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ADVISORY INSTITUTE FOR TRADE AND INVESTMENT BY TCC (AITI)

Regional free trade deals 'key to Cambodian and ASEAN success'



Cambodia News | 01 February, 2021

Foreign investors and independent credit evaluators are echoing confidence in Cambodia in light of the series of free trade agreements (FTAs) both completed and being pursued by the Kingdom's government. According to the ASEAN Briefing (AB), such FTAs could see the region become the world's fourth-largest economy by 2030, comprising a consumer market estimated topping \$4 trillion. AB said that this economic achievement will be driven by four major forces. "Strong demographic trends, such as 65 percent of ASEAN's population of 600 million moving into 'middle-class' status, the increase of foreign investment in the region, rising income levels and digital advances." However, the ASEAN website added that it is imperative for foreign investors to understand the regional FTAs in order to capitalise on the bloc's long-term potential. "International businesses can benefit from ASEAN's FTA network in the form of reduced importer costs, improved custom clearances and increased access to products eligible for preferential treatment. Moreover, there are numerous tax and fiscal benefits such as tax holidays and deductions," added AB. The ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) – agreed to in January 2010 and since updated – ensures tariff-free movement of 90 percent of goods traded between the signatories. It will encompass a trading population of

approximately 653 million. The ASEAN-India Trade in Goods Agreement was signed and entered into force in 2010 and marked the creation of one of the world's largest free trade area zones, creating opportunities for more than 1.9 billion people in an area with a combined gross domestic product of \$4.8 trillion. That agreement set tariff liberalisation for popular traded products such as palm oil, pepper, black tea and coffee and has seen exports to India from the ASEAN reaching some \$55 billion. Talks are ongoing to review the scope of the FTA to address existing issues within it regarding tariffs. "India is treated differently than other ASEAN trade partners because it does not have an economic agreement with the bloc. For instance, Japanese car imports face a 5 percent duty in Indonesia and Thailand while a 35 percent tariff is imposed on Indian automobiles. There are opportunities in areas such as generic drug production and medical devices. India is the world's largest provider of generic medicines and supplies some 62 percent of global vaccines," AB said. The ASEAN-Republic of Korea Free Trade Area came into force in 2007. Two-way trade reached \$160 billion in 2019. Both signatories pledged to increase this to \$200 billion during a summit in Busan to mark 30 years of ties. Greater economic ties with South Korea would help ASEAN diversify its economic interests, most particularly, away from an overwhelming reliance upon China as a market. The ASEAN-Japan Comprehensive Economic Partnership came into force in December 2008. It was reviewed by both sides in 2020. The

agreement saw two-way trade reach more than \$214 billion in 2019. The review included dispute settlement mechanisms and rules on the movements of foreign business travellers. These rules are of particular importance to Myanmar, Laos and Cambodia, which are not currently in bilateral trade deals with Japan. Recently trumped by the signing of the Regional Comprehensive Economic Partnership (RCEP), the ASEAN-China Free Trade Area dates from 2004. That FTA agreed to zero tariffs on more than 7,000 product categories from Indonesia, Malaysia, Singapore, Brunei, the Philippines, Singapore and Thailand in 2010, with the remaining states – Myanmar, Laos, Vietnam, and Cambodia – joining that group in 2015. In 2020, the ASEAN overtook the EU in becoming China's largest trading partner, accounting for some 15 percent of China's total trading volume at \$140 billion. "Electronics were the biggest contributor to this trade, with China importing \$14.9 billion of integrated circuits, such as microprocessor chips, analogue-to-digital converters and chip capacitors from ASEAN countries. [However], ASEAN's overtaking of the EU was largely the result of the EU having gone under extensive lockdown," AB said, adding that may have been a contributing factor to the completion of the RCEP negotiations and its signing. RCEP, the largest FTA in history, encompasses roughly 30 percent of the world's population and 30 percent of global gross domestic product (GDP). "Some 65 percent of the service sector will be open to foreign investors, raising the ceiling for foreign ownership in various

industries such as financial services, telecommunications, and professional services. The RCEP will also motivate investment through the China+1 strategy to lower-cost members of the FTA for countries including Cambodia, Myanmar, Indonesia and Vietnam for more labour-intensive processes, such as in garment manufacturing." The RCEP agreement will see tariffs removed on 92 percent of goods over the next 20 years, in a move that will require businesses to need only one certificate of origin for trading in the region. It is estimated to add some \$186 billion to the global economy as well as 0.2 percent to the GDP of its members. However, Minister of Commerce Penn Sovanneth said he understands that both multilateral and bilateral agreements will be important to the Kingdom in the future. "The trend currently is starting to shift to the importance of bilateral relationships to tap the most benefits from targeted partners. It is about time that we consider catching opportunities to seize low-hanging fruit and reasonable offers from targeted markets like China and others. In the Cambodia Trade Integrated Strategy 2019-2023, FTAs are prioritised targets. We feel that it is necessary to exchange the lowering and eliminating of tariff and non-tariff measures for gaining additional market access for our goods and services as well as the attraction of more investment to increase employment opportunity and new technologies." He said in a world hit hard by the pandemic, recovery to normality will be achieved through multilateral trading systems or bilateral relationships such as

FTAs. “As they come into effect it will help us open market access, increase trade volumes, services and the inflow of foreign investment.”

Source: <https://www.khmertimeskh.com/50809206/regional-free-trade-deals-key-to-cambodian-and-asean-success/>

Consumer credit performance improving



Cambodia News | 01 February, 2021

Consumer credit performance is showing consistent improvement as both loan balances and the number of loan accounts issued are undergoing sustained positive growth, according to a report from the Credit Bureau Cambodia (CBC). The CBC, which began operations in 2012, is the leading provider of credit information, analytical solutions and credit reporting services to banks, microfinance institutions, lending companies, credit operators and consumers in Cambodia. According to its report, the number of consumer credit applications increased in all product groups (personal loans, credit cards and mortgages) in all regions during the fourth quarter of 2020 (Q42020). The number of late repayments net 30 days past due dates (30+ DPD) also reduced across the nation. The highest decline in 30+DPD was in the plateau region. The report noted that consumer credit applications increased overall by 17 percent. The most significant increase was in mortgage applications, which surged 33 percent from the previous quarter (Q32020). Personal finance applications showed a 16 percent increase

with credit card applications rising 2 percent. “The consumer credit market sustained positive improvement during the last two quarters of 2020”, said Oeur Sothearoath, chief executive officer of CBC. He added that 30+DPD also significantly improved with a 1.91 percent drop measured across all regions in the Kingdom. As of December 2020, the number of consumer loan accounts marginally increased by 0.63 percent from Q32020, with the total number of loan accounts in the country increasing to 1.28 million. Personal finance loans accounted for 81.18 percent of that number, with mortgages representing 10.76 percent of the volume and credit cards comprising the remainder at 8.06 percent. Consumer loan balances increased by 7.17 percent as of the end of Q42020 to a total \$9.76 billion in outstanding consumer loan balances. Mortgage loans captured more than half of the value of total consumer outstanding loan balances (52 percent) with personal finance loans accounting for 47.4 percent and credit card debt for 0.61 percent. The number of customers holding credit accounts with a single financial institution is currently 73.62 percent. Customers holding credit accounts at multiple financial institutions amount to 26.38 percent, according to the report. Customers holding a single loan account stood at 60.7 percent. Those holding two made up 27.46 percent. Those with three comprised 8.78 percent and customers holding three or more made up 3.05 percent of all the credit customer base.

Source:<https://www.khmertimeskh.com/50809008/consumer-credit-performance-improving/>

Longest Chom Ong cave opened as new visitor attraction



Laos News | 02 February, 2021

Oudomxay province has officially opened Chom Ong cave, said to be one of the longest in Southeast Asia as a drawcard for visitors, hoping to make the province a more viable tourist destination. A ceremony to mark the opening took place on Friday. The Minister of Information, Culture and Tourism, Prof. Dr Kikeo Khaykhamphithoune and Deputy Minister of Information, Culture and Tourism, Mr Ounthuang Khaophanh attended the event. The 16 km-long cave is said to be one of the longest in Southeast Asia. It is located near a Khmu village called Chom Ong, which is 48 km from the centre of Xay district in the northern province. Speaking at the opening event, Mr Ounthuang said Oudomxay has abundant resources with much to interest tourists because of its cultural and natural attractions and colourful ethnic groups. The government has recognised the province's potential as a tourist destination and considers the development of these resources as a priority in bolstering the economy. "I believe the development and creation of facilities for visitors will be a driving force for tourism in Laos," he added. Provincial authorities have provided numerous amenities to enable access to the cave

and make it convenient for visitors. A 40km road leading from the provincial capital to the cave has been built, along with a parking area, shops, an exhibition room, public toilets, and power lines to carry electricity to light the cave's interior. Construction of the road was funded by the Asian Development Bank at a cost of more than 108 billion kip (US\$13 million), according to the provincial Information, Culture and Tourism Department. The province is set to make the most of Chom Ong cave as a tourist attraction. While visiting the area, tourists can go trekking, swim in a nearby river, and take part in the traditional dances and lifestyle of the Khmu ethnic group, according to an official. Oudomxay province is also home to other places of interest. Both locals and tourists love to cool down at the Nam Kat waterfall, while the Singkham Buddha temple is one of the most striking in the province and a lovely venue to offer up a prayer. Elsewhere, the beautiful Tad Talae waterfall is especially impressive after heavy rains. Oudomxay is located 583km from Vientiane and is accessible via all-weather roads, as well as by air.

Source:https://www.vientianetimes.org.la/freeContent/FreeContent_Longest_22.php

Yangon construction sites cease operations



Myanmar News | 01 February, 2021

Yangon's construction industry has come to a standstill following connectivity and transportation issues. U Myo Myint, the general secretary of the Myanmar Construction Entrepreneur Association, said construction sites in Yangon Region have temporarily suspended their operations and are awaiting further developments before deciding on their next plan of action. "Currently, there is no (phone or internet) connection and the people cannot withdraw money at the banks. The workers also cannot get to their workplace as there are no bus lines. The situation concerns the whole nation and we will have to wait and see how it develops before deciding what to do tomorrow. We have suspended work at the construction sites today," he said. Construction work is crucial for many of the industry's workers who are paid daily wages. These workers will usually make daily cash withdrawals at the banks after completing their shifts. The relevant players in the construction industry currently do not have any plans to conduct meetings or negotiations to address the situation. -Translated

Source: <https://www.mmtimes.com/news/yangon-construction-sites-cease-operations.html>

UMFCCI Vice Chair says impacts on economy uncertain



Myanmar News | 02 February, 2021

It is uncertain how the current state of emergency will impact the economy and investors will have to wait and see how the situation unfolds in the coming days, said U Maung Maung Lay, vice chair of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). "We cannot predict anything with certainty at this point. However, economic sanctions may occur if the current situation goes on. Currently, our country's reputation has been tarnished and protests are occurring abroad. We have to wait and see what will happen," he said. U Maung Maung Lay added that foreign investments will come only when the country's political situation is stable. "Investors will come only when they are assured of making returns. If the political situation is unstable, it will be difficult to invest," he said. He warned that Myanmar must quickly act to ensure that existing commitments are not revoked. "Based on the current political situation, we cannot think about drawing new investments. In fact, existing investors may decide to pull out of Myanmar," he said. Concern among foreign investors is already rising. "The state of emergency will have a significant political impact. First and foremost, this is a substantial backtracking of the progress with regard to the democratic process in recent years and will weigh heavily on policymaking, social stability as well as international perceptions of

the country,” according to Fitch Solutions in a February 1 report. “From a domestic policy perspective, the situation is highly fluid, but we would expect a greater clampdown by the military to result in increased political unrest and uncertainty. From an international perspective, the state of emergency could result in a backlash from the international community which could result in sanctions on the country,” it said. The US has already issued warnings of potential sanctions. In a statement by White House Spokesperson Jen Psaki said “the US opposes any attempt to alter the outcome of the recent elections or impede Myanmar's democratic transition and will take action against those responsible if these steps are not reversed.” The US affirmed its support of Myanmar's democratic institutions, and urged the military to adhere to democratic norms and the rule of law and to release those detained, which include Daw Aung San Suu Kyi. That said, with Asia accounting for more than 60 percent of Myanmar's total exports, and with China and Thailand together already accounting for about half of total exports, demand from the region could still help to blunt the negative impact of unilateral sanctions by Western countries, Fitch Solutions said. The research firm has revised its GDP growth forecasts to 2pc for fiscal 2020-21 and fiscal 2021-22 from 5.6pc and 6pc previously. “Myanmar's growth outlook depends heavily on a pipeline of key infrastructure projects and foreign direct investment (FDI), which could be delayed or cancelled altogether if sanctions are implemented

and if foreign entities decide to pull the plug amid elevated political risks,” it said.

Source: <https://www.mmtimes.com/news/umfcci-vice-chair-says-impacts-economy-uncertain.html>

Retail sales, consumer service revenue up ahead of Tet



Vietnam News | 01 February, 2021

Hanoi (VNA) - Total retail sales of goods and revenue from consumer services in January are estimated at 479.9 trillion VND (nearly 20.77 billion USD), up 3.7 percent month-on-month and 6.4 percent year-on-year, according to the General Statistics Office (GSO). Goods retail sales totalled 378.9 trillion VND, accounting for 79 percent of the total and up 4.1 percent month-on-month and 8.7 percent year-on-year. Revenue from accommodation and food service stood at around 48.7 trillion VND, representing 10.1 percent of the total. It increased 2.7 percent against December but was down 4.1 percent against January 2020. Tourism revenue was around 1.6 trillion VND, or 0.3 percent of the total, up 0.7 percent compared to December but down 62.2 percent year-on-year. Earnings from other services were estimated at 50.7 trillion VND, accounting for 10.6 percent of the total and up 1.1 percent month-on-month and 7.3 percent year-on-year. The GSO said retail sales and consumer services have become more vibrant as the Lunar New Year (Tet) holiday nears. Most enterprises, shopping centres, supermarkets, and business establishments have readied an abundant supply of goods and offered

various promotional programmes to stimulate consumption ahead of the lunar new year, the office noted./.

Source: <https://en.vietnamplus.vn/retail-sales-consumer-service-revenue-up-ahead-of-tet/195737.vnp>

Footwear sector further penetrates global supply chain



Vietnam News | 01 February, 2021

HÀ NỘI — Việt Nam's footwear sector is now beginning to see positive signs after export revenue for footwear and handbags fell 11 per cent year-on-year to US\$19.5 billion in 2020, making it one of the sectors hardest hit by COVID-19. Vietnamese companies have proved their capacity in research and development (R&D) and design, according to Chairman of the Vietnam Leather, Footwear and Handbag Association (LEFASO) Nguyễn Đức Thuận. Signs show that Việt Nam is further penetrating into the leather-footwear supply chain, he said, as the design and R&D processes rake in high added value for products. The domestic supply of materials for the sector now represents 60 per cent. Local businesses can take the initiative in producing soles and moulds, as well as packaging and labelling. This is attributable to their activeness in manufacturing materials locally, Thuận added. In particular, the Gia Định Footwear JSC has set up industrial clusters to attract investment in material production and workshops serving the industry. Its CEO Nguyễn Chí Trung said orders for the footwear sector have been on an upward trend since the end

of 2020. As order numbers have recovered and are even on the rise, all workers have been able to return to production. Shortages are likely, though, as there will be high demand for workers in April and May, Trung said. Other firms in the sector are also hoping that 2021 will see a surge in both orders and revenue thanks to advantages held post-pandemic. Of particular note, the EU-Vietnam Free Trade Agreement offers a major opportunity for the country to bolster exports to the EU. Footwear companies have been advised to pay due regard to sustainable development, most notably in environmental and labour issues, to devise suitable strategies. Thuận noted that the sector had set a target of earning more than \$20 billion in exports this year, to offset losses posted in 2020. — VNA/VNS

Source: <https://vietnamnews.vn/economy/866852/footwear-sector-further-penetrates-global-supply-chain.html>