

ASEAN TOP STORIES

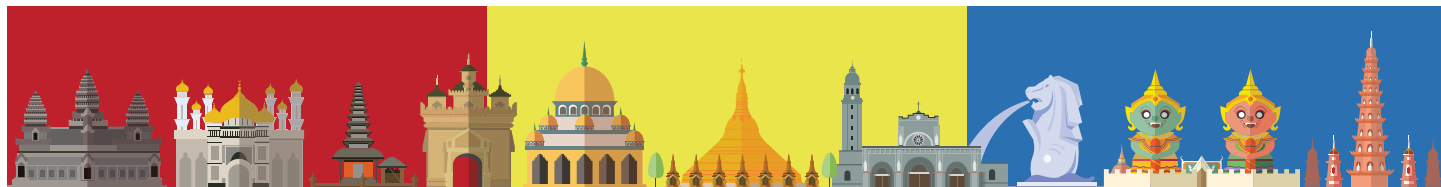
Cambodia's investment pull
Indonesia: the next Asian tiger?
Vietnam and TPP renegotiations

AROUND ASEAN

China's One Belt One Road
New Zealand salvaging the TPP
Outward-looking Australia

ASEAN IN NUMBERS

ASEAN and major trading blocs
OBOR map of Southeast Asia
TPP 11 without the US



ASEAN

ASEAN Trade

Beacon of Free Trade in an Era of Protectionism

The emerging anti-trade and anti-globalization sentiments around the world has not registered well with ASEAN. After all, the Southeast Asian bloc has increasingly been pushing for enhanced regional economic integration as well as free trade. ASEAN initiated the Regional Comprehensive Economic Partnership (RCEP) in 2012 – a proposed trade pact currently being negotiated by ASEAN +6 (Australia, China, India, Japan, New Zealand and South Korea). The ASEAN Economic Community (AEC) was established in December 2015 in order to lower tariffs and ease cross-border flows of capital and labor. Some ASEAN countries are also part of the Trans-Pacific Partnership (TPP). However, with the United States officially out of the Trans-Pacific Partnership, the remaining participants are scrambling to pick up what has been dropped and shattered. Currently, ASEAN and the wider region's hopes are pinned on RCEP, which accounts for a population of around 3.5 billion people and a GDP (PPP) of around \$50 trillion. Beyond the RCEP, ASEAN is also seeking other free trade agreements with partners such as the EU. In a recent event on the "Future of Asia" in Tokyo, ASEAN Secretary-General Le Luong Minh stressed that ASEAN will "continue to embrace globalization, free trade and open regionalism." With protectionism and anti-globalization mood prevalent across the world, it is apt for ASEAN to stress its commitment to continued economic integration and open trade – after all, for a region deeply embedded in global supply and value chains, a threat to globalization and free trade cannot be taken lightly.

Country	ASEAN FTA	OBOR	RCEP	TPP
Brunei	●	●	●	●
Cambodia	●	●	●	X
Indonesia	●	●	●	X
Laos PDR	●	●	●	X
Malaysia	●	●	●	●
Myanmar	●	●	●	X
Philippines	●	●	●	X
Singapore	●	●	●	●
Thailand	●	●	●	X
Vietnam	●	●	●	●
ASEAN + 6				
Australia	●	X	●	●
China	●	●	●	X
India	●	●	●	X
Japan	●	X	●	●
South Korea	●	X	●	X
New Zealand	●	X	●	●



CAMBODIA

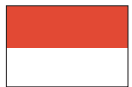
Trade Investment

An Attractive Investment Destination

Cambodia has recently seen a boost to its international image. The World Economic Forum was held in Phnom Penh, Cambodia last month where regional and global leaders came together to discuss and take stock of what has happened in ASEAN over the past fifty years as well as where the Community is headed. The event also provided for Cambodia to showcase itself as an attractive investment destination with a young and tech-savvy workforce. Cambodia's gross domestic product (GDP) is projected to strengthen in 2017-2018, as global trade recovers from a slouch in 2016. With an economic growth of around 7 percent, Cambodia is indeed an attractive destination for investment. Foreign



direct investment (FDI) from China has seen growth over the past five year, overtaking the FDI contributions from rest of the world combined. However, with recent local election on 4 June 2017 and general election in 2018, it remains to be seen how the uncertain political climate will weigh on investment activity in the country.



INDONESIA

Trade OBOR

The Next Asian Tiger?

China's One Belt, One Road (OBOR) has the potential to be perhaps the world's largest platform for regional collaboration. There are two parts to this initiative, the belt and the road. While the belt refers to physical road, the road actually denotes the maritime Silk Road, in other words, shipping lanes. Indonesia is not directly involved in the physical road infrastructure of the OBOR initiative, but the country is hoping to play a more active role in the maritime side of the initiative. Indonesia has already reaped more than \$5 billion in infrastructure investment from the OBOR initiative, but this is much smaller compared to its neighbor, Malaysia, which has received more than \$30 billion. As ASEAN's largest economy, Indonesia is well placed as far as intra-ASEAN and ASEAN+6 trade is concerned. Acting as a gateway to ASEAN and synergizing the fusion of East-West philosophies on trade and business activities, Indonesia's proactive involvement in OBOR will perhaps serve the country's economic ambition right. After



all, it was not that long ago when Indonesia's economic prospects were championed around the world, as evidenced by the inclusion of the country in the MINT group (Mexico, Indonesia, Nigeria and Turkey). Large populations, strong growth rates, rapidly emerging middle classes and entrepreneurial cultures, MINT was marketed as the world's next big economies. That was 2014 and the term MINT has since worn off, but Indonesia's economic dynamism and prospects still remain intact. With buoyant private consumption, relatively young population, and real GDP average of close to five percent in the next five years, Indonesia has every chance of becoming the next Asian Tiger.



VIETNAM Towards “TPP 11”

Trade TPP

With the United States officially out of the Trans-Pacific Partnership, Vietnam has been seeking ways to resurrect the trade deal. Until recently, Vietnam had not offered any firm position with regards to the future of the TPP, adopting an attitude that the trade agreement is both alive and dead. However, the Vietnamese Prime Minister Nguyen Xuan Phuc has just confirmed, in a Nikkei interview at the sidelines of the annual “Future of Asia” conference on 5 June in Tokyo, his country’s plans for renegotiating section of the Trans-Pacific Partnership, stressing the need to ‘balance and harmonize the interest of the signatories’. Vietnam now join the remaining members such as Japan and New Zealand in pursuing the so-called “TPP 11”. This is good news for the future of free trade, but how it will benefit Vietnam is another question. After all, Vietnam was expecting a boost for textile and other exports to the US, and “TPP 11” is undoubtedly a much smaller trade pact than originally intended.

TPP countries’ share of global trade and GDP (in percent) with/without the US



AROUND ASEAN



AUSTRALIA Regional Presence

Trade TPP

The Australian Minister for Trade, Mr Steven Ciobo, has had a prolific month. He has recently spoken at China’s Belt and Road Forum; attended the APEC Trade Ministers Meeting; and held FTA discussions with Hong Kong, Indonesia and Peru. Australia is hoping to boost its services, meat and dairy industries as well as increase its impact on global supply chains in and around the Asia-Pacific region. Other sectors including logistics are hoping for growth through bilateral and multilateral trade agreements that are currently pending. The logistics sector is also patiently waiting to increase warehousing options abroad, institute sustainable logistics programs, and answer to the evolution of the digital supply chains. Australian companies are increasingly looking at ASEAN as a major trade and business partner in the region. Australian policymakers support the TPP-11, and the country’s trade presence in the region is bound to increase should it successfully negotiate the current bilateral and multilateral trade deals it is involved in.





CHINA What of Sino-US Relations?

Trade TPP

In early April, President Xi Jinping and President Trump met together in person for the first time during Trump's presidency. The two leaders along with senior advisors discussed China-US relations pertaining to bilateral trade and economic collaboration, North Korea, and maritime issues in the East and South China Seas. These meetings provided an opportunity for both leaders to present their concerns and establish a solid working relationship.



Having that meeting take place within the first 100 days of Trump's Presidency was a key foundation to Mr Trump's future policies towards China. Confrontational instincts have diminished after that meeting, which works well for the Sino-US relations. However, the trade deficit of over \$300 billion is still a major concern to the United States. It is yet to be seen how these two governments will tackle the issues at hand including job losses in the US 'because' of this deficit, trade barriers, and the currency rate of the Chinese Renminbi or Yuan. President Xi spoke at the World Economic Forum in Davos early this year, stating that "...no one will emerge as a winner in a trade war...". The Treasury Department, on the other hand, has not labeled China a "currency manipulator" ever since that meeting in April. These are certainly good signs, but frictions still remain among the two powerful countries in the world, not least over the approach to deal with the North Korean regime. Following on a brief neglect at the beginning of the Trump Presidency, the United States broad strategy towards Asia seems to be finally taking form - the hope is that both the US and China can enhance their relations while addressing pressing issues in the Asia Pacific region.



NEW ZEALAND Salvaging the TPP

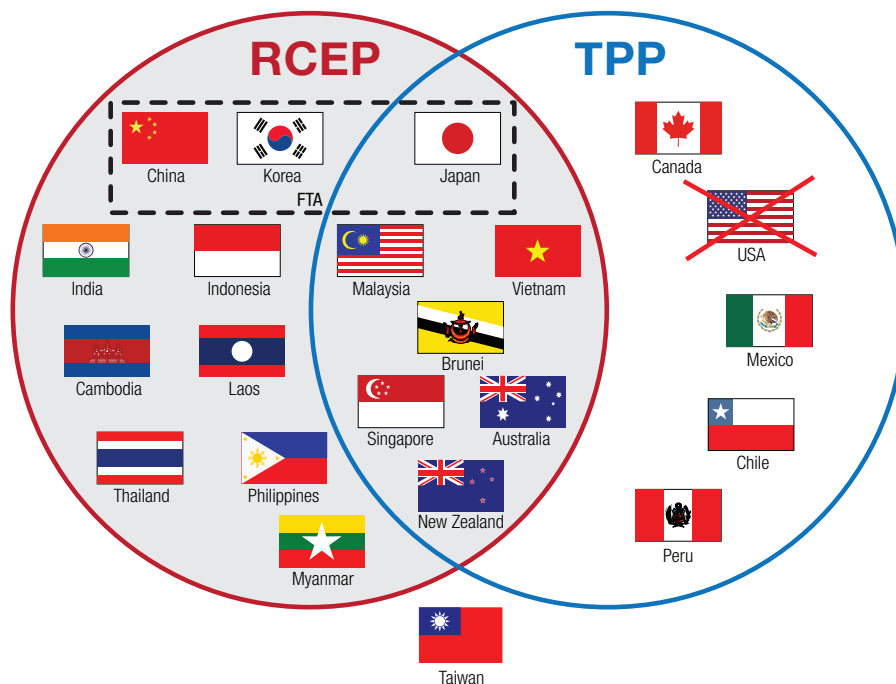
Trade TPP

New Zealand, with the help of Australia and Japan, is spearheading efforts to revive the Trans-Pacific Partnership. By focusing on 'concerns regarding protectionism, keeping and maintaining open markets, strengthening the rule-based international trading system, increasing world trade, and raising living standards', TPP ministers are collaborating together in hope of reviving and realizing the trade agreement. Their deadline is the November 2017 APEC Leaders Meeting, where US President Donald Trump will be in attendance. New Zealand will hope that the White House reconsiders the deal. But should the US not come on board, New Zealand has made it clear that in the upcoming months, they look forward to working closely with remaining TPP member countries while exercising options to invite other qualified countries to the discussion table. A country that is on the radar for the TPP and primed for inclusion is Indonesia. It has yet to be seen if the TPP-11 can work and bring about the promises; however, it is forecasted that more bilateral trade agreements between negotiating countries are definitely plausible should the TPP fail.



ASEAN is crucial to OBOR and TPP - even more so to RCEP

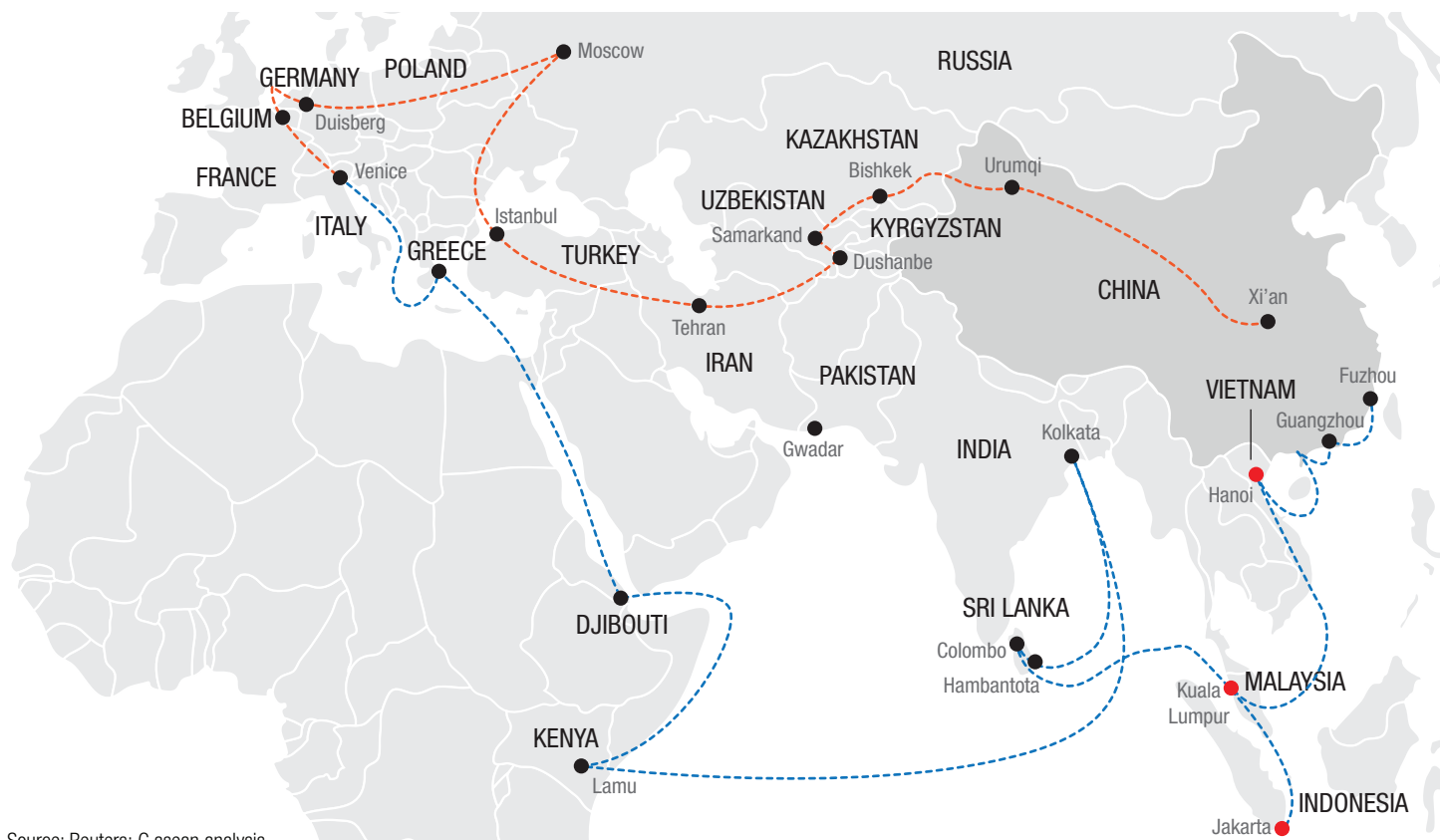
The overlapping of OBOR and TPP can be found in ASEAN. Although only a few ASEAN countries are involved, ASEAN is crucial to both these initiatives. More importantly, ASEAN is integral to the Comprehensive Economic Partnership (RCEP), which the Southeast Asian bloc initially proposed in 2012. Consisting of all ASEAN countries +6 (Australia, China, India, Japan, New Zealand and South Korea), RCEP covers a population of around 3.5 billion people and a GDP (PPP) of around \$50 trillion.



OBOR

----- Maritime Silk Road initiative

----- Silk Road Economic Belt



Source: Reuters; C asean analysis.

ASEAN Monitor is a monthly report providing analysis of the top stories from and around ASEAN that impacts the region the most.



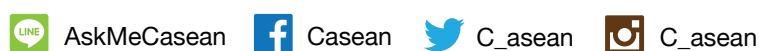
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