

CARI CAPTURES

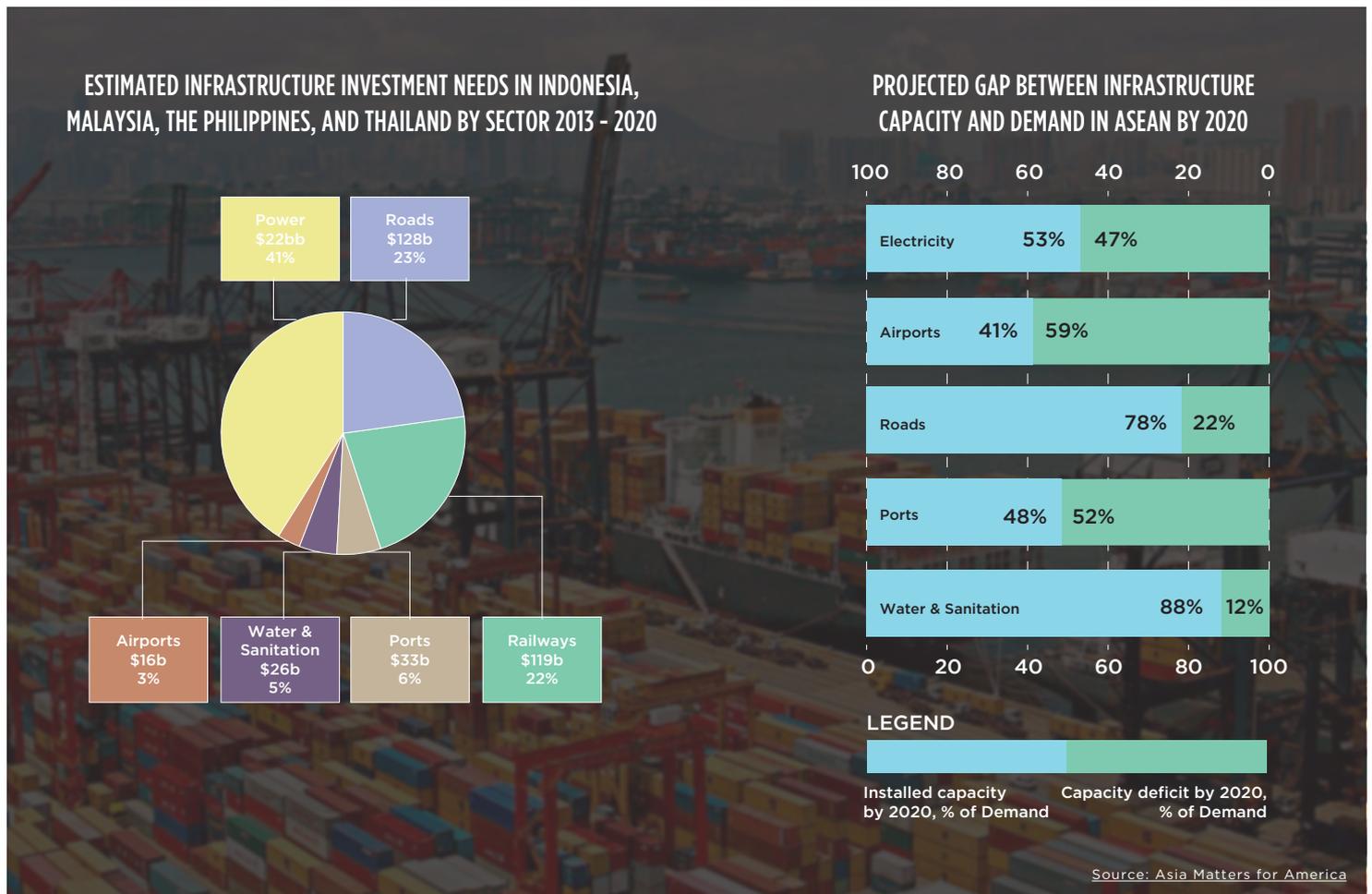
ASEAN WORKS TOWARDS SINGLE STOCK EXCHANGE

ASEAN BANKS RESILIENT IN THE FACE OF NEGATIVE TRENDS

MALAYSIA AIMS TO BE CHOCOLATE KING OF ASIA

01 ASEAN

ASEAN HAS BECOME A TWO TIER MARKET



According to Chartsiri Sophonpanich, president of Bangkok Bank, ASEAN integration is fuelling huge infrastructure investment in the developing CLMV subregion (Cambodia, Laos, Myanmar and Vietnam) and making Asean a two-tier market.

- ▶ Speaking at the Nikkei Asia 300 Global Business Forum in a session on "Assessment of Asean's Impacts", Sophonpanich affirmed that the ASEAN market was driven by two tiers; One is the developed countries, which can be the region's door to India and China, and the second tier is the developing CLMV countries, where growth may not be high, but is stable
- ▶ According to Sophonpanich, infrastructural development within CLMV nations provides

opportunities for investors with almost US\$8 trillion in planned projects lined up over the next decade; combined with low interest rates, and the possibility of enhancing the regional supply chain, investors should be facing an easy decision when allocating their resources

- ▶ Mohd Munir Abdul Majid, president of Asean Business Club (Malaysia), said the governments of the 10 Asean member states had spent much time discussing how to implement the same regulations evenly in every country in the region; he also said Asean should discuss the urgency of increasing competitiveness of certain industries, including retail, logistics, agriculture and healthcare



ASEAN WORKS TOWARDS SINGLE STOCK EXCHANGE

ASEAN will join forces to set up a common trading bourse, according to heads of regional stock exchanges at the third ASEAN Broker Conference and Networking event.

- ▶ The common bourse will boost the growth of a capital market in the ASEAN region where individual market sizes remain small with weak liquidity and high transaction costs too high to attract global investors, said Ong Li Lee, an executive from the Malaysian Stock Exchange
- ▶ As many as 18 stock exchanges from the members

of ASEAN are working out details of the plan including trading regulation and money exchange norms to create a single index

- ▶ In 2012, seven exchanges from Singapore, Thailand, Malaysia, the Philippines, Indonesia and Vietnam launched an electronic cross-border order routing system that enables brokers to connect their clients more easily to trade on each other's exchanges
- ▶ The electronically connected gateway is a part of efforts being made by ASEAN policymakers to unite the capital markets in the 10-member bloc

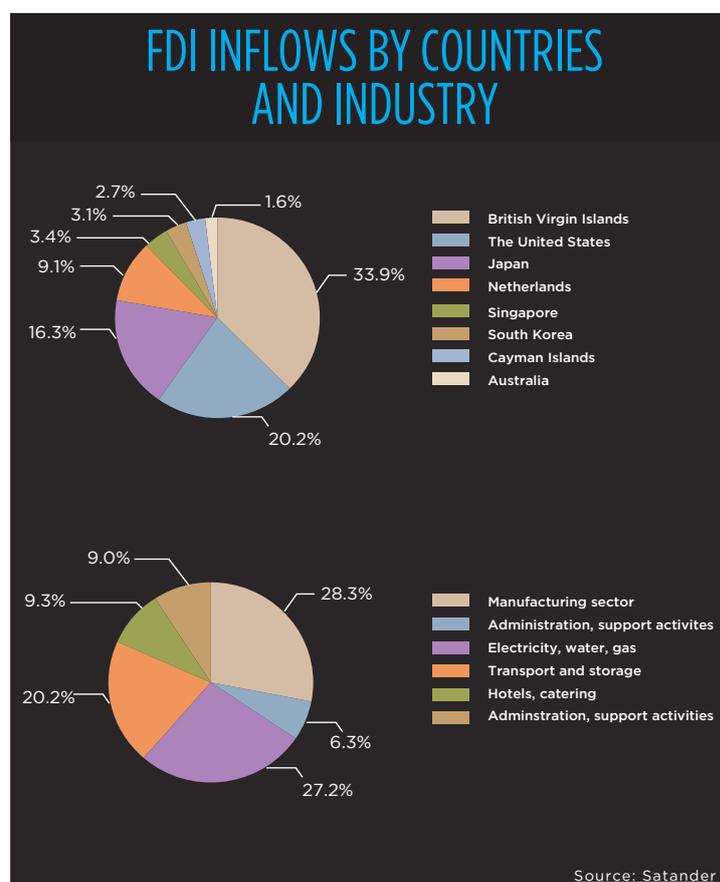
[VN Express \(08 October 2016\)](#)

PHILIPPINES FINANCE MINISTER EYES CHINESE INVESTMENT, DISMISSES U.S. FLAP

Philippines President Rodrigo Duterte will seek billions of dollars in infrastructure investments from China in the coming months as the country seeks to alter its relationship with Beijing, Philippines Finance Minister Carlos Dominguez affirmed.

- ▶ Dominguez dismissed concerns over the Philippines' investment climate raised by Duterte's blunt anti-U.S. statements and a war on drug cartels that has killed thousands; the Minister underlined the solid fundamentals the Philippines shared with the US
- ▶ Duterte's crackdown on drugs, core to a colorful election campaign likened to that of U.S. presidential candidate Donald Trump, has claimed more than 3,800 lives since his inauguration; the high toll and mysterious circumstances of many killings have alarmed rights groups, the United States and the United Nations
- ▶ When Duterte visits Beijing for the first time, he will discuss the potential for Chinese investment in a new railway linking Manila with rural southern Luzon, power grids and other projects; Dominguez said these projects would cost tens of billions of dollars.
- ▶ The overtures will follow July's ruling by an international tribunal in The Hague, Netherlands against most of China's claims to South China Sea islands that are also claimed by the Philippines

[Yahoo \(09 October 2016\)](#)



BUSINESS DIVIDED ON THE STATE OF ASEAN INFRASTRUCTURE IMPROVEMENTS

When Australian businesses operating in south-east Asia were surveyed about the economic outlook in 2016, they came back with a paradoxical result on the region's infrastructure.

- ▶ Surprisingly, given much talk about bottlenecks in many countries, the 2000 survey respondents nominated improvements in infrastructure as the third most favoured reason for expanding trade and investment; about 30% of respondents felt this way
- ▶ But when it came to identifying challenges, infrastructure gaps turned up as the fourth-highest

concern with about 25% of respondents feeling this way; the mood varied across the countries with the most concern about Indonesia and the Philippines

- ▶ According to research by HSBC economists the six largest countries in the region need US\$2.1 trillion in infrastructure spending by 2030 but the current spending trend will only cover US\$910 billion; "Poor infrastructure has restrained growth in recent years and puts the region at a disadvantage compared to its Asian siblings,"

[Financial Review \(10 October 2016\)](#)

CHINESE FIRMS RUSH INTO CAMBODIAN FARMING

Chinese investors are rushing to invest in agriculture in Cambodia, drawn by ideal farming conditions and the sound relationship between the two countries, although there are challenges such as Cambodia's underdeveloped infrastructure and limited fundraising channels.

- ▶ Favorable factors including fertile cropland, relatively low factor prices and the good relationship between the two nations encourage domestic companies to invest in the farming sector in Cambodia, experts said
- ▶ Furthermore, Chinese investors are able to get access to Cambodia's cropland at low prices, Xu Feng, chairman of the Cambodia-Chinese Association for Development said; cropland costs about US\$150 per mu (0.067 hectare) in Guangxi Zhuang Autonomous Region, while it costs only US\$4.5 per mu in Cambodia
- ▶ Major barriers to the entry of Chinese investors include language difficulties, a shortage of funding and inadequate communication with the local authorities; additionally, water conservancy facilities in rural areas are underdeveloped, providing further issues in agricultural cultivation

[Global Times \(09 October 2016\)](#)

ASEAN BANKS RESILIENT IN THE FACE OF NEGATIVE TRENDS

The operating environment for banks across much of ASEAN has become more challenging over the last couple of years, says Fitch Ratings.

- ▶ The region's banks also face risks stemming from a sharp rise in debt during the last decade, and are relatively exposed to developments in China; however, in most countries banks have adequate loss-absorption buffers that should support their ratings, says the ratings agency
- ▶ Real GDP growth is higher in all six Fitch-rated ASEAN countries than their rating peer medians, but slower global GDP growth, weak world trade, currency depreciation and the drop in commodity prices have contributed to deterioration in the operating environment for many of the banks over the last couple of years, and asset quality has deteriorated
- ▶ The US Fed's lower-for-longer policy-rate path and a benign inflation outlook have allowed a number of countries in the region to cut domestic interest rates over the last two years, easing some strain on the banks; however, Fitch expects the Fed to hike rates again by year-end, which could close the window for further easing
- ▶ Three out of the six ASEAN country banking sectors - Indonesia, Malaysia and Thailand - are on negative sector outlooks, reflecting the challenging operating environment and high risks; Singapore is on a stable sector outlook, but downside risks have also risen there over the past year

[CFC Innovation \(10 October 2016\)](#)

INDONESIA FOREX RESERVES RISE TO US\$115.7B

Indonesia's foreign exchange reserves rose to US\$115.7 billion at the end of September, from US\$113.5 billion at the end of the previous month according to Bank Indonesia (BI).

- ▶ Mirza Adityaswara, deputy governor of the central bank, told reporters the reserves rose due to strong capital inflows in September; in the previous month, BI Governor Agus Martowardojo told parliament that Indonesia's forex reserves could surge to US\$151.5 billion by the end of 2017, partly because of inflows generated by the tax amnesty program
- ▶ Bank Indonesia stated that the current foreign exchange reserve position adequately covers 8.7 months of imports or 8.3 months of imports and servicing of government foreign debt repayments; this is regarded as being well above the international standards of reserves adequacy at three months of imports
- ▶ This implies that Indonesia's reserves are sufficient to protect the domestic economy against external factors and maintain the sustainability of the Indonesian economy in the foreseeable future

[Jakarta Globe \(08 October 2016\)](#)



ECONOMY

▶ Myanmar's trade deficit has reached US\$1.73 billion in the NLD government's first six months, beginning in April, significantly lower than the US\$2.24 billion deficit reached over the same six-month period last year. During this period the total trade volume amounted to US\$12.9 billion, with exports worth US\$5.6 billion and imports US\$7.3 billion, according to figures from the Ministry of Commerce.

[The Irrawaddy \(7 October 2016\)](#)

▶ Foreign investment policy will be announced this month after President Htin Kyaw passes a revamped Myanmar Investment Law. Foreign investors and the Myanmar's business community has been growing impatient waiting for details of the new policy, causing pledged foreign direct investment during the first half of the 2016-2017 fiscal year to decrease to less than half compared with the 2015-2016 fiscal year as investors await clear policy.

[The Irrawaddy \(12 October 2016\)](#)

POLITICS

▶ More than a dozen soldiers and police have been killed since Friday with troops in the city of Maungtau attacked by about 300 men armed with knives, pistols and swords. The UN calls on the civilian population of the area to exercise maximum restraint.

[CNN \(12 October 2016\)](#)

FOREIGN AFFAIRS

▶ Singapore hopes to double the number of Myanmar tourists, from the 105,000 arrivals it saw in 2015. The Singapore Tourism Board (STB) launched a two-day Singapore Festival in Yangon on 8 October, featuring the various attractions the city-state offers. Citizens from both countries will no longer need visas to cross into each other's borders, starting from December this year.

[Channel NewsAsia \(9 October 2016\)](#)

▶ Myanmar leader Aung San Suu Kyi will meet India's Prime Minister Narendra Modi next week in India, the Indian foreign ministry said on 12 October. Suu Kyi, accompanied by her key ministers, will make her first official visit to India from October 17 to 19 after concluding a key sub-regional Asian summit in the western India.

[Hindustan Times \(12 October 2016\)](#)

▶ A UK Government-supported programme, to strengthen the development of a modern, dynamic oil and gas sector in Myanmar, is to be launched later this month, according to a joint press release from the British Embassy in Yangon and Aberdeen International Associates (AIA). Mr Gordon McIntosh, Director and Chairman of the AIA, will visit Myanmar from 17-23 October to meet with Myanmar's Government to identify how the UK can help build the capacity of government officials in the sector.

[Mizzima \(11 October 2016\)](#)

ANDRITZ AWARDED CONTRACT TO OUTFIT LAOS' 670-MW NAM THEUN 1 HYDROPOWER PLANT

Equipment supplier Andritz Hydro has been awarded a contract to outfit the 670-MW Nam Theun 1 hydroelectric plant in Laos.

- ▶ The deal will see Andritz provide three vertical Francis turbines, generators, governors, automation and control systems, transformers, switchgears, inlet valves, mechanical auxiliaries, installation supervision and commissioning supervision, per a company statement
- ▶ The value of the contract was not disclosed; Nam Theun 1 is being developed by investors Lao Holding State Enterprise, Malaysian partner Gamuda and Thailand's Electricity Generating Public Company Ltd
- ▶ The plant will be located on the Nam Kading River about 33 km upstream from its confluence with the Mekhong River in Laos' Borikhamxai province. The project is scheduled for commissioning in 2020; power generated by Nam Theun 1 will be supplied to both Laos and Thailand

[Hydro Reviewt \(10 July 2016\)](#)

MALAYSIA AIMS TO BE CHOCOLATE KING OF ASIA

Industries and Commodities Minister says the cocoa industry spurred 25,000 employment opportunities last year as it grew by 3%.

- ▶ Malaysia's local cocoa industry raked in US\$1.2 billion in 2015; this was the highest recorded for the industry, and it was due to the high demand and stable price of cocoa, said Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong
- ▶ It is estimated that the cocoa industry in Malaysia contributed a total of US\$380 million to the country's gross domestic product (GDP), consisting of US\$3.86 million from the upstream sector and US\$340 million from the downstream sector; however, according to the UN Food and Agriculture Organisation, Asia's top producer of cocoa is still Indonesia
- ▶ According to Datum Mah, the cocoa industry had spurred 25,000 employment opportunities for locals last year, with its chocolate and confectionary-based manufacturing sector expanding a total of 3%, from 13,400 metric tonnes in 2014 to 13,800 metric tonnes in 2015

[South China Morning Post \(10 October 2016\)](#)

COCOA PRODUCING COUNTRIES IN EACH REGION

AFRICA

- Cote d'Ivoire, Ghana, Nigeria, Cameroon

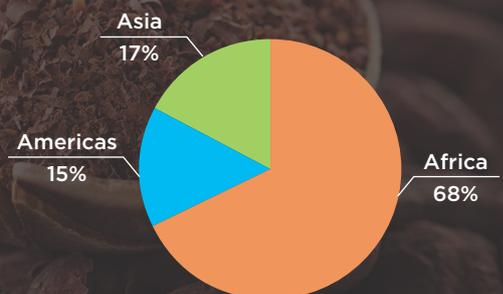
ASIA/OCENIA

- Indonesia, Malaysia, Papua New Guinea

AMERICA

- Brazil, Ecuador, Colombia

GLOBAL COCOA PRODUCTION



Source: World Cocoa Foundation

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