

International Business News

Half of Chinese expect inflation to worsen

AFP, Beijing

Half the people living in China's cities expect prices to continue to rise in coming months, state media reported Thursday, citing a central bank survey.

The survey, which covered nearly 20,000 people in 49 cities, found that for the second quarter of the year 50.5 percent thought inflation would still go up in the next three months, the China Daily said.

People deeming prices "too high" reached 45.0 percent, up 15.5 percentage points from a year ago, but declining for the first time since 2007 from the 49.2 percent recorded in the first quarter of this year, it said.

Inflationary expectations are important, because they often turn into self-fulfilling prophecies.

If people expect inflation to remain high, they may hurry to purchase items they plan to buy anyway before they get more expensive, pushing up demand and boosting prices.

China's inflation hit 7.7 percent in May, easing only slightly from 8.5 percent in April and still lingering at 12-year highs.

Sony pins hopes on fast-growing emerging markets

AFP, Tokyo

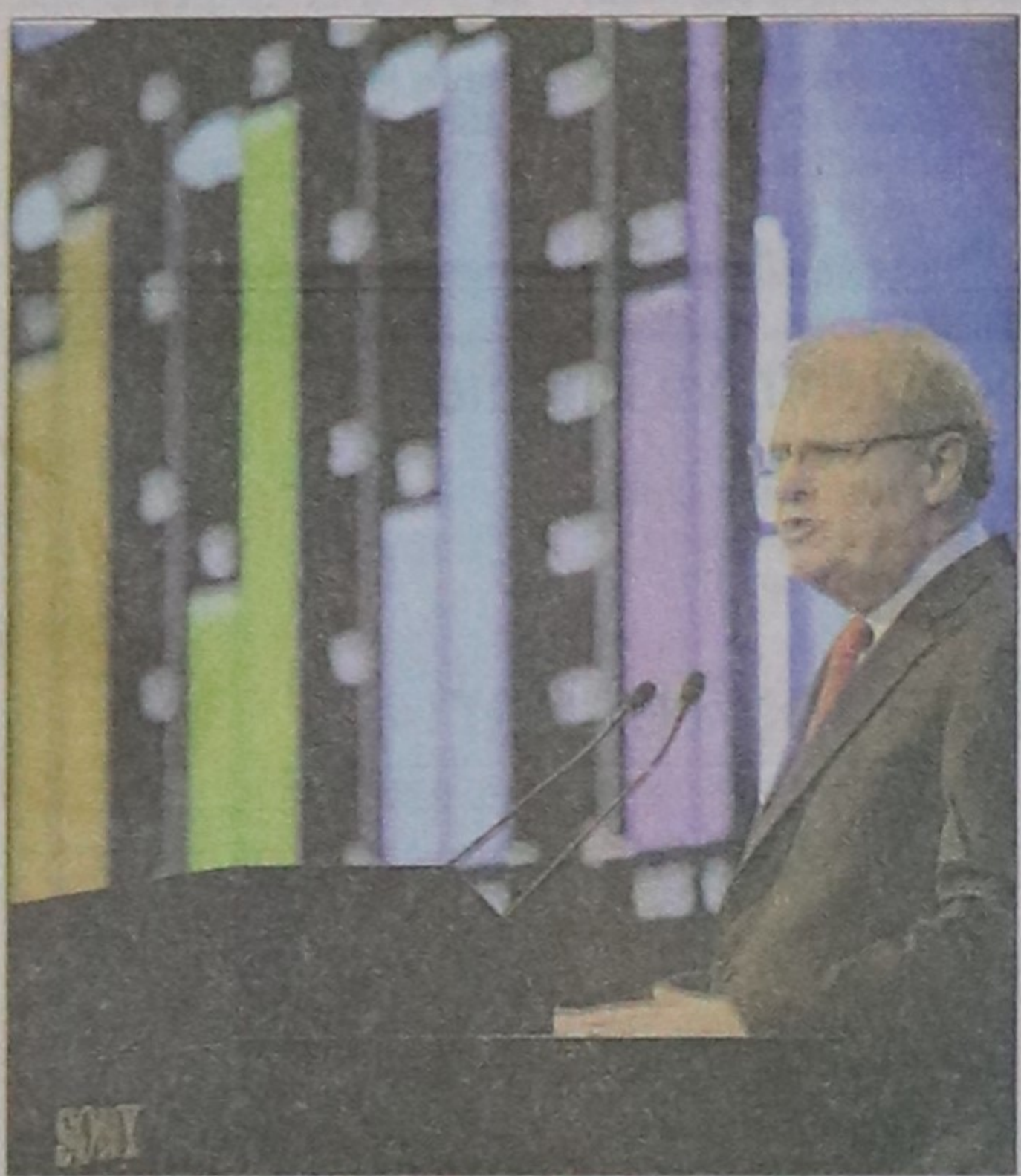
Japan's Sony Corp. said Thursday it aimed to double its sales in the fast-growing markets of Brazil, Russia, India and China over the next three years and ramp up investment to keep its recovery on track.

The electronics icon also sketched out a vision of the future where consumers download Sony movies and music through televisions and other electronic goods produced by the company.

The upbeat plan is in marked contrast to the group's previous three-year business strategies that involved heavy job cuts and plant closures to try to turn around its financial fortunes.

Sony aims to boost its annual revenue in the so-called BRIC countries of Brazil, Russia, India and China two-fold by March 2011 to two trillion yen (18.5 billion dollars).

"The BRIC countries are some of the fastest-growing economies worldwide. This is where the world's next billion consumers live," Sony chief executive Howard Stringer said at a press conference on the group's midterm strategy.



Sony Chairman and CEO Howard Stringer speaks at a press conference announcing group's mid-term corporate strategy in Tokyo yesterday. He said it will double its sales in emerging markets in Brazil, Russia, India and China, known as "BRIC" countries.

Maldives to lease 19 more islands for development

AFP, Colombo

The Maldives, one of the world's most exotic holiday destinations, plans to lease 19 uninhabited coral islands to be developed as upmarket resorts, officials said Thursday.

The new resorts will add to the 44 islands that are either to be leased out this year or at various stages of development, Tourism Minister Mahamoud Shougee told AFP by telephone from the capital of Male.

"Once the new investors are identified, they have four years to build the resort," Shougee said.

The Maldives is famed for its exclusive tourists, where guests pay thousands of dollars a night to snorkel, dive and sleep in wooden cabins built over turquoise waters.

In 2006, President Maumoon Abdul Gayoom's government leased 35 islands to foreign and local investors for resort development. Only two of those are currently in operation.

Asean encourages collective farming

ANN/VIENTIANE TIMES

Asean nations want Laos to reintroduce collective farming, a system which was abolished in this country more than 20 years ago.

Encouragement of this type of agricultural cooperative was the focus of an Asean regional business forum, which opened on Tuesday in Vientiane.

Laos delegate, Inthanongsinh Kommameuang, said Asean had agreed cooperative farming would help farmers in the region earn higher profits.

"The idea of having cooperative farms is not new, in fact, we have been discussing the issue for many years although this is the first time Laos has hosted a forum on the topic," she said.

TRANSPORT

Small car sales can rise with fuel price hike

ANN/CHINA DAILY

Wei Lai, a 28-year old office worker, is planning a baby next year, but she was also planning to buy a hatchback or MPV to replace her current SUV Isuzu.

But ever since the government raised gasoline prices last week, Wei, who had previously never attached any importance to pump prices since she started driving three years ago, is now starting to consider fuel efficiency as an important factor when choosing her next car.

"Before the price hike, I spent 600 yuan (US\$87) per month on gasoline, but now I have to pay 900 yuan (\$131)," said Wei.

"Regarding the rising cost of gasoline, I will postpone buying a vehicle and watch how much further prices go up," said Ma Zhuo, an employee at Beijing Organising Committee of the Games of the 29th Olympiad who originally planned to have his first car this year.

Last Friday, the government raised the price of gasoline by 0.8 yuan (11 US cents) and diesel by 0.92 yuan (13 cents) a litre, while prices of natural gas and liquefied petroleum gas, however, remain unchanged.

Analysts believe that the hike will not have a fatal impact on China's soaring purchase enthusiasm, although it is likely to ease the growth of the booming auto industry this year.

"The growth rate of the passenger car market this year will be 15 per cent, lower than the average 20 per cent in recent years," said Xu Changming, an auto analyst with the State Information Center.

He said he believed most of the middle class, the major force in buying private cars, will still persist in their plan of owning a vehicle, but thought they will shift their attention from big sedans to economy cars.

"The rising gasoline price won't impact my plan to buy my first car



Cars are gridlocked on one of Beijing's major ringroads. China and other emerging economies have recently accounted for the entire growth in global oil demand as more mature economies have cut consumption which partly expected since China is in the middle of what looks set to be its sixth year of double-digit economic growth but price caps on gasoline and other oil products also play a huge part, insulating China's consumers from the real price of energy.

for I really need it. However, it makes me think twice about buying an economy car with low fuel consumption," said Wang Li, a hardware engineer of a technology company in Beijing.

"After calculation, the increased cost of around 200 yuan (\$29) per month is acceptable for us if the price don't go up too much further in the near future," said Wang's wife Lang Hua.

Jia Xinguan, an independent auto

analyst based in Beijing, agreed that the oil price hike won't influence the total sales of passenger cars this year too much. However, he said he believed the sales structure will be changed, and customers will be more "inclined to buy smaller economy cars".

"It will be an opportunity for mini-cars mostly produced by local manufacturers, which experienced a sales decline in past years," said Jia.

Analysts and customers alike

anticipated that a price hike would occur and in the long-term expect prices to continue to rise as China works toward its declared goal of limiting dependence on energy imports and developing the economy in a cleaner, more energy-efficient way during its 11th Five-Year Programme (2006-10).

"It's unpleasant of course, but inevitable," said Michael Pielenz, a German who lived in Beijing for more than a decade.

"It's still much lower than the price of about 15 yuan (\$2) per liter in Germany. Moreover, it can push people in China to reduce oil consumption and pay more attention to the environment," said the former professor with University of International Business and Economics, who drives a Volkswagen Golf.

It's also a good news for the automakers who invest a lot in the R&D of green cars, analysts said.

WRITE-UP

AKM FAHIM MASHROOR

ITES: A time to recognise

Whenever we talk about Information Technology (IT) in Bangladesh and its prospects for employment creation and export, we often only refer to 'software'. However, that is just a fraction of the total dimensions of the possibilities of IT and what it has to offer to countries like Bangladesh.

ITES, an acronym of IT Enabled Services, is a phrase that is not very well known in the business community and among policy makers. It may be argued that everything in today's modern and computerised world is IT enabled so it is important to introduce a new group of service titled, 'ITES'. I would argue that it is important.

First, let me share a standard definition of ITES, collected from different policy documents from countries (like India) where significant success has been achieved in IT. "ITES are services that are generated by human intensive activities through the use of computerized systems and commercially delivered through Internet. Such services include data processing, computer aided engineering/architectural design, web-enabled services, medical transcription, graphic design & animation, call centre, back office support services like accounts, payroll etc."

Over the last few years, service globalisation has undergone a major overhaul. For decades, 'globalisation' was used to refer to the trading

of goods that were physically transported from one country to another. 'Service trading' was only limited to the extent of the movement of people and their income from one country to another. Now, because of the Internet, the concept of globalisation has structurally changed.

Today, services have truly 'globalised'. Services by professionals can be delivered from one country to another without physically having to move.

An airline company in New York is getting its tickets booked by a customer support person stationed in Manila! Or, an engineer sitting in his Kolkata office is designing structures using CAD for an engineering firm at London! All of these are not 'software', these are just ITES.

The success of the Indian IT sector has not only been because of its high quality software programmers, but also because of the thousands of non-IT professionals (like engineers, accountants, call centre agents, graphic designers - even doctors) delivering services to clients across the world over the internet. The ITES export figures for India has crossed \$10 billion and it has created employment for over 700,000 professionals.

The case of the ITES boom in India, and also in countries like Philippines, Sri Lanka, Vietnam, (of late Pakistan) proves that Bangladeshi policy makers needs to pay attention



A file photo shows employees working at a call centre. ITES service sectors can employ a huge number of graduates within a short period of time.

to the sector.

There are a number of compelling reasons for doing so. Firstly, the ITES sector is highly 'employment intensive'. You don't need a lot of physical capital investment to create an additional ITES employment. A computer, high-speed Internet and workspace are all that you need.

Secondly, the ITES service sectors can employ a huge number of graduates within a short period of time. Every year, over 200,000 graduates are coming out of different academic institutes all over the country. Most of whom cannot be employed in the 'posh'

corporate jobs. For social reasons, they also do not want to perform 'physically labor intensive' jobs. You can train a normal graduate and provide an ITES job within a relatively short period (3-6 months; unlike software that requires a few years).

The typical monthly bill that an ITES firm can charge its foreign client is around \$500/person. After covering the overheads, this easily leaves \$200 (Tk 14,000) as salary for the ITES professional. This is a lot more than what the wage at other export-oriented sectors.

Recently, Bangladesh

Telecommunication Regulatory Commission (BTRC) has been encouraging the 'call centre' business in the country. Undoubtedly, it is a praiseworthy initiative. In the proposed national budget, call centre business, along with software, data entry and data processing, has been exempted from income tax till 2011.

However, a 'call centre' is only a fragment of the ITES sector, and a very promising one off course. We need to look beyond that.

Many readers may not know that over the last few years, there have been some other

ITES sectors that have achieved fantastic success in the country. A number of companies in Dhaka are currently doing desktop publishing (DTP) advertisement design works for Danish newspapers that are going to be published in the Danish newspapers the next day!

A number of engineers are currently working in the design plans for US construction companies and there is one company whose team of accountants is posting journal entries for a London based accounting firm.

There have been numerous success stories in this arena over the last 2-3 years and at least 50 export oriented ITES companies have started operations and have created employment for over 3,000 professionals with an average salary of over Tk. 14,000, per month.

We need to look beyond a few well known IT service sectors and the government's policy makers need to recognise the prospects of all the potential ITES sectors. This also has to be reflected in the policy documents. To initiate such support for ITES, the National Board of Revenues should extend the tax exemption facility to all the ITES sectors, and not only to software or call centres. BTRC should also include special Internet bandwidth price for all the ITES sectors.

The writer is the CEO of Bdjobs.com