

Highlight News / March 25/2021



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De-dollarisation finds willing and eager base in rural communities



Cambodia News | 24 March, 2021

The government has identified policies to promote local currency usage as a key priority in its financial sector development strategy. The stability of the riel is perceived as a key ingredient by the government in establishing people's confidence in using the currency as a matter of course over the US dollar. The National Bank of Cambodia (NBC) has decided to adopt the managed floating exchange rate regime and intervene in the foreign exchange market to maintain exchange rate stability when the situation warrants. Over the last two decades, the NBC has contributed to maintaining the exchange rate around 4,050 riels a dollar. This has been achieved while maintaining the inflation rate at below 4 percent. The growth in demand for the riel has been primarily supported by the increase in public confidence that followed full national peace in late 1998 and the nation's subsequent macroeconomic and financial stability. The majority of the Kingdom's rural population prefer using riels over foreign currency for their daily living and trading, according to regional authorities. Him Sothea, the deputy president of the Kampong Chhnang's Krang Lvea Agriculture Cooperative (AC), said transactions in agricultural commodities, especially paddy, in her community are conducted in riels (KHR). Sothea added that the 356 members of her AC only accept riels for their paddy sales to the co-operative. "We

always use the KHR here. We withdraw money from the bank in KHR because the company we contract with pays us in KHR," she said. She noted that in her community, dollars are available for those who work at the local garment factory. According to Sothea, riels are easier to spend because the value of the US dollar fluctuates, which is a main issue. People are also very cautious about the potential for accepting fake money as payments. "We use KHR in our community. We do not care about the USD. Before, we saw many small US banknotes, such as \$1 and \$5 bills, but they seem to have disappeared now," Sothea added. Path Savoeun, president of Takeo's O'Saray agricultural cooperative, said that transactions for paddy in his AC, as well as in the community, are always conducted in KHR. He added that, in his community, the use of KHR dominates compared with the dollar. His AC has 63 members and notes that when they have dollars and change it to KHR, they lose money in the exchange rate and that when they pay their bank or other loans in dollars they also lose because they have to absorb the exchange rate expense. This has led to daily spending in riels for paddy because it is much easier. Kann Kunthy, vice-president of Amru Rice and managing director of the Cambodian Agriculture Cooperative Cooperation (CACC), which works with more than 100 agriculture cooperatives across the country, said that every purchase of paddy made by the CACC is conducted in riels. "We have observed there are now more KHR transactions in the market, but the challenge for us is that when we import

products, we pay for them in dollars. Additionally, our exports are paid for in dollars, so we do not have an incentive to use KHR,” he added. Kunthy added that when trading with overseas partners, sometimes they gain because the exchange rate works in their favour and sometimes not. “It is not about only the conversion of US dollars to riels. We also trade with European partners who pay us in euros. Therefore, we have to have a few bank accounts – a KHR account and accounts in dollars and euros and even Thai Baht,” Kunthy added. He continued: “We cannot control the fluctuation of exchange rates. They [the NBC] should have currency hedging to reduce the increase or decrease the value of an investment due to changes in exchange rates. Not having that is a challenge for us as well as needing two or three accounts.” Kunthy noted that he has observed exchange rates as not having changed much – but, from November to December, the AC spent paid around \$8 million (about 32 billion riels) to farmers, which does end up creating a sizeable exchange rate expense. “In trading with Vietnamese buyers, both parties sign contracts in KHR, but the buyers must convert Vietnamese dong to US dollars with which to pay us. We then have to convert that to KHR to pay our farmers, which loses us a lot through the exchange rate,” he added. “Some people in Prey Veng sell paddy to Vietnam for which they receive Vietnamese dong. People in Battambang sell the paddy for Thai Baht and pay in that currency for fertiliser.” The policies promoting the use of riels of the NBC and relevant ministries and institutions have

resulted in demand for the notes increasing over the last 20 years by an average of 16 percent per annum. In May last year, the NBC asked commercial banks and microfinance institutions to send it the smallest US dollar banknotes (\$1, \$2, \$5) because it considers them difficult to manage and “there is little demand for them”. PRASAC Microfinance Deposit-taking Institution Executive Vice-President and Chief Marketing Officer Say Sony said there is less collection of small dollar denominations now and that it sees more riel notes on the market. “People don’t care as much about exchange now because prices are listed in KHR,” Sony added. He said PRASAC’s borrowers and depositors have welcomed one-currency transactions. Riel loans are up to 12 percent of its total loan portfolio of \$3.22 billion as at Feb 23. Sony added that PRASAC has rolled out many programmes maximising riel usage, including riel loans to clients, the joint Bakong system, Retail Pay, Cambodia Shared Switch (CSS) and other NBC initiatives that promote riel payments. “For our programmes, we promote deposits in KHR with high interest rates and encourage clients to take KHR loans if their business transactions are in KHR. We currently replace \$10 notes with KHR 50,000 notes at our ATMs,” he added.

Source : <https://www.khmertimeskh.com/50829303/dollarisation-finds-willing-and-eager-base-in-rural-communities/>

2021 tourism licence renewal fees and penalties waived



Cambodia News | 24 March, 2021

The Ministry of Tourism has decided to waive fines for the late renewal of expired tourism licences effective from March 16 until the end of 2021. Additionally, the renewal fees themselves for 2021 tourism-related business licences have been set at no charge. This decision has been taken because of the current situation of the COVID-19 pandemic and to ease the burden of doing business now in the tourism sector. Ministry of Tourism spokesman Top Sopheak said: "Tourism-related businesses or travel agents who have not yet renewed their business licence are still required to renew with the ministry or other administrations according to the size of their business." He added: "This mechanism is to facilitate tourism-related businesses." Previously, those who were late in renewing their tourism licence were fined but, given this difficult situation, we are waiving the penalty, he said. "All the costs of tourism-related business licences will be shouldered by the government for the entire year of 2021," he added. Sar Sarin, chief executive officer of Channel Group, welcomed the move. He said it is good for travel agencies, hotels and restaurants. He also noted that operators are facing income issues while expenses remain ongoing as they try to maintain their pool of skilled labour. "We reduced our staff by 60 percent and we are employing skilled workers," he added. "The contribution from the ministry will relieve the

company's burden and expenses regarding the cost of regulations and licences." The fee for the renewal of a tourism licence is around \$300 and the penalty for late renewal of expired tourism licences is \$250, said Sarin. During COVID-19-ravaged 2020, Cambodia received only 1.31 million foreign tourists, a fall of 80 percent compared with 2019. Even though Cambodia continues to face this crisis, the trend in domestic tourism remains positive, with about 9 million local tourists travelling across the country, a decline of only 20 percent compared with 2019.

Source : <https://www.khmertimeskh.com/50829230/2021-tourism-licence-renewal-fees-and-penalties-waived/>

Govt seeks to sustain economy to prevent crisis



Laos News | 25 March, 2021

The government has vowed to support the economy by lowering the fiscal deficit to prevent the nation from being dragged into an economic crisis. Minister of Finance Mr Bounchom Ubonpaseuth clarified the issue for National Assembly members on Tuesday, saying that the State budget plan for the next five years was designed to sustain and address the chronic financial problems of the past few years. "We will try to balance revenue and expenditure, meaning that we will use the budget based on the income earned or spend a little bit more than the amount we earn," he said. "Our budget plans for 2021 and 2022 aim to sustain the country's economy and deal with

economic difficulties. However, in 2023, 2024 and 2025, we will create a more balanced budget, meaning that domestic revenue must be sufficient for domestic spending.” According to a government report, the fiscal deficit for 2021-25 has been set at 2 percent of Gross Domestic Product (GDP) in a bid to halt rising debt. Mr Bounchom said spending on administrative matters was projected to increase significantly over the next five years due to rising interest rates in the payment of loans and debts, saying that the amount of money needed to repay loans is expected to increase to between 4,000 and 4,500 billion kip annually. The government has announced that it will reduce spending on salaries and allowances for state officials from 52 to 40 percent by 2025. “We will recruit fewer officials which will mean we will have to spend less on salaries,” Mr Bounchom said. “The government will further implement its austerity policy by reducing spending on non-essential projects. This will mean spending less on electricity, water supply, equipment for use in public offices, and vehicles for officials and meetings. The government has spent a large amount of money on buying cars for officials which is something that needs to be addressed.” In addition, the government will encourage some budget units to become financially self-sufficient in order to ease the financial burden on the government. This is aimed at reducing spending on administrative matters from 14 to 11 percent in the coming years. National Assembly members asked the government to raise the five-year revenue collection target from 16

percent of GDP to 18 percent. Mr Bounchom said the government would review this based on the sources of income available. The Ministry of Finance is committed to reviewing fiscal policies, particularly those relating to tax collection. However, those policies need to encourage Lao people to engage in business and produce goods for commercial purposes. This is aimed at increasing income streams so that Laos can generate more income to repay debts. Mr Bounchom acknowledged that financial leaks in revenue collection continued to occur and said it was essential to revise legislation to plug loopholes in the finance sector. The Ministry of Finance has declared that it will carry out structural reforms and use electronic systems to collect taxes and deter officials from engaging in dishonest practices.

Source : https://www.vientianetimes.org.la/freeContent/FreeContenten_Govt59.php

Myanmar Energy and Electricity Staff

Pressured to End Strike



Myanmar News | 24 March, 2021

Naypyitaw — Striking Ministry of Electricity and Energy staff in Naypyitaw say they are being pressured to return to work. Around 150 striking Electric Power Generation Enterprise (EPGE) staff said they had received phone calls threatening suspension and prosecution if they fail to return to work. They said they were also told to leave their government accommodation. However, staff remain in their quarters because the ministry has issued no official

notice on their case. “If they dismiss us and ask us to leave the staff quarters with an official letter, we will leave. But that still would not comply with rules for civil servants,” said a ministry employee. Most of those on strike are junior staff and the phone threats were made by managers who chose to work for the military regime, said a striking EPGE employee. “Some ministries have issued official notices but we have received no notifications, only threats from senior officials,” said the employee. Most of the ministry’s projects have stalled because of the civil disobedience movement against the regime which started in early February. The Ministry of Transport and Communications, Myanmar Railways and other government departments have dismissed hundreds of striking staff and are evicting them from their accommodation. Government employees went on strike against the military in 1988, after which many were dismissed, demoted or transferred to remote areas.

Source : <https://www.irrawaddy.com/news/burma/myanmar-energy-electricity-staff-pressured-end-strike.html>

Aviation industry to suffer \$649 mln loss



Vietnam News | 24 March, 2021

Vietnamese carriers could suffer a loss of more than VND15 trillion (\$649 million) this year with the suspension of commercial international flights still in effect. The Vietnam Aviation Business Association says in a report sent to the Ministry of Planning and Investment that domestic airlines had already posted

a loss of over VND18 trillion last year, with revenues plunging by VND100 trillion year-on-year. In the first two months of this year, domestic carriers transported just 66,600 international passengers, down 98.8 percent year-on-year. The association has repeated its request for credit assistance from the government. Budget airline Vietjet Air has asked for a credit package of VND4-5 trillion for the 2021-2023 period, with an interest rate of 4 percent. The association has also proposed reducing the environmental tax on fuel to VND900 – 1,000 per liter and extending deadlines for paying taxes, including corporate income tax, value-added tax, and personal income tax. Bamboo Airways has called for a refinanced, zero interest long-term loan of VND5 trillion from commercial banks. Earlier, the government approved a bailout package for national flag carrier Vietnam Airlines, with the State Bank of Vietnam (SBV) allowed to provide a refinanced loan of up to VND4 trillion at zero interest. Aviation was among the worst hit sectors in 2020. The number of air passengers declined by 43 percent to 66 million, while cargo transport was down 15 percent to 1.3 million tons. Insiders have said that it will take at least until 2023 for the aviation industry to recover to pre-pandemic levels.

Source : <https://e.vnexpress.net/news/business/industries/aviation-industry-to-suffer-649-mln-loss-4252693.html>

Vietnam runs high trade deficit with China as Chinese goods flood into Vietnam



Vietnam News | 24 March, 2021

HCMC – In the first two months of this year, Vietnam reported a trade deficit of US\$7.44 billion with China as the value of Chinese products shipped to Vietnam surged 65.9% year-on-year. According to the General Department of Customs, Vietnam spent US\$15.42 billion on Chinese imports, over US\$6 billion higher than the figure in the same period last year. The growth of the import turnover from China during the period was the highest among Vietnam's trade partners. The strong growth has raised the proportion of the value of Chinese products in Vietnam's total import turnover from 24.9% in January-February last year to 32.7% in the same period this year, or nearly a third of the country's total import turnover. The increased import turnover from the Chinese market was higher than the total import turnover from the ASEAN market of US\$5.92 billion and that of the United States at US\$2.26 billion. According to the customs, Vietnam mainly imported technological and telecom products. Specifically, the value of computers, electronic products and accessories imported from China soared 78.3% to US\$2.88 billion. Additionally, machinery, equipment, tools and machine parts rose 70.7% to US\$3.37 billion and phones and phone parts rocketed 82.7% to US\$1.62 billion. In the two months, China was the

largest supplier of materials for Vietnam's textile and garment sector, making up 51% and increasing a staggering 43.5% year-on-year. On the other hand, Vietnam exported products worth some US\$8 billion to the neighboring country in January-February, up 46.8% over the same period last year and accounting for 16.4% of its total export revenue. The customs agency also revealed that in the first two months, Vietnam's export revenue hit US\$48.74 billion and its import turnover was US\$47.11 billion, up 23.7% and 25.5%, respectively. As a result, Vietnam had a trade surplus of US\$1.46 billion during the period.

Source : <https://english.thesaigontimes.vn/811103/vietnam-runs-high-trade-deficit-with-china-as-chinese-goods-flood-into-vietnam.html>
