International Business News

WB boosts China 2009 growth forecast to 8.4pc

AFP, *Beijing*

The World Bank Wednesday upgraded its 2009 growth forecast for China to 8.4 percent on the back of huge public spending but said stronger domestic demand was needed to ensure a sustainable recovery.

The new prediction by the Washington-based lender in its quarterly update marked a sharp jump from its June forecast for 7.2 percent growth.

Economic growth in the Asian giant could hit 8.7 percent in 2010, it added.

"2009 has shown that even in a very difficult global situation, China can still grow quite robustly," World Bank senior economist Louis Kuijs, the main author of the report, told a news conference.

"Of course in 2009 emergency measures have been used and you can not continue to use (them) for a long time."

The upgrade by the World Bank follows similar moves by the International Monetary Fund and Asian Development Bank after the rapid turnaround in the world's third largest economy caught economists somewhat by surprise.

Warren Buffett's Berkshire to buy railroad

AFP, *Washington*

Warren Buffett unveiled Tuesday a deal to take over Burlington Northern Santa Fe, one of the largest rail operators in North America, calling it a huge bet on the future of the US economy.

The billionaire investor's Berkshire Hathaway holding group said it would purchase the 77.4 percent of Burlington Northern Santa Fe (BNSF) that it does not currently own for 100 dollars per share in cash and stock.

The offer values the rail operator at 44 billion dollars, including 10 billion dollars in debt. Buffett will invest some 26.3 billion dollars for the new stake.

"It's an all-in wager on the economic future of the United States. I love these bets," said Buffett, known in financial circles as the "Oracle of Omaha" for his investing acumen.

The takeover bid represents a 31 percent premium over BNSF's closing share price Monday.

"Our country's future prosperity depends on its having an efficient and well-maintained rail system," said Buffett, Berkshire Hathaway's chairman and chief executive, adding that the deal was the biggest ever for his storied investment fund.

AFP

Customers look at new laptop products during an exhibition in Jakarta yesterday. Indonesia's Consumer Price Index rose 2.57 percent in October compared to the same month last year, indicating lower-than-expected annual inflation, the statistics agency chairman, Rusman Heriawan, said.

Nissan Motor narrows annual loss forecast

AFP, *Tokyo*

Japan's Nissan Motor slashed its full-year net loss forecast Wednesday after returning to profit in the second quarter, helped by rising sales in China and government subsidies for fuel-efficient cars.

Japan's number three automaker, which is axing 20,000 jobs to cope with the global economic crisis, joins rival Honda in upgrading its outlook. At the operating level, Nissan now expects to finish this year in the black.

The company logged a net profit of 25.5 billion yen (282 million dollars) for the fiscal second quarter to September, down 65.3 percent from a year earlier but better than its first-quarter loss of 16.53 billion yen.

Operating profit fell 25.4 percent year-on-year to 83.3 billion yen as revenue dropped 25.9 percent to 1.87 trillion yen, according to a statement from Nissan, in which France's Renault has a 44-percent stake.

"We continue to operate in an environment that is volatile and uncertain," said Nissan chief executive Carlos Ghosn, who also heads Renault.

Indian exports fall 13.8pc

AFP, *New Delhi*

India's exports fell in September but the decline was smaller than in previous months, data showed Tuesday, signalling the damage to trade from the global downturn could be easing.

Merchandise exports fell by 13.8 percent in September from a year earlier to 13.6 billion dollars after sliding by 19.4 percent in August, figures released by the Commerce Ministry showed.

Christmas sales in the United States and Europe are expected to gain momentum, creating more demand for goods from countries like India, economists say.

"We expect a rapid improvement in the yearly export data over the next quarter, moving into positive territory by December," Goldman Sachs said in a note to investors.

COLUMN

Labour arbitration: Asian lessons

IFTY ISLAM

The latest flare-up in labour unrest in the garments sector has confirmed 3 people dead and 100 badly wounded. But beyond the human tragedy, the government or private sector, especially the garments industry, should not underestimate the potential threat to both the economy and political stability.

Without trying to sound over-alarmist, arbitrary decisions by some garment factory owners have clearly fuelled a growing groundswell of resentment among workers. In today's column, I want to look to similar problems and lessons learnt from Asia economic superpower, namely China, and another emerging economy at a similar stage of development to Bangladesh, Cambodia, to see if there were any policy recommendations for a less confrontational labour dispute resolution.

STAR

A security man talks over a loudspeaker to calm down agitated garment workers in a recent labour unrest in Tongi. Some other Asian countries such as China and Vietnam also face such problems in their garment sector.

As Arnold Zack noted in the International Trends in Alternative Dispute Resolution (ADR) -- An Asian View, "Globalisation has made statutory protection of workers even more illusory. As enterprises move their production to developing countries where statutory protection, assuming most have the laws, is even less effective. The pressures of rural migration from failed agricultural societies into urban areas, the fear that failure to conform to the demands of new investors, that is accept graft for lax enforcement, may lure them to the more compliant neighbouring country, and the lack of financial resources to effectively enforce what laws they have, all contribute to increasing worker exploitation and disregard of legal if not moral community obligations."

Chinese labour problems have progressively worsened in the past few years. As reported in 'The Economist', workers' opposition to privatisation and job cuts are widespread but rarely takes so brutal a form as on July 24 in the north-eastern Jilin province, when steel workers chased down and killed an executive who had reportedly come to tell them that an imminent privatisation of their factory would bring massive job cuts. Hong Kong-based human-rights monitors reported that 30,000 workers were involved, though Chinese officials insist the number was lower.

By all accounts, the ugly scene at the Tonghua Iron and Steel Plant ended in the bloody beating and death of Chen Guojun, general manager of the private Jianlong Group, which already owned a minority stake in the plant.

The Economist goes on to note that the incident highlights not only China's labour discontent but the country's difficulty in dealing with it. Last year, China introduced a series of labour laws that improved mediation and set up an arbitration process to give workers better formal recourse for their grievances, both individual and collective. Workers have indeed been using the process in greater numbers.

A new labour law, effective January 1, 2008, gave Chinese workers, including internal migrants, new rights, including the right to severance pay. However, many factory owners, citing the recession, are evading the law's requirements, often prompting protests -- the number of labour dispute cases accepted by Chinese courts, unions and arbitration bureaus almost doubled to 9,60,000 in 2008.

Alternative Dispute Resolution, has long been relied on as an ancillary tool alongside national law to resolve workplace disputes. That is particularly evident in the US and Canada with interest mediation provided by the state and federal government, and with rights and interest mediation and arbitration provided by mutually selected private neutrals.

In 2002, the International Labour Organisation launched its Labour Dispute Resolution Project in Cambodia, establishing a national tripartite Arbitration Council to resolve collective labour disputes as part of the 1999 USA-Cambodia Trade Agreement on Textile and Apparel.

Collective disputes, which are unresolved at the ministry level are referred by the minister within 5 days to the Arbitration Council. The council consists of three 10-person arbitration panels from workers, management and neutral parties. The arbitrators convene a session at which the parties present their case. After some additional efforts at conciliation, the tripartite panel will hear the dispute and issue a written decision, which by agreement of the parties, will be either binding or not binding.

Among the topics arbitrated are illegal recruitment of workers during a strike, failure to disperse gratuities billed to hotel guests and discrimination based on union membership. Decisions are rendered within 7 days and are published on the council's web page.

In its first three years of operation, the council received 182 cases involving enterprises employing over 1,50,000 workers. Thirty Six percent of the cases were resolved through conciliation by the arbitrators, 31 percent were resolved by decision, 9 percent were settled after the award, and in 23 percent of the cases the award was not implemented.

Most importantly, the council has been held responsible for a 96 percent decrease in strikes and a 97 percent decrease in lost time due to strikes since its creation. To date, the council received 531 cases, 190 of which were settled prior to award, with 331 going to decision.

In assessing the project, Booz Allen Hamilton attributed its success to the following:

Politically neutral selection of the pool of arbitrators with assistance from international donors, with arbitrators of high experience, education and integrity

The tripartite selection process from the three panels increases the parties confidence and eliminates bias toward either party

Reasoned decisions are promptly published and disseminated and serve as precedent for the parties and for the Council's future decisions

The process is perceived as open and transparent

The fact that most decisions are non binding eliminates the incentive for corruption since if one party is believed to have bribed a panel the other party can simply reject the decision

Both sides have a strong incentive to resolve a dispute quickly -- a lengthy court battle in the midst of a strike could cost the workers salary and the employer productivity.

The finance minister recently announced a new committee formed to look at the appropriate level of fiscal support due the garments sector to compensate it for the effects of the financial crisis. Perhaps recent events will see the RMG sector receive greater government funding. But public bailouts have their limits and also pose moral hazards, which gives incentives to companies to operate less efficiently to qualify for such bailouts.

But government handouts alone will not resolve the current tensions in the garments sector. Neither will the reported 2000+ arrest warrants issued by the police. Job shedding and factory closures are an unavoidable factor in the modern economy. But workers must feel they are treated equitably and given a safety net payment to support them while they are out of work along with additional training to help them find new jobs.

It was reported that according to the law, a company must follow three steps before it declares a lay off: give workers at least one month's notice, publish that notice in newspapers and send it to the inspector of labour.

The government should consider establishing a new worker arbitration council with credible and respected members as well as representatives from both workers and companies.

We should learn lessons from our Cambodian neighbours and be wary of allowing disputes to spread as we have seen in China. Bangladesh's massive labour force is one of its biggest assets, which makes effective labour dispute resolution that much more of a critical policy priority.

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ENTERTAINMENT

China says yes to Disney park in Shanghai

AFP, *Shanghai*

Disney plans to sprinkle its magic over mainland China for the first time, with officials announcing Wednesday the long-awaited approval of a theme park in the booming metropolis of Shanghai.

The green light for the park, which would be one of the biggest ever foreign investments in China, comes less than two weeks before US President Barack Obama makes his first official visit here, starting November 15 in Shanghai.

Neither side disclosed any figures or gave a time frame for the project, but previous reports have said the US entertainment giant will invest 3.6 billion dollars in the 10-square-kilometre (four-square mile) park.

"China is one of the most dynamic, exciting and important countries in the world, and this approval marks a very significant milestone for The Walt Disney Company in mainland China," Walt Disney Co. president and CEO Robert Iger said.

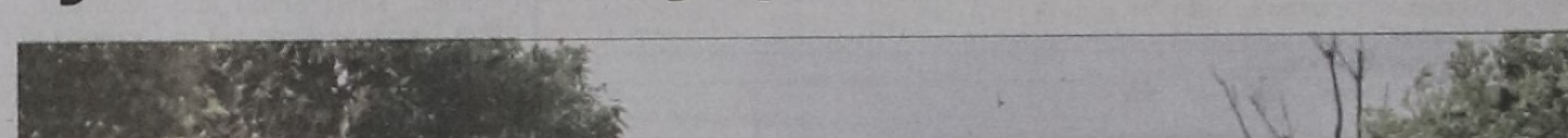
Approval of the project would "enable Disney and its Shanghai partners to move forward toward a final agreement to build and operate the park and begin preliminary development work," the California-based firm said in a statement.

The new Chinese venture would be a "Magic Kingdom-style theme park with characteristics tailored to the Shanghai region," it added.

Authorities in Beijing approved the Disney project application report (PAR) late last month, and both sides "started in-depth talks" about detailed plans for the park in the city's Pudong New district, the Shanghai government said.

A Shanghai-based Disney executive told AFP on Wednesday: "It's just a PAR and not the final deal yet."

When asked how long negotiations -- already in progress for a decade -- could last, the executive said: "It may take several more months."



AFP

Residents of Qigang village commute in Pudong district, a proposed site of the Disney park in Shanghai, make their way along a village road yesterday. China has given the green light for Walt Disney Co to build its long-awaited first theme park on the mainland in Shanghai.

China's official Xinhua news agency, quoting Shanghai municipal officials, said "several big state-owned firms" would form a joint venture with Walt Disney to invest in the project.

Analysts say the Shanghai park would be part of a major push by Disney into China, to build the iconic brand in the world's most populous nation of 1.3 billion people.

"The Disney park will become a huge advertisement and a landmark project," Wang Liang, deputy head of the Shanghai Circulation Economics Research Institute, a think-tank linked to the city government, told AFP.

"Disney is not just eyeing the output from the park itself. Rather, it aims to cultivate little consumers, cultivate children's loyalty to the Disney and Mickey Mouse brands. Profits would then come from the relevant stationery, garments and toys."

Disney is one of the most active foreign entertainment companies in China, with more than 600 employees in Shanghai, Beijing and Guangzhou, according to corporate data.

Its products are sold in 5,000 branded, free-standing locations and retail corners in more than 25 Chinese cities. Last year, the company launched its first English learning centre in Shanghai for children aged two to 10.

The park would be the fourth for Disney outside the United States and the third in Asia, after Tokyo, Paris and Hong Kong, where an amusement park opened in 2005.

Earlier reports said Disney had hoped to open the Shanghai park to coincide with next year's World Expo in the city, but that time frame has now been pushed back until at least 2012 or 2013.