For some time we have argued that a Jokowi presidency would improve the outlook for effective policymaking and wider governance in Indonesia. In particular, we believe the election of a political ‘outsider’ with a proven track record of achievement and a reputation for honesty should mark a radical departure from the largely incompetent and venal political elite that has misruled the country in the past.

However, the new Jokowi administration (which will be sworn in on 20 October) will not find it easy to meet the (already high) expectations of change. A key near-term policy objective will be reducing Indonesia’s unsustainably high fuel subsidy bill, which we estimate takes a fifth of all government spending. Jokowi’s team has wisely indicated that it will seek a gradual elimination of the subsidies over a four-year period. Even a gradual adjustment process is risky because it could result in a significant political backlash from both middle class car drivers (who are the principal beneficiaries of the subsidy) and the powerful domestic interest groups that effectively control the country’s energy trade. It is worth remembering that, in 1998, it was hikes in fuel prices that fomented the initial popular discontent that ultimately led to the ousting of the Suharto regime.

Apart from liberating resources for more productive areas (such as education and infrastructure spending) reduced fuel subsidies would reduce the demand for imported energy, adding strength to the external accounts. Tangible progress on the fuel subsidy issue would also serve as the strongest possible indicator to investors that the government is serious about economic reforms. Another pressing issue that needs to be dealt with is the simmering dispute with international mining companies over the banning of raw mineral exports, and attempts to impose escalating taxes on metal concentrate exports.

To view the FULL REPORT, you can order using your D&B subscription. Please click here and select the country/region. Non-D&B subscribers wishing to order reports please contact Customer Services at your local D&B Office.

ASEAN Regional Country Risk Headline News

The Country Risk Headline News is designed to help draw your attention to potential business risk associated with trading in overseas countries. The headlines below highlight some of the recent changes that have impacted the risk environment.

- **Cambodia** - Short-term economic outlook is favourable.
- **Malaysia** - Central bank moves to cool housing market appear to have been successful.
- **Myanmar** - Government may consider constitutional amendments ahead of the 2015 election.
- **Philippines** - An increase in policy interest rate will be positive for the economy.
- **Singapore** - Overall growth declines as domestic industries go through a rebalancing phase.
- **Thailand** - Economic indicators reflect the instability that led up to the military coup.
- **Vietnam** - External sector performs well but domestic demand and credit remain subdued.

For more analysis on the specific factors affecting these countries (or any of the 130 countries covered worldwide) – Go Online if you already have an IRPR Subscription.
Japan and South Korea forge closer ties with ASEAN

In a significant move towards stronger economic links, ASEAN and Japan ministers met at the recent East Asia Summit (EAS) in Nay Pyi Taw, Myanmar, and agreed to tighten cooperation in various areas under their 10-year Strategic Economic Cooperation Roadmap from 2012-2022.

ASEAN and Japan plan to step up their collaboration on energy and public health, with emphasis on alternative energy. Both parties saw mutual opportunities in key sectors such as automobiles, chemicals, small-to-medium-sized enterprises, and laws; as well as cooperation in the East-West Economic Corridor (encompassing Myanmar, Thailand, Laos and Vietnam) to link shipments from the Andaman Sea to the South China Sea.

Both parties will collectively develop a database for safety information on chemical substances, and are keenly interested in the outcome of further liberalisation of service and investment sectors.

<table>
<thead>
<tr>
<th>Net FDI Inflows of ASEAN Members (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: <a href="http://www.asean.org">www.asean.org</a></td>
</tr>
</tbody>
</table>

Japan is the second-largest foreign investor in ASEAN after the EU, bringing in $22.9 billion in initial investment capital last year. Investment from Japan accounted for 18.7% of the total foreign direct investment in ASEAN.

Meanwhile, as part of Thailand and South Korea’s 25th anniversary of bilateral dialogue on December 11-12, South Korea will host the ASEAN-Korea Leaders Summit in Pusan, South Korea, under the affirming theme “Building Trust, Building Happiness”.

The host country will organise a meeting for business leaders to promote closer cooperation among private enterprises. It also plans to establish the ASEAN-Korea Business Council, and set up the ASEAN-Korea Industry Cooperation Centre.

Read more / Source: The Nation, 1 Sep 2014
ASEAN Industry Highlights

Cambodia

8-Aug-14 The Phnom Penh Post Cambodia economy bucks regional trend
20-Aug-14 The Phnom Penh Post Results of agriculture census out
21-Aug-14 The Phnom Penh Post Agriculture census unveiled to the delight of the industry
27-Aug-14 Cambodia Daily Hopeful Taiwanese investors unfazed by politics
28-Aug-14 Cambodia Daily Cambodia’s rice exports to European Union soar

Indonesia

10-Aug-14 Bisnis Indonesia Foreign Investors May Control Tobacco Plantation In West Java
15-Aug-14 The Jakarta Globe Lawmakers Draft Bill to Slash Foreign Ownership of Plantations
18-Aug-14 Antara News New oil reserve discovered in Riau Governor
19-Aug-14 Kontan Seven projects set to begin delivering oil and gas
24-Aug-14 The Jakarta Globe Indonesia’s Car Exports to Jump 93 Percent Next Year
27-Aug-14 The Jakarta Post Legal barrier to geothermal development removed
31-Aug-14 Bisnis Indonesia Automotive Industry Expected To Increase Local Content
3-Sep-14 The Jakarta Globe Coal Sellers Delay Offers Following New Permit Rules

Laos

9-Aug-14 East Asia Forum After joining the WTO, what’s next for Laos
23-Aug-14 The Nation Laos-China rail link prospects increase
3-Sep-14 Bangkok Post Laos poised to add fourth listed firm

Malaysia

18-Aug-14 The Star Malaysia’s services sector to contribute more to economy
18-Aug-14 The Edge Safeguard probe into hot-rolled plate imports
19-Aug-14 The Edge Ownership cap on plantations may impact M’sia
20-Aug-14 The Edge Palm oil producers to focus more on downstream activities
21-Aug-14 The Edge Malaysia’s oleochemical aspirations hampered
26-Aug-14 The Edge MAI confident that vehicle sales will surpass 680,000 units this year
26-Aug-14 The Star Lack of supportive measures hurting shipping sector
28-Aug-14 The Edge Fairchild closure won’t dampen Penang’s growth
2-Sep-14 The Edge Malaysia’s domestic economy firing on all cylinders

Wall St (Featured Video)

US continues to grow but slowly

U.S. economy in August continued slow and hesitant growth though some bright spots emerged, according D&B’s September 2014 U.S. Economic Health Tracker. The Small Business Health Index rose nearly half a point based on strong improvement in bill and credit card payments; 247,000 new non-farm jobs were added to U.S. payrolls and the U.S. Business Health Index remained virtually unchanged. Overall, U.S. businesses maintain on-time bill payments and exhibit lower risk of failure over the next 12 months. But with conflicting performance of leading indicators, D&B is downgrading the 2015 real GDP forecast to 2.9% annual growth while still projecting robust monthly labor growth.

Click Here to view this video.
Myanmar

18-Aug-14  Myanmar Times  Timber tender to feed domestic sawmills
18-Aug-14  Myanmar Times  Delegation to legalise rice trade with China
25-Aug-14  Myanmar Times  Car dealers mull import finance
28-Aug-14  Myanmar Times  Poultry producers flock against chicken importers
1-Sep-14  Myanmar Times  Five drastic proposals for the Companies Act

Philippines

11-Aug-14  Daily Inquirer  Philippines is fastest-growing Asean auto market
14-Aug-14  Manila Bulletin  Banks' NPL ratio stable, says BSP
19-Aug-14  Business Mirror  3 BPO firms to locate in Iloilo City
21-Aug-14  Manila Bulletin  Robotics automation a trend to watch in BPO
26-Aug-14  Manila Standard  Agricultural biotechnology seen boosting PH food exports bid
27-Aug-14  Manila Bulletin  BIR reports cigarette production up, alcoholic drinks output down
29-Aug-14  Business World  Steady growth seen for Philippine health care services industry

Singapore

4-Aug-14  Channel News Asia  Premature' to relax property cooling measures now
13-Aug-14  Singapore Business Review  Local consumer electronics firms look to the West
13-Aug-14  Singapore Business Review  Locally-oriented sectors the culprit behind productivity stagnation
13-Aug-14  Singapore Business Review  Risks intensify as Singapore becomes more service-oriented
19-Aug-14  Channel News Asia  Singapore space industry gets boost with new satellite centre
21-Aug-14  Channel News Asia  Transport sector outlook positive but challenges lie ahead
22-Aug-14  Channel News Asia  Despite slow sales, Singapore retail sector 'not in crisis'
26-Aug-14  Channel News Asia  Singapore investor sentiment hits a new high

26-Aug-14  Singapore Business Review  Local investor sentiment hits 15-month high amid property decline
27-Aug-14  Singapore Business Review  Transport engineering output plunges amid sluggish repair jobs

Thailand

19-Aug-14  Bangkok Post  Infrastructure funds drive
20-Aug-14  The Nation  Rice quota to EU set at 768 tonnes for Sept
21-Aug-14  Bangkok Post  Solar power primed for heat stroke
23-Aug-14  The Nation  AEC integration to boost Thai export growth, study finds
25-Aug-14  The Nation  Transport gets high priority
28-Aug-14  The Nation  The Nation  Mega-projects 'to boost growth'
29-Aug-14  The Nation  Better railway 'needed to escape middle-income trap'
1-Sep-14  Bangkok Post  Rice exports hit 3-year high in July
5-Sep-14  Bangkok Post  Confidence at 13-month high

Vietnam

23-Aug-14  Global Post  Vietnam earns over 1b USD from cashew nuts exports in 7 months
23-Aug-14  The Voice of Vietnam  EU-funded project helps boost timber production
23-Aug-14  Intellasia  Gas finds offshore Vietnam may feed new pipeline
26-Aug-14  Intellasia  Asian big investors prefer Vietnam’s retail market
28-Aug-14  Intellasia  Government may cut rubber export tax to zero from current rate of 1%
28-Aug-14  Vietnam News  Government lowers income tax for firms
29-Aug-14  Vietnam News  Automobile imports surge despite slow growth
29-Aug-14  Vietnam Plus  Capital flow pours into local fibre industry

Feedback
We welcome your feedback so please send us your comments or email yonge@dnb.com to subscribe or unsubscribe to the monthly ASEAN Newsflash.

Disclaimer
The information in this newsletter is provided “as is” without warranty of any kind. In no event will D&B or its information providers be liable in any way with regard to such information or your use of it. D&B makes no representations, warranties or endorsements with respect to any websites or services that are linked to this newsletter, or information thereon. When you access a non-D&B site, or information from a non-D&B site, you acknowledge that D&B has no control over the content or information at that site, and that it is your responsibility to protect your systems from viruses and other items of a destructive nature.
In conjunction with the new phone and tablet launches this month, our interactive infographic from the Hoover’s and First Research teams at D&B illustrates the challenges and opportunities facing manufacturers and their complex supply chains. To view interactive online version, click here.