

International Business News

AirAsia bullish as airlines struggle in downturn

AFP, Kuala Lumpur

Malaysian budget carrier AirAsia Wednesday scrapped administrative charges to boost passenger numbers but said it has not been hurt by the downturn that has affected most airlines worldwide.

Chief executive officer Tony Fernandes told AFP the company would lose 400 million ringgit (114 million dollars) a year by getting rid of the charges but said he wanted to keep a promise of providing the lowest fares.

"I continue to remain bullish. Any product that can reduce cost will make more profit," he said.

"I have been in the business for the last seven years. There has been perpetual headwinds such as the outbreak of SARS (Severe Acute Respiratory Syndrome in Asia in 2003) and the tsunami. We will continue to grow," he added.

"We are going the extra mile to live-up to our brand promise to have the lowest fares in the market," he said, adding that passengers now need to pay only the fare and airport tax.

"With no admin fee more people will travel with AirAsia, especially in view of the current economic uncertainties," Fernandes added. Administration charges range from 22 ringgit to 43 ringgit per person.

Fernandes has adopted a policy not to hedge its fuel requirements since prices were being driven up by mere speculation.

US to loan \$5.9b to Ford, \$1.6b to Nissan for fuel efficiency

AFP, Washington

The US government will loan 5.9 billion dollars to Ford Motor Co. and 1.6 billion dollars to Japanese automaker Nissan to invest in improving the fuel economy of their US-built vehicles, officials said Tuesday.

The loans are the first awarded out of a 25-billion-dollar program to help automakers meet upcoming fuel efficiency standards, Energy Secretary Steven Chu said at a press conference.

"I'm pleased to announce eight billion in provisional loan agreements that will drive innovation in fuel efficiency and help revolutionize the automobile industry in America," Chu said.

"These loans will help the auto industry meet and even exceed the president's tough new fuel standards while creating jobs, reducing our dependency on foreign oil and ensuring America's competitiveness."

Another 465 million dollars will be loaned to electric sports car maker Tesla.

Additional loans will be awarded to "large and small automobile manufacturers and parts suppliers up and down the production chain" over the coming months, said Chu, who vowed to release the funds as quickly as possible.



AFP

Vietnamese residents eat breakfast at a roadside coffee shop outside a development project in the central coastal city of Da Nang yesterday. Da Nang has become one of Vietnam's most fast developing cities since the country switched to the market economy.

Eurozone banks in record ECB loan offer

AFP, Frankfurt

The European Central Bank lent commercial banks a record 442.24 billion euros (620 billion dollars) at 1.0 percent Wednesday via its first offer of 12-month funds, aiming to boost credit flows.

The previous record for the central bank's refinancing operations was 348.6 billion euros in two-week funds on December 18, 2007 as crisis-hit commercial banks bolstered their balance sheets during the crunch year-end period.

Analysts at UniCredit markets expected the ECB's move to result in lower rates charged by commercial banks for longer-term borrowing in general.

If that happens, interest rates overall could also remain low, a crucial contribution to recovery as the eurozone grapples with what is expected to be a sluggish rebound from the worst global recession in more than 60 years.

In Paris, the OECD group of 30 advanced economies meanwhile urged authorities to keep interest rates exceptionally low and to continue to support the financial sector until a sustained recovery is underway.

Hong Kong feng shui master battles for tycoon's estate

AFP, Hong Kong

A Hong Kong bartender-turned-feng shui master who says he is the sole heir to the 13 billion dollar estate of Nina Wang testified Wednesday in a court battle over the eccentric tycoon's fortune.

Tony Chan appeared on the witness stand more than six weeks into the trial over Wang's estate in a case that has gripped the tycoon-obsessed city.

The court will decide whether Wang, who at one stage was Asia's richest woman, left her entire fortune to Chan when she died of cancer in 2007 aged 69.

Opposing Chan's claim is Wang's Chinachem Charitable Foundation, which is now controlled by her siblings, who say a will awarding Chan the huge fortune is a fake.

Lawrence Lok, the lawyer for Chinachem, started his cross-examination in front of a packed courtroom Wednesday by questioning Chan's credibility.

COMMENT

Investment incentives in budget

ZAHID HOSSAIN

A massive expansion of investment is one of the priority areas of this year's budget proposal which has possibly warranted the proposed inclusion of much-talked-about budgetary provision for accepting undisclosed money without question by paying 10 percent tax for investment in certain sectors for three years.

The finance minister in his budget speech has repeatedly mentioned that every effort would be made for creating an investment-friendly environment to attract increasing number of local and foreign investors as well as expatriate Bangladeshis. A firm commitment has been made to provide all possible incentives to support any new initiative for setting up any small and medium enterprises, and the existing ones for increasing production and improving quality of goods for export.

The present government with its successful experiment of public-private partnership (PPP) during its previous tenure (1996-2001) has strongly felt the need to bring qualitative change in the investment strategy by undertaking special initiatives to involve the private sector under PPP. According to the finance minister, the PPP efforts would meet the probable investment gap in infrastructure development and maintenance alongside the government's investment. "This will also open up the door for increased flow of investment from both local and foreign investors and also accelerate economic growth", he added.

An amount of Tk 2,100 crore has been allocated in the PPP budget for setting up an infrastructure investment fund. A proposal has also been made to create three new expenditure heads in the proposed budget to facilitate new projects under PPP.

However several recent studies tell us that as for the cost of doing business in Bangladesh, compared to China, India and Pakistan, the country is lagging behind. The incidence of corruption here is far greater, the quality of infrastructure poorer and the performance of key government departments and agencies less satisfactory. Added together and speaking in general terms, the cost of doing business in Bangladesh today compared to other countries in the region is considerably higher.

Bangladesh can ill-afford these additional costs. It has become imperative that a serious and concerted effort is undertaken jointly by the government and the private sector to make Bangladeshi products much more competitive if we are to expand our exports while at the same time face the competition from imported goods in our own market. Equally important is the need to create a more congenial investment climate in order to attract more FDI (foreign direct investment).

One obvious way of improving the investment climate would be to substantially cut the cost of doing business in the country by reducing corruption in key government departments or agencies and introducing changes, which would eliminate delays and provide greater transparency. It is however quite heartening that the



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Public-private partnership is expected to meet the probable investment gap in infrastructure development and maintenance alongside the government's investment.

finance minister in his budget speech made it clear that laws, rules and procedures relating to setting up industries would be further simplified. Transparency would be brought in all spheres and one stop service facility would be made effective. The Bangladesh Business Forum constituted by the last caretaker government will be properly re-constituted to make it more effective.

Another priority area of the new budget is the overall emphasis on the effective and ample growth of small and medium enterprises (SMEs). In fact, SMEs can contribute significantly to the economy by ensuring local value addition and producing exportable surpluses and helping employment generation in a big way. The finance minister has committed to motivate SMEs through provision of credit and training. The central bank has also created three funds with Tk 1000 crore to provide refinancing facilities against loan disbursed by the commercial banks. The minister has also announced that the operations of the Equity and Entrepreneurship Fund, SME Fund and Investment Promotion and Financing Facilities Fund with the Bangladesh Bank would be made more comprehensive, strengthened and effective to keep the domestic demand buoyant alongside exports.

One vitally essential requirement for setting up an industry is to have a suitable plot of land with communication and other facilities. A suitable plot with all such essential services and infrastructural facilities are

hardly available in Bangladesh. Therefore, the government decision to set up special economic zones in different parts of the country is a positive step especially considering our insufficient infrastructure facilities and non-availability of essential components like gas and power.

In line with the budget announcement, the economic zones would offer opportunities to underdeveloped regions as well as regions with potential for industrial growth. In this connection, priority should be given to the less developed areas like northern regions of the country and the hill tracts that have ample scope for development through economic activities.

It is expected that due to the present global economic crisis, it will not be that easy to attract FDI when investments across the countries have stagnated. Keeping this in mind, the government has possibly proposed to open up investment facilities for undisclosed income in certain potential sectors by paying 10 percent tax where investments could be effectively used for economic development as well as for creation of jobs. As such emphasis should be more on mobilisation of local resources through attracting local investment. And may be that is why the government has announced its programme to take up special initiatives to involve the private sector under PPP to narrow the probable investment gap alongside the government's investment. In this connection, opening a new expenditure head to be named as PPP Technical Assistance, allocation of Tk 300

crore as Viability Gap Funding as subsidy or seed money and Tk 2,100 crore Infrastructure Fund are expected to go a long way in helping and motivating the private sectors in their future investment ventures.

During its previous tenure, the Awami League government undertook a lot of initiatives for setting up industrial parks throughout the country and many a sites were also selected for the private investors to set up their industries, which the BNP-Jamaat government totally abandoned later. The major advantage of setting up industrial parks is that unlike EPZs, the products of the enterprises set in the industrial parks can be exported and those can be marketed locally.

Thus considering its positive aspects and suitability for a country like ours, the present Awami League-led government can revive the programme of setting up industrial parks at some appropriate places providing the infrastructure facilities and other services at the doorsteps of such parks. This will enable the government to have proper and effective use of our scarce land resource and will encourage the prospective investors to come forward to invest without undergoing many a hassles for setting up an industry in a country like Bangladesh. The prospective investors will get here all the infrastructure facilities and other service benefits in one go.

The writer is former acting executive chairman of Board of Investment.

RECESSION

OECD starts long haul to weak recovery

AFP, Paris

The advanced economies will soon hit the bottom of the recession and have begun the long haul towards a weak recovery by the end of the year, the OECD said on Wednesday as it revised up forecasts.

The OECD said its 30 advanced economy members would now see growth of 0.7 percent next year, revising its March forecast for a contraction of 0.1 percent and putting the outcome close to 2008's expansion of 0.8 percent.

Saying this was the first time in 24 months that it had raised, instead of lowered its forecasts, the OECD said member states' combined economic output this year would shrink 4.1 percent, rather than 4.3 percent.

"It looks as if the worst scenario has been avoided and that OECD economies are now nearing the bottom. Even if the subsequent recovery may be slow, such an outcome is a major achievement of economic policy," it said in a regular review.

A massive fire-fighting effort by governments and central banks had pulled the world back from the brink of "catastrophic events," it added.

The Paris-based OECD said it expected the US economy to contract 2.8 percent this year and grow 0.9 percent in 2009, with Japan down 6.8 percent before returning to growth of 0.7 percent in 2010.

The 16-nation eurozone would shrink 4.8 percent, with zero growth in 2010.

The financial sector remained

OECD Forecasts			
Growth		Percentage change in GDP	
	2009	2010	
USA	-2.8	0.9	
Japan	-6.8	0.7	
Euro zone	-4.8	0	
Germany	-6.1	0.2	
Britain	-4.3	0.0	
Inflation		Percentage change	
	2009	2010	
USA	-0.6	1.0	
Japan	-1.4	-1.4	
Euro zone	0.5	0.7	
Germany	0.3	0.4	
Britain	1.9	1.2	
Unemployment		Percentage of labour force	
	2009	2010	
USA	9.3	10.1	
Japan	5.2	5.7	
Euro zone	10.0	12.0	
Germany	8.7	11.6	
Britain	8.2	9.7	

AFP 24/06/09



AFP

World Trade Organisation (WTO) head Pascal Lamy talks while attending a session of the OECD Forum at the OECD headquarters in Paris yesterday. The advanced economies will soon hit the bottom of the recession and have begun the long haul towards a weak recovery by the end of the year, the OECD said on Wednesday as it revised up forecasts.

the end of a sharp downturn but recovery there would be slow and a large amount of spare capacity ran the risk of causing deflation -- a sustained period of falling prices.

In the eurozone, signs of recovery "are not yet as clearly visible," it said.

The OECD said massive intervention had contained the worst economic crisis for 65 years and further stabilisation of the financial sector could boost the chances for recovery.

There must be "swift recogni-

tion of losses in banks and accompanying capital injections," it said.

The OECD said that among immediate dangers and uncertainties, there was the prospect of a substantial rise in unemployment, which would likely hit 10 percent in the United States and more than 12 percent in the eurozone.

This could in turn add to the deflation risk and undercuthousehold spending, a key driver in any economy.

Governments should do their

utmost to keep interest rates exceptionally low, at close to zero, and continue to support the financial sector until recovery is underway, it said.

At the same time, the OECD noted that long-term interest rates, as determined by bond yields, would be under pressure to rise as governments issued more bonds to raise funds for stimulus packages and other measures.

"The economic crisis will cast a long shadow," the OECD said, noting that economies would emerge from it with a lower potential for sustainable growth than they had before the crisis.

Europe would be particularly at risk from an increase in long-term, structural unemployment, it added.

Against this backdrop, the withdrawal of supportive measures must not be unduly hasty.

Budget deficits and debt, hugely increased by anti-crisis measures, needed to be tackled progressively, with savings of 1.0 percent of Gross Domestic Product (GDP) per year for three to seven years, recommended.

This, as stimulus packages were also removed, "is ambitious but not unprecedented" and would be enough to bring budgets close to balance or even into surplus "so that a snowballing of debt would be prevented."

The threat of permanent damage "underscores the importance of accelerating structural reforms," the OECD said, referring to the continued opening up of markets to competition and easing restrictions and red tape in the economy.