

International Business News

WTO wants more transparency In China trade policies

AFP, Geneva

China should enhance the transparency of its domestic regulations and standards, according to World Trade Organisation member states after a review Friday of Beijing's trade policies.

At the same time, China should also improve protection and respect for intellectual property rights, they said.

The China review, part of a regular process for members every four years, was good overall, said Clem Boonekamp, director of the WTO's Trade Policies Review Division.

Boonekamp noted that delegates offered "a significant amount of commendations" on the progress China has made to its trade regime but at the same time, the issue of transparency appeared to be a main sticking point.

"Every delegation mentioned ... the area of transparency," Boonekamp told reporters in Geneva.

Members found that Chinese regulations "remain complex or even opaque. This is particularly (so) in domestic regulations but also in technical standards and perhaps in other areas like government procurement," Boonekamp said.

Bharti Airtel says S Africa's MTN merger talks off

AFP, New Delhi

Merger talks between India's biggest mobile phone services firm, Bharti Airtel, and South Africa's flagship MTN Group have been called off, the Indian company said in a statement on Saturday.

"Bharti has decided to disengage from the ongoing talks and has conveyed the same to MTN," the statement said.

Bharti, led by billionaire founder-chairman Sunil Bharti Mittal, said the talks collapsed over a new ownership structure proposed by Johannesburg-based MTN that would have involved "Bharti Airtel becoming a subsidiary of MTN."

"Bharti's vision of transforming itself from a home grown Indian company to a true Indian multinational telecom giant, symbolising the pride of India, would have been severely compromised and this was completely unacceptable to Bharti," the Delhi-based company said.

China bank regulator writes off bad loans after quake

AFP, Beijing

Millions of dollars in bad loans caused by China's massive earthquake will be written off in an effort to help disaster victims, the nation's bank regulator said Saturday.

"If borrowers suffered huge losses that cannot be covered by insurance, or if the insurance or guarantees are not enough for the debts, the loans should be regarded as bad loans and written off in a timely manner," it said.

The move was aimed at reducing the debt burden of the region ravaged by the earthquake, the China Banking Regulatory Commission said in a statement posted on its website.



Thailand Prime Minister Samak Sundaravej (C) accompanied by Philippine Agriculture Secretary Arthur Yap (R), checks meat products during an inspection of prices of basic commodities at a market in Manila on May 23, 2008. Thailand's prime minister pledged to sell rice to Manila at 'negotiable' rates during his talks with Philippine President Gloria Arroyo.

Brussels seeks to boost financial watchdogs

AFP, Brussels

The European Commission said Friday it would try to reinforce the European Union's financial overseers following the turbulence on world markets caused by the housing credit crisis in the US.

"The financial turmoil has shown that we need to upgrade the current supervisory architecture," EU Internal Market Commissioner Charlie McCreevy said in a statement.

He suggested a series of "result-oriented initiatives that will strengthen European supervisory and stability arrangements" to clarify and reinforce the roles of the Committees of Supervisors -- three bodies in which representatives from EU member states oversee banking, insurance and occupational pension operations.

Food, energy inflation likely trimmed Philippines growth

AFP, Manila

Food and energy inflation likely capped Philippine economic growth to between 5.2 and 6.2 percent in the three months to March, Economic Planning Secretary Augusto Santos said Friday.

This would be down sharply from 7.4 percent posted in the last three months of 2007, when the Philippine economy grew 7.3 percent for the whole year, the fastest in 31 years.

Santos said high food and energy prices likely hit consumer spending in the first quarter.

"A slowdown is expected but I don't think the first-quarter figure will be very disappointing. Corporate earnings were not as bad as previously anticipated, while government spending likely contributed to overall growth," said Jonathan Ravelas an analyst with Banco de Oro.

FOOD SECURITY

Challenge of securing 'Right to Food'

DEBAPRIYA BHATTACHARYA

In our continued efforts for actualisation of human rights across the world, we are transcending an important threshold in discharging the mandate of the Human Rights Council (HRC). For the first time a special session on a thematic issue is being held at the Council. Bangladesh, a co-sponsor of the session, reckons that there could not have been a more worthy subject for this maiden special session, i.e. the state of Right to Food in the face of brewing global food crisis.

Nature of the Problem

Let me dwell briefly on the nature of the crisis we are dealing with. Estimates indicate that about 900 million people throughout the world chronically go hungry and under-nourished, notwithstanding record growth of food production in the last decades. Indeed, nearly 40,000 children die of malnutrition and diseases everyday. And these people are poor, disadvantaged and vulnerable, and they live in both developed and developing countries. However, this situation is most acute in the Least Developed Countries (LDCs) that are overwhelmingly net-food importing countries. Bangladesh happens to be one of these countries.

The precarious hunger, malnutrition and poverty situation in the Net Food Importing Low Income Countries (NFILICs) have become further fragile due to the soaring food prices in the recent months. World food prices by March 2008 were more than two and a half times higher than that in 2002. Between January and March 2008, wheat export prices rose by US\$ 65 per ton and rice export price by US\$ 197 per ton. Indeed, in last one year global prices of rice shot up by a staggering 222 percent and palm oil by a whopping 91 percent. Countries, like Bangladesh, with their stable exchange rate had to endure highest impacts on domestic prices of foodgrains.

The emerging consensus on the determinants of the emerging global food situations indicates a perverse convergence of a diverse set of factors. These are high oil price and rising energy costs, falling value of US\$, crop loss due to droughts in a number of major grain producing countries, enhanced demands for bio-fuels, increased consumer demand in high growth economies, lower stocks and increased price volatility. Panic buying by large importers, export restrictions by key exporters and restrictive business practices have further aggravated the situation.

We also need to underscore the challenges posed by climate change to the food production scenario. The UN Intergovernmental Panel on



Estimates indicate that about 900 million people throughout the world chronically go hungry and under-nourished, notwithstanding record growth of food production in the last decades.

Climate Change (IPCC) has predicted that over the next 100 years, a one metre rise in sea levels would flood almost a third of the world's crop-growing land. This is an alarming prospect.

Impacts of the rising food prices are having serious multi-dimensional deleterious impact on the global poor, particularly those living in the NFILICs. Shooting prices are contributing to high food inflation coupled with rising non-food commodity prices. Enhanced food import bills are affecting balance of payment (BOP) of these economies and triggering diversion of funds from priority developmental needs. The 25 Asian NFILICs have to spend an extra US\$ 6 billion on food import in 2008, i.e. about 24 percent more.

However, the most disturbing feature of global food price rise happens to be its entrenched and adverse distributional impact across countries and among households. The NFILICs remain the most affected group of countries in this context and they happen to host the largest share of global poor. On average, more than one-third of their population subsist on less than US\$1 a day and about two-third on less than US\$2 a day. The poor households in the NFILICs are disproportionately affected by this negative global development as they are systematically food deficit households and their wage rates do not proportionately adjust to increase in costs of living. Consequently, rising food prices may not only wash away their hard earned poverty gains, but also deepen poverty syndrome and

make attainment of Millennium Development Goals (MDGs) elusive.

The other piece of disquieting news is that this upward trend of food price is not expected to reverse in the near future, even when global food supply experiences record growth. It will take time to replenish the depleted stocks and even if the prices come down a bit, they will possibly never be low. According to the forecast of the Food and Agriculture Organization (FAO), world cereal production in 2008 is to increase by 2.6 percent to a record 2164 million tonnes, but such increase will be marginal in the NFILICs.

In this connection, let me point out that, from the perspective of Right to Food, availability of food in the market is irrelevant if the poor cannot buy the surplus. This phenomenon has been described as "entitlement failure" by Nobel laureate Amartya Sen. This implies that we shall have to devise not only short term emergency measures, but also medium term programmes to address this structural imbalance in global food access scenario. Understandably, the major determinant of sustainable Right to Food is effective "Right to (Gainful) Employment". Inability to do so will not only undermine our development efforts, but may also lead to widespread discontent, social unrest, economic paralysis and political instability. We are already witnessing some of these phenomena in certain NFILICs.

Addressing the Challenge

It is in this backdrop we face the challenge of enforcing Right to Food of

our citizens. Providing access to food has been the moral obligation of the rulers from the dawn of civilization. However, it is only in democratic societies, this moral obligation has been transformed to a human right. The Universal Declaration of Human Rights vide Article 25 and numerous international covenants have given a claim to the poor, vulnerable and disadvantaged groups and individuals to enforcement of this right. Along with deepening of global economic integration, the custody of enforcement of right to food has transcended from nation state to global community. Thus, when a global food crisis looms large on us, it becomes imperative for the HRC, along with its international, regional and national interlocutors, to seek policy-based legal and procedural remedies for securing the rights to food of the poor, particularly for those living in the food-deficit income-poor countries.

The immediate priority now should be to feed the hungry. Donors must act swiftly to support the World Food Programmes' (WFP's) call for US\$ 755 million to meet emergency needs. The global community should be able to afford this. The UNICEF should be supported so that it can ensure basic nutrition for the deprived children. Concurrently, international development partners should help the national governments to strengthen emergency safety nets and other social protection measures. The World Bank, regional development banks and the IMF should provide fast-disbursing balance of payment support to

underwrite incremental food import bills. We also need to revive functioning of the international grain market by lifting export bans and releasing stocks on markets. Further, food-competing subsidy-driven bio-fuel production has to stop.

In the meantime, the disaffected countries have abolished import tariffs on cereal import, reduced taxes on fuel for transport and irrigation, increased agriculture input subsidies, enhanced minimum purchase price of foodgrains, disbursed rice at subsidized prices and broadened free feeding of vulnerable groups. However, all these measures are creating unsustainable fiscal pressure on these economies.

In the medium term we shall have to overcome this structural and systematic imbalance impeding effective access to food by way of repositioning agriculture as an overriding development priority in our countries. As the national governments are taking initiatives to review their development expenditure package, the international development partners would have to provide incremental finance to underwrite investment for improving agricultural productivities.

An attendant concern in this connection relates to the prevailing asymmetric power relation among the agri-input suppliers, food producers and food marketing agents. A non-competitive vertical market structure is further distorted by dominance of a handful of corporations protected by an intellectual property right (IPR) regime. There is a strong need for these market intermediaries to act responsibly in support of ensuring human right to adequate food.

Bangladesh has been a humble promoter of establishment of the United Nations Task Force on Global Food Crisis with the UN Secretary General in the chair. We expect the Task Force will come out with a Global Food Crisis Response Programme at the earliest. We are also pinning great hopes on the High Level Conference on World Food Security, the Challenges of Climate Change and Bio-Energy scheduled in Rome in the first week of June 2008. We trust that the Rome Conference will address not only the emergency needs for protecting the poor from hunger and malnutrition, but will also engage in resolving the fundamental problems of food security, i.e. securing Right to Food.

The writer is the ambassador and permanent representative of Bangladesh to the World Trade Organization (WTO), United Nations offices and other international organizations in Geneva and Vienna. This article draws on his statement at the Special Session of the Human Rights Council (HRC) on "Right to Food" held in Geneva on 22 May 2008.

COLUMN

Demystifying call centres

In the last couple of months I have faced a barrage of questions on call centres that range from 'what are they' to 'how do you set them up'. But interestingly nobody asked the obvious 'how do you make money at it', indicating that most people are convinced it's a money spinner and they are destined to claim a share of this cyber (read virtual) bounty in no time. Well, whether call-centres can make you really rich or leave you with a bag of airy day-dreams really depends on your due diligence before you start one, but then again tell me for which business it is not true.

In laymen's terms call centres are a collection of telephone operators (called 'agents' in call centre parlance) bundled together under one roof. Why would anyone want to do that? Primarily for customer service, especially for businesses that handle large numbers of retail customers such as airlines, insurers, banks, utilities, telecom operators and such others. Bangladesh is not new to call centres -- all mobile operators and many banks (especially transnational ones) have been using call centres to provide customer service for a number of years now.

Then why this sudden craze about call centres? Essentially the opportunity to tempt international buyers of call centre services, a business opportunity that only opened up last month with the formal licensing of call centres by the Bangladesh Telecom

Regulatory Commission (BTRC).

Why would anyone consider going into this business? Well, the fundamental driver of call centre outsourcing or for that matter any business process outsourcing (BPO), of which call centres are one, is 'wage arbitrage'. A call centre agent costs \$40 an hour in the USA whereas a call centre agent in Philippines or India and soon Bangladesh may cost anywhere between \$5 to \$15 an hour. The economic gain for the client in USA is easy to see in the maths. Of course there are some productivity/efficiency factors attributed to lack of proficiency in the English language, unfamiliarity with the cultural contexts of the customer demography, accents and plain lack of conversational skills. But even with a 50 percent productivity factor the client can save a bundle.

So it should be easy to make money off call centers. Wrong. There are several factors that make operating call centres a constant challenge, it's certainly not a 'set up and forget' type of business. The first and most formidable challenge is locating, training and retaining (with a big R) call centre agents. Even in India and Philippines where the English language is assumed to be second nature, 'agent-quality' English conversation skills are hard to come by.

Based on my personal interviews with Indian call centre entrepreneurs and consultants last year I found out

that only 10 percent of those interviewed qualify for training, after training 50 percent qualify as agents and the most scary part, even those who join the workforce only 40 percent are retained a year later. What this means is that for call centres a major part of on-going operations is Human Resource administration. The HR department has to continuously seek applicants, screen them, test them, train them and motivate them to perform better and stay with the job. The employee turn-over rates for call centres are so high compared to other industries that it's called a 'churn rate'. Interestingly the churn rate is also high in countries where English is the native language such as in USA or UK. The primary reason for this is that answering calls from or making calls to total strangers for hours on end saying the same things can be very tedious and tiresome.

In Bangladesh the captive call centres operated by the cellphone operators have experienced not-so-high churn rates, however the situation for overseas call centres dependent on English-speaking agents could be different.

The other major challenge for Bangladesh is infrastructure, mainly uninterrupted power and internet at competitive prices. For power we know for a fact that we cannot rely on the national grid. Here the only option is to have full-cycle power generators in duplicate to provide two levels of backup for power fail-



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ures. This will increase initial capital expenditure but the operating expenses can be managed only if the government ensures supply of natural gas to drive the generators. For uninterrupted internet the government must continue to provide Satellite backup to the submarine connection until we get a second (or backup) submarine connection. The internet bandwidth tariff including the satellite backup support must be set at or below those prevailing in the region. Many of us are not aware that

even at \$60 per Mbps and 0.5 US cents per VoIP minute bulk rate to the US/UK, nearly 50 percent of the operating expenses of a call centre in India today is for internet bandwidth and telephony.

Despite the challenges let the call centre season begin in earnest but let's also check the facts and feasibility dispassionately before jumping headlong into it.

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