

International Business News

Microsoft abandons Yahoo bid

AP, San Francisco  
Microsoft Corp. withdrew its \$42.3 billion bid to buy Yahoo Inc. on Saturday, scrapping an attempt to snap up the tarnished Internet icon in hopes of toppling online search and advertising leader Google Inc.

The decision to walk away from the deal came after last-ditch efforts to negotiate a mutually acceptable sale price proved unsuccessful.

The talks reached a breaking point after Jerry Yang and David Filo, the co-founders of Sunnyvale-based Yahoo, flew to Seattle in the morning to meet personally with Microsoft Chief Executive Steve Ballmer and Kevin Johnson, who runs the software maker's unprofitable online services division, according to someone familiar with the talks. The person was not authorized to speak publicly and asked not to be identified.

"Clearly a deal is not to be," Ballmer wrote to Yang in a letter sent late Saturday.

Microsoft was willing to pay \$47.5 billion, or \$33 per share, up from the bid's current value of \$29.40 per share, according to Ballmer's letter.

But Yahoo's board demanded at least \$53 billion, or \$37 per share, according to Ballmer. That would have been nearly double Yahoo's stock price of \$19.18 at the time Microsoft first made its bid a little over three months ago.

Asean committed to FTA with Australia, NZ

AFP, Jakarta  
Asean was showing strong commitment to try to wrap up negotiations on a free trade pact between the regional grouping, Australia and New Zealand, Australian Trade Minister Simon Crean said Sunday.

Crean, who attended the Asean Economic Ministers Closer Economic Relations talks in the Indonesia island of Bali on Saturday, said "we all agreed on the importance of successfully concluding the FTA negotiation in August."

"Considerable work remains. But ministers have given a clear signal to officials that the political will is there to try and achieve a substantial outcome this year," he said in a statement issued by his office.

"Encouragingly, ministers did not identify any issue as being beyond resolution," Crean said of the ongoing Asean-Australia-New Zealand Free Trade Agreement (AANZFTA) negotiations.

Both sides were working on reducing trade barriers to improve market access for goods, services and investment, the statement said.

It gave no further details, but the Australian embassy had earlier cited Sydney's wishes for a lifting of Asean trade barriers on Australian manufacturing and agriculture products as well as services.

BANKING

Agrani Bank aims high, banks on reforms

SAJJADUR RAHMAN

When Syed Abu Naser Bukhtear Ahmed took over as the CEO of state-run Agrani Bank in October 2004 under a World Bank-funded reforms project, daunting challenges awaited him. He inherited a balance sheet full of negative figures. By the time he finished his tenure on September 30 2007, some indicators, including capital adequacy ratio, non-performing loans and profits, showed improvement.

Ahmed was reappointed the CEO of the bank in April this year after the bank had been transformed into a public limited company: meaning a board of directors will run the bank, not the finance ministry.

The CEO now in his second stint with the bank has vowed to improve all indicators, saying there will be no negative figures, just after two and a half years, in 2010.

Isn't it tough for a bank with a capital shortfall of around Tk 1,000 crore and default loans of about Tk 2,500 crore?

The bank plans to go tough with the top defaulters who avoid repayment by filing writ petitions with the courts. Some 20 defaulters account for the bank's 40 percent of Tk 2,500 crore default loans. Non-payment of big loans has been widening the bank's capital shortfall.

"Big defaulters do not



CEO of Agrani Bank Syed Abu Naser Bukhtear Ahmed says big defaulters do not repay loans. They file writ petitions and pay hefty fees to lawyers. He warns the defaulters, saying, "There will be no mercy."

repay the loans. They file writ petitions and pay hefty fees to their lawyers," CEO Ahmed said.

He warned the big defaulters, saying, "There will be no mercy for them."

He however did not forget to appreciate small borrowers. "Small loan recipients hardly become defaulters, but the rich, who ride in posh cars and send their children abroad for education, love to

become defaulters," Ahmed said.

Agrani Bank has 866 branches strategically located in almost all the commercial areas throughout Bangladesh and 11,345 employees. As on December 31, 2007 the bank's deposit stood at Tk 13,560.92 crore and the advances Tk 11,088 crore.

In 2007, the bank's operating profit was Tk 527 crore from Tk 359 crore in 2006. The

bank has set Tk 600 crore as its profit target in the current year.

Like other government banks, Agrani also faces the same situation when it comes to loan disbursement. Undue influence from corrupt politicians and bureaucrats has made the bank's non-performing loans larger.

As a result of pressure from the World Bank and the International Monetary Fund

Agrani Bank: At a glance as on Dec 31 2007

Deposit:	Tk 13,561 cr
Advance:	Tk 11,088 cr
Classified loan:	Tk 3,179 cr
Provision shortfall:	Tk 184 cr
Cumulative loss:	Tk 1,284 cr
Branches:	866
Employees:	11,345

the government in November of last year made Agrani Bank, along with two other nationalised commercial banks (Sonali and Janata), public limited companies to improve their performance.

Capital shortfall has remained a big problem for the bank for years. Currently, Agrani's capital shortfall stands at about Tk 1,000 crore.

"This shortfall will be filled by next year, even if the government doesn't give us the money," Ahmed asserted.

"There was no provision against classified loans when I took over in 2004. I have already allocated Tk 1,200 crore as provision against classified loans," he said.

"I have a plan to allocate Tk 2,000 crore as provision against classified loans by 2009," he categorically said.

The CEO however believes his main challenge will be to recover bad loans.

As on December 2007, loan repayment of Tk 3,167 crore remains pending with some 7,470 court cases. In 2007, the bank realized Tk 3.17 crore

against a targeted Tk 19.8 crore from 20 top defaulters. On the other hand, the bank received Tk 215.82 crore out of a targeted Tk 275 crore from other defaulters.

Some of the bank's big defaulters are on the run, which the CEO termed as another major reason for the bank's poor performance in achieving the loan recovery target.

The CEO said his main task during the first term at the bank would be to reconstruct business plans.

Regarding his second phase at the bank, he said he wants to restructure the capital base in order to reduce the capital shortfall.

Amount of credit to agriculture and small and medium enterprises should be raised to increase the profit of the bank.

"I have told the board of the bank that we need to disburse more loans to agri and SME sectors instead of giving big loans to big factories," he said.

He also plans to bring some 100 branches under automation by the end of 2008.

The bank needs to recruit fresh people as many have already left the bank in search of higher salary. "We the three state run banks -- Sonali, Janata and Agrani -- plan to offer special allowances to our staff," Ahmed said.

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The photo shows Kiev Pawn Inc, located in an economically depressed area along Georgia Avenue in Washington, DC, on May 2, 2008. Pawnbrokers see more and more people of modest means are coming to pawn their valuables as the US economy continues its downturn.

Japan's Toyota to hike prices in North America

AFP, Tokyo  
Japanese carmaker Toyota Motor Corp. will raise sale prices in North America this month in a bid to offset rising production costs and the stronger yen, a report here said Sunday.

The Japanese maker has expanded aggressively outside its home market, helped by its reputation for fuel efficient vehicles, including petrol-electric hybrids, which have generated strong interest at a time of soaring oil prices.

But Toyota is widely expected in the current business year to March 2009 to suffer its first drop in operating profit in nine years because of sluggish US sales and a stronger yen, as well as surging costs of steel and other materials.

From those to be shipped from Monday, the price of the popular Prius hybrid will likely climb by 1.8 percent and that of the Yaris compact by up to 1.7 percent, the Nikkei business daily reported citing unnamed company sources.

Malaysia mulls using ID to stop foreigners buying cheap fuel

AFP, Kuala Lumpur  
Malaysia on Sunday said it was considering using its chip-based national identity card to prevent visitors from Singapore and Thailand buying cheap subsidised fuel meant for locals.

Its latest plan comes as the government begins radically reviewing its fuel subsidies, expected to cost 43 billion ringgit (13.6 billion dollars) this year if oil prices hover around 120 dollars per barrel.

Malaysia heavily subsidises petrol, diesel and gas as well as 21 food items but rising global prices and controls have triggered severe shortages, as well as smuggling across its porous borders and long coastline.

"The technical features are there on the Mykad (Malaysian identification card) and can be integrated with fuel pumps so they can be used to identify the person," domestic trade and consumer affairs minister Shahrir Samad told AFP.

"We are looking to see if we can use it on the fuel pumps so that only Malaysian citizens get the subsidy," he added.

FOOD CRISIS

From cartels to rice export curbs

AFP, Hong Kong

Rationing, subsidies, price-fixing cartels, export curbs -- you name it, governments across the world are trying it out as they seek to shield their populations from the soaring price of rice.

Wary of the political risk of millions of hungry people on their doorstep, some governments -- notably in Asia -- are adopting new policies, or shifting their old ones, to ease the supply crunch.

But there appears to be no magic one-size-fits-all formula, partly because of national factors and partly because of the nature of the market.

"In Asia, most rice import and export is carried out by countries rather than by companies," according to Jonathan Pincus, chief economist for the UN Development Programme in Vietnam.

"Producing countries are restricting exports because they're concerned about the domestic market," he told AFP. That in turn "means things just get tougher for consuming countries, which have to pay higher and higher prices."

Last week Thailand said it had agreed in principle to form a rice price-fixing cartel -- similar to the oil industry's OPEC -- with neighbours Cambodia, Laos and Myanmar as well as Vietnam.

Thailand, the world's top rice exporter which last year shipped around 9.5 million tonnes overseas, insists it has no plans to curb supplies.

It has said it will gradually sell off its 2.1 million tonnes of stockpiled rice at 20 percent below current prices to relieve shortages.

In contrast Vietnam, the world's second biggest rice exporter, has reduced this

year's cap on exports from four million to 3.5 million tonnes to secure domestic supplies and reduce prices fuelling double-digit inflation.

Hanoi has also banned new export contracts until the end of June, although existing contracts -- including shipments to the Philippines at record prices of 1,200 dollars per tonne -- are being honoured.

Cambodia in late March banned rice exports to ease pressure on the domestic market after prices reached nearly a dollar a kilogramme, deepening poverty in a nation where one-third of the population lives on less than 50 cents a day.

But Prime Minister Hun Sen said last week that the government was mulling exporting rice again, to find markets -- and revenue -- for its farmers.

India has banned export of non-basmati rice and last month withdrew export incentives relating to premium basmati, although existing contracts are being honoured, notably to needy countries such as Bangladesh and Sierra Leone.

Brazil, which consumes virtually all of the 11 million tonnes it produces every year, did hint at an export ban but decided against it, preferring instead to urge producers to be cautious about supplies.

Even in the United States, worries about supplies have seen panic-buying in some stores, and two big chains, Costco and Sam's Club, took measures last week to ration sales due to price hikes and uncertain deliveries.

The UN's Pincus said the price of rice was more volatile than that of maize and wheat as much less of it is traded.

"Rice is mostly consumed in



Customers choose rice at a supermarket in Bangkok yesterday. Rationing, subsidies, price-fixing cartels, export curbs -- governments across the world are trying these out as they seek to shield their populations from the soaring price of rice.

the countries where it's produced, and for that reason the world market is very thin. There are not a lot of buyers and not a lot of sellers," he said.

"So what happens is that if there are some buyers who find themselves short, the international prices spike, and that's what we're seeing right now."

Japan, which imports more than half its food, wants to raise the issue of spiralling food prices when it hosts the

Group of Eight summit in July. Still, it heavily protects its own rice industry -- the government strictly controls the production and price of rice and imposes high taxes on exports -- and instead of curbing shipments has been trying to step up exports.

In the Philippines, one of the world's biggest rice importers, President Gloria Arroyo has ordered steps to prevent hoarding and price gouging, and to ensure sup-

plies. The government sells subsidised rice in poor neighbourhoods and is crafting a new scheme of rationing.

There is no rationing in Indonesia except where the government operates a subsidy scheme for the poor, which allows 15.5 million registered families to purchase 10 to 20 kilogrammes of rice a month at a third of the normal price.

Indonesia has a de facto

export ban, stipulating exports are only allowed when there is a domestic surplus of at least three million tonnes.

Bangladesh, which does not export rice due to its own needs, does not plan rationing, said the food ministry's senior information officer Golam Kibria.

However the government is selling subsidised rice to help low-income families as many poor have been forced to go without meals.