Debt in non-financial firms rose to six times the amount of operating cash flows in 2013, from five times the amount in 2012 according to a report by GMT Research Ltd.

According to the report, Singaporean private sector growth cannot be sustained by such high levels of debt without additional government stimulus or continued increases in debt leveraging; at the same time, the current labour-market crunch in Singapore does not bode well for future prospects.

However, to some extent, the trend is largely regional; with Chinese private sector debt rising to 7.5 from 6.8 in the previous year, and 8.1 from 7 in India over the course of the past year; furthermore, Singaporean stocks have consistently outperformed the region’s benchmark MSCI index.

A former analyst at CLSA Asia-Pacific Markets stated that a corporate bubble starts when Free Cash Outflows (FCO) exceed 50% of net profit for a sustained period of time; Singaporean companies currently showcase 37 cents of cash outflows for every $1 of net profit earned, 40% of which goes into capital expenditures which hopefully yield long term sustainable returns to service debt.

Source: tradingeconomics.com

Debts rose from 5x to 6x of operating cash flow.

bloomberg.com (04 June 2014)
CAMBODIA

In Done Si An t R a d e D e f i c i t W o r s e n s

Indonesia’s imports exceeded exports by $1.96 billion in April, bringing its trade deficit to a nine month high, shaking investor confidence in the region and sparking capital outflows.

- Since 2013, the trade deficit has grown from 2.06% of Indonesia’s GDP to its current level at 4.4%; since then, $1.8 billion in stock outflows have been recorded over Q3 and Q4 of 2013, a trend which may continue should Indonesia fail to address the issue.

- A key driver of Indonesia’s growing trade deficit would be its recent passing of nationalistic foreign investment laws in the mining industry, whilst its continuing announcement to work towards fostering a stronger local presence in other key industries.

- Meanwhile, the Rupiah continues to fall, sliding 1.8% over the course of a one week period; the continuing instability in the Rupiah and rising US bond yields will continue to contribute towards capital flight until key issues are addressed.

LAOS DRAWS IRE OF NEIGHBOURS OVER MEKONG RIVER DAM PLANS

Laos will push ahead to become the “battery of Southeast Asia,” planning a Mekong River dam that has drawn opposition from its neighbours and threatens to involve China and the US.

- Four Mekong River nations are scheduled to meet 26-27 June in Thailand to discuss matters including Laos’ plan to build the Don Sahong dam. The Xayaburi dam has broken ground and construction on the new structure may start as soon as this year, with Cambodia and Vietnam seeking to delay the project.

- Despite this, Laos remains committed to exporting hydropower and becoming “the battery of Southeast Asia” according to the country’s vice-minister of energy and mines, Viraphonh Viravong.

- Some diplomats have described the Mekong River, which has its source on the Tibetan plateau, as “the next South China Sea”. There is a risk of disregarding international rules and norms, as well as the expansion of Chinese political influence in the region.

- The Mekong River’s length of about 3,000 miles flows through southern China, along the Laotian border with Myanmar and Thailand, and through sections of Laos. It then snakes its way through Cambodia and Vietnam until it empties into the South China Sea.

- Vietnam and Cambodia objected to the first dam, and both countries want a delay in the second until at least the end of 2015. Political relations between Vietnam and Laos have weakened as China’s influence has grown in Laos.

The Wall Street Journal (2 June 2014)
Bloomberg (4 June 2014)
channelnewsasia.com (02 June 2014)
The Philippine government expects to double its annual returns from mining to as much as US$1 billion under a new revenue-sharing scheme.

- The scheme will see the government taking 55% of the industry's net revenues or 10% of gross revenue, whichever is higher.
- The tax hike will raise mining companies' payments to the government by at least 50%.
- According to the Mines and Geosciences Bureau's (MGB) estimates, mining taxes in the archipelago is a problematic issue that has delayed development of the country's vast mineral resources worth around US$850 billion.
- The proposed ruling has the country's biggest industry group up in arms, as miners believe that increasing the tax would kill the industry.
- MGB chief believes that the proposed bill will increase the competitiveness of the mining industry and make it more relevant to the country's economy.

Malaysia expressed urgency in creating a long-stalled code of conduct in the South China Sea, as tensions grow over conflicting territorial claims between Beijing and neighbouring countries.

- Malaysian Prime Minister Najib Razak, in a keynote speech stressed that continuing talks and actions that could lead to a code of conduct for rival nations in the disputed waters were "steps in the right direction."
- The call Monday by Prime Minister Najib Razak follows a tense weekend at a regional security summit in Singapore, where officials from smaller Asian nations and the US traded barbs with China, with one Chinese general saying that the US risked turning Beijing into an enemy. US Pacific Commander Adm. Samuel Locklear said that China had an important decision to make about its place in the security landscape of Asia.
- ASEAN and China have publicly repeated the need to establish the code to govern their behaviour in the South China Sea. However, not all members in the bloc are involved in the disputes, a situation that has partly complicated efforts to draw up an agreement.

**The United Nations Educational, Scientific and Cultural Organization (UNESCO) has emphasised its desire to continue to develop stronger ties with ASEAN.**

- UNESCO Director-General Irina Bokova, who is in Singapore for the World Cities Summit, said she would like to take the partnership further forward by working with Singapore through joint projects.
- Meanwhile, UNESCO has also denounced China and its actions in the Pacific, citing its most recent oil rig dispute with Vietnam whilst stating that Chinese actions are in serious violation of international law, including the 1982 United Nations Convention on the Law of the Sea and the Declaration on the Conduct of Parties in the East Sea, to which China is a signatory.
- For this reason, UNESCO has also requested China to withdraw the rig and vessels from Vietnam's waters immediately and prevent similar occurrences, further arguing that countries need to behave in a civilised and responsible manner on the basis of respecting international law, territorial sovereignty and the legitimate interests of other states.

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FOREIGN AFFAIRS

- Tension has risen on the Myanmar-Bangladesh border and Dhaka has asked Naypyidaw to withdraw its forces from the border after an attack against its border guards by Myanmar security forces on 30 May and an earlier exchange of fire in which one Bangladeshi guard was killed.

  Aljazeera (3 June 2014)

POLITICS

- The opposition party NLS along with the activist group 88 Generation Peace and Open Society, have started a signature campaign to amend Article 436 of the Constitution, which gives the military an effective veto over constitutional reform. More than 380,000 people have already signed the campaign in Yangon and over 100,000 signatures were collected within one week in Mandalay District.

  The Irrawaddy (5 June 2014)

ECONOMY

- The Asian Development Bank will help Myanmar develop renewable energy under a three-year project until 2017, aiming to install 10 megawatt of new and small-scale renewable energy installations by 2022, mostly using solar and biomass-based system. The project, worth US$2.2 million, will bring power to 400,000 households and services.

  Global Post (5 June 2014)

- Myanmar will soon call tenders from local and foreign firms to upgrade 30 domestic airports, a senior aviation official said on 4 June. The Department of Civil Aviation said the airports will be handed over to the winning firms either as 100 per cent privately owned investments or joint ventures, or as build-and-operate projects, depending on the potential of each project.

  The Nation (4 June 2014)

- A nationalist movement led by Buddhist monks is set to begin a campaign in calling for people to boycott Qatari mobile phone operator Ooredoo, because the company hails from a Muslim country.

  The Irrawaddy (4 June 2014)

CAMBODIA RELIES ON ASEAN

Cambodia Association of Travel Agents says good connections and airline service from other ASEAN member countries will be the main driver to push tourism forward.

- Association president Ang Kim Eang said the increase in ASEAN travellers to Cambodia was driven by an expansion of direct airline services from ASEAN national capitals
- He also added that visa-free entry for passport holders of ASEAN countries have also encouraged more ASEAN citizens to visit Cambodia
- Cambodia grants visa exemption to citizens of all ASEAN nations and is cooperating with Thailand to offer a two-country visa issued at the embassy of the first point of entry for nationalities that are required to obtain visas for both countries
- ASEAN tourists to Cambodia accounted for 33.5% of 1,267,922 million visits during January to March this year, according to Ministry of Tourism data

IMAGES:

- VISA Free Travel Proposal for 57 OIC Countries

Sources: oic-oci.org, bername.com.my (03 June 2014), ttrweekly.com (02 June 2014)

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