

## International Business News

### Gulf single currency should be phased: Kuwait

AFP, Kuwait City

Gulf states should implement a monetary union and single currency in phases, Kuwait's central bank governor said in comments published on Sunday, casting further doubt on a 2010 target date.

"Due to the limited progress achieved so far... I believe that the best way is to work out an administrative plan for the monetary union and single currency and implement it in stages," Sheikh Salem Abdulaziz al-Sabah told Awan newspaper.

The six-nation Gulf Cooperation Council (GCC) plans to launch monetary union and a single currency in 2010, although many experts believe the target date is too ambitious and unrealistic.

Kuwait was one of four GCC members which in June signed an accord to create a joint monetary union council, a prelude to establishing a Gulf central bank and launching monetary union and a single currency.

OPEC kingpin Saudi Arabia, Qatar and Bahrain also signed the pact, while the remaining two members, the United Arab Emirates and Oman, did not.

The UAE was upset at the Saudi capital Riyadh being selected to host the future GCC central bank, while Oman withdrew from the monetary union in 2007 saying it was not ready to meet the preconditions.

### Spain looks to higher taxes to rein in deficit

AFP, Madrid

Spain's government Saturday approved a draft budget providing for tax hikes worth nearly 11 billion euros to rein in the deficit as it struggles with recession and Europe's highest jobless rate.

"The sum of these measures will result in revenue of around 10.95 billion euros (16.07 billion dollars), or around one percent of our gross domestic product," Economy Minister Elena Salgado said after a cabinet meeting.

Under the new budget, the main rate of value-added tax will rise from 16 percent to 18 percent and a lower rate from seven percent to eight percent, starting July 1. The lowest rate of all will remain at four percent.

The government also intends to end a 400-euro income tax allowance and hike the tax on capital investment revenue, from 18 percent to 19 percent on the first 6,000 euros and 21 percent thereafter.

The government, which denies it risks hindering an economic recovery that it expects to begin in 2010, also cut public spending projects by 3.9 percent from 2009 to 185.24 billion euros.

Socialist Prime Minister Jose Luis Rodriguez Zapatero had made reducing taxes a key plank of his government since taking office in 2004.



A man holds a bag containing fish outside the Aberdeen fish market in Hong Kong yesterday. Around 400 fishermen, 80 wholesalers and 1,000 buyers trade daily through Hong Kong's Fish Marketing Organisation (FMO), which in 2007-08 sold 51,500 tonnes of fish through seven wholesale markets. However, the FMO is under increasing pressure from illegal fishing and the increasing sale of catches outside Hong Kong.

### Belgian banks seek millions from Lehman bankruptcy

AFP, Brussels

Belgian creditors of failed Wall Street investment bank Lehman Brothers have demanded some 700 million dollars (480 million euros) from its administrator, local news media reported Saturday.

The five largest Lehman creditors in Belgium are Dexia bank at 354.2 million dollars, ING Belgium at 125.2 million, Fortis at 99.5 million, KBC at 81.1 million and Axa Belgium at 23.3 million, the Echo and De Tijd newspapers said.

Others include energy firm Electrabel and financial cooperative Swift, as well as religious congregations and charitable organisations.

The deadline for claims set by the US bankruptcy court was September 22, more than a year after the shock failure of Lehman Brothers.

Lehman's collapse sowed panic in boardrooms, government offices and households around the world and has come to symbolise the beginning of a steep slump that plunged the global economy into recession.

### Venezuela to inject \$3b to market this week

AFP, Port of Spain, Venezuela

Venezuela's government said Saturday it will inject three billion dollars into its domestic market this week in a bid to regain liquidity in its economy.

"It's going to be immediate," said Finance Minister Ali Rodriguez about the injection's impact at the start of the fourth quarter, upon his arrival at the Africa-South America summit taking place here.

The three billion figure is more than half of the five billion dollars that Chavez announced earlier this month as part of a package of 40 measures seeking to bolster the country's economy.

He said injection would begin on October 1 "to produce a reactivation of the economy in the final quarter."

Venezuela's GDP contracted by 2.4 percent in the second quarter of 2009, after 22 consecutive quarters of growth.

## INVESTMENT

# France to woo Islamic finance



The fourth Sukuk summit will be held in London in May next year. The French parliament this month has approved changes to legislation to allow Islamic "sukuk" bonds to be issued and the Qatar Islamic Bank has applied to be the first such bank to open in France.

AFP, Paris

As France debates whether to ban the burqa, the government is leading a drive to attract billions in investment from Muslim countries by turning Paris into the European capital of Islamic finance.

The French parliament this month has approved changes to legislation to allow Islamic "Sukuk" bonds to be issued and the Qatar Islamic Bank has applied to be the first such bank to open in France.

Home to Europe's biggest Muslim minority, France is hoping to unseat London as the European hub for Islamic banking, offering products that comply with Sharia law and meet the needs of big investors mostly from Gulf countries.

But the drive is raising hackles, with some opposition politicians accusing the government of undermining France's much prized secularism to accommodate wealthy investors.

"When rich Muslims are concerned, we welcome them. But when they are poor, we

put them on planes and deport them. This is all very upsetting," said Socialist deputy Henri Emmanuelli.

After failing to garner enough votes to derail the bill, the Socialist opposition is challenging the legality of the new legislation on Islamic finance before the Constitutional Council.

"We must not allow principles of Sharia law, or the ethics of the Koran to be introduced into French law," said Emmanuelli.

Under Sharia law, making money from money such as charging interest is not permitted and investment in companies involved in alcohol, gambling and tobacco is strictly off limits.

Much of the debate has focussed on opening up the French market to "sukuk" bonds, which are asset-based and do not pay interest. Investors receive coupons corresponding to part of the profits earned by the asset underpinning the bond.

Economists argue that money raised through Islamic finance could help spur France's nascent recovery with tools that

are seen as financially sounder than the high-risk derivatives that led to the 2008 global meltdown.

Elyes Jouini, an author of a report presented to the government last year, estimates that France could tap into 120 billion euros in capital from Islamic finance by making adjustments to its tax and banking laws.

Only seven billion euros of those would be raised domestically among France's five million Muslims.

"There are extremely important financial reserves in Gulf countries and southeast Asia and these countries are ready to invest anywhere but they have specific rules in terms of ethics and in terms of the choice of investment," said Jouini.

"If France wants to attract this capital to its economy, it must offer the possibility for these investors to do so according to the rules of Islamic finance," he said.

Finance Minister Christine Lagarde and Central Bank governor Christian Noyer are to address a major conference in Paris this week that could yield some announce-

ments on promoting Islamic finance in the French economy.

France's far-right National Front has denounced Islamic finance as a "community-based peril" resulting from immigration.

Jouini said opposition to the changes stems from "fear of the unknown."

"The term Islamic is confused with Islamism, the term Sharia raises fears because some think of women forced to cover themselves, the word fatwa raises fears because some think of Salman Rushdie, but a fatwa is nothing more than a decree," said Jouini.

"Islamic finance draws from the ethical principles of Muslim law but it obviously obeys Republican laws. It is not outside the boundaries of legality or civil society," he said.

The drive to open up to Islamic finance came as a parliament task force was looking at measures to ban the wearing of the full Islamic veil in France, reviving controversy over Islam's place there.

## TECHNOLOGY

# Australia embarks on broadband adventure

AFP, Sydney

From snowy mountains and sun-baked deserts to the steamy tropical north, Australia has begun wiring its vast expanse with a high-tech broadband network in a giant project being closely followed abroad.

Workers are already digging trenches in island state Tasmania, the first step in a 37 billion US dollar scheme which Prime Minister Kevin Rudd calls Australia's biggest ever infrastructure venture.

The ambitious plan aims to connect 90 percent of homes, including remote Outback settlements and sprawling coastal cities, with fibre-optic cable by 2017, accelerating lagging network speeds and boosting the economy.

The sheer scale of the project has drawn interest from foreign governments including the United States, where President Barack Obama has outlined similar plans.

Engineers will lay cable across 7.7 million square kilometres (3 million square miles) of often challenging terrain which covers an area equivalent to two European Unions.

"There's no kidding about it, it's a massive job," telecommunications analyst Paul Budde told AFP.

"You have to physically go to 10 million premises and bring a cable there, either (by) digging it or via (power) poles and then obviously it's not just having the cable, you have to have the installation in the house."

Specialised French digging machines have been shipped to Tasmania to lay the first of millions of kilometres of fibre-optic cable. By next June, three pilot towns are expected to be enjoying connection speeds of 100 megabits per second.

Just 0.1 percent of Australians are currently linked to fibre-optic cable with most accessing the Internet over the 100-year-old copper telephone network, prompting Rudd to call the country a "broadband backwater".



This file handout picture released by Marais-Lucas Technologies on Friday and taken in May 2009 shows the first Marais-Lucas Cleanfast trenching machine, designed and built in France to Australian specifications, in Sydney. The specialised French machine was later sent to Australia's island state of Tasmania with work having now already begun to lay the first of millions of kilometres of fibre-optic cable, the first step in a \$37 billion scheme which Prime Minister Kevin Rudd calls Australia's biggest-ever infrastructure venture, the wiring of a high-tech broadband network.

Rudd, announcing the project in April, said Australia had some of the developed world's slowest Internet speeds and lowest access rates. Some Outback communities rely on dial-up connections and others have no Internet at all.

"It is good for business, good for productivity, good for the delivery of e-health, good for e-education and good for Australia," Rudd said this month.

Industry expert Reg Coutts, who advised the government on the network, said the venture had attracted top-level attention in the United States and other countries.

"There's really an absolute interest, particularly in America, but also in Europe," he told AFP.

"People are asking, 'What the hell are you doing and how are you doing it?' People of course are sceptical," he said.

Laying the network was only the first step, he added, with the real challenge transitioning 10 million customers from old TV, telephone and Internet networks to the new system.

"That alone, we have never seen on that magnitude anywhere in the world," Budde said.

Once laid, there was "really no limit" to what the fibre network could do, said Ravi Bhatia, CEO of Primus Telecom and spokesman for industry consortium Terra.

He said technological advances in areas such as satellite mapping

would make the roll-out easier than it would have been even three years ago, allowing for "smart" deployment of resources and machines to dig and pull cable.

"By using the latest technology building this network we create another set of skills which we can then export to other countries and build their networks," said Bhatia.

Government adviser Coutts said every developed country was grappling with the same question: how to replace ageing once-public infrastructure that now belonged to private companies.

Teams of lawyers and economists were racing to untangle complex commercial questions of how to use existing exchanges,

underground ducts and power lines to minimise building work, said Budde.

Australia moved to deal with the problem by serving telco giant Telstra, the former state-owned monopoly, with an ultimatum to split its network and retail businesses or face being barred from further wireless spectrum.

Coutts said there was "a lot of infrastructure that could potentially be utilised in the NBN (National Broadband Network)" but estimated it was only about 10 percent of what was needed.

"Most of what's going to go on is purely civil works, actually pulling in and splicing optical fibre to replace the copper," he said.