In 2015, Vietnam saw a record high of US$4 billion in Mergers and Acquisitions (M&A) due to the government’s privatisation drive which sparked foreign interest in firms.

The government’s decision to completely remove foreign ownership restrictions in most sectors and its ratification of the Trans Pacific Partnership has signaled to foreign investors a new age of economic liberalism in Vietnam; interest in the nation was also furthered by the relatively robust growth featured by the Vietnamese economy, which outshone its regional neighbours which were plagued by weakening commodity prices and sliding currencies.

Amongst key M&A deals in 2015, a prominent transaction was the US$1.1 billion equity sale of the Masan Group to Thailand’s Singha Group; deals of a similar size and scope are expected to continue into 2016, with a particular focus on the textile, construction, and machinery sectors in Vietnam.

Deals that are expected to go through in 2016 include a 45% government stake sale of Vinamilk valued at US$3.1 billion, as well as the potential US$900 million sale of mobile network provider Mobifone; a partial privatisation of Binh Son Refining and Petrochemical Company (BSR) is also expected to occur in 2016.

Institute for Mergers, Acquisition and Alliances

Reuters (6 January 2016)
THAILAND’S LOGISTICS INDUSTRY TO LEAD ASEAN

According to study by Frost & Sullivan, Thailand’s logistics industry is positioned to capitalise upon the ASEAN Economic Community (AEC) as it plays a key role in connecting the landlocked countries of Indochina.

- Analysis by Frost & Sullivan also finds that the Thai logistics market earned revenues of US$71.7 billion in 2014, and estimates this to reach US$96.5 billion in 2019 should Thailand be able to overcome uncertainties surrounding its own government and slowed growth in the Eurozone and Japan.
- Currently, the Thai government has taken a three pronged approach in improving its infrastructural network in order to support growth in the logistics industry; firstly, increased foreign direct investment in Myanmar, Cambodia, and Laos has been introduced to support cross-border infrastructural networks, secondly, modernisation programs in the country’s two ports are to improve the nation’s viability as a logistical hub, and lastly, a policy focus on high tech manufacturing is to support growth in air services.
- According to Jeff Tan, a Senior Consultant at Frost & Sullivan, a holistic strategy which encompasses setting up infrastructure, increasing network coverage, and improving human resources and service quality will enable Thailand’s logistics services to succeed.

SINGAPORE’S STOCKS PLUNGE AMIDST BEARISH MARKETS

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.

PRODUCTIVITY GAINS AND WAGE HIKES

With the implementation of the ASEAN Economic Community (AEC) in 2016 and its easing of labour movement across member states, the threat of minimum wage hikes in 2016 brings into question the impact of the AEC on worker productivity.

- In order to ward off the potential emigration of trained staff due to wage differences across AEC member states, manufacturers are more likely to support official national wage rises; according to Thomas Hundt, the director of Germany Trade and Invest (GTAI), this will prompt manufactures to assess productivity versus pay in its workers and reassess their overall business strategies.
- To remain competitive, productivity gains need to match wage increases, otherwise businesses would be disadvantaged by the higher cost of business created by minimum wage laws; this issue will be prevalent within labour intensive industries such as the garment industry.
- Several minimum wage hikes have already been put into effect, with Cambodia raising its minimum wage by 9.4% to US$140 a month, whilst the Malaysian Government will increase its rate by 11.1% to US$233.

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05 CIMB: MALAYSIA IN FISCAL BIND

According to a report by CIMB Research, Malaysia is in a fiscal bind, which will be exacerbated by sliding oil prices.

- With Malaysia’s currency already significantly weakened, any hopes of employing monetary easing to manage the country’s economy are significantly dampened; furthermore, the government’s ailing budget for 2016 has also shown a lack of fiscal measures to boost the economy.
- The report also stressed that all three drivers of growth for Malaysia, which are global trade, Chinese growth, and strong commodity markets, are currently experiencing a slowdown which has negatively impacted Malaysia’s economy; meanwhile, the World Bank has stated that Malaysia’s shift away from reliance on commodity related revenue will help to cushion harsh market conditions.
- Factors working in favour of growth would be the implementation of the Trans-Pacific Partnership (TPP) and the integration of the ASEAN Economic Community (AEC), both of which are expected to aid in increasing Foreign Direct Investment (FDI) and job creation.

06 INDONESIA SUES FIRMS OVER FIRES

According to a statement made by Indonesia’s Environment and Forestry Minister Siti Nurbaya Bakar, the Indonesian government has announced plans to take ten firms to court over illegal forest fires, which caused the transboundary haze in 2015.

- Though the government has actively pursued punitive action against companies it deems responsible for illegal forest fires in court, recent outcomes within Indonesia’s judicial system have been less than ideal; Indonesia’s latest lawsuit against the local pulpwood plantation company Bumi Mekar Hijab (BMH) gained no traction as the Palembang district court ruled that there was no evidence as to BMH’s deliberate involvement in forest fires.

07 SBF CALLS FOR GOVERNMENT HELP

The Singapore Business Federation (SBF) called on the Government to help companies cope with restructuring while helping to build Singapore as a home base for companies expanding overseas.

- The SBF did so through the release of a position paper which claimed that challenging internal and external macroeconomic factors are hampering the regional expansion of Singaporean firms; in particular, business costs, ageing demographics, and a lacklustre global economic outlook were identified as issues.
- The paper called for the government to conduct an analysis on the situation in the short term, whilst suggesting alternative sourcing for capital in the long term for MSMEs; in particular, it was stated that pension funds and other schemes should be able to be invested in MSMEs in order to increase the available capital to firms.
- Whilst the Indonesian government continues to sue companies for environmental crimes, it is also capable of issuing administrative sanctions suspending business licenses and ceasing their operations; 16 plantation companies including BMH have had their business licenses suspended whilst three have had their licenses revoked following a government probe into the matter.
- Minister Bakar said that her ministry is preparing to appeal against the court ruling handed down in favour of BMH, and has claimed that the government has had no problems with finding evidence tying BMH to the forest fires.

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**Malaysia**

Malaysia’s anti-graft agency detained four government officials on suspicion of taking bribes relating to the mining of bauxite.

- Furthermore, Malaysia has also imposed a 3 month mining ban on Bauxite in the state of Pahang due to complaints and concerns surrounding environmental pollution from uncontrolled bauxite mining activities; river pollution from bauxite mining poses long term health risks according to Health Minister Subramaniam Sathasivam.
- The commission discovered that specific forms needed to transport bauxite had been sold illegally to unlicensed miners for as much as 200 times the original price, whilst agency has gathered more evidence on the parties involved and leaves open the possibility that more people will be detained.
- Malaysia supplied more than 40% of China’s imports of the aluminium making raw material last year after Indonesia imposed a ban on shipments in January 2014; China produces about half the world’s aluminium used in everything from aircraft to door frames and drink cans.

**Philippines**

The Philippines was ranked 51 in the Rule of Law (RoL) Index 2015 Report which has used over 100,000 households and 2,400 expert surveys to measure how the RoL is experienced in practical, everyday situations by ordinary people around the world.

- RoL is based on and defined by the World Justice Project (WJP) on four principles; firstly the government and its officials and agents, secondly, the nature of laws in relation to fundamental rights, thirdly, the practice of laws, and lastly, the instruments of implementing law.
- In its ranking of the Philippines, the WJP found that the Philippines was particularly well equipped and invested in order and security, whilst not so much so in the area of criminal justice; this reflects the prevalence of private security within the nation and a lack of trust within the nation’s law enforcement and justice system.
- The WJP recommended that Presidential, congressional, and local candidates, as well as their political parties and officials, should make it a priority to improve the country’s criminal justice system.

**Rule of Law Across ASEAN Rankings**

*Neither Brunei nor Laos were ranked*