International Business News

Australia approves Chinese stake in Fortescue Metals

AFP, *Sydney*

Australia Tuesday conditionally approved Hunan Valin Iron and Steel Group's billion-dollar investment in Fortescue Metals Group, as debate rages over China's moves into the country's resources.

Treasurer Wayne Swan has rejected a takeover bid by China's Minmetals and the government is still considering whether to allow Chinalco's 19.5 billion dollar stake in Rio Tinto.

"Consistent with this approval and with its agreement with Fortescue, Hunan Valin will not hold above 17.55 percent in total," Swan said in a statement.

Swan said he had also insisted that any Valin representatives nominated to the Fortescue board complied with a range of measures designed to prevent conflicts of interest between the Australian and Chinese firms.

"They ensure the appropriate separation of Fortescue's commercial operations and customer interests, and support the market-based development of Australia's resources," he said.

Canberra last week rejected a 2.6 billion dollar bid from China's Minmetals for OZ Minerals because one of its mines was in a restricted military zone used for rocket testing. Minmetals has now tabled a revised proposal.

The government is also considering whether to let Beijing-owned Chinalco take a stake in debt-laden mining giant Rio Tinto.

Hard Rock to roll out more Asian hotels

AFP, *Hong Kong*

The head of Hard Rock International said Tuesday the leisure firm was looking to expand its rock-and-roll themed hotel franchise across Asia despite the financial crisis.

Hamish Dodds, president and chief executive officer of the US-based group, said it was working on deals to open Hard Rock Hotels in Tokyo, Beijing, Shanghai, Bangkok, Jakarta and Hong Kong over the next few years.

The group currently manages two hotels in Asia -- one in Pattaya, Thailand, and the other in Bali, Indonesia -- and it is launching three new hotels in Macau, Malaysia and Singapore later this year.

"We have a number of negotiations ongoing in Asia. It's a good time to be looking around," he told AFP in Hong Kong.

"We certainly have better bargaining power now because of the availability of distressed assets and better leases (amid the crisis)," he said.

Dodds said the company has stepped up its search for potential sites and franchise partners in Asia.

In June, the company will open a 300-room Hard Rock Hotel in the southern Chinese gaming hub of Macau.

AFP

An Iraqi investor uses his binoculars to look at the dealing board at the Iraq Stock Exchange in Baghdad yesterday. The Iraq Stock Exchange announced that it would have a computerised system to show the movement of shares. Iraqi Exchange and Securities Commission Chairman Abdul-Razzak al-Saadi said the new system would replace two blackboards that are manned by personnel using chalk to record all changes.

Eurozone inflation slumps to record low at 0.6pc

AFP, *Brussels*

Inflation in the 16 countries using the euro slumped to a record low of 0.6 percent in March, the European Union's Eurostat data agency estimated Tuesday.

The fall brought 12-month eurozone inflation to the lowest point on records going back to 1996 and was down sharply from the 1.2 percent that Eurostat booked in February.

After hitting a record high of 4.0 percent last June and July, eurozone inflation has fallen sharply as oil and other commodity prices have collapsed in the face of a deep economic downturn.

The sharp drop in inflation has paved the way for interest rate cuts by the European Central Bank (ECB), which slashed its main rate earlier this month to a record low of 1.50 percent.

The ECB, which strives to keep eurozone inflation close to but less than 2.0 percent, is widely expected to cut the rate again at meeting on Thursday to a new record low of 1.0 percent.

CNOOC's 2008 profits jump 42pc

AFP, *Hong Kong*

CNOOC, China's biggest offshore oil and gas producer, said Tuesday its net profit soared 42 percent last year on increased output and high oil prices in the first half.

But chairman and chief executive officer Fu Chengyu said the company faced a "severe winter" in 2009, as oil prices remained weak.

Net profit for the 12 months ending December 31 was 44.38 billion yuan (6.49 billion US) up from 31.26 billion yuan a year earlier, the firm said in a statement to the Hong Kong Stock Exchange.

"In 2009, we continue to feel the pinch of a severe winter," said Fu.

"The global economy is still in the dark night. Oil prices continue to wane. For the oil industry, the cold winter still prevails."

Fu said that despite the downturn the firm would continue to increase capital expenditure and expand the company's exploration operations.

G20 SUMMIT

Big slide in global trade looms

AP, *Geneva*

With global trade sliding, analysts say some of the world's most powerful leaders may need to offer more than ritual support for open markets when they meet this week if they are to steady a teetering economy and avoid a damaging retreat to protectionism.

The presidents, prime ministers and chancellors of the Group of 20 nations have halfheartedly respected their pledge of four months ago to avoid turning inwards in fighting the economic crisis. Since then, world commerce has plummeted in a way unseen since the Great Depression.

With no concerted strategy for a revival, some economists say a rash of go-it-alone stimulus packages and industry bailouts could lead to trade wars - causing havoc in one of the key driving forces to the world's economic growth since World War II.

"We're playing with fire," said Jagdish Bhagwati, an economist at Columbia University. "The system was designed to avoid the free-for-all wrestling of the 1930s. If the US and France start saying, 'This is legal so I am going to do it,' everyone else will start to play that game."

The World Bank says 17 of the 20 countries whose leaders are meeting in London on Thursday have resorted to protectionist measures since declaring their opposition to such action during a November conference in Washington.

The World Trade Organisation says most of the major powers -- from the United States and European Union to China and India -- have erected new barriers to imports in the form of tariffs, subsidies or other measures designed to protect domestic industries.

Part of the problem is that the financial collapse shattered confidence in the world's economic order, which includes as a major tenet the free flow of goods and services. With the recession deepening, pressure has ramped up on governments to come up with more ways to protect farmers, manufacturers and service providers from competitors overseas.

"The case for trade needs to be made more effectively, including by us," said Keith Rockwell, spokesman for WTO chief Pascal Lamy, who will attend the London summit. "It behooves all of us to explain the benefits of trade, and what it means to economic growth and development."

For 60 years, international trade has been a major driver of the global economy, outpacing GDP growth and spurring gains in both rich and poor countries. But trade is being hit hard by the crisis, with the WTO recently predicting that global commercial activity will shrink 9 percent in 2009 after 27 years of uninterrupted expansion.

The main cause is the sharp drop in demand for goods, both domestic and foreign, but analysts warn that protectionist sentiment threatens to make recovery far more difficult.

And slower, said Ed Gresser, trade director at the Progressive Policy Institute in Washington.

He said merchandise imports in the United States, the world's biggest market for foreign goods, has fallen about a third - to $210 billion a month from $310 billion only a half-year ago. That's slightly worse than the 30 percent fall in trade in the first six months after the 1929 market crash.

"We're in bad shape and I wouldn't say we've seen the bottom yet," Gresser said. "Governments haven't really been working together. But they aren't really working at odds with each other. If they did, we could be in for a very hard time."

From footwear to steel to automaking, the G-20 countries have contributed to a protectionist swing, and there may be little the leaders can do in London to immediately reverse that trend, beyond broader attempts to stimulate the economy and fire up demand.

There are a host of smaller spats among the participants.

China is fuming over a US ban on its poultry over safety concerns; Washington is looking to move against subsidies it accuses Beijing of paying manufactures. Farm exporters are upset with the 27-nation European Union's reintroduction of dairy subsidies; and European nations are bickering among themselves over auto bailout packages and which members will have to shoulder job cuts.

The danger is best highlighted in a dispute between the U.S. and Mexico over trucking. Mexico has raised tariffs on 89 American products worth $2.4 billion in annual trade in retaliation for a US decision to cancel a programme that gave Mexican truckers access to US highways. American fruit, wine and washing machines will be among the goods affected.

"If anyone doubted the danger of tit-for-tat, the Mexican response was a pretty clear indication that things can spiral out of control pretty easily," said Rockwell at the WTO. "That helps nobody. Everybody knows this intellectually, but each and every one of the leaders is facing protectionist pressures from domestic constituents."

AFP

A protestor addresses onlookers outside the Bank of England in London yesterday. During a speech at the historic St Paul's cathedral, British Prime Minister Gordon Brown emphasised the need for regulation to have a moral dimension from the Group of 20 leading developed and developing countries at Thursday's summit.

RECESSION

Govt policies will avert Depression: OECD

AP, *Paris*

Haunted perhaps by the ghost of Herbert Hoover, global leaders have steered the world away from a 1930s-style Great Depression by a "very, very, high level of awareness" of the policy errors of his era, a top international economist said as he released an OECD study of efforts to save the world economy.

Klaus Schmidt-Hebbel, chief economist for the Organisation for Economic Cooperation and Development, spoke to The Associated Press as he slashed forecasts for growth in the 30 rich countries that make up its membership, predicting the economies of the OECD countries will shrink by 4.3 percent this year, and by 0.1 percent next year.

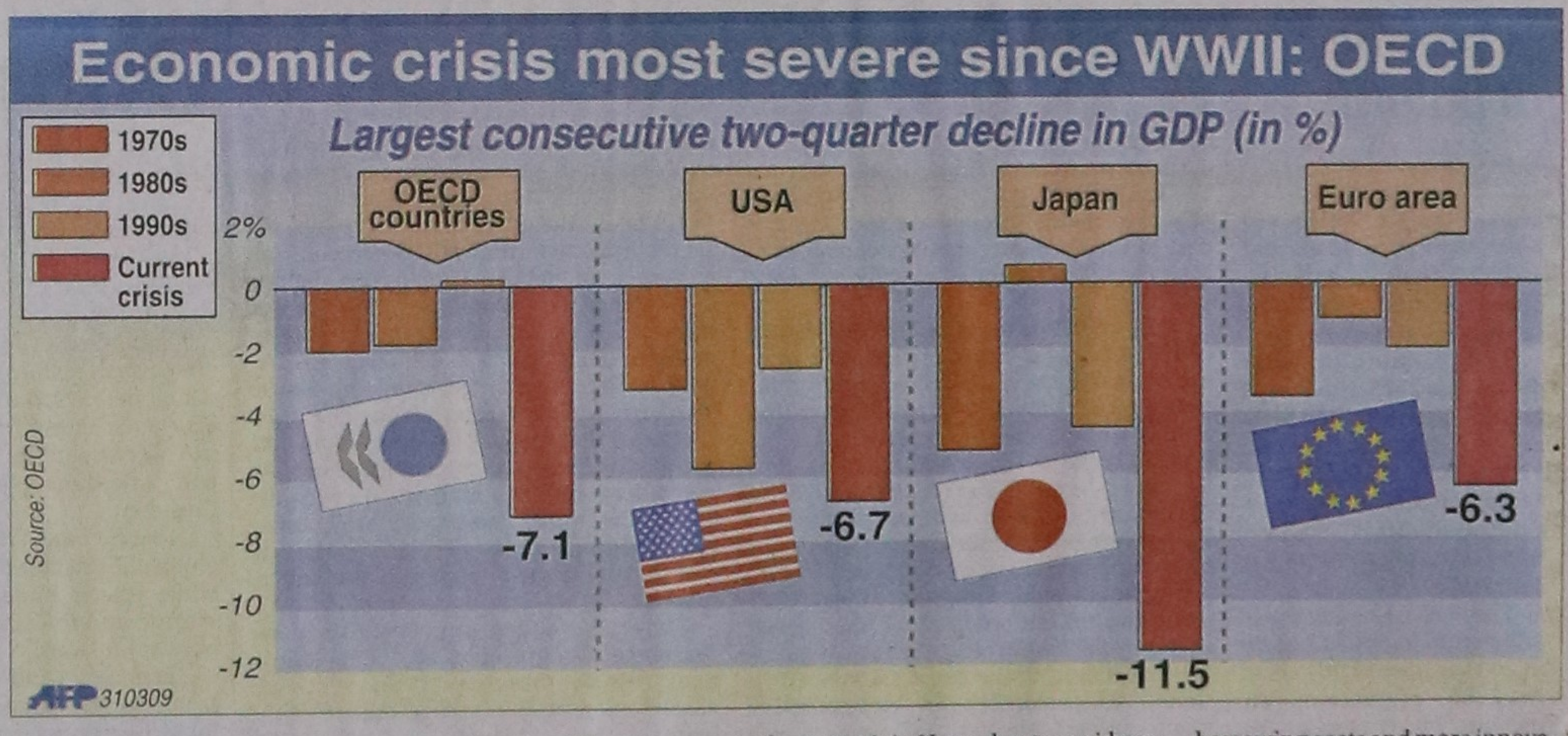
The new forecasts released Tuesday compare with a November forecast that the OECD economy would shrink by 0.4 percent this year and grow by 1.5 percent in 2010.

It would have been worse without government stimulus plans, which will add 0.5 percent to the OECD economy this year and next, according to the Paris-based organisation. The new spending is a sharp contrast with Hoover-era policy, which saw protectionism and efforts to balance budgets and raise interest rates.

"We would be looking into a Great Depression like scenario if we had done the same policy mistakes which were done in the 1930s," Schmidt-Hebbel said in an interview at the OECD headquarters in Paris.

The club of rich nations predicts a "policy-induced recovery" will start to pull the global economy out of recession in 2010.

Jobless lines could keep growing through 2011, the organisation said, noting that the number of unemployed in the Group of Seven rich countries will almost double in mid-2007 to reach some 36 million people in late 2010.



As Group of 20 leaders of rich and developing countries prepare for a summit in London this week, European countries are emphasising a toughened regulatory system for global finance while the US administration has urged more spending -- an idea that holds little interest for Europeans wary about debt.

Three years of stimulus measures until 2010 add up to 5.6 percent of 2008 gross domestic product in the United States, compared with 3 percent in Germany, 0.6 percent in France, 1.4 percent in Britain and 2 percent in Japan, the OECD study shows.

Thanks to more generous social programs however, European governments require less extra stimulus to cushion the impact of recession and safety nets may need to be strengthened in countries like the United States, the OECD said.

Economies absorb the extra spending in different ways, and only for the United States and Australia will the stimulus package boost growth by more than 1 percent of GDP this year and next.

In Germany, where people are more likely to save, the OECD estimates the impact at 0.5 percent of GDP this year and 0.7 percent in 2010.

When it comes to spending, Germany and Canada could afford more stimulus, the OECD says. High debt levels means Italy and Japan cannot.

Schmidt-Hebbel said governments have mostly avoided the protectionist urges that raged in the 1930s, helping convert a recession into the worst economic quagmire in human memory and toppling US President Hoover, who lost the 1932 election to Franklin Roosevelt.

Even though a World Bank study showed 17 of the G-20 countries have implemented trade-restricting measures since they pledged at a summit in November to avoid protectionism, he said the measures are limited and there "should be sufficient pressure on countries to reverse or remove" them.

The US Federal Reserve, which disastrously tightened monetary policy in 1928, should keep its near zero-rate interest rate policy through 2010 and consider buying more long-term US Treasuries and agency securities to support growth and stave off deflation, the OECD said.

The European Central Bank could cut rates further and expand the supply of money by buying securities, which would support growth, he said. The ECB is restricted by European Union rules that forbid it from buying bonds directly from governments, although it could buy corporate debt or lengthen loans to banks.

High praise is reserved for the Bank of England, which Schmidt-Hebbel says has been "very exemplary" in both quickly cutting borrowing costs and more innovative ways of supporting the economy.

The priority for the G20 should be to fix banks by removing toxic assets - such as securities for which markets have dried up amid the financial crisis -- from their balance sheets and by getting banks more capital, the OECD said.

Schmidt-Hebbel said President Barack Obama's plan to rid banks of toxic assets by using private and public money, announced after the report was written, "makes a lot of sense," though questions whether there are sufficient funds or private sector interest for the plan to succeed.

The OECD said the United States is likely to contract by 4 percent in 2009 and stagnate in 2010. The 16-nation euro-zone will likely shrink by 4.1 percent this year and by 0.3 percent next year, while Japanese output is expected to contract by 6.6 percent in 2009 followed by 0.5 percent next year.