



BUSINESS REPORT *Monthly*

S. ASEAN INTERNATIONAL ADVOCACY & CONSULTANCY (SAIAC)

| Indonesia | Singapore | Laos | Philippines | Malaysia | India |

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THE FATHOM OF THE RISING COST OF LIVING

From the desk of the President & CEO – SAIAC, Pvt. Ltd

THE “DISINCT” TRENDS.

The year 2021 has been observed to have ushered in bouts of “unlashing confidence” in almost all sectors, including consumer re-bounds. This trend, according to SAIAC Pvt Ltd analyst is sporadic and, in some countries, short lived, especially those countries that faltered to contain the spread of the virus and those that resorted to poor mechanisms of vaccine distribution, unreliable tests and tracings.

HEALTHCARE GOVERNMENT REGULATIONS ON PRICING & NATIONAL COVERAGE POST PANDEMIC.

April 7, 2021 | 09 – 11 am Jakarta Time

The Covid19 has forced changed significant platforms of our lives, our ways of doing business as well as the government approaches on regulating the future of economic growth.

Healthcare is one aspect where we see an enormous amounts of regulatory changes taking place, either in the amended fashion or newly designed laws to support the new normal, increased government control will increase the price of healthcare.

JOIN US TO UNDERSTAND THE FUTURE GOVERNMENT DIRECTIVES ON FOSTERING HEALTHCARE across three countries in Southeast Asia.

Zoom Meeting ID: 838 0082 4695
Passcode: 187275

About the Speaker: Ms. Shamdassani brings with her a total of 18 years of healthcare experience in Senior Management positions, working at regional capacities, living in Singapore, India & China. She is now Consulting MNC Fortune 500 companies.

Meanwhile, the world is not out of the threat of recession, 2021 is a fragile bridge that will drive us towards a tricky future, one that is of a smooth recovery, and the others that drives the country back into the blackhole of 2020.

While we observe the future with much optimism, there are several “distinct trends” that may contribute to the economic growth, those are:

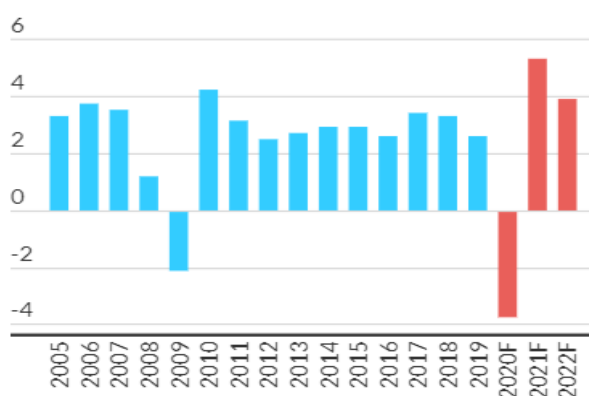
1. Consumer confidence.
2. Leisure travels, but not work related.
3. Generations of entrepreneurs and new innovations will continue.
4. Fourth Industrial Revolutions re-ignite and expedited.
5. Online shopping behaviours is here to stay.
6. Supply Chain rebalance shifts.
7. Work from home will balance out the office commuters.
8. Purchase of larger homes on the outer skirts of the cities due to internet connectivity.
9. Biopharma evolutions takes hold.
10. Portfolio restricting evolutions.
11. Green economy is on top of the agenda.

Revisions, re-planning, re-estimation will continue to take place as large rating firms watch the unfolding of the economy, one thing is certain is that the vaccine has, to a certain extent, managed to provide a much-needed respite to the economy. The future is still unpredictable with the changes in the portfolios and the shifts in priorities.

Large MNC’s will still be the main driver of the economic growth, but this will be divided with the pressure on ensuring sustainable and green economy as well as the emerging of mid-sized



World GDP Growth



Source: Fitch Ratings' estimates

corporations. Fitch ratings have revised the annual global GDP forecasts for all years in the GEO forecast horizon. They now expect world GDP to fall by 3.7% in 2020 compared to a fall of 4.4% expected in the previous GEO. The revision reflects a stronger-than-expected recovery in 3Q20. As well as being widespread, this outperformance was on a sufficient scale to leave annual GDP in 2020 at a higher level than in the September GEO despite factoring in renewed declines in GDP in 4Q20 in Europe. Nevertheless, the decline is still nearly twice as deep as that in 2009, when world GDP fell by 2.1%.

In this report, we cover the region that extends from Southeast Asia to Asia and the rest of the Europe. We provide a special coverage on Vietnam and the most likely newly developed paradigms after the newly elected Prime Minister resumes office.

CORE OF THE ECONOMICS – US FACTS & DATA'S.

Return to normal on the horizon: GDP is rapidly closing in on its pre-pandemic high as COVID-19 vaccines begin to roll out.

- After growing at a 5%-7% annualized pace in the fourth quarter, economic output has almost recovered its pandemic losses.
- However, due to lost growth, the economy may be operating at only 98.7% of its true potential, leaving plenty of room for above-trend growth in 2021.
- Though vaccinations are off to a slow start, many experts believe the pandemic in the U.S. will subside by late summer.
- As life returns to normal, forecasts call for real economic output to expand at 5% or greater in 2021, bringing a steady return to full employment.
- The household saving rate almost doubled last year to 12.9%. This could translate into a potential \$1.5 trillion supporting pent-up consumer demand as the pandemic subsides.
- The 2021 rebound may be buoyed by stabilizing energy prices and resumed production of Boeing's 737 MAX 8 aircraft.

Fiscal relief in the first quarter: The pandemic's disruptions are likely to persist through the first quarter. Fortunately, Congress has passed a \$920 billion relief bill aimed at rescuing struggling households and businesses.

- The relief package amounts to about 4.5% of nominal GDP. Many economists believe this latest stimulus could boost real GDP in 2021 by at least 3 percentage points. It provides a \$300 weekly supplement for unemployment insurance, as well as \$600 direct payments to many individuals.
- While the legislation does not include funding for state and local government, the shortfall in tax receipts has not been as severe as anticipated. Tax revenues actually expanded 3% over the 12 months ending September 2020.
- The Fed is continuing to provide monetary support. The target for short-term interest rates remains pegged at zero, and long-term interest rates are resting 2 percentage points below their theoretical equilibrium.



The job market lag: Coronavirus shutdowns dislocated workers in labour-intensive industries like dining and hospitality. While GDP has come roaring back, employment may recover more gradually over the coming year.

- The headline unemployment rate has fallen to 6.7%. However, it doesn't count the 4 million workers who left the job market in 2020 or independent contractors still working but not earning what they were before the pandemic.
- Recent history suggests that workers will likely return to the labor force as conditions improve.
- Broader measures of joblessness suggest that the economy is approximately 10 million jobs short of full employment.
- The Federal Reserve anticipates steady job creation throughout 2021, with the median forecast calling for unemployment to fall to 5% by year's end.
- The job recovery estimate may be conservative. It would not be surprising if the fourth quarter saw unemployment returning to the 3.5%-4.5% range of recent years.

Inflation worries are premature: Despite a \$3.3 trillion federal deficit, inflationary pressure is unlikely to appear anytime soon.

- COVID relief bills are more akin to a rescue package than traditional stimulus—the legislation largely replaces lost income, rather than creating new demand.
- The targeted nature of the spending makes it unlikely to fuel inflation. As unemployed workers find jobs and business revenues climb, federal aid will taper off.
- Bond markets were largely unaffected by this spring's deficit-financed CARES Act, as most of the newly issued debt was absorbed by the Fed's asset purchasing program.
- Eventually, the Fed will need to unwind its excess holdings. But as quantitative easing demonstrated, the Fed's growing balance sheet will not necessarily create inflationary pressure.
- With central banks abroad also providing extraordinary monetary support, the U.S. dollar should hold its value against major global currencies.
- The U.S. still faces long-term fiscal challenge, but they are largely driven by demographics. 2020's deficit spending has done little to worsen the nation's long-term outlook.

Equities are looking ahead: Investors are confident that COVID's disruptions will prove transitory.

- Equities markets have long assumed the health crisis would be short-lived.
- Pandemic shutdowns have hardly threatened the long-term forces of globalization and digitization, which are transforming the economy and lifting corporate profits.
- If anything, the pandemic has demonstrated the adaptability of the U.S. economy and accelerated adoption of labor-enhancing technologies.
- Investors are also optimistic about the economy's true potential. The pre-pandemic business cycle saw the coexistence of low unemployment and tame inflation, which implies that the maximum level of sustainable output may be higher than commonly assumed.
- The pandemic has done little to diminish the opportunities presented by Asia's emerging economies. The rise of China and India promises to create the world's largest consumer markets, and American corporations are eager to expand abroad.

ASEAN – ECONOMICS, POLITICS & SOCIAL.

- > **SINGAPORE** – Singapore based Sea Ltd has emerged as Southeast Asia's largest public company, with its share price on the New York Stock Exchange has risen by 395% in 2020. Sea



Ltd's valuation was measured at US\$120 billion in 2020, trumping the valuations of regional tech rivals such as Grab and Gojek, which measured at US\$14 billion and US\$10 billion respectively. This was largely based on significant gains in its core businesses in gaming, e-commerce, and digital payments in 2020 due to the conditions set by the COVID-19 pandemic. According to digital research firm iPrice, Sea Ltd's unit Shopee became the most visited e-commerce platform in Indonesia in 2020, while in Thailand and the Philippines Shopee topped Alibaba Holdings-backed Lazada in monthly website visits in the second and third quarters of 2020, respectively. Sea Ltd's success has also been attributed to its status as a Southeast Asian tech company being listed in a Western market, giving investors access to Southeast Asia's rapidly expanding digital economy. Sea Ltd was able to raise nearly US\$3 billion in December 2020 through new share offerings.

- › **INDONESIA** - Indonesia's central bank kept its key interest rate steady amidst global market uncertainty. The benchmark 7-day reverse repurchase rate was left unchanged at 3.50%, with the bank's governor stating the need to maintain rupiah stability amidst rising uncertainty in global financial markets. Policymakers are concerned that further monetary easing could weigh on the rupiah, which is already under pressure due to capital outflows. The rupiah fell by more than 3% in the past month. Indonesia's central bank stated they had been 'aggressive' in its monetary easing in 2020, having cut rates by a total of 150 basis points since the COVID-19 pandemic started in early 2020. The governor stated they would boost efforts to stabilize the currency through a 'triple intervention' in the spot foreign exchange, domestic non-deliverable forward, and bond markets.
- › The Indonesian tourism ministry is mulling allowing foreign tourists to visit Bali as soon as June 2021 under a travel corridor program to help economic recovery. The travel corridor arrangement will be offered to countries deemed successful in their vaccination program and in containing the spread of the virus. Certain holiday spots in Bali such as Ubud, Sanur and Nusa Dua are to be included in a pilot program to begin receiving foreign travellers in mid-June or July 2021 under strict health protocols. As many as 2 million Bali residents will have to be vaccinated before the pilot program can begin. The government is also considering allowing chartered flights to bring in overseas travellers under the pilot program.
- › **PHILIPPINES** - The Philippines will close its borders to foreigners and restrict the number of Filipinos able to enter the country to 1,500 a day. The ban on overseas travel was announced on 16 March 2021 by the country's COVID-19 task force and will take effect on 20 March 2021. These latest restrictions came after the number of daily cases hit a seventh-month high of 5,404 on 15 March 2021, with experts predicting the number could double by the end of March. Authorities have blamed poor compliance with health protocols, such as wearing face masks and face shields in public, as well as more contagious variants of the virus. The government aims to vaccinate 1.7 million medical staff by mid-April 2021.
- › **THAILAND** - Thailand's pork exports have risen by 69% in 2020. Thailand is one of the few Asian countries that hasn't reported an outbreak of the African swine flu, which has killed millions of hogs in the region. Asia accounted for 82% of all swine losses globally between 2016 and 2020, surpassing losses in Europe and Africa. Thai shipments of live pigs rose by 339% in value in 2020, while exports of chilled, frozen and processed pork were up 69%. This is despite the drop in Thailand's overall exports in 2020, falling by 6% amid the COVID-19 pandemic. Pig and pork exports represent 0.3% of Thailand's total exports and are expected to continue growing in 2021.



- › **SINGAPORE** - The foreign ministers of Singapore and New Zealand discussed the possibility of mutual recognition of each country's digital health and COVID-19 vaccination certificates in order to facilitate the resumption of international travel. This comes as both countries are embarking on their respective vaccination programmes. In February 2021, the Singapore government announced that through the usage of blockchain technology, Singapore had developed a 'globally interoperable' standard for cross-border verification of health documents such as digital certificates for COVID-19 test results and vaccination status. Both Singapore and New Zealand also agreed to strengthen their Enhanced Partnership established in 2019, as well as to cooperate in digital economy, climate change, and the post-COVID-19 recovery.

- › **VIETNAM** - Vietnam has begun first-phase clinical trials for its second domestically developed COVID-19 vaccine candidate Covivac. The Phase 1 trials will conclude by 20 April 2021, with an interim report due in July. All trials are expected to be finished by the end of 2021. Viet Nam's first COVID-19 vaccine candidate, Nanocovax, started Phase 2 trials in late February 2021. If proven effective, it could receive emergency approval by the government as early as May. While Nanocovax was developed by startup Nanogen Pharmaceutical Biotechnology in collaboration with Vietnam Military Medical University, an institution under the Defense Ministry, Covivac was developed by the Institute for Vaccines and Medical Biologicals. Viet Nam started its mass vaccinations on 8 March using the AstraZeneca vaccine.

- › **SOUTHEAST ASIA & US** - Facebook and Google are building two new undersea data cables linking Southeast Asia to the US, marking the latest attempt to improve access and infrastructure in major markets like Indonesia and Singapore. Facebook has announced plans to lay two underwater cables connecting the US to Indonesia and Singapore, the first set of cables directly linking Southeast Asia to North America. Facebook says that the Echo and Bifrost trans-Pacific cables, as the company is calling them, will increase the capacity for data transfer between the Americas and Southeast Asia by 70%. The Echo cable is also backed by investment from Google, which says that the cable will run from "Eureka, California to Singapore, with a stop-over in Guam, with plans to also land in Indonesia. Additional landings are possible in the future." The move is the latest in a growing trend of tech companies like Microsoft and Facebook investing in connectivity infrastructure around the world. Google is an investor in six undersea cables that have already been completed. Until recently, projects like fibre optic cables were primarily undertaken by telecom firms. Around 98% of the world's internet and telephone communications are now carried by undersea cables, with about 400 in existence as of March 2021, according to Bloomberg. For the firms building the new cables, the projects are about expanding their networks by supporting growth within Southeast Asia.

- › **SOUTHEAST ASIA** - The ASEAN manufacturing sector returned to growth in March, following declines in February, as output and orders increased during March. According to the latest data on the IHS Markit Purchasing Managers' Index (PMI), the headline PMI increased to 50.8 in March, from 49.7 in February, signalling a slight improvement in the health of the manufacturing sector. IHS Markit reported that four of the seven ASEAN constituent nations witnessed expansions during March, with Vietnam (53.6) leading the fourth consecutive month of improvement. Indonesia and the Philippines also saw sustained growth during March. Singapore also registered an improvement in manufacturing conditions during March (with the PMI at 50.7), indicative of a slower growth rate than in the past three months. At the national level, Myanmar registered a record-low headline figure of 27.5 as factories remained closed amid political turmoil. In Malaysia, the headline index was registered at just below the 50.0 mark, indicating stable health of the Malaysian goods-producing sector. Meanwhile, in



Thailand, the downturn had eased since February, but the PMI at 48.8 signalled a modest rate of contraction overall.

- › **MALAYSIA** - Nestlé (Malaysia) Bhd has 7 April launched its pioneering plant-based meal solutions manufacturing facility, the first in ASEAN and one of only two in Asia. The new facility in Shah Alam will cater to the rising demand for plant-based foods and will supply local demand as well as exports. Nestlé Malaysia said it had invested a total of RM150 million in the facility, which has been the main contributor to the RM280 million capital expenditure in 2020, the company's highest in the last six years. Nestle S.A vice president and chief executive officer for Asia, Oceania and sub-Saharan Africa Chris Johnson said it had chosen Malaysia, and Selangor particularly, as the location of the new manufacturing hub as it had found here the right infrastructure, trade links and access to talent and capabilities. Nestle Malaysia CEO Juan Aranols said the production site would allow it to supply locally produced, high-quality, great-tasting and Halal certified plant-based meals. Nestlé's new plant has already commenced production of its new Harvest Gourmet plant-based products for the out-of-home market and is soon to launch its consumer range, to be available in retailers nationwide and via eCommerce.
- › **PHILIPPINES** - The Film Development Council of the Philippines (FDCP) launched an incentive fund for Association of Southeast Asian Nations (ASEAN) member states collaborating with the Philippines on March 15 during the "The Philippines: Let's Create Together Country Session". The ASEAN Co-production Fund (ACOF) is for feature films with a director of ASEAN nationality minority or majority co-producing with the Philippines. It is the latest Film Philippines Incentives Program of the FDCP following the Film Location Incentive Program (FLIP), International Co-production Fund (ICOF), and Film Location Engagement Index (FLEX). Department of Tourism (DOT) Secretary Bernadette Romulo-Puyat opened the Country Session with a statement on how a film is crucial in promoting tourism and culture to local and international audiences. "A memorable, well-made film has a greater capacity to promote tourism and foster cultural understanding than any other medium," stated Romulo-Puyat. "Even though the pandemic kept people apart, the movies bring us closer together." Department of Trade and Industry (DTI) Undersecretary Rafaelita M. Aldaba noted that there is an increasing demand for new, entertaining, and engaging content across the world. "The generation and production of content are not just limited to a particular market but are undertaken with the potential of being appreciated globally anytime, anywhere," said Aldaba.
- › **SINGAPORE** - Singapore will revise its port dues rates to fund the increased costs of operating and maintaining the Port of Singapore, according to the Maritime and Port Authority of Singapore (MPA). MPA said the revision is also to encourage vessels to make faster turnarounds in the port to allow more ships to be served within the limited anchorage space in the port. MPA noted that these costs have increased since port dues rates were last revised in 2014. Following consultations with industry partners including the Singapore Shipping Association and the Association of Singapore Marine Industries, MPA said the port dues rates will be adjusted over two phases to give companies time to adjust to the new rates. Under Phase 1 which will take effect from Jan 1, 2022, vessels calling at the Port of Singapore to load/unload cargo or to embark/disembark passengers with port stays between two and four days will experience an increase in port dues of up to around 6.0%. Meanwhile, under Phase 2 which will take effect from Jan 1, 2023, the port dues rates for vessels that stay in port for one day or less for purposes including loading/unloading of cargoes, embarking/disembarking passengers, taking bunker or supplies and changing of the crew will also increase.



- › **THAILAND** - Sony Pictures Entertainment has teamed up with Thailand's Amazon Falls to set up an amusement park based on productions from its Columbia Pictures studio, in the Southeast Asian country, the companies said on 6 April. The 14-acre Columbia Pictures' theme and water park, Aquaverse, will be open for the public from October 2021 and feature rides and attractions based on the studio's popular movies including "Ghostbusters", "Jumanji", "Bad Boys", "Men in Black" and "Hotel Transylvania".
- › **VIETNAM** - Vietnam's National Assembly on 5 April elected Pham Minh Chinh, 63, to be the country's next prime minister, tasked with reviving the economy in the wake of the pandemic while navigating growing U.S.-China tensions. Chinh rose through the ranks of Vietnam's national security apparatus and has a PhD in Law, was the only candidate for prime minister put forward by the Politburo. He also served on a powerful anti-corruption steering committee. General Secretary Nguyen Phu Trong, 76, was re-elected to a rare third term on January 31 by the National Party Congress during the once-in-five-year leadership transition wrapping up this week. Former Prime Minister Nguyen Xuan Phuc, 66, was elected president, allowing him to stay among the country's top leaders. Vuong Dinh Hue, 64, a former minister of finance and ex-deputy prime minister, was approved as chairman of the National Assembly. In a speech before parliament, Chinh said his administration will "drastically and persistently push for anti-corruption" measures while "continuing with economic reforms, developing the digital economy and focusing on solving difficulties for industries and businesses."

ASEAN CURRENCY PERFORMANCE.

- › **THAILAND** - The Thai Baht was the worst performing major currency in Southeast during Q1 2021, having depreciated 4% against the US Dollar to 31.24. This was largely attributed to a drop in tourist receipts, which plunged to US\$742 million due to border closures (only 5% of the same period in 2020). Thailand's current account turned to a deficit of US\$1.4 billion in Q1 2020 from a surplus of US\$6.6 billion in the Q3 2020 and \$11.5 billion in the same period in 2019. It was the first time Thailand has recorded a deficit since the third quarter of 2014. Starting in April 2021, Thailand intends to shorten its mandatory quarantine to 10 days to revive tourist inflow and spending. Among other regional currencies, the Indonesian rupiah and Malaysian ringgit fell 3.4% and 3.1% respectively in the first quarter of 2021. The Singaporean dollar and Philippine peso for their part fell over 1%, while the Vietnamese dong remained virtually flat.
- › **ASEAN** - ASEAN is seeking to establish a framework for green investments in the region. The bloc set up the Asean Taxonomy board this week, which is tasked with developing and maintaining a set of categories and definitions to guide its Member States on establishing clarity and common definitions on what constitutes 'green' investing. It is believed that green financing opportunities in the region could be worth US\$3 trillion between 2016 and 2030, according to a report by Asean Working Committee on Capital Markets Development. The board comprises eight members including representatives from Monetary Authority of Singapore, Bank Negara Malaysia and Bank of Thailand.
- › **MALAYSIA** - Bank Negara Malaysia stated in their Economic and Monetary Review 2020 released on 31 March 2021 that Malaysia's economy is projected to grow by between 6% and 7.5% in 2021. The factors supporting Malaysia's recovery in 2021 included improving external demand, less stringent containment measures and the vaccine roll out, a gradual improvement in labor market conditions, and a pickup in manufacturing facilities. The central bank also pointed to policy measures which aided Malaysia's recovery, including fiscal injections to ease cash constraints, support labor market conditions, and reinvigorate



spending and economic activities. In terms of monetary stimulus, measures which were put into place in 2020 included a 125-basis point (bps) reduction in the overnight policy rate (OPR) to 1.75% and a reduction in the statutory reserve requirement (SRR) ratio of 100bps to 2%.

- › **INDONESIA** - The Indonesian government has expanded its tax breaks on car sales to include larger vehicles, in a bid to accelerate economic recovery and to aid its manufacturing industry. The government noted that Indonesia's upper-middle class had so far held back from big purchases during the COVID pandemic and preferred to focus on their savings. Indonesia had already introduced a tax incentive scheme for sedans and two-wheel drive cars with engine power below 1,500 cc in February 2021, and this has been expanded to include the sales of four-wheel drives and cars with up to 2,500 cc that are manufactured with at least 60% domestically sourced components. The tax incentive for the new range of vehicles will be between 12.5% to 50% discounts for luxury tax payments, taking effect from April until end-2021. Car sales in Indonesia are yet to return to pre-pandemic levels.
- › **PHILIPPINES** - The Philippines has formally expressed interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in order to expand its trading relations with countries outside of its existing bilateral free trade agreements. The Philippines' secretary of trade and industry sent a signed letter of intent to New Zealand, the depositary nation of the CPTPP trade bloc. The Philippines government stated it is crucial for the country to engage the CPTPP members that are currently not part or not a partner of the Philippines in free trade agreements, including new markets such as Canada, Mexico, Peru and Chile. As well, other countries are expected to join, including the UK, US, and China. As well, the Philippines is also interested in cultivating its domestic manufacturing capacities. By joining the CPTPP, the cost of procuring components would decrease, allowing Philippine manufacturers to gain easier market access.
- › **MALAYSIA** - The government of Malaysia's state of Sabah is working on an exclusive travel bubble plan to allow Singaporean tourists into the state after the Eid holidays. The State Tourism, Culture and Environment Ministry stated they were awaiting the state Cabinet's green light for the plan while discussions were ongoing with various stakeholders. The latter included Malaysia Airports Holdings, in which discussions are currently being held with about tightening SOPs. In regard to calls for Sabah to prepare a road map and timeline on the reopening of borders for international travel, the ministry stated that safety must be prioritized at the moment, and that the travel bubble approach has been recommended for now.
- › **THE UNITED STATES & VIETNAM** - The United States' Trade Representative raised concerns about Viet Nam's currency practises during a virtual meeting with the latter's trade minister. The US also raised concerns on illegal timber practices, digital trade and agriculture. The US trade ministry stated in a statement released after the meeting that both countries would continue to actively cooperate to comprehensively address the concerns raised in order to maintain trade relations. Both officials plan to hold a meeting later in 2021 under the Trade and Investment Framework Agreement to work on 'resolving bilateral issues'. Under the previous Trump administration, the US Treasury designated the Hanoi government as a currency manipulator and the U.S. Trade Representative in January 2021 labelled Vietnam's currency actions 'unreasonable and restrictive to American businesses'.

GLOBAL ECONOMICS



- › **AUSTRALIA** - Australia's resources and energy export earnings are expected to reach a record high in fiscal 2021, driven by the export of iron ores. Australia's resources and energy exports are expected to reach US\$255 billion in the year ending June 30 2021. Iron ore giants such as BHP Group, Rio Tinto Group and Fortescue Metals Group Ltd. have recorded strong profits as prices surged on the back of strong demand from Chinese steelmakers and supply disruptions in number two iron ore producer Brazil. Although commodity prices are expected to moderate in fiscal 2022, this is expected to be balanced by the growth up to 2026 in demand for the materials vital to the clean energy transition, such as lithium, copper, and nickel.
- › **SOUTH KOREA** - South Korean exports rose by 16.6% year-on-year in March 2021, its highest rise in more than two years. These gains came amidst continued robust gains in manufacturing activity, increasing strength in global demand, and improved confidence in the global outlook as more countries start their vaccination programs. Korean exports to the United States and Europe saw significant gains, with values reaching some of the highest levels on record. A separate report by IHS Markit showed purchasing managers' index for Korean manufacturing in March 2021 holding at 55.3, unchanged from February 2021, which was its strongest reading since 2010. Chips and automobiles have been leading the export rally as overseas consumer demand returns and investment improves.
- › **NEW ZEALAND** - New Zealand will use its chairmanship of the APEC Forum in 2021 to press the 21 leaders of APEC to agree to the free movement of essential medical supplies in order to combat rising vaccine nationalism. The country would use its APEC chairmanship to promote a joint agreement covering the movement of goods, including personal protective equipment, across borders. The joint agreement would focus on the elimination of tariffs, non-tariff barriers, and any import restrictions, as well as to improve trade facilitation. New Zealand's foreign minister stated that the COVID-19 pandemic highlighted the importance of international collaboration.
- › **CHINA** - Seven Chinese businesses were added to the so-called Entity List on 8 April to restrict US firms from dealing with the companies. The newly blacklisted companies include Tianjin Phytium Information Technology, Shanghai High-Performance Integrated Circuit Design Center and Sunway Microelectronics, as well as four National Supercomputing Centers in Jinan, Shenzhen, Wuxi, and Zhengzhou. The department's Entity List has existed for years. But during the Trump administration, the US government began adding Chinese businesses to the list at a faster pace, beginning with companies such as Huawei, the global telecommunications giant. The Biden administration is reviewing many of the Commerce Department's Trump-era policies. So far, officials appear poised to maintain the US government's confrontational posture toward China. President Biden's infrastructure plan, for example, highlights the strategic threat posed by China, describing it as a competitor in technology and R&D.
- › **AUSTRALIA** - Australia has doubled its order of the Pfizer Inc COVID-19 vaccine, Prime Minister Scott Morrison said on 9 April, as the country raced to overhaul its inoculation plan over concerns about blood clots' risks with the AstraZeneca Plc vaccine. Until 8 April, Australia based its vaccination programme largely on an AstraZeneca shot, with an order for 50 million doses, enough for the required two shots for its entire 25 million population, to be made domestically by biopharma CSL Ltd. But Australia has now joined a host of countries in restricting the use of the vaccine due to clotting concerns. Local health authorities have changed their recommendation to say the country's nearly 12 million people aged under 50 should take the Pfizer product instead. The policy change to Pfizer effectively ends plans to have the entire population vaccinated by the end of October.



- › **SOUTH KOREA** - South Korea unveiled its homegrown supersonic jet fighter on 9 April, joining an exclusive club of military aviation giants and setting the stage for a US\$5.2 billion program it hopes will be a top export driver and jobs creator. President Moon Jae-in said after ground and flight tests are completed, mass production of the KF-21 will begin with a goal of 40 jets deployed by 2028 and 120 by 2032. "When full-scale mass production begins, 100,000 additional jobs will be created, and we'll have an added value of 5.9 trillion Korean won (US\$5.2 billion). The effect will be much greater if they're exported," Moon said. The KF-21 is a joint project between South Korea and Indonesia in which Seoul holds 80% of shares while Jakarta seeks 20%. South Korea says Indonesia is behind in payments to the project, but negotiations will continue. "When the final tests are completed in the future, South Korea will become the eighth country in the world that has developed an advanced supersonic fighter," a government statement said. Those countries are the United States, Russia, China, Japan, France, Sweden and a European consortium of the United Kingdom, Germany, Italy and Spain.

THE NEEDLE IN THE HAY – COVID 19 HEALTHCARE MANAGEMENT

- › **ASEAN must act together: A harmonised approach to testing standards and vaccines passport is key to ASEAN's swift recovery.**

CARI ASEAN Research and Advocacy (CARI), in partnership with ASEAN BAC Malaysia, hosted the "ASEAN Healthcare Webinar: COVID-19 Vaccine rollout and the recovery of the ASEAN economy" to discuss the issues faced by ASEAN and particularly ASEAN and Malaysia's effort in inoculating its peoples and navigating policy challenges before, during and after the COVID-19 pandemic.

The session featured the Hon. Khairy Jamaluddin, Minister of Science, Technology and Innovation of Malaysia who is also the coordinating minister for Malaysia's national COVID-19 immunisation program, as well as independent health policies specialist Dr. Khor Swee Kheng.

Moderated by Tan Sri Dr. Munir Majid, Chairman of CARI, the webinar has been organised as a follow-up of healthcare sector related recommendations captured in a policy document named "A Pathway Towards Recovery and Hope For ASEAN" Or "Pathway 225" produced in 2020 by CARI as the knowledge partner for the ASEAN Business Advisory Council and Joint Business Councils. The report contained 225 recommendations aimed to coordinate efforts to help ASEAN business recover and was recognised by the ASEAN Leaders.

- › **Economic recovery is dependent on a successful vaccination programme.**

In his keynote presentation, Minister Hon. Khairy Jamaluddin shared that we have seen evidence of successful results from the immunisation programme in several countries. This shows that a successful immunisation programme leads to the opening and speedy recovery of the economy.

The World Bank forecasts Malaysia's economy to grow by 6% in 2021 after contracting by 5.8% in 2020, premised on the effective roll-out of a vaccination programme, continued improvements in exports and a build-up in momentum, particularly in consumption and investment. Globally, the World Bank projected the global economy to expand by 4% in 2021 where vaccine deployment and Investment are key to sustaining the recovery.

At the ASEAN level, the ongoing rollout of vaccinations among ASEAN countries is showing a positive sign. The Philippines projects a growth range of 6.5% to 7.5% in 2021, as the economy reopens further, and vaccinations begin. In Indonesia, sectors with high overseas demand have partially recovered due



to a rebound in commodity prices and expect GDP to grow between 4.5% and 5.5%. Singapore expects its forecast of GDP growth of 4% to 6% for 2021 and has urged businesses to have meetings in the country's COVID-19-free bubbles as part of its effort in re-opening travel into the country.

"In Malaysia, after successful completion phase one and two, priority will then be given to targeted economic sectors. These economic frontliners by definition are those that are involved in essential industries and are front-facing other individuals through the course of their daily tasks This would include the manufacturing, aviation, logistic, oil and gas, transportation, maritime, tourism and service sectors," the minister explained.

With regards to the digital health certificate or passport, he said that the World Health Organisation (WHO) had on 19 March 2021 issued an early guideline to suggest the principles, technology enhancement as well as the role of respective agencies that is required to create a vaccination certificate. Malaysia, through Malaysia Airlines, has begun discussing with the International Air Transport Association (IATA) to allow our vaccination certificate that is currently pushed through the MySejahtera app to be accepted internationally.

"Malaysia has also begun discussions with Singapore and China with regards to travel bubbles as there are more than 450,000 people that frequent the Selat Johor border and the second link bridge daily to and from Singapore and given that China is our biggest trade partner the past 12 years with a total trade amount of RM316 billion in 2019," said the Hon. Khairy Jamaluddin.

› **Three challenges faced by ASEAN: Vaccine supply, confidence, and variant strategy.**

In his keynote presentation, Minister Y.B. Khairy Jamaluddin shared that we have seen evidence of successful results from the immunisation programme in several countries. This shows that a successful immunisation programme leads to the opening and speedy recovery of the economy.

In one particular country, decision makers concluded on the 7th of March that it is safe to reopen the economy, less than 2 months after the vaccination initiative started. As of the 27th, the said country had administered 116.79 doses per 100. 56% of the overall 9.93 million population had received the first dose and 50% have completed both doses, which is the highest rate per capita in the world.

The World Bank forecasts Malaysia's economy to grow by 6% in 2021 after contracting by 5.8% in 2020, premised on the effective roll-out of a vaccination programme, continued improvements in exports and a build-up in momentum, particularly in consumption and investment. Globally, the World Bank projected the global economy to expand by 4% in 2021 where vaccine deployment and Investment are key to sustaining the recovery.

At the ASEAN level, the ongoing rollout of vaccinations among ASEAN countries is showing a positive sign. The Philippines projects a growth range of 6.5% to 7.5% in 2021, as the economy reopens further and vaccinations begin. In Indonesia sectors with high overseas demand have partially recovered due to a rebound in commodity prices and expect GDP to grow between 4.5% and 5.5%. Singapore expects its forecast of GDP growth of 4% to 6% for 2021 and has urged businesses to have meetings in the country's COVID-19-free bubbles as part of its effort in re-opening travel into the country.

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› **ASEAN cooperation in vaccine rollout: more needs to be done.**

Tan Sri Dr. Munir concurred with the viewpoint but opined that the vaccines offer more than just a chink of light as evidence of immunity however hotly debated. Nevertheless, the government must also, concurrently make self-testing equipment available to individual citizens to give the confidence and trust that will allow the further opening up of economies and the movement of people.

"We have been talking about regulatory harmonization in ASEAN for the longest time. Now, in response to the COVID-19 pandemic, harmonization in respect of accepted vaccine passports and virus test results is critical for the opening up of economies and movement of people. As never before, ASEAN must act together," urged Tan Sri Dr. Munir Majid.

Tan Sri Dr. Munir thanked Yang Berhormat Khairy Jamaluddin for participating in the webinar saying that the minister has a thankless task as the supremo in the sourcing, distribution and administering of the COVID-19 vaccines.

"If the roll-out goes smoothly it will be regarded as something to be expected. If it goes wrong, from unfulfilled supplies, globally uneven distribution and unfair administering of the jabs, all hell will break loose. He is being severely tested. For reasons over and above public health and economic recovery, for the sake of Malaysia, I hope he succeeds."

■ SOUTH CHINA SEA & THE PACIFIC (courtesy Carl Thayer).

South China Sea tensions that will include a discussion on (a) increasing Chinese military spending, (b) recent U.S. freedom of navigation patrols as well as announcements from France and Germany of similar patrols coming up, (c) China's month-long naval exercises there, (d) comments by the Commander of the U.S. Indo-Pacific Command that the asymmetry in Chinese/U.S. capabilities is waning and U.S. deterrence slipping, and (e) Saturday's first leader-level "Quad" meet.

1. Despite rapid growth, Chinese military spending is still only about 1/3 of U.S. military spending. The "asymmetry" in terms of aircraft carriers is also stark. With that in mind, what do you make of comments to the Senate on March 9 by Admiral Philip Davidson, Commander of US Indo-Pacific Command, that the military balance in Asia is shifting toward China?

ANSWER: Admiral Davidson was referring to Chinese military capabilities within the first and second island chains. This is China's natural theatre of operation and China has built up a commanding military presence because it can operate from interior lines of communication from the mainland and Hainan



Island throughout the two island chains. In other words, China can bring land-based assets such as missiles and strike aircraft to bear along with its naval fleet.

The U.S. is a global maritime power, and the Indo-Pacific is just one of a number of theatres in which it operates. The United States must operate from exterior lines of communication stretching from the continental United States, Hawaii and Guam.

The two island chains are a more restrictive space within the wider Indo-Pacific region. China has acquired the capacity to present a credible challenge to the United States within this space. One element that needs to be factored into weighing the balance between forces is the experience of service commanders and the calibre of training and experience on opposing sides. The U.S. is way ahead in this respect.

Admiral Davidson laid out a strategy to counter China by dispersing U.S. forces across the region and locating new long range precision strike weapon systems. He listed four critical areas that are being addressed: increasing joint force lethality, enhancing design and posture, strengthening allies and partners, and modernising U.S. exercises, experimentation and innovation programs. The key, however, is credible deterrence. Despite its growing military strength, if China is convinced it will suffer heavily in a conflict, it will be constrained.

2. If China really is growing emboldened, and more militarily capable, is a direct conflict in the South China Sea any more likely now than it was, say, a year ago? How might this play out, if it is. If you don't think there's an increased risk of conflict, how do you envision the next few years of "simmering tensions" in the South China Sea playing out?

ANSWER: Taiwan and the waters around Taiwan will be the focal point for tensions and the potential spark for any future conflict between China and the United States. This will likely spill over into the South China Sea in a number of ways, including miscalculation by Chinese military leaders during times of high tensions over Taiwan. The South China Sea is a semi-enclosed sea. This poses opportunities and challenges for both sides. The South China Sea should be viewed as a restrictive space where it is comparatively easy to locate and identify enemy forces. China's current growing advantage over the U.S. could easily be reversed if the U.S. disperses its forces in the region, say in the Philippines, Australia and possibly elsewhere. China's advantage would be eroded if littoral states also acquired the weapon systems to strike at a distance.

3. Is the virtual meeting of the Quad being at the leader-level for the first time significant? How important is the Quad "alliance" in terms of opposing Chinese claims to the South China Sea?

ANSWER: The further institutionalisation of the Quad from a virtual leaders' led forum to a face-to-face forum, as planned later this year, is highly significant. This is because for the first-time leaders from the four major powers involved will be able to coordinate the non-military elements of national power – economic, diplomatic, political – with the military element to counter China's influence in the region.

The Quad will never become an "Asian NATO" but there will be increased defence coordination in arms procurements, technology exchange and maritime interoperability. It is more likely that the military pushback against China will be trilateral (U.S., Japan and Australia) in East Asia (East and South China Seas) and multilateral and more ad hoc in the Indian Ocean. All members of the Quad share the view that China should not be permitted to dominate the South China Sea and restrict freedom of navigation and overflight on the high seas. All members of the Quad will provide varying levels of



support to littoral states subject to Chinese intimidation and bullying. They are likely to be joined on an individual basis by naval forces from European states that have significant trade relations with regional states such as France and the United Kingdom.

VIETNAM NEW LEADERSHIP & THE FUTURE DIRECTIONS.

The newly elected Prime Minister, Pham Minh Chinh has a relatively unorthodox background for a prime minister. He spent his first twelve years in various posts starting in 1984 as researcher in the Ministry of Home Affairs, academic, and diplomat in Romania (1989). He then served in the Ministry of Public Security beginning in 1996 before becoming Deputy Minister in 2010. He then gained experience at provincial level spending four years in Quang Ninh, rising to party secretary. His career took a marked turn in 2015 when he was posted to Hanoi as deputy and then chairman of the party's Organisation Commission as well as member of the Secretariat. Chinh's tenure in Quang Ninh was highly successful, in 2015 the province ranked third highest of Vietnam provinces scoring 65.75 on the provincial competitive index. Chinh has demonstrated he can work with and lead a team successfully. He will therefore forge an effective team with his deputy prime ministers and other members of the cabinet.

He is now the Standing Deputy Prime Minister, and we would expect him to play a special role in Vietnam's external relations, giving sound advice to the Cabinet, and perhaps assisting his replacement, Bui Thanh Son.

LTGEN Pham Van Giang's promotion to National Defence Minister from Chief of the General Staff, returns to the norm that the most senior general from the combat services serves as defence minister. Giang's career includes deputy commander and commander of the 312th Division, 1st Corps. Giang, as Commander of Military Region 1, is well versed in the military threat posed by China on Vietnam land and sea borders. I expect him to use this experience in the evolution and continued modernisation of all three services comprising Vietnam's armed services – army, navy and air defence-air force.

The Vietnam Communist Party has a long way to go to promote greater gender balance among its members and senior leaders. There are only nineteen women on the Central Committee and the number of women on the Politburo has dropped to just one. The elevation of Pham Thi Thanh Tra to Minister of Home Affairs marks her as a potential rising star. She will be 62 at the time of the fourteenth national party congress in 2026. If she does well, I expect her to serve a second term as Home Affairs Minister.

It has been always the aim of Vietnam to become a developing nation with modern industry, and Vietnam is set to aim this goal in the next five years. In order to do so:

First, Vietnam must mitigate the impact of the coronavirus by rapidly vaccinating Vietnam's population. At the same time, Vietnam will have to implement a stimulus package to get enterprises stricken by the coronavirus back into production.

Second, Vietnam must restore reliable supply chains and meet its obligations under numerous free trade agreements (FTA). Priority has to be given to the Comprehensive and Progressive Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership and the Europe-Vietnam FTA.

Third, Vietnam will have to negotiate with the United States to overcome irritants in their bilateral economic relations such as Vietnam's non-market economy status, the restoration of Vietnam's designation as a least developing country under the World Trade Organisation, and the withdrawal of possible sanctions as a currency manipulator.



Vietnam should aim to achieve high economic growth rates above six per cent per annum over the next five years. This will lay the foundation for Vietnam to shift towards a digital economy and e-commerce.

The middle-income trap refers to a stalling in growth after a successful kick-start to reforms and opening up. The middle-income trap means an economy suffers from an inability to lift growth rates, and experiences a decline in productivity. There is no easy solution to escaping the middle-income trap. Vietnam will need to carry out reform and transformation in many sectors simultaneously. This means reform of the financial system to lower transaction costs, increasing domestic savings and productive investment, and modernisation of the infrastructure. There must be reform of the education and training sector to produce a more productive and innovative work force.

Vietnam must also embrace innovation by harnessing new technologies (robotics, 3D printing, smart manufacturing) and shift the work force to high productivity manufacturing services. The state needs to back start-ups capable of generating breakthroughs in innovation.

All these policies need to raise annual GDP growth rate to 7% or higher over the next twenty-five years. As for the role of the private sectors, Vietnam continue to reform its financial system and institutional culture favouring state-owned enterprises into a more competitive playing environment to increase investment in the private sector, improving market institutions, and raising domestic competitiveness.

It was clear that the 13th national party congress gave greater priority to the private sector in its economic plan for the next five years. This Five-Year Plan called for the private sector to account for more than half of GDP by 2025.

On sustainability, the reports on Political & Economic on the 13th national party congress clearly depicts that sustainable development is now viewed as integral to economic development. It is expected that party leaders to pursue the objective of sustainable development with the same commitment as they showed to the anti-corruption campaign. In other words, strict environmental regulations will have to be vigorously enforced and violators punished according to the law. The government also will have to introduce rewards for companies and enterprises that pursue sustainable development.

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