

Investing in ASEAN

Association of Southeast Asian Nations

2011 | 2012



• one vision • one identity • one community •

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



| Myanmar | Philippines | Singapore | Thailand | Vietnam |



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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

Leaders from across the Asia-Pacific region, including US President, Barack Obama and Russian Federation Prime Minister, Vladimir Putin, are among the foreign dignitaries due to attend an ASEAN summit held in Bali in November 2011.

It is easy to see why there is such an international focus on Southeast Asia. Commitment to free trade and encouragement of the private sector is fortifying an open multilateral trading system. In 2010, the region grew by 7.6% after a sharp downturn in 2009, following the 2008 global financial crisis.

ASEAN trade volumes are running at more than US\$1.5 trillion a year. The main trading partners in 2009 were China (US\$178 billion), the EU (US\$172 billion), Japan (US\$162 billion) and the US (US\$150 billion). The figure for China is even higher if trade with Hong Kong (US\$68 billion) is taken into account.

The pattern of trade is changing in the region with ASEAN's international role steadily growing in importance. A free trade area launched between ASEAN and China is helping generate US\$250 billion of trade a year.

The agreement, which came into force in 2010, removes duties on several hundred products and which has served to boost a fast expanding intra-Asia trade. China has already surpassed the US as Thailand's main trading partner.

The EU has also become the region's second largest trading partner after the US. Europe now accounts for 11% of ASEAN trade, with goods and services estimated at US\$235 billion. European companies also comprise ASEAN's largest source of foreign direct investment (FDI), with commitments valued at US\$170 billion.

Most other parts of the world would be envious of this rapid turnaround in the region's economic fortunes, in spite of sluggish growth elsewhere. In 2010, for the first time since the start of the decade, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore and Thailand saw growth of 7% and more.

Substantial opportunities continue to emerge for multinational corporations and overseas investors. FDI is estimated to have reached nearly US\$70 billion in 2010, while an active private sector saw initial public offerings, issuance of bonds and loans generated of more than US\$23 billion.

The investment environment has improved considerably in the last three years especially. ASEAN members have seen greater financial stability as a result of reforms, with more stability in the banking system, an accumulation of foreign exchange and improved macro-economic management.

Export trade is the bulwark of the region's prosperity. However, the next decade is likely to see as much focus on developing internal markets and

intra-regional trade as on maintaining the region's valuable share of global export trade.

Such a modification will serve to lessen dependence on the cyclical nature of world trade and enhance the region's attraction as a location where longer term investments are likely to pay rich dividends.

ASEAN has come a long way since the original five members – Indonesia, Malaysia, Philippines, Singapore and Thailand signed the Bangkok Declaration, in August 1967. This bound them together into a regional institution to secure peace, freedom and prosperity for their peoples.

Throughout its existence, the Association has taken a long term view concerning development aims. There has been uninterrupted peace and member states have lived by sound and solid principles and unity in diversity, consultation and consensus.

ASEAN has expanded to include Brunei, Cambodia, Lao PDR, Myanmar and Vietnam, while East Timor recently commenced a formal application process to join.

Over the last 44 years, cooperation has broadened beyond economics to include political, security, social and cultural issues, while maintaining adherence to the principle of non interference in each other's domestic affairs.

The moves underway to fully harmonise customs documentation and processes and remove other non tariff trading barriers in the region, should further boost trade.

Economic integration is seen as a vital tool for enhancing competitiveness, an imperative for sustained business growth, creation of jobs, investment, reducing poverty and inequality.

Flexibility is a key characteristic in the ASEAN model of economic integration, in recognition of the varying states of development in the region and abilities of countries to implement plans of action.

While bound by a declaration of intent rather than a treaty of the sort that established the European Union and its predecessor the European

Economic Community, a reduction and eventual elimination of tariff barriers is a major step in the integration process.

Achieving this is in a huge area, made up of countries with a combined a land area of 4.5 million square kilometres and tens of thousands of kilometres of coastline, many different communities, cultures, languages, religions and political experiences, is a complex task.

However, there are many common links and substantial progress is being made to bring Southeast Asia together. The ASEAN Economic Community will be an historic moment and mark one of the most significant developments in the region since ASEAN's formation in August 1967.

Rapid steps have been made. In 2003, ASEAN decided to push ahead with creating an economic community of its ten member states by 2020. That deadline was moved forward three years later to 2015.

More than 99% of products in ASEAN's Common Effective Preferential Tariff scheme are now within 0-5%. Among the newer member states, two thirds of products have been brought within the same range.

The market created in 2015, will enhance intra-regional trade and encourage greater competition between businesses in the region.

Achieving deeper integration will bring substantial gains, estimated to remove up to one fifth from the production costs of consumer goods in the region. This will enable the new economic community to remain a dynamic player in the global economy.

ASEAN is now poised to face new challenges confidently as it creates a dynamic new trading force, able to take advantage of the economic opportunities that globalisation offers competitive nations.

Malaysia, for example, has set its sights on achieving developed country status for its economy and citizens. Other countries in the region have the opportunity through integration, to develop the building blocks to follow.

Greater inclusion and infrastructure improvements, particularly in transport will help lower income countries in the Association, especially rural hinterlands and landlocked communities, to achieve much improved access to the mainstream economic activities of the region.



Dr. Surin Pitsuwan: Secretary General ASEAN



Dr. Surin Pitsuwan, Secretary General, ASEAN

Our vision in ASEAN is to build a community with a common goal to create a stable, attractive, prosperous and competitive regional economy. In realising our vision, we are undertaking measures to help ASEAN create a dynamic and resilient regional economy that is well integrated into the global community.

ASEAN is driven and guided by the principles of open market economy, and adherence to multilateral rules and a rules-based system, thus creating an integrated regional economy that is giving rise to a more trade and investment friendly environment. ASEAN also welcomes and engenders partnership with not only the private sector and the business community within ASEAN but also with ASEAN's Dialogue Partners as we value the important role they play in the growth and development of ASEAN and its Member States.

Noting the importance of private sector role and contribution, ASEAN has and is continuing to engage and

build relationship with the private sector through policy dialogues. The private sector is an important partner in building the AEC by 2015 as their active participation has strengthened our process with their feedback and suggestions making our system more robust.

We are promoting trade and investment facilitation that is comprehensive, forward looking and based on international best practices to help realise our objective to create a single market and production base as guided by the AEC Blueprint that maps out our plan of action in our economic community building with milestones and concrete strategic actions. We continuously monitor and track our progress to ensure that we stay on course.

Despite the progress we have achieved thus far, our work is not finished and we remain steadfast in our endeavour, commitment and resolve to build one ASEAN community that is well integrated into the global community.

US-ASEAN Business Council



Alexander Feldman, President,
US-ASEAN Business Council

For a long time, people have been calling ASEAN “the next great market” or “the opportunity of the future.” In 2011, I think it’s safe to say that ASEAN has arrived and the future is now. Southeast Asia continues to rank among the world’s fastest growing regions, projected by most experts to grow at between 5% and 6% next year. ASEAN has increasingly participated in major world organizations like the G-20. Fall 2011, will see the third US-ASEAN Leaders Meeting and US participation in the ASEAN-centric East Asia Summit. These events set ASEAN firmly in the center of Asian regional architecture.

The US-ASEAN Business Council has worked for 27 years to advance the business relationship between the United States and Southeast Asia and I can honestly say the business relationship has never been stronger than it is right now. US-ASEAN bilateral trade continues to grow and has reached over US\$180 billion annually. The ASEAN Nations together make up America’s fourth largest export market, putting them on a par with China and far surpassing India. ASEAN hosts over US\$150

billion in US foreign direct investment and US companies continue to find opportunities here, as the business environment evolves.

ASEAN has not been content to simply sit back and hope its members continue to experience high growth rates. The ASEAN Economic Community, an ambitious effort slated to take effect in 2015, 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 Master Plan 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. Now is the time to engage in ASEAN and become a part of the world’s most dynamic market.



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EU-ASEAN Business Council



Jakob Friis Sorensen
Chairman (2011-2012),
EU – ASEAN Business Council

The EU-ASEAN Business Council would like to express its appreciation for the initiative to compile this important publication, highlighting the increased importance of ASEAN as a region for trade, investment and other exchanges between countries, companies and individuals.

Over the last decades, European investors have turned their attention to ASEAN as it has become one of fastest growing regions in the world, as well as a valuable trading and investment partner of European businesses. In 2010, ASEAN attracted EUR 10 billion worth of European investments, with about EUR 150 billion in trade between the EU and ASEAN, making the EU ASEAN's largest trading partner. This has further upward potential with the establishment of Free Trade Agreements and Comprehensive Economic Partnerships between the EU and ASEAN countries.

We as the EU-ASEAN Business Council strongly support ASEAN growth and integration and acknowledge the importance of the region as a market for European companies to expand, as well as a base for production and trading with the rest of the world.

The EU-ASEAN Business Council was officially created in May 2011. The purpose of the council is to reinforce ties across ASEAN to better represent European business

interests and to support the growth and integration of the region.

It was created by the European Chamber of Commerce in Indonesia, the EU-Malaysia Chamber of Commerce and Industry, the European Chamber of Commerce of the Philippines, the European Chamber of Commerce-Singapore, the Thai-European Business Association and the European Chamber of Commerce in Vietnam – all European Chambers of Commerce and Business Associations representing pan European business interests.

The Council provides an ASEAN wide framework to share knowledge, resources and services among its members. The Council is composed of high level business representatives, providing a peer network that allows members to advocate business interests and act as an interface for institutions in the EU, ASEAN and individual ASEAN Governments.

The EU-ASEAN Business Council is encouraged by the enhanced public-private sector dialogue currently carried out in the region and we are working continuously to improve the standing of European business in ASEAN, through a result oriented advocacy and proactive dialogue.

Asia House



Roddy Gow, OBE
Chief Executive, Asia House

The ASEAN Region's geostrategic importance stems from many factors, including the strategic location of member countries, the large share of global trade that passes through the region and the alliances which the UK shares with ASEAN member states. ASEAN represents the third largest economy in Asia, after Japan and China. As a developing region, its per capita income is low but its GDP is rapidly growing: an almost 170% increase over the past decade. Singapore is the UK's largest trading partner in Southeast Asia. Outside Europe, Singapore is the UK's fifth largest export market and seventh largest source of imports.

Two factors are driving ASEAN's resurgence. First, these economies are increasingly reaping the economic fruits of hard earned political stability. Countries such as Indonesia, the Philippines, Thailand, Vietnam and Malaysia have begun to enact ambitious reform programmes, that should ultimately render their economies more competitive. The second reason for ASEAN's resurgence is that production costs in China are rising rapidly. ASEAN economies are finding their niche in global supply chains as real wage growth in China has averaged over 12% per year, well ahead of Indonesia, where wages climbed less than 2% and of

Thailand where they barely rose at all. For investors, this means that ASEAN provides attractive opportunities, as it offers a market of approximately 600 million consumers, who are now becoming important players on the global landscape.

Asia House is the only pan-Asian organisation in the UK, which exists to build dynamic links with Asia. By providing unique insights into business, policy, culture and education, Asia House promotes informed understanding and the mutual exchange of ideas, building strong relationships between the diverse communities of Europe and Asia. Our Corporate Programme has covered the ASEAN region within our Risk Management and Markets & Economics remit. In July 2011, we hosted Mr Budi Mulya, the Deputy Governor of the Bank of Indonesia, who spoke on the investment environment for Indonesia, in anticipation of the upgrade in Indonesia's sovereign rating, expected in 2011. The Bank of Indonesia is playing a prominent role in the current process of financial and regulatory reforms in Indonesia and in the ASEAN region.

I encourage everyone to engage actively in the ASEAN region.

A photograph of the Singapore skyline at night, featuring several illuminated skyscrapers and a bridge over the water in the foreground.

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Investing in ASEAN: What foreign investors need to know

By Krishna Ramachandra: Partner, Duane Morris & Selvam LLP, Singapore



For many contemplating business in Asia, the bull economies of China and India immediately spring to mind. However, it is Southeast Asia, rich in both opportunity and resources, that may offer the next great opportunity for investors and businesses. With some of the fastest growing economies in the world, Southeast Asia boasts nearly 600 million consumers - and an increasingly improving investment climate. Investors are now looking to these emerging markets to pay off in a big way.

The six major ASEAN countries, Singapore, Thailand, Indonesia, Malaysia, the Philippines and Vietnam, all enjoyed GDP growth of more than 6% in 2010, with Singapore leading the way at 14%. ASEAN is working its way towards its goal of a fully functional, regional economic community by 2015 - stable and competitive, with free flow of goods, services, investment and capital. In fact, some analysts project that by then the region will collectively represent the world's tenth largest economy.

While in 2009, more than 85% of foreign direct investment came from outside the region - a rate that has been relatively consistent over the last five years - ASEAN policymakers are moving collaboratively to further enhance asset markets by jointly promoting their stock exchanges and improving financial infrastructure throughout the region.

Despite challenges, opportunities are ripe in specific markets. Knowing which nations have already made

business friendly reforms and which industries are primed to expand, is essential to successfully investing in opportunities in Southeast Asia. For instance:

Vietnam: Starting up a business here was once an onerous process. Vietnam now has a one-stop-shop, where the processes for obtaining a business and tax licence have been combined. The need for a company seal for licencing has also been eliminated.

Indonesia: The cost for company name reservation and clearance has been cut, thus reducing the expense of starting up a business here. While this may seem a minor move, the intent to make the environment business friendly is significant in the context of how businesses have been established in the country. Indonesia, which assumed the rotating chairmanship of ASEAN in 2011, is poised for growth and opportunity. According to a May 2011 report by Morgan Stanley, public and private investment in infrastructure in Indonesia is seen rising to 5.9% of the country's GDP by 2015, up from 3.9% in 2009.

Thailand: The Thai Government has temporarily reduced its specific business tax for 12 months. Opposing political parties in Thailand have both campaigned to attract foreign investment and improve the economic climate by measures, including raising minimum wages, offering easier access to credit and lowering taxes.

These reforms, combined with landmark events such as the recent ASEAN-EU business summit and ASEAN's strengthening of business relations, by engaging in Free Trade Arrangements with countries like India and China, stand ASEAN in good stead to become one of the driving forces of the world's economy.

Cultural cues

Perhaps even more important than having a clear view of the changing business landscape, is understanding the diverse business cultures and practices characterising the region. For example, a general lack of transparency in business dealings is pervasive in some parts of the region, necessitating careful legal and financial due diligence to ensure successful investment decisions. In addition, the rule of law varies amongst nations. Singapore and Myanmar have common law systems, while Indonesia's legal system is based on civil law. Although plans exist to establish an ASEAN Legal Committee and potentially, an ASEAN Court of Justice modelled on the Court of Justice of the European Community, these initiatives are still in their infancy.

Forming a strategy

The ways in which businesses may establish a local presence in ASEAN countries vary significantly from country to country; thus it is vital for a business to consider its goals in the target jurisdiction and the costs and challenges involved in establishing local presence. Consider each nation's labour laws; Vietnamese labour laws are fairly protective of both local employees and expatriates based there. Labour laws in Cambodia are far less structured.

Singapore as a gateway

Overall, with the array of legal systems, transparency concerns, language issues and sporadic political uncertainty in some ASEAN countries, Singapore presents well as a gateway to the region. It is the easiest place to establish a business among the ASEAN countries, due to its stable government and legal system, strong foreign relations and transparent business practices. Singapore holds an AAA sovereign status rating and boasts of one of the best established capital markets in Asia Pacific. Close to 800 global companies list on the SGX and it has the largest REITs market in Asia, outside of Japan. The stability of its legal system has helped Singapore to become a leading international arbitration centre and accordingly, many businesses are choosing Singapore as the country of choice for dispute resolution. Finally, the human capital contingent in the country possesses a distinct advantage, as its population speaks a variety of languages.

There exists today, a window of opportunity for companies willing to invest time and resources in one of the world's fastest growing regions. Ensuring that investors engage local partners and advisors who possess strong regional expertise and a full understanding of their business expansion needs is key.

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Banks renewed vigour spurs economic growth

Southeast Asia's financial system has proved remarkably resilient to the catastrophic disasters of recent times. ASEAN, as a result, has been strong enough to successfully withstand the global recession, after emerging from Asia's severe banking and monetary crisis that sent shockwaves throughout the region in the late 1990s.

Following the subsequent overhauls, governments possessed sufficient monetary and fiscal space to increase liquidity in their financial systems and prime their economies after the 2008 world recession, in order to accelerate a recovery (that has proved so elusive in the West).

Banking and financial services have now resumed an upward trajectory, providing a vital and growing element in the economic development of countries in the Asia-Pacific region and increasingly further afield.

Southeast Asia's Stock Markets were among the best performers globally in 2010. Indonesia's Bourse rose 46% and Thailand's Stock Exchange increased by 41%.

The region is proving an attractive gateway, especially in terms of Islamic finance for Middle East petrodollar investments into China and India.

Malaysia has become a thriving financial hub. It now accommodates the largest bond market in Southeast Asia and ranks as a global leader as well as a centre for Islamic finance.

The country's financial sector has undergone significant transformation and progress since the launch of the financial sector masterplan in 2001. Gradual deregulation and liberalisation has resulted in improved performance and enhanced resilience. A sophisticated, computerised banking payment system has developed, including the proliferation of electronic banking. Overall the sector generates 12% of Malaysia's GDP.

There has been an increased presence of international players in Malaysia to accompany a more diverse and developed financial market.

As a result, the banking sector has become an important pillar of strength in the country's economy.

An international offshore financial centre was established on Malaysia's island of Labuan, northwest of Sabah, in 1990. It is host to some 6,500 offshore companies and 50 international banks including Citibank, RBS, Lloyds and JP Morgan. Labuan is the only duty free island in the Brunei, Indonesia, Malaysia and the Philippines East Asia growth area.

Global centre of Islamic banking

Another distinctive feature of Malaysia's economy is the fact that Islamic banking and financial services have been fully integrated into the country's existing financial system.

Malaysia has one of the most developed, interest free, financial systems in the world including; an Islamic debt securities market, an Islamic equity market and an Islamic inter-bank money market.

There are also two exclusively Islamic institutions, Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad. These banks have 885 and 46 branches respectively, throughout the country.

Malaysia's Maybank is the largest Islamic banking service provider in the region, with more than US\$6 billion of Sharia compliant assets. Bank Negara Malaysia, the country's central bank, launched a financial sector report in 2001, following the Asian financial crisis, to reorganise the financial sector. This called for an emphasis to be placed on the development of Islamic banking.

Singapore's banking system is also highly ranked and considered to be among the strongest in the world. A wide range of financial services is provided, ranging from traditional lending and deposit taking functions, to corporate and investment banking.

A pro-business environment, coupled with a strong regulatory and supervisory framework, first class infrastructure and a highly skilled

cosmopolitan workforce, has seen Singapore gain the credibility to be a global and regional financial centre.

The island is recognised as a premier Asian asset management centre, with more than 200 international asset management firms. These include 30 of the top 50 US and European fund providers, serving the Asia-Pacific market.

Many foreign companies have also set up regional trading desks and middle and back office functions. Many of the world's leading names in insurance broking and risk management are also present in Singapore. The offshore insurance business is a major component.

Singapore also has the fourth largest foreign exchange market in the world after London, New York and Tokyo. It has widely recognised strengths as a foreign exchange trading hub.

The Asian dollar market is a particularly important part of the State's financial landscape, which has played an influential role in the whole region's economic development. The market acts to channel surplus funds from regional and international financial markets, to help finance development projects in Asia.

Increasingly, Singapore's Stock Market is favoured for initial public offerings (IPO). While Hong Kong has been very successful in offering listings for companies that want to have a very Chinese focus, Singapore has a very strong offering for companies that want to have a much broader focus, reaching out to India and Southeast Asia, as well as China.

Hutchison Port Holdings Trust, an owner of port assets controlled by Hong Kong billionaire Li-Ka-shing, raised US\$5.5 billion in Singapore's largest IPO, in March 2011.

Singapore Exchanges' recent success in attracting Manchester United to the market, is considered by observers

to be a sign of increased competition between the State and Hong Kong for IPOs by global brands. Singapore's speedier approval process for the listing, was reportedly an influential factor in the British football club's choice of location to launch its IPO.

Bank reforms accelerate

Not every ASEAN country enjoys the depth and maturity of Malaysia's and Singapore's financial sectors. However, they all offer considerable scope and potential for development, as they evolve from cash societies and seek to be adequately served by modern and comprehensive financial systems.

Cambodia's economy is US dollar based. Its nascent banking system is growing. There are 17 commercial banks and seven specialist banks with more than 300 branches. ANZ Royal and Aleda, which is majority owned by a group of Dutch financial institutions, provide ATMs and other electronic banking services, along with issuing debit and credit cards.

With the assistance of the International Monetary Fund (IMF), Asian Development Bank and the World Bank, the system has been consolidated into two principal commercial banks – Lao Mai Bank and Lane Xang Bank, headquartered in the capital Vientiane.

It is recognised that clearer regulatory processes concerning the pledging, registration and repossession of collateral are needed to enhance the ability of commercial banks to lend.

An inter-bank market has to be established to develop the financial sector's outreach to the population, particularly outside of urban areas. Less than 10% of the population is estimated to have access to any form of financial service in terms of banks or microfinance units.

Vietnam has five state owned commercial banks, 34 joint stock commercial banks, five joint venture banks and 41

foreign bank branches. Last year, Citigroup became the first US bank to offer credit cards in Vietnam.

The State Bank of Vietnam, the central bank, has embarked on implementing roadmaps of international integration of the banking sector, joining international conventions and regional and international forums on monetary and banking issues.

The priority is to address regulatory issues and improve managerial capabilities and auditing, in order to improve public confidence. Moves are underway to establish a credit rating agency and performance standards arrangement for joint stock banks. This will require heavy investment in technology. Although Vietnam is a cash based society, some 300-400 ATMs have been installed and more than 350,000 debit cards are in circulation.

In Indonesia, banking is well established, though the sector is extremely diverse with upwards of 100 different banks. A banking structure has been put in place, which will provide long term direction and a future development strategy for the sector. This policy is in line with the strategies of Malaysia, Singapore and Thailand, as well as Hong Kong and aims to strengthen financial structures in the region.

The economic and financial crisis that struck Indonesia in 1997, resulted in wide ranging changes to the country's financial sector. This has seen a change from a system, consisting of centralised government control of credit through state owned banks, to a modern system based on market mechanisms.

The result has been fewer banks, greater capitalisation requirements and much more focused bank supervision, especially on lending practices. The process continues to offer opportunities for foreign financial institutions and service providers.

Bank of America, HSBC, Bank of Tokyo Mitsubishi, Bangkok Bank, JP Morgan Chase, RBS, Citibank, Standard Chartered and Deutsche Bank are among those operating in Indonesia.



Dangerous levels of non performing assets at Thai banks, helped trigger the attack by speculators on Thailand's currency, the Baht, which helped precipitate the Asian financial crisis in 1997-1998.

The Thai Government, through a Financial Sector Reform Masterplan, has sought to strengthen the financial sector through consolidation of commercial, state owned and foreign owned institutions. Today, the largest Thai banks are Bangkok Bank, Siam Commercial Bank, Krung Bank and Kasikornbank. Principal foreign players are Citibank and HSBC.

There are still many financial corporations in the Philippines. Bangko Sentral Pilipinas, which has three regional offices and 18 branches, is the country's central monetary authority and regulates around 20,000 financial institutions, of these, around 4,000 are banks.

Rural and cooperative banks play a particularly important role in outlying communities, helping to process an estimated US\$12 billion of inward remittances each year from Filipinos working overseas.

Region draws international banks

The health of the region's financial sectors reflects solid economic growth, which averaged 7.8% last year, according to the Asian Development Bank. Even though expansion is predicted to slow in 2011 to 5.5%, this will still be impressive given the inactivity of other global economies.

It is little surprise that foreign institutions are banking on ASEAN's future. Goldman Sachs opened a new office in Kuala Lumpur earlier in 2011. Also in 2011, Standard Chartered announced it will recruit another 2,000 staff, to add to the 6,000 personnel it already employs in Singapore. The London based bank, which earns 75% of its profits from Asia, expects to increase its Southeast Asia staff by 20% to 20,000 in the next two years.

JP Morgan Chase is also increasing its investment banking staff in the region by up to 40%, expanding its presence in Malaysia, Indonesia, Thailand and Singapore.

Citigroup's investment banking revenue in the region reached a record US\$1.6 billion in 2010. The result has been boosted by a continuing high level of initial public offerings and debt deals. The bank operates in Vietnam, Thailand, the Philippines, Brunei, Singapore and Malaysia.

Investors are encouraged by the new found strength of the banking industry in Southeast Asia and the region's financial reforms.

Great improvements to the soundness of banking systems among ASEAN countries have been made since the crisis of 1997-1998. New frameworks to deal with foreign currency liquidity problems and the development of bond markets have been established.

ASEAN member countries have enhanced their cooperation in order to maintain regional macro economic and financial stability and to develop capital markets.

This includes the development of market infrastructures, such as regional clearing houses, payment and settlement systems, credit rating agencies, research and training facilities and databases.

Currency swap arrangements have been established among ASEAN countries, together with a network of bilateral swap and repurchase agreement facilities between them and also with China, Japan and South Korea.

The region is also seeking to project a coherent voice in global institutions. In order to achieve this, regional forums are seeking to work together. Increasing regional monetary and financial cooperation is a long and challenging process. It requires the facilitation of cross-border trade flows, making investment between member countries an easier process.

In 2003, ASEAN finance ministers endorsed a scheme for monetary and financial integration. This involved capital market development through harmonisation of capital market standards, facilitating the flow of payments and relaxing restrictions on foreign direct investment, together with the liberalisation of financial sectors and currency integration.

Bank Indonesia and Bank Negara Malaysia head a joint task force to formulate a strategy for ASEAN banking integration by 2020. Common regulations will help cross border operations and encourage banks in different countries in the region to set up branches in other ASEAN States.

An integration of production networks and markets requires elimination of transaction costs as well as the uncertainties associated with currency dislocations, which have proved highly disruptive in the past.

While the absence of a centralised regulatory and supervisory framework makes financial systems more vulnerable to risks, a move towards a common currency, or currency union, is not thought



**“Southeast Asia’s Stock Markets
were among the best performers
globally in 2010”.**

to be feasible in the short or medium term because of the region’s diverse economies.

Asia’s over dependence on bank finance is an additional challenge. The lack of liquid and well functioning bond markets also limits the availability of long term local currency funding for viable and profitable projects.

Mergers and acquisitions have been encouraged to strengthen domestic banking systems. In Malaysia, 54 banks were reduced to ten main groups. Indonesia reduced its number by nearly 20% to 130 after the crisis and Singapore saw its local banks reduced by more than half to six.

Central bank authorities are extremely focused on risk management and other regulatory requirements, in particular banks meeting Basel compliance on capital adequacy. The acquisition of new technology is also vital.

Observers predict that the period ahead will see continued growth of Islamic banking and also see more banks becoming involved with pan-Asia. This year, Malaysia’s Maybank and CIMB received regulatory approval to pursue a purchase of RHB, in a move that will create the most valuable banking group in Southeast Asia.

The bid for RHB, which has a market value of around US\$6.7 billion, would be a giant step in the consolidation of Malaysia’s banking sector.

A takeover of RHB is also expected to stimulate banks in Indonesia and Thailand to seek mergers domestically or with foreign banks.

A key motive in consolidation, is to increase profitability and the size of operations and allow expansion beyond national borders, in an effort to become regional institutions. Singapore’s DBS Bank, for example, has acquired Bank of Southeast Asia in the Philippines and Thai Danu in Thailand.

All these trends, along with the need to meet regulatory compliance requirements, are expected to result in continued investment in new generation technologies, development of innovative financial products and the widespread development of financial institutions in the region.



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ASEAN - one region - ten countries - infinite opportunities

Setting up in ASEAN - a snapshot of key requirements

ASEAN has always been an attractive investment destination to foreign investors, even from its early days when it was just a five country association. While the focus may have changed from purely manufacturing to include services, investors now also consider ASEAN's trade connections with its neighbouring giants – the prospect of its economic integration and the individual countries' competitive business environment, have seen a total of US\$39.387 billion in Foreign Direct Investment (FDI) flow into ASEAN in 2009.

FDIs have traditionally flocked to the founding ASEAN countries of Indonesia, Malaysia, Philippines, Singapore and Thailand. However, the last five years have also seen the meteoric rise of Vietnam in the mix and in the latest 2010 estimates, Vietnam's FDI made up 11.9% of the total FDI into ASEAN, its FDI ranking third after Indonesia and Singapore. In 2009, it was second only to Singapore.



Country	Total trade (as of Sept 2010)	FDI 2009	FDI 2010 (est. up to June 2010)
Indonesia	US\$213.34 billion	US\$4.88 billion	US\$6.24 billion
Malaysia	US\$280.21 billion	US\$1.38 billion	US\$3.31 billion
Singapore	US\$515.62 billion	US\$16.81 billion	US\$17.34 billion
Vietnam	US\$125.92 billion	US\$7.6 billion	US\$4.31 billion

Table 1: Select ASEAN indicators taken from ASEAN statistics published in February 2011

Within this promising region is a grouping of ten discrete jurisdictions, each with their own business regulatory requirements. Details about business, tax and regulatory regimes, whilst seemingly quotidian, should take centre stage in any planning. This will ensure that issues such as the

tax impact on the corporate group, brought on by the new addition as well as its ability to meet the initial and continued requirements of the desired jurisdiction are considered. Some noteworthy regulatory requirements to investors are:

Requirement	Indonesia	Malaysia	Singapore	Vietnam
Stamp Duty or Capital Duty on Incorporation	No Capital Duty on initial incorporation	Capital Duty depending on amount of authorised capital. Duty ranges from RM1,000 - RM70,000. Authorised capital cannot exceed issued capital	No capital duty on initial incorporation. Flat fee of SGD300 to be paid to regulatory authority for incorporation	None
Tax Deductibility of set up Costs	Yes. Set up costs are considered a deductible expense	Yes, only if the paid up capital is less than RM2.5 million	From 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	No
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	RM2	SGD1	None
Foreign Ownership Rules	100% except in certain industries	100% except in certain industries	100% except in certain sectors that are of national interest	100% except in certain industries
Deductibility of Interest Costs	Only for interest cost incurred for generating taxable income	Only if funds used wholly and exclusively in the production of the gross income of the company	Deductible if wholly and exclusively incurred in the production of income of the company	Not deductible
Thin Capilisation Rules	The rules exist but no implementation regulations	Yes, but rules have been deferred	No thin capilisation rules	No thin capilisation rules

Requirement	Indonesia	Malaysia	Singapore	Vietnam
Corporate Tax Rate for an 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	20% for SME* and 25% for non SME	17%	25%
Corporate Tax Rate for a Branch	25%	25%	17%	25%
Basis of Taxation	Worldwide	Territorial	Territorial	Territorial
Capital Gains Taxable?	Yes	No, except for gains on disposal of property or shares in real property companies within five years from date of acquisition. The gains are taxed at 5%	No	Yes at 25%
Tax Incentives geared at Foreign Investors	Incentives geared at certain sectors and regions. Incentives given in the form of: • 30% net income reduction of the invested amount, can be claimed within six years of the initial investment (prorated 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 and Bonded Zone – exempt from VAT, Import Duty, Income Tax art. 22, Excise	Research & Development (R&D) – 100% tax exemption for ten years. 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 is 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	Manufacturing - Allowance of 30% or 50% of approved fixed capital expenditure on top of the 100% capital allowance that is normally allowed Manufacturing & service industries - Pioneer incentive provides tax exemption on qualifying income Global Trader Programme – 5% or 10% on qualifying offshore trading income	Preferential tax rates: 20%: granted for ten years; 10%: granted for 15 years Tax exemption/reduction: Exemption: two - four years; 50% reduction: two - nine years (Noted that preferential tax rates and tax exemption/reductions are only available to encouraged industries or locations listed by the Government)

Requirement	Indonesia	Malaysia	Singapore	Vietnam
Utilisation of Tax Losses	Can be carried forward up to five years	Can be carried forward indefinitely	Trade losses can be carried forward indefinitely	Can be carried forward up to five years from the year of tax loss
Loss Carry Back	No	No	Yes, tax losses up to US\$100,000 can be carried back for one year	No
Group Relief	No	Yes	Yes	No
Tax Treatment of Dividends received from Foreign Subsidiaries or Associated Companies	Taxable. Indonesia applies "deemed dividend" rule for foreign company 50% or above owned by an Indonesian company. If there is an obligation to submit the tax return in the domiciled of foreign country, the dividend is deemed on fourth month after the deadline of tax return submission, if not, the dividend is deemed on seventh month after the fiscal year end Tax withheld on dividend on foreign country can be credited in Indonesia with certain conditions	Not taxable	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%	Not taxable if paid to corporate shareholders 5% if paid to individual shareholders
Withholding Tax (WHT) on Interest Paid to Non Resident Parent Company	20% or reduced rate as per tax treaty	15% or reduced rate as per tax treaty	15%	10%
WHT on dividends paid to Non Resident Parent Company	20% or reduced rate as per tax treaty	10% or reduced rate as per tax treaty.	10%	10%
WHT on Royalties Paid to Non Resident Parent Company	20% or reduced rate as per tax treaty	10% or reduced rate as per tax treaty	10%	10%
Number of Tax Treaties Currently in Force	60	68 (excluding limited treaties with USA, Argentina and Taiwan)	66	58
Foreign Exchange Controls	None, however, foreign loans should be reported to the Bank of Indonesia	Yes	None	Yes

*Small and Medium Sized Businesses

Just as the sheer size of China and India are their strengths, the diversity of the countries that form ASEAN is theirs. ASEAN offers different investment opportunities to investors through the member countries' different business landscapes and strengths. It cannot be stressed enough that such decision making process should call upon the best calibre of advice, where the investor can rely on the advisors' expertise in their local knowledge and experience in advising international companies in their expansion.

All information correct as of 1 July 2011



This article is a collaborative effort from the Crowe Horwath offices in Indonesia, Malaysia, Singapore and Vietnam.

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EU and ASEAN - An increasingly important relationship

EU business is a major player in the ASEAN region. Having established chambers of commerce and business associations in the major economies of ASEAN, business now has taken the next step and works towards regional cooperation through the establishment of the EU-ASEAN Business Council, an initiative supported by the EU Trade Commissioner, as well as ASEAN Economic Ministers. The importance and strength of EU-ASEAN trade and investment is a reflection of the timeliness of the establishment of the Council.

EU as a global business player

The EU with its 27 member states, has more than 500 million residents and the largest economy in the world, representing 28% of world GDP. In the EU market, a single set of trade rules, a single tariff and a single set of administrative procedures apply across the area, facilitating significant trade with the EU.

Even though the financial crisis has taken its toll on some of the EU economies, many of the key exporting economies remain among the strongest in the world. Specifically, the World Economic Forum's Global Competitiveness report for 2010-2011, shows that five out of the ten most competitive countries in the world are EU member states; with Sweden ranked second, Germany fifth, Finland seventh, Netherlands eighth and Denmark ninth. Non-EU member Switzerland, was ranked first and ASEAN member Singapore ranked third.

The EU also remains the world's number one location for FDI. In 2009, the EU hosted FDI worth EUR 2.7 trillion, representing about 27.5% of the world's total FDI stock.

EU and ASEAN

The rise of emerging ASEAN countries as manufacturing centres in the global market has been remarkable: Increasingly sophisticated supply chains, inexpensive and efficient communication technologies and the availability of vast amounts of labour, have made most Southeast Asian countries undeniable beneficiaries of globalisation and competitive economies in their own right.

Moreover, an important part of EU investments to Asia is concentrated in ASEAN. The EU stands as the biggest source of FDI in ASEAN: In 2009, the EU FDI stock in ASEAN stood at EUR 173 billion. While investing more in ASEAN, the EU's inward FDI stocks from ASEAN has also increased strongly, mainly coming from Singapore, representing 96.5% of ASEAN FDI stocks in the EU.

ASEAN's trade with the EU has been growing steadily over the last few years, amounting to EUR 146.8 billion in 2010, the EU having with ASEAN, a trade deficit of EUR 25.6 billion. In 2010, EU exports to ASEAN were concentrated in a few key sectors. The most important product groups – giving two thirds of the overall EU exports to ASEAN – are machinery and transport equipment with 52.6% of total EU exports, manufactured goods representing 10.7% and chemicals 10.5%. The EU's imports from ASEAN are concentrated in machinery and transport equipment with 43.8% and other manufactured goods represent 18.4%. Overall in 2010, ASEAN represented 4.5% of total EU exports and 5.8% of total EU imports.

A new engagement: EU-ASEAN Business Council

The EU-ASEAN Business Council has been established as a pan-ASEAN platform for European businesses to advocate their trade and investment interests in Southeast Asia and to further engage with the ASEAN Governments on a regional basis. The Council allows its members to engage in high level meetings with policy makers as it acts as an interface, both for institutions in the European Union and in ASEAN to engage in a dialogue with businesses, including in the framework of the EU-ASEAN Business Summits and other regional meetings.

The creation of the Council and its role to act as an interface for public-private dialogue amongst the two regions, was presented as one of seven business recommendations to the ASEAN Economic Ministers and formally endorsed by EU Trade Commissioner, Karel De Gucht and several of the ASEAN Ministers at the first ASEAN-EU Business Summit in Jakarta, on 5th of May 2011. Following the founding of the Council, the EU Trade Commissioner met with EU-ASEAN Business Council members and stated, "I see this initiative as a step forward to enhancing the business dialogue between both regions and contributing to advocate European business interests in the ASEAN region."

Since its founding, the Council has participated in some high level meetings in the region and is targeting to be a key dialogue partner with ASEAN, as well as individual governments in the region and the EU.

Thus far, the Council has met with the Singaporean Trade & Industry Minister, Lim Hng Kiang and on the invitation of the ASEAN Economic Ministers Chair, Indonesian Trade Minister, Mari Pangestu, the EU-ASEAN Business Council also participated in the ASEAN Economic Ministers recent summit in Manado, Indonesia.

"The rise of emerging ASEAN countries as manufacturing centres in the global market has been remarkable".



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Case Study: Camco South East Asia

Supporting sustainable, low carbon growth in ASEAN

Energy demand in Southeast Asia is growing faster than anywhere else in the world. Renewable energy sources and energy efficiency measures will grow even more in importance over the next few years, as the region moves to reduce its dependence on energy imports and strives to reduce greenhouse gas emissions. Incentives implemented to support this drive by governments in the region include; feed-in-tariff (FIT) mechanisms, corporate income tax holidays, customs and duty exemptions and guaranteed off-take and grid-access agreements.

Feed-in-tariffs, such as those announced in Malaysia earlier this year, are the central element of these policy structures. They guarantee that producers of electricity from renewable energy sources receive a premium for the electricity that they feed into the grid, for up to 20 years. Thailand has implemented FITs, while Malaysia, the Philippines and others are in the final stages of doing so. For governments, feed-in-tariffs are a crucial tool in shaping their future energy markets, as they allow them to encourage the development of generated volumes by renewable energy source. In Malaysia, for instance, the system will target especially solar PV, bio-mass, bio-gas and mini-hydro plants.

Camco has been active in the clean energy space for over 20 years. With extensive experience in developing both emission reduction and clean energy projects in Europe, China and the USA, the company decided three years ago to expand its presence in Southeast Asia, focusing initially on emission reduction projects under the UN Clean Development Mechanism (CDM). With offices in Kuala Lumpur, Jakarta and Hanoi and more than 25 emission reduction projects under contract, the company has established a reputation for excellence and reliable delivery in that sector.

In 2010, Camco joined forces with Khazanah Nasional Berhad, the sovereign wealth fund of Malaysia, in a joint venture that is set to

“A masterplan for implementing energy efficiency projects in Malaysia has been drawn up”.

further unlock the vast potential for emission reductions and clean energy generation in ASEAN. The joint venture will continue to provide Camco's traditional carbon development services under the CDM and other emerging regional offset schemes and will expand the company's market offering, to include direct investment in infrastructure projects and the provision of specialist advisory services. The joint venture is aiming to enable step changes in the availability of clean energy in the region.

"Camco South East Asia sees huge potential for emission reductions and clean energy generation in the region. In particular bio-mass, bio-gas and energy efficiency projects offer significant growth potential and attractive risk weighted returns," says Kent Carter, Managing Director, Camco South East Asia. "We have investment capital in place and available for immediate deployment in emission reduction projects and are in active negotiations to place the first of many equity investments."

The Ubon Tapioca wastewater treatment plant in Thailand is an example of a CDM project developed by Camco. The project reduces methane gas emissions from a series of open anaerobic lagoons. Cascading open lagoons, where the water is retained for a whole year, is the prevailing method for treating wastewater in Thailand's tapioca starch mills. Given average temperatures of 26°C and above and the dense organic matter remaining in the water, the lagoons emit tonnes of the potent greenhouse gas methane into the air. An unsustainable situation and yet, tapioca is an important agricultural product, contributing significantly to Thailand's export earnings.

The project is based in Ubon Ratchathani Province in Thailand's northeast. The region is by far the largest producer of tapioca, benefitting from rising productivity levels and global market prices in

recent years. As additional tapioca starch mills are constructed to respond to rising global demand, the project has an important role to play as a beacon project. Apart from reducing the emissions of methane – a greenhouse gas with a Global Warming Potential (GWP) 21 times higher than CO₂ – the project significantly reduces odour pollution from the lagoons, improving working conditions at the plant and living conditions in the surrounding communities. The project creates new employment opportunities for both unskilled and skilled labour, offering technology training and transfer to the area. Farmers delivering their tapioca harvests to the plant, have free access to the slurry from the wastewater treatment, providing an effective organic alternative to costly chemical fertilisers. The water itself is reused by the mill after the treatment process, conserving water resources in the region. Implemented and registered earlier in 2011, the project is now generating emission reductions expected to exceed 570,000 tonnes of CO₂, equivalent over the next 10 years.

"Ubon really is an excellent example of the type of project we are looking to invest in as a principal, either on our own or with partners for the project development," Kent Carter comments. He is convinced that "opportunities in this sector abound in Southeast Asia, as solid and liquid waste streams from tapioca, sugar cane, rice, oil palm and other crops are all abundantly available in the region."

Together palm, sugar cane and rice represent 75% of the total agricultural output of Southeast Asia. Only 25-30% of the harvested bio-mass ends up as an end-product, the remaining parts are discarded in the field or at the processing plants. The amount of residues produced from bagasse, rice husks, palm oil waste and wood waste in five ASEAN countries, namely: Indonesia, Malaysia, Philippines, Thailand and Vietnam is about 107 million tonnes.

The Than Vu project, based in Ea H'leo District



According to conservative estimates, the amount of bio-mass residues generated from sugar, rice and palm oil mills in the whole of Southeast Asia is more than 200-230 million tonnes per year, which corresponds to a renewable energy potential of 16-19 GW. Plenty of potential for renewable energy generation for Camco South East Asia.

Discussions are underway involving independent power producers, paper mills, plantations and other parties in Malaysia, Indonesia, Thailand, Vietnam and the Philippines. The new venture also aims to expand its pipeline of projects into reforestation, as well as less developed economies such as Cambodia, Myanmar and Lao PDR.

The joint venture with Camco is seen as Khazanah's vehicle to expand the sustainable development sector, as part of Malaysia's New Economic Model. This aims at transforming Malaysia into a developed nation by 2020. And for this to happen, the Government believes new businesses are needed where new, modern, sustainable technologies will form the core.

A masterplan for implementing energy efficiency projects in Malaysia has been drawn up. The target is ambitious and Malaysia plans to achieve a renewable energy target of 950MW, or 5.5% of the country's generation mix by 2015, from the current level of 50MW. The Government has decided to transform Putrajaya and Cyberjaya

into low carbon cities, which will require among other things, designing energy efficient buildings, transforming garbage into energy and water conservation technologies – all areas Camco has extensive experience in.

Camco South East Asia is already providing specialist advisory services and has been engaged to develop a long term strategy to support the sustainable development of the Teluk Datai Resorts land bank in Langkawi Island. This includes exploring opportunities to form alliances with local partners, to conserve natural assets and deliver social benefits to the local community. This represented the company's first advisory project emanating from its partnership with Khazanah Nasional Berhad. Subsequently the company has been engaged to prepare a long term energy and carbon management plan for a major regional airline and work on this is now underway.

Kent Carter, Managing Director, of the joint venture says: "We are excited by this opportunity to work with companies in Malaysia and in the other ASEAN nations, to provide expertise and deploy capital into clean energy, identify areas of energy savings and develop other new revenue streams for our clients. Camco is a knowledge based company and we will be building on the deep pool of talent available in Malaysia and our other areas of operation, to create sustainable growth both for our company and the ASEAN region."



south east asia
camco

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ASEAN expects to supply quarter of the world's gas

Southeast Asia's oil & gas resources are destined to play an increasingly influential role in global oil & gas markets. Insatiable demand, particularly from China, India and South Korea as well as from within the region, is instilling new dynamism into the ASEAN region's hydrocarbon sector, as extensive exploration gathers pace.

Within 20 years, some analysts predict that Southeast Asia will also become the "Persian Gulf of Gas" and be responsible for one quarter of the world's gas supplies.

Malaysia, Brunei and Indonesia are long standing oil producers, with crude first extracted in Sumatra in the 19th century, a discovery which led to the formation of Royal Dutch Shell. More recently, Thailand and Vietnam have emerged as significant and growing producers.

Southeast Asia in itself represents a huge market, able to absorb much of the region's production however, global customers and investors are also eager to tap into an area that offers safe prospects, politically and economically, for long term business commitment.

The hydrocarbon sector is already a huge part of ASEAN economies and has nurtured world scale enterprises. Malaysia's State oil & gas company, Petronas, has operations in more than

30 countries including Iraq where, in partnership with Shell, it is developing the Majnoon field in southern Iraq, estimated to contain a reserve of 12.5 billion barrels.

Petronas Liquefied Natural Gas has one of the world's largest production facilities at Bintulu in Sarawak. In the UK and Europe, the company owns Star Energy, one of the largest gas storage operations in the region. It also has interests in 10,000 kilometres of gas pipelines worldwide.

Transportation is another major arm of the company and Petronas has a majority interest in Malaysia International Shipping Corporation, one of the world's largest maritime oil & gas carriers with some 119 vessels in its fleet, including the single largest LNG tanker fleet in the world.

Singapore, sometimes referred to as the "Houston of the East", has built on its engineering and technical skills to become the main support offshore logistics provider and technology hub centre for the region's oil & gas industry. It supplies steel offshore platform fabrication, maintenance and shipyard facilities.

Loyang Supply Base is home to more than 200 oil & gas service companies such as Halliburton, Cameron, Proclad and Schlumberger. These include drilling operators, specialised

equipment manufacturers, service providers and offshore engineering companies.

Two of the world's largest oil rig builders, Keppel and Sembcorp Marine, have operations building 70% of the world's jack-up rigs used for oil exploration and drilling in Singapore.

Business is growing at the high end of the market. The trend now is to extend further and deeper; the technologies and methods of oil & gas extraction being used in Brunei are considered to be at the frontiers of new thinking and design.

The vast majority of Malaysian oil comes from offshore fields. Its shallow continental shelf consists of several deepwater prospective areas, with some 500,000 square kilometres available for oil & gas exploration, in areas offshore Sarawak and Sabah.

Shell, ConocoPhillips, Petronas and Murphy Oil are shareholders in the Gumusut/Kakap project, offshore Sabah in 1,188 metres of water. The venture will include the region's first deepwater floating production system from 19 sub-sea wells.

Other ASEAN members are also accelerating development of their hydrocarbon resources. Myanmar is stepping up its exploration efforts to identify oil & gas potential, with reports that the state owned oil & gas company may agree contracts with China's North Petro-Chem Corporation. Other contracts are also being discussed to mine oil shale deposits.

Coal plays the largest part in the Philippines' energy use – especially for power generation. The Republic is now extending its efforts to explore for oil & gas, with many promising geological structures surrounding the country's archipelago including the Cebu Sea, close to the oil & gas fields of Sabah in Borneo.

New technologies, as much as soaring prices, are stimulating a closer examination of fields previously not deemed viable. In 2010, Shell said it was considering both upstream and downstream investments in Indonesia, after an absence of more than 40 years.

The outlook for the country's oil & gas sector is far brighter now than a decade ago, with companies seeking to strike crude in the deepwater basins of eastern Indonesia and in other resource rich areas.

All five of the world's largest publicly listed oil & gas companies – ExxonMobil, BP, Total, Chevron and Shell – as well as nearly every second tier company, including Norway's Statoil, the world's principal offshore operator, have expressed interest. China's National Offshore Oil Corporation is also active.

Karen Agustawan, Chief Executive of Indonesia's State oil concern Pertamina, has said "That as production at mature fields declines, there will be an increasing use of sophisticated technology to retrieve oil through water or gas flooding. This will include secondary recovery alternative methods."

“New technologies, as much as soaring prices, are stimulating a closer examination of fields previously not deemed viable”.



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The Indonesia Government aims to raise oil production to one million barrels per day (bpd), by offering new exploration rights and encouraging enhanced production from existing wells. Incentives include favourable tax treatment and improved production splits.

The bulk of Indonesia's oil reserves are located onshore and offshore of central Sumatra and East Kalimantan. However, there is also a range of geologically rich basins, which are believed to offer sizeable oil & gas reserve potential. Of an estimated 128 oil basins, only 38 have been extensively explored.

Surging oil prices mean that development and exploration of deepwater fields is now economically viable. Oil producers are seeking to drill deeper for oil & gas and increase the amount of crude produced from existing wells and previously abandoned marginal oilfields. They are also ready to explore riskier and deeper offshore areas.

Successful exploration has been on the rise in Vietnam, with a growing number of international oil companies teaming up with state owned Petro Vietnam to find hydrocarbon resources, particularly gas. Vietnam is considered to be in a good resource position; it has better than average growth outlook and attractive licencing for major producers and independents.

Canada's Talisman Energy is spending US\$800 million on exploration and development projects in Vietnam, Malaysia and Indonesia as well as Papua New Guinea. The company is reportedly seeking to increase production of gas by 8% by 2015. A number of exploratory wells are being drilled in the next 18 months across Southeast Asia.

The UK's Petrofac is a 50% shareholder with Malaysian companies Kencana and Sapuracrest, in a US\$88 million venture to develop 18 wells in the Berantai field, 150 kilometres off Malaysia's Terengganu State, on the country's east coast.

Cambodia is developing capacity upstream, besides providing assistance to companies in hydrocarbon exploration. The Cambodian National Petroleum Authority has commissioned Petroleum Geo-Services to serve as its advisor.



The UK's Salamander Energy, has acquired a minority stake in the Savannakhet production sharing contract in Western Lao PDR. The company has also reported a material oil discovery in the Bualuang East Terrace well in Thailand. The field is expected to make up half the company's production base by 2013, as it targets output of 30,000 bpd.

Many believe that gas will be the main focus of exploration in years to come.

In 2010, Malaysia's natural gas reserves were estimated at 84.6 trillion cubic metres (tcm) while Brunei's reserves stood at 10.8tcm, Myanmar's at 20.1tcm, Thailand's at 11tcm and Vietnam's at 21.8tcm. Indonesia reserves were assessed at 108.4tcm.

Malaysia, Indonesia and Brunei are already some of the world's largest LNG exporters. Malaysia was the world's tenth largest holder of natural gas reserves in 2010 and the second largest exporter of liquefied natural gas after Qatar in 2009.

Until being overtaken by Qatar in 2007, Malaysia was the world's leading exporter, accounting for 13% of global LNG exports.

The country's LNG complex at Bintulu on Sarawak, with its eight processing trains, comprises the world's largest LNG site. A major new terminal in Sabah has also been built on a one square kilometre site, to store and export crude oil & gas.

Accounting for 3.4% of global production, Indonesia ranks as one of the world's leading exporters of LNG. The country's two LNG facilities are concentrated in Arun in Aceh and Bontang in East Kalimantan. Additional LNG projects are being developed and designed to broaden Indonesia's customer base to China and the west coast of the US.

Vast opportunities both upstream and downstream, are opening up across the region. Many of the political, social and environmental uncertainties that affect operations elsewhere, are less apparent in Southeast Asia.

This is encouraging long term investment projects. In Malaysia, Germany's BASF group is partnering Petronas Chemicals in a feasibility study, looking at developing a US\$20 billion integrated oil & gas complex in Pengerang, Johor.

However, there are challenges as well as growing opportunities lying ahead. Previous exploration investments meant only shallow and intermediate areas being exploited but the next few years should see operations extending further out to sea than ever before. Many countries stand to benefit from a seemingly limitless potential wealth. Some analysts consider that, given the immense size of the region, it is unlikely that its waters will be fully explored this century.

However, all recognise that political cooperation, together with economic integration, will drive investment. Progress is steadily being made. In March 2010, Brunei and Malaysia signed an exchange of letters, meant to end all territorial disputes between the two countries. ASEAN sees the Declaration of Conduct and a planned Code of Conduct as the best way of resolving disputes.

Tangible progress is also apparent in other areas. The Peninsular Gas Utilisation system, developed as Malaysia's domestic gas core system, now has links with the Thai gas distribution system. It plans that these connections will eventually form part of an ASEAN gas pipeline system.

Case Study: Energy Development Corporation

At the core of the Philippine geothermal success story

Energy Development Corporation (EDC) is the world's largest pure play geothermal company, with a total of 1,199MW of installed geothermal capacity in northern, central and southern Philippines. EDC's efforts to develop geothermal as a clean, renewable and indigenous source of energy have helped propel the Philippines to become the world's second largest producer of geothermal power.

EDC possesses end to end expertise across the geothermal development process, from exploration to development and production. Its operations are backed up by a highly skilled workforce composed of 750 geothermal specialists, with an average of 15 years' of service and 11,000 man hours. EDC has successfully navigated the geothermal development process time and again, through skilful execution, managing risk with science and skill. The company's skilled workforce is given full support by an experienced board of directors and senior management team.

History and milestones

EDC was founded by the Philippine Government in 1976, in response to a severe energy crisis resulting from the global oil shortage during the decade. Over the course of 35 years, EDC has established itself as a global leader in geothermal power, particularly in wet steam field technology. EDC is actively pursuing 280MW of expansion opportunities within its geothermal steam fields.

With seven geothermal fields producing a total of 1,959.5MW, the Philippines is second only to the United States' 2,687MW in terms of installed capacity. This was achieved in large part through EDC's innovative and pioneering efforts. Fully privatised in 2007, the company's basic mission remains the same: to explore, delineate and develop energy resources and reduce dependence on imported fossil fuels.

EDC is now in a prime position to achieve its mission, with ever greater access to business development strategies and resources to capitalise on its unparalleled technical expertise earned through over three decades of geothermal exploration, development and operational experience.



Geothermal assets

As a fully integrated geothermal company, EDC's primary business spans from geothermal steam production to power generation. EDC owns and operates five fully integrated geothermal plants with a total of 1,199MW, comprising 61% of the Philippines' geothermal production.

Central Philippines: EDC's biggest geothermal projects are in Visayas, specifically in Leyte and Negros islands. The Leyte Geothermal Power Complex is the largest and one of the first geothermal projects in the developing world to master wet steam technology. Constructed by EDC in the early 1970s as a long term solution to the oil crisis, this geothermal juggernaut holds historic significance and engineering records, while providing sustainable energy to many parts of the Philippines. Interconnected via 96 kilometres of steam pipelines, this power facility houses four main power plants, producing 701MW of clean and reliable electrical power.

Negros Island, meanwhile, hosts three geothermal projects, the 112.5MW Palinpinon I, 80MW Palinpinon II and the 49MW Northern Negros Geothermal Project. Electrical power generated by these facilities is transmitted to Panay and Cebu via the national grid system.

Northern Philippines: EDC's projects in Luzon, include the 150MW Bacon-Manito (Bac-Man) geothermal projects in the Albay and Sorsogon Provinces. Covering an area of 250 square kilometres, the project comprises 23 production wells and a 20.2 kilometre pipe network.

In keeping with its objective to develop clean and indigenous power, EDC has a 60% equity in the 132MW Pantabangan-Masiway hydropower project and is developing an 86MW wind power project in northern Philippines.

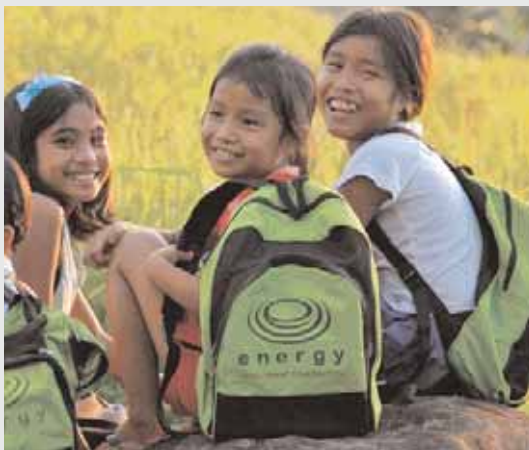
Southern Philippines: From its 7 square kilometre geothermal reservation, the Mindanao Geothermal Power Complex occupies 1.12 square kilometres in the northwestern part of Mount Apo, the Philippines' highest mountain. With an aggregate installed capacity of 106MW, the Mindanao I and II power plants have been providing reliable and renewable energy, needed to meet the region's power requirements. Through this EDC project, geothermal power now accounts for 11% of the power mix in Mindanao.

Institutional support

EDC's accomplishments in the production of renewable and sustainable energy have been vindicated through the continual support of top tier international organisations, such as the World Bank-International Finance Corporation (WB-IFC). The IFC has been a key investor in the company ever since privatisation and continues to maintain a significant stake in EDC.

IFC continues to support EDC, most recently in the form of a US\$100 million loan to fund EDC's capital expense in the medium term. This was the third such investment in EDC by IFC and was largely due to EDC's operational focus in producing renewable and clean energy. Throughout the development of its business, the company consistently meets all of IFC's Performance Standards in managing environmental and social impacts. This extends into the assessment of new business opportunities, as the IFC has recognised the company's implementation of an evaluation system, which takes into account all IFC Performance Standards for all new EDC projects. In September 2011, IFC bestowed on EDC, the highly prestigious Client Leadership Award for its excellent sustainability record.

Apart from the WB-IFC, the Government of Singapore Investment Corporation also maintains a significant investment in EDC. The confidence these institutions have with EDC comes not only from meeting their stringent requirements but also in EDC's proactive



approach to promote further transparency. EDC self-reports to the Global Reporting Initiative, considered to be the predominant global monitor on issues pertaining to corporate citizenship.

Locally, EDC has attained the Gold scorecard rating for corporate governance from the Institute of Corporate Directors (ICD), as among the 15 top ranked publicly listed Philippine companies.

EDC was also recognised by the Organisation for Economic Cooperation and Development (OECD), as one of the top Philippine corporations on corporate governance, during the 10th Anniversary Meeting of the Asian Roundtable on Corporate Governance (ARCG). The ARCG is a regional forum for exchanging experiences and advancing the reform agenda on corporate governance, while promoting awareness and use of the OECD Principles of Corporate Governance.

The support and recognition that EDC has been receiving, highlight its emergence as a model among publicly listed companies – an accomplishment largely due to the efforts of its board of directors and senior management team.

Sustainable empowerment

EDC recognises that sustainable long term geothermal development is tied into both the environment and welfare of the company's host communities. Beyond compliance with government regulations and standards, EDC's 35 years of reputable green record has succeeded in setting the pace of corporate environmentalism, with some of its practices becoming the benchmark of environmental standards in the global geothermal industry.

EDC also takes good care of its host communities through programmes that focus on improving their health, education, livelihood and environmental conditions. EDC's programmes are designed to meet existing and pressing needs of the community in ways that would empower them to improve and secure their future.



We were green way before it was in

EDC has been at the forefront of renewable energy development as early as the 1970's.

Sustainable development, environmentally sound practices, and a keen vision of the energy needs of tomorrow have always been at the heart of our geothermal operations.

We set the pace in green energy because we know it's the way to go.



e n e r g y
DEVELOPMENT CORPORATION

www.energy.com.ph

Discovering hidden value

In the last 20 years, Asia has emerged as a major economic power with growth rates among the fastest in the world. Fundamental to this growth is the supply of energy for which fossil fuels – oil, gas and coal – will remain dominant in the near and medium terms. These energy requirements are enormous for the world's most populous continent of almost four billion people.

The statistics speak for themselves. Asia is the largest continent covering almost 9% of the Earth's total surface or 30% of the land area and is home to 60% of the global population. The region produces roughly 8.35 million barrels of oil per day (bpd), or a little over 10% of global production, but consumes 27.24 million bpd, almost 32% of worldwide demand (*BP Statistical Review of World Energy June 2011*). Only Brunei Darussalam and Malaysia produce more oil than they use.

Gas is of increasing importance as a primary fuel for industry and power generation. Regional demand has risen 95% in the last decade, matched only by demand growth in the Middle East and three times the rise in demand worldwide. Australia, Indonesia and Malaysia are net exporters through liquefied natural gas (LNG) projects but since the late 1990s a regional pipeline network, known as the Trans-ASEAN gas pipeline, has been slowly developing to interconnect ASEAN gas-producing nations with consuming countries. So far 11 bilateral connections have been laid totalling more than 3,000 kilometres of pipeline. As this network expands, many gas discoveries which were previously deemed non-commercial for development may become viable.

KrisEnergy Ltd was established in 2009, as an independent upstream company with a primary focus to find, develop and produce oil & gas in Southeast Asia, where most countries are net importers of their energy requirements. The company's

management and its team of geoscientists and engineers each have 20-plus years of experience in the exploration and production (E&P) industry with a large part of that time spent in Southeast Asia. This background gives the group an extensive knowledge of the geology of the region and the operational environment, as well as a deep understanding of the political and commercial risks associated with E&P activities in each state.

Prospectivity versus maturity

There are approximately 400 geological basins in Southeast Asia with more than 6,300 contract areas currently under licence to E&P companies. Although some of these regions such as the western basin of Indonesia have been producing for decades and are considered mature, there remain areas where new discoveries continue to be made. These include offshore Vietnam, the eastern state of Sabah in Malaysia and the Kutei and Bintuni Basins in Indonesia.

According to the *BP Statistical Review of World Energy 2011*, Asia's total proved oil reserves at the end of 2010 were 45.2 billion barrels, 3.3% of the global total, while proved gas reserves were 572 trillion cubic feet, or 8.7% of the global total. However, there are large swathes of territory where there has been little or no exploration to date including most deepwater frontiers - such as the Brunei Commercial Agreement Area (CAA), Andaman Sea, eastern Indonesia, onshore Laos and Cambodia, offshore north and central Vietnam and the Philippines. These frontier areas offer the potential for large discoveries although they are accompanied by the high risk of such wildcat exploration.

In addition, there are several large tracts in disputed territories that are surrounded by existing oil & gas fields and require political settlement before further exploration and appraisal can be undertaken. These include the Overlapping Claims



KrisEnergy's current portfolio of assets in Cambodia, Indonesia, Thailand and Vietnam

Area (OCA) between Cambodia and Thailand in the Gulf of Thailand and the South China Sea where China, Taiwan, Vietnam, the Philippines, Malaysia and Brunei Darussalam each claim rights to territory. Estimates vary widely but as much as 100 billion barrels of oil equivalent may still yet to be found in Southeast Asia alone.

Importance of stability

The E&P industry carries high inherent risks in its day to day operations of exploring for hydrocarbons. These activities also carry substantial costs and large investments upfront to bring oil & gas discoveries to market. E&P operators consider all risk factors in measuring the commercial viability of a project including political and regulatory risks and geological and technical risks. Southeast Asian governments have to date provided a broadly business-friendly environment in the oil & gas sector and have avoided the trend of nationalisation of oil & gas resources as seen in other parts of the world.

In fiscal terms, regimes vary widely depending on the prospectivity, or the remaining potential, of a country's oil & gas resources. In the Philippines, for example, where exploration success has been limited, the Government offers some of the most generous terms in the world, while in Malaysia and Indonesia, which are the most prolific oil & gas producers in Southeast Asia, the fiscal terms are among the toughest. Independent companies, such as KrisEnergy, rely on consistent and predictable fiscal regimes on which to base their decision making and historically the authorities across the region have maintained relatively stable terms and have avoided sudden amendments such as environment duties and windfall taxes that often accompany increases in oil prices.

In the more mature petroleum provinces such as Indonesia and Malaysia, the authorities are now reviewing new incentives such as tax breaks in enhanced oil recovery (EOR) and marginal field developments to stimulate investment in existing resources.

Small but active

As the basins of Southeast Asia mature, the number and size of hydrocarbon discoveries has been declining. This can be a disincentive for large multi-national companies and the national oil companies which require material and substantial reserve volumes to boost their portfolios and have the financial and technical authority to operate in the deepwater and ultradeep water frontier areas where discoveries can be large but the time from discovery to commercialisation extensive – up to 10 years or more. For independent operators such as KrisEnergy, the business model requires modest discoveries of around 20 million barrels that can be quickly and efficiently developed. The smaller, nimble operators tend to focus on the more mature basins in shallower waters, where time from discovery to going to market may be as short as two years.

Independents are also active in the region's deal flow as they seek to grow and reduce their risk. This may be through the acquisition of licence areas through government bid rounds, corporate divestment or acquisition, or the farm-out of stakes in contract areas to reduce exposure to exploration risk. Further opportunities exist for smaller players to pick up niche opportunities as major oil companies and national oil companies divest non-core assets as they target bigger prizes overseas in regions such as South America and Africa.

Despite the maturity of some areas, Southeast Asia continues to offer plentiful opportunity to niche independent E&P companies that have the technical ability to find oil & gas resources and the commercial competence to bring those resources to market, quickly and cost effectively. But the onus will be on governments and regulatory authorities to provide incentives and encourage investment to maintain a healthy regional upstream oil & gas industry in the years to come.

DISCOVERING HIDDEN VALUE

KrisEnergy is building an upstream oil and gas business in Southeast Asia.

We currently hold a portfolio of 10 assets spanning the entire value chain of exploration, development and production.

Our in-house technical team has a proven track record of finding and commercialising hydrocarbon reserves.

KrisEnergy is a portfolio company of First Reserve Corporation.



www.krisenergy.com

The region's manufacturing moves into top gear

Southeast Asia's influential role in global manufacturing is well established. Traditional strengths are still apparent, the clothing and textile industry is a vital source of revenue and employment in Cambodia, Lao PDR, the Philippines, Thailand and Vietnam. Indonesia ranks as the world's 12th largest textile exporter and the eighth largest clothing exporter.

The region's output of electronic equipment, ranging from televisions, audio equipment to computers and cellular phones, meets a major proportion of world demand. More than 80% of the world's disk drives are made in Southeast Asia. A flourishing motor vehicle industry has also emerged and specialist manufacturing is fast growing in the oil & gas, shipbuilding and aviation sectors.

High technology and life sciences feature increasingly. ASEAN manufacturing is steadily moving towards higher value output, with Research and Development (R&D) increasingly being located in the area by Original Equipment Manufacturers (OEM).

The countries' markets are also becoming more integrated with a fast developing network of value chains, especially in parts and components. As a result, the region is set to consolidate its competitive role against surrounding larger economies and continue to be renowned for its high quality, low cost manufacturing.

Thailand is acknowledged as a tourist destination but industrial output is at the core of the country's economy, contributing some 45% to GDP. This has helped Thailand to make the transition from a low income country to middle income within the last 30 years. Textiles, cement production, electronics and food processing are important sectors, while the country has also become a hub for automotive manufacturing.

Malaysia has also focused on manufacturing industries and like its neighbour Singapore, has built up its manufacturing sector. The country became a significant producer of radios, televisions, stereo



equipment and subsequently, electronics components, including semiconductors and silicon wafers in the 1970s and 1980s. Malaysia also has a niche as one of ASEAN's leading exporters of furniture, particularly to the US and UK.

A third of the world's microprocessors are assembled in the Malaysian State of Penang. Major companies such as Advanced Micro Devices, Dell and Intel, have expanded their operations considerably in recent years.

Contract production for global brand OEMs is a significant element of manufacturing in many of the ASEAN countries. Singapore based Flextronics International, for example, with more than 20,000 employees is the world's largest electronics manufacturing services company. It produces handsets, printers, copiers and many other products for a range of companies including Sony Ericsson, Hewlett Packard and Xerox.

Much of the Philippines' industrial sector is also based on processing and assembly operations in the manufacturing of electronics and other components, usually from foreign multinational corporations.

Intel has been in the Philippines for 28 years, where it produces the widely used Pentium 4 processor. Texas Instruments also has a long established plant at Baguio, which produces most of the microchips used in Nokia cell phones and 80% of those used in Ericsson mobile phones. Other prominent names include Lexmark, which has a factory in Mactan on Cebu island.

Following a dip after the global financial crisis of 2008, foreign investments to Southeast Asia have returned to high levels, with Singapore, Indonesia, Malaysia and Vietnam experiencing increasing overseas investor interest.

Frontier markets with clear labour cost advantages, such as Vietnam, Cambodia and Lao PDR have started to follow China's example from 20 years ago, by targeting low cost, labour intensive, manufacturing industries.

Some mature manufacturing hubs are moving forward to a new generation of knowledge based industries. This process is also helping other ASEAN countries. Since the 1980s, the Malaysian Industrial Development Agency has actively promoted the electronics, information technology and multimedia sectors. In doing this, it has also encouraged the relocation of labour intensive industries to Indonesia and Thailand.

Low cost and light industrial manufacturing will increasingly migrate to Vietnam, Cambodia and Lao PDR. Malaysia and Thailand are likely to move up the value chain and become more specialised manufacturers of products such as electronics and automobile components, while Singapore is becoming a force in pharmaceutical and bio-engineering production.

Thailand is likely to focus on becoming a regional producer of vehicles and automotive and electronic components. Analysts see Vietnam moving into some of the manufacturing space now occupied by Thailand, particularly in the lower end, light goods sector.

Cambodia and Lao PDR are set to become the next decade's entry level manufacturing economies. Myanmar is also likely to emerge from economic isolation, taking advantage of its very low employee costs, compared to other ASEAN countries.

While exports are a vital economic factor for all ASEAN countries, some, notably Indonesia and the Philippines, with huge populations, also have their own domestic markets. These are likely to become increasingly valuable and interesting to foreign investors as incomes rise in these countries.

The region's long term economic fundamentals are very sound. Southeast Asia's production costs remain highly competitive and companies from outside ASEAN, including China, are eager to take advantage of these.

Taiwan's Foxconn Technology Group, for example, which produces products under contract for companies such as



Hewlett Packard, Dell and Apple, is among those improving production facilities in Vietnam, with a mobile phone manufacturing plant in Vinh Phuc Province.

China's Lee & Man Paper Manufacturing, is investing in a two million square metre complex in Hau Giang in Vietnam, to produce 420,000 tonnes per year of container board.

US Florida based Jabil Circuit, has also started making laser printers for Hewlett Packard at a US\$100 million facility in Ho Chi Minh City's technology park.

Taiwan's Compal Electronics is to produce notebook PCs in Vietnam's Vinh Phuc Province, in a US\$500 million venture.

Formosa Plastics Group is investing US\$8 billion in a new steel mill and port complex in Vietnam's Ho Tinh Province. When completed in 2014, the plant complex will produce up to 7.5 million tonnes per year and represent the largest plant in Southeast Asia. India's Tata is also looking at a similar US\$5 billion venture in the Vang Ang Economic Zone, not far from the Formosa project.

A proposed US\$1.2 billion new petrochemicals plant and 13 square kilometre industrial park in Pho Yen Province, has been proposed by Singapore based SP Chemicals.

Elsewhere in the region, South Korea's POSCO steel conglomerate, is building an integrated steel mill in Indonesia, in partnership with the latter's state Krakatau Steel. The multi

billion dollar project is intended to eventually produce six million tonnes per year of steel products, utilising Indonesia's vast deposits of iron ore and coal.

Germany's Mauser Group is replacing its Singapore plant with a new facility, to triple production of steel drums for the petrochemical and speciality chemical industries of the region.

ASEAN member countries want to make the region an even more attractive investment destination, by moving towards an economically integrated area. There are ongoing efforts to smooth out uneven trade related regulations and to improve infrastructure, with the aim of moving goods more efficiently. A more integrated region will also offer opportunities for streamlined regional supply chains, while offering new channels of distribution.

Today, Southeast Asia's makers of cars, car parts, electronics, clothing and much else are adapting to China's challenge, by moving upscale, exploiting niches and diversifying their target markets. They are also benefiting from reluctance among manufacturers to focus too heavily on one source for their productions needs.

Clothing the world

Production of textiles and clothing is one of Southeast Asia's most enduring and important manufacturing enterprises. Each ASEAN member country has strengths and weaknesses in each area of the textile and apparel supply chain.

Some countries have cost competitive, making-up operations, while others excel in yarn production, fabric dyeing and finishing. Others specialise in logistics, design and marketing.

Manufacturers in much of the region are largely dependent on imported yarn, fabric, accessories and other materials to produce export oriented apparel and as a result, operate on cut, make and trim terms. This adds up to a huge, globally significant business.

There are estimated to be more than 4,500 textile and apparel factories operating in Thailand, ranging from man-made fibre plants, spinning and weaving, to dyeing and printing as well as garment factories. Around one million people are estimated to work in the sector.

Vietnam's garment industry has seen 300% export growth in recent years and is the second largest supplier to the US. Even Chinese firms are starting to outsource low end clothes manufacturing to Vietnam and Cambodia.

Cambodia has nearly 300 garment factories, employing around 280,000 workers, who are mainly rural women. It is an industry that is the lifeblood of the Cambodian economy, representing 85% of the country's total exports, with the US accounting for 66% of exports and Europe 22%.

As a result of its highly liberal rules for foreign investors, Cambodia has established itself as a credible garments producer. One of the country's advantages is its proximity to other apparel and textile manufacturers in neighbouring Vietnam and Thailand.

It is the only country globally, where the UN's International Labour Organisation independently monitors and reports on working conditions in clothing factories, according to national and international standards. This is a major incentive for leading brands such as Levi, Gap, Sears, Wal-Mart and Disney to source from the country, in light of the lobbying pressures from ethically minded customers.

A vertically integrated industry is also developing in ASEAN, as international companies establish operations in the region to

support its vibrant textiles industry. These include DuPont Imaging Technologies and Huntsman Textile Effects, which manufacture specialist chemicals and dyes for finished textiles. Both have opened centres in Singapore.

Germany's Lenzing has invested US\$150 million in a fourth production line in Indonesia, to produce viscose fibres for textile applications and non-woven products. The company has already invested US\$500 million in its operations in the country.

ASEAN manufacturers too, are moving to integrate supply chains in order to fully utilise competitive advantages. Pre-dyed fabrics from Thailand's Bangkok Weaving Mills Group, for example, are taken by road to neighbouring Cambodia, where another factory cuts and sews them into summer blouses for the Italian brand, Benetton.

The trend is likely to grow as garment manufacturers, buyers and their agents, seek ways that allow them to work with fewer suppliers who can provide the full complement of services and products they require and who are compliant with labour standards.

Southeast Asia's new Detroit revs up

Many of the world's leading automobile producers have manufacturing operations in the region. They are steadily being expanded by companies such as Honda, which is further developing plants in Indonesia and Vietnam.

As a result of this increasing investment, car production in Thailand, Indonesia, Malaysia, Vietnam and the Philippines is growing rapidly. In 2010, more than three million four wheel vehicles were produced, as well as ten million motorcycles.

In the Philippines, Ford, Toyota, Mitsubishi, Nissan and Honda all have assembly operations. Isuzu produces four-wheel drive vehicles, while Kia and Suzuki turn out small cars. Honda and Suzuki also manufacture motorcycles. China's Chery Automobile Company is establishing an assembly plant in Lauguna. Anti-breaking systems used in Mercedes Benz, BMW and Volvo cars are also made in the country.

Thailand is ASEAN's main producer and sometimes dubbed the region's Detroit, with some 1.6 million cars produced last year. The country's manufacturing sector now accounts for 12% of the country's GDP, according to the World Bank.

Cars make up 13% of Thailand's exports and there are some 16 car and motorcycle production companies operating in Thailand including; General Motors, Toyota, Honda, Nissan, Mitsubishi, Mazda and Ford.

They have made Thailand a regional hub for automobile production, which is the country's largest manufacturing sector, after electronics. By 2015, Thailand is likely to be one of the world's top ten vehicle producing nations.

Ford is building a US\$450 million vehicle plant, which will produce the company's Ford Focus cars from 2012. According to Joe Hinrichs, President of Ford Asia-Pacific and Africa, the decision to build the plant is supported by Thailand's world class automotive industry, logistics and export infrastructure.

In a boost to local industry, the company is expected to purchase up to US\$800 million of local components each year. Thailand has a huge supply chain of more than 700 locally based automotive parts manufacturers, turning out a range of inputs from axles to air conditioning units.

The automobile sector is of growing importance to Indonesia, which produced close to one million vehicles last year, as well as to Malaysia which produced 567,000 vehicles. Malaysia's Proton cars are exported to more than 50 countries, including Australia and the UK, where its cars have been sold for 22 years. Engineering capabilities were considerably enhanced as a result of the car maker's acquisition of the UK's Lotus Group International in 2003.

In terms of volume production, Indonesia is rapidly catching up with Thailand and a number of leading global manufacturers have recently announced investments. These include Japan's Nissan and Suzuki, which are investing US\$250 million and US\$800 million respectively, in Indonesian car production ventures.

Daihatsu is also planning a US\$246 million expansion of its facilities in Indonesia. The US's Chrysler, is investing in a US\$100 million expansion. General Motors, France's Peugeot, India's Tata Group and Germany's BMW are also considering investments.

Indonesia's vast population, that comprises 40% of the ASEAN States, is one reason for the huge level of interest from investors. As the country becomes richer, it is predicted that vehicle production will exceed one million units by 2013.

Focus moves to Research and Development

Thailand and Vietnam are aiming to shift from mid level manufacturing to higher value added production. Malaysia and Singapore are well advanced to evolving knowledge based economies and industries.

Some parts of Southeast Asia are already prime locations for design and engineering services, advanced supply chains and complex product manufacturing.

The region's manufacturing focus is evolving away from merely a low cost centre for high volume, low complexity products, such as computers, mobile phones and consumer electronics, to a much more sophisticated destination for complex, high value, electronics manufacturing services.

Germany's Qimonda has a US\$220 million facility at Johor in Malaysia, manufacturing dynamic random access memory (DRAM) modules. The company also has a US\$2.9 billion investment in a chip manufacturing facility in Singapore.

Original design manufacturing may be on the horizon, as some ASEAN countries increasingly promote higher level R&D activities among electronics companies, through tax incentives and subsidies.

Thailand and Malaysia are vying to become Southeast Asian hubs for the production of new generation hybrid and electric car manufacturing. Malaysia has worked hard on establishing its automobile industry, following the launch of its first domestically produced car, the Proton, in 1985.

Singapore, Malaysia and Thailand are often more attractive locations for manufacturing products, due to their stronger legal environment, governing intellectual property protection.

Malaysia and Singapore have identified bio-technology as one of the core technologies to accelerate the transformation of the country into a knowledge based economy, by 2020.

Singapore has a particular niche in life sciences as well as other high technology ventures, including a Research and Development centre to be launched at Singapore Science Park by Western Digital. The company's Chief Operating Officer, Tim Leyden says that "An advanced technology research and human resource culture, makes Singapore an ideal location for the company's US\$390 million investment."

Singapore's bio-medical sciences sector, is now the second largest manufacturing component in its economy.

The State enjoys a growing global status as a centre for bio-medical research and clinical trials, as well as new drug and medical devices development. As a result, a number of international pharmaceutical and medical technology

companies have established both R&D and manufacturing bases in the country. These include pharmaceutical majors such as Pfizer, Novartis and GlaxoSmithKline, which have invested some US\$2 billion in Singapore ventures.

In Vietnam, advanced electronics production is a fast expanding sector. The US' semi-conductor giant Intel, has a US\$1 billion investment in a test and assembly facility in Ho Chi Minh City.

The country's attraction to foreign investors has been boosted by the country's accession to the World Trade Organisation but also by plans to double the number of qualified IT workers to 330,000 by 2015, 5% of which will have post graduate degrees.

Mitsubishi Heavy Industries of Japan opened an aircraft parts manufacturing company in Vietnam in 2009, the first such venture in the country. A number of other Japanese producers of machinery and electronics devices, have also established production in Vietnam.

These include Renesas Technology, which has set up a design facility in Vietnam, to develop large scale integrated devices for use in consumer electronics products, such as mobile devices.



Case Study: Jebsen & Jessen (SEA)

ASEAN: A fragmented but golden opportunity

Heinrich Jessen, Chairman of Trading, Manufacturing and Engineering Conglomerate, Jebsen & Jessen (SEA)



Since 1963, Jebsen & Jessen (SEA) has partnered with global market leaders in Southeast Asia. An industrial enterprise, their business spans manufacturing, engineering and distribution activities. The core businesses include: cable technology, chemicals, communications, life sciences, marketing, material handling, packaging and technology.

Chairman Heinrich Jessen answers questions.

What challenges and opportunities do foreign companies who want to do business in Southeast Asia encounter?

Southeast Asia is a fragmented and complex region with different languages, legal systems and levels of economic development and this presents a major challenge. The economies of each country are relatively small. All ten nations together have an accumulated Gross Domestic Product (GDP), which is roughly the size of Spain's. However, ASEAN is a market of 600 million people with US\$1.7 trillion market capitalisation. The annual GDP growth rate is 6% and the region offers interesting growth opportunities to capitalise on.

What is Jebsen & Jessen's (SEA) competitive advantage?

In the sectors we operate in, we are probably the only company that can offer access to ASEAN in an integrated and cost effective manner. Doing business in this region can be challenging. Without a partner like

Jebsen & Jessen (SEA), technology providers wishing to sell across ASEAN would have to run several expensive subsidiaries or appoint and manage a handful of diverse agents.

Our technology partners experience an efficient one-stop interface. Economies of scale mean we can afford to employ senior technical experts in regional roles and to focus attention on customer needs. Our businesses operate autonomously with our Executive Board, providing a strategic framework. We take care of quality and compliance and have invested in the infrastructure needed in everyday business with a system built on extensive SAP applications. We make ASEAN look like one integrated market.

Jebsen & Jessen (SEA) has recently announced an ambitious growth plan, can you briefly elaborate on this?

We are actively looking to attract new technology partners and leverage our value proposition. Our Group has an integrated infrastructure in place, spanning the entire ASEAN region. This platform is able to handle more than double the business volume that we currently have, without giving rise to much additional back office cost.

We are on the lookout, not just for organic growth but also for opportunities to invest and acquire companies which leverage our existing platform and competencies.

Our Group has recently completed five acquisitions in the cable technology, chemicals, communications, material handling and packaging business units and we plan to move into the production of food ingredients to complement our existing food and feed ingredients business.

“We offer access to ASEAN in an integrated and cost effective manner”.

Heinrich Jessen, Chairman, Jebsen & Jessen (SEA)

Case Study: Jebsen & Jessen (SEA)

Capitalising on opportunities in Southeast Asia

MHE-Demag, ASEAN's leading provider in material handling equipment and joint venture between Jebsen & Jessen (SEA) and Demag Cranes & Components GmbH, is a showcase of a rewarding partnership, forged in Southeast Asia.

Since 1963, industrial conglomerate Jebsen & Jessen (SEA) has partnered with global market leaders in Southeast Asia. Their business spans trading, manufacturing and engineering activities and partner relationships ranging from distribution agreements, manufacturing licences, to working in joint ventures.

Jebsen & Jessen (SEA) creates a bridge between technology partners and the varied markets of this diverse, economically vibrant region. On the ground, the company has local expertise and local facilities. At a regional level, they provide a professional, well resourced network of business and corporate services to its member companies.

The Group specialises in cost effective market penetration for high quality products that require concise, technical and customer support services. With an intimate knowledge of the local markets, Jebsen & Jessen (SEA) has been a major catalyst in introducing state of the art technology from world class partners to the region.

A compelling example of successful partnership, is the story of ASEAN's leading material handling equipment provider MHE-Demag,

a joint venture between Jebsen & Jessen (SEA) and Demag Cranes & Components GmbH.

The partnership dates back to the early 1970s when traditional trading house, Jebsen & Jessen (SEA), made a bold move: upon Demag commenting that "cranes must not be shipped around the world but built where the customer is", Jebsen & Jessen (SEA) decided to venture into production. Subsequently, manufacturing licence agreements were signed and the business set off from small factories in Singapore and Malaysia.

Today, the highly profitable joint venture, MHE-Demag operates eight production facilities, 35 service centres and an integrated regional network spanning the ASEAN region. Their range of products has expanded including dock levellers, warehouse trucks and building maintenance units, to name a few.

More than this, the Singapore based R&D team of the company, designed and developed ATEX, certified explosion proof lifting equipment for hazardous environments such as the chemical, oil & gas and petrochemical industries, where gases, fuels and vapours are emitted, forming a potentially explosive mixture when in contact with oxygen. They are now one of the leading producers of the specialised equipment and export globally.



“MHE-Demag, ASEAN’s leading material handling equipment provider, operates eight production facilities across the region and an integrated regional network. The profitable joint venture dates back to the 1970s”.



JEBSEN & JESSEN

Cambodia | Indonesia | Malaysia | Myanmar | Philippines | Singapore | Thailand | Vietnam



WE SPEAK THE LANGUAGE OF SOUTH EAST ASIA

Since 1963 we have worked in partnerships with global market leaders, facilitating and capitalising on opportunities throughout South East Asia. Our business spans manufacturing, engineering and distribution activities.

Our partner relationships range from distribution agencies and manufacturing licences to working in joint ventures and many more. Together we serve over 17,000 customers in the region and beyond. Through our more than 50 subsidiaries and associate companies we employ over 3,300 people.

Website: www.jjsea.com

Jebesen & Jessen (SEA) Pte Ltd

Cable Technology | Chemicals | Communications | Life Sciences | Marketing | Material Handling | Packaging | Technology

ASEAN emerges as global mining force

Many of the most important and largest international mining operations are located in Southeast Asia, with mining established as one of the ASEAN region's fundamental economic sectors.

Mineral extraction accounted for an estimated 10.9% of Indonesia's GDP in 2010, with minerals and related products contributing to a fifth of the country's total exports. Some estimates suggest that Indonesia's mining industry is set to grow by 10.9% in real terms in 2011, to reach US\$85 billion.

Indonesia possesses some of the world's largest deposits of nickel and its mining output represents more than 12% of global production, ranking second only to Russia.

International companies are increasingly focused on the region's mineral wealth. Brazil's Vale, is investing in Malaysia's iron ore potential. The latter also contains reserves of bauxite, coal, tin and gold.

Analysts expect that the country's mining sector will continue to grow between 6-7% a year over the next five years, with its mining industry set to be worth US\$68 billion by 2015, from US\$43 billion in 2010.

Malaysia is also home to significant refiners and smelters, including Malaysia Smelting Corporation, the world's second largest supplier of tin metal. Rio Tinto is reportedly considering establishing an aluminium smelter in Sarawak.

Vietnam's central highlands are believed to hold the world's third largest reserves of bauxite, put at some 5.4 billion tonnes but it could be at least double this figure.

Significant investment is needed to exploit these natural resources, an estimated US\$15.6 billion of capital is required to refine the country's ore reserves into alumina and hence produce aluminium.

Coal is a particularly important element in the region's mining industry, with production in seven of the ASEAN countries. Indonesia



is the world's biggest exporter of thermal coal for power plants, supplying coal to China, India, Japan and South Korea.

Lao PDR has seen coal production more than quadruple in 15 years, to more than 250,000 tonnes a year from a number of small scale mines. In Indonesia and the Philippines, coal is a vital part of energy production, with more than a third of electricity generation derived from coal fired plants.

Vietnam has enormous coal reserves and is the world's second largest exporter of anthracite coal. There are 27 open pits and 30 underground mines, concentrated in the northern area in Quang Ninh Province and the Red River Delta basin. Government plans call for a 50% increase in production to 60 million tonnes a year, by 2025.

Indonesia is expected to produce 340 million tonnes of coal this year. It is also richly endowed with a range of other minerals. The country ranks as the world's second main tin producer and third and fourth respectively, for production of copper and nickel. The country is also a big producer of gold.

Thailand is the world's second largest exporter of gypsum after Canada. Other important mineral deposits include fluorite, lead, tantalum, tin, tungsten and coal.

The US Government's Geological Survey ranks Indonesia seventh in the world in terms of gold production and sixth in terms of reserves. Total proven and probable reserves are 4,200 tonnes, with much of the wealth located in Papua. Sizeable potential gold deposits are also located in Java, Kalimantan and Sulawesi.

However, there is a vast wealth of important industrial ores and precious metals yet to be exploited throughout the ASEAN States. Large as many mining ventures are in the region, exploration and exploitation of the mineral resources have barely begun.

The Philippines, for example, is estimated to possess at least US\$1 trillion of untapped mineral resources and much of the country's 300,000 square kilometres of land is yet to be appraised for its mineral content. Myanmar has not undergone a full geological survey for more than 75 years.

The Philippines, in addition to Indonesia, has huge resources of nickel, along with high grade chromite deposits, an abundance of copper and significant gold deposits.

Legislation ensuring the commitment of foreign companies to very long term projects is a vital factor in the region's mining development. According to the chairman of the Indonesia Mining Association, Martiono Hadianito, between US\$550 million and US\$1 billion of investment a year is needed to maintain current levels of production.

Cambodia has substantial mining potential, especially for iron ore, bauxite, coal, construction aggregates, including limestone and granite, as well as precious minerals such as gemstones and gold.

The country's new mining laws have created more certainty for investors and have speeded up the grant of mining permits. As a result, the Government expects mining investment to reach US\$6 billion by 2012, compared to US\$2.5 billion in 2010.

Lao PDR attracted more than US\$3 billion of investment to its mining sector over the last decade. There are now more than 150 local and international mining companies already operating in the country.

Indonesia's 2009 Law on mining of minerals and coal and its supporting framework of regulations, are designed to provide investors with the necessary regulatory certainty to stimulate new investment in the sector. Changes to the country's regulatory framework allow mining in some previously protected areas, the decentralisation of the grant of mining concessions to local governments and a clampdown on unlicensed mining activities.



Investment in the Philippines' mining potential, has been aided by a court decision confirming the right of foreign companies to retain 100% ownership of their investment, to exploit the country's mineral resources.

Prospecting for gold and high value industrial ores such as copper, has become an important investment focus in the Philippines. The country's gold ore reserves are estimated at four billion tonnes, the third largest in the world. Its 7.9 billion tonnes of copper ore deposits are the fourth largest in the world and its 815 million tonnes of nickel ore represent the fifth largest globally.

Gold and copper are mainly concentrated in North Luzon and on the eastern side of the island of Mindanao. Other deposits are found on Negros, Zambales, Cebu and South Cotabato.

London based Anglo American, has been linked to a potential US\$1 billion project to develop the copper and gold Boyongan deposits in Surigao del Norte. BHP Billiton has been exploring for nickel in Mindanao. New Zealand's Oceana Gold, has assigned US\$162 million to a mining venture in Luzon, expected to yield 120,000 ounces of gold and 15,000 tonnes of copper a year.

Xstrata, one of the world's largest copper producers, has a majority interest in Indophil Resource's Tampakan Copper-Gold Project in South

Cotabato. The company is also evaluating a five million tonnes a year copper project in the area.

Another potential giant venture will be Sumitomo's US\$3 billion nickel ore project in Surigao del Norte. This would be the largest nickel processing plant in the country, capable of processing some 45,000 tonnes a year. These projects will push the Philippines to reach the status of a mining country, when its mine exports total more than 6% of total exports.

Gold is also a key target in other parts of the region. Cambodia is known to have more than 20 gold bearing areas, that are attracting the interest of companies from China, South Korea, Vietnam and Australia.

Within five years, Cambodia could become a large scale gold producer. Australia's OZ Minerals, has said it has found an estimated 605,000 ounces of gold resources in Cambodia's Monduliri Province.

One of the largest operations is Sepon Gold and Copper Mining, operated by China's MinMetals Corporation. An operation in the central province of Savannakhet is being expanded to raise production capacity to 80,000 tonnes a year. Another significant gold and copper concentrate production venture, is located at Phou Bia in Vientiane Province.

“Large as many mining ventures are in the ASEAN area, exploration and exploitation of the region’s mineral resources have barely begun”.

Chinalco, a subsidiary of Aluminium Corporation of China, is developing a copper mining project in Lao PDR. The company has also recently signed an agreement to develop mineral resources in the south of Lao PDR.

Vietnam also hopes to become a significant gold producer. The country’s Bong Mieu Gold Mine, has an estimated reserve of at least eight tonnes of gold ore and is able to produce 600 kilos a year. The country has identified some 500 deposits and verified resources of 300 tonnes but major investment using modern extraction methods will be needed to exploit this untapped wealth.

In Vietnam, output at the Sin Quyen-Lao Cai Copper Complex is also to be increased by a third, to 30,000 tonnes a year. A 10,000 tonnes a year zinc refinery is also planned at Thai Nguyen.

US firms such as Newmont and Freeport are prominent players in Indonesia’s gold and copper production. The latter’s open cast venture in Papua, is the world’s largest gold mine and third largest copper mine, employing 8,000 workers. Underground operations are expected to begin there in 2015.

Newmont’s operations are located on Sumbawa Island in West Nusa Tenggara Province. Four new mines are planned on Sumbawa after 2017, involving an investment of US\$3 billion.

The immense wealth provided by mineral extraction must be measured against the environmental and social impact of its operation. Cambodia is reported to have cancelled a controversial titanium mining project in the area of the country’s Cardamom Mountain range, in the core of one of the region’s oldest rainforests.

The benefits of extracting an estimated US\$1.3 billion of titanium were outweighed by the inevitable damage to the habitat for many endangered species and the detrimental impact on eco-tourist ventures, which Cambodia is keen to develop.

Southeast Asia's Airlines invest in new era

ASEAN nations host some of the world's best known names in international aviation as well as a growing number of rapidly expanding low-cost airlines now operating throughout the region and beyond.

Singapore Airlines, Malaysia Airlines and Thai Airways, are all ranked in the top 50 by the International Air Transport Association (IATA) in terms of international, domestic scheduled passenger numbers and passenger kilometres performed.

Singapore Airlines, a member of the Star Alliance code sharing consortium, carried more than 18 million scheduled international passengers in 2010 and is ranked eighth leading airline in the world by IATA. Malaysia Airlines also features high on the list, with more than seven million international scheduled passengers last year.

IATA also ranks Indonesia's Garuda, Thai Airways, Vietnam Airlines as well as Malaysia Airlines in the world's top 50 in terms of domestic passengers carried.

These airlines are also major players in the region's air freight market. Singapore Airlines was the sixth largest global carrier of freight, with 1.1 million tonnes flown in 2010. Thai Airways and Malaysia Airlines are also major freight carriers.

A new era now beckons in the sector. Traditionally the State has played a dominant role but commercial priorities are now increasingly coming to the fore.



“Aircraft manufacturers predict that Asia-Pacific countries could spend US\$1.1 trillion on up to 9,000 new aircraft over the next 20 years to accommodate traffic growth”.

Most of the airlines face an evolution from the legacy of government control together with other challenges common to the global aviation industry, including ever growing competition, rising operational costs, particularly fuel and heavy capital expenditure outlays.

Aircraft manufacturers predict that Asia-Pacific countries could spend US\$1.1 trillion on up to 9,000 new aircraft over the next 20 years to accommodate traffic growth. In Indonesia alone, the aviation sector is likely to see passenger numbers rise from 53 million a year to 90 million by 2014.

Singapore Airline's first A380s have joined their fleet and will be used on high density routes to London, Sydney and Amsterdam. The first of Malaysia Airline Systems' A380s, which have also been ordered by Thai Airways, will enter service in 2012. Investment in these giant 560 seat airliners is seen as necessary to match the increasing competition for long-haul passengers, especially from Middle Eastern airlines.

An overhaul of Indonesia's aviation sector has resulted in regaining European Union acceptance of major Indonesian carriers including Garuda, which has started flights to Amsterdam via Dubai. The airline, which joined the Skyteam global airline alliance last year, is also considering routes to London, Frankfurt, Paris and Rome.

As international, regional and domestic traffic expands, Garuda, plans to almost double its fleet and has ordered 50 Boeing 737-800 aircraft and ten Boeing 777-300 extended range aircraft, in addition to four new Airbus A330-200s.

The airline's initial public offering in 2010, has given the private sector a minority stake, which is enabling Garuda to tap financial markets for capital. Chief Executive, Emirsyah Satar believes that the private sector will be encouraged by the greater level of scrutiny and corporate accountability that has accrued.

Malaysian Airlines, which is due to receive its first A380 in 2012, is seeking to increase its regional network as well as frequencies to the Middle East, North Asia and Australia. The airline also has 56 Boeing 737s on order.

Thai Airways fleet renewal programme includes orders for eight new Airbus A330s and six giant Airbus A380s for delivery from 2012. Newer generation models including the Airbus A350 and Boeing 787 are also being considered.

The region's aviation industry has been rejuvenated by the introduction of low-cost airlines. AirAsia founded in Malaysia, is the region's largest low-cost carrier with 105 aircraft, mainly Airbus A320s and an additional 314 on order.

The airline, developed by entrepreneur Tony Fernandes, is on course to rival the US' Southwest Airlines as the world's biggest budget carrier. In June 2011, the airline, which is considering establishing an ASEAN base in Jakarta, announced an order for 300 of Airbus' newest airline, the A320 Neo. This is the largest ever single order placed for commercial aircraft.

Another low-cost affiliate, AirAsia X, is focusing on long-haul routes and is building up a fleet expected to eventually comprise 23 Airbus A330s and ten A350s, which will serve routes from Kuala Lumpur to Australia, China and to the UK and the Middle East.

In a part of the world where liberalisation, in terms of freedom of entry and access to markets, has been bound tightly by constraints on foreign ownership and controls, the development of budget airlines in Southeast Asia is becoming a focus of cross-border expansion.

AirAsia also has units in Indonesia and Thailand and plans to launch new ones in the Philippines, Vietnam and Japan. The Bangkok based joint venture between Thai Airways and

Singapore's budget carrier Tiger Airways, will see Thai Tiger serving destinations in North Asia and the Indian sub-continent.

Tiger Airways also has close ties to a Philippine carrier, while Australia's Jetstar has units in Singapore and Vietnam.

Singapore Airlines has also said it intends to form a new budget carrier, to serve medium and long range routes with wide-body aircraft next year.

Garuda has established Citilink, as a low-cost subsidiary and is thought to be considering acquiring Boeing 737-800s, Airbus A320s and Bombardier C-series airliners.

The fast expansion of budget airlines is stimulating structural changes in the region's aviation sector, which is also encouraging private sector investment. Tiger Airways raised US\$176 million in 2010, in the first IPO by an Asian Airline in five years.

The budget carrier is now owned 32.84% by Singapore Airlines and 56% by government investment arm Temasek and its subsidiaries. Other large shareholders include the US' Capital Group, Citibank Singapore, HSBC Singapore and Morgan Stanley Asia.

There is a growing focus on commercial viability and profit within Southeast Asia's aviation industry and there is little doubt that the region's demand for air travel is fast expanding. Established state owned national carriers realise that far from eroding market share, budget operations enhance and develop air travel. As a result, air space is being opened up and new routes established.

Southeast Asia's airlines have largely recovered from the decline in travel experienced after the 2008 global financial crisis. They are flying high again as surging growth in air travel drives fleet modernisation and the formation of new airlines in the region.

This process is likely to be accelerated by ASEAN's agreement to lift all third and fourth freedom limits between its ten member states' capital cities. The organisation is now working towards the goal of a single aviation market by 2015.



Airport projects are key to development



The rapid growth of Southeast Asia's aviation market, is being driven by the development of low-cost air travel. However, the fact that increasing numbers of people are travelling, means that there is a need to expand and enhance infrastructure.

The ASEAN member states stretch over vast areas of land and water – Indonesia's archipelago alone embraces more than 17,000 islands – requiring an ever increasing investment in aviation services to underpin economic development.

Many of the region's airports are facing increasing pressure to plan for growing numbers of airline passengers. By 2025, the region's airports are expected to handle more than three times the volume of movements in 2005, with growth averaging 6% a year.

The number of passengers already accommodated, illustrates the urgency for major investment in extensive renovation of existing facilities and development of new airports throughout the ASEAN region.

Jakarta Airport was ranked as the world's third fastest expanding airport in 2010. Kuala Lumpur and Bangkok were also among the world's fastest growing airports according to the International Air Transport Association (IATA).

Some 34.6 million people, mainly domestic passengers, travelled through Jakarta Airport last year. More than 29 million people went through Kuala Lumpur International Airport, about a third on domestic flights.

Singapore's Changi Airport remains the busiest international airport in Southeast Asia, with 36 million passengers in 2010 and 234,000 aircraft movements. Bangkok International Airport handled 38 million international and domestic passengers and 249,000 aircraft movements.

Singapore is also an Asian air freight hub and is the world's eleventh largest in terms of tonnage handled - 1.7 million tonnes in 2010. Bangkok is just below New York in twentieth place, handling one million tonnes of freight last year. Kuala Lumpur with 601,000 tonnes, Jakarta with 433,000 tonnes and

Manila with 361,000 tonnes handled, are all in the world's top 50 cargo airports.

Malaysia has 45 airports with Kuala Lumpur, Penang, Senai in Johor State, Sabah and Sarawak categorised as international. The country's national carrier, Malaysia Airlines, is creating a new hub operation from Sabah's Kota Kinabalu International Airport in the eastern part of the country, to develop international routes to China and North Asia, Indonesia and Australia.

The region's airports feature some of the best managed international operations. Malaysia Airports Holdings Berhad was the first airport operator in Asia to have its stock publicly listed. Its airports have won numerous international awards in recent years. The company's success has been underlined by its operating expertise being marketed overseas, with the award of management contracts in Kazakhstan, Cambodia, India and Turkey.

Private sector investment in the construction of new airports and terminals is likely to become more prominent in the region itself, particularly in Indonesia and the Philippines, where government finances are constrained but where investment is urgently required. In 2010, Manila's Ninoy Aquino International Airport served 27 million passengers, placing it in the top 50 of the world's busiest airports by passenger traffic.

The country's main international airports comprise the three terminal Ninoy Aquino International Airport serving Manila, Mactan Cebu on Cebu Island, Davao International Airport in Mindao and Clark/Diosdado Macapagal International Airport in Central Luzon. Five other airports also accommodate international flights, 17 serve purely domestic flights with 60 other smaller airports, which are able to handle small turboprops.

The Philippines Government has stated it will call on the private sector to help in the construction of up to six airport terminals to assist tourism development.

The strategy aims to double the number of tourist arrivals to six million by 2016. The idea is to use the central island of Bohol and five other planned terminals, to funnel traffic from the gateways of Manila and Cebu into the main tourist zones.

San Miguel Corporation is investing US\$300 million to upgrade and develop Caticlan Airport near Boracay Island in central Philippines. The build-own-operate concession is for 25 years and represents the country's first privatisation of an airport terminal. It is expected to help to raise visitor numbers by 30% from the present 700,000 a year.

The Government is also seeking a similar public-private-partnership approach for upgrades at Daraga and Bohol airports in central Philippines and Puerto Princesa, southwest of the capital.

Diosdado Macapagal International Airport to the north of Manila, could eventually take over as the country's principal gateway. Clark International Airport Corporation has outlined a project to turn the airport into Manila's main airport and position it as a regional hub. There are plans for three new runways, a new terminal and cargo complex at a cost of US\$1.7 billion.

Airport development projects are also high on Indonesia's list of development priorities, with plans for the expansion of three international airports and construction of more than 30 smaller airports, to add to 178 airports of various categories currently in operation.

Kuala Namu International Airport in Medan, North Sumatra, Lombok International Airport and Sultan Hasanuddin in

Makassar, South Sulawesi, are all to be upgraded. Medan's Kuala Namu will be the country's second largest airport after Jakarta's International Airport.

The Government is seeking private sector involvement in the construction of 14 of the planned new airports and in the renovation and modernisation of 118 others, mainly in the east of the country.

As with the Philippines, Indonesia's drive for airport development is spurred by the aim of developing tourism facilities. The recently opened Lombok International Airport has been developed as part of the country's effort to draw more visitors to newer destination areas such as the resort island of Lombok, 70 kilometres east of Bali as well as to neighbouring Sumbawa.

India's GVK Group, has signed memorandums to build and develop two green-field airports in Bali and Java, with a reported investment of up to US\$2 billion in the next five to ten years. The projects represent Indonesia's first airport private-public-partnership ventures. Turkey's TAV entered into a joint venture in 2010 with Sigma-Sembada Group, to build a US\$500 million airport at Singaraja in Bali.

Nowhere in the region is aviation more crucial than in Vietnam, which is experiencing one of the fastest air passenger growth rates in the world at 10-15% a year. It is thought that the country's aviation market could surpass that of the Philippines, to rank fifth in ASEAN after 2020, serving nearly 100 million passengers a year.

Urgent investment is required to keep pace with the national carrier investment plans. Vietnam Airlines, is expected to see its fleet quadrupling to some 250 aircraft by 2035. There will need

to be appropriate spending on ground facilities. Most of Vietnam's airports were built before 1975 and many require upgrades or complete renovation.

There are 21 major civilian airports of which just three, Hanoi, Danang and Ho Chi Minh City serve international traffic. The latter handles 70% of all the country's international traffic. Around 278,000 tonnes of air freight is also shipped through Ho Chi Minh's, Ton Son Nhat Airport each year.

Under its draft air transport plan, Vietnam seeks to expand the number of its airports to 26 in the next ten years, to create a hub and spoke system. Three of the new airports will serve international traffic. Throughput capacity is planned at 65 million passengers by 2015 and 123 million in 2020.

Investment plans call for a new international airport at Long Thanh, 40 kilometres northeast of Ho Chi Minh City, to become operational by 2020. At maximum capacity the planned new airport would be able to accommodate well over 50 million passengers a year and 1.5 million tonnes of freight by 2035.

There is increasing attention to aviation development by Vietnam's neighbours. Cambodia received 2.3 million visitors in 2010, with about half visiting the country's renowned ancient temples. However, it will be impossible to develop the country's tourism without improvements to existing airports and new points of entry to the country.

These include plans for an international airport in the coastal city of Sihanoukville. The rebuilt airport will facilitate direct flights from neighbouring countries, allowing visitors to head for the country's beaches and provide a link to the Angkor temple, Cambodia's main attraction, near the town of Siem Reap.



Two South Korean companies, Lees A&A Company and Camko Airport Company are the main shareholders in a build-own-operate concession to build a US\$1 billion airport and develop a logistics centre and economic free zone at Siem Reap, 40 kilometres east of the temples of Angkor Wat.

The new airport's first phase is due for completion in 2015, when it will have the capacity to handle four million passengers a year, rising to 15 million when fully completed.

Thai financial support has been the main element in the upgrade of the airport, which serves the southern city of Pakse in Lao PDR. The improvements will allow it to receive mid-range jet aircraft, such as the Airbus A320 and Boeing 737.

Work has started meanwhile in Northern Lao PDR, on Luang Prabang's airport expansion. The project, supported by a Chinese loan, will include a 3,000 metre runway, able to accommodate wide-body, long range commercial airliners.

In Myanmar, the airport serving Naypyidaw is undergoing extensive development, designed to allow it to accommodate 3.5 million passengers a year. The airport will have two runways

and three terminals. China Communications Construction is investing US\$100 million in the construction of an airport near Naypyidaw, the country's new capital.

There are also plans to build an airport to serve the beach resort of Ngwesaung in Myanmar. Meanwhile, Yangon International Airport is being expanded to accommodate wide-body airliners and a planned increase in passenger throughput from 500,000 passengers to 2.5 million.

In Brunei, a 25 year masterplan has been initiated, that will see a transformation of the Sultanate's international airport, designed to make it a hub for East Asia growth. The airport currently handles some two million passengers a year and 50,000 tonnes of air freight.

The region's many development projects are in line with forecasts that the Asian region will be the fastest growing aviation market globally over the next 20 years. In line with this, airport development will be vital if Southeast Asia is to maintain its economic momentum and fulfil its potential as a key location for tourism, trade and inward investment.

Ports development boost for global trade



Southeast Asia is one of the world's most dynamic markets and is a heavily used corridor for freight movements. The region's ports comprise a critical link in the supply chains of many global organisations.

Singapore and other container ports in the region, handle an estimated 60 million units a year. This capacity is likely to grow much greater as intra-regional trade continues to increase and will serve to lessen dependence on international traffic and global economic cycles.

Founded as a trading station by the British in the early 19th century, at the crossroads of Far East – European trade, Singapore has long been a regional maritime hub, supporting an estimated 180,000 jobs.

The island, a key replenishment point for trans-ocean vessels, already has a flourishing marine services sector and shipbuilding industry. Maersk is one of the major global players to have established a design office on the island.

Its port is the largest in Southeast Asia and one of the busiest in the world. It owes its growth and prosperity to its strategic position at the southern extremity of the Malay Peninsula, where it overlooks the Straits of Malacca, which connects the Indian Ocean with the South China Sea.

Figures from the World Shipping Council show that Singapore handled 28.3 million, twenty feet equivalent unit (teu) containers in 2010. Though Shanghai handled around 2.5% more, Singapore, in terms of international transshipment traffic, remains in front. ASEAN's next busiest port was Malaysia's Tanjung Pelepas, which handled 6.54 million teus, ranking it 16th in the world.

Thailand's Laem Chabung Port was in 22nd place, handling 5.19 million teus. Vietnam's Ho Chi Minh port handled 4.11 million teus and Manila 3.25 million teus. Indonesia's biggest container ports of Jakarta and Surabaya handled 4.72 million teus and 3.04 million teus respectively.

Southeast Asia's robust and fast recovery from the global financial meltdown of 2008, has encouraged investment in transportation developments to help manufacturing regain momentum. Leading regional and major international port operators in the region, such as APM Terminals, PSA Singapore Terminals, Hutchison Port Holdings and Philippines based, International Container Terminal Services Inc., have all seen expanding container trade volumes.

Hutchison has a controlling interest in Tanjung Priok, Indonesia's main port. International Container Terminal Services Inc. (ICTSI) of the Philippines, runs Manila International Container Terminal and has the concession for the new container terminal at Subic Bay Freeport Zone.

As the size of container vessels continues to grow, there is greater pressure on existing ports infrastructure, with a need for new berths and terminals. With demand growing in Southeast Asia, more investments are expected, as governments seek to increase intra-regional trade.

Dry ports also have an increasingly significant part to play in the region's trade, easing the pressure on seaports and ensuring smooth onward transit of goods.

A dry port is generally a rail terminal situated in an inland area, with rail connections to one or more container seaports, on a service timetable that integrates with the schedules of container ships arriving at the seaport. This avoids stacking containers for lengthy periods of time in seaport areas, which lack space due to their close proximity to urban areas.

Thailand has considerable trade with neighbouring landlocked countries and the development of dry ports would improve the logistics of such trade. Malaysia has already developed a dry port at Ipoh, which is linked to the ports of Klang and Penang. The transit of containers from Ipoh to the two seaports, has reduced transit times and has made a considerable contribution to central Malaysia's economic development.

Investment in Southeast Asia ports and transport infrastructure is likely to accelerate over the next decade, particularly in areas where logistics costs need to be addressed. The Indonesian archipelago, for example, has a strong and developing economy and supports ASEAN's largest population but needs an extensive development of transport infrastructure to maintain this progress.

Indonesia's leading ports of Cilacap, Cirebon, Jakarta, Kupang, Makassar, Palembang, Semarang and Surabaya are considered ripe for development by private investors seeking to handle base cargoes. However, investment in modern container facilities is needed in Sulawesi, as well as Sumatra and in other regional ports.

Modernisation of export terminals for agricultural commodities, such as palm oil and cocoa is also needed, as well as cold store facilities for reefer cargoes, especially fish exports.

Indonesia also seeks to develop special economic zones in Batam, Bintan, Karimun, Riau Dumai, West Java Central, East Java, Bali, Makassar in South Sulawesi and on Bitung Island in North Sulawesi, as well as East Kalimantan.

An increasing number of countries in Asia are striving to position themselves to become the preferred logistics hubs in the region. Growing regional competition for foreign direct investments and the desire to take a slice of the growing logistics market, is stimulating Southeast Asia to develop an effective hub strategy. This is seen

as needed to improve international competitiveness and expedite the process of economic integration with the region.

Singapore wants to boost container capacity to 50 million teus a year, by developing facilities on reclaimed land, while Malaysia's industrial plans call for an increase in container traffic capacity to 36 million teus by 2020. Thailand's main port of Laem Chabang, north of Pattaya on the Gulf of Thailand, is planning a third phase of expansion, which could see its capacity increase to some 18 million teus a year.

Five of nine planned terminals at Vietnam's first deepwater port at Cap Mep, are now in operation. With its 14 metre draught, able to accommodate much larger vessels than Ho Chi Minh port, the new facility is a considerable boost to the country's effort to integrate with regional and global markets.

The Philippines is seeking to develop the Clark and Subic corridor as a competitive logistics and international service centre in Southeast Asia. This involves integrating the deepwater Subic Seaport along with the Clark airport, connecting the two with a new four lane highway. Kuwait's Gulf Link Investment has proposed a US\$1.2 billion project to develop an aviation oriented logistics complex, at the former American air base.

Other major proposed projects include development of the former US naval station at Sangley Point in Cavite, 12 kilometres southwest of Manila. However, commitments have to be secured for the scheme which, like other proposals in the region, involves multi billion dollar sums.

Development of deepwater ports is a particularly expensive investment, involving long term commitment. Some projects have the potential to change the pattern of global trade routes. One of the biggest proposed projects is a planned US\$8.6 billion port at Dawei in southern



Myanmar. This would end the current necessity of taking the long route to China, around the Malaysian Peninsula.

Maungmagan, a few kilometres north of the town of Dawei on Myanmar's southern coast, is the intended site for a giant new port and industrial zone, stretching over 250 square kilometres. The strategy is to create a new trade hub between India and Southeast Asia.

Thai construction firm Italthai, envisages the proposed port area facilitating the transit goods currently shipped from China, southwards around Singapore and through the Malacca Straits to reach Suez and Europe by avoiding several days of sea voyage. As such, it could become a new international trade route between the East and the West.

The port could take a week off transport times between India and Thailand and Vietnam. Road connections between Dawei and Bangkok will move goods between Thailand's Ta Phut Industrial Zone and Laem Chabang Port and Vietnamese ports.

Towards the West, shipping lanes will link to Kolkata and Chennai in India. The aim is to turn this rural area into a vital shipping and logistics link between India and mainland Southeast Asia and could have an impact on Singapore.

The project calls for a 250 square kilometre complex, to include a 10,000MW coal fired power plant, in addition to a multi lane highway to Bangkok, 230 kilometres to the east.

The project will target the establishment of steel, petrochemicals and paper manufacturers, with light industry to follow.

According to Thailand's Deputy Commerce Minister, Alongkom Poniboot, "It's going to be one of the biggest projects and investments in Southeast Asia within a decade but it will provide benefits for all, not only ASEAN but in South Asia, in the Middle East, Europe and Africa and also East Asia and Asia-Pacific."

The Dawei project is long term and also an indication of growing intra-regional links, particularly with China's surging economy. The latter's Yunnan Province has a 4,000 kilometre border with Vietnam, Lao PDR and Myanmar. There are immense opportunities for cross-trade, which has been growing steadily over the last decade.

Yunnan will become an export processing zone, geared to the needs of Southeast Asia. Trade volumes between China and its neighbours in the Greater Mekong Sub-region are predicted to surpass US\$150 billion by 2015, when China could have become ASEAN's principal trade partner.

Railway renaissance will transform the region's transport

Southeast Asia is undergoing a railway renaissance, with a growing focus on development of cross-border links that is likely to act as a huge stimulus to economic development and social cohesion within the region.

Few would disagree, that trains are more efficient and less polluting than road transit on all but the shortest routes however, moving transport operations away from roads is a long term challenge. Most goods in the region are still transported by sea, air or road.

The US' firm CEVA Logistics recently launched a cross-border road freight service in Southeast Asia, providing an integrated seven day trucking service from Singapore through Malaysia, Thailand and Vietnam to China. The company expects to carry 72,000 tonnes on the service in its first year.

Up until recently, railways have not been at the forefront of transport strategies in the region. Very large investment is now needed in the sector, that for the most part consists of colonial-era legacy systems.

Many of these have been under-funded for decades. Key sections have fallen into disuse and are in need of rehabilitation and modernisation. A feature of these older networks is that they cater for lighter axle loads of not more than 15 tonnes and much slower speeds than standard gauge systems.

Railways in the region have also developed independently. With the exception of a rail connection between China and Vietnam, there is no interconnection between national railway systems.

In Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Singapore and Thailand, metre gauge railways are the norm. However, Indonesian Railways operates on a 1,067mm track gauge. In the north of Vietnam, some sections operate on standard 1,435mm gauge.



There are technical and operational differences to overcome, as well as differences in immigration, customs, health regulations and border crossing procedures.

In spite of the difficulties, steady progress is being made to connect the region. The first leg of Cambodia's refurbished railway, funded by US\$141 million of Asian Development Bank (ADB) assistance, ended a long period of little investment, with projects now planned across the region.

The ADB is providing a technical assistance grant, to help countries in the Greater Mekong Sub-region, achieve greater connectivity through coordinated railway development. Toll Holdings of Australia, is the majority stakeholder in a consortium with Cambodia's Royal Group, to operate Cambodia's rehabilitated rail system under a 30 year concession.

Rehabilitation of the 117 kilometre initial section of Cambodia's railways was achieved in 2010 and an entire 254 kilometre south line from Phnom Penh to the port of Sihanoukville was completed in 2011. Work on the 388 kilometre north line, connecting Phnom Penh with Poipet and Aranyaprathet in Thailand, is due to finish in 2013.

According to ADB's Southeast Asia Director General, Kunio Senga, "Railways in Cambodia should, by 2013, return to their original state and reconnect Cambodia with its neighbours."

In view of increasing sub-regional trade, environmental concerns and sharply fluctuating fuel costs, there has been a progressive recognition of the importance of upgrading national railway networks and for interconnecting these with neighbouring countries.

Up to recently, cross-border rail connections within Southeast Asia have been mainly limited to inter-connections between Malaysia and Singapore and Malaysia and Thailand. However, this situation is fast changing. In March 2009, a 3.5 kilometre rail section was completed between Nongkhai in Thailand and Thannaleng in Lao PDR.

A joint Thai-Chinese committee is exploring the feasibility of building the first standard gauge railway in Thailand, as part of an ambitious cross-border programme. China has a 1,435mm gauge, compared to Thailand's one metre gauge.

The proposal is looking at linking the Nong Khai-Bangkok route with the same size track in Lao PDR, before crossing into southern China to join the latter's high speed train network. From Bangkok the route will be extended to Thailand's southern region. It is hoped that eventually the network will reach Malaysia and Singapore.

The willingness to work together to develop links, a process encouraged by ASEAN, is highlighted in the ambitious plans to construct a Singapore-Kunming Rail Link.

The project, backed by the ADB, will transform transport links in ASEAN countries and especially the Greater Mekong Sub-region. The aim is to renovate rail lines and build new track to fill in missing links, that will eventually result in a system connecting Beijing to Singapore and the Indian Ocean with the Pacific.

The ADB estimates that the initial phase of the programme – the line that runs from southern China down the length of Vietnam, before turning north and west through Cambodia and Thailand and then south through Malaysia to terminate in Singapore – will cost around US\$2.2 billion.

The whole project, including a missing link between Ho Chi Minh City and Phnom Penh, where there has never been a track, could be finished by 2015 and produce an economic return of 20% above its development costs, the ADB estimates.

China is keen to play a prominent role to lay tracks to ASEAN's market. Rail links to Lao PDR and Myanmar are being backed by China, which would see railway links established between these countries and Kunming, the regional capital of China's southwestern Yunnan Province.

China Railway Group has signed an agreement with Myanmar, to build an 810 kilometre railway from Ruili in Yunnan Province to Myanmar's western port city of Kyaukphyu, on the Indian Ocean. Agreements have also been reached to build new track in Lao PDR and Thailand, while China extends its network from Kunming to the China-Lao PDR border.

Chinese contractors have updated a 2005 feasibility study for a 275 kilometre link between Phnom Penh and Loc Ninh in Vietnam, which would bridge one of the largest missing links between Kunming and Singapore.

Reconstruction of the 48 kilometre line from the Thai border town of Poipet to Sisophon in Cambodia, is due to start. Civil works on the Chinese funded standard gauge line from Kunming to Vientiane are also due to begin soon.

Two further lines are in various stages of planning. One will pass through the Laotian border city of Mohan to Hanoi in Vietnam, with the other extending over the border from China to Vietnam at Hekou and terminating in Vientiane, Cambodia.

A feasibility study is underway for the 225 kilometre missing link between Phnom Penh and Loc Ninh, a border town between Cambodia and Vietnam.

Vietnam has completed a feasibility study on the Ho Chi Minh City-Loc Ninh missing link and is negotiating with Cambodia for the location of rail connection points.

Trains already connect China with Vietnam's north-south railway. The route could be part of an eastern line via Cambodia and Thailand. The ADB has estimated it would cost US\$1.1 billion to build the necessary links and a further US\$7 billion to upgrade existing track and provide new locomotives and rolling stock.

The investment, though huge, would provide a vital link for the Greater Mekong Sub-region countries comprising China, Vietnam, Cambodia, Lao PDR, Myanmar and Thailand. An estimated seven million tonnes of freight could be carried, rising to 26 million tonnes by 2025, according to the ADB.

Development of high speed railway services has also emerged as a tempting option. A Chinese proposal, estimates a US\$7 billion cost for a new high speed link connecting China and Cambodia's capital Vientiane. A similar proposal is being discussed to link China with Bangkok. Transit times for goods and passengers would be dramatically reduced.

A Singapore-Kunming Rail Link (SKRL) has been a long standing proposal and a flagship project of the ASEAN-Mekong Basin Development Cooperation forum. The proposed regional railway line, spanning some 5,000 kilometres, would be a very efficient and economical mode of cross-border cargo transportation, whether conventional or high speed.

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Southeast Asia embraces digital era



Southeast Asia's leading economies put a huge amount of effort into developing their telecommunications during the 1990s. The result was some of the fastest expanding fixed line networks in the world, with annual growth averaging 19.5% from 1991 to 1997.

Governments in the region recognised that telecommunications had ceased to be a luxury and were fast becoming a necessary tool of everyday life. Together with computer technologies, it was seen how they were playing a vital role as catalysts for sustainable economic development and growth.

In more recent times, investment has been directed towards developing wireless networks. Many Southeast Asian nations have also switched to Internet Protocol (IP) based networks, that are less costly to install. Operators in Malaysia, Thailand, Singapore and Vietnam use IP for long distance calling.

Mobile telephony has served as a supplement to conventional fixed lines in the region's wealthier countries, such as Brunei, Singapore and Malaysia. Elsewhere, particularly in the densely populated Philippines, mobile phones are a necessary substitute for a lack of fixed line telecommunications and are increasingly needed to allow access to internet services.

Access to data services is recognised as a vital factor in economic wellbeing throughout the world. Malaysia's Information Minister, Dr Rais Yatim, says that studies have shown that every 10% increase in broadband penetration, helps raise a country's GDP by an average of 1.3%.

"It has been our experience in Malaysia that telecommunications and information communications technology (ICT) have served as the primary enablers for our economic development and growth in the last decade. Telecommunications and ICT connected us to the mainstream of global development and today, communications and multimedia touches every industry sector in our economy."

Governments in the region see rapidly evolving new technologies as the key to bridging the digital divide among communities in the region.

An e-ASEAN Integration Roadmap seeks to establish Southeast Asia as a global ICT hub and an engine for growth in the member states. The aim is to develop information infrastructures and promote growth of e-commerce, as well as liberalise trade in ICT services, products and investments. In addition, the strategy seeks to develop ICT applications in delivery of government services.

This year's agreement by Malaysia's Communications and Multimedia Commission and the Infocomm Development Authority of Singapore to cut telecom roaming charges by between 20-50%, is the first bilateral deal of its kind in the region.

Dr Yatim says the agreement paves the way for other similar efforts among ASEAN countries. Singapore's Information Minister, Lui Tuck Yew, has urged regulators to continue to identify new initiatives to enhance connectivity.

Malaysia already has sound credentials as a regional high technology hub, through its development of one of the most advanced telecom environments in the developing world. A Multimedia Super Corridor has been launched to attract ICT and other high technology firms to the country.

Its neighbour, Singapore, continues to maintain its status as both a regional leader and a global player in telecommunications. The country has built a high quality and extremely progressive telecommunications regulatory regime, that has resulted in a keenly competitive market, with no restrictions on foreign ownership in the telecoms sector.

Almost every Singapore home has a fixed line telephone connection and often more than one. It was one of the first countries in the world to develop a 100% digital telephone network.

A comprehensive optical fibre based broadband network, involving investment of US\$1 billion, is part of Singapore's Next Generation National Infocomm Infrastructure (Next Gen NII) project. This will also feature a wireless network to support the development and operation of a planned national broadband network. Intent on consolidating the country's lead in provision of large scale broadband access, some 5,000 wireless hotspots around the island have also been put in place.

However, it is at street level that the real telecoms revolution is taking place. At first, they were the preserve of the wealthy but with handsets available for just a few dollars and

pre-paid cards widely available, mobile phones are now commonplace throughout Southeast Asia among all income groups.

In the last decade, mobile penetration for the region grew from an average of 4.3% in 2000 to more than 76% by the end of 2009 and is now approaching saturation point. In fact, five ASEAN countries have mobile penetration levels that have exceeded capacity, with others fast catching up.

It is not the wealthiest countries which have led. In 1993, Cambodia became the first country in the world where mobile telephone subscribers overtook fixed line users, with four out of five telephone subscribers opting to use a wireless phone.

Cellular service penetration in the Philippines is estimated at more than 90%. Take up has been stimulated by competition with the largest operators, Globe and Smart, providing a range of pre-paid, low cost products.

It is just as well for the country that mobile telephony has taken off. The Philippines has a very low fixed line tele-density at less than 10%, with little more than half of the country's towns and villages estimated to be connected to fixed line services.

As in the case of Malaysia, mobile use in the Philippines has resulted in an enthusiastic usage of short messaging services (SMS). The country accounts for around 10% of all worldwide SMS messages, according to the International Telecommunication Union.

The cellular services take off in the region has driven highly competitive pricing and the mobile telephone customer base in each country consists mainly of pre-paid card customers. In some countries, such as the Philippines, it is common to possess multiple SIM cards to take advantage of different networks, tariffs and promotions.

Mobile operators increasingly are looking towards provision of data services, such as email, web browsing and a host of other applications to maintain and enhance profit margins. Data products and services are reported to already account for 10% of profits and a third of revenue growth for Celcom, Malaysia's main cellular operator.

The use of third generation 3G cellular networks is growing, particularly as a substitute for people lacking access to fixed line communications, which effectively means most of ASEAN's population.

Malaysia's third generation penetration rate is estimated at close to 40%, while there is an enthusiastic take up where networks have been installed elsewhere, particularly Cambodia, Lao PDR and Vietnam. The process is expected to accelerate as the price of more advanced handsets continues to fall.

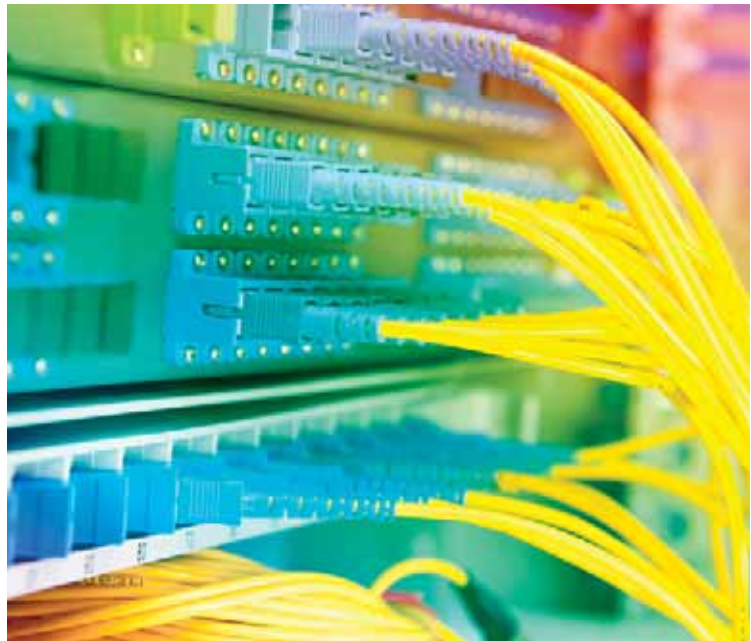
The increasingly higher performance of devices and declining prices, is making smartphones much more popular and affordable to a wider range of potential customers. The sale of smartphone devices, offering voice communications and an ability to access a wide range of digital applications,

including the internet, is forecast to be 14% of all mobile phones sold in the region this year.

A further boost is the growing number of applications being made available, especially social networks such as Facebook, which are now proving ever more popular in the region's most populated areas such as Indonesia, Thailand and the Philippines.

Allowing in foreign investors and partners has helped accelerate telecoms development. Liberalisation has seen Cambodia develop nine mobile networks. Russia's Vimpelcom, has a 40% stake in Vietnam's GTel Mobile and a 90% holding in Cambodia's Sotelco. Hong Kong based Hutchison Whampoa, has a GSM network in Vietnam.

The investment is two way, reflecting the expertise and advanced technologies existing in the region. Singapore Telecommunications (SingTel), has successfully competed with new operators entering its own domestic market and in addition, has carved out a niche in several regional markets, especially in Australia, where its subsidiary Optus is the second largest cellular provider.



ASEAN builds on healthcare advances

Southeast Asia has seen substantial improvement in standards of healthcare in many areas over recent years. Some countries in the region are already offering clinical standards of excellence, that are attracting increasing numbers of international patients; the so called health tourists, both from within the region and from outside.

However, in such a huge area, the availability of healthcare varies considerably between countries. Inevitably the challenges are greatest for those with the biggest populations and most remote communities to serve.

Vietnam's life expectancy index and level of infant mortality ratio have improved over the last 20 years but the country still faces a shortage of medical facilities and practitioners. Efforts to improve standards of medical services also have to contend with a fast growing population, which is expected to reach 96 million people by 2019.

Cambodia has seen considerable socio-economic progress in recent years, accompanied by improvements in many health indicators, according to the World Health Organisation (WHO).

However, trying to ensure universal access to quality healthcare is a difficult and long term task, especially in regions where the private sector is expected to play a significant role. According to the WHO, 65% of Thailand's healthcare expenditure in 2004 came from the Government and 35% was from private sources.

The health scene in the more advanced economies of the region is a very different picture. Thailand introduced universal coverage reforms in 2001, becoming one of only a handful of lower income, middle income countries to do so.

Indonesia, with one public health centre per 30,000 people, is generally regarded as having relatively adequate levels of provisions, at least at primary health level. At present, an estimated 56% of the country's population of over 245 million are covered by some form of health insurance.



Ambitious plans exist to introduce standard universal social health insurance coverage. These are intended to provide a basic level of care for all its citizens by 2014.

The plan will involve ensuring a greater supply of doctors and specialists to address understaffing in hospitals and clinics, as well as encouraging more medical professionals to work outside the main urban areas. Two thirds of the country's doctors are based in Java, Indonesia's main island, with almost 30% practicing in the capital Jakarta.

The Philippines' attempt to accelerate health sector reforms are beginning to push forward, with targets for hospital reform and public health funding, as well as strengthening the capacity of regulatory bodies. There are also moves to establish public-private-partnership projects for development of specialist facilities.

Retention of staff is a particular difficulty, since 70% of nursing graduates choose to work overseas and the country has become the world's main supplier of nursing staff. An estimated 90,000 Filipino nurses are working overseas, mainly outside the region in the Middle East, North America and UK.

Indonesia is also one of the world's main suppliers of nursing staff, including midwives, many of them choosing to work in the Middle East and other Islamic countries such as Malaysia, which has some of the region's best medical facilities.

Malaysia also possesses the economic strength to provide its citizens with an extensive universal healthcare system. The country's infant mortality rate – a key determinant of the overall efficiency of a country's healthcare – compares favourably with Europe and the US.

The Government places importance on expansion and development of healthcare, by allocating 5% of the state's social sector development budget into public healthcare. This is

illustrated by the current investment in new hospitals and polyclinics, equipment and training. State of the art telecommunications to transmit medical data and allow video and voice links to connect medical professionals, are also being developed.

Singapore's economic success has allowed it to develop what the WHO describes as one of the most successful healthcare systems in the world, in terms of both efficiency in financing and the results achieved in community health outcomes.

The country has a universal healthcare system, where the Government ensures affordability, largely through compulsory savings and price controls, while the private sector provides most care for the state's 4.7 million population.

Singapore's medical facilities are considered to be among the best in the world, staffed with well qualified doctors and specialists. Patients are free to choose their own medical providers within the Government or private healthcare delivery system.

A five year, US\$4 billion investment programme is underway to develop new hospitals and medical centres, to expand training and to boost capabilities in treating chronic and age related diseases. This will see a 550 bed facility and a 770 bed hospital built. In addition, an electronic health records system, involving computerisation of patient records, is being implemented.

Singapore's second medical university, the Duke NUS Medical School, a joint venture between the US' Duke University and National University of Singapore, opened in 2009. A third medical school is being set up by Nanyang Technological University in collaboration with Imperial College London.

Singapore has a growing status as a centre for bio-medical research, clinical trials and new drug and medical devices development. As a result, a number of international

pharmaceutical and medical technology companies have established Research and Development bases, as well as manufacturing in the country.

ASEAN governments are keen to see best practice extend throughout the region and healthcare is one of the priority sectors identified by ASEAN leaders, in their drive for integration and the creation of an economic community. A road map has been prepared for the healthcare sector.

Intra-regional mobility within ASEAN countries has been relatively low among professionals in the healthcare sector. This is due to an absence of a common set of professional standards in healthcare, together with the attraction of opportunities to work outside the region.

A truly integrated ASEAN healthcare sector, would permit the free flow of services within the region and increase the ability of skilled personnel to work across borders.

In order to achieve this, there is a need for a greater standardisation of arrangements for visas and work permits. Educational and professional standards must also be improved in the lower income countries.

Health tourism boost for region

The chance to get world class treatment, along with an opportunity to spend quality time in exotic locations, are leading patients to search for first class, reasonably priced, healthcare services outside their own countries.

Health tourism is not just about spas, dentistry and cosmetic surgery but also embraces highly advanced cardiac and orthopaedic surgery and other procedures that are increasingly being carried out in Southeast Asia's private hospitals.

The region is fast developing a competitive edge in the provision of high quality medical services. Several ASEAN countries, including Malaysia, Singapore and Thailand, have become global centres of excellence. Others, including the Philippines and Brunei, are also keen to attract clients for hospital procedures.

Malaysia has emerged as the most popular medical tourist destination in the region, while Singapore has also developed a large and growing medical tourism sector. The Philippines promotes its 500 bed tertiary care Medical City Hospital and Cebu Doctor's University Hospital on Cebu island and has received full accreditation from the UK's Quality Healthcare Advice (QHA) Group.

Singapore already receives around 400,000 foreign patients each year. The target is to receive one million outside patients by 2012. Malaysia received a similar number of healthcare travellers in 2010.

The country's Healthcare Travel Council is seeking to boost this number further and the medical tourism sector is expected to grow 16% a year between 2011 and 2014. Officials predict



it will be hosting one million health travellers a year by 2020. This could see US\$9 billion generated towards GDP.

Much of the region's health tourism has been focused on patients in Asia from countries with less developed facilities, healthcare technologies and specialist services. In the case of Malaysia and Singapore, the majority of patients come from within the region. In Thailand, the clientele are mainly Japanese. The attraction is the significantly lower prices for procedures and elective surgery on offer but also a reputation for a high quality of service.

The region's main providers are now targeting a wider international clientele. A growing number of Westerners are travelling to Asia specifically for elective or essential treatments they cannot afford in their home countries. The lack of insurance cover or long waiting lists in the public healthcare systems are a strong reason for travelling elsewhere. It is a huge potential market. An estimated 700,000 US nationals are reportedly seeking treatments abroad each year.

The sector is likely to develop as collaborative ventures are established, such as the specialist oncology medical centres in Singapore, set up to serve local and international patients.

Singapore, Malaysia and Thailand are also extending their reach outside the region's own health tourism market. Bangkok Dusit

Medical Services (BGH), operates two hospitals in Cambodia as well as 25 in Thailand and ranks as one of the largest hospital groups in the Asia-Pacific region, outside Japan.

Bumrangrad Hospital is Thailand's second largest listed hospital conglomerate and is steadily investing outside the country, with a US\$300 million, 500 bed hospital project in Hong Kong. It also has management contracts to run hospitals in Bangladesh and Myanmar and has formed a hospital joint venture in the Philippines.

In 2010, Malaysia's investment arm, Khazanah Nasional, acquired Asia's largest hospital operator, Parkway Holdings of Singapore, for US\$3.5 billion. The latter operates 16 hospitals throughout Asia, including Singapore, Malaysia, Brunei, India, China and the United Arab Emirates.

Measures to further the development of health tourism in the region are being discussed by ASEAN. This follows the mutual recognition arrangement for nursing services signed at the end of 2006, which represented the first attempt to develop a common set of professional standards in the medical services area.

New measures being looked at include; promotion of visa free travel among member countries, a regional accreditation system for high quality hospitals, harmonisation of professional standards and training.

Promotion of the region's cultural identity is priority

Southeast Asia and the ten countries that make up ASEAN, stretch over a vast area covering three time zones. Numerous languages and dialects are spoken. Malaysia, Indonesia, Brunei and the southern Philippines are a realm of Sunni Islam. Myanmar, Lao PDR, Thailand, Vietnam and Cambodia adhere to Buddhism, while much of the Philippines, as a result of its Spanish colonial history, is staunchly Roman Catholic.

There is a wide variety of traditions as well as faiths throughout Southeast Asia and the region shares a rich culture. In this modern internet driven era, it is a common goal to preserve the cultural heritage and a challenge that the ASEAN countries are addressing with imagination and energy.

Global influences have affected many of the region's traditional societies. It is ASEAN's objective to embrace modernity and encourage prosperity, whilst at the same time, preserve cultural heritage.

Cultural foundations have been conditioned by many factors over centuries, including language, religion, empires, wars and not least, by the region's tropical climate and monsoon winds, that helped a flourishing maritime trade to develop over the centuries.

Southeast Asia was as an important part of the ancient Silk Road, that enabled the region to develop its exotic trading reputation. This saw silk, spices, tea, porcelain, gold and precious stones transported thousands of miles to markets in Asia and Europe.

The region has evolved into a vital global manufacturing and trading hub, with an increasing emphasis on advanced science and technology. Business success is undoubtedly transforming the region for the better but it is also time to fortify its cultural foundations.

Culture can embrace many elements, both tangible and intangible. Some define the term as shared attitudes, aspirations and practices nurtured over time, through social activity, language, arts, science and religion. However, much else besides could be included, for instance, cuisine and sport.

It is a considerable challenge to conserve and promote heritage in a fast moving world, dominated by increasingly sophisticated mobile communications, where there is a saturation of popular diversions and multimedia entertainment.

Indonesia's President, Susilo Bambang Yudhoyono, in an address to the ASEAN foreign ministers' meeting in Bali in 2011 commented, "We are facing a reality where the frequency and depth of contacts between our citizens through cable television, email, Twitter and Facebook, far exceeds formal contacts between government officials."

Nevertheless, efforts to promote culture are helping to bring communities within the region together. 2010 has also seen a traditional music festival held in Vietnam's central coastal province of Phu Yen, with performances by troupes from ASEAN countries as well as from China and Japan. Music and dance are particularly distinctive cultural

features in Asia, with dance utilising movements of the hands and feet which have been perfected over thousands of years.

The Southeast Asian Writers Award has been presented annually since 1979 in Bangkok. The award has the aim of creating a wider awareness and understanding of literary wealth amongst the ten ASEAN countries.

ASEAN is also a vibrant and emerging film production region. In recent years, films from East Asia and Southeast Asia have won acclaim for their high levels of creativity, helping to place a focus on the region and its societies.

The last few years have seen the emergence of international film festivals in the Philippines, Thailand, Singapore, Malaysia and Indonesia. The latter's Jakarta Film Festival is one of the largest in Southeast Asia. While the aim is to showcase home grown talent on a wider stage, promoters also hope that the films shown, will create a modern portrait of Southeast Asian people and help draw international film makers to the region.

Vietnam's first international film festival took place in Hanoi in 2011, with plans to repeat the event in Ho Chi Minh City in 2012. In 2010, Cambodia hosted its first international film festival in Phnom Penh, aiming to stimulate nascent domestic film production and to draw in foreign expertise.

The cultural theme has been given an added stimulus through ASEAN's City of Culture initiative agreed by ministers in 2008 and awarded for the first time in 2010.

Through 2010 and 2011, the city of Clark Pampanga in the Philippines, has been designated the ASEAN City of Culture, with a further nine cities in the country sharing the same title for different themes. The City of Culture title will be passed on to Singapore in January 2012.



The aim is to reinforce a common ASEAN identity both inside and outside the region, according to Philippines' Foreign Minister, Alberto G. Romulo. There is a need to strengthen the ASEAN identity and to raise the profile of the organisation within the region and internationally, by celebrating ASEAN arts and culture and promoting the growth of the region's creative industries.

Governments in the region also recognise the power of sporting events to bring economic, political, social and cultural benefits. As a result, many are enthusiastic bidders to host major sports events from badminton, tennis, football and rugby, to golf and motor sports. Formula One motor racing is now an annual feature at Malaysia's Sepang International circuit and at Singapore's Marine Bay Street circuit.

The Southeast Asian Games features a wide range of sports, from athletics to golf as well as the more cerebral pursuits of bridge and chess.

Thailand's surf competition held in Phuket, became part of the ASEAN Surfing Championship for the first time in 2011, alongside events taking place in Indonesia, Malaysia, elsewhere in Thailand, as well as South Korea and Taiwan.

The biggest sporting draw is football, with big followings in Malaysia, Singapore, Vietnam and Indonesia. Manchester United's board of directors has selected Singapore for its share listing, partly due to the

popularity of UK football in Southeast Asia, a region where United have more than half their estimated 330 million global fan base.

The British club hopes to raise a reported US\$1 billion through its listing on the Singapore Exchange. Talks have also been held with Temasek Holdings, Singapore's state owned investment vehicle, about buying shares in the IPO.

A number of approaches have been made to acquire ownership of British premiership clubs by business interests in the region. Tony Fernandes, CEO of Malaysia's AirAsia budget airline, recently acquired the West London football club Queens Park Rangers.

Such is the passion for the sport, that Southeast Asia may make a joint bid for the 2030 World Cup as part of efforts to forge closer ties among member countries.

Singapore Football Association president Zainudin Nordin has said, "it is possible for ASEAN to jointly host the event in 20 years time and to possibly meet the football standards then, due to the aggressive football youth development programmes of ASEAN members."

The staging of major sporting events and the promotion of the region's rich cultural traditions will go far to develop an ASEAN connectivity, that is locally integrated and globally connected.



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The world's most exotic destinations beckon investors

Southeast Asia is a vast area covering over 4.5 million square kilometres and where more than 600 million people live and work. The region is home to many cultures, peoples and traditions and is fast becoming one of the world's most exotic and alluring tourist destinations.

Travel and tourism is already established as a major contributor to Gross Domestic Product (GDP), averaging 10.86% across ASEAN, according to the World Tourism and Travel Council (WTTC). The sector's contribution to employment is particularly important, with 8.6 million people directly engaged in the sector and another 17 million indirectly.

There has been a strong recovery following the global financial meltdown of 2008 and a series of health scares and natural disasters. The total number of arrivals in the ASEAN region was up 12% in 2010, over the previous year to 72.8 million. Visitors to Cambodia, Lao PDR, Myanmar, Thailand and Vietnam increased even more by 15.9% to 26.4 million.

This year, every part of the region from Bangkok to Jakarta to Manila is reporting hotel growth in terms of occupancy and revenue per available room.

Tourism development throughout the region is considered a priority. As a result, the WTTC expects that Southeast Asia will see investment totalling US\$46 billion in the sector in 2011.

The Golden Tulip Group, for example, recently announced that 40 hotels are to be opened in Southeast Asia, involving an investment of around US\$800 million over four years, according to the company's CEO Hans Kennedy.

The first of these will be developed in Bangkok and the Thai resorts of Samui and Phuket and in the Cambodian capital Phnom Penh. Additional properties are being reviewed and negotiated in areas of Vietnam, Malaysia and Indonesia as well as Cambodia's south coast and Thailand.

There is a very positive economic picture for investors. According to the UN World Tourism Organisation, the growth in arrivals in Southeast Asia will average 6.2% over the next ten years, about twice the rate in mature markets.

The WTTC is forecasting the combined tourism economy of Cambodia, Lao PDR, Myanmar, Thailand and Vietnam will be valued at US\$57 billion by 2020 and represent a significant proportion of each country's GDP.

A substantial amount of investment is required to facilitate this growth. Although Southeast Asian nations are anxious to promote tourism, there are considerable hurdles to overcome. The development of infrastructure is a primary concern, as is the need for strategies to minimise the negative impact of tourism on local people and traditions, as visitor numbers increase dramatically. This requires a delicate balance between maximising earnings and preserving the traditions and environments of societies in the region.

Annual international tourist arrivals in the Greater Mekong Sub-region (GMS), have more than doubled from ten million in 1995 to more than 25 million arrivals in 2009, with corresponding increases in revenues.

The GMS which includes Cambodia, Lao PDR, Myanmar, Thailand, Vietnam as well as China, has agreed a roadmap for a tourism strategic plan for the next four years, to 2015.

The emphasis is on issues of sustainability, human resources development, improvement of multi-country tour circuits and a comprehensive marketing programme. ASEAN is working on a tourism marketing strategy to build a brand image and increase cooperation with the private sector.

Brunei Darussalam

Brunei's mineral wealth, rather than income from visitors, is the mainstay of the economy. However, tourism is growing at around 5-6% a year and is an increasingly significant economic sector, that earns the Sultanate more than US\$1.6 million a year and employs around 24,000 people.

The Sultanate has much to offer visitors, in particular those drawn to ecology and natural attractions and high quality medical facilities. Brunei received some 160,000 international visitors in 2009 and is concentrating on courting visitors to niche areas rather than development of mass tourism.

Brunei has some of the world's best preserved ancient tropical forests, which cover around 70% of the Sultanate. The Sultanate's rich bio-diversity is a particular attraction for visitors able to explore national parks on traditional longboats.

The country has a distinct advantage in its location, with flights to other ASEAN countries and flight times of around two hours in most cases. As a result, Brunei is drawing an increasing number of visitors from within the ASEAN region and from China.

Cambodia

Cambodia's tourism industry is the country's second most important source of hard currency after its textile industry. Some 2.1 million international visitors were recorded in 2009, mainly Japanese, Chinese, South Koreans, French and Americans.

Cambodia's Angkor temples in the Siem Reap Province, Sihanoukville and the capital Phnom Penh are the principal visitor attractions. Sihanoukville in the southeast has several popular beach resorts. Other attractions include the area around Kampot and Kep, including the Bokor Hill Station.

The sector employs 300,000 people and is estimated to have generated more than US\$1.5 billion in earnings in 2009, representing a significant portion of national GDP.

Cambodia's national tourism strategy to 2020, is focusing on the development of cultural attractions and eco-tourism as well as beach holidays.

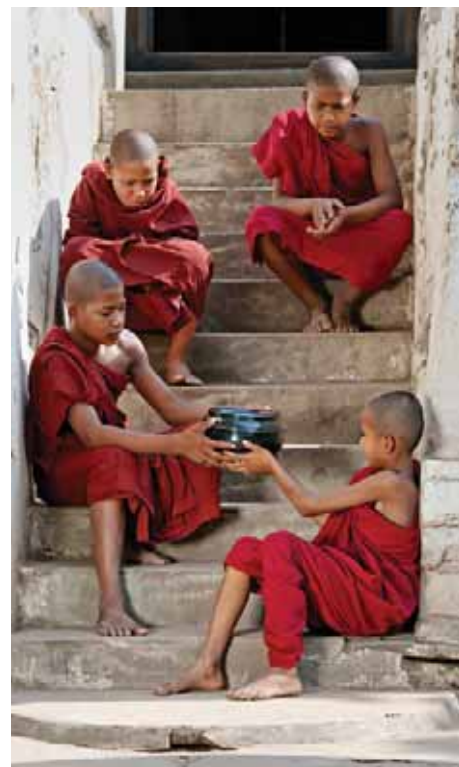
Cambodia, like neighbouring Lao PDR, are developing tourism marketing. Promotion boards are enabling closer collaboration between the public and private sectors to develop national marketing and promotion programmes. The reported aim is to receive five million visitors in the next decade, a target that will depend on substantial investment in both hotels and transport infrastructure.

Indonesia

An estimated 7.56 million foreign tourists arrived in Indonesia in 2010, representing an increase of 18.5%. The total is expected to reach 7.7 million in 2011.

The US\$6.3 billion generated by visitor spending, emphasises the sector's importance to the national economy.

Arrivals from Europe in 2010 approached one million, an increase of more than 40% over the previous year. This surge was helped considerably by the resumption of flights between Jakarta and Amsterdam, by national flag carrier Garuda in June 2010.





Beach holidays are the mainstay in southern Bali, Bintan, Lombok and Nas Island but eco-travel is increasingly popular, with more than half of Indonesia's islands covered by rainforests.

The country offers a unique combination of tropical climate, a vast archipelago of more than 17,000 islands (a third of which are inhabited) and the third largest shoreline in the world, at 54,716 kilometres.

The challenge for government and businesses is to widen and deepen the tourism sector. Indonesia seeks to attract tourists away from resorts such as Bali to other less visited but spectacular locations.

Many of the country's best preserved beaches, for instance, are located on the Toglan Islands off the coast of Central Sulawesi, Karimunjawa in the Java Sea and the Banda Islands in Maluku Province.

Eco-cultural sites also beckon. These include the temples of Borobudur, tropical rainforest of Sumatra, the mountainous Lorenze National Park in Papua and to West Nusa, where the world's largest lizard, known as the Komodo Dragon is found.

There are many potential investment areas such as Indonesia's eastern most province of Papua and its Four Kings archipelago,

which contain 1,500 islands. West of Papua lies the Maluku archipelago, previously known as the Moluccas or Spice Islands.

Malaysia

Tourism has become Malaysia's most successful services sector, accounting for 15% of GDP. The industry is led by the private sector and supports a large number of small and medium size enterprises, providing an estimated 1.4 million jobs.

Tourism Malaysia, with offices in more than 30 countries, has successfully marketed the country as a tourist destination of quality and safety. This has seen Kuala Lumpur become a regional centre for conferences, medical services and shopping.

With its status as a leading business destination, Malaysia and its provinces of Sarawak and Sabah offer 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.

Tourism Malaysia is keen to move up the value chain and focus on higher market tourism and is promoting destinations including Redang, Langkawi, Penang and Cameron Highlands.

The aim is also to raise the average length of stay of visitors by 25% and encourage repeat visits by international travellers.

Myanmar

Tourism in Myanmar, which until 1990 was known as Burma, is slowly beginning to open up to foreign tourism, with around 790,000 visitors reported in 2010, some 40% arriving at Yangon International Airport.

While development of the sector is encouraged by the Government, there is also awareness of the negative impacts of mass market tourism and a debate among stakeholders over future tourism development strategies.

After a 15 year long travel boycott, tour operators have reported strong interest in trips to Myanmar with companies such as TransIndus, Audley Travel, Exodus, Imaginative Traveller and Explore.

The Government's tourism development efforts are focused on Yangon, Bagan, Mandalay, Taunggyi, Inlay Lake, Mount Popa and the islands of the Myeik but there is a great deal more potential.

Myanmar is at the crossroads of India and China and faces the Indian Ocean near Thailand, stretching from the Andaman Islands to the eastern range of the Himalaya mountains. The mighty Irrawaddy River, which inspired Kipling's "Road to Mandalay" flows 2,170 kilometres north to south through the country.

The country's tourism potential is immense. Pristine beaches, snow-capped mountains and jungle trails, spectacular temples and monuments, all attest to a vibrant cultural experience.

Lao PDR

Twenty years ago Lao PDR was a closed country but today tourism has become a major industry and ranks as the second largest source of revenue after the country's mining industry. Tourist receipts totalled US\$268 million in 2010, with the sector providing employment for more than 52,000.

Shortly after Lao PDR's borders were opened to tourists in 1991, the country received 38,000 visitors. By 2005, one million tourists, boosted

by short term visitors by people from Thailand, Vietnam and China, were recorded. An estimated three million visitors are expected in 2011.

In recent years, the sector has been growing faster than expected, with estimates of 3.4 million arrivals by 2015. The main attractions include the Vat Phou temples, a World Heritage site, the Khonphapheng waterfall, Kuanag Prabang, Champasak, the capital Vientiane, Vang Vieng and Savannakhet.

The challenge is to increase the numbers of higher spending international visitors from outside the region. In Lao PDR, more than half of tourist arrivals are Thai citizens. They usually come on day trips across the Mekong River and return without taking accommodation, having spent relatively small amounts of money in the country.

In order to accommodate strong growth in international visitor numbers, many hotel rooms will need replacing or upgrading. Much of the country's power and communications facilities also need substantial improvement.

Outside the principal main urban areas, the country's physical infrastructure such as electricity, telecommunications and roads, is insufficiently developed to meet the needs of the projected number of mid to high end visitors. Nevertheless, the Government is pressing on energetically to attract foreign investors.

A Lao PDR Tourism Marketing Board has been established, in conjunction with the private sector, to promote the country's tourist attractions in Europe, Japan, South Korea and Australia.

The Philippines

Tourism provides some US\$5 billion in hard currency receipts to the Philippines and provides 3.8 million jobs. In view of this, the Government has identified the sector, which accounts for 6% of the country's GDP, as the country's main engine of investment, employment and economic growth. The country is planning for up to 6.7 million tourist arrivals by 2016 and as many as 15 million thereafter.

A national tourism development plan has been designed to increase the connectivity of the Philippines to other countries. There have also been reforms to the taxation regime for aviation services as well as efforts to stimulate the construction of more hotels geared for the international high end tourist market.

Leading international groups are already committed. International Shangri-La Group, has opened its second resort and spa hotel on Boracay Island, adding new capacity to the country's most popular beach destination. Cebu is due to have its first 400 room Radisson Hotel. A US\$200 million integrated island spa and resort project in Palawan, has been developed by the Singapore Banyan Tree Group.

The Philippines, through its tourism enterprise zones strategy, is offering investors a six year tax break among other incentives. While improvements to basic infrastructure in tourism areas are seen as urgently required to improve outside perceptions of the country, the investment potential is immense.

The Philippines contains some of the world's most spectacular natural attractions. These include the beaches of Boracay, Panglao, Pagudpad and historical sites such as Intramuros, Cebu City, Corregidor and Bataan. There are also casinos in Manila, Laong, Angeles, Baguio, Cebu and Davao.

However, the Government wants investors to turn their attention to other less developed parts of the Philippines, which comprises a vast archipelago of more than 7,000 islands.

The aim is to distribute the economic benefits of tourism development more evenly across the country, instead of focusing on a handful of small areas such as Boracay and Cebu.

Singapore

Singapore is at the core of Southeast Asia's hospitality industry and a vital part of the country's economy. The State attracted 14 million visitors in 2010 and has ambitious plans to attract 17

million tourists a year, generating US\$24.6 billion in tourism revenues by 2015.

Growth is being generated by casino developments, such as the Marina Bay Sands and Resorts World Sentosa, sports events, such as the Singapore Formula One Grand Prix and city attractions, such as its giant Ferris Wheel, Singapore Zoo and the Clark Quay development. New developments include an international cruise terminal, Gardens by the Bay and Changi Motor Sports Hub.

Over the next four years, Singapore will add an estimated 15,000 hotel rooms to its current room inventory of more than 37,000. There are plans for additional hotel developments in Singapore's Civic and Cultural district, southern waterfront and central business district.

Legalisation of casino gaming in Singapore was to be part of an enhanced tourism strategy for the country. The US\$4.4 billion Resorts World Sentosa has been built by Malaysia's Genting Group and features a Universal Studios theme park, the first in Southeast Asia. The latter attraction has about 8,000 visitors a day. The US\$5.5 billion Marina Bay Sands, owned by Las Vegas Sands, has also been opened.

Thailand

Thailand has long been a tourism hot spot, attracting beach and island hoppers and trekkers from around the globe. Top destinations include Bangkok, Chiang Mai and the beach resorts of Pattaya and Phuket.

Thailand is the GMR's most visited international destination, with a tourism economy equivalent to approximately 14% of its GDP. Tourism receipts were some US\$15.4 billion in 2009. The sector employs more than three million people.

The Tourism Authority of Thailand is targeting 19.5 million international travellers by the end of 2012, about three million

more than in 2010, with tourism income predicted to rise to nearly US\$25 billion a year. China is expected to become the country's top source of visitors by 2020.

While catering for package tour vacationers, Thailand is increasingly seeking to focus on high income markets and niche travel markets, such as weddings, honeymoons as well as medical and health visitors. As a result, luxury developments are expected to come to the fore.

The country's tourism sector is investor friendly. The International Finance Corporation's 2011 Doing Business Report, found Thailand to be the sub-region's easiest place to start a business and ranked it 18 of 183 countries evaluated.

Vietnam

Tourism is seen as a key element in Vietnam's future economic development. A record five million tourists visited in 2010, 35% up on the previous year. The sector generates earnings in excess of US\$4 billion a year and provides work for an estimated 820,000 people. Some

12 million international arrivals are predicted by 2015, more than double the number in 2010.

The country has a vast cultural legacy and is also endowed with a 3,200 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.

In the north, the concentration of effort is on Hanoi, Halong Bay and Sapa. Culture and nature are promoted in the World Heritage listed Hue, My Son and Phong Nha Khe Bang National Park. In the fast growing south central and southern areas, Nha Trang and Ho Chi Minh City are the main tourism centres.

Vietnam, like Singapore, is actively pursuing development of large integrated casino resort projects, including a US\$5 billion venture in Da Nang and a 9,000 room US\$4.2 billion project on a pristine strip of the southern coast in Ba Ria-Vung Tau.

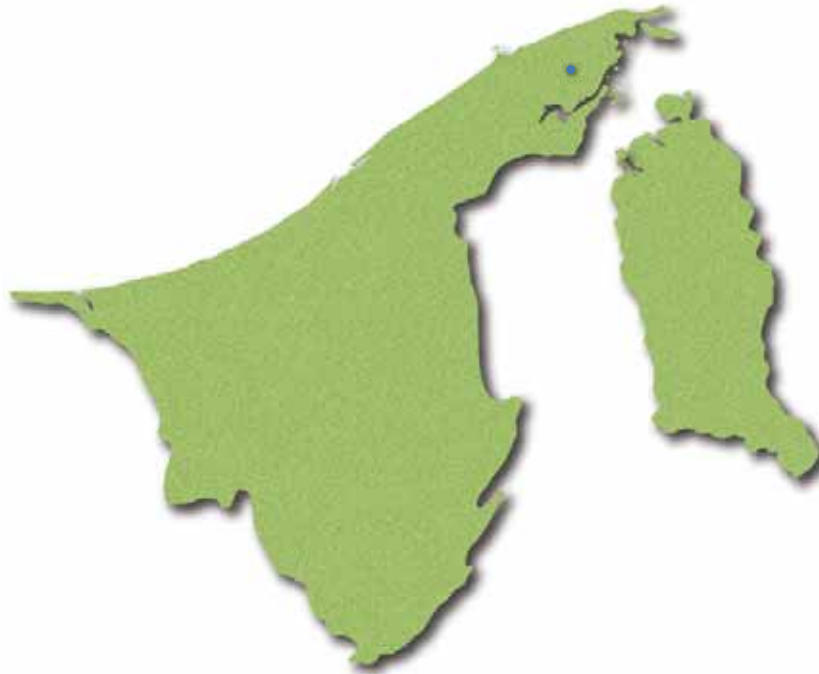


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BRUNEI DARUSSALAM



Brunei'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 about 90% of government revenue. Per capita GDP, 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, whilst the remainder live in the mountainous southeastern region, in the district of Temburong. Most of Brunei is within the Borneo lowland rainforest eco-region, that covers the majority of the island. There are also areas of mountain rainforest inland.

Bandar Seri Begawan is Brunei's centre of commerce, finance and government. One of the city's most prominent features is the Sultan Ali Saifuddin 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:	401,890
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 12%, Australia 11.9%, Indonesia 7.4%, China 7.1%, India 5.8%, New Zealand 5.1%
Major imports:	Machinery and transport equipment, manufactured goods, food, chemicals
Major import trading countries	Singapore 33.5%, Malaysia 19.9%, China 13%, UK 6.9%, Japan 5.3%, Thailand 4.6%, US 4.4%
Internet domain:	.bn
International dialling code:	+673



CAMBODIA



The country has experienced strong export led growth, with GDP growth of 5% in 2010. 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 that 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.

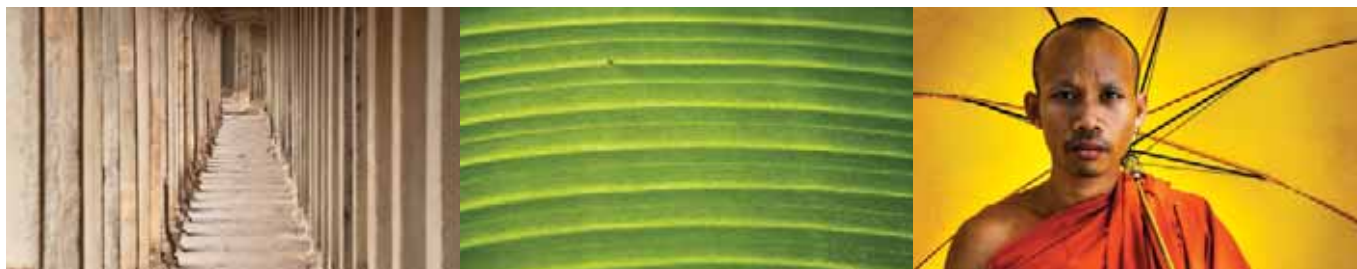
The Mekong River provides fertile, irrigated fields for rice production. Exports of clothing generate most of Cambodia's foreign exchange but tourism is also an important part of the economy.

Cambodia received 2.3 million visitors in 2010, 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.

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:	14,701,717
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 47.3%, Canada 7.5%, UK 6.8%, Germany 6.4%, Thailand 4.3%, Japan 4.1%
Major imports:	Petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products
Main import trading countries:	Thailand 26.5%, Singapore 25.1%, China 15.3%, Hong Kong 6.6%, Vietnam 6.5%
Internet domain:	.kh
International dialling code:	+855



INDONESIA



Indonesian GDP growth is expected to remain robust at 6.5% in 2011 through to 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, reflecting greater foreign direct investment, continue.

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. Java is 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.

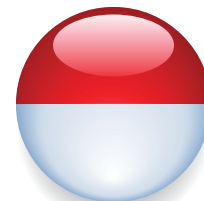
Indonesia has at least 150 active volcanoes, including Krakatoa and Tambora. Volcanic ash is a major contributor to the vast agricultural fertility that has historically sustained the high population densities of Java and Bali.

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 Borobudur, 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 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:	245,613,043
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, electrical appliances, plywood, textiles, rubber
Main export trading countries:	Japan 16.3%, China 9.9%, US 9.1%, Singapore 8.7%, South Korea 8%, India 6.3%, Malaysia 5.9%
Major imports:	Machinery and equipment, chemicals, fuels, foodstuff
Main import trading countries:	China 15.1%, Singapore 14.9%, Japan 12.5%, US 6.9%, Malaysia 6.4%, South Korea 5.7%, Thailand 5.5%
Internet domain:	.id
International dialling code:	+62



LAO PDR



The country's economy has performed well in the last two years, with growth estimated at 7.9% in 2010. This has been buoyed by ongoing projects in the mining and hydroelectric sectors, as well as expansion of garment exports, international tourism and foreign direct investment.

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.

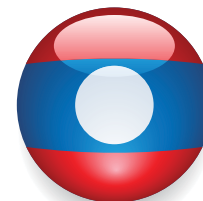
Dong Hua Sao, at the southern end of the country prevent access to the sea but cargo boats travel along the entire length of the Mekong in Lao PDR during most of the year. Smaller power boats and pirogues provide an important means of transportation on many of the tributaries of the Mekong.

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.

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:	6,477,211
Population of capital:	799,000
Climate:	Tropical. Monsoon season May to November. Dry season December to April
Languages:	Lao, French, English, various ethnic languages
Religions:	Buddhist 67%, Christian 1.5%, other 31.5%
Ethnic groups:	Lao 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 31.1%, China 23%, Vietnam 12.9%
Major imports:	Machinery and equipment, vehicles, fuel, consumer goods
Main import trading countries:	Thailand 65.6%, China 14.6%, Vietnam 6.6%
Internet domain:	.la
International dialling code:	+856



MALAYSIA



Malaysia emerged strongly from the global recession of 2008, with GDP growing 7% in 2010. 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 its 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 founding member of ASEAN.



MALAYSIA

Joined ASEAN:	8 August 1967 (Founder Member)
Head of State:	The Honourable Dato' Sri Mohd Najib bin Tun Abdul Razak
Area:	329,847 square kilometres
Border countries:	Brunei Darussalam, Indonesia, Thailand
Coastline:	4,675 kilometres
Capital city:	Kuala Lumpur
Total population:	28,728,607
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:	Singapore 13.4%, China 12.6%, Japan 10.4%, US 9.5%, Thailand 5.3%, Hong Kong 5.1%
Major imports:	Electronics, machinery, petroleum products, plastics, vehicles, iron and steel products, chemicals
Main import trading countries:	China 12.6%, Japan 12.6%, Singapore 11.4%, US 10.7%, Thailand 6.2%, Indonesia 5.6%
Internet domain:	.my
International dialling code:	+60



MYANMAR



Bolstered by sales of natural gas, economic growth was estimated at just over 5% in 2010. The economy has continued to grow, supported by foreign investment in construction and more credit being made available to agriculture. New gas fields, hydropower plants and pipelines to China are planned as well as a giant port in southern Myanmar. This is in addition to a new airport for the capital. However, the country faces an extensive agenda of reforms to realise its potential. The financial sector is undeveloped 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. One third of Myanmar's total perimeter, forms an uninterrupted coastline.

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 exist within Myanmar, all of which run north to south from the Himalayas. The mountain chains divide Myanmar's three river systems, which are the Irrawaddy, Salween and the Sittaung Rivers. The Irrawaddy River, Myanmar's longest river at nearly 2,170 kilometres long, flows into the Gulf of Martaban. Fertile plains exist in the valleys between the mountain chains. The majority of Myanmar's population lives in the Irrawaddy valley, which is situated between the Rakhine Yoma and the Shan Plateau.

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.

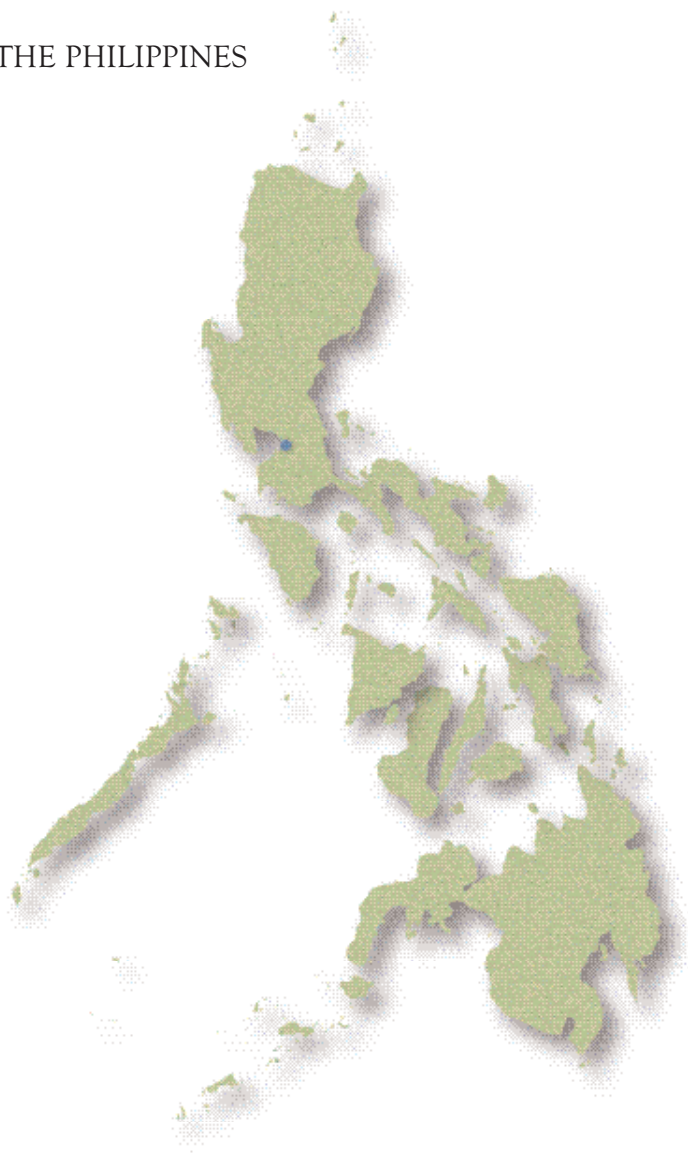
Myanmar joined ASEAN along with Lao PDR on 23 July 1997.

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:	58,800,000
Population of capital:	925,000
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 38.3%, India 20.8%, China 12.9%, Japan 5.2%
Major imports:	Fabric, petroleum products, fertiliser, plastics, machinery, transport equipment, cement, construction materials, crude oil, food products
Main import trading countries:	China 38.9%, Thailand 23.2%, Singapore 12.9%, South Korea 5.8%
Internet domain:	.mm
International dialling code:	+95



THE PHILIPPINES



Economic growth though easing is expected to average 6% in 2011 and 2012. Growth has been constrained by lower exports, due to supply disruptions emanating from Japan's earthquake earlier 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 and 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 Pagudpap as well as historical sites such as Intramuros, Cebu City, Corregidor and Bataan.

The Philippines are a founder member of ASEAN.

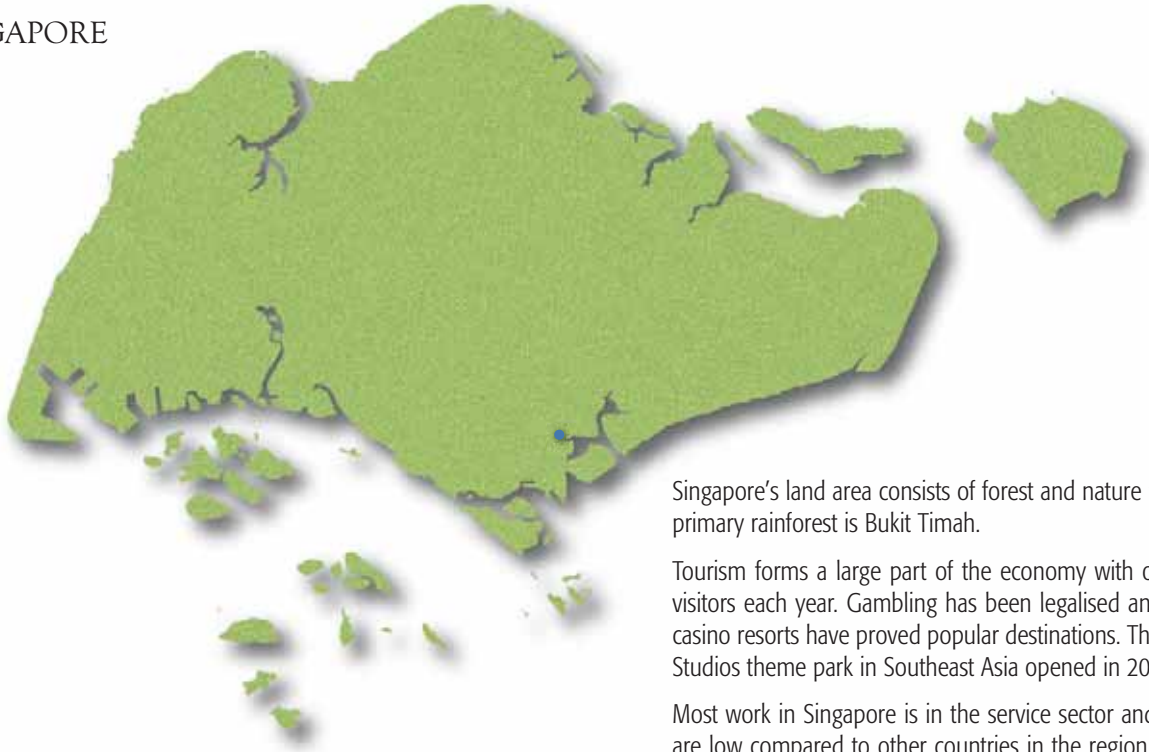
THE PHILIPPINES



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:	101,833,938
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 19%, US 13.4%, Singapore 13.2%, Japan 12.8%, Hong Kong 7.6%, Germany 4.2%, 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:	Japan 14.1%, China 13.6%, US 9.9%, Singapore 9.3%, Thailand 6.5%, South Korea 5.6%, Indonesia 4.1%
Internet domain:	.ph
International dialling code:	+63



SINGAPORE



Singapore's land area consists of forest and nature reserves and its primary rainforest is Bukit Timah.

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. The first Universal Studios theme park in Southeast Asia opened in 2010.

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.

Singapore is a founder member of ASEAN.

The island state's economy surged by some 10% in 2010. 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

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:	4,740,737
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, mineral fuels
Main export trading countries:	Malaysia 11.9%, Hong Kong 11.7%, China 10.4%, Indonesia 9.4%, US 6.5%, Japan 4.7%, South Korea 4.1%
Major imports:	Machinery and equipment, foodstuffs, consumer goods, mineral fuels, chemicals
Main import trading countries:	Malaysia 11.7%, US 11.5%, China 10.8%, Japan 7.9%, South Korea 5.8%, Indonesia 5.4%
Internet domain:	.sg
International dialling code:	+65



THAILAND



Economic growth reached 7.5% in 2010, with some slow down expected in 2011. 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.

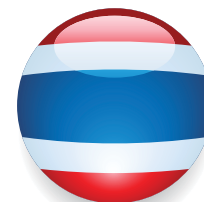
Thailand is the Greater Mekong Sub-region's most visited international destination. Top destinations include Bangkok, Chiang Mai and the beach resorts of Pattaya and Phuket.

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 Klong, Bang Pakong and Tapi Rivers.

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:	66,720,153
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 11%, Japan 10.5%, US 10.4%, Hong Kong 6.7%, Malaysia 5.4%, Australia 4.8%, Singapore 4.6%
Major imports:	Capital goods, intermediate goods and raw materials, consumer goods, fuels
Main import trading countries:	Japan 20.8%, China 13.3%, US 5.9%, Malaysia 5.9%, UAE 4.7%, South Korea 4.4%
Internet domain:	.th
International dialling code:	+66



VIETNAM



Economic growth in 2011, is expected to be just over 6%. 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 Gai 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 3,200 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.

Vietnam joined ASEAN 28 July 1995, making it the seventh member.

VIETNAM

Joined ASEAN:	28 July 1995
Head of State:	President Nguyen Minh Triet
Area:	331,210 square kilometres
Border countries:	Lao PDR, Cambodia, China
Coastline:	3,444 kilometres (excluding islands)
Capital city:	Hanoi
Total population:	90,549,390
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, rice, machinery
Main export trading countries:	US 20%, Japan 10.7%, China 9.8%, South Korea 4.3%
Major imports:	Machinery and equipment, petroleum products, steel products, raw materials for clothing and shoe industries, electronics, plastics, automobiles
Main import trading countries:	China 23.8%, South Korea 11.6%, Japan 10.8%, Taiwan 8.4%, Thailand 6.7%, Singapore 4.9%
Internet domain:	.vn
International dialling code:	+84



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