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01 ASEAN



SOUTHEAST ASIA AND THE PANAMA PAPERS

- Cambodian Justice Minister Ang Vong Vathana was linked to a company in the British Virgin Islands; denied any knowledge of such investments
- 1,784 Malaysians, including the sultan of Johor and the sons of three prime ministers, were among those named
- In Singapore, Indonesia, and the Philippines, financial authorities appropriately warned that the evidence published by the ICIJ would be investigated thoroughly and prosecutions would be launched, according to local laws
- A further 21 Thai nationals were named in the leaks, prompting a warning from the junta that an investigation would also be launched once information was formally received from Panama

The recent leak of more than 11.5 million confidential documents relating to 214,000 offshore companies serviced by Panamanian corporate service provider Mossack Fonseca has led to the public scrutiny of many prominent wealthy individuals and public officials across ASEAN.

▶ The leaked data, which covers nearly 50 years from 1977 to 2015, provides insight into the flow of hidden funds through the global financial system into offshore accounts; the legally grey process of placing funds in offshore holding companies and bank accounts has helped to strip national treasuries of tax revenues

▶ Between 2007 and 2013 alone, US\$418.54 billion, US\$191.77 billion, and US\$180.71 billion in outflows were recorded for Malaysia, Thailand, and Indonesia respectively; whilst the documents from Mossack Fonseca only account for a percentage of the total outflow of funds, specific names and companies tied to prominent individuals have raised public scrutiny

▶ The majority of named individuals within the documents have denied the legitimacy of claims set forth in the documents; furthermore, a Mossack Fonseca spokesman affirmed that the company did not in any way attempt to defraud, insisting that the services it offers are legitimate and legal

thediplomat.com (14 April 2016)

MALYSIAN EXPORTS DEFY TRENDS

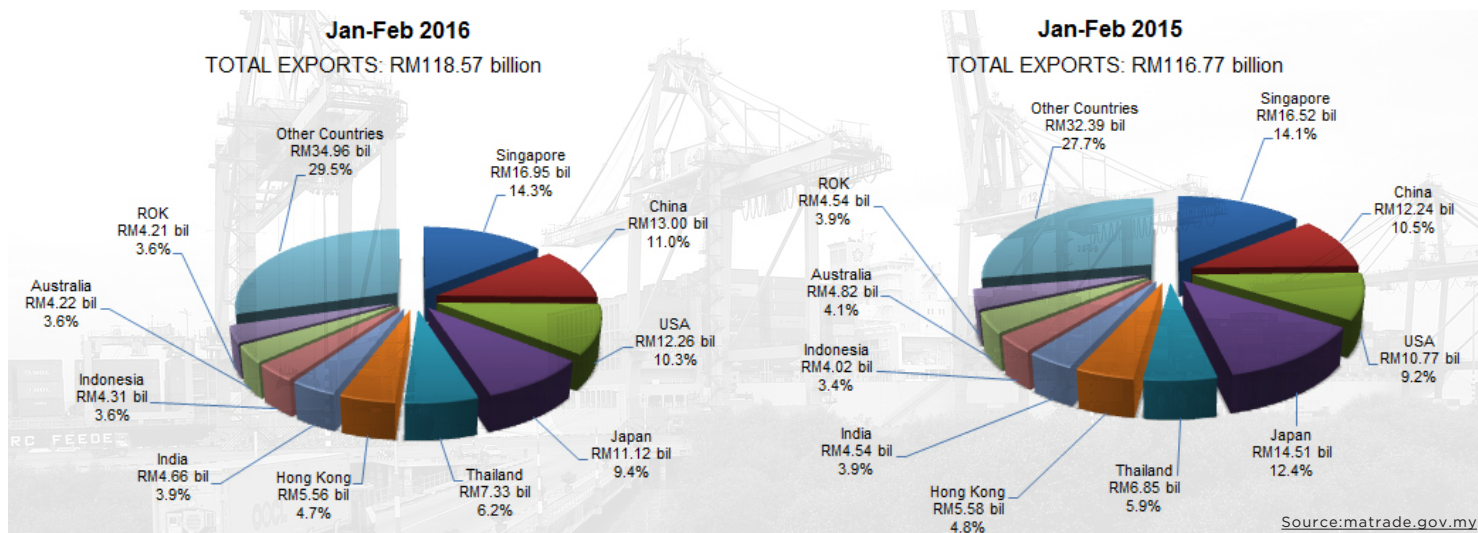
Despite the overall decline in US imports, Malaysian exports to the US have surged in the first two months of 2016.

▶ According to Malaysian Trade Commissioner, Muhd Shahrulmiza Zakaria, the surge in manufacture products can be attributed to the nation's policy shift from simple labor intensive production to high-end, high-technology manufacturing in the electrical and electronics sector

▶ The depreciation of Malaysia's currency against the US dollar has also helped to improve the terms of trade between nations; furthermore, promotional trade campaigns and the diversification of Malaysia's exports has also aided in increasing exports in a down market

▶ Malaysia's exports to the US amounted to US\$33.8 billion, up 11.2% from 2014; according to the Malaysia External Trade Development Corp's (Matrade) office, Malaysian exports to the US posted a 6.9% growth to US\$5.1 billion in the first two months of 2016 alone.

themalaymailonline.com (17 April 2016)



VIETNAM RANKS TOP 10 IN INVESTMENT HOTSPOTS

According to US economic analyst IHS Inc., Vietnam ranks amongst the top 10 hotspots of foreign direct investment in Asia Pacific due to its continued high rate of economic expansion.

▶ The firm also stated that frontier markets such as Myanmar, Cambodia, and Laos are forecasted to grow rapidly, whilst Vietnam's growth rate remains at approximately 6.5% annually over the next 15 years

▶ Vietnam's foreign direct investment inflows topped US\$4.02 billion in the first three months of 2016,

more than twice the figure for the same period last year, according to the Foreign Investment Agency

▶ There will be strong growth in the sectors of electronics and garment, as their exports will increase rapidly thanks to Vietnam's newly-signed free trade agreement with the EU, and the Trans-Pacific Partnership between Vietnam and 11 other countries, including Japan and the US, according to the company

thanhniennews.com (15 April 2016)

SINGAPORE CENTRAL BANK UNEXPECTEDLY EASES POLICY

Due to a less favourable external environment, the Monetary Authority of Singapore (MAS) has eased its currency policy despite a stoic history of stable monetary practices.

▶ Whilst MAS' has maintained its GDP growth estimate of between 1% and 3%, worsening demand for exports and a floundering financial market has driven Singapore to set the rate of appreciation of the Singaporean dollar's nominal effective exchange rate policy band to zero

▶ Singapore's central bank previously shifted to a zero appreciation of its currency in October 2008

following the global financial crisis, a policy which did not change until April 2010; MAS has maintained that its monetary easing was not done to depreciate its currency, but rather to address monetary easing measures in world economies

▶ Whilst core inflation, which excludes accommodation and private road transportation costs, is expected to rise gradually over 2016, MAS has lowered the rate at which it is expected to rise due to the outlook for global oil prices, loose labor market, and weak consumer sentiment

wsj.com (14 April 2016)

CALLS FOR JOINT ASEAN ACTION AGAINST LOOMING FOOD CRISIS

In a recent press release, the International Rice Research Institute (IRRI) called for tight cooperation amongst the biggest rice producing and consuming countries of the world in preparation for the potential global food crisis as a result of the current El Niño weather phenomenon.

- ▶ Drought from the current El Niño episode has resulted in lower harvests and irregular planting across several rice-producing countries. Combined with lower stocks in some key countries, emerging patterns in regional and global grain supply threaten the repeat of the painful rice price crisis in 2007
- ▶ As a direct result of the 2007 food crisis, member states formed the ASEAN Integrated Food Security

(AIFS) Framework and a strategic action plan; the framework consists of commitments towards food security/shortage relief, sustainable trade, integrated information, agricultural innovation, and agricultural nutrition development

- ▶ Whilst the framework will aid in addressing any potential food crisis, the involvement of China, Japan, India, and South Korea will necessitate a suitable solution to any food shortages; collectively, the ASEAN+3 nations constitute 90% of the world's rice supply
- ▶ Amongst actions affirmed by the IRRI would be the adoption of agricultural best practices, a renewed focus on agricultural sustainability, and food security measures

ricetoday.irri.org (14 April 2016)

Projected Global Rice Production (metric tons, thousands)

	March 2016	April 2016	Annual Change
Malaysia	1,800	1,800	0
Cambodia	4,350	4,350	-350
Burma	12,200	12,200	-400
Thailand	15,900	15,800	-2,950
Vietnam	28,200	28,100	-66
Indonesia	35,300	35,300	-260
Global Total	471,091	470,631	-8164

*Annual change indicates projected year on year change at current rates

Source:ers.usda.gov

06 INDONESIA

INDONESIA BANS NEW PALM OIL AND MINING OPERATIONS

Indonesia will temporarily bar new palm oil and mining operations to help protect the country's vast tropical forests following international criticism over its environmental stewardship.

- ▶ The ban will take effect in 2016, lasting for an undetermined time; as a moratorium on new permits for palm oil and mining operations, all existing operations will continue albeit without the ability to expand

- ▶ Issued via a presidential decree, the statement by President Widodo does not carry the same weight as law, but rather will require legislative action from the parliament to enforce the ban on a legal basis
- ▶ The Indonesian Palm Oil Association said it was still seeking details about the plan and highlighted the importance of the industry for export earnings and millions of jobs

wsj.com (15 April 2016)

07 MALAYSIA

MALAYSIA CLOSES PHILIPPINE CROSS BORDER TRADE

The Malaysian state of Sabah has closed its border to trade with the Tawi-Tawi province in the Southern Philippines following kidnappings by the Abu Sayyaf Group (ASG).

- ▶ Four Malaysians have been kidnapped by ASG, beheading one in the past and managing to fend off and elude the Filipino military; in the past, Malaysia has paid large ransoms to Abu Sayyaf in exchange for the safe release of Malaysian hostages
- ▶ The border closure measures include the immediate halt of transshipment trade of petroleum and gas products in the Eastern Sabah Security Zone spanning

10 districts from Kudat to Tawau; a maritime curfew from 7 p.m. to 5 a.m. in seven coastal districts from Beluran to Tawau was also imposed

- ▶ There was no immediate statement from the Philippine National Police (PNP) in the Autonomous Region in Muslim Mindanao (ARMM) or the military's Western Mindanao Command on the closure of the Sabah border; the Department of Foreign Affairs also did not release any statement

manilatimes.net (15 April 2016)

NATIONAL

▶ Army commander Myo Min Tun and 20 soldiers from the government army were killed during fresh fighting with an armed ethnic army in western Rakhine state during hostilities that erupted on 16 April, a spokesman for the rebel army said on 19 April. "Some from the AA are injured, but no one was killed," he added. The Myanmar military, which rarely discusses battle casualties, was not available for comment.

[Radio Free Asia \(19 April 2016\)](#)

▶ At least 21 people including nine children died after a boat capsized in rough waters off the coast of Rakhine state on 19 April, a UN spokesman said. The vessel was transporting around 60 passengers, majority of whom were internally displaced people, to a local market for an "authorised day trip", according to Pierre Peron, a spokesman for the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) in Myanmar.

[The Indian Express \(20 April 2016\)](#)

POLITICS

▶ The demand for labour has risen drastically in the past five years and about one-in-five children aged 10-17 go to work instead of school, despite laws that curb child labour. "I think it should be a priority area but needs to be combined with positive policies. If you try to ban child labour, there's a danger that you drive it underground," said Michael Slingsby from the United Nations Development Programme. The new government, which took power this month, has said tackling child labour was one of the party's goals.

[Reuters \(19 April 2016\)](#)

BUSINESS AND INVESTMENT

▶ US oil and gas major Chevron Corp has put its Myanmar gas block stakes worth an estimated US\$1.3 billion up for sale in what would mark the biggest M&A transaction involving the country's assets. Sources said suitors could number about half a dozen and would likely include Australia's Woodside Petroleum, Thailand's PTT Exploration and Production, Japanese trading houses and Chinese companies.

[Reuters \(18 April 2016\)](#)

▶ Vietnam's military-run telecom company, Viettel Group, intends to invest US\$1.5 billion in a joint venture in Myanmar's burgeoning wireless market. A Viettel representative said the company secured a license from Myanmar's government earlier this month and is now in final negotiations with two Myanmar companies to form a joint enterprise, of which Viettel will own 49%.

[Nikkei Asian Review \(19 April 2016\)](#)

▶ World Bank Group's International Finance Corporation (IFC) has provided a US\$ 40 million long-term loan to boost the development of Myanmar Industrial Port (MIP), according an IFC announcement on 19 April. The loan is the first phase of a US\$ 200 million long-term senior loan financed by IFC to support the port to complete the first phase of its expansion plans.

[Shanghai Daily \(19 April 2016\)](#)

NEW DATABASE OF AEC NON-TARIFF MEASURES PUBLISHED

The Economic Research Institute for ASEAN and East Asia (ERIA) and UNCTAD recently launched a website that compiles data on non-tariff measures (NTMs) in the ASEAN Economic Community (AEC).

- ▶ The NTMs covered by this website include sanitary and phyto-sanitary standards (SPS), technical barriers to trade (TBT), import and export licensing, export restrictions, customs surcharges, anti-dumping and safeguard measures, and other measures which affect the trade of goods and services
- ▶ Whilst the website is not officially affiliated with ASEAN, the database represents a solid step in information sharing for the nation bloc; whether the NTMs identified will translate into policy reform and legislative changes has yet to be seen
- ▶ The database, whilst providing a transparent platform for identifying NTMs, does have its own shortcomings; firstly, only NTMs published as legislation or regulation are covered, secondly, there is currently no planned apparatus for keeping the website up to date, and lastly, the website's NTMs do not strictly adhere to the ASEAN Trade in Goods Agreement's (ATIGA) definition of an NTM

[aseanec.blogspot.com.au \(15 April 2016\)](#)

ALIBABA SEEKS ASEAN EXPANSION WITH US\$1BILLION LAZADA BUY

The Chinese e-commerce company is taking a majority stake in the Southeast Asian online retailer via a combination of newly issued and existing shares.

- ▶ Alibaba has agreed to buy US\$500 million of newly issued shares from the online department store founded four years ago by German group Rocket Internet plus a further US\$500 million from existing shareholders
- ▶ Its acquisition of Lazada is understood to be the culmination of around six months of searching across Southeast Asia for a suitably complementary business; Lazada has boasted a robust track record of double digit growth, private ownership, and a net worth estimated to be around US\$1 billion
- ▶ Lazada operates across Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. So the acquisition will give Alibaba valuable access to Lazada's supply chain, distribution, and payment services across these countries

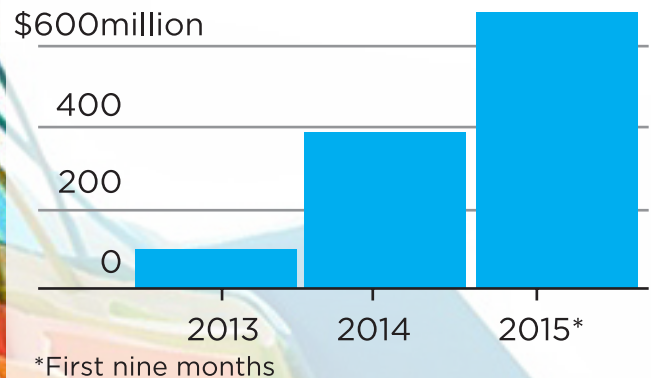
[financeasia.com \(12 April 2016\)](#)



LAZADA

Shopping Spree

Lazada's gross merchandise value



Source: wsi.com

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