

International Business News

Thailand mulls price supports for rice

AFP, Bangkok

With the threat of farmers' protests hanging over the embattled government's head, Thailand's premier has floated a scheme to buy local rice at inflated prices, the government said Thursday.

Export prices for Thai rice hit a record high this year. Prices have softened over the last month but remain steep, with benchmark Pathumthani fragrant rice selling for 938 dollars a tonne, up from 512 dollars in January.

But farmers say that millers and exporters are not passing along those gains. Faced with rising costs for fuel and fertilizer, farmers say they are struggling to break even and have threatened to launch protests.

Prime Minister Samak Sundaravej proposed in a statement that a government bank would buy rice from farmers at 14,000 baht (428 dollars) per tonne -- a 40 percent premium over the going rate.

India seals investment pact with Myanmar

AFP, New Delhi

India's cabinet cleared on Thursday the signing of a decade-long investment pact with military-ruled Myanmar, part of efforts to woo its energy-rich neighbour.

The agreement comes amid sharp criticism by the global community of Myanmar's cyclone relief efforts and long-standing international calls for India to pressure the junta-ruled nation to shift to democracy.

India was until the mid-1990s a big supporter of Myanmar's pro-democracy icon Aung San Suu Kyi. But it has since cultivated ties with the junta as it sees Myanmar as an important source of energy to power fast economic growth.

"The union cabinet gave its approval to the bilateral investment promotion and protection agreement with the government of Myanmar and its ratification," Information Minister Priya Ranjan Dasmuni told reporters in New Delhi.

United Airlines to slash fleet, jobs amid soaring fuel prices

AFP, Washington

United Airlines on Wednesday said it was cutting fleet and operations and eliminating up to 1,100 additional jobs to compete amid soaring fuel prices and a weakening US economy.

United, a unit of UAL Corporation, said it would reduce its mainline domestic capacity by 17 percent to 18 percent over the 2008 and 2009 period and remove 100 aircraft from its mainline fleet.

The company said domestic capacity in the fourth quarter would be reduced by 14 percent from the same period in 2007.

As part of its plan to reduce the size of its operations, United expects to reduce the number of salaried and management employees and contractors by 1,400 to 1,600 by the end of the year. The work force reduction includes a previously announced reduction of 500 employees.



An elder man takes a break along the walkway of the City Hall building in Singapore on June 4, 2008. Singapore's annual inflation rate rose to a new 26-year high of 7.5 percent in April as food, housing and transportation costs soared and is now a risk to the economy, the government said May 23.

Sweden rejects France Telecom's bid for TeliaSonera

AFP, Stockholm

Swedish Finance Minister Mats Odell said Tuesday that the government believed a 33-billion-euro (51-billion-dollar) bid for Swedish-Finnish operator TeliaSonera by France Telecom was too low.

The Swedish state is the largest shareholder in the company, holding a 37.3 percent stake.

"My preliminary conclusion is that the bid from France Telecom does not correspond to TeliaSonera's full potential and worth. I thus share the TeliaSonera board's interpretation of today's bid," Odell said in a statement.

The TeliaSonera board of directors decided unanimously to reject the France Telecom proposal, worth about 33 billion euros (51 billion dollars), saying it "substantially undervalues the company."

The Swedish state has previously announced plans to sell its stake in the phone group, along with its holdings in five other companies. In May 2007 it sold eight percent of TeliaSonera to institutional investors.

TRADING HISTORY

400 years of commercial Dhaka

SAYEDA AKTER

Big coal engine wooden ships leaving the jetty on Buriganga, filled with famous fine Muslin cloths, jutes, blue and soaps to the way from Mediterranean Sea to Europe, Indian Sub-Continent to Jeddah and Basra in Middle East via Padma, Meghna river.

Not only through the river, Muslin, jutes, blue and soap were also exported through terrain routes, alias 'Silk Line' route through the mountains of China and India to Europe via Lebanon, today's Lebanon, with using camels, horses and donkeys as vehicles.

People were then used to do business either in trading, meaning goods against goods or in gold, silver and cowry, the shell of the cowries formerly used as money in parts of Africa and Asia.

It's no tale. All about the ancient Dhaka.

This year Dhaka observes its 400th anniversary and Dhaka Chamber of Commerce and Industries (DCCI), in association with Bangladesh Asiatic Society, have taken an initiative to write down the Commercial History of Dhaka.

An 11-member committee has been formed on this regard to oversee the regular activities of the project and arrange regular seminar and workshop to review the history written so far.

Professor Dr. Sirajul Islam, president of Bangladesh Asiatic Society, said, 400 years ago, while Dhaka started growing the attention of the rulers as an important city, it was already a famous city for Muslin and jutes, leather, cotton, bell metal, pewter and brass.

Dhaka grew as a metropolitan in 1608 under the Mughal rule, the city was then known as Jahangir Nagar, named by Mughal Emperor Jahangir and



A view of Dhaka's Sadarghat terminal on the Buriganga. In the 1820s, the offices of the Magistrate and Collector and many other offices gradually moved eastwards to the areas near Sadarghat and the localities north of it grew up as the new city centre, according to Banglapedia.

was a commercially important city of that time.

Afterwards, day came when Muslin was no longer in existence in the world except in museums and the city's golden fiber jute also lost its good days.

Prof Islam said, after witnessing lots of political and economical adversity, the 400 years old city is now the center of political, economic and cultural life in Bangladesh.

He said now the city has the most diverse economy

amongst Bangladeshi cities and has seen a modernization of industrialization, transport, communications and public works.

With huge transformations, Dhaka has grown accustomed to be a commercial city with leather industry, cotton, bell metal and pewter, button, glasses, printing and publication, ceramics tiles and most importantly ready made garments (RMG).

Delwar Hasan, editor of the 600 pages book, said the job of

accumulating all the oral history and information from other historical references is very tough.

"It is tough to accumulate information from different sources, many of which are oral sources, but it will be very useful for the people interested to know about the rich commercial history of Dhaka and obviously the next generation," he said.

"The project has another objective to make a guideline for future entrepreneurs and

business initiators of the country to make their plan using this resources," he added.

Hossain Khaled, president of DCCI, said the initiative was taken to remark the 400 anniversary of Dhaka and 50th anniversary of DCCI.

"We found that there is no such written history on Dhaka's commerce and industry, which could help people to know about the rich history of the city," he said.

"DCCI decided to take an initiative to record all the writ-

ten histories that we found in different history books and the histories we heard from pioneer businessmen and entrepreneurs," he added.

He said the project of writing the history was started in November 2007 and DCCI has allocated an amount of Tk 20 lakh for its English version, and the Bengali version -- that is yet to start -- would get the same budget.

The commercial history of Dhaka would be uncovered this October.

ANALYSIS

What goes up must come down

RUCHIR SHARMA

Just as the El Niño phenomenon is bandied about to explain away any weather disturbance, economic analysts these days impulsively attribute all major trends to the "Chindia" factor. However, the myth has again transcended the truth. And nowhere is this more apparent than in the discussion of oil.

China is indeed a trendsetter when it comes to most commodities, typically accounting for 25 to 30 percent of total demand in various base metals and bulk commodities. But on the oil front, the United States is still the 800-pound gorilla of that market; it consumes nearly 25 percent of the world's total output, compared with 9 percent for China.

India is far from being a major player in the commodity arena, accounting for no more than 5 percent of global demand for any major commodity and just 3 percent of the world's oil demand.

To be sure, much of the incremental demand for oil in the past few years has come from the explosive growth in emerging markets such as China. However, over the past few months the uptrend in many commodities has been moderating. This suggests economic growth is coming off a boil, even in Chindia. Combined with increasing evidence of lower oil demand in the developed world, the

implication is that the price of oil is really running on empty this year.

There are widespread signs that the surging oil price is leading to demand destruction in the largest consumer of oil the United States. From reports of the sharpest ever year-over-year drop in miles driven, SUV sales falling off a cliff and cutbacks airlines are making to their flight operations, US consumers are clearly coming under severe stress. Oil spending as a share of the global economy has risen to more than 7 percent, a level last seen in late 1979. What happened next is instructive: from 1980 to 1983, the consumption of oil fell by 10 percent, and it took another seven years for oil consumption to reach the 1979 peak level of consumption. The length of the cycles may vary, but in the end, oil, too, is a cyclical business.

In inflation-adjusted terms, the price of oil got back to the 1979 level only earlier this year after having risen by a factor of nine in the 1970s. The price of oil has again risen by 90 percent over the past decade and the global economy is at last at a choking point, where it just cannot withstand a higher oil bill. Various emerging-market countries from Indonesia to India are not able to sustain the ballooning oil subsidies any longer and have no choice but to pass on the cost of higher oil to consumers. Until



Cezar Bonifacio changes a gas price display in San Francisco. Oil prices bolted to a new record above \$132 a barrel recently.

late 2007 the rise in oil prices did not pose a problem for the global economy, as it largely reflected booming economic demand in the developing world and a steady situation in the United States. But over the past six months, the price of oil has risen at its fastest pace in recent history, even as economic demand has slowed.

All price setbacks in oil over the past three decades have been demand- and not supply-

led. Still, the oil bulls are willing to ignore evidence of demand destruction and are instead obsessed with supply issues. While there may be some merit in the increasingly fashionable "peak oil" theory, which essentially postulates that the world will have consumed most of its oil within a 300-year period, there is no evidence that world oil production is peaking today. The crude-oil market is currently well supplied, and production

is expected to grow by 1.5 to 2 percent this year.

The obvious question, then, is: why are oil prices rallying so violently of late? Well, because that is how markets typically behave at the final stages of a powerful bull run. Prices get disconnected from fundamentals and enter a blowoff stage as everyone wants a piece of the action. Financial flows into oil-dominated commodity funds in just the first quarter of this year exceeded

the entire 2007 influx. The price of oil has more than doubled over the past year after rising steadily at an annualised rate of 35 percent in the preceding five years. The NASDAQ had a similar blowoff in the year leading up to the major top in March 2000. In another telling sign, currently six of the world's 10 largest companies by market value are energy firms. Back in March 2000, technology stocks occupied an identical position in the global top 10.

Of late, the world seems split between oil and non-oil nations, with all the producing economies booming while their consuming counterparts are threatened with oil-induced stagflation, meaning slowing growth and rising inflation. Over the past three years, net oil-importing countries have transferred more than \$3 trillion in wealth to oil-producing nations. At the current price of oil, the annual wealth transfer is nearly \$2 trillion. However, there is a limit to which the fortunes of the oil-producing and oil-consuming nations can diverge. With evidence of demand destruction mounting in oil-consuming countries, it will not be long before the term "peak oil" invokes images of a peak in both the price of oil and its demand, rather than fears that the world is running out of oil.