International Business News

Foreign worker remittances from Saudi soaring

AFP, Riyadh

Remittances from Saudi Arabia's estimated nine million mostly Asian foreign workers are soaring as the kingdom recruits more of them for its massive development plan, an economist said Saturday.

At 18.4 billion dollars last year and 15.0 billion in the first eight months of 2009, earnings sent abroad now equalled four percent of Saudi gross domestic product, John Sfakianakis of Banque Saudi Fransi said, citing government data.

Remittances in the January-August 2009 period jumped 12 percent compared with 2008, according to central bank statistics.

That was a slowdown from the 26.7 percent pace of 2008 versus 2007, but remarkably strong considering the global economic slowdown, according to Sfakianakis.

"That's a huge number," he said of the total amount sent out by millions of the mostly Asian and Middle Eastern workers.

The reason was more the continued Saudi recruitment of workers to build the Saudi government's huge slate of infrastructure projects -- new roads, rails, ports, airports, and cities -- that amount to about 400 billion dollars' worth in the five years to 2012.

Four Gulf states renew vow to form monetary union

AFP, Muscat

Gulf finance ministers and central bank governors on Saturday reiterated their commitment to a monetary union and a single currency which four states plan to launch next year.

The top officials from Bahrain, Kuwait, Qatar and Saudi Arabia meeting in Muscat called on the United Arab Emirates and Oman, which have previously withdrawn from the plan, to rejoin.

They also discussed pending issues related to the finalisation of a trade union and the joint railway project that is due to link the six Arab countries of the Gulf.

"Once the countries that are members agree, we will work on setting up the Gulf central bank and launch the project of the common currency," the Gulf Cooperation Council (GCC) said after the meeting.

Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE agreed at a summit in Bahrain in 2001 to set 2010 as the target to launch the monetary union and single currency.

But many experts believe the target is too ambitious and unrealistic.

Bahrain, Kuwait, Qatar and Saudi Arabia signed a pact in June to create a joint monetary union council and launch the monetary union and single currency.

AFP

A group of Chinese women gathers to photograph the latest hairdo paraded by a model at a beauty fair in Wuhan on Saturday. Women have become a major driving force behind China's economic growth, as the country's overall retail sales rose 15 percent in the first half of 2009, driven in large part by women under the age of 35, buoyed by China's $586 billion stimulus package and a stock market that has risen around 80 percent since January.

Windows 7 to salvage Vista 'train wreck'

AFP, San Francisco

Microsoft has released Windows 7 to the world as the US software giant tries to regain its stride after an embarrassing stumble with the previous generation operating system Vista.

"It's a big deal for Microsoft," analyst Rob Enderle of Enderle Group in Silicon Valley said of the Windows 7 launch. "Windows Vista was a train wreck."

While computer users may not give much thought to operating systems that serve as the brains of their machines, the programs are at the heart of Microsoft's global software empire.

The new operating system was launched on Thursday. Microsoft operating systems run more than 90 percent of the computers on Earth.

Importantly for Microsoft, versions of its popular programs such as Office, Outlook and Excel evolve to work better with successive Windows releases.

Winning users of new Windows systems translates into increased sales of other packaged software for the Redmond, Washington-based company.

UAE's Etisalat acquires Tigo Sri Lanka for $207m

AFP, Dubai

Emirates Telecommunications Corp (Etisalat) said on Saturday it has bought Tigo Sri Lanka, a unit of Millicom International Cellular, for 207 million dollars amid growth opportunities in the southeast Asian country.

Tigo Sri Lanka, the second-largest mobile phone operator in Sri Lanka, has a market share of 21 percent. By September 2009, it had 2.25 million subscribers, Etisalat said.

"Both Sri Lanka as a country and Tigo Sri Lanka as a company provide opportunities for further growth," Etisalat said.

Standard Chartered Bank acted as financial advisor to Etisalat for the acquisition.

FINANCIAL SYSTEM

Australia's bid to be Asian hub

AFP, Sydney

Australia's ability to weather the global downturn has enhanced its bid to become Asia's financial hub, observers said, after a report ranked its market ahead of those of Singapore and Hong Kong.

The World Economic Forum ranked Australia second in its annual survey of financial systems and capital markets earlier this month, behind Britain but ahead of the United States.

The forum found that while major markets had been acutely hit by the global financial crisis, Australia had showed particular strength, even among the better performing Asian economies.

The ranking was welcome news for the centre-left Labour government of Prime Minister Kevin Rudd which has been pushing for the country's financial services sector to become an Asian hub, despite the limitations of distance.

"In terms of making Australia into a financial services hub, we see this financial crisis as an opportunity," Financial Services Minister Chris Bowen said following the release of the survey.

"For years to come, the world's investors will be looking to see who got through this crisis the best: which system of prudential regulation worked? Which financial institutions got through this crisis the best? Which nation survived the global financial crisis?"

"And, in Australia, we are in a very strong position place to argue that it's us -- that our real economy, our financial sector have withstood the shocks of the last two years better than any other."

Bowen said Australia's equity market was the eighth largest in the world while the country had the biggest pool of funds under management in Asia.

Meanwhile Australia is the only major Western nation to have avoided a recession in the worldwide slump, posting growth of 0.6 percent in the three months to June -- the best in the developed world.

AFP

The imposing 'Gateway' office and retail building (top), with Aboriginal 'Art and About' banners (R), is shown in this view of the Sydney central business district. Australia's ability to weather the global downturn has enhanced its bid to become Asia's financial hub, observers said, after a report ranked its market ahead of those of Singapore and Hong Kong.

Duncan Fairweather, executive director of the Australian Financial Markets Association, said the "centre of gravity for capital markets in the Asian time zone tends to be north rather than south."

"But I think Sydney is generally recognised as very capable. I don't think there's anything against Sydney becoming a financial hub," he told AFP.

Sydney regularly ranked within the top 10 of global markets and Australia boasted a strong, well regulated banking system which had stared down the global slump, he added.

"Our banking system avoided incurring the risks that banks in Europe and North America did and therefore have come through very strongly," he said.

"It's often quoted, but nonetheless true, that of the nine 'AA' rated banks in the world at the moment, four of them are Australian."

Geoff Weir, director of the Australian Financial Centre Forum which is advising the government on how to make the financial sector a regional hub, said markets Down Under typically ranked highly in terms of efficiency, competitiveness, range of services and quality of regulation.

"Most assessments suggest that, for the most part, it's a very efficient, competitive financial sector," Weir said.

"But an important issue for Australia... is whether there are policy impediments to our ability to export our financial services skills and also impediments to our capacity to access offshore capital at competitive rates."

Weir said issues relating to taxation were a significant barrier to Australia taking full advantage of its financial services skills.

But he said the possibilities were encouraging for markets Down Under.

"The Asia-Pacific region is the fastest growing region in the world and we're on the edge of it so in that sense we are better placed than the US or London," he said.

COLUMN

TAI HUI

Integration to keep Asean relevant

With a combined economy bigger than India or South Korea and a total population of over half a billion people, Asean has the potential to become an economic force that could rival China, India, Brazil and Russia.

The absence of Asean from investors' radar screens as a unified economic unit is due to the lack of integration of the bloc's economies and financial markets. Both local and international investors still widely view the Southeast Asian region as 10 separate economies because of differences in regulations, business environment, institutional capacity and culture.

Thus, further integration of Asean is necessary in order to maximise intra-regional synergies and keep the region relevant to the international economy and investors.

History is on Asean's side. The global economic and financial crisis has seen a redistribution of economic power from the developed economies to the emerging markets. The September summit of G20 leaders in Pittsburgh was a landmark event in this shift, with the expansion of the forum from seven industrialised nations to the 20 countries with the greatest global economic influence.

Although Indonesia became the only Southeast Asian member of the G20, Asean as a group was invited to participate in the G20 summits in London in April 2009 and in Pittsburgh in September as a result of its growing influence on the global economy. The US is set to hold its first-ever summit with Asean in November 2009, when President Obama visits Singapore for the Apec meetings. These events have provided opportunities for Asean to emerge from the shadows of China and India and transform itself into an economic force in its own right.

Asean has earned its way to the global high table. Its member countries have weathered the financial storm well. Economic activity did contract in some open economies, such as Singapore, Thailand and Malaysia, but the worst is over, and their economies and financial systems have suffered no collateral damage.

Meanwhile, Indonesia and Vietnam are emerging as Asia's two outperformers. We estimate that Asean's purchasing power could double by 2023, creating significant opportunities in consumer products and services.

All of this reflects the fact that Asean economies have built up their resilience through years of reform and restructuring since the Asian financial crisis of 1997-98. The accumulation of foreign-exchange reserves has helped to maintain investor confidence and limit undue volatility, while a well-capitalised banking sector has been crucial to ensuring the smooth running of the region's economy. Last but not least, disciplined fiscal policy has provided governments with the capacity to pump-prime, often in innovative ways, when needed.

Indeed, the Asean region has all the ingredients to become a global economic force. In 2008, its 10 members had a combined GDP of US$ 1.5 trillion, 580 million people, and total trade of US$ 1.7 trillion (26 per cent of it intra-regional). If Asean were a single country, it would be the world's 10th-largest economy and the third-most populous country. Counting only extra-regional trade, Asean is the world's fifth-largest trading power, after the US, Germany, China and Japan. In recent years, Asean's free-trade agreements with China, India, Japan and South Korea have deepened the region's economic links with the rest of Asia.

Also, Asean as a combined economy would rank among the world's top 10 in terms of foreign direct investment inflows. Fears of China taking every FDI dollar from Asean have not been matched by reality. Asean still managed to attract US$ 60 billion of FDI in 2008, with intra-regional investment accounting for a sizeable portion as foreign investors, especially from within Asia, see countries such as Indonesia and Vietnam as alternative manufacturing bases as the cost of doing business in China rises. In fact, relative to the sizes of their economies, Asean attracted more FDI than China. China absorbed US$ 108 billion of FDI in 2008, while its GDP was three times the size of Asean's.

The region's economic integration is still at an early stage and much more work is required to remove barriers to the trade of goods and the free flow of capital, information and talent. These measures are relevant to businesses as they enhance access to the whole Asean consumer market from any one member country.

Amid the rise of China and India, there are ongoing concerns that some of South East Asian nations may be marginalised. This is primarily a result of the economic and political diversity of Asean members. For example, the World Bank's Doing Business Survey 2010 ranks Singapore as the easiest place in the world to do business, while it ranks Laos 167th out of 181 countries. Politically, Asean's members range from Indonesia, the world's third-largest democracy (after the US and India), to Myanmar at the other end of the spectrum. Brunei's economy is heavily dependent on oil and gas. Thailand, Vietnam, Indonesia and Malaysia have considerable agricultural production bases. By contrast, Singapore has few, if any, natural resources and relies on imports for local consumption and manufacturing, financial services and trading drive its economy. Singapore, Asean's richest member, has a per-capita GDP 150 times higher than its poorest, Myanmar, and 15 times the Asean average. While Singapore, Malaysia and Thailand boast the region's best ports, airports and transportation networks, other Asean countries are disadvantaged because of poor logistics and infrastructure.

Clearly, Asean's smaller members need a common platform to represent their interests and Asean could become that key channel through which these members can make their voices heard on the global stage.

The challenge for Asean leaders converging in Thailand this month for the 15th Asean Summit is therefore to convince the business sector and investors that Asean is a workable concept. The Asean Charter, adopted by all 10 members in 2008, is an important step forward towards integration. The plan to establish an Asean Economic Community by 2015, though ambitious, is necessary to push the region's integration forward and thus help establish Asean as a global economic powerhouse.

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The file photo shows anti-government protesters in Thailand on April 10 breaking through a police cordon to reach the venue for a summit of Asian leaders in the resort town of Pattaya. The Association of Southeast Asian Nations will meet on Friday in the resort town of Hua Hin for its annual summit, which was cancelled twice before owing to anti-government demonstrations.