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Summary

At political Front

- Indonesia

Strong growth and political stability made Indonesia Southeast Asia's most attractive investment destination last year, but the outlook is threatened by a struggle between reformers and powerful vested interests.

Top reformer Sri Mulyani Indrawati's decision to quit in May, fed up with the pressure from the political old guard, was a setback. But no major problems have emerged in the economy since her departure and her successor as finance minister, Agus Martowardojo, is no pushover, so prospects for continuing her work and achieving an investment grade credit rating are strong. Yudhoyono has shown a preference for incremental reforms rather than bold action, disappointing some investors. However, progress is slowly being made. In March, Boediono announced a new team to oversee reform of the bureaucracy, a positive sign for foreign investors, while Mangkusubroto has introduced regular progress reports on ministers and their projects.

Also, healthy fundamentals and a large and growing domestic consumer base still provide reasons to invest in Indonesia even if reform progress is slower than had been hoped.

- Malaysia

Since becoming Malaysian prime minister, Najib Tun Razak has faced serious challenges trying to rebuild the image of his ruling Barisan Nasional coalition amid the rows that have afflicted the three main coalition parties. His task has been made much more precarious by the political pressure he has faced from the Anwar Ibrahim-led opposition.

Umno deputy president Tan Sri Muhyiddin Yassin reminded party members to carry out political reforms which is in tandem with the government transformation. Muhyiddin, who is also the Deputy Prime Minister, said that what he could see now was that Umno was not moving fast enough and this was critical in facing the next general election.

Compared to the government transformation, he said Prime Minister Datuk Seri Najib Tun Razak had made radical and extraordinary changes by introducing various initiatives, including the 1Malaysia Concept, Government Transformation Programme and the National Key Result Area (NKRA).

- Thailand

THAI Prime Minister Abhisit Vejjajiva said on Friday he had no plans to hold elections this year because more time was needed for reconciliation following the deadliest political unrest in decades. 'The government is not ruling out dissolution (of the lower

house of parliament) or early elections but the atmosphere must be more reconciliatory,' he said live on television. 'I am not intending to dissolve the House before the end of the year because at the moment my government has stability to pursue policies which benefit people,' he said, adding that it would be better to hold the vote in 2011.

The Thai government will lift the state of emergency in some areas after July 7, Prime Minister Abhisit Vejjajiva said on Friday, the Thai News Agency (TNA) reported. Overall, the situation has improved, however enforcement of the state of emergency in some other places will continue, Abhisit said. Though the anti-government protests ended on May 19, the Thai government has still maintained its enforcement of the state of emergency in order to ensure security for the public. The state of emergency has been imposed from April 7, 2010, in capital Bangkok and 23 provinces of Thailand's 76 provinces, empowering police and army to control the then anti-government protests. The death toll from a series of violent clashes between the "red-shirt" protestors and troops during March 12 to May 19 stood at 88 as some 1,885 others were wounded

- **Philippine**

Philippine President Benigno Aquino III said on Monday that he will consider going on a foreign trip only after he has addressed urgent "domestic matters."

Aquino made the statement when asked whether he would consider the Department of Foreign Affairs (DFA) proposal for him to attend the United Nations General Assembly in New York in September, as his first overseas trip. "Before I make any plans of a foreign nature, let me be sure that the domestic front is well covered already and we're headed towards where we want to get to," he said.

The elections panel has ruled that elections for village leaders scheduled for October 25, will still use traditional voting process instead of the automated scheme. According to Commission on Elections (Comelec) Commissioner Rene Sarmiento, it would be too costly for the poll body to use the same machines used in the May 10 automated elections. He said budget considerations weigh heavily on the state after it had spent some 7 billion pesos (Dh556,301,419) on the recent political exercise. "The Comelec commissioners, voting as a whole, have resolved not to automate in this political exercise. We have decided to go manual," Sarmiento said.

At Geo Strategic Front

- **Philippine**

Military to study options such as leasing or selling some assets, including vacant land to raise funds. Philippine President Benigno Aquino salutes with the new military's chief of staff, Lieutenant General Ricardo David (right) at the military headquarters in Manila yesterday

Philippine President Benigno Aquino III said yesterday the military would get the weapons and equipment it needed to end insurgencies, saying without stability the country could not attract investment to fund development. The military has been an influential player in Philippine politics over the past quarter century, most obviously in triggering the overthrow of dictator Ferdinand Marcos in 1986 and withdrawing support from Joseph Estrada in 2001.

Aquino's mother, Cory Aquino, faced about half a dozen coup attempts when she was president in the six years after the fall of Marcos, and Arroyo faced three coup attempts.

The new chief of staff of the Armed Forces of the Philippines (AFP) vowed on Friday to end the country's insurgency problem in two to three years. Lieutenant General Ricardo David, the former chief of the military's Northern Luzon command, also vowed to keep the AFP as a responsible institution of public policy and subservient to the civilian community.

At economic Front

- Indonesia.

Many parties have widely agreed that national competitiveness and economic development in each country is highly determined by the level of research and development on every developmental aspect. The success story of economic development in developed countries and new emerging economies has been supported by the great progress on research and development, which includes not only budget allocation but also human resource development and effectiveness of institutional arrangement. The lesson learned from the progress of research and development in developed countries and also in developing economies such as ASEAN members, it is noted that research and development is one of main drivers for national economic development.

Indonesia should pay much attention to research and development; at least we should compete with neighboring countries. Indonesia has many and various natural resources, without improvement on research and development, those resources will not provide any significant impact on national economic growth.

There is no other way to increase national competitiveness at the global level without proper development of research and development. Indonesia should build quality and competitive human resources, infrastructure and institutions for science and technology.

Indonesia's economy will continue to expand despite uncertain conditions in world markets, the World Bank says. Indonesia's economy is expected to grow slowly in 2011 because of domestic demand, World Bank senior economist Enrique Blanco Armas said in Jakarta on Tuesday.

Indonesia should adopt a globalisation strategy to promote exports and tap foreign finance for rapid economic growth and create employment in the labour-intensive manufacturing industry in Java. The strategy covers liberalisation of the current account and capital account of the balance of payments, as well as the financial sector.

Philippine President Benigno Aquino III used his inauguration this week to make a pitch for foreign investors to return, but they want to see changes first and their model for rehabilitation is Indonesia. A generation ago, the Philippines was Asia's next big thing. Now, bedevilled by corruption, inconsistent policy and confusing regulation, it has become Southeast Asia's laggard.

Indonesia is now seen as less corrupt and better governed than the Philippines, its GDP per capita is higher, it is closer to getting an investment grade sovereign rating from global agencies and it attracts far more foreign investment

The Turkish president urged Turkish and Indonesian businessmen to raise the trade volume to 5 billion USD in the possible shortest time. Turkey's President Abdullah Gul said Turkey and Indonesia had speeded up their economic relations

- Malaysia

Prime Minister Datuk Seri Najib Tun Razak is optimistic that Malaysia's target of 6% gross domestic product (GDP) growth this year is achievable. He said the nation started the year with a strong economic recovery which was set to continue throughout 2010 following the Government's various initiatives. "Our position in the Global Competitiveness Index rose to 10th from 18th a year earlier and now The Report: Malaysia 2010 forecasts a high growth number of at least 6%.

Prime Minister Datuk Seri Najib Tun Razak said he did not promise to do away with the affirmative action with regard to helping the Malays and Bumiputeras when he introduced the New Economic Model (NEM) for Malaysia. "I did not promise to do away with it. I promised a new approach," he said during an exclusive interview with Singapore-based Channel News Asia (CNA) which was aired here Monday night.

The 1Malaysia concept is an integral part of cementing the nation-building process as well as building value for a modern economy, said Prime Minister Datuk Seri Najib Tun Razak. He said for the nation to move forward and meet challenges, it needed to have a strong core and foundation, that could only be achieved if there was national unity, which would provide the country with the essential bedrock of stability.

"National unity is a value system, a thought process which has to be articulated because everyone has different notions of what national unity means.

Malaysia plans to boost exports and investment in 2010 as Southeast Asia's third-largest economy recovers from last year's global slump and Prime Minister Najib Razak

pledges measures to help the nation compete with rivals.

- Thailand

Researchers have urged the government and the Bank of Thailand to liberalise banking and insurance services, as low competition in both sectors has resulted in high costs to consumers and businesses. "The cost of banking in Thailand is 20-30 times higher than in Malaysia," Willem van der Geest, leader of a study team, said yesterday (June 25).

The economic crisis in Europe is very likely to impact on Thailand's exports and the flow of foreign investment into the country, according to the Export and Import Bank of Thailand (EXIM). EXIM Bank president Apichai Boontharawara said he believed the European debt turmoil would dampen Thailand's exports, particularly of luxury furniture and electrical appliances, and have an impact on foreign direct investment, Thai News Agency said Thursday. In 2009, the Thai economy relied on foreign direct investment from developed countries to the amount of US\$4 billion or more than half of the total FDI while the number of tourists from Europe surged to 29 per cent of the total foreign arrivals.

- Vietnam.

Vietnam's biggest commercial bank, Agribank, with assets of \$26 billion, opened its first branch in neighbouring Cambodia this week, illustrating the growing economic bonds between the neighbours. The Cambodian government has consistently promoted ties with Vietnam while relations with Cambodia's other main neighbour, Thailand, have at times over recent years been seriously strained by a decades-old border dispute.

- Singapore

The Singapore market has seen a volatile second quarter. The markets ended the period flat amid uncertainties as a result of the European debt crisis. And observers said the volatility could carry into the rest of the year, with an appreciating yuan causing trouble for the S-Chip segment. After a rousing first quarter, the second half saw the market battered by volatility, on a slew of bad news arising from the European debt crisis.

The Straits Times Index (STI) slipped some 7 per cent in the month of May alone, while small caps dropped 14 per cent. But June brought slight relief.

French trade credit insurer Coface said Singapore is the safest place for business in Asia.

It has upgraded Singapore's country rating to A1 to better reflect the financial commitments of local corporates to repay their debts. This is up from a rating of A2 during the financial crisis last year. Ports are seeing more activity as global trade improves

- Brunei

The marketing drive for the Brunei Halal Brand is set to hot up ahead of the Hari Raya celebrations as hampers go on sale this month at The Mall.Noel Shield, interim chief executive of Ghanim International Food Corporation Sdn Bhd, said the hampers are set to go on sale in mid-July.

Ghanim was appointed by His Majesty's Government to handle and manage the marketing of Brunei's premium halal brand which takes advantage of the country's reputation in selling goods to growing Muslim markets

BRUNEI'S crude oil and gas exports fell sharply in 2009, weighing on total exports which shrank 30.2. per cent, government yesterday said.

In a statement, the Department of Economic Planning and Development said Brunei's external trade showed a surplus of \$6.9 billion although lower than the \$11.3 billion recorded in 2008. Total trade declined 38.6 per cent to \$13.9 billion from \$18.6 billion.

The government said the fall in exports was due steep fall in oil, gas and garments exports.Crude oil exports fell 37.4 per cent to \$5 billion from \$8 billion in 2008, while liquefied natural gas (LNG) shipments fell 24.3 per cent to \$5 billion from \$6.7 billion. Garments exports plummeted 53.1 per cent to \$56.7 million from \$121 million in 2008."The contribution of crude oil and LNG on total exports was 96.1 per cent which amounted to \$10 billion in 2009 compared with 2008," the government said.

At Social Front

- Philippine

The US ambassador to the Philippines yesterday denounced the murder of a potential witness in the massacre of 57 people in a southern province last year.

Ambassador Harry Thomas called for a swift investigation into the killing of Suwaib Upham who claimed to have participated in the November 23, 2009 massacre in Ampatuan town in Maguindanao province, 960 kilometres south of Manila.

- Indonesia

Yesterday a delegation of 35 Indonesian MPs entered Gaza in an attempt to break the siege and check the latest updates on Gaza's continually deteriorating situation.Indonesia donates 2 million dollars for GazaThe Indonesian delegation, who visited the Gaza Strip, donated the amount of two million dollars for a hospital to be built in northern Gaza Strip; the hospital carries the name of Hamas leader Dr-Nezar Rayyan who martyred by Zionist airforces during Al-Furqan war on Gaza."Al Rayyan" hospital will be built as soon as Israeli occupation ends unjust blockade on Gaza and do allow reconstruction material to enter Gaza Strip.

Vice President Boediono acknowledged on Friday the pivotal role of Nahdlatul

Ulama (NU) women wing Fatayat as a guardian of the country's pluralism. Boediono said when opening the Fatayat congress at the Haj Guest House in Pondok Gede, East Jakarta the government expected the organization to promote and enhance pluralism as a driving force of national development. "One of the Fatayat roles which I think important is its commitment to guarding pluralism in Indonesia. Fatayat has firmly promoted elimination of all forms of injustice in the society and upheld pluralism as a vision we have learned from the late Abdurrahman Wahid," Boediono said.

- Thailand

East and South-East Asia have seen the sharpest reductions in poverty worldwide since 1990, according to a UN report released in Bangkok yesterday. The percentage of people living on less than \$1.25 a day in East Asia dropped from 60% in 1990 to 16% in 2005 and from 39 to 19% in South-East Asia, the UN said. Looking ahead, the Millennium Development Goals Report 2010 predicted 5% of Chinese would be living under the \$1.25 threshold by 2015. The UN Millennium Development Goals set a target of halving extreme poverty in the world by 2015. But South Asia is faring less well, the report found. India is on track to reduce its poverty rate from 51% in 1990 to 24% in 2015.

- Cambodia

Cambodian government announced Tuesday that domestic violence, especially against women in the country was significantly declined from a year earlier. In a new result which was surveyed by Cambodian government through Ministry of Women's Affairs in cooperation with international organizations including the German GTZ, showed that domestic violence, especially against women declined from 64 percent in 2005 to 53 percent in 2009. The survey was conducted on behaviors toward violence among spouses and towards other families' members.

Douglas Clayton arrived in Phnom Penh in 2007 to start a private equity fund, looking to get \$100 million in funds under management. His firm, Leopard Capital, started in 2008, is one of four private equity funds here backed by overseas investors, and the first to have completed an investment.

- **ASEAN**

The Cambodian National Assembly on Thursday approved the framework agreement on the comprehensive economic cooperation between ASEAN-China, a move aiming to attract more investments from China. The overwhelming majority of the Cambodian lawmakers voted in favor of ratifying the agreement signed in 2009 between the ten member countries of ASEAN and China.

Detailed News Monitoring Report

Indonesia

- **Political front**
- **Key political risks to watch in Indonesia**

Strong growth and political stability made Indonesia Southeast Asia's most attractive investment destination last year, but the outlook is threatened by a struggle between reformers and powerful vested interests.

Top reformer Sri Mulyani Indrawati's decision to quit in May, fed up with the pressure from the political old guard, was a setback. But no major problems have emerged in the economy since her departure and her successor as finance minister, Agus Martowardojo, is no pushover, so prospects for continuing her work and achieving an investment grade credit rating are strong.

The sovereign credit default swap spread IDGV5YUSAC=R, has widened since May mainly due to euro zone concerns, and has been trading at around 180 basis points.

The rupiah IDR= has strengthened from 12,600 per dollar in November 2008 to trade at about 9,060 by the end of June. The benchmark stock index .JKSE has surged 2.6 times from its Oct. 28, 2008 low and reached an all-time high on May 4.

President Susilo Bambang Yudhoyono, re-elected with a strengthened mandate last July, is widely seen as a progressive, market-friendly reformer. Many investors hoped the pace of reform would pick up in his second term after he chose Boediono, an economist, as vice president; gave two reformist technocrats -- Indrawati and Mari Pangestu -- key cabinet posts; and picked Kuntoro Mangkusubroto to head a new presidential delivery unit.

Instead, his second term got off to a bad start. Boediono and Indrawati -- who had made many enemies among opponents of reform, including Aburizal Bakrie, the businessman who heads the Golkar Party -- came under attack for their decision to rescue a small lender, Bank Century, during the 2008 crisis. [ID:nJAK447688]

A parliamentary inquiry into the case dragged on for months, distracting the governments. Yudhoyono expressed full support for Boediono and Indrawati, who had backed the bailout to avoid a collapse of confidence in the financial sector.

However, the political pressure clearly took its toll on Indrawati, who accepted a job at the World Bank. Soon after she quit, Yudhoyono gave Bakrie a new post as coalition manager, raising questions over his commitment to reform.

In June, Golkar proposed the creation of an 'aspiration fund', under which lawmakers would each receive an allocation of 15 billion rupiah (\$1.66 million). Golkar said the money would be used to fund development in the regions but critics attacked it as pork

barrelling and said the money would be vulnerable to corruption. Martowardojo and other senior ministers have opposed the fund but Golkar's push shows it has been emboldened by its success in getting rid of Indrawati and that rifts within the ruling coalition continue to run deep.

Yudhoyono has shown a preference for incremental reforms rather than bold action, disappointing some investors. However, progress is slowly being made. In March, Boediono announced a new team to oversee reform of the bureaucracy, a positive sign for foreign investors, while Mangkusubroto has introduced regular progress reports on ministers and their projects.

Also, healthy fundamentals and a large and growing domestic consumer base still provide reasons to invest in Indonesia even if reform progress is slower than had been hoped.

- **Economic Front**
- **HOT MONEY AND CAPITAL CONTROLS**

The rupiah was Asia's best-performing currency in 2009 with a gain of 17 percent against the dollar, threatening Indonesia's export competitiveness but helping to contain imported inflation.

The rally continued for much of this year too, prompting the central bank to intervene to stem the rupiah's gains as it traded around 9,000 per dollar. More recently, the sell-off in the rupiah and other Asian currencies prompted the central bank to intervene again by selling dollars.

Such capital flows are closely watched by the authorities. Memories are still raw of the 1998 Asian crisis, which was widely blamed in Indonesia on foreign "hot money" being yanked from the country. In June, Bank Indonesia announced a range of new controls aimed at keeping foreign money invested longer in Indonesia, including a minimum one month holding period for its SBIs and new 9-month and 12-month SBIs that will be made available later this year.

In March, Bank Indonesia began reducing the frequency of auctions for one-month SBIs, so foreign investors have shifted into three-month paper.

What to watch:

-- Data on exports and speculative inflows, and whether the central bank's measures for SBI auctions have the desired effect of reducing volatile short-term capital inflows. If problems arise, controls may be tightened. Draconian measures that send investors fleeing to the exits are unlikely -- measures would be aimed at directing flows, rather than halting them, so any negative impact on asset prices would be muted. However, the issue can still spook markets -- the rupiah suffered its biggest one-day sell-off in nine months last November due to mixed signals on capital controls.

* SECURITY

Suicide bombings at two luxury hotels in Jakarta last July were the first major terror attacks in Indonesia since 2005 and raised concerns that the threat from militants was again on the rise. Since then, the killings of Noordin Mohammad Top and, more recently, the bomb-making expert Dulmatin, have significantly reduced that threat. But some risk persists.

Earlier this year, police discovered a new network of armed militants operating a secret training base in Aceh in Sumatra province. The group was plotting to assassinate Yudhoyono and government officials at an independence day celebration, and wanted to create an Islamic state, police said.

In late June, police captured preacher Abdullah Sonata on suspicion of involvement in the Aceh group.

Sonata had been jailed in the past but released early for good behaviour. His return to militancy raises questions about the effectiveness of Indonesia's efforts to rehabilitate captured militants. Police also uncovered a plan to attack a European embassy and a police ceremony in Jakarta.

What to watch:

-- Ability of militants to regroup and launch more attacks. Particularly if remaining militants are able to establish firm enough links with al Qaeda or allies in Southeast Asia to secure sustained funding, expertise and recruits, the threat may be far from over. But Indonesia's markets have proven highly resilient to militant attacks. Unless there is a significant and sustained deterioration in security, or militants reignite sectarian unrest, any sell-off would be limited and brief. [ID:nSP545301] (\$1=9015 Rupiah)

<http://www.reuters.com/article/idUSRISKID20100701?rpc=401&feedType=RSS&feedName=bondsNews&rpc=401>

- **The performance of research in Indonesia**

Many parties have widely agreed that national competitiveness and economic development in each country is highly determined by the level of research and development on every developmental aspect. The success story of economic development in developed countries and new emerging economies has been supported by the great progress on research and development, which includes not only budget allocation but also human resource development and effectiveness of institutional arrangement.

Under well developed research, many innovations have been created and fully used by governmental agencies, private corporations, business people and societies for establishing new opportunities and socio-economic benefits. And finally those creations have been boosting economic growth and strengthening human capability in improving

the quality of life.

Examining more closely the stage of research and development in Indonesia, there are still many tasks for its improvement in the future. Although various governmental agencies in charge of research and development in cooperation with international agencies, and also private corporations, have been developing research and development, the results and impact are still far from expectation.

Research and development is closely related to innovation system. The Research and Technology Ministry has published a valuable book regarding knowledge-based economics so-called KBE (Ekonomi Berbasis Pengetahuan/EBP), which has documented national economic performances based on the progress of knowledge and technologies.

The innovation system is one of four main structures of the KBE. Based on the KBE Report for 2009, in general it was concluded that the performance of research and development, approached with the innovation system, is still relatively poor as compared to neighboring ASEAN countries.

It described several key indicators of an innovation system for analyzing the performances of research and development in 2008.

Main indicators such as the number of researchers, budget allocation based on GDP, research cooperation between universities and private businesses, the number of published scientific articles, and the number of registered patents and research and development expenditure by the private sector, are used for identifying the performances. Even though in total, researchers in Indonesia are 42.722, the largest among ASEAN members, but if it is accounted per million inhabitants, Indonesia with 199 researchers per million people is still below Singapore (5.713), Malaysia (503) and Thailand (292). By using statistical data of UN-ESCAP (2009), the Indonesia position is also still lower than Iran (947) and Pakistan (310). As reported by The Jakarta Post (01/22/2010), in 2010, the Indonesian government will allocate Rp 1.9 trillion, which was almost double to the allocation in 2005.

However, if compared to GDP, it is still less than 1 percent (0.07 percent). The KBE report also confirms that budget allocation for research and development in Indonesia is much smaller compared with Singapore (2.36), Malaysia (0.63), Thailand (0.25) and Vietnam (0.19). In terms of research cooperation between universities and private businesses, the Indonesian position has improved. By applying a scale of 1-7, among ASEAN countries, Indonesia scoring 3.8 is placed only below Singapore (5.6) and Malaysia (4.6).

Research and development is tightly connected with the number of published scientific articles. The number of published scientific articles per million inhabitants in Indonesia is

0.9; much lower than Singapore (831), Malaysia (24) and Thailand (20). Indonesia is also regarded very weak in assessing the number of registered patents. In 2008, regarding to the KBE report, the number of registered patents at American-based USPTO, Indonesia only registered 19 patents. It is far less compared with Singapore (450), Malaysia (168) and Thailand (40).

Research and development by the private sector in Indonesia is also still less developed. Applying the scale of 1-7, the expenditure of research and development by private sectors in Indonesia scored 3.8 and is placed below Singapore (5.1) and Malaysia (4.6). The private sector in Indonesia still has low interest in investing for research and development. We should learn from the success stories of Japan, South Korea, Taiwan, Singapore and China. One key success is the high involvement of private corporations on research and development.

The huge budget for research and development undertaken by own research institutes in cooperation with government agencies and universities have become common face for the industrial development in Japanese societies.

Many high reputable private research institutes belong to multinational corporations in Japan such as Toyota, SONY, NEC, Toshiba, Hitachi, Mitsubishi, Shimadzu, among others, are among the most productive and innovative corporations for discovering and developing new technologies.

Extraordinary achievement of private research institutes in Japan has been internationally acknowledged. For instance, Koichi Tanaka, an engineer of research and development at Shimadzu Corporation, received the Nobel Prize in chemistry in 2002. In addition, the massive penetration and dominance of industrial products innovated by Japanese corporations have become evidence of the important role of research and development.

Japan is among the countries that has been investing a huge budget for research and development. Data from the Internal Affairs and Communication Ministry of Japan, said in 2008, Japan allocated 3.78 percent of its GDP for research and development.

This expenditure stood at ¥18,800 billion. Research and development personnel as of March 2009 numbered 839,000. It can easily be supposed that the return of the investment will be very high. Looking at the technology balance of payment by business enterprises, they receipted ¥2,266 billion.

The lesson learned from the progress of research and development in developed countries and also in developing economies such as ASEAN members, it is noted that research and development is one of main drivers for national economic development.

Indonesia should pay much attention to research and development; at least we should compete with neighboring countries. Indonesia has many and various natural resources,

without improvement on research and development, those resources will not provide any significant impact on national economic growth.

There is no other way to increase national competitiveness at the global level without proper development of research and development. Indonesia should build quality and competitive human resources, infrastructure and institutions for science and technology.

<http://www.thejakartapost.com/news/2010/07/02/the-performance-research-indonesia.html>

- **RI economy to continue growing: World Bank**

Indonesia's economy will continue to expand despite uncertain conditions in world markets, the World Bank says. Indonesia's economy is expected to grow slowly in 2011 because of domestic demand, World Bank senior economist Enrique Blanco Armas said in Jakarta on Tuesday.

Growth in the Indonesian economy would exceed 7 percent should the country reach its 2010-2014 national development plan, Blanco said as reported by Antara. The imports rate would surpass exports, while inflation would also increase in line with higher lending rates and commodity prices, he said. Based on the World Bank's records, Indonesia's economy would grow to 6.5 percent in the third quarter from 5.7 percent in the first quarter

<http://www.thejakartapost.com/news/2010/06/29/ri-economy-continue-growing-world-bank.html>

- **Globalisation strategy for Indonesia**

Indonesia should adopt a globalisation strategy to promote exports and tap foreign finance for rapid economic growth and create employment in the labour-intensive manufacturing industry in Java. The strategy covers liberalisation of the current account and capital account of the balance of payments, as well as the financial sector.

Experiences of Japan, Taiwan, Korea, Singapore and now China and India, show that closer integration of the domestic economy to global markets allows them to expand exports and to tap global financial resources and grow rapidly. The export-oriented strategy has also been successfully used to tap into skilled laborers and other global factors of production, to upgrade infrastructure and technology for development.

Experiences of these countries also show that growth strategy on developing industrial bases, rather than specialising according to comparative advantages is the fastest way to develop. Through strategic state-owned enterprises and industrial policies, China has successfully forced foreign companies to transfer technology.

Those countries started their economic development by processing our natural resources and have now become producers of high-tech products. In thirty years, China has

transformed from a low income and backward communist country to become a respectable member of emerging BRIC with external reserves in the range of US\$2 billion.

The export-oriented strategy consists of two broad policies. First, to correct the Dutch disease of the exchange rate and make the real effective exchange rate (REER) positive. REER is the nominal exchange rate adjusted against a basket of foreign currencies with which the country trades.

On the domestic front, positive REER makes domestic-made products have financial competitiveness in international markets. On the external front, it affects international competitiveness exports and, hence trade balance. The second policy to promote international competitiveness is to raise economic productivity through training and education as well as building institutions.

The Dutch disease happens because of the large export revenues from exports of some booming products and capital inflows have appreciated external value of the rupiah. The appreciation of the rupiah hurts other sectors of the economy as it makes prices on import cheaper and raises prices of exports in foreign currencies. The strong rupiah also provides incentives for production of low-productivity activities such as the non-traded sector of the economy.

Non-traded goods, such as the rapidly expanding shopping mall, construction, hail cuts and the public sector, are not internationally traded and their markets are where they are being produced. The competitive exchange rate management is therefore to correct this and encourage the transfer of economic resources from the low-productive non-traded sector of the economy to the high-productive traded sector.

The present deregulation policies with unclear objectives have allowed us exploit comparative advantages of our economy as a producer of raw materials such as nickel, coal and other minerals and agriculture products such as palm oil and cocoa. The boom in these commodity markets was partly due to the rapid economic growth in China and India.

On the other hand, we are now more depending on imported food, fruits and manufactured consumer goods that are mainly produced by farmers and manufacturers on the populous island of Java that cannot compete with imports. All the way from our high-end shopping malls in Jakarta down to outlet shops in Bandung and traditional markets in remote villages are selling Chinese-made manufactured products and imported fruits from all over.

Liberalisation in the capital account of the balance of payments and the financial sector since the crisis in 1997 have increased participation from foreigners in large plantations,

the mining sector, as well as in our service industry such as banks and telecommunications. The role of foreign capital is also on the rise in our narrow and shallow bond and capital markets.

The appreciation of the rupiah has also contributed to regional imbalances between the most populous island of Java and outer islands. This is because most of the booming primary products are produced off Java. On the other hand, most of the economic sector hurt by the appreciation of the rupiah, such as food, agriculture and horticulture, and labor intensive manufacturing products, are being produced on Java.

Promoting structural transformation from low productivity of the non-traded sector of the economy to high-productivity of tradables also requires building social institutions. This includes protection of property rights, enforcement of contract, correction of market failures and externalities, the elimination of red tape and corruption, and improvements in the investment climate and the cost of doing business.

For the foreseeable future, Indonesia still needs short-term and long-term foreign capital to finance budget deficits and to satisfy other financing needs. Because of this reliance on foreign capital, policy makers should be aware of the impact of short-term capital flow on the exchange-rate movements and external reserves.

To mobilise domestic savings and enable the domestic market to absorb more government and private sector bonds, Indonesia should reestablish the Postal Saving Bank that had been destroyed by the past high inflation and regional conflicts. In addition, other long-term financial institutions such as pension funds and insurance should also be promoted.

(The writer is a professor of economics at the University of Indonesia, former senior deputy governor of Bank Indonesia (Central Bank) and former chairman of the Supreme Audit Agency (BPK).)

<http://www.asianewsnet.net/news.php?id=12910&sec=3>

- **Investors want new leader to study Indonesia**

Philippine President Benigno Aquino III used his inauguration this week to make a pitch for foreign investors to return, but they want to see changes first and their model for rehabilitation is Indonesia. A generation ago, the Philippines was Asia's next big thing. Now, bedevilled by corruption, inconsistent policy and confusing regulation, it has become Southeast Asia's laggard.

Indonesia is now seen as less corrupt and better governed than the Philippines, its GDP per capita is higher, it is closer to getting an investment grade sovereign rating from global agencies and it attracts far more foreign investment.

Investors still see risks in Indonesia -- 5-year credit default swaps spreads for the

Philippines are trading around 170 basis points, about 15 points lower than Indonesia -- but also see momentum and potential.

“That is where you get the big difference between Indonesia and the Philippines. Indonesia has already shown it is doing the required reforms,” said Kenneth Akintewe, portfolio manager at Aberdeen Asset Management in Singapore.

“It still has a long way to go, but they have made significant changes,” Akintewe said. “In the Philippines, you may have had a smooth election, but you listen to the new people coming in and I don’t sense all that much is going to change.”

Aquino has promised to fight corruption, cut red tape and create a predictable and consistent investment climate. But a turnaround in sentiment will take time.

Transparency International ranked the Philippines 139th out of 180 countries in its 2009 Corruption Perceptions Index, based on perceived public sector corruption levels.

The Philippine economy is growing, and showed resilience through the global financial crisis, supported by remittances from millions of Filipinos working overseas. While those remittances underpin consumption, they also reflect an inherent weakness that the economy cannot generate enough jobs. “The problem Aquino faces is that there is no sense of crisis to get things done,” UBS economist Edward Teather said.

That means rather than confronting long-run constraints on development, such as a problematic budget deficit and how to lift government investment spending, they are papered over.

The deficit is less than 4% of GDP, far lower than in many industrialised countries, and the government is able to easily tap local and foreign debt markets to cover the shortfall.

But a narrow tax base, chronic tax evasion and corruption limit revenues.

Central government revenues fell to 14.6% of GDP in 2009, lower than in any other major Southeast Asian economy and below even the frontier markets of Vietnam and Laos.

Aquino plans to raise revenues by enforcing existing laws and fighting corruption, but that will not deliver the needed underlying fiscal reform even if it does lift collections.

Around one-fifth of budget outlays go to interest payments on outstanding debt. That means to keep the deficit manageable, the government has limited capacity to spend on much-needed infrastructure, including ports, transport and agriculture.

Gross domestic investment fell to a record low of 14% of GDP in 2009, according to Asian Development Bank data, less than half Indonesia’s 31%.

“The private sector, both foreign and domestic, are willing to provide capital, but the government has to show there is infrastructure that is going to be supporting the development,” Akintewe said. “At the moment that is not really in place.”

Over the five years ending 2009, ADB data shows the Philippines attracted just over \$11bn of FDI, about a quarter of the funds Thailand attracted, less than a third of Indonesia and less than half of what was sent to Vietnam.

Giving investors the confidence to commit to the Philippines will be a long-term project, and more than raising revenues they want to see substantive changes in the political mindset.

“There would be a significant amount of people who are saying, ‘We don’t think that he can do it’,” said Wilfred Song Keng Po, managing director at the Manila branch of AIG Global Investments Corp, a unit of Pinebridge Investments Group.

“They are saying, ‘We want to see this presidency prove itself first before we would actually come in’.” Reuters

<http://www.gulf->

[times.com/site/topics/article.asp?cu_no=2&item_no=372029&version=1&template_id=45&parent_id=25](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=372029&version=1&template_id=45&parent_id=25)

- **Turkish president wants \$5 bln trade volume with Indonesia**

The Turkish president urged Turkish and Indonesian businessmen to raise the trade volume to 5 billion USD in the possible shortest time. Turkey's President Abdullah Gul said Turkey and Indonesia had speeded up their economic relations.

"We should raise our trade volume to 5 billion USD in the possible shortest time, and to 10 billion USD at a later time," Gul said during the Turkish-Indonesian Trade and Investment Forum in Istanbul. The Turkish Confederation of Businessmen and Industrialists (TUSKON) and the Indonesian Investment Coordinating Board are co-organizing the meeting at Istanbul's Conrad Hotel.

The current trade volume between Turkey and Indonesia is 1.7 billion USD. Speaking in the forum, Gul said Turkey and Indonesia could also cooperate on defense industry, maritime and tourism. Gul also said Turkey's national airliner, Turkish Airlines, had launched direct flights to Indonesia for the first time in 12 years, and Turkey would welcome if Indonesian Airlines started to fly to Turkey.

Later, Turkey's TAV Airports Holding and Indonesian Sigma Group signed an agreement to construct airports.

Also, Turkish and Indonesian companies signed agreements on wheat flour, multimedia, nickel mining, and geothermal energy.

http://www.worldbulletin.net/news_detail.php?id=60718

- **Indonesia stops cigarette export to U.S.**

Indonesia has stopped the export of its clove cigarette to the United States following the ban imposed by U.S. agency on such a cigarette, local media reported here on Monday.

"There was totally no clove cigarette export to U.S. as of mid this year after sharp drop of clove cigarette export to U.S. since the ban was imposed in September last year," Frans Rupang, a deputy at Indonesia's customs office said.

According to Frans, the U.S. market takes more than half of Indonesia's clove cigarette products with the remaining exports were destined to Arab countries.

The export of clove cigarette contributes 240 million U.S. dollars per year to Indonesia, Frans added."We fear that the U.S. ban on clove cigarette will be followed by other countries that have been importing that product. If that so, we could loose 240 million U.S. dollars worth of annual income, " Frans was quoted as saying by the detik.com.

Indonesia has filed in a complaint against the ban to the World Trade Organization (WTO), arguing that such a ban was a discriminative act to Indonesian products.

The clove cigarette was banned to be sold in U.S. for its particular smoke odor that risks non-smokers' health, earlier reports said.

<http://english.people.com.cn/90001/90778/90858/90863/7043861.html>

- **Foreign Relations**

- **President Yudhoyono's visit to boost political, economic, cultural ties**

Indonesian President Susilo Bambang Yudhoyono, who arrived in Turkey later on Monday, is expected to meet with Prime Minister Recep Tayyip Erdoğan and President Abdullah Gül during his visit. During Yudhoyono's visit, a series of cultural and economic events will take place in Turkey. He is also expected to conclude 12 deals in the political, economic and cultural spheres with Turkey.

The Turkish Presidency said through a statement issued yesterday with respect to Yudhoyono's visit that the meetings between President Gül and Yudhoyono will center on bilateral relations and additional opportunities for cooperation as well as current regional and international affairs. The press statement also underlined that the two countries will sign a number of agreements.

The statement said the participation of the Turkish and Indonesian presidents will assist the Turkish-Indonesian Business Forum to bring businessmen from both countries to boost trade and economic relations between the two countries. The forum was organized by the Turkish Confederation of Businessmen and Industrialists (TUSKON) and is set to take place this week. More than 800 businessmen will reportedly attend.

The statement pointed to a rapid development of relations between Turkey and Indonesia based on mutual trust, understanding and shared interests. The Presidency said the historic visit will comprise a new and significant stage in improving bilateral relations and boost dialogue and cooperation between the two countries on regional and international issues. Yudhoyono is expected to address the Turkish Parliament during his

visit.

Indonesian President Susilo Bambang Yudhoyono is paying a key visit to Turkey, the first visit by an Indonesian president to Turkey in 25 years, along with four ministers and 80 high-level officials.

Both countries share many similarities regarding political views and economic and demographic indicators. Indonesia has the world's largest Muslim population, while Turkey is home to a substantial number of Muslims. Both are members of the G-20 and hold similar views on international affairs. They are among the world's most rapidly developing economies and are also members of the Developing Eight (D-8).

Turkey's major exports to Indonesia are wheat and flour, despite some impediments in trade. The bilateral trade volume between the two countries was \$1.78 billion in 2009; however, this was less than the \$2.1 billion in trade volume a year earlier. The large drop in trade could be explained by the impact of last year's devastating global financial recession, when countries opted to apply protectionist economic policies that limited free trade. The countries' officials vow to reach \$5 billion in mutual trade in the near future.

Turkey displayed its support for Indonesia by voting in favor of its bid to lead the Parliamentary Union of Islamic Countries (PUIC). Despite the ever-strengthening ties between the two developing nations, it has been 25 years since an Indonesian president last paid a visit to Turkey. The Turkish prime minister, however, has visited Indonesia twice, once in 2005 and again in 2006. Erdoğan's 2005 visit to Aceh was to lend his support to the victims of a major earthquake and subsequent tsunami that claimed the lives of hundreds of thousands of people. Erdoğan's second visit came a year later to attend a D-8 summit in Bali.

Both the Indonesian public and the government have stridently protested Israel's raid on a Gaza-bound aid flotilla on May 31 that left nine Turks dead. Indonesia was a non-permanent member of the United Nations Security Council in 2008. The country abstained during a vote on imposing sanctions aimed at pushing Iran to relinquish its nuclear ambitions, a political stance Turkey staunchly supported for years.

During the president's visit, İstanbul will host several cultural events to mark Indonesia's rich cultural heritage with an aim to promote its culture in Turkey, make Turkey a profitable market for its traditional clothes and fabric and attract Turkish tourists to Indonesia to revitalize its tourism industry. Indonesia's president and the accompanying delegation are also expected to attend the cultural events.

A fair set to start on Wednesday in İstanbul is intended to promote Indonesian culture and its traditional fabric, called "batik." The fair will last until July 3. Along with traditional Indonesian clothing and fabric, the fair will also feature traditional music, dances, a batik

fashion show and batik sales. Batik, in Indonesian culture, is not merely a fabric but also reflects a distinct spiritual meaning. UNESCO designated Indonesian batik as a Masterpiece of the Oral and Intangible Heritage of Humanity in 2009.

Indonesia witnessed a deadly terrorist attack in Kuta, Bali, in 2002, where 202 people were killed, 164 of whom were tourists from other countries.

Subsequent to the attacks many countries issued travel warnings for their citizens and this damaged Indonesia's tourism industry. Indonesia also experienced a major tsunami in Aceh in 2004, which also hit many tourist resorts. Observers believe Indonesian officials will work assiduously to attract Turkish tourists to their country to boost the tourism industry.

Before the arrival of the Indonesian president, Turkish Transportation Minister Binali Yıldırım met with his Indonesian counterpart, Freddy Numberi, in Ankara yesterday. The two ministers signed a protocol on civil aviation.

Speaking to reporters during the meeting, Yıldırım said his counterpart's visit to Turkey presents an opportunity to improve already friendly relations between the two countries. The Turkish transportation minister also said the current trade volume did not reflect the true potential of Turkey and Indonesia. "Our trade volume is far away from satisfactory when we consider our two countries' potential in population, economy, natural resources and cultural wealth," Yıldırım said. He expressed hope that a prospective meeting between Turkish and Indonesian presidents would add fresh momentum to relations.

The Indonesian minister said that he was pleased to sign the protocol on civil aviation, adding that the agreement would boost cooperation in this area. Numberi said his country aims to develop strategic cooperation with Turkey in civil aviation training programs.

<http://www.todayszaman.com/tz-web/news-214531-102-president-yudhoyonos-visit-to-boost-political-economic-cultural-ties.html>

- **Malaysia Asks Indonesia To Set Up One-stop Centre For Foreign Investors**

Malaysia has asked Indonesia to set up a one-stop centre for foreign investors. Deputy Prime Minister Tan Sri Muhyiddin Yassin said the request was conveyed to Vice President Boediono during a bilateral meeting here Monday.

"The number of Malaysian investors in Indonesia is quite big and many are still interested but from information we receive, they have to deal with various bodies at various levels." It has become a challenge and problem," he told Malaysian journalists here Monday afternoon. Muhyiddin is here for a three-day visit to enhance bilateral ties and cooperation between the two countries.

The deputy prime minister said Boediono's response was that the one-stop centre was in Indonesia's interest and he took note of the request. Also discussed during the bilateral

meeting was the sending of Indonesian maids to Malaysia which has been suspended by Indonesia pending a memorandum of understanding (MoU) on the matter between the two countries.

Muhyiddin said Malaysia was still waiting for Indonesia to furnish information about the cost structure of recruiting maids before signing the MoU. He also said that the issue of 2+2+2 visa for Malaysian students had been resolved and hopefully Indonesia could speed up its implementation. The majority of Malaysian students in Indonesia undergo medical courses. President Susilo Bambang Yudhoyono had agreed to Malaysia's request on the student visa during an annual consultation with Prime Minister Datuk Seri Najib Tun Abdul Razak last month.

Presently, Malaysian students are given a two-year visa which is renewable annually for up to three times (2+1+1+1). For a subsequent year, they need to return to Malaysia and apply for a new visa. Muhyiddin said that during the meeting, he also conveyed Petronas' request for permission to sell subsidised fuel at its pump stations in Indonesia.

Petronas has acquired 31 lots of land to set up pump stations and has developed 19 of them but because it is not allowed to sell subsidised fuel, the venture has not been profitable. The deputy prime minister said Boediono had explained that it was not easy to fulfill the request because Indonesia was trying to reduce fuel subsidy. Malaysia also asked Indonesia to give protection to Malaysian investors, especially their land ownership in the republic. "I mentioned a case to Boediono, namely Sime Darby's plantation which has been brought to court and we asked for a government intervention to ensure the land belonging to Sime Darby is not auctioned off," he said.

The issue was quite serious and Boediono had said he would look into this case and others so that the investment by Malaysian companies in Indonesia would be protected, Muhyiddin said.

On the Indonesian school in Kota Kinabalu, he said the project had started. Indonesia, however, has requested for permission to expand the school so as to accommodate 45,000 Indonesian children in Sabah. "I informed him that we need to get more information before we can consider and decide on the matter," he said.

Indonesia has stated that under the country's law, the government is responsible in providing education for its citizens no matter where they are. Also discussed was the proposed opening of Institut Teknologi Bandung's branch in Muar, Johor.

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=509384>

- **Indonesia plays down capital outflow concern**

After the global financial routs in 2008 and 2009, the Indonesian government planned to unveil a measure to control the volatility of rupiah by encouraging exporters to park their

capital onshore. The pulling out of over 40 trillion rupiah (some 4.35 billion U. S. dollars) funds by the global investors from the central bank's short-term debt papers known as Sertifikat Bank Indonesia or SBI in May has also triggered such concern as it had decreased the country's state reserve over 4 billion U.S. dollars. The European debt crisis has led the global investors prefer to keep their capitals at secure assets such as U.S. dollars and gold.

But, now the Indonesian authorities seem not very much worry about it, as the central bank has unveiled a step and plans to adopt some other policies which are expected to be able to control the capital outflows and inflows so that it could control the volatility of rupiah against U.S. dollar. The bank has ruled that investors have to hold their short-term debt papers at least one month. The bank may launch other policies to control the outflows.

Indonesian Trade Ministry this week canceled a plan to apply a rule requiring exporters of commodity to use a letter of credit for payment.

The plan was made last year, aiming at preventing investors from parking their funds offshore to curb rupiah currency from weakening. Amid rejection from exporters, the ministry has several times delay the application of the rule before it was finally planned to be applied in July this year.

The cancellation of the rule this week was decided after the country's central bank found solution to control the capital outflows and inflows.

"(The cancellation) means that the government does not need to worry that the funds from exports to be parked in overseas," Suharso Honggokusumo, director executive of Indonesian rubber producers was quoted by Bisnis Indonesia daily as saying.

So far, the number of investors global and domestic ownership at the central bank's short-debt paper/certificate has risen significantly.

The ownership a the certificate on June 24 rose to 44.4 trillion rupiah (some 4.57 billion U.S. dollars), from 33 trillion rupiah (over 3.55 billion U.S. dollars) at the beginning of the month, the daily said. Rupiah was traded at 9,033 on Tuesday as it has strengthened for five days, it said.

The condition may lead the central bank to unveil steps to control the huge capital inflow. The success of Madrid launching bonds recently has eased concern on the crisis and the decision on the G20 summit to trim deficit have also eased concern on the impact of crisis on the global liquidity, which may slow capital inflows to emerging market.

Indonesia's sound macro-economics fundamentals supported by relatively stable political condition amid the strong economic growth and expectation that the country will jump to

investment grade have made Indonesia as the best investment destination in Southeast Asia.

<http://english.people.com.cn/90001/90778/90858/90863/7047500.html>

- **Social front**
- **Indonesia donates 2 million dollars for Gaza**

Yesterday a delegation of 35 Indonesian MPs entered Gaza in an attempt to break the siege and check the latest updates on Gaza's continually deteriorating situation. Indonesia donates 2 million dollars for Gaza. The Indonesian delegation, who visited the Gaza Strip, donated the amount of two million dollars for a hospital to be built in northern Gaza Strip; the hospital carries the name of Hamas leader Dr-Nezar Rayyan who martyred by Zionist airforces during Al-Furqan war on Gaza. "Al Rayyan" hospital will be built as soon as Israeli occupation ends unjust blockade on Gaza and do allow reconstruction material to enter Gaza Strip.

Dr. Ahmad Bahar, Deputy Chief of the Legislative Council in addition to Fathi Hamad, Minister of Interior, Health Minister Bassem Naim, and lawmakers in northern Gaza, leaders of Hamas and important personalities accompanied the delegation, composed of 35 parliamentarians headed by the President of the Indonesian parliament Marzuki Ali while they were visiting the northern of Gaza Strip.

<http://www.abna.ir/data.asp?lang=3&id=194065>

- **NU women wing guardian of Indonesian pluralism: VP**

Vice President Boediono acknowledged on Friday the pivotal role of Nahdlatul Ulama (NU) women wing Fatayat as a guardian of the country's pluralism. Boediono said when opening the Fatayat congress at the Haj Guest House in Pondok Gede, East Jakarta the government expected the organization to promote and enhance pluralism as a driving force of national development. "One of the Fatayat roles which I think important is its commitment to guarding pluralism in Indonesia. Fatayat has firmly promoted elimination of all forms of injustice in the society and upheld pluralism as a vision we have learned from the late Abdurrahman Wahid," Boediono said.

Boediono was referring to former president and NU chairman, better known as Gus Dur, who died in December last year. The Vice President said Fatayat could contribute to gender equality which remained elusive so far in the country. Indonesia ranked 93rd in the latest survey on gender gap conducted on 155 countries in the world. "This means we need to work harder to erode gender inequality. Our efforts to reach gender equality will never end," he said.

Women Empowerment Minister Linda Gumelar, Forestry Minister Zulkifli Hasan, Manpower Minister Muhaimin Iskandar and Minister for Development in Disadvantaged

Regions Helmy Faisal attended the opening ceremony. The congress will last until Sunday.

<http://www.thejakartapost.com/news/2010/07/02/nu-women-wing-guardian-indonesian-pluralism-vp.html>

- **Indonesia nightclub disaster**

Ten people including an Australian and a Japanese resident were killed when a fire ripped through a packed nightclub in Indonesia's second largest city, police said yesterday.

Also, a mother who apparently gave birth during the fire and her baby were both found dead, police said. Trauma can sometimes induce labour.

Lieutenant Colonel Bahagia Dachi said the Redboxx Cafe caught fire at 3.30 a.m. yesterday as hundreds of people filled the club in downtown Surabaya, many to watch the football World Cup. Some witnesses told officers a spark from a cigarette triggered the blaze, which took firefighters several hours to bring under control. Lt Col Dachi said five victims were in critical condition at local hospital

<http://www.timesofmalta.com/articles/view/20100626/world-news/indonesia-nightclub-disaster>

- **At Environmental Front**
- **Strong quake hits Indonesia's Java**

A strong earthquake struck off Indonesia's Java island on Saturday but there were no immediate reports of damage and no tsunami warning was issued, seismologists said.

The quake struck at 4:50 pm (0950 GMT), 118 kilometres (73 miles) south west of Tasikmalaya, West Java, at a depth of 34 kilometres, Indonesia's geophysics and meteorological agency said.

The Indonesian agency measured the quake as magnitude 6.3, but the US Geological Survey (USGS) measured it at 5.8.

"The quake occurred on the sea. At such distance from the coast, usually there are no significant damages on land," meteorological agency's quake centre spokesman Aprilyanto, who goes by one name, said. Indonesia sits on the Pacific "Ring of Fire," where the meeting of continental plates causes high volcanic and seismic activity

http://news.yahoo.com/s/afp/20100626/wl_asia_afp/indonesiaquake

- **Cyber world**

Malaysia

- **Political Front**
- **Malaysia gov't suspends opposition party's newspaper for 'printing false news'**

Malaysia has suspended the publication of a main opposition newspaper, in move political rivals criticised Friday as a crackdown on dissent. Suara Keadilan, run by

opposition leader Anwar Ibrahim's Keadilan party, ran into trouble after the authorities said it violated publishing laws with a report this month which claimed a government agency is bankrupt, according to Agence France-Presse (AFP). The Home Ministry, which oversees Malaysia's newspapers, said it will not renew Suara Keadilan's permit -- which expired on Wednesday -- as it was not satisfied with the paper's explanation for the allegedly inaccurate report.

<http://www.newswatch.in/newsblog/5488>

- **Najib and Anwar Locked in Battle for International Stage**

Since becoming Malaysian prime minister, Najib Tun Razak has faced serious challenges trying to rebuild the image of his ruling Barisan Nasional coalition amid the rows that have afflicted the three main coalition parties. His task has been made much more precarious by the political pressure he has faced from the Anwar Ibrahim-led opposition. While trying to keep up his political momentum at home, Najib also has been trying to juggle the task of rebuilding his image on the international stage, especially in relation to Anwar, who continues to enjoy the international image of being a moderate Muslim grievously wronged by two trials trumped up to drive him from politics or worse. Anwar's international reputation and credibility, particularly in the West, were cemented during his days as finance minister in the 1990s, which culminated in his falling-out with the former Prime Minister Mahathir Mohamad.

Back then he quickly came to embody the image of a moderate with a learned appreciation of the intricacies of maneuvering through an international financial crisis.

Between his release from prison in 2004 and winning his current parliamentary seat, Anwar reaffirmed his ties and visibility abroad. Perhaps this was to be expected, given that he was banned from immediately jumping back into the political fray and running for office.

The period coincided with lecturing stints at Georgetown and Johns Hopkins universities in the United States and Oxford University in Britain. It was also during this period that Najib's star within United Malays National Organization was on the ascendency.

By the time of the March, 2008 general election, then-Prime Minister Abdullah Ahmad Badawi was already mired in a serious internal political struggle within UMNO. The political assault from Mahathir did not help Badawi's attempts to move the party and the country beyond the grip of the former premier, who rarely passed up a chance to indulge in Washington-bashing or be his prickly self toward the West.

To be sure, most of this sentiment was tailor-made for domestic political consumption. As Badawi's demise became apparent following Barisan's meek performance in the poll, Najib, the prime minister-in-waiting, also found himself in the dubious position of being

propped up by anti-Washington demagogue Mahathir.

Already tarnished by allegations over the gruesome murder of Mongolian translator Altantuya Shaaribuu in 2006 by two of his bodyguards and by allegations of corruption over the purchase of French submarines, Najib's close political links to Mahathir may have helped consolidate his position within UMNO, but it hardly helped to make Najib a sweetheart in the West. In an effort to improve his overseas image and blunt Anwar's, Najib launched a public relations campaign costing millions of dollars with international powerhouse Apco.

That has backfired because of opposition allegations that Apco also does work for the Israeli government. It is against this backdrop that there was much hullabaloo made in the state-controlled media of Najib's "Kodak moment" during his meeting with President Barack Obama at the nuclear security summit in Washington in April.

It symbolized Najib's stepping out of Anwar's shadow and onto the international stage.

The prime minister's wife, Rosmah Mansor, also gained a higher profile when honored with the International Peace and Harmony Award. Such exposure helped give the couple a favorable image internationally. Anwar, bogged down in another sodomy trial, has been keeping the international spotlight on Najib's government by stressing political persecution in Malaysia. This is how his legal team has cast the case.

Anwar has continued to cultivate his international links, addressing the Oslo Freedom Forum in late April. More recently, he renewed old and enduring ties with associates in the United States during a visit centered around a presentation on Islam and democracy in Southeast Asia delivered at the Woodrow Wilson International Center in Washington.

Anwar will continue to rely on his international reputation and image as a credible democrat — and a moderate, internationally renowned Muslim figure — to sustain his domestic political ambitions. It is, incidentally, also in this light that we can interpret Anwar's recent "regret," as reported in a Washington Post article, for invoking the reference of "Zionist aggression" in his characterization of the flotilla incident off the coast of Gaza.

Surely, Anwar must have realized that he had stepped just a bit too far and can ill afford to compromise his credentials in the international community as a moderate.

<http://www.thejakartaglobe.com/opinion/najib-and-anwar-locked-in-battle-for-international-stage/383856>

- **Umno Needs To Undertake Political Reforms - Muhyiddin**

Umno deputy president Tan Sri Muhyiddin Yassin reminded party members to carry out political reforms which is in tandem with the government transformation. Muhyiddin, who is also the Deputy Prime Minister, said that what he could see now was that Umno

was not moving fast enough and this was critical in facing the next general election.

Compared to the government transformation, he said Prime Minister Datuk Seri Najib Tun Razak had made radical and extraordinary changes by introducing various initiatives, including the 1Malaysia Concept, Government Transformation Programme and the National Key Result Area (NKRA).

He said the changes made by the government had regained the public confidence in the government under the leadership of Umno and the Barisan Nasional (BN) in developing the country after experiencing the 'political tsunami' in the last general election.

"Umno should have changed, but it was slow. Umno is like an old ship. We are not perceived as moving rapidly, so this is more critical if we are to face the 13th general election which is less than three years from now." "If we (Umno) do not change, there will be people who will change us. They will take over (our role)," he said when opening the Putrajaya Umno delegates meeting, here Friday night.

Also present was Putrajaya Umno division chief Datuk Seri Tengku Adnan Tengku Mansor. Muhyiddin said Umno had not much time and thus, had to make the changes by understanding the needs and aspirations of the people so that they would continue to support the party. He said the people's demand had now changed and they wanted to see the willingness of Umno and BN leaders to make changes.

That was why, he said, Umno introduced the Juara Rakyat programme so that party leaders and members could understand and were able to help resolve the people's problems. Muhyiddin said Umno should be loud and not afraid to uphold the rights of the Malays because the basis of the party struggle was to defend the Malays and Islam in the country.

"Now, I see non-governmental organisations are more vocal in fighting for the rights of the Malays, when it is Umno's agenda." "Why are we seen weak? The Malays are not as great as before. So they (Malays) go to other bodies. This is a mistake," he added. He said Umno should continue to fight for the rights of the Malays, but at the same time, not to deprive the rights of other races in the country.

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=510563>

- **At Geo Strategic Front**
- **Economic Front**
- **6% GDP growth achievable, says PM**

Prime Minister Datuk Seri Najib Tun Razak is optimistic that Malaysia's target of 6% gross domestic product (GDP) growth this year is achievable. He said the nation started the year with a strong economic recovery which was set to continue throughout 2010 following the Government's various initiatives. "Our position in the Global

Competitiveness Index rose to 10th from 18th a year earlier and now The Report: Malaysia 2010 forecasts a high growth number of at least 6%.

“This is an exciting time for all Malaysians and with initiatives under the Government Transformation Programme and the New Economic Model, we are in for a sustainable and robust economic growth.

“Achieving real GDP growth of 6% per annum is an ambitious yet achievable target,” he said when launching The Report: Malaysia 2010 here yesterday.

Datuk Seri Najib Tun Razak (second from left) receiving a gift from Oxford Business Group chairman Michael Benson-Colpi. Looking on are Datuk Seri Abdul Wahid Omar (left) and Paulius Kuncinas. The report, which is the fifth edition, is a business guide published by Oxford Business Group that provides a comprehensive overview of all sectors of Malaysia’s economy, highlighting the key opportunities for domestic and international investors and its transformation into a high-income economy.

The report contains in-depth, up-to-date analysis of the Government’s plan to persuade investors to target advanced technology industry rather than low-cost sectors and assume the role of facilitator rather than provider of economic change with the private sector taking centre stage as the principle catalyst for economic activities.

Oxford Business Group regional editor Paulius Kuncinas said Malaysia needed to focus on its core strength such as Islamic finance, halal food sector, downstream oil palm and alternative fuel like biofuel. “Many countries are competing in the same areas. It is important to differentiate and not compete in the lower skills sector,” he told a press conference after the launch of The Report.

Going forward, Kuncinas said, the catalyst for growth for Malaysia would be research and innovation. He said setting up of labs alone was insufficient but there was a need to create a whole supply chain by linking universities and private firms. “The main challenge ahead will be to encourage the private sector and financial institutions to be more involved in helping to start up companies to commercialise their projects,” Kuncinas said. Earlier, in his speech, Kuncinas said the global credit crisis served as a reminder to Malaysian industry leaders that they could not rely exclusively on export markets for growth. Malaysia’s resilience in the face of the credit crunch improved significantly its investment profile placing it amongst the fastest growth countries, he said.

“The main lessons that companies and policy makers can draw from the crisis is that balance sheet strength is essential in a synchronised cyclical downturn. “The second key lesson is that financial sector liquidity should not be taken for granted — it is one of the main assets that served Malaysia well through the crisis,” Kuncinas said.

Meanwhile, Association of Banks in Malaysia chairman Datuk Seri Abdul Wahid Omar,

who was at the press conference, said he expected the GDP to grow 7.5% this year on the back of recovery in certain sectors like manufacturing as well as the improvement in services. "The momentum of growth in the first quarter would be enough to carry through (growth) for the rest of the year, and the banking sector will also continue to lend, meaning economic activities will continue," he said. However, Wahid said, next year would be more challenging as a cut was expected in the Government's expenditure in order to reduce the budget deficit. "With that, there is a need for private sector to step in and we reckon that growth for 2011 will be lower at around 6%," he said.

However, he said, the country could still achieve the growth target of 6% per annum in the long run to reach the high-income economy status by 2020. Wahid, who is also Malayan Banking Bhd president and CEO, said the bank would play its part in terms of funding and seeding growth towards meeting the goals of the 10th Malaysia Plan and New Economic Model.

<http://biz.thestar.com.my/news/story.asp?file=/2010/7/1/business/6584188&sec=business>

- **Malaysian PM faces uphill task in implementation of reform pledges**

Malaysia Prime Minister Najib Razak has set lofty targets to transform the government and the economy. But all eyes are now on implementation. It was a time of political and economic uncertainty when 56-year-old politician took the helm as Malaysia's sixth prime minister last April.

Malaysia was mired in its first recession in a decade and religious-racial tensions were on the rise in the predominantly Muslim country. And a year earlier, the Barisan Nasional ruling coalition had suffered its worst election defeat in history.

Mr Najib wasted no time; he laid out '1Malaysia' as the guiding principle of his administration to strengthen national unity and regain voters' support. He also rolled out a series of bold plans to clean up the government, and transform Malaysia into a developed nation by 2020. "I am quite pleased in setting the strategic direction for Malaysia. Now we have to focus on the implementation, which can be the bane of most plans if we don't implement expeditiously and effectively, some of the initiatives are very challenging initiatives," said PM Najib.

Mr Najib faces resistance especially from Malay rights groups in his attempt to revamp the decades old affirmative action policy that has long been a source of concern for investors. "I do not promise to do away with it. I promise a new approach, with the whole notion of having a fair and balanced society. Practically all Malaysians accept that - (it's) more market friendly, more merit based, more transparent, and based on needs," said the Malaysian PM. Another challenge for Mr Najib is weaning Malaysians off years of subsidies. "You cannot expect a legacy, after so many years of subsidy, to be resolved in

one or two years. It's impossible. But what is important is that we move in the right direction. We communicate with the public, that's there's a buy-in," he said.

Meanwhile plans are underway he said to regain voters' support for his ruling Barisan Nasional coalition. - CNA /Is

<http://www.channelnewsasia.com/stories/southeastasia/view/1066202/1/.html>

- **Najib: Affirmative Action Takes A New Route In NEM**

Prime Minister Datuk Seri Najib Tun Razak said he did not promise to do away with the affirmative action with regard to helping the Malays and Bumiputeras when he introduced the New Economic Model (NEM) for Malaysia. "I did not promise to do away with it. I promised a new approach," he said during an exclusive interview with Singapore-based Channel News Asia (CNA) which was aired here Monday night.

Najib said the whole notion of the NEM was to have a fair and balanced society, and this economic model had been practically accepted by all Malaysians. The question now was how to get Malaysians there and how do they want to achieve it, he told CNA's Malaysian bureau chief Melissa Goh who conducted the interview in Kuala Lumpur.

The prime minister said: "We want to get there but it has to be through a different route." Thus, Najib said affirmative action under the NEM would be more market-friendly, more merit based, more transparent and based on needs. He said there was enough wealth, enough room and latitude in his country for Malaysians to benefit from the government policies.

Asked when the government would likely stop giving out subsidy, Najib said the government needed to fine tune it first before it could gradually be phased out. "I use the word gradual because we need the people's buy-in... because subsidy is a very sensitive issue," he said, adding that the government had to convince the Malaysian public that this was good for them in a long term. "The only problem is that people look very much over the short term horizon, and they don't look at the long term horizons," Najib said.

The prime minister said the subsidy issue depended a lot on the public buying-in, and also for the government to come up with some social safety nets for those who were poor or vulnerable groups. So we are working at it but I did not promise overnight to do away with subsidy," Najib added.

The recently warm bilateral relations with Singapore and the settlement on the outstanding Keretapi Tanah Melayu (KTM) land issue here, Najib said the KTM land settlement was a major breakthrough as it had been said by some people as "a thorn between our bilateral ties which was left unresolved for almost 20 years." "I decided that we should put our minds to it and resolved a major outstanding bilateral issue because that will give us a strong foundation," Najib said, adding that it was also a signal to

Malaysians as well as Singaporeans that they wanted to move forward, to deepen and to strengthen their existing ties.

The prime minister said: "We should not be emotional, we should not carry the baggage anymore but we should move forward, and with the sense of confidence, we can benefit from this new enthusiasm in terms of bilateral ties."

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=509427>

- **Petronas Profit Falls a Second Year on Oil Price Drop**

Petroliam Nasional Bhd., Malaysia's state oil company, posted a second year of declines in earnings as crude and natural gas prices fell amid the global recession while production costs stayed high.

Net income in the year ended March 31 dropped 23 percent to 40.3 billion ringgit (\$12 billion), said Petronas, as the company is known, in a statement in Kuala Lumpur today. Sales slipped 18 percent to 216.4 billion ringgit.

"Last year was an extraordinarily difficult year for everyone," Shamsul Azhar Abbas, who took over from Hassan Marican as chief executive officer in February, told reporters. "World oil demand went back to what it was five years ago."

The worst recession since the 1930s sapped energy demand as consumers reduced travel and factories cut production. The outlook is improving, and the International Energy Agency on June 10 raised its forecast for global oil demand this year as a recovery in the U.S. bolsters fuel consumption.

Worldwide oil use will rise by 1.7 million barrels a day, or 2 percent, in 2010 to a record 86.4 million barrels, the Paris-based IEA said in its monthly market report. The increase of 60,000 barrels from last month's estimate is driven by accelerating North American demand. The yield on Petronas's 5.25 percent note maturing in August 2019 rose seven basis points, or 0.07 percentage point, to 4.57 percent today, according to prices from the Royal Bank of Scotland Group Plc. The spread over similar maturities U.S. treasuries widened 6 basis points to 172 today.

Margins Squeezed

"Margins were squeezed because the pace of decline in oil prices weren't matched by operating costs," Andrew Wong, a credit analyst at Standard & Poor's in Singapore, said by telephone.

Crude in New York averaged \$70.71 a barrel in the year through March 31, down from \$86.61 a year earlier, according to data compiled by Bloomberg.

Petronas traditionally contributes more than one-third of the Malaysian government's revenue through dividends and taxes. It maintained a dividend payment of 30 billion ringgit to the Malaysian government during the financial year even as its profit fell. That

accounted for 74 percent of the company's net income, up from 57 percent a year earlier. It also subsidized 18.9 billion ringgit in natural gas for use by power producers and manufacturers in Malaysia, down 3.1 percent from a year earlier.

Capital spending is estimated to rise to 40 billion ringgit this financial year from 37.1 billion ringgit, Shamsul said.

Domestic Focus

Petronas's total reserves increased 0.5 percent to the equivalent of 27.1 billion barrels of oil in the on Jan. 1, and the company replaced its reserves at 1.1 times, down from 1.8 times a year earlier. The company plans to focus on domestic production to increase its holdings of crude and gas this year, which may pull its reserves ratio higher, Shamsul said. "We've been neglecting the domestic side in the last couple of years," he said. "We now have a fairly aggressive domestic exploration strategy."

Petronas's oil and gas reserves in Malaysia were replenished 1.6 times last year, compared with 0.4 times for fields abroad. "It was necessary to go international, but for operators in this region, they tend to be successful in domestic fields because they understand the terrain," S&P's Wong said. "There is time for them to explore the basins domestically."

Largest LNG Producer

Total oil and gas output for the group fell 2.5 percent to the equivalent of 1.75 million barrels a day during the financial year. Crude oil and condensate production dropped 6.2 percent to 714,000 barrels a day, while gas output rose 0.3 percent to the equivalent of 1.04 million barrels of oil a day.

Production in Malaysia fell 4.8 percent to the equivalent of 1.11 million barrels a day in the year to March 31. That accounted for 68 percent of the nation's daily output. Its domestic refineries ran at 85.7 percent of their capacity, down from 97.3 percent a year earlier. The company produced 22.8 million metric tons of liquefied natural gas during the financial year from its Bintulu plant on Borneo Island, and 1.9 million tons from its Egyptian unit. Malaysia is the world's largest producer of the fuel after Qatar.

Japan purchased 12.7 million tons, or 56 percent, of Malaysia's LNG, South Korea bought 25 percent, Taiwan took 13 percent and China 3.1 percent. Petronas plans to sell shares in its petrochemical unit and Malaysia Marine & Heavy Engineering Sdn. and list them on the Kuala Lumpur stock exchange by the end of the year, said George Ratilal, executive vice president of finance.

<http://www.businessweek.com/news/2010-07-01/petronas-profit-falls-a-second-year-on-oil-price-drop.html>

- **1Malaysia Core To Nation Building And Modern Economy - PM**

The 1Malaysia concept is an integral part of cementing the nation-building process as well as building value for a modern economy, said Prime Minister Datuk Seri Najib Tun Razak. He said for the nation to move forward and meet challenges, it needed to have a strong core and foundation, that could only be achieved if there was national unity, which would provide the country with the essential bedrock of stability.

"National unity is a value system, a thought process which has to be articulated because everyone has different notions of what national unity means.

"So when we talk about 1Malaysia we expound the fundamental values associated with national unity, so people understand what this process of being one means," he said in an interview with Oxford Business Group (OGB), the publisher of *The Report: Malaysia 2010*. The book launched today by the Prime Minister offered insights into business, trade and investment opportunities in Malaysia. It also highlighted the government's plans and policies including the recently launched New Economic Model (NEM) as well as the 10th Malaysia Plan, in its efforts to transform the country into a high income economy by 2020. In the interview, Najib also pointed out that every Malaysian should play his or her part in contributing to nation-building efforts in order for the country to be globally competitive. "These talents are valuable assets for us. That is why it is important for us to have this sense that every single Malaysian is important and that we have a system in this country that allows every Malaysian to realise his or her maximum potential," he said.

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=509996>

- **Malaysia Forecasts 2010 Growth in Exports, Investment as Economy Recovers**

Malaysia plans to boost exports and investment in 2010 as Southeast Asia's third-largest economy recovers from last year's global slump and Prime Minister Najib Razak pledges measures to help the nation compete with rivals.

The government is raising its target for manufacturing investment approvals to 40 billion ringgit (\$13 billion) this year from 27.5 billion ringgit, Trade Minister Mustapa Mohamed told reporters in Kuala Lumpur today. That would boost total approvals for manufacturing and services by 20 percent to 85.8 billion ringgit in 2010. Exports may grow 6 percent to 7 percent this year, after plunging 16.6 percent in 2009, he said. The nation needs to boost private investments by an average annual 12.8 percent, or 115 billion ringgit, between 2011 and 2015 to achieve developed nation status by 2020, Najib said June 10. Malaysia's growth momentum has slowed over the past decade amid mounting competition from China, India and Indonesia, the government said in its 10th Malaysia Plan released this month.

"We were able to position Malaysia for renewed growth at the end of 2009 and going into 2010 through an aggressive agenda of liberalizations in the service sector, which was the

largest contributor to 2009 gross domestic product,” Mustapa said. “A renewed effort in pursuing additional free-trade agreements and expanding our competitive trade outreach” will also support the economy, he said. Malaysia will engage new free-trade agreement partners, particularly in emerging markets and West Asia, according to the trade ministry’s annual report released by Mustapa today.

Affirmative Action

Najib has pledged to revamp the country’s 39-year-old race- based affirmative action policies that benefited the ethnic- Malay majority, and trim state subsidies for fuel and food items. The aim is to make the measures “market-friendly, merit- based, transparent and needs-based,” he said in the five-year Malaysia Plan. He has also allowed more foreign banks to operate in the country.

The government plans to cut red tape for approvals, improve infrastructure including broadband services, and empower the Malaysian Industrial Development Authority to negotiate directly with investors, the trade ministry said in today’s report.

“The government will do its part to further improve the country’s physical and soft infrastructure,” Mustapa said in the report. “In turn, businesses must invest in research and development, undertake effective marketing and branding strategies and adopt industry best practices.”

Coca-Cola

The government approved 7.1 billion ringgit in factory investments in the first four months of 2010, Mustapa said. Coca-Cola Co., the world’s largest soft-drinks maker, said in March it plans to spend 1 billion ringgit on a bottling plant in Malaysia, creating as many as 800 jobs.

Approvals for investment in the services industry are targeted to jump 18 percent to 45.8 billion ringgit this year, the trade ministry’s report showed. Total approvals for manufacturing and services projects fell 36.8 percent in 2009.

Private investment has dropped from an average of about 25 percent of GDP in the 1990s to 10 percent in the past decade, according to the 10th Malaysia Plan report. With less than a third of manufacturing investments last year coming from domestic businesses, the government is prodding state-linked companies and local business people to invest more at home.

Petroleum Nasional Bhd., Malaysia’s state oil company, will reduce overseas drilling ventures and focus on boosting recovery from existing local wells, the Star newspaper reported on June 5, citing Chief Executive Officer Shamsul Azhar Abbas.

The country’s trade and investment targets won’t be affected by the appreciation of its currency, Mustapa said. The ringgit has climbed 11 percent against the dollar in the past

year, the biggest gainer in Asia after Indonesia. The ringgit is "going up according to market development," he said. "There is nothing unusual."

While there will be "some challenges" emerging from Europe and the U.S., "all this will be compensated more by Asian countries like China and India," he added.

<http://www.bloomberg.com/news/2010-06-21/malaysia-forecasts-2010-growth-in-exports-investment-as-economy-recovers.html>

Social Front

- **Govt to increase funds in Malay language development**

Malay language development received a boost from the government on Saturday. It will raise its contributions to the Malay Language Council by as much as 50 per cent. The council will now get S\$150,000 if it's able to collect at least S\$30,000 a year.

This was announced by the council's chairman Hawazi Daipi at the launch of this year's Malay Language Month. Deputy Prime Minister and Defence Minister, Teo Chee Hean was the guest of honour at the event. Mr Teo also reiterated the importance of the Malay language in the region. Mr Teo said: "Malay is an important language for us here in Singapore because we're part of the Malay archipelago. So in order for us to find our place in Southeast Asia, it's important for as many Singaporeans as possible to at least understand and speak some Malay."

<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1065908/1.html>

- **Malaysia's Hindu-Buddhist civilisation spread over 1,000 sq km**

Excavation at a Hindu-Buddhist civilisation site in Malaysia that dates back to the fifth century indicates that it was spread over 1,000 sq km and not 400 sq km as thought earlier.

A team of Malaysian archaeologists discovered ancient furnaces for iron smelting in Jiniang, Kedah, 30 km from the Bujang Valley site near Merbok, Kedah state.

"This means the Bujang Valley civilisation area encompassed about 1,000 sq km - three times the size of Penang island - and not 400 sq km as thought before," said Mokhtar Saidin, who led a team of researchers from Universiti Sains Malaysia (USM). This will be discussed at a three-day international conference on "Bujang Valley and Early Civilisations" in South-East Asia beginning in Kuala Lumpur tomorrow.

Saidin said 28 academic papers would be presented by archaeologists from South-East Asian countries as well as from China, India, the US and Britain. The Bujang Valley or Lembah Bujang is a sprawling historical complex situated near Merbok, Kedah, between Gunung Jerai in the north and Muda River in the south. It is the richest archaeological area in Malaysia. The name itself is roughly translated into "Dragon Valley". The area consists of ruins that may be more than 1,500 years old. More than 50 ancient tomb

temples, called candi, have also been unearthed.

Saidin said the team, which conducted excavations from February 2009 to May this year, found complexes such as ritual sites and industries of early civilisation in Bujang Valley that was based on the iron industry. "We excavated 10 sites along Sungai Batu in Bujang Valley and found evidence that furnaces were used by the ancient civilisation," The Star quoted him as saying.

After dating samples of iron smelting sites, he said an early civilisation which was probably based on animism existed there between the first and fifth century.

But from the fifth century to the 14th century, the area was a thriving Hindu and Buddhist civilisation, he added.

<http://www.asianlite.co.uk/detail.asp?iPro=12387&iType=1>

- **Environmental Front**

Philippine

- **Political Front**
- **Aquino to consider foreign trips when domestic issues settled**

Philippine President Benigno Aquino III said on Monday that he will consider going on a foreign trip only after he has addressed urgent "domestic matters."

Aquino made the statement when asked whether he would consider the Department of Foreign Affairs (DFA) proposal for him to attend the United Nations General Assembly in New York in September, as his first overseas trip. "Before I make any plans of a foreign nature, let me be sure that the domestic front is well covered already and we're headed towards where we want to get to," he said.

He said that the proposed foreign trips of the DFA "all have value" but it's a matter of determining which should come first and which would be the "most cost effective." "All of that have value. For instance, (the invitation to) Europe, where you get to meet the entire membership of the European Union. It is very cost effective, and very tempting to accept (the invitation) right away," he said, but added that he wants to settle pressing domestic problems before he leaves the country.

Prior to the inauguration of the new president, the DFA had urged the Aquino administration continue the Arroyo administration's policy of economic diplomacy, and hoped that Aquino would consider attending various scheduled summits abroad.

<http://english.people.com.cn/90001/90777/90851/7053202.html>

- **Elections in Philippines will not be automated**

The elections panel has ruled that elections for village leaders scheduled for October 25, will still use traditional voting process instead of the automated scheme. According to

Commission on Elections (Comelec) Commissioner Rene Sarmiento, it would be too costly for the poll body to use the same machines used in the May 10 automated elections. He said budget considerations weigh heavily on the state after it had spent some 7 billion pesos (Dh556,301,419) on the recent political exercise. "The Comelec commissioners, voting as a whole, have resolved not to automate in this political exercise. We have decided to go manual," Sarmiento said.

On May 10, the Philippines held its first automated elections. Although the exercise had been largely considered a success, Comelec officials deemed that the cost of applying such high-tech polling may outweigh the benefits. Village-wide polls reflect the mandate of a relatively smaller sample of the electorate when compared to national elections. During village-wide elections, Filipinos vote for their community leaders, from the chairperson to several village councillors as well as youth representatives.

"I don't think the 3.2 billion pesos allocated for these barangay elections would suffice to cover automated elections. If you have 40,000 barangays [villages] this would mean thousands of machines again even if we cluster [the precincts] ... That would mean more expense for the Comelec," reports quoted Sarmiento as saying. After the family, the village is the smallest political unit under the Philippines democracy.

<http://gulfnnews.com/news/world/philippines/elections-in-philippines-will-not-be-automated-1.646436>

- **Economic**
- **Fiscal gap seen key investor worry**

THE Philippines' fiscal deficit remains a key concern for investors, according to a foreign investment bank. In a research note, Barclays Capital said that a cyclical bounce in revenues was not enough to prevent the budget gap from widening to P162.1 billion at end-May, or higher than the P145.2 billion ceiling for the first semester.

The investment bank said Congress' revenue-eroding measures were to blame for the Philippines' fiscal straits, adding that the government's deficit is likely to widen to P335 billion this year, or to 4 percent of the country's gross domestic product (GDP).

This is higher than the government's ceiling of P300 billion, or 3.6 percent of GDP.

GDP is the amount of final goods and services produced in the country, while the deficit-to-GDP ratio is a key indicator of how sustainable is the government's revenue shortfalls. Barclays said the success of the government's asset-sale program remains "uncertain," after the schedule was pushed back to the second half of the year. The privatization program set by the outgoing Arroyo administration is expected to translate to P30-billion worth of revenues for the government.

Despite the country's fiscal problems, Barclays said that the Philippine economy would

fully take off amid the positive sentiment of the business community towards the incoming Aquino administration. The bank said the election outcome was better than what most expected, with Senator Benigno Aquino 3rd winning with a clear majority. At the same time, the level of violence in the country was much lower compared with past elections—an indication that democracy continues to gradually move on the right track in the country “and that new economic policies would drive the country’s economy [to become] even more robust.”

The investment bank said the Philippines would catch up with its regional peers as it enjoys the best of both worlds—a solid growth outlook and relatively benign inflation — adding that “the bulk of the impetus [came] from consumption.” The lender expects the country’s GDP to expand by 6 percent this year.

It also forecast strong investment spending of 8.6 percent, and a more vibrant export sector amid the strong global electronics cycle. Barclays said inflation has consistently surprised on the downside since the start of the year, largely on the back of lower-than-expected gains in food prices.

“Overall, we expect inflation to average 4.5 percent in 2010, in the middle of the central bank’s target of 3.5 [to] 5.5 percent,” the investment lender said.

Add comment

<http://www.manilatimes.net/index.php/business-columns/20545-fiscal-gap-seen-key-investor-worry>

- **Geo strategic Front**
- **Aquino aims to upgrade army for tackling rebels**

Military to study options such as leasing or selling some assets, including vacant land to raise funds. Philippine President Benigno Aquino salutes with the new military’s chief of staff, Lieutenant General Ricardo David (right) at the military headquarters in Manila yesterday

Philippine President Benigno Aquino III said yesterday the military would get the weapons and equipment it needed to end insurgencies, saying without stability the country could not attract investment to fund development.

Lieutenant-General Ricardo David, the new army chief, in turn pledged loyalty to democracy and set the 130,000 strong military a three-year deadline to defeat long-running insurgencies by Maoist-led guerrillas and Muslim separatists.

“Tell us what you need and we will give it to you as long as they are based on principles or professionalism and utilitarianism,” Aquino, the army’s commander-in-chief under the constitution, told soldiers at Manila’s main military base.

For more than 40 years, Muslim separatists have been seeking a homeland in the south of

the mainly Roman Catholic country, and Maoists have been fighting to overthrow the government. Aquino has said negotiations to end both conflicts would continue.

“Without stability, we cannot expect people to invest in our country. Achieving and maintaining stability is your obligation,” he said, asking for integrity and discipline from soldiers.

Aquino, who took office on Wednesday, said more troops would be recruited to deploy against communist New People’s Army (NPA) rebels and Moro Islamic Liberation Front guerrillas. David told reporters the military would meet the challenge.

“Our priority is decimation of terrorism and insurgency in the country which continues to derail our efforts to attain lasting peace and development,” David said.

David took over as chief of staff yesterday, after General Delfin Bangit had retired last month. Bangit had been appointed only in March by outgoing President Gloria Macapagal Arroyo, and Aquino had questioned the decision.

Defence spending in 2010 is set at about 57bn pesos, with more than 70% going on salaries and allowances. A further 5bn pesos was allocated to buy utility and attack helicopters, coastal patrol boats, trucks and metals for manufacturing small arms munitions.

“We have very limited resources and our campaign is focused against terrorism and internal security. So what we need are equipment that can help us carry out these tasks, such as helicopters,” David said. He said the military was studying options such as leasing or selling some assets, including vacant military land.

During the election campaign, Aquino said he would increase defence spending to 2% of GDP, about double the current allocation.

The military has been an influential player in Philippine politics over the past quarter century, most obviously in triggering the overthrow of dictator Ferdinand Marcos in 1986 and withdrawing support from Joseph Estrada in 2001.

Aquino’s mother, Cory Aquino, faced about half a dozen coup attempts when she was president in the six years after the fall of Marcos, and Arroyo faced three coup attempts.

Reuters <http://www.gulf->

times.com/site/topics/article.asp?cu_no=2&item_no=372024&version=1&template_id=45&parent_id=25

- **Military accused of using minors to fight rebels**

Communist rebels over the weekend accused the Armed Forces of the Philippines of actively recruiting minors for military operations against the armed movement. The allegation was made after members of the New People’s Army (NPA) discovered that a prisoner they were currently holding is reportedly a 17-year-old member of the Civilian

Auxiliary Force Geographical Unit (Cafgu) of the Philippine Army.

According to Rigoberto Sanchez, spokesman of the NPA's Merardo Arce Command based in Compostela Valley, recruiting minors for combat operations have become the military's official policy after allegedly failing in its counter-insurgency campaign.

"The cat is finally out of the bag. . . that in its failed and defeated Operation Plan Bantay Laya 2, the 10th Infantry Division of the Armed Forces of the Philippines recruits and arms minors as combat pawns in its war against the people and the revolutionary forces," Sanchez said.

Recruitment and training

The 17-year-old militia, Juve Latiban, was apprehended last month by NPA guerillas with his companion, Sergeant Bienvenido Arguelles, as the two were passing through a check point set up by the rebels in the village of Upper Ulip in Compostela Valley's Monkayo town. Sanchez reported that Latiban was not even 16 years old when he was recruited in October 2008 by Private First Class Alvin Latiban, a resident of the cited village. "Together with his batch mates that included 18 other minors, they underwent 45-day training at the 1001st Infantry Brigade headquarters in Tuburan [village] in Mawab town in Compostela Valley," Sanchez said, quoting from information provided by the arrested militia.

Bogus birth certificates

The rebel spokesman also related that Latiban confessed to being provided fake birth certificates, which stated they were already 18 years old when recruited by the military as militias. "[Latiban's] own bogus birth certificate showed that he was born on 1990 instead of the factual 1992 so that it would appear that he was already 18 at the time of his training," Sanchez added. "[Latiban] confessed that the 72nd Infantry Battalion trainers knew their actual ages. His first assignment was at the Philippine Army detachment in Upper Ulip in Monkayo. Private First Class Latiban is now assigned in the 10th Infantry Division," Sanchez also said.

The NPA said the militia is only temporarily under custody and would be released as soon as government troops pull out from areas where rebel forces are actively operating in the province.

The NPA has been waging a decades-long protracted armed struggle for the establishment of a Maoist state in the country.

<http://www.manilatimes.net/index.php/news/regions/20816-military-accused-of-using-minors-to-fight-rebels>

- **Philippines army chief vows to end insurgency**

The new chief of staff of the Armed Forces of the Philippines (AFP) vowed on Friday to

end the country's insurgency problem in two to three years. Lieutenant General Ricardo David, the former chief of the military's Northern Luzon command, also vowed to keep the AFP as a responsible institution of public policy and subservient to the civilian community.

President Benigno "Noynoy" Aquino swore in David as the new AFP chief of staff in ceremonies held at the military's national headquarters in Camp Aguinaldo in suburban Quezon City, Metro Manila. David took over the No.1 military post from Lieutenant General Nestor Ochoa who was appointed the acting chief after General Delfin Bangit chose optional retirement effective June 22 when Aquino's announced he would not be retained. Bangit served as AFP chief of staff for only four months following his appointment by former president Gloria Macapagal-Arroyo on March 10.

David expressed optimism the military would succeed in ending the insurgency problem, given the Aquino assurance of adequate funding and additional manpower for the 127,000-strong AFP. David said the three-year deadline also applies to the military's determined attempt to end terrorist threats in the country.

He did not elaborate but he was apparently referring to the problems posed by the Abu Sayyaf extremists who have imposed a "reign of terror" particularly in the island provinces of Basilan and Sulu in Mindanao, through abductions and even beheading of their hostages. Aquino, for his part, assured the military of his administration's continued support with this message: "Tell us what you need and we will give it to you."

<http://gulftoday.ae/portal/e3bb804f-1078-4ae1-a43b-1e97a7bc3f59.aspx>

- **At Social Front**
- **US envoy slams killing of massacre witness**

The US ambassador to the Philippines yesterday denounced the murder of a potential witness in the massacre of 57 people in a southern province last year.

Ambassador Harry Thomas called for a swift investigation into the killing of Suwaib Upham who claimed to have participated in the November 23, 2009 massacre in Ampatuan town in Maguindanao province, 960 kilometres south of Manila.

"I deplore the murder of Suwaib Upham, who bravely came forward to testify about the tragic Maguindanao massacre," Thomas said in a statement. "I urge the Philippine authorities to conduct a swift investigation into his death and bring those responsible to justice." "This murder adds additional urgency to the swift investigation and prosecution of those responsible for the brutal massacre," he added.

"Too many people still wait for justice and now the Upham family joins them."

Upham, who was killed by a lone gunman on June 14 in nearby Parang town, claimed that he was among more than 100 gunmen who killed the victims on orders of then-Datu

Unsay town mayor Andal Ampatuan Junior.

Upham had said that Ampatuan Junior joined the killing spree and shot some of the victims, who included relatives of a political rival and 32 journalists and media workers, despite them begging for their lives.

State prosecutors have filed murder charges against Ampatuan Junior and five other members of his family, including Andal Ampatuan Senior who allegedly ordered Andal Junior to lead the slaughter.

<http://www.gulf->

[times.com/site/topics/article.asp?cu_no=2&item_no=370569&version=1&template_id=45&parent_id=25](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=370569&version=1&template_id=45&parent_id=25)

- **A United Nations (UN) agency supports debriefing programs for hostages of Somali pirates.**

The Secretary General of the UN International Maritime Organization (IMO) joined around 100 families of freed hostages of pirates who attacked ships plying off the coast of Somalia at the Overseas Workers Welfare Administration (OWWA) on Thursday.

Efthimios Mitropoulos, who is in the Philippines for a maritime diplomatic conference, was accompanied by Department of Labor and Employment Secretary Marianito Roque. The IMO is a UN agency specialized on the shipping industry. “Freed hostages supported with the anti-stress debriefing program would be able to go back to their normal routines and resume working,” Roque said.

The Labor secretary said the gathering was to begin a post-piracy trauma and treatment program to help seamen cope with stresses they experienced while still detainees. Meanwhile, the families who suffered anxiety during the hostage were also counseled.

Mitropoulos, a retired admiral, also acknowledged that some 30 percent of the world’s seafarers are Filipinos, consequently, a dialogue with seafarers’ families were needed.

He informed the participating families what the UN member-countries have been doing to prevent piracy, protect and rescue seafarers. He also disclosed on what the world is doing to protect the shipping industry and personnel against piracy attacks, and to support seafarers and their families go through the trauma. Mitropoulos assured that countries have already sent naval vessels to patrol the coast of Somalia and the Gulf of Aden.

OWWA Administrator Carmelita Dimzon said that freed seafarers who continue to experience nightmare need post-trauma debriefing to deal with psychological and physical problems that intrude them to live normal lives. Dimzon said OWWA continuously conducts stress debriefings and counseling in coordination with seamen’s respective manning agencies.

<http://www.manilatimes.net/index.php/news/nation/20179-filipino-hostages-released-by->

somali-pirates-debriefed

- **Environmental front**

Thailand

- **Political Front**
- **Thai government welcomes US resolution**

The US Congress on Thursday voted 411-4 to call on all parties in Thailand to "work assiduously to settle their differences" under a five-point national reconciliation road map of Prime Minister Abhisit.

Deputy Prime Minister Suthep Thaugsuban on Friday welcomed the US resolution and said foreign countries appreciated the atmosphere leading to the national reconciliation.

Suthep conceded that some Thais do not want the roadmap to be achieved but the government will move on with the plan. The resolution came in favour of the Thai government and Abhisit despite the fact that runaway ex-PM Thaksin Shinawatra dispatched his legal adviser; Noppadon Pattama, to Washington to meet some US senators to repaint the red shirts' image and the Thai political crisis in Americans' perception.

Earlier the Thai government sent a special envoy; Kiat Sittiamorn, to meet the US senators to explain about the government's roadmap and reconciliation plans

<http://www.nationmultimedia.com/home/2010/07/02/politics/Thai-government-welcomes-US-resolution-30132915.html>

- **No Thai polls this year**

THAI Prime Minister Abhisit Vejjajiva said on Friday he had no plans to hold elections this year because more time was needed for reconciliation following the deadliest political unrest in decades. 'The government is not ruling out dissolution (of the lower house of parliament) or early elections but the atmosphere must be more reconciliatory,' he said live on television. 'I am not intending to dissolve the House before the end of the year because at the moment my government has stability to pursue policies which benefit people,' he said, adding that it would be better to hold the vote in 2011.

PM Abhisit had proposed November polls in a bid to end two months of crippling protests in Bangkok by the 'Red Shirts' movement, but he shelved the plan because demonstrators refused to disperse until the army quashed the rally. The British-born, Oxford-educated head of the establishment Democrat Party does not have to go to the polls until the end of next year.

His Foreign Minister Kasit Piromya said last month on a trip to Brussels that elections could be held in early 2011.

http://www.straitstimes.com/BreakingNews/SEAsia/Story/STIStory_548683.html

- **Thai PM denies fear as assassination plots revealed**

The Thai prime minister on Thursday dismissed fears about his safety after he was revealed to be the target of assassination plots, but announced plans to maintain a state of emergency across Bangkok. National police chief General Pateep Tanprasert said Wednesday that premier Abhisit Vejjajiva and his deputy Suthep Thaugsuban were targets after they ordered a military crackdown on mass anti-government protests in May. "Intelligence reports show it from time to time, but all the security agencies who offer protection for high profile people are fully at work, so I personally do not worry at all," Abhisit told reporters. "Nowadays some groups are ready to resort on violence, so we have to be more careful," he added.

The prime minister said senior judges and government officials were also believed to be targets for assassination. "If they feel that they are intimidated or threatened they can ask for government security protection," he said. "A culture of violence has already been introduced into Thai politics... but those who use violence will be dealt with."

The state of emergency, which hands sweeping powers to the police and military, is currently in place across about a third of Thailand after two months of anti-government protests in Bangkok that sparked bloody clashes.

The violence during the "Red Shirt" rally and the army crackdown on May 19 left 90 people dead, triggering a rampage by protesters. The emergency decree is due to expire on July 7, but Abhisit said it would be extended in the capital and possibly elsewhere, although "for how long depends on the situation".

http://www.channelnewsasia.com/stories/afp_asiapacific/view/1066981/1/.html

- **Lobbying war heats up for ex-Thai PM Thaksin vs government**

As the Abhisit government of Thailand yesterday (July 1) was anxiously expecting a US congressional resolution on the political trouble in Thailand, The Wall Street Journal might have dropped some hints on how Thaksin Shinawatra is shaping his international strategy. Describing the fugitive as the first among a new generation of wealthy activists fighting to bring about changes for Thailand's poor, the WSJ might have inadvertently presented an argument against the Abhisit administration's portrayal of rich supporters of the red shirts as sponsors of terrorism. In its front-page article on the financial crackdown on Thaksin, his family members, relatives and associates, WSJ said the government dragnet "points to an important driver behind the continuing tensions in Thailand".

"While many of the demonstrators were from Thailand's poorer rural heartland, many of their backers are believed to hail from a new generation of entrepreneurs and businesses who are challenging Bangkok's old military and bureaucratic chiefs for a greater say in how Thailand is run," the paper said. That reflects a remarkable modification - if not a

shift - from how the red shirts are often seen by sympathisers here and abroad. It used to be a purely grass-root movement fighting for a rich politician because he was the one they chose. Financial help, it was understood, was not huge or significant, let alone coming in a steady stream from a new generation of wealthy reformers.

It would be no surprise if Noppadol Pattama, one of Thaksin's closest aides, was using the adapted argument in Washington, where he had been scheduled to meet influential people including some senators to lobby for Thaksin and the movement. The financial crackdown has been a blow not only to the Thaksin circles but the red shirts themselves, who called their political fight a war by the nation's poor against the elites.

How the red shirts are perceived internationally is important. In fact, Thaksin's slim chances of survival depend almost entirely on that. This means he will have to walk a tightrope. On one hand he can't be seen as hiring poor people to fight for him, but on the other hand he needs to counter the Abhisit administration's all-out attempts to expose financial links between him and the movement.

Red leaders have been found to be richer than average Thais, with millions of baht in their known bank accounts, which authorities doubt are the only places they put their money. And although no clear-cut evidence has been disclosed by the government to back claims that tens of billions of baht might have been spent to sponsor the red campaign, the alleged numbers were staggering and have to be refuted.

The battle lines, shifted from Bangkok's main streets to the international arena, is getting clearer now. The government has tried to portray an infiltrated, or exploited, movement within which some sections have been well oiled financially and thus equipped to effect political upheaval through pre-meditated violence. The other side may choose to drop their staunch denial of systematic funding in favour of well-intended support by wealthy reformers.

Such "admission" of financial backing will keep the story of a romantic political struggle alive. But, perhaps more importantly, if some explosive evidence turns up linking major transactions of the "wealthy ideologists" to the red shirts, it won't sound at least too shocking to the outside world.

But, as the WSJ concluded in its article, the red shirts may have to detach themselves from Thaksin in the end. "Going it alone might cast the movement in a more favourable light," the paper said. Although that more or less undermines the wealthy-reformers-helping-the-poor scenario, the statement may reflect one hard truth: money and poor men's political struggle are a bad mix.

<http://www.asianewsnet.net/news.php?id=12878&sec=1>

- **State of emergency to be lifted in some areas after July 7: Thai PM**

The Thai government will lift the state of emergency in some areas after July 7, Prime Minister Abhisit Vejjajiva said on Friday, the Thai News Agency (TNA) reported. Overall, the situation has improved, however enforcement of the state of emergency in some other places will continue, Abhisit said.

Meanwhile, Abhisit said a house dissolution and new general election should take place after stability fully resumes. Concerned authorities will assess the situation as the state of emergency will complete its three-month term of the enforcement on July 7.

Though the anti-government protests ended on May 19, the Thai government has still maintained its enforcement of the state of emergency in order to ensure security for the public. The state of emergency has been imposed from April 7, 2010, in capital Bangkok and 23 provinces of Thailand's 76 provinces, empowering police and army to control the then anti-government protests. The death toll from a series of violent clashes between the "red-shirt" protestors and troops during March 12 to May 19 stood at 88 as some 1,885 others were wounded

<http://english.people.com.cn/90001/90777/90851/7051012.html>

- **Red Shirt leader to contest polls**

A leader of Thailand's anti-government Red Shirt protest movement was briefly released from detainment on terrorism charges registered on Monday for a parliamentary by-election. Kokaew Pikulthong was among 11 leaders and security guards arrested and charged with terrorism for allegedly fomenting violence during the Red Shirts' 10-week occupation of central Bangkok in a bid to bring down the government.

Nearly 90 people were killed and more than 1,400 injured before and during the army crackdown that drove them out May 19. A court ruled that Kokaew, who has not been convicted, was allowed to leave Bangkok Remand Prison to register for the July 25 by-election under the banner of the Pheu Thai party.

<http://gulftoday.ae/portal/55ed9ea6-2826-4137-b6d7-06473a8c42c3.aspx>

- **Populist policies in the work ahead of next election in 2011**

The latest case in point is a plan to increase civil servants' salaries 5 per cent in the second half of fiscal 2011. The pay raise, which will cost an additional Bt30 billion on top of the present Bt 500-billion salary expenditure, will take effect around next April next year - about 10 months from now.

In addition, the government is considering extending cost-of-living measures for low-income earners, including relief from energy costs, while preparing to forgive a massive amount of farmers' debt. The list of populist and social-welfare measures since Prime Minister Abhisit Vejjajiva took office more than 18 months ago has been extensive.

It seems fortunate that the country's fiscal reserves still stand at a high Bt180 billion,

while public debt remains relatively low at 42 per cent of gross domestic product (GDP).
<http://www.nationmultimedia.com/home/2010/06/29/business/Populist-policies-in-the-work-ahead-of-next-electi-30132616.html>

- **Bangkok remains at risk of attack, more violence**

Certain areas of Bangkok remain at risk of attack or violent incidents and may continue under the state of emergency, Deputy Prime Minister Suthep Thaugsuban said yesterday. The government had not decided whether other security measures, including imposition of the less draconian Internal Security Act, would be put in place should the state of emergency be lifted, he added. Citing intelligence reports, Suthep said attempts would be made to call public gatherings disguised as charity functions or other social activities, which would turn into anti-government rallies, not long after the state of emergency is lifted.

Asked about speculation that red-shirt leaders were being sheltered by the Cambodian government, and even residing in Prime Minister Hun Sen's residence, Suthep said: "Maybe the media can discuss that openly, but on behalf of the government, I cannot say anything, as it would affect bilateral relations." Acting police chief Pol General Patheep Tanprasert said the government would meet on July 5 to decide whether the state of emergency should be extended beyond July 7. He said he personally thought it should be retained in Bangkok, but in the provinces it should be in effect on a case-by-case basis in certain areas.

A motorcycle found abandoned not far from an Army fuel depot, which took hits from rocket propelled grenades on Sunday, was yesterday reclaimed by its owner. Muang Nonthaburi police said Chakhrit Wilaiwan produced ownership documents and retrieved the vehicle but they did not offer any details about him. A fake bomb was placed on Rama II Road near Central Department store yesterday, prompting panic among communities where it was found.

The fake bomb was made of two pipes filled with sand and a battery with electric wires bound around them - an attempt meant to make it look genuine to cause disruption, police said. The bomb was lying 500 metres from the Central store near an abandoned shophouse.

Police said the site was used frequently by police to set up checkpoints to deter motorcycle racing, and the racers may have made the fake bomb to scare the police

<http://www.nationmultimedia.com/home/2010/07/01/politics/Bangkok-remains-at-risk-of-attack-more-violence-30132785.html>

- **Economic front**
- **Liberalising banking and insurance urged**

Researchers have urged the government and the Bank of Thailand to liberalise banking and insurance services, as low competition in both sectors has resulted in high costs to consumers and businesses. "The cost of banking in Thailand is 20-30 times higher than in Malaysia," Willem van der Geest, leader of a study team, said yesterday (June 25).

Van der Geest and his team were presenting their study at a public seminar entitled "The Financial-Services Sector in Thailand in the Context of an Eventual Free-Trade Agreement", organised by the EU delegation to Thailand and the Thailand Development Research Institute (TDRI). Van der Geest suggested Thailand take a look at Malaysia, which placed fewer restrictions on foreign banks and insurance firms. The greater liberalisation in that country resulted in cheaper financial services for consumers and industries alike.

Thailand's interest-rate spread - the difference between deposit and lending rates - is quite large, van der Geest pointed out. The study showed the average interest-rate spread of Thai banks was more than 7 per cent last year but less than 4 per cent for Malaysian banks. Van der Geest praised the BOT's "very positive role" in bank supervision but said it was too slow to liberalise the financial market. He suggested granting more licenses to foreign banks and lifting restrictions on bringing in specialists. Jean-Jacques Boufflet, the EU delegation's head of trade and economic issues, said the study showed opening up the local financial sector would reduce financing costs for small and medium-sized enterprises. This would in return increase their competitiveness internationally, especially for exporters.

TDRI president Nipon Poapongsakorn agreed, telling the seminar that the Kingdom needed big foreign banks to compete with local banks. He said foreign investors allowed by the BOT and the Finance Ministry to hold majority shares in some small banks for the past decade - an attempt to rescue weak banks adversely affected by the 1997 financial crisis - were not willing to invest more now. Their 10-year grace period is over, and they are unsure about their equity ownership. TDRI research director Deunden Nikomborirak partly blamed a lack of competition in pricing for electronic banking services. Each bank charges the same amount, resulting in fixed prices among banks.

She urged banks to disclose information about which banks charge electronic-transaction fees. A fee of 25 baht (less than US\$1) when a customer transfers money from his account in one bank to another party in a different bank is usually divided among four banks.

<http://www.asianewsnet.net/news.php?id=12762&sec=2>

- **East Asia leads the world in 'poverty reduction'**

East and South-East Asia have seen the sharpest reductions in poverty worldwide since

1990, according to a UN report released in Bangkok yesterday. The percentage of people living on less than \$1.25 a day in East Asia dropped from 60% in 1990 to 16% in 2005 and from 39 to 19% in South-East Asia, the UN said. Looking ahead, the Millennium Development Goals Report 2010 predicted 5% of Chinese would be living under the \$1.25 threshold by 2015. The UN Millennium Development Goals set a target of halving extreme poverty in the world by 2015. But South Asia is faring less well, the report found. India is on track to reduce its poverty rate from 51% in 1990 to 24% in 2015.

<http://www.gulf->

[times.com/site/topics/article.asp?cu_no=2&item_no=370563&version=1&template_id=45&parent_id=25](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=370563&version=1&template_id=45&parent_id=25)

- **Thai investors told, look to China**

The National Economic and Social Development Board (NESDB) had advised Thai investors to invest more in China, because of the rising strength of the yuan currency.

NESDB director-general Ampon Kitti-ampon said on Tuesday China's decision to loosen its currency from the US dollar will bolster the Chinese economy, create more jobs and allow the yuan to be more internationally recognised."A stronger yuan will reduce China's dependency on exports and this move would affect its economy in the long run," Mr Ampon said. The impact of the yuan's appreciation on the Thai economy would take a while to become clear."Thailand should also cooperate more with other Asean member countries, as we are situated in the centre of Asean," he added.

<http://www.bangkokpost.com/breakingnews/182137/investors-urged-to-invest-in-china>

- **European Economic Crisis Likely To Impact Thailand's Exports, Says EXIM Chief**

The economic crisis in Europe is very likely to impact on Thailand's exports and the flow of foreign investment into the country, according to the Export and Import Bank of Thailand (EXIM). EXIM Bank president Apichai Boontharawara said he believed the European debt turmoil would dampen Thailand's exports, particularly of luxury furniture and electrical appliances, and have an impact on foreign direct investment, Thai News Agency said Thursday. In 2009, the Thai economy relied on foreign direct investment from developed countries to the amount of US\$4 billion or more than half of the total FDI while the number of tourists from Europe surged to 29 per cent of the total foreign arrivals.

However, it is expected that FDI will flow into the country more slowly this year, as is the number of foreign tourists. Thai exporters attempt to position their products in new markets to offset an anticipated shortfall in purchase orders placed by existing markets, he advised. Therefore, they should pay attention to expanding into ASEAN + 6 including

ASEAN members and China, Japan, South Korea, India, Australia, and New Zealand, which have the total trade value of up to US\$6.4 trillion.

Apichai said the EXIM Bank is ready to extend loans and export guarantee services to exporters.

Under the loan guarantee scheme, if exporters are unable to settle the payment of products, the bank will compensate damages of up to 50 per cent of the export bill value or a maximum of Bt3 million (US\$92,561). (US\$1=RM32.41)

<http://www.bernama.com/bernama/v5/newsworld.php?id=510044>

- **Social Front**
- **Roadside blasts kill 8 in Thailand's southern provinces**

Suspected Muslim guerillas have detonated roadside bombs that killed eight people, including one member of the public, in two separate attacks in Thailand's restive south.

A bomb explosion in Yala province killed three soldiers in a vehicle who were sent to fix a water pipe in a village in Yaha district. On Thursday evening, guerillas detonated a bomb and then shot at security forces on a patrol in Narathiwat province. They killed a soldier, two security rangers, a village security guard and a village official.

More than 4,000 people have been killed in Thailand's three southernmost provinces since an Islamist rebellion erupted in 2004. The Narathiwat, Pattani and Yala provinces are the only Muslim-majority areas in the predominantly Buddhist country and Muslims there have long complained of discrimination by the central government. The guerillas have made no public pronouncements, but are thought to be fighting for an independent Muslim state.

<http://www.morningstaronline.co.uk/index.php/news/content/view/full/92315>

- **Environmental front**

Cambodia

- **Geo-strategic Front**
- **China gives 257 military trucks to Cambodia**

China stepped in Wednesday to provide Cambodia with more than 250 military vehicles after the United States earlier suspended a similar shipment when the Cambodian government deported 20 asylum seekers.

Washington announced in April that it had suspended a military aid program that included the supply of 200 vehicles in response to Cambodia's deportation of 20 Uighurs who had fled ethnic violence last year in China's far west. China accused the Uighurs of involvement in the violence. The 257 Chinese vehicles, including 200 transport trucks, were presented to the Cambodian military in a ceremony on the outskirts of Phnom Penh.

"China has helped Cambodia for quite a long time. What Cambodia has requested, China

has always provided us whenever it could," said Moeung Samphan, Cambodia's deputy minister of defense. Chinese President Hu Jintao offered Cambodia the trucks along with 50,000 military uniforms during a meeting with Prime Minister Hun Sen in Shanghai in May. The offer came less than a month after the U.S. cancellation.

China's influence in Cambodia is considerable despite Beijing's strong backing of the former Khmer Rouge government that caused the deaths of some 1.7 million people in the late 1970s. It has provided millions of dollars in aid to Cambodia over the past decade, agreed to write off debts and granted it tariff-free status for some 400 items.

But Cambodian Foreign Minister Hor Namhong told journalists Wednesday that Cambodia welcomes aid from other countries as well. "China has no influence on Cambodia at all. We accept all foreign aid if it is given without conditions," he said.

<http://www.ajc.com/news/nation-world/china-gives-257-military-555486.html>

- **Economic Front**
- **China, Cambodia sign MOU on infrastructure co-op**

A Memorandum of Understanding (MOU) was signed on Thursday by China and Cambodia to further strengthen the cooperation on road and bridge and other infrastructure development. Cambodia's Public Works and Transport Minister Tram Iv Tek and Chinese Vice Transport Minister Gao Hongfeng signed the MOU on behalf of their own countries.

Related readings:

- China, Cambodia sign MOU on infrastructure co-op First Chinese commercial bank to open branch in Cambodia
- China, Cambodia sign MOU on infrastructure co-op China, Cambodia to beef up military ties
- China, Cambodia sign MOU on infrastructure co-op Chinese Vice Premier ends visit to Cambodia
- China, Cambodia sign MOU on infrastructure co-op Cambodia to import new anti-malaria drug from China

Speaking at the ceremony, Tram Iv Tek said the signing of the MOU reflects "our two countries will further strengthen and develop the cooperation on road and bridge infrastructure, information exchange and experience sharing." Tram Iv Tek also said that the construction of road and bridge will help to promote the economic and social development of the Royal Government and its integration into the regional economy, as well as the poverty reduction.

He, at the same time, thanked Chinese government for its substantial assistance to help Cambodia in road, bridge and other infrastructure development, as well as the training of human resources. "So far, China has built three bridges and 1,500 km long roads for Cambodia, worth nearly \$1 billion. Cambodian people and the Government will not

forget China's help," he added. Gao Hongfeng said China and Cambodia have developed a bilateral and multilateral cooperation in various fields on the basis of mutual trust and mutual support. The economic and trade cooperation between the two countries have strengthened and developed rapidly in recent years, especially in transport cooperation. He said that China will continue to cooperate with Cambodia and provide relevant support and assistance in an effort to improve the transport infrastructure to benefit the two peoples. Gao Hongfeng believed that the bilateral cooperation will be broader with the joint efforts of both sides.

http://www.chinadaily.com.cn/china/2010-06/24/content_10016547.htm

- **Drought Threatens Cambodia, Thailand Rice Output**

A drought in Southeast Asia is threatening rice production in Cambodia and Thailand, the world's biggest rice exporter. The concern about production comes as rice prices have sunk to a two-year low, hurting farmers' incomes. The lack of rain in Cambodia and Thailand cut rice production by as much as 40 percent. Farmers usually harvest one rice crop in August, and the main rice crop in October.

In Thailand, the government is concerned that farm irrigation will stretch already thin water supplies. Supavud Saicheua, managing director and head of research at Phatra Securities (PATRA), said the government has already asked farmers to delay the planting of the main crop.

"And that means that rice production, rice harvest, will bunch up in November. Now, if there's a sense globally that there's a lot of rice and the price is depressed even more, then Thai farmers will be hit in terms of both price and quantity," he said.

Supavud added while Thailand's economy as a whole has recovered from the global financial crisis and recent political turmoil, agriculture is still suffering.

Last month, rice prices in Thailand, Asia's benchmark, hit a two-year low after a drop in export demand. In response, Thai authorities adjusted a subsidy to offer a guaranteed price for rice farmers. But Chanchai Rakthananon president of the Thai Rice Mills Association, said that move proved inadequate. The guaranteed price right now is just enough to meet farmers' costs, he said, because they are getting a low yield from the drought. Chanchai said that is affecting their income, so farmers are not making any profit. Farm market analysts say rice prices should rise as markets feel the effects of the drought. Chanchai said farmers are now planting more corn and sugar cane to cut their losses from the poor rice crop. But he added it will take a year or two to reclaim farmland for rice once prices recover. In the meantime, government stocks can make up for production shortages. However, Thailand's rice exports, accounting for about a third of the world total, are expected to drop by up to a million tons this year, which could affect

importing countries. National Food Authority of the Philippines spokesman Rex Estoperez is a spokesman said the shortfall will definitely affect rice supplies for the Philippines, Asia's biggest rice importer. "But, you know, Thailand is only one of the suppliers of the Philippines. And, over last year, we had our tender in December and our major supplier then was Vietnam," Estoperez said.

The Philippines buys rice from a total of six countries. As long as there are no more major weather calamities, Estoperez said they should not have a problem sourcing enough rice this year. In 2008, poor weather and low rice stocks led to prices skyrocketing to over \$1,000 a ton. Exporting countries put restrictions on overseas rice sales.

United Nations Food and Agriculture Organization senior economist Concepcion Calpe said while drought has lowered Cambodia's expected rice production about 10 percent and Thailand's by about six percent, Asia's crop as a whole will be better than 2009. "Indonesia, even though they had a bad start and were also affected by drought, they still will record an increase," Calpe said. "India, we foresee a very strong recovery from last year ... because it was affected by the erratic monsoon. China we see will increase tremendously their production, Bangladesh also. So, the major players, so far we see that they will have a larger crop in 2010." With production up and plenty of rice in government reserves, said Calpe, there is little risk of food shortages or price jumps.

But she also pointed out that the drought affecting Cambodia and Thailand may cause more hardship for small producers, urging rice farmers to diversify their crops so they are not so dependent on one product.

<http://www1.voanews.com/english/news/asia/Drought-Threatens-Cambodia-Thailand-Rice-Output-96982289.html>

- **Cambodia Is Hard Sell for Investment Companies**

Douglas Clayton arrived in Phnom Penh in 2007 to start a private equity fund, looking to get \$100 million in funds under management. His firm, Leopard Capital, started in 2008, is one of four private equity funds here backed by overseas investors, and the first to have completed an investment.

"Anyone can announce they want to start a fund, but getting investors to back you is a challenge," Mr. Clayton, Leopard's chief executive and managing partner, said in an interview. "All the groups that started here had no track record, including us. It's a doubly hard story to sell." Mr. Clayton was drawn to Cambodia after experiencing years of double-digit growth in Thailand, where he worked for a hedge fund during the 1990s.

Now ranked at 145 out of 183 countries in the World Bank's "Doing Business" report, Cambodia is going through its own period of rapid growth. Before the global economic crisis hit in 2008, gross domestic product grew about 9 percent a year for almost a

decade. After shrinking by 2.5 percent in 2009, growth is forecast to reach about 5 percent this year.

With \$34 million collected so far from an array of international investors, Leopard has completed six investments, including a \$2 million, 55 percent stake in Kingdom Breweries, a new microbrewery, and a 31.5 percent share in a recently built shrimp-processing factory. It has loaned about \$1 million to an electricity supplier in Kompong Cham Province, in eastern Cambodia. The traditional private equity strategy of buying out and investing in profitable, pre-existing businesses is rarely an option here, Mr. Clayton said. “The biggest range of opportunities are the businesses that have not started yet.”

Still, in a country where everything is still to be done, “for people who are willing to come in and work very hard and be very entrepreneurial and blaze their own trails, Cambodia is a paradise.” After decades of civil war and a deadly communist regime that between 1975 and 1979 killed 1.7 million people, Cambodia remains deeply underdeveloped, with four million of its 14 million people living below the poverty threshold, according to the United Nations.

Leopard raised its first \$10 million before the financial crisis struck. Cambodia Emerald, a would-be rival, also started in 2008, was not so lucky. As the crisis bit, “we sort of basically put the fund on hold,” Peter Brimble, founding partner of Cambodia Emerald, said recently. Still, U.S. investors are starting to show interest again, and “we have plans to bring it back,” he said.

Beyond the problems of attracting foreign capital, businesses here say they are confronted with numerous local barriers, the most frequently cited being the extremely limited access to domestic capital, and high transportation and electricity costs.

In 2008, Cambodian bank lending was worth about 25 percent of gross domestic product, compared with more than 90 percent in Vietnam and Thailand. “Capital is one of the main constraints here,” said Joshua Morris, managing director of Emerging Markets Investments, a private development fund backed by the International Finance Corp. — the World Bank’s private arm — and the Norwegian and Finnish governments. Small and medium-size enterprises “struggle to raise the money they need for expansion,” he said.

Lending is limited by low confidence in the judicial system and a lack of credit information, investment managers say. Mr. Morris, whose \$10 million fund operates in both Cambodia and Laos, says he has been “incredibly careful” in identifying prospective business partners and has so far found just two in which he hopes to complete investments this summer. Apart from their lack of access to cash, Mr. Morris said, Cambodian businesses rarely build proper corporate governance into strategies and fall short on accounting and auditing standards. “While many businesses excel in generating

revenue, there is still a lot of work that needs to be done in terms of the internal processes of the company,” he said. Skilled labor is also limited, although “a pretty solid set of business managers” is starting to emerge from the country’s universities, he added.

Yet, for all the shortcomings, Cambodia is at the heart of developing Asia, surrounded by dynamic economies in Vietnam, Thailand and Laos. Its currency, the riel, is pegged by the central bank at a stable rate of about 4,100 to the U.S. dollar, and inflation is low, at about 4 percent a year.

International road links are developing quickly, and last year Toll Group of Australia signed a contract to operate the long-neglected rail network, which is being rehabilitated. Toll says the first line, between Phnom Penh and the port city of Sihanoukville, will be open to freight by October. “It’s a very pro-business government here,” Mr. Morris said. “They have placed very few restrictions with regards to where you can invest.”

“The private sector is our engine of economic growth,” Sun Chanthol, vice chairman for the Council for the Development of Cambodia, the government’s investment board, told a business seminar in Phnom Penh this month. “We want to be the facilitator of the private sector.”

Bretton G. Sciaroni, an adviser to the government and a partner at the law firm Sciaroni & Associates in Phnom Penh, said Cambodia had advantages that did not exist elsewhere in the region. Foreign investors are allowed to own a company outright, without a local partner. There are no restrictions on fund transfers, no exchange controls, and Cambodia is one of the few least-developed countries to have joined the World Trade Organization. The government is also hoping to establish a stock exchange this year. “Senior government officials are focused on attracting investment and creating jobs,” Mr. Sciaroni said. “In addition, because Cambodia is a relatively new country with a new economy, there are business opportunities that do not exist in more developed economies. Much needs to be done in Cambodia, and opportunity abounds.” Still, the cost of doing business is higher there than in many other countries in the region. Electricity costs are high because much of the energy is imported, while transportation is costly and slow because of poor infrastructure. Moreover, “the courts do not provide an adequate venue for commercial disputes,” Mr. Sciaroni said. “Dispute resolution remains an important issue for the business community.” Corruption is another problem. “Corruption exists at many levels and is sometimes only the manifestation of a former economy based on informal processes,” said Christophe Forsinetti, vice president of the venture capital fund Devenco. Yet, the fact that Cambodia’s development lags behind that of its neighbors means there is a higher growth potential as the country catches up, Mr. Forsinetti

said. Devenco has invested in Gaea, a waste collection company in the main tourist hub — Siem Reap — and in Pharm@link, a Phnom Penh pharmacy chain. “Many sectors are underdeveloped and companies with a specific knowledge can become a leader on their market with small investment amounts,” he said. “We therefore work on a smaller pie. But it is a growing one.”

http://www.nytimes.com/2010/06/30/business/global/30rdbseacam.html?_r=1

- **Social Front**
- **Domestic violence against Cambodian women declines**

Cambodian government announced Tuesday that domestic violence, especially against women in the country was significantly declined from a year earlier. In a new result which was surveyed by Cambodian government through Ministry of Women's Affairs in cooperation with international organizations including the German GTZ, showed that domestic violence, especially against women declined from 64 percent in 2005 to 53 percent in 2009. The survey was conducted on behaviors toward violence among spouses and towards other families' members.

As many as 3,040 people at their ages of 15 and above, and were living in 13 out of 24 provinces and cities across the nation were interviewed in the survey. Among the questions, included the insult, curse, rape, physical assault as well as acid attack and shooting.

The answers showed that the misconducts with such behavior declined to 53 percent in 2009 compared to 64 percent in 2005, according to the result of the survey.

The result also showed that majority of Cambodians is aware of the new law on prevention of domestic violence, and more than 80 percent of women and 91 percent of men said domestic violence in all serious forms shall be avoided. Domestic violence against women remains a major issue in Cambodia.

Many women have been subjected to sexual and physical violence often committed by their husbands. Fear of retaliation and financial costs of bringing a case to court, or even in obtaining a medical certificate from a doctor to prove the abuse, also discourage many Cambodian women from speaking out.

<http://english.people.com.cn/90001/90777/90851/7045821.html>

- **Cambodian PM contracts swine flu**

Cambodian Prime Minister Hun Sen and five other government officials have contracted the A(H1N1) virus, also known as swine flu, the ministry of health said. Minister of Health Mam Bunheng said late Tuesday the prime minister has received treatment and is recovering.

Mam Bunheng said the six were likely exposed to the virus at the weekly cabinet meeting

last Friday. Among the other officials infected are Deputy Prime Minister Yim Chhay Ly and two senior ministers. Hun Sen's illness caused him to miss the 59th anniversary celebration of the founding of the ruling Cambodian People's Party, which took place Monday in Phnom Penh. Cambodia reported its first swine-flu case in June last year, and the first death in September. The disease has since infected around 600 people in Cambodia and killed six. The World Health Organisation's latest update from June 20 reveals the disease has killed at least 18,209 people worldwide.

<http://story.irishsun.com/index.php/ct/9/cid/2411cd3571b4f088/id/653530/cs/1/>

Vietnam

- **Geo-strategic Front**
- **Economic Front**
- **Vietnam to develop nuclear power**

Vietnam is planning to establish a national nuclear safety council to help guide the government on the issue. Vietnam will build nuclear power plants in five provinces to meet 10 percent of the country's total electricity demand in 2030, news website Vnexpress said Tuesday citing a government project. According to the plan approved by the Prime Minister to develop nuclear power until 2030, the power plants will generate 15,000-16,000 megawatts and will be built in eight places in Ninh Thuan, Binh Dinh, Phu Yen, Ha Tinh and Quang Ngai Provinces along the central coast. In the long term, Vietnam will be responsible for designing, constructing, running and maintaining the power plants, the plan said. Locations, contractors and managers for the first plant in Ninh Thuan will be chosen up until 2015, with plans for the plant to start operating in 2020. Until 2025, the plants' capacity is expected to reach 8,000 megawatts in total.

<http://www.thanhniennews.com/2010/Pages/20100622211451.aspx>

- **Vietnam investment takes off in Cambodia; some wary**

Vietnam's biggest commercial bank, Agribank, with assets of \$26 billion, opened its first branch in neighbouring Cambodia this week, illustrating the growing economic bonds between the neighbours. The Cambodian government has consistently promoted ties with Vietnam while relations with Cambodia's other main neighbour, Thailand, have at times over recent years been seriously strained by a decades-old border dispute.

But many Cambodians have traditionally been suspicious of their much bigger neighbour to the east and the booming Vietnamese investment in Cambodia is not without critics, some of whom say Vietnamese companies are taking Cambodians' land.

Le Bien Cuong, a commercial counsellor at the Vietnamese embassy in Phnom Penh, said bilateral trade was up nearly 40 percent this year and could reach \$2 billion.

"We will try to have \$2 billion trade between the countries by this year," Le told Reuters

in a recent interview.

"We try to have partnership with Cambodia to supply goods for the people of Cambodia," he said. Underscoring good ties with Vietnam, Cambodia's King Norodom Sihamoni and his father, former king Norodom Sihanouk, who at times over his long career was hostile towards Vietnam, this month paid a visit to Vietnam.

Cambodian Deputy Prime Minister Men Sam An hailed ties with Cambodia's "great friend" at this week's bank launch, saying Cambodia would always welcome Vietnamese business.

The value of the bilateral trade between the countries rose 38.6 percent to \$717.78 million in the first five months of this year, according to figures from the Vietnamese embassy.

ANGER OVER RUBBER

Vietnam's exports to Cambodia increased 37.3 percent to \$598 million while Cambodian exports to Vietnam rose 45.2 percent to \$119.74 million, according to the figures.

Vietnam's investments in Cambodia are worth \$600 million in areas such as electricity, agriculture, telecommunications, banking and health care, according to Le.

He said there was no Cambodian investment in Vietnam. But it is Vietnamese involvement in Cambodia's rubber sector that is stirring controversy in a country where traditional suspicion of Vietnamese designs on Cambodian territory lingers.

About 11 Vietnamese companies announced this year they had obtained separate land concessions totalling 100,000 hectares (250,000 acres) to grow rubber in Cambodia.

But rights groups and villagers have voiced concern about the concessions saying Cambodians were losing their land.

"Now everything is Vietnamese," said 56-year old villager Dorn Sina, from one of the 1,000 families involved in a land dispute with a Vietnamese rubber company since 2005 in Kompong Thom province, 170 km (110 miles) north of the capital, Phnom Penh.

Dorn Sina said she lives on a government relocation site after being evicted to make way for a Vietnamese investor.

"How we suffer when we have to start with empty hands," she said.

Pen Bonnar, coordinator of the Adhoc rights group in Ratanakkiri province, 600 km (400 miles) northeast of Phnom Penh, said villagers there were also in dispute over land for Vietnamese investors' rubber plantations which they believed would bring little benefit in terms of jobs

<http://www.iii.co.uk/news/?type=afxnews&articleid=7968644&subject=general&action=article>

- **Kuwait, Vietnam discuss economic, investment cooperation**

Kuwaiti Consul General in Vietnam Najib Al-Bader discussed on Friday ways to boost cooperation in the fields of investment, economy and commerce with president of real estate union in the city of Ho Chi Minh, Lu Huang Jo.

Al-Bader told KUNA that he was briefed on investment opportunities, major investors and projects in the city of Ho Chi Minh, adding that the city is witnessing a robust economic development accompanied with an increase in direct foreign investment.

The Vietnamese side expressed keenness on boosting commercial and investment ties with Kuwaiti businessmen, he said and hoped that the cooperation would prove "fruitful."

Meanwhile, Lu said that Kuwaiti-Vietnamese relations were deeply-rooted and expressed his keenness in developing ties with Kuwaiti businessmen. (end) aab.aia KUNA 021355 Jul 10NNNN

<http://www.kuna.net.kw/NewsAgenciesPublicSite/ArticleDetails.aspx?id=2098377&Language=en>

- **Central Vietnam needs over \$18.3 mln for drought fight**

The central Vietnamese provinces need over VND350 billion (US\$18.3 million) to deal with the current drought, an official said Friday, citing an agriculture ministry report to the government.

Besides measures to mitigate the impacts of drought, the government needs to support local people to buy new rice, corn and other seeds. Seeds for crops other than rice are also needed to replace rice plants now dying from the extremely hot weather, said Nguyen Tri Ngoc, chief of the Crop Production Department under the Ministry of Agriculture and Rural Development. According to the ministry's report, some 46,000 hectares of rice in the north-central region will be critically affected if there is no heavy rain within the next ten days. Over 25,000 hectares of rice in the central-coastal provinces are also withering in the hot weather that has persisted since May, it said.

Meanwhile, Prime Minister Nguyen Tan Dung on Friday ordered the Ministry of Industry and Trade to ask the national power utility, Electricity of Vietnam (EVN), to provide sufficient power to affected provinces in their efforts to fight the drought. EVN was also ordered to cooperate with local authorities in making plans to release water from hydropower plant reservoirs for the purpose. Also on Friday, the National Center for Hydro-meteorological Forecasting forecast that the hot spell will continue in the central region for the next seven to eight days with temperatures reaching up to 41-42 Celsius degrees.

<http://www.thanhniennews.com/2010/Pages/20100703153824.aspx>

- **Vietnam's trade deficit widens as exports fall on gold sales**

Vietnam's trade deficit widened in June as exports slumped due to a decline in gold

sales. The shortfall widened to US\$1.2 billion from a revised \$871 million in May, based on preliminary figures from the General Statistics Office in Hanoi. Exports slipped 5 percent in June to \$6 billion and imports were little changed at \$7.2 billion.

Vietnam's export figures were boosted in May by the sale of previously imported gold as traders took advantage of a gap between domestic and international prices. Almost all Vietnamese gold exports are from bullion obtained through past imports rather than local output.

"The trade data for May were distorted by a jump in exports of precious metals," said Ben Bingham, the senior resident representative in Vietnam for the International Monetary Fund. "If you strip out the gold figures, it looks like underlying exports continued to make a steady recovery." Exports of precious metals in June fell to \$350 million from a revised \$993 million in May.

"The gold exports here are not really a true commodity export, but more of a portfolio relocation that really distort the figures," said Martin Rama, lead Vietnam economist for the World Bank.

Overall deficit

The deficit widened to \$6.73 billion in the first half from \$2.26 billion in the same period a year earlier, based on today's figures. "Vietnam needs to see improved exports to mute any incipient concerns about its balance of payments," said Matt Robinson, a Sydney-based economist for Moody's Analytics Inc.

The weaker Vietnamese dong, which traded today at 18,975 per dollar, compared with 18,479 at the end of 2009, may not help ease the country's trade deficit as much as a weaker currency would elsewhere, the World Bank's Rama said. "Because of the strong import-based component of many Vietnamese exports, the weaker currency doesn't make such a big difference to the overall trade balance," said Rama. "If the currency weakens, companies get more for their exports but they have to pay more for their imports."

A widening deficit poses a "macroeconomic risk," the country's central bank told a meeting this month in the Mekong Delta province of Kien Giang. The government's policy is to "combine measures to promote exports and control imports," the central bank said.

Vietnam shouldn't "import unnecessary items and should use tax measures, tariffs, and technical barriers to limit imports and promote production and consumption of domestic goods, thus contributing to reduce the deficit of the international balance of payments," the State Bank of Vietnam said in its report to the meeting.

<http://www.thanhniennews.com/2010/Pages/20100626171038.aspx>

- **Vietnam, U.S. agree on nuclear monitoring**

Vietnam and the United States agreed Friday to set up radiation monitoring equipment in the Asian nation's major container port, federal officials said. The National Nuclear Security Agency said the goal is to bar the smuggling of nuclear material through the port of Cai Mep in the province of Ba Ria-Vung Tau.

"Our partnership with Vietnam will greatly strengthen our capability to prevent nuclear and radiological smuggling through the maritime system in a key, strategic region of the world," said Kenneth Baker, a top official with the agency. "We appreciate Vietnam's efforts and commitment to keeping these dangerous materials out of the hands of terrorists, smugglers and proliferators."

http://www.upi.com/Top_News/US/2010/07/02/Vietnam-US-agree-on-nuclear-monitoring/UPI-80581278110462/

- **Focus on local development could aid Cambodia overall, says UN report**

Achieving the MDGs and by the Local Development Outlook on Cambodia, produced by the UN Capital Development Fund (UNCDF), is the first publication of its kind to provide a comprehensive overview of local development trends in Cambodia.

It shows that decentralization would allow local governments to respond more appropriately to the needs of local communities. "A strong consensus is emerging that a new policy approach is needed, one that builds on local knowledge to tailor public policy to specific circumstances," UN Resident Coordinator Douglas Broderick told some 340 people who attended the launch of the report.

Such an approach would help guide Cambodian decision-makers "harness local potential and exploit opportunities for economic diversification and development," he said at the gathering, which drew Government officials, representatives of academia and civil society, and development partners.

The report's release comes two months ahead of the MDG Summit to be convened by Secretary-General Ban Ki-moon in September in New York.

With the 2015 deadline to achieve the MDGs looming, Mr. Ban has been urging world leaders to try to accelerate progress towards achieving the eight development goals, which include targets for slashing poverty, boosting school enrolment rates, improving maternal health and increasing access to clean water and decent sanitation.

<http://www.un.org/apps/news/story.asp?NewsID=35231&Cr=cambodia&Cr1=>

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<http://www.thanhniennews.com/2010/Pages/20100702111651.aspx>

- **Social front**
- **Cambodia's capital flooded by heavy rain hit**

Heavy rain hit Cambodia's capital city of Phnom Penh on Friday afternoon that has struck the flow of traffics. Noeu Saroeun, chief of sewage system department of Phnom Penh Municipality said the several hours long heavy rain had caused many parts and major roads and boulevards in the city flooded.

He said the level of the flood was measured between 300 to 600 millimeters depending on places and spots. However, he said, the flood was later released and traffic flow returned to normal despite certain places remained digested with flood as of late afternoon.

Cambodia has two seasons: rainy season starts from May through October and dry season starts from November through April. In rainy season, rain sometimes could last whole week. <http://english.people.com.cn/90001/90777/90851/7051031.html>

Singapore

- **Political Front**
- **Water supply, air pollution among top concerns for cities**

A clean and adequate water supply and clean air rank as the current top concerns for some cities around the world. The response from a sampling of city leaders and urban planners who attended Singapore's World Cities Summit 2010 identified waste management, jobs, housing, and balancing development and the environment as the next

most pressing issues today.

The group surveyed represents cities on four continents and in both developed and developing nations - including Australia, France, India, Singapore, South Korea, Switzerland, the US and Vietnam, the Ministry of National Development said in a statement.

They also ranked urban greenery as most important for making a city liveable, followed by urban planning, public housing, cultural vibrancy, and water management. The issues are representative of the many challenges participants addressed at the World Cities Summit 2010. More than 1,000 government, industry, and business delegates from more than 60 countries gathered for the second biennial summit in Singapore.

They benefited from the opportunity to hear from leading urban planning experts, to share ideas, and to see firsthand how Singapore itself is successfully addressing its own challenges in planning and environmental sustainability, the ministry said. Participants also had the opportunity to view and experience firsthand some of the creative solutions Singapore have devised to address universal urban issues, as well as its own unique challenges.

As a dense and compact island city-state, Singapore's small size, land scarcity and lack of natural resources call for careful land use planning and innovative problem-solving.

The theme of the four-day summit, held from June 28 to July 1, was "Liveable and Sustainable Cities for the Future". Andrew Tan, director of the Centre for Liveable Cities and concurrently the CEO of Singapore's National Environment Agency, said: "With major cities around the world facing the pressures of growing urbanisation, it is vital that governments, business, and communities work together to address the issues of growth, liveability, and sustainability." Currently, there is a lack of strategic platforms where leaders, policy makers, and solution providers can converge to discuss these challenges in an integrated manner. Through the biennial World Cities Summit, Singapore aims to provide such a dedicated platform for the exchange of best practices."

<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1067003/1/.html>

- **Economic Front**
- **S'pore emerges as most liveable Asian city in new Global Liveable Cities Index**

Singapore has emerged as the most liveable Asian city in a new index. It was ranked third worldwide coming in behind Geneva and Zurich in the Global Liveable Cities Index.

Published by Singapore's Centre for Liveable Cities, the index looked at 64 cities including 36 from Asia. When it comes to liveability, Singapore has been ranked up there with some of Europe's best cities. In individual rankings, it came in first for domestic

security and stability and third for good governance and leadership. And it ranked 5th for economic vibrancy and quality of life.

But Singapore paled in the area of eco-friendliness and sustainability which looked at things like pollution and environmental initiatives. Dr Tan Khee Giap, lead researcher, Global Liveable Cities Index, said: "We did very well on water management but this data is not available to most cities. Data which is available in Singapore but not available in most of the 64 cities we studied, will not be used." Dr Tan said cities can work with the centre if they want to improve their ranking. He said: "We do simulations by looking at cities and identify 20 weakest indicators among the more than 100 indicators we have. And hypothetically, if you improve your weakest 20%, how would your ranking be raised? So in that sense, it is more constructive than just doing a ranking which can be a beauty contest."

These preliminary findings of the index were unveiled at the World Cities Summit on Tuesday. The Centre for Liveable Cities said the index is still a work in progress.

While the index is comprehensive and covers 135 indicators, it is by no means complete. Dr Tan said that they may be looking to include more factors such as gender bias. Other cities, such as Penang and Tatarstan, have also indicated interest in being included in the index. The index's framework will be put up for further discussion during a workshop at the summit on Wednesday. The Centre for Liveable Cities said its index stands out from other current rankings as it takes a more balanced approach. But the way it's computed will be discussed and refined further.

Andrew Tan, director, Centre for Liveable Cities, said: "In terms of looking at liveability from a more holistic and balanced framework, I think there are probably very few, if any, such set of indicators around." Separately, National Development Minister Mah Bow Tan also proposed a "Learning Network for Cities," to share the best practices in building a liveable city. He said: "Cities differ from one another in size and character. They are shaped by their own demographics, cultures and traditions, their history and geography." "But there are some recurring themes in the sustainable development practices of successful cities. These themes include strong governance, citizen engagement, balancing development and the environment, and international collaborations."

The push for sustainable urban living comes at a time when cities are growing at an unprecedented rate. Every day, about 200,000 people move in cities and towns and by 2050, seven in 10 people will live in cities. This presents challenges for governments to provide access to clean water, affordable housing and good sanitation.

<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1066468/1/.html>

- **Singapore is safest place for business in Asia, says Coface**

French trade credit insurer Coface said Singapore is the safest place for business in Asia. It has upgraded Singapore's country rating to A1 to better reflect the financial commitments of local corporates to repay their debts. This is up from a rating of A2 during the financial crisis last year. Ports are seeing more activity as global trade improves.

Experts said corporates are also in a better position to repay their debts and obligations. At its first Country Risk Conference in Singapore, Coface said corporate non-payments have improved to about S\$100 million a month currently. That's down from S\$376 million a month last year.

Jerome Cazes, CEO, Coface, said: "We decided to upgrade Singapore to A1. A1 being the best in our grades, it means that Singaporean corporates are excellent among corporates. They are highly likely to repay what they owe you. Before the crisis, Singapore was already A1, it was moved to A2 and then A2+ and now A1." Coface also upgraded Japan to A1 but left Hong Kong and China on A2 and A3 respectively.

The firm said its A3 rating on China shows that there are fragilities among corporates as a result of expected credit tightening by the Chinese authorities this year.

Coface added that the appetite for risk mitigation tools among Asian corporates has grown. Its credit covers on Asian companies have risen by 34 per cent from last December to S\$58 billion in April this year.

Speaking at the event, Singapore's Minister for Trade and Industry, Lim Hng Kiang said Singapore is set to facilitate more risk insurance to companies. He said: "Asia alone will require almost US\$8 trillion in infrastructure investments over the next 10 years. Singapore can play a key role in providing political risk insurance to companies engaged in cross border investments in the region." "We have therefore made efforts to boost capacity and attract expertise in the underwriting of specialised risks including areas such as trade credit and political risks insurance." Coface facilitates trade by underwriting credit in global trade deals. In ASEAN, Coface guarantees S\$12.8 billion of supplier credit on 28,000 companies. Among them, 8,000 Singapore companies accounted for S\$4.6 billion. - CNA/vm

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1066423/1/.html>

- **Singapore stock market expected to be volatile for rest of year**

The Singapore market has seen a volatile second quarter. The markets ended the period flat amid uncertainties as a result of the European debt crisis. And observers said the volatility could carry into the rest of the year, with an appreciating yuan causing trouble for the S-Chip segment. After a rousing first quarter, the second half saw the market battered by volatility, on a slew of bad news arising from the European debt crisis.

The Straits Times Index (STI) slipped some 7 per cent in the month of May alone, while small caps dropped 14 per cent. But June brought slight relief.

Terence Wong, Co-Head of Research, DMG & Partners Securities, said: "The market in May got so bad that bargain hunters came into the market. STI went up 3 per cent for the month of June, the small cap index actually appreciated by 4 per cent."

Analysts expect the volatility to continue into the rest of the year as markets await results from European austerity measures. They said the STI is likely to end 2010 at the 3,000 mark.

For the second half of the year, experts said rising visitor arrivals and consumer spending should help boost the hospitality and consumer goods counters. But S-chips could be the biggest losers by year-end, due to the yuan's appreciation.

Roger Tan, vice president, SIAS Research, said: "There is pressure for the yuan to rise; that would affect the amount of exports that are actually going out to Europe and the US...Some of the S-chips, maybe even the textile companies, who are labour intensive, who rely a lot on exports in order to hold onto their revenues, these are the ones who will probably be affected." Observers added that S-chips could face additional downward pressure on their earnings as a result of higher wages, making it a very difficult second half for China-linked companies.

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1066776/1/.html>

- **Cyber world**

Laos

- **Economic Front**
- **Laos, Vietnam pledge to enhance comprehensive cooperation**

Standing Deputy Prime Minister, Mr. Somsavat Lengsavad, on behalf of the Lao government, received a courtesy visit of high delegates of Vietnam on 1 July.

The Vietnamese delegation called on the Standing Deputy Prime Minister, Mr. Somsavat last week. The delegation included Mr. Le Van Trien, Deputy Secretary of Ha Tinh Party and President of the People's Council of Ha Tinh province, Mr. Pham Van Riak, Governor of Long Anh province, and Mr. Vu Minh Giang, Deputy Director of the National University of Hanoi.

Each delegate has reported the results of the working visit to Laos, including a courtesy visit to the Lao Standing Deputy Prime Minister, Mr. Somsavat, about their cooperation with the Lao Ministry of Education, the Ministry of Energy and Mining, the Water Resource and Environment Administration, the National University of Laos (human resource development of Laos).

Mr. Somsavat highly valued the visit of the Vietnamese delegation which was described

enhancing the existing long tradition of special solidarity and comprehensive cooperation between the two Parties, two governments and two people of Laos and Vietnam. He has expressed thanks to the Party and Government and people of Vietnam for helping in the human resource development of Laos, which is described as priceless assistance.

The delegates from Vietnam also expressed thanks to the Lao government for a warm welcome. They believed that the long standing bilateral cooperation between two countries would develop in an in-depth dimension.

<http://www.kpl.net.la/english/news/edn5.htm>

- **Oil prices rise**

Motorists have to pay 80 to 200 kip more on fuel per litre after the Ministry of Industry and Commerce has announced the increase in oil prices on 29 June. The adjustment in oil prices have been made due to the increased oil prices on the world market.

As a result, the Ministry of Industry and Commerce has decided to adjust to increase the domestic oil prices on 30 June, which included the prices for diesel and petrol. The diesel price has been adjusted to rise by about 190 and 200 kip per litre and gasoline by about 80-90 kip per litre. The price adjustment came after the twice decrease in June. The oil prices, including regular and diesel, in Vientiane Capital have increased to 7,290 kip from 7,100 per litre. While the regular petrol prices increased from 8,580 to 8,660 kip.

<http://www.kpl.net.la/english/news/edn4.htm>

- **Laos hydropower project on Mekong faces opposition**

A civic group has opposed the Laos government's plan to build the Xayaburi hydropower plant, the first dam in the Lower Mekong River's mainstream, as more than 40 villages in Laos will be adversely affected and need to be relocated.

Pianporn Deetes from Save the River Coalition said the Xayaburi Dam will affect more than 40 villages along the Mekong River, from Louangprabang province to Xayaburi province. This dam will also affect the incubation of freshwater tropical fish such as giant catfish and other aquatic life as the construction will destroy the islets and boulders where the Mekong giant catfish lay their eggs.

She said the river run-off Xayaburi Dam is the first dam that will be built in the Lower Mekong River's mainstream. The dam will produce 1,260 megawatts of power. The plan to build this hydropower dam was initiated by the Laos government. Thai company Ch Karnchang will invest Bt90 billion in its construction. The total project cost is expected to exceed Bt100 billion.

According to the report entitled "MRC Sea for hydropower on the Mekong Mainstream inception Report Vol II", the inundated area of the Xayaburi dam will cover 49 square kilometres and the length of the reservoir will be 90km. Construction will take seven and

a half years. About 10 villages, 391 households, and 2,130 people will need to be relocated. Electricity generated from the plant will be sold to the Electricity Generating Authority of Thailand (Egat) in 2019.

Meanwhile, local villagers living along the river voiced concern that the dam construction should not affect their original livelihood. A villager, who did not want to be named and lives near the Xayaburi site, said he had not been given much information about the impact of the dam.

He said staff from a Thai construction company had surveyed the site and asked the villagers to move to another location. The villagers were told that the company will build their houses at another location and will also construct road, provide water supply and electricity. Additionally, villagers who own teak farms will be paid 150,000 kip (Bt600) per teak as compensation.

The villagers were also worried that the construction of the dam might affect fisheries and fish migration in the Mekong River. A villager said the company staff had told them that they will build a fish ladder. Additionally, the company's staff also told them that they will build a special channel to facilitate passage for boats. This village is more than 150 years old, with most of the villagers making their money from fish harvesting and agricultural plantation. "We will not move to the other location until the construction of our new houses are finished," a 50-year-old villager said.

Another 47-year-old villager said he does not want to move to the other location due to sentimental attachment for the present village. He said his village was located near the Mekong River and he could harvest fish to earn his livelihood. If he moves to the other location, he is not sure what he could do to earn his livelihood.

About 780 people live in his village. All of them have to move to the other location when the dam construction starts. Most of the villagers in his village are farmers and fishermen. "Villagers are now worried about their future as they do not want to move to the other location," he said. However, Pianporn added that the proposal to build the Xayaburi Dam will be put in the Procedures for Notification, Prior Consultation and Agreement, which states that if a country is to build hydropower dams on a Mekong tributary, it must notify the Joint Committee of the Mekong River Commission (MRC).

Then Ch Karnchang will submit the feasibility and impact assessment report to the Laos government, which would forward this report to MRC members.

<http://www.nationmultimedia.com/home/2010/06/27/national/Laos-hydropower-project-on-Mekong-faces-opposition-30132499.html>

- **Social Front**
- **Awareness raising on women rights and life skills assessed**

The Lao Women's Union in cooperation with CARE in Laos held on June 28 a meeting to assess the implementation of a project on raising public awareness on legal rights and basic life skills among at-risk women in Chanthaboury and Sikhottabong districts, Vientiane Capital. The meeting was chaired by Vice-President of the Lao Women's Union, Ms. Sounphone Volavong.

Also attending the event were deputy chief of Chanthaboury district and representatives from relevant sectors. The project has been implemented since September 2009 and will be over in June 2011. Its implementation is supported by CARE in Laos and the Australian government.

The project is designed to promote the protection and prevention of all forms of violence against women by equipping women with knowledge on laws on women's rights and life skills for those who are at risk, especially those working at entertainment places and factories. Since September 2009, the project has trained 380 women volunteers who now are able to give peer advice on the protection of women's rights and life skills at workplaces. The project is focused on members of the Lao Women's Union in Sikhottabong and Chanthaboury districts.

<http://www.kpl.net.la/english/news/newsrecord/30.06.2010/edn7.htm>

- **Laos, Malaysia enhance cooperation on education**

The Science University of Malaysia and the Unity College of Education and Business Management in Vientiane would cooperate on educational projects said Professor Ishmael Baba, rector of Science University of Malaysia, in Vientiane, 25 June.

The rector, on a working visit to Laos also said that the cooperation with this Laotian college would be in science and social science subjects. During the working visit, the rector and his delegation met leading officials of the Education Ministry and the National University of Laos and they discussed ways and means to develop education in Laos.

Professor Ishmael also said that his university would give scholarships to students of NUOL to study at his university, based in Penang, a province of Malaysia.

<http://www.kpl.net.la/english/news/newsrecord/29.06.2010/edn7.htm>

- **Public health expansion network is on focus**

The Ministry of Public Health is focusing on expanding public health and treatment service network to remote areas nationwide. It demands an effective management of medical equipment. Seeing this point of view important, the Ministry of Public Health held a meeting on national medical equipment management in Vientiane Capital on 29-30 June.

Attending the meeting were Dr. Somthavy Changvisommith, Director of the Food and Drugs Department, Ministry of Public Health, Dr. Dong IL Ahn, country representative

of World Health Organisation in Laos, Mr. Peter Heimann, manager of the Lao-Luxembourg Health Sector Support Programme, over 130 medical workers from hospitals and health service countrywide.

Speaking in the meeting, Mr. Somthavy highlighted the resolution of the 8th Party Congress on expanding public health and treatment service network to remote areas aiming to improve living conditions of local people and enable them to get access to quality health service. □The ministry has tried to expand and improve the health service and health care network, so far, □ said Mr. Somthavy. □To achieve the plan, the ministry has poured a huge budget into the improvement of health infrastructure, particularly facilities and human resource development, and development of medicine and modern medical equipment to be delivered to all dispensaries and hospitals nationwide □.

More than half of total hospital and dispensaries nationwide are equipped with CT scanner fluoroscopy and blood diagnosis devices.

<http://www.kpl.net.la/english/news/newsrecord/01.07.2010/edn12.htm>

Environmental Front

- **Laos, Thailand enhance cooperation on environmental protection**

The government officials of Laos and Thailand met here last Friday to discuss their cooperation on water resources and environment management, meteorology and hydrology. Present at the bilateral meeting were Minister to the Prime Minister's Office, Mme. Khempheng Pholsena, who also heads the Water Resources and Environment Agency, and Minister of Natural Resources and Environment of Thailand, Mr. Suwit Khunkitti, who also wears hat as President of the National Mekong Committee of Thailand.

The participants evaluated the cooperation on water resources and environment between the two countries over the past one year and discussed their cooperation plan for 2010-2011 period. Both sides agreed that their cooperation over the next one year would focus on the management of water resources, environment, pollution, environment technology, disasters, smokes from burning activities and wildfire and global climate change.

<http://www.kpl.net.la/english/news/newsrecord/29.06.2010/edn12.htm>

Brunei

- **Economic Front**
- **Social Front**
- **Investors turning to commercial properties over residences in Asia: analysts**

Observers say Korean pension funds have been aggressively investing in commercial real estate in Asia. According to Woori Investment & Securities, the Korean National Pension

fund has put nearly US\$3 billion into real estate in the past six to nine months alone.

It appears investors are favouring commercial properties over residential ones which can generate a minimum return of six to eight per cent.

Private home prices have enjoyed a good run-up in recent months in Asia. For example, cost of private residential properties hit a record high in Singapore in the second quarter, rising by an estimated 5.2 per cent. But investors and asset managers are expecting home prices to moderate across the region. So, they are turning their attention to commercial properties instead.

Woori Investment & Securities, part of South Korea's Woori Financial Group, has seen a growing outflow of Korean money seeking such opportunities. Derek Wong, director, Real Estate Investment & Finance, Woori Investment & Securities, says: "We're looking favourably at the commercial sector, mainly the office building and retail sector. As a whole maybe we are looking at a range of six to eight per cent minimum for a very safe country but if it's a high risk country then we need to add in that spread." Despite concerns of a supply glut in the office segment in Singapore, Henderson Global Investors says the new buildings under construction in the city have already received 80-90 per cent commitment from tenants. Hong Kong's supply picture is also tightening as businesses add to their headcount.

Frankie Lee, head of Property Equities, Asia, Henderson Global Investors, says: "We only conservatively assume a 25 per cent increase in rents in both Singapore and HK this year and given the type of rent increase in the first half this will prove to be quite conservative. I think now we can safely say that 25 per cent this year in these two places for 2010 and perhaps another 15 per cent for 2011 is quite achievable." In view of this, Henderson recommends stocks such as Hong Kong Land and Keppel Land to take advantage of the uptick in rents. It also looks on Industrial Real Estate Investment Trusts favourably, given Singapore's strong economic growth.

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1067212/1.html>

- **Marketing drive for Brunei Halal Brand ratcheted up**

The marketing drive for the Brunei Halal Brand is set to hot up ahead of the Hari Raya celebrations as hampers go on sale this month at The Mall. Noel Shield, interim chief executive of Ghanim International Food Corporation Sdn Bhd, said the hampers are set to go on sale in mid-July.

Ghanim was appointed by His Majesty's Government to handle and manage the marketing of Brunei's premium halal brand which takes advantage of the country's reputation in selling goods to growing Muslim markets

Ghanim will set up a booth at The Mall that would handle sales of the hampers, Shield

said. When asked what else Ghanim would be doing to promote the hampers in the lead up to Hari Raya, he said the company would also be looking at increasing advertising placements particularly in August as most people tend to wait till the last weeks of Ramadhan to finalise orders for Hari Raya.

The hampers will also be available for order through the Ghanim headquarters, he said. He added that a dedicated website, accessible via the Ministry of Industry and Primary Resources website, is due to go up soon, and orders for the hampers can be processed online. Shield said there will be a range of products, mostly "comfort foods", such as confectioneries, cookies, nuts, and instant noodles which are included in the hampers.

Brunei Halal products have been slated for national distribution at the end of the Hari Raya festivities. A Ghanim International representative said that there would be about 55 items to be arranged into the hampers.

The prices are currently set at \$85, \$125 and \$180, he said, adding that Ghanim was looking at introducing a \$55 hamper to the range, to be confirmed later.

"We looked at what was available from the different (sources)," said Shield of the pricing strategy, adding that it was "for everybody". The products are currently being shipped into the nation, with 90 per cent of the hamper items coming from producers overseas, and the other 10 per cent produced locally.

Shield had previously said that some products under the Brunei Halal Brand are being manufactured in countries, such as China and Spain, but producers had to meet strict production guidelines of the brand. Dato' Seri Jamil Bidin, chief executive and managing director of Malaysia's Halal Industry Development Corp, previously said that Brunei should make use of the resources it has. "Brunei may not have much natural resources, but it has a lot of capabilities in terms of financial resources. You don't really need to produce the products in your own country. Go to countries which have a lot of resources. For example, Brunei buying a farm in Australia, and through this collaboration, you can work with people in those countries to produce halal products." Dato' Seri Jamil added that Brunei could follow the strategy of some Middle Eastern countries who outsourced production due to low natural resources. "I think it's a correct strategy because certain countries have a lot of natural resources, like Australia's cattle and Thailand's food products."

<http://www.bruneitimes.com.bn/business-national/2010/07/05/marketing-drive-brunei-halal-brand-ratcheted>

- **To keep customers coming back treat them like kings**

Richard Au, owner and manager of Trillium Car Salon, knows the importance of customer service. Trillium has made a name for itself by ensuring customers' cars are in

"showroom" condition and by providing good service.

No mass advertising and heavy promotion was required to get the Gadong-based business where it is now except the faith of the customers. When Richard started the business in 2007, even before the car waxing shop was up and running, he had already secured contacts and customers.

Richard has been passionate about automobiles since he was a teenager, and has worked for various automobile and auto-related business, as well as participated in go-kart racing events when he was younger.

After years of working for others, he decided to cash in on his passion for cars by opening Trillium three years ago with a silent partner. "You're never too old to start a business," says the 49 year. "You just have to believe in yourself, believe that you can do it, and don't let anything else stop you in what you really want to do."

He says he is not worried about the competition, and that the company isn't competing on who has the best products, but the best after-sales service. "There are companies who are doing the same thing with their own brands, but what sets us apart is customer service. Customer service is not something that you can import or invest with money, it comes in you. Even if you have the best product, brand or franchise, or a business empire even, bad customer service is a sure-fire way of failing your business," he says.

Unlike other businesses, he doesn't consider his competitors as enemies. In fact, he doesn't believe in aggression, but more about making as much allies as possible. "My main focus is to constantly give our customers the best, and not worrying about what other similar establishments do. We already have a good product, but to keep our customers happy and have returning customers. Customer service really goes a long way." But customers are also a challenge for Trillium. Richard had to deal with the occasional customer complaints. When asked what the company does to counter this, Richard says, "Nothing is perfect, and every businesses is bound to have unhappy customers, but we strive to maintain our customer-friendly image. We just have to be patient and believe in the 'Customer is Always Right' approach," he says. "We do honest work. When people know we're an honest or hardworking business, a trust is built between the company and the clients, and those are also underlying principles of good customer service," he says.

Richard manages the entire running of the shop and looks after six workers day in and day out. The management, administrative work, clerical and accounts of the business are all part of his workload. "If you believe that you can handle all that on your own, then there is no need to hire additional staff to handle those responsibilities. Unless of course if the company is in major expansion requiring more staff. For now I'm much more

comfortable managing it on my own," he says. Richard claims that sales have never been better, increasing 15 per cent annually. Trillium, he says, on average services 10 cars a day. "We try to keep advertising costs at a bare minimum, and not splurge so much on unnecessary expenses. In the end, customer service is very rewarding as it helps spread the good word. That is our mode of advertising. I always believed in this method in the beginning, and it works," says Richard. "In the end, it's not about the money. It's more about meeting people; other businessmen, customers, competitors etc.

"My goal in life is not to be rich, but to make as much friends on this planet as possible. I believe this is the right vehicle to do that. Business is indeed about networking," he says.

<http://www.bruneitimes.com.bn/business-besides-oil/2010/07/05/keep-customers-coming-back-treat-them-kings>

- **Exports down 30.2% in 2009**

BRUNEI'S crude oil and gas exports fell sharply in 2009, weighing on total exports which shrank 30.2 per cent, government yesterday said.

In a statement, the Department of Economic Planning and Development said Brunei's external trade showed a surplus of \$6.9 billion although lower than the \$11.3 billion recorded in 2008. Total trade declined 38.6 per cent to \$13.9 billion from \$18.6 billion.

The government said the fall in exports was due steep fall in oil, gas and garments exports. Crude oil exports fell 37.4 per cent to \$5 billion from \$8 billion in 2008, while liquefied natural gas (LNG) shipments fell 24.3 per cent to \$5 billion from \$6.7 billion. Garments exports plummeted 53.1 per cent to \$56.7 million from \$121 million in 2008. "The contribution of crude oil and LNG on total exports was 96.1 per cent which amounted to \$10 billion in 2009 compared with 2008," the government said.

Japan was Brunei's major trading partner, absorbing 46.1 per cent of total exports, followed by South Korea (11.6 per cent), Indonesia (10.8 per cent), India (8.6 per cent), Australia (7.3 per cent), New Zealand (4.4 per cent), China (4 per cent), Singapore (2.6 per cent), Thailand (1.9 per cent), Malaysia (1.6 per cent) and US (0.6 per cent).

Brunei's imports shrank 4.3 per cent to \$3.5 billion due to declines in the import of animal and vegetable oils, fats and waxes (26.4 per cent), machinery and transport equipment (13.5 per cent), foods and live animals (6.1 per cent) and manufactured goods (2.5 per cent). The Brunei Times

<http://www.bruneitimes.com.bn/business-national/2010/07/04/exports-down-30-2-2009>

- **Cyber world**

ASEAN

- **Political Front**
- **At economic Front**

- **Cambodia ratifies ASEAN-China economic cooperation framework agreement**

The Cambodian National Assembly on Thursday approved the framework agreement on the comprehensive economic cooperation between ASEAN-China, a move aiming to attract more investments from China. The overwhelming majority of the Cambodian lawmakers voted in favor of ratifying the agreement signed in 2009 between the ten member countries of ASEAN and China.

Kong Vibol, deputy minister for finance and economy, told the floor that "we need more investments from China for the development of our country through which more jobs will be created as well as to boost our exports to overseas market." Ai Khon, chairman of the commission on planning, investment, agriculture, rural development and water resources of the national assembly, also said "The agreement aims at promoting investment flows and to create liberal, facilitative, transparent and competitive investment regimes on both sides."

Moreover, he said that the agreement will benefit both ASEAN and Chinese investors, ensuring non-discriminatory treatment, guaranteeing fair and equitable protection, granting compensation to investors in case of expropriation and providing for investors-State dispute settlement. Kong Vibol said China, which is the Cambodia's leading investor, has mainly invested in the sectors of agro-industry, tourism, infrastructure, and hydro-power as well as garment industry, and creating a great number of jobs in Cambodia.

Beijing has provided Cambodia with the duty free access of 418 items for exporting the products to Chinese market. The National Assembly also ratified the investment agreement between the governments of ASEAN and South Korea.

Cambodia hopes Chinese and the South Korean investors will invest more in the sectors of agro-industry, tourism, infrastructures, hydro-power plant, and garment

<http://english.people.com.cn/90001/90777/90851/7048856.html>

- **ASEAN economic integration to boost regional growth**

The systematic economic integration within ASEAN, together with the region's enhanced engagements with its dialogue partners, is expected to lead the region on the sustained economic recovery and growth in 2010, according to a report released Monday by Malaysia government. The establishment of ASEAN Free Trade Area as well as the implementation of ASEAN Trade in Goods Agreement and other free trade agreements will also boost intra-ASEAN trade and investment flows, Malaysian International Trade and Industry (MITI) said.

In its 2009 report released here on Monday, MITI said that the business community in the

region must understand how the free trade area and agreements work in order to reap benefits from the arrangements. Since January 2010, six ASEAN countries comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand have become a free trade area, whereby duties on all products flowing among these countries in the inclusion list were eliminated. ASEAN has undertaken various efforts to simplify clearance of goods at the border and increase intra-ASEAN trade.

A work plan has also been drawn up to implement self-certification on the rules of origin by early 2012. MITI said that Brunei, Indonesia, Malaysia, Singapore and Thailand were committed to removing all non-tariff barriers by 2010, while the Philippines by 2011 and Cambodia, Laos, Myanmar and Vietnam by 2018 in order to boost intra-regional trade.

Although faced with the global financial crisis in 2008 and 2009, MITI said that ASEAN had remained steadfast in its commitment to achieve the vision of an ASEAN Economic Community by 2015. In 2009, ASEAN total trade in goods dropped by 10.5 percent to 1,521.3 billion U.S. dollars in 2009 from 1,711.3 billion U.S. dollars in 2008.

<http://english.people.com.cn/90001/90778/90858/90863/7033379.html>

- **Social Front**

