Filipinos fume as snail-pace internet leaves business on ice

REUTERS, *Manila*

PATROLLING downtown Manila in his new Toyota, Uber driver Daniel Canezal is grumpy. It's not from the heat, grime or traffic of the capital's clogged streets - it's the Philippines' ramshackle internet service that is making his life a misery.

Since signing up with the ride-hailing app this year, the 61-year-old has lost count of fares missed because of patchy smartphone networks as one of Asia's fastest-growing economies labours with one of the region's slowest webs. "They should correct their services, it's embarrassing," said Canezal.

That's all about to change, say the operators of the country's two networks, Philippine Long Distance Telephone Co (PLDT) and Globe Telecom Inc. After a $1.5 billion deal in May to buy prized mobile spectrum from a potential rival, the duo say they plan to invest hundreds of millions of dollars to boost coverage.

But from Uber drivers to business elites, users complain they are fed up with a duopoly that has had decades to build a reliable web. Industry leaders have already tasked new President Rodrigo Duterte with making the web faster - or risk a drag on the robust economic growth he has vowed to ensure.

The tough-talking Duterte wasted little time issuing a threat to liberalise rules to bring in foreign telecoms companies if need be. "Improve the service or I will open the Philippines for competition," Duterte warned PLDT and Globe in May.

The need for more speed is crystal-clear: The Philippines' market of 100 million people ranked 21st out of 22 Asian countries in terms of internet speed, according to a study by data analytics firm Ookla - just ahead of Afghanistan.

PLDT and Globe say their move to jointly buy food-to-power conglomerate San Miguel Corp's start-up telecoms business - snapping up premium 700-megahertz spectrum compatible with 4G services - was what was needed to kickstart upgrades.

But with PLDT and Globe controlling 57 percent and 43 percent of the wireless market respectively, sceptics have noted the deal cements their dominance of a market worth about $6 billion in annual revenue, effectively raising the bar for potential new entrants and undermining incentives to improve.

The joint PLDT-Globe deal - the biggest acquisition in the country in nearly three years - came soon after a failed attempt by Australia's Telstra Corp to enter the Philippines in a joint venture with San Miguel. Telstra said the deal fell through because commercial terms could not be agreed.

"It's one thing for PLDT and Globe to say they will improve service, it's another thing for them to provide that," said Mary Grace Santos, a research fellow with Information and Communications Technology think tank LIRNEasia.

"The consumers will definitely lose, the economy will also suffer," said Santos. "We really need to shake things up."

At Globe, President Ernest Cu said his firm was not against a third player coming into the market. But he said snail-paced internet service was down to excessive administrative hurdles slowing plans to expand data capacity, rather than the effective existence of a duopoly.

"It is incumbent upon the government entities to rid the bureaucracy, the red tape that plagues us," Cu told reporters when the deal was announced late in May.

Even if administrative delays are stripped away by Duterte's government, a more serious headache for PLDT and Globe could be in the offing, with some analysts predicting their deal to buy the San Miguel assets may not pass muster as it stands with antitrust authorities.

Regulator National Telecommunications Commission has given Globe and PLDT a year to ramp up speeds.

Meanwhile a newly formed Philippine Competition Commission is looking into the San Miguel deal closely, even as PLDT and Globe separately asked the Court of Appeals to stop the body from scrutinising the agreement.

Still Globe does have contacts with the new Manila administration: Duterte has appointed Rodolfo Salalima, former chief legal counsel of Globe, to head up the newly formed Department of Information and Communications Technology that will oversee telecoms policy.

In the meantime, customer firms reliant on the internet say they're more worried about lost business than getting value for money in the telecoms service. "It's common for online customers to abandon an e-commerce transaction if it takes so long to load a page," said Jacqueline Van Den Ende, the country head of online property broker Lamudi.

At Uber, general manager for Manila, Laurence Cua, highlighted the importance of reliable connectivity, and said some drivers and riders provide feedback citing difficulty connecting online.

"We are rapidly moving towards an Internet-dependent economy, where opportunities such as flexible working hours and more effective ways to find riders and drivers are only made possible with the efficient transfer of information," said Cua.

For Uber driver Canezal, a livelihood is at stake.

"With my savings and my wife's income still not enough to send my children to school, my wife and I decided to have a car through a loan payable in 5 years," he said. "I work full time in Uber...It is now my source of income."

REUTERS

Residents surf internet at a neigbourhood computer shop in Manila.

Indonesia commences new tax amnesty program

REUTERS, *Jakarta*

THE Indonesian government on Monday started the implementation of its new tax amnesty program as it seeks to boost tax revenues by encouraging the repatriation of funds stashed abroad.

"Starting today, the tax office has started operations to service those who want to participate in the amnesty," Finance Minister Bambang Brodjonegoro told reporters at an event in Jakarta on Monday.

Finance Ministry officials held a news conference late on Monday to announce details of the program.

The government will impose a 2-5 percent tax for assets brought back onshore by March 2017. Those assets must be kept in Indonesia for three years in funds managed by appointed banks, and can be invested in several ways, including government bonds.

Repatriated funds will be allowed to be invested in instruments like government issued securities, stocks, bonds and mutual funds issued by private companies, as well as the direct purchase of properties.

Finance ministry official Robert Pakpahan said 18 banks have met the qualifications to manage funds from the tax amnesty, which is up from seven banks announced last week. However, the finance minister said banks still need to wait for an official appointment letter from the government to formalize the mandate.

Bank executives last week told Reuters they expect big gains from the amnesty. Bank Negara Indonesia Tbk director Panji Irawan said it might receive up to 75 trillion rupiah ($5.72 billion) in inflows while Bank Mandiri Chief Executive Kartika Wirjoatmodjo said its inflows "could be huge".

The banks can manage the funds through asset management firms and brokerage houses listed by the government. Some $200 billion in Indonesian money is thought to be stashed in Singapore and wealth managers there worry an Indonesian amnesty might lead to an outflow of assets from the city-state's massive wealth management industry.

"This will have an impact and some Indonesian money will flow out of Singapore, but still a lot of money will remain offshore," said a Singapore-based senior private banker, who asked not to be identified because of the sensitivity of the topic.

"I have not seen tax amnesties work exceptionally well in other centers so it is unclear how effective this one will be." The stock market had expected the successful implementation of the bill since its passage through parliament on June 28 with the main stock index .JKSE up 5 percent and foreign investors net buying around 10 trillion rupiah ($763.65 million) since then.

Roni Bako, a tax analyst with Pelita Harapan University in Jakarta, said the expansion of the taxpayer base, which will come with the declaration of assets, is an important result of the program.

Indonesia has only around 28 million registered taxpayers, including corporations, Bako said. That compares with Indonesia's population of 240 million.

Singapore launches talks for free trade deal with Sri Lanka

REUTERS

Singapore and Sri Lanka have started talks for a free trade pact, including measures to free up trade in goods and services as well as investments, the city-state's trade minister said on Monday.

Sri Lanka's push to build infrastructure and develop its industries presented prospects for Singapore firms to partner with companies in the Indian Ocean nation and contribute to its growth, S. Iswaran said in a statement.

"Amidst an uncertain economic environment, Sri Lanka offers good potential for Singapore companies looking to tap opportunities in new markets," he said.

The Indian Ocean island was Singapore's 39th largest trading partner last year, with two-way trade of S$2.05 billion ($1.52 billion), Singapore's Ministry of Trade and Industry said.

REUTERS

Sri Lanka's Prime Minister Ranil Wickremesinghe and Singapore's Prime Minister Lee Hsien Loong witness a deal signing ceremony between Sri Lanka and Singapore.

India needs to continue push for financial inclusion: Rajan

REUTERS

India needs to continue fine-tuning rules on collateral and interest rates to ensure financial institutions have enough incentives to keep lending to the poor, central bank Governor Raghuram Rajan said on Monday.

Rajan said the Reserve Bank of India (RBI) would continue to look at the rules as it seeks to find a careful balance between the needs of the poor and the push for profits by financial institutions.

As such, Rajan said the RBI may look at easing rules that at present prohibit taking collateral for loans below a certain size for some population segments, and reducing the ceiling rates for loans provided by micro-finance firms.

"I am confident that in the foreseeable future we will bring formal financial services to every Indian who wants them," Rajan said at a seminar on financial inclusion in Hyderabad, according to a copy of a speech released by the RBI.

ECB to pave way for stimulus in September: analysts

AFP, *Frankfurt*

THE European Central Bank, widely expected to hold fire on monetary policy next week, will likely prepare the ground for more stimulus measures in September as the economic fallout for the eurozone from Brexit becomes clearer, analysts predicted.

The ECB's decision-making governing council is scheduled to hold its regular policy meeting on Thursday, a month after Britain voted to quit the European Union.

While the initial market turmoil triggered by the shock outcome has abated, taking the heat off the ECB and other major central banks to charge to the rescue immediately, observers believe the true extent of the economic damage will only become discernible later.

Britain's new prime minister Theresa May has yet to decide when to trigger Article 50 of the Lisbon Treaty, formally notifying Brussels of Britain's exit and starting a two-year countdown on divorce from the EU. The full economic consequences of Brexit are only likely to become clear during the negotiations on the terms of its exit.

The Bank of England already held fire on an interest rate cut last week, although it flagged it will likely act at its next meeting in August.

The ECB is similarly likely to bide its time, analysts said.

"No further measures are expected at the meeting as the ECB was reported to be relieved about the markets' rather muted reaction to the Brexit vote," said Commerzbank economist Michael Schubert.

"A monetary reaction appears unlikely to be considered by the council before September," the expert said.

So far this year, in a bid to kick-start recovery and drive inflation rates up to levels more compatible with healthy economic growth, the ECB has cut its main refinancing rate to zero, beefed up its asset purchase programme known as quantitative easing (QE) and launched a new scheme of ultra-cheap loans to banks.

But eurozone inflation stood at just 0.1 percent in June, a long way off the ECB's target of close to but just under 2.0 percent.

"But the Brexit vote has increased what were already significant downside risks to the eurozone economy and the inflation outlook remains dismal," said Capital Economics economist Jennifer McKeown.

"We therefore expect the ECB to at least pave the way for more policy support in September, probably involving an interest rate cut and bigger asset purchases."

"In the post-Brexit vote world, even though financial markets have calmed somewhat in recent days, the ECB's concerns have increased," said ING DiBa economist Carsten Brzeski.

"The economic recovery of the eurozone is again at risk, inflation could be lower and, above all, the future of the entire eurozone has never been shakier and more unclear than at present."

The ECB is scheduled to publish its latest updated economic projections in September and those could give governing council members a better handle on what path to take.

Ben May at Oxford Economics said he was certain "there will be a contingent who, if conditions do worsen, will be open to more policy action."

Nevertheless, even if the ECB does move again in September, analysts were divided about the effectiveness of further rate cuts with borrowing costs already at all-time lows.

REUTERS/FILE

European Central Bank President Mario Draghi arrives at the EU Summit in Brussels.

German economy to grow strongly in Q3 despite Brexit risks: Bundesbank

AFP, *Frankfurt*

THE German economy, Europe's biggest, will continue to expand strongly in the third quarter, despite potential risks from the British vote to quit the European Union, the German central bank or Bundesbank said on Monday.

After growth slowed in the second quarter of 2016, "the underlying economic trend remains very strong and a sharp increase in overall economic output can be expected in the summer quarter," the Bundesbank wrote in its latest monthly report.

In the period from July to September, the main driving factors behind recovery -- the very favourable situation on the labour market, rising wages and expansive fiscal policy -- "remain intact," the report said.

"Continued positive sentiment among companies and households suggest that the slowdown in growth in the second quarter will only be temporary," the central bank continued.

"It is currently difficult to forecast the economic fallout for Germany (from Brexit), but it is likely to remain limited, at least in the short term," it said.

German gross domestic product (GDP) expanded by 0.7 percent in the first three months of this year, but is expected to have slowed in the second quarter.

The Bundesbank is currently pencilling in GDP growth of 1.7 percent for the whole of 2016.