International Business News

Mideast oil exporters' foreign reserves to rise in 2010: IMF

AFP, *Dubai*

Oil exporters in the Middle East and North Africa region are expected to increase their international reserve positions by over 100 billion dollars in 2010 as oil prices rebound, the IMF said on Sunday.

The rebuilding of their international reserve positions would help governments of the region maintain public spending, which has helped mitigate the impact of the global financial turmoil on their economies, the International Monetary Fund said in report released in Dubai.

"With higher oil prices and the anticipated re-emergence of global demand, oil revenues are expected to increase, allowing oil exporters to rebuild their international reserve positions by over 100 billion dollars in 2010," the Middle East and Central Asia Regional Economic Outlook report said.

Oil exporters -- Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Sudan, United Arab Emirates and Yemen -- have suffered as oil prices dropped to near 30 dollars per barrel around the turn of the year from a life-time high of 147 dollars per barrel in July 2008.

Since then, it has rebounded to around 70 dollars per barrel.

The IMF projected that the economies of all countries of the Middle East and North Africa in addition to Afghanistan and Pakistan are expected to grow 4.0 percent in 2010.

Iran probes $7.9b privatisation deal

AFP, *Tehran*

Iran is probing the 7.9 billion dollar privatisation of a state-owned telecoms company after allegations one of the buyers was linked to the elite Revolutionary Guards Corps, media reports said on Saturday.

Last month, Etemad Mobin Development, a consortium of three Iranian firms, purchased 50 percent plus one share in Telecommunication Company of Iran in the country's biggest privatisation deal.

Since then media reports have surfaced saying one of the members of the buying consortium belonged to a branch of the Guards, a move seen contradicting the basic idea of privatisation.

"We have done some studies on... problematic areas (in the deal) and we will inform about them to the privatisation and bourse organisations," Mostafa Pour Mohammadi, the head of Iran's Inspection Organisation, was quoted as saying by Tehran Emrouz newspaper.

The Guards Corps, set up to define the country from internal and external threats, has become a major economic force in recent years because of its controversial and overwhelming presence in the energy, finance and construction sectors.

AFP

A Sri Lankan vegetable vendor prepares his display at a market in the capital Colombo yesterday. Sri Lanka's small stock exchange has become one of the world's top performing bourses as investors reap the peace dividend from the end to the island's bloody ethnic conflict. Investors are banking on renewed economic strength and profits in the country that emerged in May from a bloody and protracted civil war which claimed between 80,000 and 100,000 lives over nearly four decades.

US leadership key to restarting trade talks: Indonesia

AFP, *Singapore*

The US government's focus on domestic issues amid a severe recession is hobbling efforts to restart the stalled Doha round of global trade talks, Indonesia's trade minister said here Saturday.

Mari Pangestu said in a speech to an international conference in Singapore that US leadership was crucial to jumpstart the talks, which have stalled since last year.

But the government in the world's biggest economy has been busy grappling with its worst recession since the Great Depression in the 1930s as well as other domestic issues such as revamping the healthcare system.

"The priorities of the US government right now... are not on trade, but on solving other issues such as health care before they return to the trade issue," Pangestu said.

"We know that without US leadership and clear signalling, it has not been possible to restart the process of negotiations even as others, including India, now stand ready to begin."

Russian economy to shrink 7.5pc in 2009: Medvedev

AFP, *Moscow*

Russia's gross domestic product (GDP) will shrink 7.5 percent in 2009, President Dmitry Medvedev said in an interview released Sunday, after earlier government predictions of an eight percent drop.

"This year, we expect to see the GDP decline by about 7.5 percent," Medvedev said in an interview with Russia's Channel One state television, according to a transcript released by the Kremlin.

Last month, Russian Prime Minister Vladimir Putin put the expected decline in GDP at eight percent or slightly less, following earlier official forecasts that it would shrink 8.5 percent.

The Russian economy, which is largely based on the export of oil, gas and other commodities, was badly hit by the global financial crisis after years of enjoying strong growth.

GLOBAL RECESSION

Good times for local shipbuilding

AFP, *Chittagong*

AFP

A labourer works at the Western Marine shipyard in Chittagong. Western Marine, along with the other main firm Ananda Shipbuilders based in Narayanganj, have in the past two years signed deals to build 50 ships worth $600 million.

When Bangladeshi labourer Abdul Karim was laid off from his shipbuilding job in Singapore because of the global recession, he did not expect to find the same sort of work at home.

But the 35-year-old, like similarly skilled shipbuilding labourers who have worked abroad, returned six months ago to find the industry booming and his expertise much in demand.

"My salary is about 40 percent lower than it was in Singapore, but overall I'm better off in Bangladesh and I get to stay close to my family," said Karim, who now earns around 300 dollars each month.

Bangladesh is better known for shipbreaking -- dismantling of old vessels -- but now, just a few kilometres (miles) north of the shipbreaking yards, men like Karim are creating new ocean-going ships.

And experts say it is a safer, less environmentally damaging industry that can create hundreds of thousands of jobs.

"Bangladesh's garment industry became big because it was cheaper here to make clothes than anywhere else in the world," said Sakhawat Hossain, chief executive of Western Marine, one of the main shipbuilders.

"The same thing is now happening with shipbuilding. European buyers are flocking here. If more building yards emerge, we can take orders worth a billion dollars a year by 2015."

Hossain said Bangladesh had become a natural destination for shipbuilding because costs in other countries had become too high.

His firm once built cargo boats and ferries for inland and coastal waters but it graduated into ocean-going shipbuilding three years ago and has enough orders until 2012 from Denmark, Germany and Norway.

He estimates that one in four of his 1,600 employees has recently returned from shipbuilding yards abroad, most after losing jobs through cuts due to contract defaults and delayed orders amid the recession.

He wants to hire another 2,500 welders, fitters and foremen in the next few months.

"The layoffs in other countries are a gain for us," Hossain said. "It's win-win, we benefit from their knowledge abroad and they get a decent salary at home."

Western Marine, along with the other main Bangladeshi firm Ananda Shipbuilders, have in the past two years signed deals to build 50 ships worth 600 million dollars.

All are on the small side of the business, but that is where Bangladesh has an advantage, according to Hossain.

"Top global shipbuilders are not interested in making smaller vessels that weigh less than 20,000 dead weight tonnage because of high labour cost and shrinking profit."

If this trend continues, Bangladesh, with its experience of building vessels to traverse the delta nation, could emerge as a shipbuilding hub.

"Shipbuilding is in our blood. Our workers have been building boats for centuries and now tens of thousands of them work in shipyards across Asia," said Khabirul Haque Chowdhury, a naval architecture professor at Bangladesh University of Engineering and Training.

He said that unlike the controversial shipbreaking industry, shipbuilding is environmentally safe, and could help the poor nation of 144 million people become a middle income country.

"Building ships is like building a city. When it grows, dozens of other industrial sectors such as painting, furniture, steel and electrical equipment also grow," he said.

The programme coordinator of the Danish Embassy's business-to-business programme, Morten Lynge, said European companies that placed the first orders in 2007 took a huge gamble, but it appeared to have paid off and the industry was showing big potential for the future.

"We have estimated that some 55 percent of the world's small ships are aged over 20 years, meaning they need to be replaced within the next few years. I think Bangladesh will be the largest beneficiary," said Lynge, who is hosting 23 Danish vessel makers in Bangladesh next month to explore joint ventures.

Although Bangladesh has so far been largely immune to the effects of the global economic crisis, the shipbuilding business has felt a small slowdown with a German firm cancelling orders for four ships worth 42 million dollars.

"We can win back the orders once the global economy turns around," said Ananda Shipbuilders owner Abdullahel Bari.

"Western companies will definitely come here. Bangladesh will be a major shipbuilder," he said, but he warned the government needed to invest in gas and electricity for the potential to be realised.

Subhash Moydey, an engineer who has recently returned to Bangladesh after 30 years working at yards across the globe, is optimistic.

"When I started in Singapore it was a small business. Until the economic crisis it was booming," the 55-year-old said.

"I predict the same story for my country. We have the workers to power the boom. I can already see it beginning to happen."

BANKING

Rate hikes to remain slow in Asia

AFP, *New Delhi*

AFP

Lee Seong-Tae (L), governor of the Bank of Korea, bangs the gavel to preside over a meeting to decide a benchmark call rate, at the central bank in Seoul on October 9. South Korea's central bank froze its key interest rate at a record low 2.0 percent for the eighth straight month to nurture a nascent economic recovery.

The interest rate cycle has turned in the Asia-Pacific region but increases in benchmark borrowing costs will be gradual in order not to nip fragile economic recovery in the bud, analysts say.

Australia's surprise quarter-point hike in its key cash rate to 3.25 percent last week "crystallised the fact that the tide of monetary policy" has switched course, said Matt Robinson, Sydney-based economist at Moody's Economy.com.

The move by Australia -- the first major economy to boost borrowing costs since the global financial crisis began -- "likely kicks off rate hikes across the region", but monetary tightening will be gradual, Robinson said.

Even though Australia, its economy stoked by exports to supply China's keen resource appetite, has been quick to start unwinding monetary stimulus, most analysts believe the next rate rises in the region will come only in 2010.

Central bankers in emerging market giants India and China and elsewhere in the region are keeping a wary watch on indicators pointing to rebounding economic strength and resurgent inflationary pressures.

Low-cost loans have provided vital stimulus and policymakers are fearful of choking nascent growth by hiking rates too soon and too fast.

"It's a tough decision at this juncture to know how to unwind all the monetary stimulus -- when to time the stimulus exit," said Dharmakirti Joshi, principal economist at leading Indian ratings firm Crisil.

Analysts had bet South Korea, recovering from the global slowdown faster than many other nations thanks in part to an export rebound, could be next to jack up rates. Some had forecast the hike could come as early as next month.

But late last week South Korea's central bank opted to keep its benchmark rate unchanged and said it needed more time to assess the economy's underlying strength.

The statement largely squelched talk that South Korea could hike rates before the end of the year, analysts said.

The "less hawkish" tone of the South Korean central bank's comments suggests there will only be a "gradual and moderate tightening in 2010," said Goldman Sachs economist Goohoon Kwon.

In India, tipped by some analysts as another country likely to tighten monetary policy sooner than others due to an inflation flare-up, the government has argued raising rates too early could stall economic recovery.

Reserve Bank of India Governor Duvvuri Subbarao acknowledged the challenge last week, saying the bank must manage "the trade-offs" between buttressing growth by holding down borrowing costs and keeping a lid on inflation.

Most analysts are betting on rate hikes only in 2010 in India, where economic growth is forecast for this fiscal year at 6.3-6.5 percent, down from blistering annual nine percent rates logged before the financial crisis.

Much of India's inflation is being fuelled by soaring food costs which can't be reduced by rate rises, analysts say.

"Much of the recovery in industrial output has come from government stimulus and the economy must get to a situation where it can propel itself," said Crisil's Joshi.

China also looks set to keep rates on hold until 2010, many analysts say, even with its economy targeted to grow by at least eight percent this year.

"Since inflation is not an immediate threat and the external outlook remains precarious, we do not think consensus can form quickly to allow an overall tightening of policy," UBS economist Wang Tao said recently in a note.

In the United States, China's largest export market, unemployment is forecast to be near 10 percent in 2010 and the US Federal Reserve has said rates will stay near zero for an "extended period."

Central banks of other major developed countries are also expected to keep rates ultra low until their economies show clear signs of healing.

For the rest of the Asia-Pacific region, from Taiwan and Singapore to Thailand and Indonesia, most analysts are wagering the first rate hikes will be in 2010.

The withdrawal of monetary stimulus will be slow to ensure recovery remains on track, especially with the US and many European economies yet to emerge from recession and Japan, the biggest economy in Asia, still feeble.

"Raising rates may snap the green shoots. This is not a good moment to do so," said Norman Yin, a banking professor at Taiwan's National Chengchi University.