

International Business News

Malaysia to liberalise banking sector

AFP, Kuala Lumpur

Malaysia Monday announced measures to liberalise its banking sector, allowing nine new banking and insurance licences and easing foreign ownership limits for non-commercial banks.

Prime Minister Najib Razak said that the move, which comes shortly after he liberalised parts of the services sector, was aimed at making Malaysia more competitive amid the global downturn.

"The liberalisation measures announced today aim to enhance Malaysia's linkages with international economies and promote greater economic regional integration," he told a news conference.

The nine new banking and insurance licences to be issued between 2009 and 2011 include five for commercial banks, two for Islamic banks and two for operators of "takaful," or Islamic insurance.

The foreign equity limit for investment banks, Islamic banks and takaful operators will be raised from 49 to 70 percent.

"The foreign equity limit for domestic commercial banks will remain at the current 30 percent," Najib said.

Malaysia currently has 13 locally incorporated foreign banks, including HSBC and Citibank, and three foreign Islamic banking operators. No new foreign commercial banks have won approval to operate here for more than a decade.

Up to 70,000 more jobless in France

AFP, Paris

Between 60,000 and 70,000 people joined the ranks of France's jobless in March, slightly fewer than in February, Economy Minister Christine Lagarde said in an interview on Monday.

France had 2.38 million unemployed workers at the end of February after 79,900 lost their jobs in a single month as the economic crisis forced factories and businesses to close.

"In March, there were between 60,000 and 70,000 more job seekers," Lagarde told Le Figaro newspaper. Officials figures were to be announced later Monday.

On Sunday, Lagarde described the jobless data as "not catastrophic" but "not good news either."

"We have to expect bad figures for some time," she said, adding that even if the economy recovers, it will take some time for the positive effects to be felt in the job market.

The figure for March was also lower than in January when 90,200 people lost their jobs in France.

The French government expects the economy to shrink by 2.5 percent this year but is banking on a turnaround in 2010.

Independent economists expect French unemployment to cross the threshold of 10 percent at the beginning of 2010, up from its current rate of just over 8.2 percent.



A vendor displays bananas for sale on a tree along a street in Phnom Penh yesterday. Cambodia's economy will shrink by 0.5 percent this year, the International Monetary Fund said, lowering its earlier prediction as the country is hit by the global financial crisis.

Mitsubishi Motors logs loss but sees return to black

AFP, Tokyo

Japan's Mitsubishi Motors Corp. said Monday it fell into the red in the last financial year due to a sharp fall in sales and a stronger yen, but it forecast a return to profit this year.

Japan's fourth-largest carmaker reported a net loss of 54.9 billion yen (566 million dollars) for the year to March, a turnaround from a profit of 34.7 billion yen in the preceding year.

Operating profit plunged 96.4 percent to 3.9 billion yen as revenue fell 26.4 percent to 1.97 trillion yen.

The automaker said the business environment remained tough but it was starting to see some signs of an improvement.

"We believe that conditions will remain severe but compared to the beginning of this year, we are gradually starting to see a bottom," Mitsubishi Motors president Osamu Masuko told reporters.

The company forecast an operating profit of 30 billion yen and a net profit of five billion yen for this business year.

Workers protest against unpaid wages in Singapore

AFP, Singapore

More than 100 construction workers from China gathered outside Singapore's manpower ministry Monday to complain about unpaid wages and cancellation of their work permits, witnesses said.

The workers sat for about two hours at the steps of the ministry, at a busy intersection near the Chinatown district, and shouted at ministry officials and police officers to air their grievances.

There was no violence, an AFP reporter at the scene said.

At one point, police warned the workers to disperse within five minutes or face arrest. They left but regrouped across a road from the ministry, and voluntarily dispersed about an hour later.

Workers interviewed by AFP said they had not been paid their wages after their Chinese "boss" absconded with the money. They also complained that their work permits had been cancelled without warning.

COLUMN

Vision amid depression

HABIBULLAH N KARIM

The call of the present government to work towards a 'Digital Bangladesh by 2021' stands on the vision of an equitable economic prosperity being armed with an educated workforce and a just society based on rule of law.

That's a beautiful vision that no citizen in his right mind will contest. However, what we are seeing all around us negates all that. If morning shows the day then the inauspicious countdown to vision 2021 leaves us all vulnerable and shell-shocked for now.

The unbearable water and electricity crisis during this peak summertime, the ever-escalating traffic jams and never-ending car queues at CNG filling stations, the continuing violence on campuses and insolent posturing by criminal dons under protection of ruling-party affiliates, the return of expatriate workers in torrents making daily headlines, garments and other exports feeling the pinch of global recession and a parliament that devotes more time to protecting the pork-barrel provisions of the parliamentarians and their power turfs than discussing the acute needs of the nation and you have pretty much all the ingredients of a nation sinking into chronic depression.

But this does not have to be so. Just a few months ago despite all the economic and civic utility woes (sans the political hooliganism), the people of this country voted the AL to overwhelming majority in the parliament because they wanted to believe in the vision of a better Bangladesh and they wanted to see the AL sow the seeds of that vision right from the get go. While three-and-a-half months is nowhere near the time necessary to right the course of this nation, the citizens want to see some proactive deeds in good faith that will show them that the government means business when it comes to charting our destiny towards vision 2021.

On the global front most of the world may be in recession and the global GDP may be shrinking but we still have a robust economic engine that is projected to eke out a growth rate of around 5 percent this year and next. Bangladesh has nearly tripled its GDP since 1990 and its per capita GDP today is only a quarter short of the mid-income economy band.

On the other hand, although we happen to be the 7th most populous country in the world, our economic

output puts us at a distant 59th position (World Bank 2008 data). However, in terms of economic growth we rank 27th in the world now and in the course of next two years that ranking is expected to improve a bit if we hold on to the 5 percent growth mark as the world economy ebbs under recession.

Based on the growth trends of our economy and the aging trend of our population, experts estimate that by 2050 Bangladesh will be one of the top 25 economies of the world (contributors to Wikipedia put us at rank 22 in 2050). Of course that's a bit far off and the modern day economic paradigms may or may not hold that far into the future but at least that could be a base ground of hope for this nation. Working backwards from this base ground we just have to see how we could move the year-peg forward to say 2040 for the same or better economic achievement. 2040 is only 30 years away. Someone entering the labour pool of the country today will still be working and hopefully will see the results of his/her labour turning the country into an economic powerhouse by then.

While the whole world is captivated by the economic and political clout of the G7 block, for us Bangladeshis there are two other exclusive blocks or clubs that we can strive for one is the G20 i.e., becoming a member of the elite group of the global top 20 economies of the world (quite achievable by 2040 as said earlier) and the other is E7 i.e., the emerging 7 economies of the world as categorised by Price Waters Coopers (PWC). Currently the E7 includes Brazil, Russia, India, China, Indonesia, Mexico and Turkey.

If Bangladesh can maintain and improve upon its economic growth rate in the next five years that will encourage PWC to include us in an expanded group of fast emerging economies. These are not pies in the sky but realistically quite achievable targets if we properly plan and execute that blueprint even with our own resources. Now it's up to the government of the day to take the obvious steps in realising this vision, which they themselves proffered to the nation. Please don't make us lose hope rather help us believe in this vision of a better Bangladesh for all.

The writer is the founder CEO of Technohaven Company Ltd and president of the Bangladesh Association of Software and Information Services (BASIS). He welcomes feedback at hnkrim@gmail.com



The unbearable outage during the peak summertime is just one crisis that sours vision for future.

FINANCIAL CRISIS

Fed weighs economic options

AP, Washington

As the recession grinds on, Federal Reserve policymakers will open a two-day meeting Tuesday to make a fresh assessment of US economic conditions, review the effectiveness of programmes in place and weigh whether they need to expand or change them.

Any policy decisions would come Wednesday.

Fed Chairman Ben Bernanke and his colleagues have already ratcheted down a key lending rate for banks to a record low near zero. To ease the impact of the recession, economists predict the Fed will keep its targeted range for its bank lending rate between zero and 0.25 percent at this week's meeting and probably well into next year.

Fed officials have left the door open to announcing a new relief program, though they haven't hinted in recent weeks of any new efforts.

"I think the Fed will want to convey a message of continued determination," said Ethan Harris, economist at Barclays Capital. He thinks the likelihood that the Fed will launch a new program is fairly low, "but not zero."

For now, economists aren't expecting the kind of bold action the Fed took at its last meeting in mid-March. That was when it decided to plough a staggering \$1.2 trillion into the economy to try to lower interest rates and stimulate borrowing and spending.

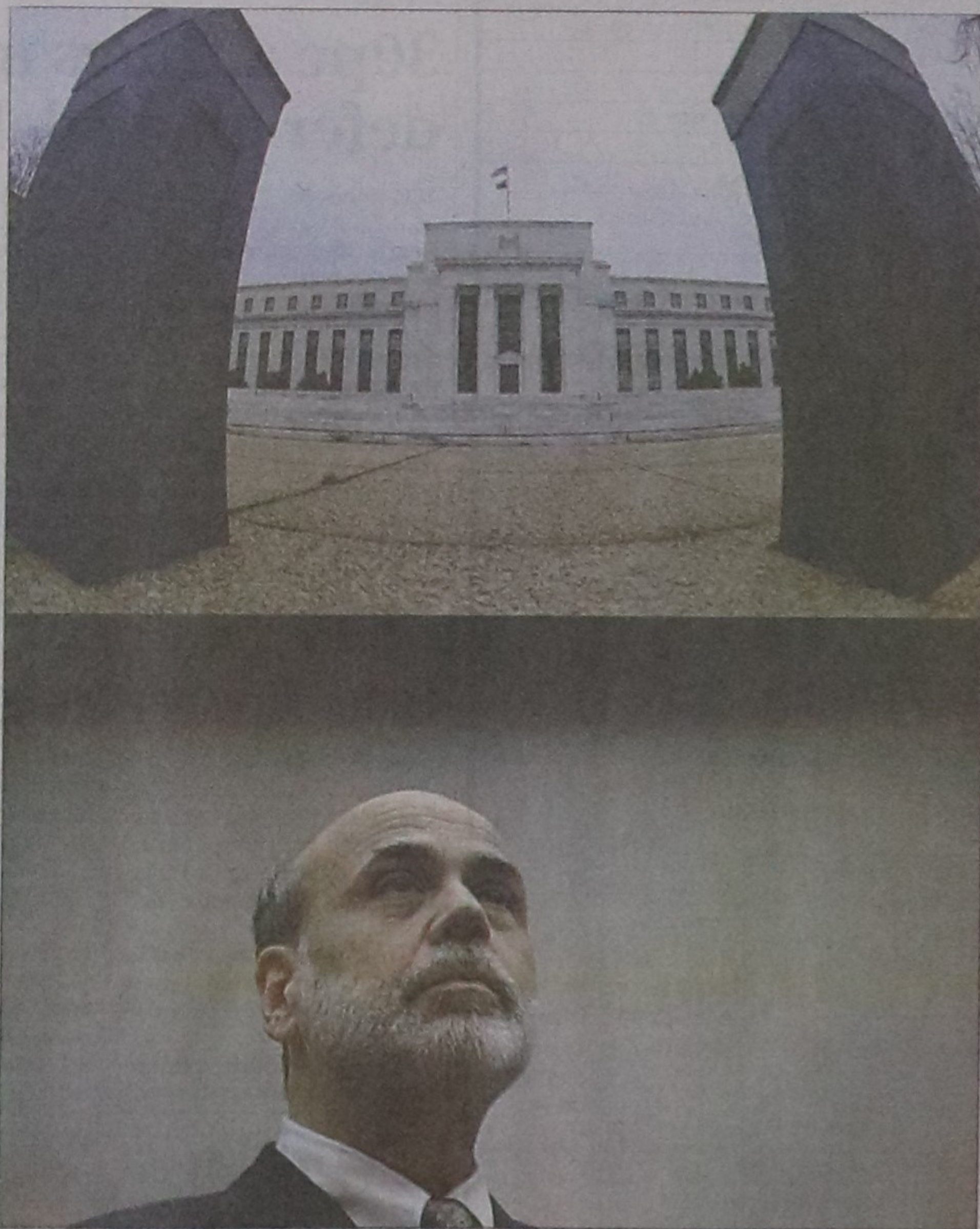
More spending by consumers and businesses would help lift the country out of the recession, which has dragged on since December 2007.

At the March meeting, the Fed decided to start buying long-term government debt and to boost purchases of mortgage-backed securities from Fannie Mae and Freddie Mac.

The Fed and the Treasury Department have rolled out a string of radical programmes to loosen credit and strengthen the banking system, which has suffered huge losses on soured investments. Those efforts have led to some improvements, but credit and financial markets are still not operating normally.

Some economists said the Fed might provide more details on an existing program aimed at jump-starting lending to consumers and small businesses, called the Term Asset-Backed Securities Loan Facility.

Much hope is riding on that programme, which has gotten off to a rocky start. It's



This combination image shows the US Federal Reserve building (top) and Federal Reserve Chairman Ben Bernanke in Washington DC. The Federal Reserve is likely to maintain its aggressive efforts to lift the US economy out of deep recession, analysts say.

been hobbled by rule changes, investor worries about financial privacy and fears that participants might become ensnared in an anti-bailout backlash from the public and Congress. Just \$1.7 billion in loans was requested for the second round of funding in April -- down from \$4.7 billion in March. Investors use the money to buy newly issued securities backed by auto loans, student loans, credit cards and other debt. The programme will be expanded to

include commercial real-estate loans. "The programme hasn't gotten very far," said Mark Zandi, chief economist at Moody's Economy.com. "Perhaps the Fed will provide some guidance on TALF." The Fed could revise TALF to try to make it more attractive to investors. Or it could opt to directly buy other types of assets it isn't currently purchasing, such as mortgages securities not guaranteed by Fannie Mae and Freddie Mac, or high-grade corpo-

rate bonds, Harris suggested. The Fed's decision to buy mortgage securities backed by Fannie and Freddie has helped drive down mortgage rates. Average rates on 30-year fixed mortgages have dipped to 4.8 percent, Freddie Mac reported last week. Last year at this time, the average rate on a 30-year mortgage was 6.03 percent.

Bernanke has said the recession could end this year if the government managed to stabilise financial markets. In recent remarks, both Bernanke and the Fed's No. 2 official, Donald Kohn, have noted "tentative signs" that the recession might be easing.

Many analysts think the economy will continue to shrink in the April-June quarter, perhaps at a rate of 2 to 2.5 percent, but not nearly as much as it had been.

In the final three months of 2008, the economy contracted at a 6.3 percent rate -- the worst showing in a quarter-century. And economists say it probably declined at a 5 percent rate in the first three months of this year. The government will release its initial estimate for first-quarter economic activity Wednesday morning.

Analysts generally think the Fed, in its meeting this week, will signal that the free-fall in the economy may be letting up somewhat.

"We're still on an elevator going down -- but not going down as fast," said Stuart Hoffman, chief economist at PNC Financial Services.

President Barack Obama is counting on his \$787 billion stimulus package, which includes tax cuts and increased government spending, to help sustain the economy. And some Americans are already seeing fatter paycheques because of tax reductions. Economists hope at least some of that money will be spent to support economic activity.

Even if the recession ends this year, the economy will remain weak and the unemployment rate will likely keep climbing. Skittish employers watching their sales and profits shrink have cut a net total of 5.1 million jobs since the recession began.

Employers won't be inclined to boost hiring until they are confident any recovery has staying power.

The unemployment rate, now at a quarter-century high of 8.5 percent, is expected to hit 10 percent by year's end and keep rising early next year before it starts inching down. Economists say employment conditions may not return to normal -- meaning a 5 percent jobless rate -- until 2013.