

International Business News

Thai PM says high rice prices helping farmers

AFP, Bangkok

Thailand's prime minister Samak Sundaravej on Sunday told Thais to put up with soaring rice prices because poor farmers in the kingdom were benefiting from the record highs.

"If you sacrifice and pay more for rice -- a bit more, not much more -- it will benefit farmers," he said during his weekly address to the nation.

The benchmark Thai variety, Pathumthani fragrant rice, was priced on April 9 at 956 dollars per tonne for export, up about 50 percent from a month earlier, the Thai Rice Exporters Association said in its price survey.

International demand for Thai rice has soared after other top exporters Vietnam and India imposed limits on exports to ensure domestic supply.

This has pushed up domestic rice costs in Thailand, which have soared in line with the export price.

Samak said the government understood that rising food and fuel costs were taking their toll on Thai families, and reassured people that the government was looking into ways of boosting incomes. He did not elaborate.

Poor farmers in Thailand say they are not all benefiting from the record prices. Few can afford storage in silos so they sell their rice as soon as it is harvested, while the rising cost of fuel is also a problem.

Newly rich Chinese take a shine to gold

AFP, Beijing

Li Zhixin spent weeks planning his one-day family tour of Beijing's historic sites, but instead found himself in one of the city's shopping malls, watching his wife happily trying on gold necklaces.

"I can't complain -- we just like gold," said the 30-year-old steel plant worker from Tangshan, an industrial city south-east of Beijing.

"Gold is a better store of wealth than platinum," he added, as his mother-in-law counted a wad of cash beside him. "Of course, diamonds are lovely. But we can't afford the big ones and are not interested in small stones."

They finally bought a pendant necklace for more than 3,000 yuan (439 dollars), more than two months' income for an average Chinese urban resident.

With per-capita disposable income in cities up 17.2 percent to 13,786 yuan in 2007, gold jewellery is no longer beyond the reach of masses of Chinese consumers on the lookout for something luxurious.



A Pakistani customer checks rice quality at a shop in Karachi on Friday. Pakistan may export 15 percent less rice this year after an ongoing power crisis affected milling, announced a senior official in the world's fifth biggest rice exporting nation.

India invites Saudi investment

PTI, Riyadh

India has invited investment from Saudi Arabia, particularly in infrastructure and power generation sectors, to raise the longstanding economic cooperation to greater levels.

"India and Saudi Arabia have a long tradition of economic cooperation which is being enhanced today with the pursuit of ties in areas such as energy, information technology and telecommunication," External Affairs Minister Pranab Mukherjee said at an Indian community reception here Saturday evening.

Indo-Saudi joint ventures are increasing as businesses continue to identify new areas for partnership, he said, specifying IT sector in which companies like Infosys, Wipro and Tata Consultancy are already flourishing in this country.

He said many Indian entrepreneurs have shown interest in setting up joint venture operations in Saudi Arabia in sectors like construction, pharmaceuticals and industrial processing.

"Similarly, India too is looking towards Saudi Arabia for investment in our infrastructure, power generation and other mega projects," said the External Affairs Minister who is on a two-day visit here since Saturday.

Thaksin plans a \$5b private equity fund

THE NATION/Ann

Ousted prime minister and Manchester City Football Club owner Thaksin Shinawatra said he would launch a US\$5-billion private-equity fund that would invest in Asian stocks.

"There's about 20 of us who are looking at this fund, and we'd invest about \$250 million each," said Thaksin, who is in Dubai.

"It would invest in Asian stock exchanges and new companies, focusing on Asia, as that's where I know," he said without further elaboration.

Meanwhile, a total of 111 members of the former premier's disbanded Thai Rak Thai Party has set up a foundation called the House Number 111 Foundation.

The grouping, which will be unveiled on May 2, has asked Thaksin, the former Thai Rak Thai leader, as its chief adviser.

Pongthep Thepkanchana, a former Thai Rak Thai executive, said the foundation was aimed at allowing the 111 former party executives, banned from politics, to contribute to society.

BANKING

Sonali Bank: A sleeping giant?

SAJJADUR RAHMAN

With an unrivalled network of branches and huge assets and deposits, Sonali Bank is the country's largest commercial bank. It is also the one that has suffered the biggest losses.

As of September last year, the state owned bank incurred an accumulated loss of Tk3976 crore and each year it is witnessing its leadership being eroded by the rapid growth of the private commercial banks. And there is no shortage of critics eager to point out the bank's weak service, inadequate capital, and the scale of its non-performing loans.

SA Chowdhury walked into such a scenario in January, when he was appointed as managing director and chief executive officer of the bank. His appointment followed a decision by the government to convert the bank, along with the two other nationalized banks, Janata and Agrani, into a public limited company.

He is expected to make the bank profitable, but Chowdhury seems reluctant to promise a quick turnaround.

"We need at least 60 months or five years to turn the bank into a profitable one," he said with caution.

This is not Chowdhury's first time as the head of Sonali bank. He was CEO of the bank in 2001/02, but at the time the bank was under the direct

control of the finance ministry and the bank's management had only limited authority. One observer once commented: "Any junior official at the finance ministry could phone up and dictate policy."

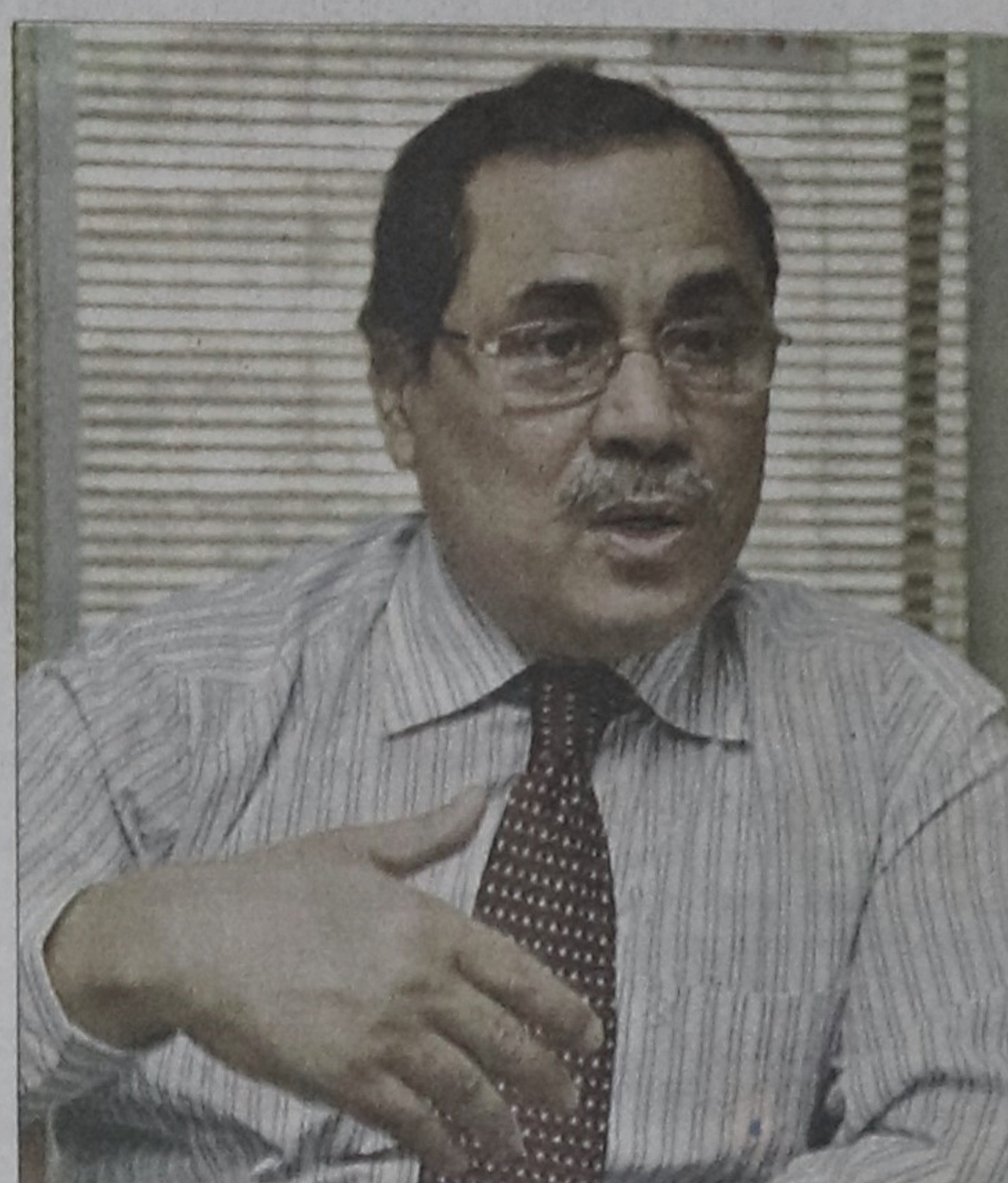
Since becoming a public limited company late last year, the new management has formulated strategies to improve render quality, give faster services to customers and to hold ground against the growing competition.

"We have already formed three task forces to submit plans on three broad issues -- human resources, branches and automation -- to sustain the operation of the bank in a highly competitive business environment," Chowdhury said, adding, "The moves could change the way the bank operates its business."

He believes that state-owned banks can make profits if the management quality is improved. Chowdhury cited the example of India, which has 22 public sector banks.

"If the state-owned banks in India and Pakistan can make profits, why not Bangladeshi state-owned banks," he stated emphatically.

Sonali Bank has a huge edge over other banks in Bangladesh. The bank has asset (excluding off-balance sheet item) worth Tk 35,137 crore and a mammoth deposit of Tk 35,000 crore. The bank



SA Chowdhury, managing director of Sonali Bank, says the management needs at least 60 months or five years to turn the bank into a profitable institution.

Sonali Bank at a glance

Deposit	Tk 32,059.52 crore
Loans and advances	Tk 20,623.88 crore
Classified loans and advances	Tk 6,867.79 crore
Total number of branches	1,183

Figure as on December 2007

has about 15 million customers, a massive network of branches (1,183), and an established goodwill. As on September 2007, the bank's

total outstanding loans and advances, and classified loans stood at Tk 23,295 crore and Tk 7,065 crore, respectively. The bank aims to earn

more from remittances this year by providing faster services to its clients, eyeing to increase remittances to \$1.5 billion from last year's \$1.2 billion.

During the first quarter of 2008, the bank's investment has increased by Tk 600 crore, recovery stands at Tk 200 crore and the non-performing loans down to 32 percent of the total loans instead of 33 percent of the previous quarter.

But the bank has to focus on market-oriented products instead of providing services to the public sector only, the CEO said.

"We pay salaries to about five lakh teachers of private educational institutions. We also provide collateral-free loans to women entrepreneurs," Chowdhury said.

The CEO believes with improvement of its existing capacity, asset quality, and services the bank can be the leading bank of the country.

Regarding the number of branches of the bank, a task force will submit its report by June this year.

"Only 45 branches, or less than 4 percent of the bank's total branches, do 70 percent of the bank's businesses," Chowdhury said.

He said one of the branches that has made losses for the last five years must breakeven this year. If not, management would consider its relocation, increased investment in the branch, its merger to some

other branch or even closure.

Sonali Bank, with a capital shortfall of over Tk 4,000 crore, has plans to increase its capital. "One of these plans is to raise the capital by offloading shares in the capital market," Chowdhury told The Daily Star.

Four recovery agents have been appointed as an initiative to improve the status of non-performing loans. But he said the bank is not pressurising the defaulters, especially the big ones.

The bank has also initiated moves to develop electronic banking services. Some 15 new automated teller machines (ATM) will be set up and 60 new branches will be brought under online banking this year, Chowdhury said.

Will it work? Economist Dr Atiur Rahman, who was a director in Sonali Bank's board between 1996 and 1999, believes the measures could provide the bank's only chance for revival, provided there is no government interference. "The board of the bank must run independently by professionals without any pressure from the government," he said.

"Lack of human resource and poor financial incentives are two other major problems of the bank," he added.

Surely, SA Chowdhury faces a tough job of awakening the sleeping giant.

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FOOD PRICES

Hundreds of millions Chinese hit as Beijing grapples with 20pc food price inflation

AFP, Beijing

When the prices of pork, rice and other staple items go up in China, it affects hundreds of millions of families who spend large parts of their incomes on food.

So as the government in Beijing seeks to rein in inflation, it is grappling with a formidable challenge that will affect the lives of a huge proportion of its population. Failure seems not to be an option.

Even so, it is a task that the policy makers seem to have been only partly successful at, according to official data published Wednesday showing a 21-percent rise in food prices in the first quarter from a year earlier.

"Since last year, food has been the main factor behind inflation, and it very much remains the case this year," Li Xiaochao, spokesman of the National Bureau of Statistics, told a briefing in Beijing.

"We need to pay special attention to enhancing agricultural production, especially grain and pork production."

Inflation as a whole is near 12-year highs at the moment in China, and it is almost exclusively the result of more expensive food items.

In the first three months of 2008, the consumer price index rose 8.0 percent from a year earlier, but if food inflation was deducted, it was only 1.2 percent higher, according to the statistics bureau.

"If it was the prices of computers that were rising, it would only affect people who use computers," said Hu Lubin, a Shenzhen-based economist with China

Merchants Securities.

"But everyone needs food, so this has an impact on every person in China," he said.

According to Robert Subbaraman, a Hong Kong-based economist with Lehman Brothers, inflation led by food prices is a particularly big issue for low to middle-income countries such as China.

"Developing countries typically don't like that because if you look at the average consumption in countries like China, a very large share of the monthly spending is on food," he said.

"In China, it's made to be about a third in the cities. In the countryside, the poorer part of society, it can be over a half. So it can really create social problems, which in turn can spread well beyond economic problems."

But although China's problems are huge, they reflect larger global issues that are now suddenly leaping to the top of the world agenda.

"We estimate that a doubling of food prices over the last three years could potentially push 100 million people in low-income countries deeper into poverty," World Bank President Robert Zoellick said Sunday.

"This is not just a question about short-term needs, as important as those are. This is about ensuring that future generations don't pay a price too."

International Monetary Fund head Dominique Strauss-Kahn warned: "As we know, learning from the past, those kind of questions sometimes end in war."

A number of unrelated



A chef and assistants work a restaurant kitchen in March this year on the outskirts of Lijiang in southwest China's Yunnan province. When the prices of pork, rice and other staple items go up in China, it affects hundreds of millions of families who spend large parts of their incomes on food. Inflation as a whole is near 12-year highs at the moment in China.

factors have come together to bring about higher food inflation in China, Virendra Singh with Moody's Economy.com said in a research note.

Unusual global weather conditions have cut yields for crops such as corn and soybeans, while developed countries' emphasis on ethanol

and other biofuels is also pushing up prices for corn and other high-fructose crops, he argued.

"Weather conditions have also contributed to rising food prices, but this new western energy policy has engendered disruptive and volatile price adjustments across the

world," he said.

Chinese farmers, along with farmers across the world, are contributing to the problem, as globalisation has helped make pricing information readily available around the world, he said.

"With a cell phone in almost every village in grain-

producing areas, farmers across the globe are aware of pricing trends," he said.

"Farmers have been planting more corn to meet surging global demand, contributing to shortages of wheat and rice -- diet staples -- while also contributing to global social and political stress."