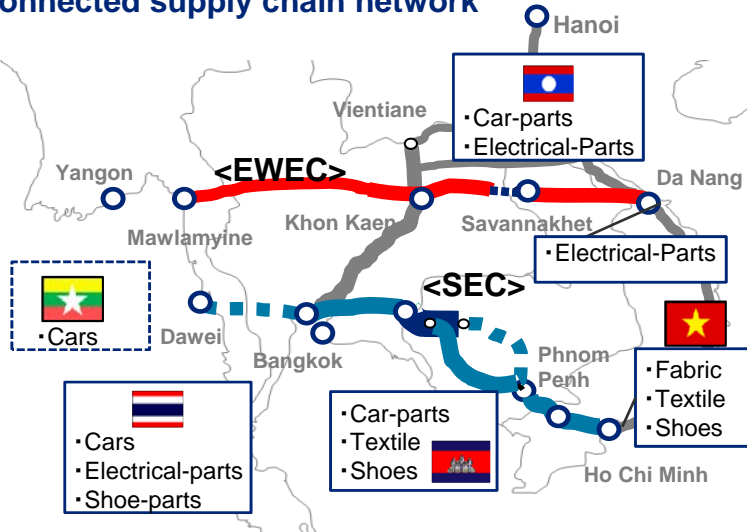


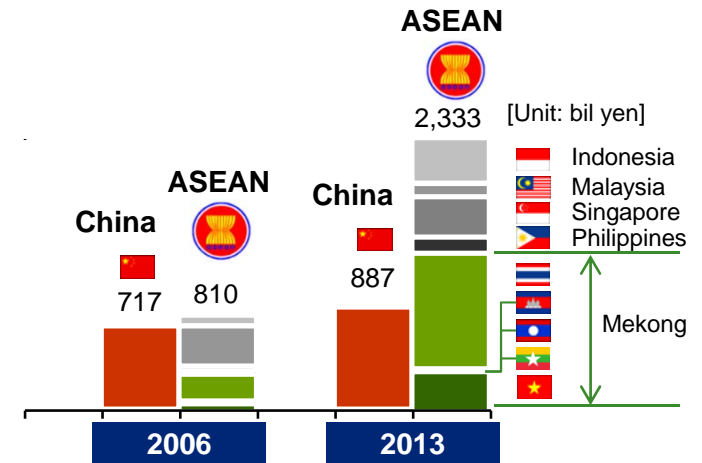
Mekong's Attractiveness

Has developed as a single market and well connected supply chain network



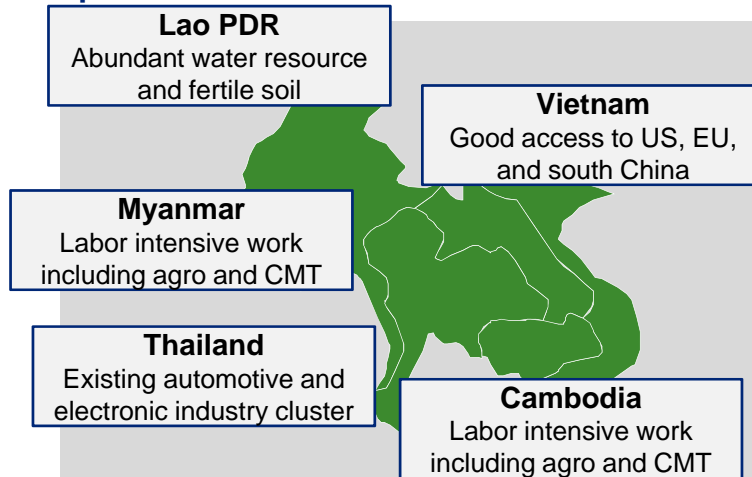
Has attracted an increasing foreign direct investment

FDI from Japan to China and ASEAN

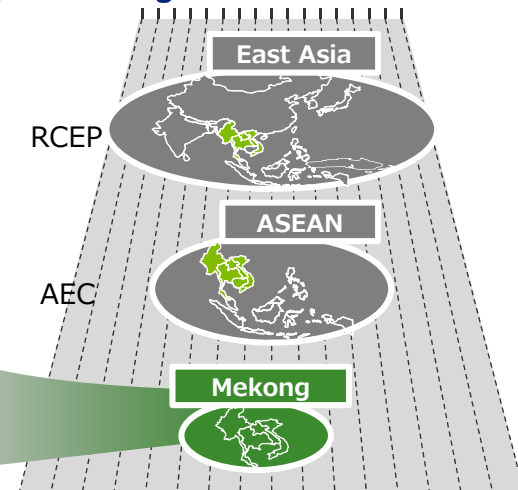


East Asia-wide Economic Integration driven by Mekong

Specialize in respective strengths and complement weaknesses



Mekong sub-region as the junction between emerging Asian mega-markets



Future industrial structure to be achieved through the strength of each Mekong countries

In the long run, each Mekong countries aim to achieve the following industry structure



Individual

- **Lead industrialization** of Mekong sub-region
- **Upgrade its domestic industries** and technologies, by leveraging its domestic large/ deep layered industrial cluster

- Invite FDI by consistent industrial policies to **strongly foster industrial clusters**
- Leverage its large population, domestic demand, and good access to EU/ USA with its deep sea port

- In the early stages of industrialization, invite production-block including labor intensive process by leveraging abundant labor/ natural resources and existing industrial clusters
- **Reinforce the level of labor force through technology spill over from global production network**
- In the long run, nurture **industries that are complementary with those of neighboring countries and leverage inherent strength of each country**

<p style="text-align: center;">(Lao PDR)</p> <ul style="list-style-type: none"> • Foster a precision machinery industry, mineral processing industry, by leveraging its abundant water resource, and fertile soil. 	<p style="font-size: 2em;">}</p>	<p style="text-align: center;">(Myanmar, Cambodia)</p> <ul style="list-style-type: none"> • Could attract higher value-added process (e.g. spinning yarn, weaving, or product planning), by leveraging the existing garment facilities.
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Mekong general

- **Upgrade the food processing of distinctive fruits & vegetables to a strategic export industry**, as well as nurture the related industries (e.g. **agro-machine, food processing machine, cold-chains, food wholesale, and restaurant**), which will improve the agricultural productivity, and enhance the market access of local farmers and SMEs.

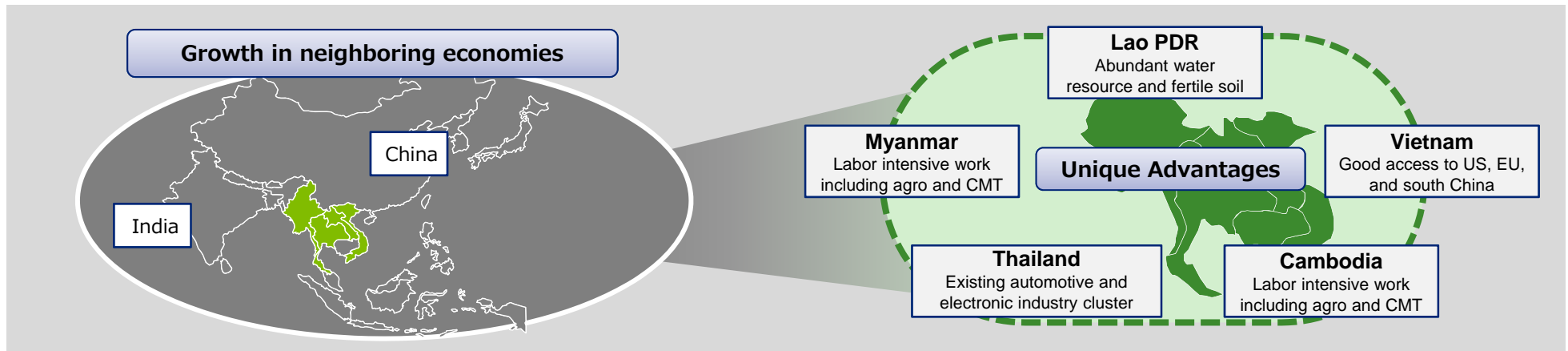
Pillars of Policy Directions

<Concept of Vision>

- ◆ Developing the Mekong region together with surrounding countries, advancing industries and enhancing the value-chains, by reflecting the unique advantage and competitiveness of each country and mutual complementarity under the spirit of "Specialization & Collaboration".
- ◆ Integrating the Mekong region as the core of the production network in Asia and the world as a whole.

Expected Outcome

GDP increase of USD 20 billion in Mekong (i.e. 2% of Mekong's GDP) by 2020
 (Intra-regional trade: 10 bil, Inter-regional trade: 8 bil, FDI: 2 bil)



Mekong Industrial Development Vision (2016-2020)



Work Programme (2016-2020)

“Work Programme” to be formulated in 2016.
 Its progress to be monitored annually

Pillar I: Partnering with neighboring countries

Challenges and Opportunities

Policy Direction

Trade Structure

CAGR of inter-regional trading ('00-'10)

-Need to foster industries and develop value chains with India in a mutually beneficial and complementary manner.

- AEC and RCEP
- Regionally unified efforts for the cross border trade enhancement (e.g. the customs proceedings improvement. etc).
- Need to foster new industries

Foreign Direct Investment

Remarkable FDIs to Mekong in 2013-14

■ : Labor-intensive and natural resource

Cambodia	Lao PDR	Myanmar	Thailand	Vietnam
Garment	Hydropower	Garment	Infrastructure	Thermal power
Footwear	Mining	Infrastructure	Auto	Auto
Cement	Real-estate	Manufacturing	Electronics	Electronic
Auto	Agriculture	Electronics		Oil/Gas
	Auto			

Source: ASEAN Investment report 2013-14

-FDI has been focused in natural resources and labor-intensive industry.

-Need to invite / foster higher value added industries and new industries

- Need to create/foster higher value added industrial clusters, including SMEs, through the information provision / the support desk establishment for foreign investors by JETRO etc.
- Need to foster a harmonized / win-win relationship between neighboring countries on the border SEZ development.
- Need to create/foster new industries
- Promote technology transfer to SME

Local Business Collaboration

of enterprises in Forbes 2000, 2015

-The business presence of Mekong enterprises is still limited compared with that of Chinese and Indian enterprises.

- Need to build a common platform to enhance the business collaboration (e.g. necessary legal infrastructure, and business environment improvement).
- Provide business matching opportunities (e.g. trade fairs, business missionaries)

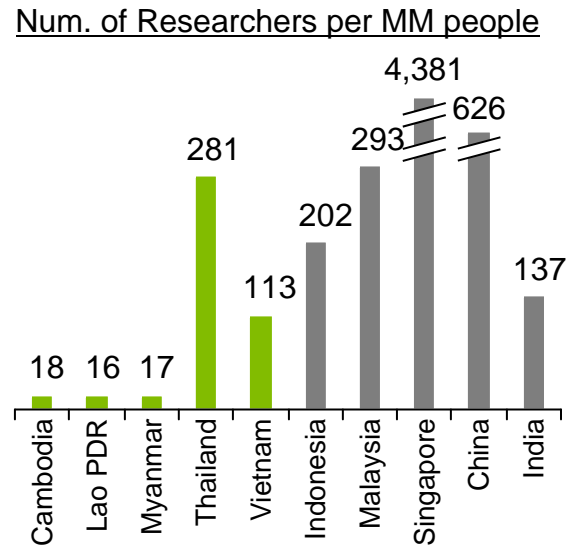
Pillar II: Building a footing for more advanced industrial structure

Challenges and Opportunities

Policy Direction

R&D

-Need to increase the capital investment and human resource in R&D activities.

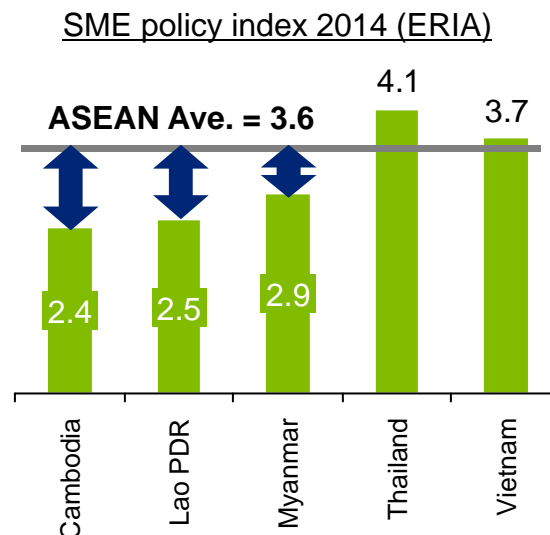


- Need to invite R&D facilities/functions by taking advantage of the adjacent to the production site.
- Need to create more human resource in R&D activities through collaboration among the universities (e.g. curriculum / internship program development).

Competitive SME

-Need to increase necessary human and capital resources.

-Especially need to enhance the SME's access to finance.



- Steady implementation of the "ASEAN strategic action plan for SME development (2016-2025)"

Pillar III: Strengthening infrastructure and resources that support regional value chain

Challenges and Opportunities

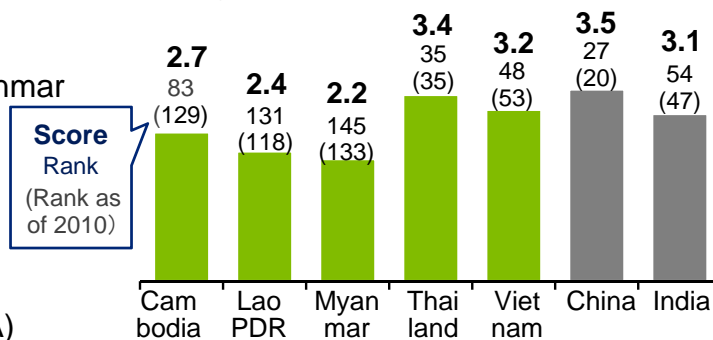
Policy Direction

Regional Connectivity

-Improvement of road infrastructure is needed, especially in Myanmar

-Need to enhance cross-border connectivity (such as by CBTA)

Overall Logistics Performance Index (WB 2014)



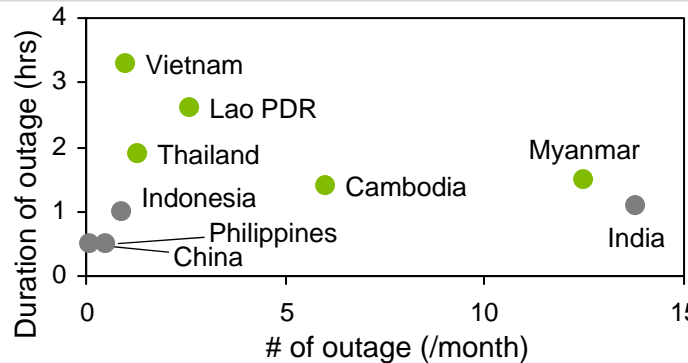
- Connectivity improvement such as in EVEC, SEC, Viet Nam, and especially in Myanmar.
- New deep sea port development facing the Indian sub-continent.
- Quality infrastructure development.
- Input from investors to enhance the implementation of CBTA.
- Modernization of custom proceedings.

Energy supply & Environment

-Instability in Electrical Supply

-Low energy efficiency in generation and consumption

-Environment issues (pollution, waste)

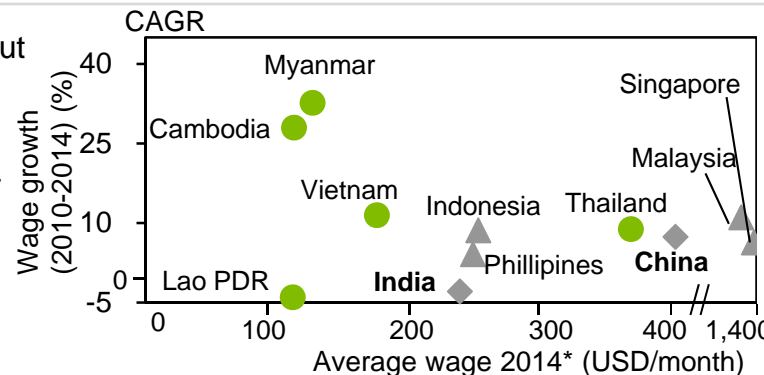


- Need to consider the best possible mix for the regional energy portfolio.
- Regional power development, and cross border electricity supply.
- Accelerate the effort toward the energy saving / renewable energy technology.
- Fostering venous industries.

HRD

-Wage hike without productivity improvement

-Low skilled labor



- Need to create and utilize a "HRD hub" for the regional HRD in Mekong sub-region.
- The improvement of the basic education, vocational training / on-the-job-training in leading countries, and the work ethics improvement are necessary.

*Note: Average wage is calculated from JETRO's survey for Japanese companies