By raising fuel prices by 16 US cents, or 30%, the Indonesian government is expected to create more than US$8 billion in savings in 2015.

As Widodo’s first move in major economic policy reforms, the fuel subsidy cuts are slated to improve Indonesia’s current dual budget and current account deficits; the savings will also be used to work towards building a larger budget for infrastructure, healthcare, and educational initiatives.

Finance minister Bambang Brodjonegoro stated that the fuel price hike would increase inflation by 2% between this year and February 2015; the 7.3% inflation rate has been a constant cause of concern for Indonesia’s economy, whose currency had recently recovered from a rapid devaluation earlier in 2014.

Whilst the controversial decision was met by widespread criticism from both trade unions, opposition politicians, and the general public, economists say that the short term hardships faced by Widodo’s constituents are likely to be offset by long term gains.

Reuters (17 November 2014)
CHINA PLEDGED US$20 BILLION IN LOANS TO SOUTHEAST ASIA

China offers increased economic incentives for its Southeast Asian neighbours to overlook territorial disputes. Chinese Premier, Li Keqiang announced China’s plans for a US$20 billion loan to Southeast Asia for regional infrastructure development. That is in addition to US$3 billion for the China-ASEAN Investment Cooperation Fund, which funds infrastructure and energy investments in ASEAN member countries, and US$480 million to help fight poverty in Southeast Asia. China also promised preferential treatment to ASEAN investors under an expanded China-ASEAN free trade agreement.

The financial push is part of a plan to reassure ASEAN member states that China’s rise is beneficial for its neighbors and for the region as a whole.

REALISATION OF AEC HEAVILY DEPENDENT ON INDONESIA

Making up roughly 40% of the ASEAN’s US$2.1 trillion economy, Indonesia is by far the largest economy within ASEAN members. Its reluctance to open up the economy further has drawn concerns on the success of the AEC.

Chairman of CIMB Group, Datuk Seri Nazir Razak mentioned that ASEAN was nothing without Indonesia. He emphasised: “Economic nationalism in Indonesia is on the rise, partly because of fears about AEC, and if the new Joko Widodo administration chooses to pander to this sentiment, then I would turn bearish about AEC’s prospects.”

Generally, Indonesia still has reservations on the market-integration plan, mainly because its infrastructure is not up to mark with the rest of the region.

“For the Asean investment value proposition to be realised, it was imperative for all member countries to be on board, with the participation of major regional markets being a particularly crucial success factor,” said Securities Commission (SC) Chairman, Datuk Ranjit Ajit Singh.

VIETNAM RIPE FOR FOREIGN INVESTMENT

With strong developments in its electronics, Information and Communications Technology (ICT), textile, and textile industries, Vietnam is quickly becoming Asia’s next growth market.

With China’s recent move up the value chain to high-tech manufacturing, the lower end mass manufacturing market has shifted its FDI to ASEAN countries such as Myanmar, Thailand, Cambodia and Vietnam in order to keep costs down; in particular, Vietnam has experienced the majority of benefits from said shift, making Telecom equipment its number one export.

This trend is slated to continue as Thailand begins its transition into higher value manufacturing, leaving the bulk of low end manufacturing services to Vietnam.

Currently, Vietnam’s textile industry employs a total of 1.3 million workers, much of which is funded and created by foreign investment and firms; in the first quarter of 2014 alone, the country’s textile exports increased by 20% year on year; a figure that is expected to increase as the impending integration of ASEAN nations will create easier avenues of sourcing for textile inputs.

Vietnam’s Exports on the Rise

Vietnamese Textile & Garment Export Revenue 2005 - First 3 Months of 2014

Vietnam Briefing (8 November 2014)

Bernama (19 November 2014)
Vietnam and Indonesia are targeting to increase two-way trade to US$10 billion by 2018, Vietnam News Agency (VNA) reported.

The target was set during a meeting between Vietnamese State President Truong Tan Sang and Indonesian President Joko Widodo on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Economic Leaders’ meeting in Beijing, Indonesia’s Foreign Ministry said in press release.

Bilateral relations between Singapore and Guangdong received a boost as 17 projects were signed during the 6th Singapore-Guangdong Collaboration Council (SGCC) meeting on November 18. The projects, which span the healthcare, transportation, urban solutions and environmental services sectors, come as Guangdong looks to introduce reforms and restructure its economy.

Speaking at the meeting, Singapore’s Transport Minister, Lui Tuck Yew said: “For this year, the Council will focus on contributing to Guangdong’s development of an intellectual property (IP) ecosystem, its urban rejuvenation plans and enhancement of its global connectivity.”

Kasikornbank, Thailand’s fourth largest bank, is slated to open a branch in Laos with a registered capital of US$37 million.

In the initial stage, Kasikornbank Co Ltd will focus on corporate loans, of which the total outstanding in the country amounts to about US$3 billion; most of said loans will involve border trade in one form or another.

Having entered the Cambodian market earlier this year and applied for entry into Myanmar, Kasikornbank is evident of ASEAN integration as well as the trending attempt for Thai banks to capitalise on high growth nations within the region.

In the past, Kasikornbank has had previous dealings within Laos, providing a US$133 million in capital funding for the nation in the construction of dams and power plants.

---

**Disclaimer:** The news articles contained in this report are extracted and republished from various credible news sources. CIMB ASEAN Research Institute (CARI) does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Should any information be doubtful, readers are advised to make their own independent evaluation of such information.
POlITICS

► Seven Myanmar soldiers were killed and 20 wounded in an attack by Kokang insurgent group in the northeastern frontier with China five days ago, state media said on 15 December. The latest round of peace talks between ethnic groups and the government ended without an agreement on 27 September.

ECONOMY

► Foreign investors who seek to bypass laws by registering businesses under the names of locals, a problem is most pronounced in the rapidly growing garment industry, are facing a “crackdown” by the Myanmar Investment Commission, a report said. Foreign firms are not permitted from entering business in several industries and are subject to restrictions in other areas, such as land ownership.

► Myanmar Airways will return to the international scene early next year as part of the carrier’s recent USD500million transformation into Myanmar National Airlines. Although the airline would remain government-backed, a recently launched corporatisation process will see it develop a strong degree of independence from the country’s Ministry of Transportation thereby allowing it to make more commercially-oriented decisions, said managing director Captain U Than Tun. Myanmar’s parliament recently enacted a new aviation law that would see it develop a strong degree of independence from the country’s Ministry of Transportation thereby allowing it to make more commercially-oriented decisions, said managing director Captain U Than Tun. Myanmar’s parliament recently enacted a new aviation law

► The young South-East Asian Leaders Initiative (YSEALI), mooted by US President Barrack Obama last year, has been expanded to include more participants.

FOREIGN AFFAIRS

► Human rights advocates and some lawmakers say the United States is sending the wrong signal by opening the door to broader engagement with Myanmar’s military just weeks after US President Barack Obama assured opposition leader Aung San Suu Kyi that closer ties weren’t going to happen soon. US training in some noncombat activities for the Myanmar military was a part of a defence policy bill that passed in the US congress on 12 December.

Eligibility of Applicants

1. Applicants must be community leaders, ages 25-35, currently residing in, one of the ten ASEAN member nations, proficient in spoken and written English at the time of application.

2. Have a track record of making an impact in their community, institution or company.

3. Be a citizen of, and currently residing in, one of the ten ASEAN member nations, proficient in spoken and written English at the time of application.