

International Business News

Millions of Thais prepare for stimulus handouts

AFP, Bangkok
Thailand's government prepared Wednesday to give 2,000-baht (57-dollar) handouts to millions of people as part of a stimulus programme aimed at fighting the effects of the global slowdown.
Social security offices were opening at 8:00 am (0100 GMT) across the country on Thursday to hand out the so-called "gift cheques", while shops and businesses have launched promotions to entice consumers.
Around 7.5 million people have registered for the handouts. Only people with a monthly salary of 15,000 baht or less and who are registered for social security support are eligible.
"The cheque will help people's purchasing power," Prime Minister Abhisit Vejjajiva told reporters. "This is the hardest period of time, I hope it will help the economy."
The handouts are part of a 3.35-billion-dollar stimulus package announced by Abhisit in January as his government, which took office in December, tries to get Southeast Asia's second biggest economy back on track.
The rest of the package includes tax cuts, expanded free education and subsidies for transport and utilities to promote consumer spending.
Officials said 5.5 million can get the handouts immediately, a further 1.2 million have been approved but applied too late to get them on Thursday, and some 700,000 others are awaiting approval of their applications.

Japanese exports suffer record plunge

AFP, Tokyo
Japanese exports have almost halved from a year ago, a record plunge that puts the world's number two economy on course for its worst recession since World War II, data showed Wednesday.
Japan's dependence on foreign markets means that its economy has been one of the worst affected by the global downturn, which has pummeled demand for cars and high-tech gadgets.
"Japanese exports are unlikely to recover (soon), and it is difficult to foresee a rapid recovery unless the global financial crisis eases," said Commerzbank analyst Ryohei Muramatsu.
Japanese exports plunged 49.4 percent last month from a year earlier, surpassing January's slump of 45.7 percent, the finance ministry reported.
Shipments to the United States and Europe more than halved while demand from the once-booming Chinese economy dropped almost 40 percent.
The Japanese economy logged its worst performance in almost 35 years in the last quarter of 2008, shrinking at an annualised pace of 12.1 percent.



Workers clean the outside of a new commercial property in Beijing yesterday. China's huge four-trillion-yuan (\$580 billion) stimulus package is expected to contribute at least 1.5 percent to the nation's economic growth this year as the Asian giant continues to fight the global financial crisis.

Nike to stop shipments from China, Vietnam plants

AFP, Beijing
Sportswear producer Nike said Wednesday it would stop orders with three footwear factories in China and one in Vietnam as the global downturn forces the company to trim output.
It will also terminate shipments from a number of apparel contract plants, Nike said in a statement emailed to AFP. The locations of the apparel factories were not revealed.
"This is part of a long-term consolidation of our supply chain that we began in mid-2007," Erin Dobson, the company's spokeswoman in Beaverton, Oregon, told AFP.
"We are not immune to the current global economic situation and because of this we have accelerated our process."
Nike has given the factories between six and twelve months to find new customers to fill their capacity, she said, adding the company would keep "reviewing (its) supply chain for efficiencies."

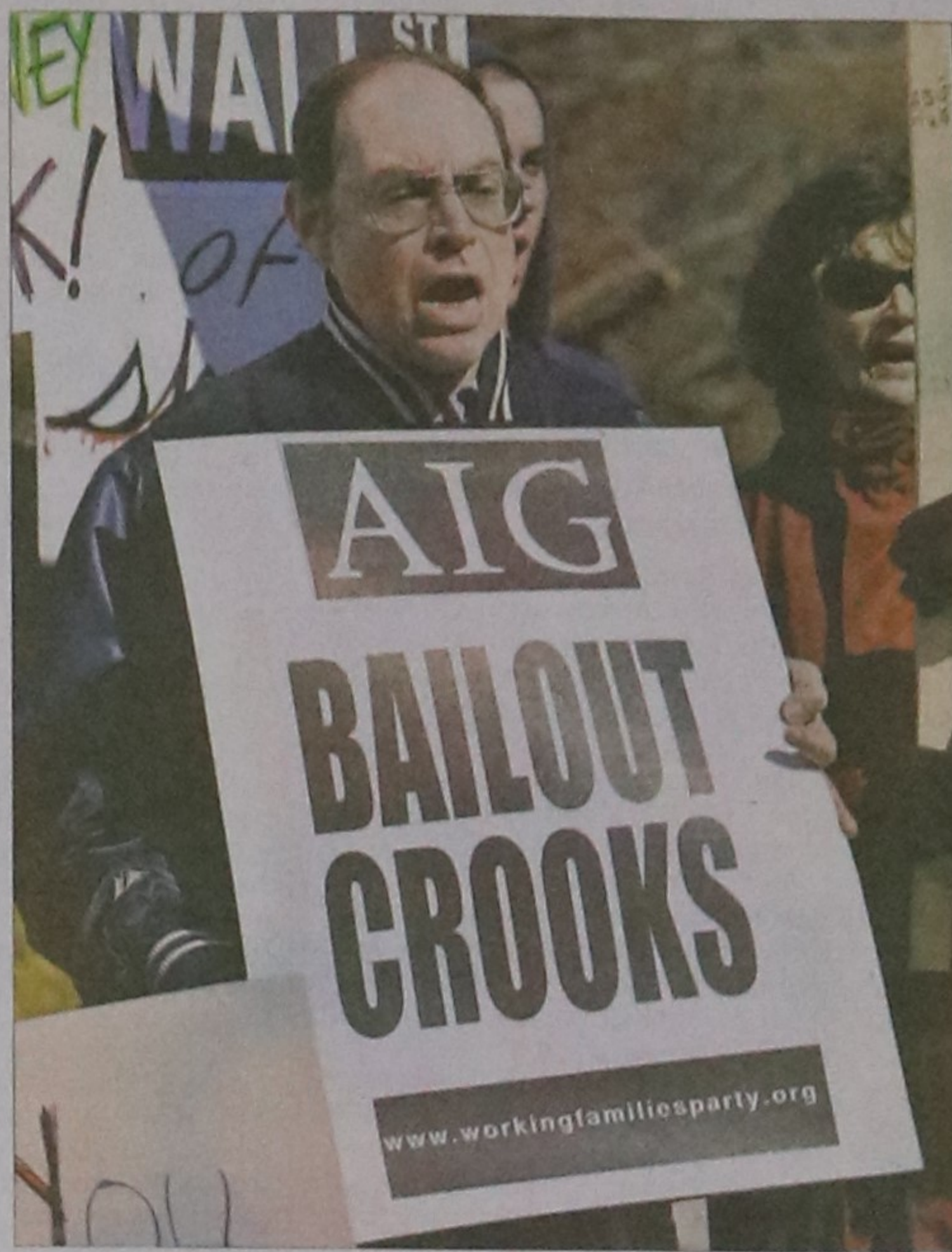
Philippines warns budget deficit may exceed limit

AFP, Manila
A steep economic downturn could push the Philippines' 2009 budget deficit more than 40 percent above the targeted limit, Economic Planning Secretary Ralph Recto warned Wednesday.
He said although the budget could soar to 257 billion pesos (5.3 billion dollars), or 44.4 percent above the set ceiling, the government would be able to handle it with extra borrowing -- unless interest rates shot up abruptly.
Last month the government cut its economic growth forecast to between 3.7 and 4.4 percent and raised the deficit ceiling to 178 billion pesos, or about 2.2 percent of gross domestic product (GDP) to boost spending.
But speaking after a cabinet meeting chaired by President Gloria Arroyo, Recto said flagging government revenues due to the global crisis would cause the budget deficit to hit 200 billion pesos.

US BAILOUT

Answering for AIG

AP, Washington
Pointing with dismay to the AIG debacle, the nation's top economic officials argued Tuesday for unprecedented powers to regulate and even take over financial giants whose collapse could imperil the entire economy. President Barack Obama agreed and said he hoped "it doesn't take too long to convince Congress."
Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke, in a rare joint appearance before a House committee, said the messy federal intervention into American International Group, an insurance giant, demonstrated a need to regulate complex nonbank financial institutions just as banks are now regulated by the Federal Deposit Insurance Corp.
"AIG highlights broad failures of our financial system," Geithner told the House Financial Services Committee. "We must ensure that our country never faces this situation again."
But the two appeared divided over where the authority should reside. Geithner suggested his Treasury Department's powers be expanded. Bernanke was non-committal, even suggesting the FDIC.



A man holds a sign as he gathers with other protesters outside the headquarters of AIG Financial Products in Wilton, Connecticut recently.

Both officials sought to channel the widespread public outrage over the millions of dollars AIG spent in post-bailout bonuses into support for regulatory overhaul. Geithner was expected to lay out more details on the administration's plan Thursday when he appears again before the committee.
Democrats in the Senate say the administration wants the proposal on taking over non-banks to move separately from the larger financial industry regulatory bill, to get it going more quickly.
At the White House, Obama told reporters, "We are already hard at work in putting forward a detailed proposal. We will work in consultation with members of Congress. That will be just one phase of a broader regulatory framework that we're going to have to put in place to prevent these kinds of crises from happening again."
Rep. Barney Frank, D-Mass., the committee chairman, said that "when nonbank major financial institutions need to be put out of their misery, we need to give somebody the authority to do what the FDIC can do with banks."
The government has given AIG over \$180 billion in bailout funds since it first intervened last Sept 16. The US now owns nearly 80 percent of the giant insurer.
"If a federal agency had had such tools on Sept. 16, they could have been used to put AIG into conservatorship or receivership, unwind it slowly, protect policy-

holders and impose haircuts on creditors and counterparties as appropriate," Bernanke said.
Both Geithner and Bernanke told the panel they did not become aware of the \$165 million in AIG bonuses until March 10, just days before the payments were made. However, lower-level officials at both agencies were aware of the payments.
At the time of the first AIG bailout, Geithner was the president of the New York Fed, which helped oversee the government intervention.
AIG is a globally interconnected colossus, with 74 million customers and operations in more than 130 countries.
"Its failure could have resulted

in a 1930s-style global financial and economic meltdown, with catastrophic implications for production, income and jobs," Bernanke told the panel.
Bernanke said it was "highly inappropriate to pay substantial bonuses" in such a situation. He said he had asked that the payments be stopped but was told that they were mandated by contracts.
"I then asked that suit be filed to prevent the payments," he said.
But Bernanke said his legal staff counselled against this action "on the grounds that Connecticut law provides for substantial punitive damages if the suit would fail."
Separately, Connecticut Attorney General Richard Blumenthal said the Fed "never contacted me or my office concerning the applicability of the Connecticut wage law to the AIG bonuses. If the Fed had called, we would have given the green light for litigation blocking these unconscionable bonuses."
Dealings between Congress and Geithner have been tense. But they were a little more relaxed in the aftermath of Monday's nearly 500-point surge in the Dow Jones industrial, though the Dow gave back about 116 points on Tuesday. The rise came in large part in response to the administration's unveiling of a public-private program to buy up to \$1 trillion in bad loans and toxic mortgage-related securities clogging bank balance sheets.
Still, there were a few pointed exchanges Tuesday.
Rep Paul Kanjorski, D-Pa, warned Geithner about any requests by the Obama administration for more taxpayer money to support financial bailouts.
"I assume that you recognize there's not an awful lot of sympathy up here to necessarily provide additional funds -- not going on the merits of whether the funds are necessary," he said.
"We recognise it will be extraordinarily difficult," Geithner acknowledged.
Rep. Brad Sherman, D-Calif, told Geithner: "What I fear here is

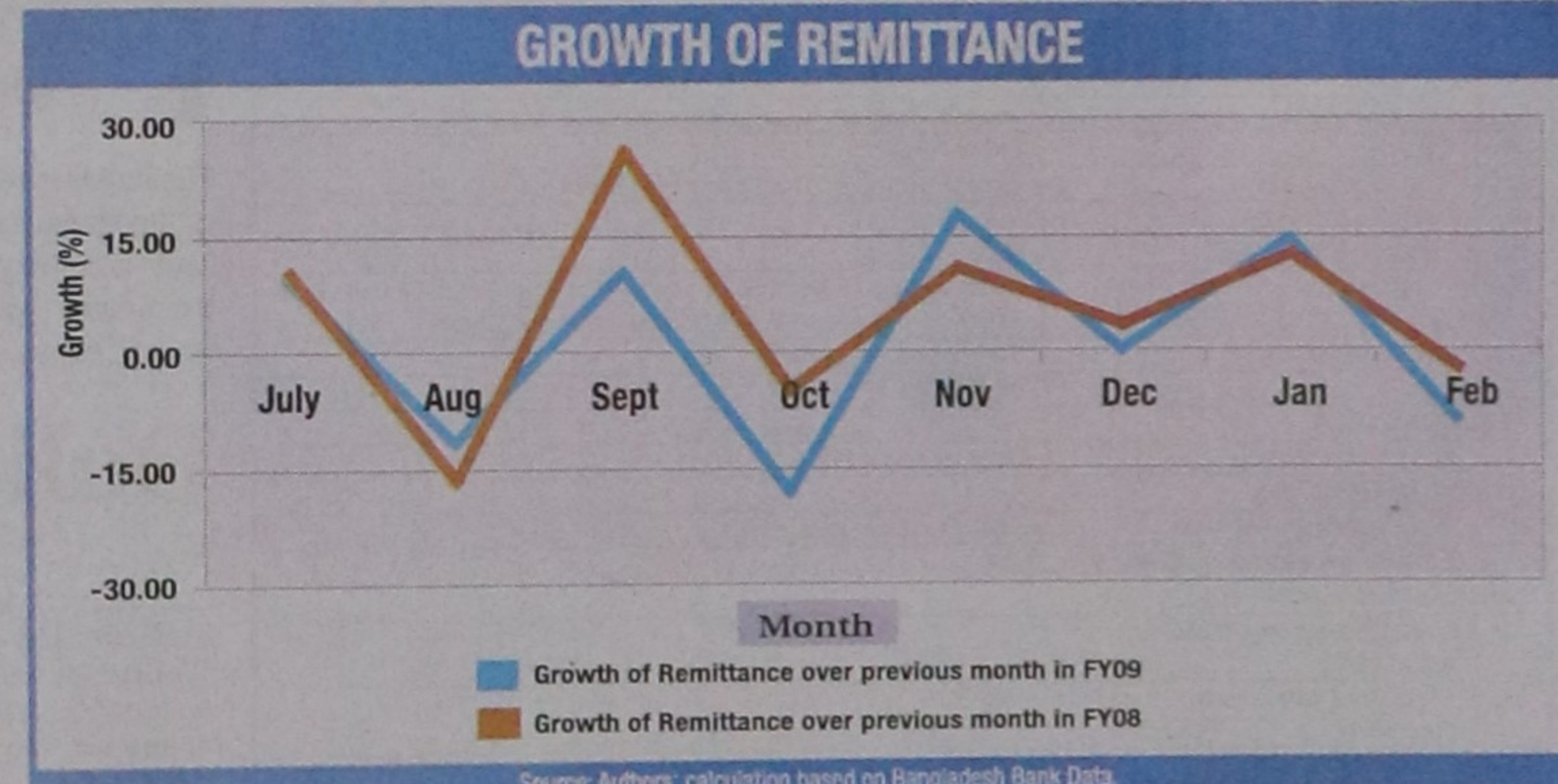
that we are doing a kabuki theatre in three acts."
"The first act: Washington tells the American people, 'We understand your anger at Wall Street.' In the second act, we nitpick to death any proposal that actually adversely affects Wall Street. And then, in the third act, we bestow another trillion dollars on Wall Street under extremely favourable terms."
Geithner made it clear he believes the treasury secretary should be granted broad powers after consultation with Federal Reserve officials -- to take control of a major financial institution and run it. The treasury chief is an official of the administration, unlike the FDIC, which is an independent regulatory agency.
AIG has become a symbol of reckless risk-taking on Wall Street. The bonuses came even as AIG reported a stunning \$62 billion fourth-quarter loss, the biggest in US corporate history. The government has bailed out AIG four times, to the tune of more than \$180 billion altogether.
New York Attorney General Andrew Cuomo said Monday that 15 employees who received some of the largest bonuses from AIG have agreed to return the money, totalling about \$50 million.
The House last week voted overwhelmingly to slap 90 percent taxes on the largest bonuses. But Republicans in the Senate are blocking similar legislation, and White House reaction to the legislation has been tepid at best.
Senate Majority Leader Harry Reid, D-Nev, told reporters on Tuesday Democrats were considering other alternatives.
"The issue is not over," he said.
But House Majority Leader Steny Hoyer, D-Md, said, "If the money is returned, the legislation may no longer be necessary."
Senate Republican Leader Mitch McConnell said Geithner should get credit for trying to fix the financial system.
"That's the real issue. And at least he's grappling with that," McConnell said.

MIGRANT WORKERS

Remittance hit by global crisis

SUPARNA HASAN and NUSRAT JAHAN
Bangladesh has witnessed robust growth in remittances in recent years. This has been led by good demand for blue-collar jobs in Asian countries. High remittance flow has also helped reduce the poverty level in Bangladesh by about 6 percent.
However, recent reports on cancelled visas for more than 55,000 Bangladeshi jobseekers in Malaysia highlights a threat that may reverse the trend in remittance flow in the country.
Earlier, in January, the government of Malaysia banned hiring of new foreign workers in the manufacturing and services sectors after the country forecast that 45,000 Malaysians would lose their jobs in the next few months due to the global financial crisis. After that, the Malaysian Trades Union Congress (MTUC) demanded the call for foreign workers to be banned. They said the situation for Malaysians was bleak enough since more than 16,000 local workers would be laid off from October 2008 to the end of February 2009. Finally, on March 10, Malaysia has decided to cancel all entry visas for Bangladeshi workers wanting to enter the country.
About five million Bangladeshis are residing abroad, mainly in Saudi Arabia, Kuwait and Malaysia, for job purpose. Remittances sent by these expatriates stood at around \$9 billion in FY 2009, the highest foreign exchange earning in real terms. Through earning huge foreign exchange, this sector has established itself as a goldmine for Bangladesh, accounting for 9.5 percent of the total GDP, next to the readymade garments (RMG) Sector, according to the World Bank. This sector has always followed an upward trend. According to the central bank figures, remittances sent by expatriate

Bangladeshis soared by 33 percent in FY2007-08 to \$7.94 billion, compared to \$5.97 billion a year ago.
During the first eight months of FY 09, this trend continues to follow a mid level positive trend by earning remittance of \$6.2 billion, which was about 27 percent higher than the first eight months of FY 08. However, experts were speculating that this bright scenario would not continue in the second half of the FY2009 because of the global financial turmoil, which has already started to become visible from February 2009.
We can consider the chart for a better comparison between FY 08 and FY 09. If we carefully observe and compare the figures between January-February of the two FY, we will see the inflow of remittance decreased 9.33 percent in February 09 from January 09. In the previous year, it also followed a declining trend for the same period but at only a 3.02 percent rate. It seems the inflow actually went down by more than 3 times for the same periods between these two consecutive fiscals. The reason behind this diminishing remittance flow from January to February 2009 stems from the fact that the workers living abroad were facing the threat of layoffs. It seems they wanted to secure their earnings by sending it back home.
To provide employment to their own citizens, countries like Malaysia slashed their work permit approvals nearly by 70 percent after the financial downturn started. Malaysia is home to more than 4,00,000 foreign workers who are mainly involved in plantations, construction sites, factories and restaurants.
In January and February of 2009, 250 permits on average were approved daily, compared to 800 last year, following a more stringent vetting process by the authorities (The Daily Star, 2009). The



recent cancellation of visas of 55,147 Bangladeshis is not actually lawful as their entry permission was approved back in 2007 by the Malaysian government. These Bangladeshi jobseekers have already spent large sums of money to process documents for their visas. They paid at least a part of the recruiting fees in advance, usually a sum equivalent to more than \$2,000. Bangladeshi agents have also invested in Malaysia for the employers to pay taxes to their government.
In the near future, this scenario could repeat itself in the major labour market of the Gulf region. Hence remittance flow is expected to be hampered severely. To cope with the upcoming situation, the government needs to explore new opportunities around the world. Malaysia froze the intake of new foreign workers in the manufacturing and service sector but that does not lessen the significance of manpower in other sectors such as construction or plantation. Malaysian Human Resource Minister Dr S Subramaniam defended the presence of Bangladeshi workers saying that they would be taking up jobs in the plantation and construction sec-

tor, where the ban would not be applicable. Many Bangladeshi workers are also learning to tap rubber and harvest palm oil. Therefore, the Bangladesh government should consider this option seriously and should train potential migrant labours as per the requirements of the labour-receiving countries. One important issue needs to be noted in this regard. Bangladeshi workers are facing problems of cheating, exploitation and underpay by their agents and employers, especially in Malaysia. The government should strongly check these irregularities and take necessary steps to stop these fraudulent practices.
The government should also make the overseas jobs more cost effective. The poor workers need to pay a lot of money to fulfill the necessary fees and demands of the manpower exporting agencies. Most of the time, these poor jobseekers fall prey to fraud middlemen and agencies and waste their money. The institutional capacities of the relevant ministries and other government departments should be strengthened, so that they can strongly handle fraudu-

lent practices. The foreign missions of the Bangladesh government need to play an effective negotiating role to ensure a stable working environment for the workers.
Finally, Bangladesh should reduce its dependence on remittance for economic growth. Poverty is extensive in Bangladesh and the light of education has not reached every citizen's door yet. But to eradicate poverty, it is not appropriate to export people to other countries and have them send back foreign currencies by living an inhuman life. Rather, the government should mobilise local resources and create employment for this vast pool of people inside the country. This large section of population should not be treated as a burden, rather they should be considered as a resource, which many developed countries lack. It is crucial for the government to realise this fact and formulate a programme to utilise the human resources.
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