In a bid to continue the development of Malaysia’s growing financial markets, regulations regarding the foreign management of unit trusts and corporate-bond rating procedures have been relaxed.

Prime Minister Najib Razak affirmed the country’s commitment to reach developed nation status by 2020 by encouraging a “stable and inclusive” financial system; effective immediately, fully owned foreign fund management will be able to operate within Malaysia, giving access to the country’s retail markets.

In addition to this, the prime minister announced the deregulation of bond markets, removing the previously mandatory requirement for Malaysian companies to get credit ratings on corporate bonds they issue, whilst allowing foreign credit agencies to operate in Malaysia. In the past, foreign unit trusts were only allowed to operate within Malaysia with a market cap of US$935,000, severely hampering foreign access to Malaysian retail markets.
02 CHINA EMPHASISES ECONOMIC TIES WITH PHILIPPINES

In the face of worsening relations between China and the Philippines caused by escalating tensions in the South China Sea, Beijing has continued to call for a bilateral resolution to the conflict whilst citing the economic fallout at stake.

- China recently rejected the arbitration and latest procedural order issued by the Hague based on an ad hoc Tribunal pursuant to UNCLOS, citing that it had filed a formal declaration to opt-out of UNCLOS as per Article 298 of the convention.
- Instead, China’s new ambassador to the Philippines, Zhao Jianhua, has affirmed Sino-Philippines relations, citing a long and fruitful history of bilateral relations which has yielded US$12.5 billion in trade which has continued to grow at approximately 14.6% per year, whilst emphasising its commitment to the larger ASEAN region.
- Citing economic and social stability as a prerequisite for economic growth between nations, ambassador Zhao affirmed that recent joint Filipino-Vietnamese actions in the South China Sea would only serve to further antagonise the situation.

03 INDIA TO HOST RCEP NEGOTIATION IN DECEMBER

India sees a deal under the ambitious Regional Comprehensive Economic Partnership (RCEP) to boost its services exports and is all set to host negotiations of the mega regional trade deal in December.

- RCEP negotiations comprise the 10 economies of the Association of Southeast Asian Nations (ASEAN) region and six of its free trade partners—India, China, Japan, Korea, Australia and New Zealand, started in May 2013 in Brunei.
- The 16-member grouping is engaged in hammering out issues that need to be included in negotiations with the aim of concluding a deal by the end 2015. The regional economic pact aims to cover trade in goods, trade in services, investment, economic and technical cooperation, competition and intellectual property.
- RCEP envisages regional economic integration leading to the creation of the largest regional trading bloc in the world amounting for almost 45% of the world population with a combined gross domestic product of US$21.4 trillion.
- The negotiations are at an early stage and countries are gauging each other’s response, according to an unnamed source in India’s commerce ministry. He further added that negotiations were expected to pick up next year though it would be difficult to close a deal by the December 2015 deadline.
- India’s interests lie mostly in services, apart from removing technical barriers to trade such as sanitary and phyto-sanitary measures, the official said.

04 THAILAND SEeks DUTY REDUCTION ON IMPORTS FROM OUTSIDE AFTA

Thai Customs will propose duty reductions on products imported from outside the ASEAN Free Trade Area (AFTA) to the National Council for Peace and Order (NCPO).

- The department will ask the Security Council to reduce the import duty on products from outside AFTA from the highest level of 80% to below 20% in order to increase the competitiveness of Thai business operators.
- Thailand imports around 8,000 products from outside the region and, under the current AFTA agreement, importers within ASEAN pay zero import duty for importing machinery for capital goods, 1% for raw materials, 5% for partially manufactured products, 10% for manufactured products, and 20% for protected products.
- “In the future, Thailand will become the gateway to ASEAN from the North to the South, and from East to the West, and in order to prepare for the increase of exports and imports under the ASEAN Economic Community, it is crucial to upgrade the country’s customs system to match its economic strategy,” said Rakop Srisupaat, Director-General of the Customs Department.
- The Customs department had requested a THB 633 million (US$19.5 million) investment budget in fiscal 2015 to build 33 new ports of entry.

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**ASEAN TO BECOME FOURTH LARGEST ECONOMIC REGION**

Boosted by its growing consumer markets, ASEAN is projected to have a combined GDP of US$2.4 trillion by 2040 according to McKinsey & Company.

- Since the turn of the millenium, extreme poverty within the region has fallen from 13% to just 4%, with 67 million households in the AEC enjoying income levels which allow for discretionary purchases, a number which is expected to double to almost 125 million households by 2025.
- Coupled with strong growth in the middle class, strong FDI numbers into the region and increasingly open economic policies provide a promising picture for the future; last year alone, the regions FDI reached a total of US$128 billion, exceeding China’s FDI of US$117 billion.
- It should also be noted that the report found ASEAN economies to have been relatively less impacted by the 2008 GFC, placing them in a prime position to capitalise on future growth; government debt ratios have consistently been kept below 50% in the ASEAN region, as compared to 90% in the UK and 105% in the United States, providing solid economic fundamentals for future growth.

**EU SAYS PHILIPPINES, PAPUA NEW GUINEA FACE IMPORT BAN OVER ILLEGAL FISHING**

The EU warned the Philippines, one of the world’s largest fishing nations, and Papua New Guinea (PNG) that they faced an import ban if they do not curb illegal fishing.

- The European Commission said it had failed to make progress in talks with both countries and decided to issue a formal warning—a “yellow card”—that they must reach European Union standards on illegal, unreported and unregulated fishing.
- If the Philippines, listed as the 12th-biggest global fishing nation, and PNG fail to come up to scratch “through dialogue and cooperation _... then the EU can proceed to trade measures,” it said.
- The position will be reviewed in six months’ time to see if the two countries have made enough progress on action plans drawn up by the EU, it added.
- Fisheries in the Philippines and PNG are under huge pressure from growing populations and environmental damage. The EU imported fish worth 165 million EURO (US$223.36 million) from the Philippines in 2013 and 108 million EURO (US$146.2 million) from PNG.

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FOREIGN AFFAIRS

- Visa-free travel into Myanmar for all ASEAN citizens should be implemented by the end of this year before Naypyidaw hands over the chairmanship in January, said tourism federation secretary-general Kyi Thein Ko. Myanmar has already signed visa-free agreements with five ASEAN members, but negotiations have still to be finalised with four other countries, including neighbour Thailand.

- A high-level meeting was held in Naypyidaw on 10-12 June in response to increasing tension and crime on the shared border, peaking with the killing of Bangladeshi border guard by Myanmar Border Security Guards on 28 May. The two countries reached an “in principle” agreement to open liaison offices on the border and increase security cooperation in the troubled area.

POLITICS

- Aung San Suu Kyi has called for international help in her campaign to become president after a parliamentary committee last week voted not to change the constitutional clause, which effectively bars Suu Kyi from the post of president. Parliamentary elections due to be held in 2015 are seen as a definitive test of whether the military is willing to loosen its grip on power.

- Myanmar’s Upper House of Parliament has voted to switch from the first-past-the-post (FPTP) system and adopt a proportional representation (PR) system for the nomination of Upper House lawmakers in 2015. Eighty-five lawmakers, mostly from the military, voted against the change while 117 lawmakers agreed to it. FPTP is thought to benefit dominant parties while the PR system tends to benefit smaller parties.

BUSINESS AND INVESTMENT

- Four Thai banks with representative offices in Myanmar, Bangkok Bank, Krungthai Bank, Siam Commercial Bank and Kasikorn-bank, have a strong interest in applying for restricted-services licences, after Myanmar recently opened up for such applications from foreign banks for the first time. The Central Bank of Myanmar plans to make between five and 10 licences available this year for limited banking services.

- The US-based Microsoft Corporation has agreed to work with Myanmar Computer Company to train about 100,000 young people for cloud computing and related information technologies. The two companies signed a memorandum of understanding on the partnership on 13 June.

INEFFICIENT CUSTOMS PROCEDURE FORM A POTENTIAL ROAD BLOCK TO AEC

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In a joint effort to address malnutrition in children, The Lao Ministry of Health, MMG Limited, the United Nations Children’s Fund (UNICEF), Lao Women’s Union (LUW), and Population Services International (PSI) have joined forces with community volunteers to distribute millions of micro-nutrient sachets to Lao mothers.

The newly founded initiative is set to distribute micro nutrient sachets within three provinces across Lao PDR to prevent malnutrition, anemia, and similar vitamin deficiency related diseases.

A total of 4 million nutrient supplements are set to be distributed over the next two years, along with a campaign to bring awareness towards good feeding and hygiene practices for mothers.

Poor nutrition causes over one-third of child deaths globally, whilst chronic malnutrition affects more than 40% of Lao children under five years old, which makes the new initiative an effort to tackle Lao health issues at their root.

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