International Business News

US accuses India of trying to wreck WTO talks

AFP, *Washington*

The United States on Monday accused India of trying to wreck world trade liberalisation talks, saying the Asian power was looking at the Doha Round negotiations as a "donor's conference."

"It is disappointing that India has been a roadblock to success in the Doha negotiations," US Under Secretary of Commerce Christopher Padilla declared at a forum on "Responsibility and partnership in the 21st century" organized by the conservative Heritage Foundation in Washington.

He said India was continuing to insist that it and other developing countries be protected from any real market opening in industrial goods, agriculture or services while asking developed countries to do ever more.

"The Doha Round negotiations are not a donor's conference. They require major economic powers like India to step up and take responsible leadership, rather than working behind the scenes for Doha's demise," he said.

Japan vows to ratify free trade accord with Asean

AFP, *Tokyo*

Japan's government, saying its honour was on the line, vowed Tuesday to ratify a free-trade accord with Asean by extending a parliament session hampered by feuding with the opposition.

"Japan would be laughed at by the international community" if the world's second-largest economy fails to ratify the accord, chief government spokesman Nobutaka Machimura told a news conference.

He said the government planned to extend the current parliament session, which is due to end on Sunday, so that the ruling coalition can win approval for key legislation including the free trade accord.

Japan's lower house approved the accord on May 22, but parliament debate on the accord and other key bills has been deadlocked in the upper house, where the opposition camp enjoys a majority.

The opposition has ramped up pressure on unpopular Prime Minister Yasuo Fukuda and is expected on Wednesday to introduce a censure motion against him over a controversial medical plan.

China's economy to grow about 10pc in 2008

AFP, *Shanghai*

China's economy is likely to grow about 10 percent in 2008 despite the global slowdown, and the government expects to rein in inflation, state media reported Tuesday, citing a senior economist.

Growth will be slower than last year's 11.9 percent, but China's fundamentals remain strong, the National Bureau of Statistics' chief economist Yao Jingyuan was quoted as saying by the official China Securities Journal.

He said a more open and market-based economy was among the driving forces in China's economic growth that would continue to support expansion.

"The growth is fast, efficiency is improving and people's livelihoods are becoming better," he was quoted as saying.

However, he insisted China will not experience runaway inflation, without elaborating on the reasons.

AFP

A student with his lips stitched sits next to another protester laying in a coffin during a demonstration in Jakarta yesterday against the recent fuel price hike. The government hike in the price of fuel has pushed Indonesia's May inflation rate into double digits for the first time in nearly two years.

EU working rules deal gets warm welcome

AFP, *Luxembourg*

An EU deal on working rules won a warm welcome on Wednesday after European labour ministers broke years of deadlock over temporary agency workers rights and working time limits.

Efforts to revise EU rules on both issues had stalled as Europe struggled to agree on the deeply divisive question of how much flexibility employers should have, with Britain championing the cause of loose rules.

After marathon negotiations in Luxembourg, labour ministers reached a compromise, which will still have to go before the European Parliament for approval.

"This is a major step forward for European workers and it strengthens social dialogue," EU Employment Commissioner Vladimir Spidla said in a statement.

"We have created more security and better conditions for workers and temporary agency workers while maintaining the flexibility that industry needs and workers want when reconciling family life and working life," he added.

BUDGET

Govt's increased bank borrowing won't affect private sector credit needs: CPD

STAR BUSINESS REPORT

The caretaker government has to take into account that increased bank borrowing by it for the next year's deficit budget will not affect the need of the private sector credit, observed the Centre for Policy Dialogue (CPD) in its post-budget analysis yesterday.

An expansionary budget of Tk 99,962 crore for the FY 09 was proposed on Monday, which is 26 percent bigger than that of FY08 with big outlays for social safety nets, subsidies, interest payments and block allocation.

Of the total amount of the proposed budget,

Tk 30,580 crore or 5 percent of GDP would be financed by borrowing both from domestic and external sources.

"Financing the huge deficit in the budget will be a major challenge for the caretaker government," CPD Executive Director Prof Mustafizur Rahman said.

He said, "It has to be considered that the required private sector finance is no way hampered with the increase in government bank borrowing."

Of the Tk 30,580 crore budget deficit, Tk 13,498 crore will be financed from domestic bank borrowing. The estimated bank borrowing is 86 percent higher than the current fiscal year's. In the FY08 budget, bank borrowing target was Tk 7,253 crore, which was later revised at Tk 10,398 crore.

Economists and private sector people have already feared that this huge rise in bank borrowing might hamper the growth in the private sector dominated economic activities.

The CPD observed that high deficit is the reality when revitalisation of the disaster-affected economy is needed.

"Care to be taken to avoid a 'crowding out' effect on the private sector credit threatened by high government borrowing," the CPD remarked, adding that high deficit should not continue for too many years as it increases expenditure on debt servicing.

Domestic investment recorded 24.2 percent of the country's GDP. Of which, more than 75 percent comes from the private sector, according to government statistics.

The government set a 6.5 percent GDP growth for the coming fiscal year against this fiscal's 6.2 percent growth, mainly assuming that there would be no natural disaster.

"Achievement of this target requires a rise in investment," the CPD in its analysis mentioned.

Of the other major challenges the CPD identified for the next fiscal year are: Implementation of the election roadmap and a large part of budget to be implemented by an elected government.

The present government that has placed the national budget for two consecutive years for the first time in Bangladesh's history is likely to quit power after the national elections scheduled for December next. So the second half of the next budget is supposed to be implemented by an elected government.

CPD, the leading civil-society think-tank termed the budget 'investment-friendly' and 'populist'.

Analysing the Tk 99,962 crore annual expenditure, the CPD observed that the budget was not too large compared with the outgoing year's spending for development interventions and increases in pay and allowances and subsidies, especially taking inflation into consideration.

On expansion of the social safety nets, the CPD said the budget has addressed the government's poverty reduction strategies.

However, Prof Mustafiz said there was no target fixed in the budget with regard to employment generation.

"This is public money which needs to be spent targeting the right people, no misuse is acceptable," he said.

The CPD executive director said decrease in import duty slabs from 5 percent to 3 percent, 10 percent to 7 percent and 20 percent to 15 percent will contribute to the development of local industries and help stabilise price spiral.

Increase in customs duty for some imported items, such as ceramics, would protect the local industries.

The CPD official also believes continuation of tax holiday would be helpful for employment and income generation. He hailed the government for giving tax benefits to female and elderly citizen.

Keeping the existing sectors under tax holiday intact, the finance adviser proposed in the budget to include agro-processing, diamond-cutting, steel production from billet, jute industries, different units of textile sector, underground rail, monorail, telecom infrastructure except mobile phone.

"Recognition of growing inequalities in the budget is another distinguishing feature," he said.

The private think-tank said the government proposed measures to stabilise soaring prices. These include duty withdrawal of edible oil, lowering duties for import of food grains, enacting consumers rights protection law, procurement of 32 lakh tonnes of food grains, tariff reduction for agricultural inputs and machinery and introducing a climate change fund.

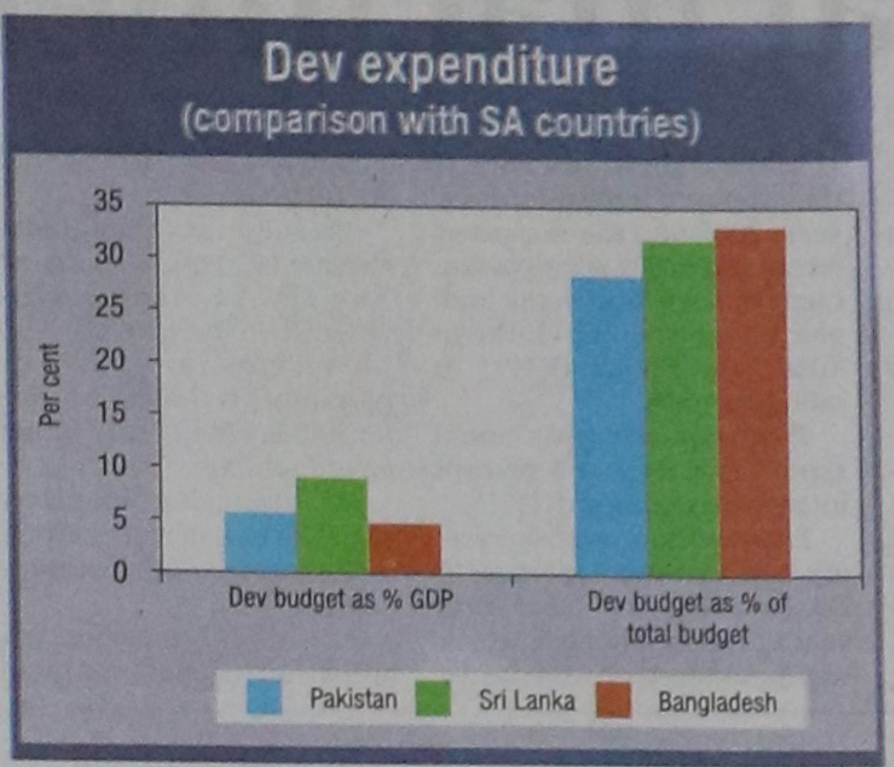
The CPD thinks revenue target of Tk 69,382 crore is possible considering its growth this fiscal year. Provision of legalising undisclosed money may again contribute towards the growth, it observed.

However, since anti-corruption drive is expected to ease during the second half of the fiscal year, achieving revenue target will be a challenge.

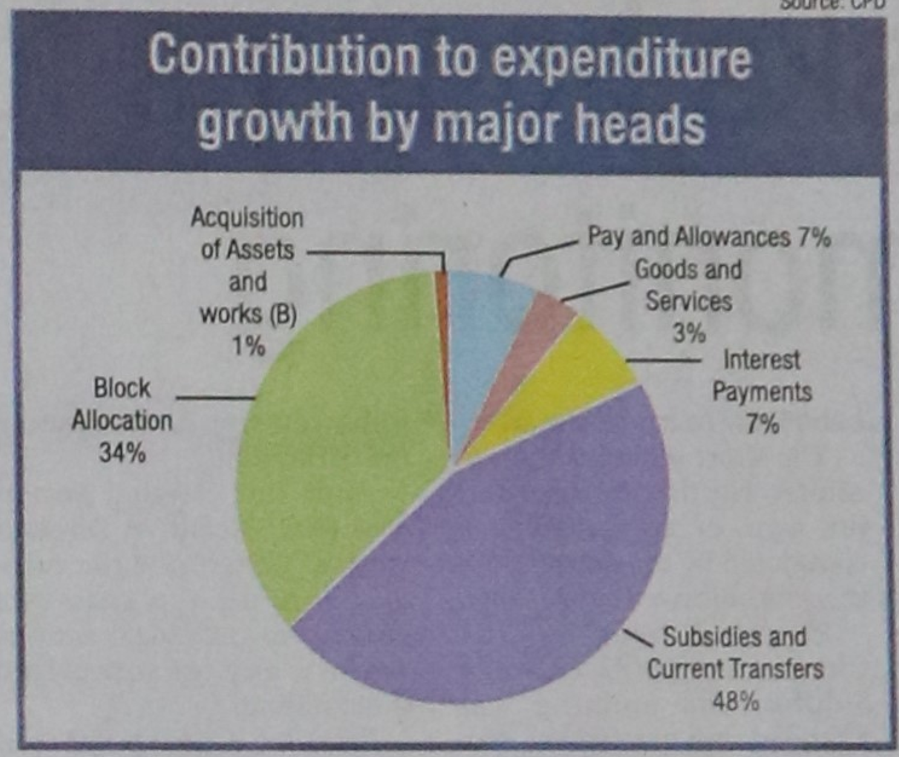
The CPD observed downsizing the annual development programme is not desirable rather an enhancement is needed to contribute to the job creation.

STAR

CPD Executive Director Professor Mustafizur Rahman says high deficit should not continue for too many years as it increases expenditure on debt servicing.



Source: CPD



OIL ECONOMY

A century of oil in Iran: A bounty and a curse

AFP, *Tehran*

It was just before dawn on May 26, 1908, and G B Reynolds was drilling one more hole in a final attempt to find oil in Iran before his superiors ended what had been an expensive and fruitless project.

Veteran prospector Reynolds, the chief engineer for Concessions Syndicate Ltd, struck a gusher at 360 metres (1,180) feet at Masjed Soleyman to find the first oil in Iran.

What he did transformed the country's economy and history in an instant.

A century later, Iran is sitting on the world's second-largest proven reserves of oil and is OPEC's number two exporter.

Oil exports, worth 65 billion dollars last year, count for 80 percent of Iran's foreign currency earnings, essentially propping up the entire economy.

But the country is still far from realising the potential of either its oil riches or its gas reserves, again the second-largest in the world.

Billions of dollars in revenues that could be ploughed back into the industry each year are being thrown away on massive subsidies to keep petrol and energy cheap for ordinary Iranians.

The lack of investment in exploiting new fields and obtaining the best recovery from existing ones is compounded by the unwillingness of foreign countries to deal with Iran at a time of tension over its nuclear programme.

The luxury of hydrocarbon riches has encouraged successive governments in Iran to heavily subsidize energy products, something no politician would dare change.

"We are paying 85 billion dollars a year on energy subsidies. If this is meant for low-income people, then it's is not working out," the deputy oil minister for planning, Akbar Torkan, told AFP in an exclusive interview.

"Thirty percent of the rich are in fact using 70 percent of the subsidies," he explained.

Iran's astonishingly profligate drivers, many of whom would not dream of travelling by bus or train, consumed 64.5 million litres of petrol and 89.5 million litres of diesel a day in the Iranian year that ended on March 19.

Torkan said "we should pay the subsidies based on a more focused mechanism. The current situation is not what the government is looking for and it is just a waste of money."

Ironically, the budget of the mid-term investment plan for the oil industry projects is less that the subsidies paid per year for oil, gas and petrochemical products.

Hoped-for exploitation deals with European giants such as France's Total have hit snags amid US warnings to cut dealing with Iran or face penalties in the United States.

In February 2004, Japan's Inpex signed an initial deal to develop Iran's biggest onshore oil field -- Azadegan -- but Tokyo hesitated amid pressure from its ally the United States. Mines left from the 1980-1988 war with Iraq were also a cause of problems.

Iran is now using domestic firms to develop the giant field -- with estimated reserves of 42 billion barrels of oil -- in small volumes after cutting Japan's share to 10 percent in 2006.

"Some of the foreign investment is not being made," Torkan admitted.

"Those who have slowed or stopped are the ones listed on the US stock exchange and due to US government pressures they cannot enter the Iranian market," Torkan said.

According to the deputy oil minister for international affairs, Hossein Noghrehkar Shirazi, Iran aims to invest 142 billion dollars in the oil, gas and petrochemical sector by 2014.

"They have recently increased the pressures but we have to survive and have adopted new strategies to overcome problems," Noghrehkar Shirazi told AFP.

In a bid to overcome the West's cold shoulder, Iran is counting on more friendly states such as Bahrain, Kazakhstan, Kuwait, Oman, Russia and the United Arab Emirates, the deputy minister said.

Malaysia and China have both signed multi-billion-dollar deals with Iran. The oil minister said Iran is eyeing new projects with Norway, which is no stranger to Iran's oil industry.

Iran's Islamic authorities have sought "self sufficiency" in the oil industry, suspicious of the motives of Western countries especially after the US and British-backed coup that toppled oil-nationalising prime minister Mohammad Mossadeq in 1953.

But Iran still needs foreign technology to perform the increasingly difficult task of extracting oil from ageing wells whose pressure is rapidly decreasing.

AFP

A file picture taken on May 16, 2004, shows a general view of the Lavan oil refinery quay at Lavan island off the south coast of Iran.