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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.



- AV** Hello, and welcome to another in the series of *Cafe Insights*. I'm Andrew Vine, CEO of the Insight Bureau, and today I'm in conversation with Ben Simpfendorfer from Hong Kong. How are you doing?
- BS** Very well, Andrew. How are you?
- AV** Good, good. So, Ben is an economist and a business strategist for the Asia region. He's written a number of books, he's an expert in the area of doing business in China, Southeast Asia, and the Middle East. And so what's keeping you busy these days?
- BS** Doing a lot of data analytics work, actually. We're tracking everything from income density, to population measures, to branch locations. It's just fascinating. It's providing a lot of granular detail on activity across the region.
- AV** Once you were much more the macro economist, but these days, you're spending a lot more time looking at, like you say, the nuts and bolts of what makes Asia work and how organizations need to respond.
- BS** Absolutely. So the economics has a little bit less value in the past, if only because the markets are now so big. The opportunities *within* regions, *within* cities, are greater than ever, but also more complex than ever. So what we're finding is a lot of our clients -- multinational clients -- are really having to rethink the way they do business in this region and are looking to get granular. What they want to understand is what's happening on the ground, in a region, in a city, not just what's the latest GDP growth rate.
- AV** Yes, I also omitted to say that you're the author of a book called "*The Rise of the New East*", and that's pretty much how that was focused, based on a lot of interviews you did with chief executives.
- BS** Yes, absolutely. I spent a good time of my year speaking with anyone from CEOs to senior executives, to partners, to factory owners, really to understand what's happening on the ground. How are leading companies making money? How are they responding to emerging, local competitors? How are they responding to slower growth? It's that practical experience which really makes a crucial difference in this region.
- AV** You spent some time in the Middle East, and right now, a lot of people are talking about the China's One Belt, One Road initiative. I thought perhaps you could explain a little bit about that. I hear you've been made an advisor -- you've joined the Foreign Experts Committee advising on MNCs' response to that.
- BS** Well, absolutely. I'm part of an expert committee advising China State Council and the Central Leadership, and in fact, I'm up in Beijing next week as part of that process. So China's Belt and Road strategy is a policy that is being used by the Central Leadership to guide or influence China's outbound commercial activities and investments into neighboring countries, everywhere from East Asia, to South Asia, right through into the Middle East. It's a very important policy in so far that it will underpin China's

global commercial expansion in the region. It will help to fund a good deal of infrastructure investment in the region, and it will also contribute to the growth of Chinese brands in the region, whether that's Haier, or Huawei, or some of the emerging privately-owned brands.

- AV This isn't a brand-new initiative though, is it?
- BS It's new in so far that Belt and Road is focusing activity on near neighbors. Now, China has in the past focused on resource extraction in Latin America and Sub-Saharan Africa. Where this is new is that Beijing is saying we need to be more effective in countries such as Indonesia, or the Philippines, or India, or Pakistan, so I guess in that sense yes, it is different. And in so far as that many multinationals are also operating in that region and have the potential to either collaborate or compete with Chinese companies in that part of the world, then the strategy has real, commercial implications.
- AV Yes. When you look at the value of GDP numbers in this part of the world, you don't have to go very far before it's a very significant number.
- BS You don't. It's two-thirds of the world's population and half the world's economy! I mean, this is our economic and more importantly our commercial future. China's recalibration to this part of the world is inevitable, and it's critical to understand what's driving the policy and what its ambitions are over the next decade.
- AV And so for multinational companies in American or European organizations when they look at all of this, I guess it's an opportunity to jump on board with this in terms of being suppliers or partners in some way?
- BS Yes, you describe it aptly. So we need to think of ourselves in terms of being suppliers or partners. Chinese companies, as they do go abroad, will be looking for support. Many of them are trying to navigate markets they're not familiar with. Multinationals can certainly play a role there. Many companies I speak to realize that there are opportunities to supply the same companies they're dealing within China and other parts of the region, again, whether that's Indonesia, the Philippines, India, or Pakistan. So, it really does multiply your current opportunities.
- AV Well, the last time we met, I remember we talked a bit about ASEAN, because we were racing towards the so-called deadline where the ASEAN Economic Community would be up and running. And of course, things have been a lot slower to make headway. But still, ASEAN is a region that multinationals get excited about, again I suppose for the size of the economy, but also for the second engine of growth to kind of mitigate risk when so many eggs have been in China's basket. I'm interested to hear how you think ASEAN is developing, but also put it in perspective with China's initiatives as well.
- BS I guess on the manufacturing side, we're obviously seeing the relocation of some low-cost manufacturing activity away from China into Southeast Asia. And that's important. Supply chains are a bit more complex than they were in the past. But also the consumer story is very interesting, and we're seeing the expansion of consumer activity outside what you call the bigger 'gateway' cities and into smaller, secondary cities. And the ability of multinationals to understand what's happening in those secondary cities is quite a critical issue. It's a hotspot issue at the moment. Whether it's the ability to apply data analytics or look at specialist networks, building-out your understanding of those cities is an area where multinationals -- and some big- to mid-sized firms -- are very heavily concentrated at the moment.
- AV Are there limitations though, should we not get too carried away? For example, the advantages of having the mobility of labour across different countries, is it really realistic to expect that to happen? So are the potential benefits going to be somewhat muted?
- BS One of the challenges with Southeast Asia is the restrictions as you say, whether that's on capital or labour, in particular. And so we're more likely to see a Southeast Asia that is a large market, a large opportunity, but increasingly, multinationals will be tailoring their strategy to specific countries, maybe even moving headquarters within the region, and whether it's a GE having their headquarters in

Malaysia because of the oil sector, Caterpillar having their headquarters in Indonesia because of construction activity. Really, a country-by-country strategy will be increasingly important.

- AV When you look at ASEAN, you've got such a disparate group of countries in a block. Someone was saying to me what really matters is the continental part of the ASEAN region which touches China.
- BS Yes. As you say, that Greater Mekong region -- so extending from Cambodia, Laos, Thailand, Vietnam, Myanmar -- is absolutely very important. And you can see that in Thailand's Khon Kaen, a northern up-country city where property prices have been increasing quite rapidly on expectations that the movement of freight within the region between factories will grow. China's Belt and Road strategy plays into this, in so far that Kunming, the capital of southern Yunnan province, is aiming to be a logistics hub and is potentially looking to buy low-cost product from that Greater Mekong region, and then integrate it into China's own supply chain, supply and domestic demand. So yes, that inland story is very interesting.
- AV Yes. Nice to meet someone who gets it in terms of the importance of China and ASEAN because the two are very important engines of growth for the Asia Pacific region.
- BS Absolutely, they are. And we really need to think about them or at least to have developed a strategy for the region to understand where the opportunities between the two are.
- AV Very good. Okay, well, thanks very much indeed.
- BS Thank you, Andrew.

<http://www.insightbureau.com/BenSimpfendorfer.html>