

International Business News

Airbus to set up joint venture in China

ANN/ China Daily

European plane maker Airbus expects to launch a joint venture in China to make aircraft components, as part of its efforts to carve a larger slice of the world's fastest growing aircraft market.

"We are studying the possibility of setting up the venture with AVIC II (China Aviation Industry Corporation II) and expect to finalise the deal as early as August," Laurence Barron, president of Airbus China, said, but declined to elaborate.

Airbus expects to use the joint venture to produce composite material parts for its Airbus A350 model. The company last year agreed to have up to 5 per cent of the design and manufacturing work of the model done in China.

AVIC II, one of its partners in the nation, will also join in the program through their existing joint venture.

Inflation jumps in India amid expectation of more tightening

AFP, New Delhi

India's inflation jumped again to a more than three-year high, according to data on Friday, days ahead of a key meeting of central bankers who are expected to tighten monetary policy further.

Annual inflation accelerated nearly two-tenths of a percentage point to 7.33 percent for the week ended April 12, driven partly by higher food costs.

High inflation has become a central political issue in India with taming prices the key goal of the Congress-led government, which faces general elections within a year and a clutch of state polls in between.

India's hundreds of millions of poor, whose support is vital at voting time, have been hit hardest by the inflation surge.

Microsoft deadline looms for Yahoo

AFP, San Francisco

Microsoft's unwanted courtship of Yahoo hits a critical point Saturday as a deadline arrives for the struggling Internet pioneer to accept the software giant's \$44.6 billion dollar takeover offer.

Microsoft and Yahoo have dueled through public comments, letters and blog postings since Microsoft announced what it touts as a fair bid for Yahoo on February 1.

Yahoo's board of directors rejected Microsoft's \$31 dollars a share offer, saying it "substantially undervalues" the California firm; they insisted their company is worth at least 40 dollars a share.

Microsoft is eager to merge resources with Yahoo to take on Google, which dominates an Internet search advertising market expected to grow to 80 billion dollars annually worldwide in the next two years.



A Sri Lankan factory worker attached to clothing manufacturer Marks and Spencer Group puts the finishing touches to a brassiere at a newly opened eco-friendly plant, which stitches lingerie in Thulhiriya on Friday.

India adds 10 mln cell phone subscribers in one month

AFP, New Delhi

India added a record 10 million mobile phone subscribers in March to overtake the US and become the world's second biggest cellphone market after China, the telecoms regulator said Friday.

The latest figures brought the number of wireless subscribers in March to 261.09 million, the Telecom Regulatory Authority of India said in a statement.

India's mobile market is the world's fastest growing. India crossed the 100-million cellular subscriber mark in May 2006 and the 200 million mark in September 2007.

"India has become the second largest wireless network in the world after China by overtaking USA, as per (official) data available," the regulator said.

A total 10.16 million subscribers were added in March, up from 8.53 million the previous month, the regulator said.

EU still eyes WTO ministerial meeting by end-May

AFP, Geneva

The European Union said on Friday it still hoped ministers would meet at the WTO at the end of May to end years of trade liberalisation talks despite scepticism within its own ranks.

"There is a clear understanding that if we want to conclude talks by the end of the year, then we need to have a ministerial meeting by the end of May," the EU's ambassador to the World Trade Organisation Eckhart Guth told AFP.

"We are still working on this assumption, though nothing is guaranteed, nothing is set in stone," he said.

The WTO's Doha round of talks to reduce trade barriers was launched in the Qatari capital in November 2001 with the aim of reaching a deal by 2004, but has foundered ever since, principally in disputes between developed and developing countries on agricultural subsidies and industrial tariffs.

ESSENTIALS

Rising prices' whirlwind effect

ANN/ THE STRAITS TIMES

High energy prices pose a monumental challenge to economic growth. Everyone knows this. But high food prices stir more visceral fears. The concern today is that the world faces a serious crisis as a result of accelerating prices of food staples.

The conventional thinking is that we face runaway prices because of a crisis of shortage. This is partly true. The diversion to non-food use, like biofuels, of agricultural produce like soya beans has lowered supply for food processing. Drought and pestilence have lowered yield.

Wheat, soya and maize prices have all spiked because of one or a combination of these factors. But with rice, conventional thinking is off the mark; supply may not be as tight as prices suggest.

Rice is perhaps the world's most important crop. It is the staple of more poor people than any other food. The doubling of rice prices over the past year affects them more directly than the rise in the price of wheat, for example, for other poor consumers.

This is because rice is consumed with little processing, almost off the field. Once it's dehusked and graded, it's ready for final sale. Thus, there is an almost direct connection between the soaring warehouse price of rice and that of end-consumer rice.

Wheat, on the other hand, is consumed after a long series of processing, from milling into flour to baking into bread, to being turned into breakfast cereal, and so on.

This chain of processing means the final wheat-based product includes other inputs that may not have risen in cost as much as the grain itself. Also, a succession of processing and packaging premiums can absorb some of the price rise. So while wheat might double in price, bread won't cost twice as much. Not so for rice in the pot.

No question, there's been a drop in rice output growth over the past several years. Higher oil prices mean more expensive fertiliser; and poor farmers using less fertiliser get lower yield. Water shortages lead to less cultivation. Pests too are a problem.

Rice-growing plots have been converted to plant other crops and to non-agricultural use. Flooding in some areas and cold weather in other parts of the world's rice belt spell less production. Clearly, availability is down, and this influences prices.

Then, because warehouse prices so directly affect rice consumption costs, governments have tried to guarantee supply and affordability. The reason is clear: 600 million of Asia's very poorest spend 40 per cent to 50 per cent of their income on food. Indeed, Rajat Nag, the Asian Development Bank's managing director-general, says food spending now accounts for 80 per cent of income for some of the poor in South Asia.

Nevertheless, government intervention only exacerbates price pressures. As producers such as Vietnam and India tighten export limits to ensure domestic supply, they take rice out of the open market.

Next, attempts by other governments to further boost stocks through imports threaten to distort the market some more. The Philippines, for instance, plans to import 2.7 million tonnes of rice this year - it imported 1.9 million tonnes last year. Its tender last week set a new benchmark, with auction prices mostly exceeding US\$1,100 a tonne. A month ago they were around \$700.

Of course, demand at the back-end hasn't risen by a corresponding half in a month. The reason for the price jump is that traders, anticipating more large tenders, are holding back offers in anticipation of even steeper rises going forward, which in turn causes prices to rise immediately.

They also have concerns that their own domestic prices might rise quickly, squeezing them between the price they buy stock and the price at which they commit to sell abroad. Either way, prices rise, rise, rise.

So how bad is the food crisis? As the ADB's Nag, who was in Singapore last week, tells it, rice demand last year rose 0.9 per cent while production increased 0.7 per cent. This cuts into stock.

Now, just how low stocks have become should be a key factor for



Tomatoes, eggplants and other vegetables are sold in a Manila market on Friday. Vendors said the prices of goods increased more than 100 percent in one month. The Philippines is trying to cope with the rising price of commodities, especially rice, which is the staple food.

prices. But in truth, we don't know. Stock levels - for anything - are a guesstimate. And because grains can be stored almost anywhere - from under the bed to bags in the barn to warehouses - a big waffle factor must be added in. Dire warnings of shortage should thus be taken with a big dose of salt. Indeed, Mr Nag agrees there isn't yet a supply crunch.

Of course, the production-demand gap is a factor in prices, and so has rice's 'participation' in the general commodities boom - economists' way of describing how rice has jumped on the bull-led bandwagon.

But a very significant portion of the run-up in prices might ultimately be attributed to panic among governments as they see the immediate knock-on effect of warehouse prices on supermarket prices. Increased stockpiling and export caps send all the wrong signals that sweep up prices in a whirlwind.

But this doesn't mean there isn't a problem. The poor must eat, and in slums and shantytowns it's increasingly difficult to scrape together enough rice to cook. Yet the best way to address this is to offer targeted income support so people can afford

shop prices.

Eventually, as economists like to put it, the remedy for high prices is high prices, which provide an incentive to farmers to produce more rice. Couple this with a willingness over the longer horizon to invest in irrigation, to use genetic engineering to produce higher-yielding rice varieties and to be willing to plant these, and there needn't be a food crisis within the foreseeable future.

Right now, we have a price crisis, not a supply crisis. And straightening out market signals is the most prudent way of addressing it.

COLUMN

HABIBULLAH N KARIM

Economic diplomacy par excellence: Inspiring instances for Bangladesh

Looking up from my plastic bucket chair at the departure lounge of the Incheon International Airport in South Korea, the geodesic design of the airport terminal finds a familiar chord with the designs of other recently built airport terminals in the region, namely, Bangkok, Hong Kong, Kuala Lumpur and Singapore.

These airports stand out more for their similarities than any distinctive features (though there are a few to be fair). For a traveler like myself not literate in the languages of the region, when the signs are read in English, the lingua franca of the business world, everything appears exactly the same in these airports and you could easily forget where you are. I am not saying this to eulogize the architectural aesthetics or deplore the lack of it at these airports but simply to drive home the message that efficiency is usually colourless and truly efficient systems are indistinguishable from one another. How is this relevant for economic diplomacy, well, read on.

Economic interests have been the primary drivers of war and diplomacy since the post-medieval era throughout the world. In the modern world economic diplomacy is at the core of international relations between nations. However, centuries of rule by foreign conquistadores in our

part of the world has blunted our capacity for setting foreign policy paradigms in light of our sustainable economic agenda, that is, in light of our trading and commercial interests. Immediately after our independence, won with our blood, sweat and countless tragedies, the country was faced with a war-ravaged economy and over half its population in utter poverty. In times like these, of course, the primary task of any government is to ensure survival of the people through food aid, technical assistance and aid in rebuilding efforts, all of which are outside the realm of normal trade and commerce. Hence our diplomatic corps were fully engaged in aid diplomacy in those days. However, in 37 years the country has moved up in economic notches sufficiently to be able to divert focus from aid to trade and that too with vigour in recent years.

Last week I went to Republic of Korea (South Korea) to attend an Asia-Pacific region skills development strategy conference organized by the International Labour Organization (ILO) where I had the privilege of representing the Bangladesh Employers Federation (BEF). Due to flight schedule mismatch I had to go there a day early. Knowing this ahead of time I approached Ambassador Mustafa Kamal,



Making contacts in South Korea; columnist Habibullah Karim on a recent business trip to the Asian country. By cultivating contacts, Bangladeshi diplomats can make a difference to the country's economic progress.

the erstwhile Ambassador of Bangladesh in South Korea and known to me since his posting as Chief of Chancery of the Bangladesh Embassy in Washington DC, for advice on how I should utilize the extra weekday while in South Korea.

Although Ambassador Kamal was no longer responsible for Korea (he is in fact Bangladesh's Ambassador in

Thailand now), what followed next was a flurry of professional e-mail correspondence between Ambassador Mustafa Kamal, Ambassador Shahidul Islam, the current Ambassador of Bangladesh in South Korea and myself, resulting in my extra day in Korea being chockfull of high-level meetings with Korean officials and executives as opposed to being a forced holiday. What

was highly remarkable was the speed and efficiency of Ambassador Islam and his staff in making this happen in less than two working days.

The earnestness and service attitude of the Embassy staff were very much like the kind of support foreign embassies in Dhaka (especially those from North America and West Europe) provide to their citi-

zens when they come here for business. It made me feel proud indeed of my country and my government. Of course some countries go a step further and even do open advocacy to garner business in favour of companies from their countries. US government advocacy in favour of Boeing for aircraft deals is a case in point. Although our diplomats are still shy of such deal-making, they have come a long way since the days only a couple of decades ago when economic diplomacy was scoffed upon. This sure is a very healthy sign.

In recent times we have also seen the government appoint a professional trade negotiation expert, in the person of Dr. Debapriya Bhattacharya, as our Ambassador in Geneva. We have also seen how the diplomatic mission in the U.S. worked hand-in-hand with the ready-made-garments industry representatives to bolster our share of exports to that country. Our only wish is that this increasing trend of professional economic diplomacy continues unabated so that our diplomats find themselves on an equal footing with the diplomats from developed countries in terms of efficiency and economic goals for the country.

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