

International Business News

Russia to sign nuclear pact with Japan

AFP, Tokyo

Russian Prime Minister Vladimir Putin has told Japanese media his country expects to sign a nuclear power pact with Japan during his visit here this week, reports said Sunday.

In an interview with Japanese media in Moscow, Putin said he would also present a list of economic cooperation projects during his three-day visit beginning on Monday.

Various government-level agreements will be signed between Tokyo and Moscow as well as between private entities during his visit, he said, adding that a nuclear cooperation pact is also "expected to be signed".

Japan and Russia are in the final phase of talks over a pact to promote the non-military use of nuclear power, such as for electricity generation.

The pact will pave the way for Tokyo to entrust Moscow with uranium enrichment and allow Japan to export nuclear power plant technology to Russia, Kyodo News said.

Calling Japan an "important partner in promoting exchanges based on cutting-edge technologies," Putin said other potential projects would embrace sectors such as automobiles, energy, aerospace, communications, chemicals and steel, according to the Nikkei business daily.

Australia braces for unpopular budget as boom times end

AFP, Melbourne

Australia is gearing up for a tough budget on Tuesday, facing the prospect of the largest deficit in the country's history as the economy struggles with its first recession in almost two decades.

The end of the China-driven resource boom that spurred Australia to 14 years of virtually uninterrupted growth has created economic woes not experienced for a generation in the so-called "Lucky Country."

Treasurer Wayne Swan has warned that the current situation means the centre-left Labor government must make "tough decisions" on budget night that will not be popular with the electorate.

"There will be hard choices, unpopular decisions and no easy options," Swan said last week, blaming the situation on the worst global recession in 75 years.

Economists say the government's attempts to soften the impact of the downturn with more than 50 billion dollars (32 billion US) in stimulus spending have also weighed on the bottom line, creating a mountain of debt.

The end result, according to numerous media reports citing unnamed government sources, will be a budget deficit of around 70 billion dollars in 2009-10.



AFP

Pakistanis line up to receive food donated by a welfare trust in Lahore on Saturday. The government has blamed the country's economic woes on the fight against terrorism, but many ordinary people accuse the authorities of squandering aid money.

Japan minister defends stimulus spending package

AP, Tokyo

A Japanese minister defended his government's \$150 billion stimulus package Sunday against criticism it allocates too much money to wasteful pet projects meant to woo voters.

Minister of Finance Kaoru Yosano said the stimulus measures, which won legislative approval recently, would encourage gradual but basic structural changes to the economy to boost growth and steer it away from export dependence. But more time is needed, he said, to see the effects of the programs, ranging from helping solar-panel businesses to lowering road-toll fees.

"It's not going to happen overnight, but we must move toward an economy that is centred on domestic demand," Yosano said on a nationally televised TV Asahi news show.

The package calls for nearly 15 trillion yen (\$150 billion) in government spending, including cash rebates for individuals meant to spur consumer spending.

Yosano said the government was determined to prevent the jobless rate from surging to record high 5.5 percent levels, and stressed the stimulus package will create jobs. Without such government assistance, Japan could have an additional 3 million people losing their jobs, he said.

Move to India or lose your job, French firm tells workers

AFP, Toulouse, France

A French textile firm has caused outrage by telling nine of its workers that they have the choice between the sack and redeploying to an Indian factory and taking a gigantic pay-cut.

Carreman told its workers at a plant in the southwestern town of Castres that it would offer them pay of 69 euros (92 dollars) a month if they moved to Bangalore, union officials said at the weekend.

The average monthly salary in France is 1,321 euros.

Francois Morel, the boss of the factory, told a local paper that before being allowed to lay off the workers he was obliged to offer them work elsewhere in the group under legal requirements which he described as "stupid."

CGT union official Edmond Andreu told AFP that the offer had provoked "anger mixed with stupefaction" among workers at the factory, who say it is obvious no-one will take up the proposition.

Workers at the Bangalore factory are paid the equivalent of 69 euros a month for working a six-day week, and get an annual bonus of a month's pay as well as medical insurance.

ANALYSIS

Islamic finance must boost regulation

AFP, Singapore

Islamic finance must strengthen regulation, boost its professional staff and diversify as it takes on a bigger global role in the aftermath of the worldwide financial crisis, experts said.

Financial products compliant with Islamic shariah law are likely to gain in popularity as investors seek safer havens after the ruin caused by toxic derivatives sold globally by mainstream Western banks, they said.

However, experts warn that Islamic financial institutions must be on their guard against falling into the same unbridled excesses that jolted Wall Street and snowballed into a global economic downturn.

"Islamic finance is not immune from such pitfalls. Hence we must be careful to avoid this error in the Islamic financial industry," said Muhammad Sulaiman Al-Jasser, governor of the Saudi Arabian Monetary Agency.

"Islamic financial institutions are continuing to invest time and effort to improve corporate governance and risk management and I expect that they will continue to avoid mistakes made in designing over-complicated securities."

He and other experts were speaking at a recent meeting of the Islamic Financial Services Board held in Singapore, which is aiming to be a key player in Islamic finance.

Islamic banking has been left relatively unscathed by the global financial crisis, largely because of rules forbidding engagement in the kind of risky business that sank mainstream institutions like Lehman Brothers.

Islamic shariah law bars the payment and collection of interest, which is seen as a form of gambling.

Islamic finance also operates on the principle of risk-sharing between the issuing bank and the buyer of a financial product, making it a less risky alternative to some conventional banking instruments.

Al-Jasser, the Saudi monetary agency governor, and other speakers told the Singapore conference that Islamic finance is likely to gather momentum in the aftermath of the downturn.



This photo taken on May 7 shows Heng Swee Keat (L), governor of the Monetary Authority of Singapore, Muhammad Slaiman Al-Jasser (2nd L), governor of the Saudi Arabian Monetary Agency and chairman of the council, Ahmad Mohamed Ali-Madani (2nd R), president of Islamic Development Bank and Rifaat Ahmed Abdel Karim (R), secretary-general of the Islamic Financial Services Board, attending the 6th Islamic Financial Services Board (IFSB) Summit in Singapore.

"It is my belief that Islamic finance has moved on to a new stage in the last few years. In the past, it was an individual decision based on faith, now it is competing on its own very strong merits in the global marketplace," he said.

Islamic finance is now established in 47 countries with more than 600 institutions managing "balance-sheet assets" worth over 630 billion US dollars, with another 200 billion to 300 billion dollars managed as investment funds, he added.

Heng Swee Keat, managing director of the Monetary Authority of Singapore, said more Asian countries are using Islamic finance to fund infrastructure projects.

Issuance of Islamic bonds,

called sukuk, in Asian currencies totalled 64.3 billion dollars in 2008, down 1.5 percent from 2007 when it expanded by 50 percent over the year before, Moody's Investor Service said this month.

But the industry has much room for growth as Islamic finance represents only 1.0 percent of the total assets held by the global financial markets, experts said.

Ahmad Mohamed Ali, president of the Islamic Development Bank, urged the industry to offer a wider range of financial services, noting that commercial banking accounts for more than 70 percent of shariah-compliant assets.

"There is a need for major investment banks that provide a different model of investment

banking, a model that is able to have positive impact on economic growth without compromising stability and resilience," he told the meeting.

"We also need varieties of venture capital institutions, small and medium financing institutions specialised in financing, leasing, etc," he added.

As global regulatory bodies revise financial regulations to prevent future financial crises, Islamic regulatory and accounting standards must also improve, Ahmad said.

While the previous approach focused on regulating individual Islamic financial institutions, regulatory bodies should now adopt a comprehensive strategy to address both macro- and micro-

economic issues.

Muliaman Hadad, deputy governor of the Bank of Indonesia, said one of the key challenges is producing much-needed professional staff to deal with shariah-compliant financial products.

Indonesia, the world's most populous Muslim nation, will also launch an education campaign across the country to help people - including bankers, bureaucrats, students and religious leaders - understand Islamic finance better.

Tunc Tahsin Uyanic, a sector manager for the World Bank in the East Asia and Pacific Region, offered the bank's assistance in personnel training, education, policy direction, development of new financial instruments and regulation.

TRAVEL

Swine flu is windfall for top tourist spots

AP

The cruise Zenaiva Cervantes booked was to stop in sun-drenched beach cities on the Mexican Riviera. The cruise she took? That landed her in Seattle, where she pulled her arms tightly to her chest as she debarked on a damp, 50-degree morning.

"We wanted to relax in the warmth," the 61-year-old Tijuana, Mexico, resident said in Spanish Thursday. "If someone had told me I'd be in Seattle eight days ago, I wouldn't have believed them."

At the peak of the swine flu outbreak, major cruise operators Carnival Corp and Royal Caribbean Cruises Ltd -- desperate to avoid passenger illness and lost revenue -- decided to reroute Mexico voyages until mid-June.

So even though fear has receded, once-sun-seeking passengers like Cervantes are finding themselves in San Francisco, Seattle and Victoria, British Columbia, in Canada. Cruise companies are compensating passengers for the switch with onboard credit plus vouchers for a future cruise. Passengers also had the choice to stay home and get a full refund, but most passengers are choosing to travel when they planned, the cruise lines said.

What they're losing in sunshine and tan lines, their new destinations are gaining in millions of dollars of business. In San Francisco, the 16 additional swine flu-related landings will boost the year's port traffic 31 percent and bring 49,000 new visitors, said Michael Nerney, San Francisco's maritime marketing manager. Each call could mean \$1 million in sales for city businesses and together they'll produce \$500,000 in revenue for the port.

"This is highly unusual -- shocking, really -- as the cruise lines set their sailing schedules 12 to 18



Philip, left, and Yolanda Tabet, of Belen, New Mexico, look at a brochure of downtown Seattle as they walk past their cruise ship, the Royal Caribbean Mariner of the Seas, shortly after it docked Thursday morning, in Seattle.

months in advance, and even minor changes are rare," Nerney said.

The great number of alternative ports in the Caribbean makes it far easier to swap stops there. Instead of Cozumel in Mexico, companies are opting for Ocho Rios or Montego Bay in Jamaica, Nassau or Freeport in the Bahamas, the Virgin Islands' St Thomas, St Maarten or Key West, Fla, or points across the Caymans and Turks and Caicos.

The Bahamas is happily awaiting diverted ships. Customs receives \$15 for each passenger, and island clothing and jewellery shops, bars and cafes depend on tourist dollars, said tourism minister Vincent Vanderpool-Wallace said.

Analysts think the benefits

may be fleeting for these ports because the outbreak hasn't been severe.

"I think it's a short-term bump that may already be dissipating," said Michael McCall, a hospitality research fellow and lecturer at Cornell University.

Jan Freitag, vice president of global development at Smith Travel Research, noted that, in addition to swine flu, Mexico travel has been affected by fear of heightened drug violence in border states. He sees business travel to Mexico remaining steady and swine flu having minimal impact on leisure traffic unless the virus worsens.

Hotel operators are seeing travellers postpone plans. The Ritz-Carlton Hotel Company and

Four Seasons Hotel and Resorts said virtually all guests booked at two of their Mexico resorts in late April and early May will come a few months later instead. Starwood Hotels & Resorts Inc expected the flu to cost it \$4 million to \$5 million in revenue but said it could recover much of it from guests rebooked at its US or Caribbean resorts.

The federal Centers for Disease Control and Prevention now says only 10 percent of infected Americans picked up the virus in Mexico, not one-third as previously estimated. But it maintains its warning against nonessential travel to Mexico.

Michael Crye, vice president of technology and regulatory affairs for the Cruise Lines International

Association, called that restriction damaging and unnecessary, because areas hit hardest by the flu's spread are inland and the flu season is almost over.

Crye pointed to lessons learned from several rounds of bad publicity after gastrointestinal illnesses like the "Norwalk" virus broke out and said new passenger screenings ensure ships don't help spread the H1N1 virus, which causes swine flu.

"We believe ... we've got a good story to tell, and that you're probably at less risk going ahead with your destination than you would be in virtually any other public place," Crye said.

Eric Brey, head of the Center for Resort and Hospitality Business at the University of Memphis, predicted tourists would have no problem returning quickly to Mexico.

"Outside of this summer, I don't see it being that big a deal," Brey said.

In Charlotte Amalie on St. Thomas, a place hit hard as tourism has fallen amid the recession, it is usually quiet this time of year. But taxis zipped abundantly by the docks last week.

"(The swine flu) is a good problem for us," said Edward Thomas, CEO of the West Indian Company Dock.

Despite the lack of sunshine, Cervantes, her husband and the thousands of other passengers who ended up in the Pacific Northwest with them enjoyed Seattle's blocks of boutiques and Pike Place Market, where vendors famously sling fish.

"We thought we'd be in our bikinis and bathing suits," said Philippe Tabet, a 53-year-old restaurateur from Albuquerque, N.M., traveling with his wife. "We just had to pack a little bit different, that's all. Unpack, and pack again."