Investing in ASEAN

Association of Southeast Asian Nations

2012 | 2013

asean

• one vision • one identity • one community •

| Brunei Darussalam | Cambodia | Indonesia | Lao PDR | Malaysia |

| Myanmar | Philippines | Singapore | Thailand | Vietnam |

Allurentis is delighted to have been involved in partnership with ASEAN on this, the second publication and would like to thank all sponsoring organisations for their kind contributions. We are confident that it will raise awareness with all readers and prove to be an invaluable resource, especially for those wishing to become involved in the extraordinary business opportunities and growth prospects within the Region.

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Introduction: Integration will strengthen ASEAN's global role

With a combined GDP of US$2.1 trillion, a wealth of natural resources and an enterprising and increasingly well educated workforce, the ten member states that make up ASEAN possess the necessary assets to become a pillar of the global economic structure.

In spite of the severe uncertainties elsewhere internationally, Southeast Asia continues to display robust business expansion and investment opportunities in many sectors. The Asian Development Bank forecasts economic growth of 5.2% for the Region in 2012, compared to 4.2% in 2011.

Looking ahead to 2013, the Manila based Regional Development Bank (RDB), expects ASEAN's GDP to expand above 5.5% as a result of strong domestic demand and exports.

The world's most powerful economies are focusing increasingly on the area's stellar performance and growth potential. China, for example, has invested US$18.8 billion in ASEAN countries with more than 70% of this occurring in the last four years.

The Region represents the European Union's fifth largest trading partner, as trade in goods and services remain high at US$258 billion in 2011.

Europe is also by far the largest investor in Southeast Asia, with its companies accounting for an average of 20.6% of Foreign Direct Investment (FDI) in the past three years.

In an otherwise flat world economy, international corporations and investors see in ASEAN a dynamic Region of 600 million people situated across the world's major trading routes, which is becoming more prosperous. They recognise that progress made by ASEAN towards its integration goals will create even larger commercial opportunities.

According to Pascal Lamy, Director General of the World Trade Organisation (WTO), the greater the level of integration in the Region the more resilient and confident the Region's economies will become.

Investment is developing into a two way process as Southeast Asia's major companies look increasingly for business opportunities outside the Region. As a result, companies from the Region are becoming more prominent as global players in the lead up to an ASEAN integrated economic community in 2015.

Malaysia's Sime Darby, the world's largest palm oil producer and SP Setia, are in a consortium, about to acquire London's Battersea Power station site, for instance. The development project is reported to have a potential gross value of US$12.56 billion over 15 years.

ASEAN member countries are meanwhile stepping up efforts to consolidate Free Trade Agreements with the Region's main trading partners, with Indonesia being appointed to take the lead in the process.

As part of this, negotiations are being initiated with China, Japan, South Korea, India, Australia and New Zealand to achieve an Asia-Pacific Free Trade Area by 2020. The intended pact has a wide scope involving a liberalisation of trade in goods and services, as well as investment.

When these agreements are fully implemented between the ASEAN+6, the sixteen countries will constitute the world's largest free trade bloc.

The Region is also bolstering its economic defences against global financial turmoil through an enhanced multilateral currency swap agreement. The safety net was set up following a meeting of finance ministers from ASEAN States together with, Japan, China and South Korea, hosted in Chiang Mai in Thailand in 2010.

In 2012, signatories decided to double the size of the existing regional currency pool to US$240 billion. They also agreed that they can tap up to 30% of each individual quota and by 2014 this will be raised to 40%.

It is a move that consolidates the Region's ability to withstand the kind of liquidity crisis that struck Southeast Asia in 1998 and strengthens its resilience against current global concerns, not least the Eurozone debt crisis.

The move will also significantly lessen dependence on larger entities such as the International Monetary Fund (IMF), for future assistance and underpin sustainable growth in the Region.

There are other areas where ASEAN still faces considerable challenges. One of the most acute problems concerns maritime territorial issues. Disputes are coming to the fore, as rights to potentially vast hydrocarbon resources become increasingly assertive.

With China and ASEAN members, Brunei Darussalam, Malaysia, the Philippines and Vietnam all having overlapping claims in the South China Sea, a pressing recent focus has been on devising a Code of Conduct by ASEAN members and China.

At a regional forum in July 2012, participants from China and ASEAN nations underlined their ongoing commitment to the Declaration on the Conduct of Parties in the South China Sea, which was reached in 2002.

However, ASEAN Secretary-General, Dr. Surin Pitsuwan, has expressed concerns over "the projection of power" in the South China Sea, that is putting pressure on the conflict resolution process that the Association is trying to build.

ASEAN members agreed at a meeting in Phnom Penh in April 2012, to formulate a code of conduct for resolving disputes while continuing to promote negotiations with China through the Association.

Observers believe that The South China Sea issue will test ASEAN's ability to forge consensus on difficult problems and to act in the Region's broader interests.

In spite of the difficulties, Singapore Foreign Minister, Kasiviswanathan Shanmugam, commented that it is vital for ASEAN to demonstrate its capability to achieve consensus on even the most sensitive of issues.

This is even more important as the Association journeys towards building a regional economic community, during which it will encounter many politically sensitive and difficult decisions.

Observers believe ASEAN's most important achievement has been an absence of major conflict in the Region since the Association was formed in 1967. At the very least, the existence of ASEAN has significantly improved interactions between member states and this has contributed to maintaining stability and to economic and political cooperation.

US Secretary of State, Hilary Clinton, has stated that ASEAN is central to America's elevated engagement in Asia. "The Association plays an indispensable role in holding the Region's institutional architecture together and in advancing the common interests of all stakeholders in the Asia-Pacific," she says.

There are formations of new regional forums such as the East Asia Summit, which includes Pacific Rim countries, as well as the EU. ASEAN has confirmed the EU's central role in the new East Asian regional architecture.

In the last two years, the ASEAN Defence Ministers Meeting-Plus has also developed. This process links ASEAN with defence ministers of Australia, China, India, Japan, South Korea, New Zealand, Russia and the US.

While there may be a difficult path ahead, there is also a major opportunity for ASEAN to enhance its relevance and role in the resolution of regional problems as much as in economic and social development.

The main challenge for ASEAN, is to speak with one voice on a range of issues, which touch upon very different interests among its members. The Association's agenda though, is concentrated firmly on prioritising measures to realise the ASEAN Economic Community by 2015. As Cambodia's Prime Minister, Hun Sen, has stated "the big picture is the one that must not be lost".


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Dr. Surin Pitsuwan: Secretary-General of ASEAN

Dr. Surin Pitsuwan, Secretary-General, ASEAN

In September 2011, Malaysia's AirAsia made news at the Paris Air Show, when it signed a deal with Airbus to buy 200 A320neo jets. The deal was worth about US$18 billion. In September 2012, news reports said AirAsia is considering ANOTHER order of 100 new aircraft. AirAsia Group CEO, Tan Sri Tony Fernande, must be a very confident man.

Also in September 2012, the GfK Group - one of the largest market research companies in the world - noted that "consumers in Southeast Asia spent some US$8.75 billion on almost 29 million smartphones within the last 12 months, translating to 61 and 78% growth in volume and value".

Mind you, that was just the demand for smartphones. If we were to add the purchase of basic feature phones, our consumers bought more than "118 million units across the seven key markets in the Region - Singapore, Malaysia, Thailand, Indonesia, Vietnam, Cambodia and the Philippines".

GfK Asia reported that our mobile phone sector - which does not include Brunei, Lao PDR, and Myanmar - is worth some US$137 billion.

As I prepare to handover my office in December, I look at these numbers with pride.

ASEAN has enjoyed peace and stability for some three decades. We have put that time to good use, by focusing on development for our people.

Today, ASEAN boasts a combined population of 600 million strong. That's nearly half of China's market, or the Indian market for that matter. Your investment will help you access that 600-million-strong market, backed by a sturdy combined GDP of more than US$2.2 trillion and total trade worth over US$2.4 trillion. The employment you bring, will translate into greater demand for your goods and services. You will be close to your consumers and the savings in transportation costs alone can help to fund your R&D, expand your market share, or simply translate into higher profitability.

You may have already heard about the launch of the ASEAN Regional Comprehensive Economic Partnership or RCEP. This exciting initiative will see the tying up of five existing Free Trade Agreements between ASEAN and Australia-New Zealand, India, China, Japan, Korea. This is an awesome combination, which accounts for one third of global GDP, one third of the world's trade, and HALF the world's total consumers.

Imagine what the purchasing power of the RCEP can do for your business...

US-ASEAN
BUSINESS COUNCIL, INC.

US-ASEAN Business Council

Alexander Feldman, President, US-ASEAN Business Council

The US-ASEAN Business Council has worked for more than 27 years to advance the business relationship between the United States and Southeast Asia and I can honestly say the relationship has never been stronger than it is right now. Every year, trade and opportunities continue to grow. US-ASEAN bilateral goods trade grew by US$18.5 billion, or 10.4%, in 2011, with growth in all ten bilateral relationships. The ASEAN nations together, make up America's fourth largest export market, supporting over 437,000 jobs here in the US.

ASEAN is crucial to the future of the United States. A fact that is beginning to be recognised throughout business and the US government alike. ASEAN hosts over US$150 billion in US Foreign Direct Investment (FDI) and US companies continue to find opportunities here, as the business environment evolves.

As this is being written, the Council is preparing to lead a delegation of leading US companies to the 44th ASEAN Economic Ministers meeting, where the Ministers will take the time to engage with companies, exchange ideas and form real partnerships aimed at improving the economic environment.

ASEAN and its members have thought deeply about their economic future and put into place, plans designed to sustain and support this environment of growth. The ASEAN Economic Community, an ambitious effort is due to take effect in 2015. This will create a single market of 600 million consumers, linked by the ASEAN Free Trade Area and the ASEAN Single Window to create a free flow of goods and services. The ASEAN Connectivity Masterplan will create and develop cross-border linkages helping to bring regions and countries together and narrow the gaps in economic development.

As ASEAN grows and comes together, opportunities exist across a broad variety of sectors. ASEAN needs billions of dollars in infrastructure investment; not just traditional roads and bridges but broadband access, education and healthcare networks. ASEAN is building its financial framework and creating a greater system of business to business linkages. Growing incomes create opportunities for export. I encourage you to take the time to learn how ASEAN can benefit you.

EU-ASEAN Business Council

Stefano Poli, Chairman,
EU-ASEAN Business Council

While ASEAN currently remains a relative dark horse in the race to become the top global economic powerhouse, it has undoubtedly attracted its fair share of trade and investment from all over the world. With the International Monetary Fund forecasting highly competitive growth rates of 5.2 and 6% in 2012 and 2013 for the ASEAN-5, despite the downturn in the worldwide economy, ASEAN is quietly but surely morphing into the next formidable market and proving its economic resilience along the way.

Among the countries which have recognised ASEAN's as yet untapped potential, the European Union (EU) member states have surely been some of the most enthusiastic in seizing the related business opportunities. From 2008 to 2010, the EU was featured as ASEAN's top source of Foreign Direct Investment (FDI) inflow; in the same period, the EU also placed third in the top ten ASEAN trade partner countries/regions. This marks the EU as one of ASEAN's most committed economic partners, ahead of many other well-developed economies.

It is in view of the increasing European business interests in Southeast Asia, that the EU-ASEAN Business Council was first established on 5 May 2011. As a platform formally endorsed by the EU Trade Commissioner, Karel De Gucht and several ASEAN Ministers, the EU-ASEAN Business Council has successfully acted as an interface for public-private dialogue between the two Regions.

We are confident that the business connection between ASEAN and the EU will pay off handsomely for both ASEAN economies and its network of European business partners, especially with the launch of the 2015 ASEAN Economic Community. The EU-ASEAN Business Council will therefore continue to step up efforts on facilitating mutual trade and investment relations between ASEAN and the EU. It is our firm belief that few other places in the world offer, as ASEAN does, such a promising outlook for investment, at this juncture.

UK-ASEAN Business Council

Lord Davies, Chairman,
UK-ASEAN Business Council

ASEAN member states have previously been described as the tiger economies of Asia. With a collective GDP of over US$2 trillion and an impressive predicted collective growth rate of over 5% in 2012, never has this been more accurate. ASEAN is the next great market. UK-ASEAN trade already exceeds US$28 billion a year but there is much scope for this to grow. There are an increasing number of Free Trade Agreements being negotiated between the EU and ASEAN, as well as the UK having acceded to the Treaty of Amity and Cooperation.

The UK-ASEAN Business Council (UKABC) was launched in November 2011, with the aim of supporting an increase in UK-ASEAN trade. It is a reflection of the great opportunities for two-way trade to significantly increase. In helping to realise a step change in the UK's level of trade and investment with ASEAN, the UKABC works in close partnership with organisations across the UK and ASEAN.

The UKABC provides UK businesses, looking to or already active in the Region, with greater insights into ASEAN's high growth and emerging markets. We work with the UK Trade & Investment (UKTI) network of overseas offices to promote business opportunities in ASEAN to UK companies, as well as providing them with informative and practical market intelligence. The UKABC also works to put ASEAN decision makers in front of UK companies to maximise business opportunities and represent UK business' views in interactions with ASEAN and its member states.

As the Business Council continues to grow, we will increasingly develop our presence in ASEAN. Currently supported by the UKTI overseas network, the UKABC already works with ASEAN businesses to support them in connecting with UK businesses. We also help to ensure that UK businesses looking to expand into ASEAN, are offered appropriate in-country support from the extensive range of services available from UKTI.

There are significant opportunities for UK businesses to increase trade with ASEAN member states. Likewise, opportunities for ASEAN companies to trade with the UK are readily available. The UKABC exists to work with companies, to help ensure entry to their chosen market is as successful as possible. There has never been a better time for UK and ASEAN companies to do business.

Diversity is the key for ASEAN

Dato' Sri Nazir Razak, Group Chief Executive, CIMB Group

In ASEAN, you will quickly find people who understand you and your business needs. The Region's great track record in profiting from its diversity means that cross-cultural trade and investment are second nature. The Region's 600 million people are playing a growing role in our inter-connected global economy.

The story of ASEAN's future prospects needs a little perspective. There are ten member nations spread across Southeast Asia and we have a wide variety of government styles. At the last count, there were three constitutional monarchies, three republics, two communist states, one constitutional sultanate and a former military junta in ASEAN. Our people practice several religions and speak over 70 languages and dialects. Whilst two in our number, Malaysia and Singapore are among the most multi-racial countries in the world.

ASEAN is starting to shine on the global stage because its unparalleled diversity means, its people are open to new ideas and can manage differences without resorting to conflict. Rapid economic growth and an abundance of natural resources across the Region, have also attracted significant investment. ASEAN's people are also very hard working and have trade and cultural exchange embedded in their DNA by virtue of their geography.

Previously under the shadow of China and India, ASEAN has emerged as an increasingly attractive economic entity in its own right. The early Southeast Asian "Tiger Economies" of the nineties, have expanded into a whole Region of increasingly integrated economic centres and collectively they recorded a combined nominal GDP of US$1.8 trillion in 2010.

ASEAN can offer a wide range of opportunities for investment and collaborations. We have already established different hubs in the Region. We have the "Detroit of Asia" in Rayong, Thailand, where nine out of the world's ten largest automotive suppliers operate. Indonesia is the Region's largest producer of natural gas and the world's largest producer of palm oil and natural rubber. In Malaysia, we are the global centre for Islamic Finance and the Iskandar Malaysia corridor, on the border with Singapore, has the makings of a brand new urban and industrial cluster. We also have the new economic frontier of Myanmar, a country rich with natural resources, whose re-opening will link us even closer to China and India. In addition, there is great regional potential of the less developed countries, the Philippines, Vietnam, Cambodia, and Lao PDR.

What stands out is the Region's ability to manage and leverage its diversity and to integrate outside investment and ideas. At CIMB Group, which is headquartered in Malaysia but active across nine out of ten ASEAN countries, we have adopted a multi-local business model, so our leaders in each market are predominantly locals, who are knowledgeable and understand the markets they serve. CIMB Group have also created a strong sense of ownership and alignment to the whole Group's interests, to ensure efficient sharing of resources, knowledge and experience between different markets. We have found this business model to be most successful in the Region, as it enables us to cater for our diverse pool of customers, while still taking full advantage of regional economies of scale.

Apart from the attractions of business in ASEAN itself, there are strong cultural and geographical links to China and India. So, using the Region as a gateway to these two mega economies is an added strength. Businesses and investors can also consider ASEAN as a stepping stone to other parts of Asia, like the Middle East, to which Malaysia, Brunei and Indonesia have strong connections via the network of Islamic countries.

Looking forward, ASEAN's next step will be the creation of the ASEAN Economic Community (AEC) by 2015. This promotes regional integration through the free movement of goods, services, investment, skilled labour and the freer flow of capital. This will lead to a single market and production base in ASEAN and greater integration into the global economy. The AEC agenda will bring opportunities for new and existing businesses, to enjoy greater economies of scale and flows of trade, investment and people. There will also be tremendous opportunities in several large infrastructure projects as the ASEAN Connectivity Masterplan moves off the drawing board and into reality, with road, rail, power and shipping becoming more integrated across the Region.

Today, ASEAN is an oasis of growth in a changing and difficult world economic environment. Businesses and investors alike seeking to ride on wide growth prospects, should give ASEAN some serious thought. To prosper in ASEAN, you should also understand and appreciate its diversity, and capitalise on this strength.

ASEAN 2015: On the path to a true single market

Martin Desautels, Managing Partner DFDL & Nick Towle, Senior Adviser, DFDL

The ASEAN Economic Community (AEC), is one of the three pillars of ASEAN as outlined in the ASEAN Vision 2020. Its goal is to implement economic integration measures for the creation of a single market, in which there is a free flow of goods, services, investment and a free flow of capital. In 2007, ASEAN leaders agreed to accelerate the establishment of the AEC by 2015 and to move closer to "an EU-style community" of 600 million people.

The 2015 target to turn ASEAN into a rules based organisation, with harmonised trade and investment laws and rules, is very ambitious. So what progress has been made to date?

There are three key areas of focus for ASEAN members: trade in goods, trade in services and inward investment or Foreign Direct Investment (FDI). Taking each of these in turn:

Trade in Goods

Before being updated and replaced in 2010 by ATIGA (ASEAN Trade In Goods Agreement), the ASEAN internal market known as ASEAN Free Trade Area (AFTA) had successfully implemented, ahead of schedule, the liberalisation of trade and the reduction/elimination of tariffs applied to goods traded between ASEAN countries.

ATIGA brings more transparency and flexibility to regional trade liberalisation and consolidates all prior AFTA and CEPT (Common Effective Preferential Tariff) commitments related to trade in goods. It focuses not only on tariff liberalisation and non-tariff measures, but it also includes matters related to simplification of Rules of Origin.

ATIGA spells out the tariff rates to be applied on ASEAN products, except for agricultural products, within a 0-5% range. While four countries, Cambodia, Lao PDR, Myanmar and Vietnam, (known as ASEAN-4), have delayed until 2018 tariff elimination, on a number of goods. The success story for ATIGA and the previous CEPT/AFTA arrangements is that, by January 2010, the remaining six ASEAN members had eliminated tariffs on 99.65% of tax lines. ASEAN-4 countries had listed 98.86% of tax lines where tariffs apply between the target range of 0-5%.

In terms of Free Trade Agreements (FTAs) between ASEAN and external trading partners, the progress has been good. FTAs have been signed by ASEAN with China, India, Japan, South Korea, Australia and New Zealand. Negotiations with the US and the EU are continuing.

ASEAN Single Window[1]

A cornerstone of establishing the AEC by 2015, is the creation of the ASEAN Single Window (ASW) for cross-border trade in goods. A Single Window (SW) is "a facility that allows parties involved in trade and transport, to lodge standardised information and documents at a single entry point. This will fulfill all import, export and transit related regulatory requirements. If information is entered electronically, then individual data elements need only be submitted once"[2].

Each ASEAN member has agreed to establish its National Single Window (NSW), by the end of 2012 at the latest. Then connect them through the regional ASW, which will provide a secure framework, allowing NSW to exchange cargo clearance data, electronically across the ASEAN Region. The NSW in Singapore, (TradeNet®) began functioning over ten years ago, while other ASEAN countries were at various stages of development of their own NSW.

There is no precedent anywhere in the world for a regional SW such as this. The intersection of law and technology in the creation of SW, both domestically and region wide, means that it is critically important to draft national legislation[3] and regulations, in a way that will enable each country's NSW to be compatible with others. The national legal infrastructure should also conform to international standards in WTO/GATT structures. There are many key areas of e-commerce legislation and other regulations which still need to be introduced and harmonised, at both national and regional levels before the ASW can be fully launched.

Trade in services

In contrast to free trade in goods, which has calculable economic net benefits in boosting a country's trade, investment, GDP, prosperity and the liberalisation of trade in services. This often involves value-added or high-technology 'intangible' products, requiring the import of non-indigenous people and skills. Careful calibration is needed with regard to benefits and disadvantages. Less developed countries are more vulnerable when it comes to their smaller domestic service industries and the politically sensitive areas such as immigration, jobs, cultural values, education and social cohesion.

The 1995 ASEAN Framework Agreement for Trade in Services (AFAS), was negotiated and implemented under Article V of the GATS. This provided the broad guidelines for ASEAN members to progressively improve market access and ensure equal national treatment for cross-border services suppliers. AFAS was updated in 2003, by the introduction of the "ASEAN Minus X" formula, in what is effectively a 'two-speed' implementation of Member States' services commitments. Under this formula, countries that are ready to liberalise a certain service sector, may proceed to do so without having to extend the concessions to non-participating countries. All AFAS rules are consistent with international rules for trade in services, as provided by the General Agreement on Trade in Services (GATS) of the World Trade Organisation (WTO).

Free trade in services within the Region, has been implemented through several rounds of negotiations, resulting in packages of detailed commitments from each ASEAN member, in agreed economic sectors. ASEAN has concluded seven packages of commitments under AFAS since January 1996. There have also been three packages of commitments in financial services and two packages in air transport.

ASEAN members have also entered into a series of Mutual Recognition Agreements (MRA) for cross-border cooperation on professional services. This enables the qualifications of professional services suppliers to be mutually recognised by signatory Member States, thereby, facilitating easier movement of professional services providers in the Region[4].

Foreign Direct Investment

FDI is a key component of resource flows to ASEAN countries. Over the last decade, FDI flows into ASEAN members, grew at an annual average rate of 19%[5].

The common framework for encouraging FDI into ASEAN, is found in the ASEAN Comprehensive Investment Area (ACIA). The main principles of the ACIA include:

a: Immediate opening up of all industries for investment, with some exceptions as specified in the Temporary Exclusion List (TEL) and the Sensitive List (SL), to ASEAN investors by 2010 and all other investors by 2020.

b: Granting immediate national treatment, with some exceptions as specified in the TEL and the SL, to ASEAN investors by 2010 and to all investors by 2020.

Full realisation of the ACIA for the ASEAN-4, with the removal of TEL in manufacturing, agriculture, fisheries, forestry and mining, was subsequently re-scheduled for 2015.

Within this overall framework, each ASEAN country has adopted its own strategy to attract FDI. As in the EU, efforts to create a 'level playing field' between the countries in the single market, leaves national governments with freedom to provide their own tax and other incentives to investors. In addition, to target the promotion of special industries and also to regulate the liberalisation of investment in the industries that are considered important to national interest and security or to protect local businesses.

Some examples of relaxation of restrictions or granting of FDI incentives in countries where DFDL has offices:

• **Cambodia** allows 100% foreign ownership in most sectors, excluding land (50 year land leases are permitted). Duty free or preferential export access is widely available and there are attractive investment incentives and a liberalised capital account, enabling easy repatriation of profits[6].

• **Indonesia** offers qualified investors 100% foreign equity ownership in wholesale and retail trading companies and in all areas of the manufacturing sector. Corporate taxpayers investing in certain high priority sectors and/or areas of high economic potential are eligible for a reduction in taxable income of up to 30% of the amount invested. An accelerated depreciation and reduced withholding tax on dividends paid to non-residents[7].

• **Lao PDR** permits FDI in all but a few restricted sectors. There are special economic zones, where tax exemptions and holidays are available, with investment incentives depending on the level of existing economic infrastructure in that zone. The timeframe for issuing registration certificates for new companies has been accelerated. The rules relating to the requirement to obtain licences for some investment activities have been relaxed.

• **Myanmar** has had international sanctions either lifted, or suspended and is attracting great interest from investors keen to assess first hand, the opportunities of a country with 54 million people and largely untapped resources. The Foreign Investment Law of 1988, is likely to be replaced in the coming months, as Parliament considers a new law. The foreign exchange regime has been liberalised by the unification of exchange rates. Labour and Environmental Laws have been brought into line with international norms and the Government is promising more investor friendly steps.

• **Thailand's** Foreign Business Act of 1999, regulates businesses in terms of licencing requirements and limitations on foreign ownership, for example, in the telecommunications sector. However, foreign management control is permitted under the FBA, where foreign ownership is less than 50%. Therefore, 100% foreign equity ownership for manufacturing projects is allowed. In addition, Thailand has established a network of General Industrial Zones (GIZ) and Export Processing Zones (EPZ) with special incentives and privileges available. For example, land ownership and easier work permits.

• **Singapore** is now one of the world's leading business centres and financial hubs. Foreign investors are not required to enter into joint ventures or cede management control to local interests. However, exceptions to Singapore's general openness to foreign investment, exist in telecommunications, media, financial services, professional services and property ownership[8]. Singapore has a progressive tax system that is designed to spur entrepreneurship and business activity. Corporate tax and personal tax rates start at 0% and do not exceed 20%. Capital gains are not taxed.

• **Vietnam's** 2006 Investment Law, allows foreign investors to participate in most economic activities. Some sectors (eg. banking and insurance), are subject to specialised laws and regulations. There are 'Key Economic Zones' and 'Open Economic Zones' in various provinces. A system of preferential rates of corporate income tax of 10% and 20% (the standard rate is 25%), applies to a number of investment projects, depending on the business and/or geographical location. There are duty exemptions for imported capital goods for all projects and on importation of raw materials for production in encouraged investments.

Conclusion

In an economically troubled global environment, Southeast Asia remains an attractive FDI destination, with impressive growth rates and huge potential. If ASEAN members can hit the target date of 2015, for the creation of the AEC, the area can transform itself and improve the prosperity of its citizens, as well as becoming a key player in the international economy. This is the ambitious but achievable aim for ASEAN governments, if they can overcome the inevitable hurdles in their path.

Since the establishment of the firm in Lao PDR in 1994, DFDL's growth has matched that of the ASEAN economies. DFDL has 11 offices in eight countries, including seven ASEAN member countries. There are over 250 staff serving local and international investors across the Region. DFDL continues to offer its clients legal and tax services as the only law firm with a substantial locally based ASEAN presence.

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[1] Source: Extracts and material from ASEAN and USAID websites

[2] Source: UN/CEFACT Recommendation No 33 – Recommendations and Guidelines on Establishing a Single Window

[3] These laws should all conform to international standards such as UNCITRAL Model Laws on Electronic Commerce and on Electronic Signatures

[4] To date, ASEAN has concluded MRAs in seven professions: accountancy, engineering, nursing, architects, surveying, medical practice and dentistry.

[5] http://www.asean.org/26587.htm

[6] Source: DFDL Cambodia Legal, Tax & Investment Guide 2010-12

[7] http://www.deloitte.com/assets/Dcom-Global/LocalAssets/Documents/Tax/TaxationandInvestmentGuides /2011/dttl_tax_guide_2011_Indonesia.pdf

[8] http://www.state.gov/e/eb/rls/othr/ics/2011/157355.htm

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Globalizing your business into ASEAN with TMF Group

ASEAN: new opportunities

ASEAN is increasingly seen as the next great opportunity for investors in Asia. While the two major economies of Asia; China and India, have made all the headlines lately, ASEAN has quietly been gaining power as a destination for investment. For the past few years Singapore has been regarded simply as the gateway to Asia and the service economy here and in other ASEAN countries has grown in importance. However, increasingly, business is coming to the ASEAN countries themselves because of the opportunities they represent. Taken together, the Association of Southeast Asian Nations represents an economy of more than half a billion people with a GDP in excess of US$1.8 trillion (Source: www.asean.org). ASEAN is a collection of ten diverse and vibrant economies each with different strengths, including some of the fastest growing economies in the world today. The governments of the ASEAN member countries have been working together to provide an integrated framework for trade and industry. Within the Region there is a goal to establish a single market and production base with free flow of goods by 2015.

Increased competition in the global economy

While Asia has continued to flourish, the situation in the developed world has been more difficult in recent years, with the American and European economies flagging. Developments in technology, greater global connectivity and the digital economy have resulted in intensified competition in almost every industry.

As a result, it has become imperative for those businesses moving into new markets to focus on their core value proposition and on building customer relationships. The many firms fine-tuning their business model and breaking into new territories don't need the extra worry of local compliance. Nevertheless, reporting obligations and the administrative burden can vary significantly between countries. As businesses become more international, the challenges of retaining a full oversight of diverse operations and transparency in investments become greater.

ASEAN growth

The global economic downturn has had little effect on the Asia-Pacific Region. Steady growth, combined with investor friendly government policies, have attracted businesses keen to explore the vibrant new domestic markets that are emerging in ASEAN countries. This is particularly so, among consumers thirsting for fashion, music, recreation and technology.

The investment culture

While ASEAN presents a great opportunity for business and investment, it is important to keep in mind that ASEAN comprises ten independent countries and there are socio-cultural differences as well as different legal and regulatory environments. An increasing number of investors and businesses are coming to ASEAN to set up offices and it is vital for them to understand those differences to ensure that business flows smoothly.

Finding the right partner, one which understands the drivers of business growth and has expertise in managing cross-jurisdiction expansion with multi-national organisations, is critical. TMF Group has been helping businesses globalise their operations for over twenty years. With 100 offices in 75 jurisdictions, we are well placed to help businesses implement their global expansion plans. TMF Group is present in six major ASEAN economies; Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam and has expertise on the ground to help businesses establish operations and grow.

A single point of contact across countries

TMF views client relationships as a partnership: we listen carefully and work proactively to anticipate and resolve compliance issues, leaving our clients free to concentrate on growing their businesses.

TMF clients benefit from a single point of contact, coordinating work across multiple jurisdictions. We can support clients from any of our offices and where it is most convenient for the client. For example, we have a client in the Philippines who has offices all over Asia. The whole relationship across multiple countries is managed through a single point of contact in our Manila office, from which TMF responds to the client's global needs and priorities.

As another example, TMF provides local payroll services for one global information provider operating in 68 locations. We work closely with the client's HR and payroll team to provide a quality service at a reasonable price. Our single point of contact principle allows us to control the quality of service and meet the demands of strict monthly deadlines. The partnership involves constant monitoring and adapting systems to deliver greater efficiencies for our client.

Ease of travel in the Asia-Pacific region and progressive immigration policies have created a perfect recipe for businesses wishing to expand into or between ASEAN countries. We hope that TMF experts in the six key ASEAN jurisdictions can help you achieve your goals:

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The battle for Free Trade Agreement (FTA) preference

Free Trade Agreements (FTAs) have been a hot topic in the world economy and are considered by many to be one of the most effective tools to promote and enhance cross-border trade between countries. Especially in recent years, FTAs have taken a central role in the development and management of trade. Measures implemented by the World Trade Organisation (WTO), to further generate trade liberalisation, have slowed over time. In fact, in recent times there has been much talk about increased protectionist measures instead.

ASEAN has been particularly active in negotiating and entering into FTAs. The ASEAN FTA was established about 20 years ago and has steadily developed into an increasingly integrated Free Trade Area. In the past decade, ASEAN has also established a number of FTAs with external trading partners to boost trade integration and economic growth. To date, ASEAN has FTAs in force with China, India, Japan, Korea and a joint agreement that includes both Australia and New Zealand. There are ongoing discussions for FTAs, on either a bloc or bilateral basis, with many more.

The benefits offered under an FTA can often be significant and help to generate a competitive advantage, resulting in increased profitability and market share. Traditionally FTAs were designed with a specific focus on **financial benefits**, through the elimination of duties, either immediately or over time. However, more recently, FTAs have been developed to include more general trade facilitative coverage. This goes beyond the direct financial impact, to include aspects such as services, investments, market access measures, labour movement and government procurement, all of which help to facilitate cross-border business interaction. In this regard, measures **facilitating market access**, can aid in the abolishment of non tariff barriers that are becoming more and more common. They also allow for national treatment of imported products. This can include access to customs procedures such as inward/outward processing, temporary importation schemes, warehousing and free trade zones, to mention a few. An FTA can also help to provide more **certainty and predictability** for companies, for example, through more consistent customs treatment, protection of intellectual property, enhanced competition policy protection and mutual recognition of standards. Mutual recognition of standards has the potential to be particularly beneficial, as, for many companies obtaining relevant health and safety and other licences in multiple countries is a major drain on resources and costs. Furthermore, an FTA can help to **better utilise** resources through, for example, expansion of the eligible manufacturing territory, deployment of preferred human and monetary resources, access to preferred service providers and professional resources such as the facilitation of electronic commerce.

Despite the growing network of FTAs and the many opportunities they present to the trading community, the primary focus for many companies using or looking to use FTA benefits, is still reducing import duties. The proliferation of FTAs, which are broadly similar but vary in operational details, means that in practice, businesses face a number of challenges in realising preferential tariff concessions when trading goods. Such challenges are often a result of country specific interpretations and practices around the application of various ambiguous provisions in the legal text of the agreements, or in areas in which the agreement is silent.

Ways to address such issues can vary considerably between various territories and their respective customs authorities. Consequently, instead of exporters and importers being encouraged to increase their utilisation of FTAs, they are often deterred from doing so. This puts pressure on governments that have spent much political capital negotiating FTAs, with the goal of increasing their utilisation.

For both authorities and traders alike, it is important to take stock of the typical challenges faced:

Top ten issues faced by companies looking to utilise FTAs

1| Information gathering – Finding out what applicable FTAs are in place

2| Understanding FTA legal text – What does the legalese mean?

3| Cost benefit analysis – Is it worthwhile to utilise the FTA, or even possible to quantify the benefit?

4| Understanding Rules of Origin

5| Application of Rules of Origin – Do you qualify for FTA preferences?

6| Mapping commercial supply chain realities to FTA "assumptions"

7| Getting documentation in place from different company departments

8| Approval from government authorities – What, who and when?

9| Defence against post-verification challenges

10| Keeping up-to-date with existing and future opportunities

Despite the many opportunities on offer, the above table makes it clear that benefiting from FTAs is not a walk in the park. Particularly in the light of increasingly complex international supply chains, FTA texts are often inadequate when dealing with the realities of modern business. It is therefore worth reviewing the challenges and possible ways to mitigate such challenges in a little more detail.

FTAs are usually clear in their purpose to allow goods and services to move more freely between and among member territories, reducing or even eliminating tariff barriers. However, in terms of how FTAs interpret the reality of cross-border trade, there has been little innovation in how an FTA facilitates modern international trade. In this regard, FTAs are often structured to address a very traditional trade flow, ie., where the physical and transaction flows of the goods are solely between operators in the country of export and the country of import. Although more and more FTAs try to address these points, they continue to fall short of reflecting the commercial reality of many businesses today.

The commercial reality for many businesses today is that there is a widening operational gap between when and how goods leave a country of export and when and how they are imported into their ultimate destination market. Typically, none of what happens during the 'journey' has an impact on the originating status of such goods when they leave the country of export. Nevertheless, instead of facilitating such business structures in many instances, customs authorities reject preferential treatment simply due to the lack of clarity on how they should be addressed in practice.

The below table gives an overview of some of the most common challenges, including examples, as well as ideas on possible mitigation of them.

Issue	Challenge	Practical examples	Possible mitigation
1| Third Party Invoicing	Most organisations, especially large multinationals, operate supply chain structures that de-link the physical flow of goods from the transaction flow of invoices. In such cases, there is often no single invoice that correlates with the movement of goods from the exporting to the importing country and there could be no, one or more invoicing centres in the supply chain. Where there are invoices, they may not yet exist at the time of export or import.	Some customs authorities take issue with the mismatch in the physical shipment of goods and the lack of an accompanying commercial invoice. The legal texts of various FTAs address such invoicing structures in different ways. Some are silent, others very restrictive, yet others fairly accommodating.	Mitigating the challenges around third party invoicing, requires action by policy makers to provide clarity on the rules and consistency in the interpretation and acceptance among countries, in a manner that takes into consideration the reality of modern business and invoicing flows.

Issue	Challenge	Practical examples	Possible mitigation
2| Confidentiality of Pricing Information	Businesses frequently do not want to share information on profit margins, internal pricing policies, third party supplier prices etc., with customers in their export markets, as doing so could weaken their price negotiation power. When applying a third party invoice structure, a price mark-up is expected, even from a customs valuation point of view. Therefore a value at the point of export, ie., Free on Board (FOB) value, stated on the Certificate of Origin usually serves no purpose for customs clearance at the point of import and only creates a commercial dilemma for an exporter who wants to keep their price confidential.	Customs authorities across certain territories have rejected preferential claims when there is a discrepancy between the value on the Certificate of Origin and the commercial invoice. Similarly, where either the issuance or acceptance of Certificates of Origin has been denied where exporters or importers were unable, as opposed to unwilling, to provide the requested invoices.	In practice, it may be possible to reach an agreement with importing and/or exporting authorities on how to avoid such problems. For example, by not listing certain value information or by erasing it. A facilitative measure would be the removal of the requirement to list a value on the Certificate of Origin, or an assurance that a difference in value between an invoice and a Certificate of Origin does not invalidate a claim for preferential treatment.
3| Cumulation	Most FTAs allow for materials that qualify as originating in any member party of the agreement, to be used in the production of goods as if they originated in the country of production. For a company to take advantage of this provision, a Certificate of Origin for cumulative purposes is required for any material originating in one country, that is then used in further production in a second country. Often at the time of the export of the materials, it is not yet known which supporting Certificate of Origin for cumulation purposes is needed when shipping the materials.	Some companies apply for supporting Certificates of Origin in the country of export, in proportion to the export of finished products from the second country, based on its sales forecasts. Other companies apply for the supporting Certificate of Origin for the materials retrospectively. Some companies have even tried to obtain all potentially relevant certificates for the exportation of a single material. All of these solutions have obvious drawbacks and once again, tend to be ad hoc only.	The development of a single document for the purposes of cumulation for preferential origin purposes, regardless of the country and FTA, would make the process of cumulation significantly more straightforward for businesses. Harmonisation of the Rules of Origin among all ASEAN agreements would mitigate this issue and help the trade community to fully utilise the advantages offered by cumulation provisions.
4| Back-to-back Certificate of Origin	A common supply chain structure involves a company setting up a distribution hub to facilitate regional distribution. Certain FTAs allow for goods imported under a Certificate of Origin to be stored for a certain period of time in another country before they are re-exported. When the goods are re-exported, they may be eligible for a new Certificate of Origin issued by the 'intermediary' country, to show that the country of origin has not changed.	In practice, the rules surrounding the details and circumstances in which such a 'back-to-back' Certificate of Origin or 'movement certificate' can vary and customs authorities do not appear to have a clear consensus on how they should be applied in practice. As a result, the acceptability of such Certificates of Origin is unpredictable.	Similar to cumulation, the development of a single document to support a back-to-back Certificate of Origin, regardless of country and FTA, would mitigate this challenge. Also, harmonisation of the Rules of Origin among all ASEAN agreements, would make the back-to back certificate more practical.

Issue	Challenge	Practical examples	Possible mitigation
5| Retroactive Duty Refunds	If the importing customs authority has any doubt as to whether an imported product is eligible for preferential duty treatment, it can usually require the importer to provisionally pay duties at the non-preferential rates while the origin qualification is verified. There are other examples of preferential benefits being introduced retrospectively. For example, in cases where the final texts or amendments to an agreement are ratified but implemented with retroactive effect.	In many countries the process for an importer to obtain duty refunds is either not specified or prohibitively cumbersome. In particular, binding timelines on the authorities are usually missing or the practical verification process takes a significant amount of time.	Regulatory measures that would help, are provisions for a clear duty refund process, where non-preferential duty rates are paid upon importation. This, coupled with a fast, one-step process for duty refunds when a claim for preferential treatment is confirmed, without additional documentation requirements or lengthy procedures.
6| Minor Discrepancies	Most FTAs include a clause that states that 'minor discrepancies' in the paperwork surrounding an importation, using preferential trade benefits, do not necessarily invalidate the eligibility of such imports for preferential treatment. Although it is rare for the legal text to be specific, it is generally understood to cover typing errors, rounding inaccuracies, the misspelling of company names, etc.	In practice, the customs authorities' interpretation of the term 'minor discrepancies' varies significantly and it is increasingly common for the authorities to disallow preferential treatment, if there is any discrepancy or ambiguity in the paperwork.	Policy measures that would reduce this challenge are a clarification of the definition of 'minor discrepancies' and the consistent application of this definition at the port level, without delays and across agreements.
7| Minimum Processing	Even in cases where sufficient value is added, or a change in tariff classification confers originating status on a product, FTAs usually require certain minimum operations to take place in the country of export, before a product can be considered as originating in that country. The list of such minimum processes may be very brief or detailed and extensive. It will, however, never eliminate all ambiguity.	The question as to what is the minimum amount of processing required to be carried out, needs to be determined on a product-by-product and FTA-by-FTA basis. In addition, the exporting authorities can be reluctant to issue a Certificate of Origin in such cases, unless they feel comfortable that the importing authorities will accept their determination of minimum processing.	The clarification of requirements, specifically allowing for a binding decision process, between different parties to an FTA, would help. Harmonisation and standardisation of the minimum processing requirements would also be helpful in this regard.

As discussed, FTAs offer many attractive opportunities and benefits to the business community, ranging from financial benefits to market access possibilities and increased predictability when doing business. However, it appears that more effort is required to ensure that the efforts made by governments in negotiating the FTAs, are not undone by red tape and administrative difficulties. This may be due to the lack of commercial understanding reflected in an agreement or due to the absence of guidance and clarity on how certain provisions should be applied in practice. Many companies have successfully managed to apply for preferential tariffs but many others have also given up trying due to the significant challenges they face when applying for such concessions. These often unnecessary, obstacles go against the underlying principles of FTAs and create barriers for preferential treatment, rather than facilitating and encouraging market access.

It must be stressed, that frequently the reason behind the unpredictable treatment of preferential tariffs is due to conflicting objectives. Particularly in less developed countries, governments tend to rely heavily on revenue collected by customs authorities and therefore, impose very challenging revenue targets. This results in increased customs scrutiny and a decreased willingness to accept claims for preferential treatment in cases that are ambiguous. At the same time, examples of importers deliberately attempting to claim preferences, to which they are not entitled remain prevalent, fuelling suspicion from the customs authorities which makes life more difficult for compliant importers. Unfortunately, there is some way to go before importers will be able to fully utilise FTAs, to benefit from preferential duty rates, in a manner that is time, cost and resource efficient, as well as facilitated by customs authorities. In order to achieve this goal, more facilitative measures need to be put in place to clarify practical applications and create consistency among the various customs authorities. Having said that, no amount of legislation will eliminate all ambiguity. In addition, it should be kept in mind that the customs authorities are usually the policing force, not the creating force behind FTAs. The Ministries of Trade and Ministries of Finance will be more instrumental in accomplishing the relevant changes in legal text and implementation.

Companies are often not aware of their ability to put forward ideas and give input to influence an FTA negotiation and review processes. Most territories have authorities and forums that are highly appreciative of the voice of the private sector and welcome specific feedback to allow them to bring a case forward when negotiating an FTA. Therefore, it is important for the private sector to realise the importance of engaging in information sharing and voicing the challenges faced when utilising FTAs, in order to influence policy makers to take the necessary actions and to enhance the potential of FTAs.

Growing with ASEAN

Investing in ASEAN provides the possibility for a company to not just take advantage of the competitive incentives provided by each country, but also, because the region is working towards economic integration within the next three years, it will in addition benefit from opportunities afforded by intra-regional investment.

In 2010, ASEAN, on the back of a strong global recovery, saw its Foreign Direct Investment (FDI) inflows jump 100% from 2009 values to US$75.8 billion. ASEAN as a whole is perceived more favourably in terms of the cost of doing business, according to the World Bank's Doing Business reports. Between 2007 and 2011, it jumped two places from 89 to 87, due to lower perceived start-up costs.

In starting a business in a foreign jurisdiction, most companies have very similar concerns regarding incorporation costs, investment incentives, tax rates and foreign exchange controls. Some of the key requirements across some of the ASEAN jurisdictions are as follows:

CAMBODIA:

Stamp duty or capital duty on incorporation: The stamp duty is KHR100,000 (approx US$25). In addition, a patent tax of KHR1,140,000 (approx US$285) is payable yearly

Tax deductibility of set-up costs: Yes, set-up costs are considered as fully deductible expenses in the period in which the expenses arise but if the enterprise chooses to obtain deduction through amortisation, these expenses cannot be amortised over more than two years

Minimum share capital: KHR20,000,000 (approx US$5,000)

Foreign ownership rules: 100% except in certain industries

Deductibility of interest costs: Deductible if the interest is for money borrowed to serve the needs of the business, subject to the limit below

The limitation of deductibility of interest costs is as follows: limitation = A + B

A: 50% of net profit calculated without interest income or interest expense

B: any interest income received or accrued in the taxable year

Thin capitalisation rules: No thin capitalisation rules

Corporate tax rate for:

Incorporated company:

- Standard rate 20%
- Oil & gas and certain mineral and other exploitation activities, eg timber, ore, gold and precious stones, 30%
- Insurance activities 5% (on gross premium income)

Branch: Same treatment as incorporated company

Basis of taxation: Worldwide for companies which are tax residents

Capital gains taxable: Capital gains are treated as normal income for tax purposes

Tax incentives geared at foreign investors: Investment that are not on the Negative List and which fulfill certain conditions are eligible for tax incentives. Some of the activities on the Negative List are:

- Investment activities prohibited by law, such as production of poisonous chemicals
- Trading activities, transportation, restaurants, professional services, production of food products and beverages with investment capital of less than US$500,000, real estate development, telecommunication services, etc.

The investment incentives primarily consist of:

- an exemption from minimum tax of 1% on the business turnover.
- nil tax on profit for up to six years
- import duty exemptions

Incentive for listed companies:

- reduction of income tax by 10% of the tax payable
- withholding tax (WHT) on interest and dividends to be reduced from 14% to 7% for the first three years of listing

Utilisation of tax losses: can be carried forward up to five years

Loss carry-back: No

Group relief: No

Tax treatment of dividends received from foreign subsidiaries or associated companies: Dividend income from foreign companies is treated as normal income and subject to income tax in Cambodia. A foreign tax credit is allowed for the tax suffered on the dividend, subject to certain conditions

WHT on interest paid to non-resident parent company: 14%

WHT on dividends paid to non-resident parent company: 14%

WHT on royalties paid to non-resident parent company: 14%

Number of tax treaties currently in force: None

Foreign exchange controls: None

INDONESIA:

Stamp duty or capital duty on incorporation: No capital duty on initial incorporation

Tax deductibility of set-up costs: Yes, set-up costs are considered as a deductible expense

Minimum share capital: For a foreign investment company, minimum share capital is subject to review by the Investment Coordinating Board in respect of the scale of the business and other commercial factors

Foreign ownership rules: 100% except in certain industries

Deductibility of interest costs: Only for interest costs incurred for generating taxable income

Thin capitalisation rules: Yes, but rules have been deferred

Corporate tax rate for:

Incorporated company:

- 25%
- Effective rate of 12.5% for taxpayer with certain turnover and taxable income;
- Effective rate of 20% for listed taxpayer, with certain conditions

Branch: 25%

Basis of taxation: Worldwide

Capital gains taxable: Yes

Tax incentives geared at foreign investors: Incentives geared at certain sectors and regions

Incentives are given in the form of:

- 30% net income reduction of the invested amount, can be claimed within six years of the initial investment (pro-rated at 5% per annum)
- acceleration of fiscal depreciation
- 10% tax rate or a lower tax treaty rate on dividends paid to non-residents
- an extension of loss carry forward to more than five years but not more than ten years under certain conditions
- companies in the free trade zone or bonded zone are exempt from VAT, import duty, income tax article 22, excise duty

Tax holiday for new company in pioneer industry with certain investment criteria, in the form of:

- corporate income tax exemption from five to ten years from the start of commercial production
- 50% reduction on corporate income tax payable for the next two periods after the exemption period

Tax facilities for investment in renewable energy industry in the form of:

- a reduction in net income of 30% of the invested amount, which can be claimed within six years of the initial investment and is pro-rated at 5% per annum

- acceleration of fiscal depreciation
- a reduced tax rate of 10% on dividends paid to non-residents (or a lower tax treaty rate)
- an extension of loss carry forward to more than five years but not more than ten years, under certain conditions
- exemption from customs duty, income tax and VAT on the import of machinery and equipment (not including spare parts)

Utilisation of tax losses: Can be carried forward up to five years

Loss carry-back: No

Group relief: No

Tax treatment of dividends received from foreign subsidiaries or associated companies: Taxable. Indonesia applies "deemed dividend" rule for foreign companies that ARE 50% or more owned by an Indonesian company

If there is an obligation to submit the tax return in the domicile of the foreign country, the dividend is calculated on the fourth month after the deadline of tax return submission; if not, the dividend is calculated on the seventh month after the fiscal year end

Tax withheld on a dividend in a foreign country can be credited in Indonesia, with certain conditions

WHT on interest paid to non-resident parent company: 20% or reduced rate as per tax treaty

WHT on dividends paid to non-resident parent company: 20% or reduced rate as per tax treaty

WHT on royalties paid to non-resident parent company: 20% or reduced rate as per tax treaty

Number of tax treaties currently in force: 60

Foreign exchange controls: None. However, foreign loans should be reported to Bank Indonesia

MALAYSIA:

Stamp duty or capital duty on incorporation: Capital duty depending on amount of authorised capital. Duty ranges from RM1,000–RM70,000. Authorised capital cannot exceed issued capital

Tax deductibility of set-up costs: Yes, only if the paid-up capital is <RM2.5 million

Minimum share capital: RM2

Foreign ownership rules: 100% except in certain industries

Deductibility of interest costs: Only if funds used wholly and exclusively in the production of the gross income of the company

Thin capitalisation rules: Yes, although rules have been deferred

Corporate tax rate for:

Incorporated company: 20% for a small medium enterprise (SME) and 25% for non-SME

Branch: 25%

Basis of taxation: Territorial

Capital gains taxable: No, except for gains on the disposal of property or shares in real estate companies within five years from the date of acquisition. The gains are taxed at:

- 10% - within two years of acquisition, and
- 5% - between two to five years of acquisition

Tax incentives geared at foreign investors: For the manufacturing of certain approved products: (i) investment tax allowance of 60% for five years on approved fixed capital expenditure on top of the 100% capital allowance that is normally allowed. Allowance can be used to offset taxable income; or (ii) Pioneer status, which gives a tax holiday on at least 70% of the statutory income for five years

Multimedia Super Corridor (MSC) status – 100% tax exemption for IT-related businesses for ten years

Utilisation of tax losses: Can be carried forward indefinitely

Loss carry-back: No

Group relief: Yes

Tax treatment of dividends received from foreign subsidiaries or associated companies: Not taxable

WHT on interest paid to non-resident parent company: 15% or reduced rate as per tax treaty

WHT on dividends paid to non-resident parent company: 0%

WHT on royalties paid to non-resident parent company: 10% or reduced rate as per tax treaty

Number of tax treaties currently in force: 72 (excluding limited treaties with USA, Argentina and Taiwan)

Foreign exchange controls: Yes

THE PHILIPPINES:

Stamp duty or capital duty on incorporation: For Security and Exchange Commission, the filing fee is based on the amount of authorised capital. It is 0.2% of the authorised capital stock or the subscription price of the subscribed capital stock - whichever is higher but not less than P1,000. Capital stock cannot exceed authorised capital

For the Bureau of Internal Revenue, documentary stamp tax should be paid at P1 for every P200 par value of the subscribed capital stock

Tax deductibility of set-up costs: Yes, set-up cost is considered as a deductible expense

Minimum share capital: Generally, stock corporations are not required to have any minimum authorised capital stock, except as otherwise specifically provided for by special law

Foreign ownership rules: 100% foreign ownership allowed except in industries included in the negative list. For a 100% foreign owned company, minimum capital requirement is US$200,000

Deductibility of interest costs: The amount of interest paid or incurred within a taxable year on indebtedness in connection with the taxpayer's profession, trade or business shall be allowed as a deduction from gross income, provided, however, that the taxpayer's otherwise allowable deduction for interest expense is reduced by an amount equal to the 33% of the gross interest income subjected to final tax

Thin capitalisation rules: No thin capitalisation rules

Corporate tax rate for:

Incorporated company: 30% based on taxable net profit

Branch: Any profit remitted by a branch to its head office shall be subject to a tax of 15% which shall be based on the total profits applied or earmarked for remittance, without any deduction for the tax component thereof (except for those activities which are registered with the Philippine Economic Zone Authority)

Basis of taxation: Domestic corporation - earned within and outside of the Philippines

Capital gains taxable: Yes, for the sale of capital assets at 6% based on selling price or market value, whichever is higher and 5% - 10% for sale of stock not listed, the share of stocks based on the gains on such a sale

Tax incentives geared at foreign investors: Philippine Economic Zone Authority (PEZA) registered enterprises are entitled to a holiday from income tax and local taxes for three or eight years. After that, they are subject to 5% tax on gross income (sales less direct costs) in lieu of all local and national taxes

Board of Investments registration (BOI)

The BOI provides tax breaks and other incentives to registered entities that engage in activities identified as investment priorities or those which promote the general economic development of the Philippines and those that are export oriented (where export is more than 50% of production, or 70% if the enterprise is more than 40% owned by foreign investors). The BOI, in consultation with the public sector, comes up with an Investment Priorities Plan listing for these industries

Utilisation of tax losses: Can be carried forward up to three years

Loss carry-back: No

Group relief: No

Tax treatment of dividends received from foreign subsidiaries or associated companies: If received by a foreign company (registered in the Philippines) from foreign subsidiaries or companies, can be exempted from tax if the dividends have been paid out of profit that has been subjected to tax in the payer's country

If received from domestic (Philippines) associated company, not taxable if paid to corporate shareholders, 10% if paid to individual shareholders

WHT on interest paid to non-resident parent company: 20% or reduced rate as per tax treaty

WHT on dividends paid to non-resident parent company: 30% or reduced rate as per tax treaty:

15% for countries that allow tax-deemed paid credit

WHT on royalties paid to non-resident parent company: 20% or reduced rate as per tax treaty

Number of tax treaties currently in force: 37 as of June 2010

Foreign exchange controls: None

SINGAPORE:

Stamp duty or capital duty on incorporation: No capital duty on initial incorporation. Flat fee of SGD300 to be paid to the regulatory authority for incorporation

Tax deductibility of set-up costs: From the year of assessment 2012, companies can claim tax deduction on revenue expenses incurred in the accounting year immediately preceding its deemed date of commencement. However, pre-incorporation costs and costs of set-up are not deductible

Minimum share capital: SGD1

Foreign ownership rules: 100% except in certain sectors that are of national interest

Deductibility of interest costs: Deductible if wholly and exclusively incurred in the production of income of the company

Thin capitalisation rules: No thin capitalisation rules

Corporate tax rate for:

Incorporated company: 17%

Branch: 17%

Basis of taxation: Territorial

Capital gains taxable: No

Tax incentives geared at foreign investors: companies engaged in approved qualifying activities – investment allowance of a specified percentage not exceeding 100% of approved fixed capital expenditure on top of the 100% capital allowance that is normally allowed

Manufacturing and service companies undertaking pioneer projects or qualifying activities - pioneer incentive provides tax exemption on qualifying income

Global Trader Programme - 5% or 10% on qualifying offshore trading income

Approved royalties paid to access advanced technology and know-how – reduced rate of WHT on royalty payments

Utilisation of tax losses: Trade losses can be carried forward indefinitely provided certain conditions are met

Loss carry-back: Yes, tax losses up to SGD100,000 can be carried back for one year

Group relief: Yes

Tax treatment of dividends received from foreign subsidiaries or associated companies: Foreign sourced dividends can be exempted from tax if the dividends have been paid out of profits that have been subject to tax in the payer country at a tax rate of at least 15%

WHT on interest paid to non-resident parent company: 15%

WHT on dividends paid to non-resident parent company: 0%

WHT on royalties paid to non-resident parent company: 10%

Number of tax treaties currently in force: 69

Foreign exchange controls: None

VIETNAM:

Stamp duty or capital duty on incorporation: Capital duty: No

Stamp duty - only applies on the required registration of ownership of certain assets and/or transfer of property with rates of 0.5% - 20%

Tax deductibility of set-up costs: Yes, provided adequately supporting documents are available; gradually allocated within a maximum period of three years as from the date the enterprise commenced operation

Minimum share capital: No, except for certain industries

Foreign ownership rules: 100%, except for certain industries

Deductibility of interest costs: Yes, for interest cost incurred for generating taxable income, except for interest on loans corresponding to the portion of charter capital not yet contributed or interest on loans from non-economic and non-credit organisations exceeding 1.5 times the interest rate set by the State Bank of Vietnam

Thin capitalisation rules: No thin capitalisation rules

Corporate tax rate for:

Incorporated company: Standard rate: 25%.

Oil, gas and natural resource sectors: 32% - 50% depending on location

Branch: 25%

Basis of taxation: Territorial

Capital gains taxable: Yes, except for gains from assignments of capital and/or sales of shares in enterprises which are taxed at 25%; capital gains are part of the taxable income of an enterprise

For individuals, gains from assignments of capital and/or sales of shares are subject to 0.1% tax on gross sale or 20% of net profit

Tax incentives geared at foreign investors: Preferential tax rates of 10% and 20% for 15 and ten years respectively or for the whole life of the project are available for taxpayer engaged in encouraged investment projects and/or in socio-economically disadvantaged locations, as stipulated by the Government, or in economic zones and high-technology zones established by decisions of Prime Minister

A tax holiday for a maximum period of four years and a 50% tax reduction for a maximum period of nine subsequent years are available from the first profit-making year or the fourth revenue generation year, whichever comes first

Utilisation of tax losses: Losses must be carried forward consecutively in full, to total taxable income for up to five years after the year in which the losses were incurred

Loss carry-back: No

Group relief: No

Tax treatment of dividends received from foreign subsidiaries or associated companies: Taxable with the application of foreign tax credit rule

Foreign tax paid may be credited against Vietnamese CIT will be determined based on pretax income

The amount of credit given is the lower of the tax suffered in the foreign country or Vietnamese CIT attributable to foreign income

WHT on interest paid to non-resident parent company: 10% (CIT 5% and VAT 5% from 1 March 2012)

WHT on dividends paid to non-resident parent company: None

WHT on royalties paid to non-resident parent company: 10% (CIT 10% and VAT exempt)

Number of tax treaties currently in force: 62 (of which nine treaties are not yet enforced)

Foreign exchange controls: Yes, VND must be used in transactions between Vietnamese entities and individuals, unless specifically allowed

Short/long term foreign loan has to be reported/registered to the State Bank of Vietnam

All foreign exchange transactions (payments or overseas remittances) must comply with the regulations set by the State Bank of Vietnam

ASEAN has shown that it can withstand the vagaries of economic turbulence and as it continues in its economic integration, it will become increasingly attractive to foreign investors, as well as to its long time supporters in the European Union, USA and Japan. ASEAN's commitment to ensure continued success and prosperity in the Region saw a remarkable recovery in 2010. While there has been global economic uncertainties in 2011 and continued concerns in 2012, ASEAN will always prove itself to be a region with the right ingredients to be an attractive destination for foreign investors.

Article contributors: Virakphakdei Chea (Cambodia), Army Djatiprasetya (Indonesia), Fennie Lim (Malaysia), Ramon F. Garcia (Philippines), Sivakumar Saravan (Singapore), Nguyen Quynh Nam (Vietnam)

The Region's oil & gas exploration gathers pace

Southeast Asia's long established oil & gas sector looks set for a new era of development, as significant new discoveries and prospects throughout the Region open up to investment.

Research firm Frost & Sullivan forecast that the Region's overall oil & gas engineering and procurement capital expenditure for 2012-2013, will amount to US$38.7 billion. For some countries, the results could transform their economies.

Cambodia, for instance, depends on aid for around half of its national budget but natural resources of oil production could be the basis for the country to take charge of its development and improve the lives of its people. Government officials hope that its first crude oil will be extracted at the end of 2012, from an offshore block operated by the US' Chevron in the Gulf of Thailand.

Seismic testing is also underway in Cambodia's provinces of Preah Vihear, Siemreab and Kampong, where there are 17 onshore oil blocks, covering an area of some 5,756 square kilometres.

Elsewhere in the Region, exploration and development is being stepped up, especially in deepwater areas such as offshore West Papua and in the Gulf of Thailand, in expectation of the discovery of new giant fields.

Many Southeast Asian countries, including Malaysia, Thailand, Indonesia, Myanmar and the Philippines, have vast natural gas reserves. Estimates suggest there may be 200 billion barrels of oil in addition to 56.6 trillion cubic metres of gas awaiting exploitation in the South China Sea.

At an event held by the Southeast Asia Petroleum Exploration Conference Society, in Singapore in 2011, delegates heard that recent and planned activity provides plenty of encouragement.

The last two years have delivered a variety of discoveries around the Region both in "frontier" areas and new exploration in mature areas, both by large and smaller oil companies. The results have demonstrated that significant exploration potential remains within accessible areas and in locations untouched due to boundary disputes.

Demarcation disputes have intensified in recent years, particularly in areas bounded by the resource rich South China Sea. Other parts of the Region have seen competing claims resolved, for example, between Thailand and Vietnam in the Gulf of Thailand and Myanmar and Bangladesh in the Andaman Sea.

There is considerable need for cooperation. International oil companies possess the expertise, they also need political and legal certainty to commit to costly long term investments. Only the most advanced engineering methods are likely to lead to successful commercial exploitation of energy resources, in what are mainly complex geological structures, lying well offshore in deepwater areas.

While traditional onshore sites are maturing, new fields especially those offshore, are seeing the Region's hydrocarbon industry being given a new lease of life.

In Indonesia, where the sector is already well established, a vital element of economic development contributing over 20% of domestic revenue, around US$13.7 billion, was invested in 2011, an increase of 20% over 2010.

Indonesia has been active in the oil & gas sector for more than 125 years, after its first oil discovery in North Sumatra in 1885. The country holds proven oil reserves of four billion barrels and ranks 21st among world oil producers, accounting for 1.26% of global production.

Malaysian oil & gas production is also a vital part of the country's economy.

Total oil output in 2011 was 630,000 barrels per day (bpd). With some 5.4 billion barrels of oil, its reserves are also among the largest in the Asia-Pacific region.

Most production is offshore with the country's continental shelf divided into three producing basins: the Malay basin to the west and Sarawak and Sabah basins to the east. More than half the country's oil production comes from the Tapis field offshore Terengganu in the Malay basin. Peak oil production of 862,000 bpd was reached in 2006.

Malaysia, as well as Indonesia, is focused on exploration in deepwater areas and enhancing production from existing fields. New tax and investment incentives, which were proposed in late 2010 to promote oil & gas exploration and development, became official in mid-2011.

While the country's mature fields are in decline generally, ExxonMobil, Royal Dutch Shell and Hess have new projects that are expected to help offset falling output. ExxonMobil has said that its enhanced oil recovery project, involving investment of more than US$1 billion, at the Tapis field will start in 2013.

While developing its natural resources, the Malaysian government also aims to attract major international oilfield services and equipment companies. With this in mind, the Malaysia Petroleum Resources Corporation was established in 2011, to help make the country an oil & gas hub by 2017.

Singapore, the world's top bunkering port and a major refining centre, has traditionally had a significant presence in the oil storage industry, with a total of ten million barrels of independent storage capacity. Malaysia with its close proximity and possessing significant land availability, as well as deepwater marine accessibility is well placed to complement Singapore in this industry.

High end technology and engineering are increasingly important to the Region's oil & gas sector and this is stimulating development of local expertise. PetroVietnam, the state owned hydrocarbon company, has launched the country's first indigenously built 91.44 metres high drilling rig and oil platform. In so doing, it has become one of only three Asian countries and ten worldwide, capable of building jack-up drilling rigs to international standards.

New capabilities are needed to exploit Vietnam's crude reserves that are estimated at 4.4 billion barrels, most of which lie in offshore deepwater areas.

Brunei's oil & gas production also derives from offshore acreages. With oil production of 166,000 bpd and gas production of 32,980 million cubic metres a day. The Sultanate is Asia's third largest oil & gas producer.

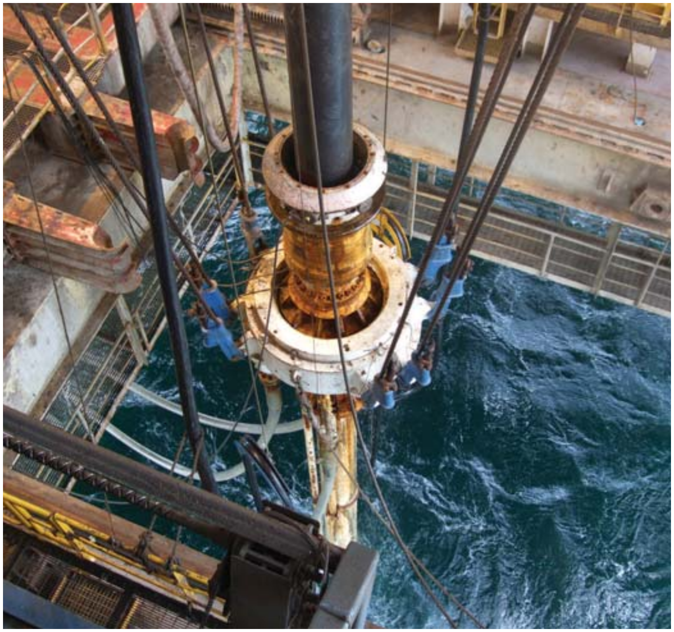
While Malaysia and Brunei are net exporters, domestic hydrocarbon production from other ASEAN members, is insufficient to cope with growing energy consumption. Thailand produces some 345,000 bpd, consumption though totals 1,080,000 bpd, according to BP statistical estimates.

Thailand is pressing hard though, to develop new fields in order to mitigate increasing its reliance on crude oil imports, in addition to pipeline gas and liquefied natural gas (LNG). While challenged by a need to import oil & gas, observers believe that Thailand could become a major exporter of refined oil products within the Asian Region, if the necessary investment takes place in refinery construction.

The Philippines is also striving to develop potentially significant hydrocarbon resources, albeit from a relatively low base level. Around 20,000 bpd of crude oil is currently produced from ten offshore wells. The aim is to achieve an increase to 50,000 bpd by 2013. However, oil consumption was some 329,000 bpd in 2011, which is predicted to rise to around 383,000 bpd by 2016.

While the Philippines is a net exporter of crude oil, Vietnam is a net importer of oil products but through investments in refineries and petrochemical projects, the country is expected to meet up to 60% of domestic demand for oil products by 2015.

Planned refinery developments, including the country's first at Dung Quat, will preserve valuable, sulphur light domestic crude oil, for export, while allowing for the processing of cheaper, heavier imported grades for domestic consumption.



Vietnam also plans to boost its oil production by nearly 7% from around 305,000 bpd in 2011. The country has become an exploration hotspot in Asia, following amendments to the country's petroleum law. These have paved the way for more open and transparent licencing schemes for international oil companies, whose expertise is required to exploit deepwater fields.

In order to attract international investment, the Region has to address the terms it is offering oil companies, since discovery costs per barrel of oil equivalent are rising. There is competitive pressure from other global regions with oil & gas prospects where exploration costs are lower.

This reflects the predominantly offshore nature of the Region's oil & gas sectors, with the best prospects lying in deepwater. The bulk of Indonesia's oil reserves, for example, are located onshore and offshore from central Sumatra and East Kalimantan. In these, most oil & gas production is produced by sharing contracts with foreign companies, notably from the US, China and France.

While important regional producers of oil, ASEAN countries can boast global significance in terms of natural gas sales. There are 54 rigs active in Indonesia's gas exploration, including twelve offshore. In 2011, production averaged 2.39 billion cubic metres per day, exceeding the target by 8.9%.

Indonesia is ranked eighth worldwide in gas production, with proven reserves of some three trillion cubic metres. It is the second largest exporters of LNG, with around 11% of the world total sales.

Over the next five years, there will be growing opportunities for equipment service providers in the oil & gas sector in Indonesia. This includes upstream development, as well as LNG terminals, tank farms, pipelines and gas storage facilities. BP confirmed in August 2011, that it had discovered sufficient reserves to enable it to build a third LNG train at Tangguh gas field in Papua.

While Malaysian oil export revenues are predicted to rise to around US$8.5 billion by 2016, export sales of gas are expected to be valued at US$14.2 billion. Malaysia is the world's tenth largest holder of gas reserves, estimated at 4.23 trillion cubic metres in 2011. It is the third largest exporter of LNG.

Gas supply from the Malaysia-Thailand Joint Development Area and other projects, including ExxonMobil's Bintang field, should lead to continuing growth in the country's production to reach a forecast 74.2 billion cubic metres by 2016.

There are also huge offshore natural gas deposits in the Gulf of Thailand, with estimated reserves of 300 billion cubic metres of gas. 70% of Thai gas production is derived from the country's Bongkot field, operated by Chevron.

Exploration is also being carried out in 40 other fields, both on and offshore, in an effort to mitigate the country's need to import gas. These projects include Chevron's Platong-2 project in the Gulf of Thailand, which is due to produce an eventual 3.4 billion cubic metres of gas a year and 18,000 barrels of natural gas liquids a day.

The Philippines also possesses considerable untapped gas resources with an estimated 985 billion cubic metres of natural gas reserves, mostly contained within its Malampaya gas field, a field that may also contain large crude deposits. The country's Sampaguita field, containing possibly up to 1.42 trillion cubic metres of gas, is also being considered as a further source of natural gas.

Myanmar is considered to possess some of the Region's largest as yet unexploited hydrocarbon deposits. Proven oil & gas reserves stand at around 2.1 billion barrels and seven trillion cubic metres respectively.

Currently, 17 oilfields and five gas fields produce on land in Myanmar. Two more offshore gas fields, Daewoo International's Shwe project and the Thai state owned PTT Exploration & Production's Zawtika project, are due to come on stream in 2013.

So far, there are only a few international firms active in Myanmar's energy sector. France's Total operates the Yadana gas project, one of just two producing offshore projects in Myanmar, with the US' Chevron as a minority partner.

In 2011, Myanmar signed nine agreements to bring in foreign companies, including Malaysia's Petronas and India's Jubilant, to explore for oil and natural gas offshore.

Myanmar has invited foreign energy firms to explore in another 23 offshore oil & gas blocks. It seeks billions of dollars of investments to tap its vast and under-exploited resources. Most of these lie in deep waters offshore and six in shallow water in the Bay of Bengal and Andaman Sea.

A new Investment Law, which will give foreign companies tax breaks and also give them greater freedom to lease land from private owners, is expected to boost interest in resources that could be as large and valuable as any yet discovered in the Region.

Laying foundations for growth

KrisEnergy was established in 2009, with the vision of becoming the premier exploration and production (E&P) company and to be the employer and partner of choice in Southeast Asia.

We believe there remains ample opportunity to find, develop and produce oil & gas in the Region, where healthy economic growth underpins increasing energy demand. Southeast Asia has a plethora of small gas accumulations that historically have been deemed non-commercial and sat latent for years. The development of infrastructure across the Region, as well as new technologies, will drive some of these towards commercialisation. In parallel, we are experienced in the fast-track development of marginal oil discoveries, which are prevalent in this part of the world.

Business is brisk in the Southeast Asian upstream sector. Following a lull in interest in the mid-2000s in the wake of the Asian financial crisis, all industry players from the super majors, national oil companies and independents are again active in the Region.

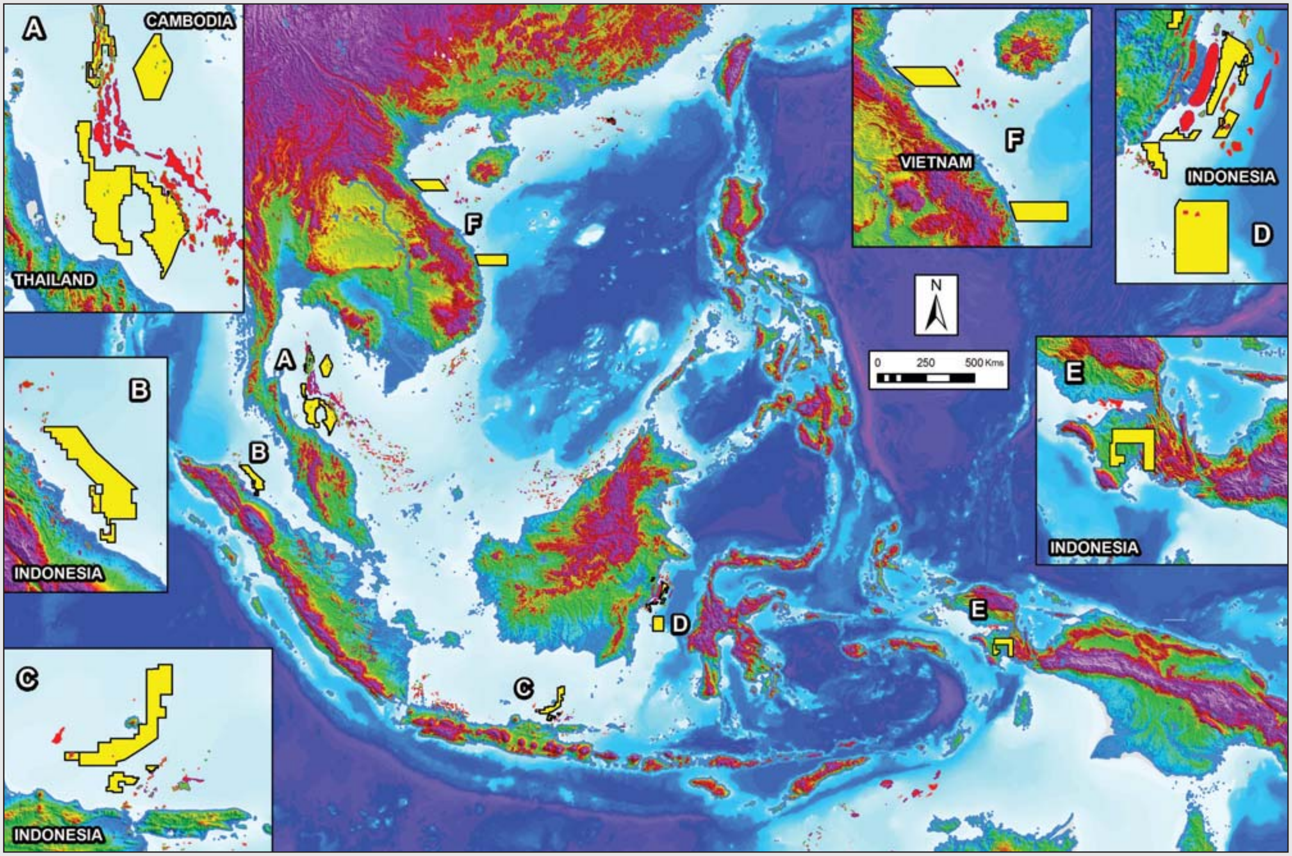
In this highly competitive environment, KrisEnergy has made good progress. We have interests in 14 contract areas in four countries – Cambodia, Indonesia, Thailand and Vietnam – stretching across the E&P life cycle of production, development and exploration.

Block A is in Cambodian waters in the Gulf of Thailand, where we are also stakeholders in four offshore assets across the Thai border. Two blocks B8/32 and B9A are producing oil & gas, while blocks G10/48 and G11/48 contain oil discoveries which are under development. These assets, along with Block A, provide a core area in the Gulf of Thailand, where our technical team has longstanding experience of the geology and operating conditions.

We also see the emergence of four core areas in Indonesia, the grandfather of Southeast Asia's E&P industry. As well as our interest in the Galagh-Kambuna gas-condensate producing block, we operate six exploration blocks offshore North Sumatra, East Java and East Kalimantan and onshore West Papua.

Our two blocks offshore Vietnam have little by way of exploration until now and we see excellent prospectivity in the geoscience work we have undertaken since we acquired these assets.

Health and safety remains a priority in step with growth. We have extensive training programmes for all of our staff, whether in the field or office based and although the majority of our activities are offshore, there will be some effect on nearby communities and we are committed to ensuring that our business results in a positive impact.



Six core areas are emerging in KrisEnergy's asset portfolio - (A) Gulf of Thailand, offshore (B) North Sumatra, (C) East Java and (D) East Kalimantan, (E) onshore West Papua and (F) offshore Vietnam

ASEAN grids will boost power supplies

Meeting the power supply needs of nearly 600 million people, living in ten countries, ranging over 4.33 million square kilometres, is already proving a huge challenge for an economically expanding Region. Present trends suggest that Southeast Asia's electricity needs, are likely to more than double in the next 20 years.

In a recent report, Wood Mackenzie said that Southeast Asia's power demand growth, will outpace its GDP growth in the next decade. It predicts that energy consumption is so great, that investments of at least US$125 billion will be required up to 2020.

Indonesia's West Java Region and southern Vietnam are among those parts of the Region, requiring the most additional capacity. The Philippines is also facing a power shortfall, which is particularly felt on the southern island of Mindanao.

Some estimates suggest that the Philippines will need to increase its generating capacity by about 14% by 2016, in order to keep up with demand. It also needs to reduce its power costs that are substantially higher than in Thailand, Vietnam, Malaysia and Indonesia. A number of new coal fired plants are planned to achieve this.

Vietnam is focusing on upgrading its electricity distribution network. This includes a US$444 million project to construct a new 500kV grid connecting Ho Chi Minh City and five southern provinces. The project is part of a US$3.5 billion programme of capital investment in the country's electricity system.

Grid systems are an efficient way of distributing electricity demand in one area, to be served in part by spare capacity in a neighbouring area, where demand is not so high.

ASEAN nations aim to integrate their electricity grids by 2020, to ensure regional power security. This will help reduce imports of fuel from suppliers outside the ten-nation Association and maximise the most economic use of electricity in the Region.

Some estimates suggest that the grid projects currently underway, can reduce the amount spent on supplying electricity in the Region by nearly US$2 billion. Electricity sharing initiatives throughout the Region may also help development of renewable energy projects.

ASEAN States have been working for several years on a plan of action for energy cooperation. The key principles of regional fuel policy, aim to ensure diversified and sufficient energy supply sources and a variety of accessible supply routes. It is also important to prepare for emergencies and plan responses, while also establishing strategies for clean and sustainable development of energy resources.

The ASEAN power network divides into east and west systems. The eastern grid is intended to connect Sarawak and Sabah in Malaysia, Brunei Darussalam, West Kalimantan (Indonesian Borneo) and the Philippines. The western system consists of links between Lao PDR, Vietnam, Myanmar, Cambodia, Thailand, Peninsular Malaysia, Sumatra and Batam in Indonesia and Singapore.

The ASEAN power grid is in progress with four ongoing interconnection projects between Singapore and Peninsula Malaysia and between Thailand and Lao PDR. An additional eleven projects are planned for interconnection through 2015, at a cost of US$5.9 billion. As a result, there is expected to be up to 19,576 MW of cross-border power purchase by 2025.

ASEAN electricity ministers have acknowledged that private sector involvement will help to accelerate implantation of the ASEAN power grid. However, trade in electricity supply also has to balance differing systems; some member states are reliant on independent producers of power, while others depend on state run integrated power monopolies.

However, observers believe that if the benefits of cross-border cooperation are sufficiently compelling, it is likely that different systems will work together regardless of regulatory differences.

It is recognised that a concerted effort is required to address complex issues regarding a harmonisation of laws and rules, relating to transmission grids. This means, for example, reciprocal recognition of licences for participants in cross-border projects, agreements to avoid double taxation, rules for dispute resolution, common standards for health and safety, consumer protection and the environment.

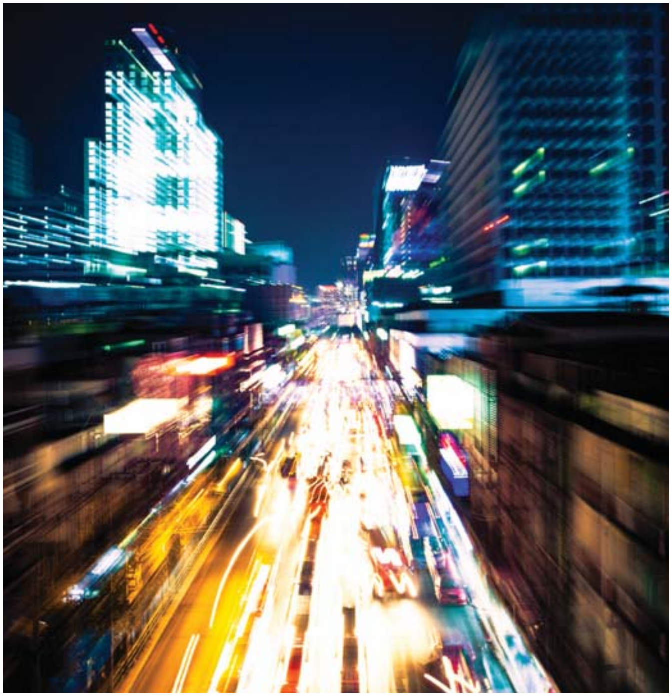
Plans for an ASEAN power grid run parallel with plans for a Trans-ASEAN Gas Pipeline (TAGP). Some regional states notably Indonesia, Malaysia and Brunei are significant producers of natural gas and also high users of the resource.

In Brunei and Malaysia, gas accounts for 79% and 51% respectively of each country's primary energy consumption. The ratio for Thailand, Indonesia and Singapore is 25% or more.

Security and stability of supply, will be helped immeasurably by development of the TAGP project. This project is particularly important due to the widening gap between demand and supply in the Region, which could rise to more than 33.9 million cubic metres per day, by 2025.

The intention is for the regional gas grid to be established by 2020, linking the existing and planned gas pipeline networks of ASEAN member states.

In 2008, ministers adopted the TAGP updated masterplan. This plan prioritises the need for connection to the giant offshore East Natuna gas bloc, located 1,100 kilometres north of Jakarta, in Indonesia's Riau Islands. The bloc contains an estimated 46 trillion cubic feet of gas, ranking it as Asia's largest untapped natural gas reserve.



The Region's gas pipeline infrastructure has steadily increased over the last decade, from less than 1,000 kilometres to some 2,600 kilometres, consisting of eight bilateral gas pipeline interconnection projects.

Another five pipeline projects, totalling an additional 4,500 kilometres, are proposed at an estimated cost of US$7 billion. These include a 600 kilometre pipeline to carry gas from East Natuna to Kertah in Malaysia, a 1,400 kilometre pipeline leading from the field to Java and a 900 kilometre pipeline to Vietnam. A pipeline from East Natuna-Brunei-Sabah to Palawan in the Philippines is also under consideration.

ASEAN members are also stepping up their efforts to diversify sources of fuel for power generation, with renewable energy high on the agenda. Countries in the Region aim to install sufficient renewable energy sources by 2015, to comprise 15% of installed power capacity.

Thailand plans to generate 20% of its energy needs from renewable sources including biogas, solar and geothermal by 2022. Indonesia is aiming to generate 15% of its needs from non-fossil fuels by 2025, including wind power and hydro, together with solar and biomass.

The Philippines has achieved a 12.5% renewable element mainly from hydro and geothermal resources. Vietnam is aiming to generate 2,451MW from renewable sources by 2015.

Cambodia is thought to have a medium term ability to generate 10,000MW from hydropower. Lao PDR is focusing on biogas projects but also has potential to develop solar, wind and biofuel resources. A number of ASEAN States are also considering the nuclear option in spite of the crisis at Japan's Fukushima Daiichi nuclear plant, that followed the country's Tsunami disaster in 2011.

With Japan, South Korea and China as leaders, East Asia has become one of the world's most advanced areas for commercial nuclear power development, with more than 80 plants in operation and numerous others in development. Clearly, for Southeast Asia with its urgent and expanding need for electricity, nuclear plants may have to be an option.

Malaysia, Thailand and Indonesia have entered detailed planning stages for the introduction of commercial nuclear power generation. Singapore is also conducting a nuclear feasibility study. The Philippines built a pilot nuclear plant in Bataan several years ago, though this has never been activated or fuelled.

All ASEAN countries have entered into comprehensive safeguard agreements with the International Atomic Energy Agency (IAEA), allowing for the application of safeguards to all their civilian nuclear activities. They have also signed additional protocols allowing the IAEA to inspect any facility.

Vietnam is likely to be the first in the Region to install a nuclear plant. The government has outlined a strategy for eight such plants. The first is planned to be built by Russia's Atomstroyexport in the country's Ninh Thuan Province.

A further two plants could also be built in the province, with Japan Atomic Power conducting a feasibility study.

Nuclear energy demands challenging standards of technical and regulatory managerial expertise and require high end capital expenditure. Completion of an ASEAN power grid could expedite the possibility of regional financing for nuclear power plants in the Region. However, ASEAN still has a number of other options to consider before it needs to make a decision.

ASEAN countries collectively are largely self sufficient in hydrocarbon resources, with the added potential of developing an increasing amount of power from hydro, geothermal, wind and other renewable sources. Completion of regional energy grids, will allow the full economic exploitation of these resources to come about.

Manufacturing continues upward trend

Foreign Direct Investment (FDI) is pouring into ASEAN member states, as increasing numbers of firms seek to relocate from higher cost manufacturing centres in Asia.

In 2010, FDI into Southeast Asia surged 100% from US$38 billion to US$79 billion, a rate increase nine times of that directed into China.

PriceWaterhouseCoopers (PwC), believes that “the geography of manufacturing in Southeast Asia is poised for its most significant shift in two decades”.

PwC sees low cost and light industrial manufacturing migrating to Vietnam, Cambodia and Lao PDR, as Malaysia and Thailand move up the value chain and become more specialised manufacturers of products such as electronics and automobile components. Myanmar, it notes, is also continuing to increase its economic engagement with regional neighbours, China and Thailand on trade, energy and port access.

A competitively priced labour pool continues to be the Region’s main asset, with labour costs in Southeast Asia a fraction of those in North America or Europe and significantly much lower than in China. According to International Market Assessment, the hourly wage rate in China is US$1.56 compared to 81¢ in Vietnam and 51¢ in Indonesia.

German sportswear company Adidas, has recently stated it will close its one directly owned factory in China, due to rising operational costs.

Multinational cost conscious manufacturers are steadily shifting production away from China to ASEAN countries such as Vietnam, Thailand, Lao PDR and Cambodia, all of which have significantly lower labour costs.

Taiwan based Foxconn Technology Group, one of the world’s largest contract manufacturers and the main assembler of Apple products, says it is looking to establish operations in the Region.

The company has recently stated that it is “very impressed with the overall investment environment and market potential of Indonesia and that is why we are currently exploring a number of opportunities”.

Other leading Taiwan companies such as Pou Chen, which manufactures Nike, Clarks, Timberland and other leading shoe brands, have already opened factories in Indonesia and Vietnam.

A critical step in the increase of ASEAN’s competitive edge as a production base geared toward global markets, is also the liberalisation of trade in the Region, through the elimination of both tariff and non-tariff barriers.

Patrick Thomas, CEO of Bayer Material Science, which operates a polycarbonate plant at Map Ta Phut in Thailand, observes that ASEAN countries are already 80% of the way towards their target for union. “This will create an incredibly attractive trade environment,” he says. “Couple that with a growing, young, literate, skilled population and you’ve got the next workshop of the world”.

For countries in the Greater Mekong Sub-region, supply chain integration and the building of infrastructure to service export hubs and rapidly growing economies, will be one of the main drivers of increased investment.

The benefits of commercial liberalisation are likely to be substantial, for example, in the Region’s important garments and fabrics production. Indonesia has installed capacity across a range of textile areas, including synthetic fabrics and apparel. Vietnam is well placed as a low cost centre for production of woven garments, while Cambodia is a growing player in the apparel manufacturing industry.

Southeast Asian manufacturers could expand their production base rapidly by accelerating the creation of a regional supply chain. Vietnam, for example, does not produce denim but Indonesia does and its denim production can be supplied tariff free, within ASEAN. This type of cooperation is attractive to international buyers, who favour an integrated manufacturing operation.

One of Cambodia's advantages lays in its proximity to manufacturers in neighbouring countries, especially Thailand and Vietnam. Bangkok Weaving Mills Group, for instance, transports pre-dyed fabrics to neighbouring Cambodia, where another factory cuts and sews them into garments for Italian brand Benetton. Such cross-border cooperation has helped the country establish itself as an international garments producer.

Heinrich Jessen, Chairman of Jebsen & Jessen says that "knitted together, the economies of the Region form a significant market". His company has recently expanded its long standing regional presence with acquisitions in Indonesia and Malaysia.

Southeast Asia is setting its sights on not just low-cost manufacturing but also as a producer of increasingly sophisticated goods. It has become a digital crossroads for internet and mobile innovation, with many of the world's leading telecommunications, computer and components manufacturers producing for global markets.

This is seen in Singapore, where manufacturing output is up 22% in 2012, on account of increases in biomedical production.

Singapore is the Asian headquarters and location for tests for many leading international semiconductor producers. These include Freescale, Infineon, Micron, Intel-Micron Flash and Siltronic-Samsung Wafer. According to Terry Tsao, President of SEMI Southeast Asia, "In the Region, we are looking at almost 10% growth in the capacity of semiconductor fabrication plants this year, which surpasses global growth of 6%".

Thailand, Malaysia and Vietnam are also poised to increase the value of their production, with the former focusing on becoming a regional producer of motor vehicles, automotive and electronics components. Vietnam is likely to move into some of the manufacturing space left by Thailand, particularly in the light goods sector.

Thailand's automotive sector is now the third largest contributor to the economy, accounting for 12% of GDP and employing 400,000 people.

As a result, the country has positioned itself as an auto manufacturing hub in the Region, manufacturing a wide range of auto components, cars and trucks.

Sixteen leading international vehicle producers are represented in the manufacturing sector, in addition to motorcycle assembly and production companies. These include Toyota, Honda, Nissan, Suzuki, Mitsubishi, Yamaha, Ford and Chevrolet.

In 2012, car production of 2.1 million vehicles, comprising pick-up trucks and cars is predicted. Some two million motorcycles are also expected to be produced.

Thailand's Board of Investment is marketing the country as Southeast Asia's Detroit. GM Thailand, is spending US$200 million in a new facility at Rayong, south of Bangkok, able to produce 120,000 car engines a year. Ford is also investing US$450 million in a new plant in the same area, planned to produce 150,000 cars a year. Caterpillar is also building a plant at Rayong to produce tractors and underground mining equipment.

Thailand's successful development as a regional automobile producer and manufacturer of electronic parts and components, has been helped by its approach to licencing agreements. These grant the intellectual property owner protection, while enabling access to low cost manufacturing labour.

Most Southeast Asian countries are instigating initiatives to strengthen their intellectual property regimes. ASEAN States have cooperated to implement an intellectual property action plan and work plan for cooperation on copyrights.

This strategy is likely to help member states to move up the value chain in manufacturing and not just rely on low end, labour intensive production ventures. Moving forward requires development of skills, as well as infrastructure and market integration.

Southeast Asia has made substantial strides in educational development and not just for a minority. Adult literacy levels have risen steadily in ASEAN member states, while the use of English, either as an official language or one favoured as a second language, is a bonus for the Philippines, Malaysia, Thailand and Vietnam, in their efforts to attract multinationals.

According to PwC's 2012 Global Survey "If approached with due circumspection and the right risk management mindset, Southeast Asia presents a compelling case for those multinationals exploring strategic opportunities".

RMA Group expands its regional and global support services

Rami Sharaf, CEO, RMA Cambodia Group of Companies

Entering markets for the first time, especially in post-conflict areas that lack basic infrastructure, can be a daunting challenge for those seeking to bring in products, equipment and establish supply chains.

Developing methods of overcoming obstacles in emerging economies, is not the primary role of original equipment manufacturers, nor can they be expected to be aware of local realities on the ground.

In the mid 1980s Kevin Whitcraft, a fluent Thai speaker, who has spent much of his life in the Region, saw that this was a problem for many leading corporations wanting to develop business in Southeast Asia. He recognised that that there was a gap to be filled with companies needing representation, requiring help to establish operations and programmes in Southeast Asia.

Whitcraft, a Harvard Business School graduate, together with his father whose career with Goodyear had been based in the area, subsequently acquired Rochester Midland's, regional pharmaceutical distribution office in 1986.

RM Asia, now trading as RMA Group, initially represented leading brand names such as Jeep Chrysler, Ingersoll-Rand, 3M and SDMO. Its involvement with the automotive industry began with Ford and Mazda dealerships. The Group now represents a wide range of other companies including Land Rover, GM, Mercedes Benz, TATA and Foton in Thailand and in the ASEAN Region.

A network of dealerships for heavy equipment and power product manufacturers, has also been established. These include JCB, Shantui, John Deere, Dressta, SDMO/Kohler.

The company has expanded into a group that provides engineering services and total facilities management and logistics.

RMA has particular expertise in fleet sales and management, logistics solutions, contract management, vehicle conversions, parts and servicing, in-house technical assistance and training.

For the last ten years, the company has also produced modified vehicles at its assembly and distribution centre at Laem Chabang in Thailand.

RMA is a specialist in adapting vehicles for use in difficult terrain. The company has expertise where enhanced fuel filtration system may have to be installed, clearance levels adjusted and suspension improved to carry heavier loads in areas where roads just don't exist.

The modification unit is highly versatile. The company has supplied pick-up vehicles for mining operations, which have been strengthened to protect against falling rocks or roll-overs. Clients include the giant Freeport gold mine in Indonesia's Papua province.

During the Avian flu scare in 2008, the company converted a Ford Ranger into an "Outbreak Investigation" vehicle for use in Vietnam. This involved building segregated driver and health worker compartments, as well as isolated storage for hazardous specimens.

One of the Group's most significant contracts is in Afghanistan. When the US military sought bids for light tactical vehicles, Ford did not have a ready product that met specifications and weren't involved in modifications to suspension, oil filters and special tyres. RMA stepped in and was able to assist delivering the first modified Ford Ranger vehicles to Afghanistan in 2005.

The modifications called for better fuel filters to cope with the dusty environment, while the suspension system was enhanced for rough road condition.

This is an on-going operation, which has seen over 35,000 vehicles supplied and a maintenance, service and training operation built-up employing some 1,600 people. This has been a major boost in international efforts to build up Afghan security capabilities.

In the last 25 years, RMA's investment in advanced engineering capabilities as well as after-sales support and responsiveness to client needs, has seen the Group become one of the world's fastest growing infrastructure service providers.

Headquartered in Bangkok, the Group employs around 5,000 in Thailand and other 18 regional offices globally that include Cambodia, Lao PDR, Vietnam, Myanmar, Indonesia, Singapore, China, UAE, Afghanistan, Kazakhstan, South Africa, Kenya, Liberia, South Sudan, Turkey, UK, US and Haiti.

The Group is primarily focused on markets in transition where experience, sophisticated logistics and supply chain networks are invaluable.

"Our approach is always yes we can. We are entrepreneurial which explains why we have a diverse portfolio of businesses. We have the expertise and know the different stakeholders and have built successful long term partnerships with senior heritage companies," explains CEO, Rami Sharaf, who has headed up RMA's Cambodian business for the last three years.

The Group works alongside the development community in emerging and post-conflict markets in transition. It also assists to build or rebuild local infrastructure, including power generation, transport, construction services and communications.

The Group's logistics products and services have ISO 9001 accreditation and it believes that one of the company's core strengths lies in its intimate knowledge of shipping and import laws, customs procedures and policies in emerging markets. The Group's proud claim is port-to-port and door-to-door delivery anywhere and everywhere.

The company says that its logistics mechanisms can support project management and bring maintenance support to any location however remote. It will fly in technicians on rapid deployment if required.

RMA Group also offers finance leasing and other financial services including insurance. These services are suited to companies, non-government agencies and development organisations, which require flexibility in their acquisition of vehicles and capital items for infrastructure projects that the Group sell.

In order to respond to customers' emergency requirements, RMA maintains an ex-stock inventory of non-modified vehicles ready for shipment anywhere in the world.

It also maintains an extensive parts and accessories inventory at distribution centres in Thailand and at Jebel Ali in Dubai. From these facilities, a 24 hour shipping and emergency overnight freight service is also on standby.

"We can fly emergency technicians to a site in remote locations or areas without a dealership. We can provide containerised mobile service capability, that can be set up within 72 hours," Sharaf says.

With such capabilities RMA is keen to explore new opportunities and the Group is open to any proposal. "I am very optimistic about prospects, particularly in Cambodia which is sustaining very satisfactory GDP growth, in contrast to the slowdown of economies in other parts of the world".

RMA became involved in Cambodia's power generating area in the early 1990s and helped development of a number of plants before becoming involved in the automotive field.

As companies were start-up operations from scratch, RMA has built a reputation as a long term partner, Sharaf says. An indication of its commitment has been the start-up of assembly operation of Ford Everest four wheel drive vehicles, at the end of 2011 in a plant in Sihanoukville.

"There is a new trend to invest in the country which is moving from established industries, such as garment manufacturing and shoes, to high technology areas such as high-tech components and vehicle assembly," Sharaf observes.

In other areas, the Group persuaded John Deere to choose Cambodia to pilot its latest rice harvester and is also involved in irrigation pilot projects including computerised water dripping techniques. Sharaf sees the company playing a key role in the country's ambitious rice export plans and other new crops development too, a natural zero calorie sweetener.

However, the ethos of the group goes well beyond business development and lays emphasis on development of local resources and people. It is a strategy that is conspicuous in RMA's Cambodia operations.

"We believe that the private sector has a crucial role to play in the future economic development of Cambodia and in corporate social responsibility programmes. The company plays its role by helping, in partnership with student organisations, to provide internships to young people, says Rami Sharaf.

RMA now employs around 900 people in Cambodia. A growing number of these are working for the Group's latest sister company, Express Food Group operating franchised restaurants in the country.

The latter opened its first franchise in 2005, for The Pizza Company. This was followed by another on behalf of the US' Swensens ice cream and in 2010 by an outlet for South Korea's BBQ Chicken. In addition EFG, in partnership with Malaysia's Saji Bumi, has a concession for 15 food outlets in Cambodia's international airports at Phnom Penh and Siem Reap.

Sharaf, who has worked in a number of post-conflict, unstable zones, including Pakistan and Iraq, is very optimistic about the country and is heavily involved in volunteer work with local chambers of commerce, to better promote Cambodia as the right target for investment in the Region. Much of his optimism is based on the attitude of the population and the government.

"Cambodians are quick learners and very eager to catch up with neighbouring developed countries, they want to start where others ended. So they are always in catch up mode. We are seeing the country's new leaders beginning to emerge. I think Cambodia is one of the most welcoming countries in ASEAN for investors. There is zero discrimination between a local and a foreign investor. Once approved, the right project can enjoy an atmosphere to develop, that is encouraged by the Ministry of Commerce, Cambodian Development Council (CDC) and Ministry of Finance, all of which are very welcoming," says Sharaf.


JCB

Many markets - one region

The ASEAN Region is characterised by diversity. Individually, each market offers some potential but it is those who can bring the many markets together, to form an operational region, that find the most benefit. Jebsen & Jessen Group of Companies Southeast Asia, has been working across the markets of the Region since 1963. A privately owned holding company, the Group's eight business units, are all engaged in manufacturing, engineering and distribution activities. These range from designing oleochemical plants, to representing leading feed ingredient producers and manufacturing award winning packaging.

Infrastructure as a framework for growth

At Jebsen & Jessen a regional infrastructure of IT and core administrative functions, ensures smooth operations across diverse markets and over borders. SAP based systems, provide the Group's 50 plus subsidiaries, with universal and real time access to project schedules, financial data, transactional information, risk details and all other critical business information. Most recently, a carbon calculating system has been developed to help the Group report on and offset its carbon footprint for energy use and staff travel.

A taste for adventure

Having grown out of a trading partnership, established in Hong Kong in 1895, the Group began its ASEAN story in 1963, with operations in Malaysia and Singapore. The entrepreneurial spirit of the founders has remained key to success in the Region. This provides the impetus to move into the newer emerging markets of the day – be it Vietnam in the early 1990s or in more recent years Cambodia, Myanmar and now in 2012, Brunei.

Chairman, Mr Heinrich Jessen, explained the benefit of working across the ASEAN Region; "The Group's regional scale enables it to be nimble locally. Knitted together, the economies of the Region form a significant market to operate within. As a regional enterprise, we can deploy the people and the infrastructure needed at a given time, in a given market. Our economies of scale give us this flexibility".

Responding to growth and change

Like their home country, Singapore, Jebsen & Jessen have been responsive to the changes that each wave of industrialisation brings. As well as exploring new markets, the Group continues to grow into new industries, using local knowledge and the experience of age to provide forethought and give direction.

Through a focused growth strategy, the Group expanded its cable manufacturing capacity in 2011, with an acquisition in Indonesia. Whilst in Malaysia, the packaging business unit diversified its offering with the acquisition of a PET bottle manufacturing brand. In June 2012, Jebsen & Jessen, acquired Halcyon Offshore and made its first move into the offshore industry.

Mr Heinrich Jessen, shared his view on making a success of regional business in ASEAN; "Our plug and play infrastructure and knowledge of the shifting dynamics in each country, enable us to be responsive. We've been active in our acquisition investments since 2010 and we continue to see opportunities developing. The key to success is being ready and really knowing each of the unique, vibrant markets that make up this exciting Region".

Investing in 'Green Mobility': energising growth in ASEAN

Dr Axel C. Heitmann

The global business community is well aware of the phenomenal growth and success that they have been met with in Southeast Asia over the last decade. GDP figures increasing by roughly 280% in the ASEAN-5 from 2001 through to 2011. What fewer people consider is, the huge impact that growth has had and will continue to have, on transportation networks and transport-driven resource consumption in the Region.

Prosperity has generated traffic, more airline passenger miles travelled, more freight tonnage shipped and more cars on the road. Over the course of the decade that ended in 2010, sales of passenger automobiles in ASEAN member states increased, by an average of more than 14% annually. Notwithstanding, the market setbacks experienced in 2011, the total number of cars on the road, currently estimated at 26 million, is expected to rise to 55 million by 2020.

The concurrence of these developments with rapid urbanisation, steady deforestation and climate change means that Southeast Asia is under greater pressure than ever before, to employ sustainable new technologies to power its continued economic growth. To companies with manufacturing facilities in ASEAN countries, or which are just now considering investment in the Region, this situation represents both an opportunity and an obligation.

It is an opportunity in the sense that the mobility and urbanisation megatrends currently sweeping Southeast Asia, have generated a rapid increase in demand for the products and services that will allow the Region to cope with these developments, efficiently and successfully.

It is an obligation in terms of our shared responsibility, to minimise the environmental impacts of economic growth, to preserve biodiversity and to generate economic opportunities for people from all places and all backgrounds.

The manufacturing sector has a significant and vital role to play in equipping Southeast Asia to address the critical challenges associated with the expansion of mobility in particular. Automakers are working together with chemical companies, to create body components that make cars lighter, stronger and more fuel-efficient. Tyre makers and rubber producers have developed new tyre formulations that improve safety, while reducing rolling resistance, thus lowering fuel consumption and exhaust emissions.

Our sector is producing the materials used in the new rail links that are uniting Southeast Asia. Also in the clean and efficient new ships and port facilities that are ensuring the Region's continued long term growth and in the aircraft components and airport expansion projects that serve to connect ASEAN nations to the rest of the world, in a reliable and environmentally sustainable manner.

For all these reasons, manufacturing firms both global and regional have excellent reason to expand their activities in Southeast Asia. By investing in technologies that enable resource conservation, by building new production capacity and by providing high-tech, environmentally friendly materials to our customers in ASEAN nations. This will ensure the sustainable, long term economic prosperity of future generations.

Dr Axel C. Heitmann is the Chairman of the Board of Management of LANXESS AG, a global specialty chemicals company with production facilities in over 40 countries around the world.

Infrastructure projects take off with new financing

Southeast Asia has made immense development strides over the last 30 years but much more needs to be achieved, if countries in the Region are to reach their full economic potential. The challenge is most apparent in transportation, since ASEAN members still only have a fraction of the roads and railways found in Organisation for Economic Cooperation and Development (OECD) countries.

However, the Region is a difficult area to develop, encompassing vast areas of land and sea. Extensive mountain ranges, tropical forests and huge rivers bisect many of the member states' territory.

Building infrastructure is therefore a daunting, costly exercise and too great a task in many instances, for any one country to tackle on its own. Over the next decade, it is estimated that Southeast Asian countries will need to spend a total of up to US$60 billion a year, to fully address their infrastructure needs.

ASEAN members nevertheless, have made the development of infrastructure linkages one of the organisation's primary goals. In this, the aim has been to ensure cooperation and coordination of member states' infrastructure projects and to ease economic and political barriers.

Vast expenditure will be needed in numerous sectors including roads, railways, ports, energy projects, water and sanitation. This would allow ASEAN countries to reduce the Region's infrastructure deficit, support growth and promote regional economic integration.

Thailand and Malaysia, for instance, are in the initial stages of a new ambitious infrastructure investment cycle. Much of this focuses on transport improvements, including a 70% expansion of Bangkok's electric train line, to 391 kilometres by 2019. The city, one of the most populated in the world with 15 million people, is also upgrading its metro system over the next five years.

In 2011, work began on Malaysia's Klang Valley mass rapid transit system. Costing an estimated US$11.5 billion, the 150 kilometre electrified rail system is designed to loop around the capital, Kuala Lumpur and is due for completion by 2016.

In other areas, infrastructure development is just taking off and the Region offers many opportunities according to Chatchai Chutiman, an executive of Italian-Thai Development. The Company, which is Thailand's largest construction firm, is looking to create investment partnerships to develop an estimated US$8.6 billion new deepwater port and industrial complex at Dawei in Myanmar.

Indonesia has identified a number of priority projects based on developing six economic corridors. The projects include development of airports, railways, roads, bridges, ports, electricity and water utilities. This would require a potential long term investment of US$240 billion.

Development of the corridors on Sumatra, Java, Kalimantan, Sulawesi, in Papua and between Bali and Nusa Tenggara, is part of a national plan to connect the 33 provinces and attract international, as well as domestic investors into the development of the archipelago.

Indonesia's plans link into ASEAN's transport strategy, which seeks to ensure that the Region's multimodal transport infrastructure works efficiently, on land, water and in the air and provides efficient movement of people and goods.

Making these ambitious planned developments into reality, will require raising a great deal of finance. Substantial funding will be required just to upgrade the ASEAN highway network to class one standard and to maintain existing road networks in the Region.

As well as roads, building the Singapore-Kunming Rail Link (SKRL), expansion of ports and access to them are also vital for development. In addition, huge ongoing expenditure is required to develop information and communications networks.

Political stability is essential for infrastructure projects, which typically take many years to develop. Power plants can take three years to plan

and many more years after construction before they provide returns. For capital intensive projects, predictability and consistency of government policies are vital for developers, so that they can calculate returns on investment.

Project execution is a big risk, with complex hurdles still to overcome, including issues such as land acquisition. The list of necessary projects is growing. One of the most immediate essential requirements is to eradicate investment issues.

The Managing Director General of the Asian Development Bank (ADB), Rajat Nag, has commented that while governments want investors to come in, the private sector wants governments to assume more risk for project development. Individual governments often do not possess sufficient funds to meet the full costs of infrastructure investment.

More clarity in the legal framework and dispute settlement and a greater role for public private partnerships (PPP) are needed for better development of infrastructure projects in Southeast Asia, the ADB believes.

Finance is also a big challenge, even for Southeast Asian countries, which have been relatively untouched by the global slowdown, experienced in Europe and the US.

The Region's liquidity should improve considerably, following a meeting in Manila in May 2012. This has seen China, Japan and South Korea agree to double their currency swap arrangement to US$240 billion. This agreement, originally forged in 2000, at an ADB meeting in Chiang Mai in Thailand, aims to assist countries in the Region to overcome short term liquidity problems. It also exists, to assist the work of other international financial arrangements and organisations such as the IMF.

In a significant move, the launch of the ASEAN Infrastructure Fund (AIF) was also announced during the Manila ADB meeting. The new Fund is expected to become a lead player in the funding and development of a wide variety of infrastructure projects in Southeast Asia.

The fund has been set up as a limited liability company and is based in Malaysia. Initial equity contributions are US$485.2 million, of which US$150 million is to be contributed by the ADB. Malaysia and

Indonesia are the largest financial contributors from ASEAN member states, providing equity investments of US$150 million and US$120 million respectively.

ASEAN nations possess substantial foreign reserves but these funds have largely been invested outside the Region and Asia. ADB President, Haruhiko Kuroda says: "By establishing the ASEAN Infrastructure Fund, the Organisation is taking a major step towards investing more of its resources in its own development funds".

Where there is a lack of liquidity in the debt markets for the number of competing projects in the Region, the ability of the AIF, together with the ADB, to fund necessary projects is expected to be welcome to sponsors and governments alike.

One notable feature of the new Fund, is that it will issue debt, targeted at central banks in the Region which hold substantial foreign exchange reserves.

With ASEAN countries holding more than US$770 billion in reserves, the Fund offers an avenue for mobilising the Region's resources, for its growing infrastructure requirements, according to ASEAN Secretary-General, Dr. Surin Pitsuwan.

Projects to be funded in the first five years may also include those being undertaken by the public sector, with the private sector through PPP ventures.

Private sector funding is becoming part of the mix for large scale infrastructure financing in Southeast Asia. However, the high degree of perceived risk on long term tenor infrastructure, tends to deter private investment. The fund will help mitigate these risks, providing financing for a portion of PPP.

New financing methods such as infrastructure revenue bonds, could also be applied to the transport sector in ASEAN States. These are already successful in some OECD countries.

This financing method could be appropriate to support construction and maintenance of transport infrastructure in the form of PPPs. Construction and operation of transport services can generate fee revenues from daily operations.

Several ASEAN countries have already announced that they intend to apply for AIF financing for a range of developments, including an Indonesian shipping lane project and a cross-border project in Indonesia and Malaysia.

The fund is expected to finance approximately six infrastructure projects a year. These are to be selected on the basis of sound economic and financial rates of return and for their potential impact on poverty reduction.

There is a US$75 million lending cap for each project. This amount can be matched by the ADB through a co-financing scheme, which may bring the total funding of each development to US$150 million.

The Fund's total lending commitment through to 2020, will be about US$4 billion. With projected co-financing by ADB, the Fund is expected to leverage more than US$13 billion in infrastructure financing by 2020.

Indonesia with Malaysia has been appointed joint chairman of the Fund for the first year of the AIF's operations. Responsibility for implementing the disbursement of AIF funds has been given to the ADB, which will also ensure that safeguards and due diligence are an integral part of the design of financed projects.

The Bank has said that there will be no preconceived allocations for countries seeking to use the Fund for their infrastructure needs.

Establishing the Fund is a watershed moment for the Region, working together to finance infrastructure projects and ranks as the largest ASEAN-led financial initiative in the Association's history.

According to Malaysia's Finance Minister, Ahmed Husni Mohamad Hanadziah, the infrastructure Fund will help forge the road, rail and energy links that the Region needs to create a greater degree of well being for its people and make the Masterplan on ASEAN Connectivity a reality.

Caterpillar in ASEAN

Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. At Caterpillar, our goal is to help our customers be more successful working with us, than they can be working with anyone else. For that reason, we have developed a global reach and presence that is unmatched in the industry. We want to be where our customers are. We serve customers in more than 180 countries around the globe with more than 300 products. Our manufacturing, marketing, logistics, service, R&D and related facilities, along with our dealer locations, total more than 500 locations worldwide.

Caterpillar has been active in the ASEAN Region for decades and has had a dedicated and permanent presence for over 45 years. Today, we are more committed to Southeast Asia than ever. In the Region, we currently have a workforce of over 11,000 employees (2,000 Caterpillar Employees, plus 9,000 Cat Dealer Employees). We are growing. In fact, the Region is so full of opportunity, that our main challenge is keeping up with the massive growth.

At Caterpillar, our customers are involved in mining, infrastructure development, energy, transportation and more. Due to the industry sectors we serve, we see huge potential in Southeast Asia for a variety of reasons.

- Firstly, the population is growing rapidly. Estimates show the ASEAN labour workforce will expand by 55 million by 2015.
- Secondly, the demographic trends are favourable. Currently, about 60% of the population is aged 30 and younger and there is ample growth in quality jobs that will help improve overall

productivity rates, making the Region much more competitive in the global economy.

- Thirdly, the market has tremendous potential and opportunities. It is a significant exporter of a variety of goods and is the largest mining export market in the world. Productivity is increasing and so is foreign investment. All of these factors help create demand for Caterpillar products.

We currently have manufacturing facilities in Jakarta and Batam, Indonesia and are building facilities in Thailand. We have a remanufacturing facility in Singapore, distribution centres in Singapore, Malaysia, Thailand and Australia and offices in Singapore, Thailand, Indonesia, Malaysia and the Philippines. Our regional footprint is strong and we will continue to explore ASEAN markets for additional manufacturing capacity.

As a Region, ASEAN provides many opportunities. At the same time, each country is highly distinct. For example, Singapore is a worldwide centre for ship building, so a big part of Caterpillar's business is related to the marine and offshore oil & gas industry.

In Malaysia, Caterpillar's business focus is mainly on quarry aggregates and forestry. As the country is increasingly looking into offshore exploration and production, there are growing opportunities in the oil & gas industry.

In the next ten years, we expect that Vietnam will begin to emerge. Today, we are seeing strong investment and infrastructure development. It is a country rich in resources with a great coastline. Vietnam's vast, untapped resources bode very well for the growth and expansion of our mining business.

Thailand is a growing manufacturing area for Caterpillar. We are constructing facilities to build underground mining equipment and medium track-type tractors in the Rayong Province of Thailand. The total investment for the two new facilities is around US$300 million and both facilities will employ nearly 2,000 people by 2013. These factories will become a hub for the Region, as 95% of the facilities production will be exported from Thailand, to our customers in the Africa/Middle East and Asia-Pacific regions.

Indonesia is rare in offering extremely good opportunities across every single industry in which Caterpillar serves, whether it is palm oil plantations, forestry or virgin timber. However, the greatest opportunity in Indonesia lies in mining - coal, tin, gold, copper, nickel and oil & gas. Beyond the basic business needs, mining also creates derivative demands for construction products in the small towns which spring up close to mines in need of electricity, water, roads, schools and hospitals. For all of these reasons, Indonesia is also a rapidly expanding market offering huge opportunities.

Each country in the Region offers its unique challenges and opportunities. Together, with our dealers, Caterpillar is committed to helping our customers across the Region to succeed. The future is bright for ASEAN.

ASEAN continues to develop its mining industry

ASEAN member states are mineral rich and mining is playing an increasingly important role in the Region's economic growth. In Indonesia, Southeast Asia's largest economy, mining now accounts for 12% of GDP.

Even as global demand has eased, Asia's locomotive economies continue to drive ASEAN's fast developing mining sector, especially China which consumes more than 40% of the world's output of industrial ores.

The most rapid growth in both Indonesia and other ASEAN States has been seen in the extraction of industrial minerals such as copper, nickel, tin and more recently gold. The Region's status as an area of world mineral importance, with immense, still to be exploited, deposits of an almost limitless range of ores, is a focus for the world's biggest developers.

The Tampakan gold mining project, developed by Australia's Xstrata on the Philippines island of Mindanao, involves a capital investment of US$6 billion. The development is the largest copper and gold mining project in Southeast Asia, with some 15 million tonnes of copper resource and an estimated 17.9 million ounces of gold. Construction is due to start in 2013.

Ten Australian companies have made investments in the Philippines' gold mining sector, including Xstrata, Red 5, Medusa Mining, CGA Mining and Eldore Mining.

At present the largest gold operation is CGA's project on Masbate Island, southeast of Manila in the central Philippines, which has reserves put at 4.55 million ounces.

In Indonesia, gold extraction is becoming a major activity which has been pushed forward by Freeport McMoran's Grasberg mining operation, in Irian Java. This is one of the world's largest gold and copper mine developments.

Other important gold mining operations have also been established through the Batu Hijau copper-gold mine on the island of Sumbawa, as well as at north Lamut, Mount Muro and the Pongkor underground mine, southwest of Jakarta.

While gold glisters, industrial minerals are the mainstay of ASEAN's mining sector. Indonesia, for example, ranks as the world's third largest coal exporter after Australia and China.

Southeast Asia contributes 58% of the global trade in tin. Its exports of copper concentrate and refined copper account for 16% and 6% respectively, in terms of value.

Thailand is the world's fourth largest producer of feldspar, the sixth largest gypsum producer, seventh biggest antimony producer and the seventh largest producer of cement.

Some have predicted that the value of the mining industry in Indonesia could reach US$147 billion in real terms by 2015, almost double that of 2010, making it one of the world's most important exporters of industrial ores and precious minerals.

Much of the Region's mineral resources have yet to be exploited. Although Indonesia has the same gold deposits as the US, as yet it produces only half the amount of gold compared to its American counterpart.

The Philippines is considered to be the fifth most mineralised country in the world, with its gold resources ranking as the third largest. The country also has the fourth largest copper resources and fifth largest nickel deposits. However, only a relatively small amount of territory has been mined.

ASEAN countries have an unrivalled global mining potential for a wide variety of minerals including rare earths. These metals contain special magnetic qualities that are crucial in military, as well as civil technology applications, for example, in the production of computers and mobile phones, as well as electrical and hybrid car engines.

Copper, nickel, zinc, iron ore and coking coal are the primary commodities that the rest of the world and in particular, the fast industrialising areas of China and India most require during the next 20-40 years. Analysts predict that the latter countries will need more than double the amount of copper and nickel currently supplied over the next 30 years.

This insatiable demand is stimulating huge long term investments. Vietnam's US$1 billion iron ore mining project at Thach Khe, covers a 38 square kilometre area and is the largest of its kind in Southeast Asia. Production is due to start in 2015, with output put at 4.4 million tonnes a year, rising to eight million tonnes by 2021.

Investors are beginning to focus on ASEAN's less developed members including Myanmar, where there are highly promising investment prospects for mining of coal, copper, lead, zinc, tin, as well as gold and gemstones such as rubies, diamonds and emeralds.

Mining is also a priority development sector for both Cambodia and Lao PDR. The latter ranks as one of the most resource-rich countries in Asia, with nearly 600 mineral deposits identified throughout the country, including gold, copper, zinc and lead.

There is growing international interest with an estimated 150 companies, many of them Chinese or Vietnamese, involved in prospecting, exploration and feasibility studies.

A potash salt ore mine, with a total investment of US$1.25 billion in Lao PDRs' Khammouane Province, is expected to be the largest potash fertiliser producer in Asia. Its first phase production is set at 500,000 tonnes a year.

There is an urgent need to boost electricity supply, to assist industrial expansion and for the social and economic development of less developed member states. Coal is mined in many parts of Southeast Asia and is a vital commodity for fuelling power generation in the Region. ASEAN energy demand is expected to grow 3.9% a year, compared to an annual world average growth of 1.8% and there is a need to increase power supplies, particularly to deprived communities in the most expeditious way possible.

Indonesia dominates the Region's output, accounting for 75% of the Region's coal production. Production has expanded rapidly over the last decade, with the country now ranked second to Australia in global coal exports. Now 45% of Indonesian electricity is generated using coal and there are plans to build dozens of new coal fired power stations.

Vietnam is also a net exporter and produces about 12% of the Region's coal production. Thailand contributes a similar percentage with smaller levels of output from the Philippines, Malaysia, Lao PDR and Myanmar. The latter though, produce coal exclusively for their domestic use.

Some predict that coal will dominate over gas as the fuel of choice in Southeast Asia by 2030. According to the International Energy Agency, the share of coal in electricity generation may increase to 50% by 2030, from 27% five years ago.

The shift is already seen with 35,000MW of coal fired plants being developed in Indonesia, Malaysia, Thailand, Vietnam and Lao PDR. About 30% of Malaysia's power stations are fuelled by coal. Coal accounts for about a quarter of the electricity generated in Vietnam, as well as Thailand and more than a third in the Philippines.

The US$3.7 billion Hongsa Lignite Thermal Electricity Plant, under construction in Lao PDR, close to the Thai border, is expected to generate 1,878MW, when completed in 2016. The plant, which will use 14.3 million tonnes of lignite coal a year, will also supply electricity to Thailand and Lao PDR.

Cambodia urgently needs power development in order to attract more foreign investment in its economy. This has led to an agreement with Thailand, to develop an 1,800MW coal-generated plant southwest of Phnom Penh, in Koh Kong Province, to supply power to both countries.

Vietnam is developing six new anthracite coal mines in Quang Ninh Province. The country is the world's second largest exporter of anthracite, with primary markets in Japan, China, Europe and Thailand.

The Region's governments are well aware of the effects of carbon emissions, though these have to be weighed against the urgent need of deprived communities, suffering social and economic shortcomings because of a lack of power supplies.

However, it is hoped that coal's negative impact on air quality will be mitigated by improvements in technology, that will help the Region abide by carbon abatement policies.

Governments are also promoting responsible mining and working with UN agencies, non-governmental organisations and community based organisations, to establish management systems and policy frameworks to comply with global standards.

It is recognised that poor environmental management during early development of the Region's mining industry, has tarnished the sector's image. In some areas, this has given rise to strong anti-mining sentiments because of the damaging impact on local communities' livelihood and health.

The ASEAN Minerals Action Plan, encourages cooperation between member states to develop policy guidelines and standards for regional best mining practices. It is hoped that this will promote environmentally and viable long term mineral development in member countries.

In 2012, Myanmar banned mining along its four major rivers, the Irrawaddy, Thaniwin, Chindwin and Sittoung, because of environmental damage. This follows a report that operations have drained water sources, increased soil erosion and polluted rivers with mercury and other chemicals.

While the Region's mineral resources offer vast long term potential, ASEAN's aim is to develop transparency and accountability and nurture partnership between governments and non-governmental organisations. The aim is to develop a vibrant minerals sector for sustainable development.

Governments also want to obtain more value from mining activities. Indonesia announced in May 2012, that an average duty of 20% is to be imposed on mineral ore exports, including copper, gold and nickel. It follows similar duties for palm oil. Coal, however, is exempt.

The government also intends to take more of the profits from its vast mineral resources, by limiting foreign ownership of mines to less than 50% by the tenth year of production.

Taxation and regulation is the responsibility of individual member states, though it is a common aim to develop downstream processing industries and create high value finished products. Progress is being made. Thailand, for example, has established itself as a jewellery centre and Malaysia has specialised in tin products.

ASEAN member states are also seeking closer networking and communications on minerals and geosciences and to develop transfer of technology in the minerals sector. The aim is to share information and technological developments, especially downstream research, to stimulate this vital economic sector.

The effect could be significant, as the Region's mineral resources are applied to develop local downstream industries, so the Region will become a market for specialist machinery and equipment, processing facilities, modern technologies and services.

Foreign investment remains a key component of development in the Region's mining sector, where the exploitation of some of the world's greatest and most comprehensive mineral resources is still at a relatively early stage.

Transport is a key focus in move to ASEAN integration

Southeast Asia, a Region of around 600 million people, with a combined GDP of US$2.1 trillion, is not only a vast and developing market, it is also bound by the dynamic economies of China, India, South Korea and Australasia.

Facilitation of trade is vital for all ASEAN countries, which occupy an area at the heart of these leading global manufacturers.

Trade among member countries themselves, is steadily increasing with intra-trading expected to increase from 27% of the total to 29% in 2012, according to a recent Frost and Sullivan report.

Between the mid 1980s and mid 1990s, the Region became significantly more integrated into global trade flows, as its share in global merchandise trade doubled. This was reflected in an expansion of trade in intermediary products, parts and components, with deliveries to manufacturing centres for assembly and onward shipping to markets in Europe, North America and Japan.

As a result, transport and logistics have become big business in Southeast Asia, with some 275 publicly listed companies involved in the sector. Their total combined revenues reached US$140.8 billion.

The Economist Intelligence Unit (EIU), predicts that many of the global transport and logistics leaders of the future will come from Asia. This reflects a long term shift in trade and investment, from the West to the East.

International trade is also an essential driver of the integration efforts, which will culminate in the creation of the ASEAN Economic Community by 2015. This easing of the production base, in which goods and services will move freely, holds the potential to boost the Region's competitiveness and growth prospects.

There is clearly a need for an increasing focus on investment in transportation and logistics by member states, particularly, if they are to gain from the shift in economic power from West to East over the next 20 years.

However, there are challenges to be addressed in the Region. These include poor quality of highways and incomplete road networks, as well as missing railway links. Improvements also need to be made to aviation services and there should be further investment in maritime and port infrastructure. Dry ports inland also need to be built, while the Region's still under utilised, vast inland waterways, offer considerable scope for transport development.

Cooperation is essential to enhance and improve cross-border transport links. Since 1998, member states have concluded nine regional transport agreements. These provide for transport infrastructure development and integration plans, which act as the basis for cooperation in connectivity.

One of the main tasks is to liberalise restrictive trade practices. The Enabling Trade Index (ETI), produced by the World Economic Forum (WEF), shows that in the last two years, the larger ASEAN economies including Thailand, Indonesia and the Philippines, have seen substantial improvement in the way they conduct trade.

The ETI measures the extent to which individual economies have developed institutions, policies and services, facilitating the free flow of goods over borders and to market destinations. There is work to be done but headway is being made.

Compared to 2011, the 2012 index shows Malaysia up six places in the ranking of 120 countries worldwide, to 24th place. Thailand up 23 places to 57th place, Vietnam now in 68th place from 71st and the Philippines up to 72nd place from 92nd spot.

More than 30% of total logistics costs are derived from institutional rules and regulations. The use of paper processing needs to be reduced with electronic data interchange, helping lessen lengthy preparation times for import and export papers.

It has been estimated that each single day delay in the export process, reduces exports of time sensitive products by 7% and of less time sensitive products by 1%.

ASEAN countries are in various stages of implementing procedures, known as "Single Windows". These will provide faster border clearance, by providing traders with a single point for submitting and clearing documentation.

Each member state has agreed to establish national Single Windows and link them into a regional system. This will serve both the process of economic integration and increase the Region's international competitiveness.

Through a national Single Window, traders submit forms electronically for export, import and transit procedures only once. They are processed and cleared by multiple government agencies in a synchronous process. These national Single Window mechanisms are intended to move towards an ASEAN Single Window by 2015.

ASEAN is also further strengthening its competitiveness and overall productivity. This is evident through investments in infrastructure and logistics development, as well as implementation of its transportation facilitation agreements.

Improving trade related infrastructure and intensifying efforts on administrative simplification, is likely to attract investment. This will ensure small and medium sized enterprises become competitive players in the global economy. To this end, the ASEAN Connectivity Coordination Committee was established.

Development of a masterplan for connectivity between ASEAN States was agreed in October 2010. Essentially, this requires more extensive investment in land, sea and air transport projects, to facilitate the flow of goods and people in the Region.

Masterplan priorities include; completion of missing links in ASEAN's planned highway network and in particular, the upgrade of transit transport routes. The ASEAN Highway Network Project involves 23 routes covering a total of 38,400 kilometres.

While significant progress has been achieved in terms of upgrading and extending the length of highways, there are numerous gaps and work is needed to improve below standard roads in some member states, including Myanmar, Indonesia, Lao PDR, the Philippines, Malaysia and Vietnam.

The multi-country transport arteries being built across mainland Southeast Asia comprise a north-south corridor connecting Kunming (China) to Bangkok. The east-west corridor links the Indian Ocean coast of Myanmar, with the South China Sea ports of Vietnam. A southern economic corridor, is designed to connect Bangkok with Phnom Penh, Ho Chi Minh City and Vung Tau.

An effort to complete the long planned railway link between Singapore and Kunming, the principal transport and fast growing hub of southwest China, is also called for.

The project consists of an eastern line running through Thailand, Cambodia and Vietnam, with a spur between Lao PDR and Vietnam and a western line going through Thailand and Myanmar. There is also a possibility of the line eventually extending to Surabaya in Indonesia.

The aim is to establish a seamless operation by 2013, though the laying of track on missing link sections on the eastern part of the network, is more likely to be completed on schedule than the western part.

Maritime transport is the most important mode of transportation in terms of traffic volume in international trade. ASEAN countries have some 47 major ports and the strategy is to enhance the capacity of these and others in the Region.

By 2009, nine out of the ten largest container ports in the world, were in Asia compared to five in 2000. The Region's ports face intense competition, as shipping firms seek to adopt cost cutting initiatives with faster turnaround times and efficient route networks.

Regional ports keen to capitalise on growing cargo volumes, need to enhance their capacity and competitiveness to attract mainline operators and process an ever growing throughput.

The fast expansion of major ASEAN ports is seen in Singapore, where the present container handling capacity of 29.9 million, 20 foot equivalent units (TEU), will be increased to 55 million TEU by 2018. Port Klang in Malaysia, is expected to be expanded to ten million TEU in 2013, from its current eight million TEU. While Tanjung Priok's capacity, will expand from 5.9 million TEU to 11 million TEU by 2017.

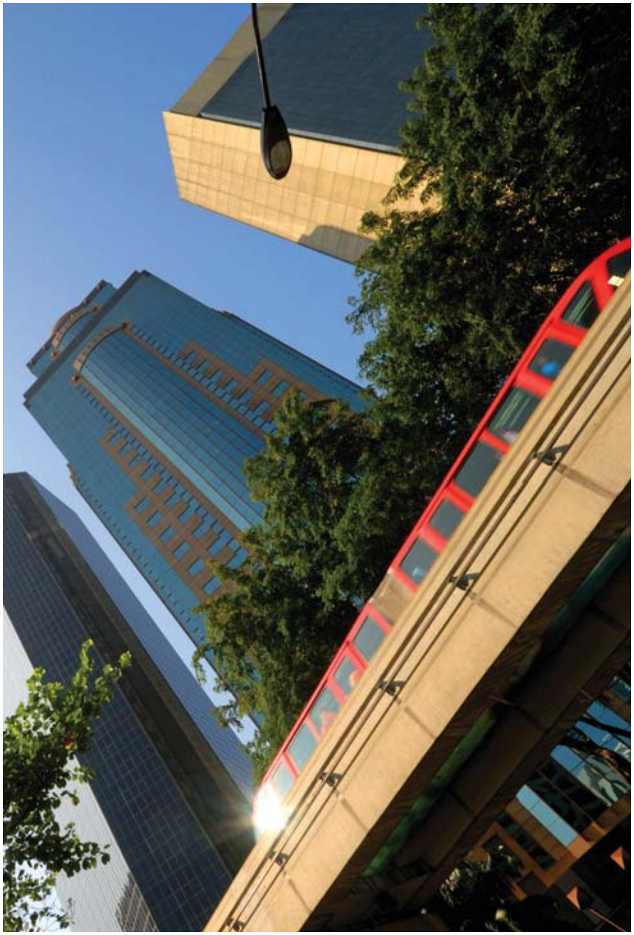
Indonesia's Tanjung Priok Port, in North Jakarta, should be able to handle almost double its present capacity of 5.9 million containers, when its US$1.9 billion expansion is completed in 2017.

Shipping logistics within ASEAN are relatively efficient. Shipping between the Region's ports take a similar amount of time per kilometre, compared to better integrated markets, such as the EU. It has been common practice by international traders to use ports in Indonesia, including Tanjung Priok, as feeders for Singapore, which is a global hub for cargo.

The main logistical issue concerns inter-modal connectivity. The quality of road and rail transport to ports, together with storage infrastructure and bureaucratic procedures, all of which add to the overall transport costs.

The ASEAN Region is also generously endowed with some 51,000 kilometres of navigable inland waterways. These can play an active role in transport development, especially in Cambodia, Lao PDR, Myanmar, Vietnam and Thailand.

An enhanced ASEAN connectivity, will place the Region at the centre of growth and development and preserve the member states in the evolving regional architecture. This requires and is receiving constant effort to reduce the costs of investment and international trade in goods and services.



Aviation expansion continues

The aim of the ASEAN Single Aviation Market is to foster a competitive airline industry and propel the Region's carriers into the global market. It is a strategy that seeks to increase market access, establish central authorities and industrial standards, for a sector that is undergoing unprecedented expansion.

Open skies will yield a host of opportunities for ASEAN members by removing obstacles to growth, such as restrictive airspace and route constraints.

Analysts predict that during the next 20 years, approximately half of the world's air traffic growth will be driven by travel to, from or within the Asia-Pacific region.

"There are a lot of people in Asia reaching middle class status, with a strong desire to travel", says Tony Tyler, Director General of the International Air Transport Association.

Boeing predicts that Southeast Asian airlines combined, will acquire 2,750 new airliners over the next 20 years. The company's market forecast for 2011-2030, estimates that the current fleet of 1,050 commercial aircraft in operation, will increase to 3,150 by 2030, with a potential market value of US$410 billion.

The momentum is already building up at all levels. Lao Airlines has placed a US$47 million order on two ATR 72-600 aircraft, to add to its current fleet of four ATR aircraft.

At the other end of the spectrum, Thai Airways' board has approved a fleet modernisation programme, involving the purchase of 15 new wide-body and single-aisle airliners. In addition, the airline is also taking leases on another 22 aircraft. It will also start taking delivery of six jumbo Airbus A380 aircraft in 2012.

Boeing forecasts that Asia-Pacific countries are likely to order aircraft valued at US$1.5 trillion through to 2030. "The Region's economic growth and the proliferation of low-cost carriers will drive demand for new airplanes," says Ralph Boyce, President of Boeing, Southeast Asia.

This is evident in the order placed in 2012, by Lion Air, the Indonesian budget airline for 230 Boeing, single-aisle 737 aircraft, worth some US$21.7 billion. One of the largest orders ever placed with Boeing, follows an US$18 billion contract agreed in 2011, by Malaysian owned Air Asia, to purchase 200 Airbus A320 NEO airliners.

Air Asia, which is now headquartered in Jakarta, started operations in 1996 from Kuala Lumpur. It pioneered the concept of setting up locally registered subsidiaries in other countries in the Region, to circumvent aviation restrictions.

As a result, what started out as an intra-Malaysian carrier, has grown to a pan-Southeast Asian carrier, with subsidiaries in Thailand, Indonesia, the Philippines and Japan, with an increasingly extensive route network.

The successful business model, developed by CEO, Tony Fernandes, has been adopted by a host of other new, low-cost airline entrants to the market. These continue to be formed, with a number of start-up operations in 2012.

These include, Singapore Airlines subsidiary, Scoot Air, which is operating to China and Australia. Thai Airways has launched Thai Smile, with an initial service to Macau. Malaysian Airline Systems (MAS) also has plans for a budget carrier, while Vietnam Airlines is reportedly planning to launch its own low-cost airline subsidiary by 2014.

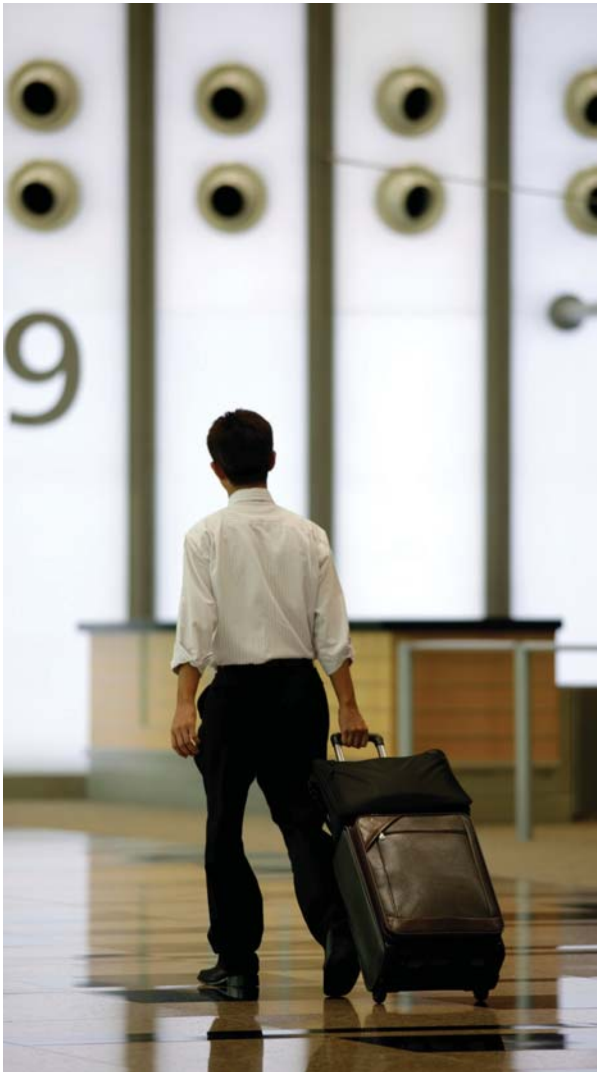
Bringing air travel within reach of vastly increased numbers of people, is also demanding expansion of airports, as well as transit between city centres and airports.

Kuala Lumpur is developing a new US$1.27 billion terminal, to cater for the growing needs of budget airline passengers.

In order to maintain its status as the Region's leading aviation hub, Singapore's Changi Airport is planning a fourth terminal, to boost throughput from 73 million to 82 million passengers a year.

A third terminal is being developed at Jakarta's Soekarno-Hatta International Airport, to accommodate an expected 62 million passengers a year by 2014. The Airport now serves more than 51 million passengers a year, double its design capacity.

Vietnam is seeking to build a four runway airport at Long Thanh, 40 kilometres northeast of Ho Chi Minh City. This will be able to eventually handle 100 million passengers and five million tonnes of air freight a year.




ASEAN
FOR YOU
MALAYSIA INDONESIA SINGAPORE THAILAND

ASEAN ICT development spurs economic growth

Sustained investment in information and communication technology is proving to be one of the most potent drivers of development for emerging economies.

Some estimates suggest that every 10% increase in broadband penetration, boosts GDP by an average of 1.3% and every 10% increase in mobile telecoms density, results in a 0.7% increase in GDP.

The strong focus on ICT development is having a significant impact on the ASEAN Region, especially in the lead up to the Region becoming an economic community in 2015.

There is a masterplan to deliver ICT as an engine of growth for all member countries and to establish the Region as a global communications hub. This is intended to provide an enhanced quality of life for the Region's people by contributing to social and economic integration.

While there is a significant digital divide within ASEAN, with rates of mobile usage varying from a few percent to well over 100%, the impact of mobile telephony has already been dramatic.

Indonesia has one of the highest growth percentages for Blackberry devices in the world. The country has an estimated 37 million Facebook account holders, making it one of the social network's largest worldwide markets. Most of the members have never owned a PC and do most of their social networking on handheld devices.

The Philippines telecoms and IT market is estimated to contribute more than 10% to the country's GDP, boosted by the exponential development of mobile telephony.

ASEAN has the potential to set itself apart from other players in the Region, according to Anjan Ghosh, Asia-Pacific Director of Corporate Affairs at Intel and board member of the US-ASEAN Business Council. In order to spur this ICT-led innovation and growth, it will need to create the right environment, in terms of broadband internet access and a well educated workforce.

Wireless technology has been especially advantageous for Cambodia, in achieving rapid network roll-out and replacement of a fixed network, badly damaged by 20 years of war. In addition, a wireless local loop has been useful in providing a rapid provision of some fixed line services. Cambodia has nine cellular providers and some 13 million mobile phone users, representing an 87% level, moving forward.

However, a great deal more development is required to bring the benefits of telecoms services to rural communities throughout the Region.

At present, Cambodia's internet is available to just 0.35% of the population, although there are promising signs that the widespread introduction of wireless broadband services will see a long term surge in growth.

Myanmar hopes that development of telecoms will boost and reinforce the investment and development of other key economic sectors. The government hopes to achieve 50% wireless accessibility by 2015; a timeline that probably depends on legislation which would permit foreign participation in the provision of telecoms' services.

Singapore has shown just how substantial the benefits of an open strategy can be. The World Economic Forum (WEF) has described Singapore as "Asia's most connected country" and leading the Region in ICT development.

The island state was one of the first countries globally to have a fully digital telephone network. Its advanced ICT sector reflects a hugely liberalised market. Government policies have consistently supported a progressive regulatory regime.

By the start of 2012, the number of mobile subscribers had reached eight million, a initial rate of more than 150%. Of these, third generation technology (3G) subscribers, make up 75% of the total.

In neighbouring Malaysia, the telecoms market has also shown privatisation in all facets of the industry. A general opening up of the market with a significant number of new licences being granted.

Malaysia has more than 35 million mobile telephone subscribers, representing more than 120%, on a par with the level reached in Singapore. Some 60% of Malaysia's five million broadband subscribers use wireless services and a major push is underway to provide 3G cellular services.

The government is working steadily towards its objective of ranking as a fully developed nation by 2020. A key component is putting a technologically progressive economy in place. With its widespread adoption of modern technologies, including fibre optics, wireless transmission, digitalisation and satellite services, Malaysia is in sight of achieving its goal.

Singapore has launched a plan for a national fibre optic based broadband network, known as the Next Generation Broadband Network. In tandem, Singapore's main cellular operators, SingTel, Mobile One and StarHub, are looking at the industry's latest Long Term Evolution (LTE) platform for the provision of future mobile internet access.

Efforts are being made to provide affordable ICT access and increase adoption across parts of the ASEAN Region. A new initiative called Smart Thailand 2020, intends to bring broadband to 80% of Thais by 2015 and to 96% of the population by 2020.

The first stage of the Fibre-to-the-Home (FTTH) project, is due to connect the greater Bangkok areas in 2012. The project will then extend to ten other major urban areas, while for rural areas, wireless broadband links are expected to be developed.

Indonesia has set up the Meaningful Broadband Working Group (MBWG), to develop links between the national telecoms system and difficult to reach urban and rural communities where the "last-mile" links are difficult and costly to build.

The aim is to increase the country's broadband penetration rate to 30% by 2014. The target derives from a University of Chicago study that stated, this level of broadband use would be the minimum needed for Indonesia to remain competitive in the Region.

The implementation of the Nusantura Super Highway project, known as the Palapa Ring, will work to achieve this objective by bringing broadband to all the country's 33 provinces. Completion is targeted for 2012 and will end the dependency on satellite links to provide telecoms between the east and west of the country.

The vast undertaking calls for 35,280 kilometres of undersea fibre optic network cable and 21,807 kilometres of above ground cable to be installed.

The cables are designed to connect Indonesia's four main islands of Sumatra, Kalimantan (Indonesian Borneo), Java and Sulawesi. Bali and the two island archipelagos of West and East Nusa Tenggara are also being linked up. Work is also underway on connecting Indonesian territory on Papua and Maluku.

All of ASEAN's member states are focusing on implementing new ICT technologies. Following on from the successful launch of its Vinasat-1 satellite in 2008, Vietnam moved to its second venture in satellite communications with the launch of its US$250 million Vinasat-2 module in May 2012.

Brunei's Next Generation Broadband Network project, aims to replace the existing copper network with fibre optic cables able to deliver a bandwidth speed of up to 2.5 gigabits per second.

In just over a decade, the Sultanate's mobile market has increased from 32% in 2001, to nearly 120% in 2012. Around 85% of internet subscribers now have access to high speed broadband services.

Introduction of interactive communication services, has the potential to transform lives, particularly of those living outside urban areas. ASEAN ministers aim to ensure the provision of secure and affordable access to broadband in schools, public healthcare centres, libraries and other public facilities.

Thailand's Minister of Information and Communication Technology, Chuti Krairiksh, says that the National Broadband Network Policy is the biggest and most urgent priority for the government.

The country wants to have e-government services in the top 20%, worldwide by 2020. The intention is to link all the state enterprises that run fibre optic networks, including the electricity utilities, the state railways, PTT, Telephone Organisation of Thailand and CAT Telecom.

The Brunei government has partnered with Microsoft, to establish an academy which aims to increase the IT skills of government employees.

ASEAN governments are also seeking to implement measures to build a resilient infrastructure throughout the Region, with a high level of security to enable the continued provision of public services in the event of natural disasters.

Increasingly, the Region is also becoming an ICT industrial sector, employing more than 11.7 million people and already contributes more than US$32 billion or more than 3% to ASEAN's GDP.

Nearly one million people are employed in Thailand's ICT sector and the country is a world leader in hard disk drive production. Some 35,000 Thais work in the software industry; 45% as programmers, who are employed by more than 600 companies. Work has grown steadily as a result of demand for animation and mobile phone applications.

The National Science and Technology Development Centre is promoting investment and the government has offered tax breaks to firms willing to locate Research and Development (R&D), as well as training courses in Thailand.

NECTEC, a research institution for ICT development and the Software Industry Promotion Agency, are helping to accelerate development of the sector. One initiative has seen the launch of ICT Innovation Paradise Phuket as a technology park.

The potential throughout the Region is immense. Growth projections suggest that Indonesia's ICT market will grow at a 15% compound annual rate until 2014, reaching US$6.9 billion a year. Hardware is expected to account for over 60% of this amount.

A number of countries, notably Singapore, Malaysia and Vietnam, have developed data centres. Others such as Brunei and Thailand are also keen to compete in this growing market. Data centres serve as backup storage units for corporate data, software and computing systems.

Brunei is being promoted as a location for data and disaster recovery centres, as well as software development, wireless communication and multimedia operators.

Information communications technology is helping ASEAN member states to transform their diverse economies into a dynamic single market. Sustained investment in state-of-the-art communications means that the Region is increasingly linked to global markets. This long term commitment to ICT, reinforced by expanding broadband services, is a prime attraction for foreign investors.

Healthcare focus on private sector

Health spending in Southeast Asia is expected to double in real terms over the next decade, outstripping GDP growth, as governments seek to improve standards and widen the scope of care available.

There are wide variations within the Region. In 2009, Thailand had an estimated average of 2.1 hospital beds per 10,000 people, higher than the 1.8 beds that are available in Malaysia, 1.7 in Vietnam, 0.9 in the Philippines and 0.6 in Indonesia but lower than the 2.5 available in Singapore.

Many countries will have to double, treble or even quadruple their annual spending on healthcare to catch up with the average in fully developed Organisation for Economic Cooperation and Development (OECD) countries.

The world's more developed economies spend an average of 9.9% of GDP on healthcare. With the exception of Vietnam and Cambodia, most Southeast Asian countries do not match even half this figure, with Indonesia spending around 2.3% on healthcare.

Several ASEAN members have passed laws to establish national health insurance systems and mandated universal coverage, though for many this remains an aspiration, with implementation a work in progress.

Vietnam's Health Minister, Dr. Thi Kim Tien Nguyen, says the government has set its sights on providing universal health coverage by 2020.

As a result, healthcare spending is expected to rise to US$6 billion in 2014, from an estimated US$3.5 billion in 2009, with the government accounting for 30% of total expenditure.

Lao PDR aims to provide basic healthcare to all its citizens by 2020, according to the country's Public Health Minister, Prof Eksavang Vongvichit, 'The key direction is to move from the direct out-of-pocket mechanism to universal coverage', he says.

Lao PDR, as well as Myanmar and Cambodia, are all looking closely at Thailand's methods of providing healthcare, according to the latter's Public Health Minister, Withaya Buranasiri. Some 48 million Thais are covered by the country's universal healthcare scheme.

Malaysia has the highest outlay in the Region, spending some US$353 per capita per year. This contrasts with Lao PDR that spends just US$34 per head on healthcare, compared to the average of US$4,000 in advanced OECD economies.

Malaysia has implemented a successful primary care system at little or no direct cost to consumers. In addition, its preventive public healthcare programmes, including provision of clean drinking water and sewerage services to most citizens, are credited with having raised fundamental health indicators, close to developed country levels.

Nevertheless, officials estimated that spending on public and private healthcare combined, needs to rise to around 7% of GDP by 2020, if the country is to match developed country standards.

Under the Tenth Malaysian Plan, healthcare access, coverage and quality are to be substantially improved, especially for the bottom 40% of households in both rural and semi-urban areas. This includes plans for eight new hospitals, 156 rural clinics and 41 community health clinics.

Myanmar is quadrupling its health budget in 2012, with the aim of recruiting more doctors, securing medical supplies and modernising hospitals, as the country rebuilds its economy after decades of isolation.

In recent years, the country's four state medical schools have accelerated the training of physicians from around 550 in 2000 to 2,000 a year currently. Health Minister, Pe Thet Khin, believes that quality of training, as much as the numbers being trained is an important focus. As a consequence, Myanmar is keen to encourage universities and health training institutions to begin exchange programmes with other countries.

All improvements come at a mounting cost and funding healthcare is an increasing challenge in Southeast Asia as elsewhere. However, emerging countries face even higher cost rises for healthcare as populations increase and standards are raised to bring down infant mortality, increase life spans and combat disease.

Most countries are strengthening their social protection mechanisms and essential health services. Innovative financing schemes have been implemented for the less well off. These include Thailand's low cost "30 Baht" co-financing treatment card, the Health Fund for the Poor in Vietnam and Health Equity Funds in Cambodia and Lao PDR. While in Singapore, Medifund operates as a subsidised scheme for the local indigenous population.

Indonesia's National Social Security Systems introduced in 2005, covers more than 95% of the population and provides access to free outpatient primary care in local health centres and at lower tier public hospitals.

A National Health Insurance programme run by the Philippine Health Insurance Corporation, covers around 80% of the population. However, private healthcare expenditure exceeds spending by the state, which is forecast to rise to US$9.9 billion by 2014.

Some countries, such as the Philippines, Vietnam and Indonesia, have radically decentralised their healthcare systems with the devolution of health services to local governments.

An expanding middle class, particularly among the Region's urban populations, has stimulated demand for private care especially in Singapore, Malaysia and Thailand.

Public medical services in Malaysia are heavily subsidised for those unable to pay the full fees and are provided free to the poor. The government, which accounts for around 60% of healthcare spending, is keen to place greater emphasis on private sector provision of services.

The ASEAN Region already records the highest private healthcare expenditure of any region in the world, with 63% of total health expenditures. Nearly half of 2,000 hospitals in the Philippines, for example, are privately run.

It is argued that by tapping into private investment, Southeast Asia can not only satisfy the health needs of its population but do so faster than developed countries.

In both Malaysia and Singapore, the system is changing from government dominated health services, towards greater private sector involvement. This includes a number of hybrid forms of healthcare provision that operate on a corporate business basis, though continue to be controlled or subsidised by governments.

Some of the most innovative and advanced forms of public-private mix in health services have developed within the Region. These include the restructuring or corporatisation of public hospitals in Singapore and self financing (Swadana) hospitals in Indonesia.

Private finance is being used to build a US$130 million, 300 bed hospital in Malaysia. Peninsula Medical is building the teaching hospital in Kuantan and will maintain it under a 21.5 year concession.

A specialist cardiac hospital in Brunei is managed as a joint venture between the government and the private operator Parkway, which also runs ten medical facilities in Malaysia.

Observers believe that Southeast Asia will increasingly turn to private finance to help deliver essential healthcare improvements. Public-private partnerships (PPPs), seem likely to be used to construct or upgrade facilities to add capacity and improve quality.

A key question; what is the degree of access to privately run facilities by those on lower incomes? Groups such as Malaysia's Pantai Hospitals, part of the Integrated Healthcare Holdings (IHH) and the Bangkok Chain of Hospitals, have shown that affordable, cost effective healthcare can be offered by the private sector.

Southeast Asia is seeing an inflow of funds in search of joint venture projects. Malaysia's IHH has in recent times, gained control of the Singapore based hospital group, Parkway.

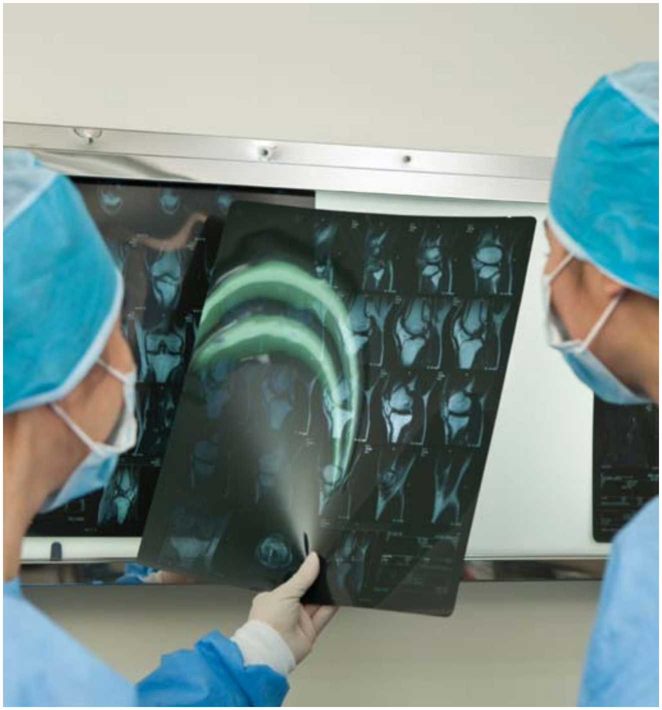
IHH's planned US$2 billion listing in Malaysia and Singapore, is the third largest global Initial Public Offering (IPO) in 2012 and has stimulated interest back into healthcare shares in Southeast Asia.

These include Raffles Medical, Thailand's Bumrungrad Hospital and Malaysia's KPG Healthcare, which have all seen rises in stock value. Fortis, an arm of Malaysia's sovereign wealth fund, Khazanah, is also set to be a major player in the Region's healthcare sector.

Expansion of the Region's healthcare sector, is also being encouraged by the impending ASEAN Economic Community's liberalisation of services in 2015. This will permit investors in Malaysia, Singapore, Indonesia, Thailand, the Philippines and Brunei to hold 70% stakes or more in healthcare projects in each other's countries.

Private hospitals across the Region are diversifying their services portfolio, to offer broader healthcare services to improve their competitiveness, in advance of the planned regional liberalisation.

Bangkok Dusit Medical Services, Thailand's largest private healthcare provider, with annual revenues in excess of US$740 million, has invested in non-core activities including pharmacy, medical laboratories and X-ray provision.



In Malaysia, Sunway Medical Centre's (SMC) expansion, includes the building of radiotherapy and oncology facilities. SMC is also involved in creating training facilities for medical students from its affiliate institutions, the Jeffrey Cheah School of Medicine and Health Sciences and Monash University Sunway Campus.

In Indonesia and Vietnam, private providers are purchasing and managing large pieces of equipment such as MRI scanners, which are placed in public sector hospitals and paid for over a period of several years.

In Singapore, the private sector already accounts for more than 75% of all primary healthcare services, with government primary health clinics accounting for the remaining share.

The government subsidises 50% of the treatment cost at public sector clinics. The majority of Singapore citizens are covered by three major state healthcare financing schemes.

Building on the world class reputation of its health services and bolstered by its growing clinical research and biomedical industries, the government is promoting Singapore as a regional centre of medical excellence. It is able to offer general surgery, medicine and specialist services, including organ transplants and cardiology.

An integrated ASEAN market in healthcare consisting of harmonised standards, registration and evaluation, mutual recognition of qualifications and cross border cooperation, will greatly expand regional healthcare facilities, stimulating growth of a vital sector.

Southeast Asia is a global medical tourism hub

A significant proportion of private hospitals' revenue in the Region, increasingly comes from services administered to foreign patients.

Providers such as Parkway, Fortis and the Bangkok General Group, have built up considerable expertise and experience throughout Southeast Asia, notably in Singapore, Malaysia and Thailand.

Health tourism combines provision of health services for foreigners, with recreational packages for them and their families and for post recovery convalescence. With around six million Americans alone seeking healthcare abroad, Southeast's Asia's medical tourism industry is set for expansion.

Thailand's medical visitors tend to be from outside the ASEAN area, in contrast to Singapore and Malaysia, which attract large numbers of patients from Indonesia.

Thailand receives an estimated 2.24 million foreign patients a year. The figure is considerably higher than the numbers received in other countries in the Region - Singapore and Malaysia, treat around 600,000 and 300,000 patients a year respectively.

Thailand is keen to position itself as Asia's medical hub. A five year expansion plan seeks to generate an income of US$13.3 billion from foreign patients by 2014. Malaysia is also keen to increase its share of the growing health travel market.

Growth is driving wealth creation and high spending

While rapid GDP growth does not in itself guarantee a sharp rise in high net worth individuals, rapidly growing economies do provide key opportunities, for large scale wealth creation and entrepreneurs in the ASEAN States are seizing the opportunity.

Southeast Asia's economic dynamism is substantially enhancing the buying power of a growing, high earning middle class that is creating new consumer demands for the very best that money can buy.

Hong Kong based brokerage and financial services group, CLSA Asia-Pacific Markets, say that the number of people within the Southeast Asia Region possessing more than US$1 million in investment assets, excluding their homes, could double within five years, from 193,000 to 400,000.

Their combined wealth is predicted to increase to US$2.1 trillion, at a conservative estimate according to CLSA head of research, Amer Gill, who believes that an expanding middle class will continue to stimulate the Region's economy and attract Foreign Direct Investment (FDI).

The Region's fast growing individual wealth, reflects a profound change in the world's economic centre of gravity. By 2050, this will have shifted eastwards to lie somewhere between China and India, according to Professor Danny Quah, of the London School of Economics.

The number of very wealthy individuals with US$10 million or more in assets, is already higher in Southeast Asia than in Europe and is expected to overtake those in the US within the next decade.

Boston Consulting Group (BCG), says that Singapore has the highest number of millionaires at 188,000 of any country worldwide. The figure is slightly more than 17% of resident households.

Singapore is also attractive to others, both from within and outside the Region. BCG says it is home to more Indonesian millionaires than Jakarta and continues to attract rich residents, including for example, Facebook's co-founder Eduardo Saverin.

Consumers with growing buying power and expensive tastes are fuelling a boom in the luxury goods industry and this is not slowing down. This is one of the reasons that Prada, the Italian luxury fashion house, chose to launch its initial stock market listing in Hong Kong, in 2011.

As disposable income has risen, Asia's wealthy middle class have become attracted to luxury brands, from watches and couture fashion, to automobiles. There are said to be more Lamborghinis per capita in Singapore than anywhere else on earth.

Asia now accounts for nearly half of all Prada's sales and more than a third of Richemont and Gucci international sales.

Louis Vuitton Moet Hennessy (LVMH), the world's largest luxury brands group, generates around US$10 billion of revenues in Asian markets, where it operates more than 800 stores.

LVMH and other prominent fashion brands, including Gucci, Cartier, Ermenegildo Zegna, Bally, Montblanc, Dior, Burberry, Bottega Veneta and Jimmy Choo, initially entered ASEAN markets via franchise operations. They are now increasingly opening their own stores.

Private jets and yachts are beginning to enter the scene. Indonesian buyers led by corporate buyers in the mining and oil & gas sectors, are due to take delivery of private jets valued at US$500 million in 2012. Hawker Beechcraft Regional Sales Director, Pasha Saleh, says that Southeast Asia is now the strongest market for private jets in the whole of Asia.

Ravi Thakran, LVMH Group President for Southeast Asia, believes that Indonesia is under penetrated by luxury brands and will become one of the Region's largest markets for luxury goods within a few years.

This judgement is based on a growing and affluent middle class in a country with a population of 248 million, which is expected to reach over 300 million by 2020. Indonesia, is not only Southeast Asia's largest and most populated country but also one of the fastest growing economies in the Region, with annual growth of more than 5% over the last eight years.

Prada, in 2012, became the third international luxury brand to directly operate in Indonesia (after Louis Vuitton and Dior), with a store in Jakarta's Plaza Indonesia Mall. Fendi, Max Mara and Michael Kors are also planning to open their own stores in 2012, in Jakarta, within the Senayan Plaza Mall. France's Galleries Lafayette, also has plans to open on three floors in the Pacific Place Mall in the Capital.

Malaysia is looking to rebrand the country from one associated, with cheaper items, to an upscale, duty free shopping haven. 2012 has seen the opening of the new 16,000 square metre, US$47 million Premium Outlet shopping centre. This is located in the country's southern state of Johor, featuring outlets selling high end merchandise.

It has been described by Prime Minister, Najib Razak, as one of Malaysia's leading tourism projects, helping to establish the country as a "shopping haven of branded goods".

The ambitious Shoppes at Marina Bay Sands in Singapore, has close to 800,000 square feet of retail space and 300 boutiques and restaurants. The centre has transformed Singapore's retail landscape and is the first luxury shopping centre in the heart of the city's central business district.

Bangkok is also competing to be a city of choice for international high end fashion brands. It is seeking to cater for an increasing number of Asian tourists expected to number 18 million this year. The presence of more international retailers is also expected to help develop Phuket and Bangkok, as world class shopping destinations.

Reports suggest that high spending by travellers from countries such as the US and Europe has declined. This has been more than compensated for by the increased spending of visitors from within the Region, notably China.

Between 50% and 60% of shoppers visiting Bangkok's shopping malls are foreign tourists. Kuntoil Boonkrajang, Senior Vice President for Marketing at Central Pattana, a local developer of shopping malls, states that tourist shoppers to Bangkok are mostly from China, Hong Kong and Taiwan. Shoppers in Pattaya are mainly from Russia, India and Australia.

Longer term the Region, is likely to be increasingly noted for its own designer labels. Thailand's Textile Institute has a four year plan, to develop the local textile and garments industry. A key focus will be to promote the country as a regional fashion hub and increase production capacity.

There is substantial scope in a number of ASEAN countries, to exploit their precious mineral resources, through refining and other downstream activities. Thailand's export of gemstones and jewellery is expected to be valued at US$12 billion in 2012.

While China has been a major part of this wealth development, the rewards of economic enterprise have steadily spread further afield. ASEAN countries are creating wealth faster than anywhere else in the world. This fuels an expanding market for high end goods and luxury items, that is continuing to expand even as economies in the West stagnate.

Diverse cultures blend into one unique destination

ASEAN's dynamic tourism industry is a key economic driver for member states with Thailand, Malaysia and Singapore ranking among the world's top destinations.

The World Travel and Tourism Council, estimates that in 2011, the sector contributed 4.4% directly to the ASEAN member states GDP, 3.2% of direct employment and 7.8% of total capital investment.

The Region's tourism sector has also proved highly resilient to the challenges of global economic downturn and climatic events. In spite of the heaviest monsoon rains in decades and severe flooding, the Region attracted more than 79 million visitors in 2011, posting 7.4% growth.

This consistent growth performance has proved attractive to Foreign Direct Investment (FDI). Together with countless opportunities and a multitude of niche tourism development opportunities opening up.

Singapore received 13.2 million visitors in 2011, of which 76% came from Asia. Tourism earnings for 2012 are put at US$22.2 billion.

Malaysia's Economic Transformation Programme places tourism at the forefront of development plans. Already having one of Asia's largest tourism industries, Malaysia aims to receive 36 million tourist arrivals and generate US$54 billion in tourist receipts by 2020.

The country's Convention and Exhibition Bureau (MyCeb), wants to increase the number of business event tourist arrivals to 2.9 million by 2020. This would account for 8% of overall tourism arrivals.

Vietnam received an estimated 5.3 million international visitors and US$5.6 billion in tourism revenues in 2011.

Earnings in foreign exchange from tourism are second only to mining revenues in Lao PDR. The landlocked country received 2.7 million visitors in 2011, earning the country US$407 million.

Indonesia attracted some 7.6 million visitors in 2011 and hopes to receive eight million tourists in 2012, according to Tourism Minister, Mari Elka Pangestu.

In 2011, severe floods had a relatively minor effect on Thailand's booming tourist destinations, such as Phuket, Pattaya and Samui. Tourism Authority of Thailand is targeting 19.5 million international arrivals in 2012 and revenues of US$24 billion.

While the various stages of tourism development differ substantially between ASEAN countries, all face similar challenges in terms of sustaining tourism financially and environmentally.

The aim is to implement measures to tackle challenges and take advantage of opportunities collectively. ASEAN Secretary-General, Dr. Surin Pitsuwan, believes the time has come to take the industry into a new era of attaining a more important long term goal, that of building socio-cultural understanding, environmental sustainability and grassroots orientated public participation.

Several core agreements were reached at the ASEAN Tourism Forum in January 2012, in support of the Association's Tourism Strategic Plan 2011-2015.

These undertakings aim for integration in tourism for member states, together with an increase in connections, development of human resources, ensuring quality of services, creation of joint marketing strategies and development of tourism products.

The marketing strategy calls for member states to be responsible for the development of products and attractions. This could be developed through the creation of packages, circuits and clusters, using the product and experience from the developments of individual ASEAN countries.

Intra-ASEAN travel, provides member states with the majority of their cross-border tourists. These make up 43% of total international arrivals. It is recognised that easing entry for visitors is a cost-effective way of increasing tourist traffic.

The UN World Tourism Organisation's (WTO), Secretary-General, Taleb Rifai, says that "Travel facilitation is closely interlinked with tourism

development and can be key in boosting demand. This issue is of particular importance when governments are looking to stimulate economic growth but cannot make major use of fiscal incentives or public investment".

Efforts are being made to resolve visa and entry procedures, to allow for free movement of people living in ASEAN countries across each other's borders. A common visa is also to be introduced in the near future for visitors from non-ASEAN countries.

At the end of 2011, new visa regulations were agreed by Cambodia and Thailand to allow nationals of both countries to travel in each other's countries for 14 days without visas. This is a move that is expected to double the number of visitors from each state.

The Philippines is also looking to overhaul its visa procedures. Most nationalities are able to enter the country visa free for stays of up to 21 days but visitors from growth markets, India and China, are not yet among them.

Transport developments are also crucial. Malaysia's Minister of Tourism, Ng Yen Yen, has pledged that connectivity with neighbouring Thailand and Singapore will be enhanced.

Thailand is working on becoming a hub of the Greater Mekong Sub-region, for both air and overland travel, with development of a sea, rail and road infrastructure that will create an east-west corridor linking Myanmar to Thailand. This will then extend through Cambodia and Vietnam. The new 2,000 kilometre R3A highway will run from Kunming in China through Lao PDR and into Thailand.

Another part of the strategy is an open skies policy, allowing international airlines to develop routes to ASEAN countries. The ASEAN-China Air Transport Agreement is expected to lead to many more flights, particularly from low-cost carriers, between Southeast Asia and China, a major and growing market for the Region's tourism. A similar agreement is being worked on with South Korea for a full open skies arrangement.

Improvements to aviation services and infrastructure are crucial for tourism development. All major airports in the Philippines, for example, such as Ninoy Aquino International Airport, Mactan-Cebu International Airport and Clark International, are being upgraded.

Attracting more airlines will be the key to opening up Myanmar's huge tourism potential. Currently there are only three airports that can accommodate single-aisle jet commercial aircraft. The country received just 424,000 visitors in 2011, not much more than 2% of the number arriving in neighbouring Thailand over the same period.

In Indonesia, work is underway on expanding Bali Airport, with a new terminal under construction. A new road is also being built between Bali Airport and Sanur. Lombok, a new airport, designed to accommodate three million passengers a year, was completed on Lombok island in October 2011. A new airport is also being built in Sumatra.

Jakarta Soekarno Hatta International Airport's Terminal Three is being expanded, while a new terminal is planned in addition to a rail link, connecting the airport to the city centre. These and other major transport infrastructure improvements in and around the capital, are due to be helped by a multi-billion dollar Japanese assistance package.

Infrastructure improvements are vital for the development of the country's still largely unlocked tourism potential. Fourteen areas are being promoted including; Jakarta old town (Batavia), Borobudor, Bali, South Celebes and Komodo, with other potential areas such as Aceh in Sumatra, Flores, Lombok and Indonesia Papua. Western Java across Krakatau volcano and southern Lombok are being highlighted for resorts.

Bali wants to control the development of new hotels, resorts and villas in the overcrowded south of the island and stimulate development in the north, where construction has started on a second international airport. There are also plans to develop a 565 kilometre railway around the island.

Bali's existing infrastructure is being used to turn the island into a gateway destination to the islands of Nusa Tengara. Lombok now has good ferry connections with Bali. Indonesian strategy aims to develop an inter-island transport infrastructure, while marketing a multi-destination to tourists. This includes East Java which is developing airports at Jogjakarta and Surabaya.

Singapore's more developed tourism sector has been boosted with the opening of two casino based resorts at Sentosa and Marina Bay. The former also includes four hotels, a theme park and Universal Studios Singapore. Marina Bay Sands, operated by a subsidiary of the US' Las Vegas Sands, also features two theatres, a major hotel, as well as a casino.

Vietnam is developing a new international airport at Long Thanh and is also poised to develop a casino resort with US$4 billion of foreign investment on Phu Quoc Island, which is just an hour's flight from Ho Chi Minh City. The resort is expected to attract two to three million visitors a year.

Malaysia's Sabah and Sarawak states in Borneo are taking steps to connect their transport hubs to the interior, as they seek to unlock their rich eco-tourism potential.

Sabah's most prized tourism asset is Kinabalu Park, with canopy walkways, lush botanical gardens and hot springs. Mount Kinabalu is one of the highest yet most accessible mountains in the Region.

Brunei Darussalam's rainforest is one of the best preserved in the world and eco-tourism also holds much development potential. Most national parks feature purpose built visitor trails. Guides in the Sultanate follow pathways used by natives and have close relationships with villagers, enabling tour groups to be hosted by local families.

Diving is becoming a steadily growing attraction in Brunei. Borneo's coastline has substantial potential for diving holiday development, with well preserved coral areas and many sunken ships dating from the Second World War.

The growing world cruise market is another area that countries in the Region want to tap into. Encouraging visits by cruise ships is high on the "Sail ASEAN" agenda, as well as development of river based tourism. Tourism chiefs would like to see the Region building up its cruise market in the same way as the Caribbean, which involves 27 countries.

Another important niche is medical tourism. This caters to those who travel to receive treatment in other countries, ranging from specialist surgery and cosmetic procedures to dental care. Health tourism has been growing in Southeast Asia for some years bringing in more than US$4 billion a year in revenues.

Government agencies in ASEAN are actively promoting the medical tourism industry. SingaporeMedicine is a multi-agency government industry partnership, which includes the Singapore Ministry of Health, the Economic Development Board and International Enterprise of Singapore.

Singapore receives more than 400,000 healthcare visitors a year. In 2010, Singapore's earnings from medical tourism increased 19% to some US$700 million.

In Malaysia, the Tourism Promotion Board and Ministry of Health also work with the Association of Private Hospitals, to promote itself as a destination for medical tourism. The government allows patients to stay for up to six months compared to a standard 30 day visa.

Each year, more than two million tourists arrive in Thailand for medical reasons. At Bangkok's 554 bed Bumrungrad Hospital, 60% of those treated are estimated to be from abroad. 40% of patients at Samitivej Hospital are foreigners.

One of the attractions of the Region's expanding health tourism sector, is the range of amenities. Hotels and resorts are available for patients to recuperate from procedures. For those visiting to receive medical treatment and therapies and for other visitors the range of facilities and attractions is growing steadily.

ASEAN markets the Region with the brand theme "Southeast Asia Feel the warmth". According to Cambodia's Tourism Minister, H.E. Dr. Thong Khon "by 2015, ASEAN will provide an increasing number of visitors to the Region with authentic and diverse products, enhanced connectivity, a safe and secure environment and increased quality of services. At the same time, ensuring an increased quality of life and opportunities for residents".

It is an action orientated strategic plan, designed to further strengthen Southeast Asia's allure as an irresistible destination and one of the foremost competitors in the global tourism industry.

ASIA House: Business, policy and culture

The top ten largest economies in the world include Asian countries such as China, Japan, India and Russia, with China ranking as the second largest. The diversity of the pan-Asian region presents fascinating opportunities and challenges for commercial development and building cultural ties.

Asia House exists to build dynamic links with Asia. Through activities focused on culture, policy and business, Asia House encourages the development of informed understanding, to build stronger relationships between the diverse communities of Europe and Asia. We are a non-profit, non-political organisation.

Business and Policy

The Asia House Business and Policy Programme is a forum for discussion on pan-Asian growth trends, for our network of 50+ member organisations, comprised of some of the UK's most respected companies.

Asia House maintains strong relationships with trade councils, think tanks, universities, foundations, government institutions and Asian embassies in London to deliver the highest quality opportunities.

The Programme is delivered through three categories of events:

- **Chairman's Circle:** High level meetings with business leaders from Asian and Western multinational firms who share management experiences and visions for success in growing Asian markets.

- **Signature Conferences:** Half day conferences that create synergies between business leaders and policy experts' views on pan-Asian growth and its global implications.

- **Public Policy Seminars:** Roundtable sessions that provide members with a deeper understanding of issues, relating to the latest public policy developments in the pan-Asian region, by engaging with visiting ministers, ambassadors, key government officials and policy experts.

Culture

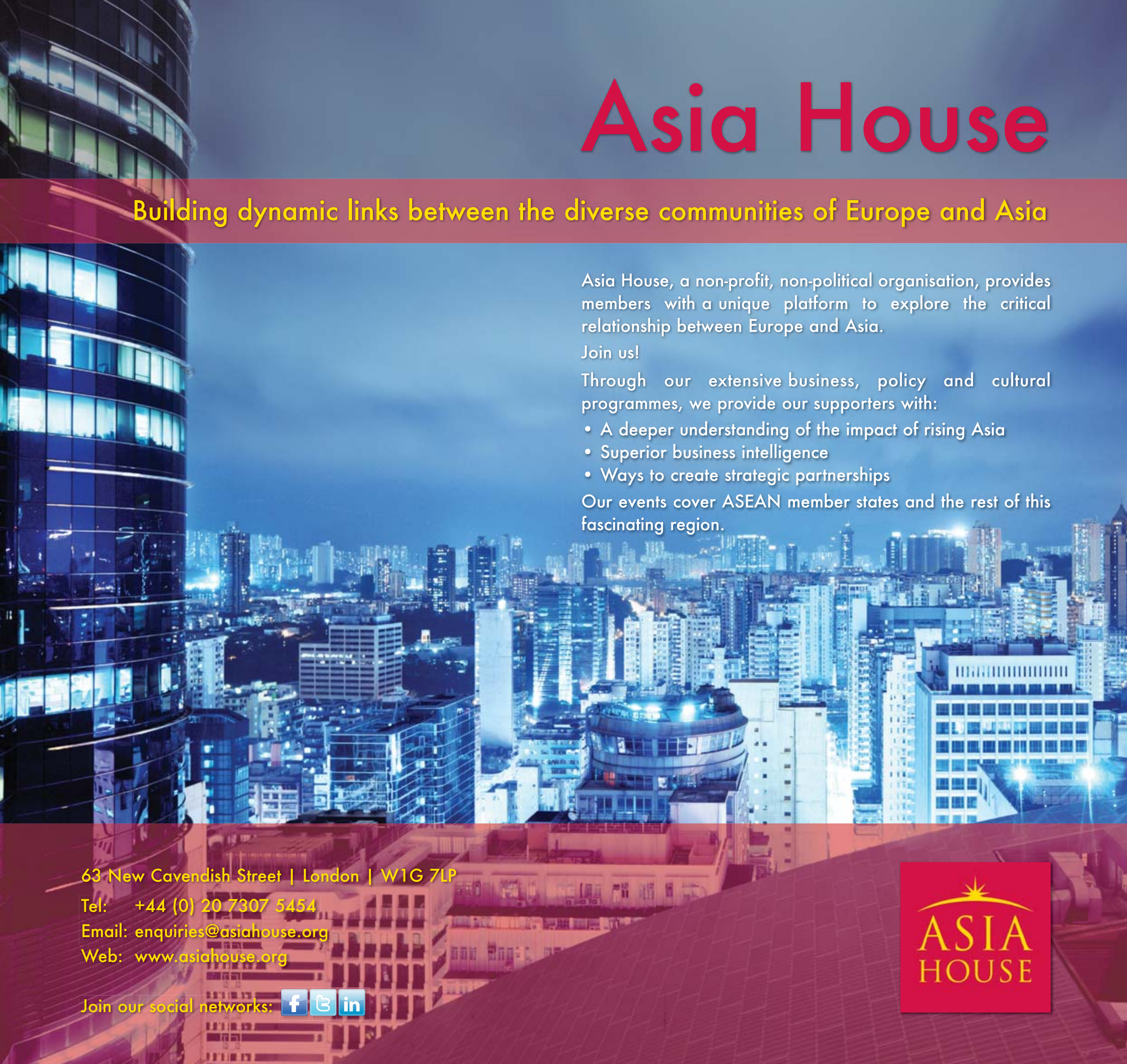
Our Cultural Programme covers visual and performing arts, literature, food and film. We champion talent from Asia and offer a platform for new writers, independent filmmakers and emerging and established artists. A few highlights of the Cultural programme are:

- **The Festival of Asian Literature:** The UK's only festival, dedicated to new writing about the pan-Asia region. It features well known and upcoming writers from Asia and reaches a wide audience of people and Asiaphiles in London.

- **Exhibitions:** We hold exhibitions accompanied by a related programme of lectures, debates and workshops for schools, universities and community groups.

- **The Pan-Asian Film Festival:** A showcase for new independent films from across the Region, featuring UK premieres, Director and talent Q&A sessions. Together with all the glamour associated with the Asian film industry.

- **Asia House Summer School:** Expert practical workshops and lectures which allow people to be creative with poetry, cookery, calligraphy and other forms of cultural expression.


Asia House
Building dynamic links between the diverse communities of Europe and Asia
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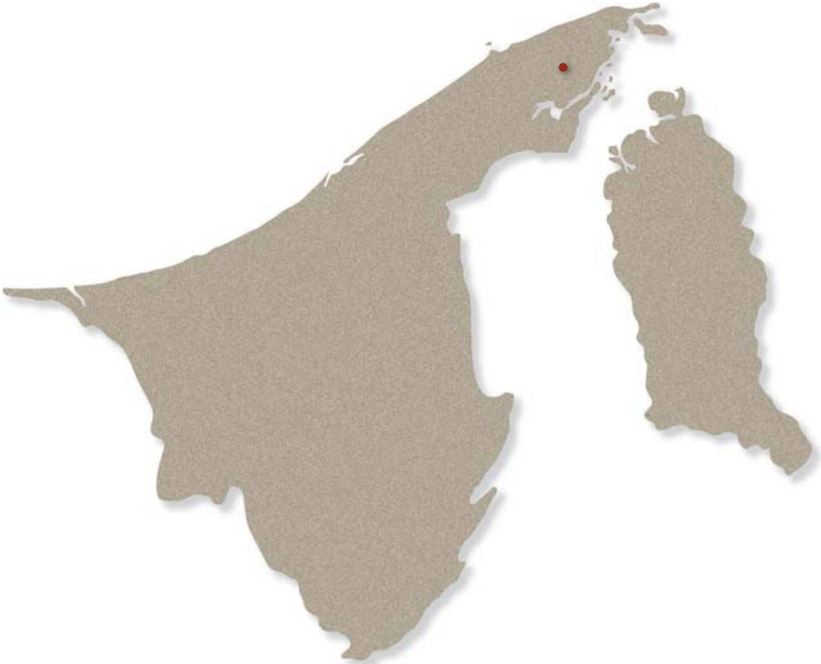
BRUNEI DARUSSALAM



Brunei Darussalam's economy is led by the oil & gas sector, which contributes nearly two thirds of the nominal income. Oil & gas exports earn about 95% of Brunei's export revenues and generate around 90% of government revenue. Per capita GDP, it is one of the highest in the world.

Located on the northern shore of the island of Borneo, Brunei Darussalam consists of two unconnected parts, with a total area of 5,765 square kilometres and occupies only 1% of Borneo's land area. It is bound on all sides by the Malaysian State of Sarawak. To the north there is a 161 kilometre long stretch of coastline next to the South China Sea. The island is also shared with the Indonesian provinces of West, South, East and Central Kalimantan.

Of the total population in Brunei, around 140,000 live in the capital Bandar Seri Begawan. Other major towns are the port of Muara, the oil producing Seria and its neighbouring Kuala Belait. The Panaga area is home to a large expatriate community due to Brunei Shell Petroleum housing and facilities. The majority of the population live in the eastern part of Brunei, while the remainder live in the mountainous southeastern region, in the district of Temburong. Most of Brunei is within the Borneo lowland rainforest eco-region, which covers the majority of the island. There are also areas of mountain rainforest inland.

Culture is deeply connected to religion, with the family being the focal point of the social structure. Islam is the primary religion. The monarchy provides a royal heritage with a direct family line going back to 1405 and this is the only Malay Islamic Monarchy in the world.

Bandar Seri Begawan is Brunei's centre of commerce, finance and government. One of the city's most prominent features is the Sultan Ali Saifuddien Mosque, a tribute and indication of the nation's deep rooted Islamic faith.

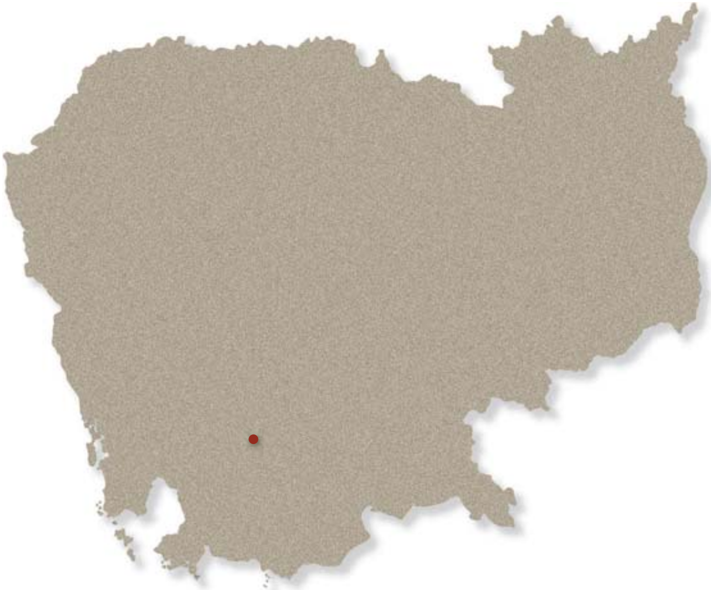
Brunei joined ASEAN on 7 January 1984, becoming the sixth member and hosted the ASEAN Regional Forum in July 2002.

BRUNEI DARUSSALAM

Joined ASEAN:	7 January 1984
Head of State:	His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah
Area:	5,765 square kilometres
Border countries:	Malaysia
Coastline:	161 kilometres
Capital city:	Bandar Seri Begawan
Total population:	408,786
Population of capital:	140,000
Climate:	Tropical, hot, humid and rainy
Languages:	Malay, English, Chinese
Religions:	Muslim 67%, Buddhist 13%, Christian 10%, other 10%
Ethnic groups:	Malay 66.3%, Chinese 11.2%, indigenous groups 3.4%, other 19.1%
Monetary unit:	Brunei Dollar (BND)
Natural resources:	Petroleum, natural gas, timber
Major exports:	Crude oil, natural gas, garments
Major export trading countries:	Japan 45.6%, South Korea 16.5%, Australia 11.8%, Indonesia 8.4%, China 4.6%, India 4.8%
Major imports:	Machinery and transport equipment, manufactured goods, food, chemicals
Major import trading countries	Singapore 33.2%, China 15.5%, South Korea 12.2%, Malaysia 10.7% Germany 9.6%
Internet domain:	.bn
International dialling code:	+673

Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

CAMBODIA



The country has experienced strong export led growth, with GDP growth of 6.1% in 2011. Garment exports and tourist arrivals, especially by air, have increased considerably in recent years.

Cambodia is located in the southern portion of the Indochina Peninsula. It is bordered by Thailand to the northwest, Lao PDR to the northeast, Vietnam to the east and the Gulf of Thailand to the southwest.

Cambodia's landscape is characterised by a low lying central plain which is surrounded by uplands and low mountains and includes the Tonle Sap (Great Lake) and the upper reaches of the Mekong River Delta. Extending outwards from this central region are transitional plains, thinly forested and rising to elevations of about 200 metres above sea level.

The Mekong River flows south through the country's eastern regions. To the east of the Mekong there is a region of forested mountains and high plateaus, which extend into Lao PDR and Vietnam. In southwestern Cambodia, there are two distinct upland areas, the Kravanh Mountains and the Damrei Mountains. The southern coastal region adjoining the Gulf of Thailand, is a narrow lowland strip, heavily wooded and sparsely populated, which is isolated from the central plain by the southwestern highlands.

The Mekong River provides fertile, irrigated fields for rice production. Exports of clothing generate most of Cambodia's foreign exchange but tourism is also an important part of the economy.

Cambodia received 2.8 million visitors in 2011, many visiting the Angkor temples in Siem Reap Province, built between the ninth and 13th centuries. The beaches in Sihanoukville in the southeast and the capital Phnom Penh, are the principal visitor attractions. Other attractions include the area around Kampot and Kep, with the Bokor Hill Station.

Buddhism is the main religion and this creates an identity and a behaviour pattern for each person. This also enforces a sense of hierarchy within society. Cambodia is a collective society. This places emphasis on groups rather than the individual.

Cambodia joined ASEAN on 30 April 1999, making them the tenth member.

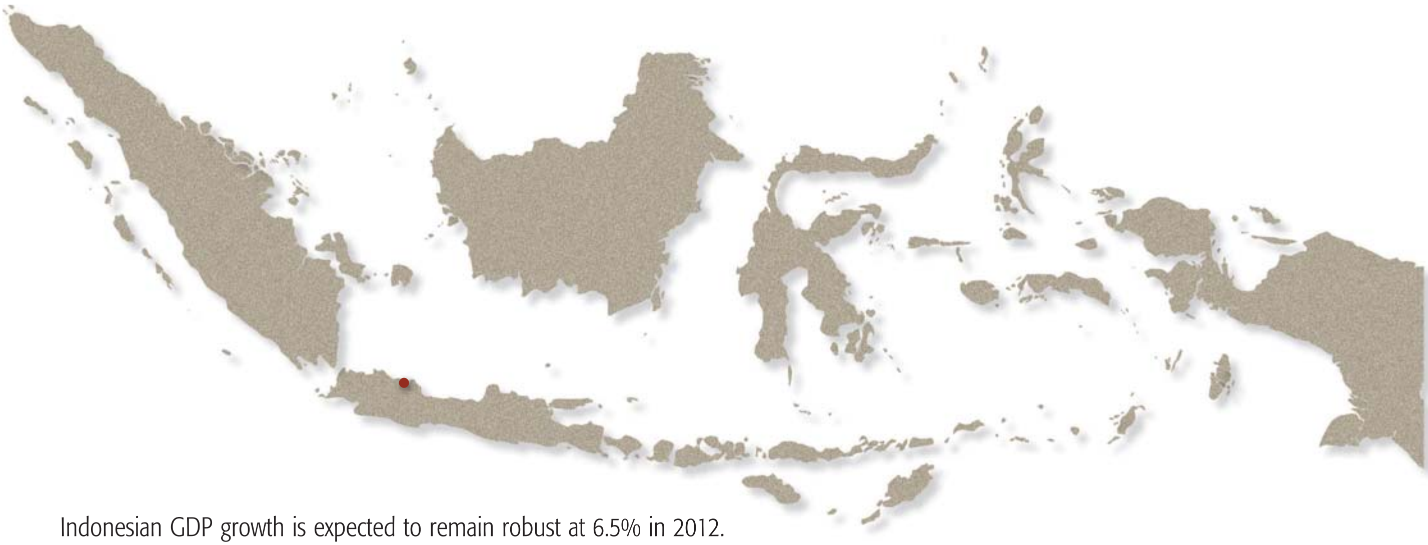
CAMBODIA

Joined ASEAN:	30 April 1999
Head of State:	His Majesty King Norodom Sihamoni
Area:	181,035 square kilometres
Border countries:	Lao PDR, Thailand, Vietnam
Coastline:	443 kilometres
Capital city:	Phnom Penh
Total population:	14,952,996
Population of capital:	1,519,000
Climate:	Tropical and humid. Monsoon season May to November. Dry season December to April.
Languages:	Khmer, French, English
Religions:	Buddhist 96.4%, Muslim 2.1%, other 1.3%, unspecified 0.2%
Ethnic groups:	Khmer 90%, Vietnamese 5%, Chinese 1%, other 4%
Monetary unit:	Riel (KHR)
Natural resources:	Oil & gas, timber, gemstones, iron ore, manganese, phosphates, hydropower potential
Major exports:	Clothing, timber, rubber, rice, fish, tobacco, footwear
Main export trading countries:	US 41.5%, Canada 8.6%, Germany 8.2%, UK 7.9%, Japan 4.6%
Major imports:	Petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products
Main import trading countries:	Thailand 29.6%, China 23.9%, Singapore 9.4%, Hong Kong 7.2%, Vietnam 5.1%
Internet domain:	.kh
International dialling code:	+855



Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

INDONESIA



Indonesian GDP growth is expected to remain robust at 6.5% in 2012. Exports, particularly from the manufacturing sector have surged. Increases in both foreign and domestic investment are supporting this strong growth. The country's overall balance of payments is expected to remain in surplus, as capital inflows reflect greater FDI.

Indonesia consists of over 17,000 islands, about 6,000 of which are inhabited. These are scattered over both sides of the equator. The largest are Java, Sumatra and Borneo, shared with Brunei and Malaysia, New Guinea, shared with Papua New Guinea and Sulawesi. The capital, Jakarta, is on Java and is the nation's largest city, followed by Surabaya, Bandung, Medan and Semarang.

Indonesia is the most populated of ASEAN's ten nations and is the world's 16th largest country in terms of land area, with Java being the world's most populous island. At 4,884 metres, Puncak Java in Papua is Indonesia's highest peak and Lake Toba in Sumatra its largest lake, with an area of 1,145 square kilometres. The country's largest rivers are in Kalimantan and include the Mahakan and Barito.

Indonesia has at least 150 active volcanoes, including Krakatoa and Tambora. Volcanic ash is a major contributor to the vast agricultural fertility that has historically sustained the high population densities of Java and Bali.

Although the main tourist attraction is Bali, many of the country's best beaches are located on the less known Toglan Islands off the coast of central Sulawesi, Karimunjawa in the Java Sea and the Banda Islands in Maluku Province. Other popular tourist attractions include the temples of Borobudor, the tropical rainforest of Sumatra, the mountainous Lorenze National Park in Papua and West Nusa, home to the Komodo Dragon. Indonesia's eastern most province of Papua contains 1,500 islands and west of Papua lies the Maluku archipelago, once known as the Spice Islands.

Indonesia is perhaps the most culturally diverse of the ASEAN states. There are over 300 ethnic groups in Indonesia. Due to this diverse nature, there is a strong pull towards each person's ethnic group or place of birth or family. The national motto is "Unity in Diversity".

Indonesia is a founding member of ASEAN and a member of the G-20 major economies.

INDONESIA

Joined ASEAN: 8 August 1967 (Founder Member)

Head of State: President Susilo Bambang Yudhoyono

Area: 1,904.569 square kilometres

Border countries: Timor-Leste, Malaysia, Papua New Guinea

Coastline: 54,716 kilometres

Capital city: Jakarta

Total population: 248,216,191

Population of capital: 9,121,000

Climate: Tropical, hot and humid. More moderate in the highlands

Languages: Bahasa Indonesia, English, Dutch, local dialects (of which most widely spoken is Javanese)

Religions: Muslim 86.1%, Protestant 5.7%, Roman Catholic 3%, Hindu 1.8%, other 3.4%

Ethnic groups: Javanese 40.6%, Sundanese 15%, Madurese 3.3%, Minangkabau 2.7%, Betawi 2.4%, Bugis 2.4%, Banten 2%, Banjar 1.7%, other 29.9%

Monetary unit: Rupiah (IDR)

Natural resources: Petroleum, tin, natural gas, nickel, timber, bauxite, copper, fertile soils, gold, silver, coal

Major exports: Oil & gas, coal, electrical appliances, plywood, textiles, rubber

Main export trading countries: Japan 16.6%, China 11.3%, US 9.1%, Singapore 9.1%, South Korea 8.1%, India 6.6%, Malaysia 5.9%

Major imports: Machinery and equipment, chemicals, fuels, foodstuff

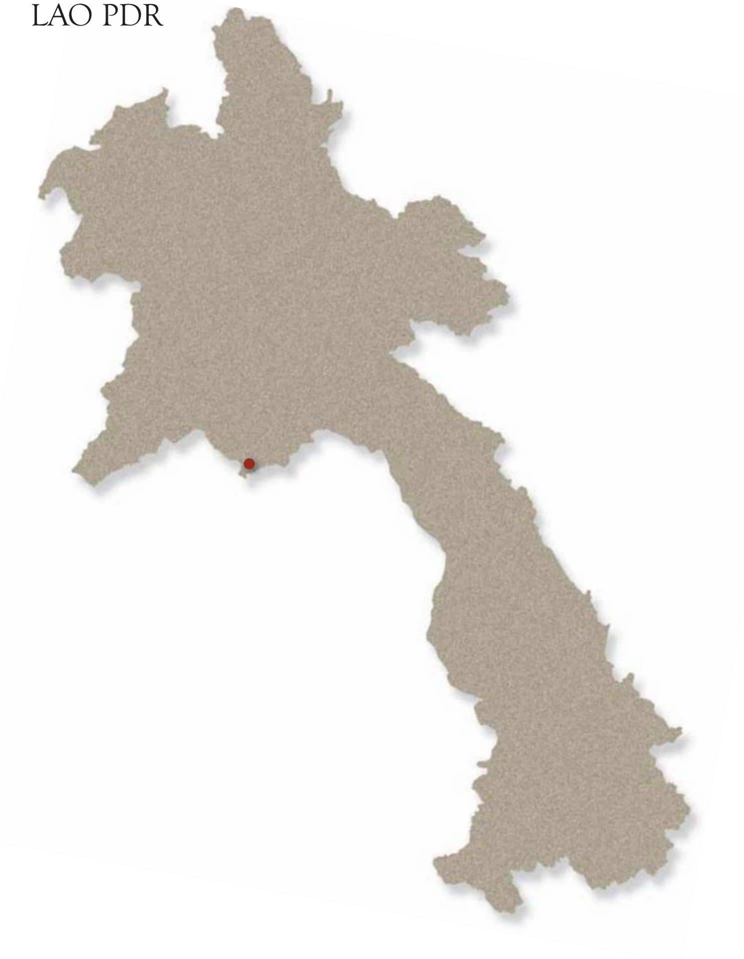
Main import trading countries: China 14.8%, Singapore 14.6%, Japan 11%, US 6.1%, South Korea 7.3%, Thailand 5.9%, Malaysia 5.9%

Internet domain: .id

International dialling code: +62

Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

LAO PDR



The country's economy has performed well in the last two years, with growth estimated at 8.3% in 2011. This has been buoyed by ongoing projects in the mining and hydroelectric sectors, as well as expansion of garment exports, international tourism and FDI.

Lao PDR is situated between Myanmar, China, Vietnam, Cambodia and Thailand. Its thickly forested landscape consists mostly of rugged mountains, the highest of which is Phou Bia at 2,818 metres, with a number of plains and plateaus. The Mekong River forms a large part of the western boundary with Thailand, whereas the mountains of the Annamite Chain form most of the eastern border with Vietnam.

Dong Hua Sao, at the southern end of the country prevents access to the sea but cargo boats travel along the entire length of the Mekong in Lao PDR during most of the year. Smaller power boats and pirogues provide an important means of transportation on many of the tributaries of the Mekong.

The capital city Vientiane, located on the curve of the Mekong River, has French inspired architecture, it's a vibrant city and popular tourist destination. Other large cities include Luang Prabang, Savannakhet and Pakse.

Buddhism is the religion of 67% of the population. The people are influenced largely by Buddhist teachings and this is reflected in the culture. Lao PDR is so far, untouched by the modern demands and pace of life. Collectivism is also a strong part of its culture. There are 65 ethnic minorities, each with their own language, making individualism also possible.

Lao PDR joined ASEAN on 23 July 1997, along with Myanmar.

LAO PDR

Joined ASEAN:	23 July 1997
Head of State:	President Choummaly Sayasone
Area:	236,800 square kilometres
Border countries:	Myanmar, Cambodia, Thailand, Vietnam, China
Coastline:	Landlocked
Capital city:	Vientiane
Total population:	6,586,266
Population of capital:	799,000
Climate:	Tropical. Monsoon season May to November. Dry season December to April
Languages:	Lao PDR, French, English, various ethnic languages
Religions:	Buddhist 67%, Christian 1.5%, other 31.5%
Ethnic groups:	Lao PDR 55%, Khmou 11%, Hmong 8%, other 26%
Monetary unit:	Kip (LAK)
Natural resources:	Timber, hydropower, gypsum, tin, gold, gemstones
Major exports:	Wood products, coffee, electricity, tin, copper, gold
Main export trading countries:	Thailand 34.8%, China 25.6%, Vietnam 10%
Major imports:	Machinery and equipment, vehicles, fuel, consumer goods
Main import trading countries:	Thailand 65.9%, China 11.3%, Vietnam 5.3%
Internet domain:	.la
International dialling code:	+856

Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

MALAYSIA

Malaysia emerged strongly from the global recession of 2008, with GDP growing at 5.1% in 2011. Forceful counter cyclical policies, sound balance sheets and intra-regional trade, have assisted recovery. The country's near term prospects are very favourable with both external and private domestic demand, propelling economic activity.

Malaysia consists of two regions separated by 1,030 kilometres of the South China Sea. West Malaysia in the southern third of the Malay Peninsula and East Malaysia which occupies the northern quarter of the island of Borneo, with it's Provinces of Sarawak and Sabah. West Malaysia is bound by Thailand to the north, the South China Sea to the east, Singapore to the south and the Strait of Malacca to the west. East Malaysia is bound by Indonesia to the south, the South China Sea to the west and north and the Sulu Sea to the northeast. West Malaysia consists of a range of steep forest covered mountains, with coastal plains to the east and west and the principal river is the Pahang. East Malaysia has a broad swampy coastal plain, which rises to jungle covered hills in the interior.

As well as its status as a leading business destination, Malaysia offers beautiful scenery and a huge variety of tourist attractions, from beaches to dense rainforests.

Leading destinations include the Pulau Payar Marine Park at Langkawi, the Gunung Mulu National Park in Sarawak, Sipadan Island in Sabah and Penang's Georgetown, a UNESCO World Heritage site.

Malaysia is a multi-cultural society. The main cultural groups are the native Malays, together with groups of Chinese and Indian ethnicity. Individual lifestyles are maintained. Families tend to socialise within their own ethnic groups but the desire to conform socially, makes Malaysians strive for harmonious relationships in every aspect of their lives.

Malaysia is a founding member of ASEAN.

MALAYSIA

Joined ASEAN: 8 August 1967 (Founder Member)

Head of State: Sultan Abdul Halim Mu'adzam Shah

Area: 329,847 square kilometres

Border countries: Brunei Darussalam, Indonesia, Thailand

Coastline: 4,675 kilometres

Capital city: Kuala Lumpur

Total population: 29,179,952

Population of capital: 1,493,000

Climate: Tropical. Southwest monsoons April to October, northeast monsoons October to February

Languages: Bahasa Malaysia, English, Chinese, Tamil, Telugu, Malayalam, Panjabi, Thai

Religions: Muslim 60.4%, Buddhist 19.2%, Christian 9.1%, Hindu 6.3%, Confucianism, Taoism and other Chinese religions 2.6%, other 1.5%

Ethnic groups: Malay 50.4%, Chinese 23.7%, indigenous 11%, Indian 7.1%, other 7.8%

Monetary unit: Ringgit (MYR)

Natural resources: Tin, petroleum, timber, copper, iron ore, natural gas, bauxite

Major exports: Electronic equipment, petroleum and liquefied natural gas, wood and wood products, palm oil, rubber, textiles, chemicals

Main export trading countries: China 17.9%, Singapore 12.8%, Japan 10.6%, US 8.6%, Thailand 4.4%, Hong Kong 4.1%

Major imports: Electronics, machinery, petroleum products, plastics, vehicles, iron and steel products, chemicals

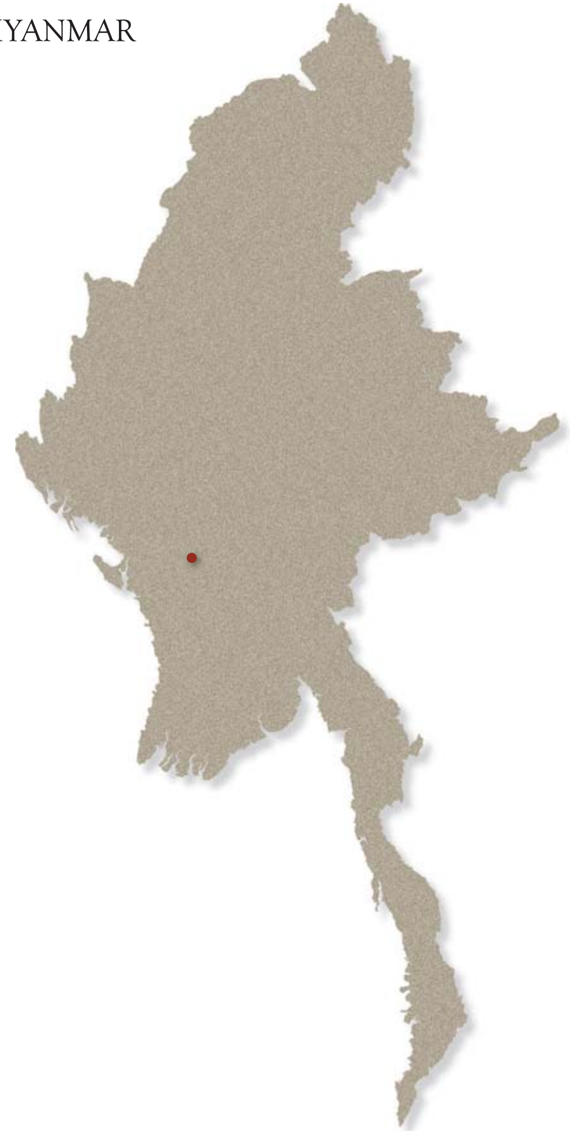
Main import trading countries: Singapore 20.5% China 13.7%, Japan 10%, US 7.9%, Thailand 6%, Indonesia 5.6%

Internet domain: .my

International dialling code: +60

Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

MYANMAR



Bolstered by sales of natural gas, economic growth was 5.5% in 2011 and is expected to be around the same over 2012. The economy has continued to grow, supported by foreign investment in construction and more credit being made available to agriculture. The country is now committed to an extensive agenda of reforms to realise its potential. The financial sector is underdeveloped but has considerable promise to support economic growth. A sale of state assets, in addition, has the potential to stimulate private sector investment.

Myanmar, the second largest country in Southeast Asia, is bordered by China on the northeast, Lao PDR on the east, Thailand on the southeast, Bangladesh on the west, India on the northwest and the Bay of Bengal to the southwest, with the Andaman Sea defining its southern periphery.

In the north, the Shan mountains form the border with China. Hkakabo Razi, located in Kachin State, at an elevation of 5,881 metres, is the highest point in Myanmar. Three mountain ranges, namely the Rakhine Yoma, the Bago Yoma and the Shan Plateau. They divide three river systems, the Salween, the Sittaung and the Irrawaddy, the longest at nearly 2,170 kilometres which flows into the Gulf of Martaban.

Much of the country lies between the Tropic of Cancer and the Equator. It lies in the monsoon region of Asia, with its coastal areas receiving over 5,000mm of rain annually.

Myanmar has huge tourism potential with its pristine beaches, snow capped mountains, jungle trails and spectacular temples.

There are around 100 different ethnic groups within Myanmar. Much of the Country's population is rural and occupied by agricultural activities. Many of these ethnic groups are largely untouched by western cultures, leaving their own rich cultural traditions still intact. Buddhism is the main guiding force in the lives of the Myanmar people.

Myanmar joined ASEAN along with Lao PDR on 23 July 1997.

MYANMAR

Joined ASEAN:	23 July 1997
Head of State:	President Thein Sein
Area:	676,578 square kilometres
Border countries:	Lao PDR, Thailand, Bangladesh, China, India
Coastline:	1,930 kilometres
Capital city:	Naypyidaw
Total population:	54,584,650
Population of capital:	992,000
Climate:	Summer is tropical, cloudy, hot and humid. Southwest monsoon June to September. Winter less cloudy with lower humidity. Northeast monsoon December to April.
Languages:	Burmese
Religions:	Buddhist (89%), Christian (4%), Muslim (4%), other (3%)
Ethnic groups:	Burman 68%, Shan 9%, Karen 7%, Rakhine 4%, Chinese 3%, Indian 2%, Mon 2%, other 5%
Monetary unit:	Kyat (MMK)
Natural resources:	Petroleum, timber, tin, antimony, zinc, copper, tungsten, lead, coal, marble, limestone, precious stones, natural gas, hydropower
Major exports:	Natural gas, wood products, pulses, beans, fish, rice, clothing, jade, gems
Main export trading countries:	Thailand 37.1%, China 19%, India 12.3%, Japan 6.7%
Major imports:	Fabric, petroleum products, fertiliser, plastics, machinery, transport equipment, cement, construction materials, crude oil, food products
Main import trading countries:	China 39.2%, Thailand 22.9%, Singapore 9.8%, South Korea 5.4%, Japan 4.1%
Internet domain:	.mm
International dialling code:	+95



Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

THE PHILIPPINES

Economic growth though easing, averaged at 3.7% in 2011 and is targeted to reach 6.5% by the end of 2012. Growth has been constrained by lower exports, due to supply disruptions emanating from Japan's earthquake in 2011, as well as some cutbacks in government expenditure. However, near term growth prospects are considered favourable, with the balance of payments remaining in surplus.

The Philippines is made up of over 7,000 islands but the majority of people live on just 11 of them. Its islands make it the country with the fifth longest coastline in the world. It is bordered by the Philippine Sea to the east, the South China Sea to the west and the Celebes Sea to the south. The island of Borneo is located a few hundred kilometres southwest.

Most of the mountainous islands are covered in tropical rainforest and are volcanic in origin. The highest mountain is Mount Apo, which measures up to 2,954 metres above sea level and is located on the island of Mindanao. To the east of the Philippines on the ocean floor lies the Philippine Trench, where the Galathea Depth is the third deepest place on earth. The longest river is the Cagayan in Northern Luzon. Manila Bay, upon the shore of which the capital city of Manila lies, is connected to Laguna de Bay, the largest lake in the Philippines, by the Pasig River.

The Philippines contains some of the world's most amazing scenery, including the beaches of Boracay, Panglao and Pagudpad, as well as historical sites such as Intramuros, Cebu City, Corregidor and Bataain.

The main religion in the Philippines is Christian Malay, with over 80% of Filipinos practicing Catholicism. Family values are at the heart of the Filipino family. It is recognised and accepted that family members often work for the same company. There is a strong sense of social propriety to conform to societal norms of behaviour.

The Philippines are a founder member of ASEAN.

THE PHILIPPINES

Joined ASEAN:	8 August 1967 (Founder Member)
Head of State:	President Benigno S. Aquino III
Area:	300,000 square kilometres
Border countries:	None
Coastline:	36,289 kilometres
Capital city:	Manila
Total population:	103,775,002
Population of capital:	11,449,000
Climate:	Tropical marine. Northeast monsoon from November to April and southwest monsoon May to October
Languages:	Filipino, English
Religions:	Roman Catholic 80.9%, Muslim 5%, Evangelical 2.8%, Iglesia ni Kristo 2.3%, Aglipayan 2%, other Christian 4.5%,other 1.8%, none 0.1%
Ethnic groups:	Tagalog 28.1%, Cebuano 13.1%, Ilocano 9%, Bisaya/Binisaya 7.6%, Hiligaynon Ilonggo 7.5%, Bikol 6%, Waray 3.4%, other 25.3%
Monetary unit:	Peso (PHP)
Natural resources:	Petroleum, gold, silver copper, nickel, cobalt, timber, salt
Major exports:	Semi-conductors and electronic products, transport equipment, garments, copper products, petroleum products, coconut oil, fruits
Main export trading countries:	China 21.3%, Japan 14.1%, US 13.9%, Singapore 8.9%, Hong Kong 7.5%, South Korea 4.1%
Major imports:	Electronic products, mineral fuels, machinery and transport equipment, iron and steel, textile fabrics, grains, chemicals, plastic
Main import trading countries:	China 14.6%, Japan 12.3%, US 9.4%, South Korea 8.4%, Singapore 8%, Thailand 5.6%, Indonesia 4.1%
Internet domain:	.ph
International dialling code:	+63



Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

SINGAPORE

The island state's economy grew by some 4.8% in 2011 and is projected to be around 2.5% by the end of 2012. Both external and domestic demand is expected to continue to support strong economic growth in Singapore's increasingly knowledge based skills economy.

Singapore is located off the southern tip of the Malay Peninsular, 137 kilometres north of the Equator. As an island country, it is made up of 63 islands and is separated from Malaysia by the Straits of Johor. There are two man-made connections to Malaysia, the Johor-Singapore Causeway in the north and the Tuas Second Link in the west. Jurong Island, Pulau Tekong, Pulau Ubin and Sentosa are the largest islands after Singapore Island, which contains the capital, Singapore City.

Singapore's land area consists of forest and nature reserves and its primary rainforest is Bukit Timah.

Most work in Singapore is in the service sector and poverty levels are low compared to other countries in the Region. Singapore has the world's highest percentage of millionaire households.

Tourism forms a large part of the economy with over ten million visitors each year. Gambling has been legalised and the country's casino resorts have proved popular destinations.

A largely Buddhist (Chinese) state, Singaporians may claim that they are an egalitarian society, yet they retain strong hierarchical relationships in most aspects of their lives. Singapore is a multi-ethnic society, where culturally diverse, Chinese, Malay and Indian traditions co-exist in a westernised cosmopolitan metropolis.

Singapore is a founder member of ASEAN.

SINGAPORE

Joined ASEAN: 8 August 1967 (Founder Member)

Head of State: President Tony Tan Keng Yam

Area: 697 square kilometres

Border countries: None

Coastline: 193 kilometres

Capital city: Singapore City

Total population: 5,353,491

Climate: Tropical, hot and humid with two monsoon seasons. Northeastern monsoon from December to March, southwestern monsoon June to September

Languages: Mandarin, English, Tamil, Malay, Hokkien, Cantonese, Teochew

Religions: Buddhist 42.5%, Muslim 14.9%, Taoist 8.5%, Hindu 4%, Catholic 4.8%, other Christian 9.8%, other 0.7%, none 14.8%

Ethnic groups: Chinese 76.8%, Malay 13.9%, Indian 7.9%, other 1.4%

Monetary unit: Singapore dollar (SGD)

Natural resources: Fish, deepwater ports

Major exports: Machinery and electronic equipment, consumer goods, pharmaceuticals, chemicals, refined petroleum products.

Main export trading countries: Malaysia 12.2%, Hong Kong 11%, China 10.4%, Indonesia 10.4%, US 5.4%, Japan 4.5%

Major imports: Machinery and equipment, foodstuffs, consumer goods, mineral fuels, chemicals

Main import trading countries: Malaysia 10.7%, US 10.7%, China 10.4%, Japan 7.2%, South Korea 5.9%, Taiwan 5.9%

Internet domain: .sg

International dialling code: +65



Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

THAILAND

Economic growth reached 7.5% in 2010, with some slow down through 2011, the figure during 2012 is expected to reach 4.5%. The country has proved remarkably resilient to the challenges of recession, mainly due to the strong financial position of both the public and private sectors. As a result, manufacturers were able to respond quickly to increased export demand, when world economies began their slow recovery over the last two years.

Thailand is located at the centre of the Indochina Peninsula and is bordered to the north by Myanmar and Lao PDR, to the east by Lao PDR and Cambodia, to the south by the Gulf of Thailand and Malaysia and to the west by the Andaman Sea and Myanmar.

Thailand is home to several distinct geographic regions. The north of the country is mountainous, with the highest point being Doi Inthanon at 2,565 metres above sea level, the northeast consists of the Khorat Plateau and the east by the Mekong River.

Southern Thailand has the Kra Isthmus, a narrow land bridge, which connects the Malay Peninsula with the mainland of Asia. The centre is dominated by the Chao Phraya River valley, which runs into the Gulf of Thailand. The Gulf of Thailand is also an industrial centre, with the main port in Sattahip being the entry gates for Bangkok's Inland Seaport.

Thailand is the Greater Mekong Sub-region's most visited international destination. Other top destinations include Bangkok, Chiang Mai and the beach resorts of Pattaya and Phuket.

The Andaman Sea hosts the most popular and luxurious resorts in Asia. Phuket, Krabi, Ranong, Phang Nga and Trang and their lush islands all lay along the coast of the Andaman.

The Chao Phraya River and Mekong River are the sustainable resources of rural Thailand. Industrial scale production of crops use both rivers and their tributaries. The Gulf of Thailand covers 320,000 square kilometres and is fed by the Chao Phraya, Mae Klon, Bang Pakong and Tapi Rivers.

Thailand is a stronghold of Buddhism. Many of the rules of etiquette are by-products of the Buddhist religion. Great emphasis is placed on outward forms of courtesy and politeness. The family is the cornerstone of Thai culture. Thailand has a strong hierarchical social structure.

Thailand is a founder member of ASEAN.

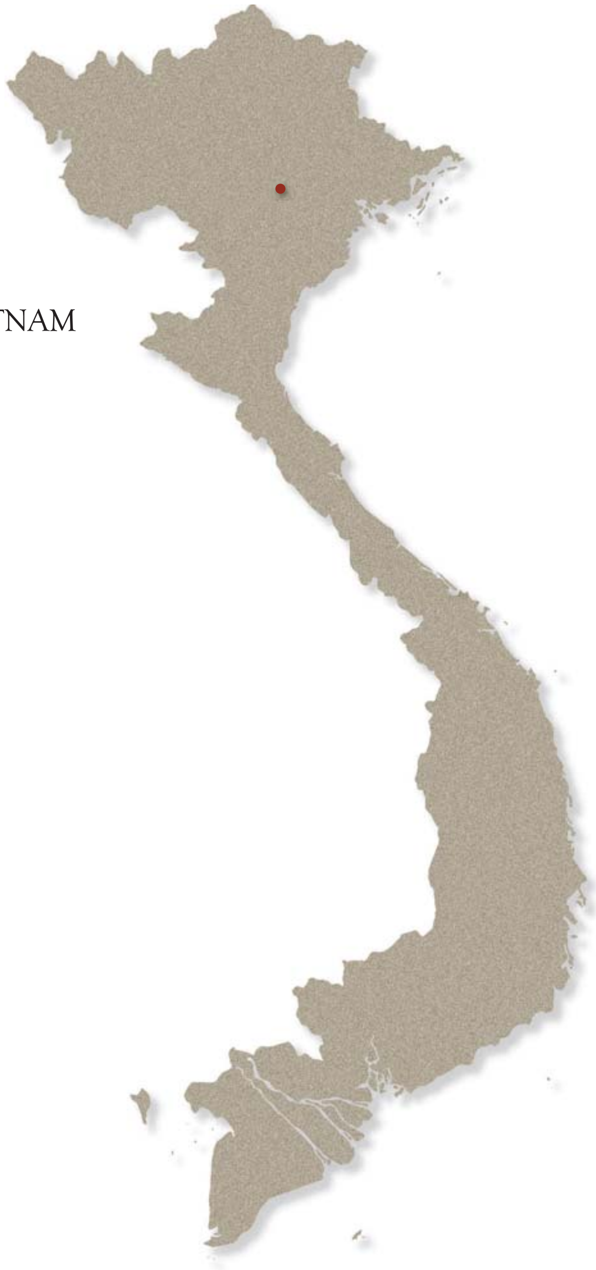
THAILAND

Joined ASEAN:	8 August 1967 (Founder Member)
Head of State:	His Majesty King Bhumibol Adulyadej
Area:	513,120 square kilometres
Border countries:	Myanmar, Cambodia, Lao PDR, Malaysia
Coastline:	3,219 kilometres
Capital city:	Bangkok
Total population:	67,091,089
Population of capital:	6,902,000
Climate:	Tropical, rainy, warm, cloudy southwest monsoon from May to September. Dry, cool northeast monsoon, November to March
Languages:	Thai, English, ethnic and regional dialects
Religions:	Buddhist 94.6%, Muslim 4.6%, Christian 0.7%, other 0.1%
Ethnic groups:	Thai 75%, Chinese 14%, other 11%
Monetary unit:	Baht (THB)
Natural resources:	Tin, rubber, natural gas, tungsten, tantalum, timber, lead, fish, gypsum, lignite, fluorite, arable land
Major exports:	Textiles and footwear, fishery products, rice, rubber, jewellery, automobiles, computers, electrical appliances
Main export trading countries:	China 12%, Japan 10.5%, US 9.6%, Hong Kong 7.2%, Malaysia 5.4%, Singapore 5%
Major imports:	Capital goods, intermediate goods and raw materials, consumer goods, fuels
Main import trading countries:	Japan 18.5%, China 13.4%, UAE 6.3% US 5.9%, Malaysia 5.4%, South Korea 4%
Internet domain:	.th
International dialling code:	+66



Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

VIETNAM



Economic growth in 2011 reached 5.9%. While the current account deficit is projected to slightly widen, it remains strongly covered by robust direct investment inflows. Over the medium term, the foundations for sustained growth are considered to remain firm, as a result of the maintenance of sound macro-economic policies.

Vietnam is the most eastern country on the Indochina Peninsula. It is bordered by China to the north, Lao PDR to the northwest, Cambodia to the southwest and the South China Sea to the east. With a population of over 90 million, Vietnam is the 13th most populous country in the world.

Vietnam is a country of tropical lowlands, hills and densely forested highlands, with level land covering no more than 20% of the area. The country is divided into the highlands and the Red River Delta in the north, the Giai Truong Son (central mountains), the coastal lowlands and the Mekong River Delta in the south.

The nation has seven developed ports and harbours at Cam Ranh, Da Nang, Hai Phong, Ho Chi Minh City, Hong Gai, Qhi Nhon and Nha Trang. There are also more than 17,000 kilometres of navigable waterways, which play a significant role in rural life.

Vietnam has a vast cultural legacy and is also endowed with a 3,444 kilometre coastline, providing ample opportunity to develop sea based tourism around spectacular bays, beaches and islands. These include areas such as Mong Cai City, Halong Bay, Hai Phong City, Nam Dinh Province and Da Nang.

The native Vietnamese are the largest ethnic group containing 90% of the population of this largely Buddhist country. The teachings of Confucius highly influence the individual in Vietnamese society. This stresses for, amongst other things; loyalty, honour, sincerity and respect for age. Collectivism is a general part of society with an individual seen as secondary to a group.

Vietnam joined ASEAN 28 July 1995, making it the seventh member.

VIETNAM

Joined ASEAN:	28 July 1995
Head of State:	President Truong Tan Sang
Area:	331,210 square kilometres
Border countries:	Lao PDR, Cambodia, China
Coastline:	3,444 kilometres (excluding islands)
Capital city:	Hanoi
Total population:	91,519,289
Population of capital:	2,668,000
Climate:	Tropical in the south, monsoons in the north with the hot, rainy season May to September. Warm and dry October to March
Languages:	Vietnamese, English, French, Chinese, Khmer
Religions:	Buddhist 9.3%, Catholic 6.7%, Hoa Hao 1.5%, Cao Dai 1.1%, Protestant 0.5%, Muslim 0.1%, none 80.8%
Ethnic groups:	Kinh (Viet) 85.7%, Tay 1.9%, Thai 1.8%, Muong 1.5%, Khmer 1.5%, Mong 1.2%, Nung 1.1%, others 5.3%
Monetary unit:	Dong (VND)
Natural resources:	Phosphates, coal, manganese, rare earth elements, bauxite, chromate, timber, hydropower
Major exports:	Clothes, shoes, marine products, crude oil, electronics, wooden products, coffee, rice, machinery
Main export trading countries:	US 18%, Japan 11%, China 11%, Germany 3.7%
Major imports:	Machinery and equipment, petroleum products, steel products, raw materials for clothing and shoe industries, electronics, plastics, automobiles
Main import trading countries:	China 22%, South Korea 13.2%, Japan 10.4%, Taiwan 8.6%, Thailand 6.4%, Singapore 6.4%
Internet domain:	.vn
International dialling code:	+84

Sources: CIA World Factbook, ASEAN, IMF, Kwintessential.co.uk, Journeymart.com

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