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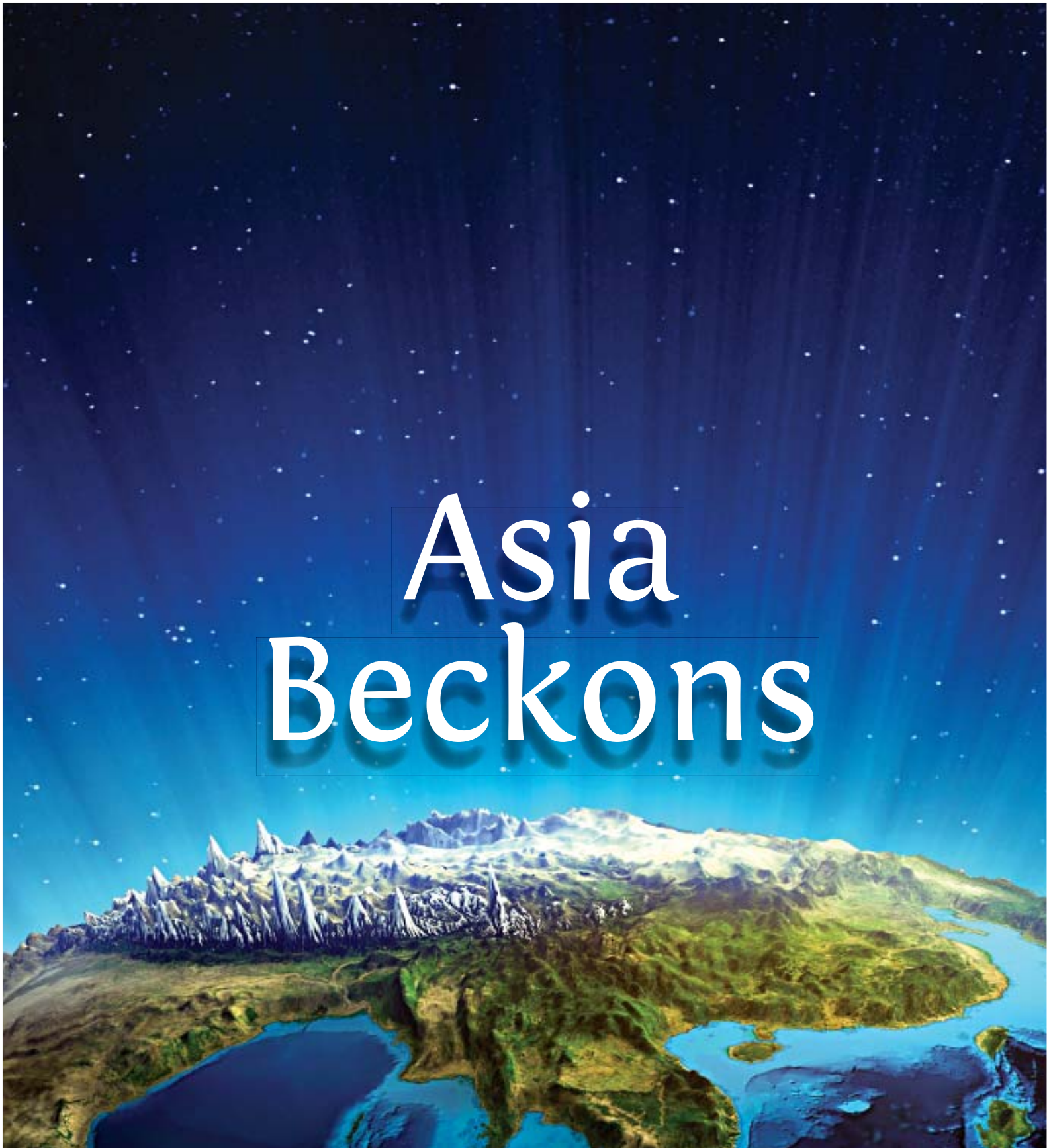

Contents

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Dear Reader,

We are one global village today, thanks to the consolidation of internet's information super-highway. With Europe still reeling from the 2008 global financial crisis, the new imperative is for reverting to more literal business connectivity across the world, with an emphasis on partnerships between emerging economies and developed segments of the world.

Such partnerships are being forged, even as you read this, in Asia, where nations have emerged stronger since the devastating impact of the 1997 financial crisis in their sphere of the globe.

European businesses are bullish on their Asian enterprises, and offer a synergy be it for extraction of rare earth metals, energy exploration or infrastructure in the east and the south east regions of Asia.

This European interest in the region has been matched in equal measure by the robust economic policy initiatives, banking reforms and efficient capital allocations by regimes in China, Indonesia, Philippines, Japan, South Korea, Mongolia and Vietnam.

These Asian nations have demonstrated sharp economic and sustained economic growth due to their keen willingness to reciprocate the initiatives by the developed nations. They have invested in a strong banking sector, introduced political and tax reforms and redirected resources through more efficient capital allocations.

The road map for the next stage of development of the region over the next decade has been laid out and will play out to mutual satisfaction for both Asia and Europe.

Dr. Urs Lustenberger,
President and Chairman Legal Affairs
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Looking Ahead for Asia – The Way Forward for Asia since the 2008 Global Financial Crisis

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Having 'learned' from their mistakes in the 1997 Asian financial crisis, many Asian countries reformed, restructured and recovered to rekindle hope that the 21st century would indeed be the Asian century. However, Asia's stumbles since the 2008 global financial crisis have left investors questioning the sustainability of the Asian growth model. Looking ahead, the lessons of the 1997 Asian financial crisis remain valid and provide a roadmap for the way forward for Asian economies.

As we approach the 20th anniversary of the Asian financial crisis, lessons learned by regional policy makers have served the region well, helping countries to weather both the global recession of 2001 as well as the global financial crisis of 2008-09 without the catastrophic impacts on local financial systems witnessed in 1997-98.

However, despite having successfully got through the global financial crisis, Asia as a whole can still benefit from revisiting the lessons of its own crisis as a roadmap for the next stage of development for the region's economy in the decade ahead.

Applying the lessons from the Global Financial Crisis

Looking back, immediately after the 1997-98 Asian financial crisis, governments throughout the region responded by cleaning and strengthening the region's banks and creating regulatory frameworks that encouraged sound macroeconomic and banking practices. Put another way, against a stable economic backdrop, the competition for capital in the Asian financial system became more acute and the cost of capital more adequately reflected the risks assumed by lenders and investors alike.

This increased competition for capital, among other factors, encouraged efficiency among Asia's corporates, not only in the operations of existing businesses but also in the deployment of new investment capital into new ones. The benefits of this change were best seen in one of the countries at the heart of the Asian financial crisis, South Korea.

The winners

Having consistently experienced real GDP growth in the 5-10% range prior to the 1997 crisis, South Korean corporates were rarely able to generate returns on the investments of their extensive conglomerates above the cost of capital. As a result, between 1987 and 1997, an equity investor in the South Korean equity market generated a less-than-impressive 3% annual return.

With the Asian financial crisis as a catalyst, the structural reform of the South Korean financial system and more prudent deployment of capital on the part of South Korean corporates helped drive returns on equity for South Korea's largest companies to 15-18% by the mid-2000s despite overall GDP growth closer to 5% between 1997 and 2007. For investors, the slower GDP growth and more efficient companies translated into almost 20% annual returns over the subsequent 10-year period.

Well after the end of the Asian financial crisis, however, another Asian nation demonstrated the benefits of following a similar recipe for success – prudent

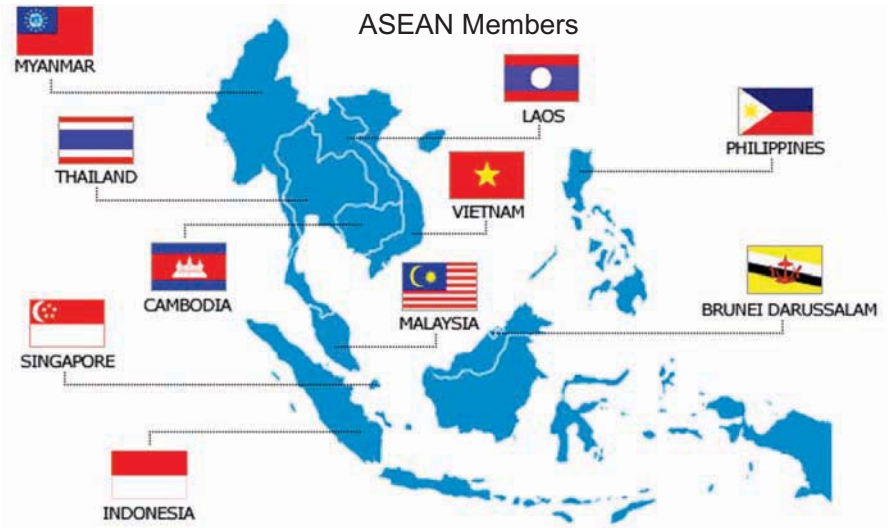
macroeconomic policies, sound banking practices, and increased efficiency in allocating capital. The former 'Sick Man of Asia', the Philippines, has demonstrated the success of homegrown political initiative to reform local economies, creating a backdrop against which corporations were encouraged to invest in and grow the local economy.

While many Asian nations benefitted from cheap currencies and the reforms imposed upon them by the IMF in the post-1997 years, the Philippines, long a laggard of Asia, continued to languish in the years immediately after the Asian financial crisis, ultimately rocked by the 2nd EDSA revolution in 2001 which removed former President Joseph Estrada from office. However, as prudent macroeconomic policies helped the country win its long battle with inflation and the country found its niche in the outsourcing of global services, the improved allocation of capital also benefitted investors in the Philippines.

In contrast to Korea, where slower growth but more efficient companies drove superior returns, the Philippines witnessed a virtuous cycle of more efficient companies combined with accelerating growth, to drive returns for shareholders from 2.7% to 13.4% in the 12 years between the two EDSA revolutions, a period that included both a global recession in 2001 and the global financial crisis as well as the moribund global economy that followed.

The framework to strengthen Asian economies

As we enter the 3rd decade since the Asian financial crisis and almost one decade on from the global financial crisis, the lessons from Korea and the Philippines outline a framework for the continuing development and emergence of Asian economies – prudent macroeconomic policies, sound banking practices, and increased efficiency in capital allocation – with or without the strong global growth backdrop that many casual watchers of Asia presume is a prerequisite for Asia's success.



The framework provides encouragement as well as a roadmap for both China and the region as a whole despite the fact that corporate returns in Asia have begun to relapse recently, declining steadily from nearly 15% in 2011 to a more modest 12%, levels last seen in the region during global recessions or in the pre-Asian financial crisis years.

The challenge

China, like many of its Asian neighbors after the 1997-98 crisis, must now focus on cleaning and strengthening its banks as it concurrently enhances its regulatory frameworks to encourage sound macroeconomic and banking practices. These challenges are matched by a need to continue rebalancing its economy away from the previous decades' industrial focus and towards consumption and services.

Despite these challenges, we can see ongoing developments in the region that continue to support the prudent macro policies and more efficient capital allocation across Asia. The capital market deepening in both China and the region, which has given way to the rapid growth of local-currency bond markets in Asia, has served both to expand availability and to encourage market pricing for capital while the new China-led Asian Infrastructure Investment Bank, and its new Silk Road initiative, seeks to jump-start the financing of regional infrastructure, the lack of which is still a hindrance to development in many of Asia's economies.

Building efficiency

Moreover, the launch of the ASEAN Economic Community (AEC) in 2016 not only promises a common market in Southeast Asia, but also takes the Asian financial crisis lesson of efficient use of financial capital among corporates further by encouraging businesses in the region to leverage human as well as fixed capital within the AEC. At the same time it encourages AEC governments to facilitate this single market by incentivizing the coordination of economic policies and public infrastructure investment to support the regionalization of both production and sales.

To summarize, though many Asian economies have visibly slowed from their blistering pace of growth of the pre-2008 crisis era, those economies continue to benefit from, and build upon, the lessons learned and implemented consistently since Asia's own crisis at the turn of the last century. It is from this foundation that Asia's next stage of growth will emerge. ■

Connectivity is the Key to Eurasian Growth as ASEM Completes Double Decade

The global economy has witnessed volatile developments in recent years. Economic growth forecasts were repeatedly downgraded with the growth rate of world trade dropping sharply. Developed European economies display a weak recovery while still tackling fresh debt crisis and an ageing population. Emerging economies have slowed down significantly even as economic and financial risks pile up.

The world economy is at risk of a "new normal" of prolonged low-speed growth. All countries are trying to find new paths for sustainable growth while withstanding risks. In this backdrop 'Connectivity' has become the new mantra for both Asian and European nations.

Connectivity is not only about building roads and bridges. It should be a three-way combination of infrastructure, institutions and people-to-people exchanges.

A pressing issue in the Asia-Europe cooperation context is of missing links between many countries. The China-Europe freight train is a case in point.

Since its launch in 2015, more than 1000 shifts have been run. Still, the costs of time and resources remain high due to frequent switch of trains and rails and the sea of difference in customs clearance procedures.

Enhanced connectivity will not only strengthen regional economic vitality, but also inject impetus for a globally sustainable development.

When the Eurasian continent becomes fully connected, it will represent the world's biggest common market and unleash great external economic bonus for all countries involved. The new pattern of a unified market, comprehensive industry and modern logistics provides great opportunity for long-term common growth.

Established 20 years ago, ASEM has developed as the main platform for dialogue and cooperation for 53 Asian and European members.

Connectivity is the window of opportunity to prioritize and consolidate all-round cooperation to fulfill the true potential of ASEM.

The prospect of ASEM connectivity as a systematic project will be faced challenges, such as how to match up the complex infrastructure plans to meet financing gaps, how to harmonize policies and regulations while meeting various development aspirations. Strategic planning, sincerity and a determination to build a community of shared responsibilities and destinies are core to the success of ASEM.

ASEM members have ambitious development plans, such as the EU Infrastructure Investment Plan, the Master Plan on ASEAN Connectivity, the Belt and Road Initiative as well as the Asian Infrastructure Investment Bank. Infrastructure connectivity has in the past few years taken the lead and produced satisfactory outcomes particularly in the areas of transportation, telecommunication and energy.

Chinese Premier Li Keqiang said at the 10th ASEM summit that "connectivity leads to prosperity". ASEM members listed connectivity as a standing agenda item of ASEM at the 12th ASEM Foreign Ministers' Meeting (ASEM FMM12) in 2015.

The era of "Great Connectivity" is at our doorstep. It's a historical process and a driving force for development. At the important juncture of the 20th Anniversary of ASEM, the need of the hour is to join hands and advance this process to open a new chapter of Asia-Europe cooperation. ■

Enhanced Efficiencies to Ease Global Energy Demand

By **Barbara Möckli-Schneider**
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Timor-Leste Committee
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Global Energy Growth

An evolving energy market

The World Energy Outlook's New Policies Scenario expects a 37 per cent increase in demand for energy by 2040. All the same, annual growth in demand will slow down when compared to recent decades, mainly due gains made by enhanced energy efficiency.

By 2040, the world's energy supply will roughly comprise of four segments: oil, gas, coal and low-carbon sources. The middle-class is expected to grow to more than half of the global population by 2030, and profoundly impact energy demand through a corresponding increase in infrastructure, electrification and urbanization.

Despite sustained growth, energy use per capita in 2040 in non-OECD countries is expected to stay well below the 1970s' average consumption by OECD members. This forecast factors in technological progress and improved energy efficiency.

Wind, solar and bio-fuels are the fastest-growing energy sources and should cater to almost four per cent of the energy demand by 2040. Bio-fuel use is set to more than triple, servicing eight per cent of demand for road-transport fuel.

Fossil fuels

Rising air pollution and climate related policies introduced in the USA, China and Europe will slow down global coal demand, even as China, India, Indonesia and Australia producing over 70 per cent of the global coal output by 2040. The share of natural gas in total interregional fossil-fuel trade is expected to rise by a quarter, with a strong Asian demand driving a 40 per cent growth in the coal

trade. The New Policies Scenario also sees oil demand rise to 14 mb/d by 2040, even with energy efficiency and fuel-switching policies. The growth in demand would come entirely from non-OECD countries: the developing world will consume two additional barrels for every barrel of oil reduced in the supply chain to OECD countries.

As the Asia Pacific and Middle East regions increase the use of gas globally, it will level with coal as the second-most consumed fuel in the global energy mix, after oil. Within the OECD, US gas demand will grow to 900 bcm by 2040, while Japanese consumption drops with nuclear reactors being gradually restarted. Gas production is likely to increase in every major region except Europe, with unconventional gas accounting for almost 60 per cent of this growth, with China registering the fastest gas output growth among the major producers.

Electricity

The New Policies Scenario forecasts world electricity demand to rise by 80 per cent by 2040 with non-OECD countries accounting for the bulk of it. Renewable electricity generation will nearly triple overtaking gas as the second-largest fuel source, surpassing even coal after 2035. Rapid expansion of wind and solar PV gives rise to fundamental questions about whether their design can attract adequate investment by conventional power plants and the long-term reliability of power supply these will represent. China will see the highest increase in energy generation through renewable sources.

Opportunities

Trade in fossil fuels and renewable energy across Asia is booming. China's initiative in creating sea and land links across the region, allows it the opportunity to create and reopen trade routes. Gas production in the Asia Pacific region will double by 2040, driven in part by unconventional technology. It is likely to supersede Europe as the world's largest gas importer.

The challenges and opportunities of Asia's transitioning energy economies have consequences for suppliers and consumers, builders and financiers. Swiss companies and investors – with their vast knowledge, cutting-edge technologies and expertise – should consider relevant projects and financing investments in this region. ■

Robust Cambodian Economy Shrugs off Developing Nation Status

Cambodia's is on course for 7 per cent plus economic growth in 2016. Financial propriety and stemming the flight of funds offshore will help the country assume a leadership position at ASEAN.

By **Barbara Möckli-Schneider**
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Cambodia was hailed for accomplishing it's Millennium Development Goal (MDG) targets in 2015. A recent UN report tags Cambodia as an 'early achiever' for its significant performance on poverty alleviation. Its economy grew at 7.8 per cent on an average between 2004 and 2014, clocking one of the fastest growth rates in the world during the period.

This robust economic growth lifted five million Cambodians out of the throes of poverty. Poverty rate slid down to 14 per cent, from the 53.2 per cent high that existed in 2004. Cambodia's economic status is set for elevation to the level of a 'lower-middle income' country with the nation exiting the league of 'developing countries'.

Undeniably, improved governance and democratic reforms have contributed significantly. The government's focus is to transform Cambodia into a middle-income country by 2030 and eventually a high-income nation by 2050.

Cambodia's economic advancements are in stark contrast to the country's continued appeal for aid and low interest loans from donor nations. Cambodia's most important donor and investor, China, has committed to import 100,000 tonne of rice from

Cambodia annually, starting 2016, construct a hospital in Tbong Khmum Province and give Cambodia a US$157 million grant.

Then, at the Cambodia–Japan bilateral summit held in November 2015, Japanese Prime Minister Shinzo Abe pledged a 17 billion yen (about US$137 million) loan for the development of Cambodia's national highway. Similar bilateral agreements were inked with Russia and India as well. While these agreements place an emphasis on cooperation, they also mark the diversification of Cambodia's foreign-dominated development strategy.

From 1990 onwards, Cambodia became a major beneficiary of global financial aid, with its annual receipts increasing from US$300 million in 1993 to more than US$800 million dollars in 2012. The constant inflow of money as aid has led to persistent problems. These include corruption, weak institutional infrastructure, poor governance, a donor-dependent aid industry absorbing a skilled workforce, and a mindset of 'aid entitlement'.

This is aptly illustrated by Prime Minister Hun Sen's recent appeal made to 'stingy' developed nations seeking more financial aid for the developing world. His appeal came in the wake of the OECD report about most European nations having failed to earmark 0.7 per cent of their GNP to assist developing counties reach the MDG goals as was deemed necessary when the scheme was launched.

This mindset needs urgent revision. Cambodia's traditional donor countries, particularly EU member states, face their own development challenges. Further exacerbating the situation is the severe refugee crisis in the wake of the escalating Middle East situation. Similarly, China is struggling with economic stagnation and will be

less than forthcoming with aid and low-interest loans.

Cambodia, on the other hand, is expected to sustain its growth trajectory into 2016, thanks mainly to low oil prices and increased exports, especially to members of the ASEAN Economic Community (AEC).

According to a Washington-based Global Financial Integrity report, between 2004 and 2013 at least US$15 billion was secretly shifted offshore using a technique known as trade mis-invoicing.

Outflows from Cambodia's trade mis-invoicing have exponentially risen in the last decade from US$374 million in 2004 to nearly US$3.9 billion in 2013 — about a quarter of that year's nominal GDP. Were this money to remain in the country, Cambodia would be able to assume a leadership position in the AEC.

In February 2016, Prime Minister Hun Sen joined the ASEAN Leaders summit held at Sunnylands in Rancho Mirage, California, at the initiative of US President Barack Obama. The aim of this summit was to strengthen cooperation under the new US–ASEAN strategic partnership.

The big question at this summit for Cambodia is whether Prime Minister Hun Sen will haggle for more donor money or claim a leadership position to match Cambodia's achievements and ambitions?

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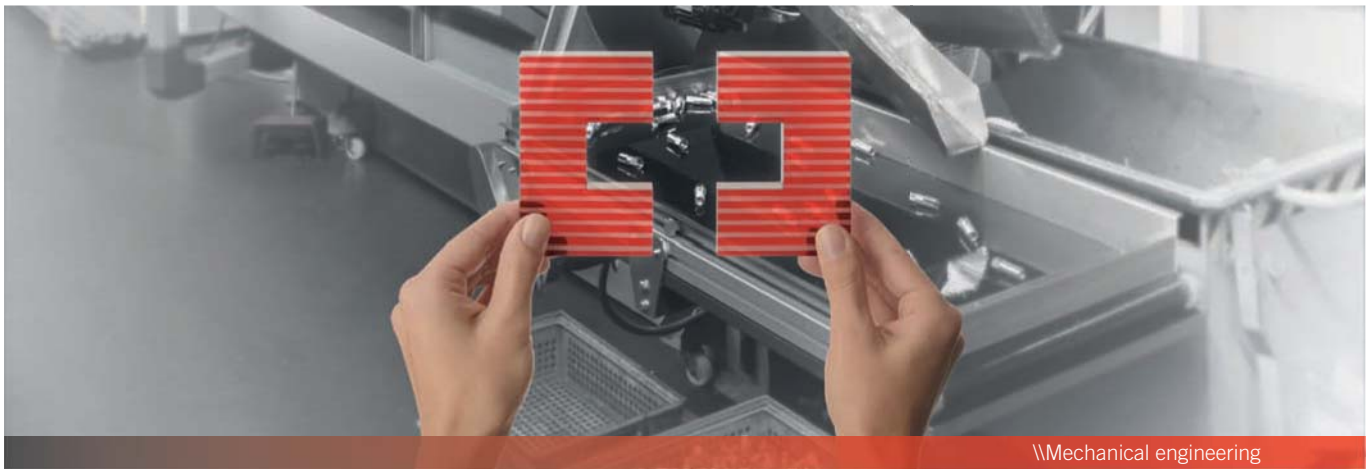

Liquidity and security for Osterwalder thanks to SERV

Osterwalder AG develops and produces powder press systems and markets them around the globe. To protect its exports against risks such as non-payment or liquidity bottlenecks, the company cooperates closely with the Swiss Export Risk Insurance SERV. Thus, Osterwalder recently accepted an order for the shipment of a powder press to China.

A Chinese manufacturer of metal, machine and plastic parts ordered a powder press system with an order value of approximately EUR 1.7 million from Osterwalder AG. The bank that financed the production requested SERV to secure the working capital loan that it had granted to Osterwalder. Osterwalder, in turn, requested SERV to cover its pre-shipment risk.

Secure exports

By means of the pre-shipment risk insurance, Osterwalder covered the production costs of its export to China against the risk of production stop. Possible reasons for a production stop include the withdrawal from the contract and the non-payment of cancellation costs by the foreign debtor. Moreover, political risks or embargos can also lead to a production stop.

Osterwalder benefits from more liquidity

The cover of the working capital loan by SERV in favour of the bank enabled Osterwalder to finance the production of the powder press system at low cost. Thus, there was no need for pre-financing by the Chinese buyer, and Osterwalder did not need to provide further collateral for the working capital loan to the financing bank. The close collaboration between the exporter, the bank and SERV played a significant role in enabling Osterwalder to conclude this important deal in China.

About Osterwalder AG

Established in 1882, Osterwalder AG in Lyss, Switzerland, has about 100 employees. The company has subsidiaries in the USA and in China and other agencies worldwide. Its highly specialised powder presses are mainly used in the automotive industry for the production of engine and gearbox components and in the carbide industry for the production of indexable inserts.

About SERV

SERV insures exports of Swiss companies against political and economic risks. As an institution of the Swiss Confederation under public law, it offers its insurance services in addition to those of private credit insurers. Apart from the export of consumer and capital goods, SERV also insures the export of services such as construction and engineering projects or know-how agreements.

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Switzerland Explores Investment Opportunities in Energy, Transportation Sectors in Indonesia

President Joko Widodo (Jokowi) received a visit by Swiss Vice President, Doris Leuthard and a delegation at Merdeka Palace, Central Jakarta Pusat, on 30 March 2016, afternoon.

After accompanying President Jokowi during his meeting with the Swiss Vice President, RI Foreign Minister, Retno Marsudi stated that the meeting discussed efforts to enhance economic cooperation. "The vice president's delegation also included 10 companies in the industrial and energy efficiency fields among others," explained the minister.

According to the minister, discussions on the economic field include the significant rise in bilateral trade compared to 2014. "In 2015, trade between Indonesia and Switzerland increased by 102%, I repeat 102%, with Indonesia enjoying a surplus," the minister said.

The minister added that it was agreed that efforts to increase investment, especially Swiss investment in Indonesia will be encouraged. "As we know, 150 Swiss companies are already operating in Indonesia," she added.

Another point discussed was the Indonesia-EFTA (European Free Trade Association) negotiations, which has not been active in three years. "We agreed to negotiate. So negotiations in the context of EFTA will be resumed soon, which will be a significant step forward in economic cooperation," added the minister.

There was also discussion on vocational training cooperation including in the field of tourism. "Development cooperation was another topic of discussion," said the minister.

Part of the Swiss government's uniqueness, according to the minister, was that the development cooperation is very down-to-earth and the results are immediately felt by the lower and

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middle classes of Indonesia. "This includes farmers and fishermen," explained the minister.

The minister added that the Swiss Vice President has invited president Jokowi to visit Switzerland next year.

In addition, the Swiss Vice President will met with a number of ministers in the economic field and signed an agreement with Transportation Minister, Ignasius Jonan on 31 March 2016. It has already been ratified, but it had to be renewed due to the increased number of flights between Indonesia and Switzerland. The transportation minister added that railways and flights had also been discussed.

Leuthard expressed optimism after taking into account the Indonesian governments massive infrastructure development programs in various sectors, which would certainly require additional sources of funding. In her delegation were companies operating, especially in the fields of transportation, infrastructure, and energy, and they are all ready to partner with Indonesia," she emphasized. Apart from the energy and transportation sectors, the Swiss investors were also keen to extend cooperation in basic infrastructure projects such as sanitation, clean water supply, and aircraft maintenance.

During the meeting, the President was accompanied by Minister for the State Secretariat, Pratikno, Foreign Minister, Retno Marsudi, Transportation Minister, Ignasius Jonan, and the Indonesian Ambassador to Switzerland. ■

Energy Valley: The Future Gateway to the Energy Industry

Korea ramps up efforts to foster promising projects in the energy sector in 2016

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What is Energy Valley?

Energy Valley is a project which aims to establish a global energy hub in Bitgararn Innovation City (BIC). This ambitious project seeks to establish business clusters of new energy industries, including renewable energy, ESS, MG and power-related ICT around BIC. As such, KEPCO (Korea Electric Power Corporation) has already signed an MOU with approximately 100 companies including GE and ABB for investing in Energy Valley, and more than 40 percent of these companies are in the new energy industries.

Location

Bitgararn Innovation City, the center of Energy Valley, is being jointly established by the city of Gwangju and Jeollanamdo (South Jeolla Province). The two local governments are providing their full support to the project so that the city can be successfully developed in the long run. The region is positioned in an optimal location, being just 25 minutes away from Muan International Airport and the Honam Express Way. At the same time, it is in close proximity to Mokpo Harbor and Yeosu Gwangyang Port, which connects Korea with China and other Asian countries.

Future Prospects

The energy industry is expected to serve as an engine of growth for future industrial development. At the recent UN conference on climate change in Paris, the Korean government pledged to cut its greenhouse gas emissions by tapping into the new energy industries and announced its 2030 plan for nurturing new energy industries that will create a market worth KRW 100 trillion (USD 80.9 billion). As a separate initiative from the government's policy to foster the energy industry, Jeollanamdo has also come up with its own strategies to foster this sector, namely by making 50 inhabited islands nearby energy independent. It also plans to make Bitgararn Innovative City electric vehicle-friendly. As the energy industry's production and R&D hub, Energy Valley will indeed provide an ideal environment for companies wishing to enter the energy market of Korea, and Asia and beyond.

Support

KEPCO is providing mutual support for investors in Energy Valley. To alleviate financial burdens, it is offering financial support for SMEs and running a preferential procurement system of products manufactured within the Valley. In addition, the R&D cooperation system with regional universities and research institutes has been established to provide an infrastructure for the development and commercialization of new technologies.

As local governments in Gwangju and

Jeollanamdo consider Energy Valley one of their key businesses, they are working tirelessly to assist foreign investors by providing support and cooperation in a wide range of issues, including investment consulting, business incorporation, and dispute resolutions.

Investment Incentive Measures

Among the industrial complexes accessible to Energy Valley investors, the Naju Innovation Industrial Complex and the Naju General Industrial Complex are currently designated as special support zones for local SMEs. In terms of orders made by public organizations and municipal governments, companies that have production facilities in these areas can deliver products through limited competition a private contract, ultimately securing the market.

Furthermore, the Korean government designated a special industry for each region and is taking bold actions to reform regulations by operating "regulation free zones". As Gwangju and Jeollanamdo were designated as a "regulation free zone" for the energy industry, regulations regarding electric vehicles and renewable energy are expected to ease up in the near future. KEPCO and Korea thus hope that companies seeking to find a new momentum of growth in the energy sector will tum their attention to Energy Valley. ■

Malaysia Inks TPP, Still Gets Time to Reform State Businesses

By **Dr. Shankaran Nambiar**
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"The Asean action plan will spur growth of local small and medium enterprises (SMEs)," says International Trade and Industry Minister of Malaysia Datuk Seri Mustapa Mohamed. Mohamed signed the Trans-Pacific Partnership agreement (TPP) in Auckland, New Zealand recently.

Amazingly, Malaysia negotiated hard to retain its Bumiputera agenda, obtaining a minimum five-year grace period to reform state-owned enterprises (SOEs). In addition it gained exemption for Khazanah from investor-state dispute settlement (ISDS) provisions for two years after the deal comes into force.

The TPP agreement allows Malaysia to have its cake and eat it too. The Bumiputera agenda may reduce the impetus for economic reforms. The push for greater private sector participation will also be postponed.

Many of the criticisms of the TPP, such as the ISDS clause is viewed by the government as a standard addition to free trade agreement packages. The government has experience in previous encounters on the ISDS issue, both for and against it. The government feels it has adequate expertise to handle such disputes. However, laws will need to change to comply with the TPP on biologics.

The Jordanian experience is deeply worrying: the prices of medicines in Jordan went up by as much as 20 per cent after its trade agreement with the United States. Similarly, international experience on intellectual property rights and the games that multinational pharmaceutical companies play is a cause for concern.

One issue where both sides on the TPP debate agree is about Malaysia's questionable readiness to leverage its exports. There is little doubt that growth of imports would be faster than exports, post TPP. Removal of trade impediments encourages imports and growing exports also need to import intermediate goods.

Vietnam, Brunei and Singapore are already in the TPP, with Indonesia and the Philippines expressing interest to

join up. With ASEAN members not firmly and exclusively committed, Malaysia has opted to exploit the first-mover advantage.

Much like Singapore, Malaysia will spread both its wings, courting the United States and China; extending concessions to both in equal measure or as opportunities arise.

The TPP is not the gold standard it was touted as and major concessions were made. The TPP may not trigger a domestic reform process in Malaysia either. But, without the TPP, trade and investment may get diverted to Vietnam and Singapore.

Mustapa said that the Asean Strategic Action Plan for SME Development 2016-2025 document revolves around six key policies. The policies are: access to finance, access to market and internalization, access to human resources development, access to information and advisory services, access to technology and innovation, and enhance policy and regulatory environment.

"Moving forward, for 2016 - 2025, new strategic goals have been formulated which will focus more on innovation, technology and productivity," said Mustapa when launching the action plan during the Asean Business and Investment Summit recently.

"Additionally, measures will be put in place to facilitate a deeper integration of SMEs into regional and global supply chains," Mustapa said...

Malaysia's leadership must be extremely satisfied on two counts: their success in negotiating the Trans-Pacific Partnership (TPP) agreement and the parliament's favorable position on the agreement.

Dr. Shankaran Nambiar is author of The Malaysian Economy: Rethinking Policies and Purposes. He is also a senior research fellow at the Malaysian Institute of Economic Research. The views expressed in this article are his own. ■

Mongolia Scales Small Nation Constraints For Conducive FDI Environment

By: **Tsevegmid KHASHBAT**
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Meeting the global markets

Mongolia is a developing nation making the right moves for doing international business. With a population just above three million people, the country has inked the Foreign Investment Protection and Promotion Agreement (FIPPA) with 43 countries as also Double Taxation treaties with 30 countries.

Since 1990, 12,118 foreign investors from 112 countries registered in Mongolia. By the end of 2013, the amount of the investment had touched US $ 14 billion. However 74 per cent of this amount was invested in the area of mineral exploration.

In April, 2014, Mongolia introduced its investment policy and legal framework to the UN Conference on Trade and Development (UNCTAD) and released the "Mongolian Foreign Investment Policy Review".

In September, 2014, a second review of the trade policies and practices in Mongolia was conducted following a report by the WTO secretariat as well as the Government of Mongolia. Both review reports were similar to the UNCTAD mandate, and reinforced again the need for a comprehensive FDI strategy.

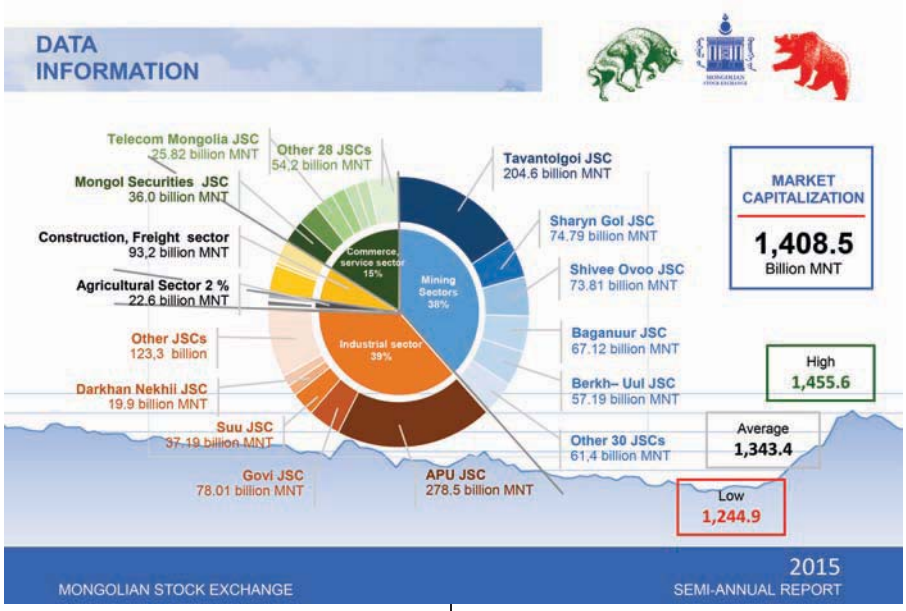
In 2015, Mongolia successfully negotiated the Mongolia-Japan Economic Partnership Agreement (MJEPA) which formed the basis for the Foreign Trade Agreement of Mongolia, besides opening the door for markets of both nations.

An analysis of the overall performance of Mongolia at the global level, using international parameters can be summed up as follows:

- Forbes Magazine`s "Ease of Doing Business' report ranked Mongolia at 63rd out of 146 economies.
- The 2015 'Doing Business' report by the World Bank placed Mongolia at 72nd out of 189 economies, where the country was ranked at 17th in respect of 'Protecting Minority Investors'.
- According to the "Index of Economic Freedom" released by the Heritage Foundation, Mongolia scored 58.2 per cent owing to lower marking on account of lack of reforms on property rights and high levels of corruption.

Right environment for investment

On October 3, 2013, the Government of Mongolia passed a law for a more open investment environment.



- No approval to enter Mongolia market or to buy out a local company
- No discrimination between foreign and local investors
- Quick registration process
- Stability guarantees - Provision of Tax Stabilization certificate
- Flexibility and Investor-friendly conditions

The Government of Mongolia provides tax incentives such as agreements for investments of more than 500 billion MNT and Stabilization certificate guaranteeing stable tax levies. Businesses within economic free zones are exempt from tax for the first 5 years and Small and Medium Enterprises (SMEs) are exempt from customs duty and tax.

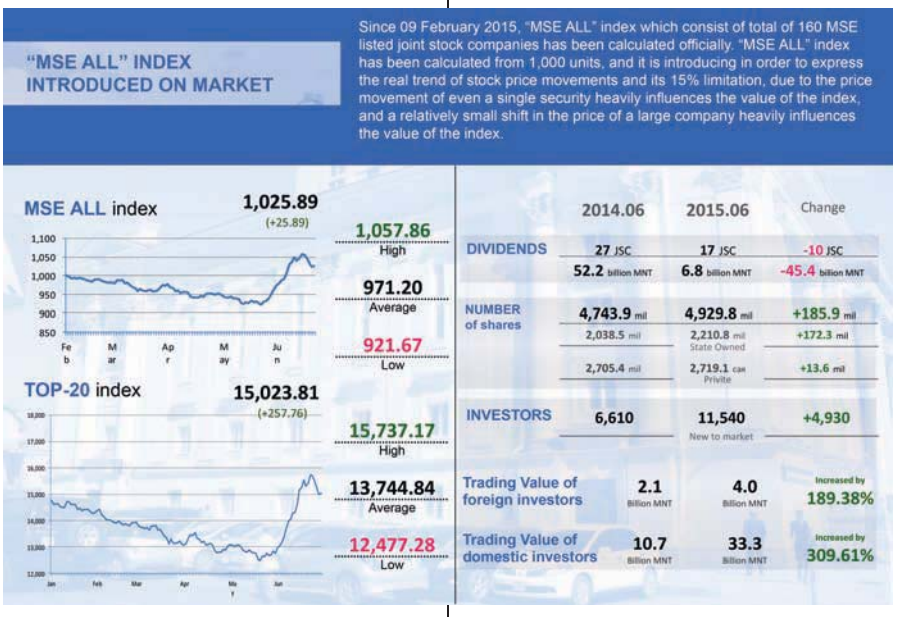
Similarly, non-tax incentives also include placing land on lease and use for up to 60 years on the basis of a contract and to extend the contract duration once for up to 40 years under the contract`s primary condition.

The Government of Mongolia actively facilitates concession (PPP) agreements, where projects are implemented with synergy between the government and the private entity. The Government of Mongolia has confirmed 40 projects as eligible to be implemented through concessions of which MOUs for 20 projects were signed, 10 projects are under negotiations and 10 projects are still pen for bidding.

The policy of sectorial diversification began in 2014 attracting US $800 million only in non-mining sectors. The agriculture and banking sectors have witnessed a sea change since, and are at a flourishing stage in Mongolia today.

Over half of the Mongolian population resides in the capital city of Ulaanbaatar. FDI is mostly directed here that resulted in slower development in provinces. Hence, the new FDI policy encourages investment in rural infrastructure.

Source country diversification is a major concern area, as the list of "Investor countries in Mongolia" has Netherlands topping the ranking with 30 per cent of total investments into the country. Such domination leads to a monopoly situation in the market. ■



The Mystery of Finding Valuable Raw Materials

A Swiss enterprise makes huge mineral deposits accessible The world steadily needs new raw materials! The Anunnaki Minerals Group's mission is to find those materials and promote them...

The enterprise

The Anunnaki Minerals Group focuses as exploration and mining company in the exploration and commercialization of industrial minerals and metal ores. Industrial minerals in general are clay minerals such as phyllosilicates, e.g. Bentonite, Talc and Ceolithe. In metal ores Anunnaki is focused on precious and base metals such as Gold, Copper, Nickel, Cobalt, Iridium and Rare-Earth-Elements deposits.

The company which is based in Switzerland founded by Reinhold W. Lückhardt as a public company in Hünenberg in Canton Zug. With the operational headquarter in Menziken, Switzerland and offices in Kahramanmaras, Turkey and in Ulaanbataar in Mongolia. Furthermore Anunnaki plans to expand the company to Central Asia - Kyrgyzstan - Kazakhstan -Uzbekistan.

Main active areas

The core business of the Anunnaki Minerals is the geological exploration of interesting natural resources and associated geological reports.

In 2012, a huge deposit was found on high-quality Bentonite in Mongolia. Hence the Anunnaki Mongolia LLC was founded.

The Target of Anunnaki Minerals is to develop and construct a bentonite processing industry in Mongolia and to sell serveral bentonite based products in global market in future. In the next step we are looking for business partners, who like to joint our business to develop a factory center for production of semi-finished and finished products made out of clay minerals in Mongolia for global export.

Besides clayminerals deposits mainly Anunnaki working on exploration projects with e.g. copper, tungsten, gold and rare earth elements. About new / unknown deposits of these raw materials/ minerals Anunnaki has been make many discoveries in Mongolia.

By **Reinhold W. Lückhardt**
Chairman of the Board of the Anunnaki Minerals Group
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Expedition to explore REE (Rare Earth Elements) in the Gobi desert

Talks with citizens in the destination area of Ulan Bator city to reconstruct their properties

Corporate strategy of the Anunnaki Minerals AG

1. exploration of industrial and ore minerals
2. vocational training
3. research and development of new product lines
4. license utilization and marketing of deposits
5. participation in infrastructure projects

Corporate philosophy

The guiding principle is the preemptive environmental protection in mining. The Anunnaki Minerals is committed from the very beginning of the procedure into the earth to think already at that time to the restoration of the environment after the mining work. All consecutive mining managements are as well commited on those sustainable and verifiable principles.

Under the brand "Green Mining"© and the model of the yak Anunnaki wants to convince as well other mining contractors and competitors of the possible path of a future oriented, ecological raw material extraction.

The Return of yaks into a healthy environment after exploitation is thus symbolic of the philosophy of the Green Mining.

World-class deposits

In Mongolia, the Anunnaki Minerals Group is engaged for more than 4 years. The advantage of this location is the geopolitical safe mining area Mongolia and in the immediate vicinity to the markets of Asia.

Products and sales

Example of Bentonite

Bentonite can be delivered directly as raw material for various industries. However, the aim is the added value by processing of crude bentonite in our Mongolian production facility. For this defined proprietary Anunnaki products are developed and will be marketed worldwide in the medium term:

bleaching clay according to customer requirements
agriculture / detoxication soil & plants
wastewater / sewage cleaning
nuclear industry/ decontamination
construction industry
...and hundreds of other applications

In the next few years Anunnaki Minerals AG will focus with the bentonite products to the East Asian and Southeast Asian market. The focus is on the growth markets of China,

Plenty hands go for gold / exploration is always an adventure too

Fact finding mission of SACC in Mongolia 2015 supported by Anunnaki Mongolia with cultural events

Exploration and drill camp in eastern Mongolia for copper ore

Indonesia and Philippines. The aim is also listed in the lucrative markets of Japan, South Korea and Vietnam.

Ore minerals

In partnership and cooperation with other companies from Turkey, Mongolia and Kazakhstan Anunnaki Minerals brings licenses to market, especially in metal ores.

Huge deposits of gold, silver, copper & tungsten

Mongolia has some huge deposits coveted ore minerals. Constantly new reserves are getting explored in the category "world class deposit".

Import/export

The Anunnaki Minerals Group is not only active in the commodities market and the major issue of mineral exploration and mining.

Over and above the Anunnaki Minerals Group powered business in trading of products in the Asian and European market.

Furthermore we make business with craft enterprises, which produces high-quality textiles from yak hair, camel hair and cashmere to support their marketing to the world market managed by the swiss headquarter of Anunnaki Minerals Group. ■

What is bentonite?

Worldwide non-metallic raw materials or industry minerals, rocks and earths are of fundamental importance in the economic development of a country. Bentonite is a clay mineral from the weathering of volcanic ashes, originated about 12 - 14 million years ago, now is defined as a layered silicate and ideally gained in the open pit.

Bentonite consists of moving crystals and thus can open its layers like a house of cards and increase the internal surface to multiples. One gram of bentonite can reach up toa surface of 800 m2.

- high swelling capacity
- thixotropic / mech. force
- ion exchange capacity
- adsorption capacity

The swelling behavior of the crystals in the presence of water opens up much-side applications that would

not even be possible without this interesting material:

- building
- pharmacy
- drilling industry
- conservation
- paper Industry
- metallurgy
- food industry
- waste water treatment
- nuclear industry ...

Many cats know bentonite already under the name of "cat litter"!

Swiss Commodities © Swiss international

Swiss Commodities / Raw Materials-Conference 2016

The international conference take place in Baden /Switzerland in cooperation with the Swiss-Asia Chamber of Commerce.

The Anunnaki Minerals has scheduled a conference for the international raw material and energy market at 30th of September 2016. For more information, please contact the Head Office of the Anunnaki Minerals Group. Send Your registration or questions to the following e-mail address: office@anunnaki.ch

Swiss Enterprises Harness Growth in Indonesia

Indonesia's reform agenda now provides better access to the third largest population in Asia and one of the fastest growing world markets.



Mandated by the Government the Swiss-Universities Association is funding a program to promote the collaboration of Academia and the Industry in Switzerland. With the *Swiss International Business Boot Camp (SIBB)* initiative ZHAW offers targeted consulting services to Swiss Enterprises with a strategic interest in Indonesia. International Business students from ZHAW and our Partner Universities form focused consulting teams to work directly with the participating firms at home and abroad using latest issue-driven consulting techniques and market intelligence data.

KEY BENEFITS

- **Focused student consulting teams work with Swiss Enterprises at home and in Indonesia**
- **Issue-driven consulting approach using latest management tools, models and actual market intelligence data**
- **Individual company focused results reports with executive presentations**
- **Option to extend engagement beyond this program and into other countries**

SWISS ENTERPRISES INVOLVEMENT

A screening process will select suitable Swiss Enterprises and help to define the business challenge. Selected partners will:

- ✓ provide access to executives and company information
- ✓ work constructively with the student consulting teams to resolve the challenge
- ✓ make a CHF 20'000.- cash contribution and receive a board level executive report, including the analysis model and the raw data

PROGRAM DIRECTORS

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PROGRAM PARTNERS

Decks Cleared for Philippines to Ink Free Trade Agreement

By **Adrian S. Cristobal, Jr.**
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EFTA and the Philippines met for a fifth round of negotiations in Manila, the Philippines, from 1-6 February 2016 keeping the nation on track for the bilateral free trade agreement to be signed before President Aquino leaves Malacañang in June, 2016.

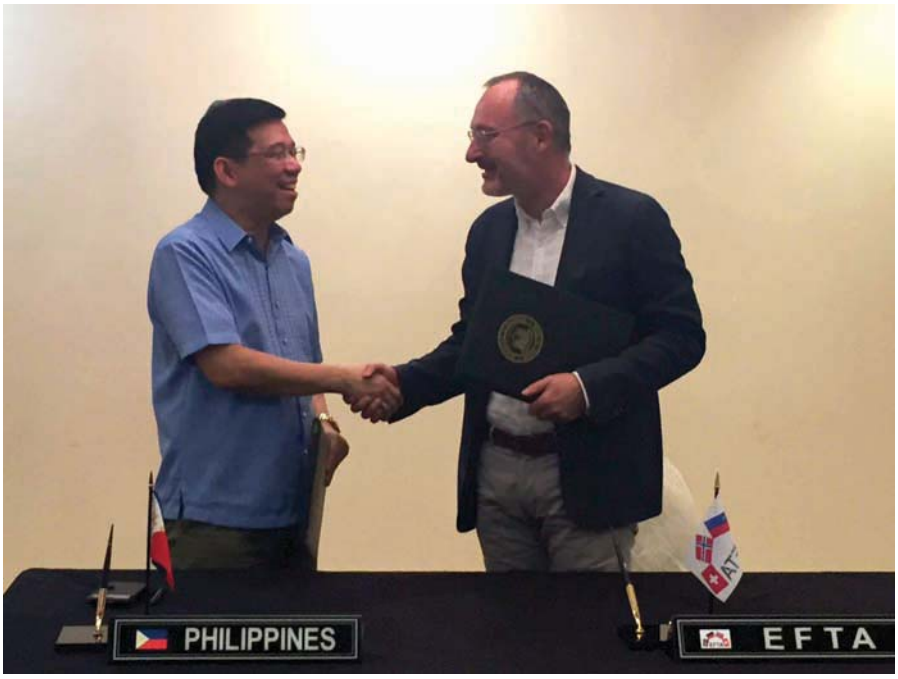
The European Free Trade Association (EFTA) comprising member economies of Switzerland, Liechtenstein, Norway, and Iceland, recently concluded its fifth round of negotiations with the Philippines.

Ambassador Didier Chambovey of the Swiss State Secretariat for Economic Affairs (SECO) acted as the EFTA spokesperson, while Undersecretary Ceferino S. Rodolfo of the Department of Trade and Industry (DTI) led the Philippine delegation.

Working groups convened to discuss all remaining areas under negotiation, i.e. trade in goods, trade in services, investment, intellectual property rights, government procurement, legal and institutional issues, trade remedies, rules of origin and trade facilitation. The meetings were held in a positive and efficient atmosphere.

Prior to the commencement of negotiations, the Department of Trade and Industry (DTI) of Philippine held eight consultation rounds in order to forge a possible Philippine-EFTA free trade agreement.

"We are very grateful to private sector enterprises, various government departments and agencies, civil society at large and the academe for their active involvement and participation in



Undersecretary Ceferino S. Rodolfo of the Department of Trade and Industry (DTI) and Ambassador Didier Chambovey of the Swiss State Secretariat for Economic Affairs

the series of consultations held since 2013, prior to negotiations held with EFTA," Rodolf added.

Rodolfo said that, with the nearing conclusion of the FTA negotiations, the government was in the process of developing a work program in order to encourage and promote utilization of the free trade agreement. This would allow diverse industry sectors in Philippines to benefit from the opportunities and potential of the PH-EFTA FTA.

"Right now, most Philippine products have duty free access to the European Union (EU) through the EU's Generalized Scheme of Preferences Plus (EU-GSP+). We are targeting a more permanent and long-term relationship through the ongoing negotiations with EFTA," Rodolfo added.

He added that establishing a strong foothold in the European markets was a key component of the country's future trade strategy.

Total commodity trade between the EFTA States and the Philippines has grown steadily over the last years, with an increase of 40% from 2011 to 2015 and total trade in 2015 amounting to around USD 863 million. The stock of foreign direct investment (FDI) in the Philippines' economy originating from the EFTA States has almost tripled in the last ten years. In 2012, the outward stock of EFTA FDI in the Philippines stood at approximately USD 4 billion.

Philippine enjoyed high volume exports to the EFTA member states in 2014 of gold in semi-manufactured form, digital monolithic integrated circuits, aircraft parts, printed circuits, artificial teeth and silver.

On the inbound side, Philippine imports include medicaments, diagnostic or laboratory reagents, parts of airplanes or helicopters and wrist-watches from EFTA.

"Improving market access with Europe through EFTA will encourage investments in the services and non-services sector, bring in high value added products, technological knowhow, and capital from their highly developed economies to our local economy," Rodolfo added.

The Philippines is actively participating in negotiations on the Regional Comprehensive Economic Partnership (RCEP). Rodolfo said that the DTI will continue technical consultations with the rest of the Trans-Pacific Partnership (TPP) member countries including Chile, Peru, Japan, and Viet Nam.

In 2015, technical consultations were held with Canada and Mexico following consultations with the United States, Malaysia, Australia, and New Zealand which were concluded earlier in 2014.

"The country's sectors and industries stand to benefit greatly from these trade initiatives. These will further improve the country's global standing even as we engage in more free trade besides attracting more foreign direct investment," Rodolfo concluded. ■

Swiss Backing for Sri Lankan Reforms and Business Plans for the Future

The government of Switzerland and private business players invested in Sri Lanka lent their support the island nation's 19th amendment to its constitution. Backing the spirit of reforms being ushered in Sri Lanka, the first ever Swiss-Sri Lanka Business Discussion Roundtable held at the Exports Development Board in Colombo concluded recently.

Addressing the business meet Swiss Ambassador to Sri Lanka Heinz Walker-Nederkoorn said, "I am very impressed by the democratic process on display in Sri Lanka. It was unique and a good start to the passage of the 19th amendment. We the Swiss, support this Lankan reform spirit".

The Swiss Embassy in Colombo, the Industry and Commerce Ministry's Department of Commerce and the Exports Development Board (EDB) jointly organized the event in May 2015 where representatives of Swiss multinational companies operating out of Sri Lanka sat across for a face-to-face with Industry and Commerce Minister Rishad Bathiudeen and Policy Planning and Economic Affairs Deputy Minister Dr. Harsha De Silva.

Swiss firms Holcim, Baur & Co and Roche Products elaborated upon their Lankan investments and Corporate Social Responsibility (CSR) at the session, also attended by EDB Chairman Bandula Egodage and Commerce Department Director General R.D.S. Kumararatne.

Ambassador Walker-Nederkoorn added: "Sri Lanka has a high potential. After the January 2015 Presidential polls, Sri Lanka has started a comprehensive reforms process."

"This is a timely event as significant economic and political changes are taking place in Sri Lanka under the leadership of President Maithripala Sirisena. In fact, this is one of the leading investment events to take place since the new Government took over in January," said Minister Bathiudeen.

"Switzerland is one of the major Foreign Direct Investment partners of Sri Lanka. Swiss companies such as Holcim, Nestle, Baur & Co, etc, have invested in various fields here such as chemical, pharmaceuticals, cements and construction, IT, consumable products, diamonds, tea and logistics.

"As you know, we have a large SME sector and it needs assistance to tap the Switzerland market. Since 99 per cent of Swiss businesses too are SMEs, I see great synergy potentials for SMEs of both sides. We consider you, the Swiss investors, as Sri Lanka's goodwill ambassadors. We have seen good progress in our bilateral trade in the last few years and our total trade in 2014 stood at US $ 269 million," the Minister further stated.

The continued negative trade balance suffered by Sri Lanka in favour of Switzerland in its bilateral trade, reversed for the first time in 2014 in Sri Lanka's favour with a US $10.17 million surplus.

"The US $20 billion export goal by 2020 is not good enough since it will be only 15 per cent of GDP. Previously we exported more than 30 per cent of GDP" said Dr. Harsha De Silva.

"Therefore I and our Prime Minister, as policymakers, are not going to settle for this. If you look at other countries with similar geographic advantage like Singapore and Hong Kong, their exports cross their GDP, at 190 per cent to more than 200 per cent of their GDP. We must double or triple our own export targets using a far better strategy," he explained.

"Switzerland, though a small nation, has strong global trade and enjoys many agreements with the European Union and others. It does not reject trade with any country. Some people in Sri Lanka say that we can't and shouldn't trade with India. We do not just close our doors with India just because two or three businesspeople say that we should boycott India.

"We want to complete the full cycle of production within Sri Lanka and produce 100 per cent of the clinker right here," said Holcim Lanka CEO Phillipe Richart adding, "We are committed to Sri Lanka over the long term." ■

Thailand On Track To Transition Into A Digital Economy

Data is one of the most valuable assets of the 21st century and its seamless flow is more important than ever. Greater connectivity, the presence of mobile networked devices, social networking enabled by widespread internet use, are just a few hallmarks of the digital age we live in. Governments are increasingly turning to digital strategies to transform their economies, while businesses are using them to drive growth. The recent approval of the National Digital Economy Master Plan (2016-2020) which aims to constructively use information technology to benefit the nation was a significant step. Current digital trends also reveal promising growth.

M-Commerce on the Rise

People are increasingly adopting a digital lifestyle as evidenced by the skyrocketing number of internet users; Thailand ranks second in ASEAN in terms of internet usage. Thailand had 38 million internet users and 84 million mobile phone subscribers, with growth rate of 47% and 15%, as of 2015. According to Mr. Ariya Banomyong, the Managing Director of LINE Thailand, the country has the potential to hit 50 million internet users in 2016. 'E-commerce' is rapidly evolving to become 'm-commerce.' Data obtained from the Bank of Thailand confirms this trend; the number of mobile banking accounts is expected to increase from 9 million in 2015 to 12 million in 2016. With mobile phones becoming the centerpiece of the Thai user's digital lifestyle and their increasing demand for technology solutions that afford more convenience, the opportunities in the digital sector for both local and international investors are manifold.

THAILAND BOARD OF INVESTMENT

National Digital Economy Master Plan (2016-2020)

To drive further digital innovation and create new business opportunities, the Master Plan lays out a long-term strategy that involves the development of infrastructure, workforce and other resources to serve rapidly evolving public and business needs. The six areas spotlighted in the plan include Hard Infrastructure, Soft Infrastructure, Service Infrastructure, Digital Economy Acceleration, Digital Society and a Digital Workforce.

Laying a Digital Foundation

The government plans to work in cooperation with the private sector to improve Thailand's hard infrastructure, so that it is capable of supporting a digital economy. The Master Plan calls for the government to lay a digital foundation over the first 1.5 years, by providing 10,000 free WI-FI spots across country, creating a nationwide broadband network, providing internet coverage in 30,000 villages and doubling the capacity of submarine cables (these are communication cables that are laid out at the bottom of the ocean to carry data). Developing soft infrastructure involves lowering the cost of mobile network investments and boosting consumer confidence regarding standards and regulations. Service infrastructure will also be upgraded. Digital economy acceleration, the development of a Digital society, and the creation of a Digital workforce, are all part of the plan. Long-term strategies for economic development include encouraging community enterprises and Small and Medium sized Enterprises (SMEs) to invest in the digital sector and establish at least 10,000 online shops (at least 15,000 one-stop online SMEs merchants will be targeted). The plan also calls for promoting 1500 tech startups a year and transforming both Phuket and Chiang Mai into Smart Cities. Socially, the government's plan for improvement includes the establishment of Electronic Health Records (EHER), 600 community digital centers and massive open online courses (MOOC).

BOI Incentives

The BOI offers attractive tax and non-tax incentives to eligible activities. The tax-based incentives include an 8-year corporate income tax exemption without cap and an additional five-year reduction of 50%. This also includes an exemption of import duty on machinery. For future industries of significant importance, the Ministry of Finance will consider granting 10-15 years of corporate income tax exemption. The non-tax incentives include the consideration of granting permanent residence to leading specialists and permission for foreigners to own land to implement promoted activities.The Board of Investment (BOI) offers an attractive range of investment promotion incentives to projects that help realize the government's vision for a digital economy. As per the BOI's cluster policy, businesses that use advanced technologies and future industries belong to the Super Cluster. Both Phuket and Chiang Mai belong to the Digital Super Cluster and the activities that are eligible to receive BOI incentives under this cluster are software (such as embedded software, enterprise software, and digital content), cloud services, data centers, software parks, movie towns, and Thai motion picture production and motion picture supporting services.

Putting It All Together

Thailand is taking a broad, multilayered approach to help the country transition into a digital economy and the government is making it appealing for investors to invest in this segment by providing them with attractive incentives. Given the massive strides in digital development that the country is making, Thailand looks well set to position itself as a prominent digital hub in the ASEAN Economic Community.

Digital Infrastructure Development Promotes Innovation

Thailand's vigorous efforts towards building a strong foundation for digital infrastructure can be seen in a variety of attractive incentives the Board of Investment (BOI) offers for rapidly-growing digital businesses such as data centers and cloud services. In order to support the government's digital economy policy, the BOI offers very attractive tax incentives to Data Center and Cloud Service to promote the expansion of Thailand's digital hard infrastructure in order to sufficiently serve user needs, maintain standards and reinforce the stability of the infrastructure network. Major tax incentives include 8-year tax holidays and exemption of import duties on machinery.

Digital Super Cluster Development Sees Rise of Smart Cities

Over the years, Thailand has gained a solid reputation as a business hub thanks to its low tax rates, good infrastructure, cost-effective workforce and excellent geographic location at the center of ASEAN. The growing integration of digital computing technologies into our social fabric is ushering in a new era. Not only does it open up the possibility of enhanced foreign trade and investment but it is also turning us into a digital society.

Thailand's Smart Cities

As part of the government's digital economy policy, Phuket will be transformed into a 'Smart City' this year, with Chiang Mai slated to be the same in 2017. Chosen for their readiness, favorable locations and internationalities, the move is expected to attract technology startups to these cities, enhance digital-related investment, improve the standard of living for residents, and boost the tourist industries there. The government has allocated THB 97 Million to turn Phuket into a smart city; this is part of the broader 'Smart Thailand' initiative that seeks to transform the country into an ASEAN digital hub. The comprehensive action plan aims to meet many objectives. Public services will undergo an upgrade, with internet speeds being increased to match global speeds, enabling technologies for the Internet of Things (IoT). More surveillance cameras will be installed to monitor traffic violations along with supporting networks capable of performing advanced data analysis, to enhance public safety. A new data center equipped with sensor technologies will track environmental data to watch out for natural disasters and improve marine environments. All these developments are expected to facilitate business operations and attract new businesses to the area. ■

Thailand Board of Investment

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The Timor Gap Question: Can't Map out a Solution

By **Tom Clark**
Director - Communications
Human Rights Law Centre Ltd,
Australia

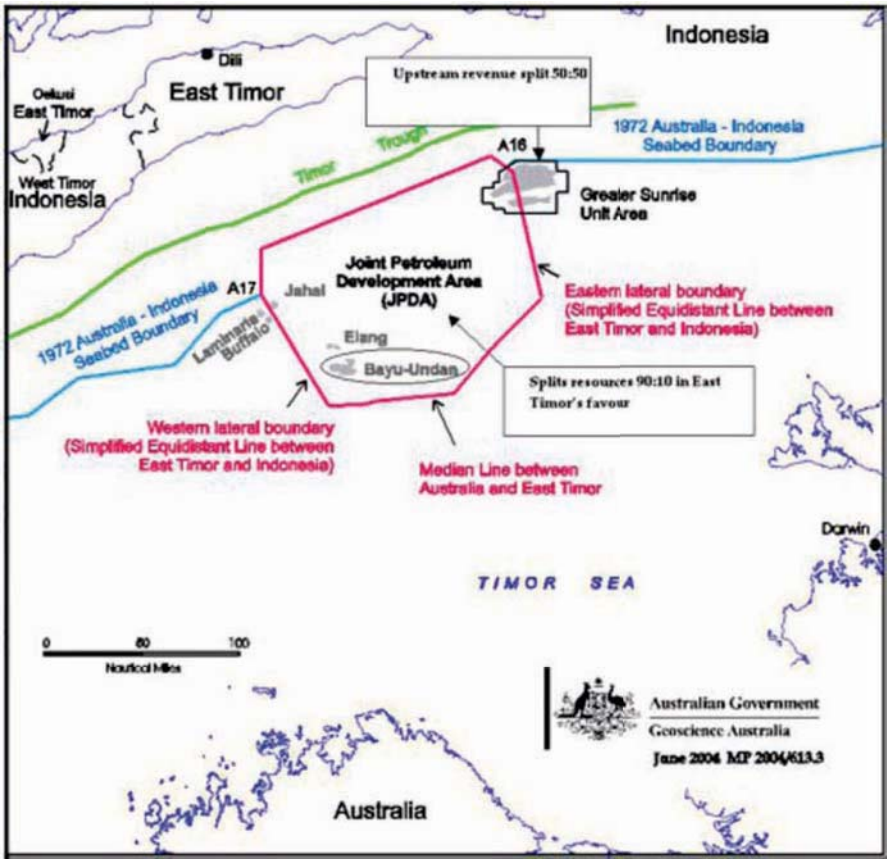
Given the tragic history of East Timor, it is understandable that Senator Nick Xenophon argues for an early and generous settlement of the Timor Gap border issues with East Timor. Currently existing agreements do not draw the division between Australia and Timor, equidistant between the two countries, as may seem equitable.

Firstly, Timor has an accumulated fund of almost $US17 billion from oil revenues through existing petroleum agreements with Australia. It receives 90 per cent of the revenues from the Joint Petroleum Development Area (JPDA). If the development of Greater Sunrise goes ahead (with prospective returns estimated at $40 billion), Timor would receive half the revenue under the existing agreement.

Is Timor entitled to more?

If it is about geography, drawing the southern edge of the border (running roughly east-west) so that it is equidistant between the two countries does not put Sunrise in Timor's territory. 80 per cent of Sunrise lies to the east to the JPDA. To get Sunrise into Timor territory, you would have to shift the eastern edge of the JPDA.

More recently, an American lawyer



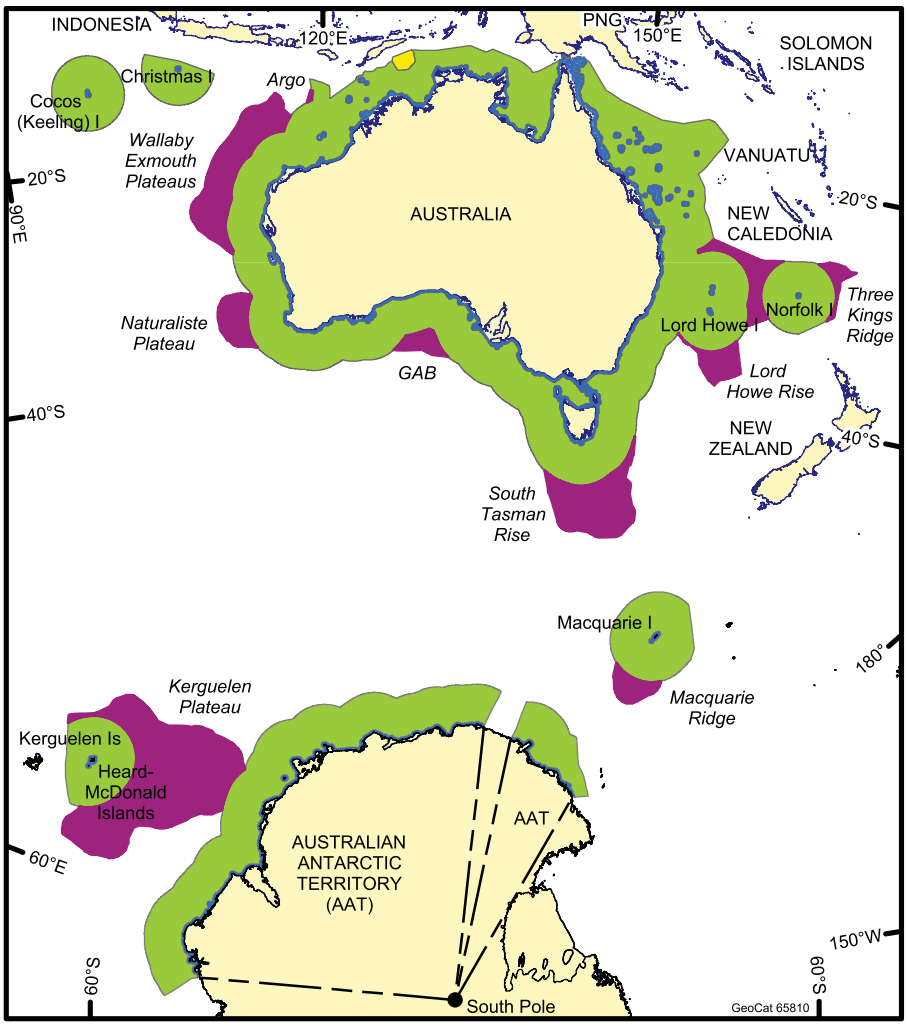
(sympathetic to the Timor position) produced some Google Earth maps to analyze possible borders. One of these maps puts 70 per cent of Sunrise in Timor territory. But this depends on where you start your eastern border. The critical point where this hypothetical border meets the Sunrise field is actually closer to Indonesia than to Timor.

Here is the dilemma: this border depends on East Timorese and Indonesian territory, not Australian. If you want to draw this border with a view to getting Sunrise into Timor's territory, you will surely open up the issue of Indonesia's border. It is certainly true that Sunrise is closer to Timor than it is to Australia, but it is closer to Indonesia than it is to Timor.

The continental shelf is still the basis of many international maritime borders, but where countries are less than 400 nautical miles apart, UNCLOS arbitrators have had such trouble with arguments about just where a continental shelf ends that they have taken the easy way out, routinely ignoring the continental shelf and settling on an equidistant border. This is presumably why Australia is reluctant to put this issue to international arbitration.

Replacing the southern edge of the JPDA with an equidistant border would make little difference to Timor's petroleum revenue, as they already get 90 per cent of JPDA revenue. But it would give away a chunk of our continental shelf and might set precedents.

Australia's core negotiating position seems sensible and easily defensible: we are ready to give Timor the greater part of the petroleum revenues from the disputed area (which would give Timor very substantial revenue for decades to come), but we are not ready to give away the continental shelf or open up the 1972 border agreement with Indonesia.



AUSTRALIA'S CONTINENTAL SHELF CONFIRMED BY THE COMMISSION ON THE LIMITS OF THE CONTINENTAL SHELF

Territorial sea and internal waters

Areas of marine jurisdiction within 200 M of Australia and its external territories

Area of Australia's continental shelf beyond 200 M as confirmed by the Commission on the Limits of the Continental Shelf

Joint Petroleum Development Area under Timor Sea Treaty 2002

Note: The areas of continental shelf depicted to the north-west of Australia reflect the terms of the 1997 maritime boundary treaty with Indonesia which has not yet entered into force.

1 nautical mile (M) = 1852m

To put it simply, a median line solution means drawing a line halfway between the two coast lines. So if an oil field was closer to East Timor then it would belong to Timor and if it was closer to Australia then it would be ours. So it's the fair and common sense approach and it's what international law prescribes," said Mr Clarke. ■

Uzbekistan–Land of Tremendous Business Opportunities

By **Gulnara Salimova**
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Uzbekistan situated in the heart of Central Asia and Great Silk Road, stretches 1,425 kilometres from west to east and 930 kilometres from north to south, bordering Turkmenistan to the southwest, Kazakhstan to the north, Tajikistan and Kyrgyzstan to the south and east and shares a short border with Afghanistan to the south. Uzbekistan is a dry, double-landlocked country with well-developed transport, communication and logistics systems. Uzbekistan is very attractive consumer market of more than 31 mln. population and comprises nearly half the region's total population.

Uzbekistan offers an attractive FDI's legal framework, favourable tax regime, highly-skilled, well-educated and young work-force - country enjoys quite high literacy rate which, in part, is attributable to the free and universal education system, efficient infrastructure, energy independence, and very competitive low-cost operating environment (average prices for electricity – 0.06 USD per kWt/h; coal – 42.5 USD per MT; gas – 0.06 USD per m3).

Uzbekistan ranked among top 5 fastest growing economies in the World (World Economic Forum), within top 5 in security and law enforcement (The World Justice Project), banking sector outlook remains stable (Moody's Corporation, Standard & Poor's, Fitch Ratings), ranking in Doing Business World Bank Report Uzbekistan improved from 141 in 2015 to 87 in 2016 (+54), Social Stability index of Uzbekistan is 0,29 vs. 0,31 of the Netherlands and 0,28 of Germany (GINI).

The Concept of Uzbek Transition Model to the social-oriented market economy consist of 5 basic principles: priority of economy over the politics; rule of law; the State is the main reformer; gradual approach to reforms; conducting strong social policy.

Despite global economic downturn, oil price decrease and fall of trade-turnovers in other CIS countries, Uzbekistan enjoys robust sustainable GDP growth - not less than 8% per year since the mid-2000s - thanks to favourable trade terms for its key export commodities like copper, gold, energy products, cotton, silk, uranium, ferrous and non-ferrous metals, textiles, food products, machinery and automobiles (CIA World Factbook), continuously rising amount of foreign investments, government's macro-economic management and limited exposure to the international financial markets. Country continues its strong performance, registering 8,1% of GDP growth in 2015. Average annual growth rate of industrial output for the last 10 years compounded 9%, exceeding GDP growth rate.

Export volume for the period 1990-2014 has increased more than 30 times. Share of finished products in export increased from 30% to 76%. Over the past 10 years export of high value-added products sharply increased, including: automobiles – 12 times, yarn – 4.4 times, complex fertilizers – 11.3 times. Uzbekistan possesses unique raw material resources – oil and gas, ferrous and non-ferrous, pressure stones, over 1644 deposits and 100 types of mineral resources.

Inherited from USSR in 1991 industries were modernised with an attraction of the latest technologies and FDI's - Ferrous and non-ferrous metallurgy, Fuel and Energy sector, Chemical, Machinery Construction, Light Industry, Food processing. During independence the new industries were developed, such as automobile with GM (USA), Isuzu (Japan) and MAN (Germany), agricultural machinery with CLAAS and LEMKEN (Germany), Case New Holland (USA), textile machinery with Rieter (Switzerland), textile industry, electro-technical industry in cooperation with Samsung, LG, Midea, Honeywell etc., petrochemicals, oil and gas machinery, railway machinery, construction material industry, pharmaceuticals, furniture production. Over 5000 enterprises with participation of foreign

capital from 90 countries were successfully established.

The implementation of consistent and gradual reforms in different sectors of the economy, and investment guarantees provided by law, solid tax and customs duties incentives, special free economic and industrial zones have been recognised as the foundation for the economic achievements currently being seen in Uzbekistan. A business-friendly political and legal environment has been regarded as an important factor in a business and investment climate that supports macroeconomic stability and economic growth in Uzbekistan. The adoption of state development programmes such the State Investment Programme and Localisation Programme, as well as industry development programmes have been confirmed as one of the unique features of the government's strong intention to create a more favourable investment climate in Uzbekistan. The Foreign Investment Law has provided an open and liberal FDI framework, including guarantees of national treatment, non-expropriation, the free repatriation of funds and freedom of monetary transactions and stability in legal relations, access to open-source information, observance of intellectual property rights and access to international arbitration. It also provides protection against adverse changes in investment, tax and customs law for the first 10 years after investment.

The business environment has been further enhanced by recent government efforts to create a "one-stop-shop" registration process, a simpler and less burdensome new tax code, to implement modern corporate governance practices and promote public-private sector dialogue. Coupled with Uzbekistan leadership cooperating efforts with the International Accounting Standards

Board to implement International Financial Reporting Standards (IFRS) and International Standards of Auditing (ISA) provide an appropriate platform to build accountable, responsible, fair and transparent corporate governance.

Improvements to corporate governance principles, whether they be in the private or public sectors, have also been in the centre of recent reforms in Uzbekistan. In 2015, in line with a Presidential Decree, the Government of Uzbekistan launched a programme to privatise state companies operating in the oil and gas, chemical, machinery, building materials, electrical engineering, textile and food industries, as well as finance, insurance and other sectors of economy.

Reducing the level of state share in the economy to strategically and economically reasonable levels, ultimately increasing share of the private sector, the government sells shares and assets in 1247 state enterprises, including 512 enterprises - at "zero cost" and sale of the state share in 68 large-scale enterprises - only to the strategic foreign investors. Targeting by 2019 a full modernisation, structural changes and diversification of the main industries, the state leadership launched 900 projects with total investments of 41 bln. USD, including in: petrochemical industry – 54 projects; power sector – 35 projects; chemical industry – 25 projects; machinery – 77 projects; building materials industry – 11 projects; light industry – 79 projects; food industry – 304 projects; pharmaceuticals – 22 projects. Development and modernisation of the infrastructure includes implementation of 300 projects with total investments of 10 bln. USD: construction and modernization of over 2700 km of public automobile roads; development of 960 km of railways, and electrification of 885 km of railroads; construction and reconstruction of 8600 km of water supply and 576 km of sewerage networks; modernization of 25300 km of power grids; development of telecommunications infrastructure by 1.7 times extension of fibre-optic network and expansion of mobile communication coverage from 80% to 95.3%.

The expected by the government results of their Structural Reforms and Strategic Programs being implemented in 2015-2020 are as follows: GDP growth rate - 8% per annum; Industrial growth rate - 9% per annum; Industry's share in GDP – increase from 24% to 28%; Share of high technology production in Industry – increase from 70 % to 76%; Production of new goods - over 100 types and 1000 varieties; Export growth - by 1.5 times up to 25 bln. USD; PPP based GDP per capita - Over 10.000 USD. ■

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Vietnam must Devalue Dong for International Competitiveness

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Vietnam's economy, on an upswing today, is much less vulnerable to external shocks due to better diversity. However, the country has refrained from artificially lowering its currency in more than four years. Between 2011 and 2015 Vietnamese prices, increased by 40 per cent while labor productivity rose by only 20 per cent. This imbalance is termed as the"competitiveness gap".

In order to bridge this gap and return to former cost levels, either productivity has to rise at a higher pace or the State Bank of Vietnam (SBV) has to resume currency depreciations. The crucial question arises abut the ideal exchange rate that will stimulate competitiveness levels as in 2011.

The Dong would need to be lowered to levels of around 24.500 to 25.000 USD/VND. This figure is only intended to help readers understand the impact of policies of recent years.

Since labor costs do not constitute the same proportion to total costs in developed countries, the comparison of productivity gains with the rise of consumer prices would be more

reliable. Overall, labor costs, have increased by roughly 60 percent in the same period.

Impact on FDI by productivity gap

As the global economic crisis deepened, investors sought safeer options and accelerated capital withdrawals from emerging markets. These countries also implemented drastic measures to stabilize their currencies and economies.

Besides the global economic downturn, The State Bank of Vietnam (SBV) was also confronted with rising bad debts accumulated in the banking system during the boom years.

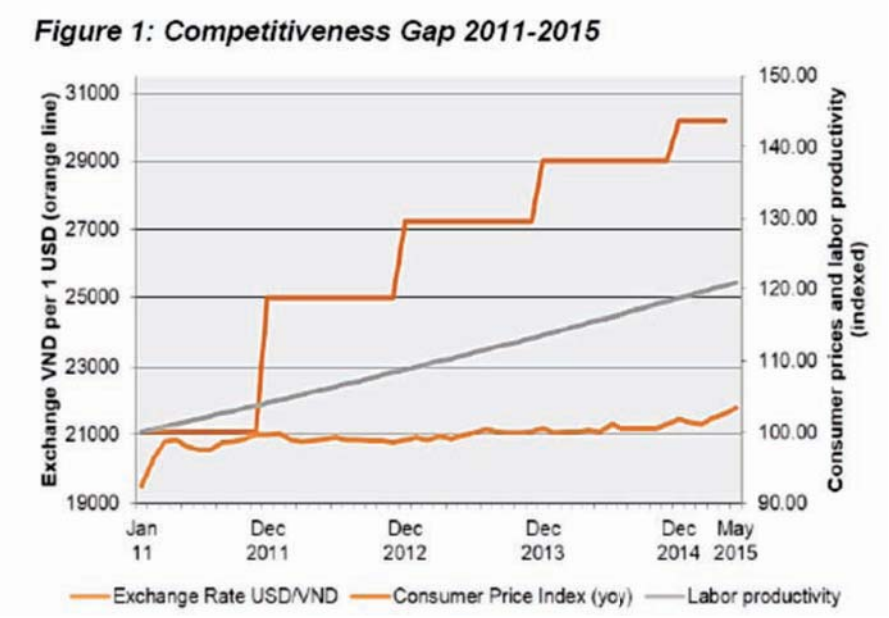
Several waves of depreciation followed with the Vietnam Dong fixed at around 20.800 USD/VND in March 2011, a sharp slide from 16.000 USD/VND in 2008. Since 2011 a relatively long period of currency stability was seen.

With international competitiveness achieved through depreciation rounds, SBV focussed on lowering inflation and cleaning the banking system. This earned the country a higher credit rating and amazingly low interest rates. Gross Domestic Product (GDP) of Vietnam is one of the highest in the region. Investors shifted production bases from China to Vietnam. Vietnam still has to factor in how to tackle soaring costs if the Dong remains at its current level.

Companies were able to increase productivity at twice the pace of the national average and offset increasing costs with a higher output.

More depreciation of the Dong in 2016?

Only with preparation and professional market entry support will foreign investors achieve high productivity gains in Vietnam, reaping good investment opportunities available. In the years ahead SBV will resume the gradual depreciation of the Dong to pull in investors.



While SBV announced it would not devalue the Dong by more than 2 percent, this has already been reached before the first quarter of 2016 has ended. Future currency depreciations will help close the competitiveness gap, support foreign companies to set up production in Vietnam and maintain trade balance equilibrium.

The outlook for Vietnam's economy remains bright and investment conditions continue to improve. Only professional conception and execution of Vietnam and ASEAN projects will be crucial for economic success of Vietnam.

{Statements regarding potential development of exchange rates are not to be understood as a suggestion for buying or selling a currency. BDG Vietnam and the author are in no way liable for any gains or losses resulting from exchange rate fluctuations. The statements are to be understood as guidelines for foreign direct investments (FDI) in Vietnam.} ■

Vietnam is on the Upswing, but Needs to Keep the Momentum

As the Communist Party of Vietnam prepared for its five-year national congress, suspense built over who would take over the party's helm. When the curtain was finally lifted on 25 January 2016, supporters of populist Prime Minister Nguyen Tan Dung were disappointed to find that conservative incumbent Nguyen Phu Trong had won a second term.

However, the sidelining of Dung, who has been accused of nepotism, cronyism and economic mismanagement, is unlikely to change the course of the party in the medium term. Reforms will continue, albeit at a slower pace, as will increasingly closer ties with the US.

The reason for the pro-Dung public sentiment is not hard to fathom. In a country where the masses have not ceased railing against China's growing assertiveness in the South China Sea, leaders who explicitly confront Beijing are likely to win the public heart. When China dragged its oilrig into an area that Vietnam considers part of its exclusive economic zone in May 2014, Dung was outspoken against China's territorial ambitions. He was also a visible champion of economic reforms and strategic alliances with other regional powers, particularly the US. These moves were apparently aimed at countering China's economic clout.

Economically, Vietnam is on the upswing and remains a darling of the international business community. Economic growth notched a five-year high of 6.7 percent in 2015 with foreign investment peaking at US$14.5 billion. This is the context for Vietnam to grasp an incredible window of opportunity.

First, it must deepen its commitment to reforms. Many seem to believe that if Dung could cling to power, reforms would move at a faster pace. Those in the pro-Dung camp also claim that Vietnam under the leadership of Trong, who is not only ideologically conservative but also cautious, is less poised to capitalise on of such opportunities.

But as Vietnam has taken the leadership-by-consensus approach to bread-and-butter issues, its economic and foreign policies will not fundamentally change. Dung being sidelined does not mean the new leadership will either shun reforms or kowtow to China. Dung's critics have dismissed his anti-China rhetoric as political manoeuvring aimed at currying public favour, and they blame him for compounding Vietnam's entrenched economic dependence on China. On the contrary, Trong's sympathisers say he is not as soft on China as he may appear to be.

The bottom line is that Dung's public support epitomises the desire of the masses to see Vietnam escape the Chinese orbit, paving the way for rapprochement with the US.

More than a thousand years of occupation and three deadly wars in the 1970s and 1980s provide the historic context for the deep-seeded anti-China sentiment in Vietnam. Given the longer periods of French colonialism and Chinese aggression against Vietnam, and given the US's strategic importance in the world after 1975, it should come as no surprise that the Vietnamese people are ready to put the past behind them more quickly with the US.

Regardless of who is in power, Vietnamese leaders must take stock of increased political, economic and military ties with the US, possibly at the expense of relations with China. This poses major questions for both Vietnam and the US over the nature, and depth, of Vietnam–US ties.

Even though it has been 20 years since the normalisation of Vietnam-US diplomatic relations, lingering mistrust, disputes over human rights, and the US wartime legacy have all hampered bilateral ties. However, when President Barack Obama met Trong in July 2015, he spoke of moving beyond the 'difficult history' of the Vietnam War and joining forces to deter China, which is increasingly flexing its political and economic muscles in the region.

A week before the Communist Party Congress opened, Ted Osius, US ambassador to Vietnam, said that two events in 2015 demonstrated the relationship's transformation — the landmark visit of Trong to Washington and the conclusion of negotiations for the Trans-Pacific Partnership (TPP), an ambitious US-led regional free trade agreement.

Vietnam has been gung-ho to join the TPP, and when the nation expressed interest several years ago, few thought they were serious or capable of making the necessary reforms. However, the trade agreement crystallises how far Vietnam's leaders are willing to go to secure a deeper economic relationship with the US. No country had to do more to enter the TPP than Vietnam. Like the US, Vietnam sees the TPP as a strategic political instrument, not just a trade agreement.

A few in Vietnam still hold a grudge against the US and some feel that the US at least has an obligation to make war reparations. However, the vast majority believes that Vietnam will benefit from improved relations, in particular through trade and investment. This sentiment is amplified by the relative youth of the population, with most being born after the war.

Vietnam's leadership, while authoritarian, can no longer ignore such public sentiment. The one-party state is increasingly accountable to the public and, through monitoring of social media, very aware of public sentiment.

Despite the jockeying for power that may have happened behind closed doors, Vietnam's new leadership eventually appeared as a united front to the public. As the country's reigning top leader, it would be unwise for Trong to dwell on savouring his ability to dispose of Dung. Instead, he should ponder on how his once archival won the public heart: by standing up to China. ■

A few words about the Swiss-Asian Chamber of Commerce

The **Swiss – Asian Chamber of Commerce** was formed by a merger of the Swiss - South East Asian Chamber of Commerce SEA and the Swiss - Korean Chamber of Commerce SKCC on Tuesday, May 24, 2005, in Zurich, Switzerland, as a private non-profit association. Its main purpose is to promote economic and business relations between Switzerland, Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste based on the principle of reciprocal benefit.

The Chamber serves as a forum for all firms, institutions, government bodies and individuals interested in the bilateral relations between Switzerland, Southeast Asia, Korea, Mongolia, Pakistan and Sri Lanka. The Chamber is a non-governmental association and receives no grants of financial aid of any kind. To maintain an efficient and member-oriented activity serving the interest of Swiss, Southeast Asian, Korean, Mongolian, Pakistan Sri Lankan and Timor Leste business, the Chamber depends on the financial support of a strong and growing membership base.

The Chamber's activities cover the following Asian countries:

• Brunei • Cambodia • Indonesia • Korea • Laos • Malaysia • Mongolia • Myanmar • Pakistan • Philippines • Singapore • Sri Lanka • Taiwan • Thailand • Timor-Leste • Uzbekistan • Vietnam

SACC offers its members a comprehensive range of services at preferential terms:

♦ **Business Contacts –** SACC provides assistance in establishing business contacts in Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste or Switzerland and in locating suitable agents, representatives, manufacturers and suppliers. SACC acts as a contact point for Swiss industry whenever questions arise with regard to the bilateral economic relations. SACC offers Company Pools through its partners in Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste: In order to realize large projects, small companies which do not compete with each other can join in a pool and benefit by sharing infrastructure.

♦ **Business Advice –** SACC gives you unique access to people and institutions which affect your business and offer you opportunities to meet with professional staff to discuss general or specific issues on the Southeast Asian, Korean, Mongolian, Pakistan, Sri Lanka and Timor Leste markets. Chamber luncheons let you meet, learn from, and interact with CEOs of major corporations or with decision makers from the public sector.

♦ **Exchange of Experience –** SACC helps you to establish business relations with business people and official bodies in Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste. SACC offers its experience to link Swiss and Asian companies for rewarding business opportunities.

♦ **Information Services –** SACC offers you diversified, up-to-date information and documentation services including database access, enquiries about and from Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste.

♦ **Publication –** SACC members and subscribers benefit from the SACC Journal, a regular publication, which gives practical information about the way business is done in a country or economic sector in Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste. Each edition focuses on a specific and current topic. Members can publish their company news and experiences related to Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste and take advantage of advertising space at reasonable costs.

♦ **Government/Economic Relations –** SACC keeps regular contact with Swiss, Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste government agencies, economic organizations and private firms. Members may benefit from this network by obtaining access to these organizations through our Chamber.

♦ **Delegations –** SACC assists trade delegations from and to Southeast Asia, Korea, Mongolia, Pakistan and Sri Lanka in their visits and gives support to Swiss business people going to Southeast Asia, Korea, Mongolia, Pakistan, Sri Lanka and Timor Leste. The Chamber is open to all kinds of business sectors and Swiss–Southeast Asian, Korean, Mongolian, Pakistan, Sri Lanka and Timor Leste business activities – not only exports to and imports of Southeast Asian, Korean, Mongolian, Pakistan, Sri Lanka and Timor Leste products, but also investments, license production, services and R&D. As part of its membership, a company is incorporated into a comprehensive network of contacts to which it may refer at any time.

♦ **All services of SACC –** are also available to non-members who will be charged with a time based fee.

To become a member of SACC please fill the membership form on page 19 or register on SACC's website, www.sacc.ch."

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