

Report # 122**Business and Politics in Muslim World****South East Asia****Tatheer Zahra Sherazi****From 28 May to 4 June****(Outline)**

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Summary

At political Front

- Indonesia

President Susilo Bambang Yudhoyono on Tuesday marked the anniversary of the official national ideology, Pancasila, by calling on all Indonesians to put country before race and religion.

“I want to remind all of us that despite solidarities, such as the ties of Islamic, Christian, Catholic and Chinese communities, the biggest tie should be nationalism, our nation,” Yudhoyono said. Speaking at the House of Representatives, the president said that although the accelerated pace of globalism was breaking down borders; countries must endeavor to preserve their own cultures. “We should not be more loyal to other ties [which lay outside] of our nation.” Yudhoyono said the decentralization and regional autonomy processes begun during the reform period had left a negative impression of the idea of the nation state, which was forged by founding President Sukarno, the chief architect of Pancasila.

Indonesian militants plotted to kill Barack Obama during a state visit, kill their own president and launch a series of Mumbai-style attacks on foreigners, according to officials.

In more ways than one, there is disturbing evidence that Indonesia’s politicians have not bothered to read the Constitution. Or, if they have read it, they prefer to pretend otherwise. It sounds too surreal to be true, but what else could explain the fact that the president, his cabinet and most of the House of Representatives have been behaving like they are working under a parliamentary system? Thankfully, a lot of Indonesians outside the world of politics intuitively understand the heart of the matter. When I recently asked some Indonesian friends what they thought about their president, one of them told me he felt that President Susilo Bambang Yudhoyono is acting like a weak prime minister in what is undeniably a presidential system.

- Malaysia

Prime Minister Datuk Seri Najib Tun Razak should be given time and space to strengthen racial solidarity and boost the country’s economic development, said Tun Dr Mahathir Mohamad. He added it would not be easy for Najib to resolve problems unless the people gave him their undivided support. “If he (Najib) does anything bad, then you can criticise, but if he does something good, we should support him.” “When he gets strong support, he can discharge his duty more effectively,” said the former Prime Minister.

On another matter, Dr Mahathir said the Malays must unite again to regain their political power because although they form 60% of the population, the race had been divided into

three. “Mathematically, Umno only represented 20% of the Malays. The same was also true of PAS and Parti Keadilan Rakyat. “20% for each Malay party is considered weak,” he said, adding the Malays had lost their direction.

- Philippines

Senator Benigno Aquino III had an insurmountable lead in the official tally of votes for the Philippine presidency yesterday, and Congress was expected to declare him president early next week. The canvass showed Aquino had 14.6mn votes, or 41.8% of 35mn valid votes tallied by yesterday evening, 5.5mn ahead of his nearest rival, former president Joseph Estrada, with less than a million votes still to be counted

- Thailand

Thai Prime Minister Abhisit Vejjajiva is back in public view and busy pushing his ideas for national "reconciliation," a catchword that he mentioned nine times in opening remarks to foreign diplomats in a speech Saturday. The premier is clearly trying to move the national political debate beyond his government's recent, bloody crackdown on pro-democracy protestors that resulted in the deaths of at least 88 people. But what little he's said and done since then suggests his version of reconciliation is so far little different than his military-backed predecessor's approach.

Obviously irked by offers of mediation or attempts at interference by foreign governments, international bodies- governmental or non-governmental- Foreign Minister Kasit was quite explicit that Thailand was quite capable of handling its problems without unsolicited advice and intervention. “We are not a failed state or a failing state,” was Kasit’s jibe at those who seemed to suggest that Thailand could not deal with the protest that had erupted into violence without the help of outside powers including those whose interventions elsewhere have resulted in more chaos and killings.

If this is the first time in recent decades that Bangkok has had to warn off attempted interference, nearby Sri Lanka has for years suffered from similar attempts by western powers and international NGOs to impose their will on the Colombo government

At Geo-strategic Front

- Cambodia

CHINA has promised more than 250 new military trucks to Cambodia, Prime Minister Hun Sen said on Monday, signalling deeper military cooperation between the two nations. PM Hun Sen said a donation of 257 military trucks and 50,000 military uniforms was agreed during a meeting with Chinese President Hu Jintao in Shanghai earlier in May. The announcement of Chinese military aid comes after the US in April stopped a shipment of military trucks to Cambodia as punishment for sending ethnic Uighur asylum-seekers back to China in defiance of international appeals.

Cambodia in December deported the 20 Uighurs, members of a largely Muslim minority group in western China, even though they were seeking UN refugee status and said they would face torture if returned. The decision to deport the Uighurs came a day ahead of a visit by Chinese Vice President Xi Jinping, during which he agreed US\$1.2 billion (\$\$1.69 billion) in aid and loans to Cambodia with Hun Sen

At economic Front

- Indonesia

A new industrial zone jointly developed by Singapore and Malaysia could threaten the Batam-Bintan-Karimun Free-Trade Zone, Rudy Chua, honorary chairman of the Indonesian Employers Association's Riau Islands branch, said on Sunday.

"The development of the Johor Bahru Iskandar Muda industrial zone by Singapore's Temasek Holdings and Malaysia's Khazanah Nasional Berhad would adversely affect Riau Islands free-trade zone," he said. Many Singaporean investors were losing interest in the Riau Islands because of confusing, overlapping regulations, Rudy said." The central government is still half-hearted in developing the free-trade zone," he said.

Indonesia is endowed with considerable energy resources, both fossils and renewable. With our resource wealth, strategically located close to East Asian industrial nations and openness to international trade, we have seen over the last three to four decades that Indonesia a world class exporter of oil, gas and coal. The exports of energy have contributed to our country's export earnings largely as well as to the government as a source of revenue. However, as domestic demand for energy is skyrocketing (a result of high economic growth, population increase and changing lifestyles that prefer more energy) we are facing several energy-economy challenges. Putting it shortly, the challenge is to maintain the right balance among exports of primary energy commodities, fueling the domestic demand appropriately, securing long-term supply and working toward energy-economy sustainability. It is clear and not new, but the solutions need bolder action. The world is shifting undoubtedly toward a green economy society, wherein the application of green energy will be larger. The challenge: Indonesia, which has been mentioned frequently as the Middle East of renewable energy, needs to exploit its renewable potential more progressively and share the world's movement from the large use of black energy (fossil fuel) to the greener kind, where renewable and energy efficiency/conservation serve as pillars.

Indonesian trade officials would be entitled to wonder who has a greater say in trade relations with Indonesia — the Australian government or environmental campaigners?

The environmental campaigners are currently making more noise on trade policy. They

have been prodding the Australian government into taking trade actions that would effectively reduce agricultural and forestry exports from Indonesia. This would undermine economic growth — particularly in rural regions.

- Malaysia

Malaysia is preparing an economic strategy to boost trade and investment ties with Indonesia for mutual benefits. The same goes for investment because currently there were more Malaysian companies investing in Indonesia compared to Indonesian companies investing in Malaysia." We also want the rich Indonesians to invest in Malaysia, besides in Singapore and the United States," he said, adding that Malaysia was giving emphasis on wooing quality investment capable of offering higher pay to the workers. Malaysia is now the 20th biggest exporter in the world and it must continue to penetrate more export markets."At the same time, Malaysia is also opening its economy to foreign traders and investors," the minister added.

Free Trade Agreements (FTAs) offer Small and Medium Enterprises (SMEs) an opportunity to deeply integrate with the global supply chain, Amitendu Palit, Head (Development and Programmes), Institute of South Asian Studies, National University of Singapore, said on Friday. Pointing out that while the India-ASEAN FTA provided Indian SMEs access to the Eastern markets and other FTAs were in the pipeline with Japan, Malaysia and Indonesia, Mr. Palit said there was immense scope for leveraging FTAs to engage with regional value chains.

Historically, fiscal management by Malaysia's ruling Barisan Nasional coalition has failed in two related ways. The National Front has displayed no fiscal discipline, and its public-service expenditure has been highly inefficient and corrupt. Prime Minister Najib Razak's decision to introduce a goods and services tax is therefore premature. Before introducing a GST, Najib must demonstrate that he has the ability to reform BN by reining in fiscal deficits.

Malaysia is the first emerging economy in the region to have access to Microsoft Corporations full range of Cloud Computing capabilities, says its Chief Executive Officer, Steve Ballmer. Malaysia is also among 41 countries in the world where the Window Azure has been made available, he said, in announcing the availability of the online services here today.

Window Azure is a Cloud Computing platform that enables developers to quickly and easily build, deploy, scale and manage applications and web services in Microsoft data centres. Ballmer also said Cloud Computing, where data and services are stored externally on the "cloud" and accessed via the internet, has strong relevance for economies like Malaysia.

- Singapore

Southeast Asian food makers are reporting a sharp rise in demand on the back of a recovering global economy and rising incomes, suggesting the region's food-related shares may have more room to climb. From wealthy Singapore to the rapidly developing economies of Thailand, Indonesia, Malaysia and Vietnam, food operators are enjoying increasing sales and swelling margins, trend analysts see lasting at least 3-5 years in some markets

- Thailand

Thailand's central bank kept its benchmark interest rate at the lowest level since July 2004 after the nation's deadliest political violence in almost two decades undermined economic growth. Thailand has refrained from joining Malaysia, India and Australia in raising borrowing costs this year even as a rebound in exports helped the economy expand the most in 15 years last quarter. Growth will be "strongly affected" in the three months through June after weeks of anti-government protests led to riots and left at least 85 people dead, central bank Governor Tarisa Watanagase said May 26.

Inflation in Thailand accelerated for the eighth consecutive month in May, driven by higher food and fuel prices, data released Tuesday showed

- Philippine

With less than a month before she steps down, President Gloria Arroyo on Friday said that she wanted to be remembered as the leader who modernized the Philippine economy. The 63-year-old grandmother and former economics professor added that she was looking forward to a lower-profile role as an elected member of Congress, having been the country's leader for nine years from 2001. When also asked what aspects of her presidency she would not miss, she replied, "The destructive politics of the critics who offer no alternative on policies and programs, just destructive political noise. "When asked, too, to describe herself, Mrs. Arroyo said, "Well, focused, but if you want another word, tough. If you want [yet] another word, compassionate."

- Singapore

Singapore has been ranked the best place to do business in the world, but barriers remain for the rest of ASEAN, a study released in Vietnam on Thursday said. The World Economic Forum index ranked 125 countries based on their performance in four main areas: market access, border administration, transport and communications infrastructure and general business environment. Singapore kept the top rank it held in last year's study, but five other members of the Association of Southeast Asian Nations (ASEAN) fell. Vietnam improved from 89th to 71st largely because of its accession to the World Trade Organization three years ago, Thierry Geiger, a co-author of the study, told a news

conference. The Philippines sunk to 92 from 82, and Cambodia hit a "very low" 102, down from 92, the study said. Data from ASEAN's other members, Laos, Brunei and Myanmar, was not included in the study. ASEAN is working towards establishing by 2015 a single market and manufacturing base of about 600 million people.

- Vietnam

Vietnam's Prime Minister Nguyen Tan Dung asked the central bank to implement measures to reduce interest rates and help the country achieve economic growth of 6.5 percent this year. "The State Bank of Vietnam needs to manage monetary policy flexibly, implement measures to bring down interest rates, control credit growth and keep exchange rates stable," according to a statement filed on the government's website late yesterday that cited the prime minister.

- Brunei

HER Royal Highness Princess Hajah Masna, Ambassador-at-Large at the Ministry of Foreign Affairs and Trade, yesterday stressed the importance for Small and Medium Enterprises (SMEs) to seek strategic alliances and enter into viable partnerships with foreign companies, to further succeed in promoting halal products and the Brunei's Halal Brand.

"By doing so, they will not only learn international best practices and good corporate governance, but also ensure better access to the halal market and increase the international respect accorded to halal products in general and Brunei halal brand in particular," Among some of the topics that will be discussed during the two-day conference are retail and brand development in the halal food sector, the national halal programmes and initiatives from key countries within the Asean region and exploring the dynamics of new emerging subsectors that are being created from the convergence of shared halal value

At Social Front

- Philippine

The Philippines government and Muslim rebels Thursday pledged to continue working towards a peace deal as they ended a final round of talks under President Gloria Arroyo's outgoing administration. Negotiations with the Moro Islamic Liberation Front (MILF), the largest of the country's Muslim rebel groups, will now resume efforts to end decades of conflict under the government of Benigno Aquino, who was elected in May.

The two sides said at the conclusion of two-day talks in the Malaysian capital that they would press on with efforts to reach a political settlement.

"The parties met under an atmosphere of cordiality and candor, determined to continue engaging with each other... until they finally conclude and reach a comprehensive

compact," they said in a joint statement.

Arroyo opened the peace talks in 2001 in an effort to end the bloody secessionist war in the restive but mineral-rich region of Mindanao where a long-running separatist rebellion has left more than 150,000 people dead.

The 2008 violence broke out after the Philippine Supreme Court outlawed a proposed deal that would have given the MILF control over large areas of the south that were claimed by the rebel group as its "ancestral domain".

Over 700,000 people were displaced at the height of the fighting and nearly 400 were killed. A new ceasefire was signed in September 2008, paving the way for the resumption of talks.

Regarding Grievances, A large rebel group engaged in peace talks with the Philippines government since 1997 has opposed offshore oil exploration by a private firm in the south and southwestern Philippines saying Muslim residents of the region were being denied the economic benefits, a rebel website said.

During peace negotiations held between the Philippine government and the Moro Islamic Liberation Front (MILF) in Malaysia from June 2 to 3, "the MILF took the opportunity to register its opposition to the ongoing oil explorations in the Sulu Sea and in off Palawan", Luwaran.com quoted Attorney Abdul Dataya and Abdullah Camlian as saying.

The most recent flooding occurred before dawn in Sultan Kudarat and Cotabato City, where flooding stalled cars and filled low-lying houses, GMANews.tv reported. During the last week, flash floods displaced 9,338 families -- about 47,500 people in all -- throughout the Maguindanao region, the Philippine Inquirer reported Tuesday.

Detailed News Monitoring Report

Indonesia

- **Political front**
- **President Calls on People to Unite under Pancasila**

President Susilo Bambang Yudhoyono on Tuesday marked the anniversary of the official national ideology, Pancasila, by calling on all Indonesians to put country before race and religion.

“I want to remind all of us that despite solidarities, such as the ties of Islamic, Christian, Catholic and Chinese communities, the biggest tie should be nationalism, our nation,” Yudhoyono said. Speaking at the House of Representatives, the president said that although the accelerated pace of globalism was breaking down borders; countries must endeavor to preserve their own cultures. “We should not be more loyal to other ties [which lay outside] of our nation.”

Yudhoyono said the decentralization and regional autonomy processes begun during the reform period had left a negative impression of the idea of the nation state, which was forged by founding President Sukarno, the chief architect of Pancasila.

The ideology is a set of five tenets that promote an equal footing for all religions, humanism, decision-making through deliberation, national unity and social justice for all. “Although decentralization and regional autonomy is positive as a correction to the old centralized system, we also see its negative excesses,” he said.

Yudhoyono warned that leaders should set an example by avoiding divisive rhetoric, citing regional elections as flash points of conflict between ethnic or religious groups. “Let’s go back to the spirit of Indonesian nationalism and the will to unite,” he said.

However, he also said that nationalism should not be a forerunner to xenophobia. “What Sukarno meant about nationalism had nothing to do with being an isolated country or a chauvinistic one, but a nationalism recognizing world brotherhood and a family of nations,” he said. “We should not apply narrow nationalism and see other nations or foreign objects as enemies.” Pancasila, he said, was still relevant as an ideology and one that has a place in today’s evolving world.

“Let’s make Pancasila a living ideology, a working ideology that can be anticipative, adaptive and responsive. Pancasila is not a strict dogma as this would prevent it from becoming responsive to the challenges of the era. It should be able to face current and future challenges.”

But Syafi’i Maarif, former chairman of Muhammadiyah, the country’s second-largest Islamic movement, said the nation was slowly turning its back on the ideology.

“Don’t just implement Pancasila in books, in writings and speeches but then betray it in

daily life,” he told the Jakarta Globe.

However, he said he was still optimistic that the country would realize Pancasila, allowing different ethnic and religious backgrounds to bond.

“It should start with our leaders, because our people are taking their cue from them,” he said. “Leaders should give a good example, [there should be] no corruption or money politics.”

Safri Nugraha, dean of University of Indonesia’s Law Faculty, told the Globe that the government should also abridge regulations that fly in the face of the core Pancasila principles. “We need legal reform that will fit Pancasila. Our law must stand for both the rich and the poor. At the moment I see that there are laws which are not impartial,” he said.

Safri also highlighted the need to spread the use of the ideology past the confines of a ceremonial day on the first of June. “The United States and European countries use our own ideological principles such as respecting and helping each other and caring about environmental issues. These are actually the principles of Pancasila,” he said.

<http://www.thejakartaglobe.com/home/president-calls-on-people-to-unite-under-pancasila/378254?>

- **Indonesian militants 'planned to kill Barracks Obama'**

Indonesian militants plotted to kill Barack Obama during a state visit, kill their own president and launch a series of Mumbai-style attacks on foreigners, according to officials. The group hatched an intricate plot to trigger a swathe of high profile attacks in Jakarta on August 17th, Indonesia's Independence Day, assassinate President Susilo Bambang Yudhoyono and declare an Islamic state ruled by Sharia law on the same day in a jihadi coup. Police sources also state that the group – suspected to be a splinter group from the al-Qaeda linked Jemaah Islamiah (JI) organisation – also planned to assassinate Mr Obama when he visits Indonesia next month, although this was not officially announced. "They planned to target the Indonesian president, state officials and foreign guests," national Police Chief Bambang Hendarso Danuri said at a press conference.

"Killing all the state officials would have accelerated the transition from a democracy to a state controlled by Islamic Shariah law."

After assassinating the president, the militants then planned to siege the palace and enact a coup. The group was allegedly inspired by the Mumbai attacks in November 2008 that killed 166 people. "Their plan was also to launch attacks in Jakarta against foreigners - especially Americans - and attack and control hotels, imitating what happened in Mumbai," Mr Danuri said. Unofficially known as 'al Qaeda Aceh', the terrorist organisation was unearthed in February this year when police discovered a training camp

in Aceh, the northern Indonesian province that is ruled by sharia law.

Acting on information gained from the Aceh bust, anti-terrorism police launched a series of raids on militant hideouts in and around Jakarta earlier this week.

Twenty suspected militants were arrested and five were killed in the raids.

Rifles, ammunition, jihadist literature, a map of Singapore and the plans for the independence day attacks were recovered from the hideouts.

The alleged leader of the Aceh terror group, Dulmatin, the prime suspect in the 2002 Bali bombings, was shot dead in an internet café in Jakarta on March 9th.

The discovery of the plot represents a significant shift in strategy of certain terrorist groups operating in Indonesia, the world's most populous Muslim country.

Whilst traditionally JI and its connected groups have been led by Noordin Mohammad Top's terror tactics of large-scale bombings, splinter groups are now planning assassinations to achieve the high profile deaths of specific officials and foreigners and to reduce Muslim casualties.

"The extremists who were previously members of bigger groups are forming their own, hard-core groups. It is a very worrying development and there are several small Jihadi groups currently operating here," Sidney Jones, a terrorism expert from the International Crisis Group, told The Daily Telegraph.

"The Aceh training camp discovery was a breakthrough, but it was uncovered by chance by local police. This lucky break set in chain the series of arrests and assassinations and the uncovering of this plot. However, a plan of such scale would have been very hard to pull off."

<http://www.telegraph.co.uk/news/worldnews/asia/indonesia/7725108/Indonesian-militants-planned-to-kill-Barack-Obama.html?>

- **Economic Front**
- **Free-Trade Zone Could Feel Heat From Across Strait**

A new industrial zone jointly developed by Singapore and Malaysia could threaten the Batam-Bintan-Karimun Free-Trade Zone, Rudy Chua, honorary chairman of the Indonesian Employers Association's Riau Islands branch, said on Sunday.

"The development of the Johor Bahru Iskandar Muda industrial zone by Singapore's Temasek Holdings and Malaysia's Khazanah Nasional Berhad would adversely affect Riau Islands free-trade zone," he said. Many Singaporean investors were losing interest in the Riau Islands because of confusing, overlapping regulations, Rudy said." The central government is still half-hearted in developing the free-trade zone," he said.

- **Indonesian energy-economy potentials, challenges**

Indonesia is endowed with considerable energy resources, both fossils and renewable.

With our resource wealth, strategically located close to East Asian industrial nations and openness to international trade, we have seen over the last three to four decades that Indonesia a world class exporter of oil, gas and coal. The exports of energy have contributed to our country's export earnings largely as well as to the government as a source of revenue. However, as domestic demand for energy is skyrocketing (a result of high economic growth, population increase and changing lifestyles that prefer more energy) we are facing several energy-economy challenges. Putting it shortly, the challenge is to maintain the right balance among exports of primary energy commodities, fueling the domestic demand appropriately, securing long-term supply and working toward energy-economy sustainability. It is clear and not new, but the solutions need bolder action.

The major challenge is related to oil, which for long we have largely relied on. The current fact is, as we need more oil, our production capacity is declining, widening the gap between the fast growing demand and decreasing supply capacity.

One might argue that our oil fields are maturing whereas efforts to replace the forgone reserves are far from significant, and the application of advanced recovery techniques is limited.

The bolder recommendation is we have to decrease our dependency on oil by shifting the country's energy mix to that with lesser share of oil.

The next challenge is on energy prices and subsidy. Price of selected fuels (mostly oils) and electricity in Indonesia have for a long time been regulated below market levels, with the gap bridged by subsidy from the state budget.

Access to the capped prices is made equally to the high- and low-income people, whereas the subsidy budget is actually given to the state companies undertaking the oil fuel and electricity delivery jobs.

The long practices of implementing a price cap and subsidy must be corrected in next to no time for its target groups, amount of subsidy and delivery mechanism. Rp 1.4 trillion (US\$151,000,000) (State Budget 2010) or 10-20 percent of the state budget spent in energy subsidy is incredible huge.

Indonesians are becoming richer, only a small part of us now really eligible for such energy subsidy.

Energy subsidy discourages efforts to develop alternative energy, provides no incentives to use energy in an efficient way as well as fails to make energy conservation a habit in our society. It restricts the state budget to finance other sectors, including to construct energy infrastructure, which is actually more necessary.

The other challenges are on infrastructure and access to energy, investment climate and

works toward long term energy-economy sustainability.

Despite the resources wealth, our access to energy is still limited, constrained significantly by lack of infrastructure. Our electrification ratio is a mere 65 percent (distributed unequally), natural gas is consumed by below than 1 percent of the country's households and many of our people — those living in small islands/remote areas — do not have the access to modern energy services. The inconvenient truth: not only that the existing capacity of our energy infrastructure is not sufficient, but they are also inefficient, unreliable, aging, need major repairs and replacement.

The acceleration of energy infrastructure provisions and the effort to make energy available call for huge investments. For instance, the state electricity company (PLN) requires \$58.5 billion to finance electricity infrastructure within the next 10 years, of which \$34.3 billion is expected to come from foreign loans (PLN Business Plan 2009-2018). Data shows that recent investments in the energy sector is far from sufficient to finance the development of new infrastructure for electricity, to find new oil and gas reserves to compensate the already forgone ones, and so on.

Investment in energy sectors, which are typically very expensive, have high risks, are technologically intensive, need private/foreign partnerships and take decades to mature, require clarity of legislation and long-term security. For many investors, these factors are more important than economic incentives the government may provide to attract them.

The annulment of the 2002 Electricity Law and parts of the 2001 Oil and Gas Law, inconsistencies among laws on mining, forestry, environmental, taxes among others and the unclear division of responsibilities between the central and regional governments on energy and mining issues, have distorted investment climates so that they must be clarified soon.

There are complaints that legislations are not detailed and clear enough, and poor coordination across institutions are taking place in many energy investment cases. Licensing, tendering and procurement processes are also among the complaint issues.

The capacity of institutions and human resources dealing with energy business, in central and regional offices including those in the energy regulatory agencies needs to be improved so that they are more investments-friendly and adaptive to the waves of reforms in energy sector, which are going on in Indonesia.

Our fast growing energy demand combined with of lack of access dictates that we need not only additional capacity for energy infrastructures and finances, but also larger quantity and quality of human resources to tackle our energy challenges.

The world is shifting undoubtedly toward a green economy society, wherein the application of green energy will be larger. The challenge: Indonesia, which has been

mentioned frequently as the Middle East of renewable energy, needs to exploit its renewable potential more progressively and share the world's movement from the large use of black energy (fossil fuel) to the greener kind, where renewable and energy efficiency/conservation serve as pillars.

<http://www.thejakartapost.com/news/2010/05/30/indonesian-energyeconomy-potentials-challenges.html>.

- **Malaysia Prepares Strategy To Boost Economy Ties With Indonesia**

Malaysia is preparing an economic strategy to boost trade and investment ties with Indonesia for mutual benefits. International Trade and Industry Minister Datuk Seri Mustapa Mohamed said the strategy would be turned into a clear road map on economic fields that would be given emphasis including medical tourism.

"My priority now is to strive to reduce trade obstacles on several Malaysian products for the Indonesian market and secondly, to get as many Indonesian investors to invest in Malaysia," he said at a meeting with senior managers of several Malaysian companies here. Mustapa said this was a follow-up to the discussion held between Prime Minister Datuk Seri Najib Tun Abdul Razak and President Susilo Bambang Yudhoyono at the Malaysia-Indonesia annual consultation in Kuala Lumpur recently.

One of the agreements reached at the annual consultation was that the Joint Commission Meeting (JCM) would be held every three months, which would consist of several working groups, including the working group on strengthening economic ties between the two countries.

The minister said that currently there was difficulty in exporting several Malaysian products such as cosmetics, pharmaceuticals and food to Indonesia and he intended to use the JCM to discuss these issues with Indonesia, probably in July.

The same goes for investment because currently there were more Malaysian companies investing in Indonesia compared to Indonesian companies investing in Malaysia." We also want the rich Indonesians to invest in Malaysia, besides in Singapore and the United States," he said, adding that Malaysia was giving emphasis on wooing quality investment capable of offering higher pay to the workers. Malaysia is now the 20th biggest exporter in the world and it must continue to penetrate more export markets.

"At the same time, Malaysia is also opening its economy to foreign traders and investors," the minister added.

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=502048>

- **Indonesian Stocks Drop as Foreign Investors Take Flight**

The biggest one-day drop in more than a year on Wall Street on Thursday hit the Indonesian market on Friday, as fresh doubts about the strength of the US economy

added to worries about European debt, causing jittery investors to flee riskier assets such as developing market stocks.

The Jakarta Composite Index dove 4 percent in morning trade before trimming its losses to 2.6 percent, and capping its worst week since the height of the global financial crisis in November 2008. The index tumbled 8.2 percent over the week, and has fallen 12 percent from a record high set in early May. A drop of more than 10 percent is considered a correction by some analysts.

The rupiah, meanwhile, fell as much as 0.4 percent on Friday before recovering to close little changed amid intervention by Bank Indonesia. However, the central bank said that it was not considering capital controls to limit volatility. Edwin Sinaga, president director of brokerage PT Finacorporindo Nusa, said external factors were entirely to blame for the recent declines in local stocks, with selling by foreign funds creating “panic” among local sellers, adding fuel to the sell-off.

“We are always sensitive to global factors and when foreign investors sell massively many local investors also panic,” Edwin said. Bank Indonesia doesn’t see the need to go “all out” to help the market or impose capital controls amid the market’s “turbulence,” senior deputy governor Darmin Nasution said on Friday.

The rupiah’s decline is temporary and Bank Indonesia will stay in the market to ease the currency’s volatility, he said. “The outflows are temporary, in line with other currencies that are weakening against dollar. In times like this it’s normal that investors want to put their money in the safest instruments, such as dollars or gold,” Darmin said.

Indonesia is still perceived as having a fundamentally strong economy, he said. “[Investors] will come back here when they have calmed down,” Darmin said, adding that capital inflows in recent months still far outweighed outflows.

Overseas investors took out a net \$191 million from the Indonesian market in the last four days, taking net withdrawals this month to \$263 million. “[The rupiah’s decline] is very much driven by the European situation and this is causing broad-based position liquidation in Asia,” said Thio Chin Loo, senior currency analyst BNP Paribas in Singapore. “The decline in Asian currencies is not due to economic fundamentals but due to reduction in risk across all markets.”

Yields on 10-year bonds gained 15 basis points to 9.12 percent, while 20-year bonds pushed 10 basis points higher to 10.25 percent from Thursday.

On the stock market, energy companies were hit hard by falling oil prices. PT Medco Energi Internasional, Indonesia’s largest listed oil company, fell 3.5 percent, while PT Bumi Resources, Asia’s biggest exporter of power-station coal, lost 4.5 percent. A lower oil price reduces the appeal of alternative fuels such as coal.

PT Bakrieland Development, Indonesia's second-largest property developer by assets, plunged 12 percent, its biggest decrease since Nov. 30, after revealing it planned to raise Rp 5.4 trillion (\$583.2 million) selling new shares in a rights offer in July to fund expansion. PT Astra International declined to its lowest level in more than two months in Jakarta trading after the rupiah fell this week, raising concern that the cost of vehicle imports will rise at the Indonesian automotive retailer. Astra fell 1.17 percent.

<http://www.thejakartaglobe.com/business/indonesian-stocks-drop-as-foreign-investors-take-flight/376397?>

- **Appetite Growing for Southeast Asia Food Stocks**

Southeast Asian food makers are reporting a sharp rise in demand on the back of a recovering global economy and rising incomes, suggesting the region's food-related shares may have more room to climb. From wealthy Singapore to the rapidly developing economies of Thailand, Indonesia, Malaysia and Vietnam, food operators are enjoying increasing sales and swelling margins, trend analysts see lasting at least 3-5 years in some markets.

Food makers are benefiting from a rebound in Southeast Asia's export-sensitive economies that is spilling over into consumer confidence and spending. The Asian Development Bank expects the region to grow 7.4 percent this year and 8.0 percent next year -- the third-strongest region in Asia after China and India.

"The sector, filled with many well-run companies, is investible in a very broad range of companies and also a broad range of industries," said Ploenjai Jirajarus, a Bangkok-based analyst at a unit of Japan's largest brokerage, Nomura Holdings.

"They're going to see impressive growth thanks to a pickup in confidence and strong pent-up demand."

Their allure is simple: many of the stocks are cheap, the fast-developing region of 568 million people offers plenty of demand for food, and Asia's emerging middle classes are beneficiaries of the nascent global economic recovery.

Take the world's largest instant noodle maker, Indonesia's PT Indofood Sukses Makmur Tbk. It trades at 14.3 times estimated 2010 earnings, according to StarMine, a Thomson Reuters service that tracks earnings and earnings estimates. That is nearly half as expensive as Hong Kong-based Tingyi Holdings, the company behind China's top-selling noodle brand, Master Kong. Tingyi, which controls more than half of China's instant noodle market by value, trades at 26 times.

Indofood, partly owned by Indonesia's Salim family, reported a more than five-fold rise in first-quarter net profit, better than expected, although rising raw material costs have squeezed its stock price in recent weeks. More than 90 percent of annual earnings before

interest and tax is made from instant noodles, flour, edible oil and dairy divisions. CIMB analyst Erwan Teguh recently raised Indofood's 2010-2012 earnings estimate by 5-7 percent after upgrading its stock an "outperform" rating late last month.

THAI OUTPERFORMERS

In Thailand, Charoen Pokphand Foods Plc's shares are outperformers, surging 60 percent this year against a 5.1 percent rise in Thailand's benchmark SET index. Last year, the stock doubled in price.

On Wednesday, its first-quarter net profit quadrupled, beating market forecasts. But Thailand's biggest agribusiness group and one of Asia's largest now trades at 10.7 times 2010 earnings under the food products sector, in line with the Thai market but half that of Taiwan food manufacturer Want Want China Holdings Ltd's 23.6 times.

"Food is among the sectors where we're bullish," said Kampol Jantavibool, a fund manager at SCB Asset Management Co, Thailand's largest fund house. "They're typically defensive stocks and we can get a relatively high conviction in their earnings and free cash flow streams," added Kampol, who oversees \$12 billion of assets.

Food producers have been Thailand's best-performing stocks this year and in 2009 when the SET Agribusiness Index of 18 publicly traded producers of food and agricultural products gained 175 percent. It has risen another 45 percent this year.

Among Kampol's top holdings is Thai Union Frozen Products (TUF), the world's largest canned tuna producer, whose better-than-expected 27 percent rise in first-quarter net profit helped lift its stock 32 percent this year.

TUF, which owns the "Chicken of the Sea" brand and counts Wal-Mart and Cosco among its big buyers, trades at 9.4 times this year's earnings. Its South Korean rival, Dongwon Industries, producer of the "Starkist" brand, is also cheap, trading at just 5.4 times. "What we're seeing is a strengthening trend. Our customers are getting more comfortable and that is an essential ingredient for a sustainable recovery," Thai Union Frozen President Thiraphong Chansiri told Reuters in a recent interview.

- **STURDY EARNINGS GROWTH**

Nestle (Malaysia) Bhd, a food and beverage company 73 percent-owned by Nestle SA of Switzerland, is seen as a proxy for Malaysia's food sector where growing per-capita income and preferences for branded products have more than offset the effects of rising raw material costs.

Shares are expensive at 20.2 times estimated 2010 earnings, compared to Malaysia's benchmark stock index's 13.1, but profit could advance 12 percent this year, according to earnings tracker Thomson Reuters I/B/E/S.

San Miguel Corp, the largest food and drinks maker in the Philippines, saw its net profit

triple in 2009 as it aggressively diversified into sectors such as power, oil refining and now infrastructure to fuel future growth.

San Miguel trades at 17.9 times forward earnings compared to the Philippines market's 12.3 times, but the company that sells nine out of every 10 beers in the Philippines is betting that elections this year will be a boon for profits.

The company has forecast its flagship San Miguel Brewery Inc beer unit, 48 percent-owned by Japanese brewer Kirin Holdings Co Ltd, will post stronger sales this year as politicians spend more during elections.

In Indonesia, a country of 240 million people with a fast-growing middle class, analysts expect more upside to sales at snack food maker Mayora Indah and consumer goods firm Unilever Indonesia, driven by volume and prices.

Domestic consumption accounts for two-thirds of the economy in the country where nearly half of household expenditure is on food.

"Fundamentally, people are still finding comfort in the sector," said Gabriel Yap, a Singapore-based senior dealing director at DMG & Partners Securities Pte Ltd. "Their earnings have grown remarkably well even with the economic recession as foods are staple products."

<http://www.flex-news-food.com/console/PageViewer.aspx?page=30060&source=xml>

- **All the Presidents Men: SBY's Insecurity Should Be Unconstitutional**

In more ways than one, there is disturbing evidence that Indonesia's politicians have not bothered to read the Constitution. Or, if they have read it, they prefer to pretend otherwise. It sounds too surreal to be true, but what else could explain the fact that the president, his cabinet and most of the House of Representatives have been behaving like they are working under a parliamentary system? Thankfully, a lot of Indonesians outside the world of politics intuitively understand the heart of the matter. When I recently asked some Indonesian friends what they thought about their president, one of them told me he felt that President Susilo Bambang Yudhoyono is acting like a weak prime minister in what is undeniably a presidential system.

Another friend commented that although Yudhoyono is the president, his behavior suggests otherwise: "He won more than 60 percent of the popular vote, and what does he do? He turns around and gives his powers away to others. Why can't he remember we voted for him?" A good point. But perhaps the problem isn't that the president is suffering from a bad case of memory loss.

Even for a legal layman like myself, it seems pretty clear from reading the Constitution that Indonesia has a presidential system: The president is voted directly into office by the people, he has the sole right to appoint his cabinet, he is the supreme commander-in-chief

of the armed forces and he shares powers with the House of Representatives.

Now here's the critical point: Nowhere in the Constitution is there any mention of the word "parliament." For good reason: Unlike in a parliamentary system, the Indonesian executive does not need the consent of the legislative branch to form a government, and there are no mechanisms for the legislature to dissolve the government. In a presidential system, the powers of the two branches are separate. In a parliamentary one, the executive and legislative branches of government are intertwined. This is why, under normal circumstances, presidents in presidential systems don't build coalitions to govern and prime ministers in parliamentary democracies often face the necessity of bringing parties other than their own into the cabinet.

Once you understand this, a logical question would be, if this is a presidential system, then why has Yudhoyono invited party figures outside his own to populate the cabinet?

One reason might be that Yudhoyono actually believes that a coalition would guarantee support for his presidency inside the House and therefore enable him to win majority consensus on legislation. Another reason might be that because he thinks he has many enemies, he needs to curry favor to buy their loyalty.

All of those reasons, if they were true, would make for pragmatic politics. But let's look at the facts.

In spite of coalition cabinets, the House has never really supported a presidential legislative agenda. If you don't believe me, consider this irony: Because the House rarely drafts its own legislation and votes primarily on bills being proposed by the executive through its ministries, and because most of these ministries are under the direction of men and women who belong to parties other than the president's (thanks to the coalition), then what the House is basically voting on are pieces of legislation whose authors don't feel any obligation toward the president and his party.

The bottom line? By having a coalition cabinet, what the president really buys himself is support for a legislative agenda he doesn't own. The president, then, is serving everybody except himself, not to mention imparting a great injustice to the voters who supported him and his party in the elections. Once you understand this, then it is no longer a mystery why a man who ran for office on a liberal, reformist platform ends up with an administration proposing and the House voting in favor of illiberal laws.

But perhaps this was not Yudhoyono's main concern (although it obviously should have been) when setting up his so-called coalition. Perhaps the president's real objective in this whole exercise has been to ensure his survival.

If that is true — if the main underlying value of a coalition is that it buys loyalty — then the most obvious question is, why did the Bank Century case ever happen?

After all, it is no secret that the Century affair, which was built on the flimsiest of legal foundations and had more to do with unfounded allegations and hyperbole than facts, was nothing less than a thinly veiled attempt by Golkar — Yudhoyono's main coalition partner — to grab control of the Finance Ministry and the vice presidency.

More than that, Century was a classic case of extortion performed by a cast of unsavory characters with a clear message to the president: "Hand over Sri Mulyani and Boediono, or we'll go after you." The reality is, Yudhoyono's coalition fell short of expectations, and if he ever harbored hopes of it enhancing his ability to lead, it failed horribly.

Which brings us to the current picture? Now that the dysfunctionality and perverse effects of his coalition have been exposed, for some odd reason Yudhoyono is going out of his way to maintain it. It reminds me of former US President George W Bush being asked what his back-up plan for winning the Iraq war would be if his administration's initial strategy didn't work. In other words, if Plan A failed, what was Plan B? Bush's answer was "if Plan A doesn't work, Plan B is to try Plan A again!"

Indeed. And here is Yudhoyono's Plan B: Take Golkar boss Aburizal Bakrie — the same man behind the Bank Century attacks — and make him the managing chairman of a new creation called the joint coalition secretariat. Hence, Yudhoyono's reasoning must be that since coalition members attacked him, the best way to deal with the problem is to try keeping the coalition together by elevating his most dangerous enemies inside the coalition to run it.

This strategy might make sense to the president — maybe he believes it is better to keep closer to his enemies than his friends. Yudhoyono should be reminded, however, that Bakrie and his Golkar Party are severely limited in their ability to impeach either the vice president or the president himself. Again, reading the Constitution would be instructive, for once you understand the rules of impeachment, the more you understand how unlikely it is that the president's enemies could actually succeed in unseating him. Now, if somebody out there could please send the president a copy of the Constitution?

[http://www.thejakartaglobe.com/opinion/not-all-the-presidents-men-sbys-insecurity-should-be-unconstitutional/374998?.](http://www.thejakartaglobe.com/opinion/not-all-the-presidents-men-sbys-insecurity-should-be-unconstitutional/374998?)

- **Indonesia Waters Are Safe And Unaffected From Malaysian Tanker's Oil Spill**

Indonesia water is still safe and unaffected from the oil spill caused by a collision involving a Malaysian tanker MT Bunga Kelana 3 and bulk carrier MV Waily in the Singapore Strait on May 25."The oil spill has not entered the Batam waters and is still in the outer port limit (OPL) of Singapore Strait," Antara news agency reported Saturday, citing Director of the Riau Islands Water Police Adjunct Senior Commissioner Yassin

Kosasih as saying.

He added that the oil spill would not affect Indonesia waters as the wind is currently blowing towards Singapore. The collision occurred at about 13 kilometre southeast of Singapore's Changi East last Tuesday, and the spill has spread into Malaysian waters, too. Johor Department of Environment director Dr Zulkifli Abdul Rahman said the spill measuring 1,600-metre long and 960-meter wide, was now 960 meters from the Tanjung Ayam beach in Pengerang, Kota Tinggi, according to a local English daily New Strait Times. "Currently, the Southern Region Marine Department is in the midst of preventing the spill from reaching the beach," he said in a statement Friday.

Malaysian and Singaporean authorities are working to clean up the spillage of about 2,000 tonnes of crude oil the collision.

Meanwhile Singapore's Strait Times reported that the oil from the collision had spread from the SAF Yacht Club next to the Tanah Merah Ferry Terminal all the way to the chalets in East Coast Park.

The hulls of boats moored at the yacht club were smeared with the dark, viscous oil, some of which had become trapped within the walls of the square marina. Workers from salvage company Singapore Salvage Engineers were spraying chemical de-greasers in the club's boat launch area to disperse the oil.

<http://www.bernama.com/bernama/v5/newsworld.php?id=502013>

- **Insight: Is Australia going green on trade?**

Indonesian trade officials would be entitled to wonder who has a greater say in trade relations with Indonesia — the Australian government or environmental campaigners?

The environmental campaigners are currently making more noise on trade policy. They have been prodding the Australian government into taking trade actions that would effectively reduce agricultural and forestry exports from Indonesia.

This would undermine economic growth — particularly in rural regions.

Campaigns by groups such as Greenpeace, Rainforest Action Network and the Worldwide Fund for Nature (WWF) to put curbs on the commodities trade are nothing new. All have a history of opposing free trade. The most recent example is a push by campaigners to have the Australian government hold an official inquiry into food labeling. The aim of the push is to eventually have palm oil — but not other similar vegetable oils — discriminated against in Australian markets. The Indonesian Trade Ministry last week made its opposition to this clear in two submissions to the Australian government. The enquiry is the culmination of a long and orchestrated campaign to curb palm oil exports.

The campaign has also drawn in the support of three Australian zoos.

The zoos now contend that the palm oil industry has been, and remains, the leading destroyer of orangutan habitat.

They should have checked the facts before repeating everything the environmental campaigners told them.

The UN has reported that increases in land use for purposes other than palm oil expansion have been much sharper. There has been a marked rise in the expansion of urban areas, prompted by Indonesia's high population growth.

Up until five years ago, Greenpeace was blaming commercial forestry and illegal logging for large-scale habitat loss — not palm oil.

Even then they were wrong, and consciously so. UN bodies such as the Food and Agriculture Organization and Framework Convention on Climate Change have been attesting for years that globally no more than 20 percent of deforestation is for conversion to large-scale commercial agriculture. Most deforestation is undertaken by poor people seeking food, fuel wood and shelter. Other reputable research bodies concur.

The proposal to single out Indonesian palm oil and curb its trade is rash. Like most hastily conceived ideas, it cannot work. Such a measure is likely to fall afoul of World Trade Organization (WTO) law. The WTO requires trade restrictions designed to protect the environment to contribute directly to combating the environmental problem.

The Greens' measure simply aims to discourage Australian consumers from purchasing products containing palm oil. Not one orangutan will be saved by this action. Why?

The causes of orangutan population loss are myriad. Conservation biologists have published peer-reviewed papers that clearly state that poaching, bush meat hunting, and failure of authorities to protect conservation are more present threats to Indonesian orangutan. Groups that have attempted to manage conservation areas in Indonesia — such as WWF — would understand that. WWF has had immense problems with local communities and enforcement in its own conservation projects in Sumatra.

It has also had problems with illegal logging — the subject of another Australian current campaign against Indonesian exports.

The current Australian government made an election promise in 2007 to take ban imports of "illegal" timber. This is premised upon the Green assertion that most forestry within the Asia-Pacific region is illegal. The prospective ban includes paper, one of Indonesia's major exports.

The Yudhoyono government has already acted decisively to curtail illegal logging. The Australian forests minister has even acknowledged Indonesia's share of imports to Australia is small.

Yet advice commissioned by the Australian government stated that any hard measure

against imports will do little to stop illegal logging, and raise costs for both exporters and Australian consumers.

Canberra has already indicated it will ignore this advice and implement a measure that targets products from Indonesia, Malaysia and Papua New Guinea.

Australia has already committed to work closely with these three governments to tackle the root causes of illegal logging.

Why then proceed with a trade measure that will seemingly benefit no one?

The answer is political. A national election is due by the end of the year and the Rudd government has started to look shaky. In Australia's large, fashionable cities there are groups of Green voters that might just tip a few current parliamentarians out of office.

And in Australia's industrial rural regions, uncompetitive paper manufacturers and unionized labour have joined the fray.

Last year they accused cheap imports from Indonesia of adversely impacting the Australian paper industry. Australia's customs agency concluded it was the arrival of more competitive Australian paper manufacturers that was making business tougher.

They have also lobbied major Australian purchasers to cease purchasing Indonesian paper.

The Australian government response to this trade politicking has been curious.

Standing policy rejects trade measures on environmental grounds.

Australia has consistently opposed the use of environmental trade bans. It also strongly supports expansion of trade with its neighbors and has proposed new trade agreements with Indonesia, Malaysia and Papua New Guinea.

Yet on the trade restrictions aimed at important Indonesian exports, it has been silent.

If the Australian government leans towards the Green position, it would give credence to a mistaken version of environmental "protection". This would not solve any environmental problems. Moreover, this would undermine efforts both in Canberra and Jakarta to increase trade and economic growth — and therefore reduce poverty.

<http://www.thejakartapost.com/news/2010/05/14/insight-is-australia-going-green-trade.html>

- **Social front**
- **Indonesia pledges hospital for Palestinians**

Indonesian President Susilo Bambang Yudhoyono pledged to fund a hospital for the Palestinians in Gaza as he met acting Palestinian authority chief Mahmud Abbas (Abu-Mazen) in Jakarta on Saturday.

Ahlul Bayt News Agency (ABNA.ir), Indonesian President Susilo Bambang Yudhoyono pledged to fund a hospital for the Palestinians in Gaza as he met acting Palestinian

authority chief Mahmud Abbas (Abu-Mazen) in Jakarta on Saturday. Yudhoyono said the 2.16-million-dollar hospital was further evidence of Indonesia's support for our brothers in Palestine.

Indonesia is the world's most populous Muslim nation and has been a staunch supporter of the Palestinian struggle for nationhood. It has no diplomatic relations with Israel.

Abu-Mazen met Yudhoyono in Jakarta at the end of a tour of Asia that included stops in Vietnam and Malaysia.

<http://www.abna.ir/data.asp?lang=3&id=190044>

- **At Environmental Front**
- **Editorial: Reclamation Poses Environmental Risks**

Reclaiming land is an effective method for expanding Jakarta's area, given the city's rapidly increasing population. This plan by the city government has its merits, but officials must proceed cautiously.

The Jakarta administration is currently locked in a legal tug of war with the Supreme Court over a proposal to reclaim land along the northern shores of Jakarta. Now city officials must find a solution that would break the impasse but one that still remained within the law. The project involves 32 kilometers of coastline that stretches 1.5 kilometers out to sea. This is equivalent to 2,700 hectares of reclaimed land, on which the city has plans to build commercial hubs.

Governor Fauzi Bowo says his administration plans to go ahead with the project while it files a judicial review to the Supreme Court over the case.

If plans push through, the converted land would accommodate up to 1.5 million people. Benefits aside, however, such a massive modification of Mother Nature certainly carries consequences. A project of such magnitude would impact not only Jakarta but also neighboring provinces.

Experts note that officials of Jakarta, Banten and West Java — three provinces that may be affected by the reclamation project — all need to be involved in the plan. The government is aware of the need for the affected regions to work together, and regulations on spatial planning now require tighter environmental standards for projects impacting a broad area.

These regulations will set the conditions for consultation and the kind of coordination that needs to be carried out among concerned regions. The project will open opportunities, but such an undertaking could turn out to be a curse if its proponents are not well prepared and do not gather the right data.

Environmentalists warn that the project could destroy coastal mangrove areas, lead to coastal abrasion, cause a higher frequency of floods, and disturb the ecological balance in

the concerned areas. In short, a reclamation project could have a huge environmental impact on Jakarta and surrounding areas. Such a project, therefore, should not be rushed. There is ample time to study it and make the public aware of its pros and cons. The issue should be thoroughly discussed through a transparent dialogue if officials want to get the people's approval. The city government and the contractors, for instance, must explain the impact of the project on the environment and what needs to be done to mitigate its effects. Officials need to know that maintaining an environmentally sound Jakarta, one that will benefit its current residents and future generations, is more important than prioritizing business interests. Many urban areas have resorted to reclaiming land and have successfully turned it into sustainable eco-friendly communities.

<http://www.thejakartaglobe.com/opinion/editorial-reclamation-poses-environmental-risks/378691?>

Malaysia

- **Political Front**
- **No Umno Representatives Involved In Latest Cabinet Reshuffle**

The minor Cabinet reshuffle announced by Prime Minister Datuk Seri Najib Tun Razak Tuesday did not involve any elected or appointed representative from Umno, the dominant party in the ruling Barisan Nasional coalition. Instead the shake-up involved the MCA the most, with nine representatives affected altogether.

There have been intense speculations over the past few weeks about reshuffling some UMNO ministers but all this came to nought when the prime minister's announcement was made at about 4.30pm. Two MCA representatives were dropped -- Datuk Seri Ong Tee Keat as the transport minister and Datuk Wee Jeck Seng as the deputy minister of youth and sports, respectively.

Three were appointed as deputy ministers (Labis MP Chua Tee Yong, Senator Datuk Donald Lim Siang Chai and Senator Gan Ping Shou alias Gan Ping Sieu) while one was promoted to minister from deputy minister (Datuk Wira Chor Chee Heung) and changes in portfolio involved two deputy ministers (Senator Heng Seai Kie and Datuk Lee Chee Leong), and one minister (Datuk Seri Kong Cho Ha).

Najib also appointed a deputy minister each from MIC (Datuk G. Palanivel) and the PPP (Senator Datuk Maglin Dennis D'Cruz) and made changes in portfolios of two deputy ministers from Parti Pesaka Bumiputera Bersatu (Datuk Rohani Karim) and Sarawak Progressive Democratic Party (Jelaing Mersat).

Lim and Gan were appointed as deputy ministers of finance, and youth and sports respectively while Tee Yong, who is also the son of MCA president Datuk Seri Dr Chua Soi Lek, was appointed deputy minister of agriculture and agro-based industries. Datuk

Mohd Johari Baharum is the other deputy minister of agriculture and agro-based industries.

Heng will leave her present post as deputy minister of information communication and culture to be the new deputy minister of women, family and community development, a post vacated by MCA Wanita chief, Datin Paduka Chew Mei Fun, in the aftermath of the MCA elections recently.

Lee, currently deputy minister of foreign affairs, will be the new deputy minister of home affairs. The other deputy home affairs minister is Datuk Wira Abu Seman Yusop.

Chor, currently the deputy minister of finance, will be promoted to be minister of housing and local government, replacing Kong, who takes over from Ong, who has been dropped, after he failed to retain his president's post in the MCA elections earlier this year.

Rohani will be deputy minister at the domestic trade, cooperatives and consumerism ministry. The other deputy minister in this ministry is Datuk Tan Lian Hoe.

Jelaing will leave his post as deputy minister of home affairs to be the new deputy transport minister. The other deputy transport minister is Datuk Rahim Bakri.

Sarawak United People's Party's Datuk Richard Riot anak Jaem will be the new deputy foreign minister together with Datuk A. Kohilan Pillay as the other deputy in that ministry. Palanivel, the MIC deputy president, will be deputy minister of plantation industries and commodities alongside Datuk Hamzah Zainuddin at the ministry.

PPP's D'Cruz will be the deputy minister of information communication and culture along with Datuk Joseph Salang at the ministry.

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=502806>.

- **Dr M: Give Najib time and space**

Prime Minister Datuk Seri Najib Tun Razak should be given time and space to strengthen racial solidarity and boost the country's economic development, said Tun Dr Mahathir Mohamad. He added it would not be easy for Najib to resolve problems unless the people gave him their undivided support. "If he (Najib) does anything bad, then you can criticise, but if he does something good, we should support him. "When he gets strong support, he can discharge his duty more effectively," said the former Prime Minister.

On another matter, Dr Mahathir said the Malays must unite again to regain their political power because although they form 60% of the population, the race had been divided into three. "Mathematically, Umno only represented 20% of the Malays. The same was also true of PAS and Parti Keadilan Rakyat. "20% for each Malay party is considered weak," he said, adding the Malays had lost their direction.

<http://thestar.com.my/news/story.asp?file=/2010/6/4/nation/6401502&sec=nation>

- **At Geo Strategic Front**
- **Malaysia says US approves its involvement in military exercise**

Malaysia says the United States has approved its participation in the regional "Cobra Gold" military exercises, as ties between the countries improve. Defence Minister Ahmad Zahid Hamidi says the move was made during his meeting with Defence Secretary Robert Gates in the US last week.

Malaysia was previously an observer in the military exercises. The Cobra Gold exercises have been running for three decades and involve the Philippines, Singapore, the United States, and Thailand.

<http://www.radioaustralianews.net.au/stories/201006/2917860.htm?>

- **Economic Front**
- **FTAs can help SMEs to integrate with global supply chain**

Immense scope for leveraging FTAs to engage with regional value chains: expert

Better route to access global marketplace is through regional production networks

FTA is a flexible and not a fixed agreement and local interests can be protected

Stress on quality: Amitendu Palit, Head (Development and Programmes), Institute of South Asian Studies, National University of Singapore, delivering a lecture on 'Leveraging Free Trade Agreements' in Chennai on Friday. CHENNAI: Free Trade Agreements (FTAs) offer Small and Medium Enterprises (SMEs) an opportunity to deeply integrate with the global supply chain, Amitendu Palit, Head (Development and Programmes), Institute of South Asian Studies, National University of Singapore, said on Friday.

In his key-note address at a seminar on "Leveraging Free Trade Agreements" organised by the TANSTIA FNF (Friedrich Naumann Stiftung) Service Centre (TFSC), Mr. Palit said SMEs had to realise that the access to global marketplace need not always be in the finished goods sector to be fruitful.

Pointing out that while the India-ASEAN FTA provided Indian SMEs access to the Eastern markets and other FTAs were in the pipeline with Japan, Malaysia and Indonesia, Mr. Palit said there was immense scope for leveraging FTAs to engage with regional value chains.

Citing the example of a famous jeans brand, Mr. Palit pointed out that tracing the source of origin of a product was becoming complex as intermediate stages were carried out in different countries and there was no reason why Indian SMEs could not integrate with the value chain of such enterprises. "It will be erroneous to focus on the final products. It is also always better to tap deeper into carefully selected markets than to spread resources

thin across a number of markets,” he said.

Stressing the importance of quality upgradation, Mr. Palit pointed out that rather than scaling up technological and marketing capabilities by directly dealing with consumers in global markets, a better route would be to access the global marketplace through regional production networks.

Important issues

Rajeev Ranjan, Principal Secretary, Industries, said the growth of regional trade blocs in the international arena was an important development in the context of multilateral systems floundering. The infructuous Doha round of the World Trade Organisation had led to a stridency in regional integration through FTAs.

The important issues for India are in assessing the impact of an FTA on the small players and the potential for raising the proportion of trade in the GDP, Mr. Ranjan said. The strategic requirements of FTAs was to maintain consistency of negative lists, or the list of sensitive lists of goods and services, spell out a framework of rules of origin of products, reduce transaction costs between countries and to provide a dispute redress forum.

“It is vital to be forewarned and forearmed while negotiating FTAs,” Mr. Ranjan said.

He also stressed the importance of working to implement SME schemes to ensure benefits reached target segments. In spite of having in place a policy framework, benefits were not flowing to the SMEs as unhindered as desired, he said.

D. Sabitha, COO, TFSC, said the FTA was a flexible and not a fixed agreement and local interests could be protected by excluding product categories that could be hit by the trade agreement with another country.

Credit constraints

K. Gopalakrishnan, TANSIA general secretary, said the growth of SMEs was hampered by credit delivery constraints. The reluctance of banks to advance credit to enterprises fearing a bad debt situation was nullifying the benefits of various schemes to promote the sector, he said. T.S. Dhanapalan, TFSC chairman and Prasad Madhavan, Director participated.

<http://www.hindu.com/2010/05/29/stories/2010052952460500.htm?>

- **In Malaysia, a Need for Fiscal Discipline**

Historically, fiscal management by Malaysia’s ruling Barisan Nasional coalition has failed in two related ways. The National Front has displayed no fiscal discipline, and its public-service expenditure has been highly inefficient and corrupt. Prime Minister Najib Razak’s decision to introduce a goods and services tax is therefore premature. Before introducing a GST, Najib must demonstrate that he has the ability to reform BN by reining in fiscal deficits.

There are two conventional approaches to fiscal policy: a balanced-budget approach, where the government spends only what it earns, or a counter-cyclical approach, where the government accumulates surpluses during high-growth periods to use as deficit spending during recessionary periods. Up until now, BN has chosen neither approach.

Malaysia has recorded high growth rates every year since independence in 1957 except for 1985, 1998 and 2009. With average annual growth rates of about 6.5 percent, one would expect Malaysia to record a fiscal surplus over the period. But the converse is the case. Malaysia's fiscal deficit hit a 27-year high in 2009 at 7.4 percent of gross domestic product.

The primary reason for this huge deficit is that spending has exceeded revenue. Although federal government revenues have increased since 1957 by about 3 percent per annum, this has been exceeded by an even more spectacular rise in expenditure, which reached a colossal 220 billion ringgit (\$66.5 billion) in 2009.

More specifically, this increase in spending corresponded to BN's need to finance its New Economic Policy. This policy began in the 1970s, when the government got involved in the economy through state-owned enterprises to promote the interests the interest of the bumiputra (Malay) majority. The SOEs were a colossal failure. Then, in the 1980s, Prime Minister Mahathir Mohamad's venture into heavy industries caused a fiscal crisis. Finally, since the financial crisis of 1997-98, the BN government has been pump-priming the Malaysian economy to keep it afloat.

BN has historically engaged in extremely inefficient public expenditure. There are two types of public expenditure: operating expenditure for the maintenance of existing goods and services, and developmental expenditure to create new goods and services that enhance the productive capacity of the economy. Despite extensive privatization, in Malaysia operating expenditure has unacceptably kept pace with increased revenues, while development expenditure has not.

A key reason for this is that the public sector has expanded uncontrollably. Malaysia boasts the largest public sector in Southeast Asia. Yet it still faces shortages in critical areas, such as doctors, nurses and mathematics and science teachers, which suggests a serious misallocation of resources. There must be a serious reduction in the number of ministries, agencies, statutory bodies and ultimately civil servants. Wages must be linked to productivity to extricate the public sector from the low-wage, low-productivity trap that it finds itself in. This would also reduce the currently high level of income inequality afflicting the public sector.

Another important reason for ballooning public expenditure is the collusive behavior among the public sector, BN and the private sector. The auditor general's annual report

reveals that all forms of government procurement — tender, open tender, quotations and direct purchase — are prone to abuse. Kickbacks, rigged bids, the use of “shell” or “front” companies, excess payments and misrepresented facts seem to be the norm. The Performance Management and Delivery Unit (Pemudah), set up by BN to facilitate business, has estimated that corruption could be costing Malaysia about 10 billion ringgit a year — about 1 percent to 2 percent of GDP. In the book “Malaysian Maverick: Mahathir in Turbulent Times,” Barry Wain reported that Mahathir squandered 100 billion ringgit or more through corruption and mismanagement.

This evidence suggests that BN cannot be trusted with the nation’s finances. Given the problems afflicting the public sector, the benefits of any new tax would also be dissipated and so would not solve Malaysia’s fiscal problems. Furthermore, based on its record, BN would likely raise the GST rates to meet unrestrained spending habits.

Najib must focus on putting his house in order before implementing the GST or any other new taxes. In discussing fiscal reforms, he must reach out to the opposition. After all, it represents half of Malaysia’s voting population. Only after this occurs should the introduction of a GST be countenanced.

<http://www.thejakartaglobe.com/opinion/in-malaysia-a-need-for-fiscal-discipline/378386?>

- **Big Malaysian law firm sees opportunity to offer Islamic finance**

THE chairman of Malaysia's biggest law firm sees Australia in much the same way as the big Australian firms see Asia: prime territory for growth.

But instead of competing with Australian firms, Dato' Dr Nik Norzrul Thani said his firm hoped to build a niche practice in this country that was not covered by the major firms. That niche is the legal work associated with the rapidly growing business of Islamic finance. Dr Nik's 40-partner firm, Zaid Ibrahim & Co, has approval to establish offices in Sydney and Melbourne. But the future of those offices -- along with the future of Islamic finance in Australia -- will be heavily influenced by the outcome of a federal government review of the tax laws that impede this business.

"We believe, after our discussions with the Australian government, that their goal is to build an Islamic finance industry in this country," Dr Nik said.

"This is not just for Muslims in Australia, but more globally. For Australia to be seen as a real player in the financial market you need to have an Islamic finance portfolio or activities." For Sydney to be a regional finance centre and not have an Islamic finance industry would be a real gap," Dr Nik said. While visiting Australian law firms last month, Dr Nik said he was encouraged that Assistant Treasurer Nick Sherry had proposed that the Board of Taxation should review the tax treatment of Islamic finance to

ensure that, where possible, tax law did not inhibit the provision of Islamic finance, banking and insurance products. Announcing that review, Senator Sherry said it was not aimed at giving special treatment to Islamic finance, but was intended to create "a fair and level playing field". "Ultimately, a guiding principle here is that the tax treatment of Islamic financial products should be based on their economic substance rather than their form wherever possible," Senator Sherry said. Zaid Ibrahim is not the only firm that stands to benefit from this review. Last week, mid-sized Melbourne firm Logie-Smith Lanyon appointed Sheik Mohamadu Nawas as a consultant on shariah law.

Sheik Nawas holds a law degree and a masters degree in comparative laws from the International Islamic University in Malaysia. Managing partner Andrew Logie-Smith said the sheik would be providing advice on commercial documentation that complied with Islamic and Australian law. "The appointment has been in response to a growing Muslim community here in Australia, and the need for law firms with expertise in Islamic banking and finance," Mr Logie-Smith said.

At the moment, the Islamic equivalents of mortgages and car loans could be subject to double stamp duty because of the techniques that are normally used to comply with the Islamic edict that prevents banks charging interest.

An Islamic car "loan", for example, could involve two transactions, both of which would attract stamp duty, and then a bank would buy the car and sell it to the ultimate purchaser for a higher price instead of charging interest. If tax law does make provision for the nature of Islamic transactions, Dr Nik said, it could help Australia gain access to a pool of Middle-Eastern capital that is currently difficult to tap.

"There is a lot of liquidity. In the Middle East, many investors are looking for other options rather than investing in the UK and the US," Dr Nik said. "They like Australia -- you have a strong governance structure, and they like that." Zaid Ibrahim & Co decided to open offices in Australia in response to demand from investors in Dubai.

"They view Australia as a stable country where you play by the rules," Dr Nik said.

The federal government and Australian law firms had been very welcoming and several had offered his firm office space, he said.

"We are also talking to two firms about having their lawyers work in our office to learn about Islamic finance," he said. "They see this as a new growth area, and they are not just looking at Australia, they are looking beyond Australia." Zaid Ibrahim & Co, also known as Zico, was established by a Malaysian opposition politician, but the firm now operates independently of its founder.

"It's like Michael Bloomberg the mayor of New York and Bloomberg the business -- they are two different entities," Dr Nik said. The firm has not decided which Malaysian

partners will be posted to Australia until it becomes clear what sort of expertise will be required. The firm has other offices in Jakarta, Singapore, Vietnam, Thailand and Dubai. While Dr Nik has high hopes for the firm's Islamic finance practice, Zico is also active in more orthodox practice areas such as helping investors from both countries invest in the other. "But it is in the area of Islamic finance that we have a special story to tell," he said. "In terms of growth, it is probably the fastest growing area, but it is not going to replace commercial finance."

<http://www.theaustralian.com.au/business/legal-affairs/big-malaysian-law-firm-sees-opportunity-to-offer-islamic-finance/story-e6frg97x-1225875219188?>

- **Malaysian palm oil sales to China expected to rise**

MALAYSIA'S palm oil exports to China are expected to increase this year, driven by growing demand and positive signs in the Chinese economy, according to plantation industries and commodities minister, Bernard Dompok.

"Everybody is positive on the growth of the Chinese economy. I think the demand for palm oil will come from countries that have growth rates like China's and India's," he said. Last year, Malaysia exported 4.03m tonnes of palm oil valued at US\$2.81bn to China.

<http://www.agra-net.com/portal2/home.jsp?template=newsarticle&artid=20017781304&pubid=ag047>

- **Malaysia Is First In Region To Access Full Range Of Cloud Computing**

Malaysia is the first emerging economy in the region to have access to Microsoft Corporation's full range of Cloud Computing capabilities, says its Chief Executive Officer, Steve Ballmer. Malaysia is also among 41 countries in the world where the Windows Azure has been made available, he said, in announcing the availability of the online services here today.

Windows Azure is a Cloud Computing platform that enables developers to quickly and easily build, deploy, scale and manage applications and web services in Microsoft data centres. Ballmer also said Cloud Computing, where data and services are stored externally on the "cloud" and accessed via the internet, has strong relevance for economies like Malaysia.

Cloud Computing's new diversified model means everyone has the potential to access the same information and communication technology (ICT) infrastructure, as long as they have a strong broadband connection. "Thus, Malaysia's high speed broadband project definitely bodes well for the future," he said. According to Ballmer, Microsoft's Cloud Computing, can also be used as tools in helping develop and transform Malaysia into a high income economy by 2020.

"We are fully in support of Malaysia's innovation agenda," he said. Cloud Computing also offers tremendous potential for efficiency, cost savings and innovation.

Cloud-based services allow governments, companies and organisation to quickly and easily scale up as needed in providing virtually, an unlimited pool of storage and computing resources. As to how small and medium enterprises (SMEs) can benefit from Cloud Computing, Ballmer said: "The SME community will have the same access to software and storage space as the largest multinational." "This will provide solutions for business, allowing them to expand without the lack of an ICT infrastructure being an impediment." "Truly, Cloud Computing represents the next frontier and has the potential to invigorate Malaysian enterprises and innovation in the years to come."

Microsoft is going big on the "Cloud" and has announced that by next year, 90 per cent of its more than 40,000 developers would be working on cloud computing. It will see the delivery of applications, server operating systems and other software as an online service. Microsoft has also rolled out its flagship Cloud Computing suite, the Business Productivity Online Suite (BPOS) in Malaysia. BPOS provides access from virtually anywhere to rich communication, collaboration and productivity services via subscription-based, Microsoft-hosted, online applications. It includes exchange online, sharp-point online, live meeting and office communications online.

This hosted solution helps organisations offset the burden of managing and maintaining business systems by freeing IT resources to focus on initiatives that can deliver a true competitive advantage to their business

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=500926>

- **PM for increased intra-Islamic economic cooperation**

Prime Minister Syed Yusuf Raza Gilani has stressed the need for promoting unity among and within the Islamic countries coupled with broadening and deepening economic relations to harness individual and collective potential. "With a growing population and depleting resources in the world, such intra-Islamic cooperation is becoming increasingly important for ensuring our energy security, water security and food security", Gilani said in an interview posted on "The Star Online", one of the most viewed and respected news related Malaysian website.

To a question about the World Islamic Economic Forum 2010 held in Kuala Lumpur on May 18-20, the Prime Minister said Pakistan has played an active role in WIEF, starting from its inception, and hopes to continue to enlarge this role in future.

"We should evolve an effective dispute resolution mechanism to resolve our issues and problems and put in place a sound framework for mutual cooperation", he added.

Prime Minister Gilani further said that there was a need to undertake necessary political,

economic and social reforms to create an enabling environment “to harness our individual and collective potential”. “For this, we need to ensure political stability and continuity, good governance, transparency and accountability as well as consistent economic policies and improved delivery of social services, especially in health and education”, he added.

The Prime Minister said there was a need to focus on education and catch up in the field of science and technology. “Skill development through vocational training should receive high priority to equip our growing work-force with capabilities which are in demand in national and international markets”, he added. Gilani further said, “We must evolve a comprehensive growth model to provide a strategy for balanced development”. He said moreover there was a need to provide for sharing of financial and commodity surpluses through institutional mechanisms driven by public-private partnerships.

The Prime Minister said WIEF is the premier platform for exploring opportunities in Islamic countries, including an excellent opportunity for informal business interaction, networking, and regional consultation. “It offered the opportunity of identifying and developing new partnerships in energy, agriculture, industry, trade and services and will contribute to the evolution of the global, economic and social agenda”, he added.

About Malaysia’s role in WIEF, the Prime Minister said Malaysia’s contribution in establishing WIEF has been very significant and defining.

Since its inaugural session in October, 2005, Malaysia’s efforts have been aimed at turning WIEF into a platform for dialogue and exchange of cross-cutting ideas, and business networking between governments and business leaders across the Muslim world and beyond, he added. To a question about the prospects and key areas of Pakistan-Malaysia cooperation, Prime Minister Gilani said there existed a vast scope for trade and investment between these two brotherly countries.

Pakistan is deficient in edible oil production and can benefit from the rich Malaysian experience in palm plantation. Malaysia can render technical assistance and also come forward for investment in palm plantation projects and canned food industry”, he added.

The Prime Minister said electricity generation and particularly electricity generation from coal will be the focal areas, adding, Pakistan has made strides in the area of defence production, which serves as an area where Malaysia can join hands both for trade and investment. In addition, Gilani said, greater investment and trade cooperation can occur in electronics, bio-technology, light engineering and financial services. About Pakistan-Malaysia cooperation in financial sector, the Prime Minister said the financial institutions of both countries can share their experience to forestall and hedge any future situation.

“Pakistan can benefit from the practical manifestation of the Islamic banking system in Malaysia for its replication in Pakistani conditions”, he added. The Prime Minister

mentioned that already, significant investments have been made in Pakistan's financial sector by one of Malaysia's biggest banks, Maybank, adding, "We look forward to more such partnerships".

About Pakistan's commitment to climate sustainability, Gilani said Pakistan is a very low-level GHG (Green House Gas) emitter and an insignificant contributor to total global GHG emissions, adding, yet it faces challenges like any other developing country and needs large increases in energy supplies to fuel its much needed socio-economic development. "As a responsible member of the world community, Pakistan intends to check its future GHG emission", he added.

http://www.app.com.pk/en_/index.php?option=com_content&task=view&id=104443&Itemid=38

- **Subsidy issue: Nube urges govt to safeguard the poor**

The National Union of Bank Employees (NUBE) called on the government on Sunday to establish a mechanism to safeguard the interest of low income workers first before embarking on systematic reduction of subsidies.

"We hope the government will announce concrete measures to ensure that the majority of Malaysians, who are low income earners, do not suffer when subsidies are removed," NUBE General-secretary J. Solomon told Bernama here Sunday. He pointed out that wages in Malaysia had been depressed for the past 30 years, partly due to the influx of cheap foreign labors, and this had widened the gap between the poor and rich, causing an uneven distribution of wealth.

"Consequently the middle and lower income group have to compromise on health, education and quality of family life and many are surviving on borrowed income to sustain a decent lifestyle," he added. In the long term, such compromises would be detrimental to the well being of the people and would breed social ills, he said.

Solomon said employers could no longer hide behind "productivity" as a factor for increasing wages because the country's Gross Domestic Product (GDP) had been steadily improving over the last decade. "This was clearly borne out by the increasing number of millionaires and billionaires in the country in the last few years," he added.

Solomon said the New Economic Model (NEM) was welcomed as it was geared towards increasing the wages of workers in the country and was a move in the right direction.

Meanwhile, PAS has urged the government to carry out a comprehensive study on its recent decisions. Deputy president Nasharudin Mat Isa said these issues included the plan to cut subsidies, the development of Keretapi Tanah Melayu Berhad land in Singapore, development of Kampung Baru, and approval of sports betting licence for the World Cup football. "The government needs to look deeper into this. I feel that it is the responsibility

of the government to look after issues such as education and health. There is no need to abolish the subsidy," he told reporters after opening the Federal Territory PAS conference, here on Sunday. Nasharudin said PAS would also ask the government to justify the KTMB land issue in Tanjong Pagar, Singapore and at Sungai Besi Airport, in the coming Dewan Rakyat sitting.

Nasharudin said PAS would also raise the football betting issue at the sitting. Meanwhile in Temerloh, Deputy Higher Education Minister Datuk Saifuddin Abdullah urged the government to exempt the Higher Education Ministry in its study on the proposed move to reduce subsidies. He said the reason was that the ministry provided education subsidies that most parents relied on to send their children for higher studies.

He said many students would not be able to pursue higher studies if the facility were to be withdrawn. "Many parents, especially in the rural areas, whose children are able to continue studies at public institutions of higher studies, rely on government's aid and loans to send the children there," he told reporters after closing a "Moh Desa Perwira" programme at the National Defence University in Kampung Bangau Parit near here Sunday. He said the loans provided by the National Higher Education Fund Corporation (PTPTN) helped ease the parents' burden. As such, it would not be apt for the government to reduce or withdraw the education subsidy, he added. - Bernama

<http://thestar.com.my/news/story.asp?file=/2010/5/30/nation/20100530182524&sec=nation>

- **Financial Markets Technology Spending Forecast In Malaysia To 2014**

This 'Financial Markets Technology Spending Forecast in Malaysia to 2014' databook provides insights into technology spending within the financial markets sector in Malaysia. 'Financial Markets Technology Spending Forecast in Malaysia to 2014' quantifies technology spending from 2006 to 2008 and then supplies forecasts for 2009 to 2014, covering four business locations and six technology sources and spanning six lines of business.

The scope of this report includes an overview of financial markets technology spending in Malaysia. Also included is technology spending within the corporate banking, capital markets, and institutional asset management lines of business in Malaysia. Also included is technology spending within the hedge funds, investment banking, and market infrastructure lines of business in Malaysia.

Companiesandmarkets.com provides a wide range of market reports, industry statistics and company profiles on a wide range of industries and companies. Industries covered include Aerospace, Agriculture, Farming & Raw Materials, Automotive and Parts, Business Services, Chemicals, Construction, Consumer Goods, Defence, Energy and

Utilities, Environmental, Finance and Banking, Food and Drink, Healthcare and Medical, Industrial, Information Technology, Leisure, Logistics, Media, Paper and Packaging, Publishing and Printing, Real Estate, Retail, Security, Telecommunications, Textiles and Clothing, Transportation and Travel.

Highlight

Technology spending within the financial markets in Malaysia is forecast to grow at a CAGR of 6.4% over the period 2009-14.

Reasons to Purchase

*Develop business strategies by analyzing the spending patterns within the financial markets sector in Malaysia

*IT spending projections up to 2014 reflecting impact of financial crisis and business trends at line of business level in Malaysia

*Make informed business decisions through an understanding of the overall technology spending trends within different lines of business

Financial Markets Technology Spending Forecast in Malaysia to 2014:

http://www.officialwire.com/main.php?action=posted_news&rid=152995

- **Social Front**
- **Founder Of Aceh Independence Movement Dies**

Hasan Tiro, the founder of the Aceh Independence Movement (GAM), died at the Hospital Zainoel Abidin (RSUZA) Banda Aceh, Thursday, one day after he regained his Indonesian citizenship. Hasan had applied to get back his Indonesian citizenship for the past several years. Previously, he was holding the Swedish passport and lived in exile in Stockholm since 1979 following confrontation with the Indonesian government which was then led by President Soeharto. Antara news agency stated that Hasan, who was born in Pidie, Aceh, on Sept 25, 1925, died at 12.02pm after his health deteriorated on Wednesday night.

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=503395>

- **Environmental Front**

Philippine

- **Political Front**
- **Unbeatable lead for Aquino in vote tally**

Senator Benigno Aquino III had an insurmountable lead in the official tally of votes for the Philippine presidency yesterday, and Congress was expected to declare him president early next week. The canvass showed Aquino had 14.6mn votes, or 41.8% of 35mn valid votes tallied by yesterday evening, 5.5mn ahead of his nearest rival, former president Joseph Estrada, with less than a million votes still to be counted.

Those figures were in line with unofficial tallies from the election commission in the days after the May 10 vote. The poll agency has estimated around 38mn people cast their ballots. Senate majority leader Juan Miguel Zubiri earlier said the canvass would be finished soon and Congress could declare Aquino the winner on Monday or Tuesday, four weeks after the vote and three weeks ahead of the June 30 deadline.

He said the canvassing panel would not entertain protests or complaints that could delay the tally, saying candidates had to file cases with the Supreme Court for a recount or scrutiny of the ballots.

The race for vice-president was much closer, with Estrada's deputy Jejomar Binay leading Manual Roxas, Aquino's Liberal Party running mate, by around 640,000 votes yesterday evening.

Lawyers and allies of Roxas questioned the high turnout of nearly 98% in some provinces in the south, as well as the large numbers of invalidated ballots.

"Based on our estimates, there were about 2.9mn votes for the vice president position that were not counted properly and we believe that these can change the outcome of the elections," said Florencio Abad, the party's campaign manager.

"It's either the automated election system was defective or someone had manipulated those machines to favour certain candidates."

Yesterday, more than 80,000 people in seven towns in the central and southern Philippines were able to vote after election failure was declared in the areas on May 10 due to violence and logistical problems.

<http://www.gulf->

[times.com/site/topics/article.asp?cu_no=2&item_no=365777&version=1&template_id=45&parent_id=25](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=365777&version=1&template_id=45&parent_id=25)

- **COMMENTARY A relationship based on strategic cooperation**

The ambassador delivered these remarks on June 3 at the Department of Foreign Affairs on the launching of the Philippine version of the Joint Envelope Commemorating the 35th Anniversary of China-Philippines Diplomatic Relations.]

I am more than honored to be part of the launching of the Philippine-version First Day Cover and opening of the photo exhibition commemorating the 35th anniversary of China-Philippines diplomatic relations. There is no doubt these events would not only stand testimony to amity between our two countries, they would also be appealing to our two peoples, more specifically, both Chinese and Philippine stamp collectors and photography lovers.

As many of us may know, friendly exchanges between our two countries could trace back to the ancient times. With all that has taken place since 1975, one is often led to conclude

that China-Philippines friendship has been going on for much, much longer. In view of the warmth and cordiality on both sides, it does seem as though the bridge of friendship which our two countries embarked on building 35 years ago has been standing at its right place for centuries.

Today, we all take delight and pride in seeing that China-Philippines ties have developed to a remarkable degree, a relationship based on strategic cooperation for peace and development. The maturity and vitality of our relations have many times been demonstrated in exchanges of visits between China and the Philippines, in the letter and spirit of various agreements, memoranda and, today, in this small envelope and these vivid images.

The past 35 years witnessed political trust continuously enhanced between our two countries, trade increased by a huge margin, economic cooperation expanded in various fields with concrete results, cultural exchanges significantly enriched and mutual understanding between the two peoples greatly deepened.

It's fair, by all means, to say that China-Philippine relations are enjoying solid foundation, good momentum and broad prospects.

To work, therefore, for the future of our relations, to refresh our labors during the past 35 years, is definitely not a burden, but a blessing. This is always the strong message from the Chinese Government and people. Now that the bridge of friendship between our two countries stands firm and steady, China looks forward to the future with a sense of commitment to march with the Philippines in the attainment of peace and prosperity.

<http://www.manilatimes.net/index.php/opinion/18768-commentary-a-relationship-based-on-strategic-cooperation?>

- **Foreign Relation**
- **Economic**
- **President's wish: A legacy of a stable economy**

With less than a month before she steps down, President Gloria Arroyo on Friday said that she wanted to be remembered as the leader who modernized the Philippine economy. The 63-year-old grandmother and former economics professor added that she was looking forward to a lower-profile role as an elected member of Congress, having been the country's leader for nine years from 2001.

President Arroyo is to stand down at midday on June 30 when her apparent successor, Sen. Benigno "Noy" Aquino 3rd, is to be sworn into office for a six-year term.

"I would like my presidency to be remembered as one that stabilized the economy, did the fundamentals to modernize our economy and stabilize our country and modernize our economy," she told GMA and ABS-CBN television.

When asked about lessons learned, the President said, “The lesson is, never give up, change is hard, be focused and as my father said, ‘Don’t be there to enjoy but to sacrifice and be willing to suffer if need be.’” Aquino, who is set to be proclaimed by Congress as the official winner of the May 10 vote, has vowed to have Mrs. Arroyo investigated for alleged corruption and election fraud.

Aides said that the incumbent president, daughter of late former President Diosdado Macapagal, had nothing to answer for and was ready to face her critics.

Elected vice president in 1998, she came to power in 2001 after a bloodless, military-backed coup ousted then President Joseph “Erap” Estrada, who was later jailed, convicted of corruption and pardoned by Mrs. Arroyo.

She later won a full six-year term in the 2004 elections that were marred by fraud allegations and led to two failed attempts to impeach her. “I’m the same person, just older, maybe a little wiser,” the President said. “I still have a very strong belief in the Filipino people.”

When also asked what aspects of her presidency she would not miss, she replied, “The destructive politics of the critics who offer no alternative on policies and programs, just destructive political noise.” When asked, too, to describe herself, Mrs. Arroyo said, “Well, focused, but if you want another word, tough. If you want [yet] another word, compassionate.”

<http://www.manilatimes.net/index.php/top-stories/18815-modern-economy-presidents-legacy?>

- **Asia survives crisis with lessons learned**

There were many lessons from the financial crisis. One lesson — particularly relevant now, looking at government debt around the world — is that if something seems too good to be true, it probably is too good to be true.

Or, putting it another way, if something looks out of line with reality, it probably is. Markets now are paying closer attention to governments with high debt and big borrowing requirements.

In developing Asia, government debt is not a big problem. However, the crisis has taught Asia an important lesson — that it is not decoupled from events in the rest of the world. The crisis in the West hit Asia hard. It is strange to think that anyone thought Asia was decoupled, but this was a big debate as the crisis was breaking.

Thankfully the view we took at Standard Chartered was that Asia was "not decoupled, but better insulated". So it proved. The export dependency of many Asian economies meant they were not immune to events in the West.

Following the Lehman Brothers debacle, we witnessed a collapse in trade finance and a

slump in demand. As a result, Asian economies which had not engaged in the financial engineering seen in many Western countries were hit hard: the innocent suffered as much as the guilty.

Whilst the crisis showed that events in one part of the world could have a global impact, Asia was better protected. Prudent fiscal policies, credible monetary regimes and high levels of foreign-currency reserves enabled the region to absorb the huge external shock.

Bouncing back

Like a boxer caught unawares in the ring, Asia may have been knocked down, but it bounced straight back up. The latest financial crisis was not a knock-out blow for Asia, but another important lesson to learn. The integration of Asia with the global economy will be every bit as important in shaping the recovery as it was in the crisis itself. A key issue, therefore, is Asia's approach to shaping the post-crisis world.

Much has already been said about the new global policy forum, the G20, and the role that Asia will play within it, with South Korea as host this year. The five Asian members — Japan, China, India, South Korea and Indonesia — will have a vital role to play in addressing global challenges.

At the national level, too, there is much Asia can do. Policy tools and institutions across the region stood up well during the crisis. But they will be tested in the coming months in response to capital flows. Across Asia, in the future, we need to see credible anti-inflationary macroeconomic policies that can generate jobs on a large scale. China talks of a "harmonious society", but this is a necessity across most of the region.

Whilst the global and the national responses are crucial, Asia's regional agenda will also play a vital role. Headway is being made in this area. This was very evident at this year's annual Asian Development Bank (ADB) meeting that took place in Uzbekistan at the start of May. Policy makers from all over Asia were there, joined by bankers from around the world.

Regionalism was the big theme at the event — in particular, the need to accelerate regional integration to contribute to global growth and help correct economic and trade imbalances.

Sustainable growth

The focus on regionalism has been one of the three thrusts of the ADB in recent years, alongside inclusive growth to reduce poverty and environmentally sustainable growth. There is naturally some overlap between these, with, for instance, increased focus on a regional approach to water and climate change, as the new Asia Solar Energy Initiative testifies.

It was also announced in Tashkent that a new Asean+3 Macro Research Office will be

established in Singapore to provide economic analysis in support of the Chiang Mai Initiative. The aim of that is to make the \$120 billion (Dh440 billion) existing multilateral currency swap mechanism between the ten Asean countries and Japan, China and South Korea operational.

As I travelled from Tashkent back to London following the Asian Development Bank meeting, the change in the mood could not have been more apparent. The crisis in Greece, fears of a domino effect and political uncertainty in the UK contrasted with talk of Asian growth, investment and outperformance.

The contrast between the West and the East is particularly clear when one considers China. China's reach is immense, its impact significant. Last year the world economy shrank by \$3.3 trillion to \$58 trillion. That followed a near doubling of the size of the world economy during the boom of the previous decade.

What is remarkable about last year was that amongst the major nations, few actually grew. The advanced economies shrank by \$2.2 trillion to \$40.1 trillion. Even emerging economies, despite their attractive fundamentals, shrank by \$1.1 trillion to \$17.9 trillion.

China was one of the exceptions. It grew by \$0.4 trillion. Whilst there were others across Asia that expanded, it is China's scale that makes a difference. But it would be wrong to think this is just a China story. When I travel across Asia, the pace and scale of change is breathtaking, and many countries are moving up the value curve as they compete. This was reflected in the positive mood at the gathering in Tashkent. It was noticeable, in talking and listening to people, that the financial sector across Asia appears to be in good shape, with international banks also looking more to the region.

Solid growth

As for the economy, the ADB's views are probably not too dissimilar to mine. It expects another year of solid growth in 2010 and 2011. Developing Asia is forecast to pick up from 5.2 per cent growth in 2009, its lowest in eight years, to 7.5 per cent this year and 7.3 per cent in 2011.

Within this, as ADB President Haruhiko Kuroda told the governors' meeting, there are still many fragile economies, and the need to focus on the ADB's development agenda is strong.

Following an era of boom, I believe Asia is now in an era of investment. Apart from the overall health of the financial sector and Asia's economic prospects, the scale of investment is the aspect which stood out in Tashkent.

Asia faces an infrastructure boom, as indeed do some other regions, such as the Middle East. At least \$8.3 trillion is the broad figure bandied about as Asia's infrastructure needs over the next decade. Yet the challenge is how to fund this huge amount.

Multilateral agencies provide about \$40 billion a year at present, whereas about \$700 billion a year will be needed in the future. That leaves a huge amount to raise from the private and public sectors. In Tashkent, the Chinese called for a new investment corporation to help provide finance.

In that environment, Asia will not be decoupled. Instead, it will be increasingly able to chart its own course and have a greater influence on the global agenda.

<http://gulfnews.com/business/banking/asia-survives-crisis-with-lessons-learned-1.634576?localLinksEnabled=false>

- **Social Front**
- **Philippines, rebels in last talks under outgoing government**

The Philippines government and Muslim rebels Thursday pledged to continue working towards a peace deal as they ended a final round of talks under President Gloria Arroyo's outgoing administration. Negotiations with the Moro Islamic Liberation Front (MILF), the largest of the country's Muslim rebel groups, will now resume efforts to end decades of conflict under the government of Benigno Aquino, who was elected in May.

The two sides said at the conclusion of two-day talks in the Malaysian capital that they would press on with efforts to reach a political settlement.

"The parties met under an atmosphere of cordiality and candor, determined to continue engaging with each other... until they finally conclude and reach a comprehensive compact," they said in a joint statement.

The latest round of talks was aimed at bridging the two phases of negotiations, and cementing a commitment to proceed despite large-scale fighting in 2008 which temporarily derailed the process.

One diplomat involved with peace monitoring efforts in the troubled southern Philippines said the government had wanted the MILF to sign a statement "on the conclusion of talks between both sides" to give an impression of concrete progress before Arroyo steps down on June 30.

However, the MILF has said it will not sign any final peace agreement with Arroyo, preferring instead to wait for presumptive president Aquino to take his oath of office before moving forward.

"We had decided to downgrade our participation in the Malaysia talks this week, because it was only meant to allow Arroyo's negotiators to officially end their negotiation with the MILF," the diplomat said.

"We were under the impression that the (Philippines government) had wanted to sneak in some provisions in the statement that could mislead the public into believing there was a 'conclusion' of talks between both sides, meaning some agreement had been reached," he

told AFP. "We have been told the MILF is waiting for the next president to sign a final agreement, although there are uncertainties as yet."

Arroyo opened the peace talks in 2001 in an effort to end the bloody secessionist war in the restive but mineral-rich region of Mindanao where a long-running separatist rebellion has left more than 150,000 people dead.

The 2008 violence broke out after the Philippine Supreme Court outlawed a proposed deal that would have given the MILF control over large areas of the south that were claimed by the rebel group as its "ancestral domain".

Over 700,000 people were displaced at the height of the fighting and nearly 400 were killed. A new ceasefire was signed in September 2008, paving the way for the resumption of talks.

http://news.yahoo.com/s/afp/20100603/wl_asia_afp/malaysiaphilippinesunrestmuslimtalksmilf?

- **Muslims being denied benefits of resources: Moro group**

A large rebel group engaged in peace talks with the Philippines government since 1997 has opposed offshore oil exploration by a private firm in the south and southwestern Philippines saying Muslim residents of the region were being denied the economic benefits, a rebel website said.

During peace negotiations held between the Philippine government and the Moro Islamic Liberation Front (MILF) in Malaysia from June 2 to 3, "the MILF took the opportunity to register its opposition to the ongoing oil explorations in the Sulu Sea and in off Palawan", Luwaran.com quoted Attorney Abdul Dataya and Abdullah Camlian as saying.

The oil exploration in these areas has not benefited Muslims living closest to the oil exploration sites, said Dataya and Camlian, both MILF peace panel members who represented the group's stand on oil exploration being undertaken off Liguasan Marsh and off Palawan respectively.

Assurance soughtThe MILF wanted "a clear assurance" that the Philippine National Oil Company Exploration (PNOC-EC) is not digging for more oil wells, but is "purely plugging" two oil wells that were abandoned in Liguasan Marsh, Sultan sa Barongis, Dataya said.

In response, the government gave the assurance that PNOC-EC is plugging and sealing two oil wells in the Sultan Sa Barongis area because these oil wells could not produce oil reserves in commercially viable quantities.

The 288,000-hectare Liguasan Marsh is in Maguindanao province, a part of the Autonomous Region in Muslim Mindanao (ARMM).

"It is the only remaining frontier that was not taken over by non-Muslim migrants from

northern Luzon and Visayas, central Philippines," Dataya said. The MILF also alleged that powerful people close to the administration of President Gloria Arroyo had continued oil exploration projects off Palawan. PNO-EC is selling 1.5 billion primary and 600 million secondary shares, based on the productivity of oil wells off Palawan, sources said. Earlier, in 2005, the department of energy put the country's total energy reserves at a total of 456 million barrels of oil based on 16 sedimentary basins situated from Cagayan Valley in the north to the Agusan-Davao Basin in the south, including Northwest Palawan Basin and the Sulu Sea Basin in the southwestern part of the country.

Contracts

The government has awarded contracts to several oil exploration companies to explore areas with potential petroleum reserves. In comparison, neighbouring Vietnam had 600 million barrels of oil reserves as of 2007; Thailand had 290 million barrels of proven oil reserves; and Malaysia had 3 billion barrels of proven oil reserves, the Oil and Gas Journal said.

The 12,000-strong MILF has waged an armed struggle for the establishment of an independent Islamic state in the southern Philippines since 1978.

Since the Philippine government and the MILF started holding peace talks in 1997, the rebels have been exploring the possibility of a greater administrative role and a bigger share of economic earnings (from the national government) in the ancestral domain of Muslims in the south

<http://gulfnews.com/news/world/philippines/muslims-being-denied-benefits-of-resources-moro-group-1.636827?>

- **EDITORIAL Good news about GRP-MILF peace talks**

The elections and their aftermath, the allegations of fraud and now the tallying of votes shown in COCs by the Congress convened as the National Board of Canvassers, have pushed an urgent and important matter to the back of most people's minds. The Mindanao peace process.

Happily, those engaged in this process in the Government of the Republic of the Philippines (GRP) and the Moro Islamic Liberation Front (MILF) have not been idle.

Undersecretary Rafael Seguis, head of the GRP peace panel, said yesterday (Tuesday) that he was flying off to Kuala Lumpur to sign with his MILF counterpart a "closure statement." The statement would list what the two parties' peace panels have achieved in the effort to reach a comprehensive GRP-MILF peace agreement, since the broken negotiations resumed last year. The "closure statement" presumably would serve as a factual guide to the peace-process secretary of the incoming Aquino administration.

It is a needful document.

Peace during the transition weeks

In these 27 days of the transition from the Arroyo to the Aquino administration, the GRP and MILF have agreed to keep the peace. This agreement not to break out into skirmishes will be guaranteed by the presence of the International Monitoring Team (IMT) in Mindanao. Malaysia's officers and soldiers are the lead force of the IMT. The other countries in the team are Brunei, Libya, and Japan. They keep watch over the security (meaning the fighting aspect), socioeconomic, developmental, civilian protection, and humanitarian aspects of the Mindanao peace process. The "closure statement" will be signed is thanks to the continuing willingness of Malaysia to help in the peace process.

The statement will help former secretary Teresita Q. Deles, who on May 26, accepted future president Aquino's offer to become his Cabinet rank presidential adviser on the peace process. From 2003 to 2005, she had that Cabinet job—under President Gloria Arroyo. But she left the Arroyo administration with the others in the "Hyatt 10" group of senior officials who proclaimed their disgust with the President over the "Hello Garci" scandal and denounced the iniquities they said they witnessed in the Palace.

Ms. Deles' forthcoming appointment was immediately welcomed with fervor by an important body in the Muslim community, the Philippine Council for Islam and Democracy (PCID). On May 28, PCID Lead Convenor Amina Rasul (who writes the Durian column every Sunday) and Program Director Rey Trillana issued a statement welcoming the news that "Sec. Teresita 'Ging' Deles has accepted the offer from President-in-waiting Benigno Aquino 3rd to become the Presidential Peace Adviser under the incoming administration."

"Sec. Deles, who also served as peace adviser to the outgoing regime, has vast experience in peacemaking and peace building. She is best able to point the new administration in the right path towards achieving a genuine and just peace in Mindanao.

"PCID is particularly hopeful that Sec. Deles will continue to uphold her visions for peace that she articulated in previous occasions, including, among others:

- "1. The primacy of peace talks over "all-out war" strategy.
- "2. Ensuring civil society participation in the peace process.
- "3. Addressing loose firearms and putting an end to the culture of impunity in the ARMM.
- "4. Rejecting the conflation of Muslim with the war on terror.
- "5. Upholding human rights in Muslim communities."

PCID continued: "We appreciate the fact that the incoming administration has hit the ground running on the peace process with the early selection of its peace adviser. Peace, as we have stated in the past, cannot be hostages to petty political intramurals."

MILF moves to build confidence

All of this bodes well for the resumption of negotiations between the GRP and the MILF under the coming Aquino administration.

An earlier piece of good news was reported on May 26 by Reuters. It was about the MILF central committee's decision to remove a "rogue" MILF commander, the infamous Ustadz Ameril Ombra Kato. He was the commander of the 105th base of the MILF whom the government blames for the raids on and burning of villages in 2008. He and two other MILF commanders went on a rampage after the Supreme Court ruled that the "Memorandum of Agreement on Ancestral Domain"—reached by the GRP and MILF panels and to be finalized by the authorities of both parties—was in violation of the Philippine Constitution.

- **The MILF authorities replaced Ombra Kato with a more moderate MILF officer.**

This move was done, Reuters reported the MILF chief negotiator Mohaqher Iqbal as saying, because it would help revive the stalled peace process. According to Reuters, Iqbal said Ombra Kato's removal was part of the rebel group's reorganization. The MILF was hoping it would build more confidence and give a fresh start to peace negotiations under the Aquino administration. It was a move to show that the MILF seriously wants peace.

<http://www.manilatimes.net/index.php/opinion/18625-editorial-good-news-about-grp-milf-peace-talks?>

- **Flooding displaces 47,500 Filipinos**

Heavy rain Tuesday triggered more flooding in the Maguindanao area of the Philippines, where 9,338 families already had been displaced, officials said.

The most recent flooding occurred before dawn in Sultan Kudarat and Cotabato City, where flooding stalled cars and filled low-lying houses, GMANews.tv reported. During the last week, flash floods displaced 9,338 families -- about 47,500 people in all -- throughout the Maguindanao region, the Philippine Inquirer reported Tuesday.

Members of the army's 603rd Infantry Brigade were serving as flood watchmen on the Ambal and Simuay rivers and were ready to alert people downstream of flash flooding, Brig. Gen. Ernesto Aradanas said. "Our troops are also ready to transport families trapped in interior villages," Aradanas said.

Many residents were living on the second floor of their homes with valuables packed and cars placed farther away on high ground, he said

http://www.upi.com/Top_News/International/2010/06/01/Flooding-displaces-47500-Filipinos/UPI-76011275400832/?

Thailand

- **Political Front**
- **Thai-Style 'Reconciliation'**

Thai Prime Minister Abhisit Vejjajiva is back in public view and busy pushing his ideas for national "reconciliation," a catchword that he mentioned nine times in opening remarks to foreign diplomats in a speech Saturday. The premier is clearly trying to move the national political debate beyond his government's recent, bloody crackdown on pro-democracy protestors that resulted in the deaths of at least 88 people. But what little he's said and done since then suggests his version of reconciliation is so far little different than his military-backed predecessor's approach.

Start with the protestors' main demand: a free and fair national ...

http://online.wsj.com/article/SB30001424052748703703704575276013190262420.html?#mod=todays_asia_opinion

- **Thai premier says country appears back to 'normal'**

Thailand's Prime Minister Abhisit Vejjajiva said Sunday the country appeared to be back to "normal" after the lifting of a curfew imposed in the wake of deadly anti-government protests. The premier cancelled the curfew Saturday but said emergency rule was still necessary after two months of mass rallies by Red Shirt demonstrators that paralyzed the capital. "The situation last night was normal. Authorities will keep an eye though, then we'll consider lifting the state of emergency," Abhisit said in his weekly television address. The Reds' street rallies, broken up on May 19 in an Army crackdown on their encampment in Bangkok's Ratchaprasong commercial district, sparked outbreaks of violence that left 88 people dead, mostly civilians, and nearly 1,900 injured.

In an address Saturday to foreign diplomats, Abhisit said Thailand needed to "rebuild the social and economic compact between people and the government," but defended the crackdown. The premier said he was confident the situation could be resolved through the democratic process, despite a history that has seen 18 actual or attempted coups in Thailand since 1932. "I think if something like this had happened in the past, people would probably think a coup d'etat was around the corner," Abhisit said.

Abhisit told diplomats he had not ruled out an early poll but repeated an earlier statement that the environment must be right for elections. Thailand declared a state of emergency in Bangkok on April 7 after protesters stormed parliament in an escalation of their street rallies. Authorities on Tuesday extended a midnight-to-4 a.m. curfew for four more nights

as the government sought to restore order. Anyone violating the curfew had faced up to two years in jail.

<http://www.manilatimes.net/index.php/world/18464-thai-premier-says-country-appears-back-to-normal?>

- **Neo-colonialism in the guise of humanitarian concern**

Briefing Bangkok-based diplomats at the height of the recent “Red Shirt” protest and violence, Foreign Minister Kasit Piromya warned foreign governments and NGOs not to interfere in Thailand’s internal affairs.

Obviously irked by offers of mediation or attempts at interference by foreign governments, international bodies- governmental or non-governmental- Foreign Minister Kasit was quite explicit that Thailand was quite capable of handling its problems without unsolicited advice and intervention. “We are not a failed state or a failing state,” was Kasit’s jibe at those who seemed to suggest that Thailand could not deal with the protest that had erupted into violence without the help of outside powers including those whose interventions elsewhere have resulted in more chaos and killings.

If this is the first time in recent decades that Bangkok has had to warn off attempted interference, nearby Sri Lanka has for years suffered from similar attempts by western powers and international NGOs to impose their will on the Colombo government.

Some time last year India reminded the UK of its own past in Northern Ireland when the then Foreign Secretary David Miliband alluded to the Kashmir issue. China too has often had to remind the west that Taiwan is a part of its sovereign territory and relations between the two sides is an internal matter.

Just this week Sri Lanka’s new External Affairs Minister Prof. G.L. Peiris asked the United Nations to keep out of Sri Lankan affairs after Secretary-General Ban ki-Moon repeated at a New York press conference that he intends to go ahead with setting up an international panel of experts to advise him on Sri Lanka. He seems to be especially concerned with the last months of the near 30-year war that ended one year ago with the military defeat of the Liberation Tigers of Tamil Eelam (LTTE) that has been banned by over 30 countries as a foreign terrorist organization.

Secretary-General Ban is being pressurized by several international NGOs including the International Crisis Group (ICG) once headed by former Australian foreign minister Gareth Evans and more recently by Canadian Louise Arbour, Human Rights Watch and Amnesty International among others who are urging the UN to set up an international inquiry into alleged war crimes and violations of human rights.

Sri Lankans who have learned a bitter lesson after the government and the LTTE signed a peace pact in 2002 under Norwegian mediation which helped the Tamil Tigers to rearm,

regroup and travel around the world making diplomatic contacts and propagating their cause of a separate Tamil state in Sri Lanka, say enough is enough and want foreigners to stay away as they sort out their problems in the post-war era.

That peace agreement drafted and urged by Norway was so weighted in favour of the LTTE that the Tigers were able to violate its terms over 3000 times while the government forces did so less than 300 times as stated in the report of the international Sri Lanka Monitoring Mission (SLMM).

But this is not all. It is a commonly held view that foreign governments and international and local NGOs were instrumental in helping the LTTE in numerous ways including building its arsenal, carrying weapons across lines in vehicles that had diplomatic clearance and even using the 2004 tsunami to bring war materials illicitly into the country.

Sri Lankans have watched with increasing impatience and concern the growing nexus between the Sri Lankan Tamil diaspora abroad, especially in the First World where they have settled, many of them as asylum seekers and economic migrants, and the international NGOs and western media.

While the Tamil diaspora in the west held huge protests like in the UK and Canada to halt the Sri Lanka Government's military offensive against the LTTE (which some western military and strategic affairs pundits claimed was undefeatable) in order to influence those foreign governments, the NGOs and media carried out a vicious campaign against Sri Lanka.

Notorious for the anti-Sri Lanka campaign were sections of the UK media such as Channel 4, the (London) Times and the Guardian often citing unnamed and unknowable sources that seemed to exist more in the minds of the journalists concerned, if at all. Execrable levels to which once respected media had sunk have been recorded in several scholarly studies.

As a correspondent for the Guardian in its heyday I could think of no better description of its current state of journalism than to say like Maxim Gorky it seems to be plumbing the lowest depths.

While working as a journalist in London I had to take the Sunday Times (London) to the UK Press Complaints Commission(PCC) for distorted and biased reporting on Sri Lanka by one of its award winning journalists Marie Colvin. The PCC after much too-ing and fro-ing delay and procrastination by the Sunday Times held in my favour on two counts including the paper's refusal to give me the right of reply in keeping with its own code of conduct.

These are but a couple of examples of the malaise that affects British journalism in

modern times though plenty of others could be drawn from the coverage of other countries in the Global South. This newspaper published several letters in recent weeks from irate readers complaining about the reporting by two leading international news media of the Red Shirt protests. The readers were certainly not all Thais.

Under cover of the 2004 tsunami container loads of war materials and other useful items reached the LTTE. A few were discovered while others slipped through then because of the urgency with which containers were cleared without the usual probity. Searches conducted after the LTTE defeat unearthed a wide variety of these items. Today Sri Lanka is looking closely at the functioning of NGOs-international and local- in order to tighten up procedures and laws relating to their operations. The pressure to erode further the concept of national sovereignty and assume a universal jurisdiction continues apace. The danger to the Global South has deepened because many western donors now operate through NGOs. Such funding is not freely given saying do what you will with it. They must have agendas and conditions attached to them

<http://www.asiantribune.com/news/2010/06/02/neo-colonialism-guise-humanitarian-concern?>

- **Anger in Thai Parliament Mirrors Nation's**

Thailand's conflict moved from the streets of Bangkok to the chamber of Parliament this week, as angry and irreconcilable as ever, with members from both sides trading accusations late into the night.

Sathaporn Maneerat, an opposition legislator, showed his solidarity with the red shirts in Parliament on Tuesday in Bangkok.

Interspersed with video clips that brought the sound and horror of battle into the chamber, the debate revived unanswered questions about snipers, arsonists, killings at a Buddhist temple and mysterious assassins dressed in black.

Framed as a parliamentary no-confidence motion against the government, the session on Monday and Tuesday provided the first public forum to debate the violence during a two-month demonstration by an antigovernment movement known as the red shirts that ended when the military moved in on the protesters' encampment on May 19. A total of 88 people were killed and more than 1,800 wounded during the protests and crackdown.

The no-confidence motion was defeated on Wednesday in a 246-to-186 vote, The Associated Press reported. But no possible outcome seemed likely to ease the intensifying polarization of the nation, in which the rural heartland seems increasingly disconnected from the more comfortable life of the capital.

During the sessions, opposition members accused the government of shooting unarmed demonstrators as well as medical workers, and of placing snipers on an elevated railway

track to fire at protesters taking shelter in a temple.

The government blames the protesters for instigating the violence, going so far as to suggest that black-shirted gunmen among them killed their own people to frame the government.

For nearly two months, mostly poor protesters occupied parts of Bangkok, particularly the commercial core of the city, demanding that the government step down and hold a new election. By the time Prime Minister Abhisit Vejjajiva offered to hold an election in November, it appeared that compromise was no longer possible, and the violent eviction followed.

In Parliament, the opposition accused the government of unprovoked massacre, echoing the position of its figurehead, the fugitive former prime minister, Thaksin Shinawatra, who had hired an expert on war crimes to bring international charges against the government. The government has in turn brought terrorism charges against Mr. Thaksin, accusing him of being behind the violence. He remains abroad, evading jail time for a corruption conviction. Mr. Abhisit said the government had never ordered the killing of protesters, and the finance minister, Korn Chatikavanij, suggested in an interview that the killings had been staged by the protesters as provocations.

“There have been certain incidents in which the paramilitary arm of the red-shirt movement were quite willing to shoot their own to place the blame on the government,” Mr. Korn said. In addition to the killings and the burning of more than 30 buildings on the final day of conflict, the police said Tuesday that during the crackdown there were 62 bomb attacks, 39 cases of arson, 18 cases of manslaughter and attempted killing, and 34 cases of robbery and looting.

Suthep Thaugsuban, the deputy prime minister in charge of security, denied that snipers had fired at a Buddhist temple, Wat Pathum Wanaram, a haven that became a trap for thousands of people taking refuge in the core of the protest area. But Mr. Abhisit conceded that many such questions remained to be investigated by an impartial panel he had promised. Though the parliamentary session was unlikely to sway opinions, it gave opposition politicians a chance to put forward their views at a time of strict censorship. Citing the crisis, the government has shut down thousands of Web sites and pages, as well as opposition radio stations, prompting condemnation from within and outside Parliament.

<http://www.nytimes.com/2010/06/02/world/asia/02thai.html?partner=rss&emc=rss>

- **Economic front**
- **Thai PM to attend World Economic Forum in Vietnam**

Thai Prime Minister Abhisit Vejjajiva will attend the World Economic Forum on East

Asia in Vietnam on Sunday, acting government spokesman Panitan Wattanayagorn said Thursday. The forum will be held from June 6 to 7 in Ho Chi Minh City, Vietnam, current chairman of the Association of Southeast Asian Nations (ASEAN).

During his one-day trip, Abhisit will hold bilateral talks with ASEAN leaders and give an interview to foreign news media on the political situation in Thailand, the Bangkok Post website quoted Panitan as saying.

Meanwhile, the prime minister will also meet with chief executive officers of the business attending the forum to help restore confidence in Thailand of investors in the region, the spokesman said.

<http://english.people.com.cn/90001/90777/90851/7011603.html?>

- **Thailand Holds Interest Rate as Political Unrest Hurts Growth**

Thailand's central bank kept its benchmark interest rate at the lowest level since July 2004 after the nation's deadliest political violence in almost two decades undermined economic growth. Thailand has refrained from joining Malaysia, India and Australia in raising borrowing costs this year even as a rebound in exports helped the economy expand the most in 15 years last quarter. Growth will be "strongly affected" in the three months through June after weeks of anti-government protests led to riots and left at least 85 people dead, central bank Governor Tarisa Watanagase said May 26.

"The Bank of Thailand wants to follow Bank Negara Malaysia in normalizing rates but pressures from politics and European concerns have tied their hands," said Wellian Wiranto, a Singapore-based economist at HSBC Holdings Plc. "Inflation is still not a big issue for Thailand but eventually the central bank will want to scratch the itch and raise interest rates." The baht fell as much as 0.1 percent yesterday as most Asian currencies slid on concern spending cuts by European nations battling to reduce budget deficits will slow the global economic recovery, forcing regional central banks to delay raising interest rates.

Regional Decisions

Europe's banks will have to write off 195 billion euros (\$238 billion) of bad debts by 2011 and their ability to sell bonds may be curtailed as governments finance fiscal deficits, the European Central Bank said this week.

"There are uncertainties in the political situation and sovereign debt problems in some European countries, so we are not in a hurry to raise the rate now," Bank of Thailand Assistant Governor Paiboon Kittisrikangwan said yesterday. "It's possible" for the central bank to consider raising the key rate at the next meeting if the nation's political problems and Europe's debt woes ease to an "appropriate level," he said.

Inflation Risk

Inflation has stayed below 4 percent in Thailand, where Toyota Motor Corp. and General Motors Co. have factories, giving the central bank room to keep borrowing costs low. Consumer prices rose 3.5 percent from a year earlier in May after climbing 3 percent in April, while core inflation, which excludes fresh food and fuel prices, rose 1.2 percent.

Thailand's inflation risk remains low for now, Paiboon said. Still, he said "there is a risk that the core inflation may exceed our target next year. This is the key reason why we still need to adjust the rate to normal levels."

The central bank may have to raise its 2010 growth forecast in July from the current range of 4.3 percent to 5.8 percent, Paiboon said. He also said the impact of recent political unrest on the economy will be "stronger" in May than in April, though the recovery is expected to be quick, boosted by the government's measures.

Thailand plans to offer tax incentives to local tourists to help stimulate an industry that contributes about 6 percent of gross domestic product, Finance Minister Korn Chatikavanij said yesterday. Stimulus measures are needed because anti-government protests have slowed the country's expansion, he said.

Rioting erupted across Bangkok on May 19 as Thai security forces cleared an anti-government protest camp and forced the group's leaders to surrender. About 16 people died that day and more than 30 buildings were set alight, including the Stock Exchange of Thailand, a shopping complex owned by Central Pattana Pcl and at least eight branches of Bangkok Bank Pcl.

Prime Minister Abhisit Vejjajiva last week lifted a curfew imposed on about one third of the country, while maintaining a state of emergency to help restore order even as the demonstrations ended. He won the backing of lawmakers for his handling of the army operation to end two months of protests, with legislators voting 246 to 186 in a confidence vote yesterday.

Thailand may raise interest rates as early as July, as the protests may have had a more limited impact than policy makers expected on growth in the second quarter, said HSBC's Wiranto.

Southeast Asia's largest economy after Indonesia grew 12 percent in the first three months of 2010 as exports, investment and consumption recovered after a recession last year. Still, Korn said last month the economy will be "less rosy" from the second quarter onwards, and the government estimates the unrest may cost Thailand as much as 145 billion baht (\$4.45 billion) and reduce growth by 1.1 percentage points.

<http://www.businessweek.com/news/2010-06-02/thailand-holds-interest-rate-as-political-unrest-hurts-growth.html>

- **Thai Inflation Accelerates**

Inflation in Thailand accelerated for the eighth consecutive month in May, driven by higher food and fuel prices, data released Tuesday showed.

With the core inflation reading remaining within the Bank of Thailand's target range, however, the central bank is widely expected to keep its policy rate unchanged at Wednesday's rate review to support the domestic economy, which has already been dealt a blow by the fallout of deadly anti-government protests.

Economy

Asia Manufacturing Expands

In a reflection of the continuing economic recovery, the consumer price index rose 3.5% in May from a year earlier, more than the gain of 3.0% the month before, Commerce Ministry Permanent Secretary Yanyong Phuangrath said. From a month earlier, the index rose 0.2%. While tourism and investment sentiment has suffered since protests turned violent in April, purchasing power remained stable in May, he told reporters.

Core inflation, which strips out volatile energy and food costs, reached 1.2%, comfortably within the central bank's target range of 0.5% to 3.0%. The core CPI rose 0.06% on month.

The ministry is maintaining its inflation forecast for 2010 at between 3.0% and 3.5%, Yanyong said. From January to May, the CPI rose 3.6% from a year earlier while core inflation accelerated to 0.6%. The median forecast of a Dow Jones Newswires poll of 10 economists had predicted the CPI to rise 3.45% on year and 0.25% on month, while the core CPI was seen rising by 1.3% on year and 0.15% on month.

The Bank of Thailand has kept its policy rate at a historical low of 1.25% since April 2009. Protesters—the so-called Red Shirts—paralyzed Bangkok's business district for weeks during April and May before setting fire to some of the city's landmarks after they were forcibly dispersed, causing billions of baht of losses to businesses and the economy that have threatened thousands of jobs.

<http://online.wsj.com/article/SB10001424052748704875604575279810872323040.html?>

- **Social Front**
- **Thailand needs more than a quick fix to inequality**

Regardless of how the issue is framed, the current political crisis stems from deepening socio-economic inequality in Thai society. The wealth from economic prosperity does not filter down to a majority of Thais, but has been concentrated within a small group of people. The government's reconciliation plan will not be effective if the issue of unequal access to opportunity is not properly addressed.

The political turbulence over the past few years is a sign that the issue needs immediate and systematic attention. And the reconciliation effort will not produce any meaningful result if it fails to better balance the wealth from economic growth. The key element in this reconciliation effort is to ensure that every voice will be heard and every possible opportunity will be fairly given.

In reality, the gap between the haves and have-nots is widening, not contracting. This is especially evident in the income gap between Bangkokians and those in rural provinces. In 2010 the income of Bangkokians is 13 times higher than that of people in the northeastern region, compared to five times higher in 1987. Over the same period, the number of Thais living under the poverty line was reduced by only 8 per cent. Among Bangkokians, only 1 per cent of people live below the poverty line. In the northeast, the figure is 13 per cent.

Some of the red-shirt leaders describe this inequality as the "elite" versus the "underprivileged". Ironically, it is not the traditional social hierarchy that has caused the worsening income disparity. The widening gap has become increasingly evident over recent years as people with more opportunity manage to cash in on businesses that apply new technology, or take advantage of monopolistic opportunities that give them unfair advantages over competitors. However, populist policies and handouts are not the answer to this problem. Measures such as free medical treatment or easy loans can help ease the burden of the poor only in the short term. The root of the malaise lies in lower-income earners still not being able to raise their standard of living in a sustainable manner.

The inequality issue must be solved at the root cause - that is, through educational reform, to enable people to stand on their own two feet. The government must thus initiate programmes that develop individual potential. The knowledge gained from a better quality education will help provide immunity, allowing people to be able to withstand crises.

At present, the rote education system teaches only memorisation, and fails to encourage analysis, independent thought and self-development. His Majesty the King's self-sufficiency concept should be instilled within the education system to help people understand what is really meaningful amidst the whirlwind of globalisation.

Investment should also be allocated to rural provinces rather than concentrated in Bangkok and other major cities. Provincial politicians should become more active in attracting businesses that are suitable and sustainable for local environments, to promote employment in rural areas instead of encouraging millions of migrant workers to move to Bangkok to find better jobs. Companies should also play a greater role in community development. Joint cooperation between the public and private sectors in the provinces

should be promoted, as the task of regional development cannot be left to the government alone.

The rule of law must be instilled and strictly enforced, and the sanctity of democratic institutions enhanced. The current crisis has also been caused by the public's lack of trust in these institutions, leading to allegations of double standards applied to rich and poor.

Good governance must be promoted at every level within the public and private sectors, as well as in civil society. Thailand has one of the world's worst records for graft. Corruption scandals make the news on a daily basis, but very few of these cases are ever pursued to a final administration of justice and punishment for wrongdoers. This abject failure to observe the rule of law only encourages people in power to be yet more corrupt. If we allow this state of affairs to continue, the reconciliation effort will become just meaningless rhetoric.

<http://www.asianewsnet.net/news.php?id=12334&sec=3>

Cambodia

- **Political Front**
- **Geo-strategic Front**
- **China gives trucks to Cambodia**

CHINA has promised more than 250 new military trucks to Cambodia, Prime Minister Hun Sen said on Monday, signalling deeper military cooperation between the two nations. PM Hun Sen said a donation of 257 military trucks and 50,000 military uniforms was agreed during a meeting with Chinese President Hu Jintao in Shanghai earlier in May. 'They are all brand-new trucks... from the factory,' PM Hun Sen said during a ceremony to open a Chinese-funded bridge. The trucks will arrive in Cambodia June 18 and then be featured in a parade, said PM Hun Sen, who went on to praise Chinese leaders for 'talking less, but doing a lot' to help Cambodia.

The announcement of Chinese military aid comes after the US in April stopped a shipment of military trucks to Cambodia as punishment for sending ethnic Uighur asylum-seekers back to China in defiance of international appeals.

Cambodia in December deported the 20 Uighurs, members of a largely Muslim minority group in western China, even though they were seeking UN refugee status and said they would face torture if returned. The decision to deport the Uighurs came a day ahead of a visit by Chinese Vice President Xi Jinping, during which he agreed US\$1.2 billion (\$1.69 billion) in aid and loans to Cambodia with Hun Sen.

http://www.straitstimes.com/BreakingNews/SEAsia/Story/STIStory_533543.html?

- **Cambodian opposition barred from visit to Vietnam border**

Armed Cambodian military police prevented a group of 16 opposition lawmakers

Thursday from inspecting a new boundary marker on the border with Vietnam, an opposition member said. Cambodia and Vietnam are in the process of demarcating their shared border, and the placement of some markers has proved contentious with claims they encroach on Cambodian farmers' fields.

Sam Rainsy Party lawmaker Son Chhay said the legislators had heard that the border marker was well inside Cambodian territory and went to inspect it but more than a dozen military police tried to prevent them from reaching the site.

'If the government has nothing to hide, they should not work so hard to stop us 5 kilometres away,' he said by telephone.

The group eventually managed to get within 150 metres of the post in the south-eastern province of Takeo before they were again turned back by local police.

The government on Tuesday warned that the trip was illegal and said it would prevent the group from reaching the area.

Opposition leader Sam Rainsy was sentenced in absentia in January to two years jail for his role in uprooting boundary posts in October on the Vietnam border.

That incident riled Hanoi, which has close links to the government in Phnom Penh.

Vietnam also has significant business interests in Cambodia, including investments in agribusiness, aviation, telecommunications and banking.

http://www.monstersandcritics.com/news/asiapacific/news/article_1560499.php/Cambodia-an-opposition-barred-from-visit-to-Vietnam-border?

- **Economic Front**
- **Malaysia, Cambodia trade pact for fast food chicken**

A trade pact signed between Malaysia and Cambodia will boost the presence of fast food chicken chain KFC in the poor southeast Asian country as well as create new opportunities for a Malaysian fast food operator. One contract in the US\$1 billion (€16.2 million) deal was between Malaysia's QSR Brands Berhad and Cambodia's Royal Group and will initially expand KFC's presence in Cambodia.

QSR deputy chairman Ahamad Mohamad told a Cambodian newspaper, the Phnom Penh Post, that the agreement will see a \$300,000 (€245 000) joint venture established, 51% owned by QSR and 49% by Royal Group. It will establish 25 farms to raise day-old chicks solely for the Kingdom's KFC restaurants.

Initially it will build 25 broiler houses to rent out to contract farmers, provide feed and day-old chicks, contract broilers to third parties for processing and supply KFC-size cut chicken pieces to KFC restaurants. Cambodia's seven KFC outlets are expected to increase to ten by the end of this year and 22 by 2014.

- <http://www.agra->

[net.com/portal2/home.jsp?template=newsarticle&artid=20017781222&pubid=ag002](http://www.iii.co.uk/news/?type=afxnews&articleid=7918938&action=article)

- **Cambodia aims for 6 pct GDP growth with donor help**

Cambodia's parliament approved a five-year plan for the economy on Monday that aims for 6 percent growth a year with the help of about \$6 billion from donors, who are meeting in Phnom Penh this week to discuss aid.

Gross domestic product grew 0.1 percent last year, Planning Minister Chhay Than told the National Assembly on Monday, and to achieve the growth target in coming years a total of \$6.28 billion would be needed to support development efforts.

Tuon Thavrak, director-general of the planning ministry, told reporters during a break in the session that most of that sum would have to come from aid donors.

"We need about \$6 billion, so roughly every year we need about \$1.2 billion," he said.

"We have our own money in the national budget, but only about \$200 million a year. We need from abroad more than \$1.05 billion a year." Government ministers will discuss these plans at a meeting with rich country donors and agencies such as the World Bank and Asian Development Bank on June 2-3.

Finance Minister Keat Chhon said in a recent speech that donors were expected to give the country \$1 billion this year, roughly the same as the \$990 million in 2009.

<http://www.iii.co.uk/news/?type=afxnews&articleid=7918938&action=article>

- **Social Front**

Vietnam

- **Political Front**
- **Geo-strategic Front**
- **U.S. concerned over impact of South China Sea disputes**

U.S. Defense Secretary Robert Gates speaks at the Shangri-La Dialogue Asia Security Summit in Singapore June 5, 2010. Gates said on Saturday the United States was increasingly concerned about disputes over sovereignty in the South China Sea and the impact they could have on economic activity.

U.S. Defense Secretary Robert Gates said on Saturday the United States was increasingly concerned about disputes over sovereignty in the South China Sea and the impact they could have on economic activity.

WorldHe warned parties against trying to "intimidate" U.S. companies involved in projects there. Vietnam, China and other countries have longstanding competing claims of sovereignty over parts of the sea, including the potentially oil- and gas-rich Spratly and Paracel island chains.

U.S. military officials have singled out China's naval buildup and activities in the area as a concern both to the United States and its Asian partners.

"The South China Sea is an area of growing concern. This sea is not only vital to those directly bordering it, but to all nations with economic and security interests in Asia," Gates told a security conference in Singapore.

He said the United States believed it was essential to maintain "stability, freedom of navigation, and free and unhindered economic development" in the sea, and objected to "any effort to intimidate U.S. corporations or those of any nation engaged in legitimate economic activity".

"We do not take sides on any competing sovereignty claims," Gates said, urging all sides to "work to resolve differences through peaceful, multilateral efforts".

Admiral Robert Willard, head of the U.S. military's Pacific Command, cited China's increased maritime "assertiveness" in the South China Sea and East China Sea as a concern and "increasing encounters" with neighbours in the region, including Indonesia, Malaysia, the Philippines, Vietnam, and Japan.

[http://in.reuters.com/article/idINIndia-](http://in.reuters.com/article/idINIndia-49062020100605?rpc=401&feedType=RSS&feedName=worldNews&rpc=401)

[49062020100605?rpc=401&feedType=RSS&feedName=worldNews&rpc=401](http://in.reuters.com/article/idINIndia-49062020100605?rpc=401&feedType=RSS&feedName=worldNews&rpc=401)

- **Foreign Relations**

- **Myanmar, Vietnam vow to promote bilateral relations**

Leaders of Myanmar and Vietnam Friday vowed to further promote the two countries' bilateral relations in their messages exchanged on the occasion of the 35th anniversary of the establishment of diplomatic relations between the two Southeast Asian countries. Myanmar and Vietnam forged diplomatic links on May 28, 1975.

In a message to his counterpart Vietnamese President Nguyen Minh Triet, Myanmar top leader Senior General Than Shwe said "The cooperation in the regional framework of ASEAN, GMS and ACMECS have complimented the bilateral relations to move further to a higher ground."

President Triet pointed out in his message to Than Shwe, who is Chairman of the State Peace and Development Council, that he was delighted to see that during the past 35 years, the relations of traditional friendship and multifaceted cooperation between the two countries have continuously been consolidated and developed in all bilateral, regional and international frameworks, adding that trade, investment and economic cooperation between the two countries have recorded new progress, and expanded with greater effectiveness for the development and prosperity of the two peoples.

On the occasion, Myanmar Prime Minister U Thein Sein also exchanged messages with his Vietnamese counterpart Nguyen Tan Dung, saying that he is fully confident that their joint efforts would enhance the bilateral relations between the two countries and promote in the interest of the two peoples.

Dung said in his message to Thein Sein that economic, trade and investment cooperation between the two countries have gained important progress and have been expanding with greater effectiveness, adding that Vietnam will work closely with Myanmar to effectively implement high level agreements especially the joint statement adopted during his working visit to Nay Pyi Taw in April this year. During the April visit, the two prime ministers had exchanged views on strengthening the existing friendship between the two countries and cooperation in multi-sectors, pledging to lend continued support to each other on issues of mutual interest at regional and international forums.

Politically, Dung reiterated Vietnam's support for Myanmar's efforts for the successful implementation of its seven-step roadmap, encouraging Myanmar to "exert further efforts towards a free and fair election in 2010". The two prime ministers agreed to further promote and expand the multi-faceted cooperation between Vietnam and Myanmar, particularly the economic cooperation by maximizing the full potentials of both countries. Accordingly, the two prime ministers approved the promotion of cooperation in 12 key sectors -- agriculture, industrial crops, fishery, banking and finance, aviation, telecommunication, oil and gas, mining, electric equipment production, automobile manufacturing and assembling, construction, trade and investment cooperation.

Based on the outlines of cooperation in these sectors, the two countries formally signed seven contracts and memorandums of understanding on bilateral cooperation related to investment promotion, fishery, agriculture, finance, communications and mining.

Besides, the two prime ministers also agreed to strengthen and promote cooperation in culture, education, sports, tourism, road transport, forestry and security and defense, including the negotiation on an agreement on forestry cooperation and a MoU on bilateral defense cooperation.

The two sides will strive to conclude a visa exemption agreement for ordinary passport holders of the two countries in line with the ASEAN (Association of Southeast Asian Nations) related agreement, according to the statement.

As other activities during his visit, Dung attended a conference in Yangon on Vietnam investment promotion, further producing 11 other MoU on investment promotion between Myanmar and Vietnamese economic entrepreneurs covering the fields of communication, fishery, energy, trade, tourism and sports.

During the visit, a representative office of Bank for Investment and Development of Vietnam (BIDV) was opened. According to the Vietnam Customs, Vietnam-Myanmar bilateral trade went down 8.6 percent year-on-year to 99 million U.S. dollars in 2009 due to the impact of the global economic recession with Vietnam suffering a trade deficit of

more than 31 million dollars and accounting for 91.4 percent of Vietnam's total export turnover to the market. In the first quarter of this year, their bilateral trade reached 35.4 million dollars, a sharp increase of 247 percent year- on-year

<http://english.people.com.cn/90001/90777/90851/7004492.html?>

- **Angola: Vietnam Cooperate in Fight Against Poverty, Hunger**

The Ministry of Higher Education, Science and Technology (MESCT) and the Academy of Political and Administrative Science Ho Chi Minh of Vietnam will cooperate in several areas of scientific knowledge in order to eradicate poverty and famine. According to the chairperson of the Ho Chi Minh Academy, Huu Nghia, his stay in Angola aims to see what Angolans have done during peace period especially the actions to fight against famine and poverty and reinforce cooperation ties between the two countries.

In higher education and science technology they agree to send more Vietnamese experts to work with Angolans and also send Angolan students to the Asian country.

The minister of Higher education, Science and Technology, Maria Cândida Teixeira considered the visit as positive because it aims to reinforce cooperation between the two countries in sectors like higher education and scientific research.

<http://allafrica.com/stories/201006010238.html?>

- **Economic Front**
- **US, Japanese aid ships arrive in Vietnam**

A US Navy hospital ship arrived in Vietnam's central coastal province of Binh Dinh on Monday to cooperate with a Japanese ship on a humanitarian mission.

During the 13-day visit, the USNS Mercy and the JDS Kunisaki will conduct community health examinations and treatment, and exchange expertise with several local hospitals.

This program is part of the Pacific Partnership 2010, the fifth project under the US Pacific Fleet's annual humanitarian civic efforts. This year's three-month long humanitarian aid mission targets Southeast Asia, including Cambodia, Vietnam, Timor Leste, and Indonesia. In separate news, two ships from Indian navy arrived in the central city of Hai Phong on Sunday . During four-day visit, the Indian crew met with the city's People's Committee, the High Command of Military Zone No.3, and joined a volleyball match with the Navy High Command team.

<http://www.thanhniennews.com/2010/Pages/20100531130136.aspx?>

- **Vietnam Seeks Lower Interest Rates to Bolster Economic Growth**

Vietnam's Prime Minister Nguyen Tan Dung asked the central bank to implement measures to reduce interest rates and help the country achieve economic growth of 6.5 percent this year. "The State Bank of Vietnam needs to manage monetary policy flexibly, implement measures to bring down interest rates, control credit growth and keep

exchange rates stable,” according to a statement filed on the government’s website late yesterday that cited the prime minister.

Dung also said that ministries and local authorities should continue stabilizing the economy and help prevent inflation from accelerating to a very high level, according to the statement. The Southeast Asian nation has tried to bring down borrowing costs that climbed to as high as 20 percent this year after a link was severed between the central bank’s benchmark and commercial banks’ interest rates. Deposit and lending rates are “still high,” Dung said in the statement.

The government in May asked the State Bank of Vietnam to lower deposit rates to 10 percent, cut borrowing rates to 12 percent and to keep the dong’s exchange rate at a “reasonable level.”

Vietnam’s central bank said May 31 it would leave its benchmark interest rate unchanged at 8 percent in June, keeping the measure at the same level held since early December. Inflation slowed for a second month in May as food supplies cooled prices, government data show. Consumer prices climbed 9.05 percent from a year earlier, after rising 9.23 percent in April.

http://www.bloomberg.com/apps/news?pid=20601068&sid=aYnp_1VetZFI

- **World Bank forecasts Vietnam inflation at 9 pct in 2010**

The World Bank forecasts Vietnam’s inflation at 9 percent this year, lower than estimates by Citigroup Inc. and Credit Agricole CIB as food prices ease.

The National Assembly’s inflation target of 7 percent is “perhaps too tight for the current situation,” Martin Rama, the bank’s lead economist in the Southeast Asian nation, said at a briefing in Hanoi Thursday. “But if things continue the way they go, Vietnam should have single-digit inflation.” Last month, Vietnam’s government raised its inflation target for 2010 to 8 percent on concerns economic growth will push up prices. The nation is aiming for a gross domestic product growth rate of 6.5 percent this year, higher than the 5.3 percent expansion in 2009.

Vietnam’s consumer prices will rise more than 10 percent in 2010, Credit Agricole said in a May 25 report. Citigroup said in April that Vietnam’s inflation will probably reach almost 11 percent this year. The inflation rate fell for a second month in May to 9.05 percent from 9.23 percent in April, because of slower growth in food prices, according to figures from the General Statistics Office in Hanoi.

“There is one price that is very decisive for the consumer price index, that’s the price of rice,” Rama said. “Rice has been more or less on a declining trend, and when rice is cheap in Vietnam, all food items become cheap.”

<http://www.thanhniennews.com/2010/Pages/20100603222106.aspx?>

- **Social Front**

Singapore

- **Political Front**
- **ASEAN and Gulf foreign ministers condemn deadly Israeli raid**

South-East Asian and Gulf foreign ministers meeting in Singapore Tuesday condemned Israel's deadly raid on aid ships bound for the Gaza Strip, charging Israel with hindering the Middle East peace process. 'Israel has once again created additional hurdles to the Middle East peace process, which is currently entering a critical phase,' the ministers from the Association of South-East Asian Nations (ASEAN) and from the Gulf Cooperation Council said in a joint statement.

The ministers called for 'international cooperation to ensure that Israel is held accountable for its action in accordance with international law' and for a thorough investigation of the attack.

The statement also urged 'the immediate release' of flotilla passengers detained by Israel after its navy intercepted the aid ships seeking to run the Israeli blockade of the Gaza Strip. At least nine civilians died and 30 more were wounded in the raid in international waters.

The foreign ministers were in Singapore for a meeting normally focused on trade issues. ASEAN comprises Brunei, Myanmar, Indonesia, Laos, Cambodia, the Philippines, Malaysia, Singapore, Thailand and Vietnam while the council consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

http://www.monstersandcritics.com/news/middleeast/news/article_1559915.php/ASEAN-and-Gulf-foreign-ministers-condemn-deadly-Israeli-raid?

- **Tensions on Korean Peninsula expected to dominate security dialogue**

Rising tensions and sabre rattling on the Korean Peninsula are expected to dominate a summit on Asian defence and security in Singapore this weekend, after a torpedo attack in March sank the South Korean corvette Cheonan, killing 46 sailors.

The three-day 2010 Shangri-La Dialogue is set to officially open with a keynote speech by South Korean President Lee Myung Bak late Friday, according to the agenda.

US Secretary of Defence Robert Gates is scheduled to address the summit on Saturday.

Last month, a multinational investigation found that the Cheonan was destroyed by a torpedo, most likely fired by a North Korean submarine. The Stalinist regime in Pyongyang, however, denied any involvement in the incident and threatened to start a war on the Korean Peninsula. The North Korean threat was expected to rank high among the issues to be discussed in the summit's plenary sessions and at meetings on its

sidelines. Other topics to be addressed are security partnerships in the region, the regional security architecture and humanitarian and disaster relief in the Asia-Pacific.

The dialogue organized by the London-based non-governmental International Institute for Strategic Studies (IISS) represents the highest concentration of defence and security leaders in Asia. Since its inaugural meeting in 2002, the summit has also expanded as a venue for diplomats from the United States and Europe. Attendees are to include ministers and delegates from Australia, Bangladesh, Brunei, Cambodia, Canada, China, France, Germany, India, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Pakistan, the Philippines, South Korea, Russia, Singapore, Sri Lanka, Thailand, Britain, the United States and Vietnam. The summit is scheduled to conclude on June 6. http://www.monstersandcritics.com/news/asiapacific/news/article_1560467.php/Tensions-on-Korean-Peninsula-expected-to-dominate-security-dialogue?

- **Economic Front**
- **More funding available to help firms improve productivity**

More funding is available for companies to help them improve productivity through new training programmes. Small and medium-sized enterprises will enjoy 70 per cent of funding, while multinational companies can tap on 50 per cent of subsidies given by the Workforce Development Agency (WDA). Deputy Prime Minister Teo Chee Hean announced this at the Singapore Business Awards on Monday evening.

Singapore is aiming to achieve a productivity growth of two to three per cent annually over the next 10 years. To help companies do that, Mr Teo, who is also the chairman of the National Productivity and Continuing Education Council, said the government has developed an SME Productivity Roadmap (SME-PRO).

He said: "This is a useful guide to assist SMEs on their productivity journey. It brings together supporting infrastructure and assistance to raise SMEs' awareness of productivity, help them understand the concepts and then implement tools to enhance their performance."

From Tuesday (June 1), companies can also tap on a new portal called Productivity@Work, managed by SPRING Singapore. The portal has information and resources on how to improve productivity.

Mr Teo said the next step is training. WDA is already working with various industry associations to develop productivity training programmes. These are targeted not just at workers, but at management levels - which can make a real difference to the way an enterprise organises itself.

He added: "In addition, the council will assess how the current tools available can be maximized to enhance productivity and also develop new ones as needed. We recognise

that there are already a number of productivity related schemes administered by various agencies. "These include capability development, application of technology, manpower training & development, and job redesign. Hence, as a first step, government agencies will review schemes that are currently available to help companies improve their productivity and make them more accessible." The portal will also have an interesting feature which allows businesses to use an online calculator to work out their productivity performance based on four indicators, such as labour cost competitiveness and capital productivity. Companies can then benchmark their productivity figures against industry levels. Mr Teo said: "This year, we can expect a short-term rebound in productivity due to the upturn. This is largely due to the fact that we have worked with companies and unions to save jobs during the downturn. "However, we must not let short-term productivity gains lull us into thinking that we do not need to increase our productivity growth rate over the long term."

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1060175/1/.html>

- **10 agreements on science & technology collaborations signed between S'pore & Jiangsu**

Ten agreements on science and technology collaborations have been signed between Singapore and Jiangsu companies and institutes. The agreements were sealed at the Singapore-Jiangsu Innovation Cooperation Conference in Nanjing on Tuesday.

Minister of State Lee Yi Shyan and Jiangsu Vice Governor Zhang Weiguo were joint witnesses. According to a statement by IE Singapore, Mr Lee said that Singapore and Jiangsu should tap on the Singapore-Jiangsu Cooperation Council (SJCC) to develop capabilities in science and technology together.

The SJCC is a platform to enhance both economic and non-economic collaboration between Singapore and Jiangsu. In the first four months of this year, bilateral trade between Singapore and Jiangsu reached US\$2.82 billion or about S\$3.9 billion, up 30.8 per cent over the same period last year. As of end April 2010, Singapore's cumulative actual foreign direct investment in Jiangsu amounted to US\$16 billion, with about 3,000 projects. In 2009, Singapore was the fourth largest investor in Jiangsu. - CNA/ms

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1060344/1/.html>

- **PM Lee outlines 4 key challenges for S'pore at Pre-U Seminar 2010**

Prime Minister Lee Hsien Loong has said despite globalisation, Singapore can create a national identity for itself. He said the challenge is to keep Singapore recognisable to its citizens, while bringing in new immigrants to cope with future challenges.

Mr Lee was addressing over 500 junior college and polytechnic students at a Pre-University Seminar on Tuesday morning. Addressing a packed auditorium at the National

University of Singapore, the prime minister outlined four key challenges facing Singapore. He spoke of the need to upgrade the economy, create a strong education system, build a cohesive society and improve the urban living environment.

Mr Lee said to achieve this, Singapore needs good people at all levels, be it in the public or private sector. And he said the public service especially requires a team of outstanding officers and that good government remains a critical advantage of Singapore.

Mr Lee also reminded his audience that even if they find success in life, they should make an effort to contribute back to society.

These themes were picked up during the hour-long dialogue following his speech, with students raising questions on income equality, attracting youths into politics and how Singapore can meet future challenges. A student from Hwa Chong Junior College asked the prime minister: "How do you suggest that we prepare stability and peace for the next century, living in the culture of our pledge?"

Mr Lee's reply, "I'm putting it in your good hands", brought on laughter. He added: "I sketch big questions not to frighten you, but to give you a sense that there are big issues which is worth our while committing heart and soul to go and tackle."

Others wanted the prime minister's view on globalization and new immigrants. One student from Millennia Institute asked: "With the influx of new immigrants and the potential fault-lines in our society between established Singaporeans and the new arrivals, what do you envision Singapore to be 10 years from now?" In reply, Mr Lee said: "I hope in 10 or 15 years' time, the immigrants who are here today would have become more Singaporean in their outlook, in their habits, in their integration in our society.

"We have to keep the core, the ethos of this place, a sense of continuity, that it's not just a new group living in the same room. And keep a balance between strengthening, maintaining the core and keeping Singapore recognizable, and bringing in new people and transforming Singapore to prepare for tomorrow."

A student from Temasek Polytechnic, who is a Singapore permanent resident from Taiwan, asked: "How do you build a national identity when it will be diluted over time by foreigners like myself?"

Mr Lee said one way is to maintain a sense of heritage and history among Singaporeans. He said: "That's why we try hard to give people a sense of heritage, a sense of place, of a sense of how Singapore came to be like this. And if you can sense and feel that, and belong to that ... "And if the PRs also, who come and want to become part of our community, identify with that and then say, 'Yes I am joining this team and my children will grow up here and they will be part of this team,' then I think we can keep our identity and in a globalised world, Singaporeans are something different."

There was also a question on meritocracy versus elitism, to which Mr Lee responded that while some people may do better than others, it was important that the benefits of growth go to everyone, not just those who succeed.

And he said that Singapore must not have what he calls a "magic circle" of elite achievers, and that anyone can do well whatever his or her background.

Mr Lee also spoke of the need for capable hands at all levels, especially in the public service. He said: "So if the PSC talks to you, please listen carefully and take it seriously because in fact, it's a serious choice which you have to make. If everybody goes into the private sector, you say marvellous, somebody else can look after the country.

"And it so happens that nobody remembered to mind the shop, then the private sector will not succeed. Because you must have somebody who's not just minding the shop, but making sure it's possible for people to prosper, thrive, do well and make tomorrow better." The Pre-U Seminar is an annual event and celebrates its 40th anniversary this year.

<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1060277/1/.html>

- **S'pore top country for business, barriers in rest of ASEAN: study**

Singapore has been ranked the best place to do business in the world, but barriers remain for the rest of ASEAN, a study released in Vietnam on Thursday said. The World Economic Forum index ranked 125 countries based on their performance in four main areas: market access, border administration, transport and communications infrastructure and general business environment.

Singapore kept the top rank it held in last year's study, but five other members of the Association of Southeast Asian Nations (ASEAN) fell. Vietnam improved from 89th to 71st largely because of its accession to the World Trade Organization three years ago, Thierry Geiger, a co-author of the study, told a news conference.

But he said barriers to trade in ASEAN "remain many and significant", primarily in border administration and transport infrastructure. The study said Malaysia "stands out positively" at 30th position, compared with 28th last time, while Thailand is at 60, down from 50 a year ago, and Indonesia ranked 68th, from 62nd.

The Philippines sunk to 92 from 82, and Cambodia hit a "very low" 102, down from 92, the study said. Data from ASEAN's other members, Laos, Brunei and Myanmar, was not included in the study. ASEAN is working towards establishing by 2015 a single market and manufacturing base of about 600 million people.

The World Economic Forum, a Geneva-based independent organisation, released the study ahead of its World Economic Forum on East Asia in Ho Chi Minh City from Sunday.

http://www.channelnewsasia.com/stories/afp_singapore_business/view/1060795/1/.html

- **S'pore consumer electronics firms see sales potential in Russian market**

Singapore consumer electronics companies could potentially see about US\$50 million worth of sales in the next 12 months in Russia. This was the result of the first-ever IE Singapore-led consumer electronics mission to Moscow that took place in April.

Trade promotion agency IE Singapore says it has also identified more than 20 opportunities where it will work closely with the companies following the mission. According to Business Monitor International, Russia's consumer electronics devices market is estimated to be worth some US\$17.6 billion in 2010. The consumer electronics market is expected to increase at a compound annual growth rate of around 8.3 per cent to US\$24.2 billion by 2014. The Russian market is also attractive because of its large population and a relatively low penetration rate in product groups such as computers and digital cameras at the moment.

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1060820/1/.html>

- **Social Front**
- **Environmental Front**
- **Singapore signs MOU to promote maritime clean technologies**

The Maritime and Port Authority of Singapore (MPA) and risk managing service provider DNV's Clean Technology Center signed a partnership agreement on maritime environment and clean technologies on Thursday.

Through the agreement to initiate and promote research, development and test-bedding projects in the maritime clean technology arena, MPA and DNV demonstrate their commitment to Singapore's goal of developing into a global maritime knowledge hub, an MPA statement said.

MPA's Assistant Chief Executive Khong Shen Ping said, " Protecting the marine environment is one of the key challenges facing the international shipping community, and the MPA-DNV Memorandum of Understanding(MOU) reflects the firm commitment of both..to protect and safeguard the marine environment."

<http://english.people.com.cn/90001/90777/90851/7011738.html?>

Laos

- **Political Front**
- **Economic Front**
- **Laos' reforms offer chance of improved trade with Malaysia**

Laos' economic growth rate and its efforts to liberalise under the Asean Free Trade Agreement (Afta) offer opportunities for increased bilateral trade with Malaysia.

Prime Minister Datuk Seri Najib Tun Razak said Laos had been working towards the

2015 deadline for full implementation of Afta and now had 98.7% of products in the inclusion list at rates between zero to five per cent.

He said the country had also undertaken reforms aimed at creating a more conducive business environment and was in the final stages of accession to the World Trade Organisation, an effort that Malaysia will support fully. He said Laos' fast paced development, its political stability and proximity to countries like Vietnam and China also gave it better long-term investment potential.

Warm welcome: Najib being greeted by Bouasone (right) at the Laotian Prime Minister's office in Vientiane yesterday. — Bernama

"Malaysians invested US\$151mil (RM500mil) between 2000 and 2009 and with the expected (annual) economic growth of 7% and 7.5% over the next two years, I believe there is good potential for the figure to rise further," he told a press conference here yesterday. He was speaking after attending a business luncheon organised by the Malaysian Government that was also attended by Laotian Prime Minister Bouasone Boupavanh.

Najib is on a two-day official visit to Laos, his first since taking over as Prime Minister, and is scheduled to leave for Malaysia tonight.

He welcomed the move by Malaysian businessmen and professionals in Laos to form the Malaysian-Laotian Business Council as it would promote stronger cooperation between the business communities on both sides as well as with the Government and related agencies.

In his speech earlier, Najib said Malaysia would continue to assist Laos through the Initiative for Asean Integration, under which it had contributed US\$5.23mil (RM17.8mil) between 2002 and 2008 in 63 projects to assist the country as well as Cambodia, Myanmar and Vietnam.

<http://thestar.com.my/news/story.asp?file=/2010/6/4/nation/6399131&sec=nation>

- **Laos revamps investment landscape to lift GDP by 8%**

The Lao government is planning on upgrading its investment climate so that it can reach annual economic growth of more than 8% over the next five years, Prime Minister Bouasone Boupavanh says. "From 2011-15 there are plans by our government to achieve economic growth targets of about 8% or more while at the same time maintaining our stability," Mr Bouasone said at the 'Future of Asia' business conference in Tokyo.

Laos offers lots of potential for entrepreneurs looking to tap the various sectors the government is promoting. Mr Bouasone said that despite the past year's global economic upheaval and the political problems in neighbouring Thailand, the country's gross domestic product grew by 7.6% in 2009. "There are no doubts therefore that we can

achieve the targets we have set out," he said.

The global economic crisis had not destroyed Asian economies, on the contrary the region has now managed to manoeuvre itself into a key position on the world markets.

The region's rising global standing also means that trade and investments between Asian countries are likely to continue to rise. Countries such as Laos need to tap these opportunities as much as possible and Vientiane was looking to make legal amendments so it can devise better incentives to attract foreign investors, he said. "We will upgrade the country's investment incentives to make it more attractive in every way possible. Be it in taxes, litigation issues or the approval process," he said.

Laos will soon present its investment policies in detail and show that they are transparent. The government will promote investment in agriculture, electricity generation, alternative energy, hotels and tourism, logistics and services.

Growth in the country's economic activities has been the main draw for foreign direct investment in Laos which has surged over the past few years thanks to the country's stability, he said. Mr Bouasone said Laos is a country with an abundance of farmland and forestry and his aim was to promote this sector's exports.

"We are going to develop this area with value-added products such as organic food," he said. "We would make [forestry development] a reality. We want 65% of the country to be forested by 2015."

Developing human resources is key to meeting the country's economic targets and to see it leave the realm of the world's least developed nations over the next couple of years.

Another aim of Mr Bouasone is to try to make Laos a "land-linked" country rather than a land-locked one. To achieve this the government will promote greater investment in infrastructure and other developments that will help increase its connectivity with China and Thailand. "The 2011-15 plan aims to achieve many things, we want to grow by 8% each year while maintaining our stability, we want to develop human resources to cope with this growth and, at the same time, care for and nurture our precious asset - the environment," he said.

Laos would welcome larger-scale investments from China, Japan, Thailand and other countries, he said. "We would welcome large scale businesses to give us stability such as hydro power and construction of infrastructure, aside from the development of various trade zones," he said. The government is also eyeing other foreign investment projects, such as the development of:

- airports;
- logistics systems to facilitate the transfer of goods and services, and
- local economies in each part of the country.

"All this would help us reach the goal of being a 'land-linked' country," he said.

Thailand is a major investor in Laos, but the kingdom's political turmoil was having a major effect on its investment. Laos is a mostly rural nation of about 6 million and is among one of Asia's poorest countries. Thailand is crucial for Laos as it generates much of its foreign exchange through investments in hydro projects, mining and tourism.

"Political instability in Thailand is of great concern to us, especially because we share borders with Thailand," Mr Bouasone said. "Because the Lao PDR uses ports in Thailand to export and import we are directly affected [by the unrest]," he said.

<http://www.bangkokpost.com/news/asia/38028/laos-revamps-investment-landscape-to-lift-gdp-by-8>

- **South Korea lends US\$ 46.85 million to Laos**

The Republic of Korea has lent US\$ 46.85 million to the Lao PDR for the funding of the Great Mekong Sub-region-Northern Power Grid Project and three projects of the Ministry of Public Security. The signing ceremony between the Korea Economic Development and Cooperation Fund (EDCF) and the Lao government

The agreement signing between the Korea Economic Development and Cooperation Fund (EDCF) and the Lao government was held in Vientiane on 31 May.

The signatories to the agreement were Mr. Somdy Douangdy, Minister of Finance, and Mr. Kim Dong-Soo, Chairman of the Export-Import Bank of Korea. This event was witnessed by representatives of the two sides. "This year, the Lao PDR has borrowed US\$ 46.85 million from the Exim Bank of Korea for the operation of four projects" said Mr. Somdy Douangdy.

The Great Mekong Sub-region-Northern Power Grid Project took up a big portion of this loan package, US\$37, 88 million. The three projects of the Ministry of Public Security would utilise US\$ 8.99 million, for the purchase of medical equipment and facilities for Hospital No. 109, fire fighting facilities in Vientiane and to fund rescue services in five provinces.

<http://laovoices.com/2010/06/03/south-korea-lends-us-46-85-million-to-laos/>

• **Laos set for capitalist leap into stock market**

Isolated for decades behind Asia's bamboo curtain, communist Laos will soon take a great leap into the global capitalist marketplace with the launch of a stock exchange to fuel a quiet mining and hydro-power boom.

Government officials in one of the world's few remaining communist countries say economic liberalization will not affect the regime's hold on power in a country with ambitions to emulate China's market-based authoritarianism.

But they hope the bourse, due to be opened later this year, will pull the nation of six

million people out of poverty by injecting much-needed capital into the economy, in particular hydro-power and mining, which are seeing a wave of foreign investment as commodity prices rebound.

"There is huge potential in development but limited sources of financing," said Vathana Dalaloy, deputy secretary general of the country's newly formed Securities and Exchange Commission, which is setting up the bourse as a \$20-million joint venture with Korea Exchange, Asia's fourth-largest bourse operator.

Plans for the exchange also cast a spotlight on one of the world's last remaining hermit economies where annual gross domestic product (GDP) growth has averaged more than 7 percent over recent years, according to the Asian Development Bank (ADB).

GDP was worth about \$6 billion in 2009, according to World Bank data, with GDP per capita of nearly \$900 compared with \$4,000 in neighboring Thailand.

With numerous rivers flowing through its misty, forest-clad mountains, Laos wants to become the "battery of Southeast Asia," selling power to its energy-hungry neighbors. Its jungles are also rich in minerals, attracting miners.

China's Minmetals Corp is expanding annual production at its Sepon copper mine in Savannakhet province to about 80,500 tonnes of cathode by next year from about 65,000 tonnes last year. Vietnam's top coal miner Vinacomin said in January it planned to carry out exploration in Laos this year.

Padaeng Industry Pcl, Southeast Asia's only zinc producer, said in April it plans to close a northern Thailand mine and focus on developing new mines in Laos. Other players include PanAust, an Australia-listed mining company that runs the Phu Kham copper-gold mine.

HYDRO AND MINING

Hydro-power and mining companies were expected to be the first to list on the stock exchange, along with telecommunications and manufacturing firms, Vathana said.

Electricite du Laos, one of the largest state-owned companies, has announced plans to sell a minority stake to cover costs of new power plants in rural areas.

A government power development plan calls for 55 large dams, including seven now under construction, but foreign investors are needed to help fund such big projects.

"If you want to open your country, you have to make an access road. If you want to connect with the global market, you have to create your own stock market," said Industry and Commerce Minister Nam Viyaketh.

Foreign investors, drawn to one of Asia's most exotic markets, are taking interest.

Banpu, Thailand's largest coal miner, announced this year plans to spend \$255 million over the next six years in its 40 percent-owned Hongsa power plant -- a \$3.5 billion

project that will be the country's largest power plant when complete.

That follows this year's completion of the \$1.45 billion Nam Theun 2 hydro plant, a 1,086-megawatt dam stretching 200 km (125 miles) along the Nakai Plateau in mountainous central Laos that stoked environmental concerns when it began operating in March.

Environmental group International Rivers said the dam was preventing access to clean water and destroying critical food sources without providing compensation, but that hasn't stopped the flow of investment.

Thailand's Electricity Generating Pcl, a partner of Hong Kong's largest power utility, CLP Holdings Ltd, said this year it was keen to raise its 25-percent stake in Nam Theun by another 10 to 15 percent.

"A MISTAKE"

Earlier generations of Lao communists, who joined forces with comrades in neighboring Vietnam to battle French colonial forces and later U.S. troops, might bristle at such deals. But Nam, the Industry and Commerce Minister, said lessons had been learned since the communists took over in 1975 at the end of the Vietnam War. "We denied private property. We said 'everything belongs to the government'. We nationalized everything.

"It was a mistake."

Realizing its policies were stifling development, the government decided in 1986 to take steps toward liberalization including opening up to tourism, which at the time was beginning to boom in neighboring Thailand.

Tourism has since become the second-largest sector of the Lao economy, with the number of visitors more than doubling from 894,806 in 2004 to more than 2 million last year, according to the National Tourism Administration.

In 2006, the government formally recognized the private sector as the engine of economic growth, said Christopher Hnanguie, an economist with the Asian Development Bank who observed Vietnam launching its stock exchange in 2000.

Cambodia, the third of the former French Indochina colonies to become communist at the end of the Vietnam War, plans to hold a launch ceremony for the exchange on October 10, although trading won't begin until next year.

Vietnam launched its bourse in 2000 with initial market capitalization of \$43 million. Today, Vietnam's market is worth nearly \$33 billion.

Hnanguie said risks for the Lao exchange include insider trading and capital flight, noting Vietnam's stock market had a rocky start with allegations of insider trading and unrealistically high expectations of quick returns.

When immediate profits did not materialize, many people pulled their money out. Most

initial investors were Vietnamese who had returned home after making money overseas. There could be parallels in Laos, he said.

"It's the expat Lao who have the capital," said Hnanguie. "If they feel the stock market is not appropriately being managed or if there is insider trading, they'll take their money and go." But Hnanguie said he was "more positive than negative" about the bourse's prospects. "Those who want to take risks, put money right away and take it out after eight months. Those who do not want to take risks, wait for two years," he said.

http://news.yahoo.com/s/nm/20100603/bs_nm/us_laos_exchange_1

- **Social Front**
- **HIV/AIDS a persistent threat in Laos**

Laos' Centre for HIV/AIDS/STI is gearing up to provide information on HIV/AIDS to make sure deaths from the killer disease decline in the years to come.

The centre's deputy director Dr Chanthone Khamsibounheuang said publicity campaigns were still necessary to encourage at risk groups to protect themselves and stay safe from the disease. The main risk groups are prostitutes, drug addicts and homosexuals.

"Intercourse is the most common way the virus is transmitted. Using a condom is the best way to protect yourself against the virus," he said.

So far, there are five treatment centres available in Laos for people living with HIV/AIDS. These are located in Mahosot Hospital and Setthathirath Hospital in Vientiane, with other centres in Luang Prabang, Savannakhet and Champassak provinces. From 1990 to 2009, out of a sample of 227,879 blood tests taken in Laos, 3,659 people tested positive for HIV. Of those, 2,376 people developed AIDS and 1,038 people died from the virus. UNAIDS estimates that almost 33 million people were living with HIV/AIDS worldwide as of the end of 2007, up from 29.5 million in 2001.

Although huge strides have been made over the past two decades, new infections outpace the ability of medical staff to deliver treatment. Despite nearly a quarter of a century of treatment and research, nearly two million people die from AIDS every year.

<http://www.asianewsnet.net/home/news.php?id=12237>

Brunei

- **Economic Front**
- **SMEs must seek pacts with global companies**

HER Royal Highness Princess Hajah Masna, Ambassador-at-Large at the Ministry of Foreign Affairs and Trade, yesterday stressed the importance for Small and Medium Enterprises (SMEs) to seek strategic alliances and enter into viable partnerships with foreign companies, to further succeed in promoting halal products and the Brunei's Halal

Brand.

"By doing so, they will not only learn international best practices and good corporate governance, but also ensure better access to the halal market and increase the international respect accorded to halal products in general and Brunei halal brand in particular," Her Royal Highness added in a sabda, during the opening of the Fifth International Halal Market Conference (IHMC 10) from June 5 to 6, at the International Convention Centre (ICC).

In line with Brunei's commitment to keeping Islamic values fair, just and ethical trading in international commerce and trade, Her Royal Highness commented on Brunei's economic diversification programme, apart from providing "halal and Tayyib" food.

"This is why, over the last few years, Brunei's economic diversification programme has included the development of key elements in the conduct of Islamic business, such as Islamic banking and finance, business services, eco-tourism, hospitality and of course our agricultural and agri-food sector where halal food production remains a fundamental consideration," Princess Hajah Masna said.

As parts of efforts in complementing the "Brunei Halal Agenda", the ambassador-at-large said contributions such as the recent launching of the Guidelines for Manufacturing and Handling of Halal Medicinal Products, Traditional Medicines and Health Supplements marked the country's commitment to halal products, uncompromising quality and strong Islamic values that met with international standards for health and food safety.

In that regard, Her Royal Highness lauded Brunei's partnership with Ghanim International Foods Corporation, who has enabled the promotion and marketing of Brunei Halal Brand throughout the world.

Her Royal Highness also noted the upcoming development of the Brunei Agro-technology Park which will include a Halal Science Centre, to provide a platform for Bruneian businesses to be successful in new industries as well as play an increasingly significant role in the economic development of the country.

"It (the Brunei Agro-technology Park and Halal Science Centre) sends a clear message that the government of Brunei welcomes investment not only in manufacturing and support service industries, including Halal logistics, but also research and development activities," Her Royal Highness explained.

Meanwhile, Princess Hajah Masna suggested one way in enhancing cooperation on halal standards between countries and regions was by exploring the possibility of entering into Mutual Recognition Arrangements or "MRAs" with trading partners.

"This would open up new and broader opportunities for local food producers, not just by creating new markets, but by allowing them access to materials and ingredients from

other countries that may enhance their own halal products," she said, adding it may help in developing international chains of supply.

In concluding her sabda, Her Royal Highness said she hoped participants will discuss the possibility of funding Halal goods through mechanisms of Islamic Finance. "I believe this has great potential as an alternative source of funding and would help to shape an efficient model for Islamic business," she said.

This year's conference, themed "Halal-The Next Decade", aims to review past achievements, developments and analyse the current state of the halal sector, said the Ministry of Industry and Primary Resources Permanent Secretary Hjh Suriyah Hj Umar, cum Co-Chairman of IHMC 2010.

Among some of the topics that will be discussed during the two-day conference are retail and brand development in the halal food sector, the national halal programmes and initiatives from key countries within the Asean region and exploring the dynamics of new emerging subsectors that are being created from the convergence of shared halal values.

The IHMC 2010 will conclude today with an open panel discussion where selected speakers will take questions and comments from the floor, and address the overall issue of the directions expected by the halal market to undertake in the coming decade.

About 350 local and international delegates and participants attended the opening ceremony, and will be involved throughout the two-day conference. The Brunei Times <http://www.bruneitimes.com.bn/news-national/2010/06/06/smes-must-see-pacts-global-companies>

- **OIC shows interest in Brunei's halal guidelines, may adopt as standard**

THE world's first halal pharmaceutical guidelines by Brunei has evinced the interest of the Organisation of the Islamic Conference (OIC) which could possibly adopt the standard.

"If they adopt our standard, (then it becomes) a universal standard. In other words we would have provided a service to OIC accreditation bodies," Minister of Industry and Primary Resources Pehin Orang Kaya Seri Utama Dato Seri Setia Hj Yahya Begawan Mudim Dato Paduka Hj Bakar told The Brunei Times in an interview on the sidelines of the Fifth International Halal Market Conference yesterday.

The minister added: "They (OIC and international bodies) look at it as top-notch certification authority because it is government-driven. It is not driven by other bodies. The government has provided the resources to do that."

He went on to say that as the accreditation process was befittingly stringent, it would not be easy for companies to get accredited.

The minister said the introduction of the world's first halal pharmaceutical guidelines by

Brunei is set to assure Muslims across the globe of the products' credibility and quality, due to its stringent and uncompromising accreditation standards.

"The government is very strongly behind it (the halal initiative), providing financial resources, providing manpower."

He went on to say that government backing made the Brunei's halal standard very stringent and very credible, and helped institute Brunei as a credible authority to certify the accreditation.

"It's part of our duty, part of our obligation, responsibility to make sure that this halal is not easily compromised or turned into a commercial interest because fardhu kifayah (communal duty) is not something we can play around with," the minister said.

Speaking on the ideas and views shared on the first day of IHMC yesterday, Pehin Dato Hj Yahya said that the sessions discussed a number of ideas pertaining to the current trends in halal and matters of concern to Muslim as well as non-Muslim consumers.

"Non-Muslim consumers are getting more choosy quality-wise; in Islam that is one of our criteria, the Halalan Thayyiban (permissible and wholesome)," he said.

The minister added that Bruneians were living the Islamic lifestyle from banking, food consumption to the way the Sultanate handles its tourism sector.

Noel Shield, Chief Executive Officer of Ghanim International Food Corporation Sdn Bhd, a joint-venture firm that will manage the use of the country's premium halal brand to the world, said that most countries do not practise the government-driven style of the certification system. "As I said at the conference (earlier), Brunei's strength is the strength of its certification system, and I said it without fear of any contradiction that Brunei now leads the world in the (halal) accreditation and certification," he said.

<http://www.bruneitimes.com.bn/news-national/2010/06/06/oic-shows-interest-bruneis-halal-guidelines-may-adopt-standard>

- **Social Front**

