


# THE PULSE

Monthly Insights 



Thailand will be immersed into its joyous Phi Ta Khon Festival or Ghost festival between June 23-25. This three-day long festival will be marked by a series of festivities, including carnivals, processions of locals in colorful masks, and sermons by Buddhist monks. It is an occasion where the locals pray to ancestral spirits and seek protection from evil. The festival also showcases the painting skills of Thai artists.

## INSIDE



**Does ASEAN  
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 4-minute read




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 4-minute read

Hello!

This is the June edition of our monthly newsletter, The Pulse, brought to you by ASEAN Business Partners. Our endeavour is to capture the trends and developments in this vibrant region to help you identify business opportunities in Asia.


In this edition, we focus on the rise in opium trafficking in the Golden Triangle, the deepening ties between the US and the Philippines, thriving FDI opportunities in SEA, and the 42nd ASEAN Summit in Indonesia.

Here's a glimpse:

- **ASEAN's drug crisis** (4 minute read): Singapore has cracked down on cannabis trafficking. But there has been a surge in the production and sale of opium in the Golden Triangle. This needs collaborative mitigation strategies.
- **US-Philippines' close bonds** (4 minute read): Amidst China's intrusive activities in the South China Sea, the US and the Philippines are building closer partnerships for defense and investments.
- **FDI opportunities in SEA** (4 minute read): Opportunities for foreign direct investment in ASEAN are expanding due to favorable policy initiatives. The Philippines, Indonesia, and Thailand are among the biggest beneficiaries.
- **42nd ASEAN Summit** (4 minute read): The biannual ASEAN Summit held in Indonesia focused on making this region the epicentre of growth. During the summit, ASEAN leaders also discussed strategies for economic integration.

We hope you enjoy reading our articles. If you need help in exploring potential opportunities or implementing growth plans in ASEAN, please write to us at [contact@bizasean.com](mailto:contact@bizasean.com).

Warm regards,



Sumit Dutta  
Founder & CEO  
ASEAN Business Partners

# DOES ASEAN HAVE A DRUG CRISIS?

There is a surge in opium in Southeast Asia's Golden Triangle region, even as countries such as Singapore have cracked down on drugs.



Tangaraju Suppiah, a 46-year-old citizen of Singapore, was executed in the country's Changi prison a few weeks ago for his involvement in cannabis trafficking. The death sentence was meant to be a deterrent against drug trafficking. Despite public outcry, Singapore has maintained and upheld its stringent laws on drugs. However, its allies in the ASEAN region have a different point of view.

Southeast Asia is a land of contrasts with countries such as Thailand and Myanmar engaging in the active production of opioids and cannabis. In fact, a survey by the UN Office on Drugs and Crime (UNODC) on opium cultivation in Myanmar estimated a 33% rise in poppy cultivation in 2022. This opium finds its way into production facilities for synthetic drugs in the Golden Triangle.

The impact is felt in the border regions of Thailand and Laos because of the surge in illicit drug trafficking. Take the example of Laos. In 2021 alone, the authorities seized 143 million meth tablets. Cambodia also presents a grim picture. In 2022, the enforcement authorities seized ~4,540 kilograms of drugs in the country.

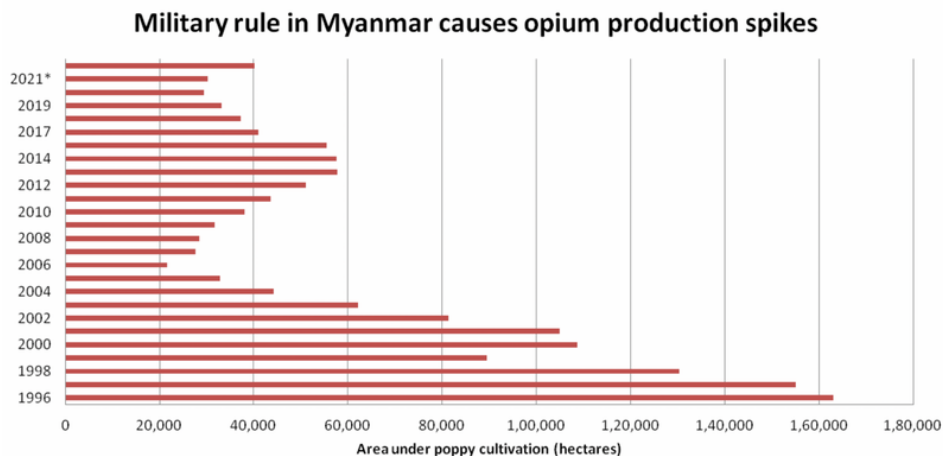
## OPIOIDS ON A NEW "HIGH"

The Golden Triangle is an area where the borders of Laos, Myanmar, and Thailand meet. A hot spot for drug trafficking, it is also a location that has witnessed numerous faceoffs between Thai security forces and drug syndicates. In recent times, however, the situation has spiralled out of control.

Shipments of synthetic drugs such as meth, crystal meth, heroin, and ketamine, worth hundreds of kilograms, are regularly seized. These seizures often lead to violent armed conflicts in the Golden Triangle.

Myanmar, in particular, has been among the largest cultivators of opium. There was a decline between 2013 and 2021 owing to a decline in the price of fresh opium as well as a dip in demand for opiates.

But the situation reversed in 2021 when the military took power in Myanmar. The social-economic and governance disruptions caused a 33% increase in poppy cultivation in 2022. Eradication efforts also decreased, leading to locals growing poppy for economic sustenance.



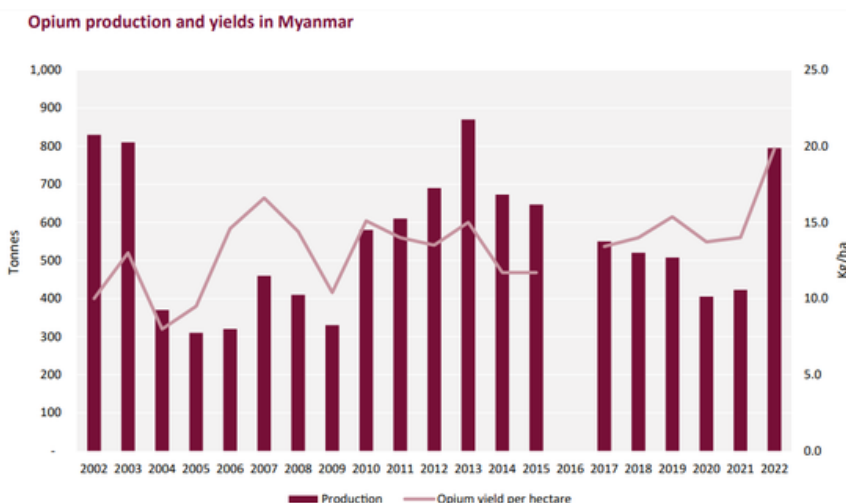
Source: Annual opium surveys by United Nations Office on Drugs and Crime

Note: No survey was conducted in 2016.

\*The military took over power in February 2021 ousting Aung San Suu Kyi

The total area of opium poppy cultivation in Myanmar has decreased significantly from 55,500 recorded in 2015 to 41,000 hectares in 2017, as per a United Nations survey. The Myanmar Opium Survey 2017 released by UNODC finds reductions have been most significant in East Shan with a drop of 37 per cent and South Shan with a drop of 29 per cent.

The report also reveals that while progress has been made, North Shan and Kachin states have witnessed reductions of less than three per cent and seven per cent, which on the ground amounts to a deduction of only 600 hectares in total. The report reconfirms the link between conflict and opium in Myanmar, and that insecure areas with active insurgencies continue to cultivate and produce at levels similar to 2015.



Note: No survey was conducted in 2016.

Source: UNODC Survey

The drug trade has increased crime and affected citizens. Cambodia, for instance, has declared a war on drugs and routinely arrests traffickers. In Laos, two-thirds of crimes are drug related.

There is also a link between underdevelopment and the drug crisis. Cambodia, Laos, and Myanmar have been classified as among the least developed countries in the world. With inadequate economic opportunities, the local youth turn to opium cultivation. This ultimately results in drug trafficking and addiction. In fact, drug gangs control a few economic zones in Myanmar and Laos.

This is true for Thailand as well. Thailand, which legalised cannabis use in 2022, is grappling with marijuana addiction along with meth and other synthetic drugs. In November 2022, all monks at a Thai temple tested positive for meth. To deal with the crisis, the country's health ministry has proposed tougher laws for drug consumption and trade.

But time is running out. The surge in opium production will strengthen the drug network in the region and cause the situation to worsen.

### **JOINT EFFORTS TO CURB THE CRISIS**

Enforcement, treatment, rehabilitation, and education can curb the drug menace in the Golden Triangle. The resolution of the drug crisis requires cross-border cooperation among all ASEAN nations.

The ASEAN Work Plan on Securing Communities Against Illicit Drugs is a major initiative that can be utilised to drive awareness-building across the region. This plan aspires for a drug-free ASEAN by 2025 and involves stricter enforcement, awareness creation, and the establishment of rehab facilities.

The role of civil society organisations to bridge the gap cannot be overstated. The Vienna NGO Committee on Drugs, for example, can be a platform for developing a common framework to eradicate the drug trade.

Strengthening local laws and regional collaborations between ASEAN and neighbouring countries such as China and India can be beneficial. Assistance from international bodies such as UNODC will also prove to be advantageous in information gathering about illicit drug activity.

Targeting illicit opioid producers and regular seizing of the produce will force drug lords to desist from their illegal activity. It is not a one-man or a one-country responsibility. The governments of the region need to collaborate and cooperate to strike drug usage at its very roots.

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# US-PHILIPPINES JOIN FORCES TO COUNTER CHINA

The US has broadened its SEA footprint in Southeast Asia through closer ties with the Philippines



On May 1, US President Joe Biden and Philippine President Ferdinand Marcos Jr. had a special meeting. The two leaders reiterated their “deep friendship”, presenting a united front against China. It indicates a closer partnership between two diverse nations amidst rising clashes in the South China Sea.

Just in April, the US and the Philippines held their largest war drills near the disputed waters. It was meant to be a warning to China to pause its aggressive activities in the South China Sea. The joint military exercise was also a reflection of the deepening ties between the two countries.

The Philippines has also given American forces access to four more military camps, including one that is situated close to Taiwan. The mutually beneficial partnership will challenge China’s intrusive marine ambitions in the region.

## THE BONDS GET STRONGER

The Philippines has been among the oldest allies of the US. As early as 1953, the US government and the Republic of the Philippines signed an agreement on military assistance. The two nations renewed their allyship in 1998 with another agreement to allow reciprocal visits of military personnel between the US and the Philippines.

In 2014, the countries signed the Enhanced Defence Cooperation Agreement (EDCA) to deepen defence cooperation. This included maritime security and authorised access to pre-decided locations in the Philippines by the US forces on a rotational basis. The agreement was an attempt by the US to closely monitor China and gather intelligence about the latter’s expansion in the South China Sea. It is a water body flush with about 11 billion barrels of oil and 190 trillion cubic feet of natural gas, and hence a region where China claims sovereignty over the sea.

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With a series of pacts, the US and the Philippines want to ensure that China's efforts to reclaim land in the South China Sea don't go unchecked.

The American-Filipino relationship has hit a reset over the past year, especially after ties between the two countries soured primarily due to former President Rodrigo Duterte's alleged human rights abuse and drug war in the country. After Marcos Jr won the mandate, the rift has healed.

### **THE US & THE PHILIPPINES: BONDS OF STEEL**

- The US established diplomatic relations with the Philippines in 1946.
- The two countries have established former pacts on defence cooperation and maritime security.
- The countries hold an annual US-Philippine Bilateral Strategic Dialogue to plan shared military action against emerging threats.
- The two nations have forged ties based on a joint commitment to democracy and human rights.
- Over 4 million Filipino Americans live in the US and 300,000 US citizens reside in the Philippines.
- USAID has worked with the Philippines to invest \$5 billion in the region since 1961.
- The two nations have a close economic relationship, with over \$18.9 billion worth of goods and services traded between them.

Source: US Department of State

### **GOING DEEPER AND WIDER**

A mix of strategic and financial initiatives by the US will be beneficial for Filipinos. Take the EDCA, for instance. The US has allocated over \$82 million for projects in the Philippines. These include investments in the areas of humanitarian assistance, air combat training and infrastructure, as well as fuel storage.

The bilateral ties are not just restricted to military cooperation and maritime security. Since 2010, USAID has provided over \$342 million in disaster relief and recovery aid across 100 cities and municipalities in the Philippines. During COVID-19 as well, the US contributed \$38 million in pandemic-related assistance and provided more than 32 million vaccines.

Trade relations between the two nations have also been further strengthened. In 2023 (January-March), the US exported goods worth \$2,256.8 million to the Philippines and imported goods worth \$3,208.6 million from the country. Some of the key imports include semiconductors, automobile parts, electric machinery, and textiles, while exports include agriculture goods, machinery, cereals, and raw and semi-processed materials for manufacturing semiconductors and electronics.

US President Joe Biden recently stated that America and the Philippines are "ironclad partners". Deeper collaborations will also promote a stronger front line against future conflicts in the South China Sea. With the US as its closest friend, it is an opportune time for the Philippines, economically and militarily.

# FOREIGN INVESTMENTS IN ASEAN: AMPLE ROOM FOR GROWTH

A series of pro-investor measures will help attract international investment into the region.



Singapore-headquartered renewable energy firm Blueleaf Energy and Philippines-based Sun Asia Energy recently partnered with the Philippines government to build the world's largest floating solar project in the country. This partnership will help the country accelerate its shift to renewable energy. But more importantly, it will be a source of foreign direct investment (FDI) inflow into the Philippines.

Blueleaf Energy, in particular, plans to invest over \$2 billion in renewable energy projects in the Philippines over the next five years. This is amidst regulatory changes that allow up to 100% foreign capital in the public services sectors, such as electricity, transportation, and water supply.

The Philippines is not the only country attracting foreign investment in the region. Indonesia, for example, saw a 44.2% increase in FDI in 2022 to \$45.6 billion. It was on the back of investments in base metals and mining. Thailand, too, is encouraging foreign investments through tax incentives.

The surge in investments in ASEAN reflects the region's attractiveness among global investors. FDI in sectors such as renewable energy, electric vehicles, electronics, and digital technology will contribute to the economic recovery of Southeast Asia.

## **BUILDING THE FDI ECOSYSTEM**

A mix of regulatory initiatives, tax incentives, and public-private partnerships has enabled and strengthened FDI inflows into ASEAN. Indonesia, Thailand, Vietnam, and the Philippines have witnessed a rise in global capital.

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Take the Philippines, for instance. FDI inflows into the Philippines rose 13% in February 2023 to reach \$1 billion. Japan and the United States accounted for the bulk of the inflow and invested in industries such as electricity, manufacturing, real estate, and financial services.

The amended Public Service Act that expands FDI into public sectors is expected to act as a catalyst for investment growth in the country and improve the delivery of services to Filipinos.

Another country that is adopting policy changes to bolster FDI is Thailand. The country has an initiative called the Thailand Plus Package that incentivises foreign entities to set up local production facilities and offers corporate tax exemptions till December 31, 2025. It is expected to generate ~\$178 million in investments over the next three years.

FOREIGN INVESTMENT TRENDS IN SELECT ASEAN NATIONS		
Country	FDI in 2022 (USD billion)	Growth (%)
Indonesia	45.6	44.2
Vietnam*	27.72	-11%
Thailand	12.3	36
Philippines	9.2	-23.2%

\*As of December 20, 2022

Source: Government Agencies

That is not all. The Board of Investment will also hold a roadshow in South Korea to fortify FDI in Thailand. In 2022, the country attracted investments from global companies such as Amazon Web Services (cloud services), BYD Auto (Chinese automaker), and Foxconn (Taiwanese electronics manufacturer).

Indonesia has taken rapid strides towards increasing FDI inflows as well. Its Positive Investment List supports 100% FDI in 246 business fields such as telecom, healthcare, advertising, and finance. The country's FDI rose 20% to \$11.96 million in the January to March quarter compared to the same period the previous year.

For instance, South Korean steelmaker POSCO and Chinese mining firm Ningbo Liqin will set up a nickel production plant for EVs in Indonesia. Similarly, a few Danish companies are in discussions with Indonesian ammonia producer Pupuk Kalimantan Timur to set up a fertiliser plant in the country.

A shift in mindset from China-centric manufacturing facilities towards Southeast Asia has worked in the region's favour. Vietnam, for instance, has just approved three manufacturing projects worth \$80 million. The country is targeting between \$36 billion and \$38 billion in FDI this year. Projects in the areas of sustainable development, electronics, renewable energy, and green technologies are likely to be given priority.

International manufacturers have already evinced interest. Taiwanese electronics manufacturer Quanta Computer, for instance, plans to invest \$50 million in a new Vietnamese subsidiary. This subsidiary will produce consumer electronics at its new facility, making it Quanta's second manufacturing hub in Southeast Asia.

### **A PERIOD OF CAUTIOUS OPTIMISM**

While ASEAN has made significant progress in FDI, 2023 is expected to be a challenging period. Vietnam and the Philippines saw a decrease in foreign investments in 2022. However, the window of opportunity has not closed off.

Sectors such as electronics manufacturing, semiconductors, electric vehicles, and green energy will continue to attract investments. The period of cautious optimism may open up opportunities for Southeast Asia as an alternative through its cost-effective manufacturing models and affordable labour. The region's resilience against economic uncertainty remains intact.

# ASEAN SUMMIT: ECONOMIC INTEGRATION IS TOP PRIORITY

The recently concluded biannual summit emphasised the importance of making ASEAN the epicentre of growth.



The recently concluded 42nd ASEAN Summit in Indonesia focused on economic integration. There were a few common goals that emerged during exchanges. First, strategising ways of dealing with challenging situations. And second, a united ASEAN working towards making the region an epicentre of growth. Playing host to the delegates, Indonesia's President Joko Widodo said that the unity of the member nations will enable a stable and prosperous ASEAN.

Staying true to the theme "ASEAN Matters: Epicentrum of Growth", Indonesia, the current ASEAN chair expressed hope that the bloc will maintain its status as a centre of regional and global growth. The delegates laid emphasis on strengthening ASEAN's position as a fast-growing, inclusive, and sustainable economic region.

During the summit, President Jokowi and his counterparts also discussed the political crisis in Myanmar. He said that the bloc will continue its efforts to end violence in the military-controlled member nation.

Apart from Myanmar, the geopolitical crisis in the South China Sea was a part of the agenda. ASEAN's member nations have agreed on self-restraint in the region.

## **BOLSTERING THE SEA COMMUNITY**

Being agile and resilient is important to ASEAN. Country representatives at the ASEAN summit reiterated their support to strengthen the bloc so that it remains relevant to its people.

An important part of this endeavour is to promote opportunities for collaboration between member nations. To facilitate this, the leaders reinforced the use of local currency to bolster regional financial integration and advance regional payment connectivity. In addition, the bloc also agreed to encourage the usage of local currencies for cross-border transactions in the region. A task force will also be set up to explore the development of an ASEAN local currency transaction framework.

Community building and bilateral cooperation will also extend to ASEAN's newest member, Timor-Leste.

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The summit saw leaders commit to implementing the ASEAN Community Vision 2025. This includes an inclusive community and a competitive and innovative society supported by good governance. Simultaneously, the group will develop a Post-2025 Vision that includes sustainable development, regional integration, climate resilient and sustainable infrastructure such as smart cities, as well as energy transition. The ultimate goal is to develop a self-sustaining economic ecosystem within ASEAN.

Grassroots development is an integral component of this goal, wherein the bloc will establish an ASEAN Villages Network. This is a platform for collaboration among villages as well as external partners and private sectors.

#### **ASEAN SUMMIT IN INDONESIA: KEY AREAS OF FOCUS**

- Establish an ASEAN Villages Network to facilitate cooperation and collaboration between villages.
- Admit Timor-Leste as the 11th member of ASEAN and support its efforts in community building.
- Protect migrant workers and family members in crisis situations under the ASEAN Leaders' Declaration on the Protection of Migrant Workers.
- Develop a regional electric vehicle ecosystem to support the adoption of EVs and build a global production hub for EVs.
- Advance regional payment connectivity and promote local currency transactions to foster multilateral payment connectivity.
- Adopt One Health Initiative to protect humans, animals, plants, and the environment in the region.

#### **SEEKING AN END TO VIOLENCE**

Unforeseen economic and political instabilities can impact ASEAN's growth. Take the junta rule in Myanmar, for instance. The military has refused to adhere to the peace plan that it accepted almost two years ago.

President Jokowi criticised the Myanmar generals for zero progress on the five-point plan, including an end to violence, allowing humanitarian assistance by ASEAN, open dialogue with all parties, and an ASEAN special envoy in the country.

#### **PLANNING FOR THE FUTURE**

Strengthening the region's resources for the present and planning for the future is vital for ASEAN's growth. To further this, the bloc adopted the ASEAN Leaders' Declaration on Developing Regional Electric Vehicle Ecosystem.

This recognises the role of adopting EVs to improve energy security in the region. The leaders are also committed to developing a regional electric vehicle ecosystem that supports the adoption of EVs and building a global production hub for such vehicles.

ASEAN is expected to achieve a growth rate of 4.7% in 2023 and 5% in 2024. This is anticipated to be propelled by domestic consumption, a rise in exports, and an accelerated recovery in services. The 42nd ASEAN Summit has set lofty goals for the member nations to accomplish. A laser focus on the common purpose of regional well-being will help the bloc achieve this mission.

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# ABOUT US



ASEAN Business Partners is an independent, market entry and market growth specialists that helps internationally oriented companies manage and grow their operations in ASEAN sustainably and profitably. We are well-networked, independent of governments, and dedicated purely to serving our clients. Our management and country experts are unrivaled in their ASEAN network, experience, and expertise, with proven credentials.

We are a team of top-class professionals with expertise in different industries. Our executives have worked as CEOs, CFOs and in other senior positions in top multi-national companies and represent the best talent available globally. Our founder, Sumit Dutta, is an ex-HSBC CEO who has worked in Indonesia, Vietnam, Hong Kong, India, and the US. A majority of our team and country experts are former senior-level executives from multinational corporations.

We are passionate about the ASEAN region, one of the highest growth markets in the world, and believe it will be the market of choice for all forward-looking international companies. We seek to create value for our clients and their customers in ASEAN, and so contribute to the prosperity of ASEAN nations and their people.

Please take a moment to review our website. If there is any way we can assist you, please reach out to us.



**Sumit Dutta**  
Founder and Chief Executive Officer



**Raj Ghosh**  
Head of Client Relations for USA and Canada




**Tony Turner**  
Head of Client Relations for UK and EU




**Kavita Panda**  
Group Chief Operating Officer

 [contact@bizasean.com](mailto:contact@bizasean.com)

 [www.bizasean.com](http://www.bizasean.com)

 [@Aseanbusinesspartners](https://www.linkedin.com/company/aseanbusinesspartners)

 (+65) 9176-4136

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