

International Business News

US, China set to grapple with currency, trade concerns

President Barack Obama's economic pointman makes his first trip to China in the coming week as Washington moves to address persistent currency, trade and investment concerns dogging the two powers.

Treasury Secretary Timothy Geithner will be in Beijing June 1-2 to meet senior Chinese officials for discussions on "a range of issues of importance to both countries," his office said.

No details of the trip have been provided so far but analysts say Geithner will have to grapple with a plethora of issues, ranging from US suspicion China is manipulating its currency for trade gains to Beijing openly questioning the US dollar's special status as the leading global currency.

China has also publicly expressed concerns over the safety of its huge US bond investment holdings worth nearly 800 billion dollars as the United States sinks deeper into debt and the greenback gets hammered.

Obama came into office promising to talk tough with China on a range of issues, including complaints from Congress that China's manipulation of its yuan currency was fueling the US trade deficit with the Asian giant.

Against the difficulties facing the recession-hit US and the relatively bearish economic environment in the other industrialized nations, Washington appears likely to take a soft approach with China, which remains the top growth driver, analysts said.

GM may use Chrysler playbook in bankruptcy

General Motors is likely to take a page from Chrysler's playbook in an expected bankruptcy that tests a legal strategy for a quick restructuring with heavy government backing, analysts said.

GM, which faces a June 1 deadline from the US government to come up with a viability plan or face a cutoff of aid, is widely expected to follow rival Chrysler into bankruptcy and use a similar plan to emerge leaner and more competitive.

Yet the two companies could still face legal hurdles and loud objections from the financial sector in a test for the plan by President Barack Obama's administration to save the two automakers critical to the US economy, say analysts.

"I think GM will learn a lot from the Chrysler bankruptcy," said one bankruptcy attorney, who asked to remain anonymous, but is familiar with the Chrysler case and represents auto industry clients.

"I would expect GM to file in the same court. The fast track was adopted by the bankruptcy court and it is key to GM as it was for Chrysler."



UN Secretary-General Ban Ki-moon (C) watches Danish Development Minister Ulla Toernaes (L) shake hands with Danish Queen Margrethe during an audience at Amalienborg Castle in Copenhagen yesterday. At the World Business Summit on Climate Change in Denmark, Ban made an impassioned plea for a "cleaner, greener" world economy as he urged business leaders to throw their support behind a new, global warming pact.

Japan to relax arms export ban

Japan has decided to relax its self-imposed ban on arms exports to allow more joint development and production of weapons with other nations, a report said Sunday.

The new measure would "enable shipments to countries with which Japan co-develops arms," said the Nikkei newspaper without citing sources.

"The move is aimed at reducing procurement costs and stimulating the domestic defence industry by promoting joint development and production of key arms, such as next-generation fighter jets, with the US and Europe," it said.

By taking a more active role in US or European military development programmes, Japan hopes to reduce the purchasing cost of major equipment such as jets, the Nikkei said.

Tokyo however would continue to prohibit arms exports to nations that are state sponsors of terrorism, violate the human rights of their citizens or lack sufficient controls over arms sales, the Nikkei said.

Iran presidential hopeful vows to cut inflation

Iranian presidential hopeful Mir Hossein Mousavi aims to slice inflation to a single digit if he is elected in next month's vote, according to his economic manifesto released on Sunday.

The economy of energy-rich Iran is reeling under inflation of about 25 percent which economists blame on incumbent President Mahmoud Ahmadinejad's expansionist policies.

Mousavi's economic programme, unveiled in the former premier's newly-launched newspaper Kalameh Sabz (Green Word) ahead of the June 12 presidential election, described inflation as a "chronic illness."

"We need to reduce inflation to a single digit," it said. In a direct criticism of Ahmadinejad's policies, the manifesto said the OPEC member's oil revenues should not be distributed in the form of cash to the people but must help "create jobs and industrial units that can increase production."

AVIATION

Indian airlines caught in storm



A Kingfisher Airlines attendant serves meals to passengers during training for students from the Air Hostess Academy on board a flight from New Delhi to Jaipur.

India's airlines are caught in a "perfect storm" of big losses, high debt and falling demand, and need urgent help from the new government to make them high-flyers again, says an industry report.

The struggling sector was once a vibrant symbol of India's economic progress but it has seen its fortunes nosedive due to over-expansion, costly fuel and cut-throat competition.

"The industry now is at a very critical stage," said Kapil Kaul, India head of the Sydney-based Center for Asia Pacific Aviation, the consultancy which authored the report entitled Aviation Agenda for The Next Indian Government.

Sector losses for the fiscal year just ended in March 2009 are expected to nearly double from last year to 1.75 billion dollars, Kaul said.

That's a fifth of the losses of airlines globally of 8.5 billion dollars estimated by the International

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Air Transport Association.

"India's contribution to this (loss) is significantly higher than the two percent of world air traffic for which it accounts," said the report.

The Indian industry's woes are highlighted by a slump in passengers. In April, the number of domestic passengers fell by 591,000 or 15.2 percent year-on-year, the fourth straight month of declines.

The figures are a far cry from earlier heady government forecasts that passenger growth would run at 25 percent annually until the end of the decade.

Passenger numbers were expanding by double digits when India's economy was booming. Cheap fares and increasing affluence among India's middle classes drove a migration from the country's antiquated train network to planes.

After the government opened India's skies to more competition in 2004, a clutch of new airlines took flight, revolutionising domestic travel in the country of 1.1 billion.

But then costlier oil pushed up air fares last year, sending many passengers back to trains.

Now the sector has also been

hit by a slowing economy triggered by the global financial crisis, reducing business and leisure journeys.

"It needs to quickly restructure and the new government has to help them reduce high structural costs," Kaul told AFP, citing hefty jet fuel taxes.

There is also a need to allow more domestic airlines to fly internationally to boost revenues, Kaul said.

The Congress-led government should allow foreign airlines to take equity stakes in domestic airlines to give them access to fresh capital, he said, but to draw investment the carriers must clean up their balance sheets.

"Over-aggressive expansion" to grab market share is "partly responsible for the fiscal demise of the sector," the report said.

Flagship state airline Air India is hurting the most. It's estimated to have racked up 800 million dollars in losses for the past year and debt of four billion dollars, the report said.

Air India, which flies interna-

tionally, merged with government-run domestic carrier Indian last year to become more efficient but its planes are flying emptier and passenger revenues are still falling.

Despite this, it still plans to take delivery this year of 26 new aircraft -- "a significant augmentation in capacity when the opposite would be more appropriate," said the report.

And India's two major private airline groups, Jet Airways and Kingfisher Airlines, also have hefty debts and big losses. Jet reported its third-quarter net loss more than doubled to 44 million dollars.

Rationalisation "is inevitable and desirable for the health of the industry," said Kaul, who believes India can only support two full-service carriers. He declined to say which should survive.

But the no-frills airline model offered by carriers such as Indigo Airlines, which has bucked the falling passenger trend, could be the platform for future growth, he said.

COLUMN

Microcredit paves enterprising ways

MADAN SHAHU

It is often said, "God helps them who help themselves." Nurunnahar Begum, a resident of Bhatia village under Narail Sadar upazila, has proved that hard work pays off.

Overcoming many ups and downs in life, she now prepares and markets 'sweet singara', 'laddo', cookies and biscuits. Her homemade finger foods are quite popular and sought after in her locality. Between Nurunnahar and her husband Atar Ali, they have set up a good business, as she prepares the tasty items and her husband supplies them to shops in town.

Their village is on the outskirts of the town, so it is quite easy for Ali to deliver the items and maintain good terms with the buyers.

Nurunnahar hired 10 to 12 workers to meet the demand for her local snacks. However, demand for her snacks fluctuates in line with changing seasons, and so does her income.

After deducting the costs of ingredients such as flour, sugar, and oil, and other expenses like fuel wood and labour wages of Tk 60 to Tk 80 per worker a day, sales proceeds leave behind Tk 8,000 to 15,000 in profit a



Microcredit plays a vital role in empowering women. Nurunnahar Begum, like many others, dreams of leading a better life thanks to microfinance.

month. The seasonal demand for her snacks brings about the fluctuation in profits.

With the income from her business, Nurunnahar maintains her household

and pays loan instalments, after saving a portion for future rainy days.

She is a successful member of microcredit organisation ASA. Her current loan stands at Tk 14,000 and it is

being repaid in regular instalments. This is her fifth loan from the organisation in five years and her first loan amount was for Tk 4,000.

At that time, her husband Atar Ali used to run a small

grocery shop and it was difficult for her to make ends meet with the income from the shop.

Her initial plan was to revamp the grocery shop, but her efforts failed miserably.

But she was not one of those to give up. She observed some others making local snacks. She gave it a shot.

As in any new business venture, the first year was a trying period for her. Her business slowly gained momentum in the second year of operations. She was able to repay the first loan amount.

She found the strength and courage to take up a second loan to raise working capital and consequently, production, sale and profits.

She continued the pattern each year and her business has finally been established. In addition to hard work and strategic planning, she realises that microcredit is at the core of her success.

The poverty she faced five years ago no more constrains her. She has a daughter, now in grade 8, and a son in grade 6. She hopes she will be able to finance their higher education.

Nurunnahar and her husband Atar Ali, like many others, now dream of leading a better life. They believe that if they continue to work hard and depend upon the catalyst microcredit -- they will be able to change their fate.

Madan Shahu is Senior Assistant Editor, The Daily Star.