

Dej-Udom & Associates

Business and Legal Update

September 2016

ASEAN Economic Community News

New Connectivity Master Plan

The Association of Southeast Asian Nations (ASEAN) adopted the Master Plan on ASEAN Connectivity 2025 (MPAC 2025) in Vientiane earlier this month. Under the MPAC 2015, five strategic areas: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility have been targeted for increased development. To help ensure efficient implementation of the plan, ASEAN member states will need to concentrate on six core areas: strong focus and targets, clear governance and ownership, clear and aligned plans, presence of core skills, incentives, and finance, proactive stakeholder engagement, and robust performance management.

ASEAN Investment Report

The ASEAN Investment Report 2016 was released recently and states that ASEAN's least developed countries, Cambodia, Laos, Myanmar, and Vietnam, had a 38% increase in foreign direct investment (FDI) in 2015. This surge is attributed to multinationals seeing increased opportunities in the new ASEAN Economic Community. However, the report stated that overall FDI growth in ASEAN declined by 8% in 2015.

Non-Tariff Barriers

In the ASEAN Economic Community, most ASEAN member states have eliminated all tariffs; however, experts say non-tariff barriers (NTBs) to trade and investment remain and are increasing. NTBs include taxes after goods are imported, foreign ownership restrictions, the absence of uniform standards, and bureaucratic red tape. The World Trade Organization says that eliminating non-tariff barriers would do more to boost economic growth in ASEAN than the current elimination of tariffs has done.

Vietnam Update

Middle Class Growth

A global business consulting firm maintains that Vietnam has the fastest growing middle class in Southeast Asia. The firm expects Vietnam's middle class to double by 2020 when one third of the country will be defined as middle class. The average income per person is expected to rise from the current US\$ 1400 to US\$ 3400 in 2020.

Myanmar Watch

Sanctions Lifted

The President of the United States announced that the US will start the process of lifting all remaining trade and financial sanctions against Myanmar. This will include removing 100 businessmen from the US Treasury blacklist, lifting restrictions on the country's jade and gemstone industry, and ending the special reporting requirements for US investors. The US will also reinstate Myanmar's Generalized System of Preferences (GSP) benefits.

Indonesia News

Internet Penetration Lag

A report by a worldwide management consulting group says that if Indonesia will embrace digital technologies and improve the country's infrastructure to support digitization, the country could increase its GDP by 10% by 2025. Currently, overall internet penetration in Indonesia is low, only 34%. This is due to the country's uneven connectivity infrastructure.

Laos Bulletin

SEZ Growth

Special Economic Zones (SEZs) in Laos have kept developing over the last 10 years and the country now has 12 SEZs covering an area of 20,000 hectares. The government states that SEZs have become the main driver of growth in the industrial and service sectors and are increasingly attractive to investors due to tax incentives and infrastructure improvement.

Cambodia Update

Minimum Wage Raise

The Cambodian government announced a 9.2% raise in the minimum wage for clothing and footwear workers that will come into effect in 2017.

THAILAND UPDATE

Trade

Free Trade Agreement

Thailand and Pakistan expect to conclude a free trade agreement (FTA) in 2017. The FTA will promote bilateral trade between the two countries and be used as a foundation for Thailand's access into South Asia and Pakistan's into the ASEAN region. Bilateral trade between the two countries was THB35 billion in 2014 and Pakistan is Thailand's second biggest trading partner in South Asia.

Taxation

Strengthened Tax Laws

The Director General of the Revenue Department announced that Thailand plans to strengthen its tax rules for internet and technology companies. He says that current laws are outdated and have been used for over 50 years. The strengthened laws would also cover mobile transfers and internet payments.

VAT Rate

Thailand's value added tax (VAT) rate will remain at 7% for the next fiscal year, until September 30, 2017. The government believes this will help build more business confidence and limit the impacts on the standard of living from fluctuations in the global economy.

Digital Economy

Mobile Penetration

At the end of 2015, mobile phone penetration in Thailand was 87% with smartphone penetration at 50%. 39 million people in Thailand are currently mobile internet users. Social media use also continues to grow in Thailand and 80% of all connected consumers make use of social media or instant messaging apps daily. 50% of all online purchases are done on a mobile phone.

New Ministry

Thailand's new Ministry of Digital Economy and Society (MDE) officially replaced the Information and Communications Technology Ministry in September. All agencies under the old ministry will transfer to the MDE except for the National Disaster Warning Center which moves to the Interior Ministry.

Legal Update

Probation Act

Thailand's old probation law, which had been in effect since 1979, has been replaced by the Probation Act B.E. 2559 (2016). The new Act will come into effect in April 2017. The new law will broaden the authority of officials and allow for more efficient results. Procedures for behavior supervision of the convicted will also be developed. Of particular interest, placing tracking devices on probationers will now be allowed.

National Security Act

The new National Security Council Act took effect on September 27, 2016. The old law had not been amended in 50 years. The new law will now address modern security challenges including technological and environmental threats. The main objective of the law is to restructure the management of Thailand's national security by setting up the Office of National Security Council. The council will include the Prime Minister and other relevant ministers, economic and information communication technology security officials, and academics.

Securities & Exchange

New Securities Act

Amendments to Thailand's Securities and Exchange Act 1992 were passed by the National Legislative Assembly this month. The amendments will give the Securities and Exchange Commission more powers and introduce civil penalties for market misconduct including information disclosure, insider trading, front running, and stock manipulation. Penalties for insider trading are no longer limited to management or insiders, but now apply to anyone using or dispersing inside information.

Courts

Corruption Court

On October 1, 2016, Thailand's new criminal court specifically designated for the trial of corrupt officials and their accomplices will officially begin operations. This court is another attempt by the government to eradicate graft and corruption nationwide. This court will bring corrupt individuals to trial faster and more efficiently than the regular criminal courts.