In a bid to attract foreign investment and meet growth expectations amidst a slowing global economy, Indonesia’s 10th economic stimulus package has loosened foreign ownership across several key sectors.

Examples of sectors that have been opened for the full 100% to foreign ownership are the cold storage business, crumb rubber industry, sport-centers, film production industry, restaurants, raw materials for medicines, toll roads, and telecommunication equipment.

The reduction in foreign ownership restrictions is expected to lower consumer goods prices by allowing foreign firms to set up local manufacturing hubs; furthermore, the liberalisation of Indonesian industries is expected to facilitate an inflow of foreign funds, technology, and expertise which will improve local competitiveness and create jobs.

In recent years, Indonesia has restricted foreign investment in sectors such as oil and gas services, rolled out non-tariff barriers to trade and forced foreign miners to divest to minority stakes in their companies.
The US intends to use the upcoming US-ASEAN summit to begin building diplomatic pressure on China over the South China Sea conflict.

- Whilst it is expected by political analysts that the South China Sea is seen as a high priority level item during the summit, officially, the official agenda includes trade, counter-terrorism, and humans rights issues
- The US will likely attempt to rally support for the tribunal’s ruling, which will likely rule in favour of the Philippines, in order to legitimise the case’s outcome whilst further alienating China from ASEAN member states

The Philippines signed Protocols five and six of the ASEAN Multilateral Agreement on Air Services (MAAS), allowing for cheaper air transit in the region.

- Of the nine freedoms established by the International Civil Aviation Organisation, upholding protocols 5 and 6 will provide more competitive and better airline services, as well as lower fares and broader options for passengers; this is as Philippine air carriers will be allowed to fly unlimited frequencies to and beyond the capital cities of other ASEAN nations
- As the next step, the Department of Transportation and Communications (DOTC) and the Civil Aeronautics Board will assist Philippine air carriers in securing additional flight schedules from each of the nine other ASEAN member states. They are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

The Financial Services Authority (OJK) will sign an agreement soon with Malaysia's banking authority, Bank Negara Malaysia (BNM), easing restrictions for Indonesian banks operating there.

- The agreement, which is to be ratified in the first quarter of 2016, will attempt to establish treatment of Indonesian banks as equals to local Malaysian banks; ATM installations, payment service fees, and other areas of operations are to be eased so as to encourage bilateral banking integration
- The agreement was founded under the ASEAN Banking Integration Framework (ABIF), a framework agreement introduced in 2014, the ABIF provided a guiding platform for the formation of bilateral agreements between member states concerning the banking industry; under the framework, Qualified ASEAN Banks (QABs), which are defined by the individual bilateral agreements, will be given access to the markets of member states with the support of central banks
- According to the ABIF timeline of implementation, ASEAN 5 nations are to have agreements with at least one other member state by 2018 whilst all member states are to have agreements with at least one other member state by 2020
MALAYSIAN SCANDALS SPOOKING INVESTORS

The scale of the controversy surrounding 1Malaysia Development Bhd (1MDB) and the RM2.6 billion donations to the prime minister will cause investors to be wary of dealing with state-owned firms here, a Fitch Group unit said.

According to Business Monitor International (BMI), the recent scandals and numerous investigations launched in foreign jurisdictions have damaged perceptions of Malaysia’s legal environment.

BMI also warned that Malaysia would be downgraded from its currently “strong” Trade and Investment Risk Index rating due to investor concerns relating to recent events.

A BMI report emphasised that businesses will begin to be cautious in dealings with state-owned enterprises as well as government institutions due to the heightened risks perceived to be inherent with the corrupt practices of the nation.

JAPAN INCREASES INVESTMENTS INTO VIETNAM

In addition to the Official Development Assistance (ODA) offered by Japan, Vietnam has also benefited from Japan’s direct investments into the nation; in the recent past, Japan has held its place as one of the two biggest investors in the nation.

Most recently, Japan’s All Nippon Airways (ANA) announced a deal with Vietnam Airlines where it would purchase an 8.8% stake purchased at US$1.38 per share, US$0.38 higher than the average IPO price in 2014.

Prior to ANA’s acquisition, Mizuho bank acquired 15% of Vietcombank, a state dominated listed lender worth over US$100 million; the various mergers and acquisitions signify Japan’s government and private sector interest in Vietnam.

With the ratification of the Trans-Pacific Partnership (TPP), Vietnam is expected to benefit from higher levels of investment from Japan in particular, as the liberalisation of trade and investment restrictions will continue to facilitate Japan’s interest in Vietnam as a production hub.

The nation hopes to expand its defence industry by divesting defence industry stakes to other countries, allowing it to obtain much needed capital as well as technical expertise and wider global recognition.

Citing the development of Airbus as an analogous situation, Minister Ramli stated that the divestment of the European company helped to push it ahead of the US-based aircraft manufacturer Boeing.

INDONESIA AFFIRMS ASEAN DEFENCE INDUSTRY

Coordinating Maritime Affairs Minister Rizal Ramli has conveyed a plan to improve the national defence industry by encouraging countries in Southeast Asia to obtain minority stakes in the Indonesian defence industry.

Currently Indonesia has several companies that focus on defense, namely state-owned land system and weapons maker PT Pindad, aerospace industry player PT Dirgantara Indonesia (PT DI) and shipbuilding company PT PAL.

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Citing the development of Airbus as an analogous situation, Minister Ramli stated that the divestment of the European company helped to push it ahead of the US-based aircraft manufacturer Boeing.
**POLITICS**

- Min Aung Hlaing, who has led Myanmar’s armed forces since 2011, reaches the official military retirement age of 60 this year but will have his term extended for five years, a person close to the military leadership has said, as the Myanmar military believes it is too critical of a time for a leadership change due to the government change.

  *The Wall Street Journal (15 February 2016)*

- Myanmar’s President Thein Sein pulled out of US President Barack Obama’s meeting with ASEAN leaders in California this week, as talks continued between the country’s powerful military and Aung San Suu Kyi’s incoming government. For his admirers, a smooth transition of power on the 31 of March would seal Thein Sein’s legacy as the former general who led Myanmar’s dramatic emergence from nearly half a century of military dictatorship.

  *Burkina Post (17 February 2016)*

**ECONOMY**

- The key development for Myanmar’s mining sector is the potential for the government and foreign firms to form profit-sharing or equity participation agreements, according to Yangon-based mining services firm Valentis Resources. Equity-sharing agreements with the government would likely make a new set of Myanmar projects, where confidence is “less robust”, economically viable, according to a chief executive of one foreign mining firm with permits in Myanmar. “The interpretation of that clause will make or break the industry for foreign investors.”

  *Myanmar Times (17 February 2016)*

- Bilateral trade between Myanmar and China hit over US$9.4 billion in the first ten months (April-January) of 2015-16 fiscal year, according to the Ministry of Commerce. Myanmar mainly exports oil and gas and agricultural products to China while imports from China include industrial products and commodities. Bilateral trade between the two countries is likely to surpass the US$10 billion recorded in the 2014-2015 fiscal year.

  *Mizzima (16 February 2016)*

**SINGAPORE**

**SINGAPORE’S IT TALENT GAP**

According to the Infocomm Development Authority (IDA), Singapore had a shortfall of around 15,000 IT specialists, which resulted in job vacancies in 2014, which were not filled.

- The IDA has projected that the island state may lack 30,000 professionals by 2017 in the fields of cyber security, data analytics, and application development; small and medium sized enterprises will be the first to be hit in terms of finding IT specialists

- Amongst issues cited for this structural gap, industry players have stated that even graduates have been learning outdated skills not applicable to the industry; the IDA ramped up programs in training fresh and mid-career industry professionals in order to address this issue

- Whilst the IDA’s corrective action will not address the issue in the short term, in the medium term future of three to four years, Singapore is expected to recover from its shortage of IT talent should said efforts be successful

  *Inquirer (08 February 2016)*

**THAILAND**

**RAPIDLY AGING THAILAND TELLS BUSINESSES TO HIRE MORE ELDERLY**

According to Transparency International’s 2015 Corruption Perceptions Index (CPI), Cambodia scored a 21 out of 100 points placing it dead last amongst ASEAN nations in terms of combatting corruption.

- According to Sutayut Osornprasop, a human development specialist at the World Bank, Thailand’s rising cost of living and education coupled with its rapidly developing economy has caused its population to marry later

- The government is urging businesses to hire more older people to soften the impact of the ageing workforce on productivity, as well as limit the rise in the cost of its modest pension scheme; The state paid US$1.73 billion in 2015 in pensions and the cost is expected to rise by 16% in 2020

- Nearly 40% of the 10 million Thais who are above the mandatory retirement age of 60 are still in the workforce; with monthly pensions of US$17 to US$28 many Thais have no choice but to keep working

  *Mail Online (10 February 2016)*

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**CARI CAPTURES 15 FEBRUARY 2016**

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