

ACCC Newsletter

(A Publication of the Asian Council on Construction & Contracting)

Edition 1, 2012

Message from the Chairman

The Asian Council on Construction and Contracting (ACCC), one of the Product and Service Councils of the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI), takes pride in coming out with the maiden issue of its newsletter.



As ACCC Chairman, I hope this inaugural issue of the Newsletter and the future ones can serve as an effective platform for an exchange of information among ACCC members, as well as other players in the construction industry in the region. It is our aim to make the Newsletter a vehicle for promoting cooperation among our members and thereby help them contribute to the economic development of their respective countries and the region as a whole.

In this issue, we provide a brief background on the Asian Council on Construction and Contracting since it was organized in 2011, as well as write-ups on Turkish international contracting and on construction projects in Nepal, Sri Lanka, Cambodia, Indonesia, South Korea, and Central Asian countries.

I would like to invite all members to contribute articles, with accompanying photos if possible, to the next issue of the Newsletter. Kindly send your materials through Fax: 886-2-2725-5665 or email: cacci@cacci.org.tw. I look forward to hearing from you soon!

Cihan Candemir
Chairman, Asian Council on Construction and Contracting
Member, Contracting Services Assembly of Turkey
Co-Chairman, Turkish-Afghanistan Business Council

The Asian Council on Construction and Contracting

Asian Council on Construction and Contracting (ACCC) is one of the newly-established Product and Service Councils (PSCs) of the Confederation of the Asia-Pacific Chambers of Commerce and Industry (CACCI). Its establishment was suggested and agreed upon during the 25th CACCI Conference hosted by the Union of Chambers of Commodity Exchanges of Turkey (TOBB) on March 6-8, 2011 in Istanbul, Turkey.

The PSCs are organized to promote greater business interaction among CACCI members who are in the same product or service line. They provide the members regular fora for identifying and addressing issues affecting their respective sectors, finding solutions to common problems, and working out specific programs to accelerate regional cooperation, particularly in the area of trade, technology transfer, capital flows and the exchange of information. Manufacturers, traders and suppliers are free to join the Council as members.

The primary objectives of the Product and Service Councils are:

a) To effect coordination and cooperation within the industry or specific service, in the promotion of regional

cooperation and other objectives of CACCI;

b) To undertake or coordinate research and study for the identification of business opportunities for the pertinent product and service concerned that lend themselves to industrial and trade cooperation among Asia-Pacific countries;

c) To accelerate the growth and progress of the industry or service in the region through joint approaches, endeavors and action and to jointly recommend measures through CACCI channels for such improvement;

d) To promote closer relations among the businessmen of the region and to help build up confidence among each other for greater intra-Asia-Pacific trade and cooperation in dealing with non-Asian countries; and

e) To establish and maintain close liaison and cooperation with regional and international organizations for the improvement of Asia-Pacific trade and industry; and

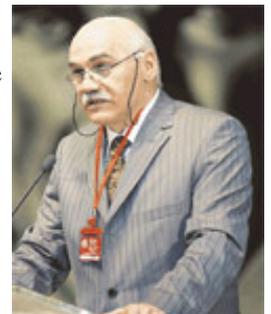
Mr. Cihan Candemir, member of the Contracting Services Assembly of Turkey, has been nominated by the TOBB as Chairman of ACCC.

Brief Profile of Cihan Candemir

A Civil Engineer by profession, Cihan Candemir has had a long and extensive experience in the construction industry after graduating from the Middle East Technical University in 1970. He is currently a Member of the Board of Yuksel Insaat A.S., which provides construction services for high-tech infrastructures in Turkey and internationally.

Yuksel Insaat A.S undertakes dams and HEPPs, marine, industry, transportation, building, and open excavation projects. Its projects also include five star hotels, bank headquarters and branches, and shopping and business centers. The company offers its services in the CIS countries, the United Arab Emirates, Jordan, Qatar, Afghanistan, and Libya.

Mr. Candemir also serves as Co-Chairman of the Turkish-Afghanistan Business Council under the TOBB.



Turkish Contracting in the International Market

Contributed by Turkish Contractors Assembly, Member of the Union of Chambers and Commodity Exchanges of Turkey (TOBB)

Brief Overview

Construction plays a crucial role in Turkey's economic development, accounting for well over 6% of GDP and employing some 1.5 million people. When the direct and indirect impacts on other sectors are taken into account the share of the construction sector in the Turkish economy reaches 30% and the employment rate (excluding agriculture) reaches %10.

After a period of rapid growth in the 1980s, the Turkish construction sector witnessed a significant decline between 1993 and 2001. However, as a result of policies adopted after the two economic crises of 1999 and 2001 the sector experienced the start of a recovery in 2002.

Increased economic stability, decreasing exchange and interest rates and attractive long-term loans stimulated a demand for housing, playing a major role in this process; and consequent growth rates of 13.9% in 2002, 7.8% in 2003, 14.1% in 2004, 9.3% in 2005 and 18.5% in 2006 made construction the number one contributor to the economic growth of Turkey.

By 2007 the growth rate of the construction sector reached 5.7% for the year. However, Turkey and its construction sector, suffering under the effects of the global crisis, experienced a decrease of 8.1% in 2008, followed by a further 16.1% decline in 2009. The year 2010 was a recovery period for both the construction sector and Turkish economy. (See Table 1)

In 2010, construction sector made remarkable progress and grew by 17.1%. The growth trend in the industry continued in 2011 as well and reached 10.6% by the end of the 3rd quarter of the year.

Table 1: Turkey's GDP Growth vs Construction Sector Growth

	GDP Growth Rate (%)	Construction Sector Growth Rate (%)
1999	-3.4	-3.1
2000	6.8	4.9
2001	-5.7	-17.4
2002	6.2	13.9
2003	5.3	7.8
2004	9.4	14.1
2005	8.4	9.3
2006	6.9	18.5
2007	4.7	5.7
2008	0.7	-8.1
2009	-4.7	-16.1
2010	9.0	17.1
2011 (3 rd Q)	8.2	10.6

The constantly growing global competitiveness of Turkish contractors and construction products and the foreign exchange revenues generated as a result, contribute significantly to the balance of payments of Turkey.

Up until the end of 2011, Turkish contractors have undertaken almost 6500 projects in 93 countries, with a total value of some 206 billion USD. On the other hand Turkey is among the world's top 12 producers of building materials such as cement, glass, steel and ceramic tiles.

The research team that prepared "The Strategic Plan for The Turkish Construction Industry" in 2004 noted in its final report that "In no other country with the same per capita income is it possible to find a construction sector

that is as competitive as the Turkish construction sector".

As is the case with many other export-oriented economic activities in Turkey, the unique geographical location of Turkey at the crossroads of three continents – Europe, Asia and Africa – contributes a great deal to the global competitiveness of Turkish construction products and contracting services abroad. That said, Turkey's strength in the field is not only due to its location, as the country also boasts cost effective service at international standards, high client satisfaction, credibility in partnerships, extensive knowledge and vast experience in a wide variety of projects, familiarity with the business environments in the nearby regions, qualified manpower and a calculated risk-based approach to business.

In 2011, 31 Turkish contracting companies ranked among "The World's Top 225 International Contractors" announced by the leading international industry magazine "ENR - Engineering News Record" (See Table 2). With this number Turkey ranked second in the world after China.

Table 2: Top Countries by Number of Contracting Companies

Country	2011	2010	2009	2008
China	51	54	50	51
Turkey	31	33	31	23
Italy	23	22	26	22
USA	22	20	25	35
Japan	13	13	15	16
Spain	13	11	11	11
S. Korea	11	12	13	11
France	5	5	5	5
India	5	3	2	2
England	4	4	5	4
Germany	4	4	4	5
Other	43	44	38	40

The investment environment in Turkey is becoming increasingly attractive for both local and foreign investors, and a positive growth rate in construction is expected in the years ahead.

The Turkish construction sector companies are active in almost every country in the Eurasian market of 580 million people, covering an area of 26 million km².

With a vast experience in international collaborations across 93 countries Turkish contractors are open to building and enhancing international partnerships not only in the field of contracting, but also in construction industry investments, ranging from the manufacture of construction materials to infrastructure, housing, industrial plants and tourism projects. The extensive know-how and experience gained through working abroad for nearly four decades, in all kinds of challenging engineering projects and in all forms of business environments is among the distinctive strengths of the Turkish contractors.

History

The Anatolian Peninsula, on which Turkey is located, has a history that dates back to 8000 B.C., when the earliest human settlements emerged. The region has been the birthplace of 13 major civilizations, which flourished and left behind many magnificent sites and structures. The incredible richness and diversity of Turkey's cultural heritage is an important factor that fostered the maturity of a building tradition in Turkey that has developed over millennia – from the Hittites to the Romans, Byzantines, Seljuks and Ottomans.

The development of the Turkish construction sector over the last 90 years since the foundation of the Turkish Republic can be evaluated in five successive periods: Preparation, internal market activity, international activity, market and product diversification and global

competition. The first two periods continued until the beginning of the 1970s.

After the foundation of the Turkish Republic in 1923, and along with the ambitious modernization process that accompanied the political and social reforms, important infrastructural and industrial investments were made all over the country. In the 1920s special measures, including the employment of foreign experts in public agencies, had to be undertaken by the government to overcome the shortage of local engineers and architects. Under the influence of these public policies, and partly due to the economic crisis witnessed in Europe in those years, many European engineers, architects and entrepreneurs came to Turkey; and in 1925–1926 at least one third of the 28 construction companies established in Istanbul were European in origin.

The 1930s marked the arrival of the first generation of Turkish engineers, who in the following decades founded many large-scale construction companies and had great success in the realization of many challenging projects, both in Turkey and abroad.

The political change that Turkey experienced in 1950 and its accession to NATO in 1952 were important milestones in the history of the Turkish construction sector in terms of the infrastructure investments that followed. In the same period, the first wave of Turkish engineers were graduating from universities and beginning their careers in an environment that offered great opportunities for the establishment of their own companies; and it was those businessmen that founded the Turkish Contractors Association (TCA) in 1952, making the organization one of the oldest NGOs in the Turkish construction sector. Water supply projects during the 1950s, and energy projects and the construction of large dams and power plants in the late 1960s and early 1970s provided many opportunities to Turkish Contractors to develop their activities

throughout Anatolia.

1970-1979 Period

In the 1970s Turkish contractors began pursuing business opportunities in foreign markets for the first time, launching projects first in Libya in 1972, for which they would import the necessary technology from European countries; and in less than 10 years their activities had extended to countries in the Middle East. With a share of 72.53% in the overall business volume it was Libya that was by far the number one market for Turkish contractors in this initial period of international business, followed by Saudi Arabia (15.45%), Iraq (7.25%), Kuwait (4.71%), Greece (0.06%) and Iran (0.01%). The major field of activity in this period was housing (32.1%), followed by seaport (18.1%), industrial plant (15.6%), road/bridge/tunnel works (11.7%), and urban infrastructure projects (8.2%). (See Table 3)

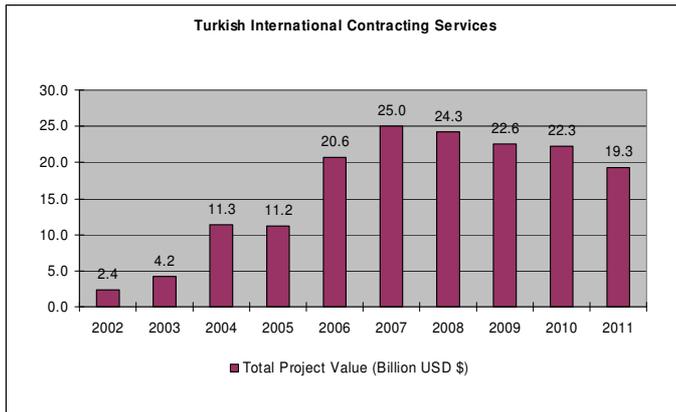
Table 3: Distribution of International Works of Turkish Contractors by Nature of Work (1990-1999)

1990-1999	
FIELDS OF ACTIVITY	(%)
Housing	24.9
Road/Bridge/Tunnel	12.7
Industrial Plant	9.0
Commercial Center	8.1
Tourism Facilities	5.9
Soc. Cult. Facilities	5.7
Administrative Building	5.3
Health Facilities	5.2
Petrochemical Plant	5.0
Power Plant	3.3
Urban Infrastructure	3.0
Seaport	2.3
Airport	2.1
Pipe Line	2.0
Irrigation	1.9
Other	3.9

2000–2011 Period: "Booming Global Competitiveness"

During the last decade, the annual volume of business undertaken abroad increased from 2.4 billion USD in 2002 to 25.0 billion USD in 2007. In the following years, under the effects of the global crisis, this figure decreased to 19.3 billion USD in 2011. (See Table 4)

Table 4: Annual Volume of Turkish International Contracting Services (in US\$ Billion)



During 2000 – 2011 period, the internal and external forces and factors that have contributed to this rapid development can be grouped under the following three categories: The attractiveness of business opportunities abroad; reduced business opportunities in Turkey; and the increasing competitiveness of Turkish contractors:

- Domestic investments decreased significantly after the crisis in 2001. Furthermore, the "abnormally low tenders" in bids created unfair competition for qualified companies and forced them out of the internal market, eventually turning their attention to the international market and pursuing aggressively business opportunities in other countries.
- Having realized large-scale infrastructure projects in cooperation with foreign partners in Turkey between 1985 and 2000, Turkish contracting firms had gained significant experience in the fields of project management, contract management and production to international standards.

- As a result of booming oil prices, investments increased in the oil and gas exporting countries. This process created attractive business opportunities for Turkish Contractors given their geographical proximity and their familiarity with local business environments, providing additional advantages in competition.

The combination of above factors would drive the annual international business volume of Turkish Contractors to grow at a pace that far surpassed annual targets.

In this period, market diversification and specialization in certain types of projects were the major trends. The number of countries in which Turkish Contractors was working increased considerably, causing the percentage of work in each country to decrease relatively.

In the aftermath of the interventions in Afghanistan and Iraq, the rebuilding activities in these countries were closely followed by Turkish contractors, and as a result, Iraq in particular has become one of the most important markets for Turkish contractors in recent years. (See Table 5)

Table 5: Top Ten Markets of Turkish Contractors in the Last Three Years

2011	Project Value (USD)	Share (%)
Russian Federation	3,415,989,629	17.7
Turkmenistan	3,270,248,734	17.0
Iraq	1,883,588,448	9.8
Kazakhstan	1,709,778,089	8.9
Saudi Arabia	1,294,933,645	6.7
Venezuela	1,093,234,222	5.7
Azerbaijan	955,778,258	5.0
Oman	739,130,897	3.8
Qatar	593,859,664	3.1
Afghanistan	507,534,656	2.6

2010	Project Value (USD)	Share (%)
Turkmenistan	4,252,048,273	19.0
Libya	2,460,471,259	11.0
Iraq	2,285,079,179	10.2
Russian Federation	1,797,186,755	8.1
Oman	1,699,245,366	7.6
Iran	1,111,767,635	5.0
Georgia	1,007,734,462	4.5
Qatar	907,181,946	4.1
Morocco	745,010,740	3.3
Azerbaijan	738,503,055	3.3

2009	Project Value (USD)	Share (%)
Libya	4,210,110,925	18.9
Turkmenistan	2,673,831,063	12.0
Algeria	2,392,501,250	10.7
Qatar	1,525,668,780	6.9
Kazakhstan	1,484,465,350	6.7
Iraq	1,272,140,254	5.7
Russian Federation	1,268,846,692	5.7
Jordan	1,008,628,659	4.5
Saudi Arabia	919,861,968	4.1
Poland	845,950,000	3.8

Russian Federation, Turkmenistan and Iraq have continued to be the leading markets for Turkish contractors over the last three years, with the total share of these 3 countries amounting to around 40%. In 2011, because of the affects of “Arab Spring” Libya and other Northern Africa markets shrunked drastically.

Turkish International Contracting Services in 2010 and 2011

The year 2010 was full of challenges for the Turkish

international contractors due to the negative impacts of the global financial crisis on the world markets. In 2011 however, they had to deal with new and more serious problems that followed the civil upheavals in the North African and Middle East Regions where their international works were heavily concentrated. The Arab Spring created serious negative impacts on the Turkish contractors both in terms of decreasing business opportunities and the losses encountered in the ongoing construction works in Libya.

In 2010, Turkish Contractors have undertaken 577 projects in 50 countries, totaling 22.3 billion USD, with Turkmenistan ranking first (19.0%), followed by Libya (11.0%), although Libya’s share has witnessed a dramatic decrease. These are followed by Iraq (10.2%), the Russian Federation (8.1%), Oman (7.6%), Iran (5.0%), Georgia (4.5%), Qatar (4.1%), Morocco (3.3%) and Azerbaijan (3.3%).

Road/bridge/tunnel projects (12.6%), housing (12.4%), sport facilities (Olympic complexes, stadiums, ski centers etc.) (10.8%), energy projects (power plants, natural gas combined cycle power plants, wind turbines etc.) (7.1%) and tourism facilities (6.4%) took an important place in the breakdown of the business undertaken by the sector in 2010.

In 2011 additional threats accompanied the growing negative effects of the global financial crisis -such as the debt crisis in USA and Europe, the civil upheavals in North Africa and the Middle East that turned into a civil war in Libya and was followed by the military operation carried out by the NATO , the overthrow of the government and the establishment of the new one. All of these had substantial negative effects on the Turkish contractors whose international works were heavily concentrated in the Middle East. Although to a limited extent, this also caused a shrink in the annual volume of new contracts of Turkish contractors abroad. However,

considering the devastating impacts of the political instabilities that prevailed across their major markets the new international contracting business of 19.3 billion USD undertaken by Turkish contractors in 2011 is regarded as an important achievement.

In 2011, Turkish contractors have undertaken new projects totaling 19.3 billion USD (See Table 6). With a share of 17.7%, Russian Federation has been the leading market for Turkish contractors, followed by Turkmenistan (17.0%), Iraq (9.8%) and Kazakhstan (8.9%). One of the most important new developments was Venezuela's becoming a new market for Turkish contractors and ranking sixth among the top markets with a share of 5.7% in the total annual business.

Table 6: Distribution of International Works by Country (2011)

Country	Total No. of Projects of Turkish Contractors	Total Project Value (USD)
Russia	87	3,415,989,629
Turkmenistan	63	3,270,248,734
Iraq	43	1,883,588,448
Kazakhstan	24	1,709,778,089
S. Arabia	9	1,294,933,645
Venezuela	2	1,093,234,222
Azerbaijan	46	955,778,258
Oman	8	739,130,897
Qatar	13	593,859,664
Afghanistan	37	507,534,656
Other	119	3,797,872,023
Total	451	19,261,948,265

Road/Bridge/Tunnel (13.8%) has been the number one activity in 2011 followed by the Housing, Tourism Facilities, Transport (other) and Power Plant (See Table 6). (See Table 7)

Table 7: Distribution of International Works of Turkish Contractors by Nature of Work (2011)

Fields of Activity	Total Project Value (USD)	(%)
Road/Bridge/Tunnel	2,655,824,391	13.8
Housing	2,527,640,026	13.1
Tourism Facilities	1,600,871,702	8.3
Transport (other)	1,233,438,794	6.4
Power Plants	1,098,535,985	5.7
Commercial Centers	922,867,860	4.8
Petrochemical Plants	839,740,350	4.4
Airports	752,626,357	3.9
Soc./ Cult. Facilities	714,679,809	3.7
Administrative Building	710,639,549	3.7
Other	6,205,083,442	32.2
Total	19,261,948,265	100.0

Turkish International Contracting Services (1972 – 2011)

In the 1972–2011 period, with a share of 17.8%, the Russian Federation has been the leading market for Turkish contractors, followed by Libya (12.9%) and Turkmenistan (10.8%) (See Table 8). Despite the fact that the Russian Federation share has decreased in recent years due to the negative effects of the global financial crisis, it has maintained its position as the largest market for Turkish contractors in terms of total projects undertaken between 1972 and 2011 (first 9 months).

Table 8: International Business Volume of Turkish Contractors

by Country

1972-2011 (9 months)			
Country	Number of Projects	Total Project Value (USD)	(%)
Russian Federation	1,373	37,191,894,135	18.0
Libya	525	26,300,480,672	12.7
Turkmenistan	722	23,613,414,163	11.4
Kazakhstan	372	14,850,683,052	7.2
Iraq	631	11,946,108,521	5.8
S. Arabia	157	9,761,747,015	4.7
Qatar	66	7,669,491,738	3.7
UAE	95	7,427,771,878	3.6
Romania	166	6,113,823,739	3.0
Algeria	174	5,914,496,807	2.9
Other	2,160	55,618,295,478	26.9
Total	6,441	206,408,207,198	100.0

Within the period between 1972 and 2011, the shares of CIS, Middle-Eastern and African countries in the overall international business volume of Turkish contractors were 44.1%, 24.5% and 19.7% respectively. In other words, the total share of CIS-Middle East-Africa countries reached almost 88%.

In this period, significant progress was made in terms of the scope and size of projects being undertaken. Market, product and business diversification continued unabated, while several companies started specializing in certain project types, such as international airports, railways and urban rail systems. In the neighboring regions, where local companies are far more experienced and thus more competitive in house building, Turkish contractors tend to specialize on more sophisticated projects.

Another important trend in recent years has been the growing interest of Turkish contractors in direct investments and property management projects in the neighboring countries.

Throughout the period 1972- 2011, the share of housing projects in the overall international business of Turkish contractors decreased gradually whereas the shares of projects such as roads/bridges/tunnels, commercial centers, airports, industrial plants, increased significantly.

Table 9: International Business of Turkish Contractors in Value by Field of Activity

1972-2011		
Fields of Activity	Total Project Value (USD)	(%)
Housing	27,426,466,175	13.3
Road/Bridge/Tunnel	23,620,602,121	11.4
Commercial Center	14,014,030,352	6.8
Airport	13,363,723,654	6.5
Industrial Plant	12,213,268,055	5.9
Tourism Facilities	10,887,427,067	5.3
Petrochemical Plants	10,504,134,563	5.1
Power Plants	9,271,340,706	4.5
Administrative Buildings	9,146,900,623	4.4
Education Facilities	7,671,425,084	3.7
Other	68,288,888,798	33.1
Total	206,408,207,198	100.0

Straws of steel: Earthquake-proof houses

by Shreya Thapa, Writer, Republica

When young Nepalis opt to study outside their native land, they often do so with the hope of improving their own lives. But Ashraya Dixit used the opportunities in America to make a difference back home in Nepal.

A student at Grinnell College, Ashraya is a recipient of the prestigious Davis Projects for Peace, 2011, which grants US\$10,000 to youth with innovative methods of building peace.

Ashraya's project titled Straws of Steel took place in the summer of 2011 and aimed to "introduce a new, efficient, low cost, and safe building technique using straw bales to Shivagadi village in the Kapilvastu district of Nepal, an area that frequently faces flashfloods, droughts, fires and earthquakes.

"The project was a startup as a first-time effort to construct straw bale building in the area and help promote low-cost, energy-efficient and earthquake-safe buildings."

As to why he chose to work to make earthquake-proof buildings, Ashraya's report states, "Low economic development and regular occurrence of different natural hazards make Nepal a disaster hotspot. Nepal's common disasters include earthquakes, floods, landslides, droughts, fires, avalanches, glacial outburst floods, hailstorms, cold and hot waves, and epidemics." Not to mention the looming prediction of earthquake that will hit the country with a magnitude of over eight on the

Richter scale. Ashraya believes that more deaths will occur due to poorly built houses.

Taking all this into consideration, he piloted his project



in Shivagadi which has an area of 76.34 sq km, and a population of 5,418 people who live in 955 households. He began the project with the hopes that "the Straw Bale Initiative, while encouraging people to pursue this alternative house-building method as an enterprise, would also help promote harmony in the community that has been much divided and disturbed from the decade-long insurgency and the communal troubles that followed."

The technique involves using straws, packed tightly into rectangular bundles as walls, instead of bricks or concrete. According to Ashraya's proposal, "Straw bale houses are light and energy-efficient. They are easy to build, structurally sound and have low disaster risks. They are, above all, low cost. Low cost straw bale houses are energy-efficient, environmentally safe, and have low carbon footprint. With a strong foundation, they are extremely resilient against earthquakes and significantly reduce the risks of disaster. Straw bales also require less water and produce less waste, and negate the need for materials like bricks and concrete that put tremendous pressures on the environment. The houses are also well insulated, staying warm in winter and cool in summer, and tightly packed bales with



plastered walls make the houses fire-resistant as well.”

Working in four phases of planning, conducting workshops with community members, construction, and documenting materials to be used in the future, Ashraya worked with The Institute for Social and Environmental Transition-Nepal (ISET-N), a research organization in Kathmandu, to introduce the Manakamana Cooperative in Shivagadi Village Development Committee of Kapilvastu district to the technique.

“I spent my first month in Kathmandu working on a pilot building with ISET-N. We built a small load-bearing straw bale building within the premise of their office, using this new technology for the first time in Nepal. This was mainly a learning process with a lot of trial and error and a lot of improvisation,” says Ashraya of his time in Nepal working on Straws of Steel.

After choosing a site and completing a building that was already on the site, Ashraya says, “I went to Shivagadi along with representatives from ISET-N to teach the locals how to build straw bales and discuss what straw bales are with the larger community. We held a presentation session on the first day, explaining what exactly we were going to do and how we were going to do it.”

The actual process also came with its difficulties. “The monsoon was a huge factor concerning time during the course of the project. All the members of the cooperative were providing their voluntary support to the project and monsoon was the time for plantation, one of the most important times for a farmer. Hence we weren’t able to progress as much as we would’ve liked to.”

Besides these disadvantageous conditions, Ashraya shares, “Building the bales was a very laborious and time-consuming work. The cooperative had groups of women in samuhas working in making bundles for the bales, and we hired workers to work on compressing and tying the bales.”

Irrespective of difficulties, Ashraya is pleased. “Other than the delay with the monsoon, the project went very well. The people of the Manakamana Cooperative took in the technology well and saw great potential in it. They were able to identify this new technology as a new skill for livelihood development and were even considering making furniture with the bales. They were pleased and somewhat astonished as to how useful these bales could be, even though most of their houses were built of straw, and were quite eager to see the finished product.”

Overall, the project could be deemed a success. “This new skill and knowledge can now be replicated in other villages and lead to more dialogue and harmony in southern Nepal. With such a level of acceptance of a new technology, it seems that in time this idea can spread to other parts of Nepal.”

(Source: Republica, Jan. 9, 2012)

Sri Lanka, China ink deal to build communications tower

by Qadijah Irshad, Writer, Khaleej Times

Sri Lanka is set to build the tallest tower in the South Asian region, the government announced recently. The 350 metre high tower building, the promoters claim, will be visible to India and Bangladesh.

Estimated to cost more than \$104 million, the “Lotus Tower” will provide facilities for 50 television services, 50 broadcasting services and 10 telecommunication providers. In addition to its primary function, the tower podium, which is proposed to be four storeys high, will accommodate a telecommunication museum, food courts, offices, conference hall and exhibition spaces.

Two floors of the 11 storied multi-faceted tower is also planned to be developed with luxury hotel accommodation, a revolving restaurant accommodating 600 guests on the fourth floor and a banquet hall for over a thousand guests.

Planned to be built in a three hectare land in the heart of Colombo, the Lotus Tower is one of Sri Lanka’s many development projects designed to help the country’s rapidly growing tourism industry. Since the end of its three-decade ethnic conflict, the country is emerging as one of the most popular tourist destinations of the region. The project through its telecommunication infrastructure also aims at eliminating high-powered TV and FM antennas perched atop buildings around Colombo as part of the government’s Colombo beautification plan. The tower mast, fixed upon the tower head is arranged to provide a base for antennas of service providers in telecommunication, telecasting, broadcasting, and defence-related transmission with the antenna installed 350 metres above ground.



The Director-General of the Telecommunication Regulatory Commission, Anusha Pelpita, said that there will be a significant development in the television and telecommunication.

The Lotus Tower will be the tallest building in South Asia and the 19th tallest building in the world. It will be 26-metre taller than the Eiffel Tower and 17.4-metre taller than the 332.6-metre high Tokyo Tower. The Tokyo Sky Tree with a height of 634 meters presently being constructed and scheduled to be completed in February this year, will be the tallest tower in the world followed by the Canton Tower of China with a height of 600 metres.

The construction of the Lotus Tower is planned to be completed in 30 months and funded by EXIM Bank of the People’s Republic of China.

(Source: Khaleej Times Online, Jan. 5, 2012)

Launch set for new Kandal port

by Sieam Bunthy, Writer, Phnom Penh Post

An extension of Phnom Penh Autonomous Port under construction in nearby Kandal province is nearly finished and expected to come online in July, according to a PPAP official.

Construction on the planned container lot, located in Kandal province's Kien Svay district, began in early 2010. PPAP general director Hi Bavy said yesterday the project is now 85 per cent complete and will begin operations on July 1.

"The construction of the port is to expand our capacity to stock goods, which will make the circulation of products easy and fast," he said, adding that it would help to reduce congestion at the original port, which is located near the Cambodian-Japanese Friendship Bridge.

The new port cost US\$28.2 million and was funded by a loan from the Chinese government, Hi Bavy said. The location will hold 120 twenty-foot-equivalent units (TEUs), he said.

Cambodia now has two international ports, Phnom Penh Autonomous Port and Sihanoukville Autonomous Port, and another in Kampot is presently under construction.

Sin Chanthy, general director for Cambodian Freight Forwarder Association and for Linehaul Express Co, Ltd, said the industry welcomed the arrival of the new port.

"When the port starts, it will be very good because



nowadays Phnom Penh port is small. Sometimes I ship my goods at night because it's overcrowded because it is the town," he said.

Sin Chanthy noted that only smaller vessels can dock at PPAP, which forces shipment transfers to larger vessels at Cat Lai port in Vietnam before going on to other international destinations, further slowing the trade process.

However, he said the Kandal port also would allow greater shipment of goods at cheaper rates, as Phnom Penh was the destination for most goods exported to Cambodia. Therefore, the increased capacity meant those goods would go directly to the capital rather than stopping first in Sihanoukville and then travelling overland to Phnom Penh.

About 81,600 TEUs passed through Phnom Penh Autonomous Port last year, up 31 per cent from 2010, according to official PPAP figures.

(Source: the Phnom Penh Post, Jan. 9, 2012)

When It Comes to Building Infrastructure, 2012 Looks Like a New Year in Indonesia

by Scott Younger, Writer, Jakarta Globe

As we start a new year, it's fitting to look back and see what progress was made toward the building of Indonesia's much-needed infrastructure in the past year. On average, Indonesia needs to spend at least \$30 billion every year for the foreseeable future, with \$18-20 billion per annum coming from the private sector.

While much of the government budget for infrastructure is essentially spent across the country, including that required for maintaining existing assets, precious little was achieved last year in the area of new construction. The pressure to bring new infrastructure onto the market increased.

However, looking through what has been prepared would suggest that 2012 will see the start of some key projects.

On toll roads, the end of last year brought a surprise with the passage of new legislation on land acquisition. The Public Works Ministry should now get down quickly to preparing the complementary implementing regulations, although this will take several months at best.

In terms of toll road build-out, there would seem to be progress toward construction starts during 2012. The short missing W2 section of the Jakarta Outer Ring Road and the lengthy and important Trans Java stretch between Cikampek and Palimanan, where it is reported that land acquisition is well-advanced, would seem to be welcome likely candidates.



Completion of both will have an immense impact on easing the flow of traffic around Jakarta in the case of W2 and in traffic going and coming along the eastern part of the north corridor in West Java.

Work is under way on the E2 link aimed at providing Tanjung Priok with alternative toll road access, and perhaps there will be some start, if only land acquisition, on the long-overdue link around Jababeka between Cibitung on the Cawang-Cikampek Toll Road, connecting at Cilincing with the E2 link. There is also much activity going on behind the scenes on some other key sections.

The six Jakarta city toll links were posted recently. However, at a cost of \$4.5 billion, the proposal that these should be let as one package is a tough one for most parties interested in investing in toll roads. There must be a strong case for presenting these links in at least two, if not three, packages. This would also introduce an element of competition.

Many mostly small- to medium-sized water investment

projects have been listed and a few of these are now appearing for tender, with the Lampung scheme receiving support from the Indonesia Guarantee Fund. Hence the year should see the implementation of some water projects, not to mention the long-overdue construction of the important large Umbulan project in East Java.

The main port project in the public eye is the desperately needed \$1.5 billion first-phase Kalibaru container port expansion at Tanjung Priok. A government decision on how this is to be progressed was yet to be delivered. A decision that allows as fast a start as possible would be welcome.

On railways, there has recently been renewed interest in progressing the proposed rail link to the airport from Jakarta. One hope is that whatever is decided — and several options have been considered in the past — the journey time is acceptable and the city center connections to road transport are efficient.

Double-tracking sections and station upgrading are ongoing, but much needs to be done to improve operations and the skills base of staff.

On the main commodity rail links planned for transporting coal from mines located well inland, the highlight of late last year was the signing of the contract for the funding from China of the proposed 274-kilometer link from the South Sumatra Bukit Asam mine to port facilities in Lampung.

The rail links planned for Kalimantan remain some distance from achieving financial support, and the public sector element of the PPP approach ascribed to these projects is not yet sufficiently robust to provide adequate comfort against risk issues to seal private sector interest.

The airline sector is showing strong upward growth, such that the required airport support capacity is falling behind. The private airlines of Lion Air and AirAsia with large fleet expansions are showing spectacular growth. Soekarno-Hatta International Airport, the country's main point of entry, is now supporting passenger traffic levels well beyond design capacity.

The new proposed international airport in West Java, to the east of Jakarta, aims to support the fast-expanding industrial growth emanating the area. This project, which is to have larger capacity than Soekarno-Hatta, needs to be pushed ahead as soon as possible, especially since good land transport links will be in place before the airport is completed. The new airport for Bali, currently going through early development phases, also needs to be pushed ahead quickly. Indonesians are on the move.

An interesting presentation at the Asean Summit in Bali in November was given by aircraft manufacturer Embraer, which was fully privatized by the Brazilian government in 1991. The release of this public sector corporation to the private sector, led to spectacular growth and the creation of the third largest aircraft manufacturer in the world. This should serve as a message to the legislature in Indonesia that holding onto state-owned enterprises acts as a brake to their potential for greater expansion.

In the area of power generation, the construction of one 2,000 megawatt coal-fired station is about to commence. It will be a welcome contribution to the critical undersupply to the Java network.

On the other hand, Perusahaan Listrik Negara has had to cancel four proposed gas-fired projects because of a lack of gas.

(Source: Jakarta Globe, Jan. 10, 2012)

South Korea's international airport to get a \$3 bn resort

by Kyunghye Park and Seonjin Cha, Reporters, Bloomberg

Incheon International Airport Corp., operator of South Korea's busiest gateway, is close to approving plans for a \$3 billion resort to help lure more Chinese tourists.

A U.S. company has proposed building the development, which will include a hotel and convention center, Lee Chae Wook, chief executive officer of the state-owned airport company, said yesterday in an interview in Incheon. A deal will probably be signed by the end of June, with construction starting next year, he said, without naming the investor.

"We want to build a landmark near the airport that will resemble Singapore's Marina Bay Sands," Lee said. "The investment will help attract more visitors from China and create more jobs."

Incheon Airport, 50 kilometers (31 miles) west of Seoul, also plans medical centers, malls and entertainment facilities as Asian nations compete for holidaymakers from China, the world's fastest-growing air-travel market. The Marina Bay Sands, built by casino-operator Las Vegas Sands Corp., opened in 2010. Singapore is aiming to triple tourism revenue by 2015.

"There is a need to develop new attractions to lure more tourists from China," said Jee Heon Seok, an analyst at NH Investment & Securities Co. in Seoul. "They come in large numbers and they tend to spend a lot of money."

Incheon Airport may increase passenger numbers 5.7 percent this year to 37 million, helped by rising arrivals from China, Lee said. The facility is also adding



luxury-goods outlets to lure more Chinese and Japanese travelers, who accounted for 45 percent of duty-free sales last year, Lee said.

LVMH Outlet

That demand and the opening of LVMH Moët Hennessy Louis Vuitton SA (MC)'s first airport outlet worldwide allowed Incheon to surpass Dubai and London Heathrow to become the world's biggest airport in terms of duty-free sales last year, Lee said. The company generates about 65 percent of sales from shops, hotels and other businesses not directly related to flying, he said.

"By growing non-aeronautical revenues, we can afford to offer lower landing fees, which attracts more airlines and passengers," Lee said. The airport charges about \$3,500 to \$4,000 to handle a landing by a Boeing Co. 747 aircraft, he said.

(Source: Bloomberg, Jan. 11, 2012)

Anatolia gas pipeline races towards reality

by Robert M Cutler, Writer, Asia Times

Competition in the Southern Gas Corridor from the Caspian Sea basin to Europe continues to heat up, with more details about the Trans-Anatolian gas pipeline emerging and Russia's Prime Minister Vladimir Putin bringing forward construction of the South Stream pipeline under the Black Sea.

Putin ordered construction of the Russian-Turkey-Europe South Stream pipeline to start by the end of 2012 instead of in 2013 as previously planned, despite having no identified sources for gas and no commitments for purchases.

The Trans-Anatolian pipeline (TAGP), which will run from Turkey's eastern to its western border, is also referred to as "Trans-Anadolu" and sometimes by its acronym in Turkish TANAP. Azerbaijan's energy minister, Natic Aliev, and his Turkish counterpart, Taner Yildiz, last week signed the Memorandum of Understanding (MoU) for TAGP construction, fixing its "initial" volume at 16 billion cubic meters per year (bcm/y). The agreement also established that the State Oil Company of the Azerbaijani Republic (SOCAR) will build the pipeline with the two Turkish state firms - BOTAS and TPAO.

Reports indicate that the TAGP will be 80% owned by SOCAR, enough to permit the Azerbaijani state firm to negotiate advantageously with major foreign energy companies wishing to use the pipeline, by offering them a significant minority share of ownership while still retaining a majority stake for itself.



Yildiz has said separately that SOCAR will establish the construction cost and hinted at a figure around US\$5 billion; other figures in the press range up to from \$7 billion to \$9 billion. This range will be better defined as feasibility studies proceed and the planning process develops.

While the TAGP has symbolically been started already, real construction is scheduled to begin in 2012 and finish by 2017, when the gas from the offshore Shah Deniz Two deposit is scheduled to be available for shipment and sale to foreign customers. Shah Deniz Two is estimated to hold 1.2 trillion cubic meters of gas. Of the 16 bcm/y that it will start producing in 2017, 10 bcm/y is destined for consumption in Europe and the remainder for Turkey either to consume or sell onwards.

It is significant that the TAGP's partners now refer to the 16 bcm/y figure as the pipeline's "initial" volume. This

indicates the intention that other pipeline projects should be integrated with it, rather than the TAGP with them.

Thus Stefan Judisch, who heads the supply and trading unit of Nabucco's German co-principal RWE, told Bloomberg News that TAGP construction "raises questions about access and financing" even as it would lower Nabucco's investment costs and shorten it. According to Judisch, banks might require a "pre-completion guarantee" in order to be assured that "gas actually flows".

Judisch also indicated that the TAGP's entry into the pipeline competition field could complicate negotiations with other potential Southern Gas Corridor suppliers. Without naming them, he clearly intended to indicate Iraq and Turkmenistan, which could require guaranteed access to the pipeline system and upon whose participation (or at least one of them) depends the realization of the Nabucco's full 31 bcm/y planned throughput.

Meanwhile, in the attempt to steal a march on Nabucco, construction of which is scheduled to begin in 2013, Putin has ordered that the symbolic start to construction on South Stream be moved ahead to the end of this year. This follows the conclusion, at the end of December, of an agreement with the Turkish government for construction to proceed. The leader of the Turkish opposition Republican People's Party (CHP), Kemal Kildarolu, has criticized the government, alleging that the deal is a special favor to industrial circles close to the ruling party.

Speaking with the Turkish media at an end-of-the-year review of political and economic developments, Kildarolu said the deal "contradicts Ankara's interests and will destroy the country's plans to become a regional energy hub". Earlier in 2011, Ankara had

informed Russia that it would cease to take 6.6 bcm/y from Gazprom through the Blue Stream natural gas pipeline (Russia to Turkey under the Black Sea).

Now Gazprom has reduced its prices at the same time when the Turkish government has given its approval for the South Stream pipeline to be constructed through in the waters of its exclusive economic zone (EEZ). Kildarolu points out that the price reduction will be valid for only a limited time while the South Stream would have long-term effects not only on the economic but also on the geo-strategic level, while increasing the country's dependence on gas from Russia.

Notwithstanding this bilateral agreement permitting construction through the EEZ and Putin's wish to accelerate the pipe-laying plan, it is far from a sure thing that South Stream will be built. Not only is the final route of the pipeline undefined, but it is not even clear which country it would make landfall at on the western Black Sea coast.

Nor are even the outlines of its putative route westward from there set out programmatically. Gazprom head Aleksandr Medvedev continued to be intentionally vague on this matter when speaking to the press at the signing ceremony. Such a decision, he said, would be taken only at the time of a future final investment decision.

The project is a bargaining chip not only against the TCGP but also against Ukraine's pipeline transmission system. Russia and the EU are seeking to reach a financial understanding to cooperate in the reconstruction of this system at the same time.

(Source: Asia Times, Jan. 5, 2012)

The Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) is a regional grouping of apex national chambers of commerce and industry, business associations and business enterprises in Asia and the Western Pacific.

It is a non-governmental organization serving as a forum for promoting the vital role of businessmen in the region, increasing regional business interaction, and enhancing regional economic growth. Since its establishment in 1966, CACCI has grown into a network of national chambers of commerce with a total now of 29 Primary Members from 27 countries.

Among the benefits of membership in CACCI are the following :

1. Policy Advocacy - CACCI aims to play a strong policy advocacy role in order to establish a business environment conducive to creating better opportunities for CACCI members.

2. Promotion of SMEs - With its SME Development Program, CACCI hopes to encourage its members to participate more actively in the important task of nurturing and developing the entrepreneurial and managerial class in their respective countries.

3. Wide scope for networking - Participation in the various projects of CACCI will provide members the opportunity to expand their reach in Asia-Pacific by establishing contacts with the business communities of the region.

4. Participation in CACCI Training Programs - Members are invited to participate in the various training programs which



CACCI regularly conducts either on its own or in cooperation with other international organizations and member chambers.

5. Interaction in Product and Service Councils - Membership in CACCI allows participation in the activities of the various Product and Service Councils (PSCs) of the organization. PSCs are business groupings organized along product or service lines with a primary objective of promoting business cooperation, personal contacts, and technology transfer.

6. Access into a Network of Business Assistance Centers - CACCI members have access to a network of Business Assistance Centers (BACs). BACs are operated by Primary Members, with the assistance of CACCI, to help their own members and foreign businessmen who are exploring or planning to do business in their respective areas.

7. Access to CACCI publications - CACCI publishes the *CACCI Profile*, its monthly newsletter, and the *CACCI Journal of Commerce and Industry*, a bi-annual publication which features papers, speeches, and other articles pertaining to issues affecting the regional economy.

For more information on CACCI, please visit its website at www.cacci.org.tw