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S. ASEAN INTERNATIONAL ADVOCACY & CONSULTANCY (SAIAC) | Indonesia | Singapore | Laos | Philippines | Malaysia
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Special Report from "The Desk of the President & CEO"

| ECONOMIC RE-SET.

Over the past months quantitative easing has played a major role in most countries' financial recovery plans, today, it so appears that the dire situation failed to implicate the desired signs of recovery. Fear of a second rebound of the pandemic has brought most governments globally to re-think their fiscal and financial tools approaches.

While the future economic directions remain uncertain, our office has been busy with mergers & acquisition of businesses, contemporaneously, most of our clients are asking for a telescopic analysis of a five-year economic scenario. We are aware that there are no one for all potent economic recovery formula and that each country are unique and must now make a thorough study of their financial strengths and weaknesses. Indonesia and Philippines, for example are not an industrial economic power in Southeast Asia, while Thailand is losing out to Vietnam in terms of manufacturing attractiveness. Given the varying characteristics of each nation, the demand for a tailor-made economic roadmap becomes pressing. What are we sitting on? the answer is still a mystery, perhaps not even up to the point when a vaccine is found. The magnitude of economic damages have reached a level, that the recovery of vaccine could dig deeper into government budgets to avail the vaccines to their people on a large scale, another potential huge spending, which most governments may not have the available budget to cough out.

What about loans? The World Bank and other lending institutions may not be able to satisfy the concurrent demands of loans coming from numerous countries. Are we saying there will be not enough money in the global economy? Yes, potentially so. What other financial remedies could proof to drive us out of the global economic downturn? One of the remedial approaches we could look at is the printing of money as well as adopting an "Economic RE-SET", implementing an overhaul of the economic strategies, designs, models, frameworks, roadmaps, and deliverables. One must understand, we are heading into a different era, where technology dominates, and economic tools must be up to the par to leverage the future growth. In this edition, we cover the current situations from US to Asia, giving you a clear indication of the road ahead.

| 5 DEADLY SINS OF OUR FUTURE ECONOMY:

While on the road of economic recovery, there could be blind spots that pushes the policy makers or those in authority to take a misconstrued measure. The economist and team of research at SAIAC has identified the "Five Deadly Sins of Our Future Economy", they are as follows:

1. Lack of initiative to re-launch our workforce, aka, identification of areas of trainings, be it vocational, academic or science based.

2. Allowing monetary monopoly to be at play within the new economic structures, aka, domination of conglomerations or weight of power at state owned enterprises.
3. Remaining "ugly" to attract foreign investments, aka, biased regulations.
4. Mismanaging "healthy" policies for shaping regulations of future healthcare, this includes digital and online healthcare consultations and technology-based deliverance.
5. The inter-dependency dilemma, aka, trade imbalances and revisiting of the trade relations amidst the new emerging trade topography.

| US ELECTION AND ITS IMPLICATIONS FOR GLOBAL BUSINESS

The Trump's administration's haphazard response has caused erosion of support among seniors, independents, and suburbanites, especially after the record high stock prices that rang over 15 million Americans unemployed. The political stakes are high, even more so amidst the pandemic as the Democrat, Joe Biden takes a steady climb on the most likely elected President.

The aspect that will break the horses back as to say would be resting on how US address trade and issues around foreign policies, where the Trump administration has totally destabilised with the US China Trade War and the War threats with other countries. It is expected for Biden to renew traditional US alliances and re-join works through multilateral institutions, such as climate change, immigration, and geopolitical sensitivities. The recovery processes for US would take time under the new leadership, as the international scepticism on US credibility and durability of its commitment, particularly among core strategic allies has run deep.

It is important for the rest of the world to note as well that the Democrats have made it clear that it would focus on domestic economic development as well as trade policies, thus, implicating the less likelihood of any new trade deals. The varying elements here are more in approach, multilaterals versus unilaterism.

Another area to keep a close look at is the regulatory risks, potentially cultivated under the new administration that have the potential to bring new opportunities for business, green recovery financed by corporate tax, while oil & gas would face some challenges, but benefiting construction, engineering, renewables and real estate. We also envisage challenges for the pharmaceutical prices as reshoring incentives for medical supply and drugs might be reduced. The rules for business are changing, not just in US, but globally.

| SOUTHEAST ASIA & ASIA REGIONAL UPDATE

The economic ministers of Cambodia, Laos, Myanmar, and Vietnam endorsed an action plan on economic cooperation for 2020/2021 at the 12th Cambodia, Laos, Myanmar and Vietnam (CLMV) Economic Ministers' Meeting held via videoconferencing on 24 August. The meeting was part of the 52nd ASEAN Economic Ministers' Meeting. The action plan on economic co-operation for 2020/2021 will focus on five key areas:

(I) trade and investment cooperation,
(II) implementation of regional commitments,
(III) post-pandemic recovery plan,
(IV) CLMV development framework,
(V) human resources development.

At the meeting, CLMV ministers also reviewed and assessed the implementation of the CLMV Action Plan on Economic Cooperation during the 2019/2020 period.

| VIETNAM & CAMBODIA – Trade Deals on Distributing Goods at Borders, Markets, Trade Centres & Trade Fairs

Vietnamese Prime Minister Nguyen Xuan Phuc issued a plan to implement a Memorandum of Understanding (MoU) on the development and connection of border trade infrastructure with Cambodia according to a local media report dated 21 August. The implementation started on 19 August and is expected to last until October 2022. Between 2021 and 2022, surveys will be conducted for the construction of at least a border market, related trade and investment promotion events will be carried out, and support will be provided to firms introducing and distributing goods at border markets, trade centres and trade fairs.

| Thailand – 70% decline in Tourism

Thailand's tourist arrivals and spending declined around 70% year-on-year in the first seven months of 2020, according to data released on 24 August, as a fourth month of border closures aimed at keeping out COVID-19 continued to affect its struggling economy. In the January-July period, foreign tourist numbers totalled 6.69 million, down 71% year-on-year, while spending fell 70.4% from a year earlier to US$10.6 billion (332 billion baht). From October 2020 onwards, Thailand will allow foreign tourists to visit the resort island of Phuket for long stays that must include a quarantine period, which replaces plans for "travel bubbles" between certain countries amid a resurgence of the virus in parts of Asia.

| Laos & Japan – Resume Traveling & Business Trips

Laos and Japan agreed on 23 August to allow expatriates to resume travelling as early as September 2020, provided they stay home for 14 days after entering their respective countries as part of measures to prevent the spread of COVID-19. According to the Japanese government, the plan was agreed by Foreign Minister Toshimitsu Motegi and his Laotian counterpart Saleumxay Kommasith during talks in Vientiane.

In addition to the reopening of borders for long-term residents, they agreed to speed up coordination through diplomatic channels toward resuming business trips.

| Myanmar – Farmers Funding & Agriculture Businesses

August 2020) One of Myanmar's largest banks, Asia Green Development Bank (AGD Bank) has signed a US$25 million (35 billion kyat) financing agreement with Pact Global Microfinance Fund to provide funding to farmers and agricultural businesses in Myanmar. Through the agreement, the two parties will channel the equivalent of US-denominated funds from foreign investors in local currency to 68,000 households in Myanmar via microfinancing. According to AGD Bank, the hybrid loan signed between both parties is the first of its kind in the country

| Singapore Travellers to China

Singaporean travellers to China will be required to take a COVID-19 test within five days of their flight, from 28 August onwards. They will also be required to declare that they have not had a fever at or above 37.3 degrees Celsius, or respiratory symptoms, and have not been in contact with patients with fever or respiratory symptoms, within the last 14 days. These details were announced by the Chinese

Embassy in Singapore on its website on 21 August. In June 2020, both Singapore and China announced a green lane agreement that would allow travel between both countries without passengers having to be quarantined. The travellers must instead take a COVID-19 swab test 48 hours before departure and after they land.

| Myanmar & China – Export of Packaged Goods

Officials from Myanmar's embassy in China said that there is good potential for the export of packaged goods from Myanmar to sell in the Chinese market. Market research conducted by various chambers of commerce, companies, and businesses in China found that billions of dollars' worth of packaged goods from ASEAN countries such as Vietnam, Malaysia, and the Philippines have already entered the Chinese market. According to the officials, some of Myanmar's food products already have high quality standards and good packaging and therefore, could do well in China. The officials stated that packaged goods from Myanmar will be promoted online, in trade events, and during meetings between Chinese and Myanmar entrepreneurs.

| Thai-China Venture – Commercial Vehicles

Thai-China joint venture CP Foton recently unveiled a new lineup of commercial vehicles for sale, and hope to attain third place in market share in the next three to five years. CP Foton is a joint venture between Thailand's conglomerate CP Group and China's Beiqi Foton Motor and aims to sell 450 vehicles before the end of 2020. Toyota Motor holds the top share in commercial vehicles sold in Thailand with a 35% market share. The joint venture also plans to build an assembly plant in Thailand in the next two to three years, whereby vehicles manufactured by the assembly plant will be exported throughout the region.

| Bangladesh adds 10 Economic Zones

Bangladesh Economic Zones Authority (Beza) has approved setting up 10 more economic zones, taking the tally of such areas to 101, out of which work on 28 are currently underway. Beza officials said now they would conduct feasibility studies and start acquiring necessary land for setting up the zones.

| India prepares Master Plan for Multi-Modal Connectivity to Economic Zones

The prime minister described it as an important endeavour that will boost productivity, infrastructure, economic progress, and opportunities for youngsters.

| China – Malaysia – Manufacturing Base for Developing 5G

Chinese tech company Zodiac (China) Applied Science and Technology Research Centre Ltd is looking at an initial investment of US$360 million (RM1.5 billion) as part of a larger plan to set up a manufacturing base for developing 5G chips and encapsulation technology in Malaysia. The company is looking to build its second production facility on a 500-acre parcel of land in Malaysia. Its first facility, located in Quanzhou, Fujian, China has been operational since 2018. Malaysia was chosen for its strategic location, well-developed infrastructure, and sound financial ecosystem. The investment into the country is expected to enhance the company's international competitiveness, production costs, and overall efficiency.

| Indonesia FOCUS – D-Insights

a. Bank Indonesia to Supervise Banking Sector – The government plans to restructure financial institutions returning the supervisory authority role to Bank Indonesia towards other banks. The Central Bank will also regain its role as the lender of the last resort to institutions.
b. PERTAMINA's Fuel Consumption Drops to 13% - PERTAMINA accounted decline of fuel consumptions in the first half of 2020 by 117.000 kilolitres per day, down to 13% as compared year on year.
c. Keeping Rupiah Safe by Converting Exporters Dollars – Bank Indonesia will demand that natural resources exporters to convert foreign exchanges that they earn in US dollars or other foreign currencies into rupiah. Such a measure is meant to stabilize rupiah.
d. Tjetak – Good Prospect for Packaging Business – Tjetak Secures series A funding from Temasek Holding's Subsidiary Vertex Ventures. It targets eCommerce industry as their nice market growth strategy, catering to SME's.
e. New Concession Contracts for Trans Sumatra Toll Network – The government opens six concessions contracts for the Trans Sumatra toll network aiming to complete the project in 2024.
f. Bali Reopening Cancelled – The Bali Provincial Administration cancels plan to reopen tourist destinations for foreigners on September 11, 2020 due to the rising infection rate.
g. Shell offers Fuelling Stations as an Expansion Strategy to Second Tier Cities – Shell Indonesia is offering local entrepreneurs to invest in a Public Fuel Filling Stations as the company expands to the second-tier cities.
h. European, Asian Investors still Dominate Indonesia's Oil & Gas Sector – The upstream of oil & gas regulatory task force works towards easing hindrances on licensing processes, overlapping policies and land acquisitions.
i. PERTAMINA and Chandra Asri Collaboration – PERTAMINA signed an agreement with Chandra Asri to work on petrochemical projects. The cooperation will reduce imports and develop the domestic petrochemical business.

| Debt Monetization – Indonesia and Philippines – A Risky Strategy

Several Central Bans in developing Asia has crossed Rubicon and buy bonds directly from the governments. Known as debt monetization, these bonds purchased by Indonesia and the Philippines essentially provide free money for governments to spend, unless they are reversed at some point. This risky strategy could erode confidence in monetary authorities and weaken currencies, potentially triggering uncontrollable inflation. No major Central Banks in the developed nation has made such a move yet.

In the extreme, investors could lose faith in emerging markets due to over-easy policy that there is a systemic risk to emerging markets as an asset class, as suggested by the economist from the Bank of America. If there are sustained currency losses in the emerging markets, inflation and capital-flight risk would rise. This would prompt Central Banks to tighten policy abruptly, weakening their economies further. Bank Indonesia has by far been the most aggressive in the region when it comes to the unconventional monetary policies. Despite the indication that Bank of Indonesia has attempted this as the last resort, there is still not enough demand from investors for Indonesian debt, it has already purchased 22.8 trillion rupiah worth of government bonds directly from the government as of May 14. The Central Bank will be allowed to continue with such measures until 2022, when the regulations expire.

Bank Indonesia has also been active in the secondary market, purchasing 166.2 trillion-rupiah worth of government bonds from January to April, as the country saw a sharp investment outflow. It has also

slashed its benchmark interest rate by a combined 50 basis points since the onset of the year and cut the reserve requirement ration for financial institutions.

The Philippines has also crossed the Rubicorn, albeit in a more sustained manner. Bangko Sentral ng Philippines in March purchased 300 billion pesos (nearly US$6 billion) of government bonds directly from the Treasury under a three month repurchase agreement, which can be extended for another three months.

"The central banks are assuming by intervening directly in primary bond markets, they can stop the rise in bond yields and that in turn would add to investor confidence.

Unconventional monetary policies in developing Asia

India	Can buy government bonds from primary auctions if fiscal deficit is expected to be 0.5 percentage points above targeted shortfall
Indonesia	Made Government bond purchases in primary market
Malaysia	Able to purchase government bonds in both the primary and secondary markets, limited to 10% of the issue size
Myanmar	Allowed central bank's financing of the fiscal deficit to increase as necessary
Philippines	Purchased 300bn Philippine pesos of government bonds from the Treasury under a 3-month repurchase agreement, extendable for another 3 months
Thailand	Established a 400bn Thai baht fund, which enables the central bank to purchase high-quality corporate bonds in the primary market; Bank of Thailand bought government bonds in the secondary market worth more than 100bn baht in mid March

Source: HSBC, central banks

The next part of the thinking is the fact that it will eventually bring foreign inflows, the risk here is that if foreign investors are not attracted back. While other central banks in developing Asia have yet to dip into the primary market, they stand ready should the need arise.

Malaysia's central bank is already allowed to purchase bonds directly from the government, while the Reserve Bank of India can do so if the fiscal deficit is expected to be 0.5 percentage points above the targeted shortfall for the year.

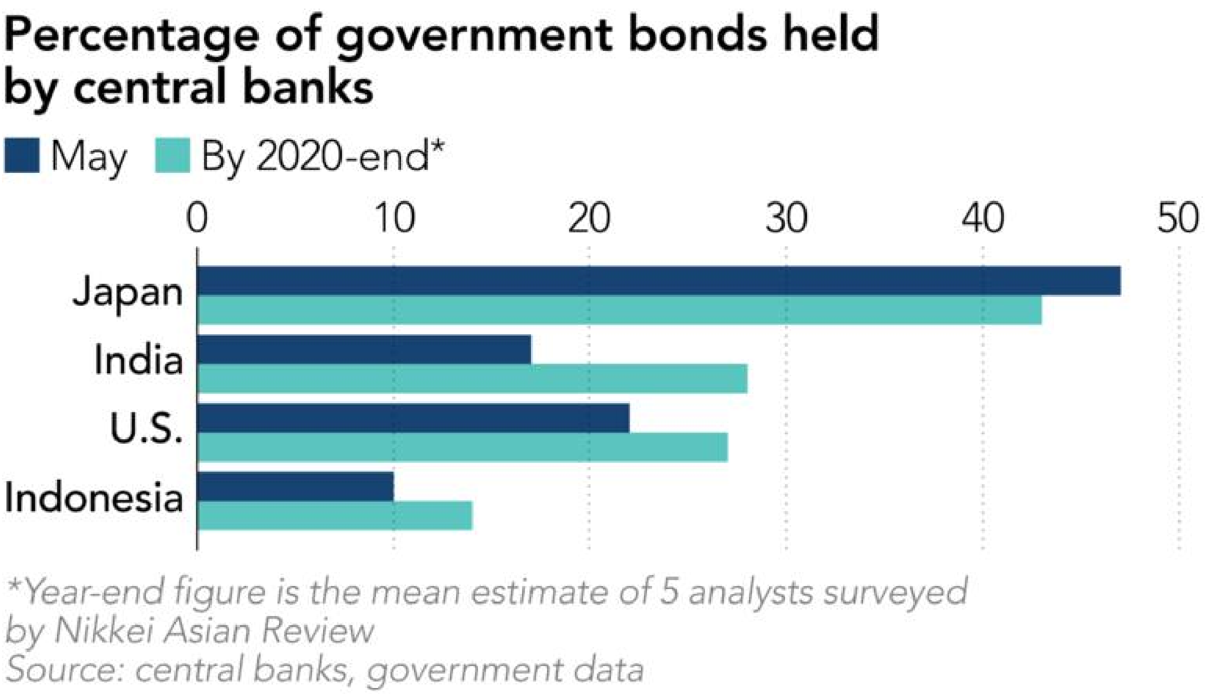
In early May, the **Indian** government said it will borrow 12 trillion rupees ($159 billion) in the 12 months to March 31, 2021 -- 54% more than budgeted. The budget deficit is expected to rise to 5.5% from the 3.5% earlier projected.

The government may ask the RBI to monetize about 6.8 trillion rupees ($90 billion) of India's 20 trillion rupees of stimulus, this would be needed to make up the full amount as other means would not suffice.

Besides mopping up government bonds through its open market operations, India's central bank cut its benchmark interest rate by 75 basis points in March, opened special liquidity facilities for mutual funds and cut the minimum cash reserves that banks need. It has also reduced the minimum liquidity that banks need to hold, extended a loan

Myanmar had been cutting back on its central bank's government debt financing as it aimed to transform and grow its financial sector. But it has now decided to "allow the central bank's financing of the fiscal deficit to increase as necessary up to a suitable level consistent with a target growth in the money supply."

The Bank of **Thailand** has cut rates and has pledged to ensure sufficient liquidity for markets to function well. It has used its foreign exchange reserves to buy government bonds from the market. The Philippine central bank has also slashed rates by 125 basis points, reduced the reserve ratio for banks, and offered a slew of relief to lenders.



Economists and market watchers agree that the risks of runaway inflation are low for now, and **Indonesia and the Philippines are experiencing low price rises by historical standards.**

"Debt monetization typically stokes inflation but the decline in oil and commodity prices will help in containing the price cycle," said Kiyong Seong, Asia rate strategist at Societe Generale in Hong Kong.

"In the medium to long term when situation normalizes it will lead to higher inflation but for now the focus is on limiting the fallout from the pandemic."

The risk would be if investors get the perception that central banks are monetizing debt despite the market's ability to absorb supply -- or if the broader monetary policy tools and or stance are inconsistent with the central banks' objectives, inflation in particular.

The U.S. Federal Reserve, the European Central Bank and the Bank of Japan have also bought government bonds, but only in the secondary market -- purchasing them from investors like banks.

Their rationale was also different, deploying such quantitative easing to avoid deflation as they were unable further lower benchmark interest rates.

In developing Asia, the measures are primarily aimed at stabilizing the market after the region saw fund outflows bigger than the global financial crisis more than a decade ago, and to fund government spending to cushion the economic hit from the coronavirus.

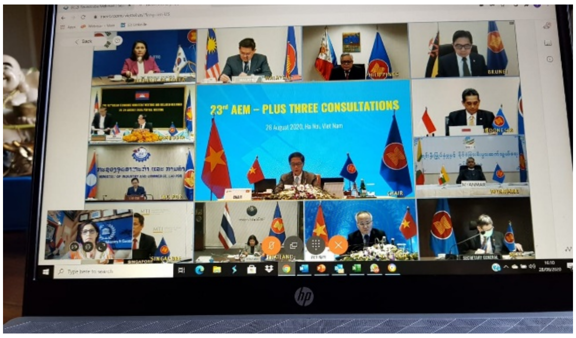
But a common concern among the central banks is how to unwind the asset purchases without disrupting the economy and financial markets.

Given the unprecedented nature of the COVID-19 shock, it is hard to fault emerging market central bankers for their unprecedented response. But such aggressive easing comes with a wide range of risks that we are only beginning to understand.

| ASEAN ECONOMIC MINISTERS + Korea, China, Japan, India, Australia, New Zealand
| ASEAN INDIA BUSINESS COUNCIL (AIBC) CONSULTATION MEETING

<u>23 AEM Plus Three Consultations</u>

Ms. Shamdasani of S. ASEAN International Advocacy & Consultancy (SAIAC) attended the virtual 23rd AEM + 3 Consultations, 25th AEM CER Consultation, and ASEAN India Consultation with 10 ASEAN Ministers over a period of one week and chaired by H.E. Tran Tuan Anh, Minister of Industry and Trade of Viet Nam.



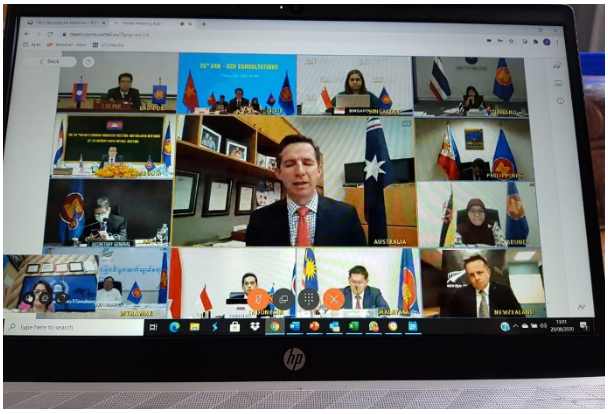
Economic Ministers from the ten ASEAN Member States, the People's Republic of China ("China"), Japan and the Republic of Korea ("Korea") met virtually on 28 August 2020 for the 23rd AEM Plus Three Consultations.

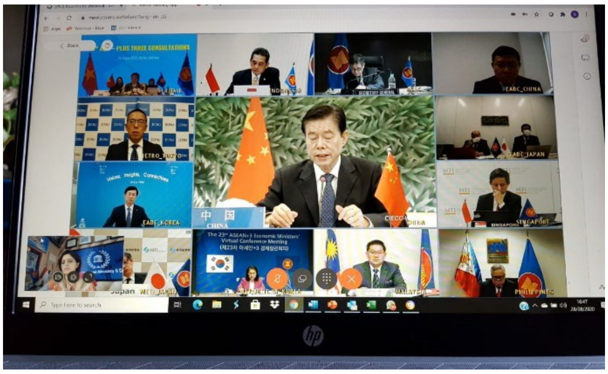
The Consultations were co-chaired by H.E. Tran Tuan Anh, Minister of Industry and Trade of Viet Nam, H.E. Zhong Shan, Minister of Commerce of the People's Republic of China, H.E. KAJIYAMA Hiroshi, Minister of Economy, Trade and Industry of Japan, and H.E. Yoo Myung Hee, Minister for Trade at the Ministry of Trade, Industry, and Energy of Korea.

The Ministers noted that, according to preliminary ASEAN data, total trade between ASEAN and the Plus Three Countries in 2019 reached USD 890.2 billion, representing 31.6 per cent of ASEAN's total trade. This was a slight increase of 1.5 per cent from the previous year. Meanwhile, total Foreign Direct Investment (FDI) flows from the Plus Three Countries into ASEAN were valued at USD 32.0 billion in 2019, accounting for 19.9 per cent of total FDI inflows into ASEAN.

25th AEM CER Consultation

Economic Ministers from the ten ASEAN Member States, Australia and New Zealand (Closer Economic Relations – CER) virtually met on 29 August 2020 for the Twenty-Fifth AEM-CER Consultations. The Consultations were co-chaired by H.E. Tran Tuan Anh, Minister of Industry and Trade, Viet Nam; the Hon Senator Simon Birmingham, Minister for Trade, Tourism and Investment, Australia; and Mr. Vangelis Vitalis, Deputy Secretary Trade and Economic Group, Ministry of Foreign Affairs and Trade, New Zealand (representing Hon. David Parker, Minister for Trade and Export Growth, New Zealand).





The Ministers noted the 1.2 per cent increase in ASEAN's total trade with Australia from AUD 120.7 billion in 2018 to AUD 122.2 billion in 2019, based on Australia's data. The Ministers also noted the 6.6 per cent increase in ASEAN's total trade with New Zealand from AUD 15.95 billion to AUD 16.99 billion in 2019.

According to Australia's and New Zealand's data, Australia's direct investment in ASEAN in 2019 accounted for 5.5 per cent of Australia's total direct investment abroad – valued at AUD 45.4 billion, while New Zealand's direct investment in ASEAN for the same year was valued at AUD 855 million accounting for 3.2 per cent of New Zealand's total investment abroad.

ASEAN India Business Council (AIBC) Consultation with 10 ASEAN Ministers.

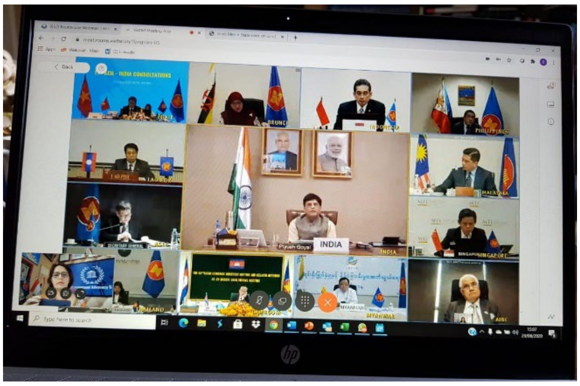
At the 16th AEM-India Consultations in September 2019 in Bangkok, AIBC made several recommendations and had proposed forming Working Groups on Healthcare, Start-ups and Technology (including Fintech), Connectivity (including Civil Aviation, Tourism and SMEs), Women & Youth Affairs and Skill Development.

Apart from the formation of the working groups, AIBC India and AIBC ASEAN had also made several recommendations which include:

- Promoting greater ASEAN-India SME collaboration.
- Enhancing the role of women and youth in ASEAN India process.
- Streamlining visa fees for travel between ASEAN and India.
- Reviewing the list of products excluded from ASEAN India FTA and simplifying the rules of origin.
- Non-Tariff Barriers.
- Focal point to resolve trade and investment issues.
- Digital connectivity.
- People to people and air connectivity.

• Possibility of joint study to chart the future direction of ASEAN India economic relations.
• Participation and early implementation of Regional Comprehensive Economic Partnership; and
• Collaboration of start-ups and innovation.

With the onset of Covid19 in 2020, the AIBC ASEAN Consultation meeting has been made virtual, with all the 10 countries attending the consultative dialogue.



Amongst others, following were emphasised:

1. Digital Healthcare, having access on healthcare via online modes and the collaboration between India and the ASEAN countries.
2. Rule of Origin to be liberalized and harmonised.
3. Removal of non-tariff barriers and timely clearance of goods at ports.
4. Goods detained at ports and the ASEAN India Preferential Certificate of Origin endorsed by ASEAN countries has been rejected.
5. Aluminium exports customs challenges.
6. NTB and NTM liberation .
7. Services, technology platform to be promoted in all fields, especially during covid19 time.
8. Infrastructure and connectivity.

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