International Business News

India, No 1 remittance receiving country

ANN/ THE STATESMAN

In a real turn up for the books, the World Bank's latest report released here has stated that India received the largest amount of remittances from migrants in 2007--all of US$27 billion--followed by China, Mexico, the Philippines and France.

The Chinese expatriate community spread across the globe has for long been thought to have been the unquestioned leaders when it came to sending remittances back home; indeed, remittances have been a major driver of economic growth in the Communist country.

India, now, has knocked China off the top spot with its $27 billion remittances while China comes in a close second with remittances worth $25.7 billion in 2007, according to the World Bank.

Mexico ($25 billion), the Philippines ($17 billion), and France ($12.5 billion) make up the top five. (Tajikistan, Moldova and Tonga were the top remittance-receiving countries as a percentage of GDP.)

"In many developing countries, remittances provide a lifeline for the poor," said Dilip Ratha, senior economist and co-author of the Migration and Remittances Factbook 2008.

He added that remittances are "often an essential source of foreign exchange and a stabilising force for the economy in turbulent times".

In terms of migration, the United States of America was the top immigrant-receiving country with 38.4 million immigrants, followed by Russia with 12.1 million and Germany with 10.1 million.

Vietnam, 6th largest country to attract FDI

ANN/ VIET NAM NEWS

Just over one year after joining the World Trade Organisation, Vietnam ranks sixth in the list of countries attracting foreign investment.

Figures released at the 2008 Leap Forward Viet Nam Business Leadership Forum held in HCM City by the European Chamber of Commerce (EuroCham) showed Vietnam to be only behind China, India, Russia, the US and Brazil.

According to the head of the Foreign Investment Department, Phan Huu Thang, the 2007 World Investment Report by the UN Trade and Development Forum stated that Vietnam is not only attractive for industrial production but also services like finance and banking.

Thang said as a WTO member the country had made commitments on signing agreements on the Rights of Intellectual Property and applying investment measures related to trade and others.

AFP

An Iraqi woman talks on her mobile phone as she walks on campus at Baghdad's Al-Mustansiriyah University recently.

Techno-savvy Iraqis surf cyber waves

AFP, *Baghdad*

Saddam Hussein deemed Iraqis could live without modern technology such as mobile phones and the Internet. Now that his regime has been swept away, they are finding they just can't get enough of it.

"The Internet is indispensable for us," said a Baghdad mobile phone vendor, who gave his name only as Sajjad.

"I download songs, pictures of actresses and video clips," added the 25-year-old salesman, who admitted that he then loads these, with a few modifications, into the phones he sells.

"My clients ask for a lot for songs, pictures and weird and funny video clips which I usually download from YouTube.com," said Sajjad.

"Some of my clients have no money to buy credit so they cannot speak on their phones. But their handsets are filled with video clips, songs and pictures."

'Green' cars boost Thai auto industry

AFP, *Bangkok*

Incentives from the Thai government to encourage automakers to produce fuel-efficient "eco-cars" have yielded a raft of major investments and started to change how Thais drive, experts say.

Tax breaks for automakers and car buyers were unveiled last year, as the government worried that Thailand's position as the world's biggest maker of light pickups might not be enough to guarantee the future of its auto industry.

The kingdom churns out 900,000 one-tonne trucks every year -- about three-fourths of global output.

But amid soaring oil prices and concerns about greenhouse gas emissions, the government expressed concern that the global market for gas-guzzling trucks could weaken as consumers turn to more fuel-efficient cars.

So last year Thailand announced incentives to encourage automakers to set up local production bases for "eco-cars" that meet the most stringent European emission standards and run on fuel with a 20 percent ethanol component.

INVESTMENT

South Korean investors quit China over rising cost

REUTERS, *Qingdao, China*

Scores of South Korean-owned factories are closing surreptitiously in eastern China as their owners flee rising costs, leaving behind embittered workers like Li Hua.

Li and more than 200 colleagues have been fighting for a year to get the six weeks' wages they were owed when the owner of the toy factory where they worked fled during the 2007 Lunar New Year holidays.

"I went to work on the first day after Spring Festival, only to be told that the Korean boss had run away and the factory had been closed," Li, a 30-year-old mother of a little boy, recalled.

Her case is not a rarity in Qingdao, a major seaport and industrial city in eastern China which sits across the Yellow Sea from South Korea. A two-hour flight from Seoul and home to about 100,000 South Koreans, the city is a hub for South Korean factories benefiting from cheap labour.

An AFP file photo shows a woman waiting for a shuttle in front of a poster promoting Sonata, a car made by Sino-South Korean Hyundai, at a bus stop in Shanghai. The rising cost of doing business in China are forcing many South Korean firms to leave the country.

But lately, a growing number of South Korean factories have abruptly closed down and the South Korean owners have disappeared as a slew of policies, including rising labour costs and an end to tax breaks, bite into their profit margins.

Many of the factories produce toys, garments and ornaments for export to the United States, Europe and back home to South Korea.

Qingdao mirrors, on a smaller scale, what is happening in the Pearl River Delta near Hong Kong.

Thousands of factories, mostly Taiwanese or Hong Kong firms, are moving inland or abroad or are simply closing as rising costs undermine the assumption that China is the world's cheapest manufacturing location.

Sung Jeung-han, manager of the Korean Society and Enterprise Association in Qingdao, said 20 to 30 percent of the 6,000 South Korean firms in the eastern port city were losing money.

"The wage rise, yuan appreciation and higher input prices are the main reasons," he told Reuters by telephone.

The minimum wage in Qingdao has risen 43 percent in the past three years to 760 yuan ($107) per month.

Other government initiatives to share China's growing wealth more widely and to minimise social tension are also deterring employers who are required to provide more mandated benefits for their workers and are paying higher pollution fees.

Employers are grumbling in particular about a new labour contract law, which went into effect at the beginning of this year, that makes it harder to lay off staff.

Dang Guoying, a rural economist at the Chinese Academy of Social Science, said the law did put pressure on companies.

"But eventually it will bring a lot of benefits despite the temporary negative impact," he said.

Korean media cited the Export-Import Bank of Korea as saying 206 Korean business owners melted away from Qingdao without going through the proper procedures to shut down a business, such as giving workers their backpay, in the eight years up to 2007.

Concerned about its reputation, the South Korean government has sent investigators and held talks with Chinese officials. "Abandoning a business unlawfully is not good for the development of Sino-Korean relations," Kang Hyung-shik, South Korean consul in Qingdao, told Reuters.

"We will work to avoid things like this happening."

The consulate has set up a team to assist South Korean investors to go through liquidation formalities and has asked Beijing to simplify the procedure.

Both Lou and Kang said red tape was one of the reasons for the rising number of flights-by-night.

The Korea Herald cited Hong Ji-in, head of the Commerce Ministry's trade cooperation bureau, as saying that South Korea would penalise firms that leave China against the rules and allow Chinese workers to take their former employers to court in Korea.

For its part, Beijing sent Commerce Ministry officials to Qingdao last month to ask exporters about the impact of higher wage and input costs, the rising yuan and tax rebate cuts.

"There's a small number of firms leaving for various reasons. We're negotiating with the South Korean government to ensure that companies that are in great difficulties pull out legally," Commerce Minister Chen Deming told reporters in Beijing on March 10.

One executive said her firm, a major producer of garments and accessories with factories in and around Qingdao, was considering relocating to western China because labour there is cheaper.

"However, you have to compare the transport costs," she said.

This is also an option for Korean companies, although most of them are still seeking ways to stay in Qingdao by either revamping their product lines or raising their prices, Sung said.

If they do move, they will be following a well worn path: Younger, a garment maker in the eastern city of Ningbo, chose the western metropolis of Chongqing for its expansion in 2005, while Hongdou Group is leading the construction of an industrial park in Cambodia that will make textiles, machinery and other products.

Mei Xinyu, a researcher at a think-tank under the Chinese Ministry of Commerce, said such migration was a positive phenomenon for China.

"Don't you know that the central business area in Shenzhen were full of factories five or 10 years ago?" Mei said, referring to the skyscraper boomtown near Hong Kong.

($1=7.108 yuan)

COLUMN

MAMUN RASHID

Rupali Bank sale debacle and possible future direction

Privatisation Commission (PC) was formed with a view to expediting the divestment of state-owned-enterprises (SoEs) in Bangladesh. It was formed as a board, but later converted to a commission empowering it to perform the responsibilities bestowed upon it.

The handling of Rupali Bank privatisation was not done properly. I don't want to comment on the process of identifying the buyer, the buyer himself or his track record of managing or owning financial assets/organisation, local agent of the buyer, terms of agreement, penalty for failure to execute the contract in time or valuation process itself. Earlier, a few privatisations were done through asset sale of SOEs, which did not bring in much or any benefits to industrialisation, rather it ignored the labour and social part of privatisation efforts. We need to see the PC's privatisation efforts bringing in foreign partners, technology transfer or fresh FDI flows. Considering the direct dent to the national exchequer, the commission's efforts have not adequately generated desired results.

If we look at the success of privatisation in Bangladesh in the recent past, we find that the approaches on sale of shares through listing in the stock market, e.g. Jamuna Oil, Meghna Oil, PGCB, Desco etc. and mergers with foreign partners, e.g. Oriental Bank were effective.

None of the above instances required PC's intervention; rather it was done under the active guidance of the respective ministries and Bangladesh Bank, as relevant. There are several options of privatisation in the current state of world economy as well as Bangladesh. These options include sale of assets, direct sale of shares through stock market, private-public partnership, mergers with foreign partners and initial public offering(IPO).

Clearly, the two success models and the four approaches discussed above require banks/ advisers/ financial services institutions to perform valuation, find strategic partners/investors, etc. Corporate and international pressures to privatise SoEs are likely to grow stronger in the years to come. Increasing modernisation of handling such transactions and presenting them in the most appropriate fashion to the international investors is a crucial task that requires professional management of the entire process. Along with privatisation of SoE corporates, a professional adviser (usually a bank or financial institution, what we have seen in India, China or Malaysia) should be able to assist in bringing in insurance companies and pension funds or funds interested in acquiring relevant assets or institutions followed by direct investment, as well as attract private specialist funds to Bangladesh. Private adviser's involvement will increase overall welfare. Given proper incentives and transparent terms of service, engagement of the adviser may bring in better price, flow of appropriate information, right valuation as well as better price offer on the basis of opportunity space available in the specific industry segment or the country itself. A privatisation is expected to be successful where the risk and rewards have been clearly defined. A proposal containing lucid and prudent risk strategies are more acceptable to the investors for their consideration.

STAR

The Rupali Bank head office in Dhaka. After two years of negotiations, the government recently cancelled the bank's privatisation. The handling of the bank's privatisation was not done properly, experts say.

The public sector needs to recognise the need for rapid execution and value for money to government. As the markets mature, different categories of investors enter markets sequentially. Hence, right timing and speed of execution will result into achievements. Any potential investor and strategic partner would like to see balance between government's objectives. In the recent past, we have also seen the benefits of having proper valuation and professional support from private international advisers, while few of our telecom industry operators in Bangladesh needed to sell-off their ownership partly or wholly. Hence, the government should communicate clear objectives for the public sector to obtain best value for money from the private sector.

In view of the above, the following steps may be considered: (1) giving independence to the relevant ministries to privatise their respective enterprises, (2) focus on valuation, objectives and speed of execution, (3) open mind for seeking support from private international advisors, (4) creation of opportunity for government to focus on core tasks by appointing an external adviser and (5) taking advantage of the markets, which the adviser should be able to provide guidance on.

A sense of urgency within the government to privatise SoEs is required. More options and more structured solutions should be explored while keeping in mind the best global practices. We don't need to reinvent the wheels at all. Open the internet, search the Google or talk to the relevant agencies in the similar or neighbouring countries answers are already there.

The writer is a banker and economic analyst.

OPERATING PROFIT BY RUPALI BANK

2007	37 crore
2006	25 crore
2005	81 crore
2004	51 crore
2003	55 crore