

Economists watch for terror plot impact

AP, Washington

Failure of the plot to blow up U.S.-bound planes saved the weakening economy from a major jolt. Now economists are keeping close tabs on consumers and businesses for lingering fears.

People and companies already had been tightening their belts, pressed by lofty energy prices, a loss of altitude in the once high-flying housing market and the toll of two years of interest rate increases. All those slowed the economy this spring.

If people were to become gripped by fresh worries about terrorism, they might curb their spending even more, further weakening the economy.

At the moment, consumers and businesses alike appear to be taking the terror plot news in stride.

Yet, the foiled plot is likely to come up over and over in debates among politicians this election season reminding voters of

national security concerns and vulnerabilities.

"It will have a megaphone effect and not its usual shelf life," predicted Terry Connolly, dean of the Ageno School of Business at Golden Gate University in San Francisco. The potential for such incessant "yackety-yak" as Connolly calls it, could end up spooking consumers and businesses.

It's the behavior of businesses that Connolly is especially concerned about.

Economists have been counting on companies to spend and invest at a solid pace through the rest of the year helping to cushion the economy from the negative effects of a slowdown in consumer spending.

In the April-to-June quarter, however, businesses cut spending on equipment and software for the first time in three years.

"With uncertainties about the economy's direction, the outcome

of the elections, bloodshed in the Middle East, this terrorism fears can be just one more reason to delay or hold back investment decisions," Connolly said.

The terror plot could threaten the U.S. airline industry's fledgling recovery, some analysts said.

The industry, which was dealt a terrible blow by the 2001 terror attacks on New York and Washington, was beginning to see improvement. Airlines were coming out of a solid second quarter, in which some carriers posted profits for the first time in years.

Worries about safety could bring cancellations. New restrictions for carry-on luggage banning liquids and gels such as shampoo, toothpaste and water could deter some from flying.

Airline stocks are taking a pummeling.

"If we had low energy prices, then I think the airlines might recover more. But the combination of high fuel costs and the potential

for weakness in demand because some people are less willing to fly could set the airlines sector back a bit," said Gary Thayer, chief economist at A.G. Edwards & Sons Inc.

Economists, however, don't believe such a setback for the airline industry would pose a danger to the country's economic health.

On Wall Street, the stock market has coped well with the revelation of a terror plot.

"For better or worse, we've gotten more used to this," said Diane Swonk, chief economist at Mesirow Financial. "The 9/11 attacks took away our innocence, but it seems that any additional strike elsewhere or any additional attempt, the shock has been less."

The economy grew at a 2.5 percent pace in the April-to-June quarter less than half the rate of the prior three months. Economists expect growth to stay subdued at a pace of 2.5 percent or 3 percent in the current quarter.

Monetary policy must not strengthen euro: France

AFP, Paris

Monetary policy in Europe must avoid making the euro stronger because it is now "full-valued," French Finance Minister Thierry Breton said Friday.

In an pre-released interview with daily newspaper Le Monde, Breton said that a weaker dollar was in "no-one's interests."

"The euro seems fully-valued to me right now and so we have to be careful that (monetary) policy in Europe does not lead to it being strengthened."

"Could there be a monetary policy in the US that would lead to a much weaker dollar? It is within the realms of possibility, but it is in no-one's interests."

Breton said exchange rates had formed the basis of his first discussion with new US Treasury Secretary Henry Paulson.

Last week, disappointing US jobs data pushed the euro up to two-month highs against the dollar though subsequent economic figures, in particular US retail sales figures on Friday, helped the dollar rebound.

China for more FDI in high-tech sector

CEIS, Beijing

The Ministry of Commerce has said it would like to see more foreign capital pumped into research and development and hopes foreigners will look to China's central and western regions for investment opportunities.

The Chinese government welcomes foreign investment in manufacturing, agriculture and environmental protection, which produce high, value-added products but consume less energy, the ministry said recently.

Investments will be curbed in sectors that consume excessive energy and those that cause serious pollution, according to the ministry.

It said foreign investment will be discouraged in industries where there is already a supply glut.

The Chinese government encourages foreign companies to set up new regional headquarters and research and development centers in China, the report said.

The ministry also called for more foreign capital to go west, to allow central and northeast China to enjoy the benefits of foreign investment. Greater market access will be made available in these regions for foreign investors.

Foreigners have invested more than 650 billion US dollars in China since the late 1970s.

Some 470 of the world's top 500 companies from 200 countries and regions have invested in China. More than 750 foreign-invested research and development centers have been established in China.

A survey by the United Nations shows China will remain the most attractive nation for multinational investment over the next couple of years.

Brazil's CVRD offers \$18b to buy Canadian nickel giant Inco

XINHUA, Rio De Janeiro

Brazil's CVRD, the world's largest iron ore producer, announced on Friday an offer of nearly 18 billion US dollars to acquire Canada's Inco Ltd., global leader in the nickel market.

CVRD will formally present the bid on Aug 14, and Inco will have 45 days to make a decision. It would be the biggest acquisition ever made by a Brazilian company if the two giants could clinch a deal.

Two other companies, US Phelps Dodge and Canada's Teck Cominco, are competing with CVRD to acquire Inco, but local analysts say CVRD's offer is the best.

CVRD President Roger Agnelli said yesterday that his company's offer was a fair price, considering the fact that they are aiming for a 100-percent ownership of Inco and pay in cash.

A statement by CVRD also said the merger would create the third biggest diversified mining company in the world and a leader in the market of iron ore, nickel, aluminum, manganese and bauxite.

It called the acquisition an exceptional opportunity for CVRD, as the activities of the two companies are complementary.

Though widely known throughout the world, CVRD has always had its activities centered in Brazil, even after the privatization process in 2002. If the company succeeds in buying Inco, it could make a huge step to become a global corporation, said Agnelli.

BP to keep oil gushing from Alaskan field

AFP, Alaska

checks mandated by the Department of Transportation.

BP said current production from the stricken field was now 150,000 barrels per day, including natural gas liquids.

That was expected to increase to 200,000 barrels per day after completion of a planned maintenance shutdown on an operating centre, it said.

Two vehicles equipped with equipment to clear up any spills and carrying observers with infra-red leak detection kits will patrol the line 24 hours a day, while engineers will visually inspect the line 10 times a day, BP said.

Steve Marshall, the president of BP Exploration Alaska, thanked state and federal personnel "for giving this effort their complete and undivided attention".



PHOTO: GRAMEEN TELECOM

Muhammad Khaled Shams, managing director of Grameen Telecom, 38 percent shareholder of mobile phone operator GrameenPhone Ltd, gives away certificate to a dealer at the first dealer conference of the company held recently in Dhaka.

Ex Wal-Mart vice chairman sentenced for theft

REUTERS, Arkansas

Tom Coughlin, the former Wal-Mart Stores vice chairman who admitted to stealing thousands of dollars from the company, was sentenced on Friday to 27 months of home confinement.

Coughlin, who joined Wal-Mart in 1978 and worked closely with legendary founder Sam Walton, had faced up to 28 years in prison and \$1.35 million in fines after he pleaded guilty in January to wire fraud and tax evasion.

"There is no excuse for my conduct," Coughlin said at the hearing in U.S. District Court in Fort Smith, Arkansas. "I feel compelled to apologize to my extended Wal-Mart family."

Coughlin said he would spend the rest of his life trying to undo the damage he had caused.

His doctor, Joel Carver, had testified earlier on Friday that the 57-year-old was too "fragile" for prison, suffering from diabetes, cardiac disease, sleep apnea, arterial blockage, and other ailments. Coughlin was treated for arterial blockage in 2003.

Prosecutors countered that prisons had good medical facilities to care for him, but Judge Robert Dawson decided on home confinement, five years of probation, and restitution of about \$411,000. Roughly three quarters of that sum will go to Wal-Mart, and the remainder to the Internal Revenue Service.

Wal-Mart said it was pleased that the sentencing was completed, and noted that investigators had found no wrongdoing on the part of the company.

"Our company's actions throughout this process have been consistent with our core values and the principle that all (employees) are held accountable to the same standard, regardless of their position," the retailer said in a statement.

Wal-Mart had accused Coughlin of misappropriating as much as \$500,000 through misuse of gift cards and bogus invoices, and said he used the money to buy an odd assortment of items including customized dog kennels and a Celine Dion CD.

US retail sales rebound vigorously

AFP, Washington

US consumers opened their wallets and purses again last month triggering a better-than-expected rebound in July retail sales which rose 1.4 percent, the Commerce Department said Friday.

Sales rebounded from a revised 0.4 percent drop in June, following an initial estimate that sales had slumped just 0.1 percent.

Excluding the volatile auto sector, sales rose a stronger-than-anticipated 1.0 percent last month.

The jump in both overall sales and sales excluding autos marked the biggest gains since January.

The bounce back in overall sales was more robust than analysts had forecast. Most Wall Street economists had expected sales to rise just 0.8 percent.

Excluding autos, sales had only been forecast to rise 0.5 percent.

On the surface, the report suggests consumer spending -- which represents about two-thirds of US economic activity -- may be showing more resilience in the face of this year's interest rate hikes and rocketing energy prices.



PHOTO: SOUTH ASIA INSURANCE

The sixth annual general meeting (AGM) of South Asia Insurance Company Ltd was held recently in Dhaka. Chairman of the company Ghulam Akbar Chowdhury presided over the AGM, which was attended, among others, by directors and other senior officials.



PHOTO: LEMON COMMUNICATIONS

NI Mashood Ahmad, president of Dhaka New Market Merchant Association, and Tanvir Ibrahim, head of Corporate Sales of Banglalink, shake hands after signing a corporate agreement recently. As per the deal, the association will enjoy special tariff and value added services under the mobile phone operator's 'Professional' package.

Immigrants not stealing job from Americans: Study

PTI, Houston

As debate over immigration policy generates heat in the US, there seems to be no evidence that foreign-born workers have a negative effect on employment of natives, a new study has said.

Although one out of every six workers in Texas is foreign-born, that hasn't hurt job prospects for American-born workers, a Pew Hispanic Center Study has said.

Despite the fact that America's immigrant population is growing rapidly, it has had no negative effects on the employment of native-born workers, it said.

An analysis of the relationship between growth in the foreign-born population and the employment outcomes of native-born workers revealed wide variations across the 50 states and the district of Columbia.

No consistent pattern emerged to show that native-born workers suffered or benefited from increased numbers of foreign-born workers.

The remaining 60 percent of native-born workers lived in states where rapid growth in the foreign-born population between 1990 and 2000 was associated with favourable outcomes for the native-born.

Meanwhile, only 15 percent of native-born workers resided in states where rapid growth in the foreign-born population was associated with negative outcomes for native-born workers.

The size of the foreign-born workforce is also unrelated to the employment prospects for native-born workers. The relative youth and low levels of education among foreign workers also appear to have no bearing on the employment outcomes of native-born workers of similar schooling and age.



PHOTO: PRAGATI LIFE INS

The '5th Annual Conference 2005' of Pragatibima and Pragati Islambima division of Pragati Life Insurance was held recently in Dhaka. Chairman of the company Syed M Altaf Hussain and Managing Director M Shefaque Ahmed, among other senior officials, were present at the meeting.