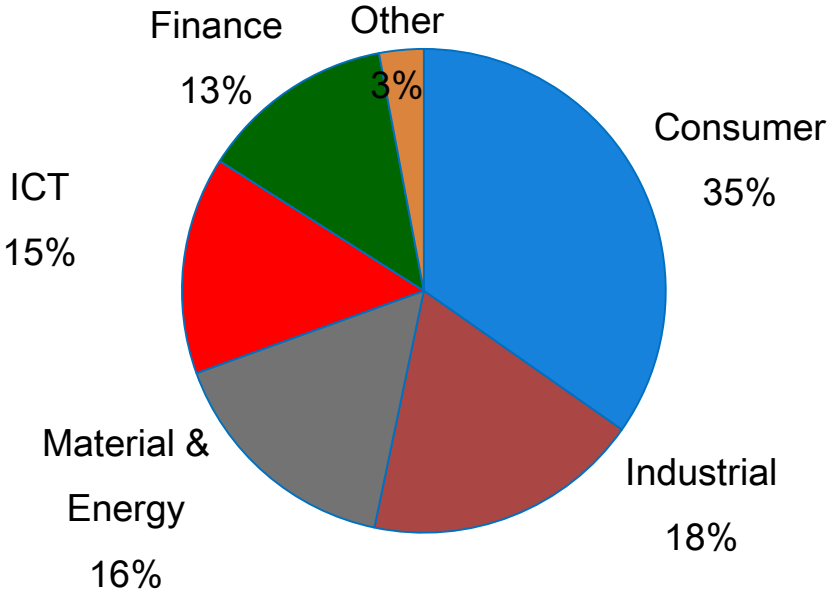
BSS Rabbit Card – E-Money NXP (Phillips) NFC System 1.5 Mill BTS+MRT Smart Cards



- Common Interests: Digitalization Challenges & Opportunities

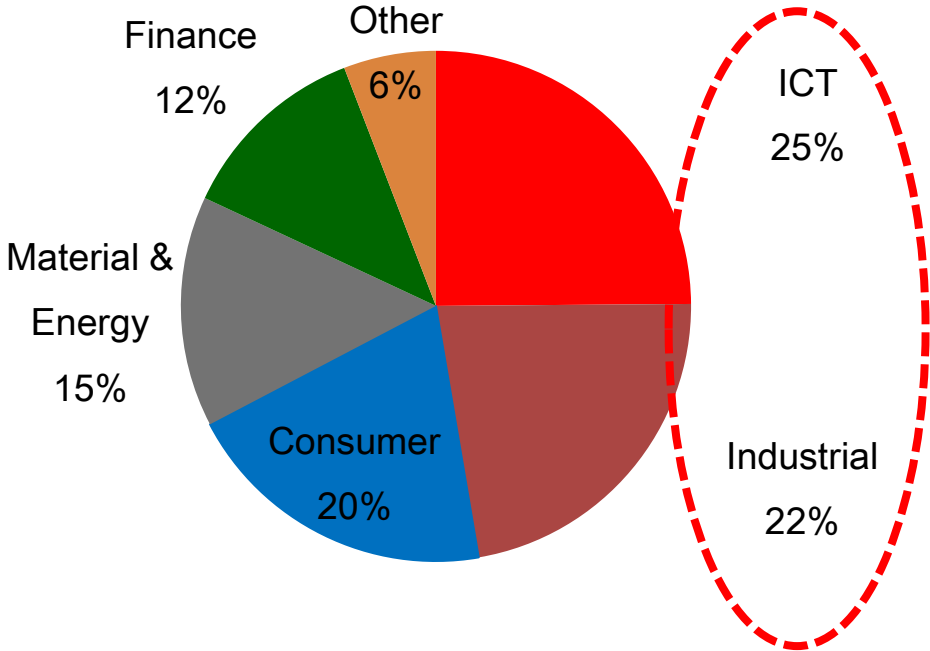
Investment (M&A) into ASEAN5 (2008-18; % Sector Shares)

Japan



976 M&A Deals

China



205 M&A Deals

Note: M&A cases from China/Japan into ASEAN5.

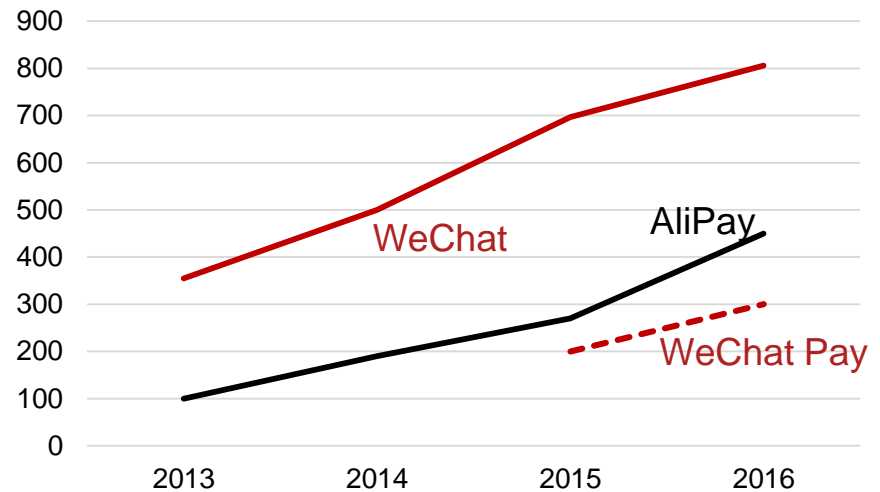
➤ China's Financial Markets

- Cyclical expansion and tough regulation of public banks
- Fast development of private „shadow banks“
- Shadow banking grows with e-Commerce (47% world market share), 40% of users have shadow/fintech accounts
- World's 4 largest fintech „Unicorns“ are Chinese

➤ Alibaba: E-Commerce and Fintech

- China's largest online platform with 450 million AliPay financial platform users (Ant Financial)
- \$17.5 bill. AliPay settlements on November 11, 2016
- 68% payments are covered by safe escrow services
- 260 mill. users of asset management, \$90 bill. under management

Alipay vs. WeChat (monthly Users; Mill.)



<https://i0.wp.com/www.aseantoday.com/wp-content/uploads/2017/02/图片1-1.png?w=1145>

➤ Expansion to Asia: Banking the (mobile) Unbanked

- SEAsia platforms: Alibaba buys Lazada (2014, 2016), Ant Financial buys helloPay (2016) and Moneygram (**canceled by US!**)
- AliPay in Singapore, Malaysia, Indonesia, Thailand and the Philippines (2017)

ING Digital Transformation

Mobile Aggregator



Instant SME Lending



Identity Management



ING's agile journey so far has been based on 4 ideas



Workplace Services



Payment Services



Robo-advice Partnership



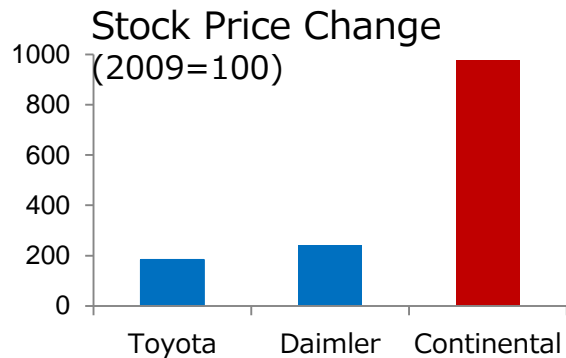
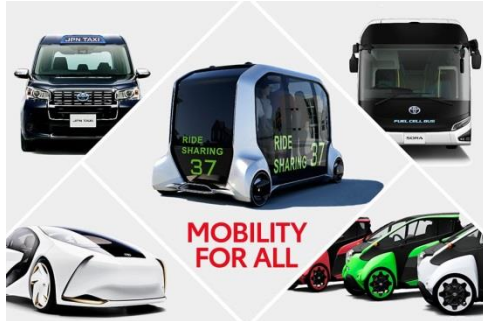
Blockchain-based trade finance



CIO Peter Jacobs: "We are a technology company operating in the financial-services business"

Automobile Industry: E-Mobility Supply Chain Transformation

Toyota 2020



E-Mobility: Platform/Product Growth

	2018-2028 CAGR	Parts 2028 (1000 p.)
Plugin Hybrid Platform	25%	9,881
EV Platform	21%	8,630
Autonomous Braking	19%	51,003
Lane Change Assist	18%	61,250
Adaptive Cruise Control	15%	34,307
Sensor (Parking)	9%	413,870
Sensor (Accident)	7%	1,401,172
Sensor (ADAS)	7%	4,606,820
Sensor (active Safety)	7%	8,055,776

Platform

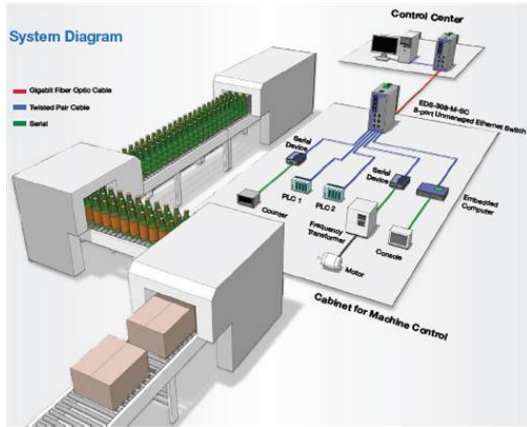
Software System Integrator

Hardware System Integrator

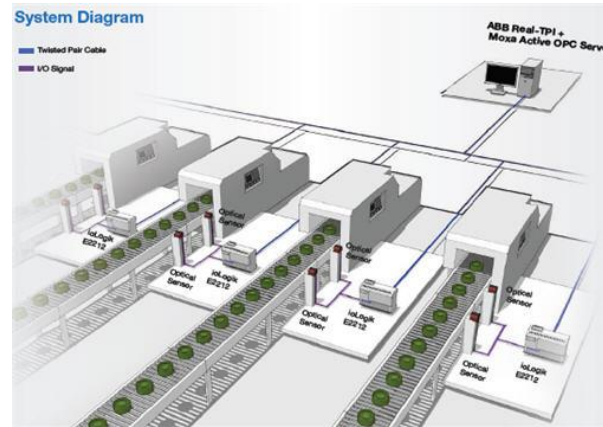
■ Building digital platforms & connectivity in any industry

“Industry 4.0” Opens & Connects Industry

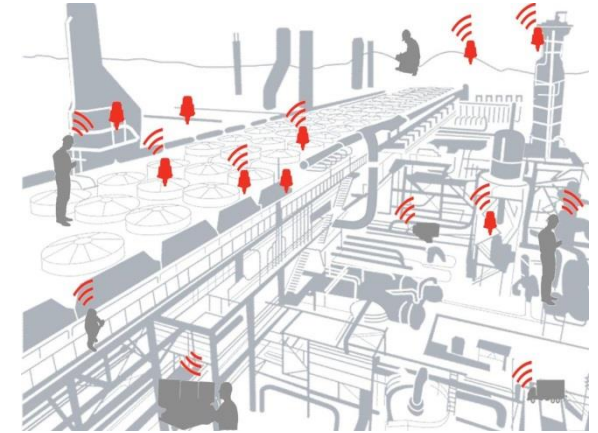
From Factory Automation to Cyber Physical Systems (CPS)



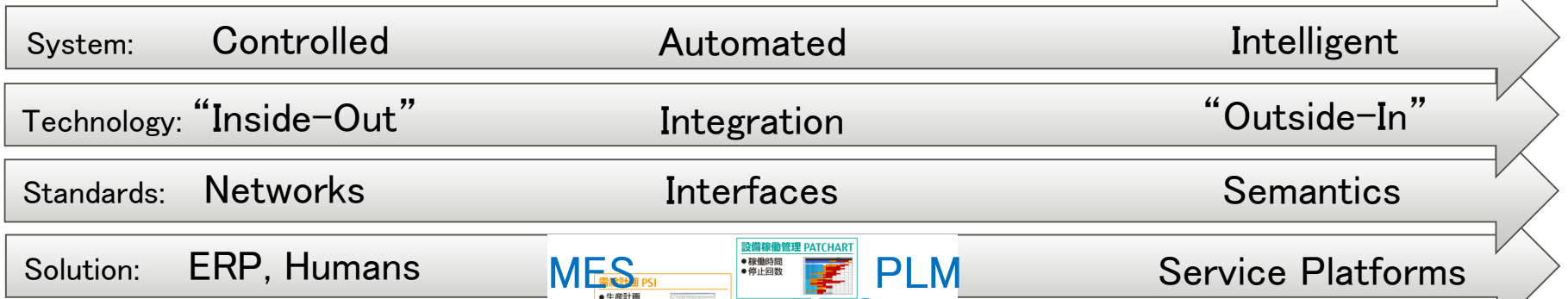
Moxa Ethernet Switches (2009)



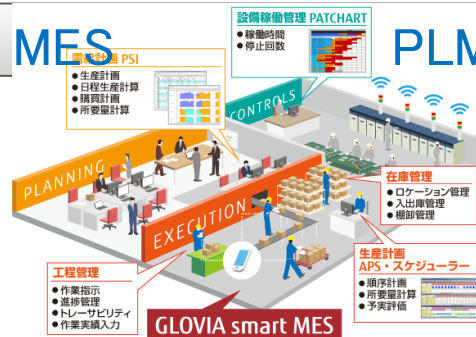
L' Oreale – ABB Real TPI (2001), Moxa



Virtual Machine – Pajic (2012)



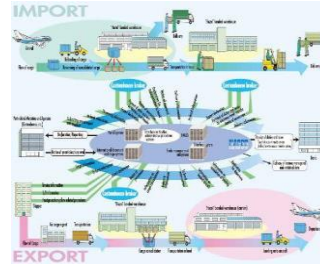
Legacy Systems →



← IoTS Technologies

■ Trade, Retail, Finance:

Convenience stores,
logistics/delivery,
e-money



➤ consumer orientation

■ Infrastructure, Production:

Transport, security, systems
integration,
energy efficiency



➤ systems integration

■ Education: Private colleges, corporate vocational training



➤ corporate training

■ Health: Public-private electronic medical record (EMR) systems

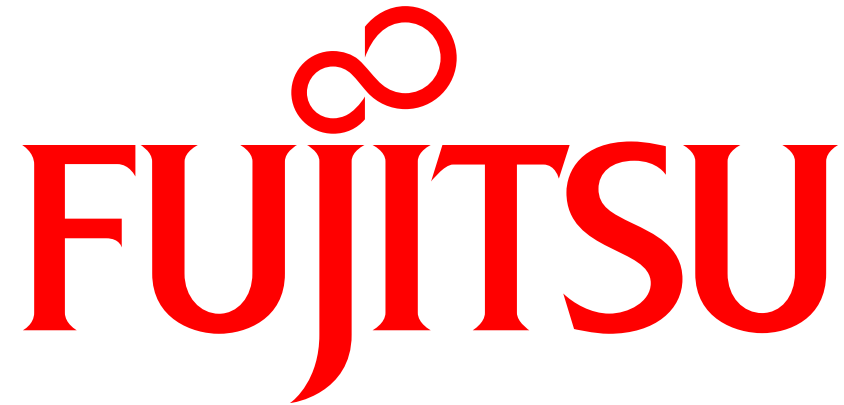


➤ hospital(ity) service

- Corporate “Third Market” Business – Market Barriers
 - (Rebuild) Global Platforms

- Governments in “Third Markets” – Integration
 - Build Connectivity Platforms

- “Third Market” Strategy – Connectivity
 - DFFT / Digital Finance / Platforms / Training



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