



US Establishes Policy for Exports of Armed Drones

(<http://www.gulf-times.com/eco.-bus.%20news/256/details/427797/us-establishes-policy-for-exports-of-armed-drones>)

The US government last week established a policy for exports of military and commercial drones, including armed ones, and said it plans to work with other countries to shape global standards for the use of the controversial weapons systems. It could help US companies boost sales of military and commercial drones in an increasingly competitive global market. The change also follows stern warnings by top US officials about rapid advances in weapons technology by China, Russia and other potential foes, including unmanned systems. China has its own ambitious drone program and has exported drones to at least

nine countries, including Pakistan, Egypt and the United Arab Emirates, while it is also in talks with Saudi Arabia and Algeria for sales, according to Chinese state media.

The new policy will make it easier for America's closest allies to buy armed drones, while maintaining stringent controls on the overall technology, US officials said. Under the policy, buyers of military drones will have to agree to strict conditions, including adherence to international law, and a ban on using the drones for unlawful surveillance or to crack down on their domestic populations. (BAI)

France Adopts Economic Reform Law

(<http://www.iol.co.za/business/international/france-adopts-economic-reform-law-1.1821066#.VOd1do5u6zk>)

Macron's law, as the legislation has become known, sets out a series of measures to change sectors of the economy - such as the legal profession - and softens

rules related to opening times for businesses, including allowing opening times on some Sundays. It also laid out a plan to selling some state assets, including shares

in provincial airports. The legislation is aimed at spurring economic growth in France, which has struggled with mounting unemployment.

Supporters of the plan also aim

to send a message to the EU that France is re-structuring some of the core elements of its economic regulations and taking seriously its commitment to lowering the government deficit. **(BAI)**

Indonesia-Japan Economic Partnership Agreement (IJEPA) Reviewed

(<http://www.indonesia-investments.com/news/todays-headlines/indonesia-japan-economic-partnership-agreement-ijepa-reviewed/item5244>)

Indonesian Trade Minister Rachmat Gobel said that the continuation of economic cooperation between Indonesia and Japan, as set out in the Indonesia-Japan Economic Partnership Agreement (IJEPA), is to be reviewed soon by both countries. Gobel met Japan's Prime Minister Shinzo Abe and Japan's Minister of Economy, Trade and Industry Yoichi Miyazawa in Tokyo today. In the IJEPA it was mentioned that cooperation between both countries can be reviewed after the bilateral free-trade agreement had been in effect for five years.

The Indonesia-Japan Economic Partnership Agreement (IJEPA), which had come into effect on 1

July 2008, was Indonesia's first bilateral free-trade agreement. The agreement was made in an effort to enhance the cross-border flow of goods and people as well as investment between both countries. Trade Minister Gobel stated that the review may be conducted this year and hopes that the partnership can contribute to the Indonesian government's ambitious target to raise economic expansion to 7 percent (y/y) by the end of President Joko Widodo's first term in 2019 as the IJEPA was designed to boost Indonesian exports to Japan and to facilitate Japanese FDI into Southeast Asia's largest economy. **(BAI)**

Indonesia, UK Commit to Increase Bilateral Trade, Investment

(<http://www.antaranews.com/en/news/97669/indonesia-uk-commit-to-increase-bilateral-trade-investment>)

The governments of Indonesia and the United Kingdom agreed to a two-fold increase in bilateral trade and investment, Indonesian Foreign Affairs Minister Retno Marsudi and her British counterpart Philip Hammond confirmed. At present, the UK is the fourth largest trade partner of Indonesia, with the trade value between the countries at US\$2.7 billion. It is also the biggest investor from the European region, with a total US\$1 billion in investments in 2013.

Besides trade and investment, both ministers discussed granting

visa exception to diplomatic and state officials, and also ways to ease processes involved in granting regular visas to Indonesian citizens who wish to visit the UK. A simpler visa procedure for diplomatic and state officials is expected to encourage investment and trade negotiations between the two countries, while the same for regular visas is aimed at enhancing interaction among people, as there are two thousand Indonesians studying in the UK and 230 thousand British tourists in Indonesia every year. (BAI)

Asean Economic Community Raring to Go

[Http://business.asiaone.com/news/asean-economic-community-raring-go](http://business.asiaone.com/news/asean-economic-community-raring-go)

Anticipation and concern are both abound as ASEAN gears up for the launch of the ASEAN Economic Community (AEC) this year. With one of the world's fastest emerging economies, the AEC - an integration of the 10-member ASEAN countries into a single market and production base - is set to open more doors for mem-

ber states and unleash further economic potential for the region.

Malaysia, which holds the ASEAN chair this year, is committed to realising the vision of the ASEAN community, the nation's Prime Minister, Najib Razak, said at the inaugural Cap10 ASEAN CEO summit held in Kuala Lumpur on Thursday. The summit gath-

ered more than 1,000 economic and trade policy makers and CEOs of ASEAN-based companies for a conversation on regional opportunities. Prime Minister of Malaysia said the community is designed to open up opportunities for people and businesses, by creating an ASEAN with freer movement of goods, services, skilled labour and capital.

The window of opportunity for ASEAN over the next two decades is the biggest it's ever going to be, dean of the Lee Kuan Yew School of Public Policy, Kishore Mahbubani, said at the summit, citing that the Asian middle class is set to surge 3.5 times from 2010 to 2020. But Prof Mahbubani added that ASEAN's ambition is plagued by twin challenges. One is that the ownership of ASEAN has been primarily with the leaders and has not percolated down to the people of ASEAN. The other is that the current ASEAN leaders do not seem to show the same level of commitment to ASEAN as the previous generations did.

ASEAN has gone from an era where it had very strong decisive leaders who made decisions and moved their countries forward to greater democratisation, Prof Mahbubani said. Leaders today have become more internally pre-

occupied taking care of their internal democratic challenges he said. In such a situation when top-down leadership doesn't come and the bottom-up isn't ready, then it's time for the business community to take over the ownership of ASEAN, he said. As a near-term measure to strengthen the ASEAN community, former secretary-general of the UN Conference on Trade and Development, Supachai Panitchpakdi, recommended the formation of a regional infrastructure fund.

At present, infrastructure investments in ASEAN hovers around 2-5 per cent of member countries' gross domestic product. This figure needs to hit 10 per cent for the next decade, with funds being contributed by the government or by the private sector, Mr Panitchpakdi said. Member countries should also agree on a set of infrastructure projects that covers all ASEAN countries, which could be in the form of education services, logistics and electricity, he added.

Meanwhile, Minister of Malaysia's Prime Minister's Department, Abdul Wahid Omar, reiterated the ambition of the ASEAN timezone. There are currently three time zones spanning ASEAN. A common timezone, in his opinion,

will set ASEAN far ahead of the European community and will be a boon for the capital markets.

Prof Mahbubani agreed with both suggestions. Prof Mahbubani said that a single timezone will create a sudden awareness among people in ASEAN that they are finally on the same boat together and has the psychological impact of creating a sense of community will be phenomenal. He also suggested a partnership with the Asian Infrastructure Investment Bank, an international financial institution proposed by China and

provides funding to infrastructure projects in the Asia-Pacific region.

But the top priority for ASEAN this year, in Prof Mahbubani's view, is to persuade its leaders to make ASEAN their number one priority. "2015 is going to be a very critical year for ASEAN - it either takes off or it doesn't," he said. "We have a situation where the leaders are much more internally focused . . . (But) I hope they realise that history will judge them on the basis of what they do in 2015. (MRA)

USTR-Indonesia Trade Rows Rolled Up in Backroom MoU Cigar

<http://thejakartaglobe.beritasatu.com/business/ustr-indonesia-trade-mou/>

The Office of the US Trade Representative has released a memorandum of understanding between the United States and Indonesia that details how the two countries plan to resolve dispute related to vehicle wiring harnesses, mineral ore exports, intellectual property protection and cigars.

The United States and Indonesia settled a WTO dispute over clove cigarettes back in October. Under the terms of the settlement, Indonesia will allow the US ban

on flavored cigarettes to stand. The United States reportedly agreed to resolve several other disputes in exchange for the clove deal. The MOU, which was effective Oct. 3, outlines four areas of agreement.

If the US Congress reauthorizes the Generalized System of Preferences program, the US will give "favorable consideration" to any request from Indonesia to redesignate insulated ignition wiring sets for vehicles (wiring harnesses) as a GSP-eligible product eligible for duty-free treatment, according to

the MOU. The GSP program gives reduced tariff rates to developing countries. The process to consider redesignation of wiring harnesses requires congressional reauthorization of the GSP program and a presidential determination, according to the document.

The United States would also give favorable consideration, at the appropriate time to a request from Indonesia for a competitive need limitation (CNL) waiver, if needed, the MOU said. This would prevent exclusion of wiring harnesses in the event that imports of this product from Indonesia surpass relevant CNL thresholds in the next five years, the MOU said.

The MOU said the United States would not request dispute settlement under the General Agreement on Tariffs and Trade in light of the current application of Indonesia's ban on the export of

certain mineral and mining products. Concerning a proposed rule that would extend the jurisdiction of the US Department of Health and Human Services over a broader range of tobacco products, including cigars and cigarillos, the United States will not arbitrarily or unjustifiably discriminate against cigars or cigarillos from Indonesia, according to the MOU.

The United States and Indonesia also plan to "intensify" ongoing negotiations to reach an agreement to improve protection and enforcement of intellectual property rights in Indonesia, the MOU said. The MOU also said The shared goal of the plan is to address concerns identified with respect to Indonesia in recent Special 301 Reports US goods and services trade with Indonesia totaled \$29 billion in 2012. **(MRA)**

China Allows Companies More Freedom in Free Trade Zone

<http://www.reuters.com/article/2015/02/13/us-china-reforms-ftz-idUSKBN0LH0AQ20150213>

China has opened the door of its tightly-controlled capital account a fraction wider by allowing firms operating within its Shanghai free trade zone to borrow funds without having to go through complicated regulatory hurdles.

Firms -- both non-financial and financial -- in the free trade zone in Shanghai will now be able to borrow up to twice their capital base, double the previous limit allowing them greater access to cheaper offshore financing. Firms in the free trade zone will be allowed to determine their own level of foreign capital financing exposure, according to the central bank's statement released on Thursday. Banks operating in the zone can raise funds either in foreign or domestic currency. Non-bank financial institutions such as securities firms can also import foreign capital but domestic firms are urged not to rely on short-term financing, authorities said.

A foreign exchange strategist at Standard Chartered Bank in Hong Kong said it is a positive step in terms of liberalization of the capital account for the corpo-

rate sector.

Strategists say the latest steps indicate Beijing is looking to accelerate its reform agenda by allowing foreign companies greater flexibility in operating on the mainland and perhaps counter some of the large capital outflows it saw last year.

By allowing greater access to companies to overseas markets, China is hoping to reverse some of the flows and boost the attractiveness of the free trade zone, where the incremental pace of opening has been greeted with lukewarm enthusiasm among foreign companies in recent months. The Shanghai PBOC deputy director said This specific decree means that the capital account for firms in the free trade zone has effectively been opened, another step toward actively deepening capital account opening in China.

China launched the Shanghai free trade zone in September 2013 and officials promised a far more open and streamlined environment for foreign firms to do business there, along with the relaxation of policies for a raft of service sectors. In recent months,

it has speeded up the reform initiative by expanding the footprint of the free trade zone and allowing

full foreign ownership of e-commerce firms in Shanghai. (MRA)

Exclusive: Brazil Wants to Renew Mexico Auto Quotas, Avoid Free Trade

<http://www.reuters.com/article/2015/02/13/us-mexico-brazil-autos-exclusive-idUSKBN0LG2XW20150213>

Grappling with tumbling auto sales and weak economic growth, Brazil wants to renew an auto quota pact with Mexico that is set to expire in March, a move that could stoke trade tensions.

A treaty between the two nations and auto manufacturers, which sets quotas on how many light vehicles Mexico and Brazil can sell each other, expires in March.

Auto trade between the two was then supposed to be fully liberalized, but Brazilian officials are now looking to extend the pact to avoid unlimited competition from Mexico. Minister Trade of Brazil said Brazil must seek to renew the agreement while seeking adjustments in that agreement.

If one option might include reduced quotas, he said he would not rule out that possibility but he would prefer to say that something that he do not see is the chance of increasing the quotas. A source

familiar with the situation earlier told Reuters Brazil wanted to avoid a return to free trade on autos because right now, the conditions aren't right for it.

Another source said Brazil wants a broader treaty with Mexico that would allow free trade between the two Latin American peers in areas where Brazilian goods are more competitive, citing Brazil's \$1.2 billion trade deficit with Mexico in terms of cars and auto parts alone. Brazil would look to renew the car quotas while such a broader free trade treaty was negotiated, this source said. Mexico, which last year passed Brazil to become the biggest auto producer in Latin America, says it wants the existing pact to run its course, and to be able to freely export vehicles to Brazil from March.

Brazil this week invited a Mexican government delegation to a meeting in Brasilia between

Feb. 20 and 25 for talks to revamp the treaty.

Minister of Economy of Mexico said he is going to put everything on the table so that we can return to free trade. It is to have credibility, first you have to respect your accords.

Brazil sees unrestrained Mexican exports as a big threat to its domestic auto industry. A car sold in Mexico can cost as little as half the retail price in Brazil, where high taxes, transportation bottlenecks, powerful unions and trade protections have hurt competitiveness.

Data from the International Monetary Fund shows that Brazil is the most closed major economy in the Americas. Mexico has, by contrast, signed dozens of free trade deals in the past two decades. Brazil's economic growth ground to a halt last year and many economists believe the country will fall into recession in 2015. The country posted its first annual trade deficit in 14 years in 2014.

The auto industry, which contributes a quarter of Brazil's industrial production, has become a persistent headache for recently re-elected President Dilma Rousseff. Targeted stimulus since 2012 gave sales a temporary boost, but

the market contracted by the most in a decade last year as the government pared back the tax breaks to improve its fiscal accounts. **Argentina Imposes Restrictions**

Neighboring Argentina, which recently bought as many as nine in 10 Brazilian cars sold overseas, also imposed severe trade restrictions after a drop in foreign reserves, dragging Brazil's auto exports 40 percent lower to about 335,000 vehicles, the lowest since 1999. Brazil remains one of the world's five biggest auto markets, with decades-old factories run by Fiat Chrysler ([FCAU.N](#)), Volkswagen ([VOWG_p.DE](#)), General Motors ([GM.N](#)) and Ford ([F.N](#)).

The industry has struggled to improve productivity, which hit a decade-low last year as output dropped 15 percent to 3.15 million vehicles. Domestic sales fell 7 percent to 3.5 million vehicles. Meanwhile, Mexico's auto sector has flourished in recent years, with new plants sprouting up across the country as manufacturers look to benefit from the country's proximity to the U.S. market, and because of the nation's cheap wages and myriad free trade agreements.

Boosted by strong demand in the United States and Canada, Mexico auto production rose nearly 10 percent to a record 3.22

million vehicles in 2014, while exports increased 9.1 percent to an all-time high of 2.64 million vehicles. Car makers including BMW ([BMW.G.DE](#)), Kia ([000270.KS](#)), Audi ([NSUG.DE](#)), Honda

([7267.T](#)), Nissan ([7201.T](#)) and Mazda ([7261.T](#)) have all either begun production in Mexico or announced plans to start manufacturing there. (MRA)

Imf Agrees \$17.5Bn Reform Programme for Ukraine

[Http://www.bbc.com/news/business-31436656](http://www.bbc.com/news/business-31436656)

Christine Lagarde, as managing director of IMF explained that the Extended Fund Facility is established to stabilise Ukraine's economy, restore growth, and improve living standards. The programme also agrees regarding other bilateral and multilateral funding to a total value of about \$40billion. In addition, The World Bank will also provide up to \$2billion of that package and said it is vital that Ukraine pushes through reforms and it could prove a turning point for Ukraine. On the other hand, Arseniy Yatseniuk, Ukrainian Prime Minister, debated that the aid package included very difficult reforms contradictory from what Ms. Lagarde said regarding the programme. The managing director of IMF ensured that the new programme is an ambitious one and not without risk. She said that the new programme offers

important opportunity for Ukraine to move its economy forward at a critical moment in the country's history.

The new programme came as Russia's President Vladimir Putin, Ukraine's President Petrooroshenko, and leaders of France and Germany announced that a ceasefire would begin in eastern Ukraine on 15 February. According to Ms. Lagarde the deal was a realistic programme and its effective implementation, after consideration and approval by the executive board can represent a turning point for Ukraine. With the aid came a demand from IMF to reform the corruption, overhaul the energy sector, cut state expenditure, and reduce state bureaucracy. The Ukraine's government expected a total of \$25bn financial support from the IMF as part of a four-year facility, including \$17.5bn to

stabilise the financial situation in the country itself. Furthermore, he added that the Ukrainian economy

could grow in 2016 if Russian aggression was halted and internal reforms were a success. **(PM)**

Eurozone Economy Sees Growth Pick Up

[Http://www.bbc.com/news/business-31451879](http://www.bbc.com/news/business-31451879)

13 February 2015- The rapid economy growth in Germany helped the eurozone's economy grew by 0.3% in the last three months of 2014. The European statistics agency, Eurostat, figured the eurozone economy grow by 0.9% across 2014 as a whole. It was helped by Germany's economy that grew by 0.7% in the quarter, contradictory with the largest economy's growth in the eurozone, France's economy grew by just 0.1% in the same period. Germany was beating the analysts' forecast because their economy grew by 1.6% during 2014. According to the UniCredit economist Andreas Rees that was a thunderbolt, while Germany's economy shrank 0.1% in the third quarter of last year, strong domestic demand helped it to regain momentum in the fourth quarter. In addition, Andreas stated that some spoke of possible recession after the summer but instead Germany had rebounded, the fact that the growth

comes mainly from the domestic economy gave strong grounds for optimism which helped the German Dax Index climbed above the 11,000 mark for the first time. furthermore, Berenberg Bank economist Christian Schulz suggested cheaper oil, a weaker euro exchange rate and government bond buying but the European Central Bank (ECB) should help the German economy.

On the contrary, Greece has a high chance to slip back into recession, especially after the huge uncertainty brought about by the election and subsequent bail-out dispute. In the case of Greece, the 0.2% contraction in the economy in the fourth quarter came after three consecutive quarters of growth. Greece's newly-elected government is currently trying to re-negotiate the conditions of its €24bn bailout from the eurozone. **(PM)**

The Three Big Misconceptions About The Swiss Franc

[Http://www.economist.com/blogs/freeexchange/2015/01/switzerlands-monetary-policy?zid=309&ah=80dcf288b8561b012f603b9fd9577f0e](http://www.economist.com/blogs/freeexchange/2015/01/switzerlands-monetary-policy?zid=309&ah=80dcf288b8561b012f603b9fd9577f0e)

21 January 2015- The Switzerland's central bank, the Swiss National Bank (hereinafter called "SNB") removed its cap on currency on January 15th which it had imposed over three years ago and reaffirmed only three days before its repeal.. Many commentators welcomed the cap's removal, arguing that the policy was either unsustainable, protectionist or risky, exposing SNB to grievous losses. There are several misconception concerning this removal, first regarding the unsustainability. Exchange-rate pegs often fail, to prop up its currency a central bank might have to buy a large amounts of its own money in exchange for dollars or euros. Eventually, it will exhaust its hard-currency reserves forcing it to abandon its peg. Persisting with the currency cap might have psuhed up prices. The second one is concerning whether or not

the Swiss central bank needed to worry about big losses on its euro holdings, if the SNB had stuck with its cap its holdings of the single currency would have swollen in size. With the single currency weakening in anticipation of further monetary easing by the European Central Bank, this hoard was likely to grow to epic proportions. The last misconception is concerning that the cap was protectionist, when the SNB imposed the cap back in September 2011 the Swiss franc was strengthening fast, the strong franc made Switzerland's upscale goods even pricier abroad and damaging its exporters competitiveness. It exposed the SNB to a loss of face but not to a financial loss of any great economic consequence. SNB should find a new way to fend off deflation right now. (PM)

Japan Economic Outlook

[Http://www.ibtimes.com/japan-economic-outlook-2015-economists-forecast-q4-gdp-expand-37-economic-growth-1817062](http://www.ibtimes.com/japan-economic-outlook-2015-economists-forecast-q4-gdp-expand-37-economic-growth-1817062)

15 February 2015- According to analysts polled by Thomson Reuters Japan's gross domestic product is predicted to expand at a 3.7 seasonally adjusted annual rate in the fourth quarter after shocking the global financial markets in November when it unexpectedly fell into recession. The forecast economy expansion largely driven by improvements in exports, less business failures, higher employment and a weakening yen. The analysts put the blame toward the consumption tax increase that went into effect in April. The recession led the Japanese Prime Minister Shinzo Abe to delay a second sales tax hike at the end of last year for 18 months. When Abe was elected for a second term in December 2012, he launched his plan to bolster Japan's economy at the start of his first term in 2006-2007. Abe's monetary policy con-

sists of printing additional currency to make Japanese exports more generate modest inflation. The

Bank of Japan stunned the global financial markets in October by expanding its already massive stimulus program, and also its Governor Haruhiko Kuroda agreed to inject 80 trillion yen into economy through its quantitative program, up from 60 to 70 trillion yen. On the other hand, Japan's global competitiveness in key technology sectors is still fairly good, driven by improvements in manufacturing orders, less business failures and higher employment. However, Japan is still facing a long-term challenge of an aging labor force, weak consumption, or the amount of money spent by households in the economy. Many economists are forecasting positive growth out of Japan in the first half of 2015. **(PM)**