# Asean and South Asia take lead in infrastructure race

ANNA MARRS

ASEAN and South Asia are building infrastructure at an unprecedented rate. Anyone who travels the capital cities of this region knows it for a fact. Roads, railroads, bridges, ports and metros. All this construction is transforming the city centres and areas of economic activity, and the lives of 2.4 billion people. It is also connecting people and businesses to opportunities, both within and beyond the region.

But despite all the construction underway, Asean (the Association of Southeast Asian Nations) and South Asia have even more to build. The way these projects are scoped, structured, financed and supported will also need to change in order to meet their full economic potential.

At the World Economic Forum (WEF) on Asean in May, governments and business leaders agreed that deeper public-private collaboration is needed to narrow the infrastructure gap. To advance blended finance for sustainable infrastructure, WEF and the Organisation for Economic Cooperation and Development (OECD) will form an Asean Hub using the public-private funding approach. It will bring together governments, banks, pension funds, and philanthropic organisations to catalyse $100 billion of projects.

This is a step in the right direction, but more needs to be done. The Asian Development Bank (ADB) estimates that developing Asia will require $26 trillion in investment by 2030 to meet its infrastructure needs. Securing this funding is crucial. Progress on infrastructure will mean the development of an economic hub. A unified production platform and marketplace will strengthen regional trade and investment activities, and drive trade with the rest of the world.

Anna Marrs

In our experience, there has been no shortage of capital for infrastructure projects. On the contrary, there is now unprecedented demand for well-structured initiatives with the right risk-reward balance. In a sustained low yield environment, infrastructure projects are an asset class with attractive long-term returns. While the public-private partnership (PPP) scheme is a valuable solution for the lack of infrastructure budget, collaboration needs to be reinforced.

Banks' role in financing long-term assets is evolving and will continue to evolve as IFRS 9, a major accounting change, comes in 2018. But even through these changes, banks will play a key role in originating infrastructure assets. A close partnership between banks and investors is a necessary condition for infrastructure development success. Banks experienced in project financing understand the challenges that institutional investors face when investing in infrastructure. There is a lack of in-depth knowledge and skills in project risk valuation and pricing among these investors, yet they are held accountable for their decision-making. But when banks are engaged, projects will be structured and funded to a level where they become financeable for pension funds, sovereign wealth funds and philanthropic organisations.

Bank-investor-government collaboration as a three-way partnership is an even more robust and sustainable partnership. A well-defined and fair model is one that provides an appropriate risk allocation and addresses the minimum expectations of investors. Infrastructure projects that meet these prerequisites will generate both economic returns and social benefits.

While the priority of the infrastructure agenda is focussed on the "hardware" of getting projects agreed upon, financed and implemented, the availability of the right "software" cannot be underestimated. And much of this "software" development needs to happen long before each infrastructure project breaks ground.

Key "software" is a stable policy environment, which is critical to ensure that decision-making is not fragmented and goal posts are not moved mid-project. A transparent, predictable and independent regulatory regime underpinned by a sound legal framework will instil investor confidence. While these conditions can help minimise currency and commodity risks for international investors, early assessment and management is still vital to the success of each project. And to reduce risk perception of infrastructure projects, governments can rope in multilateral agencies to provide insurance or guarantees.

Skills are also essential "software". The continuous provision of the necessary skills, either via the exchange of expertise and experience or through local upskilling, is important. Over time, the way infrastructure is getting constructed has changed. We need to build a labour force well-trained on new techniques and technologies to ensure we can build infrastructure in an efficient and environmentally-friendly manner.

More importantly, we need to develop a central and specialised pool of resources that can be deployed to cross-border projects of higher risks and complexity. Through the sharing of staff and exchange of expertise, the teams will quickly gain experience throughout the entire project lifecycle. Undoubtedly, the right skills and tools will better prepare the region for the evolving demands of an increasingly connected world.

Asean and South Asia are paving the way – literally and figuratively. Nothing short of political will and strong partnerships are required to deliver the full potential of this enormous wave of infrastructure investment.

The author is the CEO of Standard Chartered Bank's Asean and South Asia region.

# Gloomy Eid sales worry handloom weavers in Pabna

AHMED HUMAYUN KABIR TOPU, *Pabna*

WEAVERS of two of the biggest handloom fabric producing districts are interpreting the ongoing lower-than-expected sales as a sign that they would miss their Eid target to some extent.

Ten upazilas of Pabna and Sirajganj are home to some 4.5 lakh looms, powered by both machine and hand, meeting some 70 to 75 percent of the traditional textile's demand in the country.

The weavers aim to produce 5.5 to 6 crore pieces of hand-woven garments, mainly lungis and saris, this month, said Md Haidar Ali, vice-president of Bangladesh Handloom and Power Loom Owners Association.

Eid accounts for about half of their yearly sales. For an average crafter, weekly sales leading up to the festival reach 300 to 400 pieces, while it is 100 to 150 pieces in other occasions.

However, sales have not kept up with expectations and with Eid-ul-Fitr around a week away, the artisans are pondering on ways to repay moneylenders, on whom they heavily depend on.

Md Sajahan Ali of Dogasi Kulunia village said about a quarter of his stock of lungis remained unsold last week and if the trend continued, he would find it difficult to pay wages to his workers.

Most production take place in households with clusters of five to 15 looms while there are a number of larger units housing some 100 to 150 looms.

"I have eight looms in my factory but I have retained just four workers," said Md Hafizul Islam, a sari weaver of the village.

"Some 30 to 40 pieces of saris were produced every day last year but this year I am producing 15 to 20 pieces due to poor demand," he said.

The twice-weekly rural markets in Shahzadpur and Ataikula are now open every day. Traders say their target group is low-income families who might not have enough cash in hand.

Moreover, product prices have increased by 10 to 15 percent for a rise in cost of raw materials, which, the traders say, might also be responsible for the slow sales.

STAR

A man weaves a piece of cloth by a handloom at Dogachi in Pabna.

# Asian currencies climb as soft economic data hurts dollar


REUTERS

A China yuan note is seen in this illustration.

REUTERS

MOST emerging Asian currencies edged up on Monday, with the Korean won leading gains as the dollar was subdued by questions over the strength of the US economy after weak economic data.

The dollar's rally on the back of rising interest rates was tempered by a fall in US housing starts in May to the lowest in eight months and after a barometer of US consumer sentiment unexpectedly fell in early June.

"Whether forex markets are clueless on the way forward or dollar bulls are getting cold-feet with post-FOMC knee-jerk rallies fading, is debatable," Mizuho Bank said in a note.

Political risks in the United States involving Trump, the FBI and Russia have stymied hawkish cues from the Federal Reserve to some extent with softer economic data also hampering the dollar bulls for now, Mizuho added.

The won led the gains among emerging Asian currencies, climbing as much as 0.5 percent, after posting sharp losses on Friday.

South Korea's central bank was suspected of selling dollars to slow the won's fall towards the close of onshore trade, multiple traders said on Friday.

In other currencies, the Taiwanese dollar appreciated 0.2 percent against the dollar.

Taiwan's export orders in May likely rose for the 10th month in a row helped by strong global demand for the island's components for the upcoming Apple iPhone 8 and other tech gadgets, according to the median estimate of 10 analysts polled by Reuters.

Bucking the trend, the yen drifted lower after strengthening marginally on Friday.

Japan's imports rose more than expected in May, partly due to increasing demand for intermediate goods companies need to manufacture their products.

**CHINA'S YUAN**

The Chinese yuan drifted marginally higher to 6.812 on Monday, remaining on track to end a two-day losing streak against the dollar.

Net foreign exchange sales by China's commercial banks rose to their highest level in four months, official data showed, although capital outflows were kept under control by a string of tight regulatory steps.

China has tightened control on money leaving the country to support the yuan and stem a slide in its foreign exchange reserves.

Yuan also saw some support from data showing prices in China's sizzling property market kept pace in May with the previous month, indicating resilient demand despite the imposition of tougher official measures to curb rising prices.

**THAI BAHT**

The baht nudged higher on Monday, continuing its strong performance against the dollar this year which has made it Southeast Asia's best performing currency.

# Ahead of Modi visit, US lawmakers ask India to rethink price cap on stents

REUTERS, *New Delhi*

A group of US lawmakers has backed medical device makers by urging India to reconsider its decision to cap prices of heart stents, raising the issue ahead of Prime Minister Narendra Modi's visit to the United States later this week.

In a letter sent to the Indian ambassador to Washington last month, and seen by Reuters, 18 members of Congress said they were "troubled" by the price cap, warning that it could deter firms from launching new medical products in India.

Modi's government has in recent years capped prices of hundreds of life-saving drugs to make them more affordable. And in February, it imposed a 75 percent price cut for certain heart stents - wire mesh tubes used to treat blocked arteries.

The government justified its action by citing "huge unethical markups". But global medical device makers have protested the new cap, with some saying it would force them to sell below cost. The US lawmakers warned that people would be denied access to the latest medical advances if companies backed away from India's $5 billion medical-technology market.

"The sudden and unprecedented nature of the decision threatens citizens' access to the newest and most innovative medical technologies and raises strong concerns about the business environment in India," they said in the May 22 letter, which has not previously been made public.

The Indian embassy in Washington did not respond to a request for comment.

The US Department of Commerce is likely to raise the issue with Modi during his visit on June 25-26, according to an industry source aware of the plans. "It's one of the biggest pain points," the source said.

An aide to Modi said companies were being asked to bring down prices of medical devices "or be prepared to quit" the country, and a bureaucrat who works closely with the prime minister's office said raising the matter to diplomatic levels would not influence India's position.

US-based companies such as Boston Scientific Corp and Abbott Laboratories sell heart stents in India, while Johnson & Johnson sells other devices. Following the February decision, Abbott moved to withdraw one of its stents from India, but its plea was rejected by Modi's government.

Boston Scientific - which also has a research base near New Delhi - sought a higher price for one of its stents but a government panel declined the request.

Such decisions, the group of US Congress members wrote, had forced companies to sell "leading edge technology in India at a loss". Signatories to the letter included Indiana Republican Jackie Walorski, and Ron Kind, a Wisconsin Democrat. Both are members of the House Ways and Means Committee.

Before the pricing order, for example, Boston Scientific was selling its high-end Synergy stent for about $3,000 in India, well above its $750 cost, according to a company document seen by Reuters. The new cap reduces the price to $450, and the company says it would result in losses of at least $7 million this year.


REUTERS/FILE

A woman walks past a chemist shop in Mumbai, India.

# Silicon Valley giants outrank many nations

REUTERS, *Copenhagen*

THE top firms in California's Silicon Valley carry more weight on the global stage than many countries, which makes building diplomatic relations with them increasingly important, the world's first national technology ambassador said.

Chosen to fill what his country's foreign ministry has dubbed the first "techplomacy" posting on the U.S. West Coast, Denmark's Casper Klynge will be tasked with building direct ties between his country and the likes of Facebook, Apple and Alphabet's Google.

"We are to continue doing traditional diplomacy with countries and organizations, but we also have to start looking into what relation you can have with these big tech companies," Klynge told Reuters in an interview.

The aim was to help Denmark understand the impact of rapid changes in digital technology while promoting the country's interests and values - setting up a channel of communication that would also benefit the companies.

"If you look at these companies' involvement and significance for you and me, many of them have a much greater degree of influence than most nations," he said in comments cleared for publication late on Friday.

In economic terms, the new partners are comparable.

Denmark's 2016 gross domestic product was 2.06 trillion Danish crowns ($310 billion), sitting between Facebook's current $437 billion market value and the $185 billion of Oracle Corp.

With tech companies under growing pressure to share encrypted information to prevent terrorism, Klynge also identified the ability of radical individuals or groups to exploit online platforms as a key issue.