

International Business News

Britain on course to exit deep recession

AFP, London

The deep recession in Britain is easing, official data showed on Tuesday, boosting hopes that the nation will soon join other major economies in returning to growth before the end of 2009.

British output contracted 0.6 percent in the second quarter compared with activity in the first three months of 2009, better than the previous estimate of minus 0.7 percent, the Office for National Statistics (ONS) said.

Gross domestic product shrank 5.5 percent between April and June compared with GDP in the second quarter of 2008.

The 12-month figure, unchanged from the previous estimate made in August, marked the biggest drop since records began in 1955.

"Today's data offers further indications that we are likely to see growth in the third quarter" and an end to Britain's deep recession, said Charles Davis, an economist at independent consultants, the centre for economics and business research (cebr).

IHS Global Insight analyst Howard Archer commented: "Matters have moved on appreciably since the second quarter with the key question being has the economy returned to growth in the third quarter?"

"We suspect that it has, and are looking for expansion of around 0.3 percent quarter-on-quarter."

Strike forces Air India to suspend ticket sales

AFP, New Delhi

Air India said on Tuesday that about half of its international flights had been cancelled due to a strike by pilots and announced a suspension of new bookings.

Nine out of 21 international flights and 37 out of 177 domestic flights were scrapped, spokesman Jitender Bhargava said, after pilots in three major cities called in sick for the fourth day after talks to end the dispute broke down.

"We have stopped taking bookings temporarily till mid-October," Bhargava told AFP. "This is to make sure inconvenience to passengers is avoided and we have surety of flights operating."

Overnight talks between the company and the non-unionised senior pilots, who are protesting a slash in performance-based incentive pay, failed to make headway with about 180 pilots reporting sick on Tuesday, Bhargava said.

An earlier statement by Air India said the pilots' refusal to accept bonus cuts was "unacceptable" and that "all options are being kept open."

But chairman and managing director Arvind Jadhav told reporters there was no chance of a lockout and urged pilots who had called in sick to "come back quickly and restore normalcy for the benefit of the passengers."



AFP

Girls covered in body paint work during a promotion to encourage retail sales at a shopping centre in Hong Kong yesterday. According to statistics released by the government, the value of total retail sales in August 2009, provisionally estimated at \$2.9 billion decreased by 0.2 percent when compared with a year earlier.

Taiwan may ease controls on high-tech investment in China

AFP, Taipei

Taiwan is close to easing curbs on local firms investing in high-tech companies in China, the island's economics minister said Tuesday, in a sign of improving ties despite recent spat with the mainland.

The long-standing controls on investment in China are now under government review and could be relaxed before the end of 2009, Shih Yen-hsiang told parliament.

"The discussions will not take a long time. We expect there will be a conclusion before year's end," he said in response to a question from a lawmaker.

The lifting of restrictions referred to by Shih would apply to high-tech industries in particular, said Huang Hsien-lin, an economics ministry official.

The Commercial Times earlier Tuesday also reported plans by the ministry to allow Chinese investors to buy stakes in Taiwanese flat panel and microchip makers.

Calls for easing controls on high-tech investment in the mainland have been mounting among local industry players as they claim their competitors from South Korea and Japan have been stepping up activity there.

European economic confidence rises again: EU survey

AFP, Brussels

European business and consumer confidence firmed in September for a sixth month running, an EU survey showed on Tuesday, building on recent encouraging news for Europe's struggling economies.

The European Commission's economic sentiment indicator for the 16 nations using the euro single currency rose to 82.8 points in September from a revised 80.8 in August, continuing a climb away from a record low 64.6 points in March.

However the rise remains below long-term averages and was the smallest recorded over the last six months.

In the 27-nation EU, the indicator rose to 82.6 points from a revised 81.0 points in August.

Among the biggest EU nations, France and the Netherlands saw the biggest rises, up 4.7 and 4.6 points respectively, while Germany posted a moderate increase of 1.5 points.

ANALYSIS

Merkel faces reform test

AFP, Frankfurt

The new coalition of German Chancellor Angela Merkel will likely boost Europe's top economy but analysts questioned Monday how far she will pursue crucial but contentious reforms.

The German Association of Chambers of Commerce and Industry (DIHK) called her victory in Sunday's election "a clear vote for courageous reform." Its president Hans Heinrich Driftmann said corporate tax cuts should now be "high on the agenda."

The Federation of German Wholesale and Foreign Trade called for "simplified taxes, less bureaucracy and more entrepreneurial freedom."

But analysts wondered how far the conservative Merkel would go in making painful reforms after she stressed the need to "maintain a balance between those who create jobs and workers."

During her first campaign, Merkel had called for major changes to Germany's economic system. It provides generous social benefits and its heavy reliance on exports left it exposed during the global economic downturn.

"Over the last four years her position has become quite blurred" while she governed with the centre-left Social Democrats in a cumbersome "grand coalition," Goldman Sachs economist Dirk Schumacher told AFP.

"Where does she actually stand" now on the issue of restructuring the German social economic model, he asked.

The new government faces a mountain of serious challenges, including rising unemployment and a huge public deficit that stems from efforts to buffer Germans from the worst of the international crisis.

At the same time, Merkel's new coalition partners, the business-friendly Free Democrats (FDP), have gained in strength and will push for multi-billion-euro (dollar) tax cuts and a simpler tax code.

"The new government must therefore manage a tricky balancing act between fiscal consolidation and implementing new strategies for supporting growth," UniCredit economist Alexander Koch wrote.

Business daily Handelsblatt said FDP leader Guido Westerwelle "should demonstrate the courage of new thinking and demand a super ministry of economy and finance -- and then lead it himself."

But Commerzbank chief economist



AFP

German Chancellor and leader of the Christian Democratic Union Angela Merkel (L) meets Free Democratic party leader Guido Westerwelle at the Chancellery in Berlin on Monday. Merkel clinched another four-year mandate in vote. Her new coalition will likely boost Europe's top economy but analysts questioned how far she will pursue crucial but contentious reforms.

Joerg Kraemer noted that "scepticism of the Germans against capitalism has risen significantly," despite the FDP's strong showing.

"This makes a general shift in economic policy quite unlikely," he said.

The country's crumbling demographic base could eventually force Germans to retire later, and education reform is needed to help disadvantaged youths gain full access to the jobs market.

"Otherwise you'll have a growing percentage of the population who are just dependent on government transfers and who won't be able to get a job," Schumacher

warned.

The jobless rate has been largely held in check by state-subsidised shorter working hours but is still expected to climb from its present level of 8.3 percent.

"The silver bullet would be a lower tax and social security burden in order to avoid another round of stagnating real income," Koch wrote.

But he agreed that "the fiscal leeway in the next few years is slim," since Germany expects to breach EU deficit rules until 2013 at the earliest.

Bank of America Merrill Lynch European economist Holger Schmieding therefore

anticipated "some tax cuts, spending restraint and modest structural reforms to strengthen the incentives to work, invest and create jobs."

The Sueddeutsche Zeitung daily said Merkel's inner drive for change was not lost however, and quoted her as saying recently that "Germany is in a global competition and can take nothing for granted."

She warned Germans again Sunday: "We have a lot of work ahead of us."

Schumacher concluded that "if that's the genuine Merkel, then we'll see some kind of more pronounced reforms" in the next few years.

BIOGAS

Green revolution in rural Nepal

AFP, Badrahani, Nepal

Nepalese villager Khinu Darai used to have to walk about five kilometres (three miles) every day to collect firewood so she could cook meals for her family.

Then two years ago, she bought a biogas plant under a government scheme to encourage villagers to convert to greener energy -- an event the 30-year-old mother of three says transformed her life.

"Biogas is a blessing for my family. These days I don't have to go into the jungle to collect wood," she told AFP outside her simple mud-brick home in the southern village of Badrahani.

"It is clean and safe, and we are healthier now as we are not breathing in smoke all the time."

In all, 82 households in Badrahani have bought biogas plants at heavily subsidised rates under the scheme, which is funded by the Dutch and German governments.

Biogas is a mixture of methane and carbon dioxide produced by feeding cow dung, human waste and water into an airtight underground tank known as digester and allowing it to decompose.

Environmentalists say biogas has huge potential in Nepal, where nearly 80 percent of the population of 27 million live in rural areas with no electricity, leaving them dependent on firewood for cooking and heating.

This means they live in smoke-filled houses, causing respiratory problems, particularly for young children, while the destruction of forests is also a major cause for concern.

Badrahani is situated on the edge of the Chitwan National Park, home to endangered species including the Royal Bengal tiger and one-horned rhino, whose habitat is threatened by villagers chopping down trees for firewood.

"Biogas has brought a green energy revolution to the country," said Prakash Lamichhane, head of research at the Biogas Sector Partnership (BSP), the government agency in charge of installing the plants.

"We have the capacity to build 1.9 million biogas plants, but we have achieved just 11 percent of our target so far. We still have a long way to go."

Over the past two decades, BSP has installed around 210,000 biogas plants at a cost of around 350 dollars each, with the government covering a third of the price.

BSP says each plant reduces the country's already low carbon emissions by around 4.7 tonnes a year.

"We are helping to reduce greenhouse



AFP

The photo taken on April 18, 2009 shows an unidentified Nepalese villager inspecting a biogas plant installed at the back of his house in the village of Badrahani, southern Nepal. According to officials and environmentalists, biogas has become the cleanest, cheapest and an environmental-friendly fuel for rural villagers, which has brought 'green revolution' to rural Nepal.

gas emissions by 987,000 tonnes every year. It is helping us combat climate change," said Lamichhane, chief of the research department.

The biogas project has won plaudits as a rare environmental success in a country with one of the world's most polluted capital cities.

But BSP research and development officer Mahaboob Siddiki said it had not always proved easy to convert villagers.

"Because the gas is produced from cow dung and human waste, villagers thought it was impure, and that it would be shameful to cook food using it," said Siddiki, who has worked on the project since it began 26 years ago.

"Several times, we were chased away from some of the villages, but we never gave

up," he said, calling the technology a "win-win situation" for villagers and the environment.

It is a view shared by Bibhimaya Tamang, a 45-year-old farmer from Badrahani who uses slurry -- a by-product of biogas -- to fertilize her crops, giving her higher yields and more income from the vegetables the family grows.

"Staying in a smoke-filled kitchen for hours was painful. It hurt my eyes and I used to cough a lot while cooking," she told AFP. "Using biogas has been so much better."

Sameer Thapa, coordinator of Nepal's Alternative Energy Promotion Centre (AEPCC), said the country made 600,000 dollars in 2007 by trading a million tonnes of carbon emission reductions from biogas

plants.

"We have huge potential to benefit from carbon trading as we lessen the use of firewood, which releases carbon dioxide into the atmosphere," said Thapa.

"Around 80,000 biogas plants are in the process of getting approval for carbon trading by next year."

Thapa said the proceeds would be used to install more plants, enabling the government to increase its carbon trading capacity further.

"Many developing countries in Asia and Africa have used our expertise to promote biogas, and many others are asking for our help," said the BSP's Lamichhane.

"Nepal has always been known as the land of mountains. Now, developing countries are calling us the land of biogas."