World leaders demanded an international investigation into the shooting down of a Malaysia Airlines passenger jet over eastern Ukraine that killed all 298 people on board.

Flight MH17 was on a scheduled flight from Amsterdam to Kuala Lumpur when it was shot down. The plane crashed about 40 km from the border with Russia near the regional capital of Donetsk, an area that is a stronghold of Kremlin-backed rebels who have been fighting Ukrainian government forces.

Of the dead, 191 were Dutch citizens, 44 were Malaysian, 27 Australian, 12 Indonesian, 10 British, 4 German, 4 Belgian, 3 Filipino and 1 each from Canada, US and New Zealand. All 15 crew members were Malaysian.

The loss of MH17 is the second devastating blow for Malaysia Airlines this year, following the mysterious disappearance of Flight MH370 in March, which vanished with 239 passengers and crew on board on its way from Kuala Lumpur to Beijing.

One US official said Washington strongly suspected the Malaysian Airlines Boeing 777 was downed by a sophisticated surface-to-air missile fired by Ukrainian separatists backed by Moscow.

The US called for an immediate ceasefire to allow international investigators access to the crash site, while pro-Russian separatists told the Organization for Security and Cooperation in Europe (OSCE), a regional security grouping, they would ensure safe access for any multinational investigation team.

Source: Daily Mail
According to Moody’s Investor Service, the proposed merger is expected to be credit positive for RHB Capital and the Malaysia Building Society Bhd (MBSB), both of which will benefit from CIMB’s larger distribution network and stronger funding profile.

The three entities entered into a 90 day exclusivity agreement in discussion of a potential merger for their business, which had already received approval from Bank Negara Malaysia; the merger would create Malaysia’s largest financial group by assets, which would total US$188 billion, making them the national leader in terms of banking assets, loans, and deposits.

**Merger Stakeholders**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Impaired Loan Ratio</th>
<th>Coverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3</td>
<td>2.3%</td>
<td>68%</td>
</tr>
<tr>
<td>A3</td>
<td>3.1%</td>
<td>84%</td>
</tr>
<tr>
<td>NA</td>
<td>7.6%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Combined, MBSB and RHB equal 61% of CIMB’s total Assets

Deal would have a market capitalisation of US$188 billion, assuming the deal is at 1.75 times book value.

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**Taiwanese Banks Expand into ASEAN Markets after Tax Increase**

As the business tax rate on banking and insurance sectors increases to 5 percent, an increasing number of Taiwanese banks have recently been forging ahead toward the ASEAN market.

The hike in business tax rate on core business revenues of the banking and insurance sector to 5 percent from 2 percent which came into effect on 1 July 2014 is adding to the pressure on the banking sector in the already crowded Taiwan market.

The island’s banks are planning to switch their development focus to other areas of Southeast Asia. Reportedly, underdeveloped Myanmar and Laos are the favored countries.

Taiwanese banks, namely First Bank, E. Sun Bank and Cathay United Bank, will likely be the first foreign investors to tap the financial market in Myanmar with the country reportedly soon to allow foreign banks to set up branches.

Myanmar has in recent years gradually opened its door to foreign investors as its political and economic situations improved. The country is attractive to foreign investors, with more than 60 foreign banks reportedly on the waiting list to open branches.

A Chinese oil company has completed drilling in disputed waters off the coast of Vietnam and moved a rig that sparked skirmishes between boats of the two countries and deadly anti-Chinese riots in Vietnam.

The said HYSY 981 rig completed drilling off Zhongjian Island in the Xisha Islands, as the Paracel Islands are known in Chinese, on 15 July according to Chinese state-owned enterprise China Oilfield Services Ltd.

The removal comes one month ahead of schedule. It will now be deployed in the LingShui blocks near China’s Hainan Island. Separately, China said yesterday it released 13 Vietnamese fishermen it detained for fishing in its waters.

The departure of the rig and the release of the fishermen may not however mend ties with Vietnam, which no longer views China as a friendly ideological partner and may seek alliances with countries such as the Philippines, Japan and even the US, said Le Hong Hiep, a lecturer at Vietnam National University in Ho Chi Minh City.

Hanoi demanded that China never return rigs to the waters or any area belonging to Vietnam, Le Hai Binh, Vietnam’s foreign ministry spokesman, said in an e-mailed statement.

Beijing however remains resolute in its territorial claims. “The Xisha Islands are integral parts of China,” Chinese Foreign Ministry spokesman Hong Lei said in a statement on the ministry’s website.

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**Sources:**

- Bloomberg News (16 July 2014)
- The Star (16 July 2014)
- The China Post (15 July 2014)
SINGAPORE BECOMES FOURTH MOST EXPENSIVE CITY FOR EXPATRIATES

According to a recently released survey by Mercer, Singapore was found to be the fourth most expensive city in the world for expatriates, second in the Asian region only to Hong Kong.

- The island state’s high cost of living is not, however, limited to expatriates alone; with inflation rates rising as high as 5.3% in 2011, real wages have recently fallen by 0.4% in 2013, whilst Singapore’s Gini coefficient stands at 0.463 in 2013.
- Such statistics reflect an increasingly divergent pay structure within the economy, with growth in real household incomes for the lowest 20% between 2007-2012 being 4.4%, compared to the median of 9.3%, essentially showcasing a falling level of social mobility.
- Under the present Finance Minister and Deputy Prime Minister Tharman Shanmugaratnam the government’s policies on social support for the poor has softened somewhat, with policies for the poor shifting towards a little left of centre in support for Singapore’s burdened local populace. (The Straits Times (14 July 2014))

LAOS, CAMBODIA AND MYANMAR BACK NEW THAI LABOUR POLICIES

Officials from Myanmar, Laos and Cambodia gave their support to new Thai labour policies on regulating migrant workers.

- The new policies drafted by the National Council for Peace and Order (NCPO) are intended to reduce problems and protect workers’ rights and conditions.
- Diplomats from the aforementioned countries voiced their approval for the new measures during the opening of a one-stop-service – centre for migrant workers in Samut Prakan Province, Thailand.
- Laos’s ambassador to Thailand Ly Bounkham said the move will help prevent labour abuses and human trafficking while Cambodian Ambassador Eat Sophea stated that the rights of migrant workers will be better protected. Burmese diplomat U Win Maung meanwhile urged workers from his country to register themselves with Thai authorities to fully benefit from the new measures.
- Thai army Chief-of- Staff, Gen. Sirichai Distakul, who led the one-stop service inspection warned “those who have been taking advantage of migrant workers to stop doing so, or face punishment.” The Thai Labour Ministry has confirmed that Thailand has about 2.2 million registered migrant workers.

INDONESIA NEEDS TO NARROW DOWN ITS INFRASTRUCTURE GAPS

This year’s Indonesian election plays a vital role in determining Indonesia’s future economic undertakings especially during the time when citizens are struggling with poor infrastructure networks.

- Poor accessibility and infrastructure networks such as bad roads surfaces and limited access to water and electricity especially in the eastern province halted the country’s economic development; the country needs a decent infrastructure system that could drive its productivity and the whole economy to its full potential.
- According to the World Bank June report, Indonesia has spent a low investment level on infrastructure, which currently sits at roughly 4% of the nation’s GDP; the small allocation on investment had contributed to its 1 percent loss of growth over the last decade; other factors that halted infrastructure improvements include corruption and lack of a structure in implementing regulations.
- Indonesia has to take actions to tackle its infrastructure issues, including economic reform in order to take its place as a global economic leader; to correctly do so, Indonesia must first improve its competitiveness by closing its infrastructure and skills gaps and making sure that its market functions well.
- The reform will eventually raise productivity and incomes, and would require more efficient government spending that cuts inefficiencies, such as fuel subsidies; as told by Edimon Ginting, the deputy country director for Indonesia at the Asian Development Bank, “The new government needs to focus on reforms, improving Indonesia’s competitiveness – during the election campaign both candidates have hit hard on this, whether it’s infrastructure, human resources or productivity.”

Singapore Just Got More Expensive

<table>
<thead>
<tr>
<th>RANK 2014</th>
<th>RANK 2013</th>
<th>CITY</th>
<th>COUNTRY</th>
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<tr>
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<td>1</td>
<td>Luanda</td>
<td>Angola</td>
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<td>4</td>
<td>N’Djamena</td>
<td>Chad</td>
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<tr>
<td>3</td>
<td>6</td>
<td>Hong Kong</td>
<td>SAR in China</td>
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<tr>
<td>4</td>
<td>5</td>
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<td>Singapore</td>
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<td>Geneva</td>
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<tr>
<td>9</td>
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</tr>
<tr>
<td>10</td>
<td>14</td>
<td>Shanghai</td>
<td>China</td>
</tr>
</tbody>
</table>

Singapore Inflation Rate

0.0 0.5 1.0 1.5 2.0 2.5 3.0
Jul 13 Oct 13 Jan 14 Apr 14

Source: Tradingeconomics.com

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POLITICS

The National League for Democracy said the public support for their campaign to amend the country’s constitution far exceeded their expectations but so far 3.3 million signatures have been collected. The NLD expects that number to rise to more than ten million before the campaign wraps up on Myanmar’s Martyrs’ Day on 19 July and signatures are submitted to the President and Parliament.

ECONOMY

Singaporean companies contributed almost all of Myanmar’s incoming foreign investment in the first five months of this year, the Directorate of Investment and Companies Administration said. Singapore accounted for US$1.9 billion of the total US$2 billion in the January-May period. Thailand was a distant second, investing US$114 million, while third-placed China invested US$51 million.

FOREIGN AFFAIRS

The first ever British Chamber of Commerce was launched in Myanmar on 16 July, making the UK the first European nation to open a chamber of commerce after the European Union lifted economic sanctions against the country in 2013. The body, which will work with the local Union of Myanmar Federation of Chambers of Commerce (UMFCCI), aims to support responsible, sustainable and transparent investment in Myanmar.

Laos Seeks to Improve Imports

In a bid to shore up revenue collection through tariffs, as well as fulfill its obligations towards the AEC and WTO, the Lao government is moving to abolish reference prices used to calculate import taxes.

The government has assured that the new tax scheme will do little to impact entrepreneurs or potential buyers, but will instead help to enhance sincerity, honesty and transparency from all parties.

In nine months of this financial year the Ministry of Finance has collected revenue equal to 61% of the annual plan, with tightened measures, the ministry hopes that revenue collection this year will reach 93% of the annual plan.

It is hoped that the adoption of modern management mechanisms and greater coordination between the ministry and relevant public and private sectors will also allow for more transparent business dealings.

Source: Tradingeconomics.com

THAILAND

Visa runners who do regular visa runs in order to extend their stay in Thailand have till 12 August before a crackdown by the authorities to enforce immigration laws more strictly.

Visa runners are those who leave Thailand and return immediately for the purpose of extending their stay. By exploiting 60-day tourist visas and 30-day visa exemptions, many foreigners can work illegally in language schools, or restaurants and other businesses. It is easier for some to get jobs this way, as some employers do not want to go through the complicated process of seeking work permits and like to avoid the expense if they can.

From 13 August, workers will not be able to re-enter the country, regardless of their choice of transport. The Immigration Bureau has already instructed officials to deny entry to foreigners doing visa runs as a measure to stop the exploitation of tourist visas and visa exemptions to live or work here.

Visa runs have been common among foreigners in Thailand recently, given that a simple search on the online turns up several companies offering “visa trips” for expatriates staying or working here.

Source: The Nation (15 July 2014)