



INDIAN CHAMBER OF COMMERCE

ASEAN

WEEKLY UPDATE

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Asian oil buyers fret over margin impact of cancelled OPEC+ meeting

Crude oil buyers in Asia are concerned that an unexpected cancellation of an OPEC+ meeting to discuss a rise in output could drive oil prices even higher and hurt their margins. They are now awaiting Saudi Arabia's Official Selling Prices (OSPs), which were delayed until after the OPEC+ meeting and set the tone for prices of a majority of Middle East crude sales to Asia, to assess the oil market's direction. Brent crude oil prices rallied to above \$77 a barrel, the highest since 2018, on 04/07/2021, after ministers of the Organization of the Petroleum Exporting Countries (OPEC) and its allies, a group known as OPEC+, called off oil output talks and set no new date to resume them.

For now, Asia's physical crude market remains adequately supplied even as global fuel demand gradually recovers from the coronavirus pandemic. Asia is the top oil consuming region, accounting for roughly 37% of world use. The near-term impact on Asia's physical market would only be marginal even if OPEC+ had agreed to increase volume, because the proposed output rise appeared to be only 400,000 barrels a day. In the absence of clarity, end users are now closely monitoring the release of OSPs from Saudi Aramco for clearer signals on the direction of the physical market. Saudi crude OSPs, which are typically released around the fifth day of each month, have been delayed due to the breakdown of OPEC+ talks. Saudi OSPs set the trend for Iranian, Kuwaiti and Iraqi prices, affect more than 12 million barrels per day (bpd) of crude bound for Asia.

Source: The Economic Times; 06 July 2021

People in Bangladesh Resigned to Textiles!

Amid Bangladesh's strictest nationwide lockdown, millions of workers in the country's main exporting Readymade Garment (RMG) industry have been working without any risk incentives due to poverty, apparently resigned to their fate. Nearly 4 million people, mostly destitute women from remote areas, are working in the sector, which accounts for more than 80% of the country's total exports. The Cabinet Division of Bangladesh extended the ongoing lockdown for seven more days, to July 14, under the recommendation of the National Technical Advisory Committee on COVID-19 in the wake of the deteriorating pandemic situation.

The South Asian country of over 166 million people began week-long nationwide lockdowns on July 1 in the wake of an alarming spike in virus cases with the detection of the deadly Delta Variant.

Since the first COVID-19 case and death in Bangladesh in March 2020, the country has enforced a nationwide lockdown several times.

Source: Al Bawaba, 06 July, 2021; BANGLADESH

Russia sees ASEAN as reliable ally amid global instability — Lavrov

Russia regards ASEAN as a reliable and predictable ally in an unstable geopolitical situation, Russian Foreign Minister Mr. Sergey Lavrov said on Tuesday at a special meeting of the Russian and ASEAN Foreign Ministers in Jakarta. —

“Amid unstable geopolitical situation in the world, exacerbation of both traditional and new challenges and threats, we see the Association as strategic, reliable, and predictable ally in international affairs. We are ready for an open dialogue on the entire spectrum of pressing problems of the global and regional agenda. We consider it especially important to coordinate the approaches of Russia and ASEAN to solving the difficult problems before us,” the minister was quoted by the Russian diplomatic service.

“Despite the fact that last year and a half have been difficult due to the pandemic, we were able not only to maintain the existing level of our cooperation, but also to take a number of steps to expand it, create new channels of interaction,” Lavrov stressed.

The Foreign Minister noted that 2021 is a special year for Russia and ASEAN. “It is the 30th anniversary of Russian-ASEAN relations and the 25th anniversary of the full-scale Russia-ASEAN dialogue partnership, which was given the strategic status in 2018. During this period, a branched system of interaction mechanisms has been formed, which makes it possible to effectively promote cooperation in all areas – in the field of politics and security, economics and socio-cultural ties, and others,” he said.

Humanitarian contacts continue to develop between Russia and ASEAN, issues of regional architecture, post-crisis economic recovery, and the fight against terrorism are being discussed, the minister continued. “We hope that the epidemiological situation will allow us to hold the sixth Russia-ASEAN Youth summit in Kazan in the foreseeable future,” Lavrov added.

Source: Russia News Now, 06 July 2021, RUSSIA

Vietnam attends 25th ASEAN-RoK dialogue

Vietnamese Deputy Minister of Foreign Affairs Nguyen Quoc Dung has asked the Republic of Korea (RoK) to continue helping ASEAN countries improve their medical capacity at the 25th ASEAN-RoK Dialogue at the deputy foreign ministerial level held in the form of teleconference on July 6. Dung, who is also head of Vietnam’s ASEAN SOM, called on the RoK to coordinate in vaccine research and production, and ensure the fair supply of vaccines. He appealed to the RoK to assist the ten-member group in promoting equitable and sustainable development in ASEAN’s sub-regions, including the Mekong. Dung emphasised the need to maintain and boost multilateral cooperation, step up dialogues and trust building, uphold international law, and peacefully settle disputes, especially in the context of more and more emerging challenges, so as to ensure a peaceful, stable and favourable environment for development. At the event, ASEAN and the RoK highlighted the positive developments in their cooperation, including their effective coordination in pandemic response and an increase of 9 percent year-on-year in trade that amounted to around 53 billion USD in the first four months of this year.

Deputy Foreign Minister Yeo Seung-bae, who is head of the RoK SOM, said the RoK attached importance to the strategic partnership with ASEAN, noting the grouping is a priority in the country’s New Southern Policy Plus strategy. The RoK backed ASEAN’s centrality in the regional architecture, as

well as the ASEAN Outlook on the Indo-Pacific, he noted. The RoK informed that it has contributed additional US\$200 million to the COVAX Advance Market Commitment (COVAX AMC) and pledged to further assist ASEAN in the pandemic fight through implementing the US\$10-million COVID-19 rapid response programme and establishing a dialogue channel between the two sides. The two sides agreed to continue prioritising cooperation in the COVID-19 combat, and coordinate in mitigating the pandemic's socio-economic impact for comprehensive recovery and sustainable growth. The RoK affirmed its support for ASEAN's stance on the East Sea issue and lauded the grouping's role in forging cooperation, dialogue and trust building in the region, and in building an effective and efficient Code of Conduct in the East Sea (COC) in accordance with international law and the 1982 United Nations Convention on the Law of the Sea (1982 UNCLOS).

Source: Nhan Dan, 06 July 2021, VIETNAM

'ASEAN transformed into vibrant body' - Foreign Secretary Sohail Mahmood

Foreign Secretary of Pakistan, Mr. Sohail Mahmood has said that Association of Southeast Asian Nations (ASEAN) has transformed into a vibrant 10-member body, an increasingly integrated economic community and a central pillar of regional architecture. Sohail Mahmood said that Pakistan needs to prioritise five areas of cooperation with ASEAN; strengthening of Pak-ASEAN connectivity, support for the business communities to comprehensively upgrade economic cooperation with ASEAN countries, focus on tourism, explore avenues of cooperation in Science & Technology, IT and higher education and lastly deepen our cultural exchanges. Sohail Mahmood was speaking as chief guest at the Pakistan-ASEAN Experts Dialogue on 'Pakistan-ASEAN: shared future and the way forward' organised here by the Centre for Strategic Perspectives (CSP) at Institute of Strategic Studies in collaboration with the Indonesian Embassy and the ASEAN Committee in Islamabad (ACI).

Speakers from Indonesia and Pakistan made short presentations on three dimensions of Pakistan-ASEAN cooperation including political and security cooperation; economic collaboration; and socio-cultural cooperation. The speakers included Dr. Dewi Fortuna, Indonesian Academy of Sciences, Dr. Fithra Faisal Hastiadi, Executive Director of Next Policy, Dr Shofwan Al Bana, Executive Secretary, ASEAN Study Centre, Dr Usman Chohan, Director, Economic Affairs, CASS, Adam, M Tugio, Chairperson, ASEAN Committee in Islamabad and Mian Sanaullah, former ambassador of Pakistan to Indonesia.

Director CSP, Najam Rafique, said that it seeks to bring together experts and practitioners of policy together to make recommendations for a comprehensive engagement between Pakistan and ASEAN under Pakistan's Vision East Asia and Prime Minister Imran Khan's desire for geo-economic engagement with regional countries.

Source: The News International, 04 July 2021; PAKISTAN

Why ASEAN Needs to Reduce Its Non-Tariff Measures on Agri-Food Imports

Streamlining non-tariff barriers to reduce the regulatory burden on businesses remains a key priority for the region's recovery from COVID-19. In November 2020, the ASEAN Secretariat published the ASEAN Comprehensive Recovery Framework (ACRF) and its implementation plan, which set out broad strategies for recovery in line with sectoral and regional priorities. The ACRF can be regarded

as ASEAN's consolidated exit strategy from the COVID-19 crisis. The trade facilitation measures in the ACRF implementation plan includes the harmonization of standards for essential goods and the expansion of the ASEAN Single Window to ASEAN dialogue partners, which aim to reduce regulatory compliance costs and procedural obstacles for those trading with the region. Before the pandemic, the strong increase in production and income growth in ASEAN member states had led to an equally strong increase in both agri-food exports and imports. In 2019, ASEAN's agri-food exports totalled \$141 billion, a third of which comprised intra-ASEAN trade.

Key agri-food exports include palm oil, fish products, forest products, rubbers and gums, fruits, and rice. The same year, ASEAN's total agri-food imports came to \$103 billion, which included soybean products, fish products, wheat products, dairy products, and fruits. Again, around a third of this comprised of intra ASEAN trade. Since the beginning of the pandemic, food production was negatively impacted by increased worker morbidity, disruption in supply chains, and COVID-19 containment measures. Governments' attempts to restrict food exports to meet domestic needs could make things much worse. On the demand side, agri-food imports have been impeded by trade costs associated with non-tariff measures (NTMs). NTMs are policy measures other than ordinary customs tariffs that affect producers, importers, and exporters of goods by increasing information, compliance, and procedural costs. For instance, complying with a food product standard imposed by an importing country involves one-time costs of product redesign and the creation of a system for administering such changes. Such compliance costs can be increased by both the differing requirements of the varying exporting markets, and the different standards and technical regulations imposed by importing countries.

In ASEAN, the need to reduce NTM-related trade costs has been recognized for more than a decade. Under the ASEAN Framework Agreement for the Integration of Priority Sectors, signed in 2004, member states have been working to reduce the trade-distorting effects of NTMs on agri-food trade. The agreement had three goals: to establish a database of ASEAN NTMs by June 30, 2004; to lay out criteria for identifying NTMs that are barriers to trade by June 30, 2005; and to establish a definitive work program for the removal of NTMs that are barriers to trade by the end of 2005. The commitment of the member states to streamline NTMs has been strengthened by the implementation of the ASEAN Trade in Goods (ATIGA) since 2010, whereby member states are required to identify non-tariff barriers for elimination.

Source: By Sithanonxay Suvannaphakdy and Neo Guo Wei Kevin, The Diplomat, 02 July 2021