ASIA INVESTMENT RESEARCH

Tracking Global Investment Flows Into China & Asia

• July 2022 Issue •

Examining The United Kingdom's Trade and Investment Into Asia With Comparisons Against China

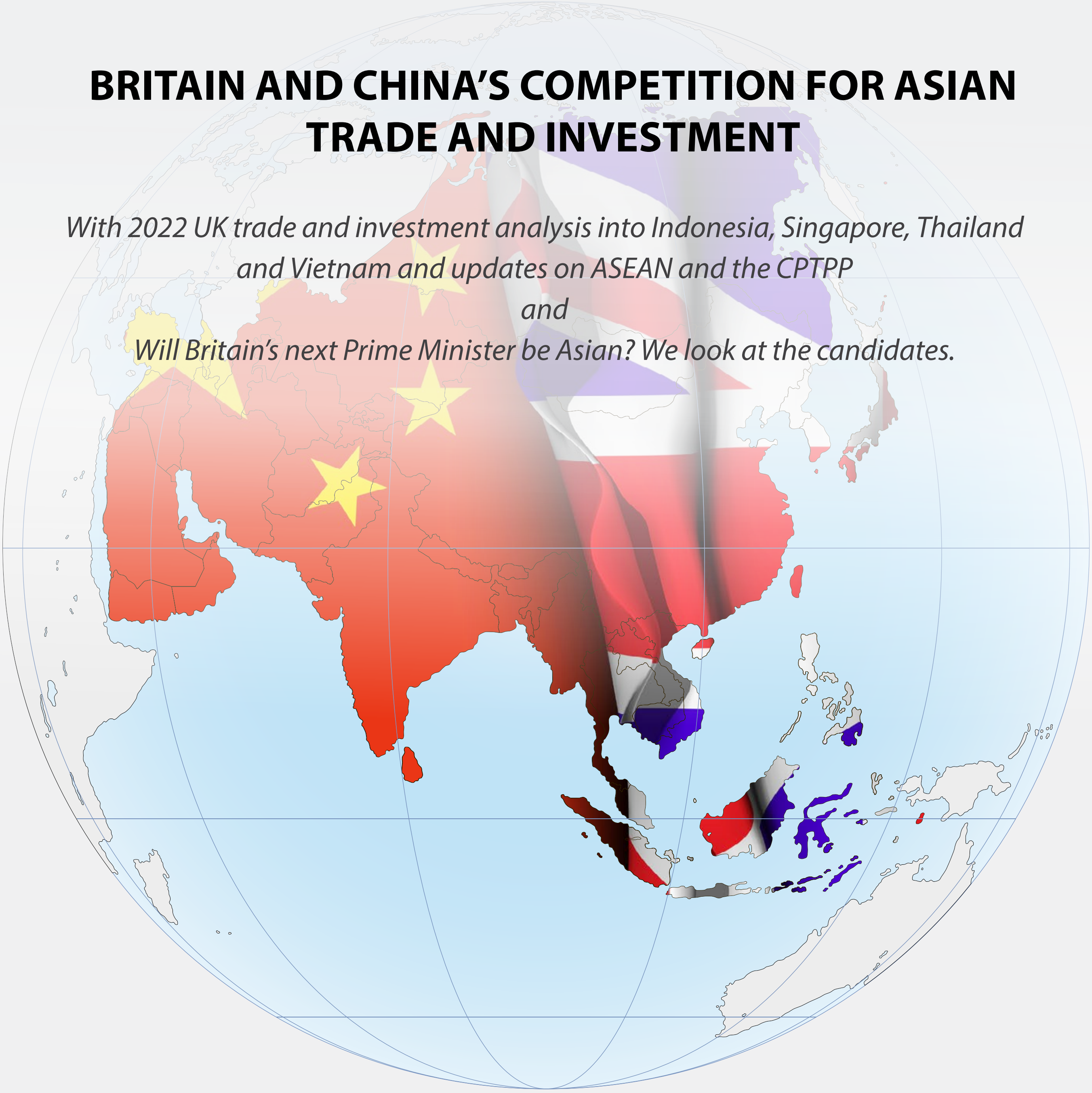
AIR

BRITAIN AND CHINA'S COMPETITION FOR ASIAN TRADE AND INVESTMENT

With 2022 UK trade and investment analysis into Indonesia, Singapore, Thailand and Vietnam and updates on ASEAN and the CPTPP

and

Will Britain's next Prime Minister be Asian? We look at the candidates.



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Asia investment research

Henry Tillman is a UK based financial analyst and senior researcher with China Investment Research, possessing 30 years' experience in banking and Asia.

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THE UNITED KINGDOM IN ASIA - INTRODUCTION

The United Kingdom's exit from the European Union (Brexit) has left the country looking for new trade partners. Much of this has centered upon Asia, where the UK maintains relatively strong ties with members of the Commonwealth, namely Bangladesh, Brunei, India, Malaysia, Maldives, Pakistan, Singapore, and Sri Lanka. We discussed the economic situation in Bangladesh in great detail in our previous issue of AIR.

A question that has arisen is how the United Kingdom can emulate some of the more admirable and palatable traits of China's own expansion into Asia. It should be stressed that having looked into the concerns of 'China Debt Traps' extensively, we have found no evidence of this, a position also taken following additional detailed research into the subject by Chatham House. This means that China's funding into Asia can be seen largely as a positive, with sufficient transparency usually (but not always) in place. That begs the question as to why the UK cannot follow similar a path.

What has become apparent in researching the UK versus China in Asia behaviour is that there are simple, yet profound differences in attitude. China has indeed been a significant investor in infrastructure, as the following pages will illustrate. What is often not understood however is that in making initial investments, China, together with Asian partners, has often taken these to market, typically via IPOs and have reaping significant rewards in doing so. What is also apparent is that the Chinese approach is not to sell out and take the full capital windfall, they remain involved in order to benefit from the on-going cash-flow annual dividends that subsequently arise via the infrastructure built being used or expanded. A strategically placed bridge for example will increase the use of the surrounding land - creating opportunities for real estate developments, retail, and other services. Chinese companies typically take positions in these. In short - China isn't just about the initial infrastructure build - it's about exploiting that for future cash flow gains, a rather more long-term viewpoint.

This runs contra to what appears to be the UK's position, which tends to be purely to invest, then to exit. This rather more short-term approach may be somewhat dictated by the UK stock market, where profits are expected to be returned to shareholders as quickly as possible. However, this may also represent a systemic failure, which leads UK plc to instead view markets in Asia as purely trade, rather than investment opportunities.

That would under many circumstances be enough, and certainly less risky. However, another finding is that based on a percentage of GDP,

China is often investing as a GDP percentage significantly more in Asia than the United Kingdom is. China's GDP is about 5.3 times more than the UK's; but equalizing this in terms of dividing the annual trade volume amounts of both China and the UK in each specific country by that factored difference shows significant differences. (We illustrate these in the UK versus China in ASEAN section). This means that not only does China provide longer term infrastructure investment, it is also out-trading the UK in bilateral import-export development. The message is that UK exporters need to do a lot more. Perhaps this is an educational factor?

Dealing with these differences are practical issues yet will require a change in attitude in terms of understanding financial investment risk and longer-term planning for UK policy and investment banks and funds as concerns Asia. Recalibrating our status as 'traders' to investors once again will also take a shift in mentality. Yet in order to compete in Asia - which Britain can - these soft power changes will need to be discussed and implemented. This issue of AIR hopefully shows why and provides suitable food for thought.

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THE UK VERSUS CHINA IN ASEAN

In this section we compare the United Kingdom and Chinese investments into the ASEAN region. ASEAN comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam, together with Timor-Leste from 2023.

The UK-China comparison in ASEAN is apt because the ASEAN group contains a wide variety of countries at differing stages of development. We use nominal figures to identify GDP and have provided currency conversions where applicable at rates published on July 1, 2022. All other statistical date has been extracted from official Government sources.

Collectively ASEAN has a GDP of some US$3.358 trillion (£2.91 trillion) and a population of some 622 million of which about 300 million are currently to regional middle-class standards. ASEAN is a Free Trade Bloc in its own right, and has collective Free Trade Agreements with China, India and the RCEP bloc, which also includes together China all ten ASEAN nations with Australia, New Zealand, Japan, and South Korea. ASEAN's GDP growth has been steady (with Covid variations) at about 7.5% per annum. ASEAN's membership of RCEP, which commenced from 1st January 2022 is expected to provide significant additional drive to ASEAN's economy for the rest of the decade and into the 2030's.

The UK-China comparisons at the end of each country analysis are a weighted statistic designed to illustrate how much per equal percentage point of UK-China GDP both devote to their relative bilateral trade with each ASEAN member.

BRUNEI

GDP: £11.54 billion
Population: 445,000
GDP Per Capita: £26,450

Brunei-China

After Singapore, Brunei is the 2nd smallest country in ASEAN. It has the smallest population but has the 2nd largest GDP per capita within ASEAN, led by oil and gas. International banks began departing circa 2010 – with the gap filled by China. By 2021 Brunei's bilateral trade with China reached US$2.5 billion (£2.06 billion) between January and August, a 43% increase year-on-year.

Key China BRI Developments

National Planning

Launched the Brunei-Guangxi Economic Corridor to link Brunei to southern China province in 2014.

The Government launched Wawasan 2035, designed to diversify the economy via infrastructure; as such it is aligned with the Belt & Road Initiative.

Water Supplies

The Ulu Tutong Golden Jubilee Dam. This US$85.5 (£70.46) million dam is one of Brunei's largest infrastructure projects, a JV between Sinohydro Corp and local company Pahaytc Ventures aimed at increasing water supply to Brunei-Muara and Tutong districts to 600 million litres/day. Construction began in 2010; it was fully operational in June 2017.

Petrochemicals

The largest BRI project is the petrochemical JV between Brunei and China (This JV also includes the large Puala Maura Besar (PMB) Industrial Park). Since 2018, Brunei's industrial complex with Maura (deep water seaport) has been operated by Hengyi Industries 70% (owned by Zhejiang Hengyi Group) and Damai Holdings 30% (Brunei Strategic Development Capital Fund). The first phase of the complex on Muara Besar island was expected to cost $3.4 billion (£2.8 billion). Hengyi has exported US$4.08 billion (£3.36 billion) worth of petrochemical products since its oil refinery started operations in November 2019. In September 2020, this JV announced that the company is planning to invest about US$13.7 billion (£11.29 billion) in the construction of the second phase of its oil refinery and petrochemical project at PMB, a 955-hectare industrial park.

Container Terminals & Fishing

In February 2017, a JV company formed by China's Guangxi Beibu Gulf Port Group and Brunei's Darussalam Asset took over the operation of Brunei's largest container terminal officially launching the Muara Port Company (MPC). The MPC manages, operates, maintains, and develop the Muara Container Terminal – and has since upped its financial performance. In December 2020, MPC signed an agreement with the Brunei government take over the project to modernize, operate and manage the Muara Fish Landing Complex, the country's largest fishing complex.

Other Infrastructure

The Temburong Bridge connects Brunei's most remote district (Temburong) with the capital, Bandar Seri Begawan, reducing travelling time from two hours to less than 30 minutes. The bridge section will become the longest in Southeast Asia (26.3kms) behind Malaysia's 24km Second Penang Bridge. CSCEC began work on the CC4 package of the bridge in October 2015. In March 2020 the $1.7 billion (£1.4 billion) Temburong bridge, the largest infrastructure project ever undertaken by the Brunei government, opened to the public, nearly six years after it started construction.

Brunei – United Kingdom

Brunei was the UK's 145th largest trading partner in the four quarters to the end of Q4 2021 accounting for less than 0.1% of total UK trade. In 2020, the outward stock of foreign direct investment (FDI) from the UK in Brunei are not available due to data disclosure.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Brunei was less than £1 million. Total trade in goods and services (exports plus imports) between the UK and Brunei was £91 million in the four quarters to the end of Q4 2021, a decrease of 37.7% or £55 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Brunei amounted to £76 million (a decrease of 46.5% or £66 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Brunei in the four quarters to the end of Q4 2021, £45 million (59.2%) were goods and £31 million (40.8%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Brunei decreased by 59.1% or £65 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Brunei decreased by 3.1% or £1 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Brunei were £15 million (an increase of 275.0% or £11 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Brunei in the four quarters to the end of Q4 2021, £15 million (almost 100%) were goods and less than £1 million (less than 0.1%) were services. In the same period, UK imports of goods from Brunei increased by 650.0% or £13 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Brunei decreased by 100.0% or £2 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade surplus of £61 million with Brunei, compared to a trade surplus of £138 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods surplus of £30 million with Brunei, compared to a trade in goods surplus of £108 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £31 million with Brunei, compared to a trade in services surplus of £30 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Brunei in the four quarters to the end of Q4 2021 were:

- 71MI - Mechanical power generators (intermediate) (£10.0 million)
- 78M - Cars (£4.3 million)
- 74K - General industrial machinery (capital) (£4.2 million)
- 74K - General industrial machinery (intermediate) (£2.8 million)
- 87K - Scientific instruments (capital) (£2.6 million)

Note: The percentage of the total UK exports of goods to Brunei accounted for by the above commodities are not provided here. This is due to the value of total UK exports of goods being rounded to the nearest £ million, with commodity trade values being given to a greater level of accuracy. In some cases, this means the percentages above might sum to more than 100%.

China - UK Weighted Comparison

According to our weighted comparison index, China spends 6.4 times more of its GDP than the UK does on its bilateral trade with Brunei.

CAMBODIA

GDP: £24.56 billion
Population: 17.18 million
GDP Per Capita: £1,055

Cambodia-China

During 2012-2017, China invested over US$15 billion, (£12.36 billion) (including US$11 billion alone in the energy sector), in building the infrastructure of Cambodia. The infrastructure also included roads/ expressways, ports, and airports. The US$1.9 billion (£1.57 billion) expressway which links Phnom Penh with Sihanoukville, a port town and vacation destination, is located 12 km from the Sihanoukville Autonomous Port (PAS) the sole international and commercial deep seaport of Cambodia (where some 90% of Cambodia's imports and exports transported by sea pass through).

2021 China-Cambodia bilateral trade reached US$11.2 billion (£9.25 billion).

Casinos & Real Estate

Throughout the period of 2015-2018, manufacturing (many relocating from China), tourism- led by casinos - while real estate boomed around this expressway/corridor and into the Sihanoukville SEZ (SSEZ). This is partially a recreation of the China Macao model.

The SSEZ has become recognised as a high-profile example of cooperation between China and Cambodia under the BRI. Launched in 2008 as a future home of manufacturing, led by garments and textiles, SSEZ is now home to 170 enterprises as well as university buildings, legal service centres, libraries, and shopping.

By the end of 2021, SSEZ provided nearly 30,000 job opportunities to locals. It is of note that it was the original casino developments that prompted this development, with careful government planning then overseeing the financial benefits of that then being reinvested into manufacturing, production, retail and educational facilities.

Infrastructure Investment

Cambodia Airport

In November 2020, Cambodia Airport Investment (a domestic Cambodian JV/OCIC) chose the Metallurgical Corporation of China (MCC) to design and build the airfield for its US$1.5 billion (£1.24 billion) international airport in Kandal province to the south of Phnom Penh. The US$400 million (£330 million) deal, MCC's largest foreign contract 2021, will be executed by its Shanghai Baoye Group subsidiary. The airport is due to be completed by the end of 2022, allowing flights to begin in 2023.

- Chinese investment is also planned in the US$3.8 billion (£3.13 billion) Dara Sakor airport and resort. About US$1.1 billion (£910 million) of the total cost of the Takhmao airport will come from China Development Bank and US$280 million (£231 million) from the OCIC.

Other Chinese Investments

- In June 2021, Celllcard (Cambodia) chose ZTE for its 5G partner
- In 2018, Xiaomi partnered with SEATEL, a fast-growing domestic telecommunications network
- In March 2019, Alibaba announced plans to make Cambodia its logistics hub for the Grater Mekong region, which has a population of circa 300 million
- In 2019, Alibaba announced a partnership with DaraPay to allow Chinese customers to use their Alipay wallets in Cambodia
- In 2022, Cellcard and Tencent announced plans to expand an e-sports platform, both domestically and regionally.
- After the COVID related downturn of 2020, the two countries have a goal of reaching 5 million tourists by 2025, and 8 million by 2030.

Inbound FDI from China (2021)

Chinese investment in Cambodia increased significantly in 2021 despite the negative effect of the COVID-19 pandemic. Cambodia attracted fixed-asset investment of US$2.32 billion (£1.91 billion) from China in 2021, up 67% from US$1.39 billion (£1.15 billion) from 2020, according to a report from the Council for the Development of Cambodia. China remained as the top foreign investor in Cambodia, accounting for 53.4% of the total investment of US$4.35 billion (£3.58 billion) the kingdom approved in 2020.

Cambodia-UK

Cambodia was the UK's 90th largest trading partner in the four quarters to the end of Q4 2021 accounting for less than 0.1% of total UK trade. In 2020, the outward stock of foreign direct investment (FDI) from the UK in Cambodia are not available due to data disclosure rules.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Cambodia was less than £1 million. Total trade in goods and services (exports plus imports) between the UK and Cambodia was £634 million in the four quarters to the end of Q4 2021, a decrease of 15.9% or £120 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Cambodia amounted to £121 million (an increase of 36.0% or £32 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Cambodia in the four quarters to the end of Q4 2021, £47 million (38.8%) were goods and £74 million (61.2%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Cambodia increased by 23.7% or £9 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Cambodia increased by 45.1% or £23 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Cambodia were £513 million (a decrease of 22.9% or £152 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Cambodia in the four quarters to the end of Q4 2021, £510 million (99.4%) were goods and £3 million (0.6%) were services. In the same period, UK imports of goods from Cambodia decreased by 23.3% or £155 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Cambodia increased by £3 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade deficit of £392 million with Cambodia, compared to a trade deficit of £576 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £463 million with Cambodia, compared to a trade in goods deficit of £627 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £71 million with Cambodia, compared to a trade in services surplus of £51 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Cambodia in the four quarters to the end of Q4 2021 were:

- 78M - Cars (£15.0 million)
- 08 - Animal feeding stuffs (£7.2 million)
- 54 - Medicinal & pharmaceutical products (£3.6 million)
- 11 - Beverages (£3.5 million)
- 84 - Clothing (£2.2 million)

Note: The percentage of the total UK exports of goods to Cambodia accounted for by the above commodities are not provided here. This is due to the value of total UK exports of goods being rounded to the nearest £million, with commodity trade values being given to a greater level of accuracy. In some cases, this means the percentages above might sum to more than 100%.

The top 5 goods imported to the UK from Cambodia in the four quarters to the end of Q4 2021 were:

- 84 - Clothing (£418.9 million or 82.1% of all UK goods imported from Cambodia)
- 85 - Footwear (£46.2 million or 9.1%)
- 8C - Road vehicles other than cars (consumer) (£12.9 million or 2.5%)
- 04 - Cereals (£5.8 million or 1.1%)
- 77K - Miscellaneous electrical goods (capital) (£5.0 million or 1.0%)

The top 5 services data exported and imported to and from the UK and Cambodia has not been made available.

China - UK Weighted Comparison

According to our weighted comparison index, China spends about 3 times more of its GDP than the UK does on its bilateral trade with Cambodia.

INDONESIA

GDP: £950 billion
Population: 273 million
GDP Per Capita: £3,673

Indonesia-China

China has consolidated its position as Indonesia's largest trading partner for nine consecutive years, with bilateral trade volume in 2021 increasing by nearly 60% year-on-year. China's investment in various fields in Indonesia have also seen substantive growth. Major cooperation projects, including the Jakarta-Bandung High-Speed Railway Project, the "Two Countries Twin Parks" program and the Regional Comprehensive Economic Partnership (RCEP) are the reflections of the highly synergized connectivity between the China-proposed Belt and Road Initiative (BRI) and Indonesia's own national development strategy.

Indonesia and China share significant and increasing investment and bilateral trade ties. 2021 bilateral trade reached US$124.3 billion (£102.43 billion), (£102.43) while Chinese investments into the country have exceeded US$3.2 billion (£2.64 billion) making mainland China the third largest investor in Indonesia ranked only behind Singapore (US$5 billion) and the Hong Kong SAR (US$4.3 billion).

Infrastructure

Jakarta-Bandung is a US$6 billion (£4.94 billion) plus 350 km/hr High Speed Rail project in Indonesia, connecting the capital city of Jakarta to the textile hub of Bandung, reducing travel time from 3+ hours to circa 40 minutes. China was selected by the Indonesia over Japan to build Indonesia's first fast-train rail link due to China's superior financial structure. The project is being developed by PT Kereta Cepat Indonesia China, a JV (KCIC) formed in October 2015 between a consortium of Indonesian state-owned companies (60%) and China Railway International (40%). Although construction began in 2016, there have been extensive COVID delays. In April 2022, KCIC announced that the project was 82% complete with plans to be operational by June 2023.

In October 2019, PT Jasa Marga and PT China Communications Construction Indonesia (CCCI) agreed the construction of a toll road linking Probolinggo and Banyuwangi in East Java, with a total investment of Rp 23.3 trillion; (£1.27 billion) financed virtually completely with Chinese equity.

Other Chinese investments

- In August 2017, Alibaba invested circa US$250 million (£206 million) in Tokopedia, an e-commerce firm based in Indonesia. In April 2022, now called GoTo, was valued at US$32 billion (£26.4 billion) at its IPO.
- In December 2021, WeLab a (Hong Kong) fintech platform, announced a US$240 million (£198 million) investment in Bank Jasa Jakarta (BJJ).
- In April 2022, China's first and largest online insurer ZhongAn Online P&C announced it was buying a stake in Indonesian tech-based syariah lender Bank Aladin.
- In November 2021, PT Telekomunikasi Selular (Telkomsel) and ZTE deployed the first operational 5G system in Indonesia's easternmost province Papua.
- Xiaomi ranked No. 1 as the leading smart phone in Indonesia in 2021.
- In 2018, Alibaba Cloud Indonesia built its first data centre; its 2nd in 2019 and 3rd in 2021.
- In 2021, Tencent launched two data centres in Indonesia.

Mining

PT Tsingshan Steel Indonesia ("Tsingshan Indonesia") has made two major investments in Indonesia to date: in 2017, it invested US$2.8 billion (£2.31 billion) to build a high-capacity ferronickel smelter plant in Indonesia with an annual production capacity of 2 million tons of stainless-steel. In 2019 Tsingshan collaborated with PT Vale Indonesia Tbk to build a US$700 million (£577 million) battery-grade nickel plant.

In 2019, Zhejiang Huayou Cobalt Co agreed to cooperate with PT Aneka Tambang Tbk ("Antam") and Shandong Xinhai to develop cathodes and ferronickel projects that will require an estimated investment of US$6-12 billion (£5-10 billion).

In April 2022, CBL (a subsidiary of CATL) signed a tri-party framework agreement with ANTAM and PT Industri Baterai Indonesia (IBI) to cooperate on the Indonesia EV Battery Integration Project, which includes nickel mining and processing, EV battery materials, EV battery manufacturing, and battery recycling. With a joint investment of US$6 billion, the project is located in the FHT Industrial Park of East Halmahera of Indonesia's North Maluku Province and other regions in the country.

The Weda Bay Industrial Park is a nickel mining and industrial park complex. Tsingshan acquired 57% in 2017, Eramet (France) owns 43%. When completed the industrial park is designed to be the first integrated Electric Vehicle battery and stainless-steel Industry complex in the world.

Indonesia-UK

Indonesia was the UK's 53rd largest trading partner in the four quarters to the end of Q4 2021 accounting for 0.2% of total UK trade.

In 2020, the outward stock of foreign direct investment (FDI) from the UK in Indonesia was £5.1 billion accounting for 0.3% of the total UK outward FDI stock.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Indonesia was £11 million.

Total trade in goods and services (exports plus imports) between the UK and Indonesia was £2.8 billion in the four quarters to the end of Q4 2021, an increase of 4.9% or £128 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Indonesia amounted to £1.4 billion (a decrease of 3.6% or £52 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Indonesia in the four quarters to the end of Q4 2021, £751 million (54.4%) were goods and £629 million (45.6%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Indonesia increased by 16.3% or £105 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Indonesia decreased by 20.0% or £157 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Indonesia were £1.4 billion (an increase of 14.9% or £180 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Indonesia in the four quarters to the end of Q4 2021, £1.2 billion (85.3%) were goods and £203 million (14.7%) were services. In the same period, UK imports of goods from Indonesia increased by 13.7% or £142 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Indonesia increased by 23.0% or £38 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade deficit of £5 million with Indonesia, compared to a trade surplus of £227 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £431 million with Indonesia, compared to a trade in goods deficit of £394 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £426 million with Indonesia, compared to a trade in services surplus of £621 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Indonesia in the four quarters to the end of Q4 2021 were:

- 25 - Pulp & waste paper (£78.8 million or 10.5% of all UK goods exported to Indonesia)
- 28 - Metal ores & scrap (£78.7 million or 10.5%)
- 54 - Medicinal & pharmaceutical products (£52.3 million or 7.0%)
- 78M - Cars (£50.0 million or 6.7%)
- 74I - General industrial machinery (intermediate) (£46.4 million or 6.2%)

The top 5 goods imported to the UK from Indonesia in the four quarters to the end of Q4 2021 were:

- 63 - Wood & cork manufactures (£164.8 million or 13.9% of all UK goods imported from Indonesia)
- 85 - Footwear (£162.8 million or 13.8%)
- 84 - Clothing (£112.2 million or 9.5%)
- 89OC - Other manufactures (consumer) (£85.2 million or 7.2%)
- 82C - Furniture (consumer) (£66.3 million or 5.6%)

The top 5 service types exported from the UK to Indonesia in the four quarters to the end of Q4 2021 were:

- Other Business Services (£191 million or 30.4% of all UK services exported to Indonesia)
- Transportation (£118 million or 18.8%)
- Travel (£91 million or 14.5%)
- Insurance and Pension (£83 million or 13.2%)
- Financial (£63 million or 10.0%)

The top 5 service types imported to the UK from Indonesia in the four quarters to the end of Q4 2021 were:

- Construction (£54 million or 26.6% of all UK services imported from Indonesia)
- Travel (£47 million or 23.2%)
- Other Business Services (£46 million or 22.7%)
- Financial (£25 million or 12.3%)
- Government (£18 million or 8.9%)

China - UK Weighted Comparison

According to our weighted comparison index, China spends just under 9 times more of its GDP than the UK does on its bilateral trade with Indonesia.

ASIA INVESTMENT RESEARCH

LAOS

GDP: £16.4 billion
Population: 7.5 million
GDP Per Capita: £1,545

Laos-China

While inbound FDI within ASEAN is diversified across USA, Japan, EU and China, one major exception is the Lao People's Democratic Republic, or Lao PDR (Laos). According to ASEAN's investment report, in 2017 and 2018, China was the source of 77% and 79% of inbound FDI into Laos, up from only 1.5% of its 2003 FDI. This has been driven by infrastructure investment, directly or indirectly linked to the BRI, some 815 projects totalling over US$16 billion (£13.21 billion) since 1989.

Key projects enhancing the connectivity between Laos and other countries in the region include the completed Vientiane-Vang Vieng section of the Laos-China expressway, the flagship Laos-China railway project under the BRI, the Boten SEZ and the Vientiane Saysettha Development Zone . China also plays a significant role in SEZ investments, with the Laos government having authorized 89 projects worth over US$215 million (£178 million). Despite the pandemic disruption, in 2020 China invested in 21 projects in Laos, with total investment reaching US$2.5 billion (£2.06 billion).

Despite the pandemic disruption, in 2020 China invested in 21 projects in Laos, with total investment reaching US$2.5 billion. Such projects spanned the mining, services, electricity, agriculture, and infrastructure sectors.

In 2021, China and Cambodia are carrying out nearly 20 projects related to the digital economy in Laos and other ASEAN countries including establishing the first cloud computing centre in Laos jointly with the Lao

Asia Pacific Satellite Co. The Chinese Foreign Ministry have stated "Through our partners in Laos, we have provided support in consultation and technology to the instant message system of the Lao government, improving its operation through digitalization."

In August 2021, CCPIT's Chair said direct investment by Chinese enterprises in Laos increased 8.9% y-o-y to US$1.24 billion (£1.02 billion) in 2020. Bilateral trade between the two countries rose 48.1% from the previous year in the first half of 2021, reaching US$2.3 billion (£1.9 billion). Bilateral trade between the two countries rose 48.1% from the previous year in the first half of 2021, reaching US$2.3 billion. The Governor of China's nearby Guangxi Province said that bilateral trade between Guangxi and Laos increased by 2.7 times in 2020 and 2.3 times in the first half of 2021, showing huge potential for growth. Bilateral trade for 2021 reached US$4.6 billion (£3.79 billion).

Infrastructure

The China-Laos Railway

The US$6 billion (£4.96 billion) China-Laos Railway began operations on 3rd December 2021, connecting Kunming, the capital of Yunnan, with Vientiane. The Boten-Vientiane railway section is a 414 km electrified HSR that runs between Vientiane and the town of Boten on the Laos-China border, reducing travel time from 15 hours by car to 3 hours. From Boten, the 595 kms next section ends in Kunming.

Regular trains will travel at up to 120 kms/hour for commutes between Vientiane and Boten, a border city. Travelers can also take high-speed trains between the two cities that run at up to 160 km/hour, and more trains run during Chinese and Lao holidays.

Eight bullet trains and two regular trains plan to operate daily in Laos, while 36 high-speed trains are operated in China.

Within the next 2-4 years, the line south from Vientiane will connect to Bangkok, in the process freeing up a previously landlocked country that was the least industrialized in ASEAN and converting it into a land-linked hub that connects to the wider region, and in the process substantially lowering logistics costs.

Usage since December 2021 launch

In early May 2022, it was reported that the China-Laos Railway has seen significant passenger and freight transportation growth since opening in early December. As of 5th May, the international rail corridor had handled more than 2.7 million passenger trips and 2.9 million metric tons of cargo in the five months since it opened. The line transported 1.1 million tons of cargo between April 4 and May 5, 2022 alone, being more than five times the volume transported in the first month of operation.

The Lancang-Mekong Express freight train has sent more than 1 million e-commerce products via the service. The line has transported cargo bound for more than 10 countries and regions including Thailand, Myanmar, Laos, Malaysia, Cambodia, and Singapore. The variety of cargo has been expanded to more than 100 categories, including rubber, fertilizer, electronics, automobiles, and flowers.

The section of railway in China handled nearly 2.39 million passenger trips, while the section in Laos handled 312,000. Cheaper services at a slower speed are offered on the Laos section.

Thanaleng Dry Port (TDP) and Vientiane Logistics Park (VLP)

On 4th December 2021, there was a grand opening of Laos' Thanaleng Dry Port (TDP) and Vientiane Logistics Park (VLP) marking the start of streamlined services to facilitate and cut the cost of transport and related expenditure. Prime Minister Phankham Viphavanh was to officially launch the megaproject in Dongphosy village, Hadxaifong district, Vientiane. Soon afterwards, the prime minister sent trucks loaded with freight to destinations in Cambodia, Thailand and Vietnam.

Built on 382ha of land, the US$727 million (£600 million) TDP and VLP will offer comprehensive facilities relating to freight transport and cross-border transport logistics. The project, which comes with a 50-year concession period, is being developed in full by the Vientiane Logistics Park Co Ltd. Construction of the dry port and logistics hub began in December 2020 with the project expected to be fully complete in the next two years. Vientiane Logistics Park Co Ltd Chairman told the guests that the TDP and VLP facilities are part of efforts by the Lao People's Revolutionary Party (LPRP) and government to transform Laos from being landlocked into a provider of 'Land Link Transit Transport Services' for the region and the world.

Vientiane-Vangvieng Expressway

The Vientiane-Vangvieng Expressway, Vietnam's first expressway, jointly developed by Yunnan Construction and Investment Holding Group (YCIH) and the Lao government is also Laos' first smart expressway with Huawei technology. The Expressway is about 110 km long, designed as a two-way four-lane expressway with a design speed of 80 km - 100 km/ hour.

Huawei, cooperating with its Chinese partners has built a secure, stable, and intelligent ICT platform for this smart expressway based on the global-leading information ICT, cloud computing, IoT and security management system.

Huawei data communication and transmission equipment deployed along the route builds a digital perception, interaction, transmission, and the application integrated solution that use big data analysis and other technical means to implement all-scenario solutions such as real-time intelligent monitoring, intelligent charging, emergency response, and decision analysis, the press release said.

In 2021, the 5G network to be built in Laos will be integrated with this smart expressway as well. The future of 5G+AI technology will further upgrade the intelligent level of the expressway and facilitate the development of infrastructure in Laos.

The opening of this expressway will greatly improve local transportation conditions, improve transportation efficiency, promote the development of economy and tourism along the way, and effectively benefit the local people. A staff member of Tmark Resort Vangvieng, said, "There has been a significant increase in hotel bookings. Tourists also show the admiration for the travel experience on the Vientiane-Vangvieng expressway which integrates high-tech and engineering construction, modern concept, and cutting-edge technology to ensure driving safety.

A Vientiane citizen said the new road is wider, faster, and safer than the old one. It used to be a day of driving back and forth from Vientiane to Vangvieng, and it only takes more than an hour to reach Vangvieng now. Within the use of ETC, it will facilitate the rapid and orderly traffic, and ICT technologies will make the traffic smarter and more convenient."

Huawei Laos

In December 2020, Huawei established its wholly-owned subsidiary, Huawei Technologies (Laos) Sole Co., Ltd. in 1998. It employs 150 staff, 70% of whom are Laotians. By serving 75% of the population, Huawei plays a major role in helping transform Laos from a landlocked to a land-linked country.

Boten Special Economic Zone (SEZ)

The Boten Special Economic Zone (SEZ) is currently the most expensive infrastructure development project in Laos. Located in Luang Namtha Province across the border from the small town of Mohan in Yunnan, China, the SEZ spans 1,640 hectares. A border and frontier area, Boten has undergone dramatic changes over the past two decades. It has evolved from a remote border crossing (before 2000), to a booming casino town (2007–11), to a border-town experiencing a 'bust' (2011–15), and is now an active construction site and city-in-the-making (2016 – present), and considered part of China's Belt and Road Initiative.

The Mohan–Boten Cross-Border Economic Cooperation Zone

In recent years, Boten has been brought under the larger 3,430-hectare China–Laos (Mohan–Boten) Cross-Border Economic Cooperation Zone (ECZ), which is one of 20 zones certified by China's Ministry of Commerce. The Mohan–Boten Cross-Border ECZ is a large transboundary free-trade zone that today encompasses Boten as well as Mohan on the Chinese side of the border. The relationship between the Boten SEZ and the Mohan–Boten ECZ deserves clarification as it has evolved over time and the two are not synonymous. The Boten SEZ is an enterprise-led private Chinese development, while the larger cross-border ECZ was designated through bilateral cooperation and is one of China's Cross-Border Economic Cooperation Zones (CBECZs; 边境经济合作区). China first introduced CBECZs in 1992 to accelerate the country's economic opening and develop networks of trade with neighbouring countries.

The Mohan–Boten ECZ was announced in December 1993 as Laos–China relations warmed. In 2001, Yunnan Province established the Mohan Border Trade Zone on the Chinese side of the border and, in 2006, rebranded it the Mohan Economic Development Zone. It was not until 2009 that a feasibility study prepared by Yunnan Province and reported to China's Ministry of Commerce explored the possibility of a cross-border cooperative area. In 2010, China's Mohan Economic Development Zone and Laos's Boten SEZ signed the 'China Mohan–Laos Boten Cross-Border Economic Cooperation Framework Agreement'. Development was slow, with little to no activity. On 31 August 2015, Chinese President Xi and Lao President Sayasone, along with Chinese Minister of Commerce and Lao Deputy Prime Minister signed the Agreement for Joint Construction of the ECZ. In 2016, with official approval by China's State Council, the ECZ was elevated to the status of a second CBECZ in hopes of accelerating trade with other Southeast Asian countries via Laos.

Laos-UK

Laos was the UK's 158th largest trading partner in the four quarters to the end of Q4 2021 accounting for less than 0.1% of total UK trade.

In 2020, the outward stock of foreign direct investment (FDI) from the UK in Laos was £2 million.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Laos was less than £1 million.

Total trade in goods and services (exports plus imports) between the UK and Laos was £55 million in the four quarters to the end of Q4 2021, an increase of 189.5% or £36 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Laos amounted to £41 million (an increase of 925.0% or £37 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Laos in the four quarters to the end of Q4 2021, £9 million (22.0%) were goods and £32 million (78.0%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Laos increased by 800.0% or £8 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Laos increased by 966.7% or £29 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Laos were £14 million (a decrease of 6.7% or £1 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Laos in the four quarters to the end of Q4 2021, £14 million (almost 100%) were goods and less than £1 million (less than 0.1%) were services. In the same period, UK imports of goods from

Laos decreased by 6.7% or £1 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Laos changed by less than £1 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade surplus of £27 million with Laos, compared to a trade deficit of £11 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £5 million with Laos, compared to a trade in goods deficit of £14 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £32 million with Laos, compared to a trade in services surplus of £3 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Laos in the four quarters to the end of Q4 2021 were:

- 54 - Medicinal & pharmaceutical products (£3.7 million)
- 71EK - Electric motors (capital) (£2.9 million)
- 84 - Clothing (£1.3 million)
- 78M - Cars (£590 thousand)
- 83 - Travel goods, handbags etc (£280 thousand)

Note: The percentage of the total UK exports of goods to Laos accounted for by the above commodities are not provided here. This is due to the value of total UK exports of goods being rounded to the nearest £million, with commodity trade values being given to a greater level of accuracy. In some cases, this means the percentages above might sum to more than 100%.

The top 5 goods imported to the UK from Laos in the four quarters to the end of Q4 2021 were:

- 84 - Clothing (£6.4 million)
- 85 - Footwear (£5.2 million)
- 06 - Sugar (£640 thousand)
- 88I - Photographic & optical goods & clocks (intermediate) (£150 thousand)
- 89OC - Other manufactures (consumer) (£130 thousand)

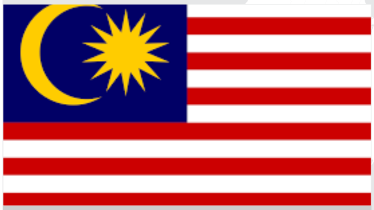
Note: The percentage of the total UK imports of goods from Laos accounted for by the above commodities are not provided here. This is due to the value of total UK exports of goods being rounded to the nearest £million, with commodity trade values being given to a greater level of accuracy. In some cases, this means the percentages above might sum to more than 100%.

Top 5 services exported and imported to and from the UK and Laos are not available from official UK government sources.

China - UK Weighted Comparison

According to our weighted comparison index, China spends about 13 times more of its GDP than the UK does on its bilateral trade with Laos.

MALAYSIA



GDP: £325.5 billion
Population: 33.8 million
GDP Per Capita: £10,300

Malaysia-China

China remains Malaysia's largest foreign investor in the manufacturing sector and has been since 2016, in addition to being Malaysia's largest trading partner since 2009. China accounted for 18.6% of Malaysia's total trade in 2020, while Malaysian exports to China recorded a new high in 2020, expanding by 11.1% to US$37.77 billion (£31.2 billion). Bilateral trade reached US$176.8 billion in 2021 (£145.69 billion).

Renowned Chinese companies Huawei Technologies Co Ltd, Longi Solar Technology Co Ltd, JinkoSolar Holding Co Ltd, Alliance Steel, Alibaba Group Holding Ltd, Zhejiang Geely Holding Group Co Ltd and Xiamen University have chosen Malaysia as their preferred investment destination, partially due to the China-ASEAN free trade agreement which came into effect a decade ago and significantly reduced or eliminated tariffs on most traded goods and services.

Infrastructure

The East Coast Rail Link (ECRL) – is the largest economic and trade project between China (CCCC)and Malaysia and links the east coast with the west. ECRL construction works were suspended in 2018, then COVID, then restructuring (2020) finally both parties signed a revised deal in 2021, where the line increased from 640 kms to 665 kms; the cost burden increasing to US$12.1 billion (£9.97 billion). The ECRL is now expected to be completed in 2028.

The Batang Saribas Bridge – In January 2021, China State Construction Group (CSCEC) successfully won the bid for the US$193 million (£159 million) project, one of the 11 major bridges which are being constructed and are scheduled to be ready by 2025 as the first of the three components of the Sarawak Coastal Road project. The Saribas Bridge project is also one of the longest main span bridges in Southeast Asia.

The MCKIP SEZ – In November 2021, Beibu Port Group announced that the Malaysia-China Kuantan Industrial Park (MCKIP) received US$2.74 billion (£2.26 billion) investment that primarily consists of coke, electric, aluminum and manganese. This represents the largest investment MCKIP has ever received and a step change from the original US$4.8 billion (£3.96 billion) investment in October 2020.

Regional Logistics Hub

In November 2021, Alibaba chose Malaysia as its Asia Pacific preferred air cargo hub with the operation of Cainiao (Alibaba) Aeropolis eWTP (electronic World Trade Platform) Hub. The launch was a result of the eWTP partnership between the Malaysian government and the Alibaba Group, with the establishment of a JV company between Malaysia Airports Holdings Bhd and Alibaba Group. The hub will transform Malaysia into a regional distribution centre for e-commerce and is expected to generate a cumulative GDP of US$1 billion (£820 million) over the next 10 years and support over 35,000 jobs. The eWTP Hub has been in operation since November 2020. The Malaysia Airports chairman said its aim is to gain leadership in e-commerce logistics and establish Kuala Lumpur International Airport (KLIA) as a preferred regional distribution hub within the Asia Pacific.

Other Investments

- Ant Financial formed a JV with CIMB, Malaysia's 2nd largest bank, to provide e-wallet and other online payments services called Touch n' Go (TNG). In 2021, AIA (Hong Kong) took a stake which valued TNG at circa US$700 million (£577 million).
- Tencent – in Q1 2019, Tencent launched its first WeChat Pay app in a foreign currency (Malaysia) as an e-wallet service. By April 2021, WeChat pay ranked 5th among the 53 existing Malaysian e-wallet providers.
- In January 2021, Alibaba Cloud announced that it is to launch an Alibaba Cloud Innovation Centre in Malaysia in which it plans to train 30,000 local professionals in 2022.
- In addition to announcing the innovation centre, Alibaba Cloud will also invest US$1 billion (RM4.145 billion) in funding and resources within the next three years as part of its Project AsiaForward, which aims to foster one million digital talents, empower 100,000 developers, and accelerate the growth of 100,000 tech start-ups across Southeast Asia and Hong Kong.
- In smart phones, in Q2 2021, Xiaomi ranked No. 1 in Malaysia

Renewables

In December 2021, Malaysia and Shanxi Construction Investment Group signed a MoU to collaborate on the production of second-generation biodiesel and biojet fuel. Shanxi Construction plans to invest in a hydrogenated vegetable oil (HVO) plant, which has the potential to produce Sustainable Aviation Fuels (biojet). Each HVO plant is expected to bring foreign investment worth US$712.25 million (£595 million) and create nearly 800 jobs.

Malaysia-UK

Malaysia was the UK's 37th largest trading partner in the four quarters to the end of Q4 2021 accounting for 0.4% of total UK trade.

In 2020, the outward stock of foreign direct investment (FDI) from the UK in Malaysia was £8.1 billion accounting for 0.5% of the total UK outward FDI stock.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Malaysia was £780 million.

Total trade in goods and services (exports plus imports) between the UK and Malaysia was £5.2 billion in the four quarters to the end of Q4 2021, an increase of 7.5% or £366 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Malaysia amounted to £2.9 billion (an increase of 15.5% or £382 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Malaysia in the four quarters to the end of Q4 2021, £1.6 billion (55.5%) were goods and £1.3 billion (44.5%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Malaysia increased by 13.6% or £189 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Malaysia increased by 17.9% or £193 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Malaysia were £2.4 billion (a decrease of 0.7% or £16 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Malaysia in the four quarters to the end of Q4 2021, £2.1 billion (89.0%) were goods and £262 million (11.0%) were services. In the same period, UK imports of goods from Malaysia increased by 9.6% or £185 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Malaysia decreased by 43.4% or £201 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade surplus of £479 million with Malaysia, compared to a trade surplus of £81 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £530 million with Malaysia, compared to a trade in goods deficit of £534 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £1.0 billion with Malaysia, compared to a trade in services surplus of £615 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Malaysia in the four quarters to the end of Q4 2021 were:

- 78M - Cars (£225.4 million or 14.2% of all UK goods exported to Malaysia)
- 28 - Metal ores & scrap (£165.0 million or 10.4%)
- 71MI - Mechanical power generators (intermediate) (£140.0 million or 8.9%)
- 52 - Inorganic chemicals (£130.1 million or 8.2%)
- 77I - Miscellaneous electrical goods (intermediate) (£116.4 million or 7.4%)

The top 5 goods imported to the UK from Malaysia in the four quarters to the end of Q4 2021 were:

- 84 - Clothing (£485.5 million or 23.0% of all UK goods imported from Malaysia)
- 33R - Refined oil (£138.2 million or 6.5%)
- 7EC - Electrical machinery (consumer) (£132.4 million or 6.3%)
- 77C - Miscellaneous electrical goods (consumer) (£129.5 million or 6.1%)
- 77I - Miscellaneous electrical goods (intermediate) (£120.1 million or 5.7%)

The top 5 service types exported from the UK to Malaysia in the four quarters to the end of Q4 2021 were:

- Travel (£340 million or 26.8% of all UK services exported to Malaysia)
- Other Business Services (£287 million or 22.6%)
- Transportation (£145 million or 11.4%)
- Telecommunications, computer and information services (£138 million or 10.9%)
- Intellectual property (£124 million or 9.8%)

The top 5 service types imported to the UK from Malaysia in the four quarters to the end of Q4 2021 were:

- Other Business Services (£136 million or 51.9% of all UK services imported from Malaysia)
- Travel (£48 million or 18.3%)
- Transportation (£21 million or 8.0%)
- Financial (£20 million or 7.6%)
- Telecommunications, computer, and information services (£13 million or 5.0%)

China - UK Weighted Comparison

According to our weighted comparison index, China spends 5.26 times more of its GDP than the UK does on its bilateral trade with Malaysia.

MYANMAR

GDP: £62.46 billion
Population: 55.1 million
GDP Per Capita: £1,630

Myanmar-China

Myanmar has been one of the largest destinations for Chinese infrastructure investment over the past decade, particularly in hydropower. In fact, 40% of Chinese-funded dams built since 2000 are located in Southeast Asia, and 30% in Myanmar alone. In addition, China was the single dominant investor before 2011, partly due to international sanctions, and provided more than 60% of the FDI in 2012, a major part of which flowed to the infrastructure sector, including power, transportation, and energy. This however has changed somewhat given the recent military coup, although Beijing is well aware of the regional and ethnic tensions that have in part led Myanmar to its current status. An element of Chinese involvement in Myanmar is to install some kind of stability though trade and not let conflicts (especially with the Rohinga) get any worse. 2021 bilateral trade was about US$10.50 billion (£8.65 billion).

Prior to the February 2021 Coup

In March 2018, KBZ Bank, Myanmar's largest privately-owned bank announced a partnership with Huawei to create an inclusive digital financial ecosystem, which will give Myanmar citizens across the country greater access to finance; in Myanmar only 10% of the population have a bank account, but 90% have a smartphone. In October 2020, Huawei cooperated with KBZ Bank to launch KBZPay and within 18 months after the initial MOU, the app had 6 million registered users.

In 2018, Alibaba acquired Shop.com.mm, Myanmar's biggest online shopping platform. Later in 2018, Alibaba said it aimed to expand its current workforce of 230 employees to more than 1,000 over the next few years.

In May 2020, Digital Money Myanmar Limited ("Wave Money") and Ant Financial Services/Alipay announced a strategic partnership in which Ant Group agreed to invest US$73.5 million (£60.6 million) in Wave Money, a JV between Telenor Group and the Yoma Group.

Corporate Exits Post-Coup

For the past decade, Myanmar's FDI was driven by investments from Asian countries. However, in response to the February 2021 Tatmadaw military coup and under pressure from activist groups and western nations, several international firms began restricting their investments with military related firms (Singapore, Japan, India among others). In addition, corporates such as Kirin (Japan), TotalEnergy (French) and Chevron (USA) exited without compensation.

Venture Capital and PE investing, which had been growing, stopped in its tracks.

In April 2022, the Straits Times published a story stated that Singapore accounted for US$297 million (£245 million) worth of investment approved by the junta from October 2021 to March 2022 (of which US$105 million was the sale of Telenor Myanmar). The second largest investor during that period was China with US$142 million (£117 million).

Belt & Road Led Investments

As China did following the 1988 coup, which led to market reforms and fuelled growth in China-Myanmar relations, China once again moved to fill the inbound investment void. China has been one of the largest sources of Myanmar FDI, which reached US$21 billion (£17.3 billion) as of March 2020. In 2020, China and Myanmar signed many projects under the BRI, with a focus on developing the China Myanmar Economic Corridor (CMEC). One of the major projects was the development of a deep seaport/SEZ at Kyaukphyu for US$1.3 billion (£1.07 billion) of which CITIC Group has a 70% share.

Outside of this project, we calculate there are an additional US$5.7 billion (£4.7 billion) in BRI development projects including a major LNG project for US$2.5 billion, (£2.06 billion) New Yangon for US$1.5 billion (£1.24 billion) and KPEZ/other SEZs for another US$1.5 billion. Thus, it appears that China/CMEC led projects offset the Japanese and Indian exits.

Currency

In December 2021, Myanmar accepted the Chinese RMB Yuan as an official settlement currency for border trade with China. The estimated settlement scale in the pilot phase will be about 2 billion Yuan (U$314 million, or £259 million), which is the equivalent to about 30% of the value of bilateral border trade via inland routes. In February 2022, Bloomberg reported that the military regime, is planning to release a digital currency to assist the local economy.

Myanmar-UK

Myanmar (Burma) was the UK's 99th largest trading partner in the four quarters to the end of Q4 2021 accounting for less than 0.1% of total UK trade. In 2020, the outward stock of foreign direct investment (FDI) from the UK in Myanmar (Burma) was £2 million.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Myanmar (Burma) was less than £1 million.

Total trade in goods and services (exports plus imports) between the UK and Myanmar (Burma) was £409 million in the four quarters to the end of Q4 2021, a decrease of 15.5% or £75 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Myanmar (Burma) amounted to £136 million (a decrease of 25.3% or £46 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Myanmar (Burma) in the four quarters to the end of Q4 2021, £20 million (14.7%) were goods and £116 million (85.3%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Myanmar (Burma) decreased by 41.2% or £14 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Myanmar (Burma) decreased by 21.6% or £32 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Myanmar (Burma) were £273 million (a decrease of 9.6% or £29 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Myanmar (Burma) in the four quarters to the end of Q4 2021, £253 million (92.7%) were goods and £20 million (7.3%) were services. In the same period, UK imports of goods from Myanmar (Burma) decreased by 7.3% or £20 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Myanmar (Burma) decreased by 31.0% or £9 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade deficit of £137 million with Myanmar (Burma), compared to a trade deficit of £120 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £233 million with Myanmar (Burma), compared to a trade in goods deficit of £239 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £96 million with Myanmar (Burma), compared to a trade in services surplus of £119 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Myanmar (Burma) in the four quarters to the end of Q4 2021 were:

- 08 - Animal feeding stuffs (£4.9 million)
- 11 - Beverages (£3.4 million)
- 55 - Toilet & cleansing preparations (£2.4 million)
- 71EK - Electric motors (capital) (£1.5 million)
- 09 - Miscellaneous foods (£1.2 million)

Note: The percentage of the total UK exports of goods to Myanmar (Burma) accounted for by the above commodities are not provided here. This is due to the value of total UK exports of goods being rounded to the nearest £million, with commodity trade values being given to a greater level of accuracy. In some cases, this means the percentages above might sum to more than 100%.

The top 5 goods imported to the UK from Myanmar (Burma) in the four quarters to the end of Q4 2021 were:

- 84 - Clothing (£202.7 million or 80.1% of all UK goods imported from Myanmar (Burma))
- 03 - Fish & shellfish (£25.5 million or 10.1%)
- 85 - Footwear (£6.9 million or 2.7%)
- 04 - Cereals (£6.2 million or 2.5%)
- 05 - Vegetables & fruit (£4.5 million or 1.8%)

Top 5 services exported and imported to and from the UK and Myanmar is not available from official UK trade statistics.

China - UK Weighted Comparison

According to our weighted comparison index, China spends about 5 times more of its GDP than the UK does on its bilateral trade with Myanmar.

THE PHILIPPINES

GDP: £307 billion
Population: 114 million
GDP Per Capita: £2,604

Philippines-China

China is the largest trading partner of the Philippines and bilateral investment cooperation is booming with major projects being implemented smoothly. The Philippines and China bilateral trade reached close to US$82.05 billion (£67.61 billion) in 2021 and has grown at an average of 17 percent in the last five years.

Between 2016 and 2022, Philippines' Central Bank data showed that firms from China and Hong Kong invested US$1.7 billion (£1.4 billion) in the Philippines, trailing only Japan at US$2.8 billion but ahead of USA (US$1.3 billion), South Korea (US$1.1 billion), and Taiwan (US$580 million).

While Japan continues to lead in aggregate amounts (Philippine SEC company registration database), Chinese based investors led in volume. From 2016 to 2018, there were 3,634 firms established with Chinese investors, far outranking new firms with Japanese (1,091) and US investors (1,317). During this period Chinese investors led the launch of and subsequent growth in the online gaming and on-site casinos as well as realising strong returns in real estate, especially around the Metro Manila area.

Infrastructure

In 2016, President Xi and China promised Philippine President Rodrigo Duterte and the Philippines US$24 billion (£19.78 billion) in investment, credit and loan pledges. As shown below, many of these projects have been delayed for numerous reasons but have recently picked up pace.

In April 2022, Duterte inaugurated the China-funded Binondo-Intramuros Bridge, the second of two bridges funded through a Chinese grant. The Binondo-Intramuros Bridge is part of a US$96 million (£79.1 million Chinese grant agreed upon during Duterte's visit to China in 2017. The other bridge is Estrella-Pantaleon, which was completed in July 2021. Both bridges were initially planned to be constructed by 2020, but delayed due to the pandemic.

Construction of the Bucana Bridge – which will complete the ongoing coastal road project in Davao City, and is expected to finally start in 2022 after more than a year of delay. The 540-meter, four-lane bridge, which will cost US$56 million, (£46 million) and was initially scheduled for construction from 2020 to 2023; the new target completion will be by 2025. The Bucana Bridge will be funded through a China government grant signed in December 2020. The 3.98 km Davao River Bridge is located in the Bucana District at the mouth of the Davao River, connecting the coastal roads. This toll free two-way four-lane bridge can serve around 25,000 vehicles/day between Davao City and Samal crossing over Pakiputan Strait.

Irrigation – Chico River Pump Irrigation Project - The Chico River Pump Irrigation project aims to irrigate 8,700 hectares of land in the provinces of Kalinga and Cagayan. The project involves building multiple structures including a pump house, sub-station, transmission line, canals and access roads. The CRPIP is forecast to cost US$90 million (£74.1 million), financed in part by a US$62 million loan from CEXIM as an Official development assistance (ODA). CRPIP construction commenced in September 2018 and is expected to be completed during 2022.

The 60-meter-high Kaliwa Dam, US$255 million (£210 million) dam will cover a surface area of 291 hectares within Barangay Pagsangahan, General Nakar and Barangay Magsaysay, Infanta, both in Quezon province. It also includes a 27.7-kilometer raw water conveyance tunnel traversing from the dam's location to Teresa, Rizal. Once completed it will deliver 600 million liters of water/day to the capital region and nearby provinces, reducing dependence on Angat Dam in Bulacan and thus a solution to Metro Manila's water requirements. It is being funded primarily by a US$211.2 million (£174 million) loan from CEXIM which was signed in 2018. The construction of the Kaliwa Dam was previously set for January 2020 until December 2025. In an interview with CNN in February 2022, the project manager now hopes to start the construction in June with a target completion date of August 2026.

Davao Coastal Road – The Davao City Coastal Bypass Road Project stretches from the Davao-Cotabato highway junction to R. Castillo in Davao City's central area. In February 2022, the first 2.8 kms of the US$610 million (£503 million) 17-km road was opened; with the remainder set for completion in December 2023.

Mindanao Railway – With a cost of US$1.48 billion (£1.22 billion), the Mindanao Railway Phase 1 is among the major infrastructure projects funded by official development assistance (ODA) loans from the Chinese government. Once fully operational, travel time between Tagum City to Digos City will be reduced to about an hour from the current 3.5 hours. The line will also have eight stations: Tagum, Carmen, Panabo, Mudiang, Davao, Toril, Santa Cruz and Digos.

In September 2021, the Transportation Undersecretary for Railways announced that the construction of the first phase, involves building a 100-kilometer train line connecting Tagum, Davao and Digos, will begin in 2022.

Makati Subway – In 2020, Infradev Holdings Inc. (Philippines) awarded a US$1.21-billion (£1 billion) EPC contract for the first eight-km phase of the Makati subway project to China Construction Second Engineering Bureau Co. Ltd. (CCSEB). The contract covers civil works alongside mechanical, electrical and plumbing (MEP) works. The civil works alone were valued at US$978.6 million (£808 million) while the MEP portion was priced at US$234.16 million (£193.4 million).. The proposed Makati subway system, the Philippines first ever PPP project (no cost to the city) is expected to be completed by 2025.

PNR South-Long Haul Project – In January 2022, China Railway Group signed with the Government the commercial contract for the US$2.8 billion (£2.31 billion) PNR South Long-Haul Project DB railway for the design and construction of a 380 km railway in the Bicol Region. It will shorten the travel time from 12 hours currently to four hours, and will serve up to 14.6 million passengers per year (after it enters operations). The entire PNR Bicol project consists of a 560km long-haul rail line connecting Metro Manila to provinces in Southern Luzon.

Selected Key Private Company Investments

Telecommunications

Dito launches 3rd Telco in Philippines – Since 2011, two companies have dominated Philippine telecoms; PLDT/Smart and Globe — but their hold on the market is being tested by Dito Telecommunity, a new telco which was launched in March 2021.Dito is a consortium headed by Davao businessman Dennis Uy. His companies Udenna Corporation and Chelsea Logistics own 60% of Dito; China Telecom owns the other 40%. Together, the two partners have committed to investing US$5.4 billion (£4.46 billion). CHINA Telecom said it plans to double its subscribers in 2022 from 5.3 million to 10 million to reach a target to secure a third of the nation's communications market as early as 2024 when its network coverage rises to more than 80% of the population from 52.8% 2020.

Smart Phones – In Q2 2021, Xiaomi continued to be the leading growth brand y-o-y in the Philippines 5G – In February 2022, Globe Philippines recently announced that Huawei's AirPON solution is helping Globe to build a faster and better fiber access network regarding FMC strategy. This solution utilizes existing thousands of wireless sites, helping Globe significantly improve FTTH network construction efficiency, reduce costs, and effectively cope with the network construction challenges brought by full-service transformation. As of end September 2021, Home broadband revenues posted a record 22.4 billion, (US$407 million, or £336 million) exceeding the same period of 2020 by 15%. The accelerated fiber rollout already yielded positive results with the increased take up of FTTH lines of 240% and fiber revenues growing by 169% against 2020.

Financial Services

In February 2017, Ant Financial made its initial investment Mynt (45% stake), a financial venture from Globe Telecom (value of US$60 million or £49.5 million), which have a micro-payment service and a mobile loan service. Globe is the Philippines' largest operator with 66.6 million subscribers — with over 50% market share. In January 2021, Mynt, the company behind digital financial services provider GCash, announced a US$175 million (£144.5 million) capital raise which was completed at a valuation of circa US$1 billion (£830 million). In November 2021, Mynt raised US$300 million (£247.75 million) in fresh capital at a valuation of over US$2 billion (£1.65 billion).

Voyager – In October 2018, PLDT, a leading telecommunications and digital services provider in the Philippines, signed agreements under which investors led by KKR and Tencent will separately subscribe to a total of up to US$175 million (£144.52 million) worth of newly-issued shares in Voyager Innovations. In April 2022, Voyager Innovations (PayMaya and neobank Maya Bank), announced it had raised US$210 million, (£173.4 million) bringing its valuation to US$1.4 billion (£1.16 billion).

Philippines-UK

The Philippines was the UK's 62nd largest trading partner in the four quarters to the end of Q4 2021 accounting for 0.1% of total UK trade. In 2020, the outward stock of foreign direct investment (FDI) from the UK in Philippines was £550 million.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Philippines was £643 million.

Total trade in goods and services (exports plus imports) between the UK and Philippines was £1.8 billion in the four quarters to the end of Q4 2021, an increase of 6.8% or £116 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Philippines amounted to £811 million (a decrease of 8.9% or £79 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Philippines in the four quarters to the end of Q4 2021, £432 million (53.3%) were goods and £379 million (46.7%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Philippines decreased by 12.7% or £63 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Philippines decreased by 4.1% or £16 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Philippines were £1.0 billion (an increase of 23.8% or £195 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Philippines in the four quarters to the end of Q4 2021, £549 million (54.1%) were goods and £466 million (45.9%) were services. In the same period, UK imports of goods from Philippines increased by 43.0% or £165 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Philippines increased by 6.9% or £30 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade deficit of £204 million with Philippines, compared to a trade surplus of £70 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £117 million with Philippines, compared to a trade in goods surplus of £111 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services deficit of £87 million with Philippines, compared to a trade in services deficit of £41 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Philippines in the four quarters to the end of Q4 2021 were:

- 77I - Miscellaneous electrical goods (intermediate) (£93.4 million or 21.6% of all UK goods exported to Philippines)
- 01 - Meat & meat preparations (£52.9 million or 12.2%)
- 54 - Medicinal & pharmaceutical products (£30.1 million or 7.0%)
- 55 - Toilet & cleansing preparations (£21.4 million or 4.9%)
- 74I - General industrial machinery (intermediate) (£11.9 million or 2.8%)

The top 5 goods imported to the UK from Philippines in the four quarters to the end of Q4 2021 were:

- 92 - Aircraft (£102.2 million or 18.6% of all UK goods imported from Philippines)
- 93 - Ships (£43.1 million or 7.8%)
- 05 - Vegetables & fruit (£33.3 million or 6.1%)
- 8OI - Other miscellaneous manufactures (intermediate) (£28.7 million or 5.2%)
- 25 - Pulp & waste paper (£28.7 million or 5.2%)

The top 5 service types exported from the UK to Philippines in the four quarters to the end of Q4 2021 were:

- Other Business Services (£131 million or 34.6% of all UK services exported to Philippines)
- Financial (£99 million or 26.1%)
- Telecommunications, computer and information services (£52 million or 13.7%)
- Intellectual property (£31 million or 8.2%)
- Travel (£28 million or 7.4%)

The top 5 service types imported to the UK from Philippines in the four quarters to the end of Q4 2021 were:

- Other Business Services (£328 million or 70.4% of all UK services imported from Philippines)
- Travel (£53 million or 11.4%)
- Telecommunications, computer and information services (£35 million or 7.5%)
- Financial (£19 million or 4.1%)
- Insurance and Pension (£10 million or 2.1%)

China - UK Weighted Comparison

According to our weighted comparison index, China spends about 7 times more of its GDP than the UK does on its bilateral trade with the Philippines.

SINGAPORE

GDP: £321.38 billion
Population: 5.82 million
GDP Per Capita: £49,030

Singapore-China

Background

In 1994, Singapore and China launched the Suzhou Industrial Park (SIP) project. One of the world's first Special Economic Zones, attracting manufacturing via low tax rates, in the 30 years since the official establishment of diplomatic ties, SIP has been a landmark project and a fore runner of subsequent international/BRI SEZs. Suzhou's regional GDP in 1994 was circa 72 billion RMB. (US$10 billion, or £8.24 billion).

This figure more than doubled to 154 billion RMB in 2000, exceeded 1 trillion RMB in 2011, nearly 2 trillion RMB (US$298 billion, or £245.6 billion) in 2019, trailing only Shenzhen and Guangzhou SEZs, formed circa 1980, and as laid the foundation for Chinese investments into Singapore and the wider ASEAN region ever since.

Trade

In 2021, Singapore-China bilateral trade reached US$97 billion (£79.93 billion), with the balance roughly 10% in China's favour.

What is noticeable in China's behaviour towards Singapore is that it is returns on infrastructure and technological investments that are driving the profitable element of investment relations while trade, while significant, is a secondary part of the overall economic relationship.

Infrastructure

CCI-ILTSC

Since the founding of China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity (CCI) in 2015, over US$17 billion (£14 billion) in cross-border deals (led by Singapore banks) have been signed, US$3 billion (£2.5 billion) in 2021 alone. CCI cross-border financial services helps drive the New International Land-Sea Trade Corridor (ILSTC) a trade and logistics passage jointly built by Singapore and provincial-level regions of western China. (Chongqing is the corridor's operational centre). Goods from western China can travel south via rail, sea and road to access the markets with shorter time compared with the traditional route from eastern China. CCI-ILSTC serves as a bridge between the Silk Road Economic Belt and the 21st Century Maritime Silk Road.

Other Investments/Commercial Projects

E-commerce

Tencent Shope (Sea) – Tencent participated in five rounds of funding to Sea between 2014 and 2017, investing a total of US$268 million (£221 million). In October 2017, Sea, the Singapore-based digital entertainment firm (formerly known as Garena) raised US$884 million (£728.5 million) in its NYSE IPO. By 2019, Sea's market cap had climbed to US$18.6 billion; (£15.3 billion) by 2020 to US$101.7 billion (£83.81 billion). In January 2022, Tencent sold 14.5 million shares in Sea in public markets for circa US$3 billion (£2.47 billion). Tencent's remaining 18.7% stake was worth US$19.3 billion (£15.9 billion).

Alibaba - In 2016, Alibaba initially acquired a 51% stake in Lazada, its e-commerce marketplace in Southeast Asia. In 2017, it added another US$1 billion (£820 million) to its investment increasing its stake to 83%. In 2018, Alibaba added another US$2 billion, doubling its investment to US$4 billion (£2.3 billion). In May 2022, Lazada received a US$378.5 million (£312 million) capital injection from issuing new shares to parent Alibaba Singapore. This raise follows the September 2021 report that Lazada recorded a gross merchandise value (GMV) of US$21 billion (£17.31 billion) ranking it 3rd globally by GMV. Alibaba plans to expand Lazada to Europe (Cainiao; its logistics arm previously opened a hub for European sales in Liege, Belgium).

Digital Banking/Crypto

Greenland Financial Holdings – In December 2020, Greenland Financial Holdings Group Co. Ltd (Greenland), a subsidiary of the Greenland Group (Hong Kong), led a consortium on its successful application for a digital wholesale bank (DWB) licence in Singapore (one of 4 licenses granted). The Monetary Authority of Singapore (MAS), issued a DWB licence to the consortium comprising Greenland, Linklogis Hong Kong Ltd and Beijing Co-operative Equity Investment Fund Management.

In June 2022, GREEN Link Digital Bank (GLDB) owned by a consortium began operations, becoming among the first digital bank licensees to launch in Singapore.

Ant Digital Bank – In early June 2022, Ant Group soft-launched ANEXT Bank, a digital wholesale bank in Singapore following MAS approval for the bank to launch. (the license was approved in 2020). ANEXT will focus on providing digital financial services to local and regional micro, small and medium-sized enterprises (MSMSE) and especially those engaged in cross-border operations.

Blockchain/Crypto – In December 2021, Binance Asia Services, the Singapore arm of major cryptocurrency exchange Binance (China), announced that they planned to acquire a stake in a local private securities exchange, Hg Exchange (HGX): the company officially announced the acquisition of a post-money 18% stake in HGX, a stock exchange licensed and regulated by the MAS. Later in December, Binance withdrew its application with the MAS for a digital payment token services license.

AI / Digitisation

In 2018, Baidu teamed up with Asia Mobility Industries (AMI) to launch a new Singapore-based mobility venture fund, called "Apollo Southeast Asia." This will also help establish a foothold for Baidu to pursue commercialization of its autonomous driving platform in the region, and source strategic partners for its deployment. The fund being launched along with the joint venture includes US$200 million (£165 million) in available investment capital, which will be put into companies working on all aspects of autonomous driving and connected, smart transportation services.

AMI works on AI and mobility services, and since 2019 it has been working with Singapore's transit authority through one of its subsidiaries to develop smart mobility solutions for the region and is now working with four prominent Chinese companies to drive this technology forward.

- Signed a MOU with Geely to develop robo-taxis (AMI believes it can be the largest robo-taxi operator in the region by 2025)
- Has partnered with China's largest mapping company NavInfo to develop the advanced mapping technologies needed for autonomous taxis
- Signed a preliminary agreement with CATL to sell its automotive batteries in Singapore
- Planning to bring Baidu's driverless buses, which began mass production in China last year, to Southeast Asia.

Global Leadership Innovation in Infrastructure Finance

Bayfront (IABS) – In June 2021, AIIB announced that it was committing US$60 million (£50 million) to Bayfront Infrastructure Management's (Bayfront) debut issuance of infrastructure asset-backed securities (IABS). AIIB's anchor investment will set an important benchmark for future IABS, which are a critical part of the market-building process for new asset class creation. Bayfront is a Singapore-based entity with a mandate to invest in and distribute infrastructure debt in the Asia Pacific and Middle East regions. Historically, Asian infrastructure has been primarily financed through bank loans, which are not suitable for many institutional investors due to investment restrictions. IABS can help bridge the infrastructure financing gap by allowing investors to invest in rated and listed debt securities backed by a diversified portfolio of project and infrastructure loans. The total issuance by Bayfront will offer investors access to a US$401 million (£330 million) portfolio of 27 project and infrastructure loans, primarily with an Asian focus, diversified across 13 countries and eight industry subsectors.

This is AIIB's second investment related to Bayfront, the first as a 30% shareholder Bayfront, approved in 2019. Co-established by AIIB and Clifford Capital, Bayfront is Asia's first fully-fledged infrastructure securitization platform.

The Keppel Asia Infrastructure Fund – In June 2020, AIIB approved a US$100 million (£82.4 million) investment as a commitment to the Keppel Asia Infrastructure Fund with co-investment rights for another US$50 million. The Keppel Asia Infrastructure Fund is a closed-end private equity fund with a target size of US$1 billion (£820 million). The Fund Manager's parent company, Singapore-based Keppel Corporation, is a leading Asian brand which has established and diversified infrastructure businesses in the region. Leveraging the Keppel Group's regional network and project capabilities, the Fund will invest growth and expansion capital into diversified infrastructure projects in the Asia-Pacific region.

Asian Data Centre Development – In October 2021, AIIB announced that it will invest a further US$100 million, again with co-investments up to $50 million, in the Keppel Data Centre Fund II, LP (KDCF II), a closed-end PE vehicle managed by Alpha Investment Partners Ltd (Alpha), a wholly-owned subsidiary of Keppel Capital. Since 2004, Alpha has managed six commingled funds and has executed over 190 transactions across key gateway cities with gross acquisition value of more than US$26 billion (£21.43 billion). KDCF II focuses on the development of data centres, that mostly serve emerging Asia and are designed to promote greener digital infrastructure and cross-border connectivity.

Singapore-UK

Singapore was the UK's 19th largest trading partner in the four quarters to the end of Q4 2021 accounting for 1.3% of total UK trade.

In 2020, the outward stock of foreign direct investment (FDI) from the UK in Singapore was £14.8 billion accounting for 0.9% of the total UK outward FDI stock.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Singapore was £13.5 billion accounting for 0.7% of the total UK inward FDI stock.

Total trade in goods and services (exports plus imports) between the UK and Singapore was £16.7 billion in the four quarters to the end of Q4 2021, an increase of 4.3% or £693 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Singapore amounted to £10.7 billion (an increase of 6.8% or £677 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Singapore in the four quarters to the end of Q4 2021, £5.0 billion (46.8%) were goods and £5.7 billion (53.2%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Singapore increased by 9.9% or £451 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Singapore increased by 4.1% or £226 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Singapore were £6.0 billion (an increase of 0.3% or £16 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Singapore in the four quarters to the end of Q4 2021, £2.5 billion (42.4%) were goods and £3.5 billion (57.6%) were services. In the same period, UK imports of goods from Singapore increased by 11.0% or £252 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Singapore decreased by 6.4% or £236 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade surplus of £4.7 billion with Singapore, compared to a trade surplus of £4.0 billion in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods surplus of £2.4 billion with Singapore, compared to a trade in goods surplus of £2.2 billion in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £2.2 billion with Singapore, compared to a trade in services surplus of £1.8 billion in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Singapore in the four quarters to the end of Q4 2021 were:

- 71MI - Mechanical power generators (intermediate) (£1.6 billion or 31.5% of all UK goods exported to Singapore)
- 9 - Unspecified goods (£567.5 million or 11.4%)
- 793 - Ships (£349.0 million or 7.0%)
- 11 - Beverages (£299.2 million or 6.0%)
- 74I - General industrial machinery (intermediate) (£225.1 million or 4.5%)

The top 5 goods imported to the UK from Singapore in the four quarters to the end of Q4 2021 were:

- 71MI - Mechanical power generators (intermediate) (£675.1 million or 26.5% of all UK goods imported from Singapore)
- 54 - Medicinal & pharmaceutical products (£232.7 million or 9.1%)
- 51 - Organic chemicals (£215.3 million or 8.4%)
- 77I - Miscellaneous electrical goods (intermediate) (£151.9 million or 6.0%)
- 28 - Metal ores & scrap (£146.2 million or 5.7%)

The top 5 service types exported from the UK to Singapore in the four quarters to the end of Q4 2021 were:

- Other Business Services (£2.0 billion or 34.8% of all UK services exported to Singapore)
- Transportation (£1.1 billion or 20.0%)
- Financial (£1.1 billion or 19.9%)
- Intellectual property (£530 million or 9.3%)
- Telecommunications, computer, and information services (£336 million or 5.9%)

The top 5 service types imported to the UK from Singapore in the four quarters to the end of Q4 2021 were:

- Other Business Services (£2.3 billion or 65.9% of all UK services imported from Singapore)
- Transportation (£543 million or 15.7%)
- Financial (£439 million or 12.7%)
- Travel (£62 million or 1.8%)
- Telecommunications, computer, and information services (£49 million or 1.4%)

China - UK Weighted Comparison

According to our weighted comparison index, Chinese and UK trade in terms of their commitment to Singapore from their respective GDP bases are about equal.

THAILAND

Thailand-China

According to the Bank of Thailand, FDI in Thailand declined drastically as a result of the COVID-19 pandemic. Between 2018 and 2019, FDI plunged from US$13.2 to US$4.8 billion. (£10.88 to £3.96 billion)

In 2020, it fell to minus (-$4.8 billion). At a time when others have been pulling out, China's investments into Thailand, Southeast Asia's second-largest economy, steadily increased throughout pandemic period.

Notably in 2019, China's investment applications surpassed Japan for the first time – with an investment value of US$8.7 billion (£7.17 billion) under 203 approved projects, far surpassing Japan's $2.4 billion (277 projects) and third-ranked Hong Kong's $1.2 billion (64 projects).

Trade

China has remained Thailand's largest trading partner for nine consecutive years. Bilateral trade volume surged 33 percent year-on-year to US$131.18 billion in 2021 (£108.34 billion), according to data from China's General Administration of Customs.

Infrastructure

The Don Mueang-Suvarnabhumi-U-Tapao High-Speed Railway – In October 2019, State Railway of Thailand signed an agreement with a consortium including CRCC to build a US$7.4 billion (£6.1 billion) high-speed railway connecting three airports.

The Don Mueang–Suvarnabhumi–U-Tapao high-speed railway, officially known as the High-Speed Rail Linking Three Airports Project is the second high-speed rail line project in Thailand, being due to open in 2026 between Don Mueang International Airport, Suvarnabhumi Airport and U-Tapao International Airport.

Sino-Thailand-Laos Railway Project – In December 2021, the government set up a working panel proposed by the Transport Ministry to better coordinate with transport authorities in Laos on plans to build a railway linking the two countries. This is part of a high-speed railway project linking Thailand's rail system with the Laos-China Railway, which also connects Kunming with Vientiane (Laos). In Thailand, the project is divided into 3 phases: the Bangkok-Nakhon Ratchasima section covering 253 kms, the Nakhon Ratchasima-Nong Khai section (356km); and the Nong Khai-Vientiane section (16km).

China/EEC – the Eastern Economic Corridor (EEC) – is located some 90 kms southeast of Bangkok, is a centre piece for new investment, with targeting technology, innovation, SMART manufacturing and tourism. To date Chinese companies have established manufacturing facilities, research centres or operational hubs in the specially designated Thai SEZs, including EEC and four SEZs along the Thai borders.

China's Holley Group and the Thai industrial estate developer Amata developed the Thai-Chinese Rayong Industrial Park located in Thailand's EEC. To date, this SEZ (alone) has seen investment from circa 100 Chinese manufacturers to invest US$2.5 billion (£2.06 billion), which now employs over 20,000 Thai staff and over 3,000 Chinese expatriate workers.

Other Investments

E-commerce

In September 2017 JD.com (JD Finance) signed a partnership with Thailand's largest retail conglomerate Central Group, and Provident Capital for an aggregate investment of up to US$500 million (£412 million) to establish two Thailand based JVs in e-commerce and fintech. In September 2019, JD.com and Central Group, a Thai conglomerate involved in merchandising, real estate, and retailing, launched a financial services app called Dolfin. The new service is set to have an e-wallet function, as well as digital lending, insurance, and wealth management offerings.

Telecommunications

In April 2019, Thailand launched a Huawei 5G test bed, However, thus far Huawei has not won a 5G contract in Thailand.

Smart Phones

In 2021, Xiaomi ranked No. 1 in Thailand for the first time.

ASEAN's first 5G "Smart Hospital"

In December 2021, Siriraj Hospital and Huawei announced that their 5G smart hospital project is the "first and largest" in Thailand and the Southeast Asian region. The Siriraj 5G Smart Hospital is a pilot project, which will expand to other ASEAN hospitals in the future. It is expected that 30 5G medical applications will be incubated and promoted nationwide in 2022. The Siriraj World Class 5G Smart Hospital project comprises nine sub-projects comprising smart emergency rooms and emergency medical service, a pathological diagnosis system with 5G and AI, an AI platform for noncommunicable diseases, smart inventory management, a permission-based blockchain for personal health records, smart logistics with 5G self-driving cars, multi-access edge computing and a hybrid cloud system.

Ascend – first Thailand Fintech Unicorn

In September 2021, Ascend Money, a startup backed by Ant Group and Charoen Pokphand Group, became Thailand's first fintech unicorn with a valuation of US$1.5 billion (£1.24 billion) following a new funding round. Ant originally invested in the 2016 round. The company will use the fresh capital to improve its mobile payments app TrueMoney Wallet as well as expand digital financial services across South-East Asia (it also operates in Indonesia, the Philippines, Vietnam, Myanmar and Cambodia). TrueMoney is already the most popular app, with a 53% market share in Thailand.

Thailand-UK

Thailand was the UK's 40th largest trading partner in the four quarters to the end of Q4 2021 accounting for 0.4% of total UK trade.

In 2020, the outward stock of foreign direct investment (FDI) from the UK in Thailand was £3.2 billion accounting for 0.2% of the total UK outward FDI stock.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Thailand was £296 million.

Total trade in goods and services (exports plus imports) between the UK and Thailand was £4.8 billion in the four quarters to the end of Q4 2021, a decrease of 5.1% or £262 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Thailand amounted to £2.0 billion (a decrease of 2.3% or £47 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Thailand in the four quarters to the end of Q4 2021, £1.3 billion (64.3%) were goods and £712 million (35.7%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Thailand increased by 8.5% or £101 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Thailand decreased by 17.2% or £148 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Thailand were £2.8 billion (a decrease of 7.0% or £215 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Thailand in the four quarters to the end of Q4 2021, £2.4 billion (85.4%) were goods and £413 million (14.6%) were services. In the same period, UK imports of goods from Thailand decreased by 7.2% or £189 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Thailand decreased by 5.9% or £26 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade deficit of £841 million with Thailand, compared to a trade deficit of £1.0 billion in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £1.1 billion with Thailand, compared to a trade in goods deficit of £1.4 billion in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £299 million with Thailand, compared to a trade in services surplus of £421 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Thailand in the four quarters to the end of Q4 2021 were:

- 77K - Miscellaneous electrical goods (capital) (£248.0 million or 19.3% of all UK goods exported to Thailand)
- 78M - Cars (£156.3 million or 12.2%)
- 25 - Pulp & waste paper (£96.2 million or 7.5%)
- 28 - Metal ores & scrap (£74.4 million or 5.8%)
- 74K - General industrial machinery (capital) (£53.7 million or 4.2%)

The top 5 goods imported to the UK from Thailand in the four quarters to the end of Q4 2021 were:

- 01 - Meat & meat preparations (£399.5 million or 16.5% of all UK goods imported from Thailand)
- 897C - Jewelry (£166.3 million or 6.9%)
- 77I - Miscellaneous electrical goods (intermediate) (£150.7 million or 6.2%)
- 84 - Clothing (£150.5 million or 6.2%)
- 74K - General industrial machinery (capital) (£112.2 million or 4.6%)

The top 5 service types exported from the UK to Thailand in the four quarters to the end of Q4 2021 were:

- Other Business Services (£205 million or 28.8% of all UK services exported to Thailand)
- Travel (£153 million or 21.5%)
- Intellectual property (£128 million or 18.0%)
- Financial (£67 million or 9.4%)
- Insurance and Pension (£56 million or 7.9%)

The top 5 service types imported to the UK from Thailand in the four quarters to the end of Q4 2021 were:

- Travel (£221 million or 53.5% of all UK services imported from Thailand)
- Construction (£52 million or 12.6%)
- Transportation (£37 million or 9.0%)
- Other Business Services (£36 million or 8.7%)
- Financial (£33 million or 8.0%)

China - UK Weighted Comparison

According to our weighted comparison index, China invests about 4.5 times in trade more than the UK in terms of their commitment from their respective GDP bases in Thailand.

TIMOR LESTE

GDP: £417 billion
Population: 70 million
GDP Per Capita: £5,438

Timor-Leste-China

Timor-Leste is Southeast Asia's newest and poorest nation and is primed to become a member of ASEAN under the rotating ASEAN Chairmanship of Indonesia, its larger and more prosperous neighbour to the West. Indonesia takes over the ASEAN Chairmanship in 2023 and Timor-Leste's succession to the ASEAN bloc is expected that year.

Timor-Leste is a former Portuguese colony of one million people that broke away in 1999 from 24 years of Indonesian occupation. China was the first nation to recognize the country when it became an independent state in 2002. China and Timor Leste's links date back centuries. Hakka Chinese traders sailed there more than 500 years ago. Timor-Leste also has links into other Portuguese speaking countries in Europe, Africa and Latin America, another important consideration in light of Portugal's importance to the silk roads, both in the past and the future. It is the second Catholic nation in Southeast Asia after the Philippines.

Timor-Leste can be expected to show rapid growth once its membership of ASEAN kicks in and it can participate in ASEAN regional development schemes.

Trade

China-Timor-Leste trade reached US$400 million (£330 million) in 2021, with mainly basic commodities being traded. China shipped rice and construction materials, Timor-Leste mainly beans, seaweed, sugar beet and coffee.

Infrastructure

In Timor-Leste's first ten years after independence, China gifted US$53 million, (£44 million) including the new Presidential Palace, Foreign Ministry and defense buildings in its capital Dili. In June 2020, China agreed an additional US$14 million (£11.5 million) in donations for a hospital and a school.

State Electricity Grid – In 1999, the country's entire national energy grid had been destroyed during its transition to independence. China Nuclear Industry 22nd Construction Co. Ltd (CNI22), a subsidiary of China National Nuclear Corp. (CNNC), rebuilt the grid, starting the work in 2009 and finishing it in 2016 (its first major international EPC contract). In April 2022, CNI22 won the contract to operate and maintain the national grid in Timor-Leste until 2024.

Suai Highway – the country's first highway. Officially started in January 2016, the Suai Highway project, a 155.7 km two-way four-lane highway with a speed of 100 km/hr, completed its 30.4 km-long first phase in November 2018. The project, led by JV involving China Overseas Engineering Group Co., Ltd. (COVEC) and China Railway First Group Co., Ltd. (CRFG), is situated on Timor-Leste's southern coast.

Deepwater Port – In July 2019, China Harbour Engineering (subsidiary of CCCC) began work on a US$490m project to build a deepwater port at Timor-Leste. The port is being built in Tibar Bay, about 10 km west of the capital of Dili which will able to accommodate ships with a draft of 15m, deep enough for all but the largest container ships. The port work is being carried out by a consortium led by Bolloré (France) on a PPP basis, Timor Leste's first. Bolloré agreed to invest US$150 million (£124 million) in the first stage of construction, with the Timorese government contributing US$130 million (£107 million). In the second phase, when the port is operating, Bolloré plans to invest about US$210 million (£173 million) in expansion. Construction (CCCC was hired by Bollore) – was 72% complete by the end of 2021; scheduled to open in 2022.

Tasi Mane Energy – In May 2022, East Timor's newly elected President Jose Ramos-Horta has focused on diversifying the country's economy and reducing high poverty rates in his pledges to the nation. "It is our intention to expand bilateral co-operation with China". In his election, he was supported by the former President and Prime Minister who was a strong proponent of Tasi Mane, which would see oil and gas from the Greater Sunrise field developed onshore, with China touted as a potential developer. Under Tasi Mane, the government plans to spend US$10-14 billion (£8.2-11.5 billion) on projects along the southern coast, including a supply base in Suai, a liquid LNG plant in Beaçu, a refinery in Betano, and centrally planned grid cities in all three towns. The highway will link the projects together.

Timor Leste- UK

East Timor was the UK's 156th largest trading partner in the four quarters to the end of Q4 2021 accounting for less than 0.1% of total UK trade. In 2020, the outward stock of foreign direct investment (FDI) from the UK in East Timor was less than £1 million. In 2020, the inward stock of foreign direct investment (FDI) in the UK from East Timor was less than £1 million.

Total trade in goods and services (exports plus imports) between the UK and East Timor was £58 million in the four quarters to the end of Q4 2021, an increase of 205.3% or £39 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, the total UK exports to East Timor amounted to £58 million in the four quarters to the end of Q4 2021 (an increase of 205.3% or £39 million compared to the four quarters to the end of Q4 2020), whereas total UK imports s from East Timor amounted to less than £1 million in the four quarters to the end of Q4 2021 (a change of less than £1 million compared to the four quarters to the end of Q4 2020).

This means the UK reported a total trade surplus of £58 million with East Timor, compared to a trade surplus of £19 million in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods balance of less than £1 million with East Timor, compared to a trade in goods balance of less than £1 million in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £58 million with East Timor, compared to a trade in services surplus of £19 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to East Timor in the four quarters to the end of Q4 2021 were:

- Beverages (£240,000)
- Other chemicals (£190,000)
- Medicinal and pharmaceutical products (£30,000)
- Miscellaneous foods (£20,000)
- Clothing (£20,000)

The top item imported to the UK from East Timor in the four quarters to the end of Q4 2021 was:

- Coffee, tea, cocoa, valued at £140,000.

China - UK Weighted Comparison

According to our weighted comparison index, Chinese and UK trade in terms of their commitment to Timor-Leste from their respective GDP bases are about equal.

VIETNAM

GDP: £239 billion
Population: 98.9 million
GDP Per Capita: £2,974

Vietnam-China

Chinese FDI into Vietnam has been growing annually and increasing, from US$764 million (£529.5 million) in 2017 to US$1.9 billion (£1.57 billion) in 2020 or 34.8% CAGR. Even during the 2020 pandemic year, there was 13.8% growth. (Statistica). These numbers are expected to rise substantially especially. China remains Vietnam's largest trade partner and second biggest importer; and Vietnam is also China's largest trade partner in ASEAN. Bilateral trade reached US$168 billion (£138.4 billion) in 2021.

Infrastructure

Vietnam's First Ever Metro Entered Service in Hanoi – in November 2021, Vietnam's first metro line began operations; the 13km elevated line runs between Cat Linh in north-central Hanoi and Ha Dong in the southwestern suburbs. Cat Linh was built by China Railway Group. Work began in October 2011, was expected to cost around US$550m (£453 million) and enter service in 2016. For numerous reasons, construction was delayed five years with a final cost of US$868 million (£715 million) of which 77% was covered by Chinese loans. The Hanoi metro is considered essential to deal with the capital's growing problems with congestion and air pollution.

New Chongqing Hanoi Rail Route Launched – In March 2022, a freight train left Guoyuan Port in Chongqing Municipality for Hanoi, marking the launch of a new freight train route between China and Vietnam. The route, part of the New International Land-Sea Trade Corridor (ILSTC), is expected to further facilitate trade between western China and Southeast Asia. Previously, most of the goods from Chongqing and Sichuan Province to Vietnam were transported by water via Shanghai and other ports, which takes more than 20 days: the new route shortens the transport time to 4 to 5 days.

Laos-Vietnam (Vientiane-Vung Ang) Railway – In March 2022, the Vientiane Times reported that construction of a 554 km railway linking Vientiane with the Vung Ang seaport in Vietnam's central Ha Tinh province is expected to begin in November. The US$5 billion (£4.12 billion) railway is a proposed line that the Laos and Vietnamese governments have agreed to jointly develop which would enable landlocked Laos to access the deep seaport – the closest feasible seaport to Vientiane. The railway is part of the Lao Logistics Link project that PetroTrade – a subsidiary company of PTL Holding Company Limited – was given the green light to partner with the Lao and Vietnamese governments to develop. The railway will directly connect the cargo markets of Thailand and Myanmar with the Vung Ang Port, which is well positioned to serve as a gateway between central Vietnam, central Laos, and northeastern Thailand. The railway is also set to link with the Laos-China Railway and onwards to the interconnected rail network that could reach European markets.

Telecommunications

- Vietnam has not barred Huawei, but its service providers have avoided using its equipment in both their 4G and 5G networks.
- Smart Phones – In Vietnam, in 2021, Xiaomi was the only smartphone brand that achieved significant growth, with a 68% y-o-y increase.

E-Commerce

In August 2018, JD.com led the Series C investment round in Tiki.vn, Vietnam's 2nd largest e-commerce platform (acquiring circa 25%). Tiki was established in 2010 as a start-up e-bookstore but has since diversified to sell phones, tablets, digital devices, electrical appliances, toys, and souvenirs. In May 2016, VNG Corporation, Vietnam's top provider of Internet content (and first tech unicorn), completed a VND383-billion (US$17.02 million, or £14 million) deal to acquire a 38% stake in Tiki.

Vietnam-UK

Vietnam was the UK's 35th largest trading partner in the four quarters to the end of Q4 2021 accounting for 0.4% of total UK trade.

In 2020, the outward stock of foreign direct investment (FDI) from the UK in Vietnam was £932 million accounting for 0.1% of the total UK outward FDI stock.

In 2020, the inward stock of foreign direct investment (FDI) in the UK from Vietnam was £3 million

Total trade in goods and services (exports plus imports) between the UK and Vietnam was £5.5 billion in the four quarters to the end of Q4 2021, an increase of 10.8% or £534 million from the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK exports to Vietnam amounted to £894 million (a decrease of 0.2% or £2 million compared to the four quarters to the end of Q4 2020).

Of all UK exports to Vietnam in the four quarters to the end of Q4 2021, £632 million (70.7%) were goods and £262 million (29.3%) were services. In the four quarters to the end of Q4 2021, UK exports of goods to Vietnam increased by 9.0% or £52 million compared to the four quarters to the end of Q4 2020 while UK exports of services to Vietnam decreased by 17.1% or £54 million compared to the four quarters to the end of Q4 2020.

In the four quarters to the end of Q4 2021, total UK imports from Vietnam were £4.6 billion (an increase of 13.3% or £536 million compared to the four quarters to the end of Q4 2020).

Of all UK imports from Vietnam in the four quarters to the end of Q4 2021, £4.4 billion (97.3%) were goods and £122 million (2.7%) were services. In the same period, UK imports of goods from Vietnam increased by 13.4% or £524 million compared to the four quarters to the end of Q4 2020 while UK imports of services from Vietnam increased by 10.9% or £12 million compared to the four quarters to the end of Q4 2020.

This means the UK reported a total trade deficit of £3.7 billion with Vietnam, compared to a trade deficit of £3.1 billion in the four quarters to the end of Q4 2020. In the four quarters to the end of Q4 2021, the UK had a trade in goods deficit of £3.8 billion with Vietnam, compared to a trade in goods deficit of £3.3 billion in the four quarters to the end of Q4 2020. Meanwhile, in the four quarters to the end of Q4 2021 the UK reported a trade in services surplus of £140 million with Vietnam, compared to a trade in services surplus of £206 million in the four quarters to the end of Q4 2020.

The top 5 goods exported from the UK to Vietnam in the four quarters to the end of Q4 2021 were:

- 25 - Pulp & waste paper (£65.1 million or 10.3% of all UK goods exported to Vietnam)
- 54 - Medicinal & pharmaceutical products (£60.4 million or 9.6%)
- 11 - Beverages (£38.9 million or 6.2%)
- 28 - Metal ores & scrap (£33.7 million or 5.3%)
- 792 - Aircraft (£31.5 million or 5.0%)

The top 5 goods imported to the UK from Vietnam in the four quarters to the end of Q4 2021 were:

- 76K - Telecoms & sound equipment (capital) (£1.4 billion or 32.4% of all UK goods imported from Vietnam)
- 84 - Clothing (£368.1 million or 8.3%)
- 85 - Footwear (£341.1 million or 7.7%)
- 82C - Furniture (consumer) (£301.1 million or 6.8%)
- 67 - Iron & steel (£253.5 million or 5.7%)

Top 5 services exported and imported to and from the UK and Vietnam is not available from official UK Government sources.

China - UK Weighted Comparison

According to our weighted comparison index, China invests 5.76 times more into Vietnam than the UK does, in terms of their commitment to Vietnam from their respective GDP bases.

OTHER UNITED KINGDOM - ASIA DEVELOPMENTS

In this section of AIR we identify other recent developments between the UK and Asia.

THE UNITED KINGDOM, CPTPP AND ASEAN

The UK Looks at Joining the CPTPP Asia-Pacific Free Trade Agreement and Joins ASEAN as a Dialogue Partner.

The British House of Lords International Agreements Sub-Committee has launched a new inquiry on the potential accession of the UK to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, (CPTPP) The agreement between eleven countries includes four ASEAN states in Brunei, Malaysia, Singapore, and Vietnam (the last two with whom the UK has recently signed off Free Trade Agreements), in addition to Japan, Australia, New Zealand, Canada, Chile, Mexico, and Peru. The UK government has put forward its plans to seek accession to the CPTPP as an element of its trade negotiations program.

Today, the eleven countries' combined economies represent 13.4% of global GDP (about £11.25 trillion), making the CPTPP the fourth largest free trade area in the world after NAFTA, the European Union, and the Regional Comprehensive Economic Partnership (RCEP).

The inquiry will examine the government's objectives in regards of the progression of negotiations. It will also look at the potential implications of a final deal for business and people in the UK. The International Agreements Sub-Committee will scrutinize a future deal's impact on the UK's regulations and standards and will cover sectors such as food and agriculture, intellectual property, digital trade, professional services, and the consequences for inward investment. Moreover, the sub-committee will assess how the CPTPP will align with the UK's policy on tackling global climate change and sustainable development.

At this stage, it is not yet known when negotiations between the UK and the CPTPP's current members will be concluded, nevertheless, the House of Lords' sub-committees inquiry will continue being active throughout the course of the accession discussions.

UK-ASEAN Dialogue Partner Status

The UK government has already taken steps to integrate with Asia's regional blocs following its successful bid to become a Dialogue Partner of the Association of Southeast Asian Nations (ASEAN). As a Dialogue Partner, the UK gains high-level access to ASEAN, alongside enhanced practical cooperation on various policy issues with the regional bloc. It also enables the UK to join other important dialogue partners, including the US, China, and India.

The UK is currently one of several countries with a dedicated Ambassador to ASEAN, having a diplomatic mission with all 10 member countries. It also has extensive cooperation programs to discuss with ASEAN including measures in dealing with the global pandemic, climate change, and terrorism, among others. The UK's Dialogue Partner status would further build on its ties with ASEAN by its involvement in annual ASEAN summits and ministerial meetings.

The first official ASEAN meeting welcoming the UK's participation took place on January 23, 2021, at the 11th Meeting of the Committee of the Whole (CoW) for the ASEAN Economic Community's Integration Work Plan for 2021-2025. At the meeting, UK Ambassador to ASEAN, Jon Lambe, presented the UK government's and Boston Consulting Group's joint work on enabling ASEAN to utilize Global Value Chains to drive economic recovery, as part of ASEAN's Recovery Framework, post Covid-19 pandemic.

For the first time in post-war history, the British parliament is taking steps to reverse decades of economic and political orientation towards Europe, in favor of re-igniting its relations with the countries of East Asia and the Pacific rim.

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Asia investment research

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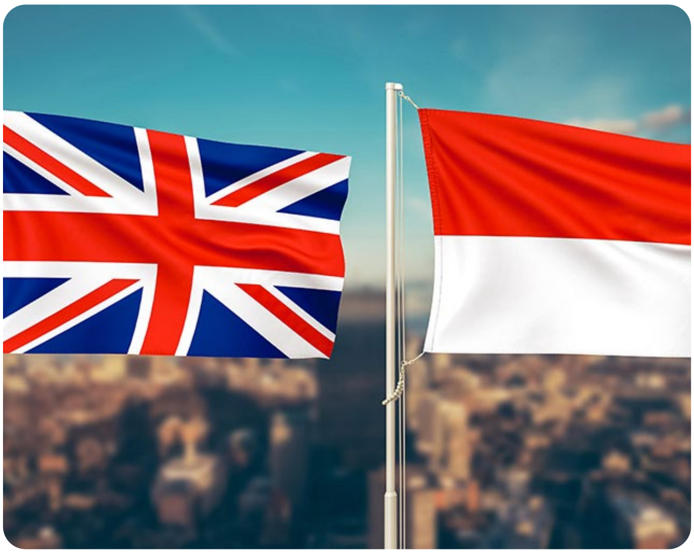
UK AND INDONESIA PROMOTE NEW ECONOMIC TIES



On 26 April 2021, the UK and Indonesia concluded the first round of exploratory trade talks and committed to further strengthening their trade and investment links, which had risen to a record level of £3 billion of bilateral trade in 2019, through a new joint trade dialogue.

Indonesia has been a priority post-Brexit partner for the UK given it is one of the world's fastest-growing economies with one of the largest international professional services firms, PwC, predicting it will become the world's fourth-largest economy in 2050, behind China, India, and the US.

New Economic and Trade Working Group

The UK and Indonesian governments have announced a shared commitment to realizing the potential growth of bilateral trade through the signing of a Memorandum of Understanding (MoU) on the Joint Economic and Trade Committee (JETCO) between Indonesia's Minister of Trade and the UK Secretary of State for International Trade. The JETCO will aim to deepen our bilateral trade, boost cooperation, and discuss market barriers in areas such as renewable and green energy, food and beverages, and agricultural commodities.

The announcement follows a Joint Trade Review (JTR) which was carried out by the UK and Indonesian governments over the last two years to explore opportunities for increasing trade and investment in and identifying priority sectors to deepen their trading relations. As such, the JTR identified nine key sectors for enhanced cooperation, including education and training, financial and professional services, healthcare and life science, and the earlier stated sectors.

As well as establishing the JETCO, Indonesia also welcomed the UK's proposal to discuss a new agreement to facilitate trade by the UK's official export credit agency, UK Export Finance (UKEF).

The UK's premier international government financing agency will support the Indonesian Government with up to £4 billion of competitive long-term finance in the delivery of its development objectives. There would also be mutual support for the extension of the MoU for Cooperation in the Field of Creative Industries that will incorporate new areas of bilateral development in digital technology to help foster Indonesia's creative economy and increase copyrights management capacity.

There will also be a shared commitment to realizing investment potential, which in 2020 saw a 35 percent growth of UK investment into Indonesia, following the reforms to improve ease of investing and doing business in Indonesia introduced by the Omnibus Law 2020 and its continuing implementing regulations.
business in Indonesia introduced by the Omnibus Law 2020 and its continuing implementing regulations.

Both countries also agreed to a mutual commitment in strengthening the multilateral trading system for promoting investment, increasing productivity, and integrating economies into global supply chains.

According to the UK's International Trade Secretary, Liz Truss, the "agreement sets out our ambitions to strengthen our trade and investment ties, deepen our collaboration across a range of sectors, from financial services and technology to renewables and open new markets for UK businesses.

We want to strengthen trade links with like-minded countries like Indonesia who share our belief in democracy and the international rules-based system and help strengthen Global Britain's dynamic partnerships with ASEAN and Southeast Asia."

Opportunities and Challenges for Economic Co-Development

The UK has not traditionally been one of Indonesia's largest trading partners. In 2018, it was ranked as the country's 17th largest trading partner. While the UK's exports to Indonesia have exhibited a steadily growing trend over the last five years, albeit marked by falls in 2019 and 2020, Indonesia's exports have been declining over this period.

Indonesia's main exports to the United Kingdom are nickel and footwear. While it is the second-largest nickel exporter to the United Kingdom, after the United States, it still lags behind many European exporters of footwear products to the UK.

Significant opportunities arise for Indonesia to increase its exports across a range of commodities such as palm oil and natural rubbers. The palm oil sector may be the largest beneficiary from the agreement which could allow it to ramp up additional exports. Prior to Brexit, the largest palm oil exporters to the United Kingdom were European countries trading under no tariffs, while Indonesia faced a tariff rate of 9.3 percent. This important trading sector of the Indonesian economy and its ability to access the UK market is likely to change under the JETCO dialogue.

Data processing machines and food commodities including rice and papayas are also expected to be among the initial beneficiaries for Indonesia in the new dialogue. However, Indonesian companies are seldom able to benefit from trade agreements principally because they struggle to achieve the standards set by their trade partners. This may change under the new UK-Indonesia dialogue given that the former's diverging post-Brexit strategy is anticipated to be a lowering of environmental standards which could increase trade with Indonesia, subject to risk controversy and reputational damage for the UK.

Nonetheless, a recent market-share analysis of Indonesian and UK trade data presented a significant potential for expanding trade in tissues, footwear, wooden construction material, cocoa butter, and cooking fats and oils. The analysis was based on bilateral patterns of trade over the last five years and takes into account both countries' competitiveness, and their industries' abilities to adapt to each other's domestic markets subject to changing conditions in local demand.

However, the analysis also pointed out that based on the current bilateral economic relations, the UK is more likely to be in a position of expanding its investments into Indonesia rather than increasing its exports. This is mainly driven by the Indonesian government's economic reforms and support for its integration into global value chains, which involves bundling together market liberalizing investment and the development of local production operations. Some specific sectors which could benefit from potential cooperation in this area include infrastructure investment into Indonesia, alongside e-commerce and technology services which have recently been opened to foreign investment and which the UK has some comparative advantage. Perhaps, most importantly, is that each of these sectors is viewed as highly strategic by the current Indonesian government.

Competition Faced by UK Players in Indonesia

Indonesia and the European Union are also negotiating the Indonesia–EU Comprehensive Economic Partnership Agreement (IEU-CEPA). The two economies began talks in 2016 and the tenth round of negotiations was scheduled for early 2020 before being postponed due to the COVID-19 pandemic. The agreement is expected to erase many existing trade barriers and will of course not include the UK given its post-Brexit status.

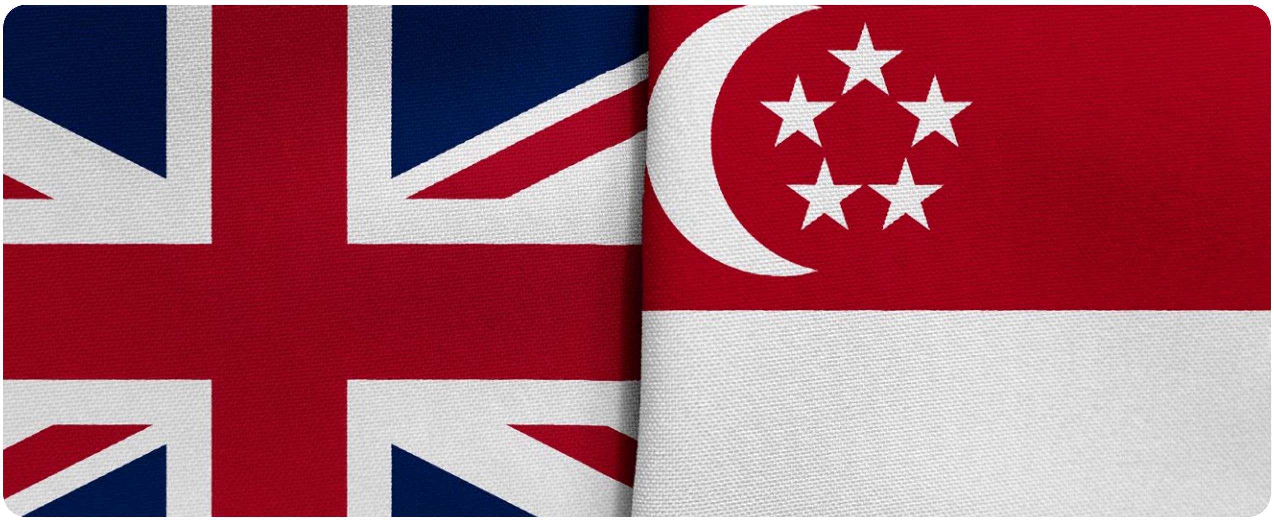
The EU includes substantial trade facilitation packages in its ongoing economic cooperation with Indonesia. The most recent was a €10 million program entitled 'ARISE Plus' which has been operational from 2018 to 2023 to coincide with its CEPA negotiations. The UK could include similar programs to support Indonesian companies, such as through UKEF, in order to meet standards for trading with the UK and thereby avoid a so-called race to the bottom in terms of environmental and other standards.

While such EU economic packages are generous, they are often accused of being significantly overambitious and wide-ranging in focus. As a result, a typical complaint arising from Indonesian stakeholders involved with the EU program has been that its administrative procedures are complex and slow. Alternatively, the UK may be in a position to adopt a more agile approach by providing targeted and practical measures for trade and investment facilitation.

This is an approach that would sit comfortably with Indonesian President Joko Widodo in light of this background in running a small business, prior to his role in politics, and in supporting Indonesia's entrepreneurial spirit. As a result, The UK government could be in a strong position to build on a long-term multifaceted commitment which other countries have so far practiced successfully with Indonesia.

This is particularly the case with the Netherlands and Japan, which have traditionally maintained more intensive trade and investment relations. While the Netherlands operates within EU rules, it has almost double the level of trade and investment to that of the UK. For the UK, to compete on a higher level, the promise of JETCO's wide-ranging cultural and educational activities should be a significant step in laying the groundwork for a UK-Indonesia economic relationship that would rival some of these more established players in Indonesia.

THE UK-SINGAPORE FREE TRADE AGREEMENT: SALIENT FEATURES



On December 10, 2020, the UK signed a free trade agreement (FTA) with Singapore (UKSFTA); this has been in effect since January 1, 2021. The FTA was the first such agreement with a member of ASEAN. The UK is also Singapore's third and second-largest trading partner for goods and services, respectively.

The UKSFTA has had an immediate impact, total trade between the UK and Singapore was worth over £16.7 billion in 2021; more than doubling 2020's bilateral trade volume of £7.737 billion.

The UKSFTA largely mirrors the FTA between Singapore and the EU (EUSFTA) and covers the trade in goods — including provisions on preferential tariffs and rules of origin — trade in services, intellectual property (IP), and the reduction of non-tariff barriers in key sectors, such as electronics and pharmaceuticals.

Singapore has one of the most extensive FTA networks in the region, comprising of 13 bilateral and 11 regional FTAs. These include some of the largest combined trade agreements in the ASEAN-China, ASEAN-India, and ASEAN-Hong Kong trade blocs.

Through the FTA, UK businesses can better utilize Singapore's capacity as a financial and trading hub to expand to the rest of ASEAN and the wider region. Over 5,000 British businesses are already operating in Singapore.

Furthermore, the UKSFTA serves as a steppingstone for the UK to join the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), where Singapore is a member.

Foreign investors should seek the help of registered advisors to understand how they can benefit from the incentives covered under Singapore's various FTAs.

Elimination of Tariffs

The UKSFTA will eliminate tariffs for 84 percent of all tariff lines for Singapore exports to the UK. By November 2024, tariffs on all the remaining products will be eliminated (for selected meat and seafood produce, textiles, fruits, and consumer goods).

The FTA will also continue to provide liberal and flexible rules of origins (ROO) for key exports from both countries. This will benefit automobiles, chemicals, textiles, machinery, pharmaceuticals, and petrochemical products. This will allow Singapore companies to enjoy enhanced market access for Asian food products produced in the city-state under flexible ROOs, such as prawn dumplings and spicy anchovies. Up to a combined 350 tons of these products can be exported annually to the UK. These processed food products will be required to meet specific qualifying operations requirements and will still be subjected to UK sanitary and phytosanitary requirements. Singapore will also continue to provide duty-free access for all UK products.

A Reduction of Non-Tariff Barriers

There will be a reduction of non-tariff barriers for key sectors. This includes reducing duplicative testing for electronics and recognizing the international standards for motor vehicle parts.

Both countries will certify systems for meat production so that the inspection of food processing plants or abattoirs for companies for exports will not be required. In addition, the UK will regard Singapore's 'good manufacturing practices' in the production of active pharmaceutical ingredients equivalent to its own, making it easier for Singapore pharmaceutical companies to export its products.

Singapore's pharmaceutical industry is fast becoming a key contributor to the development of its manufacturing sector as well as its economy.

The country's pro-business environment and deep base of skilled talent have attracted some of the largest pharma firms in the world, and a thriving research and development landscape — eight of the world's 10 largest pharma companies own production plants in Singapore.

There are currently more than 50 pharmaceutical manufacturing facilities in the country, enabling Singapore to become one of the few countries in the world that exports more pharmaceutical products (£6.75 billion) than it imports (£2.58 billion).

Enhanced Intellectual Copyrights

The UKSFTA enables companies from both countries to enjoy enhanced rights for copyrights and geographical indications.

Sourcing from the EU and ASEAN

As with the EUSFTA, the UKSFTA enables UK and Singapore companies to continue to use EU-27 materials and parts for exports to each other's markets. Singapore companies can also use materials sourced from ASEAN member states under the ROO for exports to the UK.

Enhanced Market Access for Service Providers

The UKSFTA will enhance market access for service providers and create a level-playing field for businesses in each other's markets. This will impact businesses in sectors ranging from engineering to hospitality to engineering and advertisement.

The financial services sector is expected to see the most impact, given London and Singapore's status as global financial hubs. The UKSFTA will provide opportunities for existing UK Qualifying Full Banks (QFB) in Singapore to expand, such as the addition of new customer service locations.

Both countries will further discuss strengthening their financial cooperation this year, including through the UK-Singapore Financial Dialogue, which is held annually.

Government Procurement Opportunities

The UK will grant Singapore enhanced access to municipal-level and city-level government procurement opportunities, meaning companies can bid and invest in more government projects in Britain.

The financial services sector is set to benefit particularly in greater collaboration on cross-border know-your-customer (KYC) processes, skills development, cybersecurity, and green finance.

UNITED KINGDOM, THAILAND FORM JOINT TRADE AND ECONOMIC COMMITTEE

The UK and Thailand have formed a Joint Trade and Economic Committee to explore new opportunities to improve bilateral trade. The committee discussed partnerships in a variety of important sectors, including agriculture, financial services, healthcare, and the digital economy.

Thailand presents growing opportunities for British businesses in these sectors, especially as it is among four ASEAN countries predicted to have a GDP exceeding US$1 trillion by 2030. Through JETCO, Thailand and the UK are eager to restore bilateral trade to the 2017 £5.8 billion peak from the drop to £4.6 billion in 2021.

The UK and Thailand formed the first Joint Economic and Trade Committee (JETCO) on June 21, 2022, to discuss and explore new opportunities for bilateral trade and to address trade barriers that impact businesses.

Representatives from both countries discussed partnerships in several areas, including the digital economy, agriculture, healthcare, and financial services. The UK was Thailand's 22nd largest trade partner in 2021, accounting for one percent of total Thai trade. Meanwhile, Thailand was the UK's 40th largest trade partner, accounting for just 0.4 percent of total UK trade.

Areas of Cooperation Between UK and Thailand Businesses

The Digital Economy

Under JETCO, a Letter of Intent on Digital Cooperation was signed between Thailand's Ministry of Digital Economy and Society and the UK's Department for Digital, Culture, Media, and Sport. The letter aims to strengthen cooperation in the digital economy and harness a competitive digital economy.

According to a report by Google, Temasek, and Bain & Company, Thailand's digital economy saw a gross merchandise value (GMV) of £25 billion in 2021, an increase from £16.7 billion in 2020. The industry is expected to have a GMV of £47 billion by 2025, the third-largest in ASEAN behind Vietnam and Indonesia. Thailand saw some nine million new digital consumers since the start of the pandemic, with e-commerce being the main driver of the growth in its digital economy. The e-commerce sector is predicted to have a GMV of £29 billion by 2025, up from £17.5 billion in 2021.

Agriculture and Food and Beverages

Thailand and the UK will have annual future dialogues on issues that will advance agricultural trade relations. Market access and promoting policy exchange will be important areas of collaboration.

Agriculture is a very diverse and competitive sector in Thailand and has been a major part of the country's early economic development, contributing to around eight percent of GDP. The country's naturally fertile land combined with well-developed infrastructure provides a strong foundation for this sector, propelling both smallholder farmers and large agriculture companies to be at the forefront of global agri-business. Thailand is among one of the world's largest exporters of rice, rubber, seafood, and sugar as well as a base for many multinational food manufacturing companies such as Mondelez International, Coca-Cola, and Danone. Thailand's Office of Agricultural Economics reported that Thailand's agricultural exports totaled 1.3 trillion Baht (£30.5 billion).

Thailand will be eager to collaborate with British businesses on tackling inefficiencies within the agriculture sector, such as the lack of modern technology and knowledge of modern farming techniques. The Thai government hopes to increase domestic production by ramping up these efforts.

Healthcare

Both countries will explore opportunities for the importation of healthcare products. Thailand's healthcare is poised to be an essential economic driver in the long term. Virtually all of the country's population is covered under universal healthcare, which was introduced in 2001 — one of only a few lower-middle-income countries to do so.

According to CEOWORLD Magazine, Thailand was ranked 13th in the world for its healthcare system, higher than Norway (15), New Zealand (16), Germany (17), Switzerland (18), and the United States (30). The UK was ranked 10th.

Further, the Thai government wants to push the country as a hub for medical tourism and medical device manufacturing. In 2019, before the pandemic, Thailand received over four million medical tourists, ranking first among medical tourism destinations worldwide. Medical tourists chose Thailand for its low-cost but high-quality medical treatments, especially for procedures, such as plastic surgeries, cardiac, orthopaedic, infertility treatment, and eye surgeries, among others.

Thailand saw over £4.2 billion worth of medical device exports in 2020, which is nearly double the number of imports at £2.17 billion. The leading subsectors include:

- Cardiovascular devices;
- Ophthalmic devices;
- Dental devices;
- Clinic diagnostic devices;
- Neurological and surgical devices; and
- Ultrasound and x-ray devices.

Financial Services

Thailand's Central Bank intends to deepen its engagement with the UK in areas of financial innovation, bolster corporate governance, promote sustainable finance, and boost accounting standards. In 2020, the British government formed a strategic partnership with the Bank of Thailand to support economic recovery and financial services.

The UK's financial services industry, the third largest in the OECD in 2020, contributed £164 billion or 8.6 percent of total economic output. The sector was the largest in London.

Thailand has made substantial progress in developing its financial sector, particularly in improving standards and restoring the health of its financial system since the 1997 Asian financial crisis. The country reformed its banking sector by closing 56 financial firms and promoting the nationalization and mergers of small and medium banks with foreign banks. Opportunities await British financial services firms who can assist with the restructuring.

VIETNAM ISSUES PREFERENTIAL TARIFFS, RULES OF ORIGIN GUIDELINES FOR UKVFTA

The United Kingdom and Vietnam signed the UK-Vietnam Free Trade Agreement (UKVFTA) on December 29, 2020, as the UK transitioned out of the European Union. The free trade agreement was signed by the ambassadors of both countries in London paving the way for continued and increasing trade between the two countries. The UKVFTA came into effect on May 1, 2021.

The British embassy in Vietnam forecast at the time that Vietnam would save £125.8 million in tariffs from the deal while the UK stands to save around £30 million.

The bilateral FTA strengthens the Vietnam-UK relationship across trade liberalization, legal regulation, and alignment in global standards.

Following the ratification of the EU – Vietnam Free Trade Agreement (EVFTA), the UK and Vietnam were keen to further strengthen ties and expand on their bilateral relationship. The agreement will see the elimination of virtually all customs duties between the two countries when it is fully implemented.

Following the UKVFTA, Vietnam has been subsequently issuing several regulations to implement the free trade agreement. Investors should be aware of the implementing decrees to take advantage and reduce costs when trading goods between the two countries. These are as follows:

Rules of Origin: Circular 2

Most recently, the Vietnamese government issued Circular 02/2021/TT-BCT (Circular 2) guiding the implementation of the rules of origin in the UKVFTA. As per Circular 2, the exporter is allowed to self-certify the origin of export and import shipments with a value of less than 6000 Euros (£5,954) between the UK and Vietnam. Circular 2 takes effect on July 26, 2021.

For an export value that is more than 600 Euros, exporters must have a certificate of origin (C/O) form EUR 1 authorized by Vietnam's Ministry of Industry and Trade (MoIT). For imports worth more than 6000 Euros into

Vietnam, exporters registered in an electronic database authorized by the UK customs authorities are allowed self-certify.

Circular 2 also states that proof of origin must be submitted within two years of importation to Vietnamese customs. Customs authorities may require a translation if not in English. Certificates of origin are valid for 12 months and must be submitted to customs authorities of either country within the validity period.

Preferential Tariffs for Implementing UKVFTA: Decree 53

On May 21, the Vietnamese government issued Decree 53/2021/ND-CP (Decree 53) on Vietnam's preferential export and import tariffs for the implementation of the UK Vietnam free trade agreement (UKFTA) for the 2021-2022 period. Decree 53 became effective from May 21, 2021.

The Decree lists out two appendices that detail the products that qualify for the preferential tariffs. More specifically, goods exported from Vietnam to the UK will be eligible for preferential tariffs if they:

- Include commodity codes (such as HS codes);
- Provide commodity descriptions;
- Provide transport documents with destination included;
- Provide the preferential tariffs for each commodity; and
- Provide a customs declarations declaring that the goods originate from Vietnam.

Similarly, products imported into Vietnam must meet rules of origin guidelines that originate from the UK or from non-tariff zones.

Gunning For a CPTPP Trade Deal

In addition, Vietnam has pledged to support the UK's joining of the Comprehensive and Trans-Pacific Partnership (CPTPP). The CPTPP consists of 11 countries and would require the approval of all member states to allow the UK to join the trade pact. Still, this is a significant win for the UK; its allies such as Australia, Canada, and New Zealand are also signatories, boosting its chances to join the FTA.

For Vietnam, the UK's joining of the CPTPP, along with its bilateral FTA with the country would be a win-win situation, as finalizing both trade pacts would help the export-driven country to catch up on its growth targets, which hit a roadblock due to the COVID-19 pandemic.

UK-Vietnam Trade

Vietnam is the second-largest Southeast Asian exporter to the UK after Thailand with bilateral trade between the two countries equalling £5.5 billion in 2021. Main exports to the UK included mobile phones, garments and textiles, and seafood. The UK is also looking to Vietnam for goods and services such as education, renewable energy, technology, infrastructure, and healthcare.

The UK is the largest foreign investor in Vietnam's education sector.

To explore the UK Vietnam relationship further we look at some of the industries that present opportunities for UK businesses in Vietnam

Education

As mentioned earlier, the UK is one of the largest foreign investors in the education industry in Vietnam. In addition, education remains a national priority for the Vietnamese government. Vietnam's local rising middle class prefers private education over public school systems due to the better quality of services and has thus translated into a market for private institutions and vocations schools and services. There continues to be a demand for quality English language training centres as well as higher education and teacher training. In addition, technical and vocational training is the centre of the government's development plans particularly as jobs evolve in light of digital developments such as Industry 4.0.

Renewables

Vietnam's recent boom in solar energy development presents further opportunities for UK businesses. Vietnam's energy consumption is further expected to grow as it recovers from the pandemic-induced downturn. Vietnam continues to rely on coal as it is cheap but technological progress and environmental concerns make renewables more attractive. Most recently, the government reiterated its stance of having renewable energy contribute to 20 percent of its total energy supply by 2030. There is a demand for technology, equipment, and training in the renewable energy sector, which the UK has expertise in.

Infrastructure

As a fast-growing economy, Vietnam's list of infrastructure projects continues to grow. With 50 percent of Vietnam's population expected to be living in cities by 2030, authorities in Hanoi and Ho Chi Minh City are pushing with building metro rail systems exceeding £18.3 billion in costs, on hopes of easing traffic congestion and improving air quality. The government also continues to work on several expressways and has roped in several private investors for development and funding.

The Long Thanh airport, which will replace the present overburdened Tan Son Nhat International airport in Ho Chi Minh City is expected to be completed by 2025. Vietnam spends a significant amount of its GDP on infrastructure, which is one of the highest in Southeast Asia. The railways and aviation sectors particularly are significant opportunities for UK businesses that have products and services that can cater to the Vietnamese market.

Healthcare

Greater demand for healthcare services combined with strained government public resources provides growth opportunities in Vietnam's healthcare industry. Vietnam is currently undergoing economic that demographic transformations that will provide great potential in the industry. Healthcare spending is expected to reach £19.2 billion in 2022 at a compound annual growth of 10.7 percent (Fitch Solutions). Vietnam has a fast-growing middle class and aging population, and rapid economic development has boosted demand for higher quality and specialized healthcare services.

Vietnam's Ministry of Health (MoH) has forecast that the country's medical equipment market will grow at a rate of 18 to 20 percent from 2016 to 2020. Most medical equipment, however, needs to be imported. Public hospitals also lack sufficient equipment for surgery and intensive care units. As local production cannot meet demand, the Vietnamese government encourages the import of medical equipment, and this is another area ripe for UK investors.

Looking Ahead

Following an economic partnership agreement with Japan, and a trade deal with Singapore, Vietnam was UK's third trade deal in Asia. For the UK, the agreement provides significant potential to expand exports to Vietnam, which is one of the world's fastest-growing emerging markets.

UK investors should become familiar with Vietnam's current legal and tax environment. Investors that target sectors that align with Vietnam's development goals are likely to find success in long-term investment projects.

THE NEXT BRITISH PRIME MINISTER COULD BE OF ASIAN HERITAGE. HOW COULD THIS IMPACT UPON THE UK'S TRADE WITH THE ASIAN REGION?

With the British Prime Minister, Boris Johnson under extreme pressure following a series of personal political debacles, several senior conservative politicians may decide to throw their hat in to be his replacement. Poor media relations followed by perceptions of low-end, yet mildly dishonest behavior, and more crucially, recent bye-election results showing public discontent with the incumbent Government have placed Johnson under extreme pressure to resign. He has resisted significant pressure thus far however things in Westminster appear to be coming to a head.

Interestingly, four of the candidates to either potentially hold the Prime Ministerial role or be very key members of the Cabinet office should Johnson fall are Asian. We examine their backgrounds and how this may impact on UK-Asian relations.

Rishi Sunak - Previous Chancellor of the Exchequer

Rishi Sunak, born 12 May 1980, served as the British Chancellor of the Exchequer from 2020 to 2022, having previously served as Chief Secretary to the Treasury from 2019 to 2020. A member of the Conservative Party, he has been Member of Parliament (MP) for Richmond (Yorkshire) since 2015.

Sunak was born in Southampton to Indian parents who had emigrated from East Africa and was educated at Winchester College. He attended Lincoln College, Oxford, and later gained an MBA from Stanford University as a Fulbright Scholar studying economics.

He is married to Akshata Murty, the daughter of N. R. Narayana Murthy, an Indian billionaire who founded Infosys. After graduating, Sunak worked for Goldman Sachs and as a partner at various Hedge funds.

Elected for Richmond (Yorks) at the 2015 general election, Sunak served as Parliamentary Under-Secretary of State for Local Government and voted for the Brexit withdrawal agreement. After Boris Johnson became Prime Minister, he appointed Sunak as Chief Secretary to the Treasury. Sunak replaced Sajid Javid as Chancellor of the Exchequer after his resignation in February 2020.

As Chancellor, Sunak was prominent in the government's economic response to the economic ramifications of the government's decision to impose lockdown to deal with the COVID-19 pandemic in the United Kingdom. In April 2022, he became the first Chancellor in British history to have been sanctioned for breaking the law while in office after being issued a fixed penalty notice for breaching COVID-19 regulations during lockdowns. He resigned as Chancellor on 5 July 2022, citing the differences between himself and Boris Johnson in his resignation letter.

As both a senior politician and an economist with commercial experience, Sunak has extensive India connections and family ties via his wife to the Indian commercial elite. While he will not wish to be seen to be avidly pro-India, the UK government has been working on a trade agreement with India. Sunak will be in a position to see both sides of the coin, although will come under increased Indian pressure to expand trade and other ties with the country. How that develops remains to be seen. It may also negatively influence any position as regards China, already considered a bogeyman in deep quarters of British politics.

Priti Patel - Previous British Home Secretary

Priti Sushil Patel, born 29 March 1972 served as British Home Secretary since 2019. A member of the Conservative Party, she was Secretary of State for International Development from 2016 to 2017. Patel has been the Member of Parliament for Witham (Essex) since 2010. She is ideologically on the right wing of the Conservative Party and considers herself a Thatcherite.

Patel was born in London to a Ugandan-Indian family. She was educated at Keele University and the University of Essex. She worked for the PR firm Weber Shandwick for several years, including work with involving the Myanmar military government, before seeking a political career, and was elected MP for Witham at the 2010 general election, and was then re-elected in 2015, 2017, and 2019. During this time, Patel was appointed Minister of State for Employment and was vice-chair of the Conservative Friends of Israel.

Patel was a leading figure in the Vote Leave campaign for Brexit during the 2016 referendum on UK membership of the European Union. Then Prime Minister Theresa May subsequently appointed Patel Secretary of State for International Development. However, in 2017, Patel was involved in a political scandal involving unauthorised meetings with the Government of Israel which breached the Ministerial Code, leading to her dismissal from office.

Under Boris Johnson's premiership, she became British Home Secretary in July 2019. In this role, she launched a points-based immigration system, an asylum deal with Rwanda to address the English Channel migrant crossings, advocated the passage of the Police, Crime, Sentencing and Courts Act 2022, and approved the extradition of Julian Assange to the United States. She was also found to have breached the Ministerial Code in relation to incidents of bullying. Patel is a hardcore right-wing politician and has not been shy of enforcing unpopular social policies in the UK.

In January 2017, Patel won Indian the Pravasi Bharatiya Samman, the highest honour that the Indian government gives to non-resident Indians or people of Indian origin, while various policies attributed to her appear to indicate a potential anti-Muslim bias, an issue than the Indian Modi government apparently endorses. Her views have included negative stances on UK immigration, gay rights, and heavy support for increased policing, while she has been accused of combining her political career with 'inappropriate' commercial interests. She is married to Andrew Sawyer, an executive for NASDAQ. The Indian government will consider Patel to be one of their own.

Sajid Javid - Previous Chancellor of the Exchequer & Home Secretary

Sajid Javid was born on 5 December 1969 and served as British Secretary of State for Health and Social Care from June 2021 to July 2022, having previously served as Home Secretary from 2018 to 2019 and Chancellor of the Exchequer from 2019 to 2020. A member of the Conservative Party, he has been Member of Parliament for Bromsgrove (Worcestershire) since 2010.

Javid was born in Rochdale, Lancashire, to a British Pakistani family, and raised largely in Bristol. He studied Economics and Politics at the University of Exeter, where he joined the Conservative Party. Working in banking, he rose to become a Managing Director at Deutsche Bank. He was elected to the House of Commons in May 2010, where he served as a Junior Treasury Minister before being promoted to the Cabinet office as Culture Secretary in 2014. After the 2015 general election, Javid became British Business Secretary, and voted to remain in the EU. Following the 2016 referendum vote to leave the European Union, he went on to serve as Communities Secretary from 2016 to 2018, and became the Home Secretary, (the first British Asian to do so) later that year.

During the 2019 Conservative Party leadership contest, Javid stood for election as leader of the Party, finishing in fourth place. The successful candidate, now Prime Minister Boris Johnson, appointed him Chancellor of the Exchequer. He resigned in February 2020 after refusing a demand from Johnson that he dismiss his advisers. In June 2021, Javid was reappointed to Johnson's cabinet as Health Secretary. This made him a prominent figure in the British government response to the COVID-19 pandemic in the United Kingdom. He supported an end to most generalized public health restrictions such as face mask mandates until emergence of the Omicron variant in November 2021 and expanded the vaccination programme. He resigned as Health Secretary on 5 July 2022, almost simultaneously with Rishi Sunak resigning as Chancellor of the Exchequer.

While his family heritage is Muslim, Javid himself is non-practicing but has remarked that he was 'the first Muslim Home Secretary to be invited to celebrate Ramadan', whereas his wife is a practicing Christian. He has received death threats from Muslim groups, which possibly align him more with the Indian government than family ties to Pakistan. As British Prime Minister he is possibly the more principled of the three candidates yet comes with the Pakistan-India baggage: both sides will want to claim him as one of theirs, and this could create complexities both within the UK and in India-Pakistan relations.

Nadhim Zahawi - Current Chancellor of the Exchequer

Nadhim Zahawi was born on 2 June 1967 in Iraq. He has been Member of Parliament (MP) for Stratford-on-Avon since 2010. He was Secretary of State for Education from 2021 to 2022 and Parliamentary Under-Secretary of State for COVID-19 Vaccine Deployment from 2020 to 2021.

Born to a Kurdish family in Baghdad, Zahawi was co-founder of international Internet-based market research firm YouGov of which he was chief executive until February 2010 and was, until January 2018, chief strategy officer for Gulf Keystone Petroleum. He has been Conservative MP for Stratford-upon-Avon (the birthplace Shakespeare) at the 2010 general election and was known to be pro-Brexit.

Zahawi became Parliamentary Under-Secretary of State for Children and Families in 2018, then for Business and Industry in 2019, and in 2020 he was given additional responsibility for the COVID-19 vaccination programme as Parliamentary Under-Secretary of State for COVID-19 Vaccine Deployment. In 2021 he was promoted to Secretary of State for Education. On July 5, 2022 he became the Chancellor of the Exchequer after the resignation of Rishi Sunak.

Zahawi's continuing dual role as maintaining senior executive commercial roles while also serving as an MP have earned him a great deal of money. By 2021, it was reported that Zahawi or his wife owned £100 million in property, including an industrial estate, three properties in London, a country house with stables in Warwickshire and a property in Dubai, although he states that his main interest is in serving his political constituency. Zahawi is reportedly a Muslim although he has not made any references to religion during his career.

Zahawi has extensive contacts throughout the Middle-east, although in terms of any perceived Muslim sensibilities it is unsure how he would fall when it comes to preferences for ties with India, although the business elite would most certainly be welcoming. It remains unsure how he will be able to balance his business interests against effective Prime Ministerial duties of a nuclear power and without significant political experience – Zahawi has been able to enjoy a rapid rise through the British political elite.

Comments

There appears little doubt that India is going to loom large in future British foreign policy, as whatever happens with Johnson, these four individuals will continue to wield considerable power within the UK - the beneficiary can be expected to be New Delhi while Beijing pushed deeper down the influential pecking order. In terms of the Centre - either Sunak or Patel would be a resounding win, with the former probably preferred.

Javid is possibly the more balanced yet may not be able to unite the Muslim and Indian sides, while his appeal lies more with an ability to influence political and foreign affairs rather than his business interests. Zahawi may not be considered either politically established enough and too business investment influenced to cut it as a PM, while his foreign policy leanings are relatively unknown and more likely to lean towards the Gulf. In which case it is possible he is more pro-China than the other candidates.

Whatever happens, there will be horse-trading. In exchange for improved trade ties with India, London will be wanting the India Centre to reduce its energy trade and military ties to Russia. India will also be asking for British support for a seat at the UN security council, an interesting dilemma as China and Russia have already stated they will support such a move.

Comparisons will be made should any of these candidates find themselves in number ten with a certain Barack Obama, give skin colour. These can be discounted as what is happening in the UK is an even more profound change: the effective immediate influence of a far larger, yet previously subservient nation on the very fabric of British politics and the recognition of its social order. Britain as a nation now ruled by the descendants of Asian immigrants? It may the solution to Brexit and a rare opportunity for the UK to look east.

The British role in a developing relationship and political ties with India will be to somehow persuade Delhi that its future lies West, not East. That may not be the easiest thing to accomplish when rich post-political wealth appears to be within reach for Sunak, Patel, and Zahawi especially, given their deep commercial ties amongst the South Asian business elite. How those personal ties fit with running the United Kingdom remain to be seen. Whoever eventually becomes PM will certainly be hearing a great deal from the India, Pakistani and Iraqi diasporas about factional politics and businesses within South Asia and Britain's role within that - than any previous Prime Ministers will previously have been. The perception of what constitutes 'The West' may come under scrutiny as the UK falls under the influence of Asian politics and business interests - a highly different political, social and trade development from any of the other European nations. Can the UK use this new dynamic to its advantage remains the new question to ask as Britain burns a new trend in European-Asian political circles.

EXECUTIVE SUMMARY

There are several points to note about the different approaches that China and the United Kingdom have utilized in their policy towards Asia. We outline the most surprising, and important as follows:

Using Chinese Gambling Losses To Create New Infrastructure

Beijing knows the behavioral aspects of its people well, and it is noticeable that on both the Cambodia and Laos borders, sufficiently close to China (where gambling is illegal) to attract mainland Chinese tourists, casinos have been established. What is surprising though is that the income from this has generally be recycled into active infrastructure projects with real value. Casinos around Cambodia's Sihanoukville SEZ (see page 9) and Laos (page 19) in addition to other casino operations in the Philippines' Metro Manila have not just been allowed to become solely the cash cow preserve of what used to be Casino magnates and billionaires such as the late Stanley Ho. Instead, this stream of often dubious Chinese money into Asian casinos has been washed and replaced into legitimate infrastructure projects with longer-lasting value. In a curious way, Chinese nationals gambling losses in Asia have helped pave the way for roads, bridges, railways and even universities.

Employment Creation

Several of the Chinese investments into Asia has spurred significant job creation. Examples are Cambodia's Sihanoukville SEZ mow employing 30,000 locals (page 10) and Malaysia's Electronic World Trade Platform Hub expected to employ 30,000 workers (page 23) when it comes online.

Travel and Tourism

Also, of note are some of the huge figures China and its Asian partners are looking at in terms of people movement. Cambodia has a population of just 17.8 million, yet it is developing tourism infrastructure to cater for 8 million annual visitors by 2030 (page 9). In Laos, the China-Laos railway saw 2.7 million passengers in the first 5 months of operations (page 18), while the Philippines PNR South-Long Haul Project is expected to see annual volumes of 14.6 million passengers after it enters service.

Capital Investments & Returns

As can be seen throughout this report, China has consistently made capital investments throughout all regions of Asia, and then been able to leverage these to achieve two separate results by using the investment capital to later list strategic assets and especially within the new technology sectors. There are many examples throughout this report, however under the Indonesia section on page 14, we can see how Alibaba made an initial capital investment of US$250 million into Tokopedia, which at its IPO was worth US$32 billion. Clearly there are invest-exit rewards to be obtained throughout the region. It is also noticeable that Chinese businesses also tend to step back afterwards, content to allow the local partners to manage the business, content to then receive cash flow dividends.

Noticeable too are the plethora of good old-fashioned infrastructure builds that appear to have ended with the bonanza that was Hong Kong's Chep Lap Kok airport in the early 1990's and which were approached with such enterprising zeal. Some of that can-do, end of Empire building frenzy appears not to have been carried through, perhaps a lack of co-coordinated British construction intelligence at the time that failed to unite China construction with Asia's needs at the time, and still continues today under the auspices of an overly-politicized China-Britain Business Council (CBBC) who have failed in take their China knowledge and integrate it with ASEAN. A restructuring may be required. This longer-term, China as part of Asia development approach appears to be missing from much UK plc strategy. Even today it still manifests itself as 'China Plus One' where the reality is rather larger.

Singapore

A striking feature is how China, and the UK have both recognized Singapore as a regional hub. This is a welcome attitude from London, who has seen, and rightly so how the city-state is a conduit for much of on-bound investment into ASEAN. Singapore's focus as a regional hub should not be underestimated, with not just free trade within the ASEAN bloc itself, but with China, India and the RCEP agreement. UK companies not yet familiar with the wheel-spoked opportunities deeper into Asia should put that research on their agenda.

Opportunity UK

In contrast, the UK approach seems to concentrate on trade with Asia, rather than putting in a considered, planned investment strategy that can be leveraged to yield what have so far proven to be some spectacular Asian consumer demand for IPOs driven by infrastructure builds. Yet the participation opportunities obviously exist.

Without getting into larger risk exposure however there are smaller strategic investment opportunities in either real estate or services provision wherever Asian infrastructure begins to create people movement. That means following infrastructure development plans and identifying where these new industries and businesses are likely to be in demand. This report is littered with numerous examples; and could have been subtitled 'A Guide For British Capital In Making Money From UK Outbound Investment Into Asia'. Readers may pick and choose - or refer to the authors for assistance in what remains a complex, yet understandable region on the ground. Viewing it from London may not be so easy.

ASIA INVESTMENT RESEARCH

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Contact us today: *info@asiainvestmentresearch.org*
Web: *www.asiainvestmentresearch.org*

OUR CONTRIBUTORS

China Investment Research
China analytical and financial data
www.chinainvestmentresearch.org