

Oil-rich Arab states open up coffers

AFP, Dubai

Oil-rich monarchies in the Gulf may have chosen to pre-empt protests by opening their coffers to their citizens, but other Arab states in turmoil -- or in the wake of it -- lack the "cash for calm" option.

The fact that Arab rulers in the Gulf have responded with money and benefits to the wave of popular unrest sweeping across the region betrays their deep concern, analysts say.

While a swift injection of cash may take the edge off potential crises in the rich states, only huge amounts of international aid can ensure development of those poorer Arab nations where the current unrest began, they believe.

"It is usual for the king to give people something, a token, but this time it's bigger -- it shows a bit of a panic," said Dubai-based Platts analyst Kate Dorian, in reference to Saudi Arabia.

Just hours before returning from medical treatment and lengthy convalescence abroad on Wednesday, King Abdullah ordered social benefits for civil servants, a 15-percent pay rise for state employees and an increase in funds for housing loans.

"The kingdom is trying to avoid the same upheavals as those in Tunisia and Egypt," Dorian said.

Other regional states followed hot on the heels of the world's largest oil exporter in announcing the distribution of greater largesse to their populations.

In Bahrain, where the monarchy has been battling a vocal protest and reform movement



Protesters demanding jobs and reforms gather during a demonstration yesterday in Sohar, more than 200km northwest of Muscat, Oman. Sultan Qaboos ordered a monthly allowance of \$390 for each registered job seeker and also ordered to provide 50,000 new jobs after police shot dead two demonstrators on Sunday.

for the past two weeks, the government announced a 30 percent reduction in the mortgage costs of 30,000 households.

And in Oman, where police shot dead two demonstrators on Sunday, Sultan Qaboos ordered a monthly allowance of 150 riyals (390 dollars) for each registered job seeker and also gave orders to provide 50,000 new jobs.

"There is also a level of discontent in Kuwait, with not enough jobs being created," Dorian said.

The emir has granted each of Kuwait's more than 1.1 million citizens 1,000 dinars (\$3,570) and free distribution of basic food items for 14 months, at a total cost of more than \$5 billion.

His government has also raised the basic salaries of

servicemen by up to 115 percent at a total annual cost of close to \$1 billion.

"In all the Gulf countries people are asking for social reforms, but not only. There are other issues that people want to focus on like corruption," Dorian said. "Those are rich countries where the wealth has not been shared."

The yawning breach

between rich and poor in a region strategic to US interests has been identified by one senior American military officer as a catalyst for change in which the poor will have a greater voice because of globalisation.

"This globalisation... allows people to talk to each other all around the world and share their ideas at a moment's notice.

It's going to usher in a new era," US Lieutenant General William Webster told AFP in Kuwait.

"And I think people who are in countries where there is a great disparity between the poor and the rich, I think the poor will have a bigger voice," he said.

Poverty can, of course, feed instability. This can reach critical mass in countries lacking in natural resources, where years of political negligence have aggravated infrastructural problems, as in Yemen, Egypt and Tunisia.

"Egypt and Tunisia will require a well-coordinated international effort" in the transition following the ouster of veteran strongmen Hosni Mubarak and Zine El Abidine Ben Ali, said analyst Salman Shaikh of the Brookings Doha Centre.

Even in oil- and gas-rich Libya, currently in the throes of deadly unrest, the dying regime of Moamer Kadhafi, currently under siege in Tripoli, financed a system based on cronyism, running counter to dynamic economic development.

"In Libya, where are the billions? Libya needs a lot of infrastructure and Kadhafi killed off private industry," said Dorian.

"Poor people knew how to deal with the system, that providing them with subsidies. It will be more difficult for them to deal with a new situation."

Shaikh said mismanagement of the Libyan economy led to a fall in the standard of living there.

"But the country has potentially great revenues, and a vibrant Libya can be very much a catalyst for progress in northern Africa," he said.

India proposes fund to help microfinanciers

AFP, New Delhi

India's finance minister Monday announced the creation of a billion-rupee (22 million dollars) fund for microfinance groups to supply much-needed liquidity amid a cash crunch in the sector.

"The microfinance institutions (MFIs) have emerged as an important means of financial inclusion," Pranab Mukherjee told lawmakers as he presented the government's budget for the next financial year starting April 1.

"Creation of a dedicated fund for providing equity to smaller MFIs would help them maintain growth and achieve scale and efficiency in operation," he added.

The India Microfinance Equity Fund will be created with state-run Small Industries Development Bank of India.

The seven-billion-dollar microfinance sector was until recently hailed as a saviour of India's poor for providing loans averaging 250 dollars to millions of borrowers who are unable to get credit from mainstream banks.

But the microfinanciers' surging profits, charges of arm-twisting debt collectors and interest rates of over 30 percent have led to mounting controversy with some critics accusing

German tech bullish before giant IT fair

AFP, Hanover

Germany's high-tech sector is expected to register solid growth this year and next, creating thousands of jobs, its chief lobby group said Monday ahead of the giant CeBIT trade fair.

The sector, the second-biggest in Europe's top economy, will expand by two percent in 2011 and 2012, the BITKOM industry organisation said as it unveiled new forecasts.

"The good economic climate and a great deal of innovation is driving demand in the high-tech sector sky-high," said BITKOM President August-Wilhelm Scheer at a news conference.

BITKOM also forecast that 10,000 new jobs would be created in the sector in 2011, with every two out of three high-tech firms expecting to hire this year.

Worldwide, the IT sector is set to grow by 4.4 percent in 2011 and by 5.3 percent in 2012, buoyed by a double-digit expansion in China, Russia, India and Brazil, BITKOM said.

One of the main drivers for growth in the sector is poised to be "cloud computing" -- the idea of storing data online rather than physically on users' machines -- Scheer said.

He forecast that sales in cloud computing services would register heady

annual growth rates of 50 percent until 2015, where the technology will comprise 10 percent of the entire German IT sector.

Cloud computing, the main topic of this year's CeBIT, is "the mega-trend in the high-tech sector. It will completely change the IT sector," Scheer said.

However, one of the main factors that could slow growth in the sector is a lack of skilled employees. A BITKOM survey suggested that nearly two-thirds (59 percent) of firms said this could put a brake on business.

The BITKOM forecasts came one day before the CeBIT, the world's biggest high-tech fair, throws its doors open to the public with Turkey this year's guest of honour.

German Chancellor Angela Merkel and Turkish Prime Minister Recep Tayyip Erdogan were due to speak later Monday in an official opening ceremony before touring the exhibition early Tuesday.

More than 4,200 tech firms from 70 countries are expected to attend this year's CeBIT with many of the big names that stayed away during the global financial crisis returning to Germany.

Google, IBM, SAP, Microsoft, HP and Dell are among the top companies setting up their stalls in Hanover, northern Germany, for the five-day event that is likely to attract around 350,000 people.



A man works on a booth as preparations are under way for the CeBIT IT fair in Hanover, Germany. The world's top high-tech fair opens on March 1 with the IT industry in bullish mood, preparing to wow visitors with head-spinning futuristic gadgets and the latest in 'cloud computing' technology.

However, the CeBIT is still some distance from recovering the glory of its heyday. At the height of the dot-com boom, more than 8,000 firms set up shop at the show.

As always, the expo will also showcase the latest weird and wonderful gadgets to

delight the technology geeks.

Highlights this year include robots that can play table-tennis and recite Shakespeare and an "intelligent sensor suit," a full body tracksuit that monitors athletes' movements and enables them to improve training routines.

US budget deficit No. 1 worry

REUTERS, Washington

The massive US budget deficit is the gravest threat facing the economy, topping high unemployment and the risk of inflation or deflation, according to a survey of forecasters released on Monday.

The National Association for Business Economics said its 47-member panel of forecasters increased its estimate for the 2011 federal deficit to \$1.4 trillion from \$1.1 trillion in its previous survey in November.

"Panelists continue to characterise excessive federal indebtedness as their single greatest concern," with state and local government debt the second-biggest worry, the survey said. It was conducted between January 25 and February 9.

The panel's deficit forecast is lower than the Obama administration projection of a record \$1.65 trillion this fiscal year, or 10.9 percent of US gross domestic product.

Although the White House budget proposes \$1.1 trillion in deficit reductions over 10 years, Republicans in the House of Representatives say that is not enough.

Republicans are pressuring the administration to reduce spending by \$61 billion by September, and the dispute threatens to shut down the government if Democrats and the White House refuse to go along.

NABE panelists tweaked their previous stance on the Federal Reserve's decision to pump more money into the economy by buying government bonds.

Most panelists now view the Fed's decision to buy an additional \$600 billion in longer-term Treasury securities as having either somewhat diminished the risk of deflation or having had no impact on inflation whatsoever.

November's survey showed economists worried that the bond purchases could stoke inflation. Panelists forecast core inflation, which excludes volatile food and energy prices, to rise gradually from 0.8 percent in the final quarter of last year to 1.2 percent in 2011.

GDP growth for 2011 is expected to advance 3.3 percent year over year, up from the panel's previous estimate of 2.6 percent, the survey said.

"Factors supporting growth going forward include pent-up consumer and business demand, strong growth in foreign economies, especially those in Asia, and accommodative monetary policy," NABE President Richard Wobbekind said in a statement.

"Factors restraining growth include financial headwinds, uncertainty about future federal government economic policies, a tepid housing market and sustained high unemployment," he said.



A container vessel berths at Pasir Panjang terminal in Singapore yesterday. Singapore raised its inflation forecast for this year, a move analysts said could be followed by an interest rate hike. The Ministry of Trade and Industry also said the city-state's economy grew at a slightly slower rate last year than originally thought.

AirAsia X buys three more A330s

AFP, Kuala Lumpur

Long-haul budget carrier AirAsia X said Monday it has ordered three Airbus A330-200s to service its expanding European routes, and that plans for a share offering this year were on track.

The three aircraft, which have a list price of 1.5 billion ringgit (\$492 million) in total, are scheduled for delivery from 2014, bringing the number of A330s on order to 28.

"The purchase of the new A330-200s will make the economies of long haul flying more viable," said Azran Osman-Rani, chief executive of Malaysia-based AirAsia X.

"The planes are suitable for future European routes, and also to be used on our London and Paris routes," he told a news conference.

The airline also said that plans for an Initial Public Offering (IPO) this year were running on schedule, although it must first win approval for its route expansion plans from the Malaysian government.

"One of the factors we have to look at before going for an IPO is the route allocation policy and we have to determine what this is going to be," said Azran.