

CARI CAPTURES

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01 ASEAN

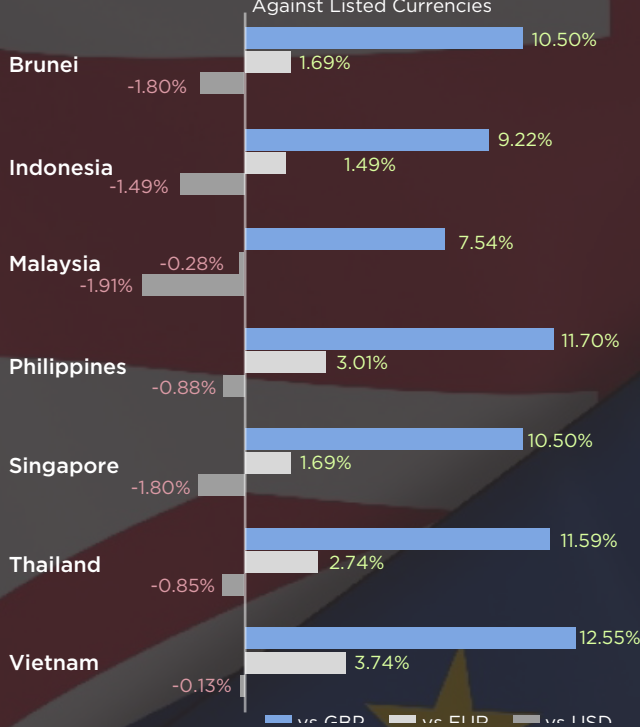
BREXIT IMPLICATIONS FOR ASEAN INVESTORS

SHORT TERM FX IMPACT OF BREXIT

LONG TERM TRADING IMPACT OF BREXIT

ASEAN FX Volatility Spikes as Brexit is Announced

Percentage Change in Currency Value Against Listed Currencies



ASEAN Trade Post Brexit FTAs & Import Export Data

	EU FTA Agreement	Exports to UK (USD)	Imports from UK (USD)
Thailand	Negotiations launched	3.7 billion	2.5 billion
Vietnam	Signed & awaiting implementation	3.6 billion	6.4 million
Singapore	Negotiations launched	3.3 billion	5.5 billion
Malaysia	Negotiations launched	2.3 billion	1.8 billion
Indonesia	N/A	1.6 billion	8.9 million
Cambodia	N/A	751 million	56 million
Philippines	Negotiations launched	470 million	410 million
Brunei	N/A	12 million	85 million
Laos	N/A	N/A	N/A
Myanmar	N/A	N/A	N/A

In a vote that stunned analysts around the world, the UK has voted to exit the European Union (EU); this has led to the short term effects of increased volatility in foreign exchange, whilst putting into question the uncertain future of ASEAN-EU/UK trade.

► Currency volatility, one of the most immediate externalities associated with economic crisis, saw ASEAN currencies generally improve in value against the British Pound and Euro, whilst falling in value against the US Dollar; in the short term, this implies the terms of trade for ASEAN member states purchasing European goods will be at a significant discount, while curtailing European consumption of ASEAN goods

► A longer term view of the implications of Brexit brings into question ASEAN-EU/UK trade; whilst existing agreements exist between the European Union and ASEAN, the UK lacks a network of independent trading agreements with ASEAN states; furthermore, current ASEAN-EU FTA negotiations will exclude the UK from this point forward

► Brexit, which brings about the exit of one country from one of the world's oldest and most prominent nation blocs will also test the resolve of ASEAN integration; with the flaws of the EU becoming more apparent in the present, ASEAN member states will need to be able to overcome the same mistakes and pitfalls that have plagued its counterpart

ASEAN Briefing (24 June 2016)



WHAT A RETRACTED STATEMENT SAYS ABOUT CHINA'S GROWING POWER IN THE SOUTH CHINA SEA

ASEAN's withdrawal of a communique on rising maritime tensions following the Kunming conference of Defence Ministers has taken away from the credibility of the bloc, showcasing internal discord and a lack of political backbone.

- ▶ The diplomatic mess recalled an incident in 2012 when, for the first time in ASEAN history, the group wrapped up a summit without a joint communiqué because of what was widely perceived to be Chinese pressure on Cambodia to avoid the sensitive South China Sea issue
- ▶ According to a source quoted by Time Magazine, minutes

after the ASEAN statement went out, Beijing had lobbied regional ministers to make the embarrassing backtrack; Beijing's foreign policymakers, he said, had specifically pressured Laos, which is this year's ASEAN chair, to force the statement's recall (ASEAN requires consensus among all of its 10 members to issue any statement)

- ▶ "This is turning out to be another fiasco in which ASEAN's credibility has been damaged because of a lack of unity," says Ian Storey, a senior fellow at the ISEAS-Yusof Ishak Institute in Singapore, "It really looks not only like ASEAN is in disarray but also that it lacks any backbone"

[Time \(15 June 2016\)](#)

DUTERTE'S 10 POINTS PLAN

Philippines President-elect Rodrigo Duterte unveiled a 10-point socio-economic policy agenda which affirms the building of strong economic fundamentals and a conservative social agenda.

- ▶ On the economic front, the agenda focused on cutting tax rates and improve collection, relaxing constitutional restrictions on foreign investment in industries such as utilities and mining, and increasing spending to fix the country's creaking infrastructure
- ▶ Although Mr. Duterte's cabinet, announced last month, has been criticized for including the president's longtime friends, the economic and finance positions are filled by policy veterans who share a commitment to clean up corruption and promote growth
- ▶ Mr. Duterte announced his agenda at a conference of more than 400 business leaders who presented him with their own wish list; the executives proposed lowering the 30% corporate-income tax rate and the 32% top personal-income rate, a national identification system to facilitate social services, and suggested automating and streamlining processing for permits and land titles
- ▶ On the social front, Duterte has committed himself to championing the improvement of social protection programs, strengthening the implementation of responsible parenthood, and reforming reproductive health laws

[The Wall Street Journal \(23 June 2016\)](#)

DUTERTE'S 10 POINTS SOCIO-ECONOMIC POLICY AGENDA

1. Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.
2. Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.
3. Increase competitiveness and the ease of doing business.
4. Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.
5. Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.
6. Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.
7. Invest in human capital development, including health and education systems, and match skills and training.
8. Promote science, technology, and the creative arts to enhance innovation and creative capacity.
9. Improve social protection programs, including the government's Conditional Cash Transfer program.
10. Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.

Source: GMA News Online

MALAYSIA-EU FTA TALKS TO GO ON, SAYS MINISTRY

The Malaysia-European Union (EU) free-trade agreement (FTA) negotiations will go ahead as scheduled later this year, said International Trade and Industry Ministry secretary-general Tan Sri Rebecca Sta Maria.

- ▶ The EU is Malaysia's largest trading partner and second-largest source of foreign direct investment; whilst the ambitious trade deal was started on the sidelines of the Asia-Europe meeting in Brussels in 2010, talks were stalled due to the focus on the Trans Pacific Partnership agreement negotiations

- ▶ Malaysia's direct exposure to UK is relatively small, contributing 1% of total trade, 1.7% of tourist arrivals and 4.3% of FDI stock; Malaysian Institute of Economic Research executive director Dr Zakariah Abdul Rashid cautions about the likely negative impact on Malaysia however
- ▶ Brexit will exert negative impact to the Malaysian economy in two channels; firstly, through real trade and investment flows, which are relatively less significant due to their limited volume, and secondly through monetary flow and the volatile exchange rate

[New Straits Times \(23 June 2016\)](#)

'CHINA-BACKED' ASEAN OPPOSES INDIA'S STAND ON RCEP

China is said to have triggered an impasse in the recent trade negotiations on the Regional Comprehensive Economic Partnership (RCEP) in New Zealand; particularly, a three-tier tariff reduction system proposed by India has been rejected in talks.

- ▶ As part of India's current three-tier approach to tariff reduction, the Asean countries are being offered 80% tariff liberalisation, with 65% of the 80% elimination coming into force immediately after the agreement is implemented; another 15% tariff elimination will happen over a period of 10 years
- ▶ In the second tier, India has offered 65% tariff elimination to South Korea and Japan, with whom it has free trade agreements (FTAs); in third tier,

India has proposed 42.5% reduction in tariff lines to China, Australia and New Zealand

- ▶ The ten-member Asean group, representing more than half of the participants of the proposed RCEP, submitted a paper against single tariff in the talks held last week in New Zealand; sources said the latest turn in talks took place after a direct interference by China, which has allegedly goaded the Asean members to junk India's approach of selective trade liberalisation
- ▶ According to a commerce ministry official, the Asean nations want to see the agreement through as soon as possible and are being played by China against India for leverage over negotiations on services where India has taken an aggressive stance

[Business Standard \(23 June 2016\)](#)

SOUTH AFRICA-VIETNAM TO INCREASE TRADE

Trade between Vietnam and South Africa has great potential for development with co-operative ties in many sectors, South African Ambassador Kgomo Magau said during a seminar and business matching event held in HCM City.

- ▶ Nguyen The Hung, deputy director of the Vietnam Chamber of Commerce and Industry in HCM City, said that trade between Vietnam and South Africa has increased significantly but is far below potential
- ▶ Bilateral trade was worth US\$1.1 billion last year, with Vietnam's exports accounting for US\$1 billion; Kabelo Kenneth Malatsi, director of the Export Promotion, Trade and Investment of the Department of Trade and Industry South African, said that South Africa wants to expand investment and trade ties to narrow its trade deficit with Vietnam
- ▶ Malatsi is leading a delegation of 20 business executives from South Africa to explore trade opportunities in Vietnam; the executives are from various sectors, including food, wine, tea, fruits, iron, steel, fertiliser, consulting, investment and others

[Viet Nam News \(24 June 2016\)](#)

TRADE WITH SOUTH AFRICA, 2015

Country	Total Trade Value (US\$)
Thailand	US\$ 2,270,487,260.00
Philippines	US\$ 202,256,096.00
Singapore	US\$ 1,833,821,914.00
Viet Nam	US\$ 1,200,365,728.00
Malaysia	US\$ 1,129,766,316.00
Indonesia	US\$ 780,379,872.00
Cambodia	US\$ 19,120,293.00
Myanmar	US\$ 2,874,332.00
Brunei	US\$ 651,762.00
Lao PDR	US\$ 364,012.00

Source: UN Contrade Database

PHILIPPINES' DUTERTE TO PUSH POPULATION MANAGEMENT MEASURES

The incoming Duterte government plans to halt handouts from a popular conditional cash transfer programme to poor couples who plan to have more than three children, Mr Duterte's chief economist designate told FT Confidential Research

- ▶ These measures, in conjunction with more direct family planning moves, will help reduce the cost of social services and eventually boost per capita wealth; the Bill and Melinda Gates Foundation estimates that every dollar spent on family planning can save governments up to six dollars on provision of public services

- ▶ The Duterte administration estimates that family planning, in combination with other measures such as job creation, could help reduce the poverty rate to 22% by 2022, from 26.3% at present

[Financial Times \(23 June 2016\)](#)

PHILIPPINES, INDONESIA, MALAYSIA AGREE TO ACT VS ABU SAYYAF

The Philippines, Indonesia and Malaysia have agreed to take possible coordinated actions, including sea and air patrols, to stop an alarming wave of cross-border kidnappings and boat attacks by Abu Sayyaf extremists and other outlaws.

- ▶ Philippine Defense Secretary Voltaire Gazmin said no accord was signed during talks with his Malaysian and Indonesian counterparts in Manila because he wanted the administration of President-elect Rodrigo Duterte, to formalize any such border security arrangement
- ▶ Gazmin's designated successor, retired army Maj. Gen. Delfin Lorenzana, joined the meeting at his invitation; it

follows an initial meeting by the three foreign ministers hosted by Indonesia and underscored the alarm over the Abu Sayyaf's continuing attacks despite repeated assurances of tighter security by Malaysia and the Philippines

- ▶ Gazmin told The Associated Press by telephone that the proposed actions include setting up a database on extremists and establishing joint military command posts in designated areas; coordinated security actions are delicate because the Philippines has a territorial claim to Malaysia's easternmost state of Sabah on Borneo Island

[Asian Correspondent \(23 June 2016\)](#)

RELIGIOUS TENSIONS ON THE RISE

Police reinforcements have been called in to help guard a village in central Myanmar where religious tensions are running high after a Buddhist mob destroyed a mosque.

- ▶ Authorities said an angry mob of around 200 Buddhists rampaged through a Muslim area of a village in Bago province following an argument between neighbours over the building of a Muslim school
- ▶ It is the latest flare-up of anti-Muslim violence in Myanmar, which has seen sporadic bouts of religious bloodshed since 2012, with a surge of Buddhist nationalism presenting a key challenge for Aung San Suu Kyi's new government; strident anti-Muslim sentiment has fomented across

Myanmar in recent years, with outbreaks of violence threatening to unravel democratic gains since the former junta stepped down in 2011

- ▶ The worst religious violence struck central Myanmar and western Rakhine State, which is home to the stateless Rohingya Muslim minority, tens of thousands of whom still languish in displacement camps after rioting; hardline monks and Buddhist nationalists fiercely oppose moves to recognise the Rohingya as an official minority and insist on calling them "Bengalis", which is shorthand for illegal migrants from the border with Bangladesh

[Philstar Global \(21 June 2016\)](#)

SINGAPORE 5TH ON GLOBAL LIST FOR ATTRACTING FEMALE ENTREPRENEURS

Singapore has come in fifth on a list of cities ranked by ability to attract and support female entrepreneurs.

- ▶ The Republic is ahead of cities such as Hong Kong, Paris, Washington and Shanghai, according to a new study by US technology giant Dell and market research firm IHS; the Dell and IHS study assessed five key characteristics - capital, technology, talent, culture and markets in 25 global cities
- ▶ Cities, instead of countries, were identified in order to show the impact of local policies and programmes as well as national laws and customs; in addition to the overall ranking, Singapore came in third on the technology criteria
- ▶ Cities around the world still have some way to go towards addressing the obstacles faced by women entrepreneurs, said Ms Karen Quintos, senior vice-president and chief marketing officer at Dell; for instance, access to funding is a significant challenge for many female business owners around the world, exacerbated by the fact that the venture capital industry is dominated by men

[The Straits Times \(24 June 2016\)](#)

CITIES MOST SUPPORTIVE OF FEMALE ENTREPRENEURS

Index	Ranking
1	New York
2	Bay Area
3	London
4	Stockholm
5	Singapore
6	Toronto
7	Washington DC
8	Sydney
9	Paris
10	Seattle

* Note, no other ASEAN cities in 25 global cities assessed

Source: Dell and IHS Straits Times Graphics

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