

How Asia escapes EU's woes

The Riel Deal

Tom Brennan



POTENTIAL threats from Western economies continue to weigh on Cambodia and other Asian countries, with fear of default in Greece once again driving instability in regional markets.

Greece's parliament this week managed to pass yet another austerity measure, though there are some media reports that default is by now inevitable. The possibility no doubt looms large, and as a result has kicked up investor fears both in Southeast Asia and abroad.

Regardless of how these events play out, experts have pointed to a growing strength in Asia that should over time result in less exposure to troubles in Europe, as well as the United States. There are signs of that resiliency even now, they have said.

"I think there is a very strong position to withstand what's happening in the West," said ADB assistant chief economist Joseph Zveglich, who's based in Manila, this week.

Asia as a whole showed itself capable of recovering rather quickly from the global financial crisis, he said, and has since grown in ways that make it less dependent on the US and EU going forward.

Most notably, that includes increasing

intra-regional trade and rising domestic demand, which "should help to provide a bit more of a boost for Asia in spite of the uncertainty we're seeing in Europe," he said.

While Zveglich recognised the still-large trade relationships between Southeast Asia and Europe, and the continued effect they'd have on ASEAN countries, he did note the trend toward greater links with other regional economies.

Rather than de-coupling from the West, Southeast Asia is seeking new sources of growth.

However, Zveglich admitted that some of the region's most open economies may be victims of their trade relationships with the US and EU.

As a result, countries like Thailand, Malaysia and Cambodia could see greater declines than, say, Indonesia because they depend more on international commerce than they do domestic demand.

Of course, the Kingdom is an export-driven economy, with the World Bank estimating that exports in 2009 accounted for 60 percent of GDP. And in the first half of 2011, about 70 percent of exports went to only two markets – the United States and European Union – according to a recent report from

the Economist Intelligence Unit. That increased exposure to the G2 surely played a role in what the EIU said was a 1.5-percent contraction in the Kingdom's GDP in 2009.

At the same time, though, the fact the US accounted for about 47 percent of total exports may lessen any external impact on the Cambodian economy.

Zveglich said that while a downturn in Europe would affect some in the region, the impact should be less severe given the United States is the bigger trading partner.

Therefore, as long as the EU debt crisis was contained, thereby sparing the US, Asia in turn should be largely spared as well.

He is not alone in his outlook, as other regional experts share much the same views. Whether from the World Bank, Asian Development Bank or International Monetary Fund, the list of strengths and weaknesses given for Southeast Asia in the present environment were near identical: Domestic demand and intra-regional trade were beneficial; overexposure to EU markets was not.

The lingering question then was what would happen to Europe. Zveglich noted the risk of a worst-case scenario in Greece was possible, although he yet saw no signs such a fallout was imminent. He said he expected the EU to take the measures necessary to prevent a default.

In the meantime, Southeast Asian economies "continue to attract capital, overall production seems to be moving forward, and private investment seems to be strong in the first half of the year," he said.

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US labour outlook remains unchanged

CLAIMS for US unemployment benefits fell more than forecast last week as an atypical calendar alignment made it more difficult for the government to adjust the data for seasonal changes.

Applications for jobless benefits dropped by 37,000 in the week ended September 24 to 391,000, the fewest since April, Labor Department figures showed yesterday. Economists forecast 420,000 claims, according to the median estimate in a Bloomberg News survey. An agency official said the data probably reflected a "slight mistiming" in the seasonal factors used to modify the figures.

The pace of firings has remained little changed this year while companies are reluctant to hire at a time when the economy is slowing and concerns of a European default rise. Federal Reserve policy makers last week announced more unconventional measures to boost jobs and the economy.

"Apart from what might be an anomaly, the underlying trend in the labour force is still disappointing," said Sean Incentrona, a senior economist at eCast Inc. in New York. "There is a lot of economic uncertainty weighing on the broader economy."

The US economy grew at a revised 1.3 per cent pace in the second quarter, faster than estimated last month and helped by exports and spending on services, a report from the Commerce Department showed today. The rise in gross domestic product compares with a 1 per cent gain previously calculated, and followed a 0.4 per cent increase in the first three months of the year. The figures used to adjust the data typically look for a drop in un-adjusted claims heading into the end of a quarter. For last week however, the seasonal adjustment factors predicted unadjusted claims would rise by 0.4 per cent, the Labor official said. Instead, unadjusted applications followed the typical patterns at the end of quarters and plunged by 8.2 per cent, leading to the even bigger drop in the adjusted data.

The economy probably created more jobs in the year ended March 2011 than currently estimated, a separate Labor Department report showed yesterday.

The number of jobs added to payrolls will probably be increased by 192,000 from the current estimate of 1.32 million, the agency said on its website in preliminary projections. The Labor Department uses records from state jobless benefit taxes to benchmark its employment survey estimates. Bloomberg

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Invitation for Bids (IFB)

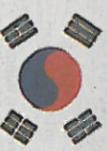
September 30th, 2011

Phnom Penh, CAMBODIA

RURAL ROADS IMPROVEMENT PROJECT

CW PACKAGE A – IMPROVE 6 ROADS 210.7km

EDCF Loan No. KHM-11



1. The Ministry of Rural Development (MRD) has applied for (or where appropriate, "has applied for") a loan from the Export-Import Bank of Korea from the resources of the Economic Development Cooperation Fund (EDCF) of the Republic of Korea in the amount of 21 Million USD toward the cost of Rural Road Improvement Project, and intends to apply a portion of the proceeds of this loan to payments under the contract for CW Package A. This Contract, CW/A/B & C, will be jointly financed by ADB. Bidding will be governed by the Export-Import Bank of Korea's eligible rules and procedures. The Project Executing Agency (MEA) now invites sealed bids from eligible General Contractors from Korea for Civil Works within duration of 24 months for Package A of the Rural Road Improvement Project, consist of 6 rural roads in total 210.7 km located at three provinces: Kampong Cham, Kampong Thom and Siem Reap.

The works to be carried out in the Project site are as follows:

- Improvement of rural road, generally on the current alignment, unless otherwise indicated, by construction of embankment and DBST Pavement;
- Raising of the road level in areas subject to frequent flooding;
- Improvement/New construction of existing bridges after investigation of current condition;
- Improvement/New construction of structures for drainage system (culverts);
- Soil investigation for bridge foundation and new bridge construction;
- Plan and Execute Civil Works at Site respect to the Environmental Management Plan (EMP) under supervision of the Engineer.

- Bidding will be conducted through Limited Competitive Bidding (LCB) a procedure specified in the Guideline for Procurement under EDCF Loans, and is open to all eligible bidders that meet the following minimum qualification criteria. The bidders shall be Korean national and experienced with road construction in similar environment as Employer's.
- Interested eligible bidders may obtain further information from Ministry of Rural Development and inspect the bidding documents at the address below from 08:00 to 17:00 hrs.
- A complete set of bidding documents may be purchased by any interested bidders on the submission of a written application to the address below and upon payment of a non-refundable fee of 300 USD. The method of payment will be in cash. The document will be available to pick up only at the office stipulated in B05 during the working hours (8:00-12:00 & 14:00-17:00) from Monday to Friday except public holidays.
- Bids must be delivered to the address below at or before November 2nd, 2011 at 10:00 am. All bids must be accompanied by a bid security of 380,000USD. Late bids shall be rejected. Bids will be opened in the presence of the bidder's representatives, who choose to attend at the address below at 10:30pm on the same day thereafter in the presence of the bidder's representatives.
- The Ministry of Rural Development will not be responsible for any costs or expenses incurred by bidders in connection with the preparation or delivery of bids.

Contact Information

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