

International Business News

Japan's jobless rate hits near two-year high

AFP, Tokyo  
Japan said Tuesday its unemployment rate hit a near two-year high in June while consumer spending declined, raising concerns that the worsening business climate is hurting the overall economy.

Soaring energy and raw material costs are making companies more cautious about hiring workers, which could have a negative knock-on effect on consumption and economic growth, analysts said.

The jobless rate hit 4.1 percent in June, the highest since September 2006, the Ministry of Internal Affairs and Communications reported. Markets had expected the jobless rate to remain unchanged at 4.0 percent.

The jobless total rose 240,000 from a year earlier to 2.65 million people.

The weak jobs data "reflect the economic lull," Economic and Fiscal Policy Minister Hiroko Ota told reporters, adding that the government would closely watch developments in the labour market.

Meanwhile, household spending slipped 1.8 percent in June from a year earlier, falling for a fourth straight month, the government reported. Household income dropped 2.1 percent on average.

Poor banana exporters eye EU pay-off to end tariff row

AFP, Geneva  
Poor banana-exporting countries may accept a pay-off from the EU to end a row over tariffs on imports to Europe that threatened to scupper the quest for a global trade pact, diplomats said Monday.

"Today we began discussions on the practical phase of assistance and restructuring of the banana industry in ACP countries," said Cameroon's Trade Minister Luc Magloire Mbarga Atangana, spokesman for the African, Caribbean and Pacific grouping (ACP).

His comments followed a bitter row over agreed cuts to European Union tariffs on bananas coming from certain Latin American countries. ACP countries, which pay no tariffs on banana imports to Europe, fear the cuts could put poor banana-growers out of business by making them less competitive.

"We understand that the agreement between the European Union and Latin American countries seems to be a done deal," he told AFP, indicating that the ACP had dropped its bid for the tariff proposals to be revised in its favour.



A man walks past an electronic share prices board in downtown Tokyo yesterday. The Tokyo Stock Exchange's benchmark Nikkei-225 index lost 194.33 points to close at 13,159.45.

Software giant SAP upbeat for 2008

AFP, Berlin  
SAP, the world's biggest business software maker, posted Tuesday a second quarter net profit that fell by nine percent but nonetheless exceeded analysts expectations.

SAP made a profit of 408 million euros (642 million dollars) in the three months from April to June, or 0.34 euros per share.

Analysts polled by Dow Jones Newswires had forecast net profit of 0.31 euros per share.

The lower result was largely a result of SAP's acquisition last year of the French software firm Business Objects.

Software revenues, a benchmark of group growth, increased by 25 percent from the second quarter of 2007 to 898 million euros.

Total sales gained 18 percent to 2.86 billion euros, while operating profit was up by 2.0 percent at 593 million, with both figures exceeding expectations.

Taking the market by surprise, SAP expressed cautious optimism for the full year, saying its operating profit margin should come out "in the high end" of a forecast range of 28.5-29.0 percent.

BA, Iberia eye tie-up as airlines battle soaring fuel costs

AFP, London  
British Airways and Spanish national carrier Iberia are holding friendly talks about a possible tie-up as the aviation sector battles soaring fuel prices, the two companies announced on Tuesday.

"British Airways and Iberia are holding talks with a view to an all-share merger between the two companies. The negotiations are supported unanimously by the boards of both companies," the pair said in a statement.

The announcement comes as the world's biggest airlines face commercial headwinds from recent record high oil prices, which ramp up jet fuel costs, and weak consumer spending that dampens demand for air travel.

"The aviation landscape is changing and airline consolidation is long overdue," BA chief executive Willie Walsh said in the release.

FEEDBACK

Insurance industry hails new law

SAJJADUR RAHMAN

The insurance industry is now upbeat on a replacement of 70-year-old insurance laws with two ordinances aiming to modernise the sector.

The cabinet approved two ordinances on Sunday. Insurance Regulatory Authority (IRA) Ordinance 2008 and Insurance Ordinance (IO) 2008 now await the president's assent.

The people involved in the sector are happy with the latest development. They say they will see the fulfillment of their long-time demand.

With the enforcement of the IRA Ordinance 2008, the Department of Insurance will no longer exist and the sector will get rid of the Insurance Act, 1938 once the IO 2008 comes into effect. The sector people hope that the insurance companies will get a proper guideline to run business.

"We hope the new law will improve the poor situation in the industry. It is the outcome of our demand and movement," Nasir A Choudhury, managing director of Green Delta Insurance Company Ltd,

claimed. The new ordinances have been drafted in line with the international best practices, particularly with the model of India's Insurance Regulatory and Development Authority, officials said.

Golam Mostakim, additional secretary of the commerce ministry, also the acting chief controller of insurance, said the move is time-befitting.

The Insurance Regulatory Authority will be a five-member team consisting of a chairman and four members for a three-year term. The person to be tipped as the head of the organisation will be an

official not below the rank of a secretary, sources said.

The main features of the ordinances include an increase in paid-up capital for both general and life insurance companies. The amount of paid-up capital for a general insurance company has been raised to Tk 40 crore from Tk 15 crore, while it is Tk 30 crore for life insurance companies from Tk 7.5 crore.

A mandatory solvency margin for the companies will also be introduced, according to the new law. The companies, particularly the general insurers, should have brokerage houses. Besides, the insurers,

both life and general, are required to ensure international accounting practice, separate Islamic insurance from conventional ones and put a limit on commission expenses and reduce the number of directors in their respective boards. The new law will allow foreign investment in general insurance companies.

With the promulgation of the ordinances, the industry will be under the jurisdiction of the Ministry of Finance, instead of the Ministry of Commerce, as it exists in other countries.

The timeframe for raising the paid-up capital is yet to be

finalised, although an official said the tentative time is five years. The number of members in every insurance company board will be limited to 15, instead of the existing 20. Of the 15 board members, seven directors should be policyholders.

All the countries in South Asia have modernised their insurance laws considering the sector's contribution to the economy, Nasir A Choudhury, managing director of Green Delta Insurance Co Ltd, said. But Bangladesh took much time to go for a modern law, he added.

He also pointed to the fact that all governments tried to run the sector with part-timers. Initially, a deputy secretary worked as the chief controller of insurance, later a joint secretary and now an additional secretary, Choudhury maintained.

"A sector that generates crores of taka revenues cannot be operated by a part-timer," he said. "The industry is being treated as a trade body. It is always neglected here," lamented Choudhury, who has four decades of experience in the sector.

The acting chief controller of insurance, Golam Mostakim, said: "The insurance sector will be dynamic and vibrant."

Another senior official asking not to be named said the new laws would protect policyholders' interests, by putting a limit on commission expenses and introducing a yearly valuation system for life insurance companies, instead of two years.

There are 60 insurance companies in operation under the private sector in Bangladesh. Of which, 17 are life insurance companies and 43 general. The government owns two companies: Sadharan Bima Corporation and Jiban Bima Corporation.

According to industry sources, total premium of both general and life insurance companies is Tk 3,257 crore. With one and half dozen of staff, the chief controller of insurance under the Ministry of Commerce oversees the total industry that has about one crore policyholders in life insurance and at least 50 lakh in general insurance.

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**Salient features of new insurance law**

- Cabinet approved Insurance Regulatory Authority Ordinance 2008 and Insurance Ordinance 2008 on Sunday
- The Authority will have a five-member team led by a chairman
- Paid-up capitals for general insurance and life insurance companies have been raised to Tk 40 crore from Tk 15 crore and Tk 30 crore from Tk 7.5 crore respectively
- Number of directors in a company reduced to 15 from 20
- Introduction of brokerage house
- Introduction of solvency margin
- Limit on commission expenses
- Valuation of life insurance companies will be on yearly basis
- A company cannot run simultaneously Islamic and conventional insurance business
- Foreign investment are allowed in general insurance

ECONOMY

Former Qaeda bastion awaits flow of Iraqi petrodollars

AFP, Fallujah

Al-Qaeda militants have vanished from the streets of Fallujah -- their former bastion in west Iraq -- but economic growth that could protect the city from their return has yet to materialise.

The patience of local leaders in this Sunni city of mosques is diminishing amid claims that Baghdad's Shi'ite-led government has been reluctant to share the billions of dollars earned from the sale of Iraqi oil.

"We need to create jobs," Sheikh Hamid Ahmed, the chief of Fallujah city council, told AFP at his city centre office.

Stressing a sense of urgency in speeding up reconstruction in the devastated city of 250,000 residents, Ahmed said new economic projects were the only way to end unemployment and terrorism.

"We want the Iraqi government to finance more projects to fight unemployment among our young people," he said. "If we finish off unemployment, we finish off terrorism."

At the national level the Baghdad government agrees economic development is the only way to end the bloodshed that has ravaged the entire country.

It says it is working on projects to kick-start the violence-wracked economy using oil revenues -- which reached 75 billion dollars in 2008 because of high global crude prices.

But for the leaders of Fallujah, symbol of Iraq's Sunni-driven anti-American insurgency in the immediate years after the fall of Saddam Hussein's regime, the petrodollar benefits would appear to be a mirage, at least for the moment.

The main road through the city has a bridge over the Euphrates river where the

mutilated bodies of four guards working for the US security firm Blackwater were hanged by a delirious crowd in March 2004.

A few months later, in November, the US military launched its fiercest assault since the 2003 invasion and nearly razed Fallujah to the ground.

The Americans suffered heavy losses that month with 137 troops killed in Iraq, most of them in Fallujah. It remains the highest monthly death toll for the US military since the invasion.

Lined with tiny stalls, the main street still bears the traces of shelling and fighting that made Fallujah the most notorious city in Iraq.

Bombed-out buildings and levelled houses testify to the violence unleashed there in 2004.

-- "Before we couldn't put a foot outside" --

Fallujah subsequently became like the rest of the surrounding province of Anbar, a region where Al-Qaeda succeeded in recruiting an army of young, vulnerable and unemployed men who were ready to fight US forces for free.

For nearly two years Anbar was a quagmire for American troops, until Al-Qaeda's own brutalities finally turned local people against it in late 2006.

Dozens of Sunni groups formed anti-Qaeda units and slowly but steadily banished the extremists from Anbar, transforming it into the most stable region in the country.

To retain this hard-won stability, Anbar and cities such as Fallujah now need steady economic development.

"Life has changed," said Ahmed Saleh, who sells shirts and jeans. "Now we can go out in the streets, unlike before when we couldn't put a foot



A passenger van crosses a bridge over the Euphrates river. Al-Qaeda militants have vanished from the streets of Fallujah -- their former bastion in west Iraq -- but economic growth that could protect the city from their return has yet to materialise.

outside."

His shop is around 50 metres (yards) from an intersection where a policeman was monitoring the flow of traffic flow.

Previously Al-Qaeda militants controlled the junction and many times they kidnapped motorists, took them to the local morgue and shot them dead there.

Small businesses have now reopened in Fallujah but no major economic projects that could ensure long-term calm have yet taken off.

"Reconstruction has begun, but slowly," said Saleh who

lamented that shopowners received no compensation for the damage caused by the war, unlike home-owners.

Ahmed al-Dulaimi, 23 and unemployed, said that before the fall of the Saddam regime it was older people who had no jobs. Now it is the turn of the young.

"Young men are jobless and sitting in coffee shops doing nothing because there's no work," he said.

"Most of us are graduates. I graduated two years ago as a technician, but I didn't find a job. The destruction of the city led to this unemployment, a

situation many of us are in these days."

Civic leaders in Fallujah recognise that dialogue has to continue with the authorities in Baghdad.

"One of the most important things we discussed with the central government in Baghdad is that we need jobs for the people," said Sheikh Eifan al-Eissawi, head of the security committee in Fallujah council.

"We talked to Prime Minister (Nuri) al-Maliki and he created six thousand jobs in Anbar."

Eissawi said some projects

run by humanitarian organisations are being set up, and many Iraqis who have returned from abroad are also working on projects.

But that is clearly not enough for the young Sunni tribal leader who travels everywhere by armoured car with an armed escort and is considered a local hero for fighting against Al-Qaeda.

"We do not receive enough money because the government is not Sunni. And we do not have oil which is in Basra and Kirkuk," he said, referring to Iraq's two oil-rich cities in the south and north.