

International Business News

G20 finance officials to meet in South Korea next month

Senior financial officials from the Group of 20 economies will meet in South Korea next month to discuss spurring the global recovery, officials said Monday.

Vice finance ministers and deputy central bank governors will meet from February 27-28 in the city of Incheon west of Seoul, the ministry of strategy and finance said.

It will be the first meeting of the G20 major economies in South Korea, which will host the group's summit in November.

"How to accelerate the global economic rebound and how to manage the global economic system after the crisis will be among the top agenda items to be discussed at the February meeting," a ministry official told Yonhap news agency.

South Korea will also host a meeting of G20 finance ministers on June 4-5, just before a separate G20 summit in Canada.

The International Monetary Fund and South Korea said last week they would jointly host in Seoul another high-level international conference on Asia in July.

The July 12-13 forum will be held "to examine Asia's economic dynamism and evolving role in international policy-making", they said in a joint statement.

Japan Airlines bankruptcy filing expected Tuesday

AP, Tokyo

Japan Airlines is expected to file for bankruptcy protection Tuesday, ending months-long speculation about its fate and launching a massive overhaul to shed the fat and inefficiency that hobbled Asia's biggest airline.

With debts of 1.5 trillion yen (\$16.5 billion) as of November, the carrier will go down in Japanese corporate history as one of its biggest failures.

Its access to Asia, however, is a mouth-watering prize for foreign airlines. The tug-of-war between Delta Air Lines and American Airlines intensified even as bankruptcy loomed, with the latest media reports pointing to Delta as the eventual winner.

The bankruptcy filing will most likely be immediately followed by a restructuring plan crafted by a government-backed corporate turnaround body. The government itself will offer assurances of support for the airline's rehabilitation and ongoing operations, the Nikkei financial daily said.

Investors Monday braced for a seemingly inevitable removal of the airline's shares from the Tokyo Stock Exchange.



International Monetary Fund chief Dominique Strauss-Kahn (R) shakes hands with Japanese Finance Minister Naoto Kan at the latter's office in Tokyo yesterday. Strauss-Kahn is travelling to Tokyo and Hong Kong for talks with top officials and to address a forum on Asia's role in the global economy.

Asia faces 'golden opportunity' after crisis: Singapore fund

AFP, Taipei

Asian financial institutions face a "golden opportunity" after the global slump left their Western counterparts struggling, the deputy head of Singapore's sovereign wealth fund said in Taipei Monday.

Tony Tan, deputy chairman of the Government of Singapore Investment Corporation (GIC) said Asian firms were in much better shape to play a major role on the region's expansion over the next several years.

"Asian financial institutions and markets have been given a golden opportunity," he told a forum in the Taiwan capital, according to the text of his speech.

"The globalised Western banking system, hampered by capital constraints and re-regulation, will likely not be able to intermediate the massive capital demand needed to finance Asian growth."

"This leaves the playing field unusually open for Asian financial institutions and markets, particularly for the next few years."

Singapore exports up 26.1 pc in December

AFP, Singapore

Singapore's main exports surged strongly in December from a year ago on rising external demand, the government said Monday, strengthening expectations of a rebound for the economy this year.

Non-oil domestic exports (NODX) climbed 26.1 percent year-on-year, lifted by robust shipments of electronics and pharmaceuticals, the government's trade promotion body International Enterprise (IE) Singapore said.

On a seasonally adjusted month-on-month basis, NODX was up 1.7 percent, it said.

Electronics exports such as semiconductors rose 25.2 percent year-on-year, reversing the 6.1 percent decline in November, while pharmaceuticals jumped 75.7 percent.

IE Singapore said shipments to the country's top 10 export markets, except Japan, increased.

POLICY DIALOGUE

LDCs need investment, not aid

United Nations official shares views with The Daily Star



Far right, Cheick Sidi Diarra, under-secretary general of United Nations and high representative for the least developed countries, speaks at the high-level Asia-Pacific policy dialogue for the LDCs at Sonargaon Hotel in Dhaka yesterday.

SAJJADUR RAHMAN

Poor nations need investment from developed countries to break the poverty trap and catch up with the rest of the world, said a senior United Nations official yesterday.

"ODA (official development assistance) is good, but the future of LDCs depends on foreign direct investment," Cheick Sidi Diarra, under-secretary general of United Nations and high representative for the least developed countries (LDCs) told The Daily Star.

In an interview on the sidelines of the high-level Asia-Pacific policy dialogue for the LDCs at Sonargaon Hotel in Dhaka, Diarra talked about the challenges LDCs face.

Representatives of 15 LDCs have gathered in Dhaka for a three-day conference to review the progress they made in the imple-

mentation on the Brussels Programme of Action adopted in 2001.

Diarra, also the special adviser to UN on Africa, believes the developed nations were not as generous as expected in terms of giving official development assistance to LDCs.

LDCs could have achieved more if the financial crisis had not appeared, he added.

"Further success depends on the recovery from the crisis."

He also mentioned LDCs' capacity and their limited product lines. The vulnerability of LDCs to climate change also came up.

But the UN official focused more on the LDCs' need to have foreign investment to upgrade their current position and said investment is needed not only in oil and energy sectors, but also in agriculture and services. He has also

encouraged investment in education and infrastructure.

Explaining this extra emphasis on foreign investment, he said: "It can give you the high return."

Diarra advised LDCs on how they can attract foreign investment.

"Some sort of state guarantee may be given to investors. Tax exemption may also be offered to foreign investors."

He said the UN has also been working on how it can drive the flow of investment from the developed countries to the LDCs. "It is increasing, however," he added.

"We will come up with some significant progress on investment at the next year's LDC summit in Turkey," said Diarra.

But LDCs will have to raise its productivity and quality of products to sustain on the global market, he emphasised.

Diarra blamed the developed countries

for not providing their pledged assistance to the LDCs. ODA should be 0.15 percent of GDP to the LDCs, he added.

Of the 31 developed countries (OECD), only nine have reached the target.

According to the UN official, significant progress was made in many areas under Brussels Programme of Action until the global financial crisis surfaced in late 2007.

LDCs have done well in different macro-economic indicators, liberalisation of economies, governance, social indicators and trade, he added.

But a lot more challenges are ahead. These are how to tackle climate change, increase farm productivity and food security, contain population growth, cut unemployment, raise trade and investment and diversify economies.

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Global fund required to cushion price shocks

Says UNDP official in an interview with The Daily Star

MD HASAN

Bangladesh and similar countries should start talks immediately to raise a global fund to tackle the possible shocks from rising food prices in 2010, says a high official of UNDP.

"I think 2010 is going to be a bad year. It will be a great year for other things, but it may not be for food prices," said Omar Noman, chief (policies and programmes) of United Nations Development Programme (UNDP).

"It is obvious that oil prices will go up in 2010. The price of oil has already gone from \$40 a barrel to \$80. It is likely that it may rise to \$100 to \$120 a barrel."

When chemical and fertiliser prices go up, food prices go up in line, and inflation in India and Bangladesh is already rising, he said.

"Suddenly, you can find that the government is in a fix for importing expensive oil and not having the money to help the poor against high food prices," added Noman.

"That is why I propose that governments, from Bangladesh and other countries, could start talking about the need for a global fund."

He said governments should not initiate the fund once the crisis starts. "Do the analysis now and tell the global community -- if this situation arrives, what should countries like us do?"

However, the UNDP official defends the rising food prices from a different point of view. He said rising food prices should be a good thing, which means farmers will earn more from the sales of farm produce. "However, the problem is, the rise in food prices will not benefit small farmers. The rising price either goes to the bigger farmers or to marketing channels."

In a country like Bangladesh, if the price benefit goes to poor farmers, everybody will say the price hike is good, he added.

"I hope the government will think about how to translate the food price hike into higher income for the poor farmers. That is the best thing that can



Omar Noman

happen for poverty reduction," Noman said.

"If the poor farmers become richer, they will spend more, which will benefit other poor people."

When income rises at the bottom level, their purchasing power will increase and benefit the society, as long as the price benefit goes to the poor farmers, the UNDP official said.

If the government is worried that the food price hike will hit the urban poor, it can offer different prices for them, he said. "For example, if anyone consumes two bowls of rice a day, the price should be low. But if that person expands consumption to ten bowls, the price should be more."

Many countries follow these methods, Noman said, adding that the government can increase the incomes of poor farmers and subsidise the urban poor.

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IMF: Global recovery stronger than expected

AP, Tokyo

The head of the IMF said China and other developing Asian economies are leading a global recovery that is faster and stronger than expected, but warned that money rushing into emerging markets could lead to asset bubbles.

Dominique Strauss-Kahn, the managing director of the International Monetary Fund, strongly suggested Monday that the IMF would raise its 2010 global growth forecast from the 3.1 percent it projected in October.

China, India and other emerging Asian economies were close to returning to their pre-crisis growth rates, while rebounds in the US, Japan and other advanced economies remained "sluggish," he said.

"The forecasts we're going to release in a couple of days will show that this recovery is going faster and stronger than we expected" several months ago, Strauss-Kahn told reporters in Tokyo.

While the IMF doesn't forecast a "double-dip," or second recession, risks remain, he said. "We have to be very cautious because this recovery remains very fragile."

While hundreds of billions in stimulus spending by governments around the world avoided another Great Depression, he said, the most important risk facing the global economy is deciding how and when to reverse those policies and deal with resulting debt burdens.

"Now we have to fix the consequences of the policy that has been put in place to fight against the crisis," he said. "Finding the right time to implement exit policies is really a difficult one."

"If you exit too late, you waste resources," he said. "If you exit too early, you have a risk of going back into recession."

The best indicators for timing fresh growth strategies are monitoring private demand and employment, he said. The IMF recommends that governments devise policies that will support the labour market given still-high joblessness, which could lead to social unrest in some countries.

A key lesson from the global financial crisis is that authorities need to beef up supervision -- more so than regulations -- of financial institutions, he said.

"You may have the best regulations in the world, but if it's not supervised correctly, it's no use."

Strauss-Kahn also said he was worried that the unified political will to tackle the crisis demonstrated at the Group of 20 summits last year will vanish as the world economy recovers.

The rush of money into major emerging markets such as China, Brazil and Russia reflects investors' recognition that these economies are growing rapidly.

But Strauss-Kahn said this could lead to "many problems," including asset bubbles and a sudden drop in foreign investment, much like Eastern European countries experienced during the global financial crisis.