International Business News

British business chiefs upbeat about economy

AFP, London

A top British business leaders' network on Sunday said it was upbeat about the country's economic prospects but warned that the chances of a "relapse" were still high.

The British Chambers of Commerce (BCC) said it expected gross domestic product (GDP) to increase by 1.1 percent in 2010 -- up from the 0.6 percent rise it home predicted in June.

It also said it expected unemployment to peak at just above three million -- 9.6 percent of the workforce -- rather than the 3.2 million it predicted in its last forecast.

However, the BCC warned that exports, consumer spending and investment had to strengthen to sustain the recovery.

The chambers urged the British government to avoid increasing business taxes, saying public sector reforms were the key to balancing the books.

"The upturn in the economy has probably started and we could see a relatively strong bounce-back in the next few quarters," said BCC chief economist David Kern.

"But sustaining the recovery will be very challenging and the risks of a relapse are high."

The BCC said GDP was likely to be down 4.3 percent in 2009, with debt on course to exceed 80 percent of GDP.

AIG sells asset management unit for $500m

AFP, Washington

US insurance giant AIG announced Saturday the sale of part of its investment advisory and asset management business to a subsidiary of Hong Kong-based Pacific Century Group for 500 million dollars.

AIG said it would receive a cash payment of 300 million dollars under the agreement with Bridge Partners LP.

The insurance company said in a statement that it will continue to operate its in-house investment group, which currently oversees around 480 billion in assets.

The units being sold to Bridge Partners operate in 32 countries and manage approximately 88.7 billion dollars in investments belonging to institutional and retail clients, AIG said in a statement.

AIG was the largest single recipient of US bailouts, with the government pumping more than 170 billion dollars into the firm in late 2008 to keep it afloat and taking a controlling stake in the group in the process.

The company was on the verge of collapse last year after backing trillions of dollars in risky financial products amid a home mortgage meltdown that triggered financial turmoil.

AFP

An employee of a taxi boat company stands on the side of a boat as they prepare to dock at a pier alongside a canal in downtown Bangkok on Saturday. Thousands of commuters in the Thai capital daily opt for the cheap alternative transportation to avoid its rush-hour traffic jams. Thailand's economy shrank 4.9 percent year-on-year in the second quarter but is showing signs of recovery from the global slowdown, official figures showed recently.

McDonald's takes McCurry to court again in Malaysia

AFP, Kuala Lumpur

US fast food giant McDonald's, which has waged an eight-year legal battle with local restaurant McCurry, will Monday petition Malaysia's highest court in its campaign to strip the eatery of the "Mc" prefix.

In April, a Malaysian appeals court overturned a 2006 high court decision that McCurry -- whose menu features local delicacies such as fish head curry -- had illegally infringed on the burger chain's trademark.

"They (McDonald's) have said that we are passing off as McDonald's. But the food we serve is different," McCurry owner Kanages Suppiah told AFP on Sunday.

On Monday, the federal court will decide if McDonald's can contest the appeals court decision.

Kanages said the family-owned business is hoping the April decision in its favour will be upheld so that they can so they can go ahead with plans to open other branches.

"I am keeping my fingers crossed. I hope we will win. We have only one shop. Because of this (legal) problem we have been unable to expand," she said.

The McCurry restaurant, which owners say is short for Malaysian Chicken Curry Restaurant, was established in 1999. McDonald's has 185 outlets in the country.

Obama 'green jobs' adviser quits amid controversy

AP, Washington

President Barack Obama's environmental adviser Van Jones, who became embroiled in a controversy over past inflammatory statements, has resigned his White House job after what he calls a "vicious smear campaign against me."

The resignation, announced early Sunday, came as Obama is working to regain his footing in the contentious health care debate.

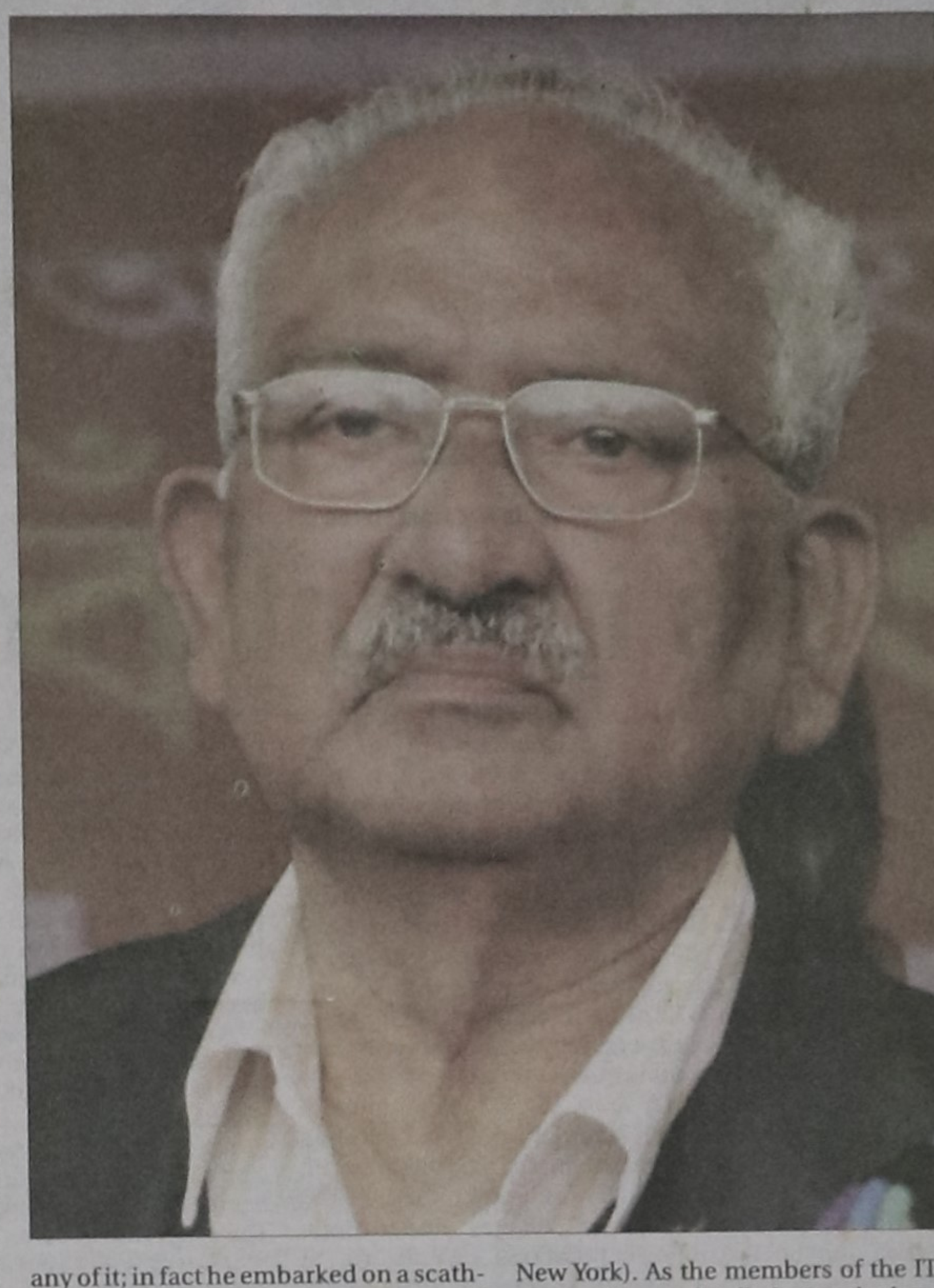
Jones, an administration official specialising in environmentally friendly "green jobs" with the White House Council on Environmental Quality was linked to efforts suggesting a government role in the 2001 terror attacks and to derogatory comments about Republicans.

Jones issued an apology on Thursday for his past statements. When asked the next day whether Obama still had confidence in him, White House press secretary Robert Gibbs said only that Jones "continues to work in the administration."

COLUMN

Saifur: The other side

HABIBULLAH N KARIM



With the IT industry late Saifur Rahman had a love-hate relationship going back to the early nineties. His sudden and tragic demise last Saturday brought back a flood of memories, some good, some bad but all of those very engaging.

My first one-on-one encounter with him happened sometime in 2000 when he came to an AmCham lunch meeting as the guest speaker. There I confronted him about his total disregard for the IT industry during the previous BNP rule from 1992 to 1996, so much so that he actually took a regressive measure of increasing the import duty and tax on computers in that period.

To my surprise he admitted his lack of foresightedness in this respect and promised that if he were to get the opportunity again he would certainly do justice to the enormous potential of the IT sector of the country. As things turned out, BNP did form the government in 2001 and Mr Saifur Rahman again got appointed as the country's finance and planning minister. I also happened to get elected in the same year as the president of BASIS -- the national software and IT services trade organisation -- and thereby got the opportunity to test Mr Rahman's resolve for the IT industry both as an industry practitioner and also as his colleague on the prime minister's ICT Task Force (ITTF).

In the very first ITTF meeting under the then BNP government I was impressed by Mr Rahman's non-partisan outlook on national issues. The ICT Task Force was actually instituted in the year 2000 and its first meeting was held under AL-rule in early 2001. In that respect the meeting held in early 2002 under BNP-rule was in fact the second meeting of the ITTF.

When there was a move during this meeting to ignore the draft minutes of the first meeting of the ITTF, as it was held under the previous regime, Mr Rahman insisted that the minutes be passed as any government or state institution needs to continue uninterrupted despite regime changes. In the meeting I presented a few agenda for the accelerated growth of the software and IT services industry including allocation of Tk 3 billion for taking up multitudes of e-government projects.

I pleaded that by doing so the government would be able to bring efficiency, transparency and accountability in government service and at the same time provide a much-needed fillip to the domestic software and IT services industry. Mr Rahman would not have any of it; in fact he embarked on a scathing criticism of the lack of progress of the IT industry and made no bones of his displeasure for the fact there was absolutely no export of software from the country.

I was completely unprepared for such deep-seated animosity towards the IT industry from the finance czar of the country and desperately looked around the room for support. Half a dozen cabinet ministers and even a higher number of secretaries of the government sat with their faces towards the floor. I knew it was up to me to drag the IT industry out of its infamy in the eyes of the then finance and planning minister.

The opportunity came as the then prime minister Khaleda Zia had to take a short break from the meeting to undergo physiotherapy (this was after the knee surgery Ms Zia underwent that year in New York). As the members of the ITTF engaged in small talk during the break I sought out Mr Rahman for his unkind remark and launched into a full rebuttal of his ill-informed opinion of the industry.

At the end of the vigorous debate he not only accepted my proposals for the development of the software and IT services industry but had since been an ardent advocate of the industry. From that day in his eyes I was 'Mr Software-man' -- a name he used fondly to refer to me every time we met henceforth. A quintessential nationalist, late Saifur Rahman served this nation steadfastly during a troubled period and will forever be remembered as a true patriot.

The writer is the founder CEO of Technohaven Co Ltd and president of BASIS. He can be reached at hnkarim@gmail.com.

G-20 to maintain economic stimulus

AP, London

Top finance officials from rich and developing countries agreed Saturday to curb hefty bankers' bonuses, but the proposed crackdown on excessive payouts so far falls short of European demands after the US and Britain shied away from imposing a cap.

The Group of 20 finance ministers also pledged to maintain stimulus measures such as extra government spending and low interest rates to boost the global economy, warning that the fledgling recovery that provided the backdrop to their meeting here is by no means assured.

"The financial system is showing signs of repair," said US Treasury Secretary Timothy Geithner. "Growth is now under way. However, we still face significant challenges ahead."

The G-20 joint statement issued at the end of their London meeting said that fiscal and monetary policy will stay "expansionary" for as long as needed to reduce the chances of a double-dip recession.

The International Monetary Fund has said that the global economy is beginning a sluggish recovery from its worst recession since World War II, raising its estimate for global economic growth in 2010 to 2.5 percent, from an April projection of 1.9 percent.

But the IMF also downgraded its forecast for this year, saying it would shrink by 1.4 percent, instead of 1.3 percent.

The group also pushed ahead with plans to reform the financial system, including tougher action against tax havens and giving developing countries a greater say in global governance.

French Finance Minister Christine Lagarde said this ensured that "things will not go back to business as usual ... that there are no dark areas anymore to hide."

But while the gathering - a preparatory session for the G-20 leaders' summit in Pittsburgh later this month - reached agreement on the need for ongoing growth-boosting measures and some regulatory reform, it compromised on the hot topic of bankers' bonuses.

Curtailing bankers' pay and bonuses has been seen as key by some countries after the risk-promoting payment culture was blamed for fuelling the current financial crisis.

British Treasury chief and meeting host Alistair Darling said that there must be no more cases in which "people are being rewarded for reckless behaviour."

Heading into the talks in the British capital, European countries had pushed for the G-20, which represents 80 percent of the world's economic output, to enforce an official cap on both individual payouts and collective bonus pots at financial institutions.

Britain supported the general effort to reign in bonuses, but not the cap, while the United States was more intent on pushing its proposal for a global accord to force banks to hold more capital reserves.

AVIATION

India's budget airlines take on rivals

AFP, Mumbai

India's low-cost airlines are set to go from strength to strength as they grab market share from ailing premier carriers such as Air India, whose debts and losses continue to pile up, experts say.

Big airlines such as Jet Airways, Kingfisher and Air India are being hit by falling revenues due to tough economic conditions and high air fuel taxes.

The smaller, "no-frills" carriers such as Spicejet or Indigo, set up to open up the skies to the country's burgeoning middle classes, have dealt better with the turbulent business conditions of the last year, analysts say.

At least seven budget airlines fly across India's skies, with a 40-percent market share.

"By December-end, we estimate this to rise to 70 percent," said Kapil Kaul, South Asia chief executive of the Centre for Asia Pacific Aviation (CAPA) consultancy.

A sign of the predicament facing India's private airlines -- which carry 80 percent of local air traffic -- was seen last month when bosses threatened to ground planes for a day unless the government gave them a bailout.

The demand was denied but a strike was averted when the government promised to take steps to reduce the burden of steep fuel taxes.

Air India posted a 1.03-billion-dollar loss last financial year and has appealed for nearly 620 million dollars in state aid to keep flying.

Jet Airways lost 2.25 billion rupees (47 million dollars) in the quarter ending June, while Kingfisher Airlines reported a net loss of 2.40 billion rupees in the same period.

Kingfisher's flamboyant chairman, Vijay Mallya, has said: "Our losses are no longer sustainable. It costs us more to fly than to stay on the ground."

Losses for the entire Indian aviation sector last year are put at some two billion dollars.

This means Indian airline losses represented nearly a fifth of the 10.4-billion-dollar loss posted by the industry globally last year, even though the country accounts for just two percent of the world's flying public.

AFP

A file picture taken on July 15, 2008, shows a Boeing 737 aircraft from low-cost Indian carrier SpiceJet taxiing towards takeoff at the domestic airport in Mumbai. India's low-cost airlines are set to grab the majority share of the domestic air passenger market by the end of the year, edging out premier carriers, experts said. Big airlines like Air India, Jet Airways and Kingfisher are being grounded by soaring losses, high debt and falling revenues due to tough economic conditions and rising air fuel taxes.

The situation is a far cry from five years ago, when a clutch of new airlines was launched amid predictions of double-digit passenger growth as the government opened India's skies to more competition.

But the growth was too rapid, analysts say, leading to over-capacity.

By 2007-08, India's airlines were in shake-out mode with Jet striking an alliance last October with arch-rival Kingfisher. The deal includes code-sharing, route rationalisation and pooling crews.

"The first round of consolidation -- Jet buying out loss-making Sahara, Kingfisher buying out Air Deccan, were strategic mistakes," CAPA's Kaul said.

Mihir Shah, analyst with brokerage firm Prabhudas Lilladher, added: "India's airlines saw excess capacity and intense competition. When the economic downturn came, their business travellers were being replaced by the leisure class."

Kaul said the situation was "alarming" as major carriers were making losses, but added: "If there is a bad business case, we need to allow airlines to exit."

State taxes imposed on jet fuel are high at an average of 26 percent. Fuel costs are also 70 percent more expensive than the average paid by airlines globally.

Such factors have combined to leave Air India, Jet and Kingfisher with a combined debt of eight billion dollars, analysts said, with six billion dollars more expected to be added by 2012.

Gaurang Shah, chief fund manager with Geojit BNP Paribas Financial Services, suggested larger Indian airlines will have to cut more routes, fleets and staff to keep flying.

On the other hand, low-cost carriers like Spicejet and Indigo appear better placed, as they do not have a legacy of high debts, he added.

Spicejet showed a net profit of 263.42 million rupees (5.39 million dollars) for the quarter ending June against a net loss of 1.29 billion rupees a year earlier.