Meanwhile, Duterte continues to strengthen the relations with China, easing the tensions over the South China Sea conflict. Chinese ships are no longer at the disputed Scarborough Shoal in the South China Sea and Philippine boats can resume fishing, the Philippine defence minister said on 28 October.

Duterte's turn to China has paid off in economic terms – his four day visit to China raked in US$15 billion in investments and US$9 billion in credit facilities – but these gains may have come at a high political cost to both the Philippines and ASEAN as a whole. The Philippines' explicit pronouncement of its alignment with China, and even Russia, runs against ASEAN's principle of not taking sides vis-à-vis the major powers.

The Philippines' new foreign policy, with President Rodrigo Duterte plans of reducing ties with the United States and strengthening relations with China, is raising questions about what this will mean for its ASEAN member nations.

The Philippines is set to take over the chairmanship of ASEAN in 2017, the same year as the group will celebrate its 50th anniversary. Duterte has repeatedly downplayed the role of the country's relation with the US since he took office in June, as well as criticized US officials for speaking out against his anti-drug campaign. Duterte also said on 26 October that he wanted all foreign troops out of the Philippines within “maybe two years”, but the US has been using five army bases in the country since 2014.

The US is the Philippines' third top trading partner, following Japan and China. The US accounts for roughly a third of the US$17.6 billion of remittances sent home this year. An estimated 650,000 Americans visit the Philippines every year. Over US$25 billion in goods and services are traded between the US and the Philippines each year. The Philippines could lose up to US$1.3 billion in FDI from the US, as well as more than US$150 million in development aid. US companies have invested more than $4.7 billion in the Philippines.

Sources:
- Philippines Statistics Authority
- CNN (21 October 2016)
Brunei welcomes more FDI from China, minister says, as the worlds’ second largest economy opens a bank branch in the small sultanate.

- Brunei welcomed more foreign direct investment (FDI) from China, Second Minister of Foreign Affairs and Trade Lim Jock Seng said on 29 October when meeting a preparatory team for the Brunei branch of Bank of China (Hong Kong) Limited (BOCHK)
  - “We are trying to attract more tourists and industries to Brunei. We are happy to see BOCHK coming in when we want to work with China on many projects,” Lim added
- Lim, who is also a steering committee member in the FDI and downstream industry, said Brunei is pushing for economic diversification aside from oil and gas industry under the requirement from the Sultan Haji Hassanal Bolkiah

FDI Inflow Brunei

- 2013: 776 Million US$
- 2014: 568 Million US$
- 2015: 173 Million US$

Indonesia reaches out to the unbanked

Despite being ASEAN’s largest economy, Indonesia still faces basic problems due to low financial literacy. Now the government is looking to change that by reaching out to the unbanked population.

- Only 36 percent of adults in Indonesia have bank accounts, according to the World Bank’s 2014 Global Findex database
- A program, called the Laku Pandai in Indonesian, was initiated by the Financial Services Authority (OJK) in March 2015 to reach out to the unbanked and unbankable by recruiting laypersons as banking agents and offering simple, basic services
- As many as 13 banks have registered in the program, including private and state-owned lenders, conventional and sharia banks, and regional development banks
- The program had already enrolled more than 104,000 agents and managed 1.63 million savings accounts by June this year, but more developments are on the horizon as the OJK is seeking to launch a National Savings Movement on 31 October

Vietnam growth picking up in the last quarter

Vietnam targets economic growth in the final quarter of this year of 7.1-7.7%, a government spokesman said on 29 October, making the country achieve a 6.3-6.5% growth over the year, slightly lower than previously expected. The government estimates that it would need US$480 billion to restructure the national economy in the 2016-2020 period.

- Earlier this month, the Vietnam government lowered the GDP growth target to 6.3-6.5% from a previous target of 6.7% after the economy slowed in the first nine months of the year, mainly due to adverse weather
- Lower GDP is expected to push Vietnam’s public debt ratio closer to a ceiling of 65 percent of GDP and pose more challenges for Vietnam’s already tight state budget, Prime Minister Nguyen Xuan Phuc said last week
- The government is considering a restructuring plan for the 2016-2020 period that is estimated to cost US$480 billion, of which US$68 billion are expected to come from FDI and US$39.5 billion from ODA
- Experts are warning that the nation’s rapid growth is coming at a rising cost to the environment, with air pollution levels in Hanoi and Ho Chi Minh City that could soon match the low air quality of Beijing
In light of the issues faced by the European Union, ASEAN should learn that nationalism is not dead and that it would be wise not to unnaturally speed the integration process, according to a European advisor.

The EU now faces some of the toughest challenges to its integration process, with various incidents like the influx of refugees and the surprising Brexit vote.

Andrzej J. Zybertowicz, Polish scholar and advisor to Poland’s President, Andrzej Sebastian Duda, said it was important for ASEAN to provide a thorough understanding of the regional integration process, cutting across all layers of society.

He stressed the importance that all people understand the integration process, adding that the majority of the people in the UK who voted with the Brexit were in socially neglected regions.

American and Cambodian navies will conduct joint military exercises in early November, a Cambodian official confirmed 26 October.

The two countries will launch the annual Cooperation Afloat Readiness and Training (CARAT) exercise on 2 November, according Mey Dina, commander and chief of staff of the Royal Cambodian Armed Forces’ Navy.

The CARAT Cambodia exercise, now in its seventh iteration, is designed to address shared maritime security priorities, develop relationships, and enhance cooperation between the two navies.

It is part of a series of bilateral naval exercises conducted by the U.S. Navy with partners now involving nine countries in South and Southeast Asia – Bangladesh, Brunei, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Timor-Leste.

Malaysia is mulling signing a contract to purchase Littoral Mission Ships from China when Malaysian Prime Minister Najib Abdul Razak visits Beijing next week, according to the country’s Defence Ministry.

The purchase would be Malaysia’s first significant defence deal with China and comes amid rising tensions in the South China Sea and as the United States and China compete for influence in the region.

The text of a speech to be delivered by the Malaysian Defence Minister was posted on facebook but was later removed after Reuters ask the ministry for a comment.

Najib arrived to China on 30 October for a week-long visit.
Malaysia ranked 23rd out of 190 countries, in the latest World Bank’s east of doing business ranking, ahead of countries such as Switzerland, France and Japan. Meanwhile the government is on track to achieve high-income nation status by 2020, according to expert.

The government has announced that the rules and regulations for the newly enacted Myanmar Investment Law will be released in three months at the earliest and by the end of March next year at the latest. The law, enacted by President U Htin Kyaw last week, combines the Myanmar Citizens Investment Law and the Foreign Investment Law.

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Malaysia is still on track to achieve high-income nation status by 2020 based on the World Bank’s per capita Gross National Income (GNI) threshold of US$12,476 for 2015, said Permodalan Nasional Bhd Group Chairman Tan Sri Abdul Wahid Omar.

Malaysia’s GNI per capita had risen to US$8,409 and this year, the government had estimated it to be US$9,222 and US$9,474 in 2017.

A consortium with links to a Myanmar company previously on the US blacklist and including an international energy company affiliated with the former US Secretary of State Madeleine Albright won a Yangon electricity tender. The consortium is led by National Infrastructure Holdings to generate an extra 300 megawatts of electricity for five years to prevent the city’s frequent blackouts.

Only a few weeks after Washington removed all remaining sanctions on Myanmar earlier this month, a delegation from the American Gem Trade Association has already visited the country. Myanmar’s high-quality jade and rubies are highly valued on the global market and expectations are growing among Myanmar businesses for the reopened window to the US, the world’s largest gem market.

500 Startups’ organization in Southeast Asia — 500 Durians — is back with a new US$50 million fund to press on with early-stage startup deal making in the region.

ASEAN is poised for major tech growth in the coming decade, according to a recent report co-authored by Google, which predicted that ASEAN’s digital economy will reach US$200 billion by 2025.

With 260 million users now and an estimated 480 million by 2020, ASEAN is the world’s fastest growing internet market — bringing 3.8 million new users online each month.

The original 500 Durians fund, with an over US$20 million fund, was launched in 2013 to explore the region’s possibilities.

The fund counts Uber rival Grab, social commerce app Carousell and Indonesia’s Bukalapak among its portfolio.

Now 500 Startups, is doubling down with a target of US$50 million for the second Durians fund.

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Malaysia is second only to Singapore of the ASEAN countries ranked in the poll.

The World Bank noted that Malaysia had attained a perfect score on the depth of credit information index and Malaysia is the third best economy in the world in terms of protecting minority investors.

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