

International Business News

ArcelorMittal agrees to buy US coal mining group

AFP, Paris

Arcelor Mittal, the world's biggest steel producer, said Monday it had agreed to buy US coal mining group Mid Vol Coal for an undisclosed sum.

Mid Vol, based in Virginia and West Virginia, produced 1.5 million tonnes of coking coal last year and has reserves of 85 million tonnes.

"This acquisition further increases our upstream self-sufficiency in a primary raw material," said finance director Aditya Mittal in a statement.

ArcelorMittal is the biggest buyer of Mid Vol's coking coal, used to produce coke, which is a key raw material required in the steel-making process.

The acquisition fits with the company's strategy of buying mining groups to acquire its own supply of raw materials at a time of rapidly rising prices.

The company, controlled by Indian-born steel tycoon Lakshmi Mittal, has recently bought stakes in South Africa's Coal of Africa, Australian mining group Macarthur Coal and has bought three mines in Russia.

Malaysia-US trade talks resume July 14

AFP, Kuala Lumpur

Malaysia and the United States will begin their next round of talks on a free-trade deal on July 14, a minister said Tuesday.

The talks come after Malaysia indicated last month it would not compromise on the agricultural sector. The talks will be held in the US from July 14-18, deputy international trade minister Liew Vui Keong said.

"The meeting is aimed at solving several issues that have yet to be resolved," he said, according to state news agency Bernama.

The negotiations, which began in March 2006, reached an impasse at the seventh round in January.

Critics fear an agreement would leave Malaysia in a unfavourable trading position.

Malaysia's list of sensitive areas -- including environmental protection and the practice of giving Malay companies a leg-up in lucrative government contracts -- have bogged down the talks.

The United States, which is Malaysia's biggest trading partner, wants the deal to be struck before President George W. Bush leaves office in January 2009, warning that efforts on a deal could be ended after that.



A file photo shows a rancher in cowboy hat driving down Main Street in his pickup truck in Crawford, Texas. Until recently, one out of every four vehicle sold in Texas was a pickup truck and the roads were clogged with hulking sports utility vehicles. Rural residents have been particularly hard-hit by high fuel prices because they tend to have lower income levels and often have to drive for miles to get to the nearest store, doctor or even to visit their friends and family.

Shell, PetroChina, Qatar eye new China refinery

AFP, Shanghai

PetroChina said Tuesday it had signed a preliminary agreement with Anglo-Dutch oil giant Royal Dutch Shell and Qatar Petroleum International to study building a new refinery in China.

PetroChina would have a 51 percent shareholding in the new facility, while Qatar Petroleum International and Shell would each have 24.5 percent, the companies said in a statement.

They gave no details of the facility's cost, size or location.

PetroChina's chief executive Jiang Jiemen said the project would promote and strengthen cooperation with international oil companies.

The letter of intent was signed in Qatar's capital Doha and witnessed by Chinese Vice President Xi Jinping, who is on a visit to the Middle East where he is discussing the challenges posed by soaring oil prices.

China agrees to nearly double ore price

AFP, Shanghai

China's Baosteel said Tuesday it would nearly double the price it pays mining group Rio Tinto for iron ore, in a deal experts said underscored the Asian giant's lynchpin role in the commodity boom.

Baosteel, China's largest steel maker acting on behalf of the nation's industry as a whole, negotiated to pay between 80 and 97 percent more than last year depending on the category of iron ore, which is used to make steel.

"China is a major iron ore importer. So China's iron ore imports will certainly impact the world's iron ore prices," said Lim Shuaik, a Beijing-based analyst with Fitch Ratings.

The new prices will affect all iron ore deliveries for the 2008 contract year that began on April 1, Anglo-Australian giant Rio Tinto said in a statement.

Baosteel called the deal mutually beneficial and said it would help the long-term development of the steel industry on both the mining and milling sides.

STOCK MARKET

A pricey investment?

SARWAR A CHOWDHURY

At the end of May 2008, the price-earning (PE) ratio of Eastern Lubricants stock stood at over 366. That means if you had bought a share it would take 366 years before the company earned enough profits to equal the value of your investment.

Eastern Lubricants, a state controlled lubricant blender, may be an extreme case, but it is not alone on the Dhaka Stock Exchange (DSE) in having a high PE ratio. In one case the PE ratio is over 600.

A PE ratio is a company's current share price compared to its earnings per share. In general a high PE ratio reflects that investors are expecting higher earnings in the future or that there is a strong chance that they will be able to make a capital gain in the stock. In other words that the value of the share will increase and the investor will be able to sell it for more than he paid for it.

What is of more concern for many investors however, is not the peculiarities of individual stocks, but the average PE ratio for the DSE as a whole. This ratio stood at around 25 in May, a historically high level and evidence for some that the market is now overpriced and that a correction is on its way.

The market PE ratio started its upward trend in April last year when the ratio was 15.03. It crossed the 20 point mark in August last year and touched the 23 point mark in



A file photo shows investors look at the computer screens during trading hours at a brokerage house in the Dhaka Stock Exchange building.

November.

Certainly if you look at the Bangladeshi market in relation to others in the region there is cause for some concern. Although it is difficult to draw direct comparisons as Dhaka's PE ratio is based on historical earnings rather than earnings forecasts, the indication is that Dhaka is expensive. For example, the average PE ratio in Pakistan is around 14, in India 22, China 19.5 and Thailand 14.

"The PE ratio basically indicates that the stock market is overpriced," said one cautious investor.

The reasons given behind the sharp rise in stock prices and the fact that the rise has

become decoupled from earnings depend on who you talk to. Bullish investors say that with so much liquidity in the market and with so few stocks to invest in current price are sustainable. Indeed, they say that simple supply and demand will push prices higher.

The market is expanding gradually, but the supply side remains poor in comparison with the growing demand of investors, they say.

The bears say the market is simply being driven by retail investors chasing rumours and that sooner or later market fundamentals will force a correction or worse, a crash. Yawer Sayeed, managing

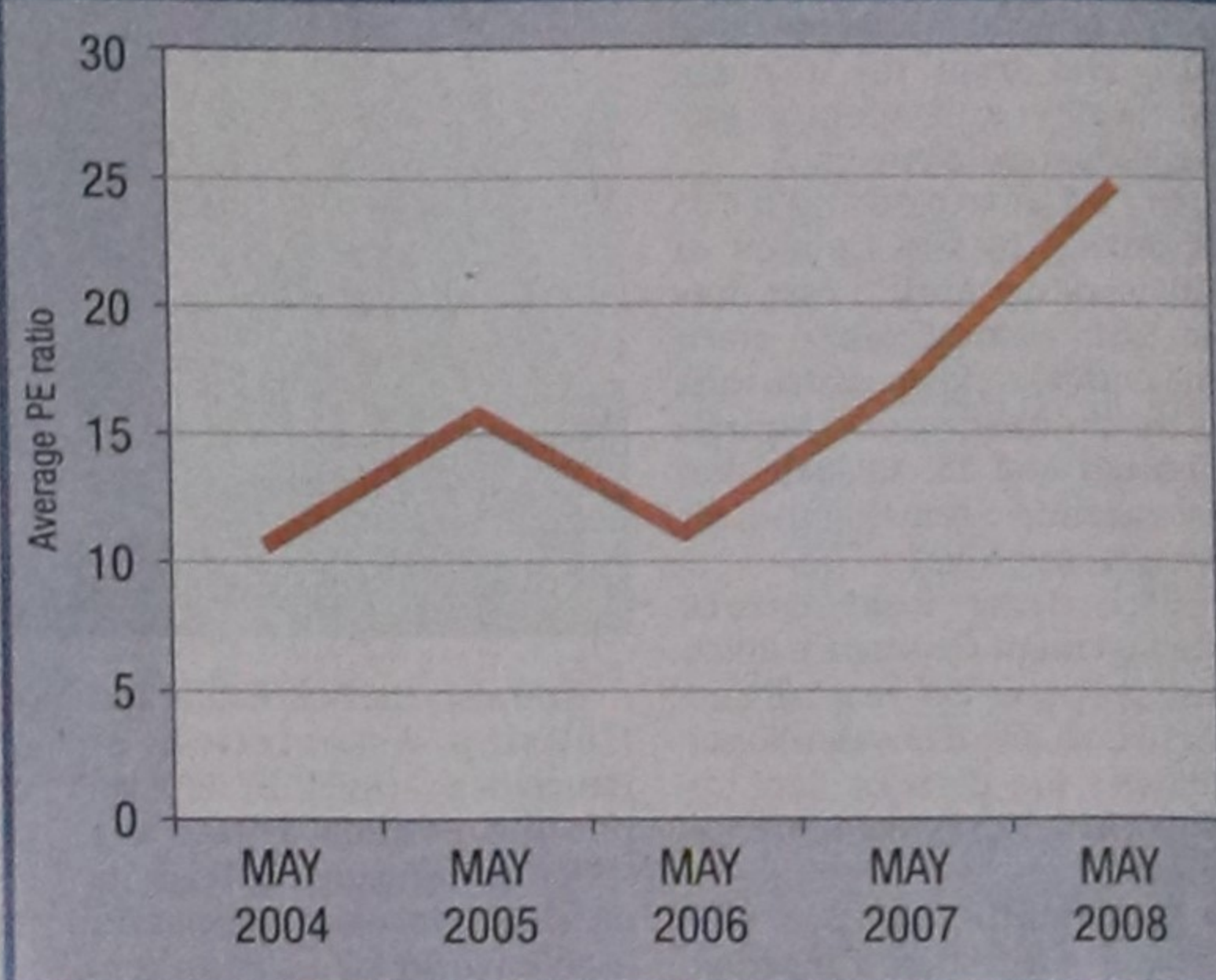
director and chief executive officer of AIMS of Bangladesh, says the PE ratio shows how much the market is overpriced.

"There are so many investors in the market, but there is not an adequate supply of securities to meet the investors' demand," he said.

Presently, about 15 lakh beneficiary owners (BO) accounts, the kind of account needed for trading, are active in the stock market. In effect this means 15 lakh investors.

At the end of May, the total number of listed securities on the stock exchanges stood at 378, of which 271 are companies, 14 mutual funds, eight debentures, 84 treasury

DSE PE ratio in last five years



bonds and one corporate bond. Total market valuation was Tk 88,194 crore at the end of May, almost double the level a year earlier.

A high market PE ratio creates more risk to the investors especially to the marginal ones, DSE Chief Executive Officer Salahuddin Ahmed Khan said recently.

"Usually market price earning ratio at 14 to 15 reflects a sound capital market," he said, adding that the investors should invest more cautiously.

Talking to The Daily Star, Faruq Ahmad Siddiqi, chairman of Securities and Exchange Commission, said the PE ratio is little high, but it

had stabilised during recent months.

"So, it is not alarming at the moment. The question will it be sustainable at the same level in future?" he questioned.

Several market experts feel that rolling out more products to broaden investors' options as to where to put their money is the major way to cut the PE ratio as well as cool down the market.

"The market needs more new securities to meet the huge demand for quality shares since investors have enough liquidity in their hands," Yawer said.

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MEDICAL TOURISM

Taiwan doctors, tourism sector eye China boost

AFP, Taipei

Taiwanese ophthalmologist Lin Pi-jung is eagerly anticipating a flood of new patients to his already busy clinics, after the recent historic talks between the island and mainland China.

The talks in Beijing, the first direct dialogue between the two rivals in over a decade, are set to focus on establishing direct flights between China and Taiwan and allowing more mainland tourists to visit the island.

Lin is predicting an influx of Chinese visitors who choose to have treatment on the island rather than at home -- a boost in the so-called medical tourism industry that he gladly welcomes.

"Certainly, I would be more busy if the cross-strait tensions are further eased," said Lin, chief executive officer of Universal Vision Biotechnology Co, which runs a string of clinics across the island.

"There are growing signs that Taipei-Beijing ties are moving in this positive direction," he said.

Taiwanese authorities are expected to strike a deal with China to launch weekend charter flights, and officials expect up to 3,000 Chinese tourists will be allowed to visit the island daily.

The move is a big step for Taiwan, which banned direct trade and transport exchanges with the mainland after they split in 1949 at the end of a civil war.

It has severely restricted visits to the island ever since.

The island's more mainstream tourism industry, from restaurants to hotels and bus companies, is also expected to benefit, with extra business estimated to be worth at least 60 billion Taiwan dollars (1.98 billion US) annually.

The thawing of ties comes after Taiwan's President, Ma Ying-jeou, took office last month, following a landslide election which he won by campaigning to boost the island's sluggish economy and improve cross-strait relations.



Employees are seen at a desk in a beauty clinic in Taipei on June 6, 2008. Taiwanese ophthalmologist Lin Pi-jung is eagerly anticipating a flood of new patients to his already busy clinics, after the recent historic talks between the island and mainland China.

"We're ready for the business potential (of closer ties)," Lin said.

In 2007, his company set up an arm specialising in medical tourism, and raised convertible company bonds worth 500 million Taiwan dollars (16.5 million US) for the new venture.

Universal Vision, which operates 15 clinics providing laser surgery, has also opened eight cosmetic surgery clinics, and runs 39 eye glasses stores.

Lianan Wellness Centre, a leading health clinic, said it too expected a wave of Chinese tourists. "There

must be business opportunities," a manager of the centre said on condition of anonymity, declining to provide details.

Taiwan's photo studios, which have earned a strong reputation in the region especially in Hong Kong and Singapore, said they have been given strong hints that more business is in the pipeline.

"We recently were approached by a local tour agent asking us to quote a price for taking special photos for a Beijing group of up to 30 couples," said Chu Ai-hua of Sofia Photo Wedding Studio in Taipei.

"We have no idea if they want wedding photos or not. The tour agent said this group may come here some time between October and November, and they would visit the National Palace Museum" in Taipei, she said.

The famed museum, normally a must-see for foreign tourists, houses more than 655,000 Chinese artifacts spanning some 7,000 years, from the prehistoric Neolithic period to the last imperial Qing dynasty (1644-1912).

"The so-called 'theme travels' may be put on the market to attract

mainland tourists," said Webby Yang, advertising director of Phoenix Tours International.

Taiwan local media have reported that 15,000 residents in southern Guangdong province in China registered with two tour agencies to come to the island -- just two days after they were allowed to start taking bookings.

In preparation for the influx, Taiwan's Tourism Bureau is running seminars for up to 500 local tour guides to familiarise them with issues that may be important for new Chinese clients.