

CARI CAPTURES

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01 ASEAN

ASEAN'S MID-YEAR LATERAL LURE

RISING ASEAN MARKETS

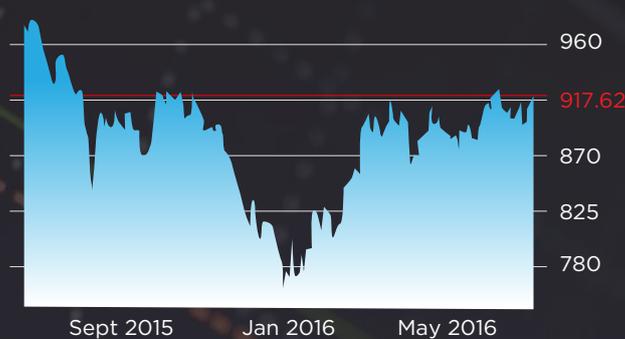
Philippines (PSEi)



Indonesia (JCI)



Thailand (SET50)



Source: Bloomberg

ASEAN stock markets led by Indonesia, the Philippines, and Thailand with double-digit gains were relative first-half shelters from China and India, where MSCI index losses reflected internal financial system woes, as the region absorbed more end-June safe haven inflows from Europe's Brexit crisis.

- ▶ Indonesia was up almost 15% on a central bank interest rate cut to help preserve 5% growth, after Q1's disappointing fixed investment and vehicle sales figures; the fiscal deficit worsened from the original target to 2.5% of GDP with lower tax collection the government plans to offset with an amnesty estimated to bring in as much as US\$5 billion
- ▶ The Philippines advance was almost the same as

Jakarta's, as President Duterte was inaugurated in a low-key ceremony befitting his average citizen law and order and job creation emphasis; whilst the economic platform remains vague, Duterte intends to improve the public-private partnership infrastructure scheme and engage the "country's best minds" for advice and policymaking

- ▶ Thailand's 17% climb bested the pack with the public infrastructure investment program at 7% of GDP, the highest in fifteen years; the military has tried this method to buy popularity and time as it considers a schedule for restoring civilian rule, and has been careful not to run up government debt by closing agricultural loan windows associated with the ousted previous leadership

Asia Talk (01 July 2016)

INDONESIA PLANS EMERGENCY LAW TO LET FOREIGNERS BUY APARTMENTS

Indonesia plans to issue an emergency law, known as a “Perppu”, to break an impasse of more than a decade in efforts to streamline unfriendly laws as the country aims to allow foreigners to purchase apartments in Indonesia.

- ▶ The government had in the past repeatedly tried to move forward and set regulations to allow foreigners to own apartments in South-east Asia’s biggest economy; however, the nation was never able to get these implemented because the basic stipulation under Indonesia’s 1960 Agrarian Law is that foreigners just cannot own homes in the country

- ▶ A Perppu is immediately effective after the President signs it, and Parliament can either let it remain effective or end it within a year after the Perppu is issued; the Perppu issued by President Jokowi on land ownership will supersede only the problematic clauses in each law and serve to bypass them
- ▶ Issuing Perppu is a normal practice can be considered the equivalent of a “Presidential act”; previously in May, President Joko Widodo signed a Perppu that allows courts to increase penalties for sex crimes, which include for the first time chemical castration and death sentence, after the media highlighted a growing number of attacks against children

[Asia One Business \(02 July 2016\)](#)

SINGAPORE HOME PRICES POST LONGEST LOSING STREAK ON RECORD

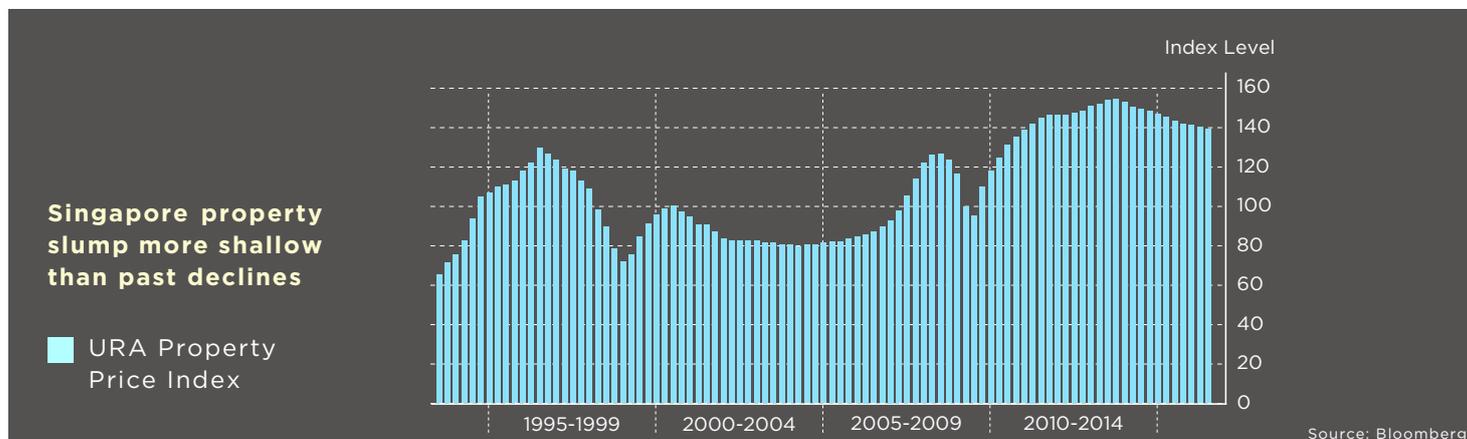
Singapore home prices dropped for an 11th quarter, posting the longest losing streak on record, as the government holds steadfast on cooling measures it has rolled out since 2009, for fear of reigniting the market.

- ▶ An index tracking private residential prices fell 0.4 percent in the three months ended June 30 from the previous quarter, capping the longest series of quarterly losses since 1975 when prices were first published, according to preliminary data from the Urban Redevelopment Authority
- ▶ The government has signaled it is reluctant to lift

property tightening measures it brought in over the last seven years as it wants to avoid overheating in the market again; concerns regarding the creation of a bubble through market rebound was voiced by Finance Minister Heng Swee Keat

- ▶ The residential curbs have included a cap on debt-repayment costs at 60 percent of a borrower’s monthly income and higher stamp duties on home purchases, after low interest rates and demand from foreign buyers raised concerns prices had risen too far too fast; home values have dropped 9.4% from the peak in 2013 and sales have declined to about half the level that year

[Bloomberg \(01 July 2016\)](#)



AFTER THE BIG SOUTH CHINA SEA VERDICT, WHAT WILL ASEAN SAY?

ASEAN foreign ministers are to convene days after the highly anticipated South China Sea verdict drops.

- ▶ In a service to all South China Sea watchers, the Permanent Court of Arbitration (PCA) announced that its award in Philippines v. China will be announced on July 12; whilst political commentators have deemed this too late for the Aquino administration that initiated the arbitration, political analysts have instead called into questions the potential reaction of the Philippine’s newest leader Rodrigo Duterte and a fragmenting ASEAN
- ▶ The 12 July timing of the verdict will give the Duterte administration and the nine other ASEAN governments to prepare for the upcoming 49th

ASEAN Foreign Ministers Meeting in Vientiane, Laos; Laos, the current ASEAN chair, has proven to be willing to acquiesce to Chinese pressure

- ▶ Regional analysts fear a repeat of ASEAN’s disappointing 2012 summit in Cambodia, when the Cambodian government scuttled the issuance of a joint ASEAN statement after consultations in Phnom Penh (a first in ASEAN history)
- ▶ According to analysts, despite the asymmetric stakes over the South China Sea, ASEAN, to sustain its centrality and put up a joint front in support of international law, must stand unified after the PCA announces its award in order to affirm the bloc’s political legitimacy

[The Diplomat \(30 June 2016\)](#)

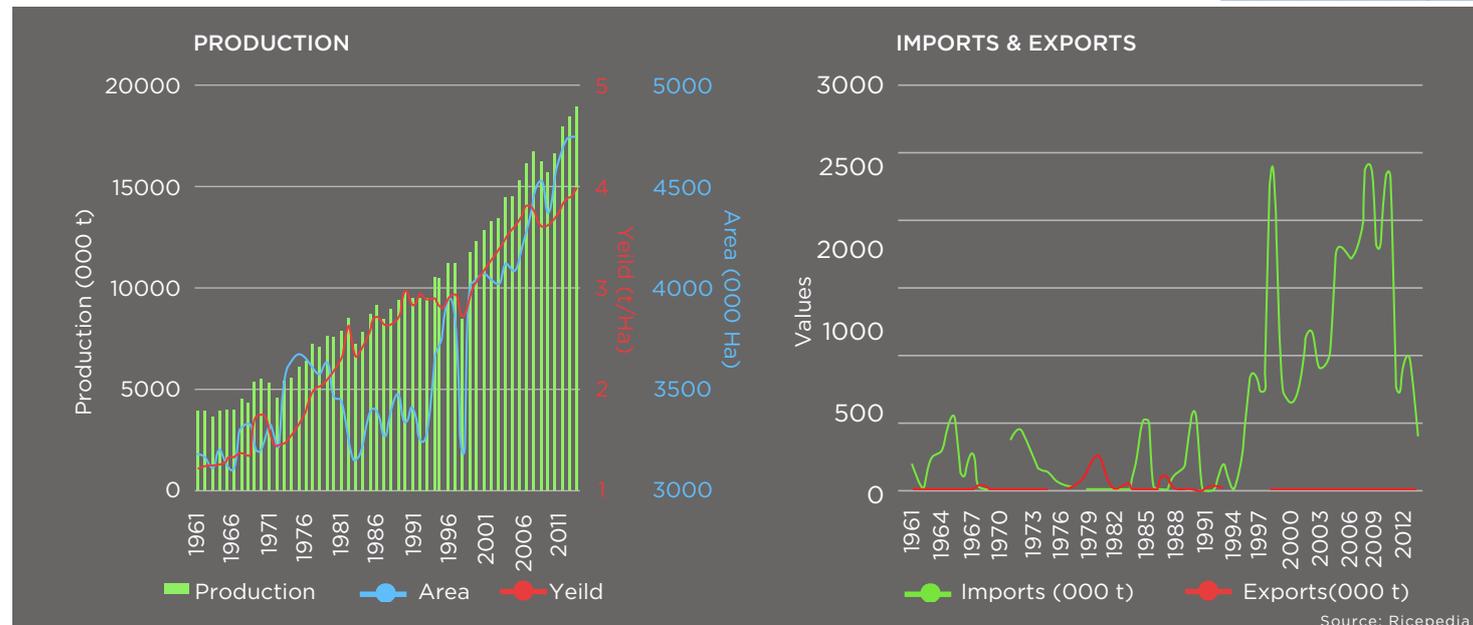
PHILIPPINES AIMS FOR RICE SELF-SUFFICIENCY IN 2 YEARS

The Duterte administration intends to push for self-sufficiency in rice production within two years - the success or failure of which could spell the fate of the Department of Agriculture's (DA) regional directors.

- ▶ Agriculture Secretary Emmanuel F. Piñol said the government intended to achieve this goal in four cropping cycles; Piñol said DA regional directors should see to it the two-year objective was achieved in their respective areas or else they would lose their jobs

- ▶ He said he would give them all the support they would need, including provisions for irrigation, good seeds, fertilizer and farm inputs; "But I will give them the sack if they fail. This government is results oriented." Piñol said no one has the right to stay working in government if he or she was not effective in the job
- ▶ When Alcala assumed office in mid-2010, the Philippines was producing 81% of domestic rice demand; recent DA data show the Philippines is currently 97% self-sufficient in rice

[Nation Multimedia \(3 July 2016\)](#)



06 VIETNAM

VIETNAM SAYS TAIWANESE STEEL MILL TO PAY US\$500MN FOR POLLUTION

A Taiwanese steel mill has agreed to pay US\$500 million compensation for discharging pollution that decimated Vietnam's fishing industry in several central provinces in 2016.

- ▶ Tonnes of dead fish, including rare species that live far offshore, began washing up along Vietnam's central coastline in April and activists have been demanding answers ever since; after weeks of investigation, Vietnamese officials laid the blame on Formosa, a Taiwanese conglomerate that is building a multi-billion-dollar steel plant in the area where the fish died
- ▶ "Violation and mistakes" in building the Formosa plant caused the pollution and "abnormal mass fish deaths", according to Mai Tien Dung, chairman of the government's office; Dung said Formosa, which has a history of environmental scandals spanning the globe, has agreed to pay US\$500 million in compensation for the incident, which hammered the local seafood industry and sparked public outcry
- ▶ The plant is still under construction, Formosa is no stranger to controversy in Vietnam, where anti-China riots at its Ha Tinh steel plant killed three in 2014 and a scaffolding collapse killed 14 last year; frustration over Vietnam's perceived reluctance to blame Formosa led to rallies across the country, with police stepping in to arrest scores of demonstrators

[Yahoo News \(30 June 2016\)](#)

07 MALAYSIA

BREXIT SEEN TO TRIGGER RATE CUT IN MALAYSIA

In light of the Brexit vote in the U.K., economists are expecting Malaysia's gross domestic product to decline further, with the possibility of its central bank employing a rate cut to boost the economy, as companies exposed to the European Union face downside risk.

- ▶ The economic fallout from the U.K.'s vote to leave the European Union, commonly called Brexit, should have "limited direct impact on Asian economies," according to OCBC Bank economist Wellian Wiranto; however, if the European economies are going to be materially affected by the U.K.'s absence, then Malaysia which exported as much as 6% to 8% of its GDP to Europe would find it harder to ride out the "potential secondary effect," he cautioned in a note
- ▶ In general, the decline in the Malaysian equities market post-Brexit was modest, according to Nomura which had upgraded the country to "overweight"; Nomura also predicted the possibility of an overnight policy rate cut of 25 basis points before year-end
- ▶ Some of the companies have reported their assessment of Brexit's impact on their businesses recently; YTL Power said to the stock exchange on Tuesday that it was "not able to quantify the effects, if any, of the outcome of the Brexit referendum," while Sime Darby had reasserted its commitment to the Battersea Power Station development project in London

[Asia Nikkei \(29 June 2016\)](#)

NEARLY 200 REFUGEES FROM MYANMAR ARE TO BE REPATRIATED FROM THAILAND

The Myanmar government plans to repatriate 196 Myanmar nationals displaced by conflict from refugee camps on the Thai-Myanmar border, according to Myanmar's Ministry of Foreign Affairs.

- ▶ The two countries agreed to cooperate on refugee returns during the visit of Myanmar's State Counselor/ Foreign Minister Aung San Suu Kyi to Thailand; the statement released by the ministry following this meeting affirmed that the two governments are to start working on repatriation and rehabilitation for the Myanmar refugees in Thailand through both short- and long-term plans—creating job and educational opportunities and providing

health and social services in their places of origin

- ▶ The ministry told The Irrawaddy on Thursday that citizenship verification would be handled by the Ministry of Labor, Immigration and Population, adding that the whole process of repatriation may take some time
- ▶ Director-General of the Ministry of Foreign Affairs Kyaw Zeya said his ministry had received information on the 196 refugees through the United Nation's refugee agency, the UN High Commissioner for Refugees (UNHCR), before the State Counselor's visit. He said that 75 percent of the returnees-to-be are ethnic Karen

Khmer Times (01 July 2016)

INDONESIA, MALAYSIA TO RENEW OUTDATED BORDER TRADE DEAL

Almost 50 years after the border trade agreement between Indonesia and Malaysia was first ratified, the two countries are finally set to renew the agreement, adjusting it in accordance with changing times.

- ▶ "The cross border trade agreement was ratified in 1970 and many things have changed since then. We want to modernize and update the agreement," Trade Minister Thomas Lembong told reporters; The Indonesia-Malaysia Border Trade Agreement (BTA) agreement regulates the kinds of goods that are allowed to be traded by both

countries along the border area

- ▶ The trade deal stipulates that those who own a Cross Border Identity Card (KILB) would not be burdened with import duties in cross border trade activities involving goods that are valued at less than US\$150
- ▶ Residents occupying the border have been demanding that the government renew the agreement for several years. The two countries have attempted to revise the agreement in the past, but have failed to reach a conclusion

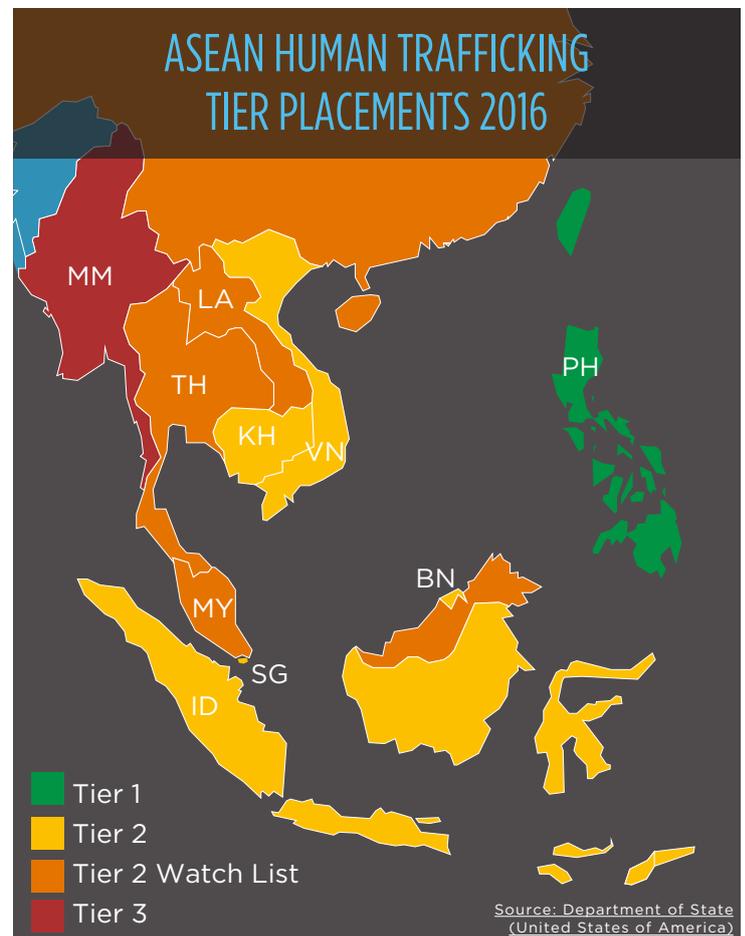
Jakarta Post (02 July 2016)

CONTROVERSY FOLLOWS THAILAND'S NEW RANKING IN HUMAN TRAFFICKING REPORT

The U.S. State Department issued its annual Trafficking in Persons report for 2016, with Thailand improving from a Tier 3 to Tier 2 nation.

- ▶ Thailand is now on the "Tier 2 Watch List" for countries that do not meet the minimum U.S. standards for the elimination of trafficking, but are making significant efforts to do so; in 2015 it was on the "Tier 3" list of the worst human trafficking offender countries making no significant effort to meet minimum U.S. standards
- ▶ Thailand's fishing and seafood industries have been accused of forcing thousands of men from Burma and other countries to work against their will for long hours and little pay; according to the U.S. Trafficking Victims Protection Act, these laborers are victims of human trafficking, defined as "the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage or slavery."
- ▶ The TIP report, which is used as a reference by other governments and international groups, says Thailand has made steps in the right direction; Its government amended its 2008 anti-trafficking laws with changes including the provision of legal protection for whistleblowers and giving the government authority to close businesses involved in forced labor

NPR (30 June 2016)



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