

International Business News

More China rate cuts likely in near term

AFP, Hong Kong

The head of China's central bank said Tuesday that interest rates would likely be cut in the short term as Beijing moves to boost consumer spending to offset slowing exports.

"I estimate that from this year to early next year there will be, overall speaking, pressure for a rate cut," said Zhou Xiaochuan, governor of the People's Bank of China.

"So interest rates should be gradually dropping," he told Hong Kong broadcaster RTHK during a visit to the southern Chinese city for the Financial Stability Forum, a meeting of officials from various central banks.

Beijing has introduced a string of measures to try to boost domestic demand in recent months as the slowdown in the United States and Europe has damaged its crucial export sector.

It has cut interest rates four times since September, with the one-year lending rate dropping from 7.47 percent to 5.58 percent.

Zhou said inflation, which was the central concern for the government in the first half of the year, was becoming less significant.

He said the consumer price index was "falling faster than we imagined", reducing pressure to keep interest rates high.

Asean nations press on with trade pacts

AFP, Singapore

Six southeast Asian nations signed trade agreements on Tuesday paving the way for a single market in the region, pressing on with the pacts despite the postponement of a key summit.

The economic ministers of Brunei, Cambodia, Indonesia, Laos, Singapore and Malaysia signed three separate deals covering trade in goods, investment and services.

They had decided to press on with the signing rather than wait for a summit of the Association of Southeast Asian Nations (Asean) that was delayed by recent unrest in Thailand.

"As these agreements are integral to Asean's economic integration, the Asean economic ministers agreed to meet in Singapore to sign and have them enter into force as soon as possible," said Malaysian Trade Minister Muhyiddin Yassin.

The three agreements were originally to be signed at the 10-member Asean's annual summit in Thailand this month, officials said.

Anti-government protests in Thailand, which currently chairs Asean, forced that country's former government to move the summit from Bangkok to the northern city of Chiang Mai, and then to postpone it until March.



AFP

Indian people look from a boat across the water at the Taj Mahal hotel in Mumbai on Monday. Mumbai's Taj Mahal Palace and Tower Hotel, stormed on November 26 by Islamist militants, will reopen before Christmas. The modern Tower wing of the iconic, red-domed waterfront complex will be back in business on the evening of December 21.

Japan urges central bank to take action on economy

AFP, Tokyo

Japan's central bank came under pressure from the government Tuesday to take fresh steps to revive Asia's biggest economy, which is slipping deeper into recession.

"Nobody denies the Japanese economy is sagging," Finance Minister Shoichi Nakagawa said, adding that it was the Bank of Japan's duty to cooperate with the government on steering the country through the financial crisis.

"It is a big responsibility for the BoJ to avoid" a further deterioration in the economy, he told reporters, but stopped short of calling for specific measures.

The BoJ has cut interest rates to 0.3 percent and pumped huge amounts of cash into the financial system since the global credit crunch erupted.

There is speculation that BoJ policymakers, who are due to start a two-day meeting on Thursday, may even cut borrowing costs to close to zero at some point as the recession worsens.

European new car sales plunge 25.8pc

AFP, Brussels

New car sales in Europe plunged in November by more than a quarter as financial and economic turmoil hit the industry hard, the European automakers association ACEA announced on Tuesday.

With consumers jittery and credit hard to come by, carmakers saw the sharpest fall in sales since 1999 in November, before ACEA's data included figures from the new EU member states.

The slump was made even worse by the fact that there were on average two fewer working days for selling cars in November compared to the same month in 2007.

"New passenger car registrations in Europe fell by 25.8 percent in November compared to the same month of last year, declining for the seventh month in a row, mirroring the financial and economic crises," ACEA said in a statement.

HEDGE FUND

US scamster boasted about profit

AP, Washington

The money manager accused of duping investors in one of Wall Street's biggest Ponzi schemes once boasted to the Securities and Exchange Commission about how much money he earned and formally advised the US government on ways to protect investors from scam artists.

Now Bernard Madoff stands accused of being one.

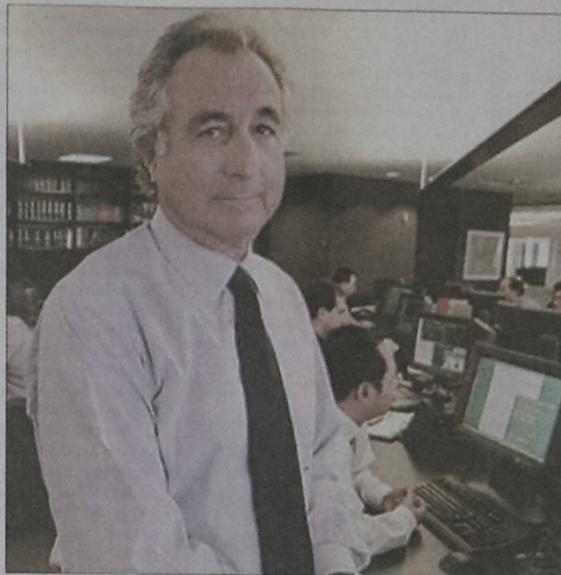
The 70-year-old Madoff (MAY-doff), well respected in the investment community after serving as chairman of the Nasdaq Stock Market, was arrested last week in what prosecutors say was a \$50 billion scheme to defraud investors, including the world's big banks, the rich and the famous.

Alleged victims include the family charitable foundation for Sen. Frank Lautenberg, D-N.J.; a trust tied to real estate magnate Mortimer Zuckerman; and a charity of movie director Steven Spielberg. The Wall Street Journal reported that the foundation of Nobel laureate Elie Wiesel also took a hit.

As the scale of the alleged scheme was realized, attention turned quickly to Madoff's connections to Washington regulators responsible for monitoring investment funds like the one Madoff operated. He knew everyone, former SEC chairman Arthur Levitt said in an interview with The Associated Press. Levitt said he did not invest any money with Madoff.

The director for enforcement at the SEC, Linda Thomsen, said the government was working with federal prosecutors and the FBI to understand the case, "to pursue the case we've got, to preserve assets to the extent we were able and to bring everyone who was responsible for the conduct at the Madoff firm. It's justice," she said Monday.

At one SEC hearing in April



Bernard Madoff

2004 - during the period when Madoff is accused of carrying out his \$50 billion fraud - Madoff joked with then-commission chairman William Donaldson about Madoff's own extraordinary profits and teased that he wasn't inclined to provide any advice that might help his business rivals.

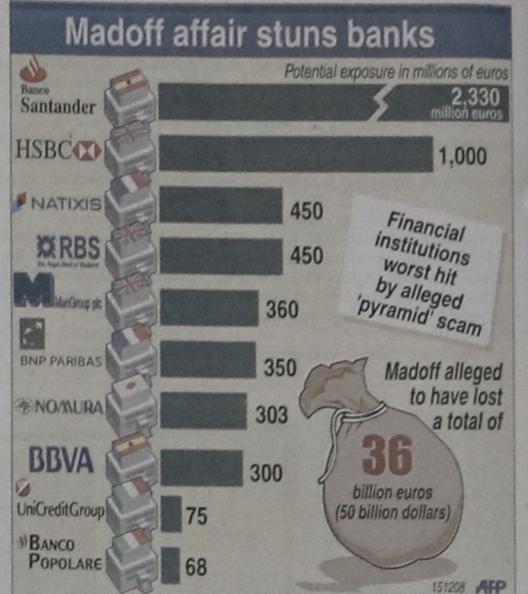
"Our firm has made a fairly decent living as a fast market competing with a slow market," Madoff said, "so I'm not sure it's in our own best interest for everyone to become a fast market." Commissioners laughed openly as Madoff agreed "to take off our selfish hats here and speak for the public good."

As a former Nasdaq chairman, Madoff was an expert sought by Washington regulators who asked for advice on any number of regulatory issues over the years. In

2000, Madoff served on the government's Advisory Committee on Market Information, established to protect investors by ensuring accurate and full public disclosure of information to them.

Financial analysts raised concerns about Madoff's practices repeatedly over the past decade, including one letter to the SEC as early as 1999 that accused Madoff of running a Ponzi scheme, but the agency did not conduct even a routine examination of the investment business until last week, The Washington Post reported on its Web site Monday night.

Questions have been raised in two earlier cases about the SEC's handling of investigations involving influential figures on Wall Street or powerful investment firms.



The agency's inspector general, in a report issued this fall, said there were "serious questions" about the impartiality and fairness of the SEC's insider-trading investigation in 2004 and 2005 of hedge fund Pequot Capital Management. A former SEC attorney who worked on the probe and was fired by the agency told Congress he was blocked by agency superiors when he tried to question John Mack, now chairman of the Morgan Stanley investment house.

The SEC took no enforcement action in the Pequot case. The hedge fund and Mack have denied anything wrongdoing.

In another report, the inspector general, H. David Kotz, determined the head of the SEC's Miami office failed to properly enforce securities laws in the

investigation of now-defunct Bear Stearns' pricing of complex investments it sold, and found that he shouldn't have closed the inquiry in the summer of 2007 without enforcement action.

Bear Stearns nearly collapsed into bankruptcy in March and was purchased by rival JPMorgan Chase with a \$29 billion federal bailout.

Last month, an administrative law judge at the SEC rejected Kotz's conclusions and his recommendation for disciplinary action against Thomsen, the agency's enforcement director, and two other officials in the matters. The judge, Brenda Murray, wasn't acting in her capacity as an administrative law judge but rather as an SEC official asked by the agency's executive director to assess the inspector general's findings.

FINANCIAL CRISIS

Migrants at sharp end of economic crunch Europe battered anew

AFP, Miami

Erik Bengoche came to the United States with high hopes, ready to sweat it out as a laborer and short-order cook, and expecting to send home a modest stack of greenbacks.

But about a year ago, work started drying up. Now he sits in the parking lot of a home improvement store, hoping to pick up odd jobs, and looking forward to Christmas day, when he will fly back to Honduras.

"I owe three months rent. Sometimes you don't eat," he said, sitting on the curb under a shade tree. "I want to go back."

Low-wage immigrants like 25-year-old Bengoche find themselves on the sharp edge of the US economy slump, and some are packing their bags.

In October, a study by the Pew Hispanic Center suggested the number of undocumented immigrants in the United States was declining after years of robust growth. It put the current undocumented population at 11.9 million, down from 12.4 million a year earlier. It also tracked fewer new arrivals.

The data followed the center's earlier finding that non-citizen immigrants were being hit particularly hard by the crumbling economy.

In Florida, many had flocked to take advantage of a once bustling construction industry. But it was one of the first economic engines to sputter and stall when the mortgage crisis hit. Others work in hotels and restaurants -- businesses which are suffering as tourism dips.

"Everything is about the economy. With the crisis here, there are less jobs, so living here is apparently not as attractive as it was until a few months ago," said a Brazilian diplomat who has been monitoring reverse migration to her home country.

Requesting anonymity, she described those most likely to head home again as people who have been in the United States for two to five years, "not fluent in English," and "unattached."

The Pew Center said many factors could be at play. A majority of US immigrants come from Latin America, where economies have remained stable relative to the

United States. Another factor could be a ramped-up immigration enforcement.

Bengoche, for example, said it had become harder to get work in big companies without identification papers proving legal status in the United States.

Drivers licenses, once considered valid proof of ID, are increasingly out of reach for undocumented immigrants, as officials comply with new federal anti-terrorism laws clamping down on access to such licenses without proper supporting documents.

Supporters of the restriction note that several 9/11 hijackers managed to obtain licenses, which they used to board the planes used in the 2001 attacks.

Immigrant advocates say the measure has pushed people like Bengoche further into the shadows, not to mention increasing the difficulty in getting to work in a country known for its car culture. Authorities are also ratcheting up deportations.

Economic woes are dragging down remittances too -- money sent home by immigrants to their families that often serves as a lifeline.

The Inter-American Development Bank recently reported that three million Latino immigrants stopped sending money home during the last two years. Many Latin American countries are still seeing an increase in remittances, but the increase has slowed.

"The reason remittances are down is because the US economy is slowing down, and because the immigration climate is still very negative," said Robert Meins, a remittance specialist at the Inter-American Development Bank.

In some cases, he added, immigrants are dipping into their savings to keep money flowing to loved ones.

"That's not to belittle how difficult they're finding it. Migrants are extremely adept and very resilient," he said.

In the meantime, US patrols are catching fewer immigrants on treacherous desert hikes across the Mexican border, and in overcrowded boats aiming for Florida's shoreline.



Emilio Botin, chairman of Spanish banking group Santander Central Hispano, speaks at a recent conference in Madrid. European banks were counting at the weekend the damage from the investment scandal involving New York trader Bernard Madoff.

AFP, Paris

The economic crisis bit ever deeper into European industry on Tuesday as world markets held their breath for an expected record cut in US interest rates and the dollar dipped again.

European automakers association ACEA reported a plunge of more than a quarter in new car sales in the EU in November, while Russia said industrial output slumped by 8.7 percent the same month.

"The collapse has become clear," ran a headline in Kommersant newspaper in Moscow, referring to the worst industrial data result since the financial crisis that tore its way through the economy in 1998.

The news from Russia's ex-Soviet neighbour Ukraine was even more alarming.

President Viktor Yushchenko said economic contraction in the first quarter of 2009 could be as high as 10 percent amid a crisis in the banking system and a slump in demand for steel, Ukraine's main export.

In Europe's biggest economy, Germany, the Frankfurter Allgemeine Zeitung quoted a government memo saying 2009 contraction could be three percent or more, which would be the worst recession in Germany's post-war history.

South Korea also cut its 2009 economic growth forecast by one percentage point to three percent, with President Lee Myung-Bak telling the cabinet that "next year will be the most difficult year, especially the first half."

Economists in China warned Asia's largest economy could end 2008 with the weakest quarterly growth in nearly two decades, and French global luxury group Louis Vuitton announced it was scrapping plans for a flagship store in Tokyo

because of a slump in demand.

The gloomy economic news came as the fallout continued from a massive alleged scam run by Wall Street figurehead Bernard Madoff, which could force some of the world's biggest banks to wipe billions off their balance sheets.

London-based HSBC, Spain's Santander and Fortis Bank Netherlands alone revealed potential losses of more than five billion dollars as a result of the pyramid scheme fraud, which has turned the spotlight on US market regulation.

In a further sign of widespread uncertainty, world stock markets were mixed as investors awaited a US Federal Reserve decision that some analysts forecast would see interest rates cut close to zero in a bid to stimulate lending.

A meeting of the Federal Reserve was expected to end at around 1915 GMT.

Ahead of the announcement, European Central Bank (ECB) president Jean-Claude Trichet urged banks to pass on the ECB's historic interest rate cuts to the eurozone economy, suggesting the central bank might mark a pause in the cuts.

Now "we have to get it in the real economy," Trichet said late on Monday.

In late morning trading in Europe, the Frankfurt stock market advanced 1.59 percent, London gained 0.96 percent and Paris added 1.52 percent in value.

In Asia, Tokyo closed 1.12 percent down and Sydney lost one percent owing to caution over the weak economy and the Madoff fraud scandal, dealers said.

In other market developments, the dollar fell. In mid-day trading in Europe it stood at 1.3643 dollars, down from 1.3695 dollars late in New York on Monday. Against the Japanese currency, the dollar dipped to 90.31 yen from 90.63 yen.