

# Fuel price rise tests Indonesia leader's poverty pledge

AFP, Jakarta

In an old cemetery in the Indonesian capital, Enur's family and others live in makeshift houses between tombstones, a handful of the millions of poor people that new President Joko Widodo has pledged to help.

But Widodo's promise to close a fast-growing wealth gap is looking tougher after his decision last week to hike subsidised fuel prices, which observers warn will hit the poor hard as food prices rocket due to higher transportation costs.

While the reduction in government subsidies is widely viewed as the right move towards getting Southeast Asia's top economy back on track, for those at the bottom it will mean a harder time in the short term.

Enur, 40, who earns about 50,000 rupiah (\$4) a day to feed his family by driving a construction truck and selling fried snacks, sees no other choice than to borrow more to deal with an expected spike in inflation.

"What else is there to cut? Should I halve our daily rice intake? My children will be crying in hunger," the father of two, who has another child on the way and goes by one name, told AFP.

It is the same story for his neighbours at the Jakarta cemetery, many of whom work as scavengers in the city's rubbish dumps, hunting for plastic bottles and cardboard boxes that they can sell on to scrape by.

About 100 million Indonesians, out of a population of 250 million, have missed out on the country's sustained economic boom over the past decade, living below or just slightly above the poverty line.

The country's Gini coefficient, which measures income inequality, rose from 31 percent in 2001 to 41 percent in 2012, one of the fastest rates in Asia, the World Bank said. The higher the figure, the less evenly wealth is distributed in an economy.

The gap is all too clear in Jakarta, a sprawling metropolis where flashy Lamborghini sports cars zoom past people hauling wooden carts filled



A man at a fuel station prepares to fill up motorist vehicles in Jakarta.

with rubbish that they are trying to sell, and in which they sleep at night.

In the short term, the increase in fuel costs risks widening this gap. Fuel prices rose more than 30 percent, to 8,500 rupiah (70 US cents) for a litre of petrol and 7,500 rupiah for diesel, but are still among the cheapest in the world.

While it is Indonesians wealthy enough to own cars and motorbikes who mainly benefitted from the subsidies, they are not the ones who are hardest hit when the payouts are cut, observers warn.

The government predicts inflation will increase by around two percent in the coming weeks but the poor, who often live in remote places where it is more difficult to transport food, will face even higher price rises.

Inflation was 4.8 percent year-on-year in October.

Nevertheless, observers agree that Indonesia had no choice but to reduce the subsidies that gobble up a huge chunk of the state budget, particularly at a time growth is slowing and the money is needed to help the economy.

"It is a bitter pill that we have to swallow because we need it," Asep Suryahadi, the director of a think-tank focusing on poverty, SMERU, told AFP. They also say that any inflation spike is

likely to be temporary -- after an increase in the fuel price last year, the rate jumped initially but then dropped back.

Widodo, who took office last month, argues that in the long term the money can be diverted to aid the poorest, through programmes aimed at helping the country's many millions of hard-pressed farmers and fishermen.

Just before the fuel price was increased, Widodo, known by his nickname Jokowi, also launched a system of benefit cards to help the poorest across the sprawling archipelago. This included immediate cash handouts for the poor families to cushion the impact.

However analysts believe that such moves are insufficient to stave off the short-term effects of a broad rise in the cost of everyday goods. "These cards are an intervention to solve a long-term problem," said Sonny Harmadi, an economist from University of Indonesia's demographic institute.

While he is worried about the looming price increases, Enur is also patiently looking to the long term, and hopes the new government might find him a secure job.

"Give us a job, a barn where we can do the simplest of tasks such as making shirts, stitching buttons, and give us houses next to it," he said.

## Coal India trade unions call off strike in victory for Modi

REUTERS, New Delhi

The labour unions of state-run Coal India have called off a strike planned for Monday in protest against a stake sale and opening up of the industry, setting the stage for Prime Minister Narendra Modi to press ahead with energy reforms.

Coal India holds a monopoly on commercial coal mining, accounting for more than 80 percent of India's total production.

Union leaders met a senior coal ministry official on Saturday and the strike was postponed until a meeting with the power and coal minister, said SQ Zama, secretary general of the Indian National Mineworkers Federation.

The date of the meeting with the minister has not yet been fixed.

Even before Saturday's meeting, the government and Coal India officials were confident any strike would have little impact as one of the company's five unions, close to Modi's Bharatiya Janata Party, had promised not to join.

The government's sale of a tenth of Coal India could fetch a third of its \$9.5 billion annual divestment target. Asset sales are running behind schedule, pressuring a deficit target of 4.1 percent of GDP for the fiscal year to March.

Emboldened by the biggest electoral mandate in 30 years, Modi has also taken steps to let private companies mine and sell coal in India, for the first time in more than four decades.



Nazeem A Choudhury, head of consumer banking at Eastern Bank, and Subrata Bhowmik, senior deputy general manager of Dom Inno Developments, exchange documents of an agreement in Dhaka recently. Dom Inno customers will get up to Tk 1 crore in loans from EBL.

## German finance minister wants EU to have budget veto powers

AFP, Berlin

German Finance Minister Wolfgang Schäuble said Sunday the European economic and monetary affairs commissioner should have veto powers over national budgets that breach eurozone criteria.

Such a reform would send "a strong signal that we truly honour our commitments", the veteran minister said ahead of a European summit in Brussels next month, in an interview published in news weekly Focus.

The comments come amid tensions between Berlin, which has preached fiscal discipline, and Paris, which is running a budget deficit and urging more stimulus spending.

Schäuble proposed that the economic and monetary affairs commissioner, a post held by Pierre Moscovici of France, "should get the right to veto budgets that violate the euro stability criteria".

"This does not violate national budget laws. The parliaments of the member states concerned can still decide whether to cut spending, increase taxes or introduce other pro-growth reforms." He hoped that leaders at the December summit "send the credible message to take this path".

Schäuble said the eurozone needed to show it is united in the determination to improve its fiscal governance.

"We need to show that we want to jointly proceed toward a fiscal union," he told Focus.

"That means that the eurozone states

commit themselves to reducing debt. It must be clear that we want to anchor the euro irrevocably, permanently.

"We have achieved this with the banking union but not yet with the fiscal union."

The timing would be good, given the recent election of a new European Parliament and a new European Commission, he said.

"I would prefer that a European institution enforce the rules," he said, conceding that this would not be easy since it would require treaty changes with the unanimous support of the 28 member countries.

"But we should at least equip the economic and monetary affairs commissioner with the same rights as our competition commissioner," said Schäuble.

France, grappling with sky-high unemployment and a ballooning budget deficit, has been spearheading a campaign for Germany to soften its stance on fiscal austerity. France is set for a deficit of 4.3 percent of GDP in 2015, way above the EU ceiling of three percent.

Berlin remains adamant that the only way out of crisis is for eurozone countries to get their finances in order.

Germany's EU Commissioner Guenther Oettinger, an ally of austerity-touting Chancellor Angela Merkel, last week wrote an article in French daily Les Echos and the Financial Times in which he criticised France for breaking the rules and failing to bring in reforms.

## Opec divided on oil output before crucial meeting

AFP, London

The Opec oil producers cartel will hold one of its toughest and most significant meetings in recent years as, faced with sliding prices, its members must contemplate whether to cut output.

Ahead of Thursday's meeting of the Organisation of Petroleum Exporting Countries in Vienna, home to the cartel's headquarters, its dozen member countries are split on what direction to take after a 30 percent drop in crude prices since June has slashed revenues.

Opec's poorer members, led by Venezuela and Ecuador, have called publicly for a cut in output, while Iran has hinted at a need to reduce production.

But the cartel's Gulf members, led by kingpin Saudi Arabia, are rejecting calls to pump out less oil unless they are guaranteed market share in the highly competitive arena, according to analysts.

Separately, Russia -- which is not a member of Opec but is nevertheless a major crude producer -- declared Friday that it was considering cutting its oil production in a bid to revive falling prices.

OPEC produces about one third of global crude at more than 30 million barrels per day.

According to the International Energy Agency, which advises on energy policy, OPEC pumped out 30.6 million barrels per day in October -- above its 30 million bpd target.

"The next meeting of the Organization of Petroleum Exporting Countries... should be the most interesting since the change from individual quotas to a group target in early 2012," said Tom Pugh, an analyst at Capital Economics research group.

"The key driver (behind tumbling prices) has been increasing supply, although other triggers for Brent's slump from \$115 in June have included weak demand, particularly from Europe and China, and the strength of the US dollar. The decline has probably also been compounded by panic selling by producers and investors."

On Friday, the price of benchmark Brent North crude oil traded at \$79.56 a barrel.

## India's Jaitley pledges second-generation reforms

AFP, New Delhi

India's Finance Minister Arun Jaitley promised on Sunday to unveil a whole series of "second-generation" reforms to try to kickstart the stuttering economy.

In an interview with the Press Trust of India (PTI) news agency, Jaitley said the reforms that would be unveiled in the budget early next year would help the country cross the six percent growth mark in 2015-16.

"The country needs a larger opening out in more sectors... I think we have a lot of exciting times ahead of us and I do see investments coming into India," he told the agency.

Asked about the broad contours of the

budget, Jaitley said there was "a whole set of second-generation reforms".

The first generation in 1991 opened up India's economy to foreign investment while introducing major trade liberalisation and tax reforms.

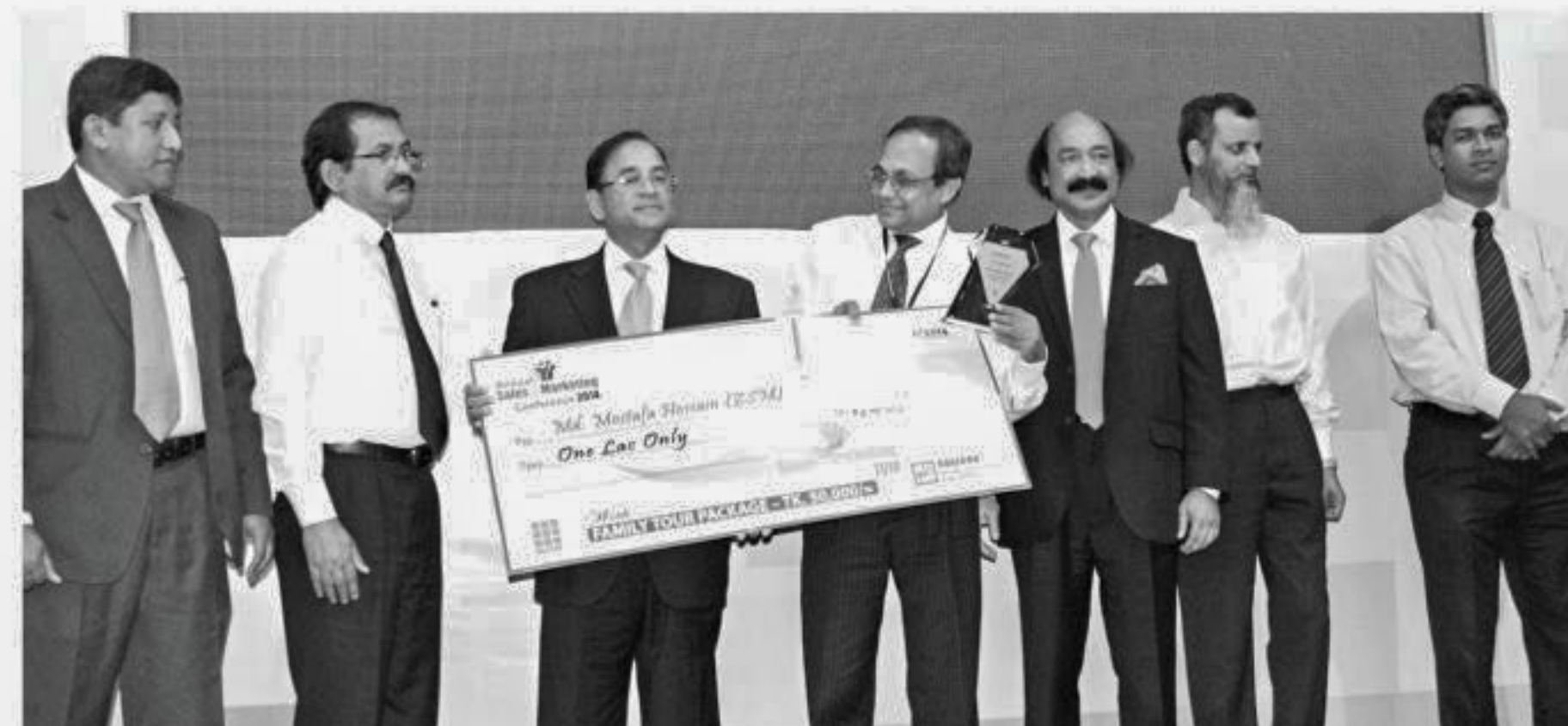
The economy grew by 5.7 percent in the first financial quarter, its best pace since early 2012, spurred by growing business confidence following the landslide election victory of Prime Minister Narendra Modi's Bharatiya Janata Party. Although the right-wing government has introduced some reforms, it has so far steered clear of "big bang" initiatives that economists say are needed to boost investment and manufacturing.

Jaitley also hinted that the government might reconsider its subsidy policy. "Subsidy must be a quantified amount given to an identifiable section... you cannot have such sections enjoying the benefit who are not entitled to," he said.

India's subsidy bill increased fivefold under the previous left-leaning Congress government, which implemented policies to buy agricultural produce at guaranteed prices and distribute cheap grain to the poor.

Modi's government has held back from dismantling many populist schemes. But it did recently lift diesel price controls in a move to reduce India's energy bill.

Samuel S Chowdhury, chairman of Square Group, and Tapan Chowdhury, managing director, pose during the annual sales and marketing conference of Square Pharmaceuticals and Agrovet Division of the company at Hotel Sea Palace in Cox's Bazar recently.



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