

CARI CAPTURES



01 ASEAN FREE SKIES UNDER THREAT



Multilateral Agreement on Air Services (MAAS)



To come into effect on 1 January 2016, the MAAS is ASEAN's attempt to liberalise aviation addresses several "Freedoms of the Air" in the capital cities of member states namely:

Third Freedom

The right to fly from one's own country to another

Fourth Freedom

The right to fly from another country to one's own

Fifth Freedom

The right to fly between two foreign countries on a flight originating or ending in one's own country

Multilateral Agreement for the Full Liberalisation of Passenger Air Services (MAFLPAS)

Also addressing the liberalisation of the Third, Fourth, and Fifth freedoms, MAFLPAS extends provisions towards the non capital cities of member states.

[Center of Aviation](#)

ASEAN's plans to liberalise aviation laws between member states has hit a road block as both Indonesia and the Philippines have yet to ratify the Multilateral Agreement on Air Services (MAAS).

▶ If fully ratified, the agreement would allow airline carriers from all 10 member states to fly freely from their home country to any city within the bloc by the end of 2015, which was the proposed deadline for ratification; whilst the plan marks an important milestone yet to be crossed, much work still needs to be done in order to create a single sky region

- ▶ To be considered a single sky region, airline carriers from a member state would have to be able to operate in another member state without having the origin or destination be the former nation; this is currently not permitted under the ASEAN Free Skies Plan and is a future goal
- ▶ Currently, Indonesia has only removed restrictions for flights to and from Jakarta under the ASEAN Free Skies Plan, whilst the Philippines has taken the opposite path and removed restrictions from all cities except its capital city Manila

[Straits Times \(28 December 2015\)](#)

02 SLIDING SINGAPOREAN CONSUMER PRICES

 SINGAPORE

Singapore's consumer prices fell for a 13th straight month in November 2015 as the longest streak of declines in almost three decades amid a renewed slump in oil prices continues.

- ▶ According to data released on 30 December 2015, Singaporean consumer prices fell by a median estimate of 0.7% year on year whilst core inflation fell to 0.2%; core inflation, which does not include transport and accommodation costs is expected to rise over the course of 2016 as government policies shift to take into account the weakened commodity market
- ▶ As inflation has come down and economic growth has been sluggish, Singapore's central bank has eased monetary policy twice in 2015, with the second time being in October; furthermore, wage cost pressures have remained a secondary force alongside the weakened commodity market in subduing rising consumer prices
- ▶ The all-items CPI index is projected to average between -0.5% and 0.5% in 2016, compared to around -0.5% this year, dampened by lower car prices and rentals due to an expected increase in the supply of Certificate of entitlement (COE) which allow for car ownership, and new home completion

[Bloomberg \(23 December 2015\)](#)

03 MALAYSIA'S ANTI-GRAFT COMMISSION REMAINS SILENT

 MALAYSIA

In a recently released statement, the Malaysian Anti-Corruption Commission (MACC) has said that it will not reveal the identity of the donor behind the US\$600 million deposit in Prime Minister Najib Razak's personal bank account.

- ▶ Rationale provided by the MACC's director of special operations Bahri Mohamad Zin highlighted that the public release of such information would be unlawful, a stance backed by former attorney-general, Tan Sri Abu Talib Othman; according to the MACC, the release of information relating to the donor can only be released after the matter was brought to court
- ▶ Director Bahri also said that MACC chief commissioner Tan Sri Abu Kassim Mohamed had ordered investigators to make their recommendations regardless of their findings, which would then be presented to the Attorney-General
- ▶ Datuk Seri Najib has also so far resisted calls to reveal the identity of the donor amidst calls for him to do so, and continues to maintain that the money was an unnamed Middle-Eastern contributor

[Straits Times \(28 December 2015\)](#)

04 INDONESIA SETS NEW CAPITAL NORMS FOR FINANCIAL CONGLOMERATES

 INDONESIA

Indonesia's Financial Services Authority (OJK) recently changed requirements around how the country's banking and financial services conglomerates report their capital buffers in an effort to make capital risks more transparent.

- ▶ Under the revised regulations, a financial conglomerate's net equity must equal at minimum the total required capital of each of its business units; previously, firms did not have aggregate capital requirements, instead capital requirements were decided by parent companies alone
- ▶ The regulatory capital requirements themselves for each type of

business were not changed, banks still have to maintain a capital adequacy ratio of at least 8% of risk-weighted assets, while insurance firms must maintain a solvency ratio of at least 120%; however the aggregate calculations required by new legislation may change capital requirements for certain firms

- ▶ The new rules take effect in December 2015, however, penalties for not meeting the requirements, which include fines of up to US\$7,327.62 and blacklisting the company's management or revoking licenses, won't apply until 2018

[Reuters \(28 December 2015\)](#)

Financial Conglomerates Capital Requirements

Minimum Capital Adequacy Requirement for Commercial Banks (14/18/PBI/2012)

Stipulates the following minimum capital requirements for the various risk profiles:



Revision in regulation requires an aggregate calculation for capital requirements including a parent company's subsidiaries.

[Federation of Thai Industries](#)

05 MALAYSIA'S SMES NEED TO PREPARE FOR AEC



According to a survey published by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), more than half of Malaysia's SMEs remain unsure of the ASEAN Economic Communities' (AEC) impact on their businesses.

- ▶ Whilst the AEC provides opportunities for regional expansion and potential improvements in the regional production chain, the integration of regional economies will also bring increased competition which may challenge local SMEs
- ▶ And according to Bank Muamalat chairman Munir Majid, ASEAN's SMEs constitute 89% to 99% of enterprises, employing across the region between 52% and 97% of the working population and making up 23% to 58% of ASEAN GDP; this makes them a key demographic of interest in terms of the AEC's potential impact
- ▶ According to the survey, whilst the implementation of the AEC will go ahead as planned with the coming 2016, awareness and information raising initiatives will need to be undertaken to prepare the bulk of SMEs for regional economic integration

[The Star \(28 December 2015\)](#)

06 THAILAND INKS TRANSPORT DEALS



Thailand finalised two deals totalling US\$933.2 million to build railways as part of a 20 infrastructure project package amounting to US\$50.2 billion to begin before 2018.

- ▶ The projects, which were tendered via electronic auctions, will help to revitalise the Thai economy which has struggled to recover ever since political turmoil in 2014; whilst the two planned railway projects connect provinces within Thailand, the complete 20 deal package seeks to improve accessibility to Thailand's more remote provinces for further foreign investment and business
- ▶ The announcement comes after the Thai government requested that China continue to invest in civil works, trains, and operating systems; currently, the main project of focus for Sino-Thai infrastructure would be the 873 kilometre double track route from northeastern province of Nong Khai to the industrial area of Map Ta Phut in Rayong province passing through Bangkok
- ▶ Whilst negotiations for the Chinese project are still far from final, a framework has been developed detailing the division of labor between both nations for the construction of the rail line over the next decade

[Manila Buletin \(27 December 2015\)](#)

07 VIETNAM SEES STARTUP BOOM

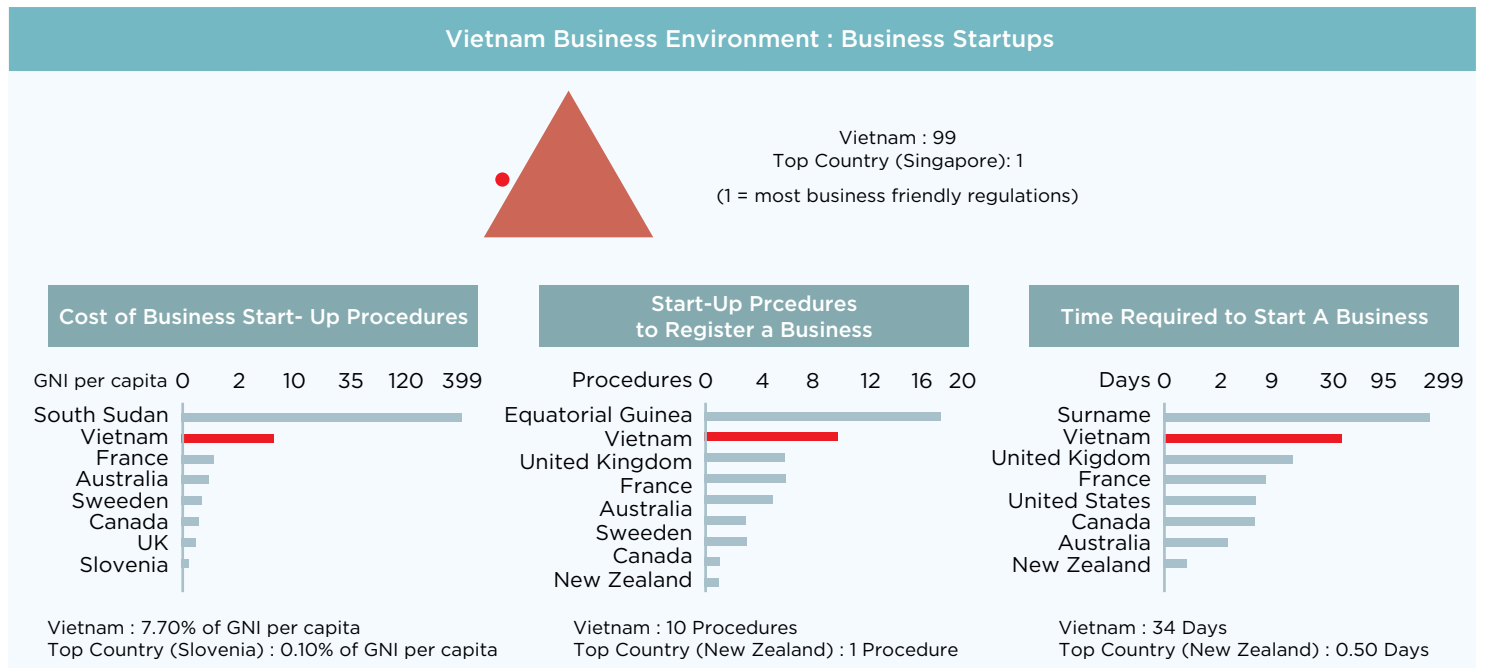


Though government statistics have shown a roller coaster of new business registrations in Vietnam in recent years with no visible trend, it should be noted that 87,000 companies were started in the first 11 months of 2015.

- ▶ On average, 77,000 firms suspend their operations each year, with those surviving businesses fighting for scarce funding; the lack of clear regulatory framework, government legislation, and support has led to a tough environment for startups

- ▶ This has been recognised by the Vietnamese government, which passed reforms to reduce red tape in the startup environment; furthermore, it is expected that 2015 will be a record year for new business in the thriving nation
- ▶ The cultural shift away from a conservative backdrop in Vietnam has continued at a breakneck pace as Vietnam's government continues to liberalise its economy, inviting foreign influence and funding which has created an environment ripe for entrepreneurs in recent times

[Channel News Asia \(28 December 2015\)](#)



[Macro Economy Meter](#)



08 MYANMAR MONITOR

FOREIGN AFFAIRS

▶ ASEAN integration is finally official and expectations run high as the ten ASEAN member states solidify their presence as one, obliging them to establish a single market and production base where traded goods move freely on a tariff-free basis, where there is better flow of capital and investment, and where workers can enjoy visa-free movement to work anywhere in the region. Many obstacles remain to completing the integration blueprint, from limited investment in both hard and soft infrastructure to widespread political fragmentation and regulatory confusion.

[Bangkok Post \(4 January 2016\)](#)

▶ Along with Cambodia and Laos, Myanmar has been granted an extension and will not join the AEC until 2018, but economists say even this target may be hard to meet. "It is true that we are struggling to prepare for the AEC," economic adviser to the president U Zaw Oo told media. Myanmar lags well behind other countries in the region in infrastructure development, skilled labour, combined with outdated economic policies, investment laws and weak law enforcement, economists said.

[Myanmar Times \(10 December 2016\)](#)

POLITICS

▶ Aung San Suu Kyi said that establishing peace with Myanmar's ethnic minorities will be the single most important goal when her party forms a government in coming weeks following its historic election victory. The NLD plans to have an all-inclusive congress with the country's ethnic groups aimed at a full peace, Suu Kyi said on 4 January in her second public speech since the November election.

[The Wall Street Journal \(4 January 2016\)](#)

ECONOMY

▶ High demand from China is boosting Myanmar's sugar exports, as world prices also increase due to forecasts of a global production deficit over the next two years. Traders estimate about 100 trucks a day are crossing the Myanmar-China border carrying sugar. China's own sugar production has also fallen with fields given to what had been considered more competitive crops.

[Bangkok Post \(5 January 2016\)](#)

EDUCATION

▶ The Myanmar Education Ministry plans to employ an additional 86,000 teachers for the 2016-17 academic year. A National Project Bill looking to improving many aspects of the education sector such as increasing funds for state schools, more scholarship options and rewards for academic excellence, has been officially submitted to the Parliament, according to Minister Kan Zaw

[The Nation \(5 January 2016\)](#)

09 WORLD BANK LOANS PHILIPPINES \$500M TO FIGHT NATURAL DISASTERS

PHILIPPINES

The World Bank approved a \$500 million loan on 30 December to help the Philippines deal with natural disasters.

- ▶ On average, more than 1,000 lives are lost every year in the Philippines, with typhoons accounting for the majority of deaths and damage; the country is also highly exposed to earthquakes and volcanic eruptions which displace and destroy both people and places
- ▶ In 2015 alone typhoons Koppu and Melor claimed nearly 100 lives combined according to official counts, with thousands more displaced; in the recent past, super typhoon Haiyan struck the nation creating US\$12.9 billion in damages whilst pushing 2.3 million people below the poverty line
- ▶ The new credit line will be available to the Philippines whenever it encounters "a state of calamity" as declared by the president; the world bank hopes that funding will help the Philippines deploy rescue and relief efforts in a more effective manner whilst also bolstering recovery efforts from natural disasters

[Khaleej Times \(27 December 2015\)](#)

10 MALAYSIA RANKED TOP 5 IN ILLICIT OUTFLOWS

MALAYSIA

According to the latest annual report by Washington-based Global Financial Integrity (GFI), Malaysia had lost an accumulated amount of US\$418.542 billion since 2004 to illicit outflows.

- ▶ The watchdog also stated that Malaysia lost a total of US\$48.25 billion in 2013 alone, stemming from a mixture of tax evasion, crime, corruption, and other unlawful activities; Malaysia has long retained its position amongst a top country of illegal capital flight
- ▶ Statistics from 2013 found that US\$1.1 trillion had flowed illicitly out of developing and emerging economies, with Asia comprising of some 38.8% of the developing world's illicit outflows
- ▶ GFI measures illicit financial outflows using two sources, namely, the misinvoicing of trade [using the Gross Excluding Reversals (GER)] method and leakages from the balance of payments (HMN); among the recommendations, GFI said all countries should comply with the Financial Action Task Force Recommendations to combat money laundering and terrorist financing

[The Malaysian Insider \(24 December 2015\)](#)

Illicit Financial Outflows from the Top Ten Source Economies (2013) (in million of nominal U.S. Dollars or in percent)

Rank	Country	2013	Cumulative	Average
1	China	258,640	1,392,276	139,228
2	Russian	120,331	1,019,772	104,977
3	Mexico	77,583	528,439	52,844
4	India	83,014	510,286	51,029
5	Malaysia	48,251	418,542	41,854
6	Brazil	28,185	226,667	22,667
7	S. Africa	17,421	209,219	20,922
8	Thailand	32,971	191,768	19,177
9	Indonesia	14,633	180,710	18,071
10	Nigeria	26,735	178,040	17,804
Total of Top 10		707,765	4,885,718	488,572
Total 10 as % of Total		64.9%	62.3%	
Developing World Total		1,090,130	7,847,921	784,792

[Global Financial Integrity](#)