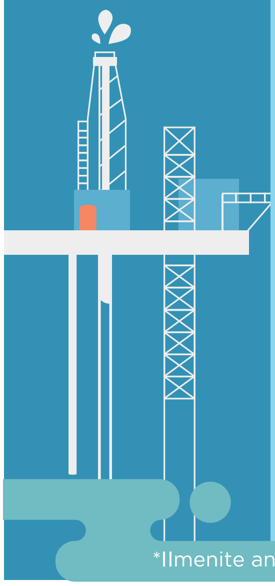
CARI CAPTURES

01 INDONESIA CUTS EXPORT MINERAL CONCENTRATE TAX

INDONESIA

TARIFF STRUCTURE FOR METAL CONCENTRATE EXPORTS



METAL DESCRIPTION AND PURITY LEVEL	EXPORT TARIFF AMOUNT 2014 12/1-30/6	2014 1/7-31/12	2015 1/1-30/6	2015 1/7-31/12	2016 12/1-30/6	2016 1/7-31/12
Copper Concentrate	25%	25%	35%	40%	50%	60%
Iron Concentrate (hematite, magnetite, pyrite) (Fe content ≥ 62%)	20%	20%	30%	40%	50%	60%
Iron Concentrate (gutite/laterite) (Fe content ≥51% and Al2O3+SiO2 ≥10%)	20%	20%	30%	40%	50%	60%
Manganese Concentrate (Mn content ≥49%)	20%	20%	30%	40%	50%	60%
Lead Concentrate (Pb content ≥49%)	20%	20%	30%	40%	50%	60%
Zinc Concentrate (Zn content ≥ 52%)	20%	20%	30%	40%	50%	60%
Ilmenite Concentrate* (in sand form Fe content ≥58% and in pellet form ≥56%)	20%	20%	30%	40%	50%	60%
Other Titanium Concentrate* (in sand form Fe Content ≥58% and in pellet form ≥56%)	20%	20%	30%	40%	50%	60%

*Ilmenite and titanium are grouped under iron under ESDM 1/2014

Source: Clyde & Co (2014)

Indonesia has moved to ease a controversial tax on mineral concentrate exports for firms that build smelters in the country.

- Approximately $500 million in ore and concentrate exports a month have stopped since President Susilo Bambang Yudhoyono imposed mining rules, which included the progressive tax and a mineral ore export ban, to force companies to build smelters and process raw materials in Indonesia

- This move is a potential victory for U.S. based mining giants Freeport-McMoRan Copper & Gold and Newmont Mining Corp, who have previously refused to pay the progressive export tax, which rises from 25 percent this year to up to 60 per cent by the second half of 2016, claiming breach of contract

Reuters (25 Feb 2014)

02 THAILAND SUFFERS FROM US$15 BILLION BUSINESS LOSS DUE TO POLITICAL UNREST

THAILAND

The ongoing political protests in Thailand have cost businesses in the country a loss of over THB 490 billion (US$15.07 billion), according to a report by Thai News Agency.

- These losses could reach a staggering 1 trillion baht (US$30.77 billion) in 2014, which could cause the economy to shrink by 0.5 percent, according to a projection by the Faculty of Economics at Rangsit University
- Alternatively, the faculty Dean Anusorn Thamjai predicted that if the impending general elections are held in April leading to the formation of a new government, and if the political crisis and violence is overcome, the Thai economy can in fact rise by 2.5 percent
- "If political violence continues, if the 2015 fiscal budget is delayed and if there is a coup, a failed state or a state of anarchy, the national economy could contract by 0.5 per cent this year and a crisis-driven recession may take place," he said

Bangkok Post (25 Feb 2014)
Channel News Asia (25 Feb 2014)

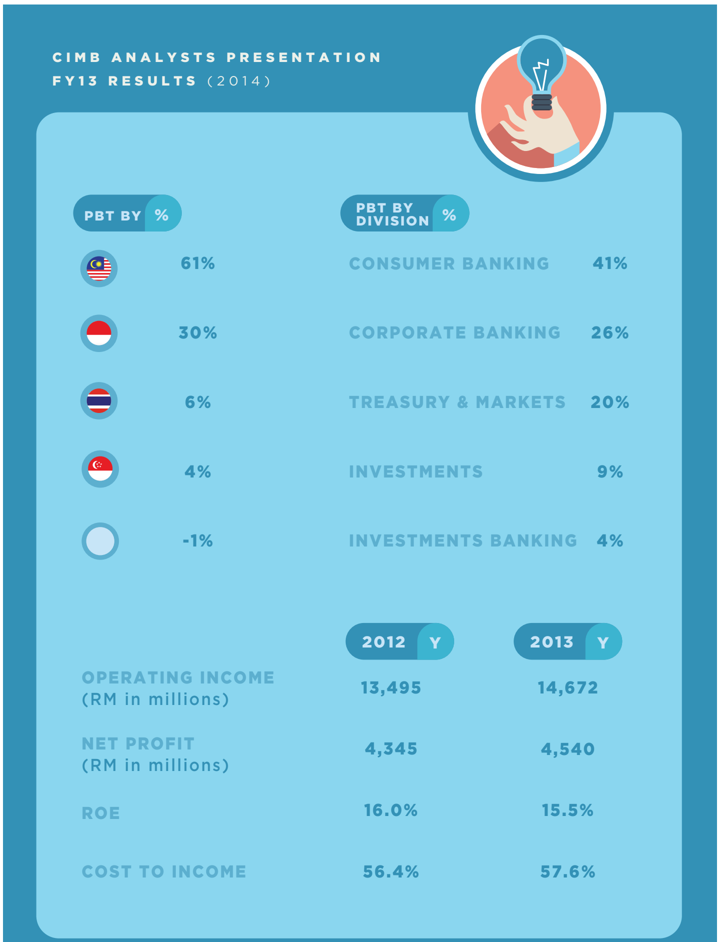
03 CIMB NET PROFIT FOR FY13 REACHED US$1.4 BILLION

MALAYSIA

CIMB Group Holdings Bhd, Malaysia's second-largest bank has announced an outstanding record of full year earnings for 2013 despite a challenging operating environment within the region.

- CIMB's net profit improved about 4.5% from RM4.3 billion (US$ 1.31 billion) in 2012 to RM4.5 billion (US$1.4 billion) due to its revenue increasing to RM14.67 billion (US$4.5 billion) from RM13.49 billion (US$4.1 billion) in 2012; nonetheless, fourth-quarter's earnings plunged approximately 4% year-on-year and only reached about RM 1.038 billion (US$ 3 billion)
- Despite unfavourable performance from Indonesia and regional financial markets where contributions from CIMB Niaga and other market businesses fell under expectation, CIMB was still able to maintain its financial performance. Regional consumer and corporate banking contributed about 67% to profit before tax in 2013 with an approximately 13% of improvement as compared to previous year as well as the earning assets grew 15.5% year-on-year by excluding foreign exchange fluctuation
- The Group Chief Executive of CIMB Group, Datuk Sri Nazir Razak also foresaw the company's future within the region where they will maintain its momentum and grow steadily in Singapore, Indonesia and Malaysia for this year
- Meanwhile, CIMB bagged first in Malaysia and fourth in ASEAN in the recent Banker/Brand Finance Banking 500, an annual ranking of the most valuable brands in banking conducted by brand valuation consultant, Brand Finance with its brand value worth more than RM 6.1 billion (US$ 2 billion); besides, CIMB was also awarded an AAA rating which reflects its relative strength, risk and potential of a brand as compared to its competitors across the region

The Star (25 Feb 2014)
The Star (27 Feb 2014)



Source: CIMB Analysts Presentation FY13 Results (2014)

04 NO DEAL FOR TPPA YET

ASEAN

12 Asia Pacific Trade Ministers attended a four day meeting in Singapore to continue negotiations on the US-led Trans Pacific Partnership Agreement (TPPA).

- In a joint statement released at the end of the meetings, trade representatives said they had made "further strides towards a final agreement" but identified several key differences that remained as obstacles
- The 12 countries – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam are still divided on a number of fronts such as market access and the role of state owned enterprises
- The previous round of talks in December 2013 similarly failed to yield conclusive results and the self-imposed deadline of finalising by end of 2013 was not met
- There were no comments or notifications of when the Ministers would meet again but the Obama administration has put a high priority on the TPPA, seeing it as tying the US more closely with the APAC region at a time when China's influence is rising

Channel News (25 Feb 2014)

05 GE CHOOSES INDONESIA AS DESTINATION FOR US$1.4 BILLION INVESTMENT IN DISTRIBUTED POWER BUSINESS

INDONESIA

American technology company, General Electric (GE) officially introduced its new distributed power business in Jakarta on Tuesday 25 January.

- GE Vice Chairman John Rice stated that Indonesia was the ideal location for this investment given that roughly a quarter of the 240 million Indonesian population had no access to electricity
- The US$1.4 billion was to be invested across a four year period and begins with pilot projects focused on using biomass to generate affordable power
- This is aligned to the Indonesian government's aim to shift the weight of fossil fuels to renewable energy
- Indonesia's current energy mix comprises of about 49 percent fossil fuels which the government aims to reduce to 25 percent by 2025
- GE further announced the signing of a Memorandum of Understanding (MoU) with state owned electricity provider PT Perusahaan Listrik Negara (PLN) and PT Clean Power Indonesia (CPI)
- GE also announced contracts to supply state owned oil and gas company PT Pertamina with four gas engines for their gas compression facility in Palembang

Jakarta Post (26 Feb 2014)

06 SATURNA CAPITAL CORP'S SOUTHEAST ASIAN FUND TO GROW TO US$15.3 MILLION BY 2015

INDONESIA MALAYSIA PHILIPPINES THAILAND SINGAPORE

The Malaysian unit of the largest US Islamic fund manager, Saturn Capital Corp expects its new Southeast Asian fund to grow five-fold by year's end.

- The fund was launched in Malaysia to invest in "Islamically-qualified" companies in the ASEAN region
- Saturna said the fund seeks to capitalise on the expected growth resulting from further economic integration within ASEAN
- Licensed under the Malaysia International Islamic Financial Centre, Saturna will invest in a diversified portfolio of Shariah compliant equities across ASEAN and is designed to be "fair, transparent, and aligned with the long-term interest of unit holders"
- The ringgit denominated fund is available to both domestic and foreign qualified high-networth individuals as well as to institutional investors

The Wall Street Journal (24 Feb 2014)

07 A 4-YEAR SLOW INFLATION GROWTH FOR SINGAPORE IN JANUARY 2014

SINGAPORE

YEAR	2008	2009	2010	2011	2012	2013
CONSUMER PRICE INDEX(2009=100)	99.4	100	102.8	108.2	113.1	115.8
ANNUAL INFLATION RATE	6.6	0.6	2.8	5.2	4.6	2.4

Source: Statistics Singapore (2014)

Inflation slowed to 1.4 percent, the slowest pace since the 1 percent recorded in February 2010 whereas core inflation which does not take into account accommodation and private transport costs increased by 2.2 percent.

- The slow pace of consumer prices should be attributed to recent implementation of the Certificate of Entitlement (COE) reclassification where premiums rose across all categories of vehicles which resulted in underperforming car sales and a significant decrease in private road transport costs; the decrease in car sales has been offset the effects brought by a rise in food prices approximately by 3% due to food shortages in the festive season
- Additionally, a higher base of comparison during 2013 also affected the overall inflation but some economists perceived that this base effect would lapse after two months and inflation would have reach approximately around 3% and core inflation also expected to climb further
- Furthermore, this inflation growth rate is not expected to persist throughout this year as DBS Bank's economist, Irvin Seah has mentioned that the reported headline figure does not reflect the underlying economic situation as it has been largely affected by the relatively high COE premiums; he also believed that rising labour and rental costs will continue to be the drivers of inflation and expect core inflation about 2% to 3% and all-items inflation about 3% for this financial year
- Meanwhile, both the Monetary Authority of Singapore and the Ministry of Trade and Industry also forecast that all items and core inflation would be around 2% to 3% for this year and the former is not expected to alter its policy stance of appreciating the Singapore dollar in short term

Channel News Asia (25 Feb 2014)

08 MYANMAR MONITOR

POLITICS

- The Myanmar government has set up an anti-bribery commission manned mostly by ex-military officers, which has sparked scepticism of the commission's effectiveness. The Myanmar parliament approved the Anti-Corruption Law in July 2013, under which corruption carries a maximum sentence of 15 years imprisonment for politicians, and 10 years for government officials.

The Sun Daily (26 February 2014)

ECONOMY

- The International Finance Corporation (IFC) agreed on 26 February to help turn the Yangon City Electricity Supply Board—one of the city's largest power distributors, with 900,000 customers—into a "sustainable, self-financing institution", but the board is currently wholly owned by the Myanmar government and is inefficiently run with system losses that run as high as 27%.

The Wall Street Journal (25 February 2014)

- Fish exports from Myanmar are 15% less at US$550 million in the 2013-14 fiscal year compared to the prior year's US$650 million. According to experts, the problem stems from a lack of fishing equipment which led to lower production and higher domestic prices this year. Fish farmers lack the capital to expand their operations and investors have thus far not shown interest in the sector.

International Business Times (26 February 2014)

BUSINESS AND INVESTMENT

- Half of large Asian companies see Myanmar as an opportunity to expand their business, according to research by Singapore's United Overseas Bank (UOB). More than 300 businesspeople from China, Hong Kong, Singapore and Vietnam, among other places, attended a forum hosted by UOB titled "Unlocking Myanmar's Potential" held in Yangon in 26 February

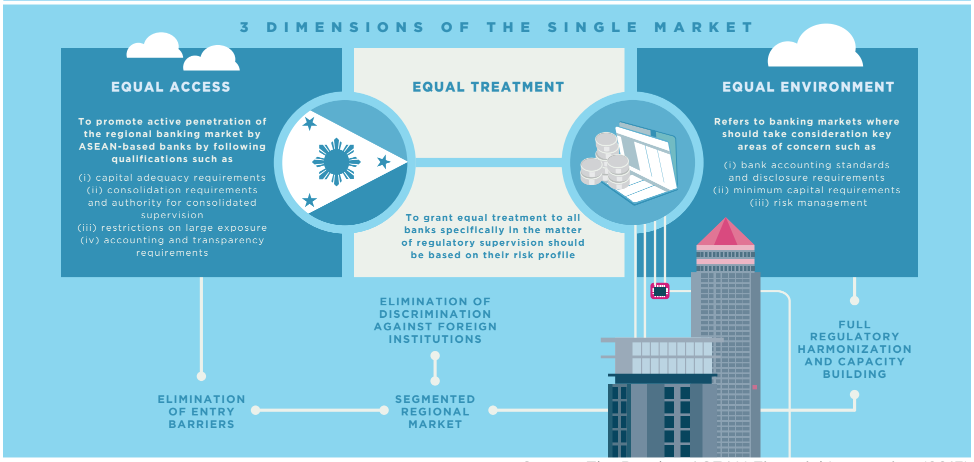
The Irrawaddy (26 February 2014)

- Three Myanmar-Singapore joint ventures, Yoma Strategic Holdings, Aussino and Super Coffeemix, have joined the Singaporean Exchange as they wait for Myanmar to open its own stock market. Myanmar expects to establish its first stock exchange in 2015 along with the Myanmar Security Exchange Law and relevant organisations.

Eleven Myanmar (26 February 2014)

09 PHILIPPINES NOT READY FOR ASEAN FINANCIAL INTEGRATION

ASEAN



Source: The Road to ASEAN Financial Integration (2013)

Bangko Sentral ng Pilipinas (BSP) has claimed that the PHP financial system is not yet matured enough to reap the benefits provided by ASEAN financial market integration by 2020.

- The Philippines is losing out as a destination of FDI as compared to other ASEAN economies as it is perceived that the market is lacking in regulatory flexibility, and foreign ownership restrictions
- The Philippines only allows 60 percent of foreign ownership compared to 80 percent in Indonesia. Singapore and Malaysia have no hard limits while Thailand has flexibility on a case by case basis
- Secondly, the size of Filipino banks pose a challenge on the road to financial market integration in absolute term, for example, a single big Malaysian bank's assets would be equivalent to the total assets that owned by the whole banking system in Philippines and the three largest Filipino banks' assets would only worth as a Thailand's big bank's assets; meanwhile, Philippines' capital base for the entire banking system is the same size as a Singaporean bank
- Nevertheless, Diwa C. Guinigundo, the BSP Deputy Governor for the Monetary Authority has further mentioned that the problem of the smaller size of Philippines banks in terms of assets and capital base does not reflect a weaker banking system as compared to other members because the Philippines scores relatively higher in capital adequacy ratio (CAR) or known as percentage of capital to risk-weighted assets in which its banking system is 'more than adequately capitalized' where Philippines scored the highest in the ratio with 18.89% as compared to 16.5% in Thailand, 16% in Singapore, 12.2% in Malaysia
- Apart from that, Guinigundo also shared that Philippines is on their way to meet its integration commitment by few measures such as expansion of operations to cover the bases, enhancement of risk management and preservation of the competitive advantage of local banks to foreign banks with the initiatives done by the central bank

Business Mirror (24 Feb 2014)

10 DISPUTE BETWEEN PHILIPPINES AND CHINA ESCALATES

PHILIPPINES

The Philippines lodges a formal protest with Beijing after Chinese law enforcement vessels use water cannons to engage two Filipino fishing boats in disputed waters of South China Sea.

- Filipino President Benigno Aquino has demanded an explanation from Beijing over the latest incident in the form of a note verbale delivered to Charge d'Affaires Sun Xiangyang of the Chinese Embassy in Manila
- The incident refers to Chinese coast guard vessels reportedly firing water cannons at Filipino fishing boats seeking shelter from rough weather in the disputed Scarborough Shoal on 27 January
- Beijing has declared that it has "indisputable sovereignty" over the South China islands and has rejected the Philippine protest
- This is the most recent occurrence which has further fueled escalating tensions between the two countries
- The disputed areas provide about ten percent of global fishing yields and carries US$5 trillion in shop borne trade a year as well as potential underground energy reserves

Reuters (25 Feb 2014)
Philippine Star (26 Feb 2014)

Editorial Team: Sóley Ómarsdóttir, Bernard Law, Yee Ken Li and Tan Lay Yan **Designer**: Christina Chin and in collaboration with Tan Zheng Joo **Consultant Editor**: Tunku 'Abidin Muhriz