

International Business News

Barclays fined for transaction inaccuracies

AFP, London

Barclays bank has been fined 2.45 million pounds for "serious weaknesses" in systems and controls that led to inaccurate reporting of transactions, Britain's financial watchdog said on Tuesday.

The Financial Services Authority said it had fined Barclays the equivalent of 2.8 million euros or 4.1 million dollars "for failing to provide accurate transaction reports to the FSA and for serious weaknesses in systems and controls in relation to transaction reporting."

FSA director of markets, Alexander Justham, said in a statement the penalty was "significantly higher than previous penalties imposed for transaction reporting errors."

He added: "This reflects the serious nature of Barclays' breaches and is a warning to other firms that the FSA will not tolerate inadequate systems and controls."

The FSA said firms were required to submit transactions data by the close of business the day after a trade was executed.

"The FSA uses this data to detect and investigate suspected market abuse: insider trading and market manipulation," said the watchdog.

"The FSA discovered discrepancies in Barclays' data while reviewing a suspected incident of market abuse by a third party."

Egypt threatens mobile phone operators on Ramadan specials

AFP, Cairo

Egypt is threatening to punish mobile phone operators with a freeze on new customer lines if they keep prices lower after the holy month of Ramadan, newspapers reported on Tuesday.

Main operators Mobinil and Vodafone Egypt have offered customers phone calls as cheap as five piastres (one cent) a minute during Ramadan, which ends by September 20.

Vodafone and Etisalat Egypt have also slashed roaming fees to about nine cents a minute for subscribers receiving calls from Egypt while on pilgrimage to Islam's holiest places in Saudi Arabia.

Communications and Information Technology Minister Tareq Kamel said the offers were harming other companies, apparently referring to the government's landline operator Telecom Egypt, independent daily Al-Masry Al-Yom reported.

State-news agency MENA reported that Kamel had agreed in a meeting with the companies' representatives to allow them to continue their offers until Ramadan ends.



AFP

Travellers stand at the Jet Airways counter at the city airport in Mumbai yesterday. Flights on India's second-largest private airline, Jet Airways, were disrupted yesterday after a number of pilots went on what the company called a "simulated strike" and reported sick. Nearly 129 flights around the country, including 35 from the financial hub Mumbai and 18 from New Delhi, were cancelled as a result of the action, which Jet Airways said was a "planned sabotage of operations".

Japan's current account surplus narrows in July

AFP, Tokyo

Japan's current account surplus shrank at a faster than expected pace in July, hit by weak exports and falling returns from overseas investments, official data showed Tuesday.

The surplus in the current account -- the broadest measure of trade with the rest of the world -- fell 19.4 percent in July from a year earlier to 1.266 trillion yen (13.5 billion dollars), the finance ministry said.

The decline followed the first year-on-year rise in the surplus in 16 months in June as the world's number two economy slowly emerges from its worst recession in decades, helped by stimulus spending by world governments.

The July surplus in the income account fell 24.2 percent to 1.25 trillion yen, reflecting lower returns on overseas investments held by Japanese companies and individuals, partly because of super-low global interest rates.

The services account deficit also widened due to lower patent payments from overseas, offsetting the positive impact of a 42.3 percent increase in the trade surplus from a year earlier to 437.3 billion yen.

Finland sinks into eurozone's deepest recession in Q2

AFP, Helsinki

Finland has sunk into the deepest recession in the eurozone after official data published Tuesday showed that its economy shrank 9.4 percent on a 12-month basis in the second quarter of this year.

The drop is the biggest annual decline since the fourth quarter of 1991 when the Nordic country's economy shrank by 8.0 percent.

The latest figures were far worse than analyst expectations.

Economists quoted by the Kauppalehti business daily predicted negative growth of 7.3 percent year-on-year.

Statistics Finland, the official data agency, said the economy shrank by 2.6 in the second quarter, compared to a revised figure of minus 3.0 in the first.

Elsewhere in the European Union, only the economies of Estonia, Latvia and Lithuania reported larger negative growth figures in the second quarter. Ireland, however, is yet to release its GDP data for the period from April to June.

AVIATION

China unveils jet at air show



An Embraer aircraft sits parked along with numerous private business jets on display at the Asian Aerospace International Expo and Congress 2009 in Hong Kong yesterday. China's largest home-produced commercial jet also made its international debut at Asia's biggest air show, in a demonstration of the country's ambition to be a global aviation giant.

AFP, Hong Kong

China unveiled the design of what will be its largest home-produced commercial jet at a Hong Kong air show Tuesday, demonstrating the country's ambition to be a global aviation giant.

An arm of the state-owned Aviation Industry Corp of China (AVIC) exhibited a miniature of its C919 in Hong Kong, with some observers hailing the occasion as proof the fast-rising communist country has arrived in the industry.

"It's the first time that China has put a face in front of the global aviation industry," said Richard Thiele of Reed Exhibitions, organiser of the Asian Aerospace International Expo and Congress, which began Tuesday.

The single-aisle aircraft was designed by Commercial Aircraft Corporation of China, or COMAC, and is part of China's long-term plan to break the duopoly of Airbus and Boeing in the production of large commercial aircraft.

"We still have a long way to go in comparison with those aviation industry 'superpowers' such as the USA," said Wang Wenbin, COMAC's assistant general manager, at the show.

Wang said the C919 project "will set a landmark for the overall modernisation" of China, which has until recent years focused only on developing military aviation technology.

The jet, which COMAC has said seats between 168 and 190 passengers, is due to make its maiden flight in 2014 and be delivered to clients in 2016, said Wang.

He also announced that the company had received a total of 208 confirmed and unconfirmed orders for its 70-seater ARJ21 -- which stands for Advanced Regional Jet for the 21st Century -- China's first home-made commercial plane.

Apart from COMAC, another 10 Chinese companies -- from suppliers to aircraft management firms -- also debuted at the expo, the organiser said.

It is no coincidence the event is being held on Chinese soil.

The three-day biennial meet, hailed as one of the world's most influential air shows, was moved from Singapore to Hong Kong in 2007 to be closer to mainland China, now seen as the world's fastest growing aviation market.

Thiele, Reed's head of sales for aerospace and aviation, said despite airlines worldwide being hit badly by the global economic downturn, 10,000 visitors and 356 firms are expected to take part in Asian Aerospace.

Lin Zuoming, president of AVIC, told the media last year that their goal was to realise 1,000 billion yuan (145 billion US dollars) of revenue by 2017.

Much of that business is expected to come from domestic demand -- as China's economy booms, more of its people can afford to take holidays and its airlines will need more planes to get Chinese passengers to their destinations.

Chinese media reports have estimated the country's airlines would need a total of 1,600 new passenger jets by 2020 and 3,000 by 2050, costing hundreds of billions of dollars.

However, while state-sponsored Chinese companies might have the determination and the budget to compete with Western aviation titans, some industry experts believe the path to global dominance will be challenging.

Martin Craigs, president of Aerospace Forum Asia, a non-profit group to advance awareness of the aerospace business, said aircraft manufacturing required a highly complex integration of technology and good marketing.

"It would be naive to think that it's going to be simple," he told AFP.

"Airlines are hyper-sensitive to operating costs, fuel efficiency and life-time maintenance support when choosing aircraft. They need certainty and no political, technological and commercial risks."

Andrew Herdman, director general of the Association of Asia Pacific Airlines, a Malaysia-based trade organisation for the region's carriers, said it was unrealistic to think Chinese airlines would automatically buy home-made jets.

"Chinese airlines, when deciding whether to buy from Airbus, Boeing or other aircraft manufacturers will weigh the factors up dispassionately," he said.

A less risky alternative for China would be to invest its resources into the research and development of aircraft components and parts, he added.

He also warned that, while the backing of the state gives firms such as AVIC financial clout, it could also dissuade some buyers.

"The history of national aircraft ventures with political goals inherent in their projects is not something that seem to be taken up by consumers," he said.

RECESSION

Stiglitz warns of double dip

AFP, Reykjavik

US economist Joseph Stiglitz, winner of the 2001 Nobel Prize in economics, warned Monday that the global economy could suffer a double dip, a pronounced rebound giving way to another slide.

"It is difficult to know whether or when there will be a W," as such a course of events is often described, Stiglitz told AFP here.

"There are a number of substantial risks to the economy going forward. The risk to the financial sector, for instance, from commercial real estate...."

"And there are risks to the real sector caused by states having a shortfall of revenue and the withdrawal of (government) stimulus packages in 2011 will be a negative shock to the economy."

Stiglitz, former World Bank chief economist and an advisor to US former president Bill Clinton, said household balance sheets had been "destroyed", which has meant that "savings have gone up from zero to 7-9 percent."

A rising savings rate cuts into consumer spending, which is responsible for roughly two thirds of US economic growth.

An "inventory adjustment" is under way, as companies build up their stocks, Stiglitz said.

But "because of the uncertainties, people are not hiring, unemployment is very high and foreclosures are likely to remain high," he said.

"The result of this is that if these negatives I have described play out, which is very likely, when the inventory readjustment is over, the economy will go into a double dip."

Stiglitz has been a sharp critic of policies advocated by the International Monetary Fund, contending that they aggravate crises and impose public hardship.

Iceland, which had suffered mightily in the current global downturn, last October needed a 2.1-billion-dollar (1.5 billion-euro) rescue loan from the IMF.

Stiglitz in a speech at the University of Reykjavik maintained that Iceland had in fact received gentler treatment from the IMF than had other countries, sparking resentment,



Joseph Stiglitz

for example, in Thailand, a Fund recipient in the late 1990s.

"The programme in Iceland has been very unusual for the IMF and you should recognize that, that they did not follow the standard prescription that they did in most of the world, which would have been immediate fiscal contraction, no capital controls and very high interest rates."

"You should understand that, that you got more generous treatment has caused a lot of resentment in the rest of the world. I was just in Thailand and people were saying 'double standards, you treat people in Europe better than you treat people in Asia.'"

"So you should understand that there are consequences of the fact that you have been treated a little bit better."

Current market rebound not a real recovery: UNCTAD

AFP, Geneva

A UN think tank on trade warned Monday that the current financial market rebound is not a "real recovery" and that any world economic growth recorded in 2010 was unlikely to exceed 1.6 percent.

"The depth of the recession has been so important that of course there will be a rebound... but we still do not see that this is a real recovery," said Supachai Panitchpakdi, secretary general of the United Nations Conference on Trade and Development (UNCTAD).

"The actual increase in the commodities prices is mainly driven by appetite for more risk," he added.

This appetite could also be "reversed at short notice, depending on the pace of recovery and financial market sentiment."

Improving economic data including slowing job losses have been heralded by financial markets as green shoots of economic recovery, but UNCTAD poured cold water on the optimism.

Chief economist Heiner Flassbeck said the markets had been fuelled by financial speculation that in turn was driven by expectations of recovery.

"But anticipation of recovery is just a fiction, it is not there," he added.

The UNCTAD report noted rather than "tumbling profits in the real economy, previous over-investment in real estate and rising unemployment will continue to constrain private consumption and investment for the foreseeable future."

"Against this background, global GDP growth may turn positive again in 2010, but it is unlikely to exceed 1.6 percent," it added.

The report also slashed its 2009 forecast from a growth rate of 2.9 percent predicted last September to a contraction of about 2.7 percent.

Developed economies should post a 4.1 percent contraction, with Japan showing the deepest shrinkage of 6.5 percent over 2009.

Latin America is forecast to post a 2.0 percent contraction.

Africa and Asia should hold up the overall global economy, with average growth of 1.2 percent for Africa and 2.6 percent for Asia.

As countries sought to emerge from the recession, Panitchpakdi pointed out, attempts to tackle climate change represented a "new opportunity for new investment."

"Climate change mitigation does not contradict development goals but is a process of structural change worldwide that offers enormous economic opportunities for enhancing development," said UNCTAD.

This is particularly true for developing countries, which stood to gain if they were able to tap the opportunity to produce their own green products rather than relying on western imports, added Detlef Kotte, an UNCTAD economist.

"It is important to review the concept of climate change mitigation. We can see it not only as a cost but as a process that creates income. There are huge market opportunities in more environmentally-friendly goods," he explained.