

International Business News

EU, Latin America leaders struggle with trade talks

AFP, Lima
EU and Latin American leaders held talks Saturday on free trade deals that had become bogged down over differences between some South American countries.

The negotiations came a day after a summit between the heads of state and government in the Peruvian capital, Lima. Mexico, which signed such an accord eight years ago and which became a "strategic partner" to the European Union from the weekend, has seen its trade with the European bloc grow from 19 billion dollars to 48 billion dollars.

But Europe is having a harder time with some of the other Latin American countries, which are grouped into several trade alliances, notably Mercosur, the Andean Community, and the Central American countries.

Rifts within the Andean Community in particular have proved problematic, with two of its members, Bolivia and Ecuador, opposing the other two, Colombia and Peru, on several issues.

As a result, they agreed to negotiate on a country-by-country basis with the European Union, rather than as a bloc, Peruvian President Alan Garcia told reporters.

Goldman Sachs axed from SKorea shipyard sale

AFP, Seoul
US investment bank Goldman Sachs has been axed as coordinator for the sale of South Korea's Daewoo Shipbuilding and Marine Engineering, the world's third largest shipyard, a creditor bank said Sunday.

The state-run Korea Development Bank gave no reason for the decision. But South Korea's Yonhap news agency earlier reported creditors were unhappy with Goldman Sachs' appointment as main coordinator of the sale because it has a stake in a Chinese shipyard.

Daewoo Shipbuilding went bankrupt in the aftermath of the 1997-98 Asian financial crisis and is now controlled by its creditors, who plan to select a preferred bidder as early as August for their combined 50.4 percent stake.

The shipyard produces submarines, destroyers and other military equipment and Yonhap said military intelligence officials would monitor the sale to prevent leaks of the company's weapons-related technology.

The government also plans to prevent foreigners from taking part in the due diligence, according to an unnamed official quoted by Yonhap.



This picture taken yesterday shows a general view of the European Bank for Reconstruction and Development (EBRD) annual meeting opening at October Palace in Kiev.

EBRD focuses on global economic woes at Kiev meeting

AFP, Kiev
The European Bank for Reconstruction and Development kicked off its annual meeting here on Sunday to discuss the impact of global economic turmoil and soaring food prices in the former Soviet bloc.

President Jean Lemierre presents his last summit after eight years in charge of the bank, which was formed in 1991 to help former communist nations in Europe and central Asia adopt market economies.

Bank governors were expected to appoint German deputy finance minister Thomas Mirow as Lemierre's successor, and they will also discuss the adoption of Turkey as a country of operations.

Ukrainian President Victor Yushenko and Prime Minister Yulia Tymoshenko will also address the EBRD board, which meets later Sunday, as the annual meeting returns to Kiev for the first time since 1998.

The 17th annual two-day gathering will discuss "the role of the bank against the backdrop of the global economic situation, where problems in the West are maybe affecting the ability of Western countries to invest with the same confidence in the region," said EBRD spokesman Anthony Williams.

India to import 1.5m tonnes pulses next fiscal

PTI, New Delhi
The Indian government has decided to import 1.5 million tonnes of pulses in 2008-09 fiscal through public sector trading agencies, a move aimed at increasing the domestic availability and curb rising prices of the commodity.

"We will import 1.5 million tonnes of pulses during this fiscal through STC, MMTC, Nafed and PEC," a top government official said.

In last fiscal also, the government had announced that it would import 1.5 million tonnes of pulses and offered 15 percent subsidy to these agencies. However, it has not been able to purchase the targeted quantity because of economic factors.

"You cannot just import to meet the target. Imports are to be made in phases so that international prices do not rise sharply. Besides, the domestic prices are also to be monitored," another government official said.

MIGRATION

Era of cheap Chinese goods threatened

AFP, Hong Kong
Migrant workers, for years the backbone of China's export miracle, are discovering their economic muscle, threatening an end to the flood of cheap goods heading west, the author of a new book said.

The seemingly endless supply of cheap labour that has flooded into Guangdong and other southern provinces is evaporating, pushing up wages and the price of cheap televisions, toys and clothes, according to Alexandra Harney.

Her book "The China Price: The True Cost of Chinese Competitive Advantage" examines the lives of individual workers behind the country's manufacturing miracle.

"Ten to 15 years ago workers lined up outside the gates -- they would be lucky to have a job at your factory," said Harney, who spent two years interviewing workers, factory bosses and foreign investors in the region.

"Now a lot of factories I know are having to pay bonuses to workers to convince their family members to come and work there. They send them to the countryside and ask them to bring people back," she told AFP.

China's booming export sector has been one of the undoubted success stories since the country began to open up its economy 30 years ago.

Foreign firms have employed local factories or set up their own operations to make goods ranging from cutlery to underwear, computer chips to furniture.

The success was based on the minimal cost of labour, kept low by a stream of work-hungry bodies from across China desperate to escape

crippling rural poverty. It led to perhaps the biggest migration in human history, with around 200 million workers churning out products for export across the world, a sprawling group that Harney was attracted to write about as they were "really powerful, but nameless".

And their power is increasing as labour has begun to dry up since 2004, mainly as a result of China's one-child policy, which has left a dearth of teenagers seeking employment.

Inevitably the reduction has led to higher wages -- Harney says in some cases up to 20 percent annual pay rises -- and combined with the higher cost of raw materials, has created a crisis for manufacturers.

"It is clear that the forces that have been at work on Chinese factories in the past few years -- rising costs, rising wages, more aware workers -- are now coming to a head as they are combined with an appreciating Renminbi," she said.

"That has created a perfect storm for manufacturing."

Although the former Financial Times journalist believes there is some exaggeration of the problems by factory bosses -- recent stories of 15,000 factories having to shut down are aimed at watering down costly a new labour law, she said -- Harney has little doubt that the balance of power is shifting towards workers.

"If you are entering a factory now after several years of worker shortages, you are likely to find it has better conditions than it previously did," she said.

"A manager five years ago thought workers were a dime a dozen. And now he has a greater consciousness, he needs to think more about

worker retention, motivating his workforce."

Although Harney said there has been an increase in workers' appreciation of their legal rights, the awareness has yet to manifest itself in any form of noticeable movement to rival China's official trade union.

But the shortage has given some migrants incredible opportunities, as demand for workers in all industries is so high.

Li Luyuan, aged 20, was able to switch from a job stitching sweaters for 18 hours a day into one selling real estate, an incredible turnaround for a woman with no formal education beyond junior high school.

"While that truly is an exceptional story the pace of change in these workers lives is without comparison elsewhere, and perhaps in history," said Harney, who became friends with Li.

"To go from having no running water to selling real estate in just a few years in a young life is just extraordinary."

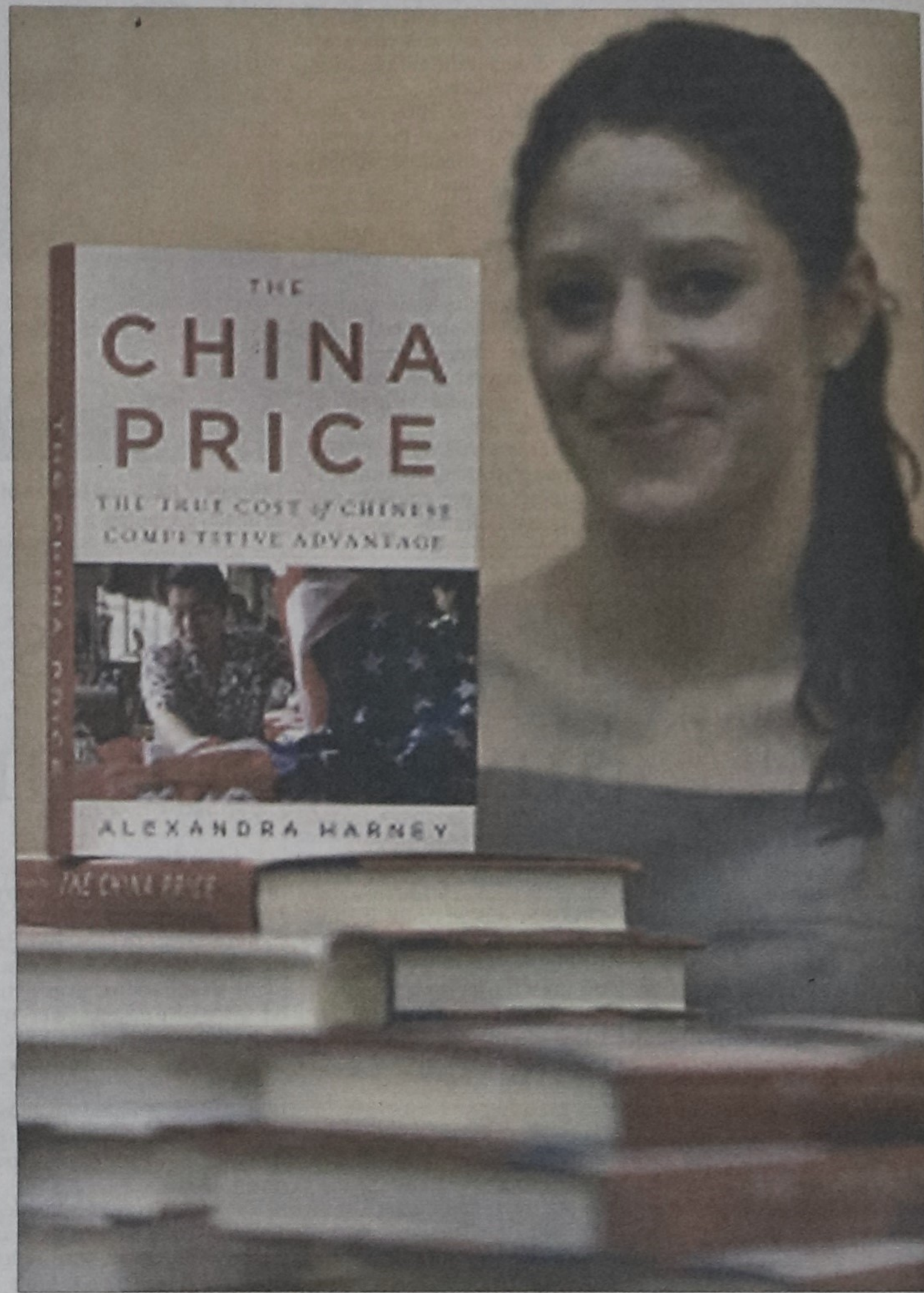
What these workers as a group decide to do next has ramifications not just for their own lives, but also for the era of cheap goods, Harney said.

Many factories are moving further inland to find new workers. Other regional competitors such as Vietnam are starting to undercut China on labour costs.

And last year's horrific snow storms over the Lunar New Year meant many workers faced horrendous journeys home on their only holiday of the year, a fact that kept many of them from returning.

Some factories will move up the value chain to high-tech goods, but others will be forced into consolidation or closure, Harney says.

"The China Price," she said, "is rising".



Alexandra Harney poses with a copy of her book "The China Price" in Hong Kong on April 10, 2008. Migrant workers, for years the backbone of China's export miracle, are discovering their economic muscle, threatening an end to the flood of cheap goods heading west, the author of a new book said.

COLUMN

MAMUN RASHID

Cell phones contributing to development

There is an established saying -- an increase of 10 mobile phones per 100 people boosts GDP growth by 0.6%. In the recent years Bangladesh mobile sector witnessed a phenomenal growth with a staggering BDT 24,000 crore flowing into this sector, subscriber base increased from mere 4 million in 2004 to 40 million in April 2008. Mobile sector now contributes 1.46% of GDP and this sector contributed BDT 5,639 crore to the government in 2007 in terms of direct and indirect tax, VAT, revenue sharing with Bangladesh Telecommunication Regulatory Commission and Bangladesh Telegraph and Telephone Board. The contribution in 1997 stood at only BDT 62 crore.

Apart from direct employment generation, a whole new industry has been built up around selling airtime, top-up cards and mobile handsets or providing maintenance and repair services. I obviously don't want to bring in the corporate social responsibility (CSR) dimension of these companies here or their sponsoring of so many socially responsible programmes in the media or community. An estimated 1 million people are either directly or indirectly dependent on this sector. While there have been discussions on the impossibility of having informationally effi-

cient markets, now a farmer knows how much his produce would fetch in capital cities or across the country. He can easily argue with the middleman as he is now more aware. A powerful TV ad reminds us of economist Jeffrey Sachs article, where he mentions that communication empowers people and stimulates the economy.

While we can easily quantify the statistics of direct investment, contribution to the national exchequer etc., other intangible benefits are too often neglected by us. Who would quantify the benefits of having all the family members pursuing fairly independent activities and yet be constantly in touch? The recent inclusion of the three hill districts into the mobile network would not only integrate the population left isolated for so long, they would also be integrated into the mainstream economy and the mistrust or disconnects would only gradually diminish. It truly establishes the dream of Nobel Laureate Professor Yunus's 'inclusive society'.

While the total telecom subscriber is around 41 million, mobile subscriber base within a very short span of time reached 40 million. This figure contrasts with more developed western economies having a long history of development. Due to cost of deployment and infrastructure, many



The country's mobile phone subscription base increased from mere 4 million in 2004 to 40 million in April 2008. An estimated 1 million people are either directly or indirectly dependent on mobile phone sector.

developing countries have leapfrogged the fixed lines into the next trajectory of mobile communication. To get the maximum benefit from this sector, we must realise that mobile communication is not a luxury and also recognize that the correlation between

multiplier effect on the economy would be much larger. Coming back again with Jeffrey Sachs, the director of The Earth Institute, to improve access to healthcare and education, and ultimately to help eradicate extreme poverty, mobile communication is perhaps the single most transformative technology.

Government can play a vital role in encouraging the rollout of telecommunications services. Customs duties, SIM taxes, license renewal all influence the take-up of mobile communications. A World Bank survey found out the indirect benefits to the economy of having affordable access to telecommunications services far outweigh any short-term benefit to the budget. By removing mobile specific taxes more consumers will connect, boosting economic growth, at a very limited cost to total government tax receipts. In some cases long-term government tax receipts may even be positive. Government can fuel this powerful economic growth engine by lowering taxes on mobile services, SIM taxes etc.

Government can also help in reducing the cost of setting up infrastructure. A new government policy in India mandates the sharing of base station towers every new rural tower has to be shared by three

operators. This not only lowers cost to the operators but also reduces pressure on fuel etc.

The single most important measure that government can take to boost mobile coverage is to liberalise its telecom market, rest will fall in place as all these services are being run by operators as sustainable, profit making business. Mobile operators are often criticised on making excess money, though the statistics of outward remittance is nowhere close to the investment. We must realise that there is nothing wrong in making profit and history of economic development says only profit making companies can sustain in the long run and can ensure distribution of their profits for right causes too.

We, as independent citizens of the country, cannot be isolated from the benefits of technology we have to appreciate that only due to the private telecom operators, average call charges have come to an affordable level and we can now connect with our near and dear ones across the world. This sector only deserves due appreciation and support from the government and the people who believe connectivity can empower people, integrate people with shared vision and ensure growth at the 'bottom of the pyramid'.

The writer is a banker and economic analyst.