

International Business News

Britain set for crunch recession budget

AFP, London

Britain will unveil a recession-fighting budget this week, seen as vital for Prime Minister Gordon Brown as he struggles to boost his flagging fortunes ahead of a likely election next year.

Finance minister Alistair Darling will deliver the government's 2009/2010 taxation and spending plans before parliament on Wednesday amid a global financial crisis which has dragged the world into a sharp economic downturn.

Britain, in its first recession since 1991, has been hit hard and is battling soaring unemployment and public debt, plus a slumping property market and tax revenues.

"It's an important budget, and the one by which the government will be judged by in the next general election -- including how it manages this recession," said Oxford University economics professor Linda Yueh.

Brown, meanwhile, will be hoping it can turn the page on a string of recent political scandals, including this month's resignation of a top adviser over a planned smear campaign against the main opposition Conservative Party.

Calling it "one of the most important budgets since the Second World War", the Daily Telegraph newspaper said in an editorial Saturday: "We need a safe budget to restore trust in politics".

Gas powers dramatic Qatar growth: Kuwait bank

AFP, Kuwait City

Qatar's economy made massive strides in 2008 as gas production enabled the tiny Gulf state to mitigate the impact of the global meltdown, a Kuwaiti bank said on Sunday.

National Bank of Kuwait said gross domestic product in Qatar -- which has the third largest gas reserves on the planet -- is estimated to have grown by 18 percent in real terms last year, "an extremely fast pace by any standard."

In nominal terms, GDP jumped 44 percent to 372 billion riyals (102 billion dollars) in 2008 from 70 billion dollars the previous year, said the bank, basing its estimates on unofficial figures.

"The gas sector (almost) doubled in size in 2008, partly on higher energy prices, but also on the continued increase in output volumes," NBK said.

But the bank, which releases regular research notes on the six Gulf monarchies, said the outlook was not so bright for the OPEC member's energy-dependent economy.

"If oil prices remain at current levels, that is below their 2008 averages, Qatar could see little, if not negative, nominal growth this year as the price effect drags down GDP," NBK said.



Indian workers package ice cream at the Hasmor ice cream plant in Ahmedabad yesterday. The ice cream factory, established in 1944 by Satish Chandra Chona, a former ground engineer for the British Overseas Aircraft Corporation (BOAC), supplies ice cream to India's Gujarat, Maharashtra and Rajasthan states. Soaring summer temperatures across many Indian states have increased the demand for ice cream.

Obama to convene cabinet to cut govt spending

AFP, Washington

US President Barack Obama, faced with mushrooming budget deficits, announced he will convene his first full cabinet meeting Monday and ask his secretaries for specific plans to cut spending.

He also added to his administration two new officials, Jeffrey Zients and Aneesh Chopra, whose task will be to streamline processes, cut costs and make the government more efficient.

"And this Monday, at my first, full cabinet meeting, I will ask all of my department and agency heads for specific proposals for cutting their budgets," Obama said in his weekly radio address Saturday.

The announcements came after 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.

Vietnam reduces taxes to push up demand

AFP, Hanoi

Vietnam will reduce some tariffs on goods and services to push up demand in the face of an economic slowdown, according to a decision signed by the prime minister.

Value-added tax (VAT) on garment and textile products, cement, and motorbikes will be reduced by 50 percent between May 1 and December 31, said the ruling signed on Thursday.

Registration fees for cars with fewer than 10 seats will also be reduced by half, while garment and footwear enterprises will benefit from a 30 percent cut in corporate income tax for the fourth quarter of last year, it said.

The cuts were to "stimulate demand and consumption" and prevent an economic downturn, the government said in a statement.

A separate government announcement said farmers, who are suffering the most from the slowdown, will from May get concessionary interest rates for bank credits to buy Vietnamese-made farming tools and processing equipment. The credits will be interest free or reduced by four percent depending on the amount involved.

BANKING

Credit, deposit must fall in line

AB Bank MD says

SAJADUR RAHMAN

The third generation private commercial banks (PCBs) have propelled the deposit rates up in Bangladesh. Some banks have offered high rates to attract deposits and other banks had to follow suit, in their frantic efforts to retain clients.

"A bank has to price its credit facilities based on the cost of deposits," says Kaiser A Chowdhury, president and managing director of AB Bank, the first commercial bank in the private sector.

PCBs offer a rate of up to 13.5 percent for fixed deposits, which is within a single digit for state-owned commercial banks (SCBs). SCBs can offer loans at lower interest because their deposits cost lesser than PCBs.

Chowdhury blamed the 3G banks for these high deposit rates, which gave rise to an unhealthy competition in the banking industry.

"Other banks also have to offer high rates to stop fight of their deposit, the main source of a bank's funds," says the experienced banker, who has been with AB Banks since 2005.

He cites different examples of how the high rate of deposits has given rise to propositions of a fixed rate. Fixed deposits now account for 65 percent of the total deposit with AB Bank, which was 58 percent in 2006. It is more or less the same with other banks too, the AB Bank MD says.

In an exclusive conversation with The Daily Star, Chowdhury also dwelt on various issues tied to banks, businesses and the global



Kaiser A Chowdhury

complaints from clients on the rate of interest," says Chowdhury.

The central bank and businesses have long been blaming the banks for this high rate. Recently, the central bank has set the bank lending rate ceiling at 13 percent, except consumer lending, to revamp economic activities.

So banks are now in a dilemma. They are unsure as to how they will cut the rate for deposits, which are still awaiting maturity.

A reduction in the rate of interest or rescheduling is not the only means to revamp the economy.

"I don't receive any serious

complaints from clients on the rate of interest," says Chowdhury.

He says the lending rate is not the only component of a bank's business costs. "Manufacturing, overhead and energy costs are also vital."

Power and gas crisis pushes the cost of business up, says the career banker.

"Who will bear the cost of a 3 month delay in gas connectivity or frequent power outages?" questions Chowdhury.

He said raw materials account for a 65-70 percent cost of a manufacturing unit, followed by 10-12

percent administrative costs, 3 percent depreciation and 5-6 percent financing cost.

For the banking industry in 2009, he said, it would be a challenge to retain profitability, in comparison with previous years.

"Sustaining business will prove to be a challenge in 2009 for bankers," says Chowdhury.

However, he links the bank profitability to quality of a bank's assets and loan portfolio.

"If the portfolio heavily relies on the readymade garments or spinning sector, a bank may be busy in rescheduling," senses the

AB Bank boss.

He says a bank would be in trouble if two out of every five clients were negatively affected by the global economic situation.

"I don't want the quality of the bank's assets to deteriorate this year," says Chowdhury. "We are continuously counseling our customers."

The banker believes there would be pressures on banks' margin this year. "Banks have to devise strategies to retain the margin, or banks may increase the volume of trade to counter the impacts," adds Chowdhury.

On the present business trends, he says, "Growth is slow this year." He advises strengthening treasury and credit risk management this year.

Bank advances in the January-March period of 2009 grew only 6 percent. "We are getting no new large investment proposals this year, not even for syndicated financing," says the banker.

On the ongoing global financial crisis and its impacts, he says it will take time to overcome, at least another Christmas.

But the banker looks upbeat on his bank's business this year.

AB Bank's profit after tax rose to Tk 230 crore in 2008 from Tk 190 crore in 2007. Non-performing loans, as a percentage of advances, reduced to less than three percent in 2008 from 4.31 percent in 2007.

AB Bank is set to celebrate its 27 years of operations this year. All of its 74 branches are online. The number of staff in the bank is 2,000.

sajad@thendaystar.net

TECHNOLOGY

Wanted: Computer hackers ... to help US govt

AP, Washington

Federal authorities aren't looking to prosecute them, but to pay them to secure the nation's networks.

General Dynamics Information Technology put out an ad last month on behalf of the Homeland Security Department seeking someone who could "think like the bad guy." Applicants, it said, must understand hackers' tools and tactics and be able to analyse internet traffic and identify vulnerabilities in the federal systems.

In the Pentagon's budget request submitted last week, Defence Secretary Robert Gates said the Pentagon will increase the number of cyberexperts it can train each year from 80 to 250 by 2011.

With warnings that the US is ill-prepared for a cyberattack, the White House conducted a 60-day study of how the government can better manage and use technology to protect everything from the electrical grid and stock markets to tax data, airline flight systems, and nuclear launch codes.

President Barack Obama appointed a former Bush administration aide, Melissa Hathaway, to head the effort, and her report was delivered Friday, the White House said.

While the country had detailed plans for floods, fires or errant planes drifting into protected airspace, there is no similar response etched out for a major computer attack.

David Powner, director of technology issues for the Government Accountability Office, told Congress last month that the US has no recovery plan for a digital disaster.

"We're clearly not as prepared as we should be," he said.

Administration officials say the US has not kept pace with technological innovations needed to protect its computer networks against emerging threats from hackers, criminals or other nations looking for national security secrets.

US computer networks, including those at the Pentagon and other federal agencies, are under persistent attack, ranging from nuisance hacking to more nefarious assaults, possibly from other nations, such as China. Industry leaders told Congress during a recent hearing that law enforcement and other protections are too outdated to fend off threats from criminals,



and repairing damage from cyberattacks and other computer network problems.

Just last week, a former government official revealed that spies had hacked into the US electric grid and left behind computer programs that would let them disrupt service. The intrusions were discovered after electric companies gave the government permission to audit their systems,

said the ex-official, who was not authorised to discuss the matter and spoke on condition of anonymity.

Cyberthreats are also included as a key potential national security risk outlined in a classified report put together by Adm. Mike Mullen, chairman of the Joint Chiefs of Staff. Pentagon officials say they spent more than \$100 million in the last six months responding to

the 60-day review to examine how federal agencies manage and protect their massive amounts of data and what the government's role should be in guarding the vast networks that control the country's vital utilities and infrastructure.

The analysts keep constant watch on the government networks as part of a program called Einstein that was initiated by the Bush administration under the US Computer Emergency Readiness Team.

Short said the \$60 million, four-year contract with US-CERT uses the ethical hackers to analyse threats to the government's computer systems and develop ways to reduce vulnerabilities.

Faced with such cyberchallenges, Obama ordered

A task force of technology giants, including representatives from General Dynamics, IBM, Lockheed Martin and Hewlett-Packard Co urged the administration to establish a White House-level official to lead cyberefforts and to develop ways to share information on problems more quickly with the private sector.

The administration has struggled with the basics, such as who should control the nation's cyberspace programs. There appears to be some agreement now that the White House should coordinate the overall effort, rejecting suggestions that the National Security Agency take it on - a plan that triggered protests on Capitol Hill and from civil liberties groups worried about giving such control to spy agencies.