International Business News

ILO puts jobs at heart of summit on economic crisis

AFP, *Geneva*

The International Labour Organization called on Monday for urgent measures to save jobs, at the opening of a summit on the economic crisis marked by fears that unemployment could soar by up to 59 million worldwide.

"The world cannot afford to wait for uemployment to come back, several years after economic growth has returned," ILO Director General Juan Somavia said at the opening of the agency's summit on the jobs crisis.

Brazilian President Luis Inacio Lula da Silva and French counterpart Nicolas Sarkozy were set to launch appeals for a new world economic and social order during the meeting in Geneva later on Monday, officials said.

Earlier, Lula underlined his concerns about the broad impact of the global economic crisis in a separate speech to the UN Human Rights Council in the western Swiss city.

"As the leader of a developing country, I hope that a new international order that rewards production and not speculation will emerge from the crisis," Brazil's president told the Council's 47 member states on Monday.

French officials have said that Sarkozy will take a similar stance, outlining his vision of the "social model" that he wants to see emerge from the crisis.

Sarkozy would call for economic, financial and social issues to be dealt with in equal measure, and for a greater role for the ILO in the recovery effirts forged by the Group of 20 major economies, the officials added.

Detroit summit seeks new economic vision

AFP, *Detroit, Michigan*

A summit seeking a new economic agenda for America kicks off Monday, with debate among a broad array of leaders aiming to find ways to maintain US leadership and competitiveness.

The three-day summit "is a bold new initiative to help reimagine, rebuild and revitalize our economy in an increasingly difficult global market," said Beth Chappell, president and chief executive of the Detroit Economic Club, which convened the gathering.

"It will bring together the country's top business, government, labor and academic leaders to create consensus recommendations for increasing America's competitiveness in four critical disciplines -- technology, energy, environment and manufacturing."

The Detroit, Michigan meeting, billed as "Davos in Detroit," aims to stimulate ideas in a manner similar to the World Economic Forum annual gathering in Switzerland.

Organizers say the world's biggest economy needs a new vision to maintain leadership and competitiveness, and that they will seek consensus among leaders in the corporate, academic, labor and political sectors.

AFP

A Thai woman walks past a condominium advertisement, displayed on a street in Bangkok yesterday. Thailand's economy entered recession in the first quarter of this year as growth shrank by a bigger-than-expected 7.1 percent due to tumbling exports, the worst since the 1997 Asian financial crisis.

Eurozone sheds record 1.2m jobs in first quarter: EU

AFP, *Brussels*

A record 1.2 million people lost their jobs across the 16 euro countries in the first three months of the year as companies cut back severely to survive the recession, official EU data showed on Monday.

The figure, up sharply from 526,000 in the last quarter of 2008, marked the biggest jump in lost jobs on records at the Eurostat data agency going back to 1995.

It also marked the third quarter running in which more jobs were lost across the eurozone than were created, the seasonally adjusted data indicated.

"Extended and deep economic contraction, depressed business confidence and deteriorating profitability increasingly fed through to reduce jobs," said IHS Global Insight economist Howard Archer.

"Furthermore, latest data and survey evidence point to serious weakness in eurozone labour markets in the second quarter," he added.

In another record surge in job losses, some 1.9 million people lost their jobs across the 27-nation European Union in the first quarter, up from 690,000 in the final three months of 2008.

Philippine remittances up 2.2pc in April

AFP, *Manila*

Cash sent back to the Philippines by its overseas workers rose to 1.4 billion dollars in April, up 2.2 percent on the same period last year, the central bank said Monday.

This brought total remittances of the nine million Filipinos working overseas to 5.5 billion dollars in the first four months of the year, a 2.6 percent increase on the same period last year, the central bank said.

The continuing rise in overseas remittances was "driven mainly by sustained demand by host countries" for Filipino workers, the bank said in a statement.

The central bank also cited improved banking services that made it easier for Filipinos abroad to send money home to their families.

The government expects sustained demand for Filipino workers abroad thanks to recent agreements forged with such countries as Qatar, Saudi Arabia, Canada and Australia to hire more Filipinos in key areas like construction.

BUDGET

Black, white and compromised grey

SAJJAD ZOHIR

We are muddling excessively with 'white' and 'black' money without pondering over the failures in governing transactions that give rise to the so-called black money. If one is strictly legalistic and defines 'black' to include any excess of tangible and non-tangible assets over and above that recorded in a taxpayer's wealth statement; there is possibly no country in this world with zero black money. One may also cite examples where taxpayers have less than what they have on record. The reason for the latter is simply because our tax assessors have allowed us to record lower expenditure than actually incurred by an individual or a household.

If there was no other anomaly in the system, I would have proposed a trading of the white for the black -- that is, those with 'black' money can 'whiten' their money by buying a coupon from those with excess white money. Such a transaction would take care of the 'disincentive' problem of whitening black money since holders of 'white' money would be rewarded and holder of black money would have to pay a price. Sounds similar to carbon trading the global agencies are talking about?

Activating such a market would however require limited regulatory reforms and authorising some agents to operate in this market of new products (coupons) where equilibrium prices will have to clear the market -- white money owners will get extra rent when there is excess supply of black money till more and more people join the side of white money. Unfortunately, there is a problem with such a trading scheme.

Most commentators appear to agree that -- be it white or black -- most money and assets are in circulation. No-one however clearly states where these are in circulation. If it is in the domestic economy, a given regulatory regime may favour a set of sectors or subsectors where the black money finds a safe haven. In an integrated world, some countries may provide such a safe haven; and we have seen some institutions (functioning on global plane) to act as conduits for such outlets and leaks. One should note that such leaks may also explain why there may be excess 'white' money with some people. Thus, the hypothetical proposition of trading in coupons may unduly put the 'smugglers of money/assets' into an advantageous position. Even if no smuggling is involved, the fact that excess white money arises due to understatement of 'expenditure' needs to be acknowledged -- and the society may find that to be lesser of an evil, which will eventually whither out.

AMA Muhith

Turn to the dilemma of policymakers. Finance Minister (FM) AMA Muhith is confronting several problems:

1. The FM recognises that the countries in the world are competing for the 'black' money, which has real purchasing power. Thus, incentives should be sufficient to ensure that this money remains inside; and if possible, attract such money from outside. Think of the 'Second Home Programme' launched by a country in the Southeast Asia, to which many of us enrolled. Or, of the immigration policy of some of the so called 'civil' countries (as opposed to corrupt economies ridden with black money) who require us to transfer a large sum of money to make their country our 'homeland' -- and no-one really questions how such transfers are done.

2. The 'black' money in circulation within the economy may be confined to one or two sectors/activities, mostly for reasons to do with rules and regulations. In current period of global crisis, the FM must be searching for ways to divert such money to more productive sectors that will generate employment and income for our workforce.

3. Moral part is possibly the most important dilemma for the FM as well as for the party in power, particularly given the backdrop of anticorruption drive and the election pledges. It is actually a time for change; and the mandate for change had been bestowed upon the elected government. Rather than elaborating on the dilemma and searching for an optimal solution, it was sad to hear the FM sideline the dilemma in the name of 'political compromise'.

On the side, I believe, the FM is informed that the urban property developers are not keen on incurring a loss and sell their apartments cheap (particularly in cases where the landowners got a higher price out of them); and that the valued properties are likely to be bought by people with 'black money'. Thus, there has been a demand to relax clause 19B, which requires no declaration of source if a tax per square feet at prescribed rates is paid. It is also quite possible that the FM is aware that monitoring of banking transactions is not foolproof, giving opportunities for the black money to remain in the system. There are surely other areas of concerns pertaining to black money -- but I consider these two to be important where governance issues need to be critically revisited.

Addressing those issues may be the first step towards freeing us from the impositions of black money and generate sufficient information to get a closer shot at the root causes. All these are not to be solved in one budget period, but the policymakers need to exhibit sufficient awareness and reveal more explicit commitments toward a less-corrupt economy and society if the 'imposed compromise' has to be rationalised. A minimum first step towards that is to make information revelation on all these transactions mandatory; and undertaking of IT-based initiative to crosscheck all the relevant information on a real time basis by multiple government agencies as well as civil society onlookers and citizens' groups.

A final remark on the 'political compromise' is worth mentioning. A compromise among political partners to get a decision through is not unlikely -- but that is likely to have involved the choice of three years during which period the 'whitening' process is considered 'legal' (rather than one year beyond which an annual budget does not have a mandate). But conceding to the power of 'black money' because of the potentially good things it can do to our economy is a compromise in economic space where trade-offs in choices are involved. The FM would have done a better job by pointing at those trade-offs and seeking solutions that would bind the black money to deliver those good things.

This would clarify the rationale for the move toward limited 'whitening'; and the short-term compulsions faced by the FM would then be better appreciated. I do however expect that the incentive policies to make good use of the 'black money' need to account for the followings: (i) an annual budget should not commit anything beyond one year; (ii) there has to be a price paid for conversion which should be at least equal to that paid by an honest taxpayer; (iii) the price cannot be too high to force the money into underground or be smuggled out of the country, and (iv) relative incentives or disincentives to investments in various sectors should be conducive for productive use of the money.

The government could have initiated this discussion ahead of the budget and identify a route with greater consensus that would pave the way for less corrupt society in the coming years. Yet, it is better late than never. The debate that has been initiated with earnest remarks from the FM may be reflected upon to find acceptable solutions in the coming days. And to that, my best wishes to the FM.

The author is a director of Economic Research Group. Views expressed here are his own.

AVIATION

Boeing, Airbus lift gloom at air show

AFP, *Le Bourget*

Airbus announced its first big deal of the year and Boeing saw better times ahead, despite the dire climate for the aviation industry at the opening of the Paris Air Show on Monday.

"It feels to me that we may have reached the bottom," Scott Carson, head of commercial airline business at US jetmaker Boeing, told reporters at the show.

"There is no certainty. But it does feel to us that there are reasons to hope that the recovery will begin next year," he added.

Boeing's bitter European rival Airbus also sounded an upbeat tone, announcing an order from Qatar Airways for 24 medium-haul A320 airliners.

"Qatar Airways has signed a firm contract for 24 Airbus A320," it said.

Italian aerospace giant Finmeccanica's chief executive Pier Francesco Guarguaglini also said he saw "signs of recovery" in economic activity and added: "If the crisis does not last, the negative impact will be limited.

The Paris Air Show opened in driving rain and a downbeat mood after a collapse in air travel owing to the global economic crisis and concern about safety issues after the mysterious crash of an Air France Airbus in the Atlantic this month.

The week-long show at Le Bourget near Paris celebrates its 100th anniversary this year. Organisers said there were a record 2,000 exhibitors despite the slump and they forecast that visitor numbers would stay the same.

"This... air show is overshadowed by two events," Airbus head Thomas Enders told a seminar here, recalling the still unexplained June 1 loss over the Atlantic of an Air France Airbus A330 and the deep financial crisis.

The International Air Transport Association says the airline industry could lose 9.0 billion dollars (6.4 billion euros) in 2009 because of falling demand and rising oil prices -- almost double an estimate made three months ago.

AFP

Visitors walk in front of the Airbus A380 yesterday on the first day of the week long 48th international Paris Air Show at Le Bourget airport. Aviation industry executives and analysts foresee few blockbuster orders emerging from the show.

Louis Gallois, head of the European Aeronautic Defence and Space Company (EADS), Airbus' parent company, said: "This will not be an air show of orders."

Enders said that while Airbus still hoped to receive about 300 orders this year the final tally "could be considerably lower."

Two years ago -- well before the global recession and a spike in oil prices in 2008 -- the world's top manufacturers Airbus and Boeing won a total 800 orders worth more than 100 billion dollars (71 billion euros).

The companies are long-standing rivals and their competition in dominating the world market for airliners is usually one of the main features at Le Bourget. But this is overshadowed this year by the crisis hitting aircraft makers around the world.

Excluding the Qatar Airways order announced on Monday, Airbus so far this year has received a total of 11 net orders after 21 cancellations on 32 gross orders and Boeing has seven net orders after 66 cancellations on a total 73 orders.

Shares in EADS have fallen 8.06 percent this year however, while Boeing stock has risen by 20.55 percent. Since the Air France jet crash on June 1, EADS stock has dropped 0.69 percent and Boeing shares have risen 14.64 percent.

"Priority number one is to secure deliveries and support our customers," Enders said, stressing that 2010 and 2011 would be critical years for the airline sector as it struggles to overcome the impact of global recession.

In addition to questions raised by the loss of the Air France jet, which took the lives of all 228 board, Airbus must also contend with major delays and potential funding problems for its A400M military transport plane.

Clients signed up so far for the A400M are Belgium, Britain, France, Germany, Luxembourg, Spain, Turkey, some of whom have threatened to abandon the 20-billion-euro deal, forcing EADS to re-negotiate delivery schedules.

France also argued for advance state financing for the Airbus A350 project from EU partners, saying such funding did not break European Union rules on state aid as ministers from Britain, France, Germany and Spain met at the show.

Boeing too has encountered development problems and delays with its long-haul, fuel-efficient 787 Dreamliner, although company officials now hope to see the aircraft make its first test flight before the end of the month.