Police chiefs from the all ten member states signed a historic pact first tabled a decade ago that will speed up the distribution of information, intelligence and assistance in times of crisis.

After a decade of discussions, the delegates at the 36th ASEANPOL Conference in the Malaysian capital of Kuala Lumpur signed the ASEAN Communication and Coordination Protocol for Crisis Management (ACCPCM); the move came as countries in the region, most notably Malaysia, Singapore, Indonesia and the Philippines, have grown increasingly alarmed at the rising threat of terrorism from the Islamic State.

According to Malaysian Inspector General Khalid Abu Bakar, the signing of ACCPCM would be a boost for the distribution of information, intelligence and assistance during events such as large scale acts of terrorism which could result in mass casualties or the destruction of infrastructure.

In addition to the ten ASEAN countries, the meeting was also attended by nine other partner delegations including Australia, Japan, South Korea, New Zealand, Russia, Turkey and Interpol, as well as East Timor, the United Kingdom, Europol and the International Committee of the Red Cross (ICRC); among the topics of discussion were the unlawful possession of firearms, wildlife trafficking, and money laundering.
AUSTRALIAN-INDONESIAN TRADE DEAL A PRIORITY

Amid uncertainties surrounding the passage of the Trans Pacific Partnership through US Congress, the Australian government has deemed a trade agreement with Indonesia to be the important economic agenda item.

▶ Trade Minister Steven Ciobo will be in Jakarta this week to progress a deal that would give Australian businesses greater access to a middle class expected to reach 135 million by 2020, when Indonesia’s GDP is expected to equal that of Australia’s.

Negotiations for the Indonesia Australia Comprehensive Economic Partnership Agreement were revived in March after a three-year hiatus; according to Minister Ciobo, the move to finalise an agreement with Indonesia is in line with Australia’s attempt to diversify its economic ties in Asia, having already signed agreements with China, Japan, and Korea.

The finalisation of such a trade deal may be impeded by rising protectionist and anti-globalisation sentiment however; with individuals like Pauline Hanson, an outspoken Australian anti-Islamic politician and protectionist policies in Indonesia acting as barriers to securing a successful deal.

Singapore Air warns of Tougher Days After 181% Profit Jump

Despite experiencing a 181% jump in profit due to lower oil prices reducing costs and a sale of its stake in a subsidiary, Singapore Airlines has warned that tougher competition will erode existing margins.

▶ Singapore Air, the only Asian airline to have flown the Concord and first in the world to fly the A380 superjumbo, reported first-quarter profit almost tripled as lower oil prices reduced costs and the company benefited from the sale of a stake by its subsidiary; net income jumped to US$190 million in the three months ended in June even as sales declined by 2.1%.

▶ SIA has emphasised that passenger yields, which is a key measure of profitability in the industry, remain under pressure amid “aggressive capacity injection”; yields declined to their lowest in more than six years in the first quarter, whilst SIA stock fell 2% in Singapore, the most in more than three years.

▶ The expansion of the Middle East’s ‘Big Three’, Emirates, Etihad Airways and Qatar Airways, and an unprecedented surge by budget airlines in the region is hurting the pricing power of Asian carriers; Singapore Air CEO Goh Choon Phong and his Cathay counterpart Chu have ordered some US$20 billion in new aircraft to modernize their fleet and take on their competitors who are offering luxuries like on-board shower and butlers.

▶ Yields, or the revenue earned from a passenger for flying a kilometer, fell by around 5% from Q4 2015 to Q1 2016.

1MDB’s Alleged Cash Flow

Cheaper Fares Help Carrier Fill Seats While Yields Languish

Source: Bloomberg

As SIA stock fell 2% in Singapore, the most in more than three years, Singapore Air CEO Goh Choon Phong and his Cathay counterpart Chu have ordered some US$20 billion in new aircraft to modernize their fleet and take on their competitors who are offering luxuries like on-board shower and butlers.

▶ Yields, or the revenue earned from a passenger for flying a kilometer, fell by around 5% from Q4 2015 to Q1 2016.

PHILIPPINES EMERGING AS WINNER IN FDI

The Philippines is emerging as a clear winner among members of ASEAN in attracting foreign direct investments (FDI), as China becomes a less attractive destination for inflows, Credit Suisse said in a report.

▶ The investment bank said FDI inflows in the Philippines is now at a multi decade high of US$8 billion as of end April, up from US$6 billion in 2015 and US$1 billion just five years ago; the report noted that Japan and the US are key drivers behind the increase, while inflows are concentrated in the manufacturing and the finance industry.

▶ Credit Suisse said Vietnam also continued to be an FDI magnet, with attracting manufacturing investments especially from South Korea on the back of generous tax incentives and still relatively cheap labor.

▶ Likewise, it added Malaysia’s FDI inflows remained surprisingly resilient despite political uncertainty in recent years; however, Malaysia is likely to sustain the robust inward FDI due to the lack of reform momentum.

▶ Credit Suisse noted slowing trend in Indonesia; Singapore and Thailand; FDI inflows in Thailand is now down to US$3 billion as of end April after peaking at US$15 billion in 2014, while inflows to Indonesia reached US$30 billion on a rolling basis.

▶ On the other hand, FDI inflows in Singapore reached US$60 billion in the first quarter of the year from US$68 billion in 2015.

Don’t Underplay ASEAN’s Role in Regional Security

In response to calls from Former Foreign Affairs Secretary Albert Del Rosario and former Ambassador to the United States Jose Cuisia Jr. for Foreign Affairs Secretary Perfetto Yasay to assume a more hard line approach towards the South China Sea issue, Yasay has affirmed a more diplomatic approach.

▶ One of the criticisms levelled against Yasay by his predecessors includes the failure of Philippines in pressing ASEAN to include the UN ruling in its joint statement regarding the South China Sea; in response, Yasay stated that his predecessors failed altogether in obtaining a joint statement from ASEAN due to their commitment to a hard line approach on the South China Sea.

▶ Yasay also stated that “The united statement and joint communiqué of ASEAN as wored did not in any way weaken the legal foundations of our claim and the award given to us by the arbitral tribunal,”

▶ “On the contrary the statement was a resounding diplomatic triumph that enabled ASEAN to join our traditional partners, ally and the international community in urging China to uphold international law and respect the processes and mechanisms under UNCLOS in resolving the dispute in the South China Sea/West Philippine Sea which implicitly called for respect of the Rule of the Arbitral Tribunal,” Yasay added.

Don’t Underplay ASEAN’s Role in Regional Security

The quiet in the wake of the South China Sea arbitration will not last, as US Secretary of State John Kerry says, an opportunity to “turn the page”; in the context of the broader interests in the ASEAN-China relationship there is incentive for both sides to nudge their relationship forward, beyond the tribunal’s ruling.

The challenge for ASEAN today is to direct its unique but resilient strategies of regional association to tackling the issues of the middle income trap; ASEAN should not be diverted in its agenda strategies by uncertainties in the international economic environment or troubles in the South China Sea.