International Business News

US senate to vote on $1.1 trillion spending bill

AP, *Washington*

Senate Democrats overcame a Republican filibuster to clear the way for a vote Sunday on a huge end-of-year $1.1 trillion spending bill that includes money to run much of the government and pay for Medicare and Medicaid benefits.

The spending measure gives the Education Department, the State Department, the Department of Health and Human Services and others generous budget increases far exceeding inflation.

On Saturday, the Democratic controlled Senate voted 60-34 to end the GOP filibuster that threatened to hold up the legislation. A final vote was set for Sunday afternoon whether to send the measure to President Barack Obama.

Democrats held Saturday's vote open for an hour to accommodate Independent Sen. Joe Lieberman of Connecticut, an Orthodox Jew who walked more than three miles to the Capitol to vote on the Sabbath after attending services at his synagogue. Lieberman, wearing a black wool overcoat and bright orange scarf, finally provided the crucial 60th vote.

The 1,000-plus-page bill brings together six of the 12 annual spending bills that Congress had been unable to pass separately even though the new fiscal year began Oct. 1 because of partisan roadblocks.

Kuwait to spend $87b on oil projects

AFP, *Kuwait City*

Kuwaiti Oil Minister Sheikh Ahmad Abdullah al-Sabah said on Sunday the emirate plans to spend 25 billion dinars (87 billion dollars) on oil projects until 2030.

"We plan to spend 25 billion dinars on capital projects and annual maintenance and services works from now until 2030," he told reporters after opening an oil exhibition.

The projects include building a new oil refinery, he said.

Opposition from parliament over procedural flaws forced the government to scrap a project earlier this year to construct a 15-billion-dollar refinery.

Kuwait, which sits on about 10 percent of proven global crude reserves, has been working on increasing its oil production capacity from the current three million barrels per day to four million bpd by 2020.

The country's emir, Sheikh Sabah al-Ahmad al-Sabah, said on Sunday a "fair oil price" for both producers and consumers was needed to justify the costly oil developments in Gulf exporting countries.

AFP

Children smile as they pose with executives of various Japanese toymakers clad in Santa Claus costumes after receiving toys during a promotion to market Christmas gifts at a Tokyo amusement park yesterday. Some 100 Santas took part in the sales promotion as sales of Christmas gifts this year have plunged amid the economic slump.

British bank chief admits 'mistakes' on bonuses

AFP, *London*

A top British banker said "mistakes were made" within the industry as bank employees racked up huge bonuses, in an interview with The Sunday Telegraph newspaper.

Bob Diamond, the president of British banking group Barclays, said banks had done a "pretty poor job" of handling the bonus process, adding that his company would be deferring up to 60 percent of payouts -- more than double the usual level.

It comes after Britain announced on Wednesday it was slapping a one-off 50-percent tax rate on bonuses above 25,000 pounds (27,600 euros or 40,700 dollars) amid public fury at 70 percent government-owned Royal Bank of Scotland awarding some 1.5 billion pounds in bonuses for senior staff.

"We (the whole banking sector) have done a pretty poor job of managing how the (bonus) process works. We do agree that many functions should have a higher portion of fixed and a lower portion of variable," Diamond said.

Japan, US reach 'open skies' deal

AFP, *Washington*

Japan and the United States late Friday reached an "open skies" deal removing restrictions on the number of flights between the world's two largest economies, the US side said.

The agreement, which is expected to impact US companies' bids for a slice of ailing Japan Airlines, will allow carriers to adjust flight numbers based on demand rather than preset limits.

"Once this agreement takes effect, American and Japanese consumers, airlines and economies will enjoy the benefits of competitive pricing and more convenient service," US Transportation Secretary Ray LaHood said in a statement.

He did not announce a date for the agreement to go into effect, saying that the "open skies" agreement -- the 95th for the United States -- still had to undergo formalities in both countries.

ECONOMIC RECOVERY

Domestic demand key driver

Goldman Sachs report says

STAR BUSINESS DESK

AFP

A woman walks past a car decorated with bows and ribbons as a Christmas gift in Beijing on Friday. China said it had ended an almost yearlong bout of deflation in November, while factory output picked up as the world's third-largest economy powered ahead following the global crisis. Both domestic demand and net exports have made positive contributions to Chinese growth this decade.

Domestic demand is still the largest contributor to real GDP (gross domestic product) growth in most of the BRIC and N-11 countries, according to a research.

In China both domestic demand and net exports have made positive contributions to growth this decade. In the other three BRICs (Brazil, Russia, India and China), net exports have detracted from growth, particularly in Russia and Brazil.

The contribution from domestic demand slowed in 2008 from the 2007 highs, but was still the main driver in all countries, US investment bank Goldman Sachs says in a report styled "Long-Term Outlook for the BRICs and N-11 Post Crisis".

Across the N-11 (Next Eleven), domestic demand has also consistently driven growth in many economies -- Indonesia, Iran, Mexico, the Philippines and Vietnam stand out in particular. At the other end of the spectrum, Korea and Turkey have grown largely on the back of net exports, particularly in 2008.

The countries that constitute N-11 as dubbed by Goldman Sachs are Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam.

Comparison with the developed world illustrates the striking difference, particularly versus the BRICs, says the research report released on December 4.

The contribution of domestic demand to growth in the US had slowed since 2004 and turned negative in 2008. Domestic demand in Euroland also fell significantly as growth slowed, with the contribution from positive net exports having virtually disappeared by 2008.

The relative importance of the BRICs and G7 for the global economic landscape has changed at a rapid and dramatic pace, particularly in terms of growth. Between 2000 and 2008, the BRICs contributed almost 30 percent to global growth in US dollar terms, compared with around 16 percent in the previous decade, according to the research findings, the report says.

"At the same time, the G7's contribution has fallen from over 70 percent in the 1990s to just 40 percent on average during the current decade. And although the advanced economies together still contribute more than the BRICs on this 2000-2008 average measure, since 2007 alone China has contributed more than any of them, including Euroland."

Since the start of the global economic crisis in 2007, the BRICs' contribution has risen even more: some 45 percent of global growth has come from the BRICs, up from 24 percent in the first six years of the decade. The N-11 contribution has risen by a modest 1 percent in the last two years to 11 percent.

"The contribution from all emerging markets as a whole was over 80 percent (versus the 2000-2006 average of 45 percent). The G7 has only contributed 20 percent in the past two years. While the 2000-2006 contribution to global growth was almost equally split between the developing and developed world, the last two years saw the trend change sharply, with the divergence mainly driven by the BRICs.

On an individual country basis, all of the BRICs and seven of the N-11 (Bangladesh, Egypt, Indonesia, Iran, Nigeria, Philippines and Vietnam) contributed more to world growth in 2007-2008 than from 2000 to 2006.

Between 2007 and 2009 Mexico, Russia and Turkey saw the deepest downturns in the two groups (BRIC and N-11). These three countries saw their economies shrink in 2009. China, India, Indonesia and Bangladesh experienced only relatively mild slowdowns.

TECHNOLOGY

Indian telecom crowded by new entrants

AFP, *New Delhi*

AFP

In this photo taken on April 18, an Indian farmer talks on his mobile phone as he rests on a pile of mangoes at the Gaddiannaram fruit market in Kothapet, located on the outskirts of Hyderabad.

Stein-Erik Vellan, head of Norway's Uninor, the newest Indian mobile phone operator, insists his company will be one of the survivors in what has rapidly become a very crowded market.

Uninor, controlled by Norwegian telecom company Telenor, is the 14th player to enter India's cellular market, where subscriber numbers are rising so fast that in October the country added a record 16.67 million users.

But after soaring growth, industry revenues are flattening as rivals slug it out in a savage price battle. Analysts predict a brutal shakeout in the next 18 months.

"We know this is only the beginning of our journey -- we're here for the long term," Vellan said at Uninor's launch earlier this month in New Delhi.

Using the slogan "My time is now," squarely aimed at India's burgeoning youth, Uninor says it is unfazed by forecasts of consolidation in the market, which in 2000 had just two state-owned players.

"This is the fastest growing (mobile) market in the world. We want to be part of this story," said Vellan, managing director of Uninor, a joint venture of Telenor and Indian property developer Unitech.

Telenor is among a clutch of foreign telecom companies along with Britain's Vodafone, Japan's NTT DoCoMo and Russia's Sistema JSFC that have beaten a path to this country of 1.2 billion people in the past couple of years hoping to boost revenues and make up for saturated domestic markets.

The Cellular Operators' Association of India forecasts the country's mobile phones will number one billion by 2013, up from around 500 million currently.

Another four such launches are expected by March as new players tap the market. Among those in the wings are Emirates Telecommunications Corp, or Etisalat, along with India's Datacom Solutions and Loop Telecom.

But industry leaders and analysts say the market, even with leaping subscriber numbers, is getting too congested.

"The industry cannot support this many operators. Consolidation is the only way forward," T.R. Dua, director general of the Cellular Operators' Association of India, told AFP.

Already a no-holds-barred price war has driven down billing rates to under a cent a minute, hitting revenues and profits of market leaders such as Bharti Airtel and Reliance Communications.

Advertising billboards have sprouted everywhere offering new per-second billing plans.

"You're seeing subscriber growth, but profitability is under severe strain. It's not a good combination," Harit Shah, telecoms analyst at Karvy Stock Broking, told AFP.

Romal Shetty, India telecoms director at global consultancy KPMG, told AFP: "This is probably the most competitive market anywhere in the world with the lowest terriffs anywhere in the world, but this is not a sustainable model."

He predicted a "bloodbath" in the next 18 months as the sector consolidates. Smaller players will "get picked off but the really big ones, like Bharti, Reliance and Vodafone will survive," he said.

While Shetty sees the market shrinking to six or seven players, Dua, of the Cellular Operators' Association, says it could contract to four or five.

"Is India's telecom industry in trouble? The answer for the short term is, of course, yes," said Sanjay Chandra, managing director of Unitech, Uninor's part-owner.

Chandra said industry profitability "will undergo a correction and new operators will take longer to break even," but added that the potential over a three-to-five year time-frame was "tremendous".

KPMG's Shetty agreed that longer-term the sector "will be very attractive" as players gain from new subscribers and value-added services.

"We have 500 million subscribers now and we're expected to have one billion subscribers, and if 300 million to 400 million of the subscribers are middle class, the usage is going to be very significant," he said.

But the next 18 months, as the sector slims down, "will be very difficult," he added.