

## International Business News

## China to seek more private investment

AFP, Beijing

China is planning to seek more private investment in an apparent bid to balance its path to economic recovery, which so far has relied heavily on government spending, state media said Thursday.

The National Development and Reform Commission, China's top economic planning agency, has submitted draft rules on the issue to the State Council, or cabinet, the Shanghai Securities News said, citing an unnamed NDRC official.

Under the rules, private investment will be encouraged in a wider range of sectors including infrastructure, the financial industry, culture, education and public services, which have been dominated by state-owned firms, it said.

Private firms will also get easier access to fund-raising, face lower taxes and be subject to fewer administrative licensing requirements, the report said, without giving further details.

China last year unveiled an unprecedented four-trillion-yuan (585 billion dollars) stimulus package aimed at boosting domestic demand as exports plunged.

The world's third largest economy expanded by 7.9 percent in the second quarter, up from 6.1 percent in the first quarter, mainly as a result of massive government investment.

## Deutsche Bank head says banks learning from crisis

AFP, Frankfurt

Banks are learning their lesson from the financial crisis and are making "good progress" towards adapting to the changed landscape, the head of Germany's top bank, Deutsche Bank, said on Thursday.

Banks have readjusted their risk models, there is more transparency in their operations and financial products and bonuses are "better oriented towards long-term profitability," Josef Ackermann said at a conference here.

The comments came ahead of a G20 summit in Pittsburgh on September 24-25 when bankers' bonuses, part of a culture of excess blamed for bringing the global financial system close to collapse in 2008, are set to figure highly on the agenda.

He hit back at accusations from leading politicians, including Chancellor Angela Merkel, that banks were returning to a "business as usual" approach as the pain of the crisis begins to fade.

"This impression is wrong and misleading. The fact is that the banks have made good progress with implementing the lessons learnt from the financial crisis," he said.

He also praised efforts at the G20 level to bolster financial market regulation, saying "the reform of the global financial system is progressing well" but warned against national approaches to regulation.



AFP

A Sri Lankan stallholder waits for customers at The Sri Lanka Apparel Show Gem and Jewellery Exhibition in Colombo yesterday. The exhibition of local designs, studded with coloured gem stones, attracts dozens of foreign buyers.

## EU probes Oracle's bid to buy Sun

AP, Brussels

European Union regulators on Thursday launched an antitrust probe into US software maker Oracle Corp's takeover of Sun Microsystems Inc, saying the deal could mean higher prices and limited choice for database software.

EU approval is now the main stumbling block for the \$7.4 billion deal which has already been cleared in the U.S. by the Department of Justice.

The European Commission now has 90 days - until Jan. 19, 2010 - before it makes a final decision to clear the deal or block it. It often presses companies to make changes that eliminate antitrust worries.

EU Competition Commissioner Neelie Kroes said Thursday that regulators needed to examine the effect of a deal "when the world's biggest proprietary database company proposes to take over the world's leading open-source database company."

She said the EU executive wanted to check that customers won't see less choice or higher prices as a result - and was keen to make sure that open-source software continues to rival larger companies that develop their own code and don't share it with others.

## Swedish central bank holds key rate at 0.25pc

AFP, Stockholm

Sweden's central bank said on Thursday it would hold its key interest rate at a record low level of 0.25 percent.

"To enable a stable recovery in the economy and to attain the inflation target of 2 per cent, The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at 0.25 per cent," the bank said in a statement.

It added that the key interest rate was likely to remain at this level until the autumn of 2010.

The central bank also issued improved growth forecasts for the Swedish economy.

The bank said in a statement it now forecast that the economy would shrink by 4.9 percent this year, recovering to 1.9-percent growth in 2010.

In July it had forecast that the economy would shrink by 5.4 percent in 2009 and that next year it would grow by 1.4 percent.

"The signs of a turnaround in the economy have become increasingly clear, but the recovery is from a low level," the bank said in the statement.

## WORLD ECONOMY

## G20 eyes bankers' pay amid warnings over recovery

AFP, London

G20 finance ministers meet here Friday to chart the next steps out of the global economic crisis, with calls to curb bankers' bonuses as part of beefed-up financial market rules topping the agenda.

But on the eve of the meeting their British host Alistair Darling warned against complacency due to emerging signs of recovery from the world's worst global slowdown in generations.

"The biggest single risk to recovery is that people think the job is done. There is a real risk that either governments or people generally think 'We have done that, we are on the path to recovery'," he told The Independent newspaper.

The ministers are facing European calls to crack down on bonuses, which many blame for encouraging excessive risk-taking, as they prepare for a full summit of Group of 20 leaders in Pittsburgh on September 24-25.

With Japan, France and Germany officially out of recession, minds are also turning to coordinating the withdrawal of stimulus packages and government bail-outs for banks -- although with caution.

British Prime Minister Gordon Brown warned this week that while the Group of 20 largest world economies must show willingness to work together on the removal of state economic aid, it was too early to embark on exit strategies.

Brown told the Financial Times newspaper that although he was "cautiously optimistic" that the world was pulling out of recession, it would be premature to abandon fiscal stimulus packages in the United States, Britain and Europe.

The issue of bonuses has been championed vociferously by French President Nicolas Sarkozy and the idea for a mandatory cap won wider support at a meeting of European finance ministers in Brussels on Wednesday, although not from Britain.

Swedish Finance Minister Anders Borg, whose country currently chairs the 27-nation European Union, said a "strong common European position" had been agreed in Brussels amid signs of "excessive risk-taking" returning to markets.

Following a meeting with German Chancellor Angela Merkel in Berlin on Monday, Sarkozy said: "All over the world people are sickened by the bonus system."

"We want to bring to an end the scandal of bonuses. We want it to stop," he added.

But Britain, keen to protect the status of London as Europe's financial capital, and the United States, with similar concerns for Wall Street, are unlikely to back France's proposals for a series of mandatory caps.

A British official said Wednesday the



AFP

A protester dressed as a pirate poses for a Christian Aid photocall yesterday ahead of the G20 finance ministers meeting at The Golden Hinde galleon in central London. Protesters dressed in dapper City outfits staged a demonstration on Thursday to highlight the problems of tax dodging by multinational companies.

government would set out alternative proposals for reforming bankers' pay at this weekend's meeting.

The rules would include having bonuses paid over five years, with some of the money to be clawed back if the traders' long-term performance weakens, according to the Dow Jones newswire.

Britain will also seek rules to ensure that banks cannot guarantee bonuses to

their staff and that a "significant proportion" of bankers' remuneration comes in the form of non-cash payment such as stocks.

Analysts argue that large bonuses -- particularly in Europe and the United States -- rewarded short-term profit and therefore damaged the ability of bank executives to take well-judged decisions in the run-up to the crisis.

## CURRENCY

## In Vietnam, many see dollar as king

AFP, Hanoi

From lowly rickshaw drivers to restaurants and high-end boutiques, the dollar is a widely accepted currency in communist Vietnam -- except in the eyes of the government.

Thuy Hang, who owns a fashion shop in the centre of Hanoi, said having a supply of greenbacks in addition to the dong, the local currency, made perfect sense.

"The dong is always losing value. Inflation is still high. It's safer to have dollars," she says.

Analysts trace this widespread attitude to psychological factors rooted in the legacy of hyper inflation in Vietnam about 20 years ago as well as in more recent economic uncertainty.

"I sell my outfits in dong.... But sometimes I have foreign customers who pay me in dollars and I accept them. There's no reason to refuse them," Hang said, adding that she plays by the rules and has no problem accepting local currency too.

Officially, the dong is the only currency authorised for domestic transactions in Vietnam, where despite a booming market economy, communism remains the state ideology.

Vietnam regularly experiences official shortages of dollars but "never a shortage of dollars" on the black market, says a Hanoi gold dealer.

While the official exchange rate is about 17,000 dong to the dollar the black market rate is around 18,380.

One importer, who requested anonymity, complained that for two months it has been "impossible to buy dollars in the bank" so he has turned to unofficial channels where he says he can buy as much US currency as he wants.

This black market usually operates unhindered, but periodic crackdowns are a reminder of the government's determination to keep economic control.

For a while last year there was a shortage of dollars in the official market because of macro-economic imbalances, according to economists. Inflation peaked at 28.3 percent month-on-month that August and the



AFP

This photo taken on August 28 shows a young woman talking on a phone at a jewellery shop where people can also exchange money on a Hanoi street. From lowly rickshaw drivers to restaurants and high-end boutiques, the US dollar is readily accepted in communist Vietnam and street sales of the greenback are a profitable -- but illegal -- business.

trade deficit hit a record 17 billion dollars for the year.

Yet while the major economic indicators are more stable today, the Vietnamese economy and its currency still struggle to inspire confidence, according to merchants and economists.

Inflation slowed year-on-year to 8.31 percent in the first eight months of the year while in the same period the trade deficit fell an estimated 68 percent year-on-year to 5.1 billion dollars, official figures show.

Legislators have said they hope inflation can be kept below 10 percent in 2009, while

the government aims for economic growth of around five percent.

That is still far from Vietnam's performance over the past decade. Growth reached 8.5 percent in 2007.

With the central bank holding significant reserves but reluctant to intervene too much, the state is not actually short of dollars but the Vietnamese and in particular, exporters, see the greenback as a safe haven and tend to hoard it, analysts say.

The global economic crisis may have spurred some to move assets out of dong and into dollars and gold, the International

## Older Americans staying put in jobs longer

AP, Washington

Older Americans will make up virtually all of the growth in the US work force in the coming years as a nearly unprecedented number hold onto jobs and younger people decide to stay in school.

The study by the Pew Research Centre, an independent research group, highlights a rapidly greying labour market due to longer life spans, an aging baby boomer population and a souring economy that has made it harder to retire.

Pew's survey and analysis of government data, being released Thursday, found the share of Americans ages 55 and older who have or were seeking a job rose to 40 percent this year, the highest level since 1961. In contrast, people 16 to 24 who were active in the labour market decreased to 57 percent, down from 66 percent in 2000.

Asked to identify why they're working, 54 percent of older workers responded that it was mostly because they wanted to, citing a desire while they were still feeling healthy to be productive, interact with other people or to "give myself something to do." A sizable number of them - nearly 4 in 10 - also acknowledged staying put at work partly because of the recession.

Among young people 16 to 24, nearly half the respondents said they weren't working because they wanted to focus on school or job training, reflecting a growing view among Americans that a college education is needed to get ahead in life. About 4 in 10 said they looked for work but couldn't find a job.

In all, the number of older workers is projected to increase by 11.9 million in the next few years. They will make up nearly 1 in 4 workers by 2016.

"When it comes to work, this recession is having a differential impact by age. It's keeping older adults in the work force longer, and younger adults out of the work force longer," said Paul Taylor, director of the Pew Social and Demographic Trends Project. "Both of these trends pre-dated the current downturn, both have been intensified by it, and both are poised to outlast it."

Among other findings:

- The US labour force is expected to increase by 12.8 million workers from 2006 to 2016, including the 11.9 million who will be ages 55 and older. Workers ages 25 to 54 will increase by 2.5 million, while those ages 16 to 24 will decrease by 1.5 million.
- After increasing for five decades, the share of women holding or seeking a job has flattened at 59 percent. That is about 13 percentage points below the rate of men in the labour market. Asked to identify their reasons for not working, women were nine times more likely than men to cite childcare or other family responsibilities as a major factor.

Monetary Fund (IMF) said.

A significant easing of monetary policy, as the government attempted to stimulate the economy, combined with the prospect of a substantial fiscal stimulus, may have reinforced these trends, it said.

A renewed widening of the trade deficit recently would have contributed too, the IMF added.

But above all, the reasons for the dollar shortage may be subjective.

Years of high inflation at the end of the 1980s and in the early 90s have left painful memories, analysts say. Inflation reached 874 percent in 1986.

"This psychology is difficult to reverse, even in countries such as Vietnam, which have enjoyed an extended period of tranquility," said IMF country representative Benedict Bingham.

Recent price rises have not helped. Vietnamese, well-informed about monetary issues, are sensitive to the slightest hiccups in their economy, analysts say.

The latest dollar shortage can be explained to a large extent by "psychological factors," said Cao Si Kiem, a former governor of the central bank.

"Part of the population, and companies, fear inflation will not ease, that the dollar will appreciate and the dong will fall," he says.

Rather than clamping down on foreign exchange transactions and driving the market underground, governments facing this situation need to gradually build "confidence in the domestic currency through sustained sound policies that erase the fears of the past," the IMF's Bingham said.

But escaping the "dollarised" economy will take time.

"We have to sensibly improve the situation... notably confidence in the dong," said Kiem.

Others doubt Vietnam's dong can ever win confidence, among them the importer.

Officials "will never be able to eliminate the black market for the dollar," he says. "The dong is very weak and is not certain to appreciate. You can't do business with dong anywhere. With the dollar, everything is easier."