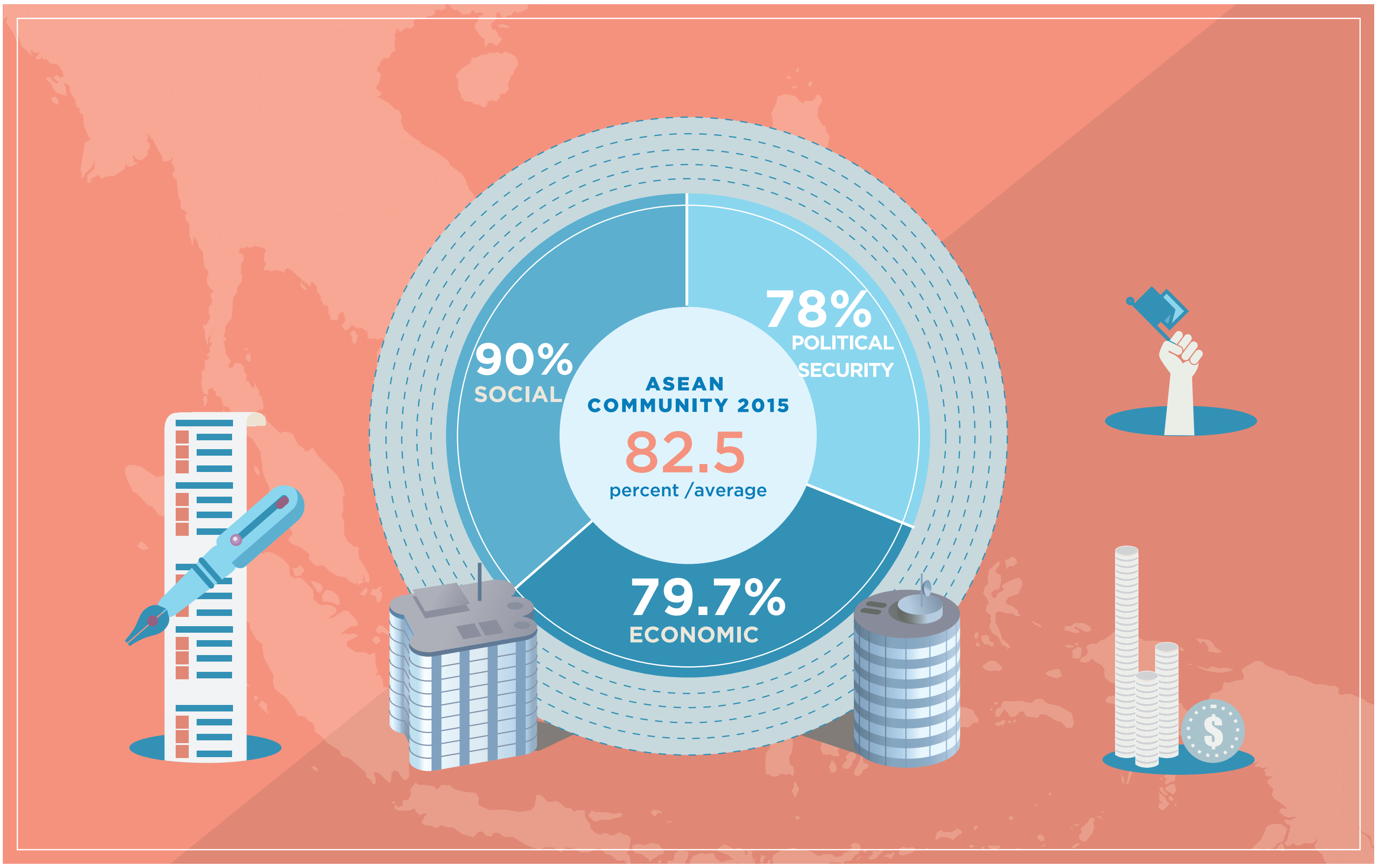
CARI CAPTURES

01 AEC PROGRESS CHECK: 2015 PLEDGE 'UNLIKELY' DESPITE PROGRESS

ASEAN



Increased ASEAN integration is driving economic trade and growth in Southeast Asia, but scant improvement has been made to bring down non-tariff barriers even as the 2015 ASEAN Economic Community (AEC) pledge looms.

- According to Nyan Lynn, Deputy Secretary-General of ASEAN, an average of 82.5 percent of all action lines towards the ASEAN Community 2015 have been completed implemented, which consists of 78 percent of the pillars for political security, 79.7 percent of economic pillars and 90 percent of socio-cultural pillars
- Fueled by increased integration and strong economic growth in the Philippines, Indonesia, Vietnam and Malaysia in particular, optimism in ASEAN markets increase by approximately 20 percent in 2014,
- In an effort to present ASEAN nations as a single production front, trade tariffs between ASEAN nations are almost nonexistent, giving way to greater economic efficiency and profits through reduced costs
- However, non-tariff barriers such as import licensing and quotas still remain widespread; in addition to this, certain strategic sectors have not seen progress in regards to AEC integration such as the steel, agricultural, automotive, information-technology, and finance industries due to logistical and strategic issues
- The aforementioned lack of integration in key industries make it highly unlikely for the AEC's establishment in 2015; instead, relegating the 2015 pledge to a "milestone" marker as described by the Asian Development Bank

Thanh Nien News (12 Jan 2014)
Finance Asia (13 Jan 2014)

02 MALAYSIAN AND INDONESIA SUBSIDY CUTS TO FOSTER ECONOMIC STABILITY

MALAYSIA

Indonesia and Malaysia's recent fuel subsidy cut are aimed at increasing economic stability and fiscal responsibility at the expense of a projected rise in inflation and a fall in purchasing power.

- Fuel prices more than doubled between 2009 and 2012, costing the two governments US$544 billion collectively in 2012, and an additional US$44 billion in deadweight loss due to economic inefficiency
- In June, Indonesia cut its fuel subsidies to the effect of saving US$20 billion and increasing prices by 44 percent; more recently, Malaysia followed suit and cut subsidies, causing a projected inflation hike of 0.6 percent and 15 percent increase in household energy bills
- The aforementioned measures of austerity are expected to reduce Indonesia's current deficit and prevent Malaysia from breaching its statutory debt ceiling, at the expense of putting a serious dent in the real wages of citizens
- Furthermore, the removal of subsidies creates several key positive externalities: firstly, the budget deficits of both countries will be less vulnerable to fuel price shocks; secondly, the recovered revenue can be re-allocated towards growth boosting or affirmative action programs; lastly, green house emissions may be reduced

The Malaysian Insider (13 Jan 2014)

03 INDONESIAN ORE EXPORT BAN TO CUT GOVERNMENT REVENUE BY US$820 MILLION

INDONESIA CHINA

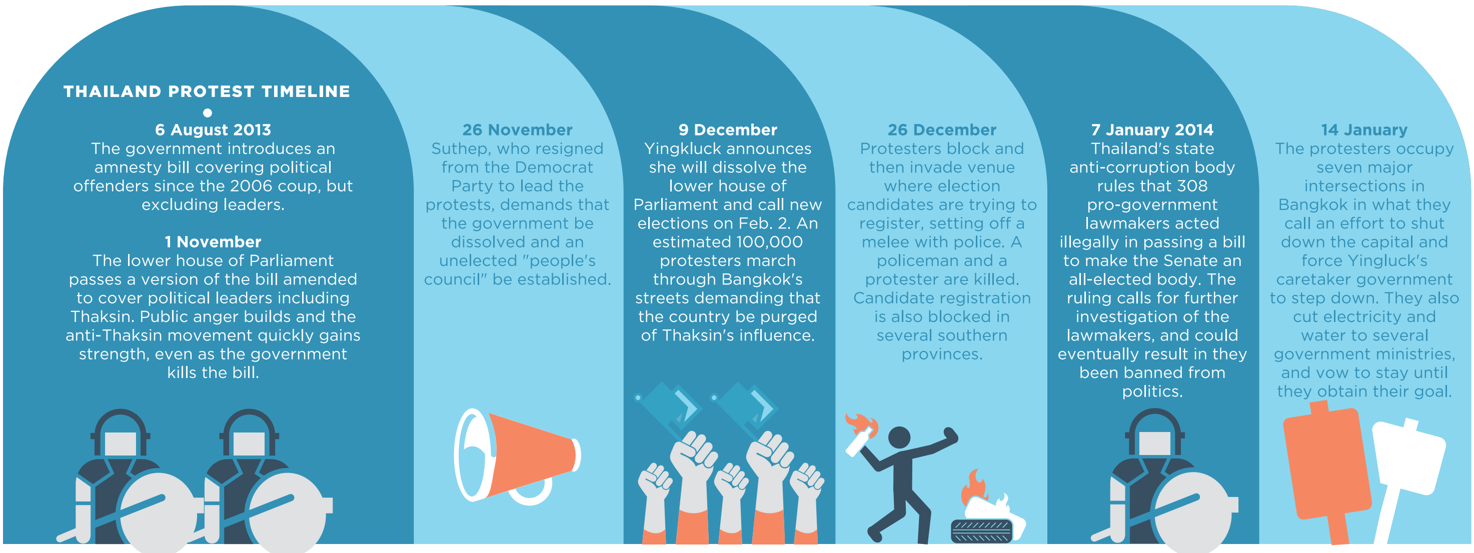
Indonesia enacts its mineral export ban initially passed in 2009, which mandates that the refining process for ores be carried out in Indonesia; as a last minute revision, 66 companies will still be allowed to export selective ores at increased taxes until 2017.

- With mineral shipments amounting to US$10.4 billion at stake, Indonesia's export ban has driven up the prices of nickel, tin, and gold due to the nation being a dominant supplier in the world; the price of imported nickel ore in China, nickel's largest importer, has been predicted to rise by approximately 50 percent
- Nickel prices rose by 5.4 percent over the course of the past week, along with share price hikes in state owned and international mining companies that were able to procure export passes
- The Indonesian rupiah rose by one percent shortly after the commencement of the export regulations, thus rallying a currency that had fallen to four year lows
- Though the long term economic impact of said legislation will bring in billions in revenue, the short term impact of said ban will cut government revenue by as much as US$820 million in royalty payments and export laws, whilst also causing massive layoffs due to the uncertain future of Indonesian mining operations

Reuters (14 Jan 2014)
Businessweek (13 Jan 2014)
Bloomberg (15 Jan 2014)

04 BANGKOK BRACES FOR SHUTDOWN AS PROTESTORS FORM RALLY IN THE CAPITAL

THAILAND



Source: The Associated Press (13 January 2014)

Bangkok traffic had come to a standstill on 16 major roads which forced 800,000 commuters to find other routes to work and study as former deputy prime minister Suthep Thaugsuban led thousands of anti-government protesters in a bid to close down the city of Bangkok.

- Timothy Huxley, executive director of the International Institute for Strategic Studies in Singapore, warned that the shutdown would clearly create massive annoyance to people and had suggested that a move to shut down electricity and water would have been more effective than road shutdown in closing off a city
- Furthermore, the effectiveness of the shutdown was also called into question by General Ekkachai, of King Prajadhipok's Institute since it could have a negative impact on Suthep and his supporters as most Bangkokians, especially business owners who happen to be the opposition main supporters, might lose a lot of money during the interval
- At least eight people have been killed so far in the latest political unrest, with the US embassy in Bangkok issuing a statement to citizens recommending that they stock at least one week's supply of cash and two weeks' worth of food, water and medicine
- Army chief Gen Prayuth Chan-Ocha had urged the people not to clash and fight even though each might have their own ideology

International Business Times (12 Jan 2014)

05 HOTSPOT FOR INVESTMENT: VIETNAM AND CAMBODIA

VIETNAM CAMBODIA

Foreign and local investors are rushing into Vietnam's tourism goldmine; meanwhile, Vietnamese investors are drumming up investments in Cambodia.

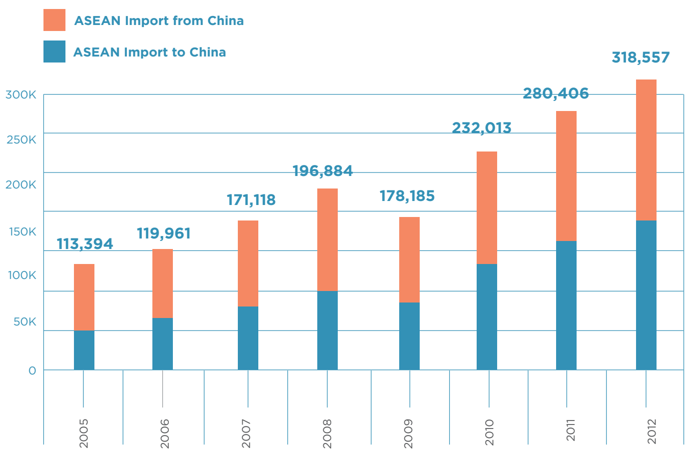
- Rose Rock Group, a Rockefeller family-backed alternative investment management firm, would collaborate with Vung Ro Petroleum Co., a Tuy Hoa, Phu Yen province-based oil company, to develop a US$2.5 billion residential and hotel project which covers 2.15 million square feet (200,000 square meter) on the south-central coast of Vietnam
- VinaCapital Group, Vietnam's largest fund manager, is planning to build a US$4 billion casino-resort complex in Quang Nam on the south-central coast while Canada's Asian Coast Development (ACDZ) is developing the Ho Tram Strip in southern Vietnam, bringing hotel resorts, a casino, and a Greg Norman-designed golf course to the 2.2 kilometre beachfront
- The number of international visitors to Vietnam increased 11% in 2013, according to the General Statistics Office of Vietnam and the country targets attracting 48 million visitors and 220 trillion dong (US$10 billion) in total revenue, according to Nhan Dan Online, the Communist Party paper
- Political instability in Cambodia has not dampened Vietnam's appetite for investment in Cambodia as the investment flow from Vietnam to Cambodia grew by 250% from US$86 million in 2012 to US$302 million in 2013
- Carl Thayer, an analyst at the University of New South Wales in Australia, witnessed that the economic relations between Cambodia and Vietnam have been on an upward trajectory for the last decade while Cambodia Prime Minister Hun Sen noted that Vietnamese funds have contributed to economic diversification, job creation and accelerated economic growth over the years
- Tran Tu, attache at the Vietnam Trade Office in Cambodia, said companies have invested in telecommunications, aviation, rice, fertiliser, garments and milk production thanks to increasing investors confidence that was buoyed by government-improved trade facilitation

Bloomberg (14 Jan 2014)
The Phnom Penh Post (14 Jan 2014)

06 SINO-ASEAN INVESTMENT GROWS

CHINA ASEAN

SINO-ASEAN TRADE FIGURE 2005-2012



Source: ASEAN Statistical 2010

ASEAN investment in China still eclipses the latter's investment in ASEAN even though foreign direct investment (FDI) flow from China to ASEAN has increased significantly by 117% from US$2.7 billion in 2010 to US$5.9 billion in 2011.

- Ties between the world's second largest economy and ASEAN continue to deepen in recent years as China has been ASEAN's largest trading partner since 2009 while ASEAN is currently China's third largest trading partner
- Statistics showed that bilateral trade between ASEAN and China increased by 20.9 percent from US$232 billion in 2010 to US$280.4 billion in 2011 and the upward trend is set to continue as leaders from both sides agreed in 2013 to achieve US$500 billion by 2015 and US$1 trillion by 2020
- According to Michael Yeoh, co-founder and CEO of Asian Strategy and Leadership Institute, the burgeoning ASEAN's middle-class presents huge business opportunities for Hong Kong and Chinese companies and he had called for enhanced collaboration between both sides' capital market to provide the necessary capital to invest in infrastructure projects and drive its economic growth
- Against the backdrop of continued weak global growth, ASEAN's economy still grew by 5.7% in 2012 and 5.3%in 2013 while it is predicted that ASEAN would grow 5.6% in 2014

ECNS.com (15 Jan 2014)

07 IS SINGAPORE A BUBBLE ECONOMY?

SINGAPORE

With abnormally low interest rates, increasing levels of private sector debt, and large growths in property prices, Singapore shows all the signs of a financial and real estate bubble; yet, the Monetary Authority of Singapore has yet to fail.

- In accordance with it's monetary policy of maintaining stable exchange rates, Singapore's interbank offered rate(interest rate) is tied to the US Federal Funds rate; thus maintaining Singapore's interest rates at near zero leve ls which are normally reflected in economies with quantitative easing at play
- As a direct result of said low interest rates, Singapore's total outstanding private sector loans have risen by 133 percent since 2010, which has resulted in Asia's lowest credit-GDP growth gap, whilst its money supply has also increased at high rates as well, diluting its currency value which in turn has made Singapore the tenth most expensive city to live in
- Singapore's residential property bubble is also highly evident within the numbers; with property prices having risen by 60 percent since 2009 and approximately doubled since 2004, making it the worlds third most expensive property market

Forbes (13 Jan 2014)

08 MYANMAR MONITOR

FOREIGN AFFAIRS

- Myanmar President Thein Sein met with ASEAN Secretary General Le Luang Minh in Naypyidaw on 14 January, two days ahead of the first Myanmar-host ASEAN Foreign Ministers Meeting (AMM) Retreat. Topics high on the agenda included the emergence of ASEAN Economic Community (AEC) in 2015.

Xinhua (15 January 2014)

- Myanmar will introduce permanent residence (PR) system this year for foreigners, Minister of Immigration U Khin Yi was quoted saying on 15 January. Khin Yi also said the government would promote the system of granting online visa, as well as granting visa exemption to visitors from 16 countries including 10 ASEAN member nations in 2014-15.

Business Standard (15 January 2014)

POLITICS

- Sectarian violence broke out again in Myanmar on 14 January when a Buddhist mob killed more than a dozen Muslim women and children in Rakhine state. The death toll is not clear but sources say it could reach into the dozens.

New Straits Times (16 January 2014)

- Myanmar's Ministry of Defence has proposed a US$1.2 billion budget for the coming fiscal year, which constitutes 12.26% of national spending, a marked decrease from over 20% of government budget last fiscal year. The share of the education budget of the total budget is set to increase from 5.43% to 5.92%, while the health budget is set to increase from 3.15% to 3.38%.

Democratic Voice of Burma (15 January 2014)

- The Women's League of Burma released a report on 14 January documenting the army's continued use of rape as a weapon of war. The report documented more than 100 rapes, almost all in townships plagued by ethnic insurgencies. The league warned that there is little hope for change until the government amends Myanmar's constitution, which gives the military the right to independently administer all its affairs.

The Jakarta Post (15 January 2015)

ECONOMY

- Myanmar is aiming for an 8% GDP growth during the 2014-2015 fiscal year, with 3.9% growth targeted for the agricultural sector, 10.4% for industry, and 12.4% for the services sector. Regionally, the government aims for a 9.3% growth in the Yangon region, 12.4% in the Mandalay district, and 28.2% in Naypyidaw. The numbers were revealed following President Thein Sein's presentation of the budget proposal for the 2014-2015 fiscal year for the National Planning Commission.

The Irrawaddy (11 January 2013)

09 $200 MILLION AID DEVELOPMENT IN LAOS

LAOS SOUTH KOREA

South Korea loans US$200 million to Laos in efforts to help shed its least developed country status by 2020; meanwhile, the government of Laos plans to create a SME support fund to grow it's developing economy ahead of the AEC integration.

- The low-interest loan which would be provided by Korea's Economic Development Cooperation Fund until 2017 aimed to boost the country's poverty reduction and development efforts in the wake of recent budgetary tensions
- Finance Ministers from both countries took the opportunity to discuss further on ways to allow South Korean firms to participate in Laos' resource development projects, opportunities for bilateral on the stock market and in investment cooperation during the signing of a memorandum of understanding for the loan in capital Vientiane
- South Korea has been one of the top 10 investors in Laos with investment of more than US$740 million in the country between 1989 and 2012
- Meanwhile, the Lao government will bolster a promotion fund designed to support small and medium enterprises (SMEs)-an integral part of the country's development since they represent approximately 90 percent of business in Laos - ahead of ASEAN Economic Community (AEC) integration in 2015
- According to SMEs Promotion Department Deputy Director General Keomolakod Sitlakone , the expected US$30 million fund will be contributed by a variety of sources including the World Bank, SMEs and other financial sources with both Lao Finance Ministry having contributed 16 billion kip (US$2 million) since the inception of the fund in 2010 while Asian Development Bank (ADB) had provided 120 billion kip (US$15 million) worth of low interest loans for the fund in November 2013
- The Lao government has also begun the establishment of a credit fund that will guarantee loans for businesses with good profit forecasts but insufficient assets to use as a guarantee while seven SMEs centers run by both state bodies and business sectors have been established to provide consultation and training to business owners

Global Times (14 Jan 2014)

10 BONUS RATE IN MALAYSIA TO STAY STAGNANT IN 2014

MALAYSIA

	BRUNEI	CAMBODIA	INDONESIA	LAO PDR	MALAYSIA	MYANMMAR	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM
2008	52146	2054	3985	2159	14526	1278	3702	52320	9164	3084
2009	50982	2042	4154	2264	14168	1407	3712	50809	8981	3251
2010	52089	2159	4354	2389	15112	1546	3980	58061	9780	3476
2011	54547	2326	4657	2687	16010	1651	4140	61070	9905	3745
2012	55007	2505	4949	2925	17084	1801	4454	61803	10757	3998

GDP per Capita at PPP (Current International Dollars)

As the Malaysian economy showing signs of recovery amid the overall positive trade outlook globally, Malaysian employers are expected to maintain bonus level in 2014 at the same rate as 2013.

- According to Hay Group's "Market Remuneration Report for Malaysia", top achievers can look forward to getting an average of four months of basic salary and more while the biggest beneficiaries for bonus would be staffs at major equity investment bodies as return were strong in 2013
- According to Alex Lim, Hay Group Malaysia Country Head, the average variable bonus likely to be paid by the 436 outfits which contributed to the Hay Group report is 2.6 months - slightly higher than the 2.5 months in 2013
- The report had found that ironically that firms with lower annual revenues tend to pay higher variable bonuses–with an average of 4.9 months for the top 10%
- The key criteria for determining variable bonus were company and individual performances, with business unit or departmental performances coming next

Asia One (15 Jan 2014)

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