

CARI CAPTURES



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01 SOUTH CHINA SEA STRUGGLE



ASEAN is working to craft a joint statement over the South China Sea issue, Cambodia's foreign minister said, in an apparent effort to repair discord that led to an unprecedented failure to issue a communique after a regional summit.

- ▶ This follows Indonesian Foreign Minister Marty Natalegawa's visit to Cambodia on 19 July as part of his whistle-stop Southeast Asian tour aimed at rescuing the group's tattered image
- ▶ Analysts and regional media continue to issue reactions to the latest imbroglio
- ▶ The deadlock in Phnom Penh may delay a code of conduct for the South China Sea

- ▶ but it may also speed the unwillingness of at least some ASEAN states to kowtow to China, while strengthening their incentive to cooperate prudently with outsiders, including the US, for the sake of their own national and regional independence, according to Donald K Emmerson, Director of Southeast Asia Forum at Stanford University, and CARI's adviser
- ▶ Clearly it's difficult for ASEAN to solve this issue through consensus, perhaps it's time to find another method for making decisions, wrote Supalak Ganjanakundee in the Nation
- ▶ The Philippines should stop pointing its finger at Cambodia for failing to muster ASEAN forces to defend Philippine interests

- ▶ because when Cambodia appealed for ASEAN's intervention in its border dispute with Thailand, the two countries were told to solve the problem themselves, said an editorial in Cambodia's largest daily newspaper, Rasmei Kampuchea
- ▶ Meanwhile, Vietnam has offered to extend India's contract for a gas block in the South China Sea for two more years, raising the prospect of India getting embroiled in the territorial disputes with China
- ▶ Reinforcing China's stranglehold hold on Cambodia, Minister of Finance Keat Chhon said on 17 July, China is the largest provider of financial assistance to Cambodia for agriculture and irrigation development in the last three years

Reuters, Asia Times, Nation, Rasmei Kampuchea, Times of India, China Daily (19 July 2012)

02 INDONESIAN BOOM STARTS TO STALL



A steep slide in the Indonesian rupiah is the latest signal that investors are worried the good times in Southeast Asia's largest economy could be coming to an end.

- ▶ Indonesia's stocks and government bonds have also lagged
- ▶ The recent scepticism is in contrast to the start of the year, when Indonesia's economy had just completed its fastest annual expansion in 15 years, and the government had just garnered an investment-grade credit rating from some rating firms
- ▶ Indonesia's central bank implemented some capital restrictions that many investors worry would prevent them from easily removing money from the country in a time of crisis

- ▶ Indonesia has also enacted a raft of new trade restrictions in the last few months (see also, Captures issue 80, story no. 5)
- ▶ Restrictions on the export of minerals have raised Japan's hackles and prompted the two sides to exchange threats of trade retaliation, while the US rapped Indonesia at a 22 June WTO meeting over a "sweeping" May rule that dictates who can import what
- ▶ The culprit partly is politics within the ruling party as President Susilo Bambang Yudhoyono, who relinquishes office in 2014, is ceding more power to antireform elements
- ▶ **Why it matters:** Curbs on exports and imports threaten progress toward regional integration.

Wall Street Journal (18 July 2012)

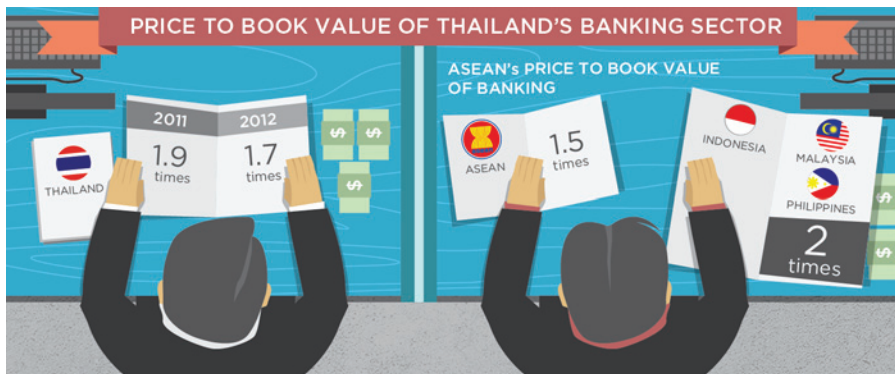
The rupiah has slid more than **3%** against the dollar in the past six months, more than double the decline of the Singapore dollar and Malaysian ringgit.



03 ASEAN BANKING SECTOR OUTLOOK POSITIVE



Thailand, Laos, Indonesia, Japan



Asia Plus Securities and CIMB Securities (Thailand) are overweight on Thailand's banking sector – Asia Plus forecasted a 25% increase in annualised net profit this year against a price to book value of

1.7 times, higher than the regional average of 1.5 times.

▶ Since early 2012, Thailand's banking sector index has increased by 26.3%, outperforming the market average of 18%, due to strong growth of loans as companies

Bangkok Post, The China Post, The Nation, The Star (4 July 2012)

04 EXTRA LAND FOR EXPANSION OF CHANGI AIRPORT



Singapore

Singapore has earmarked 1,000 hectares of land for the expansion of Changi Airport, which will in turn double the size of the airport's size in the coming years.

▶ This move comes as rival airports in China, India and the Middle East formulate bold expansion plans to meet the growing demand for air travel

▶ Changi Airport now occupies 1,350ha of land
▶ Singapore's airport can now handle more than 70 million passengers a year, and by 2017, when a new Terminal is ready, the figure will be 85 million
▶ **Why it matters:** Leading air hubs worldwide are upping their game, and are taking a long-term perspective to capacity building, according to Bloomberg

Straits Times (18 July 2012)



• CHECKPOINT •

Number of passengers passing through major ASEAN airports

	2012 (Jan-March)
1. Suvarnabhumi Airport (Thailand)	14,619,325
2. Changi Airport (Singapore)	12,292,663
3. Soekarno-Hatta International Airport (Indonesia)	13,614,406
4. Kuala Lumpur International Airport	9,534,751

Source

05 BOI TAKES HARD LOOK AT INVESTMENT POLICY



Thailand

Thailand's Board of Investment (BoI) is re-examining its investment promotion policy and will be changing its approach from a zone-based criteria to industry preference.

▶ Investment privileges will be changed to provide investment incentives especially for renewable energy and high-technology manufacturing sectors

▶ The BoI will continue to promote industry cross-border alliances in Halal food and rubber industries

▶ Industry Minister M R Pongsvas Svasti said new policies were aimed to promote innovation, creativity and attract foreign investors to Thailand's favourable infrastructure and human resource capacities

▶ In preparation for the ASEAN Economic Community, Thailand still has to improve its rules, regulations and cooperation with its neighbours to increase the productivity of its sectors

Bangkok Post (14 July 2012)

06 MYANMAR MONITOR

Economy

▶ General Electric became the first US company to invest in Myanmar, signing deals on 14 July to provide medical equipment to a pair of hospitals in Yangon; only days after the US eased sanctions of Myanmar.

Bloomberg (14 July 2012)

▶ IMF's chief Christine Lagarde has announced a new office, based at the Bank of Thailand (BOT) in Bangkok, aimed at boosting its support for Myanmar. The office will also provide help to Laos.

The Myanmar Times (16 July 2012)

Politics

▶ Twelve leaders of ten Democratic and Ethnic Alliance parties met Myanmar President Thein Sein for the first time in Naypyidaw on 18 July. The representatives discussed a wide range of issues including changes to the electoral system for the next election in 2015.

The Irrawaddy (18 July 2012)

Foreign Affairs

▶ US Congress will present Myanmar opposition leader Aung San Suu Kyi its highest civilian honour, the Congressional Gold Medal during her visit to the United States in September. Suu Kyi will also be presented the Atlantic Council's Global Citizen Award.

Washington Post (18 July 2012)

▶ The US Senate Finance Committee voted on 18 July to keep pressure on Myanmar by extending the US ban on imports from Myanmar for three more years. Aung San Suu Kyi has however pleaded to influential US Senator Mitch McConnell to remove more US sanctions.

Reuters, Mizzima (18 July 2012)

▶ Cambodian Prime Minister Hun Sen said 13 July that the issue in Myanmar is no longer "a headache issue" for ASEAN during a meeting with visiting Myanmar President Thein Sein, who expressed thanks to Cambodia for their help as the chair of ASEAN.

MY Sinchew (14 July 2012)

▶ Canada is to open an embassy in Myanmar for the first time, Canada's Foreign Affairs Minister John Baird announced 13 July as he met his Myanmar counterparts in Cambodia.

AFP (13 July 2012)

▶ Myanmar's President Thein Sein told the UN Thursday 12 July that refugee camps or deportation was the "solution" for the around 800,000 Rohingya Muslims, who are unwanted in Myanmar and in Bangladesh, and considered to be some of the world's most persecuted minorities.

AFP (12 July 2012)

07 TECH FLOODS INTO PENANG



Malaysia

PENANG GENERATES MUCH OF MALAYSIA'S FDI FLOWS

Malaysia US\$2.37 billion (1Q)
Penang US\$3.9 (2010), US\$2.9 billion (2011)

EXPANSION

Intel - research and development
Agilent - life sciences division
National Instruments - research and development

NEW ENTRANT

Bose - setting up manufacturing plant

PENANG'S APPEAL

- International air hub
- Strong logistics infrastructure,
- Inexpensive and reliable supplies of electricity and water

Following last year's earthquake in Japan and floods in Thailand, global manufacturers are looking to Penang and elsewhere to broaden their supply chains for everything from car parts to semiconductors to hard-disk drives.

▶ "Longer term, many multinational companies are preparing better for natural disasters and supply-chain disruptions, and they now see Penang and Malaysia as an attractive location", said Heng Huck Lee, managing director at local contract manufacturer Globetronics Technology

▶ Malaysia has an edge compared to its neighbours as it's safely away from Pacific

Ring of Fire, mostly unaffected by the earthquakes and volcanoes

▶ Malaysia is ranked the world's third best global services location for eight years in a row, behind India and China, based on the latest AT Kearney Global Services Location Index 2004-2011 report

▶ "Last year, we captured 30 new investments in shared services and outsourcing sector with a potential investment of over US\$100 million and the creation of about 7,000 jobs for the next three years", said Multimedia Development Corp global sourcing cluster division director, Michael Warren

Wall Street Journal (19 July 2012)

08 CHINA BECOMES THAILAND'S LARGEST SOURCE OF TOURISTS



China

China has surpassed Malaysia as the largest source of tourists in Thailand.

▶ A total of 1,124,234 Chinese tourists visited Thailand this year, which increased 28.9% since last year according to the Tourism Authority of Thailand (TAT)

▶ A total of 10.5 million tourists visited Thailand during the same period, which was a 7.6% increase

▶ Chattan Kunjara Na Ayudhya, head of TAT's International Relations said that they were working with hotels, restaurants and tour agencies to constantly improve service quality

Chinese tourists reportedly spend more than their counterparts as well

Ebeling Hefferman (19 July 2012)



THAIBEV SEEKING STAKE IN F&N



Thailand

Asia Pacific Breweries (brews Tiger Beer)

Main stakeholders

Heineken 42%

Fraser & Neave 40%

OCBC-Great Eastern 7.9%

Kindest Place Groups, owned by Charoen's son-in-law, Chotiphat Bijananda, seeks to buy 8.6% stake

F&N

Main stakeholders

OCBC-Great Eastern 18.2%

Kirin 15%

ThaiBev seeking 22% stake

▶ If the purchase is successful, ThaiBev, the brewer of Chang beer, will acquire 22% of F&N

▶ Dutch brewer, Heineken, which has stakes in F&N was alarmed by the development and vowed that it would safeguard its interests in F&N by offering US\$4.1 billion to buy the rest of APB it doesn't own from F&N to extend control of the Tiger beer brand

▶ The Japanese Asahi Group and Kirin Holdings, which has 15% stake in F&N, are also looking to tap into a growing market, especially in countries with a growing young population

▶ **Why it matters:** This is part of a larger trend where brewers are looking to increase presence in ASEAN

[Businessweek, Financial Times,](#)

[Wall Street Journal \(17 July 2012\)](#)

ThaiBev, owned by Thailand's second-richest person, Charoen Sirivadhanabhakdi, and the tycoon's family offered to purchase Oversea-

Chinese Banking Cooperation's (OCBC) shares in Fraser & Neave (F&N) and Asia Pacific Breweries (APB).



• CHECKPOINT •

Thai companies' recent forays abroad

PTT Exploration & Production's purchase of a 40% stake in Statoil oil-sands project in (2010) the largest acquisition by a Thai company. PTT is also bidding for Africa-focused Cove Energy.

Central Retail Corp acquired La Rinascente in Milan, Italy, in May 2011.

Thai companies have completed US\$3.47 billion worth of outbound acquisitions so far for 2012

US\$1.56 billion completed in 2011

US\$2.65 billion completed in 2010

(According to data from research company Dealogic)

<http://online.wsj.com/article/BT-CO-20120718-711342.html>



ASEAN EDUCATION TOWARDS ASEAN COMMUNITY



Malaysia, Thailand

Various programmes are introduced in Malaysia and Thailand in order to educate citizens and other people in the region on what it means to be "ASEAN".

▶ In Thailand, The Human Resources Institute at Thammasat University is launching a project called "ASEAN Sense of Citizenship" in a bid to educate Thais and other people in the region about "ASEAN".

▶ In a recent survey by the National Institute of Development Administration,

over 50 per cent of Thais were unaware of ASEAN integration in 2015 and almost 60 per cent had little knowledge about the regional grouping.

▶ The aim is to draft a concept of ASEAN citizenship and produce booklets and documentary on ASEAN to be distributed to the youth in Thailand and other countries in the region.

▶ In Malaysia, the Information, Communications and Culture Ministry through the Information Department is actively carrying out programmes to foster

friendship, understanding and cooperation among Asean countries in the information sector.

▶ The programmes implemented are the Asean Quiz, information officer exchange programme, visit exchanges by the IMalaysia Community, Community Information Cluster, and Village and District Consultative Councils involving Malaysia, Brunei and Indonesia.

[New Straits Times, The Nation \(15 & 16 July 2012\)](#)

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