

International Business News

IRRI seeks ties with China to help boost rice output

XINHUA, Manila

The Philippines-based International Rice Research Institute (IRRI) said recently that it seeks to deepen collaboration with China to help developing nations boost rice production.

"Given the current world rice situation with high prices and an urgent need to boost productivity, the IRRI-China relationship will only become more important in the coming years," said IRRI Director General Robert Zeigler in an e-mail interview with Xinhua.

IRRI has just received one of China's most prestigious scientific awards, the international science and technology cooperation award, for its contribution to accelerate China's rice science development by imparting rice technologies to China and training Chinese scientists.

IRRI is the first international organisation to receive the award, which has been only granted to foreign individuals in the past.

Zeigler said the China-IRRI partnership will continue to grow from strength to strength, with China's experience and funding support becoming more important to developing nations faced with a rice supply shortage.

He praised China's long history of innovative and successful rice research and said the hybrid rice technologies, in which field China is a world leader, are playing "a key role in boosting rice production in several nations."

Suez, GDF say regulator approves creation of world energy giant

AFP, Paris

French energy groups Suez and GDF said on Monday they had cleared a hurdle in a tortuous state-guided scheme to create a top global energy giant, also spinning off a world-class utilities group.

They revealed that on Friday the French financial regulator AMF had approved the complex deal, intended by the French government to create a national champion energy despite misgivings by EU authorities.

Suez chief Gerard Mestrallet, who will head the new GDF Suez group, said: "The 22nd of July will mark the creation of two world leaders: one in the field of energy and the other in the field of environment."

The scheme, which has been through delays and redrafting to take account of political sensitivities, amounts to the majority privatisation of GDF Suez is also spinning off its environment utilities, with the effect of reducing the weight of Suez in the new GDF Suez.

Earlier this month, the boards of the two parent companies approved the new structure.



AFP

Japan's auto giant Honda Motor president Takeo Fukui displays the next generation fuel cell vehicle "FCX Clarity" after the line-off ceremony at the company's new model center at Takanezawa town in Tochigi prefecture, 100km north of Tokyo on June 16, 2008. American Honda Motor will deliver the vehicles to the first customers in July.

Honda starts producing next-generation fuel cell car

AFP, Takanezawa

Honda Motor Co. on Monday began producing a next-generation fuel cell vehicle that it hopes will propel zero-emission cars running on hydrogen closer to the mainstream.

Japanese automakers are in a race to produce fuel-efficient, environmentally friendly vehicles amid soaring prices at the pump, spreading their bets on an array of technology including hybrid, electric and fuel cell automobiles.

Honda said it would set up the first network of sales dealers in the United States for fuel cell vehicles.

Honda plans to deliver about 200 FCX Clarity fuel cell vehicles on lease in the US and Japan in the first three years of production.

The Japanese automaker already has 35 previous generation fuel cell vehicles on lease contracts, mostly with Japanese and US public institutions. It hopes the new version will have more widespread appeal.

"With the new model, we are shifting our focus to individual customers. This will be a real stepping stone to the consumer market," said a Honda spokesman.

Lanka's trade gap doubles on oil imports

AFP, Colombo

Sri Lanka's trade deficit widened to more than two billion dollars in the first four months of the year as imports of oil erased export gains, central bank figures showed Monday.

Imports from January to April rose to 4.53 billion dollars, up from 3.29 billion dollars in the corresponding period last year, the bank said. Exports grew marginally to 2.48 billion dollars, up from 2.23 billion dollars.

Despite the trade balance widening 92.4 percent in the first four months of the year, the overall balance of payments recorded a surplus of 320 million dollars, the bank said.

It did not say how the overall balance of payments improved, but official sources said better than expected foreign remittances from Sri Lankans working abroad had seen a big inflow of foreign exchange into the country.

INTERVIEW

Regulators must appreciate banks' business models

SAJJADUR RAHMAN

A bank's business depends on the nature of its business. It seems obvious, but according to Muhammad A. Rume Ali, chairman of BRAC Bank, it's a truism that banking regulators in Bangladesh seem to have missed.

Since early this year Bangladesh Bank, the country's central bank, has been pushing hard for commercial banks to reduce their lending rates which the regulator claims are simply too high.

BRAC Bank Limited (BBL), with interest rates ranging from 17 to 25 percent on some of its products has not been able to escape the scrutiny.

But talking at BBL's head office in Gulshan, Ali, himself a former deputy governor of Bangladesh Bank, crisply puts forward the bank's defence.

Different banks have different models of activities, he explains methodically. These can be divided into retail banking, corporate banking, private banking, investment banking, Islamic banking, merchant banking, SME banking etc.

"Regardless of what the bank's business model is, their earnings come from lending and services. But the income or rate of interest charged is determined by the bank's business model, pricing, risks undertaken, distribution costs and administrative costs," he continued.

"Interest rates of a bank that concentrates on SME or retail banking and interest



Muhammad A. Rume Ali, chairman of BRAC Bank, talks to The Daily Star. He says it's a truism that banking regulators in Bangladesh seem to have missed.

rates of another bank that focuses on corporate or merchant banking will not be the same. Interest rates of a SME bank will be higher because of their high operational expenses in terms of managing a large portfolio of small accounts," said Ali.

"We cannot just reduce the rates like other banks that carry out corporate banking,"

said Rume Ali, who is one of the pioneers of retail banking in Bangladesh. He described the BBL model as perhaps being one of the few private sector banks that generates deposits from the urban centers and redistributes it to the rural areas through their SME programme.

"If the regulator continues to further press us for a rate

COMPARATIVE POSITION OF SOME SIMILAR-SIZED BANKS AS ON DEC 31, 2006				
	BRAC	Mutual Trust	Premier	Al-Arafah
Avg. Advance	1,568	1,648	1,477	1,445
Net Interest Margin	8.85%	5.34%	5.43%	4.81%
Operational Profit	105	97	67	98
Operational Expenses/Advance	49.28%	24.81%	40.18%	27.94%
No of staff	3,055	470	580	912
Branches	26	25	23	46
Net profit Margin	4.47%	5.34%	4%	6.02%

cut, banks that provide much-needed credit to the small and medium enterprises (SME), will lose interest to continue," he warned. However, he applauded the Bangladesh Bank's recent initiative to allow banks to open SME service centers in places where there are no branches. This will enable banks to provide efficient services through automation.

Operating expenses for an average BBL loan and advance is over 49 percent, which is the highest among all the banks operating here, according to figures taken from the Bangladesh Association of Banks (BAB) for 2006, while operating expenses of other commercial banks hover around 24-35 percent.

"BBL charges interest rates two-thirds more other similar-sized banks, and so our profit should also be substantially high. Interestingly, our operating profits are about

the same level as other banks," he highlighted.

He attributed BBL's high operating expenses to the business model, particularly to its labour-intensive procedures and their concentration on rural and semi-urban customer base. "We require five times more staff than other banks of similar size because of our business model," he explained.

BBL's lending is concentrated on the SME sector with most loans being small and collateral-free. The average size of a loan is Tk 5 lakh and the bank has so far disbursed Tk 5,000 crore to more than 100,000 SME customers. Of these clients, 60 percent are semi-urban and rural customers.

BBL collects various loan installment payments and other payments through other banks that have branches in the rural areas. The intermediary banks charge them a certain amount

for the services they render. "This adds to the cost of doing SME business," the BBL chairman said.

"If we were to slightly drop margins, the profitability of the bank, maintaining the SME based business, would fall drastically," he said. "The other remaining option would be to change our business model and operate like other private commercial banks and abandon our involvement with the SME sector."

"This move will obviously bring down the bank's operating expenses, but it will trigger a loss of employment and stop small businesses from flourishing," he cautioned.

Ali said BBL could not be compared with other commercial banks that conducted 80 percent of their banking with the corporate sector.

In an attempt to reduce the spread (gap between lending and deposit rates), Ali said they are trying to enhance efficiency of procedures and introduce electronic payment systems so that there will be a positive impact in the market. He suggested that they could expand their distribution network and that would cut costs by eliminating the dependence on intermediary banks to reach their customer base.

BBL has sought permission to open 200 SME service centers to augment their rural banking. "We want to enter rural banking and these SME centers will help us a lot in this regard," he observed.

sajjad@thedailystar.net

NANOTECHNOLOGY

Tiny science tests Russia's hi-tech ambitions

AFP, Saint Petersburg

In the world's largest country, tiny objects measured in billionths of a metre are the future of the economy -- or so the government claims.

Scientists across Russia are setting their minds to new inventions to net some of the billions of state dollars being poured into the field of nanotechnology. But they remain sceptical after years of neglect by the government.

Thermal cameras to detect breast cancer, sensors for spotting pipeline leaks and special coatings to prolong the life of industrial equipment were among the nano-devices on display at a business forum in Saint Petersburg this month.

"I think we will soon be able to give the world more than just military technology, vodka, satellites and perestroika," said Leonid Melamed, head of a new nanotechnology state corporation, Rosnanotekh, speaking at the forum.

"These inventions will take the world by storm," he said.

Nanotechnology involves the use of tiny structures measured in nanometres -- one-billionth of a metre -- that scientists can manipulate to create items as varied as solar heating panels and human organs.

Rosnanotekh was set up last year with a budget of five billion dollars (3.2 billion euros), an unprecedented level of funding for Russian scientists starved of resources since the 1991 Soviet collapse.

The corporation aims to make the creations of Russian scientists commercially viable and, through co-financing, to promote private investment -- the main source of technology funding in countries such as Japan and the United States.

But scientists remain sceptical, arguing that so far they have seen no tangible signs of increased state funding for science and that it could take decades to rebuild a sector that crumbled with the Soviet Union.

"Science needs state support. So far that's just not happening," said Mikhail Shcherbakov, director of Moscow's IRTIS science institute.

The sector could be a litmus test for Russia's wider goal of reducing its dependency on oil and gas revenues and going hi-tech -- a giant task considering the collapse of science after the fall of the Soviet Union.

Driven by a mixture of directives and idealism, Soviet scientists were successful in fields such as space technology. But the sector was always

oriented more towards military advances than civilian applications.

With the removal of state funding after the Soviet collapse, hundreds of thousands of scientists emigrated to places such as Silicon Valley. The often remote research institutes they abandoned largely stagnated.

Brand names in electronics shops in Russia are now almost invariably from countries such as Germany, Japan and the United States. Russia has no popular makes of mobile phones, computers or domestic appliances.

Russian officials are hoping all that will change. When Rosnanotekh was set up last year the then president, Vladimir Putin, said nanotechnology was "a key direction" for the country's economy.

Another current buzzword is "technology clusters," which the government hopes will be based around research institutes and universities to develop inventions and bring them to market more efficiently.

The global market for nanotechnology will be worth 2.9 trillion dollars by 2014, according to research data shown at the forum. Russia has signalled it wants to be up there with industry leaders such as the United States.



This April 2007 photo shows Mikhail Kovalchuk (R), director of Kurchatov Institute Nuclear Research Center, talking to Russian President Vladimir Putin (2L) during a visit to the Cinchrotron Radiation and Nanotechnology Center in Moscow. Scientists across Russia are setting their minds to new inventions to net some of the billions of state dollars being poured into the field of nanotechnology.

But scientists have voiced doubt that state funding will be used efficiently and say the gap between a science sector still stuck in the Soviet era and companies out to make a fast buck could take time to overcome.

"It's a bit like a car. You need the wheels and the chassis and the engine to work together. Then when you add the fuel it works," said Kirill Gogolinsky, a researcher at the TISNUM carbon research institute outside Moscow.

"There's a clear imbalance with the energy sector. Technology requires long-term investment, while energy investments give very quick results -- you just need to drill a hole and turn the tap."