

Dej-Udom & Associates

Business and Legal Update

May 2016

ASEAN Economic Community News

New UN Report

In its latest Economic and Social Survey for the Asia Pacific, the United Nations (UN) is optimistic about the ASEAN Economic Community (AEC), but warns that the AEC is facing significant challenges at present. The report says that two of the region's main challenges are the slowdown of exports and the region's dependence on the Chinese economy. China is the largest export market for Singapore and Thailand, and the export of goods to China from Laos and Vietnam make up 20% of their national output. Other challenges include the differences in the development gaps, income inequality and unemployment, and rising household and corporate private debt.

Non-Tariff Trade Barriers

A new arrangement proposed by the Automotive Product Working Group under the ASEAN Consultative Committee for Standards and Quality will help eliminate non-tariff trade barriers for auto parts and lower the costs of exporting auto parts in the ASEAN region. Under the arrangement, after a regulated automotive product is tested by a listed testing lab or inspection body in an ASEAN country, it can be imported into another ASEAN country and not require being tested again. The new arrangement will be sent for approval by the 10 member states at the end of 2016.

Stable Outlook for Banks

A global financial ratings company says that ASEAN banks have sufficient buffers to remain resilient to external macroeconomic headwinds in 2016 and the region's banking sector outlook is stable. However, they maintain that nonperforming loans will continue to gradually rise, loan growth will slow down, and that the banking sectors in Singapore and Indonesia face challenges.

Vietnam Update

Administrative Procedures Simplified

To improve Vietnam's business climate and competitiveness, a new law was introduced to help simplify administrative procedures and eliminate outdated laws. Under the new law, building permissions must be issued in less than 77 days, the maximum time for contract disputes was reduced to 200 days, processing of bankruptcy cases is now two years, not five, property registration finished in less than 14 days, and a maximum customs duration of 10 days for exports and 12 days for imports.

Indonesia News

E-Commerce

Recent changes to Indonesia's Negative Investment List now allow more foreign investment into specific industries including e-commerce. The country's Investment Coordinating Board (BKPM) announced that 100% foreign ownership will be allowed in e-commerce companies with a minimum of US\$7.4 million foreign investment. As Indonesia's internet penetration has currently reached 40%, its e-commerce industry is expected to grow significantly in the future.

Myanmar Watch

Economic News

To show its support for the country's new democratic government, the United States said that it was lifting more economic sanctions imposed on Myanmar. Seven state-owned enterprises in the timber and mining sectors were removed from the blacklist along with three state-owned banks. Myanmar announced that it plans to attract US\$140 billion in foreign direct investment (FDI) by 2030. FDI inflow for the 2015-16 fiscal year was US\$9.5 billion.

Cambodia Update

Transparency Rules

To promote greater transparency in its transactions, the Council for the Development of Cambodia (CDC) disseminated new rules for investors and CDC officials. Investors must now provide ID documents when meeting with CDC officials and there can be no unrecorded meetings between them. Besides limiting chances for corruption, the new rules will also deter phony investors from probing for proprietary information.

THAILAND UPDATE

Banking

Cashless Payment System

Banks are moving forward with Thailand's cashless payment system and experts believe that cashless payments will rise from the current 30% to 50-60% of total payments within the next five years. However, Thai banks first need to invest in more electronic data capture technology and finalize a new transaction fee structure.

Cross-Border Banking Networks

The Bank of Thailand (BOT) is encouraging Thai commercial banks to expand into the Greater Mekong Subregion in order to broaden cross-border banking networks. In recent years, the BOT has relaxed regulations to spur investment in the region. Regional businesses can obtain unlimited loans from Thai banks, and to support border transactions, the cap on carrying baht across borders was raised to THB2 million.

Transportation

India-Myanmar-Thailand Highway

Thailand is working with India and Myanmar to open a 1400-kilometer highway that will link India to ASEAN. The highway will run from Moreh in eastern India through Tamu City in Myanmar and reach Thailand's Tak Province. 73 bridges in Myanmar built in World War II are being restored and the highway is expected to open in 18 months.

Exports

Jewelry

The International Trade Promotion Department expects Thai gem and jewelry exports to grow by 10% in 2016 and reach US\$7.9 billion. Jewelry and gems are expected to remain as one of Thailand top five exports.

Sustainable Energy

Solar Power Fees Waived

To attract more interest in a pilot project to promote electricity generation solar panels for homes and commercial buildings, the Energy Ministry's Energy Policy and Planning Office will now waive the meter inspection fee. The fee is THB 10,000 for residences and THB 15,000 for commercial use.

Legal Update

Bankruptcy Act

The Bankruptcy Act (No.9), which took effect on May 20, 2016, extends the definition of the debtor under the reorganization process to cover small and medium-sized enterprises (SMEs). Thus, in addition to limited and public companies, reorganization now includes individuals, groups of people, and unregistered/registered partnerships that are categorized as SMEs and entitled to file a petition with the Court for their business reorganization with the required amount of debt ranging from 2-10 million baht.

Human Trafficking Criminal Procedure Act

A new human trafficking law came into force on May 20, 2016 and lays down specific regulations for human trafficking in Court proceedings. Unlike general cases in the Thai Court system, human trafficking cases will be heard under the inquisitorial system allowing the Court to take part in acquiring facts and evidence. The new law also supports the use of electronic monitoring devices attached to the accused and sets up a new department that will manage human trafficking matters in the Court of Appeal.

Agriculture

Stimulating Exports

To help raise the income of Thailand's farmers, the Commerce Ministry will promote ten organic products for sale in domestic and overseas markets. Each province will select two products for consideration. Ginger beer and garcinia tea are expected to be among the ten products. The government also plans to stimulate increased exports of value-added food and agricultural products and will help producers adopt more modern technology and encourage more innovation. Currently, 45% of Thai food exports are unprocessed raw materials.

Taxation

Double Tax Breaks

Thailand's Finance Ministry announced that it plans to double tax breaks for private investors in 2016 to help increase investment in Thailand. If a private investor starts a project in 2016, they will be able to double their tax deductions. Projects will not require being completed within a year.