

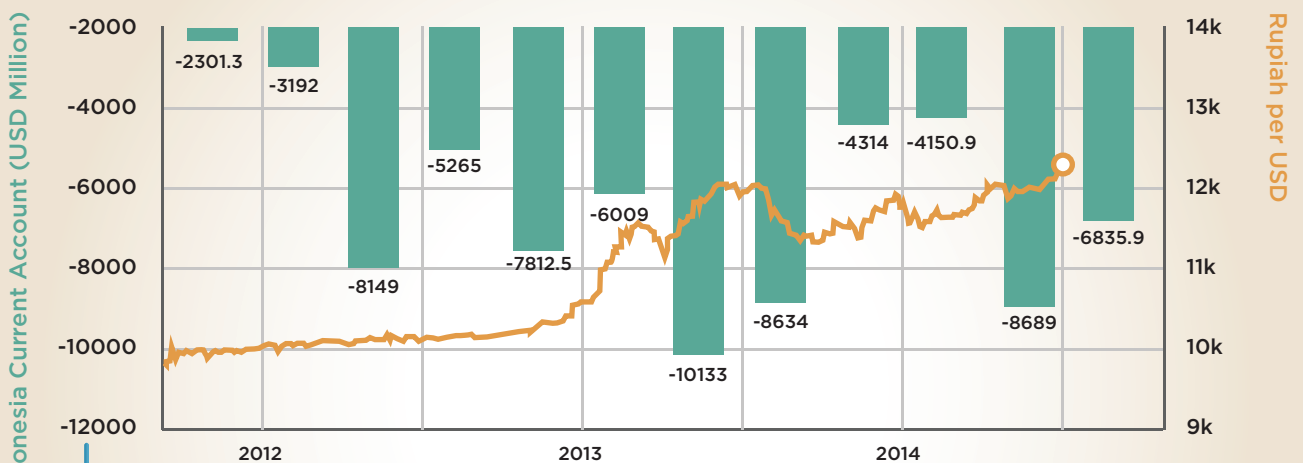
CARI CAPTURES



01 RUPIAH DROPS TO SIX YEAR LOWS



Performance of Indonesia's Current Account and Rupiah Trends



○ USD 12,599 (as on 15 December 2014)



tradingeconomics.com

Due to slowing Chinese demand for Indonesia's exports, and a contracting Japanese economy, the Rupiah fell to its lowest point in six years.

- ▶ Since Dec 5th, the Rupiah fell by 1.3% in three weeks, closing at 12,458 to the US dollar, which in turn sparked capital outflows totaling US\$114 million in Indonesian investments; the situation was further exacerbated by a recovering US economy considering its first interest hike in eight years
- ▶ Following a hike in its interest rates last month, the Bank of Indonesia

left its benchmark interest rate at 7.75%; meanwhile, the number of one month rupiah bonds being traded overseas fell by 1.2% over the course of the week, whilst US\$739 million in Indonesian Sovereign bonds were sold in over the course of the start of December to December the 10th

- ▶ The declining value of the Rupiah further eroded the monetary and fiscal abilities of the Indonesian government; in the third quarter of 2014 alone, the central bank expects to record a US\$6.8 billion current account deficit

[Reuters \(17 November 2014\)](#)

02 CULTIVATING EU-ASEAN SCIENCE COLLABORATION



The European Commission is battling for increased scientific cooperation and cross-border exchanges of researchers with South-East Asia. European Union (EU) and ASEAN leaders sought ways to improve research mobility between the two regions at recent twin conferences in Singapore (November 11) and Bangkok, Thailand (November 13).

▶ According to the organizer, Euraxess Links, which is part of the Euraxess services network that provides access to information and support services to researchers, the conferences offer European and ASEAN researchers' opportunities to learn from each other and to build on their strengths in knowledge creation and innovation through collaboration and researcher mobility

▶ The European Commission's Directorate-General for research and innovation, Anna Karaoglou, emphasized the importance of research and collaboration between the two regions and the mobility of researchers for career development

▶ In addition, she mentioned: "By opening up European research funding, Europe can generate more research excellence. If researchers are working on the same fields, they can collaborate on research projects. They can put together a proposal for a partnership within a consortium."

[ASEAN Scientist \(8 December 2014\)](#)

03 OIL PRICES WEAKEN THE RINGGIT



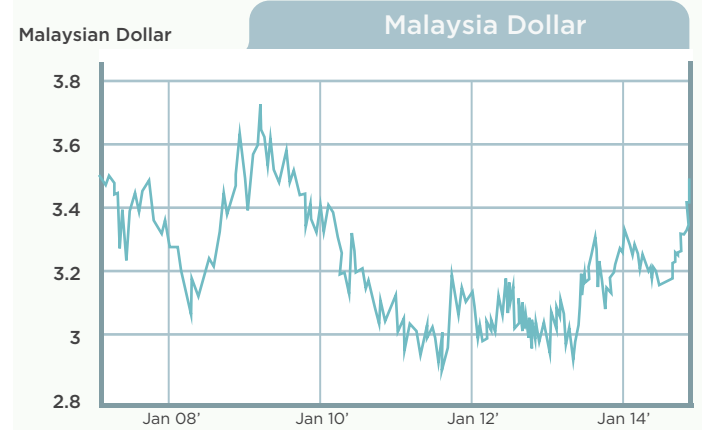
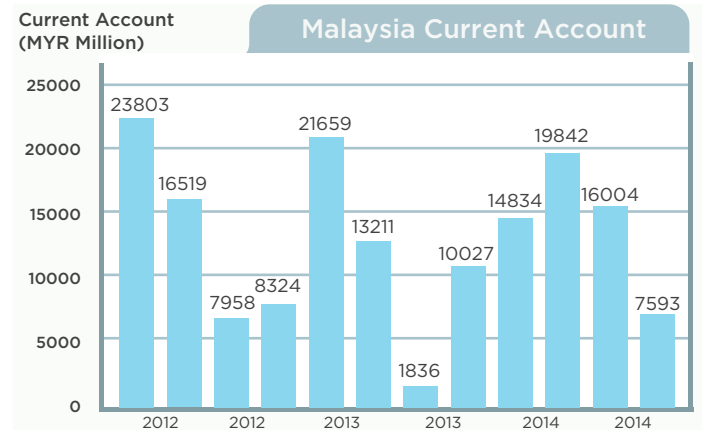
The Ringgit led falling currencies within Asia's emerging markets as oil prices slide and the Chinese and Japanese economies begin to slow down.

▶ As the only net exporter amongst Asian economies of oil, Malaysia has been the hardest hit by the recent plunge in oil prices, causing in turn BNP Paribas, Macquarie, and Skandinaviska Enskilda Banken to forecast further falls in the ringgit

▶ The fall in oil revenue and slowing demand for Malaysian products has raised early concerns about the nation's ability to reign in its current account and budget spending; combined with the high level of foreign ownership in Malaysian bonds which make the ringgit more vulnerable to sell-offs, the ringgit's prospects remain dim

▶ As commodity prices continue to slide, Malaysia's current account surplus has fallen to US\$7.6 billion in the third quarter of 2014, whilst the nation's trade surplus shrank to an 18 month low of 1.19 billion ringgit

[Bloomberg \(9 December 2014\)](#)



[tradingeconomics.com](#)

04 PHILIPPINES SEEN AS LIKELY 3RD KEY AUTO MAKER IN ASEAN



The Philippines has the potential to become the third-biggest player in the automotive manufacturing sector in the ASEAN next to Thailand and Indonesia. Philippines has competitive advantages in automotive manufacturing, as well as in shipping, services, healthcare, and even food processing, given its huge domestic market and underlying economic stability - McKinsey and Co.

▶ Although there are gaps and issues that have to be addressed, it is believed that the local automotive industry can flourish if the government makes a decisive stand and takes on a more focused approach in terms of programs for the sector

▶ Philippines must ensure the following "enablers" were in place to boost its automotive industry: an attractive fiscal package, an ecosystem for the sector and a conducive, stable business environment

▶ The country's small- and medium-sized enterprises were critical in providing the right ecosystem and that the government should be able to effectively integrate these small firms into the automotive supply chain. The Philippines must also be able to provide the right infrastructure (including port facilities, power, technology, among others) to minimize the costs and increase efficiencies

▶ Thailand has the most advantageous position at the moment as they have the ecosystem, while Indonesia has an advantage because of the size of the market. Looking at the Philippines, most of (the companies' production) are below that threshold. Hence there are some advantages in the Philippines with its large domestic market

[Inquirer.net \(9 December 2014\)](#)



05 INVESTORS STILL FEEL TIED TO THAILAND



A lack of deal flow, political upheaval and competition from family-run businesses are still not enough to put some private equity investors off from looking at deals in Thailand. Earlier this year, Thailand's military seized power in a coup that marked one of Asia's biggest political upheavals, yet fund managers appear undeterred and continue to seek investments in the Southeast Asian country, as reported in this month's issue of Private Equity Analyst.

▶ The lack of government restrictions on the private sector, an economy driven in large part by the consumer sector and attractive company valuations contributed to the positive outlook amongst investors, hence providing them more benefits to invest in Thailand when compared to other countries in Asia.

- ▶ Thailand has so far proved to be a small but steady market for private equity, but has yet to grab attention like Asia's other developing countries. Some Thai-focused investors say challenges in deal sourcing are a major sticking point
- ▶ It's not a market where there's a lot of deal flow but businesses are resilient," said David Ireland, a Thailand-based senior partner at Southeast Asian private equity firm. Although the number of Thai deals has been consistent, it's tepid compared with that of nearby Vietnam
- ▶ Finding private Thai companies to invest in can be a challenge, given that many businesses continue to be family-run and it is not "intuitive" for them to sell stakes to private equity. That being said, the Thai public market has traditionally traded at a discount compared with other Southeast Asian markets.

[Wall Street Journal \(8 December 2014\)](#)

06 JAKARTA REMAINS COMMITTED TO ASEAN: ENVOY



Indonesia remains very committed to the Association of South-east Asian Nations (ASEAN) and is involved in finding solutions to the group's problems despite the government's emphasis on pressing domestic issues, says the country's envoy to the regional bloc.

- ▶ Despite foreign leaders and diplomats concerns over Indonesia's preoccupation with domestic issues that would see the country scale down its involvement in regional and global matters, President Joko Widodo however, has assured his continuous participation in the matter.
- ▶ Experts have praised Mr Widodo's performance at the global meetings attended, saying he showed other leaders that Indonesia would not isolate itself from the world as many have feared. Mr Widodo has also insisted that he would prioritise diplomatic relationships that provide significant benefits for Indonesia trading arm

- ▶ The country's first female Foreign Minister said "pro-people" diplomacy would be the soul of Indonesia's foreign policy, a shift from former President Susilo Bambang Yudhoyono's "thousand friends, zero enemies" principle, which was seen in the country's increasing presence and roles in international forums
- ▶ At the G-20 Summit in Brisbane last month, he renewed his vow to make Indonesia's business climate more investor-friendly by implementing tax reforms and cutting fuel subsidies to pay for infrastructure development
- ▶ It is believed that Indonesia's two foreign policy priorities are securing the country's territory and protecting its migrant workers abroad and they will finalise their border agreements with all ASEAN countries. Indonesia would also push for a legally binding labour treaty within the ASEAN region

[Today Online \(9 December 2014\)](#)

07 CHINA TO BE ASEAN'S LARGEST TRADING PARTNER



- ▶ In 2013 alone, Sino-ASEAN trade totalled US\$444 billion, having grown by almost five times from US\$78 billion in 2008; the rapid increase in bilateral trade between both parties has been aided by reductions in tariffs, which have been reduced by levels in the double digits to 0.6% for ASEAN imports and 0.1% for Chinese imports
- ▶ The increased trade flowing into ASEAN nations has also benefitted them through increased FDI on both sides, which is further evidenced by the recently established Asian Infrastructure Investment Bank (AIIB) which acts as a medium for increased investment into the region
- ▶ The increased trade can also be traced to movements within the production chain of electronic and other value added goods within the region; as China's aging population and increased wage costs begin to hamper its cost leadership in manufacturing, ASEAN nations such as Indonesia have begun to pick up the slack in cost efficiency

Trading Trends in 2013 - 2012

	Growth Year on Year	2013 (US\$ billion)	2012 (US\$ billion)
ASEAN	20.00%	426.33	370.77
Brunei			1.63
Cambodia	26.71%	3.7	2.92
Indonesia	1.46%	67.2	66.23
Laos	59.30%	2.74	1.72
Malaysia	11.89%	106.07	94.8
Myanmar	31.33%	10.15	6.97
Philippines	13.79%	14.61	12.84
Singapore	31.95%	91.4	69.27
Thailand	1.52%	64.96	63.99
Vietnam	29.96%	65.5	50.4

[The Star \(4 December 2015\)](#)



08 MYANMAR MONITOR

ECONOMY

▶ The stellar growth trajectory in international arrivals to Myanmar continued into 2014, with the country attracting over three million foreign visitors last year. “There has been an increase in visitor numbers to Myanmar and hotel occupancy rates are increasing,” according to the Ministry of Hotels and Tourism. The figures haven’t been finalised yet but top markets are believed to be China and Thailand. From Europe, the majority of visitors come from France, the UK and Germany.

[TTG Asia \(9 January 2015\)](#)

▶ Myanmar is upgrading its civil aviation business in a bid to boost the air transport sector amid growing tourist arrivals in the country year-on-year. As part of the move, it has recently corporatized Myanmar National Airlines (MNA) in operation to facilitate investment in air transportation technology and services.

[Global Post \(9 January 2015\)](#)

▶ With abundant mineral wealth from jade and rubies to copper and coal, Myanmar ought to be looking forward to a mining boom as it opens up its economy. But long-running insurgencies and a murky regulatory framework are holding back all but the intrepid. The security and regulatory risks remain daunting, however, and although 69 foreign firms have registered to work in Myanmar’s mining sector, only 11 are operating.

[Reuters \(6 January 2015\)](#)

▶ More than 100 foreigners, most of them Chinese, were arrested in northern Myanmar in a crackdown on illegal logging. A total of 142 people, including 102 foreigners, were arrested during a military operation against logging in restive Kachin state between 2-4 January.

[The Nation \(7 January 2015\)](#)

FOREIGN AFFAIRS

▶ The Myanmar National Energy Management Committee will promote international energy collaboration in the country, according to an announcement issued by the committee on 7 January. The committee will implement short- and long-term comprehensive energy development plan, to institute laws, rules and regulations in order to promote private sector participation and to privatise state energy organisations in line with State Economic Reform Policy, said the announcement.

[Xinhua \(7 January 2015\)](#)

▶ Myanmar’s Ministry of Immigration and Population officially included another 32 nationalities that are now eligible for an eVisa, effective 2 January, 2015. They join a list of 68 countries that were eligible for eVisas when the scheme rolled out 1 September 2014.

[TTR Weekly \(6 January 2015\)](#)

09 POVERTY A BARRIER TO AEC INTEGRATION

MALAYSIA

With nearly a third of ASEAN’s population in poverty, targets set by the AEC in poverty reduction have become a key barrier to integration.

- ▶ Integration of the AEC seeks to address problems in food security, climate change and energy needs; however, in order for integration within the ASEAN region to generate a net positive benefit within member states, the disparity between countries needs to be addressed
- ▶ Targets set by the 2015 ASEAN to address poverty have already been declared to be unachievable by the Philippines, whilst member states such as Myanmar, Laos, and Vietnam continue to lag in creating job opportunities and minimum wage legislation
- ▶ Mr S Intal Ponciano, a senior economist with the Economic Research Institute for ASEAN and East Asia, stated that AEC implementation would take longer to achieve without regional poverty reduction; “One solution would be for ASEAN to push the agricultural revolution,” he said

[The Diplomat \(6 December 2014\)](#)

	Poverty headcount ratio at \$1.25 a day (PPP) (population %)		Poverty gap at \$1.25 a day (PPP) (%)		Poverty headcount ratio at nationale poverty line (population %)		Poverty headcount ratio at rural poverty line (population %)		Poverty headcount ratio at urban poverty line (urban population %)		Average annual rate of total poverty reduction	
	Initial	Final	Initial	Final	Initial	Final	Initial	Final	Initial	Final	Value(%)	(period)
 Cambodia	37.69 (2004)	22.75 (2008)	10.2 (2004)	4.87 (2008)	34.7 (2004)	30.1 (2007)	37.8 (2004)	34.5 (2007)	17.6 (2004)	11.8 (2007)	1.55	2004-2007
 Indonesia	29.31 (2002)	18.06 (2010)	6.03 (2002)	3.31 (2010)	18.2 (2002)	13.3 (2010)	21.1 (2002)	16.6 (2010)	14.5 (2002)	9.9 (2010)	0.61	2002-2010
 Laos	43.96 (2002)	33.88 (2008)	12.11 (2002)	8.95 (2008)	33.5 (2002)	27.6 (2008)	NA	31.7 (2008)	NA	17.4 (2008)	1.18	2003-2008
 Myanmar	NA	NA	NA	NA	NA	25.6 (2010)	NA	29.2 (2010)	NA	15.7 (2010)	1.30	2005-2010
 Malaysia	0.54 (2004)	NA	0.06 (2004)	NA	5.7 (2004)	3.8 (2009)	11.9 (2004)	8.2 (2009)	2.5 (2004)	1.7 (2009)	0.38	2004-2009
 Philippines	22.45 (2000)	18.42 (2009)	5.48 (2000)	3.72 (2009)	33 (2000)	26.5 (2009)	NA	NA	NA	NA	0.72	2000-2009
 Thailand	3.04 (2002)	0.37 (2009)	0.5 (2000)	3.75 (2009)	21 (2000)	8.1 (2009)	26.5 (2000)	10.4 (2009)	8.6 (2000)	3 (2009)	1.43	2000-2009
 Vietnam	40.05 (2002)	16.85 (2008)	11.2 (2002)	28.9 (2010)	28.9 (2002)	14.2 (2010)	35.6 (2002)	17.4 (2010)	6.6 (2002)	6.9 (2010)	0.70	2002-2006

10 CAMBODIA WORRIES FOR CATHOLIC VIETNAMESE REFUGEES IN AUSTRALIA

CAMBODIA VIETNAM AUSTRALIA

Fairfax Bangkok correspondent, Lindsay Murdoch has noted, Australia’s deal to send its refugees for resettlement in Cambodia is receiving more scrutiny. Cambodia’s treatment of Vietnamese refugees sets a troubling precedent for Australia’s Catholic Vietnamese refugees.

- ▶ Given the different Catholic groups and histories in Vietnam, there has been ongoing repression of Catholics from the authorities in Nghe An. This explained the increase in Vietnamese boat arrivals to Australia
- ▶ Diplomatic sources and experts suggested that most of the Vietnamese refugees were largely young Catholic men and mostly from the one province, Nghe An, in north central Vietnam.
- ▶ The critical problem of the refugee deal may be that ethnic Vietnamese were killed in riots in Cambodia this year because of anti-Vietnamese sentiment
- ▶ Cambodian Prime Minister Hun Sen told The Diplomat that unless the refugees were inserted into the Vietnamese diasporic community in Phnom Penh, Cambodia, if not, the deal would be a disastrous

[The Diplomat \(6 December 2014\)](#)

