ASEAN Defence Ministers Sign Defence Cooperation Agreement

Main Issues Facing ASEAN Defence
Currently, overlapping maritime and island claims within the South China Sea between China and Malaysia, the Philippines, Vietnam, and Brunei have led to escalating tensions within the region. The ADDM’s ability to present a unified front in deliberations concerning territorial claims will be a large indicator of ASEAN’s effectiveness in dealing with political-security issues.

Militant Threat
Terror groups such as Abu Sayyaf, Jamaal Ansharut Tauhid, Jemaah Islamiyah and others form a threat that ASEAN Defence Ministers need to address. Whilst coordinated maritime patrol between Malaysia, Indonesia, and the Philippines have been a direct result of joint action in 2016, more needs to be done to neutralise the cross border threat represented by the rise of militant groups in the region.

Defence ministers of all 10 ASEAN states ratified a Joint Declaration on Promoting Defence Cooperation for a Dynamic ASEAN Community, effectively affirming to combat terrorism in all forms in the region.

- The agreement emphasised cooperation in areas such as the sharing of information and intelligence, conducting coordinated operations, and enhancing confidence and capability building initiatives
- In recognition of the growing threat, the new agreement builds upon existing efforts already alluded to by the 10 ASEAN Defense ministers who signed a joint declaration denouncing terrorism and extremist organizations at the 9th ASEAN Defense Ministers Meeting (ADMM) in Langkawi in 2015
- Following the 10th ADMM, Defense Ministers also attended the China-ASEAN Defense Ministers’ Informal Meeting which was chaired by China’s Defense Minister General Chang Wanquan with the agenda of addressing escalating tensions in the South China Sea
Japanese automaker Toyota Motor Corp. has announced plans to build a second factory in Malaysia as part of expansion to meet rising local demand.

- The new US$488 million plant will be built by Toyota and its local partner, UMW Corp in the central state of Selangor; the factory will have the initial capacity to produce approximately 50,000 units a year, with room for additional expansion should demand continue to increase.
- The plant is expected to begin operations in early 2019 and will help double Toyota’s production volume in Malaysia to around 100,000 units a year; furthermore, the new plant will focus on manufacturing passenger cars, including energy-efficient vehicles, while its current factory will churn out commercial vehicles.
- Vehicle sales hit 666,674 units in Malaysia last year, making it the third-largest auto market in Southeast Asia after Thailand and Indonesia; Toyota sold nearly 94,000 vehicles in Malaysia last year. It used to be the best-selling foreign car in Malaysia, but was overtaken by Japanese rival Honda last year.

In a bid to spur deeper financial integration, ASEAN member states have set up a working group to with the hope of further liberalising and harmonising the insurance sector.

- The new working group will look into measures to open up the insurance sector, which may include greater participation of foreign partners; according to Munir Majid, president of the ASEAN Business Club, the working group will employ a bottom up approach with private sector input into how reform can better be implemented in the insurance industry.

Following the announcement, Mustapa Mohamed, Malaysia’s trade minister promised to push ASEAN colleagues toward achieving a highly integrated and cohesive economy with connectivity with trading partners beyond the pact over the next 10 years.

- ASEAN will also promote regional capital markets to institutional investors in the U.S. and Europe. Pongpiti Ektheinchai of Thailand’s stock exchange told the forum that roadshows will be organized in major financial cities to promote the region’s listed companies and market existing stock indexes.

![Insurance market performance](image)
04 INDONESIA

INDONESIAN-JAPANESE PARTNERSHIP ON INFRASTRUCTURE PROJECTS A POSSIBILITY

According to Cabinet Secretary Pramono Anung, talks between the the Transport Ministry and the government of Japan have entered the final stages of building a port, whilst the possibility of a Jakarta-Surabaya train line being built in partnership with Japan is being discussed.

- Port projects would include a port in Patimban, Subang Refency, and West Java, whilst the possibility of a Jakarta-Surabaya route would involve the building a new railway track as well as the supplying of new medium speed rail trains

- According to the Wall Street Journal, Hadi Mustofa Djuraid, a staff expert for Indonesia’s Transport Minister, had said that Japan expressed its interest in providing funds and technical know-how for the project; the construction, however, would be done by Indonesian companies

- In the meantime, Mr Pramono said Indonesian President Joko Widodo would likely discuss the projects on his upcoming two-day visit to Japan, at the invitation of Japan Prime Minister Shinzo Abe

Source: channelnewsasia.com (26 May 2016)

05 SINGAPORE, MALAYSIA

SINGAPORE’S MAS SHUTS 1MDB-LINKED BSI BANK OVER GROSS MISCONDUCT

Singapore’s regulators have shut down a private bank implicated in investigations of Malaysia’s troubled development fund 1MDB, with prosecutors in the city-state and Switzerland weighing criminal charges.

- The Monetary Authority of Singapore (MAS) said Switzerland-based BSI Bank would lose its status as a merchant bank in Singapore due to "serious breaches of anti-money laundering requirements, poor management oversight of the bank’s operations, and gross misconduct by some of the bank’s staff."

- “BSI Bank is the worst case of control lapses and gross misconduct that we have seen in the Singapore financial sector. It is a stark reminder to all financial institutions to take their anti-money laundering responsibilities seriously,” Ravi Menon, managing director of MAS, said in the statement.

- This is the first time since 1984 that MAS has withdrawn a merchant bank’s approval; the central bank’s criticism of BSI was harsh and wide-ranging. In its statement, MAS said the bank had an “unacceptable risk culture, with blatant disregard for compliance and control requirements as well as MAS regulations.”

Source: scb.com (25 May 2016)

06 VIETNAM

VIETNAM’S WORST DROUGHT IN NEARLY A CENTURY

Vietnam's Mekong Delta is suffering from its worst drought in nearly a century, and the effects have been devastating; experts claim that the drought is caused in part by this year’s El Niño, one of the worst on record.

- According to the U.S. National Oceanic and Atmospheric Administration (NOAA), April “was record warm for the month, rounding out one full year of record-breaking monthly temperatures for the globe, the longest such balmy streak in the 137-year record, which dates back to 1880.”

- Nguyen Van Tinh, deputy head of the hydraulics department under Vietnam’s Ministry of Agriculture, told AFP in March that the water level of the Mekong River had gone down to its lowest level since 1926, leading to the worst drought and salinization there.

- The drought is also compounding a Southeast Asia water shortage along the 3,000-mile Mekong River that runs from Tibet to Thailand to the South China Sea, as climate change and too many dams erode livelihoods for thousands of farmers; Water shortages have also hampered agriculture in nearby Cambodia, Laos, Thailand and Myanmar.

- The impact of this year’s drought on Vietnam has been and continues to be overwhelming for the Southeast Asian nation of 90 million people, which is still largely an agricultural society; Vietnam’s economic growth in the first quarter of the year dropped to 5.6% year-on-year as its agricultural output dropped due to the drought.

Source: businessinsider.com.au

forbes.com (25 May 2016)
Aung San Suu Kyi will lead a new Central Committee for Implementation of Peace and Development in Rakhine State, in a new effort to bring peace and development where violence between majority Buddhists and minority Muslims in recent years has cast a cloud over progress on democratic reforms. The formation of committee, which includes 27 officials, including all cabinet ministers, was announced on 30 June.

The Singapore-based Golden Glory Group, a developer of Myanmar real estate, is planning an initial public offering (IPO) in Singapore this year to meet growing property demand in Myanmar. The company is targeting an US$80 million to US$100 million initial share sale, raising capital to help fund land bank acquisitions in Myanmar, said CEO Christopher Wu in an interview.

A delegation of Scottish companies is heading to Myanmar this week to meet Myanmar’s new minister for energy and electricity, Pe Zin Tun, as well as local and international oil and gas companies already active in the country to explore key opportunities in the local supply chain. The delegation is led by Scottish Enterprise chief executive Lena Wilson and includes temporary power company Aggreko and oil and gas firms Wood Group, Asco and Bibby Offshore.

After two years of strong economic growth and macroeconomic stability, Myanmar faced a more difficult economic environment in 2015-2016. Economic growth declined, but remained strong, at 7 percent during the period, compared with 8.5 percent in 2014-2015, according to a World Bank report. The slower growth came amid a supply shock from heavy flooding, a slowdown in new investment during an election year, and a more challenging external environment.

The High Representative for Foreign Affairs and Security Policy and the European Commission have adopted a Joint Communication that sets out a vision for ambitious and forward-looking EU engagement with Myanmar as the country’s transition enters its next phase. “Myanmar is at a turning point. The newly elected government has expressed its willingness to bring peace and development to its people, through a democratic path. As the European Union, we have constantly accompanied this path, and we are committed to cooperate even more with Myanmar to support the reform efforts of the government...” said Federica Mogherini, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission.

According to the Indonesian Ambassador to ASEAN, Rahmat Pramono, the Democratic Republic of Timor Leste will become a member of the ASEAN in 2017. A feasibility study launched in 2011 highlighted three pillars to evaluate the qualifications of Timor Leste to become a member of ASEAN; whilst the politics and security, and economy studies have been completed, the socio-cultural assessment has yet to be finalised and is expected to be by the end of 2016.

According to Ambassador Pramono, in the near future, all representatives of ASEAN countries will meet to discuss Timor Leste’s joining the regional organization; if approved, Timor Leste will become the eleventh member country of ASEAN.

Whilst Timor Leste does not need to wait to complete development of its human resources to become a member of ASEAN, it has been highlighted that the nation would need to focus on developing its human resources in order to boost the economy of the country and better capitalise upon integration and liberalisation initiatives offered by ASEAN membership.

The first group of refugees transferred from Nauru to Cambodia under a controversial deal have all left the country less than a year after arriving.

The group of two Iranian men, an Iranian woman and a man from Myanmar arrived in Phnom Penh on June 4 last year and have reportedly left in recent weeks; Cambodia agreed to take refugees from Nauru who tried to reach Australia by boat in exchange for US$40 million aid from Australia.

The Federal Government also offered to pay the International Organisation for Migration (IOM) US$15.5 million to support those who moved there; of the five refugees who have been transferred from Nauru overall, just one Rohingya remains in the South-East Asian country.

Cambodian officials will reportedly fly to Nauru next month to interview two more refugees who have agreed to resettle.

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Singaporean investors are being encouraged to get on board a global trend towards responsible investing, with the launch of an index that includes five companies listed in the city-state. A growing number of investors across the world are looking at this type of investing, according to Arisa Kishigami, head of ESG (environmental, social and governance) for Asia-Pacific at global index provider FTSE Russell.

To cater to growing demand for ESG related reporting, FTSE Russell since 2001 has rolled out several ESG-focused indices with various exchange partners in Asia, including the latest FTSE4Good ASEAN 5 Index, which was launched in April. Developed with the ASEAN Exchanges, the index comprises stocks listed in Singapore, Malaysia, Indonesia, the Philippines and Thailand; it had a net market capitalisation of US$165.15 billion, with an annual dividend yield of 3.66%.

### Top 10 Constituents

<table>
<thead>
<tr>
<th>Constituent</th>
<th>Country</th>
<th>ICB Sector</th>
<th>Net MCap (US$M)</th>
<th>Wgt %</th>
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<tbody>
<tr>
<td>Public Bank BHD</td>
<td>Malaysia</td>
<td>Banks</td>
<td>14,878</td>
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<tr>
<td>Tenaga National</td>
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<td>Electricity</td>
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<td>Malaysia</td>
<td>Mobile Telecommunications</td>
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<tr>
<td>Sime Darby Blvd</td>
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<td>General Industries</td>
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<tr>
<td>Siam Commercial Bank PCL</td>
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<td>Banks</td>
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<tr>
<td>Capitaland</td>
<td>Singapore</td>
<td>Real Estate Investment &amp; Services</td>
<td>5,870</td>
<td>3.55</td>
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<tr>
<td>Advanced Info Serv</td>
<td>Thailand</td>
<td>Mobile Telecommunications</td>
<td>5,302</td>
<td>3.21</td>
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**Country Breakdown - based on FTSE nationality**

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<th>Country</th>
<th>No. of Cons</th>
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<td><strong>Totals</strong></td>
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<td><strong>165,145</strong></td>
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### Index Characteristics

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<th>Attributes</th>
<th>FTSE4Good ASEAN 5 Index</th>
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<tr>
<td>Number of constituents</td>
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<td>Net MCap (US$M)</td>
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<td>Dividend Yield %</td>
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<td>Constituent Size (Net MCap US$M)</td>
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<td>Top 10 Holdings (% Index MCap)</td>
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