The Widodo administration was quick to capitalise on falling oil prices, lowering subsidies for diesel whilst eliminating subsidies for petrol; the move ultimately increased petrol prices by almost 30%.

Currently, subsidies for diesel are capped at 1,000 rupiah per litre, which equates to almost US$8 billion in the government budget savings being freed up for other expenditures; in the short term the savings will be able to be pumped into infrastructural and education initiatives, leading to stronger economic fundamentals in the long term.

As a country battling capital flight and a depreciating currency, the move also benefits Indonesia’s current account deficit woes; furthermore, as a net importer of oil, Indonesia’s balance of trade was largely unfavorable in terms of subsidies.

In addition, Indonesia’s rampant inflationary issues linked to fluctuating oil prices will also be limited as fiscal and monetary policies can now instead focus on creating stronger economic fundamentals, rather than addressing hikes in the oil prices.

Reuters (17 November 2014)
**02 ASEAN OPEN SKIES GO AHEAD**

**ASEAN**  **INDONESIA**

Despite the recent tragedy of Indonesia AirAsia Flight QZ8501, Indonesian transportation ministry spokesman J.A. Bharata continued to affirm the nation’s commitment to liberalisation efforts within its aviation industry under ASEAN’s “Open Skies” policy.

- The policy, which is slated to be completed by the end of 2015, is expected to streamline various cost inefficiencies begotten by complex regulations within the region; this will in turn bolster growth within ASEAN’s aviation industry and the general economies of member states.
- Whilst the policy has remained a cornerstone of Indonesia’s transport agenda, the pursuit of more stringent regulations in relation to safety and security has also taken centre stage in Indonesia’s plans for its aviation industry.
- In ASEAN’s most recent aviation tragedy, AirAsia flight 8501 was lost to the Java sea, leading to the disappearance of 162 people on board; whilst 40 bodies and the debris of the plane has been located, efforts to locate the other bodies and the planes black box are still in progress.
- The missing flight which disappeared on 28 December, crashed into the Java Sea off Borneo. The missing plane debris was found on 30 December and the black box was recovered on 13 January.

*Jakarta Globe (6 January 2014)*

**03 MALAYSIA EASES RESTRICTIONS ON RI BANKS**

**MALAYSIA**  **INDONESIA**

Malaysia has finally agreed to ease restrictions imposed on Indonesian banks to operating in the neighbouring country as part of its commitment to the integration of financial services in ASEAN nations. At present, the BNM has granted limited access to Bank Mandiri, the only Indonesian bank so far to operate in Malaysia. However, Mandiri is still unable to operate as a full branch due to large capital requirements imposed by the Malaysian Central Bank.

- The agreement is part of a larger ASEAN Banking Integration Framework (ABIF) that has been set for the 10 member countries within ASEAN.
- BI has agreed to the ABIF guidelines that will make way for the subsequent endorsement of the ASEAN Framework Agreement on Services (AFAS) by each country’s finance minister. Under the ABIF guidelines, banks that have acquired the “Qualified ASEAN Bank” (QAB) status will be able to carry out their operations in neighboring countries and get equal treatment as local banks.
- Only “indigenous” banks can acquire the status, meaning that the bank must originally be established and based in an ASEAN country and owned by ASEAN citizens. Indonesian banks looking to gain the status may apply to the OJK.
- In the future, the amount of capital that must be provided may be lower than 300 million ringgit if Mandiri acquires the QAB status. Meanwhile, Indonesian financial authorities would pursue similar agreements with their counterparts, including in Singapore, in 2015.

*Jakarta post (2 January 2015)*

**04 POPULATION BOOM DRIVING PHILIPPINES’ CLIMATE VULNERABILITY**

**PHILIPPINES**

The Philippines’ rapidly growing population is increasing its vulnerability to climate change, according to a government document. Around 92 million people live in the Philippines and the number is growing by 1.9% a year. The country has slipped recently from 12th to 3rd most vulnerable in the world to climate change.

- The large number of people and their migration patterns has led to crowded cities, waste and housing problems, pollution, and encroachment of upland forests and watersheds leading to denudation and, consequently, significant reduction of carbon sinks.
- Urban areas tend to be more at risk of flooding and earthquakes, which raises the pressure on the Philippines as rising temperatures are predicted to intensify the impacts of climate.
- The vulnerability of the Philippines was thrown into the spotlight in 2013 when Typhoon Haiyan made landfall, killing more than 6,000 people and forcing millions into temporary homes.

- As the population and the economy grew, energy consumption increased, as well as transport use, and industrial activity in all the production and services. All of these meant greater use of the country’s agricultural, forestry and marine resources and increasing pressure on the natural environment.
- Greenhouse gas emissions from road transport which makes up 36.8% of total energy demand is predicted to rise from 24 million tonnes of CO2 today to 87 MtCO2 in 2030. Forest cover in the Philippines has also been reduced from around 27.5 million hectares in the 1500s to around only 7.2 million today. Many due to the results of logging, agriculture and unplanned land conversion that have been worsened by population growth.

*Inquirer.net (9 December 2014)*

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**PRINCE NORodom RANARIDDH ORCHESTRATES COMEBACK**

Deposed from his post as co-prime minister in Cambodia’s coup in 1997, and ousted from the political party Funcinpec, Prince Norodom Ranariddh announced his return to the political party his father founded.

- The move has been speculated by experts to be a precursor to the prince reviving royalist support in favour of current Prime Minister Hun Sen in the form of an alliance; a political manoeuvre which would help to stall his falling level of support as evidenced by the loss of the CPP’s parliamentary majority
- Whilst Royalist support has waned in recent years, a political alliance between the CPP and Funcinpec could help to bolster the CPP’s support base; however, the pact could ultimately hurt Funcinpec by alienating true royals
- The return of Prince Ranariddh was fully supported by Prime Minister Hun Sen, who earlier in the year made unprecedented concessions to the CNRP, Cambodia’s main opposition party

**MALAYSIA’S LOAN VOLUMES SKYROCKET TO A WHISKER OF ALL-TIME HIGH**

Malaysia’s loan volumes skyrocketed to a whisker of the all-time high as the country’s most high-profile borrowers completed jumbo financings. Combined loan volumes in ringgit and foreign currencies totalled US$18bil in 2014, up by nearly a half of the US$12.27bil transacted in 2013.

- The largest deal in 2014 was for SapuraKencana Bhd, which completed a US$5.5bil dual-currency financing with 13 lenders in March for its US$898mil purchase of Newfield Exploration Co’s Malaysian oil and gas assets and also for refinancing
- The Battersea Power Station property project, which is run by a consortium including Sime Darby Bhd, SP Setia Bhd and the Employees Provident Fund, also obtained a £1.35bil (US$2.17bil) five-year financing at the end of October to fund the development of phases II and III of the project. It followed a £790.2mil loan in November 2013, which refinanced a bridge loan that backed the purchase
- Sime Darby brought a US$830mil dual-tranche financing to the market for its acquisition of London-listed New Britain Palm Oil Ltd. The loan is expected to close in the first quarter of 2015
- MISC Bhd boosted volume with a US$1.55bil dual-tranche club deal with eight lenders in May, while state investor 1Malaysia Development Bhd raised a US$1bil pre-IPO loan in October

**VIETNAM CLOSES DOOR ON AUSTRALIAN FRUIT AND VEGETABLES**

Vietnam has followed through on its intention to effectively ban imports of Australian fruit from 1 January, 2015. Vietnam has issued no import permits for Australian fruit and vegetables for this year, citing concerns about fruit fly.

- The tablegrape industry made up $32 million of that, and Michelle Christoe from the Horticultural Exporters’ Association says that’s where the ban will hit hardest and there is no alternate market that has a clear trade path for the black table grapes, in particular the Midnight Beauty. It is said that they won’t get the same sort of returns on the local market for their products
- Many within the Australian horticulture sector privately believe the real reason for Vietnam’s decision to tighten its import regulations is because of that country’s frustration over the length of time taken by Australia in deciding whether it will accept horticultural imports from Vietnam. Vietnamese wanted to import lychees (to Australia) since 2003, however their management system has just recently been reviewed
  - “Australia’s a very difficult place sometimes to bring fruit into, so I think we’ve got to look at the whole system,” said Cherry Growers Australia Chief Executive, Simon Boughey. Mr Boughey says industry is ‘very, very keen’ to work with the Australian Department of Agriculture to resolve issues with Vietnam and restore trade as quickly as possible, but he wouldn’t speculate on a timeframe within which that might be achieved
- In a statement, a Department of Agriculture spokesman said it is ‘working with the Vietnamese Government to provide additional information about fruit fly management and control in Australia. Officials in the region are meeting as often as possible with Vietnamese counterparts to minimise trade disruptions and encourage early resolution of Vietnam’s concerns

**Prince’s Political Profile**

First prime minister of Cambodia
(2 July 1993 - 6 July 1997)

Third president of the national assembly
(1998 - March 2006)

President of Funcinpec Party
(1992 - 2006)

Officially retired
(2012)

Announced comeback
(2015)
Myanmar will attract more foreign direct investment

Myanmar Deputy Finance Minister Maung Thein said Maw Than, a director of the Central Bank of Myanmar, Maw Than is convinced that most of the future FI DI will go to the energy and service sectors. “Yet, we also need foreign investments in agriculture and forestry. Anyhow, FDI is instrumental for sustainable growth,” he said. During the first six months of the 2014-15 fiscal year, FDI inflows reached about US$4 billion.

The Irrawaddy (12 January 2015)

One of Myanmar’s most promising offshore oil and gas projects is on an investment cancellation list drawn up by Thai state-owned oil developer PTTEP if global oil prices continue their fall. As the operator of the block with an 80% ownership PTTEP was scheduled to continue a drilling campaign preparation for 5 appraisal wells and 1 exploration well in 2015.

The Nation (1 January 2015)

An US$18 million bridge across the River Mekong linking Myanmar with Laos is ahead of construction schedule and is now expected to open in March, reports said. The bridge, more than 500 meters long, is being financed by the governments of the two countries. The bridge is primarily intended to carry heavy commercial trucks and other vehicle traffic and will not be open to pedestrians or cyclists.

The Irrawaddy (1 January 2015)

The proposed Asean license would enable tourists to travel to Thailand by private car, thus boosting Asean tourism. The numbers of tourist arrivals from the Asean region are expected to increase by 5 million people in the next five years.

Yahoo News (10 January 2015)

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.

The Diplomat (1 December 2014)

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.

The Panama Investor (10 January 2015)

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