

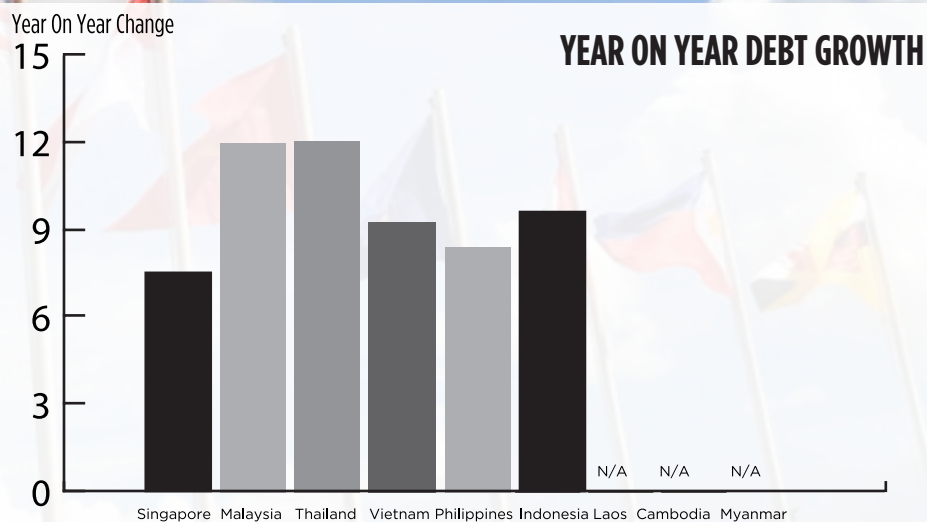
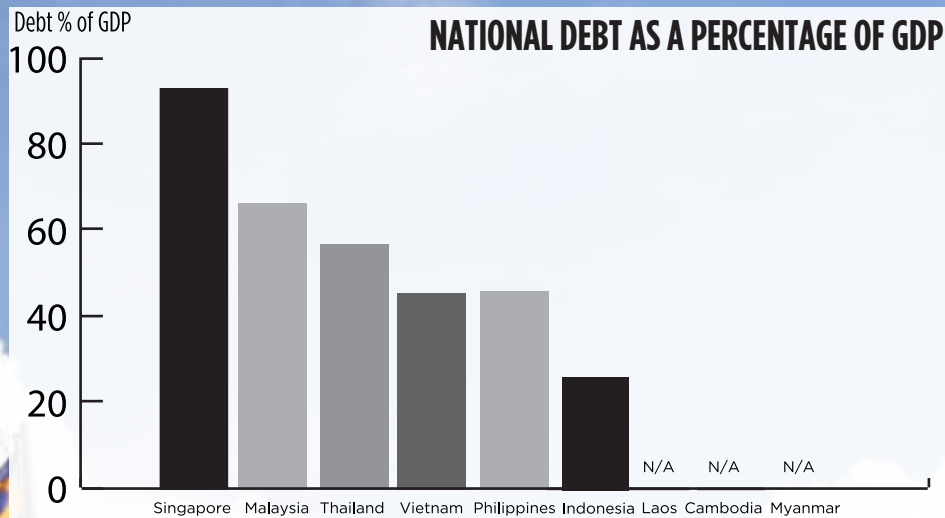
CARI CAPTURES

MALAYSIA TO BENEFIT FROM
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THE UPCOMING FILIPINO ELECTIONS

01 ASEAN



According to Citi Research, Indonesia and the Philippines have the most fiscal and monetary policy space to boost domestic growth.

- ▶ The report by Citi Research cited the two nations' lower levels of debt and efficient policy transmission mechanism; this is as lower levels of debt allow for the interest rates to be lowered without financial instability, whilst an efficient policy transmission system translates lowered interbank rates to lower interest rates in consumer banks
- ▶ Furthermore, Bank Indonesia paused rate cuts in April, which has allowed the nation to shore up its fiscal and monetary capabilities; the Philippines also has

the most room to implement a fiscal stimulus with its healthy fiscal status

- ▶ Malaysia and Thailand, with public debt at 55% and 50% of their respective GDP debt ceilings, were rated as the most constrained in the region; this was coupled with their high levels of household debt, which leaves little room for effective policy shifts in stimulating the economy
- ▶ Singapore, whilst in a relatively healthy financial position, was said to be constrained by its self imposed Balance Budget Rule, which would prevent the undertaking of any major expansionary fiscal policy shifts

blogs.barrons.com (04 May 2016)

MALAYSIA TO BENEFIT FROM CHINA'S REFORMS

China's deregulation of the interbank bond market is expected to benefit Malaysian investors in terms of ease of access and diversification within China's bond market.

- ▶ In a recent announcement, the Chinese government declared that offshore commercial banks, insurance companies, securities companies, fund management companies and pension funds will now be free to invest in the interbank bond market

- ▶ In the past, foreign investors were required to go through Qualified Foreign Institutional Investors and the Renminbi Qualified Foreign Institutional Investor quota system; the deregulation of bond markets will bring greater liquidity to China's bond market whilst netting a greater influx of investment into the nation
- ▶ According to HSBC Malaysia Chief Executive Officer Mukhtar, Malaysia is ideally positioned to reap the benefit from China's financial reforms as Malaysian investors looking to invest in China

thestar.com.my (06 May 2016)

INDONESIA'S LOGISTICAL LIBERALISATION FALLS FLAT

In hopes to stimulate growth within several industries, the Indonesian government liberalised foreign ownership and investment laws in 2015; however, this has done little to bolster development within Indonesia's logistical hub.

- ▶ Segments such as cold storage facilities, saw their foreign ownership limits increase from 33% to 100%; foreign ownership limits for transport supporting services and warehouse distribution to be raised from the previous 49% and 33%, respectively, to 67% for both
- ▶ Whilst the said deregulation is supposed to stimulate

the economy by introducing new competitors, regulations such as the freight forwarding legislation issued in 2015 have hampered the industry; the legislation raised the minimum required authorised capital of a firm involved in freight forwarding from US\$15,250 to US\$1.9 million

- ▶ Coupled with the bottleneck of all freight forwarding operations having to go through Jakarta and the high associated costs of air freight in the region, Indonesia's policy shift in foreign ownership has resulted in little to no change in its logistics sector growth

aircargoworld.com (06 May 2016)

INDONESIA'S WORLD BANK LOGISTICS PERFORMANCE INDEX (LPI)

Scores are determined in a relative benchmarking manner with no absolute total score. Ranking is out of a total 160 countries.

Overall LPI Performance			Customs		Infrastructure	
Year	score	rank	score	rank	score	rank
2010	2.76	75	2.43	72	2.54	69
2012	2.94	59	2.53	75	2.54	85
2014	3.08	53	2.87	55	2.92	56

International Shipment		Logistics Competence and Quality		Tracking and Tracing		Timeliness		
Year	score	rank	score	rank	score	rank	score	rank
2010	2.82	80	2.47	92	2.77	80	3.46	69
2012	2.97	57	2.85	62	3.12	52	3.61	42
2014	2.87	74	3.21	41	3.11	58	3.53	50

Source: lpi.worldbank.org

THE UPCOMING FILIPINO ELECTIONS

54.4 million registered voters out of a total population of 100 million will decide the nation's leader for the next six years.

- ▶ More than 20,000 troops and police officers will be deployed to ensure credible elections; furthermore, poll technology provider Smartmatic has assured the public their system is foolproof; an election commissioner cited six reports of voter receipt discrepancies out of more than 300,00 ballots already been cast in overseas absentee voting
- ▶ Key issues within the 2016 elections have entered around topics of crime, drugs, corruption, political

relations with China, the wealth divide, and the nation's economic plan

- ▶ Currently, Rodrigo Duterte leads initial polling estimates by a large margin due to his tough stance on crime and bold foreign policy; a Duterte win could bring about significant reforms, with the presidential candidate proposing to enact a federal form of government instead of the nation's current presidential-unitary form

gulfnnews.com (11 May 2016)

SINO-VIETNAMESE WATER LINK PROPOSED

A proposed multibillion-dollar project to be implemented on the Red River may be crucial to the eco-social development of northern Vietnam; the project will also connect local water transportation routes with China, fuelling concerns over its feasibility and environmental impacts.

- ▶ Xuan Thien Co. Ltd., a subsidiary of Vietnam's Thai Group, wants to open a water route and build as many as six hydropower plants on the river through a US\$1.1 billion project; the project would connect a total of eight northern Vietnamese localities to the Gulf of Tonkin, directly affecting a major agricultural area Vietnam devotes to the cultivation of rice

- ▶ The proposal calls for the construction of six dams and docks along the river in order to increase water levels to suit major vessels and six hydropower plants to be set up at each of the dams; Xuan Thien's proposed timeline for completion of the entire project is six years
- ▶ Whilst the project has been endorsed by the Ministry of Planning and Investment and is awaiting the approval of Prime Minister Nguyen Xuan Phuc, concerns raised as to its potential impact on rice crops as well as current tensions in foreign relations with China may give pause to the proposal

tuoitrenews.vn (06 May 2016)

CHINA'S SILK ROAD PROJECT HITS SPEED BUMP IN THAILAND

President Xi Jinping's "Belt and Road" to strengthen trade and investment ties has hit a major roadblock as a recent deal with Thailand to finance and build a rail project has fallen through.

- ▶ The deal reportedly fell through when Chinese officials pressed for the right to develop commercial property at the stations and along the forthcoming rail track, from Bangkok to the northeastern city of Nong Khai near Laos
- ▶ Arkhom Termpittayapaisith, Thailand's transport minister stressed that the "door is still open" to Chinese financing, such as through the AIIB; yet

there have been no indications such approaches or discussions are under way

- ▶ According to Richard Jerram, chief economist at Bank of Singapore Ltd, China's difficulties to implement Silk Road projects in countries such as Thailand are evidence of a general lack of clarity about the concept; it's unclear whether the Silk Road initiative is more of a foreign policy tool, in which case investments should be combined with aid, or a commercial drive that might not need state investment at all

bloomberg.com (04 May 2016)

TRILATERAL ASEAN AGREEMENT ON JOINT PATROLS PASSED

Indonesia, Malaysia, and the Philippines agreed to conduct coordinated maritime patrols as part of a broader plan to tackle rising security challenges in the waters bordering the three countries.

- ▶ At a trilateral "2 + 2" meeting of their foreign ministers and military chiefs held in the central Java town of Yogyakarta, the Southeast Asian states agreed to have joint patrols in their surrounding waters; they also said they would set up crisis centres within their countries as well as a hotline between them to ensure speedy communication during maritime emergencies

- ▶ In a joint statement, the three countries said they "recognized the growing security challenges, such as those arising from armed robbery against ships, kidnapping, transnational crimes, and terrorism in the region, particularly in reference to the maritime areas of common concern"
- ▶ Discussions at the meeting centered on not just collaborative endeavors like joint patrols, crisis centers, and hotlines, but also setting out exactly what cooperation will look like in emergency situations, including clear standard operating procedures

thediplomat.com (06 May 2016)

ABU SAYYAF'S RECENT KIDNAPPINGS

- **December 2011** — Australian national Warren Richard Rodwell was abducted from his residence in Ipil, Mindanao and held for ransom until 2013.
- **February 2012** — a Swiss national and a Dutch national were kidnapped near the Tawi-Tawi islands.
- **July 2014** — the group killed at least 21 Muslims celebrating the end of Ramadan on the island of Jolo, reportedly in retaliation for their support of a peace process with the Filipino government.
- **April 2014** — Kidnapped two Germans from their yacht off the western province of Palawan and threatened to kill them if a ransom was not paid. They were held for six months.
- **May 2015** — A coast guard boat and crew were kidnapped and the captain was found beheaded.
- **November 2015** — Abu Sayyaf beheaded Bernard Then, a Malaysian businessman kidnapped from a seafood restaurant inside Malaysia.

Source: cbc.ca

ECONOMY

▶ Myanmar's banking sector is set to expand beyond national borders for the first time as Thailand has granted a licence to Kanbawza (KBZ) Bank to open a representative office in the country. KBZ said that the licence marked a major milestone for Myanmar's largest private bank as it became the first lender to establish a presence anywhere outside the country. The representative office, which will need further Thai approval before it can provide banking services, will focus on market research and information sharing.

[Bangkok Post \(10 May 2016\)](#)

▶ Myanmar has targeted US\$8 billion foreign investment in the present fiscal year of 2016-17, the Directorate of Investment and Company Administration (DICA) announced on 9 May. The country drew US\$9.5 billion foreign investment in the last fiscal year of 2015-16, which ended in March. In the 2014-15 fiscal year total FDI totalled at US\$5 billion in and US\$4.107 billion dollars in the 2013-14 fiscal year, the directorate said.

[Business Standard \(9 May 2016\)](#)

FOREIGN AFFAIRS

▶ Scot Marciel, the new ambassador of the United States to Myanmar said on 10 May that he will keep using the term Rohingya for the persecuted Muslim minority, even after the government controlled by Nobel Prize winner Aung San Suu Kyi asked him to refrain from it. "Our position globally and our international practice is to recognize that communities anywhere have the ability to choose what they should be called... and we respect that," said Marciel.

[Reuters \(10 May 2016\)](#)

▶ The Myanmar government has plans to take care of Myanmar migrant workers in Thailand, Aung San Suu Kyi said at a joint press conference on 9 May after a meeting with Thai Foreign Minister Pramudwinai, who visited Naypyidaw as a special envoy of Thai Prime Minister Prayut Chan-O-cha. Myanmar president Htin Kyaw urged the Thai Foreign Minister in an earlier meeting to give Myanmar migrant workers in Thailand equal rights.

[Mizzima \(10 May 2016\)](#)

▶ Myanmar's newly appointed President Htin Kyaw paid a one-day state visit to Laos on 6 May, his first foreign trip after taking office in April. The goodwill visit was made at the invitation of his Lao counterpart Bounnhang Vorachitch, and the president was accompanied by Myanmar's first lady Su Su Lwin as well as State Counselor and Foreign Minister Aung San Suu Kyi. The two sides reportedly discussed the state of bilateral ties, with focus on trade, investment and tourism, including the agreement to resume direct flights between the two countries.

[The Diplomat \(9 May 2016\)](#)

SINGAPORE TO SPEND US\$1.66 ON AUSTRALIA MILITARY TRAINING DEAL

Singapore will spend A\$2.25bn upgrading military training facilities in Australia and more than double the number of defence force personnel it sends there every year for training.

- ▶ The expansion of Singapore's overseas training programme to 14,000 troops a year, up from 6,000, is part of a wider strategic and economic partnership deal with Canberra; It comes amid increasing tension in the Asia-Pacific region where China has been militarising disputed islands in the South China Sea
- ▶ The Australia-Singapore comprehensive strategic partnership agreement will provide the city state with enhanced access to military training areas and facilities for a period of 25 years, enhance military personnel exchanges and intelligence-sharing in areas of mutual interest, such as counter-terrorism; final details of the agreement are expected to be concluded later in 2016
- ▶ Analysts said the agreement may not be directly linked to mounting security concerns in Singapore over rising tensions in the South China Sea caused by territorial disputes between China and several countries in the region; however, consensus has placed the move as undoubtedly part of the strategic backdrop to Australia and Singapore's desire to strengthen defence ties

[next.ft.com \(06 May 2016\)](#)

ASEAN AND THE ECONOMISTS' CRONY CAPITALISM INDEX

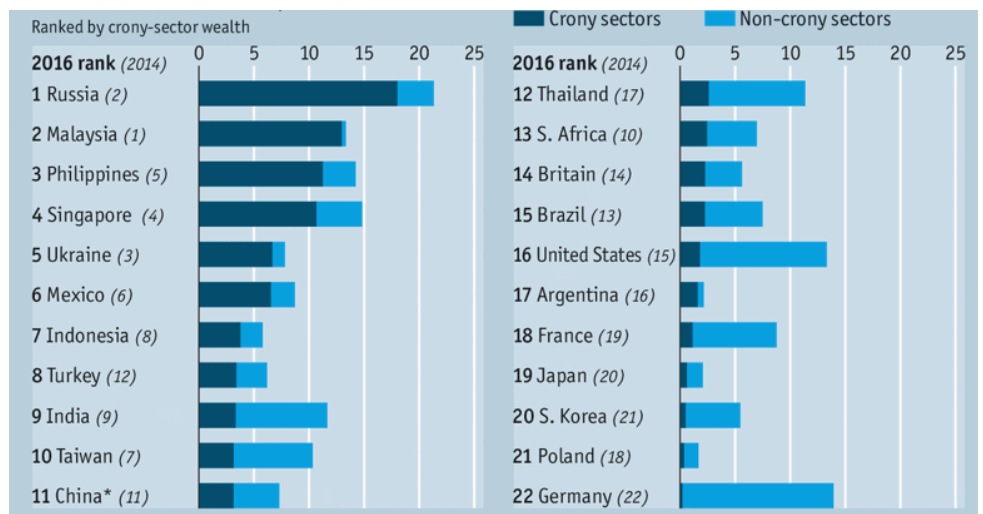
The Economist Ranked 22 countries in its 2016 Crony Capitalism Index, placing Malaysia second, the Philippines third, Singapore fourth, Indonesia seventh, and Thailand 12th.

- ▶ In general, the updated index shows a steady shrinking of crony billionaire wealth to US\$1.75 trillion, a fall of 16% since 2014; In rich countries, crony wealth remains steady, at about 1.5% of GDP, whilst in the emerging world it has fallen to 4% of GDP, from a peak of 7% in 2008
- ▶ The index uses data on billionaires' fortunes from rankings by Forbes; billionaires are labeled as cronies based on the industry in which he or she is most active
- ▶ A countries' total crony wealth is also compared to their GDP; it should be noted that the index does not attempt to capture petty graft, for example bribes for expediting forms or avoiding traffic penalties, which is endemic in many countries

[themalaymailonline.com \(06 May 2016\)](#)

THE CRONY-CAPITALISM INDEX

Billionaire wealth as % of GDP, 2016



Source: Forbes, IMF, The Economist

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