International Business News

European tax haven ministers meet in Luxembourg

AFP, *Luxembourg*

Switzerland, Luxembourg and Austria meet Sunday to prepare their defence against a growing international onslaught on tax havens.

Luxembourg Treasury Minister Luc Frieden was to host Swiss Finance Minister Hans-Rudolf Merz and Austrian Finance Minister Josef Proell for talks on how to defend banking secrecy.

Switzerland has been the driving force behind the meeting, eager to avoid being put on an international blacklist of tax havens due to be revealed at a summit of the Group of 20 industrialised and developing powers in London on April 2.

Switzerland has come under pressure from the United States and big European countries to yield on banking secrecy, which has made the Alpine country an international financial centre.

In February, Swiss bank UBS handed over information on up to 300 clients to the US government and paid a fine of 780 million dollars to settle a case in which it was accused of abetting tax fraud by US clients.

The US government has filed a separate lawsuit to try to force UBS to disclose the identities of 52,000 US customers who allegedly evaded taxes.

France and Germany last week proposed that G20 members punish countries deemed to be "uncooperative" tax havens by breaking off bilateral fiscal conventions with them.

Malaysia to unveil new economic stimulus plan

AFP, *Kuala Lumpur*

Malaysia will this week unveil a second stimulus plan worth up to 9.4 billion dollars in a bid to prevent its export-driven economy sliding into recession, a government official said.

Finance minister Najib Razak, who is expected to take over as prime minister next month, would announce details of the ambitious strategy in parliament on Tuesday, a government official familiar with the plan told AFP at the weekend.

"The government wants to ensure growth. We want to prevent the country from slipping into a recession," he said, speaking on condition of anonymity.

"It could be between 25 and 35 billion ringgit (6.7 and 9.4 billion dollars.) It is inclusive of everything, including tax cuts," he said.

Last month, the government said 13,000 Malaysians lost their jobs due to the global slump. There has also been bad news from the manufacturing sector.

Malaysia's January exports plunged 27.8 percent year-on-year, hitting their lowest level since 2001 amid falling demand from key trading partners.

AFP

Shoppers walk past a sale sign at a shopping mall in Kuala Lumpur yesterday. Malaysia will unveil a second stimulus plan worth $9.5 billion to prevent job losses and spur growth, as experts warn of a looming recession. Malaysia's January exports plunged 27.8 percent year-on-year, hitting their lowest level since 2001 amid falling demand from key trading partners.

Iran inflation hits 25.9pc

AFP, *Tehran*

Inflation, one of the biggest challenges facing oil-rich Iran, hit 25.9 percent in February, local news agencies reported on Sunday, quoting official figures.

Inflation rose to 25.9 percent in the Iranian calendar month of Bahman ending February 18 from the previous month's figure of 24 percent, the ISNA news agency quoted the central bank as saying.

The latest figure, although marginally higher than for January, is still lower than the September 2008 peak of 29 percent.

Central bank chief Mahmoud Bahmani has vowed to cut inflation to around 22 percent by March 20, the end of the current Iranian year, in a strategy of "increasing production and supplying goods proportionate to demand."

Central bank officials have cited growth in money supply as the prime factor for the surge in inflation, along with rising global prices.

Analysts predict that the government injecting oil money into the economy will keep inflation considerably high for years to come, despite the central bank's efforts to reduce excessive liquidity.

German car scrapping bonus revs up

AFP, *Frankfurt*

A German bonus for scrapping old cars to boost the auto market has lit a fire under domestic sales, with just a few voices dissenting amid general acclaim for the result.

"So far it can be considered a success," Economy Ministry spokesman Felix Probst told AFP last week after 150,000 applications had been received for a programme that offers 2,500 euros (3,200 dollars) for trading in a car at least nine years old.

Buyers must choose a car that is less than a year old, with the government ready to dole out 1.5 billion euros -- enough for 600,000 autos -- as part of a general economic stimulus plan worth 80 billion euros.

German car sales jumped 21.5 percent in February as a result, "the strongest level of February sales in 10 years," according to Matthias Wissmann, head of the German VDA federation of auto manufacturers.

Auto exports meanwhile collapsed, losing 51 percent in the same month to make the home market figures all the more welcome.

GLOBAL RECESSION

Remittance drop to hurt real estate

KAWSAR KHAN

Realtors feared the global recession might undermine the real estate sector's prospective growth unless special initiatives are taken, although the sector began to expand after a two-year sluggish trend when its growth slowed to 7.05 percent in 2006-07 from 8.31 percent a year earlier.

Construction takes up 9.16 percent of GDP (gross domestic product), according to 2006-07 data.

As exports and remittances are two major inputs to the economy, a negative impact of a prolonged and deepened global financial crisis on these two sectors is likely to affect the real estate sector.

"The remitters and their families buy around 35 percent of our total flats, while 40 percent apartments are sold to businesspeople majority of whom are exporters. So if exports and remittances are affected, there will be a negative impact on the real estate sector, said Sheikh Aftab Ahmed, chief operating officer of Shanta Properties Ltd, a real estate company.

Besides buying flats, people also undertake different construction works including building houses with the remittance that might be affected if inflow of foreign currency decreases on the global financial crisis, he added.

According to official reports, the country's exports slumped in the months of October and December of the current fiscal year that the businessmen attributed to the global financial meltdown.

Although the overall remittance inflow remains positive so far, reports said overseas workers in the Middle Eastern countries, the main source of remittances for Bangladesh, are now being forced to leave jobs.

In January some 4,817 migrant workers came back home on job losses, while the number was 701 in the previous month, according to official statistics.

"We all know that the recession in the USA originated from housing sector later crept into other potential sectors including banking and insurance," said Tanveerul Haque Probal, president of Real Estate and Housing Association of Bangladesh (REHAB).

Against this backdrop, the government will have to take safeguard measures so people do not lose confidence and invest in real estate sector, which he said would keep the economy rolling.

More investment in the sector will create more employment and keep the linkage industries of the sector vibrant, he added.

The realtors also urged the government to increase the volume of public construction works under the Annual Development Programme (ADP) to keep the real estate sector and hundreds of its linkage industries pulsating.

FAISAL PARAG

The global recession stokes fears that falling exports and an ebbing remittance inflow may take shine off the country's burgeoning real estate.

Bricks, cement, rods, furniture, paints and tiles are the main backward linkages of the real estate sector.

This year works in the real estate sector increased compared to the last two years, said Abdur Razzaq, general secretary of Imarat Nirman Sramik (building construction workers) Union of Bangladesh. But yet many of the construction workers do not get jobs regularly.

Now around 75 percent of some 40 lakh construction workers of the country can manage a job everyday but if the market performs badly, there will be a shortage of demand for workers, said Razzaq.

He however said the sector is performing better now compared to previous year since the job rate of the construction workers was around 65 percent last year.

Motaher Hossain, a member of Bangladesh Brick Manufacturers Owners Association, said recently consumption of bricks has increased what he believes due to a reduction in rod prices that led to resumption of different construction projects.

"But the performance of the construction sector is yet to reach the expected level as the implementation of public works has been very low for the last two years and the trend is still continuing," he added.

Forty percent of bricks produced in the country are consumed by the public sector, while the rest 60 percent by the private sector, he said.

According to statistics, the government implemented 69.58 percent of the original ADP for fiscal year 2007-08.

However rod manufacturers said reduction in prices has given rise to a demand for rods, inspiring different re-rolling mill owners to resume operations.

Now prices of 40-grade rod hover between Tk 41,000 and Tk 42,000 per tonne that was around Tk 65,000 in June last year, said Masudul Haque Masud, former general secretary of Bangladesh Re-rolling Mill Owners Association.

Prices of 60-grade rod are now ranging between Tk 50,000 and Tk 51,000, down from around Tk 70,000 in mid-last year.

But the cement manufacturers said their export to the seven-sister states of India jolted in recent months due to an imposition of 12 percent additional duty by the Indian government on cement import from Bangladesh.

"The production capacity of 50 cement factories in the country is between 14-15 million tonnes when the domestic demand is from 8 million tonnes to 9 million tonnes, which led to a shut down of 15-20 small cement factories in recent times," said Mostafa Kamal, president of Bangladesh Cement Manufacturers Association.

He suggested the government should construct concrete roads instead of making roads with bitumen to increase cement consumption.

"Many countries in the world construct roads with concrete as these are much more durable than bitumen-made roads, Kamal said, adding that such construction will increase domestic cement consumption.

Asked whether the global recession would take its toll on the real estate sector, Prof Nazrul Islam, an urban expert and Chairman of University Grants Commission (UGC), replied in positive.

"The rich, upper-middle and middle-class people are the main customers of the real estate products, so the real estate sector will be affected as the financial crisis is expected to reduce incomes of the people of these brackets dependent on remittances and exports," said Islam, also honorary chairman of Centre for Urban Studies.

He said a major use of remittance is house building, so reduction in remittance inflow is likely to slow housing works and impact all stakeholders.

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ANALYSIS

Asia must spend more to limit economic slide

AFP, *Singapore*

Asian governments need to roll out fresh stimulus measures to stop their economies from sinking further as the region reels from collapsing exports, regional analysts said.

A calculation by AFP showed Asia has unveiled spending measures worth at least 1.1 trillion US dollars since October, when the financial meltdown that began in the US home mortgage market exploded into a full-blown global crisis.

That total overshadows the 787-billion-dollar stimulus bill that President Barack Obama signed last month in a bid to rebuild the world's biggest economy amid its worst crisis since the Great Depression in the 1930s.

Other than spending massive amounts to pump-prime economies, there is little else Asia can do in the short term, Jan Lambregts, the Hong Kong-based head of regional research with Rabobank, told AFP.

"There is no place to hide for Asia in a global recession," said Lambregts.

"There is a role for the government to act as a spender of last resort, so to speak, to soften the blow," he said. "We are in a recession and this is about limiting the pain and making sure it does not spin out of control."

Unlike in 1997, during the Asian financial crisis, the region now has the "financial muscle" to fund government spending initiatives, he said.

Asia's much vaunted export engine has virtually ground to a crawl as US and European consumers cut back on consumption.

This photo shows a view of the container port in Singapore. Asian governments need to roll out fresh stimulus measures to stop their economies from sinking further as the region reels from collapsing exports, regional analysts said.

The current gloom engulfing Japan, the world's number two economy, is also overshadowing its smaller but equally export-reliant neighbours.

Japanese manufacturers are badly hit by an alarming slide in sales of items like cars and electronic products.

The country's exports almost halved in January from a year ago while factory production fell by a record 10 percent. Business investment chalked up its biggest decline of 17.3 percent in the final quarter of last year.

There are plans for a third stimulus package of at least 200 billion dollars to rescue the Japanese economy on top of two spending programmes worth over 500 billion dollars announced late last year, local reports and officials said.

Rising giant China's top planner said the country stood ready to expand on the 585-billion-dollar plan that was announced in November should the economy need further bolstering from the global downturn.

"Whether we want to increase investment, the decision will be based on the development of the situation," Zhang Ping, head of the National Development Reform Commission, said Friday.

Hong Kong has so far not announced any major spending packages on top of measures like extra business loans and analysts expect Financial Secretary John Tsang to stick to the territory's conservative fiscal policy.

Other export-driven countries like South Korea, Singapore and Malaysia have unveiled spending measures and more should be on the way given the seriousness of the situation, said Dariusz Kowalczyk of financial trading firm SJS Seymour.

"I think the governments in Asia are surprised by the severity of the (global) recession and are realising that demand is incapable of recovering on its own," said the Hong Kong-based chief investment strategist.

Malaysia is considering a spending plan worth 2.69 billion dollars on top of an earlier package worth almost 2.0 billion dollars announced in November.

In neighbouring Singapore, the government tapped its vast financial reserves to help fund a stimulus package of more than 13 billion dollars.

The city-state is facing its worst recession and chances of another stimulus package are high if the fortunes of the global economy do not take a turn for the better, economists said.

"It is highly likely, it is just a question of the timing," said Selena Ling, an economist with Oversea-Chinese Banking Corp in Singapore.

The city-state's founding father Lee Kuan Yew said the economy may contract by as much as 10 percent this year if exports continue to fall sharply.

In Indonesia, the parliament in February approved a 6.15-billion-dollar stimulus package, while Thailand plans to spend 54 billion dollars over four years to stimulate an economy also hit hard by domestic political upheavals.