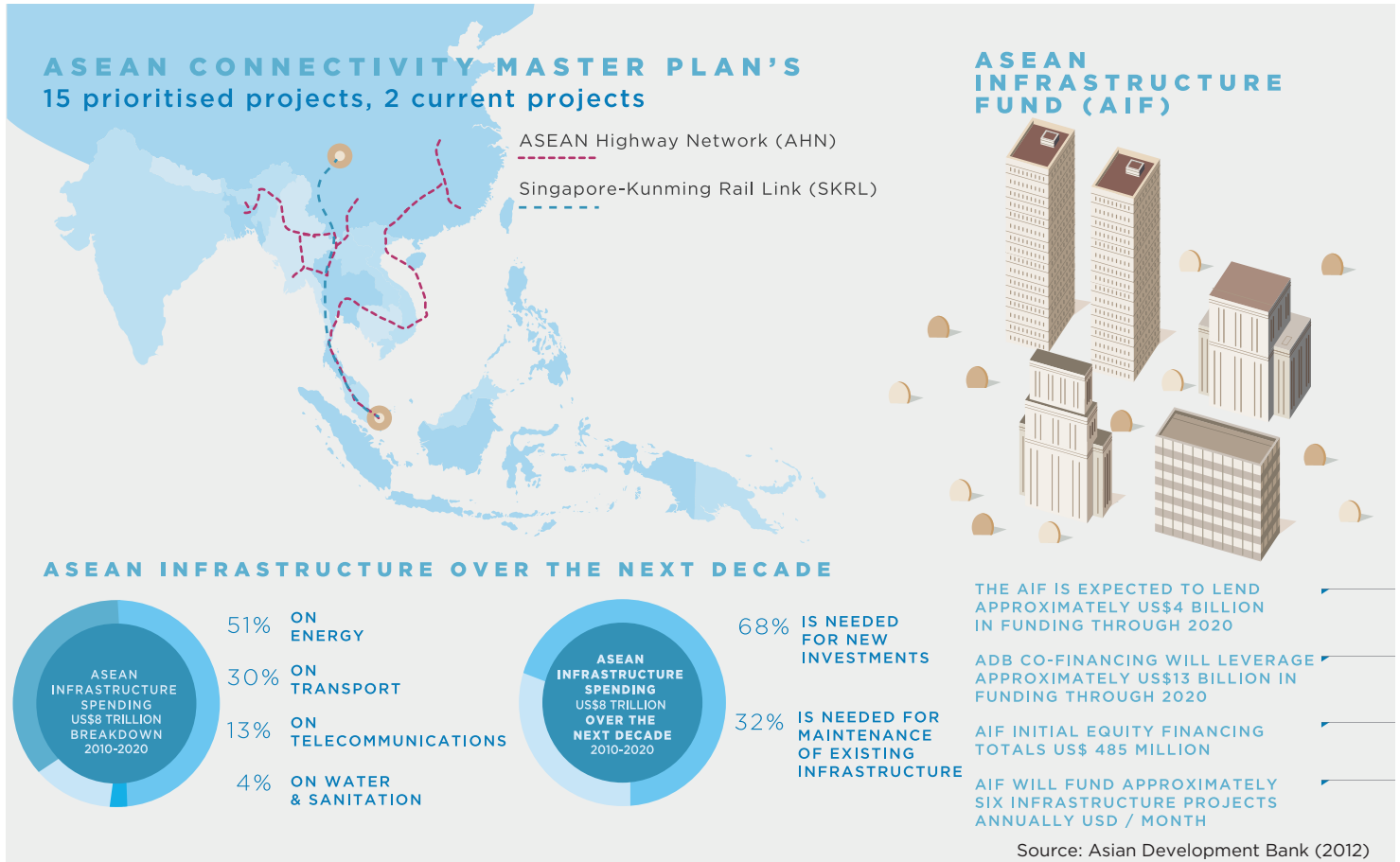


# CARI CAPTURES



## 01 ASEAN INFRASTRUCTURAL SUSTAINABILITY IN QUESTION



**According to an ASEAN Development Bank Report (ADB), ASEAN members will collectively need to invest approximately US\$8 trillion, or US\$750 billion per annum between 2010 and 2020 in order to keep up with expected infrastructural needs.**

- ▶ The very same report also shows that currently, public financing from government budgets account for almost 70% of all infrastructural financing in ASEAN nations, whilst only just 20% of funds come from the private sector and the remaining 10% from Official Developmental Assistance; the disparity between public and private investment in infrastructure can largely be attributed to a institutional barriers preventing private ownership, and uncertainty regarding political stability within the region
- ▶ The predominant trend of public financing for infrastructural initiatives

negatively impacts the fiscal balance of ASEAN member states, and in times of economic downturn or uncertainty, this translates into budget cuts that reduce infrastructure related spending; furthermore, due to the nature of campaign promises elected governments tend to focus on short-term promises, rather than long-term commitments, which also serves to harm infrastructure related funding

- ▶ The future of ASEAN Infrastructural initiatives has to find funding from sources other than government budgets in order to keep up with expected demand; this will come in the form of multilateral development banks such as the ADB, funds such as the ASEAN Infrastructure Fund (AIF), public to private partnerships, sovereign wealth funds, and capital market initiatives

[Jakarta Globe \(18 Feb 2014\)](#)  
[Institute of Southeast Asian Studies \(6 May 2013\)](#)

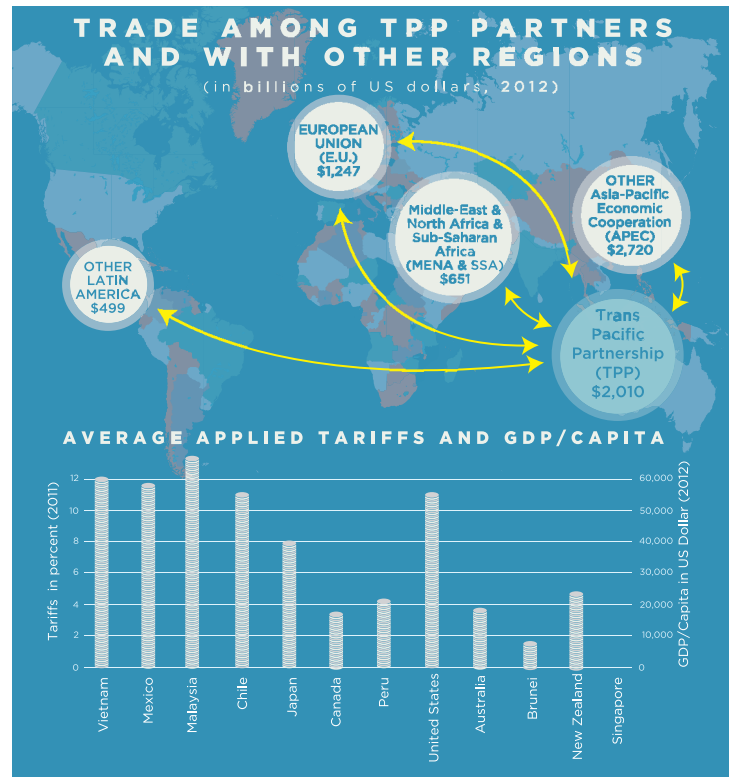
# 02 TRANS PACIFIC PARTNERSHIP MOVES FORWARD



The Trans Pacific Partnership (TPP), a broad regional Free Trade Agreement (FTA) between 12 countries concerning intellectual property, market access, and trade, is one step closer to being signed according to Singapore's Prime Minister Lee Hsien Loong.

- ▶ Trade ministers and foreign dignitaries from the involved parties, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam, are slated to meet between February 22 to 25, 2014 to finalise the agreement in Singapore; in a recent interview, Prime Minister Lee emphasised the importance of finalising the agreement as "If we don't close this year, there is not much time left on the American political calendar to get it through Congress and to settle the matter."
- ▶ With the 12 involved countries making up approximately 40% of the global economy, the agreement is focused on addressing three main issues in major markets in the world; firstly, the elimination of tariffs and other institutional barriers is being discussed so as to provide comprehensive market access; secondly, regional integration issues such as multilateral supply chains, job creation policies, small and medium size enterprise laws, and economic goals need to be coordinated in order to foster economic unity; lastly, emerging trade challenges such as those related to green technologies and digital economies need to be addressed in order to ensure a competitive business environment across the TPP region
- ▶ Due to the secretive nature of the TPP, many constituents in the involved countries have been skeptical towards its ratification; recently leaked portions of the TPP have even gone so far as to spark public criticism, citing the TPP's stringent standards on investor-state arbitration and intellectual property provisions as harmful to the well-being of its people

[Economic Times \(18 Feb 2014\)](#)  
[The Nation \(15 February 2014\)](#)



# 03 ASEAN HIGH LEVEL TASK FORCE LOOKS AHEAD



As the 25th meeting of ASEAN's High Level Task Force (HLTF) convenes, the primary topic on the agenda remains the creation of plans and the formulation of a centralised vision concerning a post-2015 ASEAN Economic Community.

- ▶ According to San Lwin, the Myanmar Deputy Minister of Economic Development, dignitaries from ASEAN member states "discussed mainly on efforts to establish the ASEAN economic community by 2015, and to access in developing the community vision beyond 2015 that will chart our future work"; furthermore, Minister Lwin affirmed the fact that 86% of all goals within the 2015 AEC pledge had already been achieved
- ▶ A key topic of contention that has yet to be addressed would be common regulation regarding the protection of regional enterprises following the proposed economic integration; this is as, with markets liberalised, firms would be open to setting up shell corporations posing as departmental headquarters, thus bypassing investment laws and taking advantage of the regions free flow of investment
- ▶ ASEAN is projected to be within the top 10 economies by 2015 in terms of demographic factors, ASEAN is projected to be within the top 10 economies by 2015 in terms of demographic factors, ASEAN's population has a median age of 27 years; in addition to that, a study done by Ernst & Young stated out that ASEAN will become the first choice for investment over the course of 30 to 50 years as more than halves of the world's middle-income groups are within this region

[Business Standard \(19 February 2014\)](#)  
[The Nation \(15 February 2014\)](#)

# 04 VIETNAM BRIDGES INFRASTRUCTURAL GAPS IN ITS NORTHERN REGION



Vietnam undertakes a US\$564 million infrastructural project which involves building its longest national bridge to connect key manufacturing areas to the country's largest port.

- ▶ The 5.44 kilometer bridge, which is slated to take three years to complete, will connect Vietnam's northern region to its largest national port, thus boosting cargo shipments and fostering economic growth in Haiphong City and other key areas of the state; current estimates project total cargo shipments in the Huyen Port to increase to up to 50 million tons of cargo in 2020, thus significantly boosting Vietnamese exports
- ▶ Whilst US\$86 million of funding for the infrastructural project will come from the Vietnamese state budget, US\$478 million is to be provided in the form of low-interest loans from Japan; Japanese involvement in the project also extends to its construction, where a consortium of Japan's Sumitomo Mitsui Construction, Vietnam's Truong Son Construction Corp and Civil Engineering Construction Corp. No. 4 are to build the bridge and its surrounding roads
- ▶ Over the course of the past two decades, Japan has contributed a total of US\$2.34 billion in grants and loans towards Vietnamese infrastructural initiatives, which has only served to strengthen bilateral ties and grow intra-Asian growth

[WSJ \(17 Feb 2014\)](#)



# 05 QY REPORT HIGHLIGHTS UPSIDES IN ASEAN ECONOMIES



**In Ernst & Young's most recent Rapid Growth Markets report, Indonesia, Malaysia, Thailand, and Vietnam are highlighted as markets that hold the most potential for the global insurance industry.**

- ▶ Amongst other nations such as China, Hong Kong, the United Arab Emirates, and Turkey, Thai, Indonesian, and Malaysian markets were found to be highly permissible for foreign insurance firms, with acceptable levels of risk and high potential returns; meanwhile, Vietnam was also privy to the aforementioned positives, albeit with a higher level of risk towards entries from foreign firms
- ▶ The country assessments concerning the future prospects of insurers were based on several criteria, including projected economic and premium growth, financial stability, regulatory change, macroeconomic volatility, liquidity risk and other factors; furthermore, the trend of aging populations within developed

countries means that insurance industry growth will have to be focused in developing nations, as established by the list of countries above

- ▶ In an individual country analysis, Thailand was highlighted to offer the highest short-term and steady long term growth potential, with modest market risk compared to Malaysia and the UAE; both of whom offer rising incomes, a sustained construction boom, and increased adoption of sharia compliant insurance products which provide potential growth opportunities
- ▶ It should be noted that both Malaysia and the UAE are relatively small in market size compared to that of Indonesia, which offers an economic growth rate second only to Vietnam and China; Indonesia, however, faces several institutionalised policy barriers when it comes to foreign entry for firms, which was listed as the main downside for Insurance firms seeking to venture into the country

[Ernst & Young \(18 Feb 2014\)](#)

# 06 THAI INSTABILITY BLOCKS SHIN CORP SALE



**Temasek Holdings' attempt to sell its US\$3 billion stake in Shin Corp, a Thai telecommunications firm, has stalled due to increased political unrest in Thailand.**

- ▶ In a bid to consolidate its portfolio companies into industry groupings, Singapore's state owned investment arm endeavored to sell its 41.6% stake in Shin Corp to Singapore Telecommunications Co, which would serve to further increase the regional presence of Asia's largest telecom group; SingTel already owns holdings in five telecoms companies in Southeast Asia, including a 23.3% share in Shin Corp's Advanced Info Services, 32.3% in India's Bharti Airtel, 35% of Telkomsel in Indonesia, and 47.3% of Globe Telecom in the Philippines
- ▶ Negotiations which began in Q4 of 2013 fell through recently due to the increase in public unrest and political deadlock surrounding the Shinawarta administration, marking the second instance where

Thai politics was closely entwined with Temasek's dealings; Temasek's original acquisition of its Shin Corp holdings sparked public outcry regarding a lack of capital gains tax, which ultimately resulted in Thaksin Shinawarta's ousting

- ▶ The political situation in Thailand has also managed to halt ING Group's planned sale of its 31% stake in TMB Bank PCL, further emphasizing the economic impact of Thailand's continued unrest
- ▶ Whilst this is not Temasek's first setback in the sale of portfolio companies, combined with the failure to sale Bank Danamon to DBS following Indonesian institutional barriers has served to shake confidence in the state owned investor; meanwhile, SingTel shares fell on 0.6% on February the 18, whilst Shin Corp shares fell by 2.3% following the disclosure of the halted talks

[Reuters \(18 Feb 2014\)](#)

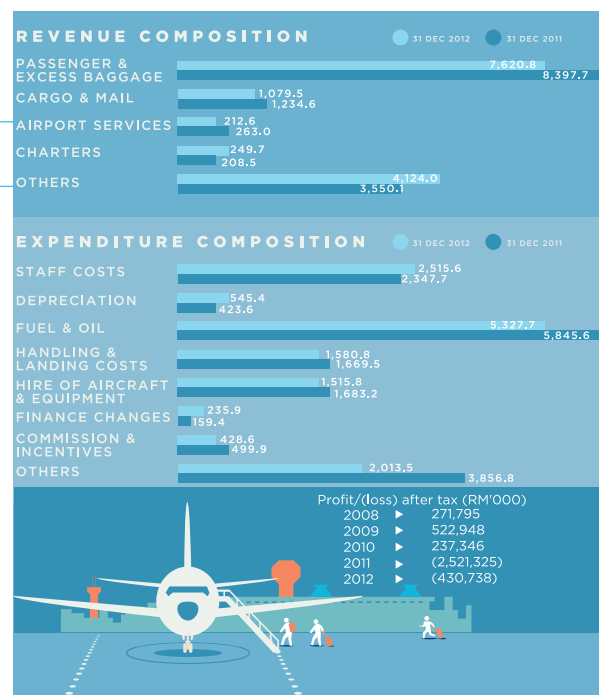
# 07 MALAYSIAN AIRLINES DISCLOSES FALLING PROFITS



**Net Malaysian Airlines System Bhd (MAS) losses rise to USD\$354 million in 2013 despite proactive initiatives to upgrade product and service quality.**

- ▶ Despite desperate measures such as cutting flights to unprofitable destinations, MAS saw net losses widen by 171% to RM\$1.2 billion in 2013 due to three main reasons; firstly, higher depreciation and finance charges increased expenditures; secondly, forex losses negatively impacted revenue; lastly, increased competition from budget airlines lessened MAS' market share
- ▶ With fuel costs accounting for approximately 39% of the Airlines' expenditure, the depreciation in Malaysian currency in 2013 negatively contributed towards profits through increased expenditure; plans to retire inefficient aircraft in 2014 are likely to reduce fuel costs by 15%, whilst also fostering increased financial stability as MAS would be less liable to external petrol price shocks
- ▶ Whilst warning stakeholders that profits would not be seen in 2014, MAS CEO Ahmad Jauhari Yahya stated that various measures would be taken to curb losses in the future, emphasizing that "Our efforts [in 2013] saw revenue increase by 11%, whilst passenger traffic went up 27% on capacity that increased only 17%. Our average seat factor improved by 6.3 percentage points to 81% compared with the previous year"

[New Straits Times \(19 Feb 2014\)](#)



## 08 MYANMAR MONITOR

### POLITICS

▶ The UN human rights rapporteur for Myanmar Tomás Ojea Quintana said in a press conference in Yangon on 19 February that a government investigation has so far failed to address allegations of the killing of dozens of Rohingyas in Rakhine State last month. The government denies any violence took place.

[The Irrawaddy \(20 February 2014\)](#)

▶ The Parliament's Farmland Investigation Commission on 20 February ordered the government to resolve land-grab cases this year. The responsible government bodies must find a solution to problems involving seized rice paddy plots by June, and by September for cases of lands that had been used to grow other crops.

[The Irrawaddy \(20 February 2014\)](#)

### ECONOMY

▶ Working conditions have improved in Myanmar due to political reforms but the country still remains in the 'extreme risk' category, according to a study by UK-based risk consultants Maplecroft. Myanmar's position on the Working Conditions Index improved from the worst rank in 2013 to the 14th worst out of the 197 countries surveyed in 2014.

[The Irrawaddy \(22 February 2014\)](#)

▶ The World Bank's International Finance Corporation (IFC) has pledged to provide financial help to Myanmar firms involved with international trade. The IFC will establish a US\$5 million credit facility at the Myanmar Oriental Bank to help underwrite trade financing for Myanmar SMEs engaged in exporting and importing.

[The Irrawaddy \(22 February 2014\)](#)

### FOREIGN AFFAIRS

▶ The murder of Myanmar Buddhist and activist Ko Aung Gyi in Kuala Lumpur earlier this month has Myanmar nationals in Malaysia worried that religious tension back home is spilling into their sizable community in the country. Malaysia is especially vulnerable to the ethnic tensions, with a large population of both Buddhist and Muslim Myanmar residents.






[The Malaysian Insider \(20 February 2014\)](#)

▶ The Myanmar government has invited the European Union to help improve its police forces' ability to handle outbreaks of violence, and to manage protesters while respecting their rights. The EU is training 4,000 of the 70,000 police officers in Myanmar.

[Channel NewsAsia \(20 February 2014\)](#)

## 09 INDONESIAN ARMS INDUSTRY TARGETS REGIONAL PRESENCE



MILITARY EXPENDITURE		2008	2009	2010	2011
Country/USD Millions					
Singapore		7998	8264	8323	8302
Malaysia		4674	4413	3859	4223
Thailand		4600	5485	4846	5114
Indonesia		3800	3971	4663	5220
Philippines		2391	2322	2438	2225

Source: Stockholm International Peace Research Institute (SIPRI) Yearbook 2012

**Since 2004, the Yudhoyono administration has committed a total of US\$8 billion towards military spending; by quadrupling the state budget, Indonesia's government hopes to guide its state owned military business into becoming a regional powerhouse for arms manufacturing.**

- ▶ Due to the US arms embargo which was only lifted in 2010, much of Indonesia's military industry has stagnated with a lack of both technical expertise and specialized parts to fuel sustainable arms industry growth; in this regard, Indonesia's president, Susilo Bambang Yudhoyono has vowed to modernize the country's military and arms productions services through quadrupling the budget and passing the legislation in 2012, which requires all armed forces within Indonesia to buy all of its weaponry from domestic contractors
- ▶ Furthermore, in 2012, the administration injected approximately US\$250 million into both state owned and private military producers; two of

the main beneficiaries, Indonesian Aerospace and PAL Indonesia are projected to observe a projected 12% increase in profits due to said investment, which will help fund the necessary research and facilities to produce military products for the region

- ▶ Recent developments in the administrations drive for a modernised military would include bilateral projects and sales within the region; Pindad, a state-run arms manufacturer, generated US\$169 in revenue from joint production operations with Doosan Infracore, a South Korean firm; the Malaysian armed forces are slated to purchase 32 armored personnel carriers from Pindad worth US\$ 14 million each
- ▶ Though "Made in Indonesia" is a goal the Indonesian Government wants to make a reality for all arms manufacturing in the region, joint production agreements still cannot meet all of Indonesia's military needs; most recently, the government funded its Defense Ministry's US\$5.5 billion purchase of advanced weaponry

[NYT \(13 Feb 2014\)](#)

## 10 FILIPINO LEGISLATION AGAINST CYBER CRIME APPROVED



**The Supreme Court in Philippines announced online libel provisions in controversial Republic Act No. 10175 or Cybercrime Prevention Act on 18 February 2014.**

- ▶ High court justices have voted to declare constitutional Section 4 (c) (4) of the law targeted to penalise acts of libel committed by using computers as defined in Article 355 of the Revised Penal Code (RPC); this provision only refers to the 'original author of the post' on social media or email and excluded those who receive and response to the post
- ▶ In addition to that, the Supreme Court also declared constitutional penalising those 'aiding or abetting the commission of cybercrime' comprising of illegal access, data interference, cyber squatting, computer-

related theft, cybersex, child pornography and seizure of computer data under Section 5 of the law

- ▶ In stark contrast, crimes of child pornography, unsolicited commercial communications, online libel and as well as penalties for posting of unsolicited commercial communications under Section 4 (c) (3), that which authorises the collection or recording of traffic data in real-time under Section 19 has been declared unconstitutional; nevertheless, activities like forwarding, commenting, sharing or retweeting post is still vague and require further clarification by authority

[Philippine Star \(18 Feb 2014\)](#)

