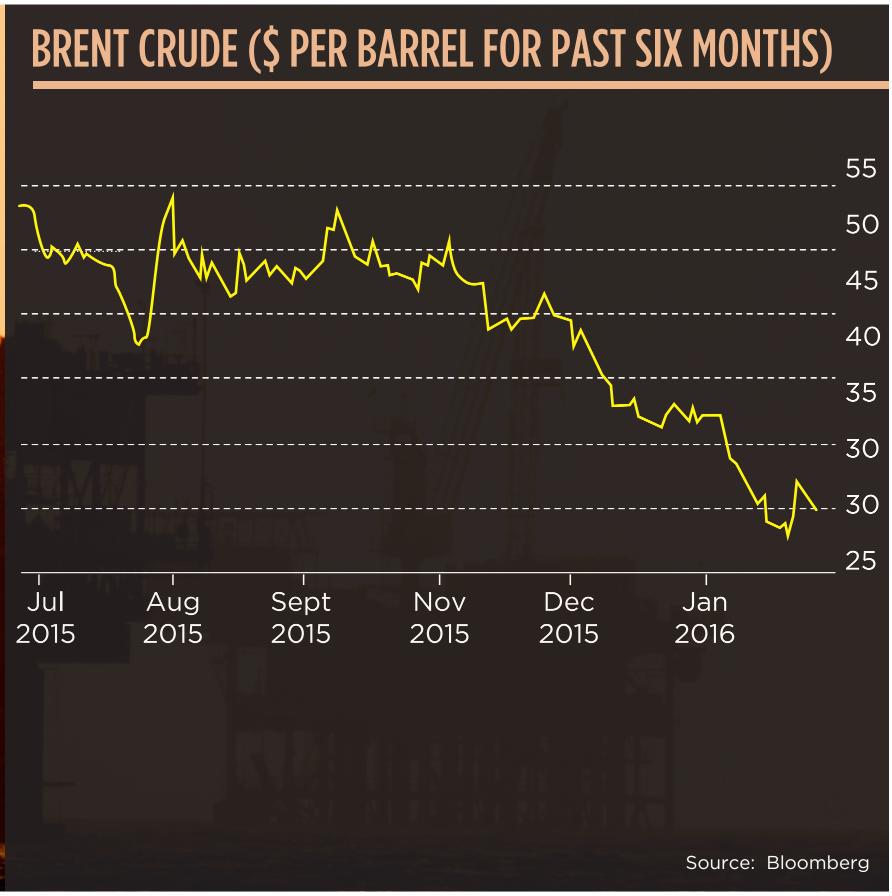
25 JANUARY 2016 ISSUE 250

CARI CAPTURES

01 ASEAN

IMPLICATIONS OF OIL PRICES ACROSS ASEAN



Volatility in oil prices has led to mixed results across ASEAN equity markets and has also resulted in macroeconomic implications for the year.

- Brent crude reached a recent high of US$32.72 a barrel on the 26 of January resulting in short term gains in equity markets in Singapore, Malaysia, Thailand, and Indonesia; the rally in oil prices can be attributed to rumours of joint production cuts by Russia and OPEC
- Ratings agency Standard and Poor's (S&P) has maintained its ratings and outlooks for national oil companies such as Indonesia's PT Pertamina, Malaysia's Petroliam Nasional (Petronas), Thailand's PTT Public; S&P projections place Brent crude oil prices at US$40 per barrel on average for 2016, and US$45 per barrel in 2017
- Despite the recent turnaround in oil prices, poor projections for the year has caused Malaysia's Petronas to announce plans to cut its spending by up to US$11.4 billion over the next four years; similar measures are expected to be undertaken by oil producers across ASEAN, weakening employment and tax revenues in member states

Wall Street Journal (14 January 2016)

02 THAILAND

THAILAND'S DRAFT CONSTITUTION TO CONTAIN SWEEPING REFORMS

According to Meecham Ruchupan, chairman of the Constitution Drafting Committee, the constitution will have to use "Strong medicine" to address long standing problems which political parties may not agree to.

- Currently in its second draft, Thailand's new constitution is being crafted with the express purpose to solve long running problems such as the abuse of power by lawmakers; the first draft, which was written by the now defunct National Reform Council was rejected by referendum in September 2015 following criticisms concerning its "unconstitutional" as the nature office holder could continue to cling to power past his self-declared term
- Should the second draft fail, Thailand's military government will need to prolong its stewardship of the nation; currently, Thailand's ruling government hopes to hold a 2017 general election with a pre-approved constitution in tow
- In addressing concerns and questions surrounding the new constitution, Chairman Ruchupan also stated that the document would not limit the influence of the Shinawatra family, which has won every election since 2001

Reuters (20 January 2016)

THAILAND'S DRAFT CONSTITUTION

22 MAY 2014	Coup d'état displaces caretaker government
22 JULY 2014	Interim Constitution of Thailand put in place Establishes Thailand as a unitary and democratic state, puts in place a legislative, executive, and national reform branch whilst calling for a new constitution
31 JULY 2014	A National Legislative Association (NLA) was appointed
21 AUGUST 2014	NLA unanimously votes General Prayut Chan-o-cha as new prime minister
29 AUGUST 2015	Draft constitution submitted to the National Reform Council (NRC) for approval
6 SEPTEMBER 2015	NRC voted 135:105 against the draft Under the interim constitution, a second draft has to be submitted within 180 days

03 SINGAPORE

SINGAPORE'S PROPERTY MARKET PLUNGE

Both the residential and office real estate markets have continued to suffer due to different reasons, and will continue to be hurt by lackluster global macroeconomic conditions.

- A faltering Chinese economy has resulted in slowing foreign demand in office properties across Singapore causing falling earnings across Singapore's three biggest office real estate investment trusts (REITs), CapitaLand Commercial, Sunetec, and Keppel Reit; each of these REITs, which earns revenue through office rentals and capital appreciation has seen losses for investors between 24 and 30% in 2015 alone
- Meanwhile, government policies aimed at curbing speculation and preventing a market bubble in the property market has resulted in the residential real estate market falling by 8.4% over the course of the past two years
- Whilst the property market has suffered from an investment perspective, lower residential property prices has allowed more than 90% of Singapore's population owning homes, whilst falling office space prices has led to a lower cost of business in Singapore; both can be viewed as being net positives for the island nation state

Channel News Asia (20 January 2016)

04 INDONESIA

US MINING GIANT IN DIVESTMENT TALKS

Freeport McMoRan Inc's Indonesian unit has submitted a divestment price to the Indonesian government for a 10.46% stake, which will allow the firm to operate in the country beyond 2021.

- The stake, which has been valued at US$1.7 billion by Freeport, is part of its copper mining operation worth a total of US$16.2 billion; Freeport's valuation was based on the assumption that the company would continue operations following a successful contract renewal in 2021
- Current Indonesian regulation requires Freeport to relinquish a 30% stake to either government or national companies to continue operations; currently, the Indonesian government holds 9.36% from a previous divestment; the divestment of the remaining 20.64% is to occur over two stages in this year, and in 2019
- According to representatives from the Indonesian government the pricing of the current offer is too high and will be evaluated by an inter ministry team; the central government has 60 days to consider Freeport's offer before its exclusivity elapses and local government and state owned enterprises are allowed to take up Freeport's offer

The Diplomat (23 January 2016)

05 VIETNAM

VIETNAM'S COMMUNIST PARTY BOSS TO RUN UNOPPOSED

According to a state media report, the General Secretary of Vietnam's Communist Party Nguyen Phu Trong will be the only candidate for the post at a party congress.

- Due to a controversial 2014 rule barring all but officially nominated candidates from consideration with no new nominations allowed from the congress floor, Vietnam's reformist Prime Minister Nguyen Tan Dung has little chance of making General Secretary
- Electoral results will be presented on January 28, when the posts of general secretary, the prime minister, the president and the chairman of the National Assembly will be declared; regardless of who becomes General Secretary however, analysts predict that little change in Vietnam's current wave economic reforms will occur
- The main difference between Trong and Dung would be their take on Sino-Vietnamese relations, with Dung being more anti-China when it comes to disputes in the South China Sea; on the other hand, Trong has made a name out of being an idealogical ally of China, stating that Vietnam has lost its roots as a socialist nation to corrupt economic goals

BBC (24 January 2016)

06 CAMBODIA

CONSTRUCTION VALUES IN CAMBODIA RISE

In 2015 alone, Cambodia saw a total estimated value of US$3.3 billion in approved construction projects, representing a 33% year on year increase from the previous year.

- According to a spokesperson from the Ministry of Land Management, Urban Planning and Construction (MLMUPC) Seng Lot, the growth in construction reflects investor confidence in the nation's newfound political and social stability
- However, several industry analysts have stated that announced projects may be outpacing actual demand for property in Cambodia; correspondingly, Kang Chandararot, the director of Cambodia Institute of Development Study stated that the level of demand was known
- Most of the construction projects were found to have been greenlit in the Phnom Penh, Siem Reap, Sihanoukville, and Kandal provinces; current trends are expected to continue into the future, should the stability surrounding political and social conditions continue to persist

Property Report (22 January 2016)

07 MALAYSIA

MAS-EMIRATES ALLIANCE ASSURES SUCCESS

The signing of the Malaysian Airlines (MAS) - Emirates codeshare agreement gives room for expansion of its route network in the Western hemisphere whilst focusing on flights to ASEAN economies.

- A codeshare agreement allows for two airlines to share their licensed routes with each other, whilst each airline specialises in a route so as to maintain a more economical offering; as such, this would allow air carriers to maintain their offerings whilst cutting costs by focusing on certain routes
- Under the codeshare agreement, MAS has already reduced destination offerings by 27% whilst re-accomadating passengers on codeshare flights with Emirates;tThe deal with Emirates will give Malaysia Airlines access to 38 European destinations, and even twice daily to cities, including Rome, Frankfurt, Munich and Barcelona, it will also expand its reach in the Americas and the Middle East, Africa and Indian Ocean
- According to Ahmad Rizal an academic , the partnership also made good business sense considering Emirates, one of the world's fastest growing airlines, had been bringing in the largest number of passengers to Malaysia

The Malay Mail Online (24 January 2016)

08 MYANMAR MONITOR

POLITICS

- Myanmar President Thein Sein on 28 January hailed the "triumph" of Myanmar's shift from military rule, telling the outgoing military-dominated legislature that a democratic transformation was underway as the country prepares for the new parliament. His remarks underscore the measured behaviour by all sides in the months since the freest vote in more than half a century.

Financial Times (28 January 2016)

- Outgoing President Thein Sein asked parliament on 26 January to extend the powers of the military-controlled home affairs ministry by giving it control over immigration, officials said. The surprise move comes just days before the incumbent military-dominated parliament hands over to a legislature led by the opposition party NLD. If approved, the proposal would significantly add to the military's power, as the junta-drafted constitution puts the three major ministries of home affairs, border affairs and defence under army control.

Channel NewsAsia (27 January 2016)

SECURITY

- Myanmar authorities plan to set up a command centre in Yangon to monitor CCTV imagery as part of a counter terrorism push. The recent Jakarta bombing was a wake-up call for Myanmar authorities to review and update their counter terrorism plans, leading to the establishment of the Counter Terrorism Department under the police force's Special Branch.

Channel NewsAsia (27 January 2016)

ECONOMY

- In December last year, India ended long-standing rules allowing border trade to be settled by an exchange of goods up to the value of US$20,000, explaining barter trade was no longer necessary as an adequate banking system was in place on both sides of the border. The ban has led to a substantial decrease in overland trade, with December trade reaching only 70% of the target and so far in January the figure is only 35%.

The Myanmar Times (28 January 2016)

FOREIGN AFFAIRS

- A US Senate committee approved US President Barack Obama's nominee, Scot Marciel, to be ambassador to Myanmar on 28 January, after the administration assured panel members it would not move too quickly to ease sanctions on Myanmar before it had made the transition to democratic government. Current sanctions target more than 100 individuals and businesses and limit US investment in the country.

Reuters (28 January 2016)

09 INDONESIA

INDONESIA'S FOREST FIRES ARE STARTING AGAIN

World Bank estimates have placed the economic damage created by Indonesia's forest fires in 2015 at US$16 billion, and President Joko Widodo has warned that they have started in 2016 again.

- According to the World Bank, the annual forest fires cost over twice of the US$ 7 billion in reconstruction costs after Indonesia's 2004 tsunami; more than 100,000 manmade fires burned 2.6 million hectares of land between June and October 2015
- President Widodo has publicly declared that permits will no longer be issued for the cultivation of peatland areas, whilst also endorsing the establishment of the peatland restoration agency
- Whilst economic damages impact the agricultural, tourism, forestry, trade, and transport industries, the health impact of the fires is harder to quantify; immediate and apparent effects include the haze and the threat of rampant fires which threaten lives, but long term impacts include the destruction of forest reserves and loss of biodiversity which are harder to quantify and trace to negatively impacting health

Quartz (22 January 2016)

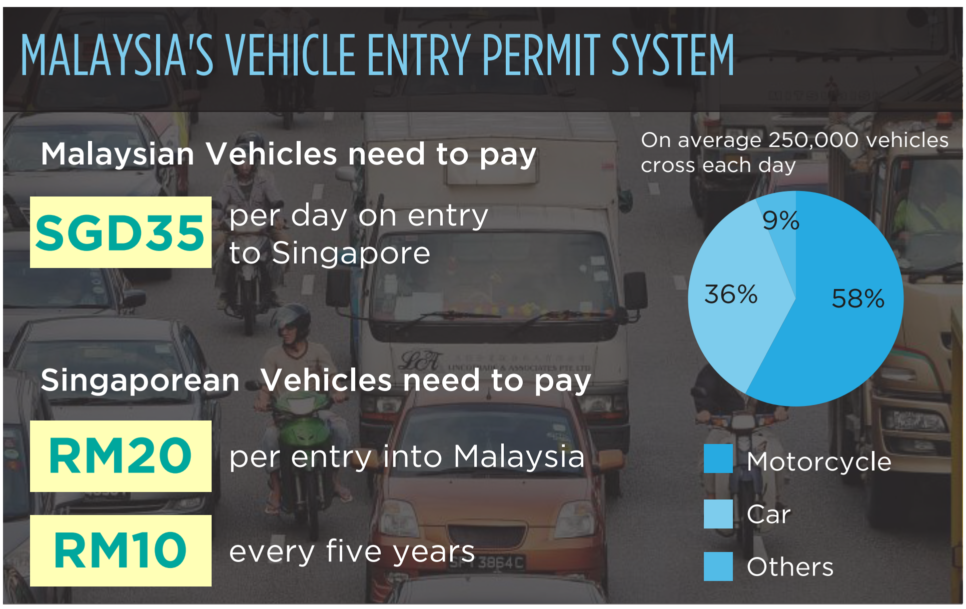
10 SINGAPORE | MALAYSIA

MALAYSIA IMPLEMENTS VEHICLE ENTRY PERMIT SYSTEM

Malaysia's long delayed Vehicle Entry Permit (VEP) system will require Singaporean vehicles entering the country to be registered, according to Transport Minister Liow Tiong Lai.

- The VEP system, which will be implemented in May 2016, will cover two bordering crossings including the Causeway and Second Links; a five year permit will cost vehicle owners a total of RM10, with vehicles being given a radio frequency identification tag so as to verify their permits
- Currently, Singaporean vehicles already pay a RM20 road charge each time they enter Malaysia, and on 1 August 2014, Singapore raised the cost of its own VEP system for foreign vehicles entering the Republic from $20 to $35 a day
- Malaysia's VEP system was originally supposed to be implemented on August 15 2015, but was delayed by Malaysia's Road Transport Department

Straits Times (24 January 2016)



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