

International Business News

Asset bubbles can sink millions back into poverty: Zoellick

AFP, Singapore

The post-crisis world economy faces new risks from investment bubbles that risk plunging millions back into poverty, according to World Bank chief Robert Zoellick.

While unprecedented fiscal and monetary actions by the United States and the rest of the world have rescued the global economy from a deep recession, these have inevitably created risks, he said.

Signs of inflated asset prices are especially evident in Asia, including in China, Hong Kong and Singapore, where property prices and stocks have surged this year, Zoellick wrote in a Financial Times piece published Wednesday.

"Asset bubbles could be the next fragility as the world recovers, threatening again to destroy livelihoods and trap millions more in poverty," he said.

He urged central banks and policymakers to deal with the issue quickly or else the unprecedented policies that have steered the global economy to recovery would soon backfire.

"Waiting for bubbles to burst and then cleaning up the aftermath is now a new lesson of what not to do," said Zoellick.

"The G20 had better put asset price bubbles and new growth strategies on its agenda."

IMF boosts lending scheme to \$600b

AFP, Washington

The International Monetary Fund announced Tuesday that a lending scheme to aid countries hit hard by the financial crisis had grown to 600 billion dollars.

The Washington-based Fund said that an additional 13 potential countries had agreed to join 26 nations in committing money to the so-called New Arrangements to Borrow (NAB), which was originally targeted at 500 billion dollars.

They also vowed to bring more flexibility to the NAB, a standing set of credit arrangements under which participants commit supplementary resources for IMF lending when needed.

"Today's agreement on an enlarged NAB marks an important moment for multilateralism and the Fund, which will help the IMF's effectiveness in its response to crises and help strengthen the international financial architecture," said IMF Managing Director Dominique Strauss-Kahn.

Additional flexibility introduced in the lending scheme is designed to make it an "effective tool of crisis management as a backstop for the international monetary system," an IMF statement said.



A worker pulls a large bag next to an advertisement in Bangkok yesterday. The Thai economy is expected to turn around to grow 3 percent in the fourth quarter of this year and 3.3 percent next year, boosted by increased exports and state spending, according to Thai Finance Minister Korn Chatikavanij.

Vietnam approves first nuclear power plants

AFP, Hanoi

Vietnam's Communist-dominated parliament on Wednesday brushed aside criticism and approved building the country's first nuclear power stations, a project keenly watched by potential foreign partners.

The "draft law on nuclear electricity" was approved by 77 percent of deputies present in the single-chamber national assembly, said one deputy critical of the project, Nguyen Minh Thuyet.

He described debate in the chamber as "lively" as some deputies preferred the idea of building just one power station, rather than the plan finally approved for four reactors at two sites.

According to the government's plans, at least one reactor should be operational from 2020. Together, the four reactors should have a capacity of 4,000 megawatts.

The intention is to meet the energy needs of an economy that is growing annually by an average of 15 percent.

Taiwan wage drop steepest in 30 years

AFP, Taipei

Taiwanese wages dropped the most in 30 years in the first nine months of this year, as the effects of the global financial crisis took their toll on the economy, a government official said Wednesday.

Average wages from January to September were down 6.23 percent from the same period last year, according to the Directorate General of Budget, Accounting and Statistics.

"It's the sharpest drop in 30 years," said Chang Yi-sui, a press official at the directorate general. "In the first half of the year, the economy had not yet recovered completely."

Exports account for about 70 percent of Taiwan's economy, meaning the global crisis hit the island particularly hard with its key electronics sector suffering.

AUTOMOBILE

India at tipping point for green car

AFP, New Delhi

Chetan Maini, the engineer who pioneered India's first electric car, had his eureka moment two decades ago when he drove a vehicle fuelled by solar power across the blazing Australian outback.

Now Maini, the man behind Reva Electric Car Co., is building in southern India what he says will be the world's biggest factory making battery-powered city commuter cars.

"It's the first attempt at mass production of a green car," said Maini, who studied hybrid electric technology at California's Stanford University and developed the no-clutch, no-gears Reva as head of a 75-member engineering team.

"With growing climate change awareness, I think we're at the tipping point for electric cars," Maini told AFP in an interview.

The drive in 1990 which set Maini on his career track was a General Motors-sponsored solar-powered race in which his car finished third, beating many of the global car companies.

"Driving across the continent on the sun's energy made me think how we could use alternative energy to power cars in the Indian context," he said.

"When I saw how our cities were getting polluted, I realised employing clean, alternative energy could make a lot of sense -- we needed to develop this kind of technology," he said.

Maini has put some 3,000 of the zero-polluting three-door Revas on the roads in India and Britain -- where it is known as the G-Wiz -- in the eight years since the company started selling the cars.

The Reva was formed in 1994 as a joint venture between the family-owned Maini Group and AEV of the United States to manufacture environment-friendly vehicles.

But it took seven years for the first Reva to go on sale as Maini

India electric car

Green car set to go into mass production

Reva NXR

The second-generation Reva

► Three-door, four-seater hatchback

► Production in 2010

► Retail price: US\$15,000 - 34,470

Power

NXR Intercity: Lithium ion battery pack

Range: 160 km

Top speed: 104 kph

NXR City: Lead acid battery pack

Range: 80 km

Top speed: 80 kph

Source: Reva 251109 AFP



and his team worked on the design.

Afterward, "we were in a test marketing phase, trying to see how people used electric cars, what were their needs. But that's now over and we're ready to move to the mass-market stage," Maini said.

In September, Reva got a big endorsement when GM announced it would team up with the tiny car company to develop a plug-in version of the best-selling GM Spark mini-car as the US giant embraces electrically powered driving.

"We think their technology is the best," said GM India president Karl Slym.

The Reva -- named after Maini's mother -- can seat two adults and two children and cover 50 miles (80 kilometers) on a single charge of electricity. New models feature

sleeker looks than the Reva, which resembles a modified golf-cart, and will offer greater distance.

The company's next generation three-door, four-seater hatchback NXR is intended to be a family car and will go into production in 2010. It will have a top speed of 65 miles per hour and travel 100 miles on a single charge.

The car will go on sale for around 10,000 euros (15,000 dollars) and can be charged in 90 minutes.

The higher-end NXG will have a 125-mile range and an 80 mile per hour top speed and sell for 23,000 euros in Europe.

The price of the new vehicles is not fixed for India but the cars are expected to sell for "much less," said Maini.

The Reva currently retails for around 350,000 rupees (7,500 dollars) and is built at a small

factory outside the southern city of Bangalore.

Maini is targeting people who want a vehicle for city jaunts or as a second automobile.

The cost of running an electric car in India is a tenth of a petrol-fuelled car, Maini said. The car has no oil filters, spark plugs or radiators so maintenance costs are also low.

"Since we started, there's been quite a big change in consumer mind-sets," said Maini, whose love affair with cars began when he was a child assembling remote-controlled toy vehicles.

"We are also seeing a large policy shift by governments to environmentally friendly vehicles," he added.

Maini is eyeing annual sales of "5,000 plus" for the next three years and then 30,000 annually from cars produced at his new

Bangalore factory, which is being built with venture funding.

There is a large market as the infrastructure for electricity is widespread -- even in India, he said.

"All you need is the installation of a standard plug point -- 15 amps -- that is used for an air conditioner or an iron. Most people only need a larger car if they are going out of town."

The tie-up with GM is part of a three-pronged strategy for Reva which wants to make its own cars under the Reva brand, franchise production in countries such as the United States and license the company's technology for use by global companies.

GM and Reva have promised the new electrically powered Spark mini-car will be on Indian roads in a year and they see a market later abroad.

ECONOMY

US growth seen as tepid through 2010

AFP, Washington

The US economic recovery is likely to extend into 2010 but with growth held back by high unemployment and other factors, analysts said after Tuesday's down-grade to third quarter data.

The Commerce Department reported third quarter growth was weaker than initially estimated, cutting its estimate to a 2.8 percent annual pace of expansion.

The gross domestic product (GDP) figure was revised from last month's estimate of 3.5 percent growth. Despite the revision, the report confirmed the first expansion for the economy after four straight quarters of contraction.

The data from the July-September period show the world's biggest economy appearing to emerge from recession, but with less momentum than previously thought.

Sal Guatieri, economist at BMO Capital Markets, said the new figure does little to change his outlook for steady if less than spectacular growth.

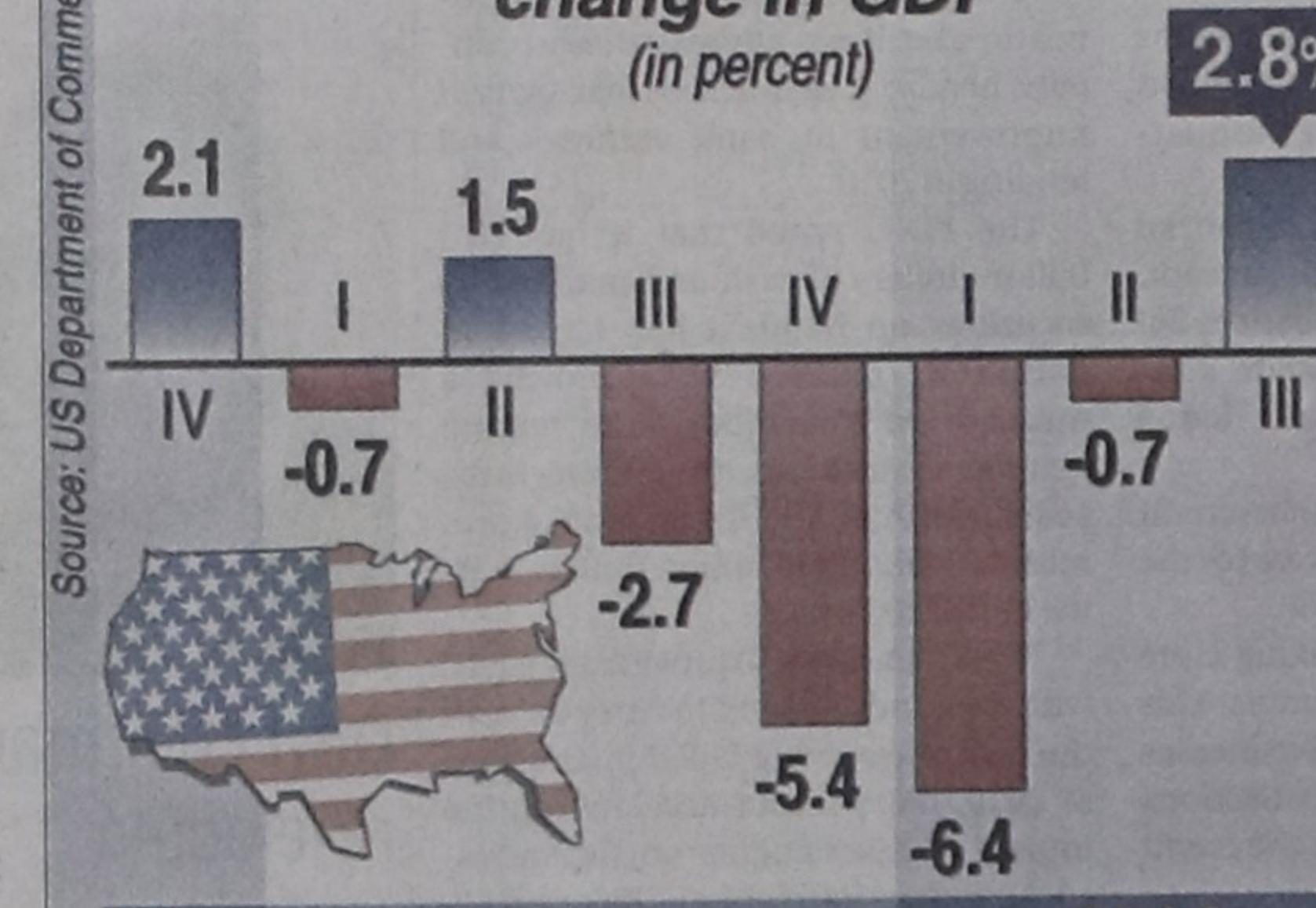
"We still think the economy will expand at a three percent annual rate in the fourth quarter," he said.

"We're looking for modest growth in 2010 of about 2.5 percent."

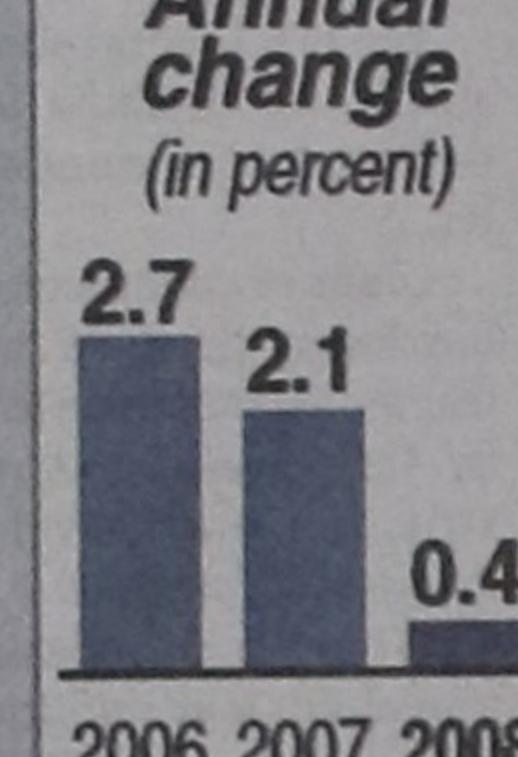
Briefing.com's analyst Patrick O'Hare said the report was disappointing because "it shows the US economy, while growing, is still growing below its potential, which is not a positive consideration as

US gross domestic product

Annualised quarterly change in GDP (in percent)



Annual change (in percent)



241109 AFP

far as prospective job growth is concerned."

Separately, the Federal Reserve raised its outlook for US economic growth in 2010 to a range of 2.5 to 3.5 percent, and said the troubles in unemployment appeared to be near a peak.

In a new forecast accompanying minutes from the Fed's policy meeting November 3-4, the central bank said participants "anticipated that economic recovery would be gradual."

The range for 2010 growth was boosted slightly from a July projec-

tion of between 2.1 and 3.3 percent.

The new forecast also suggested that unemployment, which hit a 26-year high of 10.2 percent in October, could ease in early 2010.

"Participants generally anticipated that the unemployment rate would rise somewhat further during the final months of 2009 and then decline steadily over the next few years," said the forecast accompanying minutes from the Federal Open Market Committee meeting.

The new forecast indicates unemployment would drop to a range of 9.3 to 9.7 percent over the course of 2010. Joblessness would still remain high in 2011, in a projected range of 8.2 to 8.6 percent.

Growth in 2011 was expected to pick up to a more favorable pace of 3.4 to 4.5 percent, according to the forecast which also called for tame inflation through 2012.

Fed members said the economy had suffered lasting damage from the crisis that would take many years to recover.

"Most participants anticipated that about five or six years would

be needed for the economy to converge fully to a longer-run path characterized by a sustainable rate of output growth and by rates of unemployment and inflation consistent with their interpretation of the Federal Reserve's objectives," the Fed said.

Other members said this "might well require even longer," the central bank said.

Some analysts said the economy is still struggling.

"For all the fiscal and monetary stimulus, the best we could do was 2.8 percent," said David Rosenberg, chief economist at Gluskin Sheff & Associates.

"It's sad really but to be completely expected amid a collapse in private sector credit and shrinking household balance sheets. Strip out the government-administered medicare, and the economy was flat on the quarter... Even if the recession is over, and we have yet to be fully convinced, there is no recovery."

Although many economists say the US recession is over, an official declaration has yet to come from the private National Bureau of Economic Research, seen as the official arbiter of business cycles.

The NBER panel does not use the definition employed in many countries of recession as two consecutive quarters of declining GDP. It says a recession is "a significant decline in economic activity spread across the economy," with drops in output, income, employment and sales.