International Business News

Kuwait expat workforce in first fall since 1990 invasion

AFP, *Kuwait City*

The expatriate workforce of the oil-rich emirate of Kuwait decreased last year for the first time since the Iraqi invasion of 1990, official figures showed on Sunday.

The number of foreign workers dropped to 1.75 million at the end of 2008 from 1.77 million a year earlier, a decline of 0.85 percent, as the global economic slowdown and a sharp fall in world crude prices bit, the figures showed.

Overall employment, including Kuwaiti citizens, also posted its first fall since 1990, inching down 0.19 percent to 2.088 million.

The fall in the foreign workforce saw the emirate's expatriate population record its lowest increase since the 1991 Gulf war in which a US-led coalition expelled Iraqi forces, rising just 0.4 percent to 2.35 million.

Expatriates have a higher birth rate than Kuwaiti citizens, contributing to the differing workforce and population figures.

The small rise in expat numbers contrasted markedly with the large increases of previous years. The foreign population rose 8.5 percent in 2007 and more than 11 percent in 2004.

Expatriates still make up 68.4 percent of the total population, however, slightly down from the 69 percent figure for 2007, the statistics posted on the Public Authority for Civil Information website showed.

Fed to stay aggressive in pushing recovery

AFP, *Washington*

The US Federal Reserve is likely to signal its intent next week to act even more aggressively in opening up credit markets to spark recovery from recession, analysts say.

At a two-day policy meeting opening Tuesday, the Federal Open Market Committee (FOMC) is expected to leave unchanged its base lending rates at zero to 0.25 percent as it mulls further moves to tackle the credit crunch and economic slump.

With the traditional tool of interest rate policy now exhausted, the central bank is focused on extraordinary efforts to pump up credit to boost the economy.

It has already started buying up mortgage securities and corporate commercial paper, and is set to launch a new program to pump 200 billion dollars into consumer credit through the purchase of securities linked to auto, student and other types of loans.

Fed chairman Ben Bernanke calls this "credit easing," saying it is aimed at stimulating borrowing and thus different from "quantitative easing" used in the 1990s in Japan and now mulled by other central banks.

Fed members "will do whatever is necessary to get the economy going, they will continue to drive that message home," said Julia Coronado, economist at Barclays Capital.

AFP

Thai workers look at job advertisements at the Queen Sirikit National Convention centre during a job fair exposition in Bangkok on Saturday. Thailand's government think tank National Economic and Social Development Board estimated that the country's unemployment rate will near 2.5 to 3.5 percent of the total workforce.

Obama to unveil proposals to help small businesses

AP, *Washington*

Amid misgivings over his spending blueprint, President Barack Obama has decided to provide billions of dollars in federal lending aid aimed at struggling small business owners.

The broad package of measures to be announced Monday includes $730 million from the stimulus plan that will immediately reduce small-business lending fees and increase the government guarantee on some Small Business Administration loans to 90 percent.

The government also will take aggressive steps to boost bank liquidity with more than $10 billion aimed at unfreezing the secondary credit market, according to officials briefed on the plan who demanded anonymity to avoid pre-empting the president's announcement.

"It's a huge step in the right direction," Giovanni Coratolo, director of Small Business Policy at the U.S. Chamber of Commerce, said Saturday. "In this economy, having the least amount of risk for banks will incentivise banks to lend to small businesses. A lot of small businesses will benefit from this."

Taiwan to allow up to two casino resorts

AFP, *Taipei*

Taiwan has taken another step forward in a move to lift a decades-old ban on casinos after it was decided no more than two casino resorts would be licensed at the beginning, it was reported Sunday.

The ruling Kuomintang (KMT), who control the legislature, pushed through a controversial bill in Parliament in January to lift the ban on casinos despite fears it could lead to more crime and damage morality.

The bill allows offshore islands to build casinos only if they are approved by residents in referendums.

Developers who win a licence would be required to build a hotel with a minimum of 1,000 rooms according to the result arrived at Saturday during a meeting of government agencies, the Chinese-language China Times reported.

The agencies also decided that the government would not issue the third licence within 10 years of licensing the second one to "avoid competition and reduce possible social impacts," the report said.

RECESSION

G20 bridges differences

AFP, *Horsham, England*

Before a key summit on tackling the economic crisis, rich and emerging nations have agreed common ground on hiking IMF funds and stricter market regulation but remain split on stimulus measures.

G20 finance ministers on Saturday vowed to take "whatever action is necessary" on the world economic slowdown, after talks preparing for a London summit of world leaders on April 2.

They played down signs of division between the United States and Europe on how best to boost the global economy, insisting the road to the summit next month was smooth.

"We're prepared to take whatever action is necessary to ensure growth is restored and we're committed to do that for however long it takes," British finance minister Alistair Darling said Saturday after hosting the G20 talks.

"I believe that this does provide a very clear sense of direction."

The politicians managed to reach agreement on the need for an "urgent" and substantial funding boost for the International Monetary Fund (IMF), although a communique issued afterwards did not state a figure.

They also agreed to some tougher regulation of the financial system.

But the meeting failed to reach consensus on a new stimulus package, despite controversial calls from the US, the world's largest economy, for coordinated international pump-priming in recent days.

US President Barack Obama, who will attend the London summit in April, denied there were divisions on how to tackle the financial crisis, deriding such a notion as a "phony" story drummed up by the media.

"I don't know where this notion has emerged that somehow there are sides developing with respect to the G20," Obama told reporters after meeting Brazil's President Luiz Inacio Lula da Silva at the White House.

AFP

Finance ministers from the G20 countries gather at the South Lodge Hotel in Horsham on the second day of a meeting on Saturday. G20 ministers vowed to take "whatever action is necessary" on the world economic slowdown.

Agreement on IMF funding came after the United States recently suggested that its lending capacity should be trebled to 750 billion dollars (580 billion euros).

European leaders want to double the figure to 500 billion dollars.

The G20 on Saturday stated its key priority was restoring bank lending to help ease the effects of the crisis.

But Germany and France are opposed to US calls for new stimulus, instead favouring tougher regulation to tackle the crisis.

French Finance Minister Christine Lagarde said she was "delighted" that the G20 was closer on agreeing tighter regulation of markets.

The United States, eurozone, Japan and Britain are all in recession as the global economy struggles to recover from the worldwide credit crunch that erupted in late 2007.

Commercial banks are lending less cash amid fears about their exposure to the collapsed US subprime property market.

Also Saturday, British Prime Minister Gordon Brown, who will host the G20 summit, and German Chancellor Angela Merkel talked up the prospect of agreement on April 2.

"I'm very positive, I'm very optimistic that we will be able to... come to an agreement together with the United States, with emerging economies such as China and India," said Merkel after meeting Brown.

Brown, meanwhile, highlighted US support for changes in regulations for hedge funds and other "shadow banking" operations.

Highly speculative and lightly regulated hedge funds have been blamed for fuelling instability in financial markets.

Measures agreed at the G20 talks in Horsham, near London, included regulatory oversight of all credit agencies, blamed for being too slow to alert investors to high-risk instruments, as well as a need for "sufficient supervision and regulation of hedge funds".

US Treasury Secretary Timothy Geithner on Saturday said there was unprecedented unity among the G20 on the economy, insisting: "The world is with us" when asked about stimulus.

"We are seeing the world move together at a speed and on a scale without precedent in modern times," he said.

"We have a very broad basis consensus globally now on the need to act aggressively to restore growth."

The G20, whose members also include Canada, India, Italy, Russia and South Korea, also pledged Saturday to "fight all forms of protectionism and maintain open trade" and stressed commitment to helping developing economies.

HIGHLIGHTS

AFP, *Horsham, England*

Main points from a meeting of the finance ministers of the Group of 20 richest and developing countries on Saturday ahead of a summit of G20 leaders in London on April 2:

- **Agreed to take decisive and coordinated action to boost demand and jobs**
- **Key priority is to restore lending by tackling problems in financial system**
- **Agreed on "urgent need" to increase resources of International Monetary Fund (IMF)**
- **Called on the IMF to assess the fiscal stimulus actions taken by individual countries**
- **G20 countries to continue to use monetary policy, including interest rate cuts, "as long as needed"**
- **Commitment to help hard-hit emerging and developing economies to cope with decline in foreign investment**

FUTURES TRADING

Commodity exchange market: Its requisites

MUHAMMAD AL AMIN

Bangladesh government has recently taken an initiative to establish a commodity exchange market. The immediate past caretaker government at a meeting on April 16, 2007 took the initiative to conduct a feasibility study on the establishment of this type of market. Even though the concept of commodity exchange market is new to us, it has long been in practice in the western countries. Recently this concept is gaining popularity in many of the Asian countries such as India and China, who are already accustomed to this market and have been in operation since 1993 and 2002 respectively.

Besides India, in South Asian context, Pakistan and Nepal have also established the commodity exchange market in their countries in 2007 and 2009 respectively. Sri Lanka is on the verge of introducing the commodity exchange. Among the African nations, Ethiopia initiated the commodity exchange market in April 2008 followed by Kenya. African country Ghana is also considering initiating this type of market immediately. The African commodity exchange markets trade only agricultural produces, whereas, the Indian commodity exchange market is trading 24 goods consisting of cash crops, food grains, plantations, spices, oil seeds and metals. Pakistan commodity exchange market trades gold, cotton, yarn, sugar, rice and wheat in their exchange centre in Karachi, while Nepal is exchanging cash crops, food grains, vegetables, spices, oil seeds, metals and bullion.

The traditional definition of commodity exchange market is that it is an organised market for purchase and sale of enforceable contracts to deliver commodities such as wheat, rice, gold, or cotton or a financial instrument like US Treasury bills or Eurodollars at some future date. Such contracts are known as futures and are bought and sold by means of a competitive auction process on the commodity exchange. This market in effect provides insurance against the risk of price changes by transferring that risk to speculators who are willing to assume it (Encyclopaedia Britannica, 2009). Commodity exchanges are divided roughly into three main types: metal exchange, fuel exchange, and soft (agricultural) commodity exchange. This market is also called commodity futures market.

The main purpose of this market is to establish a dynamic, efficient, and orderly marketing system that stabilises volatility in daily commodity market and helps set up a better functioning domestic market. While ensuring transparency, setting up an agro-based commodities exchange market (in Bangladesh) will protect the farmers from price drops and the buyers from price hikes.

Farmers can lock in prices through forward contracting and can reduce risk of drastic price drop. It also helps the farmers take a more educated planting decision depending on futures prices. Eventually it will empower farmers' choices.

The existence of a commodity market helps increase the liquidity or working capital of the farmers. Instead of borrowing from traditional sources like banks or usurers with high interests, this market assists farmers to accumulate funds without any interest.

Speculators and investors inject cash to the system through buying and selling the futures contracts. Commodity exchange market has the option to permit international traders to operate in the domestic market. However sometimes their unregulated access aggravates domestic inflation. Ethiopia is one such example. Its neighbouring food-deficient countries bought products and its domestic prices doubled.

The purpose of establishing this market in Bangladesh is many folds. This type of market is supposed to help the government effectively monitor the movement of prices of essential commodities and lubricate the supply chain. Another major objective is to create competitiveness and bring efficiency in market mechanism. It is also helpful in protecting drastic price fall after bumper harvest. In our country it is usually observed that after a bumper harvest, the prices of agricultural commodities like paddy and potato fall drastically. The commodity exchange market can protect this severe fall by selling the product in future market.

WWW.DL.GOV.CN

The Dalian Commodity Exchange, founded on February 28, 1993, is one of the futures exchanges in China.

However establishment of such a market requires some basic infrastructure, storage capacity and manpower, and efficient computer network. It will also require trading floor, warehouse delivery locations, and electronic price tickers. The huge investment that is necessary may come from government treasury, donor funds or from private sector. This market also needs strong quality certification and standardisation facilities, which will require a strong standard testing institution. To fulfil this Bangladesh will need to strengthen the BSTI, its existing standard testing institution. A network of warehouses in surplus areas, a network of remote access terminal centres in major markets and market information points at district level need to be created.

To establish warehouses, private sector investment can be an option but the question remains whether the private investors are interested to set up warehouses at their own cost. Ensuring incessant electricity supply is another important challenge, which will have to be met from the existing scarce stock unless significant investment takes place in this sector.

This market may reduce the number of intermediaries by establishing a direct relationship between farmers and traders. But ensuring farmers' participation will be tough. It is assumed that only big farmers will be able to enter this market because of their greater capacity, whereas the small farmers will have to rely on intermediaries. The government will have to think how the small and medium farmers can take part in this market.

To run the market effectively, a regulatory and monitoring body will be needed. However there are some questions attached to it -- whether this exchange market will be regulated by the Ministry of Finance or the Ministry of Commerce or by the Securities and Exchange Commission; what the legal infrastructure will be; whether it will be self-regulatory or a public-private joint company, etc.

However before initiating this kind of market, the government should assess its prospects in the context of Bangladesh and evaluate the experiences of other LDCs and performances of neighbouring countries. Before launching a full-fledged version of this market, th government can also implement a pilot project with less price sensitive products like potato and jute.

The writer is a research associate for Centre for Policy Dialogue (CPD), who can be reached at alamin@cpd.org.bd. Views expressed here do not necessarily reflect those of CPD.