

WEF Focus on Mideast Scenarios

The World Economic Forum (WEF) kicked off its annual meeting on the Middle East at the Egyptian Red Sea resort of Sharm el-Sheikh on Sunday.

According to Trade Arabia, with the theme of 'Learning from the Future,' the event will focus on a series of futuristic scenarios that explore the impact of long-term global trends on the Middle East.

Some hot topics, such as regional tourism, water resources, sustainable development in the region, soaring food prices and the consequences of global inflation on Mideast, will be high on the agenda of the international meeting.

The three-day forum has over 1,500 delegates from 70 states, among them 12 chiefs of state.

The delegates will ponder economic trends in one of the most politically sensitive spots of the world and challenges of the next 20 years, including energy, water resources, social problems and climate changes. Development scenarios for the period until 2025 are also on the agenda.

The forum will analyze the growth of food prices, which is important for areas with relatively low incomes per capita.

WAfrican Solidarity Can Ease Oil Price Impact

West African regional bloc ECOWAS on Sunday stressed the need for solidarity among its oil importing and exporting members, so as to ease the impact of rising world oil prices.

According to AFP, in a statement in Abuja at the end of a two-day ECOWAS council of ministers' meeting, it said the bloc "strongly appealed to oil-exporting countries to show solidarity with their net oil-importing counterparts to help mitigate the problems in their countries".

On Saturday, the 15-nation 15 Economic Community of West African States -- which includes oil producers Nigeria and Ivory Coast--calling rising oil prices a major challenge to economic growth in the sub-region.

The ministers also renewed a call for ECOWAS member states to effectively implement a protocol on free movement of persons and right of residence -- a key goal of the bloc that was founded in 1975.

They commended efforts undertaken by Nigeria and Niger, which have embarked on joint projects to facilitate the implementation of the protocol.

China, Taiwan to Sign Charter Flight Pact

A high-ranking Taiwan official will sign a weekend charter flight agreement with China next month, marking the latest breakthrough in cross-strait ties, the Economic Daily reported.

Chairman of Taiwan's Straits Exchange Foundation, is set to visit his counterpart Chen Yun-lin, chairman of China's Association for Relations Across the Taiwan Strait, the Chinese-language paper said. Taiwan now has only a few chartered flights with China a year, on certain holidays.

Taiwan ties with China have been warming up after President-elect Ma Ying-jeou of the Kuomintang Party (KMT) won a landslide victory in March. He will take office next Tuesday.

Since then, Chinese President Hu Jintao has met several KMT officials, including chairman Lien Chan and incoming Vice President Vincent Siew. Hu invited KMT chairman, Wu Po-hsiung, to visit the mainland late in May. China has claimed self-ruled Taiwan as its territory since the end of the Chinese civil war in 1949 and pledged to bring the island under its rule, by force if necessary.



Global Fears Over Inflation Hike

The specter of inflation has risen over financial markets and is likely to haunt trading in stocks, bonds and currencies this week with oil at record highs and central banks balancing price fears with economic weakness.

Current thinking among monetary officials will be on display and keenly watched with minutes of last meetings being released from the US Federal Reserve, Bank of England, Bank of Japan and Reserve Bank of Australia, Trade Arabia reported.

The issue for the central bankers--and, by extrapolation, for markets--is how moves to lower interest rates to stimulate ailing economies can be sustained at a time when prices are rising globally.

"Inflation is too high in the US, in the UK, in the euro area and in various emerging economies," said Lex Hoogduin, chief economist at Dutch investor Robeco Group. "The risk (is) that wages will start to increase. At the moment we are on a knife edge."

Hints from the central banks that they are becoming more worried about inflation are likely to impact assets in different ways. Currencies are sensitive to individual countries' interest rate prospects. The dollar, for example, has been rising lately as investors have begun to scent that the Fed's rate cutting cycle may be nearing a pause.

News in Brief

HSBC to Tap Indian Incomes

HSBC Holdings Plc plans to buy 73.2 percent of IL&FS Investsmart Ltd, an Indian brokerage, for 10.03 billion rupees (\$235 million) to tap rising incomes in the world's fastest growing major economy after China.

According to Shanghai Daily, Europe's largest bank by market value will acquire 43.85 percent from a Mauritius-based unit of E*Trade Financial Corp and the rest from the Indian brokerage's founder, Infrastructure Leasing and Financial Services Ltd, for 200 rupees a share.

"India presents a huge scope for its large savings to be invested in equities, debt and commodities," said Dipak Acharya, who helps manage the equivalent of \$22 million as a fund manager at BOB Asset Management Co in Mumbai.

Economic growth that has averaged 8.7 percent since 2003 is boosting incomes of individuals and companies in India, fueling investment in shares, bonds and mutual funds.

France to Cut Budget Deficit

French Prime Minister Francois Fillon struck an upbeat note on the economy, promising his reform-minded government would cut its budget deficit to 2.0 percent in 2009 and balance the budget by 2012.

Growth figures for 2007 and the first quarter of 2008 issued last week had shown that "our economic reform efforts since the start of (President) Nicolas Sarkozy's term of office have born fruit," Fillon said Sunday after a closed door meeting with ministers to set the agenda for coming months, AFP reported. Sunday's meeting occurred against a backdrop of growing unrest in France against planned government reforms.

The government would push on with reforms in the latter half of this year to ensure a balanced budget by 2012, Fillon told journalists.

"We will continue along this path making the second half of 2008 one of structural reforms--the only way to achieve our aim of a balanced budget because it will enable us to maintain the dynamic of the French economy while reducing the weight of public debt," he said.

Internet Consumer Influence Low

The Internet is routinely used when making buying decisions, but its influence is small compared with offline channels such as friends and sales personnel, a new study finds.

The report from the Pew Internet and American Life Project looked at consumer behavior in purchasing music, cell phones and homes or renting apartments. It found the Internet's role to be indirect, AP wrote.

"The Internet helps people eliminate irrelevant alternatives," said John Horrigan, Pew's associate director. "The Internet may influence the choice modestly but has important consequences in getting better deals and in having a more focused search process along the way."

"People do cast their information nets widely when doing consumer research," Horrigan said. "At the end of the day, though, it's the offline nugget that has more influence."

World's Most Competitive Countries



Singapore is expected to take the top spot next year as it trails the US by less than seven-tenths of a point in the 2008 rankings.

The US is still No. 1, but not for long, according to IMD's annual list. With Singapore leading the way, Asia looks like an unstoppable force.

As reported by BusinessWeek, Asian economies are overtaking the US and Northern Europe to become the most competitive in the world, according to an annual study by one of Europe's top business schools.

The 20th World Competitiveness Yearbook, released by IMD business school in Lausanne, Switzerland, ranks the US No.1 for the 15th straight year. But the report's author, professor Stéphane Garelli, expects Singapore to take the top spot next year. The small city-state trails the US by less than seven-tenths of a point in the 2008 rankings. While it still has the world's strongest domestic economy, the US is particularly vulnerable because its financial sector contributes 40 percent to corporate profits.

Meanwhile, Asia has proven relatively immune to the financial crisis gripping the US. Garelli says that Asia's roaring economies, led by China, will likely raise their competitive edge relative to the star-spangled superpower and slowing European countries this year.

"Asia is discovering that it is not so much the hostage of the American economy, that it can have a life by itself," Garelli says. "They make life difficult for European countries, especially because, let's face it, Europe is suffering from the euro."

Among the top 20 economies out of the 55 ranked, those in Asia-Pacific posted the greatest gains compared with last year. Malaysia climbed four spots to No.19, while Taiwan and Australia each jumped five places to No.13 and No.7, respectively. Other strong gains were made by Thailand, which rose six spots to No.27, and the Philippines, up five to No. 40.

> A Detailed Study

IMD produced the rankings using 331 criteria ranging from gross do-

mestic product growth and unemployment to the number of Internet users and the price of local cell-phone calls.

Hard data from sources such as the World Bank and UN comprised two-thirds of the inputs; the rest came from nearly 4,000 survey responses from executives in each country--many of them IMD alumni--regarding the availability of skilled employees, government regulation, the availability of venture capital, and other more qualitative issues.

The top 10 economies have changed little from last year. Iceland, which ranked seventh in 2007, was removed from this year's list due to its volatile economy and financial problems at the local institute that had supplied data to IMD. Hong Kong retained its third-place position, followed by the usual top performers: Switzerland, Luxembourg, and Denmark. Canada moved up two places to No.8, while the Netherlands dropped two to No.10. Sweden remained unchanged at No.9.

No.17-ranked China posted the highest annual GDP growth, 11.9 percent, "pulling the whole region upward," Garelli says. In contrast, US GDP rose 2.2 percent. In turn, Asian economies are developing not only domestic markets but also regional ones. Growing investment and trade among Asian nations "is creating a very strong level of confidence in the region," Garelli says. The emerging economies of Vietnam and Kazakhstan will join the rankings before long, he adds.

> Swelling Consumer Class

The rapid growth of the middle class in emerging economies--particularly in China and India--will boost consumption in the coming years, and this, too, will likely influence their ranking. Roughly 50 million people in India are considered middle class, and this figure will probably swell to 580 million by 2030, Garelli says.

Since 2000, about 600 million people around the world reached middle-class status, spending an average of \$4 billion annually on brand-name products, new homes, vacations, and other indulgences.