

International Business News

IMF says stimulus needed to aid 'nascent' recovery

AFP, St Andrews, Scotland

The International Monetary Fund on Saturday said emergency stimulus measures must remain to avoid endangering a "nascent" economic recovery, as the G20 agreed here to maintain support.

"An overarching risk is that the recovery stalls" owing to early exits from record-low interest rates and massive state cash injections, the IMF said in a report to coincide with a meeting of G20 finance ministers in St Andrews.

"Premature exit from accommodative monetary and fiscal policies could undermine the nascent rebound, as the policy-induced rebound could be mistaken for a strong and durable recovery," the IMF said.

The world's largest and top emerging economies on Saturday agreed to maintain stimulus measures to support "uneven" economic recovery.

"The recovery is uneven and remains dependent on policy support, and high unemployment is a major concern," the G20 said in its final communique.

"To restore the global economy and financial system to health, we agreed to maintain support for the recovery until it is assured."

Brown's call for transactions tax gets cold shoulder

AFP, St Andrews, Scotland

British Prime Minister Gordon Brown surprised G20 finance ministers by urging them to consider a tax on global financial transactions, but the idea got a lukewarm response.

Brown said Saturday such a levy, often called the Tobin Tax after the US economist who devised it, would force financial institutions to be more responsible and was one of a range of measures that could help curb risky behaviour.

It has always been thought that Britain opposed the idea, because of fears it could damage the interests of the City of London, Europe's foremost financial centre.

But finance minister Alistair Darling said "times change" after 12 months in which G20 governments had been forced to inject billions of dollars to rescue banks from collapse.

A levy, Darling said, was one way that banks could contribute to the "wellbeing of the world" -- and, more pertinently, provide funds to use if they needed bailing out again.



AFP
Chairman and Managing Director of Bharati Telecommunication, Air Tel Mobile, Sunil Bharti Mittal (L) shares a light moment with Chairman and Chief Executive Officer (CEO) PepsiCo, Indra Nooyi during the World Economic Forum's 25th India Economic Summit-2009 in New Delhi yesterday.

Small businesses on front line in Obama's jobs fight

AFP, Washington

With unemployment fast becoming one of US President Barack Obama's biggest domestic challenges, focus is shifting from "too-big-to-fail" manufacturing and financial giants to struggling small businesses.

After months of high-level intervention to save megafirms like General Motors and Goldman Sachs, Obama's economic team is now looking at small firms amid discouraging indicators about their health.

This week the White House released word that the official US unemployment rate passed the symbolic 10 percent mark to 10.2 percent in October, the highest level in 26 years.

Obama called the figure "sobering" and quickly said his administration was considering steps to spark job growth and to "increase the flow of credit to small businesses."

ADP, a data monitoring firm, this week reported more bad news: that three quarters of jobs lost between September and October in the private sector were in firms with fewer than 500 employees.

China to give Africa \$10b in loans

AFP, Sharm El-sheikh, Egypt

Chinese Prime Minister Wen Jiabao pledged to give African countries 10 billion dollars in concessional loans as a two-day Forum on China-Africa Cooperation opened in Egypt on Sunday.

"We will help Africa build up its financing capabilities... we will provide 10 billion US dollars for Africa in concessional loans," Wen said at the start of the forum in the Red Sea resort of Sharm el-Sheikh.

He also pledged to cancel debts of African countries to deepen his country's role in the continent.

The Asian giant pledged 5.0 billion dollars in assistance at the last Forum on China-Africa Cooperation summit, held in Beijing in 2006, and has signed agreements to relieve or cancel the debt of 31 African countries.

ECONOMIC SUMMIT

India seeks more FDI under reform

PALLAB BHATTACHARYA, New Delhi

Indian Prime Minister Manmohan Singh yesterday indicated his government will go for financial reforms in order to attract more foreign direct investment (FDI).

Addressing the India Economic Summit here, he said though the global financial crisis did not affect Indian banks or Indian financial market directly, it drew attention to the need to strengthen the financial system in various ways as the country and to ensure that the system can provide the money needed for development, especially for infrastructure development.

"We need to develop long-term debt markets and to deepen corporate bond markets. This in turn calls for a strong insurance and pension sub-sectors. Some of the reforms needed, especially in insurance, involve legislative changes," he said, adding that efforts are on to build a political consensus needed for these changes in laws.

Singh said the futures markets needed to be improved for better price discovery and regulation and there was a need to remove institutional hurdles to facilitate better intermediation.

Singh pointed out that India has done relatively well to counter the effects of global economic crisis but needs to do more to attract investments to ensure a high growth rate.

He said India's FDI policy has been greatly liberalised and FDI has been freely allowed in more and more areas under the automatic route and now covers a number of sectors in agro-processing, nearly all areas of industry and also services.

Singh said India has been able to face the global economic downturn better than most other countries in the world as its economy grew at a respectable rate of 6.7 percent in 2008-09.

He said despite a slowdown in agriculture due to inadequate monsoon the growth is expected to be around 6.5 percent.



AFP
Indian Prime Minister Manmohan Singh attends the World Economic Forum's 25th India Economic Summit-2009 in New Delhi yesterday. In his speech, Singh said he would pursue financial sector reforms to fund infrastructure development that would in turn propel the economy.

LIFESTYLE

Prices take shine off Pakistan weddings

AFP, Karachi

..... Pakistan's traditionally lavish weddings have lost their sparkle this matrimonial season thanks to rising prices of gold and festive essentials in a limping economy overshadowed by Taliban attacks.

The colourful celebrations normally span three to five days and attract 500 to 1,000 guests, pushing the cost for the hard-hit lower middle class to between 300,000 and one million rupees (3,600-12,000 dollars).

"It has become too expensive. Everything is expensive. Even a simple wedding could break the back of poor people like me," said Mohammad Aslam, 62, a retired government employee.

Aslam spent most of his pension on marrying off his elder daughter, forcing him to borrow 200,000 rupees to help fund his second daughter's wedding.

A large part of the spending goes on gold jewellery, as in other South Asian countries, but sales are down partly because of rising global gold prices, businessmen say.

Gold surged to a new record high of 1,095.80 dollars an ounce during international trading on November 4.

"A year ago there was a demand for 7,700 ounces of gold daily, only for making jewellery in Pakistan. But now it has substantially decreased," said Haroon Chand, a leading member of the country's jewellers' association.

Imports of gold through Dubai, which was Pakistan's main source of the metal, have fallen significantly, he said.

"Affluent and middle class people have halved their spending on jewellery."

Poor families usually have their old jewellery redesigned for the weddings of their children, he noted.

"I tried to skip some of our customs to reduce the cost of my son's marriage, but I couldn't because of family pressure," Ahmed Ali, a car mechanic, told AFP at his son's wedding in Karachi's Ranchore Lane.

"My wife wanted all that because he's her only son. My son

is also a mechanic and we have decided to repay the loans jointly as soon as possible."

Pakistani families spend lavishly on gifts for the happy couple, food for guests at wedding events that drag on for days, or on a sumptuous dinner offered by the groom's family at a wedding hall.

"What disturbs me most is that my daughters have also reached adulthood and their marriages will only be possible by taking more loans," said Ali.

"Like me, the bride's family has also taken loans for the marriage. We are all prisoners of our customs," he headed.

Chand blamed deteriorating law and order, increased taxes on gold imports, the weakening purchasing power of ordinary people and higher global gold prices for dealing the business "a big blow".

Falling gold sales have seen people like Mohammad Akram, 33, laid off.

Until recently he worked as an artisan at a leading jewellery shop in an upscale neighbourhood of the teeming financial capital Karachi, a city of 14 million people that sprawls by the Arabian Sea.

"I am a skilled worker but am forced to ply a rickshaw to support my children," Akram said.

But Nauman Ahmed says business has boomed at his costume jewellery shop during this year's wedding season, between the Muslim feasts of Eid al-Fitr and Eid al-Adha, because its fashionable designs are "cheap and affordable".

Instead of gold, people are increasingly opting to buy silver and costume jewellery, mostly imported from China and India, Chand and shopkeepers said.

Escalating food prices have multiplied the cost of wedding banquets, with economists blaming Pakistan's general economic downturn and militant attacks.

Independent economist A.B. Shahid said such hurdles, including ineffective government policies, may prevent Pakistan from meeting the official 3.5 percent growth target this fiscal year, which ends June 30.

Taliban and Al-Qaeda-linked extremists have carried out a two-



AFP
Pakistani bridal couple Zeeshan Ahmed (L) and Partawe Ayesha pose for photographs during their wedding party in Karachi. Pakistan's lavish weddings have lost their shine due to rising prices of gold and festive essentials in a floundering economy.

year campaign of attacks that have killed more than 2,400 people in Pakistan, a country of around 167 million people.

"Terrorism in our country has

highly affected our economy. Our people cannot spend much and this situation could persist until we succeed in curbing militancy," Shahid told AFP.

Pakistan's economy grew by two percent last fiscal year, the lowest rate in a decade, but even that level may not be attainable this year, Shahid said.

Jobless: 10pc tougher than it used to be

AP, Washington

It hurts more to be unemployed now than the last time the jobless rate hit 10 percent.

Americans have more than triple the debt they had in 1982, and less than half the savings. They spend 10 weeks longer off the job. And a bigger share of them have no health insurance, leaving them one medical emergency away from financial ruin.

For these reasons, the unemployed are more vulnerable today to foreclosure and bankruptcy than they were a generation ago.

Donald Schenk knows. He's been without work both times. It's worse now, he says.

Back in the early 1980s, when Schenk lost his job at a phone company, he was able to find several temporary jobs - including one testing pinball machines - to make ends meet until he landed full-time work nearly two years later.

But now Schenk, 55, of the Chicago suburb of Schaumburg, Ill., has been seeking work for a year and a half after losing his information technology job. Potential employers aren't interested "if you are not a perfect fit," he says.

The unemployment rate hit 10.2 percent in October. All told, 15.7 million Americans are out of work. Add in workers forced to settle for part-time work or those who have simply given up looking, and the rate is 17.5 percent.

Only twice since World War II has unemployment topped 10 percent - now and from September 1982 to June 1983. In a few respects, life is better today for the unemployed than it was then.

Unemployment benefits are more generous, adjusted for inflation, and the Internet allows jobseekers to network, scan for openings and apply without leaving home.

And thanks in part to higher home values, Americans are worth more now. Measured in 2009 dollars, net worth comes to about \$173,000 per person, compared with \$94,000 in 1982, according to Lynn Reaser, president of the National Association for Business Economics.