

Report # 134**Business and Politics in Muslim World****South East Asia****Tatheer Zahra Sherazi****From 20 August to 27 August****(Outline)**

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Summary

At political Front

- Indonesia

Ikrar Nusa Bhakti, a political analyst from the Indonesian Institute of Sciences (LIPI), said the system did not allow new, qualified leaders to emerge. Ikrar said there was no shortage of qualified politicians to assume the highest positions in the country, but these positions frequently went to other figures. "Some politicians are afraid to emerge for fear they will be eclipsed by more popular and wealthier candidates," he said. At the national level, Ikrar said, the system was limited because it still adopted the political culture that only Javanese and Islamic figures could assume state leadership positions. "These criteria shouldn't matter as there are non-Java and non-Islamic leaders who are better than, say, Yudhoyono," he said.

The U.S. and Southeast Asia will collaborate on democracy, good governance, and human rights-related programs.

"Indonesia has an indispensable role to play as a regional and global leader in expanding freedom, increasing individual empowerment, and improving living conditions not just in Indonesia, but beyond its borders." The United States Agency for International Development, or USAID, will be soliciting concept papers outlining potential partnerships that might be developed under this new initiative.

"Indonesia has an indispensable role to play as a regional and global leader in expanding freedom, increasing individual empowerment, and improving living conditions not just in Indonesia, but beyond its borders," said Special Assistant Power. For its part, the United States is committed to working with Indonesia to further the freedoms and values that the 2 nations enjoy.

Recently-attacked church congregations continue their battle against religious discrimination by organizing a Sunday service in Bekasi stadium, east of Jakarta, with at least 15,000 people, including representatives of other religions, expected to turn up. The event is held by the Huria Kristen Batak Protestan (HKBP) church congregations to express concerns about the lack of freedom of worship and to promote pluralism, following church attacks in Greater Jakarta, the latest on congregation of the HKBP

Pondok Timur in Bekasi early this month.

- Malaysia

All societies need change and countries that don't change or can't change remain ossified and stagnant. A few weeks ago, I hosted a lunch for a Malaysian politician and an Indonesian businessman. The politician and I were struck by the tycoon's steadfast support of his nation's democratic traditions. He stressed that he would not be where he was now had it not been for Reformasi and the turbulence of 1998. Indeed, he made a powerful argument that his country wouldn't be powering ahead were it not for the transformation that took place after Suharto's ouster.

- Cambodia

The contrast serves to forecast Cambodia's unpleasant future, a future the international community sought to avoid when it established the 1991 Paris Peace Accords and invested \$3 billion to set Cambodia on a productive course. The current situation in Cambodia and the future it foretells represent an international failure.

At geo-Strategic Front

- Indonesia

"President Yudhoyono will talk directly with Malaysian Prime Minister to discuss the problem over border of the two countries," the presidential aid said. The two countries have often involved in conflict over the uncertainty of their border.

"Previously, the settlement of the border was hampered by the unfinished yet agreement between Malaysia and Singapore," Lelono said at the State Palace. President Yudhoyono has asked for steps to accelerate the settlement of the dispute after the incident over claims of border by the officials of the two countries earlier this month, the aid said.

- Thailand

Thailand and Cambodia can restore ties knowing they are Asean members and can share economic benefits. One would not think that fence mending between Thai Prime Minister Abhisit Vejjajiva and his Cambodian counterpart Hun Sen was possible considering the viciousness behind the Cambodian leader's attack on Abhisit last October.

The Bangkok City and District Councils' elections, scheduled on this Sunday, will be a good index of the popularity of political parties among Bangkokians and a rehearsal for the political parties before the general election. Hundreds of candidates from the Democrat Party -- the main player in the ruling coalition, the opposition Puea Thai Party and the only-one-year-old New Politics Party will participate the competition for the 61 seats on the Bangkok City Council and the 256 seats on the 36 district councils.

The current border issue between Thailand and Cambodia has been more complicated by the emergence of patriotism in Thailand and the internal political game

played by local politicians.

The recently frequent demonstrations against Cambodia's management plan of Preah Vihear Temple and government's resolution on the issue by Thai Patriot Network allied with People Alliance for Democracy (PAD) reflects the nationalism mood which has been lately spurred in this nation. The question posed concerns whether the rising nationalistic sentiment will further divide Thai society or finally restore unity to this divided country.

- Cambodia

China and Cambodia Wednesday pledged to enhance cooperation in law enforcement, counter-terrorism, drug control and fighting transnational crime. Zhou Yongkang, a senior leader of the Communist Party of China, spoke highly of the effective cooperation in these areas during a meeting with Cambodian Deputy Prime Minister Sar Kheng.

- Vietnam

Vietnam and the US held their first-ever defense dialogue on Tuesday (August 17), officials announced at a press briefing following the conference.

Robert Scher, US Deputy Assistant Secretary of Defense for South and Southeast Asia, said the dialogue was very candid and open. According to Scher, the substance of the meeting included increased cooperation in areas such as marine security, international peacekeeping and search and rescue. The talks, held 15 years after the normalization of diplomatic relations, represented "the next significant historic step in our increasingly robust defense relationship which is based on mutual trust, understanding and respect for independence and sovereignty," Scher told reporters.

At economic Front

- Indonesia.

Trade Minister Mari Pangestu, pictured here in this file photo, expects the pace of the expansion of the Indonesian economy to "continue to pick up" in the third and fourth quarters. Indonesia's economy may grow 6 percent this year and will probably accelerate in 2011, Trade Minister Mari Pangestu said.

The pace of expansion in the third and fourth quarters should "continue to pick up" in part because disbursement from the government's budget "is normally much higher in the second half," Pangestu said. Indonesia is also seeing "continued robust consumer demand as well as investment picking up," the trade minister said in an interview today at a conference in the central Vietnamese city of Danang.

Gross domestic product in Southeast Asia's largest economy grew 6.2 percent in the second quarter from a year earlier, surpassing the estimate of economists surveyed by Bloomberg News. Bank Indonesia may need to follow counterparts in Malaysia, Thailand

and India in raising interest rates after inflation quickened to 6.22 percent in July, a 15-month high.

Exports may grow by as much as 14 percent in 2010, Pangestu said. Indonesia's shipments rose 31 percent in June from a year earlier, after gaining 36 percent in May.

"Commodity prices will be higher in the second half," Pangestu said, citing rubber, palm oil and coal. "Non-commodities are also looking quite good," she said, citing garments and footwear. Expectations of a stronger Chinese currency have caused some production to shift to Indonesia, boosting footwear and garment shipments from the Southeast Asian nation, Pangestu said. "It's coming off a lot of relocation from China," she said. "It's a couple of factors: it's the yuan, it's the increased wage cost and stricter labor regulations and all the labor issues that China's been facing."

With its huge labor force and relatively stable political and social climates, Indonesia has been increasingly regarded as one of the best places to invest in labor-intensive industries, experts say.

Energy Minister Darwin Saleh has established a directorate general in charge of renewable energy. It is to be headed Luluk Sumiarso, the former director general for electricity, and oil and gas. Indonesia's Ministry of Energy has set up a directorate general in charge of boosting and regulating the use of renewable energy in Southeast Asia's biggest economy. The directorate general's task is to "formulate policies and the technical standardization on new energy, renewable energy and energy conservation," Energy Minister Darwin Saleh said in Jakarta on Tuesday. The office will be headed by Luluk Sumiarso, the former director general for electricity, and oil and gas, he said.

There was a nice article in the New York Times on a market I've highlighted in the past, but foolishly did not get exposure to. Much like we've see in Brazil, it appears good political leadership *does* make a difference. Further, as global capital hops and skips from one country to another in the never ending search for ever cheaper labor, Indonesia could be joining Vietnam as a potential new "it" spot in the coming decade. (Click to enlarge) "We're seeing an increasing relocation of factories by the Taiwanese, the Koreans and Japanese from Vietnam and China, given their rising labor costs and given the increased stability that people are seeing in Indonesia from an economic and political standpoint," he said.

All this exuberance has raised some fears that inflation could become a big problem. The country's central bank, Bank Indonesia, decided to hold its benchmark interest rate at 6.5 percent this week, despite a jump in annual inflation to 6.22 percent in July.

A survey jointly conducted by the National Nuclear Agency (Batan) and University of Indonesia's School of Social and Political Sciences found that 57.6 percent

of respondents could accept nuclear power plant, local media reported here on Tuesday. The survey discovered public opposition to the nuclear power plant was not that tough as expected as only 24.6 percent of the respondents were against the program, while 17.8 percent abstained.

- Malaysia

Malaysia needs to go well beyond mere economic and fiscal measures if it is to reverse the decline in foreign direct investment.

THE recently released UNCTAD World Investment Report 2010 indicating that foreign direct investment (FDI) in Malaysia declined by a massive 81% in 2009 has quite understandably grabbed headlines. According to the report, FDI declined from US\$7.3bil (RM23bil) in 2008 to a mere US\$1.4bil (RM4.4bil) last year. In addition, there was a massive US\$8.04bil (RM25.3bil) outflow of capital. The overall result was that our country experienced its worst FDI performance in decades.

The Malaysian government must further diversify its economy and revenue sources to combat the negative impacts from its conventional business activities. The United States is one of Malaysia's main export destinations but the world's largest economy is losing its recovery momentum, and may even head towards a double dip recession.

The Federal Reserve of the U.S. has repeatedly said that monetary policy will remain loose for a long time to stimulate business activities, but the U.S. congressional elections to be held in November has deterred the government to increase its deficit spending. The thrifty spending attitude may dampen the economic recovery in the U.S., resulting in economic contraction by the end of 2010.

India today said it is hopeful of concluding market opening agreements with Japan and Malaysia by this year-end, and the pact with Japan alone has the potential to significantly boost the \$10.4-billion bilateral trade.

- Philippine

The camp of former President Gloria Arroyo said that it was good to hear about the 7.9 percent economic growth that the country posted in the second quarter of the year. Mrs. Arroyo's spokesman Elena Bautista Horn, in a text message, on Thursday said that the growth figure was "welcome news amid the assault in the past three days" on the country's national pride, apparently referring to Monday's hostage crisis that ended bloodily.

- Vietnam

Vietnam's trade deficit narrowed, boosting the government's effort to shrink the shortfall that led to currency devaluation last week. The deficit was \$900 million in August from a

revised \$978 million in July, according to preliminary figures from the General Statistics Office in Hanoi. For the eight months through August, the gap was \$8.16 billion.

Vietnam must rethink the growth strategy that propelled it from poverty to the ranks of Asia's fastest-growing economies, analysts say, or risk stagnating. The communist country, which aims to become an industrialized nation by 2020, risks losing out both to poorer, lower-wage nations and richer ones that are more innovative and have a higher-quality labor force, they say. "Vietnam is at a critical juncture in its economic and social development history," the World Bank's country representative, Victoria Kwakwa, said last week at a seminar organized with the Vietnam Academy of Social Sciences (VASS).

- Singapore

The supply chain industry currently accounts for 10 per cent of Singapore's economy.

And market players said it could expand a further 5 per cent in the years ahead, making Singapore a potential hub for logistics companies to expand in Asia. Plans are also afoot to set up a US\$4 million training centre in the city-state to develop talent.

Singapore's strategic location makes it an ideal regional logistics hub. And companies like Mapletree Logistics have done just that. For instance, the company is driving business development and marketing campaigns for markets like China, India and Vietnam out of Singapore.

- Brunei

Despite the benefits that the Brunei Halal brand can bring to a business, the level of awareness and demand still remain low for the certification in the Belait District.

During a roadshow in Kuala Belait to promote the halal label and to brief the public on its application process, Dato Seri Setia Abd Rahman Pehin Khatib Abdullah, the head of Halal Food Control Section told Belait residents that no businesses in the district has obtained the certification, and so far, only one hotel has applied for it. A halal certification can offer a competitive advantage to restaurants or businesses in the food industry as it will give peace of mind to Muslim consumers, whom are the absolute majority in the Sultanate, when making food purchases. Dato Abd Rahman then went on to stress the worldwide reach of the Brunei Halal Brand, which according to him, is internationally recognised. The department has put in a lot of efforts in promoting the Brunei Halal Brand on the international stage, and is also actively involved in the currently ongoing World Expo in Shanghai.

At Social Front

- Indonesia

Around 20 members of the Islamic Defenders' Front gathered in front of the Jakarta

Prosecutor's Office on Friday demanding the arrest of Playboy's Editor-in-Chief as soon as possible. Awit Mashuri, the Deputy Secretary General of FPI said that Erwin Arnada is a moral terrorist and should have been put in detention a year ago after the Supreme Court ruled that he was guilty of indecency charges. "He has been found guilty and should have been taken to prison to serve his two years punishment immediately following the court ruling," he said. "This shows the extent of the judicial mafia in our court system — permitting Erwin to be free for a year after a guilty verdict."

Six years ago, academic Greg Barton understood why Indonesian moderates were reluctant to clash with the country's radical Islamist minority.

Then, Barton contended that the public relations savvy of Muslim extremists combined with ambiguous election results, varied platforms of so-called Islamic parties, and political coalition-building made it difficult for moderates to challenge them effectively. "With the objective data painting such a complex picture, is it any wonder that it has elicited such a confused response?" the author of *Indonesia's Struggle: Jemaah Islamiyah and the Soul of Islam* he said. (See *A mainstream embrace for extremism*, Asia Times, December 11, 2004). Now, Barton has a simpler answer for the failure of Indonesia's leadership to confront radicals: a "lack of moral courage" that starts at the very top of the government.

INDONESIA'S rising strength will change the way many Malaysians view Bahasa Malaysia. At the moment, middle-class Malaysians tend to view Malay as a language with limited commercial value compared with English or Chinese.

However, as Indonesia transforms itself into an economic powerhouse, its language will become increasingly important globally. Malay will also benefit because it is the shared root for both Bahasa Indonesia and Bahasa Malaysia.

With its population amounting to approximately 1.5 billion (Muslims make up one fourth of the world population), its mineral resources, and the strategic importance of the geography, the Islamic world is a great power. From Indonesia to Chad, the Caucasus to Tanzania, and Morocco to Fiji, the Islamic world now stretches over a huge area and covers the lands that gave rise to the greatest civilizations in history.

The region's geopolitical, cultural, and geo-economic qualities place this geography on the agenda of international relations and world politics even today. The fact that crossroads and transit routes of world trade are located within this area is among the important factors. Considering that the canals and straights joining the Black Sea to the Mediterranean Sea, the Mediterranean Sea and the Persian Gulf to the Indian Ocean are under Muslim control, the Islamic world's importance in terms of global balance becomes better understood.

- **Philippine**

The recent bus hijacking in Manila once again placed the Philippines under an unpleasant media spotlight this week, with the BBC and CNN rightfully decrying the incompetence of the local authorities. Eight tourists died at the end of the bus hijacking, mostly due to the Manila police's self-admitted "inadequate capability, skills, equipment and planning." As a travel writer living in Manila, I'm of two minds on the matter. I grieve along with other Manila residents, as these were eight tourist deaths in our backyard that should never have happened. On the other hand... "Philippines disaster" seems to be the default setting for any news coverage of this part of the world. President Benigno Aquino III was out of sight throughout the 11-hour bus hostage crisis that ended with the deaths of eight Hong Kong tourists in the Philippines.

Aquino, who has only been president for two months, also did not issue any statements while Monday's standoff played out on live local and international television networks.

When he finally appeared after the bloody end to the hostage-taking in a seaside park in Manila, Aquino said he stayed away because he didn't want to micromanage the situation. 'I don't need to publicise what I have been doing,' he told a press conference where he smiled a couple of times, triggering a barrage of criticism.

South East Asia (ASEAN)

- **At political Front**

the Association of Southeast Asian Nations (Asean) member states adopted the Asean Charter. Currently, all 10 Asean member states have ratified the Charter. One of the features of the Charter is the recognition of Aseans legal personality. The legal personality of Asean is provided for under Article 3 of the Charter, which states that, Asean, as an intergovernmental organisation, is hereby conferred legal personality. We will discuss the significance of Asean having a legal personality.

Vietnam held here Friday a conference on Status of the Association of Southeast Asian Nations (ASEAN) towards the Group of 20 (G20) Seoul Summit, drawing representatives from Vietnam's Ministry of Finance and the Republic of Korea's (ROK) Ministry of Strategy and Finance. Representatives at the meeting discussed bilateral dialogue between Vietnam and ROK as well as between G20 and ASEAN. ASEAN has participated in two G20 Summits. Vietnam, on behalf of ASEAN, participated in G20 Toronto Summit in Canada this June.

- **At economic front**

The China-Asean Free Trade Area (Cafta) went into broad effect on Jan 1 this year. Under Cafta, a zero-tariff rate is applied to 91.5% of goods from 10 Asean member countries and the average tariff was reduced by China from 9.8% to 0.1%. The six

original Asean members have also imposed a zero tariff on 90% of Chinese products. The four newer Asean members (Cambodia, Laos, Burma and Vietnam) will not have to cut tariffs on Chinese goods to the same levels until 2015 given their current stage of economic development, though they can still enjoy the benefits of a zero-tariff policy with China for the five years before that.

Economic ministers from 16 countries, including member states of the Association of Southeast Asian Nations and Japan, China and India, have unofficially approved a 25 trillion yen plan to develop infrastructure in the ASEAN region. The plan covers 717 projects, including the construction of roads, bridges, seaports, airports, industrial complexes and power stations, to be completed by 2020. By providing Japanese firms with many opportunities to win work contracts overseas, the plan is in line with the Japanese government's new growth strategy. Three regions have been identified as focus points for the infrastructure projects, and are referred to under the plan as the Mekong Basin Integral Development; the Brunei, Indonesia, Malaysia and the Philippines East Asian Growth Area (BIMP-EAGA); and the Indonesia-Malaysia-Thailand (IMT) Growth Triangle. The envisioned projects include building a highway across the Indochinese Peninsula, constructing new ports and improving existing ones in Vietnam and Myanmar that will be arterially connected to the highway, and upgrading the Indian port of Chennai. The plan is expected to be officially approved in October, and a framework for funding and execution is to be drawn up by the end of December.

Cyber world

- **Philippine**

Filipino Internet users are world's top viewers of videos streamed over the Internet, a global social media tracker said Friday. Global media agency Universal McCann said in its recent survey that the Philippines has the highest percentage of Internet users that watch videos online, even though the country has relatively low number of households connected to the web.

Detailed News Monitoring Report

Indonesia

- **Political front**
- **Indonesia Lacks Qualified Leaders to Replace Yudhoyono in 2014**

"Preferably one who would distant himself or herself from any religious affiliations. Someone who has been educated abroad and lived abroad for a while."

I highly doubt anyone distancing themselves from the religion of the majority has any shot at presidency. It is what it is. Not just in Indonesia, but look at whats going on in the states. Although Obama inputted his views on freedom of religion regarding the ground zero mosque issue, he had to double back on his statements to appease the more conservative groups.

I'm so sick of hearing Indonesians always playing the 'luar negeri' card to describe quality. No! I don't care that you got your M.S or PhD abroad, you are still an idiot. Just because someone was educated abroad doesn't necessarily qualify them as a capable leader. In fact, people with PhDs usually know a lot about a really specific topic, but it doesn't make them well rounded people who are fit to lead. I just wanna see someone with balls, getting things done while not giving a crap about all the childish tantrums coming from the other echelons of government. 1 woman comes to mind, and I think we all know who I'm thinking about.

Although the suggestion that the Constitution be amended to allow President Susilo Bambang Yudhoyono to have another term was soundly rejected, the fact that it was even aired raises the question of whether the country lacks people with the incumbent's popularity and electability. Some political analysts are not hopeful in this regard, but others argue that a suitable candidate will emerge by 2014.

Sunny Tanuwidjaja, of the Center for Strategic and International Studies, said there was no single public figure who could match Yudhoyono. "In the eyes of Indonesians, especially at the grassroots level, Yudhoyono is perceived as a calm and wise leader," he said. Arya Fernandes, an analyst from Charta Politika, said the four main political parties did not have a figure who could dominate the 2014 elections. He said Democratic Party chairman Anas Urbaningrum had a long way to go before he could match Yudhoyono as the party's figurehead. "Anas is still working on boosting his popularity within the party

by going on political safaris to the party's regional branches," Arya said.

He said Golkar had national leaders such as chairman Aburizal Bakrie, Sri Sultan Hamengkubuwono XI, Surya Paloh and Priyo Budi Santoso . "But they're locked in an internal struggle for power" that could severely split the party in backing one national leader, he said. Arya said Bakrie may have nationwide popularity and financial strength but his reputation was tarnished because of issues such as the Lapindo mudflow and alleged tax evasion.

The Indonesian Democratic Party of Struggle (PDI-P) also was suffering from a dearth of impressive figures. "[Chairwoman] Megawati is too old. If she decides to run again in 2014, she will damage herself and the party," Arya said.

Megawati's daughter, Puan Maharani, is too young to compete in 2014, while Pramono Anung, a House deputy speaker, is the next best contender but lacks popularity at the national level, he said. Arya said the Prosperous Justice Party (PKS), the country's largest Islamic party, would most likely revisit its pragmatic approach of backing someone from another party instead of naming its own candidate.

Sunny said other parties had figures who could thrive at the national level. But even so, they had nowhere near Yudhoyono's electoral strength. "I doubt that these people would be able to dominate the country's political scene like Yudhoyono does," he said.

This did not mean that the country should keep him in the top job by amending the Constitution, as it would lead to a moral hazard. "If we keep relying on one person, then the country will lose the incentive to produce more qualified leaders," Sunny said.

Neither did it mean there was no one among Indonesia's 237 million people qualified to lead the country. Ikrar Nusa Bhakti, a political analyst from the Indonesian Institute of Sciences (LIPI), said the system did not allow new, qualified leaders to emerge.

Ikrar said there was no shortage of qualified politicians to assume the highest positions in the country, but these positions frequently went to other figures. "Some politicians are afraid to emerge for fear they will be eclipsed by more popular and wealthier candidates," he said. At the national level, Ikrar said, the system was limited because it still adopted the political culture that only Javanese and Islamic figures could assume state leadership positions. "These criteria shouldn't matter as there are non-Java and non-Islamic leaders who are better than, say, Yudhoyono," he said.

Others argue that although no one on the current political scene can match Yudhoyono's popularity, by 2014 a suitable presidential candidate could emerge. "The era of Yudhoyono, Megawati, Prabowo, Wiranto and Aburizal has passed," said Maarif Institute executive director Fajar Rizal Ul Haq. "This is their last period to rule. In 2014, we will need new leaders, and don't worry, we have plenty of stock."

Anis Matta, a deputy House speaker from the PKS, said similar myths that the incumbent was irreplaceable had surfaced during the presidencies of both Sukarno and Suharto. “That’s only a myth aired by the incumbents that no one could lead the country as well as they do,” Anis said. “But as a matter of fact, it proved wrong. Sukarno was ousted Suharto, who went on to lead this country, and so on and so forth. Indonesia is a big nation. I’m sure there are many figures out there who will be qualified to lead this country by 2014.”

Anis said the two-term limit for the presidency was conceived to encourage the system to rejuvenate itself. “All political parties, including the PKS, are regenerating,” he said. “We have many contenders, like Anas from the Democratic Party or Golkar’s [Deputy House Speaker] Priyo. I’m sure there will be someone new in 2014 to lead this country.”

<http://www.thejakartaglobe.com/home/indonesia-lacks-qualified-leaders-to-replace-yudhoyono-in-2014/392318?>

- **An Emerging Democracy Leader**

The U.S. and Southeast Asia will collaborate on democracy, good governance, and human rights-related programs.

"Indonesia has an indispensable role to play as a regional and global leader in expanding freedom, increasing individual empowerment, and improving living conditions not just in Indonesia, but beyond its borders."

Special Assistant to the President and Senior Director for Multilateral Affairs and Human Rights at the National Security Council Dr. Samantha Power this month announced a new initiative to facilitate partnerships among Indonesian, U.S., and civil society organizations in the Southeast Asia region.

The new initiative called "Southeast Asia – U.S. Partnership: Civil Societies Innovating Together" [or "Inisiatif Kemitraan Asia Tenggara – United States] [IKAT-US]" was announced at an event in Jakarta. The initiative is an unprecedented effort to facilitate the sharing of the expertise and experiences of Indonesian civil society groups outside Indonesia, by developing and implementing projects on a range of democracy, governance, and human rights subjects in partnership with their counterparts from U.S. civil society and Southeast Asian countries.

The Partnership will be an opportunity to move decades-long U.S. support for Indonesian civil society to the next level by enhancing the ability to collaborate on democracy, good governance, and human rights-related programs throughout the region. It recognizes that Indonesia's vibrant yet stable multi-party democracy stands as an example for other countries in various stages of democratic development to emulate – both within and outside Southeast Asia.

The program facilitates partnerships among Indonesian, U.S., and regional civil society organizations in 5 areas critical to the development of democracy, good governance, and respect for human rights. These are: elections and political participation; independent media and freedom of information; peace-building and conflict resolution; transparency and accountability; and human rights monitoring and advocacy.

The United States Agency for International Development, or USAID, will be soliciting concept papers outlining potential partnerships that might be developed under this new initiative.

"Indonesia has an indispensable role to play as a regional and global leader in expanding freedom, increasing individual empowerment, and improving living conditions not just in Indonesia, but beyond its borders," said Special Assistant Power. For its part, the United States is committed to working with Indonesia to further the freedoms and values that the 2 nations enjoy.

<http://www.voanews.com/policy/editorials/Indonesia-An-Emerging-Democracy-Leader-101562293.html?>

- **Thousands to attend Sunday service for pluralism**

Recently-attacked church congregations continue their battle against religious discrimination by organizing a Sunday service in Bekasi stadium, east of Jakarta, with at least 15,000 people, including representatives of other religions, expected to turn up. The event is held by the Huria Kristen Batak Protestan (HKBP) church congregations to express concerns about the lack of freedom of worship and to promote pluralism, following church attacks in Greater Jakarta, the latest on congregation of the HKBP Pondok Timur in Bekasi early this month.

On Aug. 15, thousands of people, among them were HKBP congregations, supported a Sunday service near the National Monument Park in Central Jakarta, to protest the state's silence on persecution of religious minorities. "We urge the government to guarantee the rights of its citizens to establish houses of worship, regardless of their religions," Rev. Palti Panjaitan from HKBP Filadelfia in Bekasi, which was also attacked, said Friday. (ipa

- **Geo-Strategic Front**

- **Indonesia, Malaysia to address border dispute**

Indonesian President Susilo Bambang Yudhoyono will talk with Malaysian Prime Minister Datuk Seri Najib Tun Razak to speed up the settlement of border dispute following the tense of conflict of the two countries over the recent dispute, Indonesian presidential aid Heru Lelono said here Friday.

"President Yudhoyono will talk directly with Malaysian Prime Minister to discuss the

problem over border of the two countries," the presidential aid said. The two countries have often involved in conflict over the uncertainty of their border.

"Previously, the settlement of the border was hampered by the unfinished yet agreement between Malaysia and Singapore," Lelono said at the State Palace. President Yudhoyono has asked for steps to accelerate the settlement of the dispute after the incident over claims of border by the officials of the two countries earlier this month, the aid said.

The incident has sparked massive protests in Indonesia and Malaysia, which led to the stepping up of security at the Malaysian mission office here and its diplomatic agent

<http://english.people.com.cn/90001/90777/90851/7120671.html?>

- **Economic Front**

- **Indonesia Says Economy May Grow 6 percent as Demand, Investment Rise**

Trade Minister Mari Pangestu, pictured here in this file photo, expects the pace of the expansion of the Indonesian economy to "continue to pick up" in the third and fourth quarters. Indonesia's economy may grow 6 percent this year and will probably accelerate in 2011, Trade Minister Mari Pangestu said.

The pace of expansion in the third and fourth quarters should "continue to pick up" in part because disbursement from the government's budget "is normally much higher in the second half," Pangestu said. Indonesia is also seeing "continued robust consumer demand as well as investment picking up," the trade minister said in an interview today at a conference in the central Vietnamese city of Danang.

Gross domestic product in Southeast Asia's largest economy grew 6.2 percent in the second quarter from a year earlier, surpassing the estimate of economists surveyed by Bloomberg News. Bank Indonesia may need to follow counterparts in Malaysia, Thailand and India in raising interest rates after inflation quickened to 6.22 percent in July, a 15-month high.

Exports may grow by as much as 14 percent in 2010, Pangestu said. Indonesia's shipments rose 31 percent in June from a year earlier, after gaining 36 percent in May.

"Commodity prices will be higher in the second half," Pangestu said, citing rubber, palm oil and coal. "Non-commodities are also looking quite good," she said, citing garments and footwear. Expectations of a stronger Chinese currency have caused some production to shift to Indonesia, boosting footwear and garment shipments from the Southeast Asian nation, Pangestu said. "It's coming off a lot of relocation from China," she said. "It's a couple of factors: it's the yuan, it's the increased wage cost and stricter labor regulations and all the labor issues that China's been facing."

<http://www.thejakartaglobe.com/business/indonesia-says-economy-may-grow-6-percent-as-demand-investment-rise/392991?>

- **RI fast becoming favorite investment destination**

With its huge labor force and relatively stable political and social climates, Indonesia has been increasingly regarded as one of the best places to invest in labor-intensive industries, experts say.

The growing labor costs in China and Vietnam have made Indonesia the primary choice for many Asian industrial giants. Many Korean and Taiwanese shoe and electronics companies, for example, have considered relocating their factories from China to Indonesia.

“Many Taiwanese companies have decided to relocate factories to Indonesia. In China and Vietnam they have difficulty recruiting enough workers,” Bennet Chen, Taipei Economic and Trade Office (TETO) Indonesia deputy representative told The Jakarta Post on Wednesday.

Chen said many Taiwanese companies had chosen to build factories here not only because labor costs were more competitive, but also because of Indonesia’s political stability and huge domestic market.

According to the Indonesian Footwear Association (Aprisindo), six footwear companies from Taiwan and South Korea had relocated factories from China and Vietnam to Indonesia, with a total investment of US\$550 million.

In its quarterly report, the Investment Coordinating Board (BKPM) said the realized foreign investments during the second quarter of this year reached Rp 35.6 trillion, a 52.7 percent increase from Rp 23.3 trillion in the April-June period of last year.

Data from the Central Statistics Agency (BPS) shows that in February this year Indonesia’s workforce totaled 171.02 million people, up from 168.26 million in the same period last year. However, only 92 percent (116 million) of these workers were employed. Earlier, Trade Minister Mari Elka Pangestu said the workforce boom would last for the foreseeable future, “for 10 to 15 years ahead”, creating ideal momentum for businesses to establish a base in Indonesia to access the population and its growing purchasing power. “We believe we will have no difficulty recruiting workers in Indonesia,” Chen said confidently.

Taiwan is among the 10 largest investors in Indonesia. As of 2009, Taiwan had invested \$13.96 billion.

According to TETO, in 2009 the trade value between Indonesia and Taiwan reached \$8.5 billion, down from \$10.85 billion in 2008 because of the global financial crisis.

China and Vietnam were previously known as investment havens for many foreign investors, especially those involved in labor-intensive industries. However, rising salaries and an increasing number of labor strikes in recent years have made the two countries

less appealing, leading many investors to turn to other countries to build their new factories.

The Beijing municipal government has, for example, increased minimum wages to \$141, from \$117 per month, starting from June this year. Up to 11 industrial areas in China also increased wages by up to one-third of previous levels. In May, the government of Vietnam increased minimum wages to \$38 from \$34 per month.

The minimum wage in Indonesia is around \$90 per month, and TETO says this amount is still acceptable and competitive.

Chatib Basri, an economist at the University of Indonesia, said many foreign investors chose to set up industries in Indonesia not only because labor was cheaper here, but more because of the country's stellar economic performance and political stability. "Indonesia's economy has performed very well over the past few years. During the global financial downturn our economic growth still hit 4.5 percent in 2009," he told the Post on Tuesday. Indonesia's large workforce and growing purchasing power were among factors making it attractive to investors, BKPM chairman Gita Wirjawan said.

In 2009, Indonesia's per capita GDP reached \$2,590, up from \$2,269 a year earlier. (rdf) <http://www.thejakartapost.com/news/2010/08/26/ri-fast-becoming-favorite-investment-destination.html?>

- **SE Asia Stocks-Indonesia near all-time high; Thailand retreats**

Indonesia's main share index climbed to a fresh all-time high on Wednesday as investors sought bargains from resource-related shares just as regional equities remained wary of a spate of worrying U.S. economic data. Cautious investors cut positions in overbought markets, lopping 0.6 percent each off Thai stocks .SETI and Malaysian shares .KLSE. Economic optimism had pushed the Thai index to a 33-month high and Malaysia's index to a 2-½ year high. Thailand's central bank raised interest rates by 25 basis points for the second straight month on Wednesday, citing growing inflation and faster-than-expected growth in Thailand,

- **Southeast Asia's second-biggest economy.**

The Jakarta Composite Index .JKSE ended 0.8 percent higher at 3,138.91, just shy of a record 3,145.11 the previous session. Asia's second-best performing bourse gained small inflows of \$8.9 million on the session, Thomson Reuters data showed. Indonesia's economic outlook pointed to further market gains, according to John Teja, director at Jakarta-based Ciptadana Securities. He pegged a short-term target for Indonesia's main index at 3,200. "Good news is that Indonesia's foreign reserves in August hit an all time high \$80.4 billion, an increase of \$1.6 billion from July reserves, and that helps the rupiah IDR= to remain stable. This should support sustainable economic growth

and a stable macro environment." Coal miner PT Bumi Resources Tbk (BUMI.JK) surged 11.6 percent while integrated energy company PT Medco Energi Internasional Tbk (MEDC.JK) gained 2.4 percent. Broad Asian stocks eased as U.S. stock index futures pointed to a weaker open. The MSCI Asia ex-Japan index.MIAPJ0000PUS had fallen 1.1 percent by 1005 GMT and U.S. stock index futures .DJUO were down 0.08 percent. Singapore .FTSTI gained 0.1 percent, reversing its early loss to a one-month low and ended its three-day loss. The Philippines .PSI gained 0.7 percent while Vietnam .VNI dropped 2.4 percent, extending losses for a third session and hitting its lowest since July 23, 2009. Vietnam's loss reflected in part concerns over a potential further devaluation of local currency. "The market factored in the fears of another devaluation of local currency after the central bank recently devalued the dong," said Bui Quy Thanh, head of Brokerage Department at Bao Minh Securities. In Bangkok, state-controlled PTT Exploration and Production (PTTE.BK) ended down 0.4 percent. It fell as much as 1 percent at one point after Indonesia said it planned to seek at least \$2.2 billion in compensation from the energy firm for damage caused by a 2009 oil spill in the Timor Sea. [ID:nSGE67O096] Among bright spots in the region, Southeast Asia's largest telcom firm Singapore Telecommunications (STEL.SI) rose 1.3 percent as investors bought shares in companies whose earnings are more resilient in an economic downturn. "We are leaning towards the bearish side for the STI, as we are seeing signs of risk aversion coming back, with a flight from risky assets like equities across the U.S., Europe and Asia," said Phua Ming Wei, a technical analyst at Phillip Securities. In Bangkok, the SET index's 14-day relative strength index (RSI) closed at 68.08, falling from 74.5 Tuesday. Malaysia's 14-day RSI was at 71.69 at the close. An RSI level of 70 and higher indicates the market is overbought. Singapore's 14-day RSI was 46.2, Indonesia's was 66.09 and Philippines' was 59.56. Vietnam's 14-day RSI was 19.9 at the close, indicating the market is oversold. (<http://www.reuters.com/article/idUSSGE67O09W20100825?rpc=401&feedType=RSS&feedName=rbssFinancialServicesAndRealEstateNews&rpc=401>)

- **Indonesia Sets Up Government Unit to Boost Renewable Energy Use**

Energy Minister Darwin Saleh has established a directorate general in charge of renewable energy. It is to be headed Luluk Sumiarso, the former director general for electricity, and oil and gas. Indonesia's Ministry of Energy has set up a directorate general in charge of boosting and regulating the use of renewable energy in Southeast Asia's biggest economy. The directorate general's task is to "formulate policies and the technical standardization on new energy, renewable energy and energy conservation," Energy Minister Darwin Saleh said in Jakarta on Tuesday. The office will be headed by

Luluk Sumiarso, the former director general for electricity, and oil and gas, he said. Indonesia is the world's biggest producer of palm oil, which can be used to make biofuel. The nation, which is a net oil importer, seeks to boost the use of new energy and renewable energy to support a faster expanding economy. The government forecasts the economy to grow 6 percent this year from 4.5 percent in 2009. Indonesia left the Organization of Petroleum Exporting Countries last year after crude oil output slumped 49 percent from a peak in 1977.

<http://www.thejakartaglobe.com/home/indonesia-sets-up-government-unit-to-boost-renewable-energy-use/392593?>

- **The New Indonesian Economic Model**

There was a nice article in the New York Times on a market I've highlighted in the past, but foolishly did not get exposure to. Much like we've see in Brazil, it appears good political leadership **does** make a difference. Further, as global capital hops and skips from one country to another in the never ending search for ever cheaper labor, Indonesia could be joining Vietnam as a potential new "it" spot in the coming decade. (Click to enlarge)

After years of being known for inefficiency, corruption and instability, Indonesia is emerging from the global financial crisis with a surprising new reputation — economic golden child. The country's economy, the largest in Southeast Asia, grew at an annual rate of 6.2 percent in the second quarter of this year, data released Thursday showed. That is an acceleration from 2009, when gross domestic product expanded 4.5 percent.

The stock market hit a record high last week and has been among the best-performing equities markets in Asia this year, rising more than 20 percent since Jan. 1. The country's currency, the rupiah, has appreciated nearly 5 percent this year against the dollar, among the strongest showings in Asia besides that of the yen.

Its low debt, high growth and a sense of optimism compare favorably with a mood of despondency in developed markets like the United States, Japan and Europe.

Foreign direct investment, which was held in check for years after the 1997 economic crisis in Asia, is also returning. The country had 33.3 trillion rupiah, or \$3.7 billion, in foreign direct investment in the second quarter of this year, a 51 percent rise from a year earlier, the Investment Coordinating Board in Indonesia said last week. The country is on track to attract more foreign investment this year than it did in 2008, when it lured in \$14.87 billion.

Such statistics have some here cautiously saying that the country, a Muslim-majority democracy and one of the world's most populous countries, could soon merit the kind of attention that investors now lavish on China and India.

Undoubtedly, significant obstacles to sustained growth remain. Despite progress on corruption, investors complain of confusing regulations and labor laws that make it difficult to dismiss employees. Little infrastructure has been built since the Asian economic crisis in 1997, and rolling blackouts have plagued the country for years. While the education system has been successful in fulfilling basic requirements like literacy, the universities and colleges in the country are widely considered archaic.

But more than a decade after the chaotic overthrow of the Suharto dictatorship in 1998 — and subsequent fears of disintegration at the hands of separatist groups, as well as the threat of Islamic militancy — the country seems to have stabilized. It is rich in natural resources like palm oil, copper and timber, commodities that are in great demand in China.

The administration of President Susilo Bambang Yudhoyono has won plaudits for reducing debt and has achieved some success fighting graft. Mr. Yudhoyono was resoundingly re-elected to a second five-year term in 2009, and changes aimed at introducing more democracy have seen power devolved to local governments, where elections have been largely peaceful, orderly affairs.

The huge consumer market in the country, accounting for more than two-thirds of G.D.P., has largely been credited for maintaining growth. Although the global economic crisis crimped confidence, Indonesia's relatively young population of 240 million and government stimulus policies, as well as a popular program of direct cash transfers to the poor, have kept consumption humming.

Yet there is criticism that economic growth has had less effect than it should have for the majority. About 15 percent of the population lives below the country's official poverty line of around \$1 a day, but advocates for the poor say the percentage would be larger if Indonesia set the bar a little higher, say, at \$1.25. Relatively sluggish growth in labor-intensive industries has meant slow progress in curbing unemployment, which is over 7 percent.

The government believes that one solution to moving to a higher level of sustained growth is foreign investment, particularly in industries like manufacturing. The government's investment coordinating board, known as BKPM, is hoping to attract \$30 billion to \$40 billion in annual foreign investment by 2015 — three to four times as much as it achieved last year, said Gita Wirjawan, head of the agency.

The government recently eased investment rules in areas including health care, construction and electricity generation. At the same time, it is working to put the flow of "hot," or speculative, money to better use, passing rules on government bonds requiring foreign investors to keep their money in the country for longer.

Such efforts seem to be paying off. The government announced this week that China's sovereign fund, China Investment Corp, was hoping to invest \$25 billion in infrastructure projects in Indonesia. Posco, the South Korean steel giant, signed a \$6 billion deal on Wednesday to build a plant in Indonesia with the local producer Krakatau Steel.

"We're seeing an increasing relocation of factories by the Taiwanese, the Koreans and Japanese from Vietnam and China, given their rising labor costs and given the increased stability that people are seeing in Indonesia from an economic and political standpoint," he said.

All this exuberance has raised some fears that inflation could become a big problem. The country's central bank, Bank Indonesia, decided to hold its benchmark interest rate at 6.5 percent this week, despite a jump in annual inflation to 6.22 percent in July. <http://seekingalpha.com/article/219546-the-new-indonesian-economic-model?>

- Huge opportunity from Japanese investment

In mid-July, the Japan Credit Rating Agency, Ltd. (JCR) raised Indonesia's rating to investment grade, which reflects growing confidence in the management of Southeast Asia's largest economy, which has proved resilient.

This is certainly great news for Indonesia, as investment grade rating will boost the confidence of foreign investors in the country, especially since this step is expected to be followed by international rating agencies. Analysts have also said that Indonesia "may be able to get cheaper funds from Japan", which is its largest creditor.

In a recent visit to Japan, we met with a number of Japanese businesses and attended seminars where we gained insight into the perspective, understanding and expectations of Japanese businesses on investment in Indonesia.

They are generally very eager to invest in Indonesia, given its vast population, relatively cheap labor, increasing GDP level and the strength of its economy, which grew 4.5 percent last year, making it the fourth largest in Asia, despite the global economic downturn.

This eagerness is also due to the shrinking domestic market because of an aging society. The number of people aged 65 or older hit a record high at 22 million, or one in six people in 2009. The labor force population is decreasing at a rate of around 200,000 every year.

Child birthrate was one of the lowest in the world with 7.64 births per 1,000 people in 2009, which means that the Japanese population is decreasing. If the situation continues, the Japanese population is estimated to be halved by the end of this century. Japanese businesses desperately need a new market, especially markets where mid and long term growth are expected.

Japan has been investing in Indonesia for a long time, particularly in automotive, electronic goods and the energy and mining sectors. For Japanese businesses, Indonesia has been the place for low-cost manufacturing as well as the source of various natural resources. In Indonesia, there are about 1,000 Japanese companies which employ approximately 300,000 people.

There is a new trend. Thanks to the increasing income, great population and growth in consumer goods consumption in Indonesia, the area of investment is no longer limited to “traditional” sectors but now also covers retail, media and consumer product sectors.

Japanese restaurant chains (Ootoya, Yoshinoya, Ebisu Curry), minimarkets (7-Eleven), fashion and household appliances (MUJI) have recently emerged on the market in Indonesia. Taisho Pharmaceutical recently acquired Bristol Myers Indonesia. There are many more potential Japanese investors in the pipeline.

The investment of these new players is supported by the successful stories of several Japanese companies. While we stayed in Japan, Nikkei Shimbun, Japan’s most widely circulated daily business paper, reported on Ajinomoto’s plan for a new US\$50 million factory in Indonesia.

The new factory is aimed not only at domestic market but also at export to Middle East countries and Pakistan. This news implies that there would be more Japanese businesses which regard Indonesia as a production and export base for halal goods.

Another media source recently wrote about the success of Yakult. Yakult sells millions of bottles per day and provides income to thousands of Indonesian women through the “Yakult Lady” sales force.

Pocari Sweat (Otsuka Pharmaceutical) and Gatsby (Mandom) have also become well-known, successful business cases.

Many Japanese business people have now become aware that Indonesia is a country full of business opportunities, and not a country of political and economic turmoil, natural disasters, and uncontrollable infectious diseases. Perception has changed substantially.

Still, this improved image and the higher expectations in Indonesia will not promise an automatic influx of investment from Japan. Business leaders are always looking for better opportunities and a better business environment.

A comparison with other countries would give us some useful insight into this. Actually, the number of Japanese investments in Indonesia still lags far behind Thailand.

Thailand has as many as 7,000 Japanese companies. They are still attracting many Japanese investors despite the recent political turmoil in Bangkok. Key reasons for this are 1) a clear program and incentive scheme for foreign investors, especially for strategic sectors, 2) well facilitated infrastructure, 3) the variety of supporting industries and

services.

By contrast, among the factors that have been the major source of concern and complaints from Japanese businesses in Indonesia are its lack of infrastructure, transparency, laws and regulations. The most pressing issue is law enforcement in the area of taxation. Although most Japanese companies intend to comply with all the regulations, including those concerning tax, the Indonesian authorities often hold a different view. During our trip to Japan, we heard many concerns about these matters. No investor likes uncertainty.

If these obstacles are not solved, Indonesia will lose a huge potential from Japan investors. As mentioned earlier, Japanese companies are eager to expand overseas, and this does not only concern huge businesses, but also second tiers of companies, the middle size companies and domestic players that are also considering foreign investment. There is also another opportunity up for grabs for Indonesia in regards to Japanese investment. Despite the need for further expansion, Japanese companies lack human resources as the productive age group is decreasing in size.

Many of those in this age group are not very good at speaking English and are very used to living in a homogenous society, which is not very beneficial in terms of effective leadership in overseas business.

This gap can be filled by Indonesians working in Japanese companies at the managerial level and as skilled labor, not only in Indonesia but also abroad.

There are a lot of hopes concerning investment by Japanese businesses in Indonesia, but there are great concerns as well. If the latter can be settled, it will secure future collaborations and mutual benefits for both countries.

<http://www.thejakartapost.com/news/2010/08/23/huge-opportunity-japanese-investment.html>

- **Indonesia project boosts global forest CO2 market**

An Indonesian project aimed at saving a vast tract of rainforest has past a milestone seen as a boost in the development of a global market in forest carbon credits.

That market under the U.N.-backed scheme reducing emissions from deforestation and degradation (REDD) could eventually be worth billions of dollars annually and is central to the goal of driving private sector involvement in forest protection.

The Rimba Raya conservation project covers nearly 100,000 ha (250,000 acres) of carbon-rich peat swamp forest in the province of Central Kalimantan on Borneo island. Forests soak up large amounts of carbon dioxide and scientists say curbing deforestation is a key way to fight climate change.

The project has earned the first-ever approval of an accounting method for measuring the

reduction in carbon emissions under REDD and is being developed by InfiniteEARTH, with funding from Shell, Gazprom Market and Trading and the Clinton Foundation.

The Voluntary Carbon Standard programme, the most respected standard for voluntary carbon offsets, approved the methodology after it passed a mandated double auditing process. The project itself is now undergoing third-party validation and is likely to become the world's first VCS-approved REDD project later this year, Gazprom and InfiniteEARTH say. The step is a boost for other REDD projects and investors wanting certainty on the quality of REDD carbon credits. There are several dozen REDD projects globally, including more than a dozen in Indonesia at various stages of development. "This is seen as a landmark moment for the carbon market," Gazprom said in a statement. "Historically REDD projects have suffered due to their exclusion from the Kyoto Protocol," it said, as well as the absence of a recognised global standard.

The project is expected to reduce 18.5 million tonnes of carbon dioxide from being emitted in the first 10 years and up to 75 million tonnes in the 30-year life of the project.

At about \$10 a credit, that means about \$750 million over 30 years.

LIVELIHOODS

The future sale of carbon offsets from the project will help boost the livelihoods of more than 11,000 people in the area and save rare species including orang-utans and other primates, the statement says.

REDD aims to reward developing countries that save, protect and rehabilitate forests through large-scale projects. Poorer nations and local forest communities are meant to take a major share of the sale of the carbon credits to rich nations, which can use them to meet mandated emission reduction targets.

REDD is not yet formally part of a broader U.N. climate pact and potential buyers of the credits have been waiting for an approved global standard for forest CO₂ credits to ensure the reductions are real and verifiable.

"The methodology was designed for conservation projects that avoid planned land-use conversion in tropical peat swamp forests in Southeast Asia," the statement said.

The project itself borders Tanjung Puting national park and the area has been under growing threat from encroaching palm oil plantations. "It shows small-scale REDD can be done. This is also demonstrating the ability of project-based activities, that they can do that," Daniel Murdiyarto, senior scientist at Centre for International Forestry Research (CIFOR), told Reuters on Tuesday. Read more:

<http://www.kyivpost.com/news/world/detail/79623/?#ixzz0xodLYX8Z>

<http://www.kyivpost.com/news/world/detail/79623/>

- **REGIONAL REPORT: CHINA, THE REFINING COLOSSUS OF ASIA**

Although the Chinese oil market is subject to international currents, it has remained remarkably robust, and its oil sector continues to grow and expand both upstream and downstream. In the author's assessment, Chinese refinery crude capacity currently stands at 8.2 million bpd, and approximately 4.1 million bpd of new crude capacity is either underway or planned by the year 2015. In the article, the author discusses China's oil industry, with particular emphasis on the remarkable story of China's refining industry and its participants.

Oil product demand

China is Asia's largest oil market, with demand in 2009 estimated at 8.3 million bpd. The author forecasts that Chinese oil demand will average 8.7 million bpd this year. Transport fuels have captured a large share of the Chinese demand barrel. Gasoline and diesel demand are approximately 1.5 million bpd and 2.7 million bpd respectively. In all, Chinese oil product demand growth is expected to average over 6% per year during the 2005 - 2010 period.

Growth in the industry

The history of China's refining industry is a remarkable tale, spanning five decades and more. The industry and the key players have changed over time, particularly in recent years as the economy has grown in size, sophistication, export orientation, and openness to foreign cooperation and foreign participation.

China's petroleum refining capacity has expanded dramatically over time, particularly when viewed against the rest of the world.

Sinopec

The Chinese National Petrochemical Corporation, or Sinopec, was formed in 1983 to oversee the country's refining sector. In its early years, Sinopec controlled the vast majority of Chinese capacity, and it was responsible for launching the programme of refinery modernisation and expansion that transformed the industry into Asia's dominant refining centre. Although several new refining companies now operate in China, Sinopec controls over half of the capacity and has never ceased its campaign to expand and modernise its refineries. Sinopec also led the way in opening China to 'foreign oil'.

CNPC

The China National Petroleum Corporation (CNPC) was established in 1988 to oversee the upstream sector, though at the time several small refineries remained under its purview, notably those whose purpose was to provide fuel for oilfield operations. CNPC is China's largest oil producing company, with a crude output of 2.75 million bpd (approximately 54% of the national total). Natural gas output is 7.22 billion ft³/d, approximately 82% of the country's total.

Other Chinese refining companies

Some of China's joint venture refineries include well known international majors such as ExxonMobil, Saudi Aramco, Shell and Total. Yet there are also a number of lesser known participants in the refining sector. A few small refineries in China remain under the control of various local governments, often with some sort of participation by Sinopec or CNPC. As the refining sector has grown, other players have emerged, including the China National Offshore Oil Company, or CNOOC.

The Sinochem Corporation, founded in 1950, is China's largest trading company, dealing with a huge range of commodities through dozens of subsidiaries.

A little known but quite important Chinese oil refiner is the Shaanxi Yanchang Petroleum Group, established in 1905. This company is owned by the Shaanxi provincial government. It has extensive holdings in landlocked Shaanxi Province, and while its emphasis has been mainly on the upstream sector, the company also owns three refineries.

Conclusion

China has continued to amaze the world with the continued strength of its economy and its vital hydrocarbon industry. Hydrocarbon production has risen, and Chinese companies have expanded their presence around the globe in exploration and development.

The evolution of the Chinese refining industry surely must be one of the most remarkable stories in the entire global downstream sector. From humble beginnings, the Chinese industry is now Asia's largest, and China is one of the few places in the world where refineries still are being built. The sophistication of the industry has grown enormously, product quality has improved and will continue to improve, and the number of players in the market has increased.

And while there is much to be said for export refining, Chinese refiners are finding their growing domestic market to be the best possible customer.

http://www.energyglobal.com/sectors/processing/articles/China_the_refining_colossus_of_Asia.aspx?

- **Over half Indonesians support nuclear power plant: survey**

A survey jointly conducted by the National Nuclear Agency (Batan) and University of Indonesia's School of Social and Political Sciences found that 57.6 percent of respondents could accept nuclear power plant, local media reported here on Tuesday.

The survey discovered public opposition to the nuclear power plant was not that tough as expected as only 24.6 percent of the respondents were against the program, while 17.8 percent abstained.

Even in Jeparera regency in Central Java, where the first nuclear power plant will be built,

approval rate of the nuclear energy reached 55.30 percent. Conducted in May and June on 3,000 respondents in 22 regions in seven provinces across Java and Bali, the polling showed that most government officials, legislative council members, community figures, non-governmental organization activists and housewives supported the government's plan to go nuclear. They said nuclear technology could help solve power deficit the country has long been facing.

Those who resist the plan expressed their fear about safety, learning from fatal accidents happened in nuclear countries, Antara news service reported. Batan chief Hudi Hastowo suggested on Tuesday that the government take the survey seriously and no longer delay its plan to build a nuclear power plant.

<http://english.people.com.cn/90001/90777/90851/7115966.html?>

- **At social Front**
- **Islamic Defenders Front Demands Arrest of Playboy Editor, or Troops Will Raid**

Around 20 members of the Islamic Defenders' Front gathered in front of the Jakarta Prosecutor's Office on Friday demanding the arrest of Playboy's Editor-in-Chief as soon as possible. Awit Mashuri, the Deputy Secretary General of FPI said that Erwin Arnada is a moral terrorist and should have been put in detention a year ago after the Supreme Court ruled that he was guilty of indecency charges. "He has been found guilty and should have been taken to prison to serve his two years punishment immediately following the court ruling," he said. "This shows the extent of the judicial mafia in our court system — permitting Erwin to be free for a year after a guilty verdict."

The Jakarta Prosecutor's Office said that they had just received the ruling from the Supreme Court on August 25. They said that they will summon Erwin on Monday. "If by Monday Erwin does not show up, all FPI's troops will conduct raids to find him. We know his apartment, his house and the hotel where he is staying," Awit said.

During the protest, FPI distributed leaflets with Erwin's face on it bearing the slogan "Fugitive: Erwin Arnada, Moral Terrorist". They also brandished copies of Playboy magazine which they referred to as evidence of Erwin's guilt

<http://www.thejakartaglobe.com/home/islamic-defenders-front-demands-arrest-of-playboy-editor-or-troops-will-raid/393190?>

- **Lack of 'moral courage' in Indonesia**

Six years ago, academic Greg Barton understood why Indonesian moderates were reluctant to clash with the country's radical Islamist minority.

Then, Barton contended that the public relations savvy of Muslim extremists combined with ambiguous election results, varied platforms of so-called Islamic parties, and

political coalition-building made it difficult for moderates to challenge them effectively. "With the objective data painting such a complex picture, is it any wonder that it has elicited such a confused response?" the author of *Indonesia's Struggle: Jemaah Islamiyah and the Soul of Islam* he said. (See *A mainstream embrace for extremism*, *Asia Times*, December 11, 2004). Now, Barton has a simpler answer for the failure of Indonesia's leadership to confront radicals: a "lack of moral courage" that starts at the very top of the government.

Herb Feith Research Professor for the study of Indonesia at Melbourne's Monash University, Barton's authorized biography of Indonesia's first post-reform president Abdurrahman Wahid won him notice beyond academic circles in Australia and Indonesia. His next book, *Islam's Other Nation: Faith in a Democratic Indonesia*, is due out next year. A former faculty member at the Pentagon's Asia-Pacific Center for Security Studies in Hawaii, where he remains an adjunct, Barton also currently serves as director of the Center for Islam and the Modern World and deputy United Nations Educational, Scientific and Cultural Organization chair in Interreligious and Intercultural Relations-Asia Pacific at Monash. His next project is to examine progressive Islam and social currents in Indonesia and another pivotal secular Muslim majority nation, Turkey. He spoke to *Asia Times Online* while visiting Indonesia as a member of the inaugural Presidential Friends of Indonesia study program that brought academics from 15 countries to Yogyakarta and Jakarta. Interview excerpts follow: *Asia Times Online*: Since we last talked six years ago - to paraphrase your book's title - who's winning the struggle for the soul of Islam in Indonesia? Under President Susilo Bambang Yudhoyono, are things moving in a positive direction, negative direction, or sideways?

Greg Barton: In general, things are moving in a positive direction. There's a moderate mainstream center that's holding. There's an equilibrium, but it's a dynamic equilibrium. We're going to see a constant state of contestation. There's going to be a struggle between groups to see who controls the middle.

ATOL: What are signs to watch for indicating which side is winning?

GB: If we saw progressive groups being inhibited, that would change the dynamic.

ATOL: What would indicate that progressives are being sidelined?

GB: The anti-pornography law that was passed over objections from non-Muslims is one example. There's also a proposed anti-blasphemy law. In Pakistan, the anti-blasphemy law has been used in a pernicious, cynical fashion. These laws can be used to stir up a mass reaction.

Indonesian activists look north at Malaysia, which has laws against conversion from Islam and apostasy. Malaysia has religious police going around during Ramadan

enforcing the fast. It has religious courts that take precedence over civil courts for Muslims. That's the sort of thing that worries Indonesian moderates. Indonesia isn't going to become a Muslim state like Iran.

ATOL: Is the trend toward Islamization growing in Indonesia?

GB: If you look at the elections, PKS [Prosperous Justice Party] got 9% of the vote. The preeminent radical Muslim party hit a glass ceiling. When it comes to hard choices, people don't choose radicalism.

However, a large portion of society is sympathetic toward some of the radicals' positions. A majority of Indonesian Muslims support banning Amadiyah [a breakaway Muslim sect]. Because of that support, the government is reluctant to crack down on FPI [the Islamic Defenders Front that uses violence against its targets in the name of Islam].

If the government had the moral courage to stand up to these guys, it wouldn't face a broad backlash, in my opinion. These groups have very limited support - less than 10%.

ATOL: So why doesn't the government stand up to them? What is behind that reluctance?

GB: I believe it's a lack of moral courage. The president is a decent man, but not courageous politically. Also, his cabinet includes members of Islamic parties, and his governing coalition is dependent on PKS and it manages to wield its influence in disproportion to its numbers. If he [Yudhoyono] did speak up, he'd find society on his side.

It's not just the president - police and local politicians are also reluctant to act against radicals. The problem is not unique to Indonesia. Look at the issue of gun control in the US. Privately, people and politicians acknowledge it's necessary. But they don't want to face the consequences from a vocal minority. The minority is very clever at bringing their power to bear on the debate.

ATOL: Do you fear that the reluctance to speak out could lead to a dictatorship again, this time under the flag of Islam?

GB: First, I think you have to remember that the Suharto regime didn't happen in a vacuum. It was the Cold War era. Suharto came to power with the backing of the US, and its allies supported it.

Today in Indonesia, the level of education is higher, so there's less likelihood of people simply following along. Many people do speak out today against intolerance.

If we did see an extended period of political uncertainty, it could lead to a politician playing the Islamic card. It happened in Malaysia. [Former premier] Mahathir Mohamad was an ultranationalist who shifted to religious language, not because he believed it, but because it was convenient and served his purpose.

In the realm of secularist national politics in Indonesia, if someone tries to play the populist card, it can do damage. But populist politics are a regular feature of democratic society everywhere in the world. It's not unique to Indonesia.

ATOL: In our interview six years ago, you said, "Thoughtful engagement with the Indonesian police and, arguably, with carefully chosen sections of the military is necessary and important, but discredited units such as Kopassus [an elite commando unit frequently used to quell political dissent under former president Suharto] should be avoided at all costs."

As I'm sure you know, last month the US resumed military ties with Kopassus. What do you think of the decision?

GB: It's one of those areas where the devil is in the details. Things have changed with the armed forces, there has been a shift. The military has decisively moved away from politics. There has also been a generational change, a new crop of officers that weren't part of the Suharto era. It's good that they have international engagement as part of a positive drive toward professionalism.

But there needs to be careful scrutiny and control of who participates. The main thing is that it's not a free-for-all.

ATOL: You're doing research about Turkey and comparing it with Indonesia. What are some of your key findings?

GB: It's good to see that the two countries are drawing closer. They have a cultural connection. Islam came to Indonesia via merchants from India. But their Islam was a very Persian form of Islam. Islam in Turkey is also very Persian. It's a quiescent, pluralist form of Islam that helped both countries evolve into secular democracies.

Over the past 15 years, Turkey's government has gotten more representative. Society is generally socially conservative and religious, and government now reflects that.

Indonesia and Turkey are stable, secular democracies where Islam plays a major role in public life. But in both countries, people don't want an overt link between state and religion. That augurs well for the future.

There's been a perception that the Arab world is the center of Islam. Turkey and Indonesia represent progressive developments on the geographic periphery of Islam.

ATOL: But on the other hand, Indonesia has seen a recent spate of church burnings.

GB: It's shameful that Lutheran Bataks [people from the Lake Toba region in Sumatra] can't worship in peace in Jakarta. As long as the government stands up to these fringe groups, it's fine. When it doesn't, there's trouble. Thuggish behavior is from guys trying to see how far they can go.

The overall sentiment here is to live in harmony but we're seeing some cowardly

behavior from the president's office on down. What's comforting is that some of the most strident voices speaking out for tolerance are from Muslims as well as religious minorities. There's never going to be a situation where these sorts of things are not contested. What's important is that progressive elements speak up and the majority comes onside. As I said, it's an ongoing dynamic equilibrium.

ATOL: You're participating in the Ubud Writers Festival this year. Are events like that a unifying force, or are they divisive, highlighting that Bali with its Hindu culture is outside the Indonesian mainstream?

GB: When you ask people in Jakarta where they're going on holiday, they say Bali. There's a feeling that's strengthened in recent years that Bali is a national treasure.

It's worth noting the absence of international literary festivals in Yogyakarta, the cultural capital, and Jakarta, the national capital. Ideally, over time, the Ubud festival will show the way for festivals in Yogyakarta and Jakarta. Ubud's [festival] theme this year, Unity in Diversity, the national motto, is a good model to show the way.

http://www.atimes.com/atimes/Southeast_Asia/LH28Ae01.html?

- **Indonesia begins trials on terrorist trained in Aceh province**

Indonesian court has begun trials of 21 men from different backgrounds with various charges for their role in the Aceh paramilitary group, local media reported on Friday.

Among those indicted at the West Jakarta District Court on Thursday was Muchtar bin Ibrahim, a member of the Aceh branch of the hard-line Islamic Defenders Front (FPI) and a former member of the separatist Free Aceh Movement (GAM), the Jakarta Globe reported.

In addition to being accused of serving as a co-trainer at the paramilitary camp, Muchtar is also alleged by prosecutors to have been involved in a number of attacks against foreigners in Aceh in 2009.

Police described the attacks as "on-the-job training" ahead of a planned Independence Day bloodbath targeting the president and other high-ranking officials, in a bid to ultimately create an Islamic state. Muchtar is accused of being involved in the grenade attack at the Unicef office in Banda Aceh on March 17, 2009; shooting and wounding German Red Cross chief Dr. Erhard Bauer in his car in Aceh Besar on Nov. 5, 2009; and shooting American teachers Michelle Ahmad and Sarah Willis in a housing complex in Banda Aceh, on Nov. 23, 2009.

"His actions spread terror and fear," said prosecutor Bambang Suharyadi on Thursday. He charged the defendant with articles under the anti-terror law, which carries maximum sentence of death.

<http://english.people.com.cn/90001/90777/90851/7120190.html?>

- **Indonesia's language of unity**

INDONESIA'S rising strength will change the way many Malaysians view Bahasa Malaysia. At the moment, middle-class Malaysians tend to view Malay as a language with limited commercial value compared with English or Chinese.

However, as Indonesia transforms itself into an economic powerhouse, its language will become increasingly important globally. Malay will also benefit because it is the shared root for both Bahasa Indonesia and Bahasa Malaysia.

At the same time, the republic's exploding consumer market of 240 million is tantalising. Global players are descending on Jakarta.

Recent investors range from Korea's Lotte to Britain's HSBC. Also, private equity group CVC has just purchased 90% of the national department store chain Matahari. These investors know that in order to succeed in the domestic market, their managers must be able to understand the local language.

Ironically, then, Indonesia's rapidly expanding economy will force middle-class Malaysians to wake up to the importance of Bahasa Indonesia, a language that literally binds the archipelago together. I am confident that it will boost the commercial importance of the Malay language and that Malaysian parents will start taking it more seriously. The economic potential, however, is only one aspect of this argument. A much more important lesson is socio-political.

Even though the two languages share the same root, they've developed in very different ways. This reflects the contrasting historical narratives at work. Malaysians can learn a great deal from examining these differences.

Indeed, many of our underlying political problems are revealed in our attitude to the Malay language. This in turn will help us understand why we are currently struggling as a nation. Our politics has stunted the development of Malay language, and this is hurting us. For a start, Bahasa Malaysia is less vibrant, less intellectual and less creative than Bahasa Indonesia. One only has to visit a Gramedia bookstore with all its translated books to realise the extent to which we have been left behind by our neighbours.

Bookstores in second-tier cities such as Jember and Pekanbaru have a better selection of books published in the vernacular than any bookstore in Kuala Lumpur. Why? It's because Bahasa Indonesia is very much the product of the republic's revolutionary ethos. Sukarno's flamboyant rhetoric is never far from the surface. Furthermore, Indonesia's struggle for Independence is etched in their national psyche. This imbues the language with a capacity for change and dynamism. In Malaysia, the dominant ethos is aristocratic. For better or for worse, our first Prime Minister, Tunku Abdul Rahman, embedded the

elitism of the Istana firmly into our national consciousness. As a result, we are more feudal (consider our obsession with titles) while the Indonesians are more egalitarian. Witness our different words for government: pemerintah (Indonesia) and kerajaan (Malaysia).

This dichotomy is clear in the way the two languages have developed, and indeed diverged. A landmark of Indonesia's national awakening was the historic Sumpah Pemuda of Oct 28, 1928. It also marked the first time Malay was formally promoted as Bahasa Indonesia – the language of unity. Interestingly, the nationalist thinkers of the time chose not to use Javanese – the language of the largest community in the then-Dutch East Indies – despite its rich, centuries-old literary tradition.

Instead, they selected a language – Malay – that was used by many as a lingua franca but only spoken as a first language by a tiny minority of about 3% of the population. In doing so, leaders such as Mohamad Yamin wanted a national language that would be an open system: accessible to all and value-free.

This would help bind together a disparate set of peoples: Christian, Muslim, Buddhist and Hindu. As such, the language had to be easy to learn, adaptable and open to external influences. In addition, they wanted to avoid the caste-like strictures of Javanese in which a speaker's social position was always of paramount importance.

These egalitarian principles were later expanded on by polymaths such as Sutan Takdir Alisjahbana, the essayist and academic, and Goenawan Mohamad, the founding editor of the news weekly Tempo. Sadly, our language has developed in the opposite direction.

We have endeavoured to make Bahasa Malaysia more Malay and less Malaysian. Our language has evolved into a closed system – shutting out non-Malays and non-Muslims alike. Is it any wonder then that Bahasa Malaysia has failed to become a unifying force like Bahasa Indonesia? If we want to move forward, we mustn't only leverage off Indonesia's economic strengths. Their politics and society should be an example to us as well.

<http://thestar.com.my/news/story.asp?file=/2010/8/10/focus/6825290&sec=focus>

- **Critics Want Clemency Ban For Indonesian Corruptors**

Lawmakers are expected to discuss banning prisoners convicted of corruption from receiving sentence cuts or presidential pardons, or tightening the system.

The move comes in response to public outrage over the sentence reductions given to several corrupt officials last week. Tjatur Sapto Edy, deputy chairman of House of Representatives Commission III dealing with legal affairs, told the Jakarta Globe the law clearly regarded corruption as a serious offense warranting severe punishment. This, he said, was undermined by awarding perpetrators sentence cuts, assimilation periods, leave

passes and parole. "I think it is important to review remissions, assimilations and parole regulations," said the lawmaker, who is also head of the National Mandate Party (PAN) in the House. "We should consider a total end to remissions et cetera, like China has done."

The public outcry followed the release of several high-profile corruption convicts after they received sentence cuts to mark Independence Day on Aug. 17. One of the convicts, Aulia Pohan, a former deputy governor of Bank Indonesia and an in-law of President Susilo Bambang Yudhoyono, was released on parole after receiving a total of nine months in sentence cuts, meaning he served less than two years of his three-year sentence.

Businesswoman Artalyta Suryani, jailed for bribery, was granted a sentence cut for "good conduct" despite having been found to be enjoying many comforts and luxuries in her jail cell. Critics said the sentence cuts raised doubts about the government's commitment to battling graft. They demanded that the system for granting sentence reductions be made transparent.

Emerson Yuntho, deputy chairman of Indonesia Corruption Watch, called for a standardized remission process. He said ICW research showed remissions were easily manipulated and had great potential for bribery and graft.

Commission III member Nudirman Munir, from the Golkar Party, wants the system to be tightly regulated. Nudirman, who wants to see the death penalty for corruption, said the House should urge the government to set up an independent body to review any clemency granted by the president. "The public should know who is asking for clemency, and this body should then review these people's records," he said.

However, Commission III member Ahmad Yani, from the United Development Party (PPP), said he disagreed with stopping graft convicts from getting reduced sentences. "As long as the system is weak, getting rid of remissions will not deter people." Activists from pro-democracy group Petisi 28 said they would file a protest to the president through Justice Minister Patrialis Akbar today.

Group coordinator Haris Rusli Muchti said clemency for graft convicts insulted all Indonesians. "It makes Indonesians look stupid, as if we are totally blind to legal matters," he said.

Petisi 28 lawyer Ahmad Suryono called the system "unfair" and showed Yudhoyono's inconsistency, while his colleague Catur Agus Saptono questioned the reasons for granting a sentence cut to Artalyta. "She has been proven as a corruptor protector. She has been linked with many names, and a task force found she was enjoying very special treatment in prison, so it was surprising she was granted a remission," he said.

<http://www.thejakartaglobe.com/home/critics-want-clemency-ban-for-indonesian-corruptors/392353?>

- **Aceh Paramilitary Suspects Indicted in West Jakarta Court**

Twenty-one men from different backgrounds were on Thursday slapped with various charges for their role in the Aceh paramilitary group, highlighting the fact that it had a diverse following.

Among those indicted at the West Jakarta District Court was Muchtar bin Ibrahim, a member of the Aceh branch of the hard-line Islamic Defenders Front (FPI) and a former member of the separatist Free Aceh Movement (GAM).

In addition to being accused of serving as a co-trainer at the paramilitary camp, Muchtar is also alleged by prosecutors to have been involved in a number of attacks against foreigners in Aceh in 2009.

Police have described the attacks as “on-the-job training” ahead of a planned Independence Day bloodbath targeting the president and other high-ranking officials, in a bid to ultimately create an Islamic state.

Muchtar is accused of being involved in the grenade attack at the Unicef office in Banda Aceh on March 17, 2009; shooting and wounding German Red Cross chief Dr. Erhard Bauer in his car in Aceh Besar on Nov. 5, 2009; and shooting American teachers Michelle Ahmad and Sarah Willis in a housing complex in Banda Aceh, on Nov. 23, 2009.

“His actions spread terror and fear,” said prosecutor Bambang Suharyadi, who charged the defendant with articles under the anti-terror law, which carry the maximum sentence of death.

Muchtar’s lawyer, Sugito Atmoprawito, objected to the indictment, saying that even though the FPI had earned a reputation as a hard-line group, it had never used bombs or guns. The lawyer also said he would urge the judge to move the trial venue to Aceh, the alleged crime scene, partly to allow the defendant to be closer to his family. Two other defendants, Andri Marlan Syahputra and Chairul Fuadi, face similar charges of attacking foreigners. They are being tried separately.

A group of four defendants were the first to hear indictments at the court. Adi Munadi, Deni Suhendra, Abu “Munir” Rimba and Ade Miroz are accused of participating in paramilitary training at the militant camp, which the National Police’s Densus 88 counterterrorism squad raided in February. According to the indictment, the four were trained to disassemble and reassemble weapons as well as how to use them. They were also alleged to have been trained in several forms of martial arts and group combat.

Similar charges of participating in the training camp were slapped on three other large

groups of defendants. One of the other defendants, Syailendra Ady Sapta, is believed to have been involved in the 2004 car-bombing of the Australian Embassy in Jakarta.

Former terror convict Aman Abdurrahman, an influential cleric and Arab linguist, faces an individual trial for funding the Aceh camp and harboring top militant Dulmatin, who was killed in the police raid. According the global think tank International Crisis Group, the Aceh group is “the coming together of mujahideen [fighters] from a number of different groups in Java and Sumatra who believed that a more coherent strategy for jihad in Indonesia was needed.” The ICG’s Sidney Jones previously said police were not fighting against just one group, but a network of allied cells. “What we saw in Aceh was an alliance of several different groups, which are now dispersed,” she said.

<http://www.thejakartaglobe.com/home/aceh-paramilitary-suspects-indicted-in-west-jakarta-court/393123?>

- **Environmental Front**
- **Moderate earthquake hits Indonesia's Aceh province, no damage reported**

A moderate earthquake rattled Indonesia's Aceh and North Sumatra provinces on early Saturday afternoon, seismologists said, but there were no immediate reports of damage or casualties.

The 5.8-magnitude earthquake at 12.42 p.m. local time (0542 UTC) was centered about 44 kilometers (27.3 miles) west-northwest of Sinabang on the east coast of Simeulue Island, which lies off the western coast of Sumatra in Aceh province. It struck about 37 kilometers (22.9 miles) deep, making it a shallow earthquake, according to the country's Meteorology, Climatology and Geophysics Agency.

The United States Geological Survey (USGS) measured the strength of the earthquake at 5.9 on the Richter scale, but measured its depth slightly more shallow at 34.5 kilometers (21.4 miles).

The USGS estimated that approximately 800 people likely perceived 'strong' shaking as a result of the earthquake, which could result in light to moderate damage depending on the structure of buildings. "Overall, the population in this region resides in structures that are vulnerable to earthquake shaking, though some resistant structures exist," the agency said.

The USGS further estimated that approximately 66,000 people likely perceived 'moderate' shaking, while around 530,000 other people perceived light shaking. There were no immediate reports of damage or casualties as a result of the earthquake.

Indonesia is on the so-called 'Pacific Ring of Fire', an arc of fault lines circling the Pacific Basin that is prone to frequent and large earthquakes. Volcanic eruptions also occur

frequently in the region. On December 26, 2004, one of the most powerful earthquakes ever recorded struck off the west coast of Sumatra, Indonesia. The 9.1-magnitude earthquake unleashed a deadly tsunami, striking scores of countries. In all, at least 227,8989 people were killed.

And on December 17, 2006, a moderate 5.8-magnitude earthquake struck approximately 387 kilometers (240.4 miles) southeast of Saturday's earthquake, killing at least 7 people.

<http://www.newkerala.com/news2/fullnews-25623.html?>

Malaysia

- **Political Front**
- **What's next for Malaysia?**

All societies need change and countries that don't change or can't change remain ossified and stagnant. A few weeks ago, I hosted a lunch for a Malaysian politician and an Indonesian businessman. The politician and I were struck by the tycoon's steadfast support of his nation's democratic traditions. He stressed that he would not be where he was now had it not been for Reformasi and the turbulence of 1998. Indeed, he made a powerful argument that his country wouldn't be powering ahead were it not for the transformation that took place after Suharto's ouster.

Interestingly, I think most Malaysian businessmen, including those dependent on government contracts, would agree with my Indonesian friend. All societies need change and countries that don't change or can't change remain ossified and stagnant.

Malaysia is in danger of experiencing a "lost decade" like Japan - stuck in an unproductive, even destructive, socio-economic and political model. In the past, I used to praise Malaysia's slow but steady pace of change. The events of the last decade have changed my mind.

I now see that our evolutionary (as opposed to revolutionary) political process is a formidable barrier to our future growth. Politics is holding us back and until we resolve two core political challenges, we will remain in limbo.

The first is the role of ethnicity and the second is the civil liberties agenda. Economic reform cannot happen when race still governs our public life, and where our citizens are not allowed to think and speak independently. We remain a top-down, illiberal and limited democracy.

We have leaders who do not trust the rakyat (house of representatives). The rakyat, conversely are increasingly frustrated with what is going on. They clearly see that in order to maintain the status quo, there is a cynical fanning of racial and religious sentiment that only pushes us closer to some kind of political Armageddon.

So, as Malaysia readies itself for the 13th general election, I have a few points to stress, reflecting some of the developments over the past two years: (i) public scepticism and distrust is peaking. Public distrust has risen. We are face to face with too many scandals and legal travesties - ranging from the Teoh Beng Hock inquest to the second Anwar Ibrahim trial. These unresolved (and unresolvable) cases gnaw away at public confidence. They impact the entire system. As a result, there's less and less confidence in public institutions.

(ii) We are experiencing a breakdown of the culture of deference in the Malay society. Malay society has been highly disciplined and hierarchical for many decades. However, Dr Mahathir's "Melayu baru" (new Malay) rhetoric has taken root.

Like it or not, the vast expansion of the Malay middle class has changed the dynamics between the ruled and the rulers. The Malay community is no longer respectful of entrenched authority. Instead they are critical and asking questions.

Indeed, younger Malaysians of all races are more "transactional" in their approach to politics. They ask, "What's in it for me?" Elected officials have to be more humble and service-orientated. MP's and ministers can no longer expect to command respect. They have to earn it, step-by-step. The best way to do this is by being honest and humble.

(iii) Not all political warhorses will deliver the goods. Sarawak's Taib Mahmud has been in office for well over 30 years. Is he liked or disliked by the rakyat? Can he deliver his state once again into the hands of Barisan Nasional? Past success is no guarantee for future delivery. The next state election in Sarawak will be eagerly contested and watched.

(iv) The role of the media. What is the truth? The continuing restrictions on Malaysia's media have proven to be a disaster for Barisan. On the other hand, certain conservative papers appear to have been given a free hand to engage in race-baiting. Not only have these double-standards not boosted public sentiment, it robs the government of a very effective method of understanding what's happening on the ground. Without the freedom of expression, journalists can only write what the leaders want to read, not what they need to. As a result, Malaysia's elite have become insulated from the rakyat, something the former can ill-afford at this juncture.

5) The age of coalitions is upon us. The results of the UK and Australian elections show that the Westminster system of democracy, which we practise, tends to produce hung legislatures when voter dissatisfaction is great.

The question then arises: who, Barisan or Pakatan Rakyat, has a sounder alliance? Who can better bring together our fragmented socio-political sphere?

These factors will become apparent in the upcoming power plays.

Whatever happens, there's no turning back and Malaysia will never be the same again.

http://www.thestatesman.net/index.php?option=com_content&view=article&id=339121&catid=39

- **MIC registers more than 27,000 new Indian voters**

The MIC registered 27,017 new Indian voters under the party's first phase of voter registration on Aug 22, party president Datuk Seri S. Samy Vellu said Friday.

Johor topped the list with 6,040 voters registered, followed by Kedah (5,909), Perak (3,872), Selangor (3,393), Negri Sembilan (2,630), Pahang (1,492), Penang (1,488), Malacca (1,049), Kuala Lumpur (928), Sabah (150), Perlis (36) and Terengganu (30).

Samy Vellu said the registration was conducted by the 750 assistant registrars from the MIC appointed by the Election Commission (EC). "Some 150 MIC division leaders and 12 state MIC chairmen supported by 4,300 MIC branch chairmen were also involved in the exercise," he said in a statement.

He said the second phase of voter registration would be held on Sept 19 this year. The MIC chief said there were still many more Indians who have yet to register with the EC, and the party would identify them through its branches.

He said the MIC wanted to register as many Indian voters, especially among the youths, who were considered the "decision-makers" in the next general election. He said the party's Wanita, Youth, Puteri and Putera wings have also been roped in to register new voters. Samy Vellu said of the more than 600,000 MIC members, almost 500,000 of them were registered voters. He said the MIC would ensure that at least one million Indian voters could vote in the 13th general election. He added that of one million Indians who were eligible to vote, 840,000 had already registered with the EC. "The MIC will work at registering 100,000 more Indians, who are among 500,000 party members identified as having not registered as voters," he said.

<http://thestar.com.my/news/story.asp?file=/2010/8/27/nation/20100827194039&sec=nation>

- **Economic Front**
- **FDI – more than economics**

Malaysia needs to go well beyond mere economic and fiscal measures if it is to reverse the decline in foreign direct investment.

THE recently released UNCTAD World Investment Report 2010 indicating that foreign direct investment (FDI) in Malaysia declined by a massive 81% in 2009 has quite understandably grabbed headlines.

According to the report, FDI declined from US\$7.3bil (RM23bil) in 2008 to a mere US\$1.4bil (RM4.4bil) last year. In addition, there was a massive US\$8.04bil (RM25.3bil)

outflow of capital. The overall result was that our country experienced its worst FDI performance in decades.

As we so often tend to do with bad news, we shift the blame; the drop in FDI was explained away as the result of “external factors.” The argument was made that the global economy is, after all, still recovering from the worst economic crisis since the Great Depression. Besides, the doubling of foreign ownership of Malaysian Government Securities (compared to the previous year) and the splendid performance of the Ringgit indicate that investor confidence continues to remain high.

The massive outflow of funds from Malaysia, on the other hand, was explained away as Malaysian companies aggressively pursuing investment opportunities abroad, a coming of age of sorts even, by our multinationals.

Nevertheless, for a country that has long depended upon FDI to prosper and grow, such a drastic decline comes as a rude awakening. For years we always bragged about how special Malaysia was by virtue of our success in attracting FDI at levels which left our neighbours green with envy.

High investment inflows were seen as a reflection of our competitiveness, our highly favourable business environment as well as our political maturity and stability. Dismissing the significance of the precipitous decline in FDI might be politically convenient but it will not hide the arresting message that it sends: a serious loss of confidence in Malaysia and a sign of our decline.

Anyone closely monitoring developments in Malaysia, including foreign investors, cannot but conclude that our nation is now increasingly shaky in several areas. And they must also wonder, given recent events, if we are even up to the challenges we face. Right now we are transfixed by the staggering RM12.5bil Port Klang Free Zone scandal.

What is really distressing is that such corruption and scandalous mismanagement of public finances keeps recurring with frightening regularity. We seem to helplessly careen from one major scandal to another. It is a mess, a sordid mess, that must surely cause many foreign investors to simply shake their heads in disbelief and dismay.

And more than that, it tells the world that we still have not found the political will or the necessary institutional architecture to prevent such massive corruption from recurring. It would be naïve to think that corruption on this scale will not impact investor confidence.

And, given our dismal record of bringing to justice the real kingfishers of corruption, not many believe that things are about to change. Cumulative scandals affecting other national institutions, including the police and judiciary, have also steadily undermined the perception of Malaysia as a safe and competitive place for long term investments.

And then there is the increasingly strident and racially charged rhetoric that marks so

much of what passes for political discourse in our country these days. It may be just politics Malaysian style to some or a convenient, if morally bankrupt way, to garner support to others but it makes foreign investors, and many locals too, very jittery.

It is not for no reason that more and more Malaysians of all ethnic backgrounds are packing up and moving abroad.

According to the World Bank, the number of emigrants out of Malaysia rose from 9,576 in 1960 to almost 1.5 million in 2005. Over 300,000 left between March 2008 and August 2009 alone.

In this connection, I wonder how much of that US\$8.4bil that left our shores last year was simply Malaysians moving their capital to safer shores. The assurances by the government that it will take proactive measures to reverse the decline in FDI are of course welcome as are the measures already introduced under the Government Transformation Programme and the New Economic Model.

Our response, however, needs to go well beyond mere economic and fiscal measures if we are to reverse the decline. What is also urgently needed is real and effective political leadership to tackle head on the corruption issue and the growing racial and religious divide.

The Prime Minister's 1Malaysia policy, while constructive and desperately needed, unfortunately already suffers from a thousand cuts. Unless he is able to revive confidence in the Government's ability to bring about its realisation, it will not help turn the tide of slumping investor confidence. If we ever hope to raise the RM115bil worth of investments to achieve the goals of the 10th Malaysia Plan, we must act now.

And not with half-measures and half-hearted gestures but with credible policies and programmes backed by the necessary political will. Bearing in mind the turbulent and uncertain global economic environment we are in, our very prosperity, if not survival, depends upon it.

<http://thestar.com.my/columnists/story.asp?file=/2010/8/26/columnists/diplomaticallyspeaking/6919211&sec=diplomaticallyspeaking>

- **Diversification needed to sustain Malaysia's GDP growth**

The Malaysian government must further diversify its economy and revenue sources to combat the negative impacts from its conventional business activities. The United States is one of Malaysia's main export destinations but the world's largest economy is losing its recovery momentum, and may even head towards a double dip recession.

The Federal Reserve of the U.S. has repeatedly said that monetary policy will remain loose for a long time to stimulate business activities, but the U.S. congressional elections

to be held in November has deterred the government to increase its deficit spending. The thrifty spending attitude may dampen the economic recovery in the U.S., resulting in economic contraction by the end of 2010.

The direct impact on Malaysia, an export-led nation, is no doubt that the recovery of the exports sector will be dragged behind. While Malaysia exported 10.1 percent of its total exports to the U.S. in June 2010, 11.1 percent went to the Europe.

However, the situation in the European Union, embroiled in the debt crisis, is not very much better than the U.S.. There are economists holding to the view that some European countries will remain in recession or will start contracting again as its recovery is still weak. The European Union's statistics office Eurostat said last Friday that after suffering its worst post-war recession in 2009, the euro zone had shown signs of recovery but only at mere one percent in the second quarter of 2010.

Malaysia's gross domestic product (GDP) registered a spike of 10.1 percent in the first quarter but it slowed down to 8.9 percent in the second quarter, as announced by Bank Negara Malaysia, the country's central bank here on Wednesday.

<http://english.people.com.cn/90001/90777/90851/7110000.html?>

- **Improving national economy brings down unemployment figures**

The improving national economy has resulted in a lower unemployment rate with firms not resorting to retrenchments, according to the Malaysian Employers Federation (MEF). MEF president Datuk Azman Shah Harun said retrenchment figures had been reducing, citing the trend throughout last year with half the 25,064 employees laid off during the first quarter of 2009. He said economic and employment conditions were certainly showing signs of steady recovery.

“Speedy recovery in the labour market following improvements in both global and domestic economic conditions resulted in a lower unemployment rate of 3.7% ending last year,” he said in his speech at the MEF annual general meeting held in a hotel in Subang Jaya yesterday. Azman, who was re-elected to a third-term as president, said private firms also continued to grant salary increments at a fair rate of 3.4% in 2009, despite the economic slowdown. He also pledged MEF’s readiness to support the Prime Minister’s vision of creating a high income and productive society. “We will continue to press for wage reform in the private sector, taking cognisance of company performance and employee contribution to productivity growth,” he said. MEF secretary Datuk Thavalingam Thava-rajah, who was re-elected to the MEF committee with the second highest votes, commended Azman for his leadership, saying his fresh mandate augured well for the body.

“Azman has also been made president-elect of the International Organisation of

Employers, representing 140 countries around the world. "This will enable Malaysia to be a voice in shaping employment policies on a global front," he added.

<http://thestar.com.my/news/story.asp?file=/2010/7/30/nation/6762523&sec=nation>

- **Saudi investors to visit Malaysia after Ramadan**

The Malaysian Embassy has announced that a number of Saudi investors will be traveling to Malaysia after Ramadan to explore investment opportunities in the East Coast Economic Region (ECER).

"The embassy has received a number of inquiries during the past few days from Saudi businessmen on the tax incentives offered by Malaysia to foreign investors. Some of them personally visited us," Ambassador Dato Syed Omar Al Saggaf told Arab News on Sunday.

He said that most of the inquiring Saudis were interested in investing in agriculture, manufacturing, petrochemicals, the special economic zone, and culture and heritage. Al Saggaf said that the renewed Saudi interest in investment in Malaysia comes on the heels of a visit last month of a delegation headed by Prince Abdul Aziz Faisal Al Saud following a visit to the Kingdom in May of an ECER investment delegation led by National Corridor Development adviser Tun Abdullah Ahmad Badawi. "The delegation sought investors in the oil and gas industry, particularly in the downstream industry," Al Saggaf said. In a statement, Datuk Jebasingam Issace John, chief executive officer of ECER Development Council, said in a statement that firm commitments from Saudi investors are expected by the end of 2010. Al Saggaf said tax incentives were offered in various sectors. "In tourism, there are customized incentives based on merit, income tax exemption of 100 percent for five years for eco-tourism and an investment tax allowance (ITA) of 100 percent on qualifying capital expenditure for five years," the envoy-professor said. He added that other incentives offered include stamp duty exemption on land acquired for development and withholding tax exemption on royalty and technical fees for ten years; and import duty and sales tax exemption on machinery, equipment and consumables that are not produced locally but are used directly in the activity. Incentives are also offered to Saudi companies developing infrastructure for industrial parks.

"These include 100-percent income tax exemption for ten years starting from the year the company derives its statutory income. And an investment tax allowance (ITA) of 100 percent on qualifying capital expenditure for five years," Al Saggaf said. The ambassador added that incentives are also offered in the areas of manufacturing, petrochemical, special economic zone, agriculture, education and culture and heritage.

<http://arabnews.com/economy/article110218.ece?>

- **70% of Johor SMIs owned by women**

About 70% of the state's small and medium industries (SMI) are owned by women – raking in some RM60mil in revenue. Johor Mentri Besar Datuk Abdul Ghani Othman said such overwhelming achievement showed the active involvement of women in small businesses.

“This is the result of over 12 years of concentrating on SMIs and it is a positive sign for the fairer sex.” Abdul Ghani said this while speaking during a video conferencing session with Prime Minister Datuk Seri Najib Tun Razak during the national Women's Day celebration at his official residence in Saujana here. He added that to date, there are some 1,700 SMIs registered in the state where 1,200 are managed by women. “Some of the products generated by these small industries are also recognised and used throughout the country.

“It is an achievement that we should be very proud of,” he said. Abdul Ghani said the Women's Day celebration was conducted simultaneously at 26 other locations in the state and involved more than 10,000 women. “This shows the overwhelming support that we have from the women entrepreneurs in the state,” he said, adding that future plans would be to develop existing SMIs or come up with newer ideas.

Najib who was listening to the brief report, commented that the advancement of women SMIs was something that the state should be proud of. “This clearly shows the commitment shown by the Johor government and we hope that in the future the position of women will be further established,” he said.

<http://thestar.com.my/metro/story.asp?file=/2010/8/27/southneast/6922298&sec=southneast>

- **FTAs with Japan, Malaysia likely this year**

India today said it is hopeful of concluding market opening agreements with Japan and Malaysia by this year-end, and the pact with Japan alone has the potential to significantly boost the \$10.4-billion bilateral trade.

“We are looking forward to reach an in-principle agreement which can be formalised...when the Prime Minister is scheduled to travel to Japan in the third week of October,” commerce and industry minister, Mr Anand Sharma told reporters after meeting his Japanese counterpart Mr Masayuki Naoshima on the sidelines of the Asean Economic Ministers' meet in this beach resort city.

Ahead of the Prime Minister's visit, commerce secretary, Mr Rahul Khullar would be in Tokyo in the first week of September for discussion on an in-principle pact on the proposed Comprehensive Economic Partnership Agreement (CEPA).

In New Delhi, Mr Khullar said “hopefully” a free trade pact with Malaysia too would be concluded by this year-end. India expects that it would be able to further enhance trade in

the next one year. pti

http://www.thestatesman.net/index.php?option=com_content&view=article&id=339309&catid=40

- **Palm oil may hit 3,000 ringgit: Mistry**

Malaysian crude palm oil futures may rise about 20 per cent to trade close to 3,000 ringgit in the second half of 2010 as erratic weather slows output growth and demand strengthens, a top industry analyst said on Thursday. Godrej International's head of vegetable oil trading Dorab Mistry said there has been a strong catch-up rally in vegetable oil prices, particularly palm oil that currently trades at around 2,500 ringgit on the Bursa Malaysia Derivatives (BMD).

Palm oil gained 6 per cent in July, after dropping for two straight months before that.

"CPO (crude palm oil) on the BMD will trade close to 3,000 ringgit and then perhaps even climb above that target depending on how production shapes and the world economy performs," Mistry said in a speech to be delivered in Brazil. Top producers Indonesia and Malaysia are facing lacklustre production after El Nino-driven drier weather sapped yields and stunted the development of oil-rich female palm flowers in the first half of 2010. This was followed by the La Nina weather pattern, which could deal another blow to production as it brings more rains and stalls harvest of palm fruit bunches in certain areas.

Planters are concerned that heavy rains may cause floods towards the end of the year and complicate the task of transporting palm oil to refineries and ports. "I stand by my forecast of Malaysian CPO production in 2010 at 17.2 million tonnes. Indonesian CPO production has also disappointed and I feel compelled to reduce my forecast of growth to just 500,000 (from 1 million tonnes)," Mistry said.

Mistry's forecast for Malaysian production is lower than government's revised target of 17.8 million tonnes. Indonesia had earlier aimed to produce 22.5 million tonnes of palm oil this year, from 20.6 million tonnes in 2009. "CPO production during the Ramadan period will be flat to lower and recovery will have to wait until October," he said, referring to the Muslim holy month of fasting in mid-August that will see Indonesian plantation workers taking leave.

<http://business-standard.com/india/storypage.php?autono=405942>

- **Social Front**
- **Solution of 21st century ills lies in Islamic unity**

With its population amounting to approximately 1.5 billion (Muslims make up one fourth of the world population), its mineral resources, and the strategic importance of the geography, the Islamic world is a great power. From Indonesia to Chad, the Caucasus to

Tanzania, and Morocco to Fiji, the Islamic world now stretches over a huge area and covers the lands that gave rise to the greatest civilizations in history.

The region's geopolitical, cultural, and geo-economic qualities place this geography on the agenda of international relations and world politics even today. The fact that crossroads and transit routes of world trade are located within this area is among the important factors. Considering that the canals and straights joining the Black Sea to the Mediterranean Sea, the Mediterranean Sea and the Persian Gulf to the Indian Ocean are under Muslim control, the Islamic world's importance in terms of global balance becomes better understood.

Additionally, the world's richest lands, in terms of such strategically important natural resources as oil and natural gas, are located in Muslim countries. The effective use of these resources represents a strategic opportunity for the Islamic world to increase its impact on world politics. The current situation clearly suggests that Muslims will influence the developments of the 21st century in one way or another. However, what really matters here is that this influence must benefit the Islamic world in particular and humanity in general. The first thing that comes to mind at this stage is whether the Islamic world can play such a role, given its present condition.

No doubt, Muslims have the necessary ability and awareness to shoulder this responsibility. However, looking at Muslim nations today reveals many problems, among them the lack of established democracy, the inability to keep up with technological progress, and an underdeveloped economy. An Islamic world preparing to play an active role in world politics must solve these and similar problems first. The Islamic world's disunity and fragmentation is an even more urgent and vital problem that must be resolved. The fact that the Muslims have not been able to create a powerful and active Islamic Union is a major contributor to many of today's ills. When a strong Islamic Union is formed, such problems will either not arise or will be resolved far quicker than anticipated.

It must be stated here that the diversity found in the Islamic world, as well as the existence of various schools of Islamic thought, is not an issue in this regard. Muslims' liberation from this diversity does not mean that they will be gathered under a single administration or system. Rather, this diversity must be united under the umbrella of faith and on the basis of mutual tolerance and solidarity.

Differences of thought, practice, or point of view are normal and common in all societies. Islamic morality requires that Muslims never forget that they are all brothers and sisters, irrespective of their differences. Whatever the race, language, nation, or branch of Islam one might follow, all Muslims are brothers and sisters.

Therefore, such differences must be appreciated as a source of richness instead of as a source of potential conflict and fragmentation. Such a mistaken view only diverts one's attention from the real issues and delays urgently needed and important preventive action. The solution lies in forming an Islamic Union that will unite all Muslims and guide them to the right path. Therefore, every Muslim must work for its creation.

1. All Muslim governments should prepare for the Islamic Union by developing their relations with other Muslim countries and organising cultural activities that will help establish true Islamic morality in their countries.

2. All Muslim NGOs, associations, charities, members of the media, and intellectual leaders should make genuine efforts to resolve the differences between Muslims and to achieve unity and solidarity.

3. All Muslims should work to create this Islamic unity, regardless of the mosque or school they attend, the Internet sites that they visit, and the charities or associations to which they belong. Moreover, they must encourage other Muslims to follow their example.

It is the prayer of all Muslims that the great Islamic civilisation, one that will bring goodness, justice, and peace to Muslims and non-Muslims alike, will flourish once more. Allah willing, the formation of the Islamic Union will bring all of this about. All Muslims who wish to play a role in this holy duty should make the following prayer and then act upon it:

Let's heal the rifts between Muslims. Let's bridge the gaps between Muslims who do not pray in one another's mosques, who do not read each other's books, and who are hostile to one another because of small ideological differences. Let's do away with such artificial segregations.

Let the house of Allah, the mosque, be the place of worship of not this group or that sect but of all Muslims. Let every Muslim greet and talk with every other Muslim. Let's end the disputes between communities or individuals, and let all Muslims work hand in hand in humility and tolerance to serve Allah's religion.

Let's not forget Allah's command: The believers are brothers, so make peace between your brothers and heed Allah, so that hopefully you will gain mercy. (Surat al-Hujurat, 10)<http://gulftoday.ae/portal/181d9110-cc31-41ac-817d-bff5d9a7b3d6.aspx?>

- **Malaysia urged to improve maid laws**

There are hundreds of thousands of foreign maids working in Malaysia and almost 85 per cent of them come from neighbouring Indonesia. But the Indonesia government has banned its citizens from travelling to Malaysia to work as domestic helpers after repeated

stories of maids being exploited and abused.

Jakarta has also called for more regulation from the Malaysian government to protect the workers' rights. Al Jazeera's Harry Fawcett reports Kuala Lumpur, Malaysia's capital.

- **Cyber world**
- **Malaysian government tech investor plans new system to manage growing portfolio**

MDV signs with IA to procure, develop and implement loan management system for MDV. To better handle a growing portfolio, government technology investor Malaysian Debt Ventures (MDV) has signed with Innovation Associates Consulting to help procure, develop, and implement the larger volumes of loans-related transactions.

MDV managing director and chief executive officer, Md Zubir Ansori Yahaya, said Innovation Associates Consulting would manage the SAP Loans Management For Bank for MDV. "Being the country's innovative financier and development facilitator, we realise there is a need to improve our system to accommodate the growing number of loans we have to process each year," said Zubir. "The new system will enable us to be more efficient, operationally." He said the system is of international standards and has been used by various financial institutions in the US and Europe. "This new system is required to cater for MDV's growth as the economy picks up and more locally incorporated companies are seeking to secure financing.

"[This is] in line with the government's efforts to move the emerging sectors up the value chain. MDV supports and recognises the local information communications technology (ICT) companies," he said. "After a thorough procurement process, we have chosen to use IA's expertise as they have proven to be very experienced in this sector and offers competitive products." "MDV would also be deploying IA's SAP Islamic Banking solution, which is a Malaysian-developed product while IA would be employing only local human resources for the project," he said.

Incorporated in 2002 as a wholly-owned subsidiary of the Ministry of Finance, Inc., Malaysia Debt Ventures (MDV) is the financier and development facilitator for the information and communication technology (ICT), biotechnology, and emerging technology sectors in Malaysia. IA Group (A) is a management consulting, technology and outsourcing company with offices in Malaysia, Indonesia, India and Saudi Arabia. Its client base includes large Malaysian companies, financial institutions, and multinationals.

Home-grown Islamic banking solution

Zubir said the new project was expected to complete within six months. "Currently, MDV employs its own internally-built system, the Integrated Core Financing Solution (ICFS) for loans management and administration which involves loans creation,

disbursement, repayment, refund, monitoring and accounting. The system is unable to cope with the company's growing portfolio."

"We are proud to be part of MDV's system development growth," said IA Group chairman, Halim Haji Din. "Our home-grown Islamic banking solution is developed with intellectual property (IP) for the Islamic component. We look forward to deploying this solution in MDV, while together contributing towards the realisation of the Centre of Excellence for Islamic Finance in Malaysia. This is also the precursor of our entry into the global Islamic market with the Islamic Core Banking solution offering."

<http://mis-asia.com/news/articles/malaysian-government-tech-investor-plans-new-system-to-manage-growing-portfolio?>

Philippine

- **Political Front**
- **Economic front**
- **Arroyo camp cites role in high growth**

The camp of former President Gloria Arroyo said that it was good to hear about the 7.9 percent economic growth that the country posted in the second quarter of the year. Mrs. Arroyo's spokesman Elena Bautista Horn, in a text message, on Thursday said that the growth figure was "welcome news amid the assault in the past three days" on the country's national pride, apparently referring to Monday's hostage crisis that ended bloodily.

"This [economic performance] supports our ability to avoid the recession that still hounds other countries up to now. As a result, we have lower poverty incidence in the country going down by 5 percent in the last three years — given the population growth in the midst of the global crisis," Horn told The Manila Times.

She said that "the country benefited from Dr. Arroyo's application of her economics background," referring to the former leader, now a lawmaker representing her home province of Pampanga. "The country would need this continuous growth. We hope that the Aquino administration can sustain this," Horn added.

<http://www.manilatimes.net/index.php/top-stories/24613-arroyo-camp-cites-role-in-high-growth?>

- **Philippine economy accelerates 7.9%**

Philippine economic growth unexpectedly accelerated last quarter to the fastest pace in three years as consumer and government spending increased. Stocks and the peso rose.

Gross domestic product increased 7.9 per cent from a year earlier, compared with a revised 7.8 per cent gain in the three months through March, the National Statistical Coordination Board said in Manila yesterday. That's more than the 6.3 per cent median

forecast of 14 economists surveyed by Bloomberg News, and is the fastest pace since the second quarter of 2007.

The Philippine economy has shown more resilience than neighbours including Malaysia and Thailand, where growth is slowing as faltering recoveries in the US and Europe threaten exports. Bangko Sentral ng Pilipinas will review the impact of faster growth on its inflation forecasts, Governor Amando Tetangco said.

"The Philippines is enjoying a sweet spot," said Rafael Algarra, treasurer at Security Bank Corp in Manila. "Growth is quite good while inflation is still quite low and that should be positive for our assets. The peso has room to strengthen."

The Philippine benchmark stock index jumped the most in seven weeks and four-year bond yields slid to a record-low. The peso rose, extending its gains this year to more than 2 per cent.

Full-year growth may exceed the government's 5 per cent to 6 per cent goal, Economic Planning Secretary Cayetano Paderanga said today. The budget deficit this year may be smaller than the record 325 billion-peso (\$7.2 billion) government forecast as faster expansion may boost revenue, he said.

Inflation held at a seven-month low in July and the central bank has said it expects price gains to be within its targets for this year and next.

"Growth factors such as inventory restocking and exports have a big chance of wearing off in the second half," Emilio Neri, an economist at Bank of the Philippine Islands in Manila, said before the GDP report. "We see a very low risk of the central bank hiking this year as growth has proven to still not be inflationary."

A faltering global recovery and the killing of tourists in a bus hijacking this week may hamper Philippine President Benigno Aquino's pledge to attract investments and create jobs to cut poverty.

Global risks Weaker-than-estimated economic growth in Japan and the US and slower expansion in China are adding to signs that the global rebound is losing momentum. Philippine export growth eased in the second quarter after exceeding 40 per cent in the previous three months.

Former police inspector Rolando Mendoza seized a bus carrying 25 people on August 23 to protest his dismissal on extortion charges, leading to the deadliest attack on visitors in Philippine history. Eight tourists from Hong Kong died, casting a shadow on the government's plan to double the size of the tourism industry, Aquino said, and Finance Secretary Cesar Purisima said it will probably hurt tourist arrivals.

Aquino, who took office in June, plans to increase government spending to a record next year to expand the economy by 7 per cent to 8 per cent annually from 2011 after growth

slid to an 11-year low of 1.1 per cent in 2009. He's seeking to boost incomes in a nation where the World Bank estimates one out of four people live on less than \$1.25 a day.

The hostage crisis won't affect Philippine monetary policy, as its impact on the markets won't be "significant," Tetangco said this week.

"We will update our forecasts to incorporate this new information and consider its impact on the forecast inflation path over the policy horizon," he said after the GDP report yesterday.

The central bank cut the benchmark interest rate last year to the lowest level since central bank data started in 1990 to shield the nation from the global recession.

record low

Interest rate at 4%

The Philippine central bank kept its benchmark interest rate at a record low as easing inflation gives it room to support the nation's economic recovery.

Bangko Sentral ng Pilipinas left the rate it pays lenders for overnight deposits at 4 per cent for a 10th meeting, it said in a statement in Manila yesterday. That's the lowest level since central bank data started in 1990. The decision was expected by all 15 economists surveyed by Bloomberg News.

Easing inflation has allowed Bangko Sentral to keep its key rate unchanged for more than a year, helping economic growth accelerate to a three-year high last quarter. The Philippines has refrained from joining neighbors including Malaysia and India as Asia's policy makers balance the need to sustain growth against the threats of inflation and asset bubbles."Given that inflation is muted, there is still leeway for the central bank to keep rates unchanged," said Angeline Sia, who helps manage the equivalent of about \$11 billion at BPI Asset Management in Manila. "People remain cautious about slowing growth in the advanced economies such as the U.S. and Europe."

<http://gulfnnews.com/business/economy/philippine-economy-accelerates-7-9-1.673666?>

- **At Social Front**
- **The Philippines Bus Hijacking: One Disaster Follows Another**

The recent bus hijacking in Manila once again placed the Philippines under an unpleasant media spotlight this week, with the BBC and CNN rightfully decrying the incompetence of the local authorities. Eight tourists died at the end of the bus hijacking, mostly due to the Manila police's self-admitted "inadequate capability, skills, equipment and planning." As a travel writer living in Manila, I'm of two minds on the matter. I grieve along with other Manila residents, as these were eight tourist deaths in our backyard that should never have happened. On the other hand... "Philippines disaster" seems to be the default setting for any news coverage of this part of the world.

It's not entirely undeserved. Filipinos have long suffered under years of corrupt government and backward theocracy, with no end in sight. Official responses to major disasters vary from the barely viable to the outright incompetent, with this week's police failure being very much the latter. (I had to check a few times if Frank Drebin had been inexplicably put in charge of the Manila SWAT team.)

Yet this reflects unfairly on the parts of the Philippines that are, in not so many words, awesome. Anybody who's gone kayaking on the lagoons of El Nido or eaten durian on the streets of Davao City will tell you that the disaster/corruption/foreigner danger media tropes are overblown. In many places in the Philippines, the system does work. The locals do look out for their foreign guests. The taxi drivers are honest and don't gouge anybody who's obviously foreign.

But frustratingly, these facts don't fit in with the lazily-reported media conclusion that the Philippines is dangerous to foreigners. It's true to a certain extent, as it's true for any country, but probably not to the extent that CNN would have you believe.

Read more: http://blogcritics.org/culture/article/the-philippines-bus-hijacking-one-disaster/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+bc%2Farticles+%28Blogcritics+Articles%29#ixzz0xpZ0oZL2

- **Benigno Aquino vows punishment**

The Philippine president vowed yesterday "someone will pay" for the bus hostage crisis that killed Hong Kong tourists as senators began grilling senior police officers over the deadly fiasco.

Addressing students and teachers at a suburban university, President Benigno Aquino III said the nearly 12-hour hostage-taking drama on Monday was "ghastly" and admitted there were "many failures," but stopped short of directly blaming the police. "What happened should

<http://www.thedailystar.net/newDesign/news-details.php?nid=152430>

- **Philippine president fumbles first major crisis**

President Benigno Aquino III was out of sight throughout the 11-hour bus hostage crisis that ended with the deaths of eight Hong Kong tourists in the Philippines.

Aquino, who has only been president for two months, also did not issue any statements while Monday's standoff played out on live local and international television networks.

When he finally appeared after the bloody end to the hostage-taking in a seaside park in Manila, Aquino said he stayed away because he didn't want to micromanage the situation. 'I don't need to publicise what I have been doing,' he told a press conference where he smiled a couple of times, triggering a barrage of criticism.

Many Filipinos posted caustic comments on the internet about Aquino's absence and

apparent inaction, calling him a 'stupid president,' a 'missing-in-action president,' and a 'coward president.'

Some expressed regrets over voting for him in elections in May, which he won by a landslide despite attacks that he lacked experience and was merely riding on the popularity of his late parents.

The son of democracy icons former president Corazon Aquino and assassinated senator Benigno Aquino Junior had a lackluster career as a legislator before he ran for president. Aside from his hands-off approach, Aquino is also being faulted for failing to answer at least two phone calls from Hong Kong Chief Executive Donald Tsang at the height of the hostage-taking.

He later said he was never told by his staff that Tsang called.

Aquino also refused to state immediately that officials would be fired for mishandling the hostage-taking of the tourist bus by a sacked police officer, who demanded his job back.

One newspaper editorial noted that the president's response to what is turning out to be the first international crisis of his administration 'cannot but be deemed wanting.'

'Incredibly, it seems to have escaped the (presidential) palace that the hostage crisis had become a political incident and was no longer a police matter,' the Philippine Daily Inquirer editorial said.

It added that Aquino's excuse of not wanting to micromanage the situation only 'indicates a failure to appreciate the role he is called upon to play in this theatre of governance.'

'It disappoints because it appears to shirk responsibility,' the editorial said. 'It displays - dare we say it? - a dangerous naivete.'

Allies of former president Gloria Macapagal Arroyo, whose government peacefully resolved a similar hostage-taking in 2007, said the crisis was an acid test for Aquino's leadership and he 'failed miserably.'

'The crisis demanded decisive action and forthright presidential action, but the president was nowhere to be found,' Congressman Edcel Lagman said.

'There was an obvious failure of leadership and now we're the laughingstock of the international community,' he added.

Arroyo spokeswoman Maria Elena Bautista-Horn also took a jab at Aquino, insinuating that the problem in Monday's crisis was not the police blunders but the president's lack of leadership.

'The police during our time and the police now are the same,' she said. 'We doubt it if many have been replaced or new equipment added. The only difference is who was in command during the situation.'

Aquino has refused to be drawn into the blame game and instead urged everyone to unite

in dealing with the possible backlash of the violent end to the hostage-taking.

'We hope that we could have done better but there is the tragic loss of life and we will have to bear accepting this anger,' he said.

http://www.monstersandcritics.com/news/asiapacific/features/article_1580166.php/Philippine-president-fumbles-first-major-crisis-News-Feature?

- **Tourist destinations reel from hostage crisis' impact**

Top tourist destinations in the country are feeling the impact of the August 23 hostage crisis in Manila. Hundreds of Chinese nationals and Hong Kong residents have cancelled their planned visits to Philippines in fear of their safety, reports said.

A number of hotel bookings in Bohol, Palawan, and Cebu were shelved, according to the Philippine Travel Agencies Association. The Department of Tourism (DOT), meanwhile, said Boracay leisure companies stand to lose between P7 million to P10 million because of more than 800 room reservations that were called off by Chinese visitors.

Chester Feliciano, a tour operator in Manila, said he lost around 600 clients in the wake of the hostage crisis.

"Wala tayong magagawa. Cancelled is cancelled. We understand their sadness," he added. DOT Secretary Alberto Lim said his department plans to launch a new promotional program to attract foreign tourists.

The plan aims to project a new image of the country, he added. "Hahayaan nuna nating maghilom ang mga sugat," Lim said. - With a report from Chiara Zambrano, ABS-CBN News

<http://www.abs-cbnnews.com/business/08/27/10/tourist-destinations-reel-hostage-crisis%E2%80%99-impact>

Cyber World

- **Filipinos are top Internet video viewers**

Filipino Internet users are world's top viewers of videos streamed over the Internet, a global social media tracker said Friday. Global media agency Universal McCann said in its recent survey that the Philippines has the highest percentage of Internet users that watch videos online, even though the country has relatively low number of households connected to the web.

Out of more than 4 million Filipinos who are active Internet users, 98.1 percent watch videos on the Internet — higher than the global average of 82.8 percent. China and Spain follow with 89.1 percent and 84.1 percent, respectively.

Smart Communications, the Philippines' largest telecommunications network, shared the results of the survey.

"Filipinos use the Internet not only for social networking but also for watching videos in

websites like YouTube. This highlights the importance of having a superior, high-speed broadband Internet network in order for subscribers to fully enjoy real-time video streaming such as the previous fights of boxing champion Manny Pacquiao," said Smart Communications spokesman Ramon Isberto. "With high broadband speeds, subscribers can experience many things on the Internet — play online games, and download movies and music even while surfing," he added. After Korea on the top, Filipinos also enjoy uploading videos. About 67.51 percent Filipino active Internet users have uploaded or shared videos — almost double the global average of 35 percent. About 70.98 percent Koreans have done so. Majority of our Internet users likewise maintain social networking accounts. The survey says 3.9 million Filipinos manage a social network profile. The Philippines has a 21.5-percent Internet penetration. This means that there are still a lot of rooms for growth in the Philippines. The survey cited Norway as having the highest penetration with 86 percent of households being connected to the web.

<http://www.gmanews.tv/story/199588/philippines-tops-among-countries-in-terms-of-internet-video-viewers?>

Thailand

- **Political Front**
- **NACC mulls PM's impeachment**

The National Anti-Corruption Commission (NACC) is expected to hand down a ruling on the impeachment motion against Prime Minister Abhisit Vejjajiva soon, NACC member Klanarong Chantik announced yesterday.

He was speaking after Abhisit testified in his defence yesterday morning. "The prime minister provided all details related to three contentious issues, which form the basis for his alleged impeachable offence," Klanarong said.

The first issue involves the appointment of Kasit Piromya as foreign minister. The opposition contends that Abhisit abused his power by appointing Kasit, who is a supporter of the yellow-shirt People's Alliance for Democracy and could influence the passing of draft legislation on airport security. The opposition believes that this draft bill is an attempt to protect the PAD from facing indictment for its seizure of the Suvarnabhumi and Don Mueang airports in 2008. In his testimony, Abhisit explained the background behind Kasit's appointment. As for the second issue, about the airport security bill being in favour of PAD, Abhisit rebutted the conflict of interest claim by outlining how it was drafted and sponsored.

For the third and final issue, the premier explained the government's true intentions when it used text messages to reach the people. The opposition has accused the government of dispensing favours for certain mobile-phone operators.

<http://www.nationmultimedia.com/home/2010/08/28/politics/NACC-mulls-PMs-impeachment-30136806.html?>

- **Surly neighbours should be ready to mend the fence**

Thailand and Cambodia can restore ties knowing they are Asean members and can share economic benefits. One would not think that fence mending between Thai Prime Minister Abhisit Vejjajiva and his Cambodian counterpart Hun Sen was possible considering the viciousness behind the Cambodian leader's attack on Abhisit last October.

Nevertheless, here we are at a possible reconciliation, and it should be welcomed. It's kiss and make up time for both sides. One may end up wondering what all the fuss was about in the first place. Perhaps bygones don't matter anymore, now that the two countries have decided to move on from microphone diplomacy and restore bilateral ties at the highest level. The respective ambassadors have been reinstated. Essentially, this means that diplomacy is back on track. Another positive development has been the release of three Thai villagers who were detained by Cambodian soldiers when they strayed across the border. They were simply foraging for forest products to make ends meet. Nevertheless, one wonders if the three would be released if the political atmosphere were not on the upswing.

The move towards diplomatic normalisation comes with the announcement that fugitive former premier Thaksin Shinawatra is no longer working as an "economic adviser" to Cambodia. It was generally realised on both sides of the border that the position was a way of antagonising Thailand rather than assisting Cambodia and its economy in any meaningful way.

The ousted Thai leader, wanted on charges of corruption, likes to represent himself as a champion of the poor, and his appointment in Cambodia was supposed to be a testimony to that status. But the nature of his entry into this cross-border quarrel, as well as his departure, suggests that Thaksin was just a political pawn. But still, he was willing to play a part in the hypocrisy as it showed Thailand that he maintains powerful friendships. The advisory appointment of Thaksin was simply Hun Sen's way of getting back at Abhisit for obstructing Cambodia's bid to put the 12th century Preah Vihear temple on the Unesco's World Heritage list, and holding the Hindu-Khmer ruins hostage to border demarcation. While in opposition, Abhisit had charged that the then government of Samak Sundaravej had violated the Constitution by endorsing Cambodia's bid to propose the temple for World Heritage status. The border map submitted to Unesco by Cambodia could help strengthen Cambodia's claim to disputed, overlapping territories, he argued. Since then, bilateral ties have been frosty to say the least.

Fortunately, it didn't take long for Hun Sen to realise that Thaksin had outlived his

usefulness and that the only way forward was to accept the fugitive's resignation and get bilateral ties back on track. Thaksin should now realise that his departure from the Thai-Cambodia equation benefits the two countries. A number of issues had to be placed on the backburner as the two sides carried on a lengthy spitting contest that essentially served no purpose. But beside the border demarcation, the two countries still have overlapping territorial claims in the Gulf of Thailand that need to be addressed. Potential investment benefits from natural gas and oil deposits await the two countries in the Gulf, but neither side will be able to move on this until the land issue is resolved.

We hope that the economic incentives will be enough to motivate the two sides to get back to the negotiating table. But we shouldn't hold our breath. Although the political situation in Thailand is improving, there exists a group of ultra-nationalists who are prepared to cause more violence if they detect one move from the government they don't like.

Moving bilateral relations forward should now be somewhat easier, at least with Thaksin out of the immediate equation. However, both sides will have to display maturity and courage to ensure that pending issues can be resolved with any degree of normalcy. Importantly, Thailand and Cambodia are both active members of Asean, and this fact should be paramount in their attitudes.

The two leaders are scheduled to meet face to face in early October. Both have learned the hard way that politicising foreign relations for domestic consumption serves no one's interest. Now let's hope they have the courage to do the right thing.

<http://www.asianewsnet.net/news.php?id=13905&sec=3>

- **Bangkok Council elections -- rehearsal for Thailand's next general election**

The Bangkok City and District Councils' elections, scheduled on this Sunday, will be a good index of the popularity of political parties among Bangkokians and a rehearsal for the political parties before the general election. Hundreds of candidates from the Democrat Party -- the main player in the ruling coalition, the opposition Puea Thai Party and the only-one-year-old New Politics Party will participate the competition for the 61 seats on the Bangkok City Council and the 256 seats on the 36 district councils.

As Thana Chiravinit, director of Strategic Planning Department Democrat Party, put it the other day, "the (Bangkok City and District Councils) elections are the first to be arranged throughout Bangkok since the political unrest, so the people will express their sentiment via their votes."

The election is also seen by many as a rehearsal for the political parties before the general election, which is supposed to be held soon after Abhisit Vejjajiva's coalition government

finish its term in April 2011 -- If the Prime Minister doesn't dissolve the parliament earlier as required by the red-shirts.

According to Krungthep Poll conducted in mid-August and targeting 1,351 eligible voters in Bangkok, 26.3 percent of respondents said they would vote for Democrat Party, while 20.4 percent preferred Puea Thai Party and 44.9 percent remained uncertain. Around 3.8 percent would vote for New Politics Party. Each party has its own support base in capital city. Bangkok has been widely known as a traditional stronghold of the Democrats, with the party aims to win "at least 47 of the 61 seats on the city council," according to Democrat MP for Bangkok and party director Natthapol Theepsuwan. There is a concern, however, that the candidates from its old-time ally, New Politics Party (NPP), will divert some votes and undermine Democrat's strength. The New Politics Party, set up in 2009 by the People's Alliance for Democracy (PAD), will possibly share the same target group of voters with the Democrats. Peau Thai Party, which includes many of key members of red-shirts, are expected to get supports from the anti-government movement.

<http://english.people.com.cn/90001/90777/90851/7118926>.

- **Abhisit defends extradition**

Prime Minister Abhisit Vejjajiva is denying a claim by Moscow that a court ruling to extradite Russian alleged arms dealer Viktor Bout to the US was motivated by politics.

Mr Abhisit said yesterday any misunderstanding over Friday's ruling was probably the result of Moscow and the US being unfamiliar with the workings of the Thai justice system. The case was handled according to the process of the law and the government could not interfere with the court's authority, he said.

The Appeals Court ordered the extradition of Mr Bout to the US within three months to stand trial on terrorism charges, overturning a ruling by a lower court in August of last year that rejected a US request for the Russian's extradition. Russian Foreign Minister Sergei Lavrov has criticised Friday's ruling, calling it "unlawful and political". Mr Lavrov said it was also influenced by "very strong outside pressure".

Moscow has vowed to do anything necessary to return Mr Bout to his homeland. Critics say Russia's attempt to block the extradition of the suspected arms dealer, dubbed "The Merchant of Death", is motivated largely by the role he has played in helping Russia's intelligence apparatus. Acting government spokesman Panitan Wattanayagorn yesterday denied rumours the government had agreed to Mr Bout's extradition in exchange for three Black Hawk helicopters from the US. Mr Panitan said the government was only following the court's ruling. Cabinet approval for the purchase of the helicopters was given in March, long before the Appeals Court made its decision, he said.

<http://www.bangkokpost.com/news/local/192407/abhisit-defends-extradition?>

- **Geo-Strategic Front**
- **Border dispute with Cambodia to bring social unification or division in Thailand?**

The current border issue between Thailand and Cambodia has been more complicated by the emergence of patriotism in Thailand and the internal political game played by local politicians.

The recently frequent demonstrations against Cambodia's management plan of Preah Vihear Temple and government's resolution on the issue by Thai Patriot Network allied with People Alliance for Democracy (PAD) reflects the nationalism mood which has been lately spurred in this nation. The question posed concerns whether the rising nationalistic sentiment will further divide Thai society or finally restore unity to this divided country.

"The patriotism is now complicating the issue and intensify division in Thai society..It is more difficult to find the truth (amidst all the information from various groups) and people choose to agree with what they believe," said Dr. Kitti Prasirtsuk, a lecturer at Faculty of Political Science, Thammasat University.

Surveys shows among Thai people there are hardliners who want the government to take decisive action swiftly and moderates who want to see the border dispute being solved peacefully.

An opinion poll on the Preah Vihear Temple issue conducted across the country earlier this month by the National Institute of Development Administration (NIDA) revealed that 69.55 percent of 1, 133 respondents agreed that the government should, through diplomatic means and military forces, push Cambodians out of the overlapping area near the temple as it is Thai territory. And 77. 93 percent of them, who saw the issue is crucial, said the government should make it part of the national agenda.

<http://english.people.com.cn/90001/90777/90851/7112423.html?>

- **Cambodia, Thailand resume diplomatic ties helpful to relation improvement: official**

Thailand ambassador arrived here on Tuesday evening to resume his work in Cambodia after absence of nearly 10 months.

Koy Kuong, foreign ministry's spokesman confirmed on Tuesday evening that "Cambodian ambassador, Madame You Ay, will return to perform her duty as ambassador tomorrow, now that Thai ambassador has returned to Phnom Penh." Cambodia, Thailand downgraded their diplomatic relation on Nov. 5 last year after Cambodia appointed Thaksin as advisor to Cambodian government and Prime Minister Hun Sen. Thai recalled ambassador Prasas Prasasvinitchai and Cambodia made the same

move on the same day.

But Thaksin made a surprise resignation from the posts on Monday and Cambodian government announced it had accepted his resignation. Just hours after Cambodia confirmed to Thailand with Thaksin's resignation from the posts, Thai government said it would send back the ambassador to Cambodia the next day, and Cambodia said it will reciprocate its ambassador.

Koy Kuong said that the restoration of the diplomatic relations between the two countries will be sure to help the further improvement of the relations in various fields. However, he declined to give further details about what's the effect it will be on the solution of border dispute between two countries. "I can't answer the question now, all we can do is to wait and see," he said. "We can not say that with the restoration of a good diplomatic relation, all the problems will be solved such as the border issue."

Cambodia and Thailand has had border dispute since Cambodia's Preah Vihear Temple was registered as World Heritage Site in July 2008. Since then several rounds of military clashes have occurred between the two countries' armies and caused some deaths and injuries on both sides.

<http://www.mathaba.net/news/?x=624467>

- **Economic front**
- **Return of Thaksin billions will 'not affect Puea Thai'**

Ousted prime minister Thaksin Shinawatra has recovered the 30 billion baht not seized by the Supreme Court in the assets seizure case, his legal adviser Noppadon Pattama says. But Mr Noppadon said yesterday the return of the money would not bring about a significant change in the opposition Puea Thai Party.

The Supreme Court's Criminal Division for Holders of Political Positions ordered the seizure of 46 billion baht in assets from Thaksin's family in a ruling handed down in February. The amount confiscated was judged to have been accrued irregularly through the sale of the family's Shin Corp. Thaksin and five of his family unsuccessfully appealed against the ruling of the court on Feb 26 to confiscate the money.

The state earlier had seized 76 billion baht from the family and it now has returned the 30 billion baht not confiscated. Mr Noppadon said Puea Thai had proved that it could manage to remain in the political arena without the 30 billion baht to support it. He said Thaksin would spend part of the recovered assets on investments.

The party has mainly relied on financial support from former Thai Rak Thai Party executive Pongsak Raktapongpaisal and Thaksin's younger sister, Yingluck Shinawatra, a party source said.

The source said Thaksin's resignation from his post as an economic adviser to Cambodia

was part of the party's reconciliation plan arrived at after talks between figures representing the Thaksin camp and the government.

The talks concluded the two sides would live together and Thaksin's resignation was aimed at showing his determination to reconcile, the source said.

Puea Thai MP for Si Sa Ket, Thanee Kruearat, said Thaksin's relations with Cambodian Prime Minister Hun Sen remained as close as ever despite Thaksin's resignation. The party source said conflicts between Thailand and Cambodia had gone beyond the point where the two sides could reach a solution together because Cambodia desperately wanted international organisations to step in and end the conflict. Thailand "had no choice but to deal with that", the source said.

<http://www.bangkokpost.com/news/local/192740/return-of-thaksin-billions-will-not-affect-puea-thai?>

- **Thailand Punches Through to New Highs**

With hotel occupancy in the dumps at 20%-30%, and parts of downtown Bangkok still in ruins from the May riots, you would think the call to buy Thailand (TWD), (TF) two months ago was a complete bust.

You would be wrong. Since then, the Thai ETF has tacked on an amazing 20%, the Thai Capital Fund is up 24%, and the Thai Baht has strengthened, making it one of the top performing stock markets of 2010. Even with the collapse of tourism, GDP is expected to come in at a healthy 6% this year, a figure American economists would kill for. The country's robust manufacturing sector, which accounts for 66% of Thai GDP, versus only 6% for tourism, continues to drive the country onward and upward. Think of Thailand as China, with the infrastructure already built out. Ford Motors (F) has announced the construction of a \$450 million plant to build the Focus, while Nissan (NSANY) says it will assemble its compact. Toyota (TM) and GM are expected to follow suit with the expansion of existing facilities.

Carl Van Horne, then the chief investment officer of JP Morgan, once taught me a rule that I have found incredibly useful: follow the direct investment; the stocks markets always play catch up. Thailand continues to be a place where international investors want to be. Buy on dips, if we get any.

<http://oilprice.com/Finance/Economy/Thailand-Punches-Through-to-New-Highs.html?>

- **Thai PM sees over 7% growth**

THAI Prime Minister Abhisit Vejjajiva said on Friday economic growth would exceed 7 per cent this year before slowing to 4-5 per cent next year. Inflation was manageable, he added, speaking to reporters. Headline inflation was 3.4 per cent, up from 3.3 per cent in June.

This week, Thailand's state planning agency raised its growth forecast to 7.0-7.5 per cent for this year, nearly double its forecast in May of 3.5-4.5 per cent, as Thailand's economy unexpectedly grew in the second quarter as strong export growth offset political violence over April and May that killed 91 people and hurt tourism and private consumption. Tourism, which is equivalent to 6 per cent of GDP and employs at least 15 per cent of the workforce, has recovered rapidly after the unrest, Finance Minister Korn Chatikavanij said. 'While tourism had suffered significantly in May and also in June, the recovery since then has surprised us on the upside,' he said, speaking at a Credit Suisse event in Singapore

http://www.straitstimes.com/BreakingNews/SEAsia/Story/STIStory_571694.html?

- **US firms upbeat about Thailand**

US companies in Thailand have positive expectations for the economy, profit and expansion this year, according to the Amcham Business Survey Outlook released Thursday (August 26). "Although the survey was conducted in May, during the height of the unrest and demonstrations in Bangkok, US businesses in Thailand maintain a relatively optimistic business outlook in 2010," said Joe Geagea, president of the American Chamber of Commerce in Thailand (Amcham). "More than half of those responding to the survey still expect overall economic growth in Thailand."

The annual survey was conducted by Amcham Thailand in collaboration with six American Chambers of Commerce in the region.

Although the percentage of respondents expecting a 2010 profit increase declined from 70 per cent in the 2009 survey to 63 per cent, this latter rate still remains fairly strong.

Profit expectations also quickly pick up again in 2011, with 88 per cent of respondents predicting a profit increase next year. More respondents also foresee an increase in the workforce.

The largest percentage of respondents expects a workforce increase for the first time since 2008, and the rate of those who expect this increase rose from 32 per cent in 2009 to 49 per cent in 2010. "US businesses are hoping to expand in Thailand; however, we are seeing an increasing concern about the availability of lowcost labour, which may impact expansion plans," Geagea said.

Personal security remains a major strength in Thailand, despite falling from a 70 per cent satisfaction rate in 2009 to 61 per cent in 2010. Concern with the category of "stable government and political system" did not jump as much as might be expected in the midst of the protests, only increasing from 74 per cent in 2009 to 77 per cent in 2010.

Concern with other government-related factors such as "laws and regulations" and "tax structure" actually fell below 40percent dissatisfaction rates, removing them from the list

of major concerns. Respondents are also increasingly positive about government guidelines, with a clear movement from dissatisfaction towards a more neutral stance in this area. "This positive trend reflects the government's proactive stance in improving business conditions for businesses such as the recent customs reforms," Geagea said.

Thailand respondents continue the Asean trend of having an increasingly positive regional and world business outlook versus that of 2009. In a dramatic jump from the 2009 rate of 30 per cent, 70 per cent of respondents predict that the world economy will do better or much better in 2010.

In this improved world economy, Thailand respondents predict an increasingly important Asean role, looking to the Southeast Asian bloc as one of the economies to lead the world out of the downturn. Here, those who think Asean importance will increase in the next two years jumped from 60 per cent in 2009 to 71 per cent in 2010, and the largest percentage of respondents - 86 per cent - cite economic recovery as the reason for this increased importance.

Likely as a result of this perceived increase in Asean importance over the next two years, the percentage of respondents in Thailand that plan to expand in Southeast Asia grew from 74 per cent in 2009 to 81 per cent in 2010. These respondents cite "potential for business growth" (81 per cent), "economic recovery" (52 per cent) and "increasing market share" (52 per cent) most often as the reasons for this expansion in the area.

Asean trade agreements and Asean integration help significantly to make the area more attractive to business, as 78 per cent of respondents find the Asean Free Trade Agreement useful and 75 per cent find Asean integration important to doing business in the region.

"In general, our members in Thailand remain positive despite the political tensions and recent violence and increasingly optimistic about the ability of Asean to lead the way in helping the world to recover from its economic downturn," Geagea said. Amcham is the leading international business association in Thailand, with nearly 2,000 members representing more than 650 US, Thai and other international companies. Member companies have invested more than US\$35 billion (Bt1.1 trillion) in Thailand and provide more than 250,000 local jobs.

<http://www.asianewsnet.net/news.php?id=13897&sec=2>

- **The China-Asean free trade area: A win-win result**

The China-Asean Free Trade Area (Cafta) went into broad effect on Jan 1 this year. Under Cafta, a zero-tariff rate is applied to 91.5% of goods from 10 Asean member countries and the average tariff was reduced by China from 9.8% to 0.1%. The six original Asean members have also imposed a zero tariff on 90% of Chinese products. The four newer Asean members (Cambodia, Laos, Burma and Vietnam) will not have to cut

tariffs on Chinese goods to the same levels until 2015 given their current stage of economic development, though they can still enjoy the benefits of a zero-tariff policy with China for the five years before that.

Bilateral trade in services will be further expanded based on WTO commitments. Investment policies will become more stable and transparent thanks to improved legislation by both China and Asean members. Free trade has almost been realised between China and the Asean nations, which will improve the efficiency of mobilising production factors including capital, resources, technology and human resources. The completion of Cafta marks an unprecedented level of bilateral economic integration, and establishes Asia's biggest free trade block.

In the six months since the implementation of Cafta, faster growth in bilateral trade and investment, deeper economic integration, and mutual benefits to enterprises and individuals have been observed.

The first noticed effect has been a substantial increase in bilateral trade between China and Asean countries. Driven by the free trade pact, trade grew at an annual rate of more than 30% from 2003 to 2007, and continued to grow at 3% from 2008 to 2009 despite the global financial crisis. In the first half of 2010, bilateral trade reached \$136.5 billion, a year-on-year increase of 55%, 11 percentage points higher than China's total foreign trade growth rate over the same period. Chinese imports from Asean hit \$71.9 billion, a 64% increase from the same period last year, while exports to Asean were at \$64.6 billion, a 45% increase compared with last year. Import growth exceeded export growth substantially, with a Chinese deficit of \$7.3 billion.

The second result has been benefits to enterprises from both sides. The Cafta helps to reduce companies' tariff payments by lowering mutual tariff levels. China eliminated \$900 million worth of tariffs on imported goods from Asean in 2009, and cut \$770 million further for the first half of this year, a year-on-year increase of tariff reductions of 98%. China has seen a sharp increase in imports of plastic goods, electronics, rubber products and fruits and vegetables from Asean.

Third, there has been a continuous expansion in bilateral investment. Asean investments in China rose from \$2.93 billion in 2003 to \$4.68 billion in 2009, meanwhile China's investments in Asean expanded from \$230 million to \$3 billion, increased more than 13 times. In the first half of 2010, Asean's direct investment in China reached \$3.131 billion, 24.9% higher compared with the same period last year; China's non-financial direct investment in Asean was \$1.221 billion, growing by more than 125.7%. By the end of June 2010, accumulative mutual investment stood at \$69.4 billion, with \$59.8 billion invested from Asean and \$9.6 billion invested from China.

The fourth effect of the Cafta is in alleviating the stress for companies hit by the financial crisis. In 2009, Malaysia's exports to the US, Europe and Japan dropped by 27%, 19% and 23% respectively while exports to China rose by 6% . In the same year, Thailand's exports to the US, Europe and Japan slid by 18%, 23% and 22% respectively while exports to China shrank by only 1%.

Overall, the Cafta has been successful in enhancing bilateral trade and economic relations. However, given the short period of time the Cafta has been in effect and the lack of public promotion, many enterprises in the region are still unfamiliar with the preferential policies under the Cafta and unable to make better use of it. Additionally, the benefits of the Cafta are also limited by insufficient connectivity and inefficient transport and logistics systems between China and Asean nations. A concerted effort is needed for the governments and enterprises from both China and Asean countries to ensure the Cafta plays a bigger role in strengthening bilateral trade and economic co-operation.

The completion of Cafta is by no means the end point of trade liberalisation process among trading partners. On the contrary, it's a new starting point and serves as a platform for realising deeper economic integration. Apart from zero-tariffs in goods trade, China and Asean should, with the support of the free trade arrangement, move forward to achieve full liberalisation in trade and investment, and promote economic co-operation in all directions by eliminating non-tariff barriers, enhancing investment co-operation, boosting two-way tourism and facilitating technology transfer.

<http://www.bangkokpost.com/business/economics/192759/the-china-asean-free-trade-area-a-win-win-result?>

- **Thai juice exporters urged to tap into Asean markets**

Thai exporters of fruit and vegetable juices are urged to tap more into Asean markets as tariffs have been eliminated under the Asean Free Trade Area (Afta) since the beginning of this year, says Kasikorn Research Center. Thai fruit and vegetable juice exports to Asean currently account for only 11.9% of the total value of total juice exports, but expanded by 57.7% year-on-year to \$23.5 million in the first half of 2010, underscoring the high potential for additional sales to Asean.

Thailand is the 13th largest fruit and vegetable juice exporter in the world with a 2.7% share of a global market with a total export value of US\$290 million per year, growing at an impressive rate of 11.3% annually. The European Union, the US and Japan are the top three export destinations, together accounting for more than 70% of Thai shipments. In the first half of 2010, Thai juice export values rose 20.2% to \$197.8 million, with the Netherlands, the US, Italy, Japan, and Laos the top five destinations.

In this six-month period, pineapple juice exports had the highest value at \$116 million,

growing by 19.6% and accounting for 58.9% of all Thai juice exports. K-Research recommends Thai businesses focus more on mixed fruit and vegetable juices, orange juice, and other citrus juices, which all saw much higher growth than pineapple juice.

Tariff cuts under Afta have been especially good for shipments to Laos, Burma, Cambodia and Vietnam, which were required to lower their tariffs to no more than 5%, resulting in lower costs for the Thai exports and explosive growth rates ranging from 67% to 130%. By category in the first half, "other fruit and vegetable juices" had the highest value at \$10.8 million, up 83.1% from the same period in 2009 and accounting for 46% of all Thai juice exports to Asean. Pineapple juice exports to Asean were low by contrast, at only 1.6% of all juice exports to the region.

Based on these figures, Kasikorn Research Center believes that Thai exporters should focus on juices in the categories that offered high export value in order to fully utilise Afta benefits and gain more share in each market in the region. In contrast to exports, Thailand's imports of juice imports from the global and Asean markets are low. In the first half of 2010, Thailand spent \$28.9 million to import juices from around the world and \$800,000 from Asean countries.

However, K-Research cautions that Asean-China trade liberalisation may lead to an influx of Chinese juices, which could upset the current trade balance.

<http://www.bangkokpost.com/business/marketing/192449/thai-juice-exporters-urged-to-tap-into-asean-markets?>

- **Social Front**

Cambodia

- **Political Front**
- **Cambodians: Sen's Autocracy**

The contrast serves to forecast Cambodia's unpleasant future, a future the international community sought to avoid when it established the 1991 Paris Peace Accords and invested \$3 billion to set Cambodia on a productive course. The current situation in Cambodia and the future it foretells represent an international failure.

Economic Inequality, Conflict, Revolt

Theories abound about economic inequality and its linkage with dissent, unrest, and rebellion by the disadvantaged. Greek philosopher Aristotle (384 BC-322 BC) had linked the well-being of a political community with the well-being of the citizens who make it up, and economic inequality with the revolt of the disadvantaged. His analysis on the causes of revolution—"The passion for equality is at the root of revolution," Aristotle said--has inspired students of politics and theorists until today.

One of Aristotle's often-quoted statements reads: "It is in the interest of a tyrant to keep

his people poor, so that they may not be able to afford the cost of protecting themselves by arms and be so preoccupied with their daily tasks (subsistence) that they have no time for rebellion."

Inequality in Cambodia

Much has been written about inequality in contemporary Cambodia. A few examples: the London-based Global Witness, an anti-graft international nongovernmental organization, detailed in its 2007 "Cambodia's Family Trees" report, Premier Hun Sen's family members, business associates and senior officials, dubbed the "kleptocratic elite," as allegedly engaged in illegal logging and stripping of Cambodia's public assets for personal profit. In 2009, Global Witness's "Country for Sale" report charged, "Over the past 15 years, 45 percent of the country's land has been purchased by private interests." The March-April 2009 Foreign Affairs Magazine's "Cambodia's Curse," by Stanford's Joel Brinkley, exposed United States Embassy-funded studies in Phnom Penh that "showed in stunning detail that Cambodian government officials steal between \$300 million and \$500 million a year (most years, the state's annual budget is about \$1 billion). Foreign donors of aid are not blind to what has been happening in Cambodia. But, in the contemporary world in which big and small states still compete for power, influence, wealth; and as all governments are susceptible to their respective interest groups that may clamor for unrestricted economic investment opportunities in Cambodia; there should be no surprise that foreign governments that abhor the current situation of the average Cambodian citizen will not risk upsetting the ruling autocracy and denying the economic pursuits of their domestic constituents by advocating for the civil rights of a foreign people.

The global civil society organization, Transparency International, that leads the fight against corruption, reported Cambodia ranked 158th of 180 countries surveyed on a TI corruption perception index for 2009. In the Aug. 2 Jakarta Globe's "Cambodia's Struggle With Globalization," Australian National University Professor Hal Hill, Asian Development Bank economist Jayant Menon, and Cambodia Economic Association chairman Chan Sophal, reported Cambodia ranks 166th on the TI corruption perception index, and 135th in the World Bank's Doing Business Indicators, out of 181 countries surveyed. They warned: "Achievements over the past decade in particular could be undone by economic crises, or rising civil unrest driven by outrage at the political and bureaucratic excesses."

Politics does strange things

Today's Cambodia of Samdech Akka Moha Sena Padei Decho Hun Sen, (an aristocratic title bestowed by King Father Norodom Sihanouk, himself a former president of a loose

coalition of three Khmer factions -- noncommunist nationalist KPNLF, royalist FUNCINPEC, and Khmer Rouge DK -- which fought Vietnamese occupation troops and the Vietnamese-installed Heng Samrin-Hun Sen regime), is far better than the Cambodia of Pol Pot, the master of the 1975-1979 killing fields that took some two million lives.

Without the King Father, China-backed Pol Pot could not have brought down the U.S.-backed Khmer Republic in 1975, a prelude to the occupation of Cambodia by Vietnamese troops in 1979-1989; and without the King Father, Sen's autocracy and his Cambodian People's Party cannot survive in today's Cambodia.

Making Cambodia's current crisis more complex, Hun Sen, who was installed in power by the Vietnamese but is a former Khmer Rouge commander, is now the King Father's adopted son; and the King Father's biological son is now king of Cambodia. The King Father and Premier Sen need one another. Sen needs the King Father to legitimize his rule; the King Father needs Sen to shield him from criticisms of his policies in the Vietnam War era. And the Khmer traditions that inculcates blind obedience and unquestioned loyalty to authority, ensures the Cambodian autocracy's survival.

The Love for Material Gain

Many Cambodians simply love Sen's transformation of Pol Pot's ghost capital of Phnom Penh into a bustling city of 1.5 million residents, with huge villas, modern supermarkets, a 92-floor Gold Tower skyscraper, in a Cambodia that attracts over two million tourists annually.

Recall a survey by a U.S.-based nongovernmental organization, the International Republican Institute, that showed 79 percent of those Cambodians polled say Premier Sen's Cambodia is moving in "the right direction," and cited Sen's new roads, modern bridges, new schools, modern complexes.

Indeed, many Cambodians are now clothed better, housed better, and eat better, too.

Except the more than 30 percent of the population of 14 million live below poverty line--many on less than 50 cents a day. The discovery of oil off Cambodia's coastline may be a boon or a curse.

Stability vs. Rights Conflict

Oppression occurs when those who favor stability and security do so at the expense of individual rights. On the other hand, when individual rights and free expression are exercised without restraint, a state of "licentiousness" is reached which breeds instability, insecurity, and chaos. This is no less "oppressive."

In 2006, the Cambodian League for the Promotion and Defense of Human Rights (French acronym Licadho), issued "The Facade of Stability" report that accused the world community of failing to "speak out" against Sen's regular human rights breaches, and

warned, "Cambodia's current period of relative calm is no guarantor of meaningful long-term stability, and ongoing, systematic human rights violations will, to the contrary, promote instability."

Fast-forward. On June 2, as Sen's Supreme Court issued a guilty verdict against Cambodian lawmaker Mu Sochua, for demanding justice following Sen's televised abusive public speech against her, foreign donors who met in Phnom Penh awarded \$1.1 billion in development aid to Sen. A day earlier, 15 nongovernmental organizations in Cambodia released a briefing paper, "Cambodia Silenced: The End Days of Democracy?" charging, "Since 2009 freedom of expression has continued to be seriously undermined, with the Royal Government of Cambodia crackdown targeting the pillars of democracy in Cambodia: parliamentarians; the media; lawyers; human rights activists; and ordinary citizens." "Dogs continue to bark, Oxcart continues its trip forward"

The quotation above from an e-mail to me from one of Sen's officers in Phnom Penh, served to remind that national and international critics and rights groups can say what they will, but the ruling Cambodian People's Party moves forward with the aid and recognition of foreign governments – a circumstance that legitimizes Sen's autocracy. Criticisms that break no bones are a tolerable irritant. The regime banned books, makes threats, violates rights and freedom and the rule of law, makes opponents disappear, intimidates opponents, because it can

The international community should, and could have, nearly 20 years ago, pressured Sen (and other Cambodian parties) to abide by the stipulations of the 1991 Paris Peace Accord. That, the international community didn't do. To the contrary, it allowed the Khmer Rouge to contest the Accord; it allowed former Khmer Rouge commander Hun Sen, who lost the first United Nations-organized elections (1993) to seize the co-premiership with the winner to rule the country – an impractical and unworkable formula of a two-headed bird, devised by the King Father to appease Sen and the losing CPP at the expense of his son, Norodom Ranariddh. In 1997, Sen's coup d'etat ran Ranariddh out of town for safety abroad and killed his top officers and cadres. It was the international community that pressured Ranariddh to return to participate in the 1998 elections, thereby, legitimizing Sen's autocracy. Today, Sen profits from China's unconditional aid as an alternative to the aid from Western nations that preach at him as they write their checks. With Beijing tapping its feet waiting for Sen to run into its arms, the Western nations have lost leverage on Sen.

The Future

Man's hope for the future of a world order in which human rights and free expression can flourish must rest, in the final analysis, on how the world's democracies choose to deal

with the world's autocracies. Former British diplomat, Robert Cooper, of the Council of the European Union, was quoted as saying, today's "struggle for power and prestige goes on as it always has," and "Power is at the service of ideas, but the key ideas are also ideas about power: democracy and autocracy."

While the world's democracies ponder how to use their power and will to shape the world, Cambodian democrats and rights activists can choose to remain pawns while the democracies and the autocracies deal, or Cambodians can "hang together" in their opposition to Sen's autocracy. If they do not, they risk being hung separately by the dictator. We live in an interdependent, interconnected, globalized world. Cambodians can act, or not.

[http://www.scoop.co.nz/stories/WO1008/S00302/cambodians-sens-autocracy.htm?](http://www.scoop.co.nz/stories/WO1008/S00302/cambodians-sens-autocracy.htm)

- **Geo-strategic Front**
- **economic Front**
- **China, Cambodia pledge to enhance law enforcement cooperation**

China and Cambodia Wednesday pledged to enhance cooperation in law enforcement, counter-terrorism, drug control and fighting transnational crime. Zhou Yongkang, a senior leader of the Communist Party of China, spoke highly of the effective cooperation in these areas during a meeting with Cambodian Deputy Prime Minister Sar Kheng.

Zhou hoped the security and law enforcement organs of the two nations would work together to push forward the China-Cambodia comprehensive cooperative partnership.

Earlier Wednesday, Sar Kheng, also the country's Interior Minister, met with China's Public Security Minister Meng Jianzhu to sign an exchange of notes on China's assistance of police equipment to Cambodia. Meng, also a State Councilor, said China was ready to cement bilateral cooperation within multilateral frameworks, including the Association of Southeast Asian Nations (ASEAN).

During the meeting, they vowed to advance bilateral cooperation in areas such as law enforcement, counter-terrorism and drug control.

http://news.xinhuanet.com/english2010/china/2010-08/25/c_13462554.htm?

- **Cambodia is looking into nuclear power**

Cambodia is looking into nuclear power as a future energy source to meet rising domestic demand, although construction of a plant is still years away, a top government official said on Friday. Skip related content

Cambodian scientists have begun to study nuclear technology in a bid to keep pace with Southeast Asian neighbours planning to build plants in the next few years, said Ith Praing, Secretary of State at the Ministry of Industry, Mines and Energy. "(Nuclear power) is a possibility because our neighbours are doing it, so we have to study it and see

how dangerous it is," Ith Praing told Reuters. "It's still a long way to go, even by 2030, we will not have used all of our resources," he added. Ith Praing said an assessment of the potential costs on a nuclear energy programme had yet to be made and the government was still focussed on hydropower as an electricity source. Cambodia last year said it wanted to attract about \$3 billion (1 billion pounds) in foreign investment to build six hydropower plants by 2018.

Vietnam, which is currently chair of the Association of South East Asian Nations (ASEAN), last month called on members to consider using nuclear power for peaceful purposes as Asia faces rising energy needs to fuel economic growth. Russia's State Atomic Energy Corporation has offered to help ASEAN countries to build nuclear power plants and develop its safe use in a region where energy agencies estimates primary power demands will climb 2.5 percent annually until 2030.

Cambodia's neighbour, Vietnam, plans to start building its first nuclear power plant in 2014 using Russian technology, a state-run newspaper reported in June.

Thailand is looking to develop nuclear power to reduce its dependence on natural gas and is planning to build four 1,000-MW nuclear power plants at a total cost of about \$8 billion (5 billion pounds). Two of these plants are expected to feed power into the grid in 2020 and the remaining two in 2021.

<http://uk.news.yahoo.com/22/20100820/twl-uk-cambodia-nuclear-2cc8614.html?>

- **Social Front**
- **Record low water levels threaten livelihoods**

Late rains and record low water levels in Cambodia's two main fresh water systems will affect food security and the livelihoods of millions, government officials and NGOs warn.

"We expect the impact to be very strong," said Nao Thuok, director of the Fisheries Administration, adding that low water levels along the Mekong and Tonle Sap rivers were already limiting fish production and migration. Crucial spawning grounds in floodplains along the rivers remained dry. "The places where the fish usually lay their eggs do not have much water so the fish population will decrease a lot," he warned. Approximately six million Cambodians or 45 percent of the population depend on fishing in the Mekong and Tonle Sap basins, the government's Inland Fisheries Research and Development Institute, reports. The annual "flood" season of daily rain usually starts in July but began a month late, local agricultural surveyors say.

According to the Mekong River Commission, which monitors the river at throughout its member states - Cambodia, Thailand, Laos and Vietnam - this month's levels are among the lowest ever for August. At the port of Phnom Penh, the Mekong plunged to 5.36m on

23 August, against more than 7.5m the same time last year and more than 8.5m in 2000.

Low rice productivity

Not only the fisheries sector is suffering, however. Rice farmer Meas Chan Thorn in western Pursat Province was only able to plant last week, a month behind schedule, because of the late rains, and predicted yields would be halved. "It's so difficult for us farmers in Cambodia because we depend entirely on the weather," the 67-year-old said.

According to the UN Food and Agriculture Organization (FAO), Cambodia could experience a 22 percent drop in rice output this year - from 7.6 million MT in 2009 to 5.9 million MT in 2010. Rice is Cambodia's main crop and its harvesting requires more water than other crops. According to the UN World Food Programme, more than 85 percent of the country's rice production is rain-fed.

<http://www.irinnews.org/report.aspx?ReportID=90291>

Vietnam

- **Political Front**
- **Geo-strategic Front**
- **Vietnam, US hold first-ever defense talks**

Vietnam's Deputy Defense Minister Nguyen Chi Vinh (R) and US Deputy Assistant Secretary of Defense for South and Southeast Asia Robert Scher at a joint conference held in Hanoi on August 17

Vietnam and the US held their first-ever defense dialogue on Tuesday (August 17), officials announced at a press briefing following the conference.

Robert Scher, US Deputy Assistant Secretary of Defense for South and Southeast Asia, said the dialogue was very candid and open. According to Scher, the substance of the meeting included increased cooperation in areas such as marine security, international peacekeeping and search and rescue. The talks, held 15 years after the normalization of diplomatic relations, represented "the next significant historic step in our increasingly robust defense relationship which is based on mutual trust, understanding and respect for independence and sovereignty," Scher told reporters.

Previous security talks, which started in 2008, were held at the foreign ministry and State Department level, AFP reported on Tuesday. Vietnam's Deputy Defense Minister Nguyen Chi Vinh reaffirmed the country's commitment to work with the US in dealing with war legacy issues, such as MIA recovery and Agent Orange remediation. Both officials said that the border dispute in the East Sea was not the focus of the talks but they agreed that this matter must be addressed through peaceful negotiations to maintain stability in the region. Vinh said Vietnam's increased military ties with the US would not harm others. "We believe this cooperation brings about benefit to Vietnam and the United

States," he told the briefing. "This cooperation does not do harm to the interests of any other country."

The dialogue focused on bilateral issues, including unexploded ordnance and herbicides left over from the Vietnam War as well as servicemen listed as missing in action, the two officials said. Other areas where they hoped to step up cooperation included humanitarian and disaster-relief operations, and language training. US Secretary of Defense Robert Gates is scheduled to attend the ASEAN Defense Ministers' Meeting – Plus scheduled to convene in Hanoi this October. The meeting will be attended by defense ministers from member countries. The "plus" refers to the eight ASEAN dialogue partners, which include the US and China that will also attend the conference. The second US-Vietnam defense dialogue is scheduled to be held in Washington next year. Last week, a US Navy destroyer became the latest US warship to dock in Vietnam since the war ended in 1975.

<http://www.thanhniennews.com/2010/Pages/20100821230432.aspx?>

- **Economic Front**
- **Vietnam's Trade Gap Narrows in Boost for Government After Dong Devaluation**

Vietnam's trade deficit narrowed, boosting the government's effort to shrink the shortfall that led to currency devaluation last week. The deficit was \$900 million in August from a revised \$978 million in July, according to preliminary figures from the General Statistics Office in Hanoi. For the eight months through August, the gap was \$8.16 billion.

Vietnam's central bank set the daily reference rate for the dong 2 percent lower at 18,932 per dollar on Aug. 18, citing the need to narrow the deficit. The International Monetary Fund said in June the nation's foreign-exchange reserves had declined to the equivalent of seven weeks of imports from less than two-and-a-half months in December. "The reason people worry about the trade deficit in Vietnam is that since foreign reserves currently only cover two or three months of imports, there is the remote potential for a balance of payments crisis," Matt Robinson, a Sydney-based senior economist at Moody's Analytics, said in a telephone interview today.

Vietnam's gross domestic product expanded 6.4 percent in the second quarter, after advancing 5.8 percent during the first three months of the year. Prime Minister Nguyen Tan Dung said in June the economy may grow as much as 7 percent in 2010. "You expect a developing country like Vietnam to run a trade deficit because it imports capital goods that add to the productive capacity of the economy," said Robinson. A balance of payments crisis is a "low-probability but high-severity potential event," he said.

Currency, Stocks

The dong traded at 19,485 per dollar at 2:50 p.m., down from 19,099 before the

devaluation was announced. The Ho Chi Minh City Stock Exchange's VN Index fell 3 percent, entering a so-called "bear market" today after dropping 21 percent since May 6. Vietnam's monthly trade numbers are "the most closely watched" economic indicator in the country, due largely to the fragility of its foreign exchange market, Ho Chi Minh City Securities Corp. said yesterday in a research note.

The nation's policy makers have urged banks to reduce lending costs to bolster the economy even as inflation has held above 8 percent since February. Consumer prices rose 8.18 percent in August from a year earlier, compared with 8.19 percent last month.

Vietnam will need "tougher monetary policies" to correct trade imbalances, Credit Suisse Group AG said in a research note last week. Lack of confidence in the dong leaves Vietnam prone to "overheated imports," according to the Swiss bank, which advised investors to remain "underweight" in Vietnamese stocks.

Export Performance

Exports fell 0.5 percent to \$6 billion in August from a revised \$6.03 billion in July, while imports fell 1.5 percent to \$6.9 billion from \$7.07 billion. Through the first eight months of 2010, exports have climbed 19.7 percent to \$44.52 billion while imports have jumped 24.4 percent to \$52.68 billion.

"The immediate cause of the devaluation was a surging trade deficit," Bangkok-based Credit Suisse analysts Dan Fineman and Siriporn Sothikul said in an Aug. 19 research note. "Although the central bank attributed the devaluation to its hopes to boost exports, for us the bigger concern is imports." The trade deficit may increase further toward the end of the year due to machinery imports as the economy recovers, Le Xuan Nghia, vice chairman of Vietnam's National Financial Supervision Commission, said at a seminar in Hanoi last week. Vietnam's gross domestic product grew 5.3 percent last year, the slowest pace since 1999.

<http://www.bloomberg.com/news/2010-08-24/vietnam-s-trade-gap-narrows-in-boost-for-government-after-dong-devaluation.html>?

- **ASEAN upgrades offer 25 tril. yen chance / Massive infrastructure work backed by govts; Japanese firms jostle to win business**

Economic ministers from 16 countries, including member states of the Association of Southeast Asian Nations and Japan, China and India, have unofficially approved a 25 trillion yen plan to develop infrastructure in the ASEAN region. The plan covers 717 projects, including the construction of roads, bridges, seaports, airports, industrial complexes and power stations, to be completed by 2020. By providing Japanese firms with many opportunities to win work contracts overseas, the plan is in line with the Japanese government's new growth strategy. Three regions have been identified as focus

points for the infrastructure projects, and are referred to under the plan as the Mekong Basin Integral Development; the Brunei, Indonesia, Malaysia and the Philippines East Asian Growth Area (BIMP-EAGA); and the Indonesia-Malaysia-Thailand (IMT) Growth Triangle. The envisioned projects include building a highway across the Indochinese Peninsula, constructing new ports and improving existing ones in Vietnam and Myanmar that will be arterially connected to the highway, and upgrading the Indian port of Chennai. The plan is expected to be officially approved in October, and a framework for funding and execution is to be drawn up by the end of December.

The plan was drafted mainly by the Economic Research Institute for ASEAN and East Asia, a research institute headquartered in Jakarta that was set up under the leadership of the Japanese government in 2008. It is estimated that the plan will increase the collective gross domestic product of nations involved by 55 percent, and stimulate economies across Asia. The Japanese government will offer financial support to domestic companies participating in the plan, via official development assistance funds and loans extended by the Japan Bank for International Cooperation.

Domestic firms smell opportunity Lobbying by Japanese companies to win contracts for infrastructure projects under the plan is already under way.

In June, Mitsubishi Heavy Industries, Ltd. and Hitachi, Ltd. formed a partnership to strengthen their overseas railroad construction operations. Gaku Suzuki, vice president and executive officer of Hitachi, said the company hoped to participate in as many projects as possible. IHI Corp. set up a subsidiary in Vietnam in November 2009 to serve as a base for bridge construction work in Asian nations. Sumitomo Corp. has built two industrial complexes in Vietnam that are already operating. However, Japanese firms face fierce competition from companies in South Korea, China and the West, and the recent appreciation of the yen will impact on profits made overseas. Sources close to general contractor firms said the huge differences in the work cultures of other nations will also present challenges for Japanese firms. "The government's strong support will be indispensable," an executive at a general contractor said.

<http://www.yomiuri.co.jp/dy/business/T100827005429.htm?>

- **Vietnam Aug trade deficit hits \$900 mln: gov't**

Vietnam, which devalued its currency last week, estimates its trade deficit would stay below US\$1 billion for a fourth consecutive month.

The government on Tuesday estimated the trade deficit in August was \$900 million, and revised July's figure to \$978 million from \$1.15 billion. The monthly announcement of imports and exports comes less than a week after the central bank devalued the currency in a move it said was aimed at helping control the trade deficit, which has put pressure on

the dong for months.

Exports surged 27.7 percent in August compared to the same month last year to \$6.0 billion, while imports rose 11.3 percent to \$6.9 billion, the statistics office said. The year-to-date trade deficit, which stood at \$8.16 billion, according to the statistics office, was "more than covered" by structural flows, said Prakriti Sofat, an economist following Vietnam at Barclays Capital in Singapore. "Overall, we continue to expect the balance of payments to post a surplus, allowing the country to build FX reserves," she said.

Last Wednesday, the central bank devalued the dong's midpoint by 2 percent against the dollar in a move it said it took to help control the trade deficit. The trading band of 3 percent on either side of that rate was maintained. After the devaluation, the dong quickly slipped to the weak end of its trading band against the dollar. In a research note after the devaluation, ANZ noted that the outlook for exports "remains challenging with global growth set to moderate" in the second half of the year.

<http://www.thanhniennews.com/2010/Pages/20100826221544.aspx?>

- **India-ASEAN services, investment pact negotiations reviewed**

Union Minister of Commerce and Industry Anand Sharma met commerce ministers from ten ASEAN Member States at Da Nang, Vietnam, today to review India-ASEAN services and investment agreement negotiations.

Sharma and ASEAN economic ministers met at the Eighth AEM-India Consultations meeting. They reviewed the progress in the negotiations on services and investment and directed that talks need to be accelerated.

Sharma urged that both parties should finalize the services text and concurrently complete negotiations on the schedules of commitments on the basis of the mandate of the leaders given in Framework Agreement of 2003 for substantial sectoral coverage and GATS-plus agreement. He hoped that ambitious and commercially meaningful offers be exchanged between the parties. He also called for intensification of negotiation on core issues in investment.

They underscored the importance of trade in services and investment negotiations to complement the trade in goods agreement, in order to further enhance the economic integration of ASEAN and India. They also exchanged views about the global economic environment, noting with satisfaction that emerging economies in Asia were leading the recovery in the global economy. They also expressed confidence in the strengthening economic ties between the two sides, further boosted by the implementation of the ASEAN-India Trade in Goods Agreement in 2010. The ministers encouraged the full implementation of the ASEAN-India Trade in Goods Agreement by all countries within 2010 so that the private sector could reap benefits offered by the Agreement. In line with

the transparency requirements of the WTO, ASEAN and India have notified the ASEAN-India FTA agreements to the WTO under the Enabling Clause on 23rd August 2010. The ministers also took the opportunity to review progress of the Doha negotiations, remaining convinced that a strong multilateral system based on mutually beneficial outcomes in agriculture, NAMA and services are key to a stable and progressive global trading system.

<http://www.newkerala.com/news2/fullnews-29560.html?>

- **Vietnam, Indonesia top US companies' Southeast Asia plans**

Vietnam and Indonesia are the top investment destinations in Southeast Asia for US businesses, according to the American Chamber of Commerce.

Companies are “much more positive” on the prospects for regional growth, even as dissatisfaction over corruption increased, according to a business outlook survey published by the chamber Thursday. Improved economic links within Southeast Asia and higher profit expectations are among the reasons prompting businesses to consider expansion, the survey showed.

Asia’s rebound is outpacing much of the rest of the world as exports boost earnings and domestic demand strengthens, benefitting companies including Singapore Airlines Ltd. and Malaysia’s Sime Darby Bhd. The Association of Southeast Asian Nations said its 10-member nations drew 3.6 percent of global foreign direct investment in 2009, up from 2.8 percent in 2008.

Most companies surveyed “continued to expand or expand significantly in Asean over the past two years” and more plan on doing so over the next two years amid optimism about growth, the chamber said. “This business expansion is directed most strongly towards Vietnam, Indonesia, Thailand and Singapore.” US businesses were mostly satisfied with the availability of low-cost labor except in Singapore and Malaysia, the report showed.

The greatest concern for companies in most countries is corruption, except for Singapore and Thailand. Respondents cited the city-state’s housing costs and the stability of the Thai government as the main worries in those two nations.

“Corruption continues to be a source of great dissatisfaction for respondents, many of whom cited it as a barrier to doing business in Asean,” the chamber said. “The level of local protectionism also remains a concern in a range of countries -- Malaysia, Thailand, Vietnam, and Indonesia.”

<http://www.thanhniennews.com/2010/Pages/20100826215602.aspx?>

- **Vietnam need to rethink growth strategy: Experts**

Vietnam must rethink the growth strategy that propelled it from poverty to the ranks of

Asia's fastest-growing economies, analysts say, or risk stagnating. The communist country, which aims to become an industrialized nation by 2020, risks losing out both to poorer, lower-wage nations and richer ones that are more innovative and have a higher-quality labor force, they say. "Vietnam is at a critical juncture in its economic and social development history," the World Bank's country representative, Victoria Kwakwa, said last week at a seminar organized with the Vietnam Academy of Social Sciences (VASS).

In 1986 the war-shattered, poverty-stricken country began to turn away from a planned economy to embrace the free market, a policy called "Doi Moi", which led to growth rates that ranked among the fastest in Asia. But the Doi Moi momentum is losing steam, the World Bank and VASS said. The Vietnamese economy depends too much on exploitation of natural resources and its industry, often dominated by large state-owned groups, lacks dynamism, they said in a joint report which added that transport and other infrastructure is underdeveloped.

Another obstacle is education, which experts have said is far from an international standard, afflicted by corruption and unsuited for providing the skilled workforce the country needs. Vietnam faces fierce challenges if it wants to avoid being trapped as a middle-income nation, said Do Hoai Nam, president of VASS. "Vietnam has just got out of the list of poor countries and its achievements are not really sustainable," Nam said.

The economic infrastructure is not well-developed, there is a lack of specialization and competitiveness and a shortage of skilled workers, he said. Science and technology standards are low compared with regional rivals, Nam added. Between 1990 and 2009 Vietnam's annual growth dropped below five percent only once, and peaked at 9.5 percent in 1995.

Annual income per capita grew from less than 100 dollars in 1990 to about 1,200 dollars this year, while the poverty rate fell from 58 percent in 1993 to about 12 percent in 2009, said the World Bank-VASS report. At the seminar, Prime Minister Nguyen Tan Dung predicted that real per capita gross domestic product will rise to between 3,000 and 3,200 dollars in 2020. Experts say such figures do not tell the whole story and that growth is coming at the price of increasing inequality between urban and rural areas, and between the ethnic majority Kinh and minorities living in remote areas.

Many countries have been reaching the middle income status from lower levels, but very few countries (succeeded) in moving to high income," said a study by Le Kim Sa, of VASS. He noted that while Hong Kong, Singapore, South Korea and Taiwan became high-income countries or territories in about three decades, Malaysia, Thailand and the Philippines have been stuck at middle-income levels.

Western donors have warned that economic growth and development require an open and transparent society, but that Vietnam's restrictions on the news media, Internet sites and civil society threaten the country's progress. Over the next decade and beyond, Vietnam could either further accelerate its economic and social development to become a prosperous industrialising society, or it could face "stagnation on both economic and social developments fronts", the World Bank's Kwakwa said.
http://www.kuwaittimes.net/read_news.php?newsid=NDkyMTU1NDM4

- **Vietnam's stock market has come far in its first 10 years**

The Vietnamese call it "playing stocks" or "choi chung khoan." Those who play often do so daily, trading on market rumors or the slightest bit of news.

They gather at brokerage houses such as this one, Saigon Securities, on a congested corner of the city's business district, watching stock prices scroll by on a screen running the full length of the room. Sighs follow the dips in stock prices, while muted exclamations greet the price jumps, which are few and far between these days.

After a volatile 2009 — stocks soared in the first half before falling in the second — the Ho Chi Minh Stock Index is approaching bear territory this year, down more than 17% so far from its May 6 high. Despite the weak performance, "You can make good money," says Nguyen Bao Hoa, 32, explaining why the brokerage house has become his makeshift office for daily trading. "I trade for myself."

Ten years after Vietnam's stock exchange began, it's become a symbol of what the country is trying to achieve but has yet to fully realize: a market-based economy. In this communist nation, the stock market is seen as the ultimate symbol of capitalism, because people have the freedom to choose their own financial fates, for good or bad, through their investments. The stock market has grown significantly — only two stocks were traded in the beginning, compared with 586 today on both the Ho Chi Minh Exchange and the Hanoi Exchange — and is attracting a growing number of domestic investors. It's also become a "crucial channel for companies that want to raise medium- and long-term capital," says Minh-Giang Vuong, research officer at Vietcombank Securities.

Yet the exchange struggles to hold onto foreign investment. It also grapples with liquidity, partly the result of the government's tight controls as well as the growing pains of a developing market. And because the Vietnamese belong to a culture of gambling, it can be challenging to convince them of the merits of investment principles such as buy-and-hold.

While "there has always been an element of gambling in stock markets everywhere, this is something that's prevalent in Asian societies," says Roberta Karmel, a Brooklyn Law School professor and a former commissioner of the U.S. Securities and Exchange

Commission who published a research paper on Vietnam's stock exchange. This gambling mentality may explain why some Vietnamese refer to themselves as "playing" rather than "investing" in stocks. "Not everyone understands the market well enough to have long-term investments," says To Hai, managing director of Viet Capital Securities, a leading brokerage and investment firm in Vietnam.

Before buying stocks, investors should analyze the company's financials, its business activities, history and management, says Nguyen Quang Hai, deputy manager of the brokerage department at Viet Quoc Securities in Ho Chi Minh City. But only a third of investors are doing so, he believes: "About 30% of investors, they jump in based on what other investors do, and 40% are investing on basic information."

Many Vietnamese still lack the disposable income to invest. Vietnam's economy is growing rapidly, with gross domestic product expected to rise at least 6.5% in 2010. But per capita annual income remains a modest \$1,010 — \$84 per month — and about 12% of residents live below the poverty line, according to the United Nations and World Bank. Investors are also limited in their ability to trade securities. While the market capitalization of Vietnam's stock market totals \$33.2 billion — nearly 40% of the country's GDP — only 60% of this value can be freely traded, To estimates. That's because the government continues to hold controlling stakes in big companies such as Vinamilk, Vietcombank and Baoviet Holdings, an insurance and financial services firm. Yet, as Vietnam's economy continues to grow, so will its stock market — and its pool of potential investors. In the past two years, investment accounts in Vietnam have surged to more than 900,000 from 500,000. Many more consumers own stocks through their employers but don't actively trade.

To believes Vietnam's stock market remains a good investment opportunity because it's relatively inexpensive compared with some of its Asian neighbors. He predicts the Ho Chi Minh Stock Index, or the VN-Index, will recover by the end of the year as the impact of the government's recent fiscal measures becomes clearer and traders look forward to the country's elections in 2011. "The stock market is still new, but it's developed a lot," Nguyen says. "I believe if people invest, they can make profits, because the country's growing."

[http://www.usatoday.com/money/markets/2010-08-22-vietnam-stocks_N.htm?csp=34news&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+UsatodaycomWorld-TopStories+\(News+-+World+-+Top+Stories\)](http://www.usatoday.com/money/markets/2010-08-22-vietnam-stocks_N.htm?csp=34news&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+UsatodaycomWorld-TopStories+(News+-+World+-+Top+Stories))

- **Social Front**
- **Nine dead, one lost as Mindulle hits central Vietnam**

Families of 9 missing Hoa Minh District fishermen surrounded a radio, waiting for

updates about their family members.

At least nine people died and one went missing in typhoon Mindulle, the National Committee of Search and Rescue reported Wednesday.

The victims were swept away by floods or fell to their death while attempting to strengthen their houses in the storm. On Monday, Mindulle grew from a tropical depression into a full-blown typhoon. It weakened, two days later, after injuring at least 58 people and damaging over 40 boats and nearly 32,000 houses, according to the committee. Mindulle is the third major storm to come out of the East Sea this season. Damage to tens of thousands of acres of farmland, dykes and bridges were reported throughout the north central region. Formal statistics pertaining to the extent of the damage have, so far, not been released.

In the meantime, the National Center for Hydro-Meteorological Forecasting warned that, while the typhoon has been downgraded, rains will continue in the central coast and the northern region and could lead to flash floods or landslides. In July typhoon Conson, the first storm of the season, left at least one dead in Vietnam after killing 68 in the Philippines.

‘A rare accident’

Also on Wednesday rescuers in Da Nang City said they have found ten fishermen who were listed as missing at the beginning of the week. The Hoa Minh crewmembers were found drifting some 22 nautical miles from the Son Tra Peninsula in severely weakened condition. Huynh Van Tu, one of the fishermen, said their boat broke down Monday afternoon in the throws of the typhoon. They radioed for help from the Da Nang Maritime Search and Rescue Co-ordination Center (MRCC). The crew of the SAR 412 reached the fishing boat, but couldn’t approach it due to heavy rains and big winds, the fishermen remained on board, MRCC Director Tran Van Long said. Rescuers threw the fishermen a tow rope which they secured to their boat, he added. When the boats were some 15 kilometers off the coast, the tow broke and the fishing boat went missing, according to Long. “It was a rare professional accident,” he said.

Some locals still raised questions the MRCC’s capacities. Cao Van Minh, chief of Boat team No. 4 in Hoa Minh District, said when the accident happened they advised the MRCC rescuers to return to the site and focus on areas along the coast.

But, the MRCC refused to redirect their efforts and continued the search in accordance with official directives, Minh said. Local fishermen, meanwhile, weren’t allowed to search the sea for the victims. In the end, it was local fishermen that managed to find the victims after taking on rescue efforts Wednesday morning.

<http://www.thanhniennews.com/2010/Pages/20100827223647.aspx?>

- **Vietnam targets \$1 bln in trade volume with Turkey**

Vietnam expects to boost its trade with Turkey and reach an annual trade volume of \$1 billion in 2011, Vietnamese Ambassador to Turkey Duong Huynh Lap said on Thursday. Paying a visit to the western province of İzmir to attend the İzmir International Fair and the Vietnamese-Turkish Business Forum, which was still continuing at the time Today's Zaman went to print yesterday, Lap told reporters at the İzmir Chamber of Commerce (İZTO) that trade relations between Turkey and Vietnam are rapidly developing and they have a target to increase bilateral trade volume to \$1 billion next year. The trade volume between the two countries was around \$600 million in 2009 and will reach \$700 million this year, Lap also said.

The Vietnamese ambassador informed Turkish businessmen of his country's economy and said Vietnam, with its population of 86 million, offers great opportunities for Turkish companies. He commended Turkish Airlines (THY) for planning to launch direct flights from İstanbul to the Vietnamese capital Hanoi soon. Lap said those flights will also contribute to growing bilateral relations.

<http://www.todayszaman.com/tz-web/news-220203-106-vietnam-targets-1-bln-in-trade-volume-with-turkey.html?>

- **Cyber world**
- **Vietnam Aims to Become Asian-Pacific Center for Offshore Testing Services**

In response to key indicators and national objectives, LogiGear will assemble international thought-leaders, experts, and researchers together in the first Vietnam Software Testing Automation Conference of 2010 (VISTACON 2010) in Ho Chi Minh City 20 - 22 September, 2010. VISTACON 2010 aims to build a robust software-testing community and develop Vietnam as the global software-testing destination in the Asian-Pacific area.

Ho Chi Minh City (PRWEB) August 27, 2010 -- In response to key indicators and national objectives, LogiGear will assemble international thought-leaders, experts, and researchers together in the first Vietnam Software Testing Automation Conference of 2010 (VISTACON 2010) in Ho Chi Minh City 20 - 22 September, 2010. VISTACON aims to build a robust software-testing community and develop Vietnam as the global software-testing destination in the Asian-Pacific area.

In 2009, Global Media Services (<http://www.globalservicesmedia.com/Dgmag/Top50/digimag.html>) ranked Vietnam 6th in its list of Top 10 Outsourcing Nations and Ho Chi Minh City (formerly Saigon) 5th in its list of Top 50 Emerging Outsourcing Cities, rising from 6th in 2007. Understanding

the opportunity, and not content to waver near the top, Vietnam's ambitions are driving regional growth. According to Global Media Services, FDI inflow to Vietnam reached \$6 billion in 2007, up from \$2.3 in 2006. Further, even as the global economic crisis took full swing towards the end of 2008, Vietnam's GDP grew by a decent 6.2 percent by year-end, just down from 8 percent posted in 2007. The country's economic dynamism is also attributed to its rapidly maturing business environment, including IT.

The IT services industry as whole is growing in Vietnam. The software industry in Vietnam reported nearly 500 million USD in revenue in 2007. In 2008, this revenue reached about 670 million USD. Recently, Vietnam officials and executives met to discuss key indicators and set targets for Vietnam's IT growth strategy.

Vietnam's computer industry growth rate (in millions USD):

http://news.yahoo.com/s/prweb/20100827/bs_prweb/prweb4426174?

Singapore

- **Economic Front**
- **S'pore is potential logistics hub for firms to expand business into Asia**

The supply chain industry currently accounts for 10 per cent of Singapore's economy.

And market players said it could expand a further 5 per cent in the years ahead, making Singapore a potential hub for logistics companies to expand in Asia. Plans are also afoot to set up a US\$4 million training centre in the city-state to develop talent.

Singapore's strategic location makes it an ideal regional logistics hub. And companies like Mapletree Logistics have done just that. For instance, the company is driving business development and marketing campaigns for markets like China, India and Vietnam out of Singapore.

Going forward, Singapore aims to be a key partner in developing Pan-Asian supply chain solutions. S Iswaran, Senior Minister of State, Ministry of Trade and Industry said: "Intra-Asian trade growth is expected to outpace the other regions and will bring about new levels of supply chain complexities. "As global companies come into Asia and Asian companies start to broaden their platform, they are re-thinking their strategies; the supply chain management solutions are going to be an integral part of that business strategy."

Market players said Singapore's efficient workforce has also helped them improve productivity. And in about 18 months, the industry body Supply Chain Asia will set up a US\$4 million training centre in Singapore. It will be located in the outskirts of the city, either in Clementi or Changi. The centre aims to train 3,000 to 5,000 professionals a year, with two-thirds of them from outside Singapore. Supply Chain Asia added that fresh graduates will make up a third of the intake with the rest from the workforce.

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1077116/1/.html>

- **Spring Singapore helps SMEs to attract funds from venture capital firms**

More small and medium sized enterprises (SMEs) are tapping on a range of government initiatives to seek co-investment from angel investors and venture capital firms (VCs).

One of them, SPRING SEEDS Capital, the equity financing arm of SPRING Singapore, spent \$18.5 million on co-investment schemes in 2009, up from \$10 million in 2008. SMEs are riding on the economic recovery. And observers say they will increasingly look to venture capitalists and angel investors to raise funds.

More so, for start-ups without track record who may have difficulty accessing bank loans. Eugene Wong, Managing Director, Sirius Group, said: "VCs and angels are different in that we are equity investors. We become partner to the founders or entrepreneurs and we want to help build a better, bigger company.

So we usually roll up our sleeves and get involved with the running of the board and the company." Currently, Spring Singapore has various scheme to help SMEs secure more funding. With economic recovery gaining a firmer footing, Spring says it will withdraw its two-for-one dollar co-investment scheme for start-ups in January next year.

Introduced in November 2008, the scheme helps SMEs secure more funding during the financial crisis by doubling up SPRING's co-investment in the company. But it has a separate incentive scheme for angel investors, which allows for tax deductions based on 50 percent of the investment cost.

This is capped at \$500,000 of investments per year. Observers say such schemes are useful, but more needs to be done to build trust between VCs and the SMEs.

Phillip Overmyer, Chief Executive, Singapore International Chamber of Commerce, said: "The ability to understand the needs and operations of the business is what the angel investors are trying to figure out. On the other hand, the company which is looking for the money, they are always very concerned about a process that would disclose more of their confidential information than they would care to disclose."

Going forward, industry players say VCs and angel investors are positive on the consumer discretionary sector, as well as biomedical and education services. Observers also add that venture capital firms find the Singapore market too small to achieve higher returns, preferring to look to neighbouring China and India for better growth opportunities. However both foreign and local venture capital firms look at Singapore as a gateway to expand their Asian portfolios.

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1077568/1/.html>

- **S'pore hopes to host more sports events at new Sports Hub**

Singapore can look forward to hosting more sports events when the new Sports Hub

opens in April 2014. On Wednesday night, the Singapore Sports Council inked the deal with the Singapore Sports Hub Consortium to design and build the venue.

The final construction cost of the new Sports Hub is estimated to be S\$1.33 billion. Riding on the wave of the successful hosting of the inaugural Youth Olympic Games, the Sports Minister said the Sports Hub will put Singapore in contention for major sporting events in future. Vivian Balakrishnan, Minister for Community Development, Youth & Sports, said: "As far as I'm concerned, that's the other missing piece in the jigsaw - to be able to leave and say that's the next big piece, it will be built, by 2014. "We will have an outstanding stadium, including of course, the swimming, outdoor arena and all the other ancillary services. The next few decades in sports will be an exciting time."

<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1077347/1/.html>

- **Social front**
- **Singaporeans staying away from trouble-hit Bangkok & Manila**

As the year-end travel rush approaches, Singaporeans are staying away from places that have been hit by trouble and violence. Bangkok and Manila are top on the list. The thousands who thronged a travel fair on Friday are avoiding these places for safety reasons. In Manila, a tour bus was hijacked on Monday and eight Hong Kong tourists were killed during a police assault to end the hostage crisis. As for Bangkok, it is grappling with sporadic violence. The latest bomb blast occurred in downtown Bangkok on Thursday, seriously injuring a security guard.

Travel agents expect demand to these places to plunge until the dust has settled. Alicia Seah, senior vice-president, Marketing & PR, CTC Holidays, said: "I think it's a short-term impact. We think that bookings will decrease significantly for about one to two weeks.

"But in the long term, recovery will take place. If they are travelling out of Bangkok, like Phuket or Chiang Mai, and not staying in Bangkok, they will still proceed with their tour bookings."

<http://www.channelnewsasia.com/stories/singaporelocalnews/view/1077527/1/.html>

- **Why Life in Singapore is Good**

It's been seven months since I relocated back to Singapore after being away for four years. As with anywhere in the world, there are pros and cons. But today, we're talking about the good things.

Fantastic public transport. It is cheap, efficient, well-integrated, and comprehensive. And did I say cheap? The most expensive ticket on the Mass Rapid Transit or MRT for short (the cleaner equivalent of the London Tube) is less than S\$3, or cheaper than a cup of Starbucks coffee by a fair bit. The day after the Boy got here, we were strolling to the bus

stop, and he got into a fluster when he saw a bus pulling away. He wanted to run for it. It took two days of telling him, "Honey, this is Singapore, not Sydney. The buses come every five minutes, even on the weekends. And we have about six buses that will take us where we're going, so don't worry about it. We are not running for the bus."

There are a great variety of eating places that suit every budget. You can get a freshly-made Indian roti with curry for S\$0.70, and a cup of local coffee for S\$0.80 at a neighbourhood shop. Or you can have Shanghainese dumplings and side dishes for S\$35 for two people at a mid-priced restaurant. Or you can go upmarket and have a steak dinner at Morton's for S\$150 per person. The choice is yours. There is also have an wide range of cuisine, from East to West and everywhere in between.

Air-conditioning everywhere. OK, so this is not very green and the carbon footprint is tremendous. But when you live almost on the equator where humidity is about 90%, you too would be grateful for air-conditioning in the MRT and the stations, on the buses including some bus interchanges, and the underpasses that link up everywhere.

There are trees. This is something you would only miss when you go to a city where you see concrete and glass which is not balanced out by greenery. Singapore does a great job in this respect, and you find pockets of trees and shrubs interspersed amongst the skyscrapers. It does wonders in creating breathing spaces and areas of calm and serenity in a busy, bustling city.

Shops stay open past 5pm. Most people work past 6pm, so having shops and supermarkets open till 9.30pm makes necessary shopping (and retail therapy) so convenient. There is no need for late night shopping hours, although there are a few 24-hour supermarkets and at least one 24-hour department store. (And I do know people who stroll into a store at 3am because they have insomnia or they like shopping in the peace and quiet.)

These are just a few, simple everyday things that most of us take for granted. But it's the simple things that can make the day-to-day living good, bad or ugly.

http://life.hereisthecity.com/sound_off/1326.cntns?

Brunei

- **Economic Front**
- **Weak Demand For Brunei Halal Brand**

Despite the benefits that the Brunei Halal brand can bring to a business, the level of awareness and demand still remain low for the certification in the Belait District.

During a roadshow in Kuala Belait to promote the halal label and to brief the public on its application process, Dato Seri Setia Abd Rahman Pehin Khatib Abdullah, the head of Halal Food Control Section told Belait residents that no businesses in the district has

obtained the certification, and so far, only one hotel has applied for it. A halal certification can offer a competitive advantage to restaurants or businesses in the food industry as it will give peace of mind to Muslim consumers, whom are the absolute majority in the Sultanate, when making food purchases. Dato Abd Rahman then went on to stress the worldwide reach of the Brunei Halal Brand, which according to him, is internationally recognised. The department has put in a lot of efforts in promoting the Brunei Halal Brand on the international stage, and is also actively involved in the currently ongoing World Expo in Shanghai.

Meanwhile, Hj Abdul Hamid Dato Paduka Hj Abdullah, acting Belait District officer, and guest of honour for the roadshow said in his speech that Brunei is a Muslim country which upheld the nation's philosophy of Melayu, Islam, Beraja (MIB) and it will always support and be guided by the Islamic teachings which include the principle of "halal". "We are fortunate that in Brunei His Majesty the Sultan and Yang DiPertuan of Brunei Darussalam pays great attention to issues pertaining to halal in the interest of Muslim consumers. This is evident when we enforced the Halal Meat Act to regulate matters relating to the supply and importation of halal meat 10 years ago," Hj Abdul Hamid added. The acting Belait District officer then went on to urge businesses in the district to take this opportunity to learn more about halal certification and licensing for their respective industries. He added that it will certainly add strength to their businesses as the Brunei Halal standard is one of the most stringent in the world. The speech was followed with a talk on halal food and the need to apply for halal certification delivered by Hjh Ribiatul Adawiyah Hj Ahmad, an officer from the Halal Food Control Section.

<http://www.brudirect.com/index.php/2010082628071/Local-News/weak-demand-for-brunei-halal-brand.html>

Asean

- **Political Front**
- **Asean's legal personality**

the Association of Southeast Asian Nations (Asean) member states adopted the Asean Charter. Currently, all 10 Asean member states have ratified the Charter. One of the features of the Charter is the recognition of Asean's legal personality. The legal personality of Asean is provided for under Article 3 of the Charter, which states that, Asean, as an intergovernmental organisation, is hereby conferred legal personality. We will discuss the significance of Asean having a legal personality.

A legal personality is endowed on an entity to make it a subject of law. With legal personality, a subject of law will have duties and obligations. In addition, it grants the

subject legal capacity and the powers to act. Most legal textbooks will define a legal subject as a natural person and an artificial person. However, this may be misleading, as the two are persons recognised under private law, not other branches of law. In fact, depending on which areas of law, persons recognised by law are varied. Under international law, a subject of law consists of states and non-state entities. The non-state entities include international organisations, the Holy See, the International Committee for the Red Cross, and belligerents and individuals committing international crimes.

An international organisation, as a subject of international law, has a legal personality. The legal personality is derived from its constitution. The constitution of an international organisation is in the form of a treaty agreed by states establishing such an organisation. The constitution will provide a provision conferring the organisation with legal status. There are two terms frequently used, namely, legal or juridical personality, and legal capacity.

It should be noted that the two terms can be used interchangeably after the International Court of Justice rendered its advisory opinion in the renowned case dubbed the *Reparation for Injuries Suffered in the Service of the United Nations*.

The United Nations Charter, under Article 104, uses the term legal capacity, whereas the International Labour Organisation (ILO) uses the term juridical personality under its Article 39. However, the World Trade Organisation uses both terms, legal personality and legal capacity, under its Article 8, Paragraph (1).

In discussing Aseans legal personality, distinction has to be made before the Charter was adopted (pre-Charter) and after its adoption (post-Charter). In the pre-Charter era, since its formation in 1967, Asean did not have a constitution. In addition, there were no documents that contained specific provisions on Asean as an institution, nor the Secretariat, having a legal personality. For such reason, it may be questioned whether the founders of Asean have, from the beginning, conceived Asean to be an international organisation or, as suggested by its name, only an Association of States.

Legally, there are distinctions between an international organisation and an association of states. The Asia Pacific Economic Cooperation (APEC), for example, is not an international organisation. This is also true with respect to the Non-Aligned Movement (NAM). Scholars had been debating whether Asean qualified as a proper international organisation or only an association of states lacking legal personality.

Nevertheless, Asean state members in the pre-Charter era recognised and treated Asean politically as an entity having legal personality and legal capacity. If examined closely, the legal personality and capacity of Asean in that era was not endowed on Asean, but was endowed on the Asean Secretariat. This can be seen from the 1979 Privileges and

Immunities Agreement between the government of Indonesia and Asean. The title of the agreement clearly states that privileges and immunities are rendered to the Asean Secretariat. Furthermore, Article 2, Paragraph (2) made reference to the Secretariat having legal capacity, and not Asean. This provision is different from, as an example, the ILO constitution. Under Article 39, reference is made to the ILO, not the Secretariat of the ILO, maintaining the legal capacity.

In the pre-Charter era, it may be argued the legal status of Asean was similar to APEC or NAM. These groupings, even though they are not international organisations, however, maintain the Secretariat.

In the post-Charter era, Asean becomes an international organisation that is endowed with its members legal personality. As an entity with legal personality, Asean is vested with rights and obligations under international law and domestic law. The legal personality means that Asean has the legal capacity to enter into international agreements with other international organisations and states. In this context, Asean is acting in its public capacity (*jure imperii*).

However, it should be noted that Asean may not enter into certain international agreements on behalf of the member states of Asean. Asean does not act as a federal or central government among its members. Another characteristic of Asean's legal capacity is that it may enter into a private contract with domestic laws private entities. In this context, Asean is treated as a private entity and as acting in its private capacity (*jure gestionis*). Thus, it may acquire and dispose of assets and institute proceeding within the domestic jurisdiction under its own name. As a private law entity, it has to relinquish or waive its immunity. In the post-Charter era, the Secretariat becomes one of the organs within Asean and does not maintain a legal personality of its own. The Secretariat, headed by the secretary-general, may represent Asean in its day-to-day interactions with third parties. In the post-Charter era, the international community should regard Asean, not the Secretariat, as subject to international law and states domestic law.

As such, Indonesia, as the host government for Asean's headquarters, must enter into various new agreements to reflect the post-Charter legal status of Asean, including amending the host and privileges and immunities agreements. The agreements should be concluded between the government of Indonesia and Asean, and not with the Secretariat.

As to other member states of Asean, each member state should recognise and accord Asean with legal status under its domestic laws. In the pre-Charter era, it is not clear whether the Asean Secretariat had a legal personality under member states domestic laws. It should be noted that in 2009, member states signed the Agreement on the Privileges and Immunities of Asean. Once the agreement enters into force, member states will have

to recognise Asean as a legal entity in their domestic legal systems. Unless protected by the laws on immunity, in cases where Asean, in its private law capacity, breaches domestic law, Asean can be held liable under the relevant domestic laws.

As to the non-member states of Asean, they are free to acknowledge or disregard the legal personality of Asean in their domestic laws. There is progress being made for Asean to be recognised as an international organisation having legal personality by non-member states. Currently, 39 non-member states of Asean have sent representative missions. These states should treat Asean as having legal personality under their domestic legal systems. Hikmahanto Juwana is a professor of International Law at the University of Indonesia. Sari Aziz is a research associate at the Centre for International Law (CIL at the National University of Singapore) The Jakarta Post/ANN

<http://www.bruneitimes.com.bn/opinion/2010/08/27/aseans-legal-personality>

- **Thailand asks Asean not to intervene in temple row**

Prime Minister Abhisit Vejjajiva said Thursday he did not believe the reports that Vietnamese Prime Minister Nguyen Tan Dung, in his capacity as Association of Southeast Asian Nations chairman, would raise the Preah Vihear dispute at an Asean meeting. He thought the Asean chair was simply sounding out the opinions of association members about the border dispute after receiving a letter from Cambodia. Mr Abhisit said all parties should understand that the issue could be solved at the bilateral level.

Cambodia wants the conflict to be dealt with at the multilateral level because the Thai parliament has not considered the negotiation framework of the Thai-Cambodian Joint Boundary Commission (JBC), but Mr Abhisit said each country had its own processes and other nations should respect this.

"Thailand has its parliamentary procedures which must be respected," the prime minister said.

"The government does not interfere."

Deputy Prime Minister Suthep Thaugsuban Thursday warned that Cambodia could not raise the Preah Vihear issue for multilateral discussion without first securing the consent of Thailand. He urged Cambodia to handle the issue bilaterally. The conflict was a longstanding one and time was needed to resolve it, he said. Foreign Minister Kasit Piromya said Thursday Thailand and Cambodia had discussed the temple issue through all available mechanisms such as the joint border committee. They did not need the intervention of neighbouring countries.

Mr Kasit said Thailand had tried to explain the matter to its fellow Asean members and he hoped they understood. The Foreign Affairs Ministry would send a letter to Vietnam and the other members of Asean to clarify the Preah Vihear dispute. The letter would seek

to clear up the misunderstandings surrounding the temple conflict and deal with Phnom Penh's allegations against Thailand related to the temple row, he said.

<http://www.bangkokpost.com/news/politics/191976/thailand-asks-asean-not-to-intervene-in-temple-row?>

- **Economic Front**
- **ASEAN urged to play more important role in G20 process**

Vietnam held here Friday a conference on Status of the Association of Southeast Asian Nations (ASEAN) towards the Group of 20 (G20) Seoul Summit, drawing representatives from Vietnam's Ministry of Finance and the Republic of Korea's (ROK) Ministry of Strategy and Finance. Representatives at the meeting discussed bilateral dialogue between Vietnam and ROK as well as between G20 and ASEAN. ASEAN has participated in two G20 Summits. Vietnam, on behalf of ASEAN, participated in G20 Toronto Summit in Canada this June.

Representatives agreed at the meeting that ASEAN should play a more important and active role in G20 process as ASEAN is one of the most energetic and effective regional organizations in the world's economic landscape. In his remarks at the meeting, Vietnamese Deputy Minister of Finance Tran Xuan Ha highly appreciated cooperation between Vietnam's Ministry of Finance and ROK's Ministry of Strategy and Finance in bolstering relations between the two countries. Ha said the meeting marked a turning point between the two ministries' cooperation in both bilateral areas as well as world and regional important issues.

<http://english.people.com.cn/90001/90777/90856/7112458.html?>

- **EU sees wider S.E. Asia trade talks**

The European Union expects to conclude a free trade deal with Singapore by the end of next year and is likely to begin talks with other Southeast Asian nations soon, a top official said on Friday.

The EU's trade commissioner, Karel De Gucht, also said Europe still hopes to ultimately reach a region-wide deal with the Association of Southeast Asian Nations (ASEAN).

He said a regional pact has not been possible partly because of military-ruled Myanmar, which is under European sanctions.

Another hindrance was the differing levels of economic development within the 10-member ASEAN, he told reporters after talks with Southeast Asian economic ministers.

Attempts to reach a pact with all of the ASEAN members except Myanmar, Cambodia and Laos were suspended last year, after which the EU began looking at bilateral pacts.

De Gucht said two rounds of talks have been held with Singapore -- the region's most developed economy -- and a third is to take place next month.

"Negotiations with Singapore are going well," he said. "We expect these negotiations being closed and having come to a positive end before the end of next year."

He added that formal free trade talks with Vietnam are likely to begin before the end of this year, followed by other countries "in the coming months."

De Gucht declined to name the other nations but he told AFP that each of the seven that participated in the earlier suspended talks "have expressed in one way or another interest". ASEAN itself is working towards a single market and manufacturing base by 2015. De Gucht said that once such an integrated market is achieved it would make sense for the region's bilateral trade pacts to be consolidated into a region-wide deal.

Asked whether such a deal could, however, be reached unless the human rights situation in Myanmar improves, he told AFP: "It's obvious that we are not ready, the European Union is not ready, to negotiate with Myanmar but who knows what the political situation will be in Myanmar in five years or in seven years."

The EU is the bloc's largest foreign investor, and second-largest trade partner, with two-way trade worth almost 172 billion dollars last year.

http://news.yahoo.com/s/afp/20100827/bs_afp/aseaneutrade?

- **Cyber world**

