## International Business News

### Obama vows US recovery in Thanksgiving address

AFP, *Washington*

President Barack Obama vowed to put the US economy back on track in his Thanksgiving address to the nation Thursday, but admitted there were still too few jobs being created.

Acknowledging that millions of Americans were unemployed and "facing very difficult economic times," Obama said he would not rest until the economy is rebuilt stronger than before.

"The investments we have made and tough steps we have taken have helped break the back of the recession, and now our economy is finally growing again," Obama said.

He listed tax cuts, extending unemployment benefits and help for homeowners facing foreclosure, among the measures taken to help Americans weather the crisis as well as his aim of overhauling the nation's health care system.

However "we're still not creating enough new jobs each month to make up for the ones we're losing.

"So we've made progress. But we cannot rest -- and my administration will not rest -- until we have revived this economy and rebuilt it stronger than before," Obama said.

### World debt to soar 45pc: Moody's

AFP, *Paris*

The debt weighing on national budgets will have soared by up to 45 percent worldwide in the period from 2007 to 2010, leading ratings agency Moody's estimated on Wednesday.

"Preliminary estimates suggest that the total stock of sovereign debt will have risen by as much as 45 percent or 15.3 trillion dollars (10.2 trillion euros) from 2007 to 2010," Moody's analyst Jaime Reusche said in a statement.

This is "over 100 times the inflation-adjusted cost of the Marshall Plan," the huge US investment programme launched to revive Europe after World War II, he added.

Moody's estimated in a report that the total global debt in 2010 would reach more than 49 trillion dollars.

The members of the G7 grouping of rich countries will account for more than three-quarters of the increase, "as their fiscal accounts have been hit hardest by the crisis," Reusche said.

"As growth turns negative in 2009 for most countries, the relative debt load becomes harder to bear."


AFP

**Nepalese people wait in line outside the newly opened KFC (Kentucky Fried Chicken) fast-food restaurant in Kathmandu on Wednesday. Long queues formed outside KFC and Pizza Hut, with KFC serving more than 500 people in the first two hours of business.**

### Japan PM: Measures needed to avoid double-dip recession

AFP, *Tokyo*

Japan's Prime Minister Yukio Hatoyama said Thursday the government must take measures to avoid a double-dip recession after the US dollar tumbled to a 14-year low against the Japanese yen.

"We must take measures so that the economy will not fall into a double-dip" recession, said Hatoyama, without specifying what measures his government may take to boost the world's second largest economy.

The premier stressed that "rapid and drastic movements in foreign exchange are not desirable" but added that the day's fluctuations were due mainly to the fall of the dollar rather than a rise of the yen.

The greenback briefly dropped to 86.28 yen, its lowest level since it traded at 84.92 yen on July 7, 1995.

A stronger yen threatens the competitiveness of Japanese exporters.

Japan, Asia's biggest economy, sank into its worst post-war recession in the second quarter of 2008 as the economic downturn hammered demand for its cars, electronics and other exports, and has gradually rebounded this year.

### Taiwan approves $125b for infrastructure

AFP, *Taipei*

Taiwan's cabinet on Thursday approved infrastructure projects worth nearly four trillion Taiwan dollars (125 billion US), to be rolled out over eight years in a bid to boost its economy.

The government is expected to finance 2.70 trillion and raise another 1.2 trillion from the private sector, a cabinet statement said.

Projects include the expansion of Taoyuan international airport in the north, Kaohsiung harbour in the south and one of the island's largest science parks, located in the centre.

Urban and rural renewal as well as flood prevention are also among the items in the spending plan.

HUMAN CAPITAL

# Education and competitive gains

IFTY ISLAM

Last week I attended a seminar organised by the Dhaka University Economics Class of 1976, at which the keynote speaker was Professor Nurul Kabir. The topic was "Education and the Competitive Advantage of Nations," a subject that one might argue is of critical importance to Bangladesh's economic future. The latter refers to a seminal book by Harvard Business School Professor Michael Porter who outlined the different factors that defined why countries succeed and why others fail.

Education featured heavily in Professor Porter's analysis. While the current focus for the government is on tackling our infrastructure and energy crisis as one of the key enablers to growth, improving our stock and quality of human capital is equally critical.

In his opening speech at the Oct 2008 DCCI 50th Anniversary Conference, Unctad Secretary General Supachai Panitchpakdi, when commenting on South Asia's 1.5billion population, one of the fastest growing in the world, suggested it could either be a demographic dividend or disaster the key determinant would be an effective education policy. The effectiveness in ensuring improved education across the spectrum from improved literacy to focused vocational training would be the determinant on whether the massive populations of countries like Bangladesh become its most productive asset or a growing burden and constraint.

Capital is a stock of wealth used to produce goods and services. Most often, by capital people mean physical capital: buildings, machines, technical equipment, stocks of raw materials and goods. But "human capital"- people's knowledge and skills- is at least as important for production, and at least as valuable to people who have it. The importance of the "human factor" in modern production is reflected in the distribution of income among people who own physical capital and people who "own" knowledge and skills. For example, in the United States in the 1980s the income received on knowledge and skills (through wages and salaries) was about 14 times that received on physical capital (through dividends and undistributed corporate profits). This phenomenon led economists to acknowledge the existence of human capital.

Many economists now attribute much of the economic success of the "Asian tigers" to their governments' commitment to public funding of primary education as the foundation for development. In 1960, Pakistan and the Republic of Korea had similar incomes but quite different school enrolment ratios30 percent in Pakistan and 94 percent in Korea. Over the next 25 years, per capita GDP in Korea grew to three times that of Pakistan. UNDP has estimated that if Korea's enrolment ratio had stayed the same as Pakistan's, its per capita GDP would be about 40 percent less than it is today (incidentally, in 1950 Bangladesh and South Korea had the same per capita GDP, but now differ by a factor of more than 50).

Governments spend public funds on education because they believe that a better-educated population will contribute to faster development. Employers pay for employee training because they expect to cover their costs and gain additional profits from increased productivity. And individuals are often prepared to spend time and money to get education and training, since in most countries people with better education and skills earn more. Educated and skilled people are usually able to deliver more output or output that is more valuable in the marketplace, and their employers tend to recognize that fact with higher wages.

A number of countries have achieved far greater improvements in human development than are usual for their income level, thanks to enlightened policies that address the needs of the broad majority of their citizens. Kerala state, in India, is an apt example. Despite quite low income and productivity growth since 1970, Kerala's citizens enjoy a life expectancy on a par with Hungary and literacy rates comparable with those in Norway. Social investment appears to be paying off. Kerala's annual growth rate in per capita income was almost twice that of India's average.

As Unesco has highlighted, equity issues weigh in the balance between public and private financing. Private financing of education often provokes heated debate. Yet, it is important to distinguish between levels of education. Some argue that students should assume greater costs for university education, which typically benefits individuals (in terms of wage potential). However, serious equity issues arise at the primary and secondary levels. Governments have clearly recognized their responsibility to provide all children with a quality primary education free of charge. The case of India illustrates these policy trade-offs. Households pay for more than one quarter (28 percent) of the costs to send their children to primary and secondary school. These fees pose a very real barrier for the children of poor families. Yet at the same time, households assume just 14 percent of the costs for university education, which typically benefits more well-to-do students.

Because economic and social returns to society are known to be higher for primary education than for other levels of study, most governments are committed to providing free access to primary school to all children. However, in low-income countries the public funds available for this purpose are often insufficient to meet the increasing demand of rapidly growing populations. These funds also tend to be allocated inequitably, with better education opportunities often provided to urban children relative to rural children, to well-off children relative to poor children, and to boys relative to girls. In some countries public financing of education favours the higher levels of study, benefiting mostly older, better-off children and thus exacerbating social inequity.

Even when primary education is accessible, poor children may be unable to benefit from it. Many of these children must work rather than attending school. Premature and extensive involvement in work damages their health and impedes development of their social skills, decreasing their future earning power as adults and perpetuating the vicious circle of poverty.

Turning to the importance of vocational training, some estimates put the combined remittances from overseas workers through official and unofficial channels at around $ 12 billion in 2008, which draws official foreign aid of around $ 1.2 billion. In a $ 90 billion economy, the contributions of the overseas community are clearly significant. By 2015 revenues in the manpower sector could reach US$ 30billion according to a recent Danida report. This will require a focused and targeted strategy on vocational training along with investment in HR consultancies.

The recently established National Skills Development Council will play an important role in ensuring that we have a focused and market-driven vocational training strategy that will hopefully maintain the ongoing growth in remittance flows.

In conclusion, there is little doubt that we need a careful assessment and renewed focused on an effective education strategy. The issues are complex and varied and cover the range of challenges from improving literacy levels and access to primary and secondary education, to more effective university education, especially in the sciences, along with demand-driven vocational training colleges.

A key issue is one of optimal sequencing, that is, assessing which reforms will give dividends most quickly. That should determine the timing and resource allocation of our education budget. On that issue, I still believe we should move away from the current obsession with BBA and MBAs from private universities and encourage more technology and vocational educational provision. I remain optimistic that this will help Bangladesh to improve its "competitive advantage" relative to other nations.

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PRECIOUS METAL

# We're running out of gold: Miners

AFP, *Montreal*


AFP

**An employee of Japan's jeweller Tanaka Kikinzoku Jewellery displays a 2010 calendar made of six-kilogramme of pure gold and smaller sized calendar at the company's shop in Tokyo on November 19. The price of gold soared above 1,195 dollars an ounce for first time in history in the London bullion market on Thursday.**

Gold production will continue to fall, despite a brief boost in 2009 and soaring prices, as deposits are exhausted and new discoveries remain elusive, say miners.

Meanwhile, the price of gold soared above 1,195 dollars an ounce for first time in history in the London bullion market on Thursday, following a purchase of IMF gold by Sri Lanka's central bank.

In terms of production, "2009 is the outlier as far as the trend," Omar Jabara, spokesman for US-based Newmont Mining, the second-largest gold producer in the world, told AFP.

Overall, "it's a fact that gold production from mines has been in decline since 2001 and has gone roughly from 85 million ounces to about 75 million ounces a year," said Vincent Borg, spokesman for number one producer Barrick Gold.

"It sort of goes down about one million ounces every year and our forecast is that it will continue to decline despite the higher price" for gold nowadays, he said.

Almost everywhere, mineral deposits are being exhausted and new deposits are not being found fast enough to replace them, these experts explain.

South Africa, which was once at the vanguard of world production, saw a 9.3-percent drop in production year-over-year in the second quarter, according to its Chamber of Mines.

Globally, "it's just that the assets are not there anymore," Tonya Todd, a spokeswoman for Goldcorp, Canada's second biggest gold mining firm.

"Just because gold reached a new high today doesn't mean we can send a message to our 26 mines saying produce as much gold as you can today because they are already," said Borg.

"It's not like a water tap you can turn on and it comes right away."

Barrick and Newmont expect nevertheless to continue increasing production next year by seven percent and five to 10 percent, respectively. But long-term, it's downhill.

Omar Jabara explained that it takes from seven to 10 years to start production of a mine after finding an economically viable gold deposit.

And "no significant new discoveries have been found in recent years, despite the higher gold prices and despite higher exploration budgets," said Borg.

What is already happening and is likely to continue is that the grade or quality of deposits industry-wide will be "on average lower than deposits discovered in the past," opined Jabara.

The global gold mine production is forecast to rise by 3.7 percent in 2009 to about 2,500 tonnes, but will satisfy only two-thirds of demand, which soared this year amid the global financial crisis to 3,800 tonnes, according to the World Gold Council.

Historically, gold recycling or the sale of central bank stockpiles made up for supply shortages.

But during the latest financial crisis, banks have been buying up gold in large quantities to protect monetary reserves against weakness in the US dollar.

Since the start of November, for example, India's central bank has scooped up 200 tonnes of gold from the International Monetary Fund, at market value for about 6.7 billion dollars.

Amid uncertainty in the stock market, small investors and hedge funds are also coveting gold, driving up demand for the precious metal.

With mine production sloping downwards, an increasing supply of gold must come from existing supplies -- such as coins, bullion or jewelry -- but it will be very limited.

"All the gold ever produced through history amounts to about 165,000 tonnes, which would barely fill two Olympic-size swimming pools," said Jabara.

The price of gold, after reaching new highs over the past year, on Monday hit 1,174 dollars per ounce.