

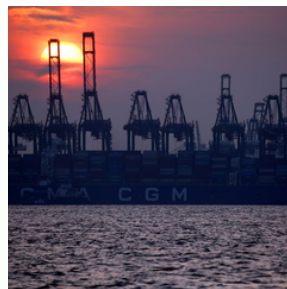
Source: SCMP

In this week, we cover:

- Marine Protection; Global South; Singapore & Malaysia; Southeast Asian Front
- Vietnam's President resigns
China population decline; UN OHCHR in Sri Lanka; Pakistan: Asia's weakest economy

• Analysis:

An Insight into China's economy in 2023 by Prof Roger Liu



Source: Reuters



Source: SCMP

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Chair, CSSAS FLAME



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MESSAGE FROM THE CHAIR



Dear Readers,

As the Chair of the Center of South and Southeast Asia Studies at FLAME University (CSSAS FLAME), I am happily announcing the launch of our newsletter. In this second version, our team provides you with the most essential news in the Indo-Pacific Region.

Reorganized in 2018 on the FLAME Campus with an international collaboration model with the National Chengchi University of Taiwan, CSSAS FLAME aims to promote the research capacity in political, economic, social, and cultural studies of the Indo-Pacific region. A member of an international network of prominent think tanks in the Asia Pacific, CSSAS FLAME is dedicated to the understanding, collaboration and connection between research communities, educators and students within India and across the region. At the same time, CSSAS FLAME serves as a platform for FLAME community members to better interact with their international counterparts in Indo-Pacific countries.

Since 2018, CSSAS has hosted talks, workshops, and conferences as well as other forms of scholarly and student exchange activities to promote Indo-Pacific studies in the context of India's Act East Policy. With the launch of our routine newsletter, we wish to enhance our readers' understanding of the regional political, social, economic, and strategic developments in South and Southeast Asia.

We hope you enjoy it and look forward to your feedback and suggestions.

Dr. Roger C. Liu

Chair, CSSAS FLAME

Cooperation on Marine Protection between China and Southeast Asian Nations can reduce Regional Tensions:

Analysts James Borton and Vu Hai Dang throw light on an environmental approach toward containing regional tensions in the South-China Sea areas. After going through various research studies they believe that growth in collaboration toward protecting marine life can help reduce political contestations around that area. Marine protected areas (MPAs) are being embraced by China and Southeast Asian countries to boost ocean health. Threats to marine species include increasing sea levels, habitat degradation, illegal and unreported fishing, and climate change. Over the previous two decades, China has lost a significant portion of its mangrove cover and more than 80% of its coral reefs. Conserving and rebuilding damaged coastal habitats are top concerns in these no-development zones. The creation of a network of regional MPAs gives the opportunity to reduce tensions and improve collaboration in a region with complex territorial and maritime conflicts like the South China Sea. Cooperative marine science initiatives have led to policy advancements that have advantages for the South China Sea's new MPA creation. The creation of MPAs does not need the industrial extraction and pooling of marine resources, unlike oil and gas production and fishing.

As the Egyptian economy falters, Sisi is turning to the Chinese government for support: On 22 January, the Chinese Foreign Minister Qin Gang's five-nation African tour in Egypt came to an end. The minister held separate meetings with Abdel Fattah al-Sisi, the president of Egypt, and Ahmed Aboul-Gheit, the secretary-general of the Arab League.

The visit took place at a perilous time for Egypt's currency and economy, which the government has allowed to plunge sharply—17% since Jan. 1 and 50% in the last 10 months—in an apparent rediscovered acceptance of a flexible exchange rate policy. He and his Egyptian colleague, Sameh Shoukry, stated during a joint news conference that they had discussed challenges in the region, such as the Israeli-Palestinian conflict, fighting terrorism, and attaining regional security. With the International Monetary Fund, Cairo reached a \$3 billion rescue agreement last month. Given the volume of trade between the two nations and the fact that China is the biggest user of the Suez Canal—a vital route for transporting its commodities to Europe—China stands to lose if Egypt's economy collapses. Qin emphasized Beijing's commitment to supporting Egypt's economy by importing Egyptian goods and boosting Chinese tourism there, which is a big source of income for the nation, which suffered greatly during the pandemic but has steadily recovered despite a decline in Chinese visitors.

Global South to Collaborate on Environmental Challenges: With climate change becoming more prominent by the day, delegates from the Global South countries convened on a panel for the Round Table on Global South and Global Governance for Life. The round table was held on January 17, 2023 in India, and discussed the need for a collaborative effort in fulfilling the G20's commitment towards the Sustainable Development Goals. The Round Table also addressed the impact of Covid-19 on global trade and economy, especially on developing countries. Mustafizur Rahman from the Centre for Policy Research highlighted the

need for developing countries to have access to technology and special trade provisions to ensure profitable trade for the Global South Countries. With the aim of meeting the SDGs, the Global South aims to facilitate collaboration between governments, civil societies, and private organizations and strengthen their collaborative environmental foreign policies.

America's Constrained Efforts Towards Strengthening Policy on the Southeast

Asian Front: Southeast Asia is emerging to be a strategic region in the world. In light of the US-China standoff, the USA is even more inclined towards acting in the region. In 2022, officials from the US administration visited countries in the region to clarify their approach and strategy. This move gave further impetus to the Comprehensive Strategic Partnership between the USA and the ASEAN. In fact, President Biden personally attended three multilateral talks, between the USA and ASEAN and East Asia in Cambodia, and the G-20 summit held in Indonesia in 2022. US Vice-President Kamala Harris attended the Asia-Pacific Economic Cooperation summit in Thailand; US Secretary of State, Antony Blinken visited Cambodia, Indonesia, the Philippines, and Thailand; Defence Secretary Lloyd Austin travelled to Cambodia, Singapore, and Indonesia; and Deputy Secretary of State Wendy Sherman visited Laos, Vietnam, and the Philippines on behalf of the United States of America. After two years of the Covid-19 induced virtual reality, for members of the President's cabinet and for the President himself to attend in-person built a strong foundation for the USA to further its foreign policy in the region and counter China's growing presence. However, the Biden administration lacks a strong and viable economic strategy. Despite its best attempts to formulate strategies in the region, the USA failed to address the concern all Southeast Asian countries had i.e., additional market access to the US.

Therefore, its attempts to strengthen foreign policy with the Southeast Asian countries is marked by half-hearted attempts and caution.

Vietnamese PM's Visit to Laos Indicates Deepening of Comprehensive

Relationship Strategy: Vietnamese Prime Minister Pham Minh Chinh's recent visit to Laos on 11 and 12th January, 2023 marked an important milestone in the enduring foreign relations between both countries. PM Chinh visited Laos and met Laotian PM Sonexay for the first time since his leadership. The meeting was crucial as it showed promise of strengthened relations and mutual cooperation, as well as a wrap to the Laos-Vietnam Solidarity and Friendship Year 2022. At the same time, the Vietnam-Laos Intergovernmental Committee's 45th meeting that was co-chaired by the two PMs was finally held in Laos after being held in Vietnam for four years. The visit realized the diplomatic policy that had been worked out by the Vietnamese 13th National Party Congress and aimed to develop closer ties with its neighbouring ASEAN countries. The two countries signed multiple bilateral agreements, created a structure for greater friendship and comprehensive partnerships, and decided upon a mutually beneficial defence cooperation policy. The two nations thus aim to develop closer socio-economic ties in the same way that their predecessors did in their respective Independence Movements.

Singapore and Malaysia to Settle Claims Over Pedra Branca Island by

January 2023: Singapore and Malaysia have engaged in what can be described as a long-standing custody battle over the Pedra Branca Island, leading to discontent between the two nations. However, on November 24, 2022,

when Anwar Ibrahim took office, matters changed for the better. In December 2022, Malaysia's Attorney General Idrus Harun started reviewing the claim dispute over Pedra Branca Island that Malaysia refers to as the Pulau Batu Puteh Island. According to PM Anwar, "The Cabinet has tasked the A-G to look into the matter so that negotiations and discussions with Singapore on Batu Puteh will have a meaningful outcome." PM Anwar is set for his first official visit to Singapore by the end of January 2023 in order to ensure significant progress on the relations between the two countries and enter talks on possible bilateral collaborations in digital and green economy areas.

Politics

Vietnam's President Nguyen Xuan Phuc resigns amidst allegations of corruption:

On 17 January, Vietnamese President Nguyen Phuc stepped down as the President ahead of a National Assembly meeting that may signal a possible government reshuffle. The Vietnamese News Agency said the decision to resign came after the ruling Communist Party's allegations of Phuc being responsible for "violations, wrongdoing" by junior officials. His resignation comes after the Communist Party intensified its fight against corruption. Two former Deputy Prime Ministers had also been dismissed earlier this month. It remains unclear who would replace Phuc but analysts speculate that the Minister of Public Security To Lam may step up.

China's population on the decline; birth rate drops for the first time in 60 years:

Demographers have predicted that China's population will continue to decline unless "all-out efforts" are taken after finding that the population shrunk for the first time in 2022.

On 17 January, the National Bureau of Statistics confirmed a drop of 850,000 in the population. The national birth rate of the world's most populous country fell to a record low of 6.77 for every 1,000 people. Many provincial and municipal authorities have begun offering incentives to couples to have more children. However, decreasing childbirth rates as well as a shrinking young population could pose economic challenges to the country.

UN OHCHR directs Sri Lanka government to compensate victims of 2019 Easter Sunday bombings:

A United Nations Office of the High Commissioner for Human Rights spokesperson directed the Sri Lanka government including former President Sirisena to offer compensation to the victims and victims' families of the 2019 Easter Sunday bombings following a ruling by the Supreme Court that provided found evidence suggesting the government failed in protecting its citizens despite having prior knowledge of the attacks. The series of explosions and attacks at churches and hotels across the country in April 2019 claimed the lives of more than 270 people. The OHCHR has directed senior government officials and the former President to personally deposit USD 850,000 individually towards a fund for the victims.

Malaysia's Ex-P.M Najib Razak looks to overturn conviction:

Convicted on charges of money laundering, abuse of power, and money laundering in July 2020 former P.M Razak is seeking a review on his 1MDB-linked case. Facing a twelve-year long sentence and a US\$46.8 million fine, in August 2022 the 69-year-old began serving his sentence over the illegal transfer of US\$9.7 million. The case was upheld by Malaysia's Court of Appeal in December 2021 and a judge referred to Najib's actions as a national disgrace.

Yet, lawyer Shafee Abdullah called for the High Court judgment's disqualification due conflict of interest surrounding the judge and his previous council's incompetence, among other reasons.

Economy

Indonesia's Central Bank hikes interest rate, signals end of tightening cycle: On 19 January, Bank Indonesia (BI), the central bank of Indonesia, raised its key policy rate by 25 basis points, resulting in a total increase of 225 basis points since August. The central bank stated that this level of tightening should be sufficient to bring headline consumer inflation within its 2-4% target range in the second half of the year and keep core inflation under 4%. The Governor of BI, Perry Warjiyo, announced that there will not be any additional rate hikes and the current monetary tightening cycle is coming to an end. Additionally, BI is taking measures to strengthen the rupiah by working with local banks on a plan to keep foreign exchange deposits from exporters onshore through incentives provided by the central bank.

Malaysia's Central Bank keeps interest rate unchanged, signals concerns about economic growth: On 19 January, in an unexpected move, Bank Negara Malaysia (BNM), the central bank of Malaysia, has decided to maintain its benchmark interest rate, indicating concerns about economic growth following the four consecutive rate hikes of the previous year. The overnight policy rate was held at 2.75%. The bank has declared that future monetary policy decisions will be based on both domestic inflation and economic growth projections. BNM has also highlighted potential negative impacts on the economy such as geopolitical tensions,

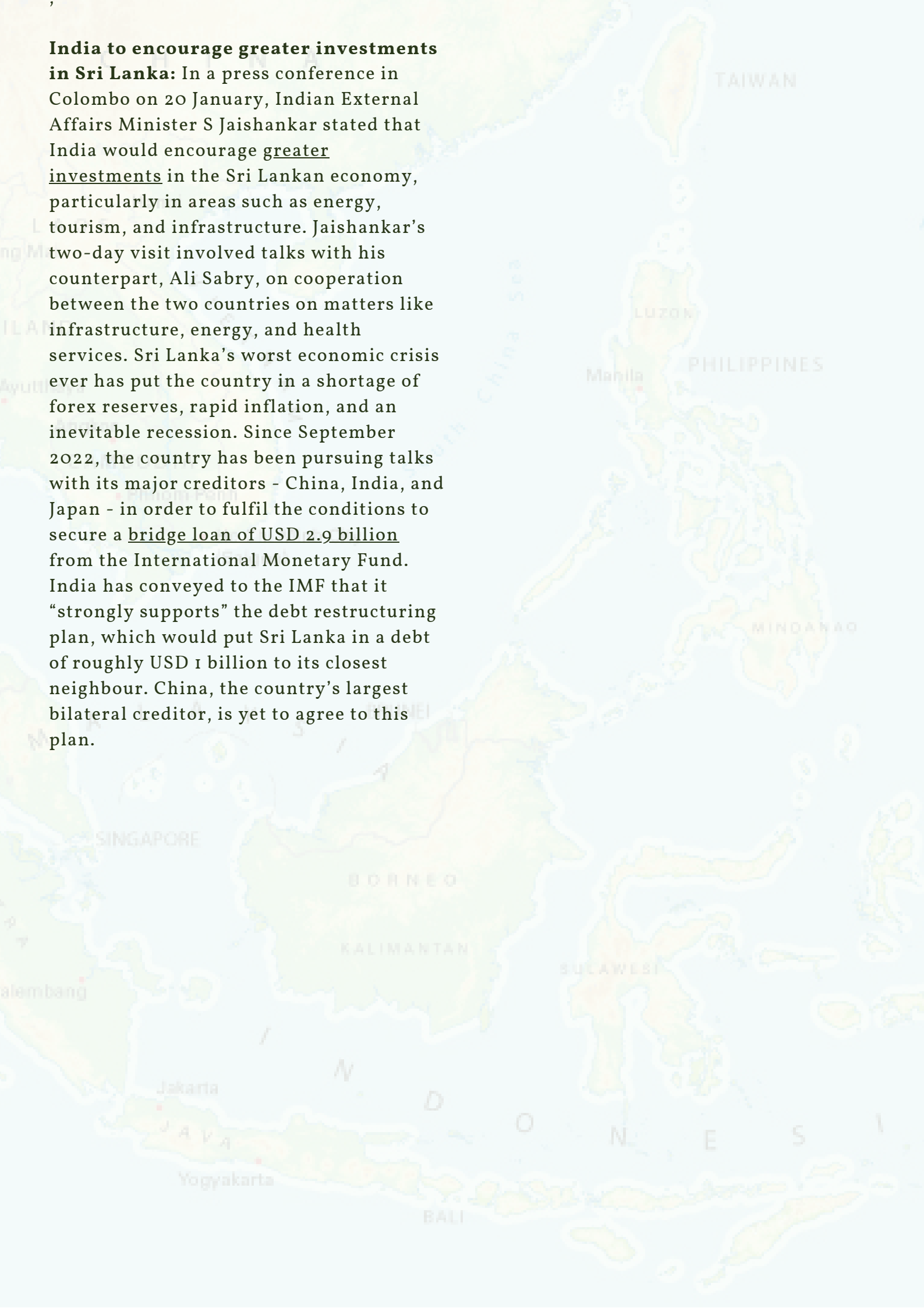
weaker growth in developed economies, and a tightening of financial market conditions. Analysts predict that BNM will maintain its interest rates for the rest of the year and commence cutting in 2024.

Singapore's non-oil domestic exports decline in December 2022: In December 2022, Singapore's non-oil domestic exports (NODX) decreased by 20.6% year-on-year (YoY), primarily driven by drops in electronics and non-electronic products. On a monthly basis, NODX decreased by 3.3% in December following a 9.2% drop in November. As a result, the full-year NODX growth in 2022 was 3.5%, which is the slowest annual growth since 2019. Moreover, exports to China dropped by 31.8% and to Indonesia by 35.4%, while exports to Japan and South Korea increased by 6.8% and 14.3% respectively. OCBC economist Selena Ling expects NODX in the first quarter of 2023 to contract by up to 17% YoY due to the global recession concerns.

Pakistan Asia's weakest economy, states World Bank report: The World Bank's Global Economic Prospects report, released on 10 January, revealed that Pakistan is South Asia's weakest economy, and that the country is forecast to grow at a rate of 2 percent in the fiscal year 2022/23. The floods in July last year struck a lasting blow to Pakistan's economy, as the report attributed the economic slowdown to the lasting damage caused to almost a third of the country, and resulted in damage "equivalent to about 4.8 percent of GDP". Repercussions of the floods, persistent "policy and political uncertainty", and drastically low levels of forex reserves (USD 4.6 billion) will continue to threaten the country's economic survival, unless major steps are taken to pull the country out of poverty.

India to encourage greater investments

in Sri Lanka: In a press conference in Colombo on 20 January, Indian External Affairs Minister S Jaishankar stated that India would encourage greater investments in the Sri Lankan economy, particularly in areas such as energy, tourism, and infrastructure. Jaishankar's two-day visit involved talks with his counterpart, Ali Sabry, on cooperation between the two countries on matters like infrastructure, energy, and health services. Sri Lanka's worst economic crisis ever has put the country in a shortage of forex reserves, rapid inflation, and an inevitable recession. Since September 2022, the country has been pursuing talks with its major creditors - China, India, and Japan - in order to fulfil the conditions to secure a bridge loan of USD 2.9 billion from the International Monetary Fund. India has conveyed to the IMF that it "strongly supports" the debt restructuring plan, which would put Sri Lanka in a debt of roughly USD 1 billion to its closest neighbour. China, the country's largest bilateral creditor, is yet to agree to this plan.



China's Economy in 2023: What to Expect

Prof. Roger Liu



Source: Shutterstock

China's National Bureau of Statistics recently announced the GDP growth rate for 2022. Falling short of the 5.5% growth rate set up by the government of China, last year Beijing experienced the second worst GDP expansion, only after 2020. It is the same time China started to see a big population problem. As the most populous country in the world, The total population of China is shrinking and aging.

Will China's economy gets better or worse in the new year? Here are some factors that we can look at from the macroeconomic perspective:

1. Domestic consumption

Domestic consumption is usually the largest and most important component in explaining the boosting or shrinking economy. Last year, the contribution of domestic consumption in the Chinese economy only accounted for 32.8%. In the past few years before 2020, this level is about 65%. The current change of the zero Covid policy has revived domestic and international travel, as well as domestic consumption. If the government of China in this year can continue creating a safe environment to sustain Chinese consumers' confidence, then the contribution level of domestic consumption is expected to maintain and make a contribution to the economy overall.

Real estate will be a key factor in Chinese consumers' confidence. To reach the goal of economic growth, the government of China and the authorities are highly likely to adopt policies favorable to the general real estate market.

2. Government Spending

During the Covid years, government spending from the Party-State has been an important factor to maintain the Chinese economy from crumbling. Government spending in the new year is expected to go up; the revival of the Belt and Road Initiative (BRI) will definitely play a very important role in digesting the stock materials and as a platform for government spending.

3. Investment (domestic and international)

Benefiting from higher saving rates, domestic investment in China has played a key role during the Covid times to maintain economic growth. In the new year, investment from domestic institutions and individuals can be higher.

In 2023, the level of international investment into China's market is more likely to increase, due to the improved relations between Beijing and Washington, as well as other EU countries. However, the competition in key and strategic industries (ICT, pharmaceutical, infra, etc) has become a long-term trend, as these might have some spill-over effects into other non-strategic sectors or industries (such as climate change-related; green energy; EV, and others).

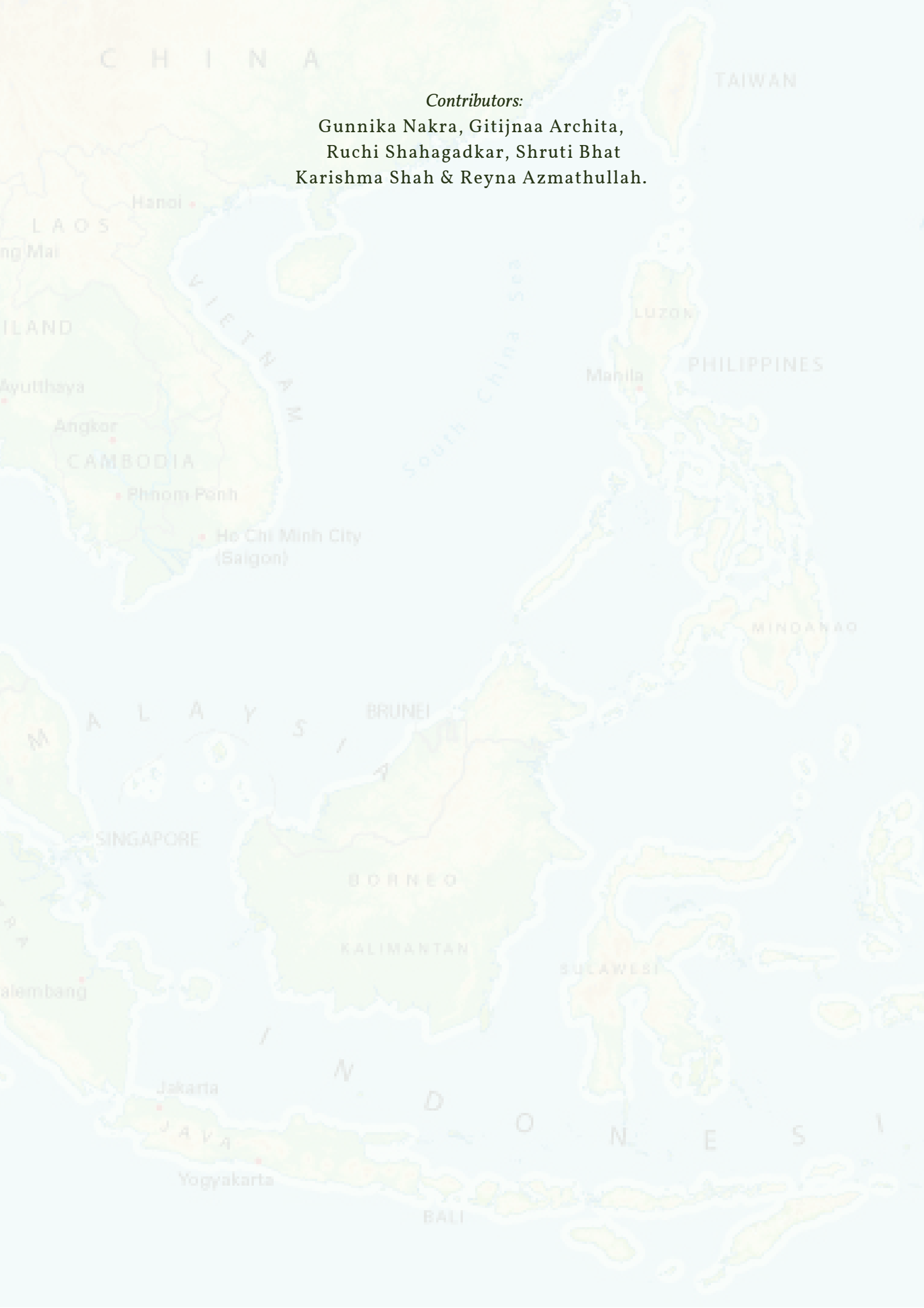
4. Trade

China's trade depends on the revival and recuperation of the US and EU markets. As predicted by most market watchers, the revival prospect of the EU and US markets is not very optimistic. As a result, this will further limit China's expansion of GDP through the trade sector.

However, there are emerging markets that cannot be ignored. One possible major boost of China's tri-sector may come from the newly formed and functioning structure of the Regional Comprehensive Economic Partnership, or RCEP. With further integration between China and ASEAN countries in the market, supply chain, know-how, etc, volumes of regional trade would go up. Another factor will be the Belt and Road initiative, or BRI. As a variety of major infra projects are completed in South and Southeast Asian countries (as well as African and South American countries), the attraction to further and deeper trade relationships between China and these BRI recipient countries could make a contribution to China's expansion in the trade sector (although the effects would be smaller compared with the contributions made by revived US/EU markets).

5. Geopolitics (great power competition)

China's economic growth could also be influenced by the following Geo political events. The most influential one in Taiwan. As Taiwan is having its presidential election in January 2024, the Chinese coercive strategy towards this democratic vibrant island nation will definitely escalate in the year 2023. How well China could manage the situation and tensions across the Taiwan Strait, as well as its strategic relations with other powers such as Japan and the US, could be a factor in China's economic revival.



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