

International Business News

Banks must be servants of economies: Brown

AFP, London

British Prime Minister Gordon Brown said banks must be reformed so that they are the servants of economies and societies, not the masters in an article published Sunday.

He also signalled new limits on mortgages over 100 percent -- which enable people to buy a house without a deposit -- and urged more responsibility in Britain's housing market, where prices have fallen since the credit crunch.

"We want to ensure that the new banking system that emerges over the coming years... becomes the servant of the economy and society, never its master," Brown wrote in the Observer newspaper.

He again said that banks needed to act "in the long-term interests of their shareholders and therefore of the economy as a whole, not in the short-term interests of bankers" and spoke against the "short-term bonus culture."

Brown urged reform of the sector as well as better national and global regulation.

He also hinted at new limits on borrowing in the British housing market.

House prices here boomed in the last decade thanks in part to the availability of cheap credit but fell a record 17.2 percent in the three months to January, according to home loans provider Halifax.

Spain's Galician shipyards buck the global crisis

AFP, Vigo, Spain

Shipyards in Spain's Galicia region are defying the global financial crisis, creating hundreds of new jobs as order books fill up, largely by switching to the production of specialised high-technology vessels.

"We are going through a good period which will allow us to stay afloat even if the crisis is affecting other sectors," said Jose Dominguez, head of development for the shipbuilding industry in the port of Vigo.

The Vigo shipyards have full order books through 2012, some of them until 2014, and some 55 ships under construction.

It is an encouraging sign, in a remote and rugged northwestern region that is to vote on March 1 in elections for a new regional parliament and which has been otherwise hard hit by the economic crisis affecting Spain as a whole.

Dominguez explained the reasons behind the success.

"Contracts currently being fulfilled were signed in 2006-2007, at the time of the great boom in shipbuilding throughout the world," said Dominguez, who is also financial head of the shipyard of Factorias Vulcano.

"This crisis comes at a time when, unlike other sectors, we already have customers," he said, noting that the "process between the signing of the contract and the completion of the ship can take several years."



Thousands of Chinese of job-seekers queue up to enter a job fair at a university in Wuhan, central China's Hubei province on Friday. China has urged cities nationwide to loosen residency requirements to encourage migration by college graduates, in the latest move aimed at fighting growing joblessness, as the State Council, or cabinet, has asked cities to drop a rule that says non-native college graduates must be permanent residents of an area before they can legally be hired for a job.

Europe seeks harmony on financial crisis

AFP, Berlin, Germany

The heads of Europe's main economies gathered Sunday to try to find a common approach to the deepening global financial crisis amid behind-the-scenes disagreements over the way forward.

The British, French, Italian, Spanish and Dutch leaders met in Berlin to coordinate a European stance to take to a summit of the Group of 20 (G20) developed and major developing countries in London on April 2.

The world's major economic powers are under pressure to build on pledges made at the G20 summit in Washington in November, where they formulated an action plan for fighting the crisis.

But the global recession has deepened since then, leading governments to hastily push through massive economic stimulus packages and overshadowing efforts to reform the global financial system.

The national stimulus plans have sparked fears of protectionism which could hinder efforts to present a united European front.

Journal Register files for bankruptcy protection

AP, Philadelphia

The Journal Register Co, publisher of the New Haven (Conn.) Register and other newspapers, filed for Chapter 11 protection Saturday, joining at least two other publishers that turned to bankruptcy court in recent months amid slumping advertising revenue and circulation.

The Yardley, Pa.-based company said in a statement posted Saturday on its website that it expects to operate as usual during restructuring and didn't anticipate any interruption in business.

"We intend to emerge from the Chapter 11 process stronger, leaner and more financially viable in the current environment... Our business will continue its normal operations and we will publish content as usual throughout this process," Chairman and Chief Executive James W. Hall said in the statement.

TECHNOLOGY

E-purchase to check rigged bids

MD HASAN

It has become almost customary that politically-backed groups muscle in on the scene, when the government invites bids for development projects.

Political meddling in bidding processes is an open secret. The practice comes to the fore when a political government sits in power.

The most recent example of such political interference, reported by the media, was a showdown at the National Sports Council by a political group to grab a development project worth Tk 8 crore.

Electronic government procurement (e-GP) shows a way out of the age-old intervention in bidding processes by cartels with political leanings.

According to a study by the World Bank, Bangladesh's annual public procurement expenditure is over \$3 billion (Tk 20,512 crore). Such figures can obviously attract politically biased interest groups to loot tender boxes by any means, as development expenditure is expected to grow in coming years.

In Bangladesh, more than 80 percent of the annual development expenditure is spent mainly on government procurement.

The countrywide major development projects are conducted by different agencies, starting from the Prime Minister's Office to local government entities.

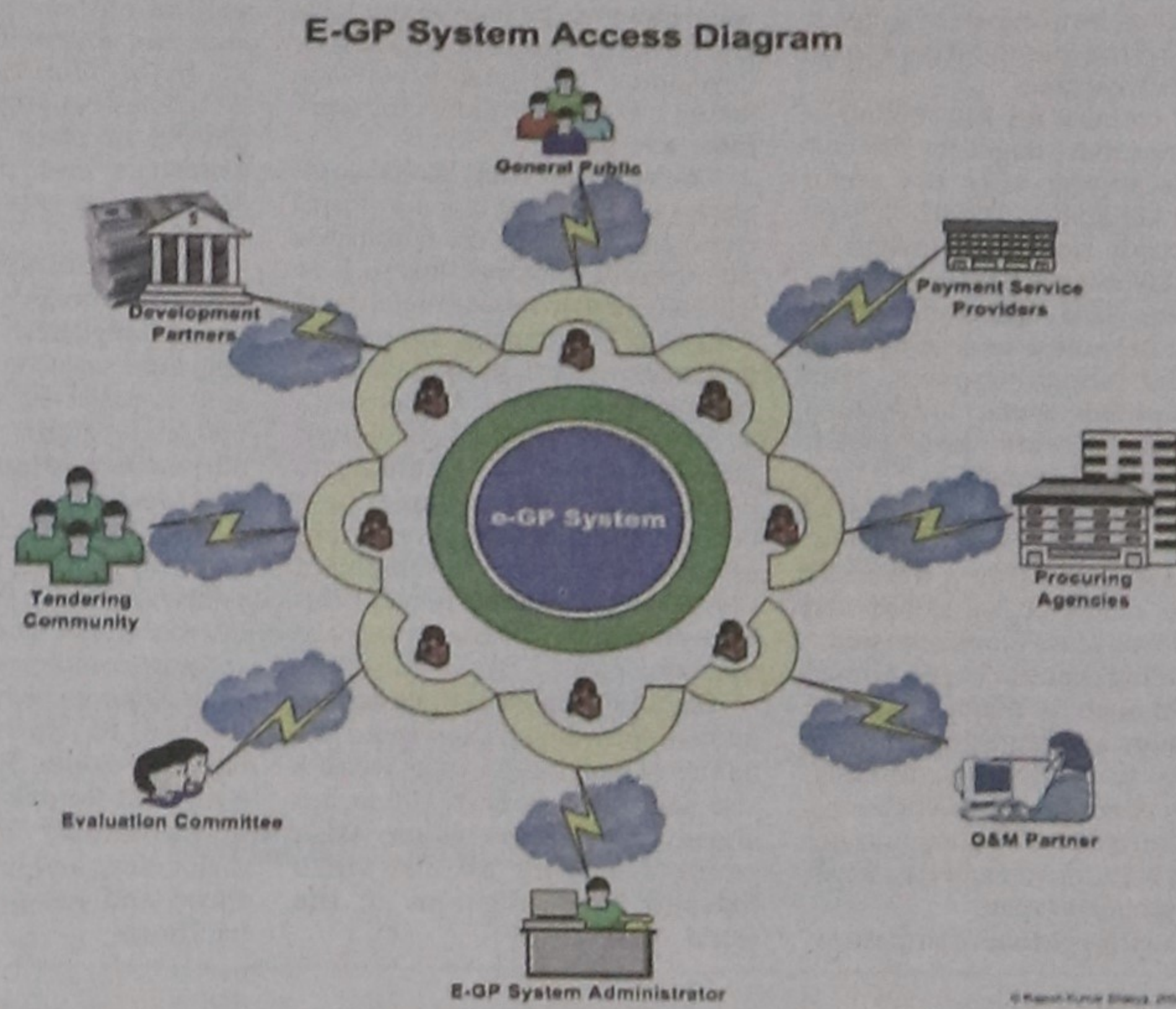
E-GP, one of the government projects, matches the government's pledge to build a Digital Bangladesh by 2021. The system, if implemented, can save public money and erase political influence from bidding.

In association with the World Bank, the Central Procurement Technical Unit (CPTU) has started groundwork to implement e-GP under the public procurement reforms project-2 (PPRP-2).

CPTU is responsible for monitoring and implementing the law and rules in public procurement. The entity thinks that if the government goes for an online bidding process, no-one can exert muscle power.

The idea of a virtual bidding process could also save more than 15 percent of the government's procurement costs, according to a World Bank study.

Electronic government procurement (e-GP) is the use of information and communication technology (ICT), especially the



internet, by governments in conducting their relationships with suppliers for the acquisition of work, goods, and consultancy services required by the public sector.

E-GP would also connect the government body and the national and international contractors on an online platform, which automates the entire government's procurement process by introducing centralised registration of contractors, e-tendering, e-contract management system, e-payments, e-signature and e-security.

In around 50 countries, e-GP has been proved as an effective tool in the fight against corruption, the promotion of integration and the stimulation of greater productivity not only at government level, but also in small and medium enterprises.

The main intention of CPTU is to gradually introduce e-GP in the government's procurement system and to ensure all stakeholders comply with the Public Procurement Act-2006 and the Public Rules-2008.

One of the major reasons of scuffle during government tendering process is bidders are not aware of the Public Procurement Act-2006 and the Public Rules-2008.

In this case, online bidding can also be platform for study of the procurement policies, observed CPTU officials.

Welcoming the initiative, Zahid Hossain, managing director of Mir Akhter Hossain Ltd, one of the major contractors of government works, says the initiative can bring transparency to the government's procurement system.

However, he says, "The tendency of manipulating the tendering process by government officials should be stopped in running e-GP."

Contractors who work for implementing the government's development projects, says paperless bidding may encounter post bid political influences.

E-GP requires internet access for the bidders, primarily the major hurdle to implementing the system, followed by

acute power crisis.

The information technology-lagging nation may take time to adopt the system. But the upside is the system can save the country from numerous casualties over the tendering process.

CPTU officials say they are talking with internet service providers, to bring contractors into the internet network.

"We are moving cautiously," says Amulya Kumar Debnath, director general of CPTU. "This initiative should be introduced such that no questions arise regarding the process."

He says CPTU will launch e-GP initially on a pilot basis in four government agencies including the Local Government Engineering Department (LGED), Roads and Highways Department (RHD), Bangladesh Water Development Board (BWDB) and Rural Electrification Board (REB), by April 2009.

"If the system runs well, without any difficulties, then it will disseminate to other government entities," says Debnath.

He says the deciding voice behind the introduction of such a system should come from the bidders community. "If bidders come forward, it will be possible to conduct hassle free bidding by e-GP."

Bangladesh has been ranked the world's most corrupt country for long by Transparency International. One of the major reasons behind corruption, the TIB found, was the government entities' mismanagement of development projects.

"With the launch of e-GP, everyone must comply with procurement rules, which will remove corruption," says the CPTU director.

To introduce e-GP, the CPTU has already started training government officials to handle the tender process.

However, there is no scope to use online payment when bidders would pay the bid amount. The CPTU says some scheduled banks would conduct the payment.

The government is set to launch e-GP on an experimental basis in April. But a setback lingers: red tape.

But Finance Minister AMA Muhith's recent speech that emphasises government procurement through electronic systems raises hope for the launch of the project.

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ASIAN ECONOMIES

Battling financial meltdown

ASIA NEWS NETWORK

Barely eight months ago, Asian governments were too preoccupied with curbing double-digit inflation as oil and commodity prices surged to unprecedented levels never seen in decades.

Central banks across Asia had to implement a series of interest rate hikes to rein in inflation.

Now, almost eight months later, Asia's economies are fighting a different kind of battle: recession. In a bid to stimulate their economies, Asian central banks have been cutting key interest rates with some rates already reaching zero levels, a sharp reversal from the tight monetary policies they adopted just months ago.

Japan

In January, Japan's parliament passed a 4.8 trillion yen (US\$52.2 billion) stimulus plan that includes a cash payout of 12,000 yen (US\$133) per Japanese taxpayer.

Japan is considering additional measures to shore up the economy with fresh spending, likely to top 10 trillion yen (\$109 billion).

Japan's economy shrank by 12.7 percent in the fourth quarter, the steepest drop in 35 years amid an unprecedented collapse in exports and production in the world's second-biggest economy.

The drop in Japan's GDP, in the October-December period, far outpaces declines of 3.8 percent in the US and 1.2 percent in the Euro zone.

Japan's economy minister Kaoru Yosano says Japan now faces "the worst economic crisis" in the postwar era.

Japan's economy has now contracted for three straight quarters. Compared to the third quarter, GDP fell 3.3 percent. If that rate continued for a full year, the economy would contract 12.7 percent.

For 2008, Japan's GDP shrank 0.7 percent the first decline in nine years.

Japan's exports plummeted a record 13.9 percent in the fourth quarter from the third quarter.

The IMF predicts Japan's economy will shrink 2.6 percent in 2009, outpacing the 2 percent overall decline it expects for advanced economies.

Singapore

Singapore's government has unveiled a multi-billion-dollar plan to boost spending and cut taxes in a bid to ease the worst recession in the city-state's history.

It also lowered corporate taxes, subsidised wages, guaranteed bank loans and spent more on infrastructure as part of the \$20.5 billion (US\$13.6 billion) stimulus package.

Singapore slipped into recession in the fourth quarter with real GDP contracting by 3.7 percent, following a decline of 0.2 percent in the preceding quarter.

"Our key objective in this package is to



The photo shows the Port of Singapore Authority container wharf in Singapore. Singapore's key exports in January fell by the largest amount on record, which provides further evidence of the city-state's deepening recession.

help Singaporeans keep their jobs," finance minister Tharman Shanmugaratnam said. "We have to expect many more jobs to be at risk this year."

The number of workers who lost their jobs last year soared to about 16,000, a five-year high.

Singapore's economy grew by 1.2 percent in 2008 as compared to a 7.7 percent growth in 2007.

Singapore has slashed its 2009 growth forecast, saying the economy could shrink as much as five percent as global demand for the country's exports collapses.

"Singapore's GDP growth is likely to be -5 to -2 percent in 2009 lower than the -2 to one percent growth range," Singapore's trade and industry ministry said.

The ruling People's Action Party is hoping the stimulus package's array of tax cuts and rebates will put cash in the pockets of consumers and resuscitate domestic demand.

The government will spend S\$5.1 billion to help companies avoid layoffs, highlighted by a cut of the maximum corporate tax rate to 17 percent from 18 percent.

It also plans to subsidise 12 percent of the first \$2,500 of each employee's monthly wages, hike cash handouts to low-income workers by 50 percent, and increase public sector hiring.

South Korea

South Korea's economy is slipping into recession with a sharp fall in exports and

domestic consumption amid a global economic downturn.

Exports in January plunged by a record 32.8 percent from a year ago to \$21.7 billion, sending the trade balance swinging to a deficit of \$2.97 billion.

Korea's US\$970 billion economy grew 2.5 percent in 2008, slowing from a 5 percent expansion a year earlier. Falling exports and wobbly financial markets have taken the steam out of Asia's fourth-largest economy, Korean officials said.

"The economic downturn is sharper than what we had predicted in mid-December, as exports, corporate profits, household income and domestic spending all are going downhill under the impact of the worldwide recession," said Choi Choonshin, an official at the Bank of Korea.

In the fourth quarter, the economy contracted 5.6 percent, its worst performance since the Asian financial crisis 11 years ago.

The government, aiming for a 3 percent growth in 2009, has allocated about 140 trillion won (US\$102 billion), or 15 percent of GDP, in liquidity injections, tax cuts and stimulus packages.

Taiwan

Taiwan's economy is projected to grow by only 2.12 percent in 2009 from an expected seven-year low of 1.87 percent in 2008.

Taiwan's final GDP figures for 2008 were to be released officially on February 19.

The economy was forecast to contract 1.73 percent in the fourth quarter of 2008

from the same period a year ago and another 0.31 percent in the first quarter of 2009, putting Taiwan's economy in official recession before expanding in the second, third and fourth quarters at 1.05 percent, 3.79 percent and 3.9 percent, respectively.

Many think tanks and economic research institutes are less optimistic about the prospects of Taiwan's economy, with many predicting near-zero growth rate for 2009.

Both Polaris Research Institute and the Academia Sinica put the 2009 GDP growth at less than 0.6 percent while the Taiwan Institute of Economic Research predicted a 0.89 percent expansion.

To boost domestic retail spending, President Ma Ying-jeou's administration has issued NT\$85.7 billion (US\$2.5 billion) worth of shopping vouchers to encourage consumers to spend. Each of the island's 23 million citizens, as well as foreign spouses, received NT\$3,600 (US\$105) worth of shopping vouchers. The government expects this programme alone to add 0.6 percent to this year's GDP.

The government also announced earlier an additional NT\$200 billion on top of the current NT\$500 billion stimulus package aimed at creating 150,000 new jobs in 2009 to combat Taiwan's rising unemployment rate, which climbed in December to its highest level since 2003.

(Other Asian countries will be covered in our next edition)