International Business News

Botswana launches its own diamond trading company

AFP, *Gaborone*

Botswana late Tuesday launched its own diamond trading company in a move designed to boost local business and create jobs for citizens of the world's top producer of these precious stones.

Thousands of Botswanans are to become diamond sorters, valuers and marketers employed by the Diamond Trading Company Botswana (DTCB), described by diamond firm De Beers -- a joint partner in the deal -- as the most sophisticated of its kind in the world.

The creation of the DTCB, an equal joint venture between De Beers and the Botswana government, will end the practice of sending diamonds mined in Botswana to De Beers' London-based main Diamond Trading Company for sorting and marketing.

Botswana is the world's largest producer of diamonds by value and by volume, yielding 34.3 million carats of the gemstones from its four open-cast mines in 2006 -- worth some 17.4 billion pulas (2.6 billion dollars, 1.6 billion euros).

The official launch of the DTCB "is a dream come true. I am excited by the fact that our dream has been realised... on the eve of my departure from office," Botswana President Festus Mogae said while commissioning the trading company and its gigantic building.

World's biggest printing plant opens in Britain

AFP, *London*

Media giant News International has opened what it calls the world's biggest printing plant, vowing that print newspapers still have a vibrant future despite the massive expansion of online media.

The plant at Broxbourne, north of London, covers an area the size of 23 football pitches and will triple previous print speeds for British titles of the group, part of Rupert Murdoch's News Corporation empire.

"We believe that print will continue to be a driving force in our business, even as we expand and grow in this connected age," said Murdoch's son James, who is head of News Corporation for Europe and Asia.

The new plant will spell the end of printing by News International at Wapping in east London, the scene of what was called the end of a Fleet Street era when Murdoch took on striking print unions and won in the mid-1980s.

The plant -- part of a 650 million pound (1.3 billion dollar, 830 million euro) investment including two other British plants -- will print one million copies per hour of the group's titles The Times and The Sun dailes and the News of the World and The Sun weeklies.

World's biggest passenger jet takes off

AFP

A Singapore Airlines Airbus A380 speeds up along the run way during its take off from Changi International Airport in Singapore on Tuesday. The Airbus A380, the world's biggest passenger plane, took off from Singapore's Changi Airport for its inaugural commercial flight to London.

AFP, *Singapore*

The Airbus A380, the world's biggest passenger plane, took off Tuesday from Singapore's Changi Airport for its inaugural commercial flight to London, the jet's first European destination.

Flight SQ308, operated by A380 launch customer Singapore Airlines (SIA), departed Changi Airport's new Terminal 3 at 9:19 am (0119 GMT), an AFP reporter at the airport said.

The flight, carrying 449 passengers, is scheduled to land at London's Heathrow Airport around 12-13 hours later with the return leg to arrive in Singapore on Wednesday afternoon, SIA said in a statement.

SIA said 17 passengers from nine countries who had flown on the world's first ever A380 commercial flight from Singapore to Sydney in October last year were also on board the inaugural flight to London.

UN trade agency chief warns against new protectionism

AFP, *Geneva*

Countries should resist new waves of economic protectionism as fears mount of a global recession, the head of the UN's trade and development agency urged on Tuesday.

"You see the so-called neo-mercantilism, (or) economic patriotism" in various aspects of the global economy, said Supachai Panitchpakdi, secretary general of the UN Conference on Trade and Development (Unctad).

"There are all kinds of new waves of protectionism that might be misconceived, and misdirected at the elements from the South," he told journalists.

His comments echo those of US President George W. Bush and the head of the European Commission, Jose Manuel Barroso.

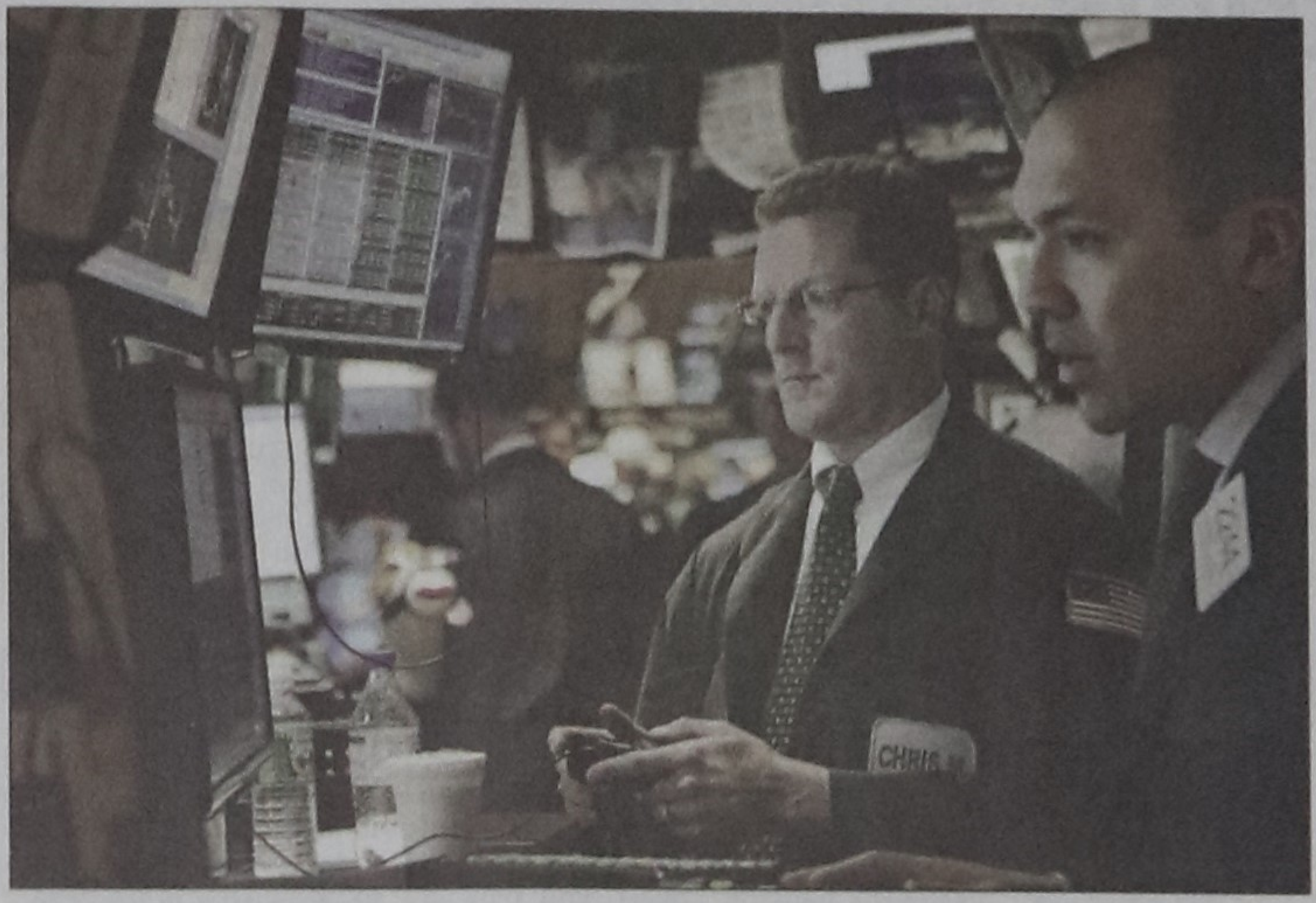
Barroso told the Financial Times newspaper earlier this month that protectionism was on the rise across Europe as fears of an economic recession grow.

"I fear this rise not only in Europe but all over. Political forces in Europe that were traditionally pro-market are today -- let's put it elegantly -- more prudent," he said.

STOCK MARKET

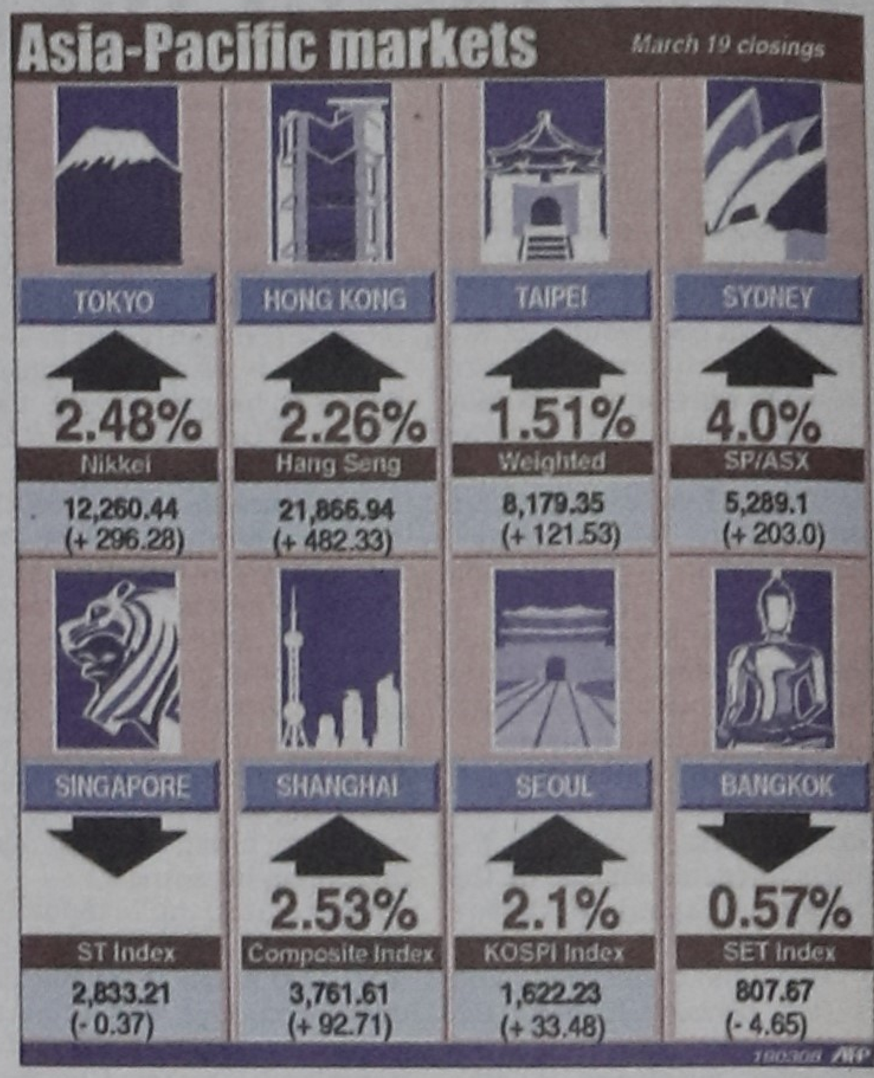
Asian stocks soar on US rate cut

AFP, *Hong Kong*



AFP

Traders work on the floor of the New York Stock Exchange after the Federal Reserve board interest rate decision was announced on Tuesday. Stocks held on to their gains earned before the Fed's announcement of cutting short-term interest rates three-quarters of a point to 2.25 percent.



Asian stocks soared Wednesday after a big bounce on Wall Street as the US Federal Reserve slashed interest rates in a bid to contain a spiralling financial crisis and risk of recession.

But a dollar rally faded as traders took profit in the wake of the Fed's three-quarter point rate cut and better-than-expected earnings results from US investment banks Lehman Brothers and Goldman Sachs.

The central bank's move came amid what many analysts say is the worst financial crisis on Wall Street in decades, after a cash crunch caused venerable US investment bank Bear Stearns to implode.

Tokyo closed up 2.5 percent, Seoul rose 2.1 percent, Shanghai added 2.5 percent, Sydney surged 4.0 percent as Hong Kong gained 2.26 percent. Wellington rose 1.42 percent, Taipei added 1.51 percent, Manila gained 1.56 percent and Kuala Lumpur was up 0.6 percent.

The US central bank cut its benchmark fed funds rate by 75 basis points to 2.25 percent on Tuesday, the lowest level in over three years.

The moves marked the latest in a multi-pronged effort by Ben Bernanke's Fed to keep credit flowing and markets functioning to avert a financial meltdown.

New York's Dow Jones Industrial Average soared 3.51 percent Tuesday.

But the market's gains could be short-lived.

Markets had been pricing in the likelihood of a full percentage point cut in the funds rate to inject more liquidity into the financial system which is battling a credit crunch related to the US housing downturn.

The dollar initially jumped following the more restrained move, but the rebound soon lost momentum.

Some Asian stock markets also ended off their highs of the day as optimism was tempered by lingering credit jitters. Bangkok fell 0.57 percent, Jakarta was down 0.7 percent and Singapore closed flat.

TOKYO: Japanese share prices closed up 2.48 percent after a US interest rate cut and better-than-expected banking results sparked a strong rally on Wall Street.

Dealers said a rebound by the dollar against the yen also eased worries about Japanese exporter earnings, helping stocks to rise for a second straight day.

The Nikkei-225 index gained 296.28 points to 12,260.44. Volume dropped to 2.13 billion shares from 2.27 billion shares Tuesday.

Overnight, Lehman Brothers and Goldman Sachs released quarterly results that beat market expectations, helping ease worries that the credit crunch could claim another victim following the crisis at Bear Stearns.

HONG KONG: Hong Kong share prices closed higher by 75 basis points, triggering a big rally on Wall Street.

But dealers said the local bourse's gains were capped as the benchmark index faced strong resistance at around the 22,000 points level. They also noted rumors that a US-based hedge fund is facing possible collapse.

The Hang Seng Index closed up 482.33 points at 21,866.94 on turnover of 98.7 billion Hong Kong dollars (12.68 billion US dollars).

"Shares moved in line with the region, which reflected most of the positive news in the US, including the stronger-than-expected earnings from Lehman, and the Fed cut," said Patrick Yiu, associate director at CASH Asset Management.

MUMBAI: Indian share prices closed 1.09 percent higher on Wednesday in response to a sharp interest rate cut by the US Federal Reserve to calm troubled credit markets, dealers said.

They said the cut of 75 basis points to 2.25 percent was a signal that the US central bank would continue aggressive efforts to halt a slowdown in economic growth.

The 30-share benchmark Mumbai stock exchange Sensex index rose 161.37 points to 14,994.83.

"It was not a major rally in India, but it was enough to show confidence in the Fed move," said a dealer with Kotak Securities in Mumbai.

"India has its own set of problems like inflation and so the market is still nervous."

India's inflation edged higher to remain above five percent for a second week in data released Friday as the government vowed to check prices by making the nation more self-reliant in food.

SHANGHAI: Chinese share prices closed 2.53 percent higher, rebounding from recent plunges.

Dealers said regional markets were encouraged after the Dow Jones Industrial Average rallied 3.51 percent as the Federal Reserve slashed interest rates by 75 basis points to offset a broadening credit crunch.

"Investor confidence was boosted after the Fed's move as it will help support the stressed banking sector following the near collapse of US investment bank Bear Stearns," said Wang Xiaoli, an analyst at Orient Securities.

The Shanghai Composite Index rose 92.71 points to 3,761.61 on turnover of 88.3 billion yuan (12.5 billion dollars).

TAIPEI: Taiwan share prices closed up 1.51 percent. The weighted index was up 121.53 points at 8,179.35 on turnover of 122.62 billion Taiwan dollars (3.99 billion US).

"We couldn't fully hold on to our early gains mainly because of the presidential election," Mega International Investment Services assistant vice president Alex Huang said.

SEOUL: South Korean share prices closed 2.1 percent higher on continued bargain-hunting.

Dealers said stocks rose sharply in early trade. But the market trimmed some gains towards the close as skittish investors opted to wait for more and clearer evidence that the global credit crisis is nearing an end.

The KOSPI index ended up 33.48 points at 1,622.23. Volume was 276 million shares worth 5.1 trillion won (5.05 billion dollars).

"Investors at first really cheered what happened in the US overnight, but caution was in the air in last-minute trading," said Lee Woo-Hyun, an analyst at Kyobo Securities.

SINGAPORE: Singapore share prices closed steady as earlier optimism over the United States interest rate cuts gave way to caution.

The Straits Timex Index (STI) declined 0.37 points to 2,833.21 on volume of 1.62 billion shares worth 2.19 billion Singapore dollars (1.60 billion US).

Investors also remained cautious amid continuing fears that more trouble lurks in the global credit markets.

"The aggressive easing by the Fed was more addressed towards the financial market turmoil rather than the actual evidence so far of a serious contraction in the US economy," said David Cohen, chief economist at Action Economics.

KUALA LUMPUR: Malaysian share prices closed 0.6 percent higher as the composite index closed up 6.52 points at 1,186.54 as some cautious investors took profits ahead of a public holiday Thursday. Volume was 693.81 million shares, valued at 1.5 billion ringgit (314 million dollars).

Koh Huat Soon, chief executive officer of Pacificmas Asset Management said Wednesday's rebound was externally-driven.

"The market is responding to the cut in the fed funds rate overnight," he said.

BANGKOK: Thai share prices closed 0.57 percent lower as investors locked in profits despite a rally on Wall Street following a US interest rate cut.

Dealers said sentiment was positive in the morning session as investors took heart from the US Federal Reserve's widely-expected rate cut Tuesday. But the market slipped in the end due to fears over the US economy.

The composite index fell 4.65 points to 807.67 on turnover of 2.78 billion shares worth 15.96 billion baht (512.01 million dollars).

JAKARTA: Indonesian share prices closed 0.7 percent lower as wary investors locked in gains from a strong but short-lived rally in early trade ahead of the long weekend.

The composite index closed down 16.23 points at 2,323.57. Volume was 3.16 billion shares worth 5.5 trillion rupiah (594 million dollars).

Indonesia failed to catch up with the rally in regional markets mainly because people believe foreign investors are still targeting to sell more local stocks after their stellar performance last year, he added.

MANILA: Philippine share prices closed 1.5 percent higher.

Local investors quickly locked in early gains as they headed into a four-day Easter holiday break beginning Thursday.

The composite index gained 40.16 points at 2,817.58. Volume amounted to 977.1 million shares but value was relatively thin at barely three billion pesos (72.24 million dollars).

COLUMN

ANWAR ASIF

The right to remain unlisted

Sharp movement in stock prices, or market volatility, are usually a reaction to sensitive news on listed companies and/or the economy. However the recent volatility in the Bangladesh's markets has been an exception to this norm, as the source turned out to be the Securities and Exchange Commission (SEC).

The market was jolted at the peak with the sudden SEC directive, issued on 12/21/2007, suspending margin trading with immediate effect. It was no surprise to see the SEC taking an immediate U-turn withdrawing the directive following the predictable street protests by agitated traders.

But such misguided interventions by the SEC are of nothing compared to its latest idea that I see as potentially dangerous for the future of our capital market. I am simply shocked by the SEC statement regarding the mandatory listing of private companies with paid-up capital in excess of Taka 50 crore.

Microsoft or Intel were not global corporate giants when they first listed, but small companies looking for venture capital. Stock market and private equity are the main sources for capital for ambitious companies with bright prospects. In most cases these companies, having little or no revenue base/cash flow, and unlikely to be profitable in the near future, are denied credit. Commercial lenders find these companies more likely to default on repayment instalments usually occurring immediately or within a short period of time.

In contrast under equity financing there is no obligation to pay dividends to shareholders. However, on the flipside, the owners now risk losing control of the company having diluted their 100 percent ownership in proportion to the amount of funds raised from the IPO.

Debt financing has limited life and the obligations on the borrower are restricted to repayment of principal and interest only, regardless of total profit. Successful businesses find debt financing attractive as they retain 100 percent ownership and control over the company irrespective of the amount financed. As an added benefit, large profitable companies are offered credit at substantially reduced rates and flexible terms due to their significant revenue/cash flow base that provides an extra sense of security of repayment to lenders. Debt financing is also ideal in urgent cases as it can be availed within hours, if necessary, whereas an IPO would take at least nine months to complete.

Standards of corporate governance and transparency in the management of listed companies are factors that form the basis for investor's confidence. It is not the number of listed companies, but the level of investor's confidence that makes a market attractive. Yet the sponsors of some listed companies in Bangladesh, own/manage privately held businesses often in the same industry either competing or complementing the listed company. The fact that the private companies make solid profit but the listed sister company seldom see any significant earnings or dividend payout is a glaring testimony to the existing substandard corporate governance practiced by the management of some listed companies.

A business enterprise does not build paid-up capital of 50 crore overnight. It reflects the founders' /sponsors' dedication, investment of time and capital, and a reward for the initial risk taken by them. The right to remain private is as fundamental as the right to own property in a free economy. There is no scope (barring highly unusual and unlikely situations) for the SEC or any other government body to deny this right to an entrepreneur.

On the other hand, to remain listed should not become an automatic right. Delisting companies that cheat shareholders and avoid accountability should be the priority of the SEC now since a number of the listed companies in the DSE/CSE, fall into this category. The SEC is yet to realise that the mere listing of a profitable company does not guarantee fair returns to shareholders, nor does it enhance the appeal of a market.

Anwar Asif is an investor and a lecturer at the School of Business, IUB.