

International Business News

US budget deficit nears \$1 trillion: Treasury

AFP, Washington  
The US budget deficit accelerated in March to hit a record nearly one trillion dollars just halfway through the current fiscal year, as the government moved to bail out troubled institutions, government data showed Friday.

The deficit for the first six months of the fiscal year which began on October 1 was 956.80 billion dollars, according to the Treasury's monthly statement of receipts and outlays.

Receipts during the six-month period to March 2009 were 989.83 billion dollars while outlays amounted to nearly 1.95 trillion dollars, the data showed.

The March deficit of 192.27 billion dollars was higher than the 160 billion dollars expected by most analysts, coming on the back of money poured by President Barack Obama's administration to rescue financial institutions.

All six months of the fiscal year so far recorded red ink. The last time the United States plunged into a consecutive six month deficit was during the October 2003-March 2004 period, officials said.

The nonpartisan Congressional Budget Office (CBO) forecast last month the budget deficit could hit 1.845 trillion dollars for the whole year based on Obama's 3.5-trillion-dollar budget plan approved by Congress early this month.

The CBO said its budget deficit estimate for fiscal 2009, which ends on September 30, would be four times the 2008 record shortfall and amount to 13.1 percent of the country's total economic output.

G7 economies in retreat, some signs of improvement: OECD

AFP, Paris  
The Group of Seven major economies are going deeper into reverse but fragile signs that the slowdown is easing are beginning to emerge in a few countries, the OECD said on Friday.

"Tentative signs of improvement in the rate of deterioration in the outlook are appearing in some countries," the Organisation for Economic Cooperation and Development said in a report.

Although signs were noticeable in Italy, France and some smaller OECD countries, they were still highly "tentative," the group warned amid a growing debate over whether "green shoots" of recovery from the global crisis are emerging.

An increasing number of analysts believe that while the worst global slump since the 1930s has a long way to go, the pace of the downturn is easing, suggesting a recovery is possible at the end of this year or in early 2010.

There are also others who believe such optimism, however qualified, is out of place, with the world economy in the middle of a radical readjustment after years of excess.



AFP  
Sri Lankan vendors arrange traditional sweets at a stall in Colombo yesterday, ahead of traditional Sinhala and Tamil New Year celebrations. The government says this will be the first traditional new year to be celebrated without the Tamil Tiger rebel challenge in the island for over three decades.

Taiwan passes \$4.41b stimulus plan

AFP, Taipei  
Taiwan approved a 149 billion dollar (4.41 billion US) stimulus budget Friday as the government moves to help the island weather the global economic crisis.

The package agreed by parliament for 2009 is part of a 500 billion Taiwan dollar four-year plan proposed by the cabinet in November that includes infrastructure projects and business incentives.

President Ma Ying-jeou said he hoped that the budget would give a shot in the arm to island's economy.

"We hope to create some 190,000 to 220,000 new jobs and to contribute a 0.68 percent increase to the gross domestic product with the budget," he told a press conference.

After the budget was passed, legislative speaker Wang Jin-pyng told reporters he appreciated the cross-party support it had received, adding "I hope the ruling and opposition parties will work together to help revive the economy."

Taiwan plunged into recession in the fourth quarter of 2008 as the economy contracted a record 8.36 percent, while the 2009 gross domestic product is forecast to contract 2.97 percent.

China bank loans hit record high in March

AFP, Beijing  
Chinese banks lent a record amount of money in March as they responded to government calls to support the economy in the face of the global financial crisis, the central bank announced Saturday.

New loans climbed to a monthly record of 1.890 trillion yuan (277 billion dollars) in March, from 1.070 trillion in February and 1.620 trillion in January, according to bank figures.

Chinese banks lent a total of 4.580 trillion yuan in the first quarter, close to the target of five trillion set by Beijing as the minimum banks must lend for the whole year.

An unnamed official from a financial institution, quoted Wednesday by the Shanghai Securities News, said the surge in loans had forced the China Banking Regulatory Commission to pay more attention to risk control.

BUSINESS LIFE

No job, no problem

AP  
It's not unusual for shoppers to get their money back when something doesn't work or fit. But now companies are throwing refunds at customers for a new reason: They've lost their jobs.

Relaxed mortgage or car payments and even a new suit are among the deals to be had for consumers who are unemployed or worried about losing their jobs. And marketing experts say these offers are anything but charity. They aim to preserve long-term relationships and kick-start the stagnant economy.

Here are some questions and answers about special employment-related deals.

Q: Who's offering some of the biggest deals?

A: Carmakers have been dangling discounts and 0 percent financing for months to draw people to their lots. Now some are breaking out employment-related guarantees.

On Tuesday, Ford Motor Co and General Motors Corp both announced temporary offers to cover some car payments for people who lost their jobs. And Hyundai Motor Co said earlier this year it will allow buyers to return a vehicle within a year if they can't make the payments due to a job loss or disability.

For some unemployed homeowners, Citigroup Inc said it will temporarily lower mortgage payments to an average of \$500 a month.

Q: There's no way I'll buy a car right now. Are there any smaller-scale deals out there?

A: There's a wide variety, depending on where you shop.

Drugstore operator Walgreen will offer free in-store clinic visits to the unemployed and uninsured for the rest of the year. Patients who lose their job and health insurance after March 31 will be able to get help for respiratory problems, allergies, and skin conditions, among other ailments.

Men's clothing retailer JoS A Bank Clothiers Inc will refund the price of a suit if the buyer loses his job, and the customer gets to keep



Culinary students do prep work for a meal during a butchery class at the Le Cordon Bleu programme at California Culinary Academy in San Francisco, California on Friday. Popularity of food shows and an increase in concern over food safety have many people considering a career in the food industry, which offers a broad range of jobs from food critics to chefs. In 2008, the Institute of Culinary Education saw a 12 percent increase in enrolment inquiries.

the suit -- which can come in handy for job interviews. The deal applies to suits purchased during the company's \$199 sale from March 16 to April 9.

The airline JetBlue, under its "Promise Programme," is offering a full refund for hotel reservations and plane tickets to people who lose their jobs prior to their trips.

Last fall, the New Jersey Nets gave free tickets to unemployed fans who submitted their resumes. Now the basketball team is offering a full refund if fans who purchase 2009-10 season tickets before May 31 lose their job before that season starts next fall.

Q: What's the motivation here? Unemployed people seem to be the type of consumers retailers would avoid.

A: If you think some of these guarantees smack of desperation, you're right, to an extent.

Consumers have clamped down on spending, and busi-

nesses are getting somewhat desperate to fix that, said Jean-Pierre Dube, a marketing professor at the University of Chicago's Booth School of Business. One approach is to remove some of the risk that comes with making a purchase.

"What firms are effectively doing is trying to offer forms of insurance," he said.

They also want to preserve their customer base because they know the recession will end at some point, and they're willing to take a short-term loss to avoid losing business permanently.

Businesses also have become much more focused on understanding customers and their needs, said Eric Anderson, a professor at Northwestern University's Kellogg School of Management.

"Whether this is a token response or a real response, they're trying to make sure that they're listening to their customers," he said.

Q: Isn't it risky to offer full refunds based on a customer's employment or lack thereof?

A: Yes, and that worries Dube.

Companies that offer full refunds for a product failure or quality issue normally have a sense for how many people will take them up on that. But Dube thinks retailers are taking a chance with these employment-related offers because it's hard to budget for returns based on someone's job status -- a factor they can't control.

Q: Why are consumers staying home?

A: It's the economy, stupid. Many people either have seen a pay cut, lost their job or are worried about that happening. If those factors don't apply, they've probably seen a big drop in personal wealth things like their home value or retirement savings.

That makes the consumer reluctant to spend, especially on

expensive items like cars.

Q: Will these refund offers or payment breaks make consumers dust off their credit cards and resume shopping?

A: That's hard to say.

Businesses aren't the only ones trying to entice the consumer. Government stimulus checks and tax cuts also aim to spur spending. But the longer the recession lasts, the more motivation companies need to provide to attract business, said Brian Bethune, an economist with IHS Global Insight.

Each individual refund probably makes little difference on its own.

"But if you get enough things going on at the same time, then the whole point is to try to put a few warm coals together and get a fire," he said. "Once you spark a certain improvement in psychology, then suddenly you get some improvement."

"But it's a very difficult set of circumstances right now."

G20 SUMMIT

The hope for new world order

HASANUZZAMAN

On the backdrop of global financial crisis, the G20 top leaders, who met in London on April 2, sought to rewrite the rules of global finance and reshape financial institutions.

They also aimed to equip those with necessary arsenal in order to effectively combat the ongoing crisis.

The rich nations' group, which together accounts for nearly 90 per cent of the world economy, was formed following the Asian financial crisis to discuss the then issues tied to financial meltdown. According to the G20 Accord signed in the London Summit, the leaders are committed to [undertake] an unprecedented and concerted fiscal expansion, which will save or create millions of jobs which would otherwise have been destroyed, and that will, by the end of next year, amount to \$5 trillion, raise output by 4 per cent, and accelerate the transition to a green economy.

So what has been achieved in the G20 meeting?

To put it simply, the 29-point G20 leaders' statement has addressed two key issues, from the perspective of Bangladesh and countries who have witnessed strong structural transformation in terms of their economies over the years, from being aid-dependent to trade-reliant, and, also (partially, if not entirely) a prescription to accommodate the concerns that have been put forward by the G20 leaders.

Firstly, in the aftermath of any global crisis whether in the domains of financial or agricultural, it is imperative to revive the world economy. It needs to be mentioned here that the G20 Accord stipulates a global deal worth \$1.1 trillion and when disaggregated, under the new funding commitments, \$500 billion has been pledged for the IMF so that it can carry on its lending activities; \$250 billion to boost global trade, which is expected to be in the form of loans or guarantees and made available over the next two years through the Multilateral Development Banks (MDBs) and another \$250 billion to establish an 'overdraft facility' within the IMF to help countries cope with the crisis.



G20 leaders Saudi King Abdullah Bin Abdel Aziz (first row L), Chinese President Hu Jintao (first row R), (second row from L to R) US President Barack Obama, Italian Prime Minister Silvio Berlusconi, Russian President Dmitry Medvedev and New Partnership for Africa's Development (NEPAD) Meles Zenawi pose for a photo during the G20 summit at the ExCel centre in London yesterday.

figure, primarily aimed at stirring up the almost stagnated world economy, overshadows the way the world actually works. Even the lion's share of the deal, allocated for the IMF, will not come about unconditionally. Furthermore, the nearly one-fourth amount of \$250 billion, meant for boosting world trade, will not be easily accessible by countries that really need it. Given that the global financial crisis has thrown many banks (which were considered to be successful in the past) into trouble, banks in general have become more vigilant over providing credit without being warranted of its return.

Secondly, the G20 Accord shed some light on the darkening economic landscape of many countries that rely on trade to maintain their record GDP growth rates in recent years. The World Bank has estimated that an additional 50 million people will fall into poverty because of the enduring global recession. The G20 leaders have committed themselves to conclude the Doha Round of trade negotiations, which were

launched under the auspices of the WTO almost eight years ago. Despite the progress made in many areas (especially in the annexure of the non-agricultural market access (NAMA) modality, developed countries, particularly the EU and the US, and also developing countries such as India and Brazil, did not share the same opinions in the agriculture text (especially with regard to the issues relating to Special Safeguard Mechanisms (SSMs)).

Furthermore, they have also committed to attain the millennium development goals (MDGs) and also to realise their respective overseas development assistance (ODA) pledges made in the Gleneagles Summit, including commitments on the Aid for Trade (AT) initiative. This initiative was mooted in the Fifth Ministerial meeting in Hong Kong in 2005 to assist developing countries, particularly the least developed ones, in meeting the trade-related needs and integrating them into the world trading system.

In such encouraging signals emanating from the G20 Accord,

one is obliged to inquire how far Bangladesh can avert the crisis fallout, since the country's external sector is being increasingly integrated with the globalised economy.

Trade figures for the first half of FY2008-09 reveals that overall earnings from exports were still significant. For now, it can be safely affirmed that Bangladeshi exports, excluding jute goods, tea, frozen food and leather products, are not yet fully feeling the real pinch of the global financial crisis (perhaps because of the inelastic nature of demand for our exports). However, services exports may come under severe pressure in the immediate outlook, and Bangladeshi workers are experiencing retrenchment in affected countries and as a result of the global contraction being felt in many developed countries, the prospect of going abroad is being choked.

Nevertheless, such mixed performances in terms of exports of goods and services, depict an increasingly volatile global market.

Despite encouraging words from our policymakers, I am

doubtful whether the tornado in world economy is going to weather off so early before it gets gloomier. It can be hoped that the Doha Round will be revived at least by the year-end. On the same issue of WTO related affairs, it is worth mentioning here that there remain many ambiguities on AIT's different pillars or type of funding, which requires further clarification.

For now, it can only be hoped that countries like Bangladesh are able to participate in such summits, even if not as members but as observers. Given the huge global deal of \$1.1 trillion, predominantly meant for struggling economies, Bangladesh needs to do necessary homework in preparing herself to gain an access to such funds. It needs to be highlighted here that the Centre for Policy Dialogue (CPD) has prepared a report on 'Aid for Trade: Needs Assessment from Bangladesh Perspective' which could be used by the respective policymakers in taking a more informed decision when accessing funds under the AIT scheme.

To conclude, the G20 Accord embodies a large measure of hope for the trade-dependent developing countries. It will, perhaps, provide the impetus for reviving the world economy and make the workings of the global financial system more transparent and at the same time, ensure that the gains that have been achieved as a result of trade liberalisation and the process of globalisation are not entirely reversed. Nevertheless, setting aside the summit's economic connotation, the political corollary at global level is bound to have long-term implications. On the one hand, many scholars have predicted a new world order which has been attributed to the strength of G20, while some others have raised doubts whether the G20 will be able to maintain its cohesiveness when the crisis is over. In my opinion, given the faith of leaders on both sides of the Atlantic in cooperation and coordination as essential pre-requisites for continuing economic growth, the G20 is likely to evolve into a stronger entity with a solid foothold in the global political economy regime.

The writer is a researcher at the Centre for Policy Dialogue (CPD) and he can be reached at hasanuzzaman@cpd.org.bd