

SINGAPORE
HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS



The European House
Ambrosetti

In collaboration with



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HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

Second Edition

Shangri-La Hotel, Singapore

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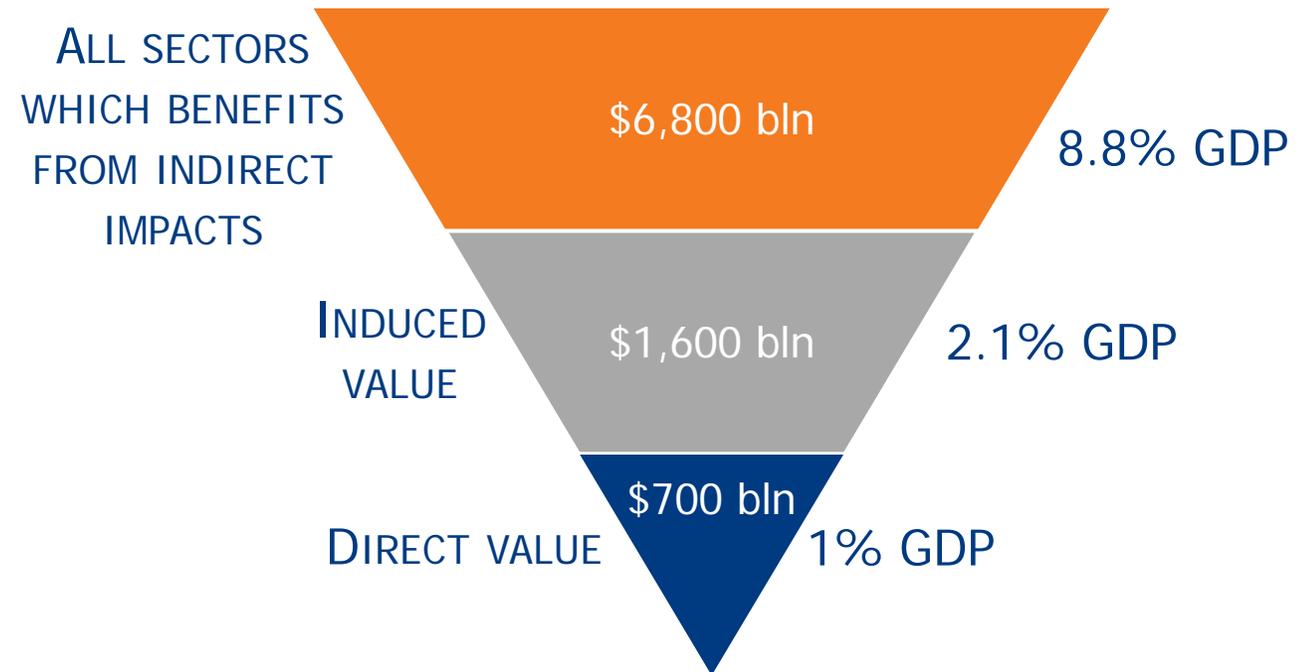
The AD&S sector is made up of several high-tech and capital-intensive segments which support daily-life activities



The AD&S sector is an enabler for economic and social development

- Extended value-chain made of **highly-productive and specialized SMEs and large multinational companies**
- **High multiplier effect** positively influencing a number of other economic sectors
- **Qualified and high-skilled occupation** (>26 million jobs globally)
- Ranked among the **top-10 sector for R&D and innovation**
 - In 2016 US\$30.4 billion global AD&S R&D expenditure (+2.0% vs. 2015)

Direct and induced values of the AD&S sector (US\$ billion), 2016



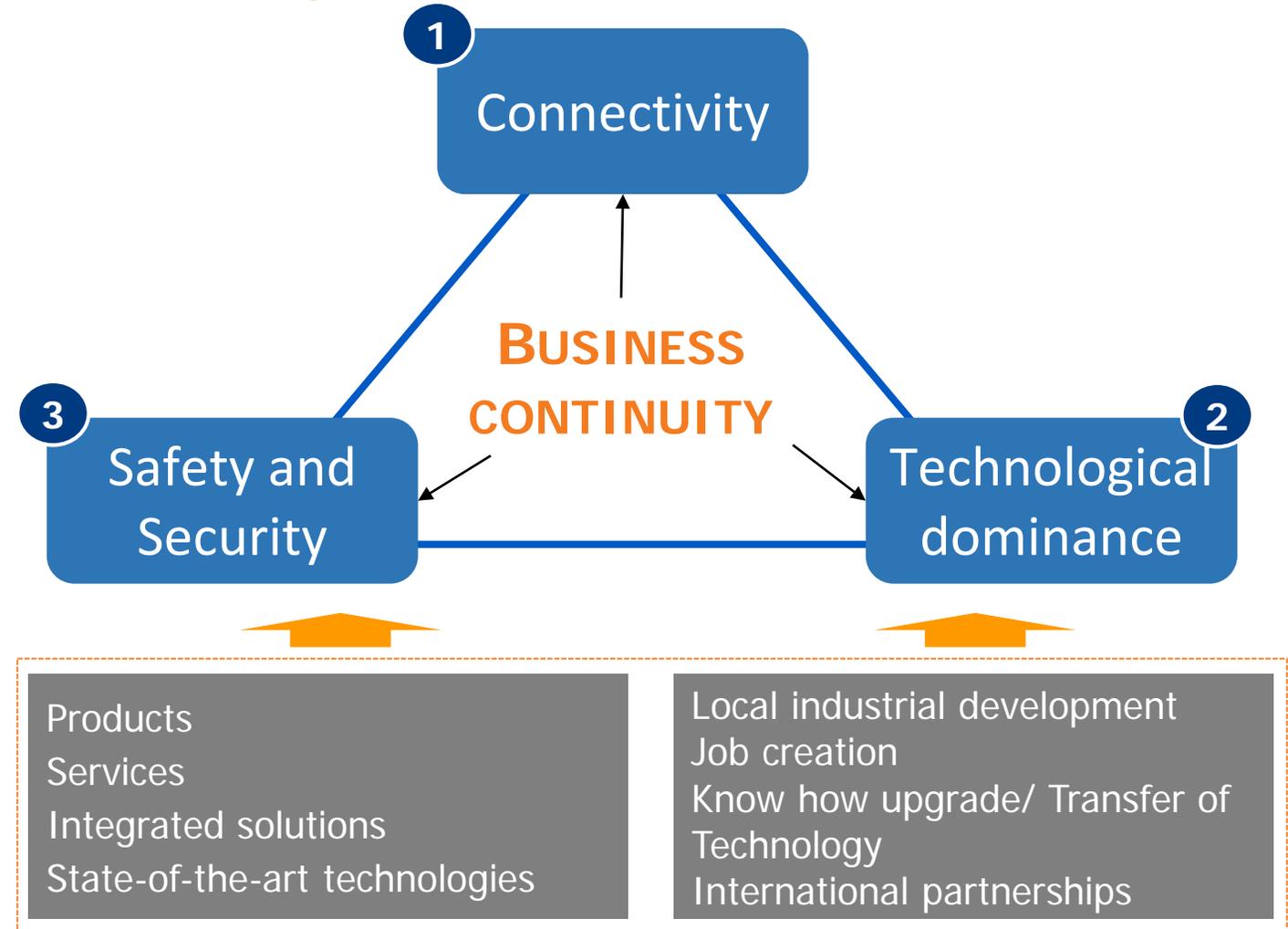
The growth of the ASEAN region calls upon “business continuity” and three basic strategic needs which the AD&S sector can help to meet

ASEAN area is booming:

- 5th largest economy in the world (US\$2.5 trillion in 2016; +4.9% vs. 2015), **predicted to become the 4th largest in 2030**
- 630 million people (9% of the world’s total), **expected to become the world’s 3rd largest region by 2050** (795 million people), after India and China

ASEAN area
strategic needs

AD&S sector
contribution



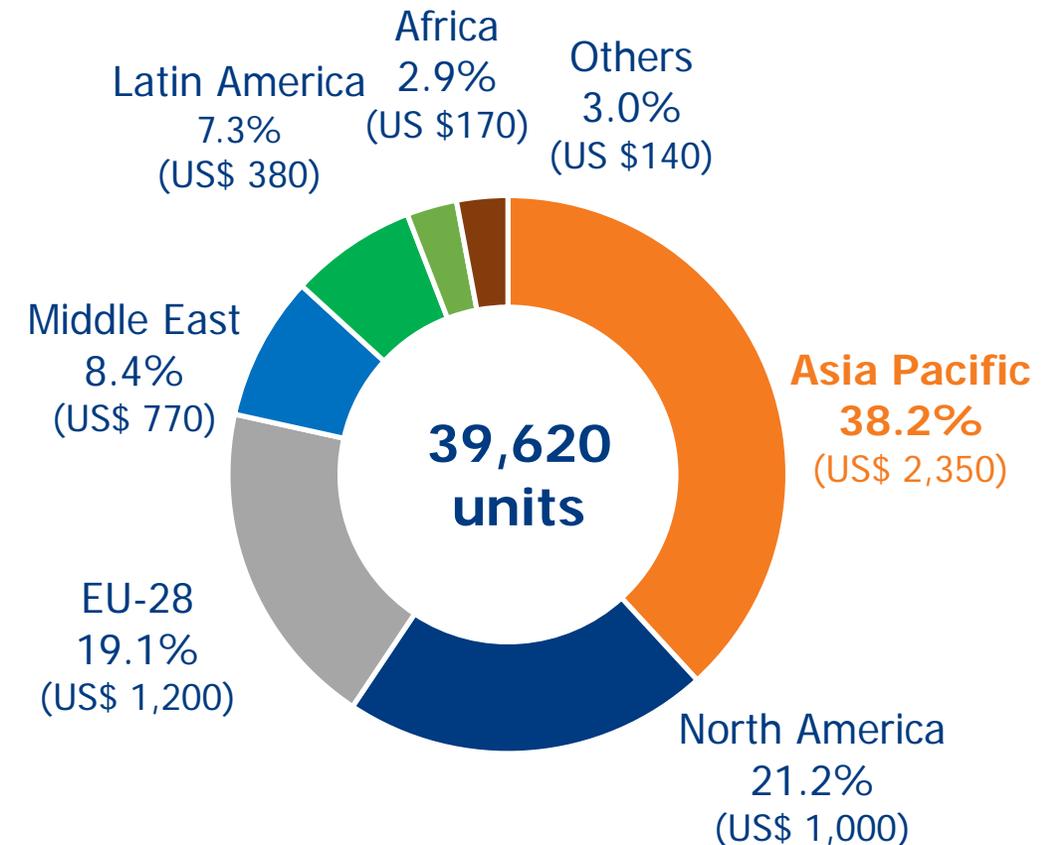
1 Connectivity is key to expand trade, make supply chains efficient, make exports competitive and reduce digital divides

Asia Pacific Region:

- Today **1,214 million passengers** and **20 million tons of cargo** (1/3 of world passenger traffic and 2/5 of world air cargo traffic)
- Air traffic is expected to grow by **5.1% annually** by 2035
- More than 15,000 **new aircraft** will be required by 2035
- Share of **commercial helicopter** deliveries is expected to amount to 17% in the next five years

- Solutions in the **AD&S sector**:
 - Development of **local MRO industries** for the provision to international value chains
 - Adoption of **Air Traffic Control systems**
 - Deployment of **satellites services** and connectivity

Demand of new airplanes by region
(% share of world total and value in US\$ bln)
2016-2035



2 Technological dominance generates positive spillovers throughout the entire economy and ensures competitive advantages

- **Technology dominance** is:
 - an essential element in globalization and **competitiveness** at a nationwide level
 - a crucial tool for ensuring **business continuity** in ASEAN countries in the long term
 - In order to achieve technological dominance, ASEAN countries' policies and strategies must address not only the promotion of R&D and the creation of knowledge, but also the **endogenous innovation development**
- The development of a **local AD&S production** can promote technological progress via:
 - Specialization in **high-tech activities**
 - Synergies with **research centers and innovation hubs**

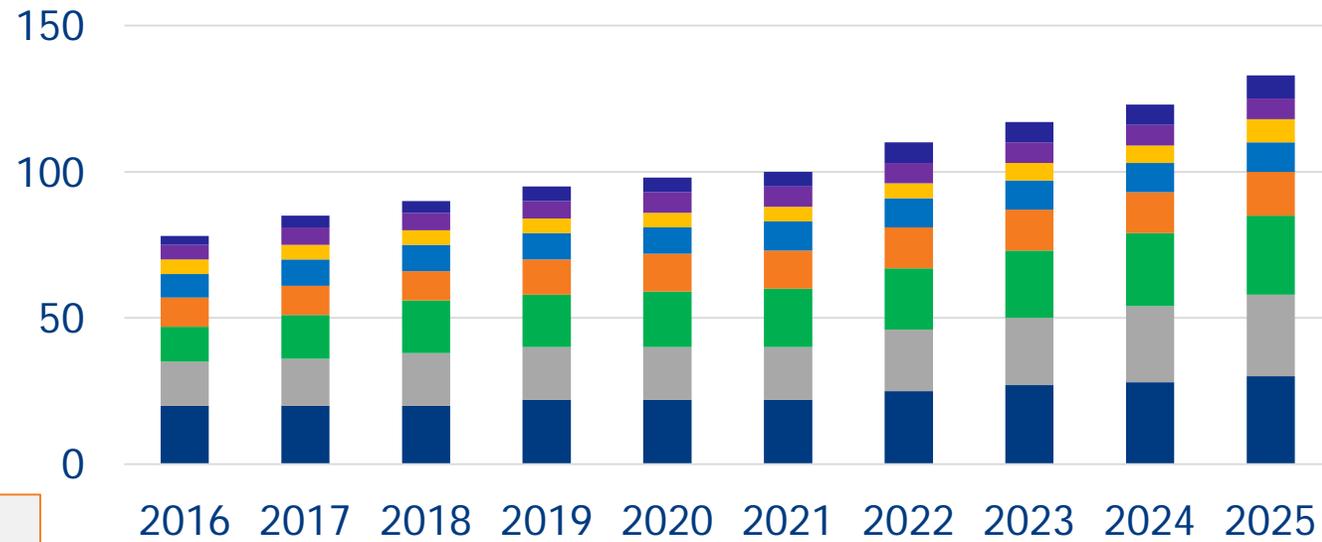
3 A safe and secure context are preconditions for business continuity

In ASEAN area:

- **Natural disasters:** more than 50% of the total number of global natural disasters from 2004 to 2014 (economic losses of US\$91 bln)
- **Critical infrastructures:** top 1,000 companies will potentially lose about US\$750 bln in market capitalization because of cyber-attacks
- **Maritime security:** total expenditure is expected to amount to US\$112 bln from 2016 to 2025

- Solution in the **AD&S sector:**
 - Development of systems for the **prevention and management** of natural disaster and the protection of **critical infrastructures**
 - **International partnerships** for products, services and solutions along the AD&S extended value chain

Asia Pacific Homeland Security Market Revenue by type (US\$ billion), 2016 – 2025



- Others
- Aviation Security
- CBRN Security*
- Mass Transit Security
- Maritime Security
- Border Security
- Cyber Security
- Critical Infrastructure Security

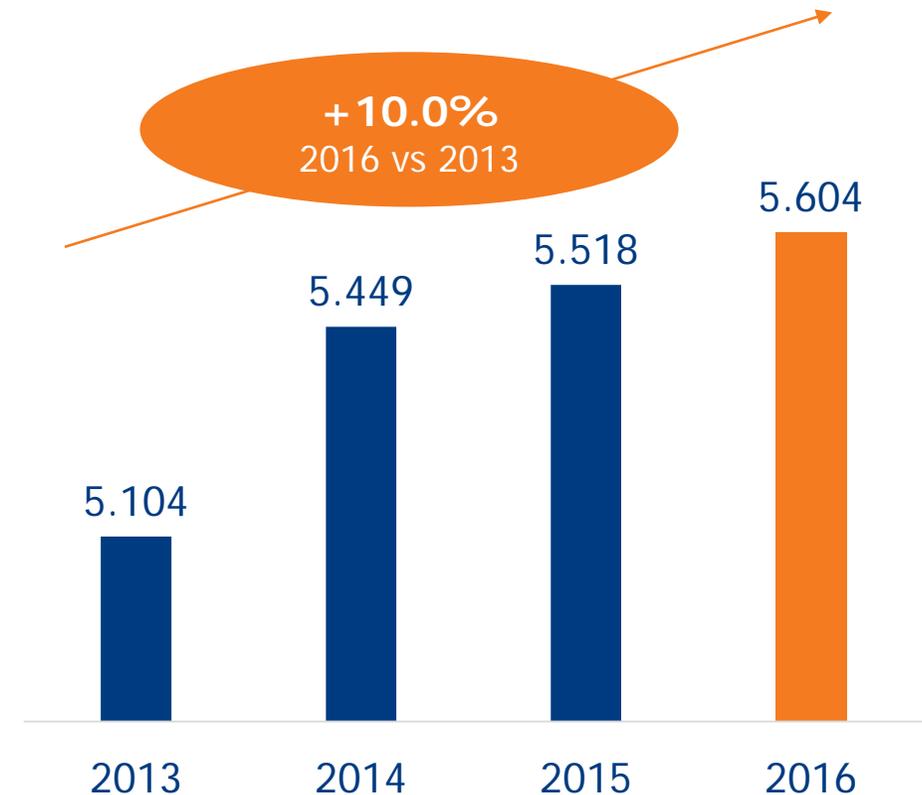
(*) CBRN= Chemical, Biological, Radiological and Nuclear

AD&S is among the excellences of the “Made in Italy”

Italian AD&S industry ranks 4th in Europe and 7th in the world

- Largest Italian manufacturing sector in the field of high-tech integrated systems
 - **US\$17 billion revenues**; half of that generated through exports
 - **Added-value of US\$ 5.6 billion**
 - 50,000 highly qualified direct workers (200,000 indirectly)
- Most significant in terms of innovation and advanced technology
 - 2nd sector for R&D investments (US\$1.7 billion, 11.5% of all Italian expenditure on R&D)

AD&S sector added-value in Italy (US\$ million), 2012 – 2016



Thanks to its AD&S capabilities, Italy plays a leading role in several lighthouse initiative at international level

Italy and its AD&S industry:

- have been **awarded** one of the most significant projects related to the European Defense Fund's first initiative, **OCEAN2020** program dedicated to maritime safety
- are one of the main promoters of tailored research programs on AD&S like the **Joint Technology Initiative (JTI)** and the **Single European Sky ATM Research (SESAR)**, which aim to make the European Air Traffic Management system more innovative and efficient
- act as leading partner in the "**Single European Sky**", the European Air Traffic Control initiative that aims to create a legislative framework for European aviation
- participate actively in the European Union's **Horizon 2020 program** that is aimed at fostering research and innovation among European Member States
- have become a reference point in the **management of natural disasters** thanks also to the collaboration with Italian **Civil Protection**, even though it is one of the world's most vulnerable ecosystems

Italy-ASEAN cooperation in AD&S sector can be fostered in several ways

1. Creation of cross-border value chains in Italy and ASEAN countries

- Sharing of the Italian business model (production districts with international vocation and inclined to innovation) and constructing effective collaborations with Italy along the AD&S value chain

2. Technology transfer through Universities and Research Centers

- Encouraging the creation of local AD&S industries within ASEAN that could benefit from the experience provided by Italian AD&S clusters capable of creating synergies between major national players, local SMEs, and Universities

3. Training programs given by Italian AD&S players

- “Mentorships program” for the creation of local MRO productions in ASEAN: knowledge and experience allow Italian AD&S industry to innovate production, recognized abroad as being synonymous with excellence and quality