

Capital flows, monetary challenges focus of G20 meet

AFP, Beijing

Ministers and bankers from G20 nations meet in China this week to discuss challenges facing the world monetary system, but Beijing has ruled out one of the hottest topics -- its exchange rate regime.

The central bank chiefs and finance ministers from the Group of 20 leading economies gather Thursday in the eastern city of Nanjing, as the global recovery faces hurdles such as Japan's quake disaster and Eurozone woes.

This "is the first time that a big emerging country" hosts a G20 meeting, according to France, which currently holds the group's rotating presidency.

Those attending include US Treasury Secretary Timothy Geithner and his Chinese counterpart Vice Premier Wang Qishan, International Monetary Fund chief Dominique Strauss-Kahn and World Bank head Robert Zoellick, diplomatic sources say.

Host China has already said its exchange rate system will not be up for discussion, despite ongoing criticism that its yuan currency is massively undervalued, giving it an unfair trade advantage.

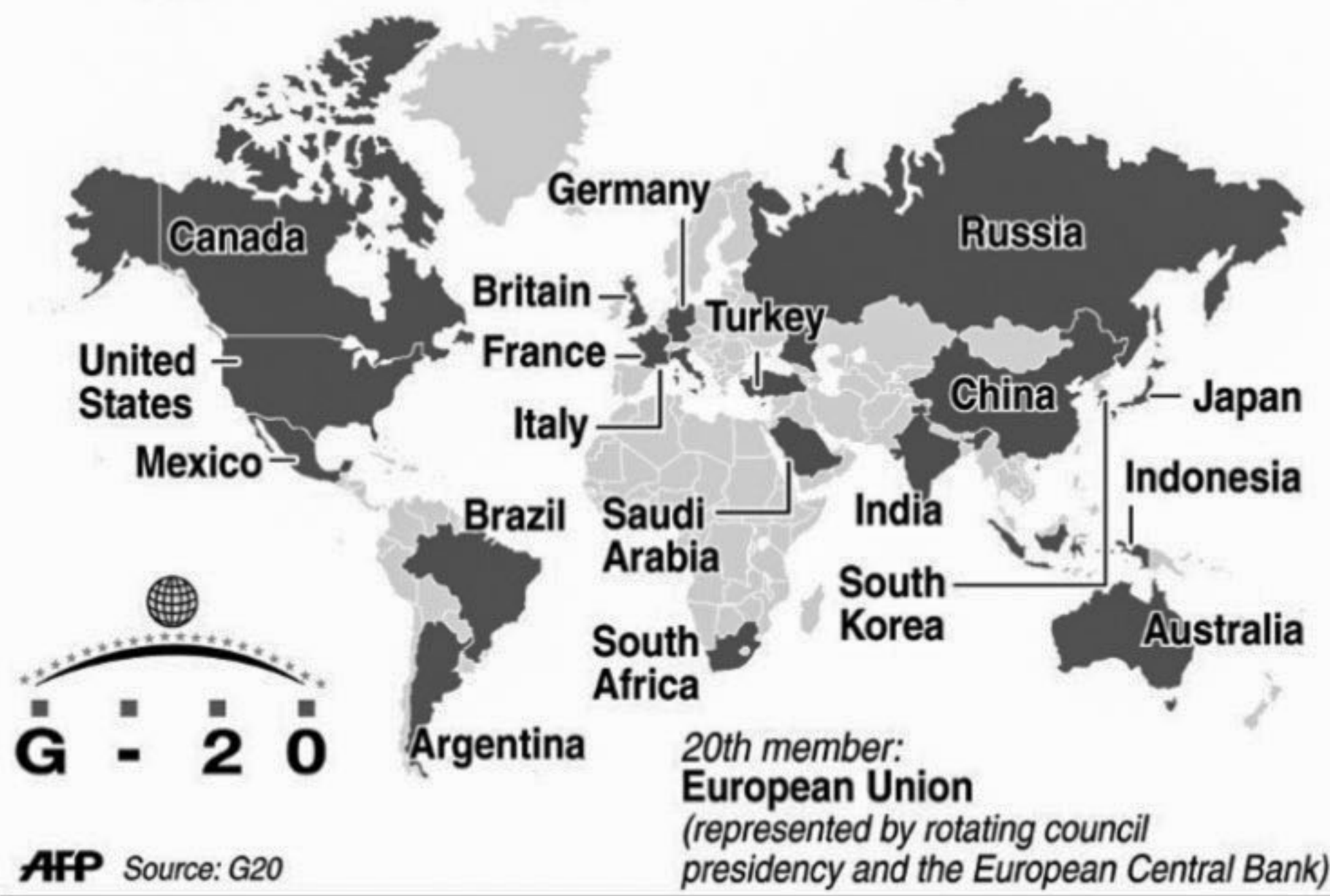
The French president's Elysee office said Paris "is not expecting decisions on (China's) exchange rate regime", but that it hoped "Chinese authorities will contribute to the debate on the international monetary system reform."

At a meeting in Paris in February, the G20 agreed to a set of indicators to measure economic imbalances between surplus exporters like China and nations with structural deficits like the United States.

The non-binding indicators gauge internal imbalances, focusing on budget deficits,

Group of 20 member economies

Account for:



public debt and private savings.

External indicators, meanwhile, look at the trade balance and investment flows, "taking due consideration of exchange rate, fiscal, monetary and other policies," the G20 has said.

But China, which has the world's largest foreign reserves valued at more than 2.8 trillion dollars, has balked at many of the indi-

cators amid fears they could result in more pressure over trade and its yuan currency.

In Nanjing, though, such imbalances "will not be at the centre of discussions," one Western diplomat said.

Instead, one of China's major concerns -- speculative capital flows -- will be a key item on the agenda.

Like other emerging markets, China feels that despite strict capital controls, it is being victimised by fund flows seeking higher short-term returns than can be found in developed markets.

Beijing says these flows of so-called "hot money" are feeding inflation at a time when soaring prices -- and their potential for causing social instability -- are a major source of worry for the Chinese government.

Another topic will be IMF special drawing rights (SDRs) -- global reserve assets created to supplement member nations' official reserves -- which France hopes can play a larger role in helping countries out of financial crises.

China has said it wants more currencies to be part of the basket making up the SDRs -- now comprising the dollar, the euro, the yen and the pound -- and Strauss-Kahn has indicated he is supportive of the yuan being included.

Numerous bilateral meetings will also be held in Nanjing.

Geithner may discuss the next US-China strategic and economic dialogue to be held this spring, while French President Nicolas Sarkozy will meet with his Chinese counterpart Hu Jintao in Beijing ahead of the Nanjing meeting. Sarkozy and Wang will also open the G20 seminar.

The impact of the March 11 quake and tsunami in Japan -- which has disrupted the disaster-hit nation's automobile and electronics sectors and left supply chains around the world lacking crucial components -- may also be discussed.

The euro-zone debt crisis that has again embroiled Portugal is also of interest to the IMF and many of the G20 nations, among them China, a purchaser of European sovereign debt.

American Express makes digital wallets

AFP, San Francisco

American Express on Monday launched an online financial transactions service that it claims goes beyond what others provide in a market dominated by PayPal.

"Serve" went live in the United States and was to expand to other countries in the coming year.

"Serve is a new type of payment platform that isn't tied to a single card or mobile operating system," said American Express enterprise growth group vice president Dan Schulman.

"We intend to quickly evolve the Serve platform by adding new features and functionality as we learn from consumer and merchant experiences."

Serve essentially turns smartphones into digital wallets for people who rely on cash, checks, or bank debit cards.

Serve applications were available for iPhones and smartphones powered by Google-backed Android software. The service was also tailored for use at online venues such as social networking service Facebook.

Serve accounts could be tied to bank accounts, payment cards, or funded by money sent through peer-to-peer transactions between users of the service.

Serve could be used to settle bills at merchants that accept American Express cards.

American Express billed Serve as a "digital payment and commerce platform that gives consumers a new way to spend, send and receive money with services that go beyond the existing global payment network."

The Serve platform was based on technology American Express acquired when it bought online financial network Revolution Money in early 2010 in a deal valued at \$300 million.

GE 'zero' US tax furor reignites calls for reform

AFP, Washington

Revelations that General Electric paid no US taxes last year, despite bagging a \$14 billion profit, have reignited debate in Washington about tightening up corporate levies.

No one, it seems, is very fond of the US corporate tax system.

Businesses bemoan the 35 percent minimum rate that is among the highest in the world, and taxpayers are furious at how easily big firms seem to pay much less.

But in recent months the issue has been overshadowed by multiple global crises and a fierce argument over government spending.

It resurfaced with a bang last week, when it emerged that manufacturing titan GE paid no taxes to the US government in 2010.

"GE did not pay US federal taxes last year because we did not owe any," spokeswoman Anne Eisele told AFP, rejecting suggestions the United States' fourth largest company was gaming the system.

But as millions of Americans struggle to make ends meet, and the Federal government fails spectacularly to do the same, that disclosure has caused consternation.

"The wealthiest Americans and most profitable corporations must do their share to help bring down our record-breaking deficit," Democrat-allied Senator Bernie Sanders said Sunday.

Supporters of reform, from big business to the White House, are re-polishing their arguments.

The White House argues an overhaul could help bring down unemployment. Big business agrees a lower rate would aid growth.

Despite this broad coalition, experts say the prospect of a quick deal is illusory.

They argue the government has few options if it wants to substantially lower the minimum rate and not add to the deficit: Expand the number of people paying corporate taxes, or get more revenue.

"If you want to get the corporate tax rate down from 35 to 28 percent -- that is a 20 percent cut in the tax rate -- you have to have increase the tax base by 20 percent, or offset it," said Alan Auerbach, an economics professor at the University of California, Berkeley.

"That is a big increase."

President Barack Obama has leaned heavily toward closing loopholes, arguing that "revenue neutral" reform must spell an end to some antiquated, but much-loved, tax breaks.

World's highest hotel opens in Hong Kong

AFP, Hong Kong

The world's highest hotel opened its doors in Hong Kong on Tuesday, housed in the city's tallest skyscraper and offering unrivalled panoramic views of the world famous Victoria Harbour.

Towering some 490 metres (1,600 feet) above the bustling, chaotic streets of the Southern Chinese city, the Ritz-Carlton Hotel is making a grand comeback after temporarily closing in 2008.

Visitors peered out of the floor-to-ceiling windows of the 118th floor of the International Commerce Centre, which houses the hotel, for a 360 degree view of the glitzy financial hub and the South China Sea.

"We're opening an iconic hotel which took us about 10 years to build," president and chief operations officer Herve Humler told reporters.

"We are taking luxury to new heights in every sense," he added.

The Ritz-Carlton however will likely lose the world's highest hotel title in 2014, according to

media reports, when the J-Hotel opens near the top of the over 600-metre Shanghai Tower in mainland China.

"People compete all around the world about everything -- I'm sure someone somewhere is building an even taller building as we speak," Humler said. "We emphasise service."

The Ritz-Carlton Hong Kong also will be one of the most expensive places to stay in a city already packed with luxury hotels, with the rack rate starting at HK\$ 6,000 (US\$770) a night for a deluxe room.

A presidential suite is going for HK\$100,000.

Inside, the Ritz-Carlton Hong Kong exudes a chic, modern vibe in the restaurants and lobby areas, with a lot of sparkling decor and chandeliers, the main colour themes being black, brown and beige.

Visitors can expect to find facilities that include the highest bar in the world, and a top-floor pool that will feature a 19-metre ceiling-mounted LCD screen which swimmers can watch



Chefs work at a restaurant at the Ritz-Carlton hotel inside the International Commerce Centre in Hong Kong yesterday. Occupying the 102nd to 118th floors, the world's highest hotel opened its doors housed in the city's tallest skyscraper and offering unrivalled panoramic views of the world famous Victoria Harbour.

while enjoying the warmth of the heated water.

With 312 guest rooms, the hotel also has one of the largest ballrooms in the city at 930 square metres.

Humler said mainland Chinese customers account for about 35 percent of the hotel group's market, up from just

three to four percent 14 years ago.

"This number is expected to rise. Mainland China is a key market for us. Asia as a region has bounced back significantly in the past year, with business going up about 20 percent in 2010," said Humler.

"In China, everything that is created has to have the "wow"

factor to attract the top echelons of society. They want quality service and efficiency," the president added.

Humler said occupancy rates at Ritz-Carlton Tokyo had plunged from 80 to 15 percent since the Japan nuclear crisis began but he expected it to have little impact on the Hong Kong hotel.



China Southern Airlines and Eastern Airlines planes park at the Beijing Capital International airport.

China Southern Airlines' 2010 profit up 17-fold

AFP, Shanghai

China Southern Airlines on Tuesday said net profit soared 17-fold last year on the back of surging demand for air travel in the world's second-largest economy.

The carrier's profit reached 5.8 billion yuan (\$884 million) in 2010 and operating revenue leapt 40 percent to 76.5 billion yuan as robust economic growth and major events such as the Shanghai World Expo boosted ticket sales.

China Southern added its bottom-line was also helped by the disposal of its shares in MTU Maintenance Zhuhai Co, which earned the company 1.08 billion yuan.

Total passenger numbers rose 15.4 percent to 76.46 million during the year.

The airline has been carried

along on booming demand for air traffic in China as the country's economy roars ahead with near double-digit growth and an increasingly affluent middle class travels more frequently.

China Southern's net profit result was higher than the 4.59 billion yuan forecast by analysts and compared with the 330 million yuan posted in 2009, Dow Jones Newswires reported.

The firm said it had "successfully grasped buoyant opportunities arising from continuous prosperity in the aviation industry".

"Faced with an increasingly complex domestic and international economic environment, China's aviation industry will continue to forge ahead amid opportunities and challenges," chairman Si Xianmin said in a statement.