International Business News

Asia-Pacific leaders to meet for free-trade appeal

AFP, *Lima*

Top officials from across the Pacific rim were set to open talks here Wednesday on the global economic crisis and to issue a joint appeal against protectionism.

Peru, where Maoist guerrillas have stepped up attacks in recent weeks, was on its highest state of alert for the summit, which is the last scheduled foreign trip for US President George W. Bush before he steps down.

Ministers of trade and foreign affairs from 21 countries including China, Japan, Russia and the United States will hold two days of talks to lay the groundwork for the leaders' summit on Saturday and Sunday.

An official of the Asia-Pacific Economic Cooperation (APEC) forum drafting the leaders' statement said they would defend free trade despite the sharp slowdown in the global economy.

"Everyone has been speaking with the same voice saying we need to keep markets open," said Elizabeth Chelliah, chair of a committee drafting the statement.

"We have to keep the door open to foreigners. You can't close the door," she told reporters.

Peruvian President Alan Garcia said that APEC, which accounts for 60 percent of the world's gross domestic product, also had more small private businesses than other parts of the world.

"It's thanks to this that the region is more active," Garcia told Asia-Pacific business leaders. "APEC is the greatest anti-crisis tool in the world."

China to build new oil, gas pipeline across Myanmar

AFP, *Beijing*

China flagged Wednesday it would build a pipeline into Myanmar in a project that would give it easier energy access but also potentially raise concerns about its links with the nation's ruling junta.

Work on the oil and gas line will begin in southwest China's Yunnan province in the first half of 2009, the state-run China Daily reported, indicating a project that has been in the planning stages for years may finally kick off.

Once it is completed, at least part of the nation's crucial energy supplies will be able to avoid the long, cumbersome and potentially insecure route via the Malacca Strait.

"From a geopolitical point of view, having alternative routes for energy supplies into China is attractive," said Jason Feer, a Singapore-based analyst with Argus Media, an energy market research firm.

"The Strait of Malacca is a very busy waterway. It's a quite narrow waterway. There's always been concerns that it could be disrupted because of terrorism or piracy."

Around 80 percent of China's oil imports, from areas such as the Middle East and Africa, is currently transported through the strait, earlier Chinese media reports said.

AFP

Members of the PICO National Network hold a prayer event with over 150 congregants and clergy in front of the US Treasury Building in Washington, DC on Tuesday. The group met to "urge the Treasury and banks to take a systematic approach to loan modifications, keep families in their homes, and put a floor on falling housing values".

Toyota to shut plants in US, Canada

AFP, *Tokyo*

Toyota Motor Corp will shut down production at all of its US and Canadian plants for two days next month due to sluggish sales, a spokeswoman said Wednesday.

Production at all 11 factories including assembly, transmission and engine plants will stop on December 22 and 23, although employees will still go to work, spokeswoman Kayo Doi said.

"We are responding to recent conditions on the ground. If we continue to produce, we will have full inventories," she added, but declined to specify the impact on production of the two-day halt.

The company's North American plants excluding Mexico produced a total of 1.636 million vehicles in 2007, she said.

Automakers in the US are being hit by the financial crisis that is spilling into other sectors of the economy including consumption, which accounts for three quarters of US growth.

Toyota's US sales slid 25.9 percent to 152,101 vehicles last month from a year ago.

Neptune Orient Lines to cut 1,000 jobs

AFP, *Singapore*

Global container shipping and logistics company Neptune Orient Lines (NOL) will cut about 1,000 jobs to deal with an "unprecedented" industry downturn, the company said Wednesday.

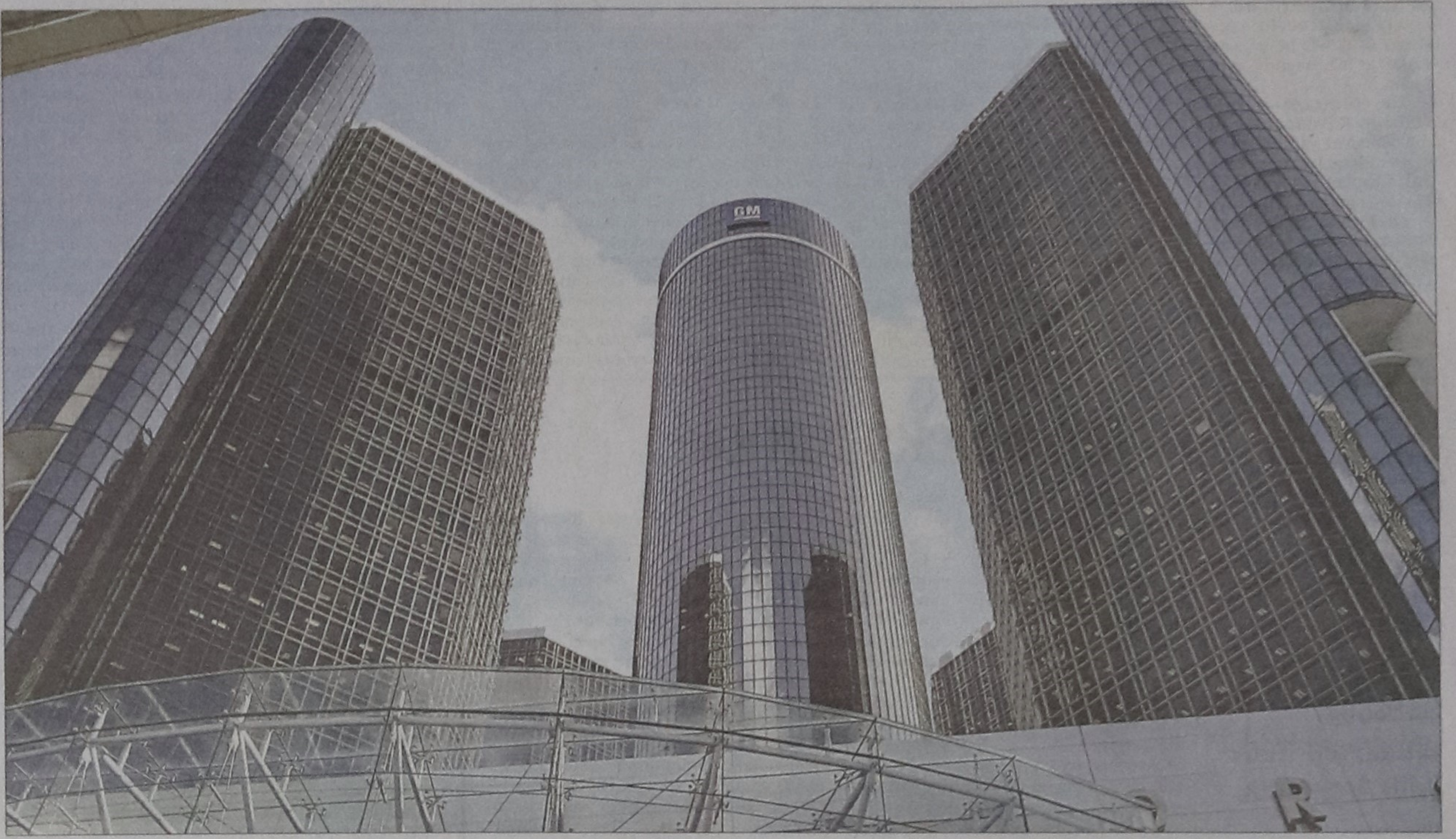
Most of the jobs will be lost in North America, where the company's costs are highest, said the Singapore-based shipper, which currently employs more than 11,000 people worldwide.

The cuts come after NOL last month said it would reduce capacity between Asia and Europe by close to 25 percent, and 20 percent on the trans-Pacific route.

Those cuts will significantly reduce operating costs but the market has worsened considerably over the past month, the company said in a statement, forecasting a "grim" outlook for profitability in 2009.

AUTOMOBILE

Time short for US automakers



AFP

The General Motors headquarters is seen in Detroit, Michigan. The big three US automakers, General Motors, Ford and Chrysler, all based in Detroit, are appearing this week in Washington to ask for federal funds to curb the decline of the American auto industry.

AP, *Washington*

Detroit's Big Three automakers are running out of time in their quest to convince skeptical lawmakers that Congress should throw them a $25 billion lifeline.

Top executives with General Motors, Ford and Chrysler were to return to Congress on Wednesday, appearing before a House committee to plead for a "bridge loan" to give them a massive infusion of cash to prevent millions of layoffs, stave off bankruptcy and stabilise their teetering companies.

Facing a less-than-receptive Senate on Tuesday, General Motors CEO Rick Wagoner warned that the failure of the U.S. auto industry could lead to a loss of 3 million jobs within the first year and ripple throughout communities around the country.

"This is all about a lot more than just Detroit. It's about saving the US economy from a catastrophic collapse," Wagoner said.

Dire assessments aside, the rescue plan appeared stalled on Capitol Hill, opposed by the Bush administration and Republicans in Congress who are reluctant to use the Treasury Department's $700 billion financial bailout program to come up with the $25 billion in loans.

"You're asking an awful lot," said Sen. Christopher Dodd, D-Conn. "I'd like to tell you that in the next couple of days this is going to happen. I don't think it is."

A Senate vote on an automotive bailout plan, which would also extend jobless benefits, could come as early as Thursday, but it currently lacks the support to advance.

Rank and file Republicans and Democrats from states heavily affected by the auto industry worked behind the scenes trying to develop a compromise that could speed some aid to the automakers before year's end. But it was an uphill fight.

Automakers were running into bailout fatigue on Capitol Hill. Lawmakers complained that many of the industry's problems were self-made, citing their past reliance upon gas-guzzling trucks and SUVs and opposition to tougher fuel efficiency regulations. Many wondered if the companies would be back for more money in a year.

"A lot of people think you've already failed, that your model has failed, that you're here to get life support," said Sen. Richard Shelby, R-Ala.

Chrysler LLC CEO Bob Nardelli rejected suggestions that the automakers should seek Chapter 11 bankruptcy protection similar to airlines that later emerged restructured and leaner. "We just cannot be confident that we will be able to successfully emerge from bankruptcy," Nardelli said. Ford Motor CEO Alan Mulally said the three automakers are highly interdependent.

The financial situation for the automakers grows more precarious by the day. Cash-strapped GM said Tuesday it would delay reimbursing its dealers for rebates and other sales incentives and could run out of cash by year's end without government aid.

Given the concerns, Democrats in the Senate discussed but rejected the option favoured by the White House and GOP lawmakers to let the auto industry use a $25 billion loan program created by Congress in September designed to help the companies develop more fuel-efficient vehicles to tide them over until President-elect Barack Obama takes office.

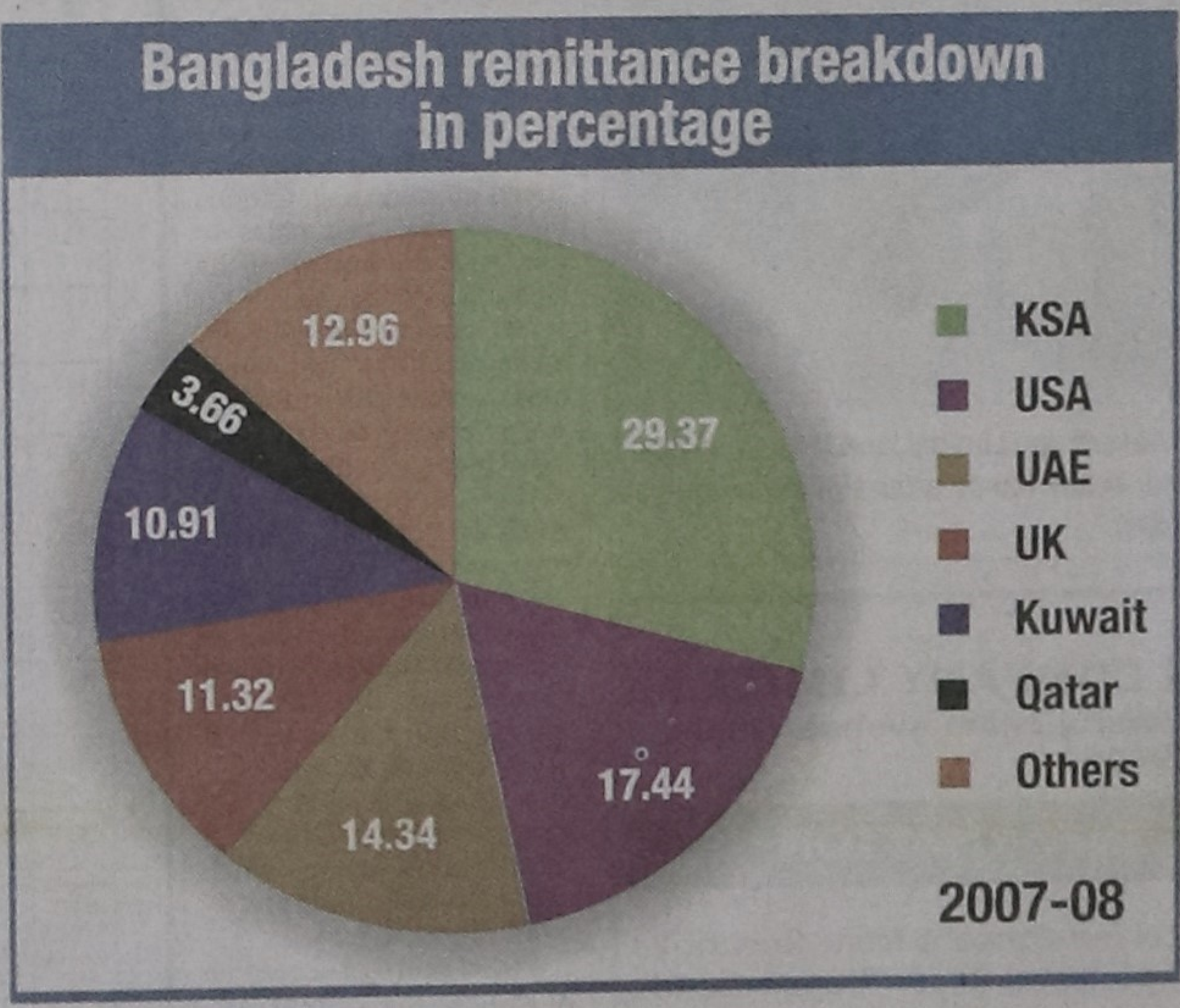
House Speaker Nancy Pelosi, D-Calif., and other senior Democrats, who count environmental groups among their strongest supporters, have vehemently opposed that approach because it would divert federal money intended to develop vehicles that use less gasoline.

COLUMN

IFTY ISLAM

Remittance risks and skills training

It is becoming increasingly evident that remittance inflow from Middle Eastern countries is likely to be adversely affected. Bangladesh sent a record 832,000 people abroad in 2007, most of whom chose to go to the oil-rich Gulf countries after sky-rocketing crude prices led to a construction boom in the Middle East. Bangladeshi migrant workers are mainly exported to the Middle Eastern countries along with a small percentage (6-7 percent) to Southeast Asia. According to a Danida report, a majority of the migrant workers that go to the aforementioned regions are unskilled workers, employed, mostly as menial labourers and construction workers.



In fiscal 2006, approximately 63 percent of remittances came from Middle Eastern countries, followed by the US and UK, which sent around 29 percent combined. Also in 2006 (the most recent data available), UAE was the number one destination country for Bangladeshi migrant workers, followed by Saudi Arabia. Therefore, considering that a majority of remittances come in from the gulf region, a slowdown in their economies, will most likely adversely affect remittance inflow.

After previously insisting that the oil-rich Persian Gulf region was fully insulated from financial troubles abroad, the Emirates' Central Bank made $13.6 billion available on September 22 to ease credit problems, echoing the bailouts in the US and other EU countries. Already, some bankers are saying it is not enough.

Spiralling oil prices -- six years of high oil prices -- dramatically increased demand for cheap labour in the Middle East, as construction and infrastructure developments increased. However, oil prices, that reached an all time high of $147 in mid July this year, started declining due to the dwindling global demand driven by the US recession prices have fallen by more than 50 percent since June, to its lowest level in 21 months to $54.67 a barrel at the beginning of last week. Effects of the dramatic fall in oil prices have already seeped into the Gulf's booming real estate sector and construction industry, which is expected to weigh heavily upon demand for unskilled labour.

The chart below from Fitch Ratings details the breakeven oil prices in the Gulf States. These numbers have risen in recent years, but not with exploration and extraction costs, but with higher country-level program expenditures causing higher oil prices to be required to balance their budgets.

Public finances and breakeven oil prices

	Budget balance (% of GDP)			Breakeven Brent price (USD/b)	
	2007	2008e	2009f	2008e	2009f
Abu Dhabi	25.5	31.3	6.6	31	40
Kuwait	40.6	27.8	13.6	42(21)a	n.a.
Saudi Arabia	16.9	24.5	4.0	50	54
Bahrain	2.2	5.2	-2.2	74	70

SOURCE: FITCH

Bahrain has the highest breakeven price of the group, followed by Saudi Arabia.

Dubai's six-year property boom appears to be over, with asking prices for some homes falling as much as 19 percent in October from the previous month. Earlier, there was a lot of speculative building in Dubai as developers often got bank loans to put down 10 percent on a property that had not yet been built, only to flip it for a huge profit to another buyer, who would do the same thing, and on and on. That was easy to do when housing prices were surging so fast that some properties multiplied tenfold in value in just a few years. However, under current circumstances, some of Dubai's more extravagant building projects are likely to be dropped if they do not already have financing lined up. The credit crisis could also reduce demand from buyers, who will have a harder time getting mortgages.

Dubai stocks have taken a pounding, driven down by property and financial shares. The Dubai Financial Market finished last week down 62.7 percent, year to date. Shares in Emaar Properties PJSC, the region's largest developer that is partly a government-owned developer and is building the world's tallest skyscraper in Dubai, finished down almost 79 percent from its 52-week high in January. Furthermore, according to a Reuters' press release, Damac Holding, Dubai's largest private property developer, declared last week that it will be cutting 200 jobs, or 2.5 percent of its workforce. The downturn in Middle Eastern economies, that employs a significant manpower base from Bangladesh, will certainly slow the pace of growth of the country's manpower exports and consequently remittance inflow.

In fact, recent Bangladesh Bank remittance figures already show some signs of slowing according to central bank data, remittance inflow from Saudi Arabia fell by 4 percent in September from the previous month. Also, as stated in a November 4 Financial Express news article, in October, the number of overseas jobs came down to 76,000, some 22 percent less than the highest monthly figure in June.

In fiscal 2008, 17 percent of remittances came in from the US alone, the second highest after Saudi Arabia. After the UAE in third, the UK is the fourth largest remittance country for Bangladesh with just over 11 percent. It is clear that discretionary spending in both the US and the UK is collapsing with perhaps the largest vulnerability being in the Indian restaurant sector.

While the risks for manpower exports to decline by more than $1 billion in 2009 from this year's total, the long-term prospects remain bright. In a detailed 2006 report, Danida suggested that Bangladesh's manpower exports could reach $30 billion by 2015. However, to capture the market, we have to invest in human capital through education and training. Most Bangladeshi migrants are young, male, unskilled, aged between 15-30 and poorly educated. Only 10-20 percent are certified vocationally trained and less than 10 percent general college graduates are exportable. Training has become a necessity with the structural shift towards activities demanding higher skill and emergence of automation. With the current deficiency in vocational training, training Institutions serving targeted labour pool such as mason, cleaner, fabricator, carpenter and garment operators or even nurses which can create higher value-added manpower exports. The recently unveiled National Skills Development Council is a welcome step in the right direction.

The writer is the managing partner at Asian Tiger Capital Partners and can be reached at ifty.islam@at-capital.com.