

International Business News

13 Asian nations agree to set up \$80b crisis fund

AFP, Madrid

Finance ministers of 13 Asian nations agreed here on Sunday to set up a foreign exchange pool of at least 80 billion dollars (52 billion euros) to be used in the event of another regional financial crisis.

China, Japan and South Korea will provide 80 percent of the funds, with the rest coming from the 10 members of Asean, they said in a joint statement issued after talks on the sidelines of an Asian Development Bank meeting in Madrid.

The 13 nations agreed after the 1997-98 Asian financial crisis to set up a mainly bilateral currency swap scheme known as the Chiang Mai Initiative (CMI) to protect their currencies from turmoil in the future.

At the ADB's last annual meeting in Japan in May 2007, they decided to set aside part of their foreign reserves for a multi-nation system of reserves for use in emergencies, but did not decide on the size of the pool.

"We are committed to further accelerate our work in order to reach consensus on all of the elements which include concrete conditions eligible for borrowing and contents of covenants specified in borrowing arrangements," the statement said.

ArcelorMittal, China's Angang Steel discuss possible tie-up

AFP, Beijing

ArcelorMittal, the world's biggest steel maker, is eyeing a stake in China's Angang Steel in its latest foray into the enormous Chinese market, the Financial Times said Monday.

Lakshmi Mittal, the Indian billionaire and chief executive of ArcelorMittal, proposed buying a near 25-percent stake in Angang in a private meeting with Angang's chairman Zhang Xiaogang two months ago, the newspaper reported.

The deal could be worth at least five billion dollars according to Angang's current market valuation, although financial terms were not discussed, it said.

"I had an informal discussion with Mr Zhang about various possibilities. As part of this, I tossed around a number of ideas," the London-based newspaper quoted Mittal as saying.

Yahoo shares tumble in premarket trading with Microsoft out

AP, San Francisco

Shares of Yahoo fell 22 percent in premarket trading as hopes for the once dominant search engine dimmed on the withdrawal of a \$43.7 billion bid from Microsoft Corp. over the weekend.

Yahoo Inc. Chief Executive Jerry Yang is convinced that the company he started in a Silicon Valley trailer 14 years ago was worth more than the money Microsoft Corp. had offered for the Internet pioneer.

Now he may only have a few months to convince Wall Street that his rebuff of Microsoft's takeover bid was a smart move and if he can't, analysts won't be surprised if Yang is either replaced as CEO or forced to consider accepting a lower offer if Microsoft comes knocking at his door again.

"This squarely puts the pressure on Jerry Yang to deliver results and shareholder value," Standard & Poor's equity analyst Scott Kessler said. "You are going to see a lot of shareholders just throwing in the towel because they are going to realize it's going to take awhile for the stock to get back to where it was Friday."

FOOD CRISIS

Surging food prices bite across Asia

AFP, Sydney

From the rice paddies of Asia to the wheat fields of Australia, the soaring price of food is breaking the budgets of the poor and raising the spectres of hunger and unrest, experts warn.

A billion people in Asia are seriously affected by the surging costs of daily staples such as rice and bread, the director general of the Asian Development Bank, Rajat Nag, has said.

"This includes roughly about 600 million people who live on just under a dollar a day, which is the definition of poverty, and another 400 million who are just above that borderline," he said.

Globally, the World Bank last month estimated that 33 countries were threatened with political and social unrest because of the skyrocketing costs of food and energy.

Across Asia, workers made a campaign against high food prices their May Day battle cry last Thursday in marches through cities including the capitals of Indonesia, the Philippines and Thailand.

While the demonstrations were mainly peaceful, concern is growing over the potential for political instability and unrest if high prices persist.

"Once people get hungry they start also getting quite desperate and take desperate measures," Damien Kingsbury of Australia's Deakin University told AFP.

India's top farm scientist and architect of the 1960s "Green Revolution," Monkbombu Sambasivan Swaminathan, has said India needs a second agricultural revolution to boost food supplies or face huge social turmoil.

Experts blame the high food prices on a confluence of factors, including increased demand from a changing diet in Asia, droughts, the rising use

of crops for biofuels, and growing energy and fertiliser costs.

In Australia, which usually ranks second after the United States as a global wheat exporter, several years of drought cut harvests to just 13 million tonnes last year from an average of 22 million tonnes.

So while consumers are struggling, Australian farmers are not getting rich on the backs of the poor, said National Farmers Federation chief executive Ben Fargher.

And even in a relatively prosperous country like Australia, people are feeling the squeeze in the supermarkets. Around the rest of the region, the impact varies from traumatic to minimal.

AFGHANISTAN: Millions of Afghans are finding it "problematic" to meet their basic food needs with prices of the staple, wheat, doubling in some areas over recent months, the World Food Programme has said.

BANGLADESH: One of the world's poorest nations, Bangladesh has been hit by a doubling in the price of the main staple, rice, in the past year and many low paid workers say they have been forced to make do on only one meal a day.

Last month about 20,000 garment workers rioted near the capital Dhaka for higher wages to cover food prices.

CHINA: Chinese Premier Wen Jiabao told a meeting of the State Council last month that high prices were the biggest problem in the domestic economy.

"The inflation is led by food price rises, which especially hurt the poor," said Ma Qing, a Beijing-based analyst with the CEB monitor group. "So the pressure (on maintaining social stability) is certainly quite large."

INDIA: A general strike against spiralling food prices paralysed Kolkata on April 21 as thousands of police were

deployed across West Bengal state to stop protests turning violent.

New Delhi has already slashed food duties and banned exports of lentils and other staples, and will not hesitate to further "sacrifice revenues to control prices."

INDONESIA: Anger over rising food prices was a focus for some 10,000 Indonesians who took to the streets of the capital Jakarta for Labour Day rallies.

High prices for rice, cooking oil and soybeans helped drive Indonesia's annual inflation rate to 8.17 percent in March. JAPAN: Although Asia's largest economy has been struggling for years to end deflation, rising food and commodity prices have not been welcomed because of the pain they inflict on small businesses and low-income households in particular.

MALAYSIA: Anger over rising prices was a major factor in March elections which saw the ruling coalition lose a third of parliamentary seats and five states in its worst results in half a century.

NEPAL: Nepal last week banned the export of grains as prices soared. "There is a high possibility of food crisis in a poor country like ours where domestic production is not enough," said Hari Dahal, a spokesman at the ministry of agriculture.

NORTH KOREA: North Korea's food crisis has already seen some people starve to death in remote rural towns, according to an aid group. Prices of staple foods have almost tripled over the past year.

PAKISTAN: Analysts say public anger over food shortages, particularly wheat flour for the staple roti bread, was a factor in the defeat of President Pervez Musharraf's allies in elections in February.

SOUTH KOREA: Rising rice prices abroad have almost no impact on South Korea, which imports less than five percent



This file photo shows farmer Marshall Rodda inspecting his stunted wheat stalks in Melbourne, Australia. From rice of Asia to wheat of Australia, the soaring prices of foods are breaking the budgets of the poor and raising the spectres of hunger and unrest, experts warn.



of its annual consumption and heavily subsidises its rice farmers.

SINGAPORE: Singapore is the wealthiest economy in Southeast Asia but charities say inflation is driving more people to join queues for free meals. Consumer price inflation reached 6.6 percent in January-February, officials

said. TAIWAN: Taiwan is self-sufficient in rice so international prices have no impact. However, domestic rice prices hit a 26-year high earlier this year due to typhoons affecting the harvest.

THAILAND: In Thailand, export and domestic rice prices have risen about 50

percent in a month. Some farmers have taken to arming themselves and staking out their fields at night to protect their precious crop from rice thieves.

In a phrase particularly chilling for Asia, the World Food Programme has described rising food prices as a "silent tsunami".

COLUMN

MAMUN RASHID

Regulatory reforms for business growth

No doubt, suggesting reforms of the existing and oftentimes ambiguous, ineffective or conflicting laws and regulations in Bangladesh is a daunting task. This is more important and tough, when most of our business leaders, civil bureaucrats, regulators and civil society members are not even aware of 'where the shoe pinches'.

Reforms leading to a better environment to support business growth was pledged by the incumbent government and rightly to that end, institutions and mechanisms have been created. The Bangladesh Better Business Forum (BBBF), led by the Chief Adviser (CA) with experts from the private and public sector, was set up some months ago. It has reportedly made significant progress since its existence. Five thematic working groups under this body have drawn up over 100 recommendations with the aim of facilitating business activities.

Another positive development is the establishment of the Regulatory Reforms Commission (RRC) and added to that -- putting Dr Akbar Ali Khan, a freedom fighter and one of the most committed public servants, for driving changes and reforms in this country to head that. The aim of the RRC is to identify archaic and unsuitable laws related to business in order to amend, upgrade or replace them, as required. The RRC has reportedly identified 202 such laws or rules and regulations and the same were sent to trade bodies for sounding out their opinion on the same. No doubt, suggesting reforms of the existing and oftentimes ambiguous, ineffective or conflicting laws and regulations in Bangladesh is a daunting task. This is more important and tough, when most of our business leaders, civil bureaucrats, regulators and civil society members are not even aware of 'where the shoe pinches'. Foreign Exchange Regulation Act, 1947 (FERA) and related Bangladesh Bank Guidelines, circulars and directives are an exam-

ple. These do not reflect the market reality of Bangladesh economy. These also do not go hand in hand with the March 24, 1994 declaration on convertibility of Taka. FERA equivalent laws have been scrapped or gone through significant modifications over the last 60 years in neighboring countries. Our regulations including the Import Policy and Export Policy effectively require Letters of Credit, the costliest means of trade, whereas the world has moved to other cost effective forms like the Open Account and Documentary Collection. Borrowing from overseas is extremely restricted. It is effectively barred for the short-term trade-related borrowing. Exporters also don't have the option to get discounting facilities from overseas institutions.

Various laws can be converged to establish single window for foreign investment and foreigners working in Bangladesh. Long delays take place in fulfilling requirements of various agencies. A foreign company for establishing a branch office or a foreigner for working needs permissions from the Board of Investment and Bangladesh Bank. Our market does

not even have rudimentary level of derivative products. Availability of hedging products is one of the cornerstones for Foreign Investment, both direct and institutional, in a country.

Tax assessed on turnover, instead of profits, leads to concoct financials / books and informal economy. There are ambiguities on tax/vat for diplomatic missions. Land registration process does not address serious undervaluation or overvaluation or sale to multiple parties through forged documents. The stamp act can be improved to facilitate use of adhesive stamps instead of non-judicial stamps for agreements and other documents. This will help banks use preprinted documents. Government can introduce stamping machines like India. Negotiable Instruments Act (NI) allows filing suits only in case of checks returned for insufficient funds. It needs further improvement to encourage widespread use of checks, electronic payment systems, automated clearing systems, etc. Easy and fast settlement of NI Act and bad debt recovery cases are paramount for the strength and effective-

ness of the financial system. Misuse of the tax holiday provisions hampers efficiency of the economy. Labour law covers workers only. A large executive class continues to grow in the private sector whose employment does not get coverage under the law.

Corporate Governance and fiduciary related laws and regulations are at a very nascent stage. Regulatory oversight, except for the banking sector, has a lot to be desired. In a number of cases necessary regulator or regulatory framework is either absent or has skeletal presence. Agencies contemplated under the Information and Communication Technology Act is an example.

Both the BBBF and RRC are seen to be capable of providing considerable stimulus to the country's business environment. Some of its recommendations for improving the business environment can be implemented immediately; others are meant for implementation over the short term and the remaining, over a longer period. It is very important in this connection to keep the operational time-frame into consideration, unfailingly. The most urgent imple-

mentation of some of the reforms, according to reports in the media, has already crossed the earlier set schedule. Therefore, the need is to expedite completion of these tasks with no further delay.

The goals of the RRC should be similarly pushed forward. The tenure of this body is only for a year and out of it six months are already over. Thus, there is the need for the RRC to work with greater speed and single-minded devotion for the timely attainment of its objectives. If the overhauling of the regulations is completed in time, the same will be found helpful and supportive by the members of the business community. There are emerging areas of the economy where investments remain below the potentials because investors -- foreign as well as local ones -- are constrained by a legal vacuum or the outdated nature of the laws covering the same. The completion of the RRC's tasks will certainly give a boost to investment operations in these fields.

There is no denying that both the BBBF and RRC will gain from focused attention to achieving their operational efficiency. The government should allocate adequate resources and manpower to them as well as extend all other kinds of enabling supports. Same, if not more commitment as well as engagement is needed from our chamber bodies, business leaders and regulatory agencies. Together only, we can create a better Bangladesh, respected for its cohesive and business-friendly policies.

The writer is a banker and economic analyst.



A woman looks at packs of rice displayed at a supermarket in Bangkok on May 4, 2008. World rice prices have soared this year, a trend blamed on higher energy and fertiliser costs, greater global demand, droughts, the loss of rice farmland to biofuel plantations, and price speculation.

Oil prices rise in Asian trade

AFP, Singapore

World oil prices rose in Asian trade on Monday after fresh unrest in Africa's biggest crude producer, Nigeria.

New York's main oil futures contract, light sweet crude for June delivery, was 15 cents higher at 116.47 dollars per barrel.

The benchmark contract rallied 3.80 dollars to close at 116.32 on Friday at the New York Mercantile Exchange.

Brent North Sea crude for June was 15 cents higher at 114.71. The contract jumped 4.06 dollars to settle at 114.56 on Friday in London.

Nigerian militants attacked an oil ship off the coast of the west African country and took two people hostage, a military spokesman said Sunday.