

France crossed out of Iran's freeway project

Tehran Times Economic Desk
TEHRAN — The French partner of the Tehran-Shomal (north) Freeway project has withdrawn from financing the project, the Mehr News Agency reported on Friday.

MNA quoted Iranian Minister of Roads and Transportation Hamid Behbahani saying that the project's Chinese partner has announced its readiness to shoulder the share of the French side.

A consortium comprised of two French banks and one Chinese bank had agreed to finance the project on a 50-50 percent basis.

The idea to construct the Tehran-Shomal Freeway was for the first time proposed in 1965, but was never put to action until 1996.

The giant plan includes construction of more than 30 twin tunnels.

The Alborz tunnel situated at an altitude of 2,450 meters will be the longest with a length of 6,300 meters.

The four-lane freeway has a length of 121 km with a transport capacity of 6,000 vehicles per hour, and provides a shortcut from the capital Tehran to the Caspian province of Mazandaran, reducing travel time from nearly five hours to less than two.

Once completed, the passenger transfer capacity between the two provinces will increase 20 times, which is much needed since Tehran-Mazandaran road is one of the busiest throughout the country, especially during national holidays when Mazandaran hosts a large number of tourists.

\$450m earmarked for urban renovation

Tehran Times Economic Desk
TEHRAN — Four thousand and five hundred billion rials (about \$450 million) has been allocated to the renovation of cities across the country, the deputy minister of housing and urban development stated here on Thursday.

"The sum will be paid to renovate some 30,000 shabby houses nationwide," Islamic Republic of Iran Broadcasting quoted Ahmad Sadeqi as saying.

Nearly 19 million people live in insecure habitats and old houses throughout the country, he said, adding a national headquarters for reconstructing and reinforcing old and historic structures of cities is being established.

First gem cutting plant inaugurated

Tehran Times Economic Desk
SEM NAN, Semnan prov. — The first gem cutting and polishing plant of Iran was put into operation in the city of Shahroud, Semnan Province, on Thursday.

According to Islamic Republic of Iran Broadcasting, the factory has been commissioned at the cost of 12 trillion rials (\$1.2 million) and, creating jobs for 50 individuals.

U.S. jobless rate tops 10% for first time since '83



Job-seekers in New York filed out applications on Friday at a recruitment event for the Census Bureau.

(NYT/ Nicole Bengiveno)

WASHINGTON (AP) — The U.S. unemployment rate has surpassed 10 percent for the first time since 1983 — and is likely to go higher.

Nearly 16 million people can't find jobs even though the worst recession since the Great Depression has apparently ended. The Labor Department said Friday that the economy shed a net total of 190,000 jobs in October, less than the downwardly revised 219,000 lost in September. August job losses were also revised lower, to 154,000 from 201,000.

But the loss of jobs last month exceeded economists' estimates. It's the 22nd straight month the U.S. economy has shed jobs, the longest on records dating back 70 years.

Counting those who have settled for part-time jobs or stopped looking for work, the unemployment rate would be 17.5 percent, the highest on records dating from 1994.

The jobless rate rose to 10.2 percent from 9.8 percent in September. Economists say it could climb as high as 10.5 percent next year because employers remain reluctant to hire.

Friday's report is the first since the government said last week that the economy grew at a 3.5 percent annual rate in the July-September quarter, the strongest signal yet that the economy is rebounding. But that isn't fast enough to spur rapid hiring, raising the specter of a jobless recovery.

"You need explosive growth to take the unemployment rate down," said Dan Greenhaus, chief economic strategist for New York-based investment firm Miller Tabak & Co.

Greenhaus said the economy soared by nearly 8 percent in 1983 after a steep recession, lowering the jobless rate by 2.5 percentage points that year. But the economy is unlikely to improve that fast this time, as consumers remain cautious and tight credit hinders businesses. In fact, many analysts expect economic growth to moderate early next year, as the impact of various government stimulus programs fades.

Many economists also worry that persistently high unemployment could undermine the recovery by restraining consumer spending, which accounts for 70 percent of the economy.

One sign of how hard it still is to find a job: the number of Americans who have been out of work for six months or longer rose to 5.6 million, a record. They comprise 35.6 percent of the unemployed population, matching a record set last month.

Congress sought to address the impact of long-term unemployment this week by approving legislation extending jobless benefits for the fourth time since the recession began. The bill would add 14 to 20 extra weeks of aid and is intended to prevent almost 2 million recipients from running out of unemployment insurance during the upcoming holiday season. President Barack Obama is expected to quickly sign the legislation.

The employment report showed that job losses remain widespread across many industries. Manufacturers eliminated a net total of 61,000 jobs, the most in four months. Construction shed 62,000 jobs, down slightly

from the previous month.

Retailers, the financial sector and leisure and hospitality companies all continued to reduce payrolls. The economy has lost a net total of 7.3 million jobs since the recession began in December 2007.

The average work week was unchanged at 33 hours, a disappointment because employers are expected to add more hours for current workers before they begin hiring new ones.

There were some bright spots in the report. Professional and business services companies added 18,000 jobs. And temporary employment grew by 33,700 jobs, after losing positions for months. That's a positive sign because employers are likely to add temporary workers before hiring permanent ones.

Still, economists expect jobs likely will remain scarce even as the economy improves. Diane Swonk, chief economist at Mesirov Financial, said that small businesses, a primary engine of job creation, still face tight credit and don't have the cash reserves to support extra workers.

And many companies are squeezing more production from their existing work forces. Productivity, the amount of output per hour worked, jumped 9.5 percent in the third quarter, the Labor Department said Thursday.

That's the sharpest increase in six years and followed a 6.9 percent rise in the second quarter. The increases enable companies to produce more without hiring extra people.

G20 to stay the course on economic stimulus

ST ANDREWS, Scotland (Reuters)

— The Group of 20 leading nations will agree this weekend it is too early to pull the plug on emergency support for the global economy and launch a new system of checks to help rebalance world growth and prevent future crises.

British finance minister Alistair Darling is hosting the third meeting of G20 finance ministers and central bankers this year in St Andrews, Scotland from later on Friday, aiming to put flesh on the bones of agreements made at a leaders' summit in Pittsburgh in September.

Since then there have been growing signs that the world is finally coming out of the deepest downturn in decades and that things may be getting back to normal after a crisis that wiped out some of the biggest financial institutions.

The European Central Bank on Thursday took a first small step toward easing out its crisis steps — ultra-low interest rates and cash injections for the economy — by signaling one-year loans to banks will not be repeated next year.



Britain's Chancellor of the Exchequer Alistair Darling, is seen during a visit to the factory of Pelamis Wave Power, a producer and supplier of commercial wave power generation equipment in Leith, Edinburgh, Scotland. Friday Nov. 6, 2009.

(AP/Chris Clark, Pool)

so that the next decade is one of growth and one of job creation," Darling said.

Checks and balance

Ten years after the G20 was formed, leaders agreed in Pittsburgh that it should be the world's main economic governing council, because it also includes most of the key developing economies — unlike forums like the G7 or G8.

China hits back at U.S. tariffs, trade spat escalates

BEIJING (AFP) — China slammed new U.S. tariffs on Chinese steel goods Friday and launched its own probe into U.S. car imports as a tit-for-tat trade tussle escalated just a week before a visit by U.S. President Barack Obama.

China's commerce ministry harshly criticized as "protectionist" a U.S. announcement Thursday that Washington had imposed anti-dumping tariffs of up to 99 percent on imports of some Chinese steel products used in the oil industry.

China "firmly opposes the abuse of protectionism and will take measures to seriously protect the interests of the domestic industry," the ministry said in a statement on its website.

Vice Commerce Minister Yi Xiaohun later told reporters China was "gravely concerned" by the move, adding that the import value of the affected products, known as oil country tubular goods (OCTG), was 3.2 billion dollars in 2008.

The action is "the biggest so far" taken against China by another country, Yi said, adding: "So you can see that this is a really big case."

Dumping occurs when a foreign company sells a product in another market at less than normal value.

Simmering trade tensions between Washington and Beijing boiled over in September when the Obama administra-

tion announced it would slap duties on Chinese-made tires to protect local U.S. producers.

Since then, the world's number one and three economies have traded a series of accusations of unfair trade practices.

On Friday, China said it had launched a probe into alleged dumping and unfair subsidies involving imported U.S. "sedans and off-road vehicles with an engine size of 2.0 liters or above."

China said in September that its domestic auto industry had requested that the ministry look into the matter, but the government had not given specifics about the products in question until now.

How to fill the gaps left by dollar decline

By Mohamed El-Erian and Ramin Toloui

It has become fashionable to speculate on the future of the U.S. dollar as the world's reserve currency. Amid an average 10 percent decline in the past six months, analysts have tended to favor one of two conclusions. Some argue that, since you cannot replace something with nothing, the dollar's global role is secured. Others feel that America's medium-term prospects are now inconsistent with such a role.

As with many post-crisis issues, the reality is much more complex. This is not just because the dollar will be caught between these two extremes in the muddled middle for the foreseeable future, but also because the dollar is part of a bigger picture that concerns the evolving role of the U.S. as the sole provider of a range of global public goods. At a time when the global system needs such anchors, this uncertainty raises a set of important policy issues.

A couple of decades ago, Charles Kindleberger, the economist best known today as the author of *Manias, Panics and Crashes*, identified five public goods that support a growth-oriented global economy: (1) acting as a consumer of last resort, (2) coordinating macro-economic policies, (3) supporting a stable system of exchange rates, (4) acting as a lender of last resort, and (5) providing counter-cyclical long-term lending.

In today's globalized financial world, we would add two more goods to this list: providing the risk-less — a true AAA — asset to benchmark other instruments and activities, and supplying deep and predictable financial markets, which other countries can use to improve their financial intermediation processes.

On the eve of the crisis, the U.S. was the unquestioned provider of all these public goods. But, with the crisis having originated at the core of the global system rather than the periphery, almost every one of them is weaker. As a result, there are two policy questions that need to be addressed: first, which of the public goods can be restored, which can be jointly provided and which need to be replaced; and second, how will this take place.

On the question of what can be restored, re-establishing the credibility and predictability of U.S. financial markets requires well-designed reform of financial supervision and a credible medium-term program to rein in the budget deficit and limit the growth of U.S. government debt.

On the question of what can be jointly provided, the expanded new role for the G-20 and reform agenda for the International Monetary Fund underscore the extent to which the management of global macroeconomic policy aspires to become more inclusive. This is positive. However, the jury is still out on whether these fora have sufficient teeth to resolve policy differences and convince governments to assume shared responsibilities.

We should also expect to see more discussion in the next few years on new types of reserve assets. While the discussion will include supranational vehicles (like an expanded role for the special drawing rights), the more interesting question is the broader use of currencies like the Chinese yuan. These options will not replace the central role of the U.S. dollar, but supplement it at the margin.

There is one public good that needs to be replaced: the key role that the U.S. has played as the engine of global growth. This role is now constrained by the debt of U.S. households. A sustainable global economy needs other major sources of internal demand, particularly among economies such as China that have historically been focused on export-led growth.

The manner in which these transitions take place is critical. One risk is that key actors will resist these secular changes and seek to reconstitute an outmoded system that no longer fits post-crisis realities. At the other extreme is the risk that major powers go their own way, forsaking effective coordination of policies in favor of more nationalistic moves, such as aggressive currency management or trade and financial protectionism.

The best defense against these outcomes is early recognition and coordinated action. Key economic powers must shape their expectations and policy strategies to the changed contours of the global economy. They must also actively manage policy changes at the national and multilateral level in a way that broadens the provision of global public goods.

Mohamed El-Erian and Ramin Toloui are, respectively, chief executive and executive vice-president at Pimco.

(Source: Financial Times)

