

International Business News

European economic confidence slumps fastest since 2001

AFP, Brussels
European economic confidence slumped in July at the fastest pace since just after the September 11, 2001 attacks in the United States, according to a widely watched EU survey on Wednesday.

Facing record inflation and higher interest rates, consumers and executives' confidence in the economic outlook posted the biggest monthly decline since October 2001, the European Commission said.

"The eurozone economy has fallen into semi-stagnation," said Bank of America economist Holger Schmieding. "The risk of a recession later this year is no longer negligible."

"This is the clear message from the broad-based plunge in the EU commission's sentiment survey," he added.

Following in the path of other recent weak data, the commission's eurozone economic sentiment indicator plunged to 89.5 points from a revised 94.8 points in June.

The fall, which brought the index to its lowest point since March 2003, was also worse than economists' expectations for a decline to 93 points, as polled by Dow Jones Newswires.

Meanwhile, confidence in the economy of the broader 27-nation EU also retreated to the lowest since March 2003, tumbling to 88.7 points in July from 94.5 in June, the survey showed.

NTT DoCoMo profits rise strongly on cost-cutting

AFP, Tokyo
Japan's top mobile operator NTT DoCoMo said Wednesday its net profit jumped more than 41 percent in the first quarter as it slashed costs to make up for sagging revenue in a fiercely competitive market.

NTT DoCoMo Inc., part of the Nippon Telegraph and Telephone group, was a pioneer in third-generation telephones but has seen rivals chip away at its lead through aggressive promotional campaigns.

NTT DoCoMo said that its net income rose 41.3 percent to 173.51 billion yen (1.6 billion dollars) in the three months through June. Operating profit swung back to growth, going up 45.4 percent to 296.49 billion yen, a statement said.

But revenue dipped 1.1 percent to 1.17 trillion yen as the company introduced its latest offer to attract customers -- free calls among family members if they all sign up to DoCoMo.

DoCoMo maintained roughly a 50 percent market share, but its mobile handset sales declined by 20 percent from a year ago.



AFP
Pedestrians use their mobile phones as they walk past a NTT docomo shop in Tokyo yesterday. Japan's top mobile operator NTT docomo said its net profit jumped more than 41 percent in the first quarter as it slashed costs to make up for sagging revenue in a fiercely competitive market.

Billionaire investor Pickens dumps Yahoo stock

AFP, San Francisco
Influential US investor T. Boone Pickens told a major California newspaper that he has dumped millions of shares of Yahoo stock at a loss.

In a San Francisco Chronicle interview published Tuesday, the billionaire said Yahoo executives' handling of failed takeover talks with Microsoft was "pathetic" and that he is tired of waiting for a deal to come together.

Pickens did not disclose how much money he lost speculating on a Yahoo-Microsoft tie-up but the price of Yahoo shares has slipped several dollars since May, the month Pickens says he acquired the shares.

Pickens' slam against Yahoo comes shortly before an annual gathering of the California firm's shareholders on Friday in the Silicon Valley city of San Jose.

Investors that share Pickens' frustration are expected to blast Yahoo executives at the meeting.

Pickens said he was following the lead of corporate raider Carl Icahn when he invested in Yahoo stock.

Oil prices fall below \$122

AFP, London
Oil prices fell slightly on Wednesday after a briefly rally to stand below 122 dollars a barrel as the market awaited weekly data on the health of energy inventories in the United States.

Ahead of the data, traders digested news that Libya had resumed deliveries of oil to Switzerland that had been cut off last Thursday over a diplomatic row between the two countries.

New York's main contract, light sweet crude for September delivery, shed 54 cents to 121.65 dollars a barrel in electronic deals.

Brent North Sea crude for September dropped 45 cents to 122.26 dollars a barrel.

"Oil futures were a little lower, consolidating after losses yesterday (Tuesday) and ahead of the weekly US fuel inventories report," said Sueden analyst Andrey Kryuchenkov.

Oil prices had tumbled on Tuesday, partly owing to market concerns about weakening demand in the United States, the world's largest consumer of energy, traders said.

ANALYSIS

WTO talks collapse: What becomes of the broken-hearted?

AFP, Geneva

Nine sleepless days and nights. The press room littered with coffee cups. Countless hotel reservations cancelled and rebooked. But as talks on a new global trade pact collapsed, the WTO was still none the wiser on Wednesday what the future holds.

Chief European trade negotiator Peter Mandelson said the failure to reach a deal was "heartbreaking" and his fellow negotiators all expressed varying shades of regret at their failure to bridge their differences.

Visibly emotional immediately after the talks, Mandelson called it a "collective failure," but added: "I'm afraid that on this subject an irresistible force met an unmovable object in the negotiating room and the rest is history".

This was an apparent reference to deadlock between India and the United States on the issue of special import tariff measures to protect poor farmers which was the ultimate cause of the collapse.

His fellow EU Commissioner Mariann Fischer-Boel appeared to fight back the tears after saying it was "extremely difficult to find words to express the disappointment."

The previous day, the Danish commissioner for agriculture had likened the epic talks here to an "emotional rollercoaster".

Ministers had struggled for more than a week to reach consensus on subsidy levels and import tariffs for a new deal under the WTO's Doha Round, which has repeatedly foundered since its launch seven years ago.

But talks finally broke down Tuesday over measures, known as SSMs, that would have imposed a special tariff on certain agricultural goods in the event of an import surge or price fall.

The world's economic superpower, the United States, and India, one of the world's biggest emerging



World Trade Organisation (WTO) Director General Pascal Lamy (C) leaves the Council Room at the WTO headquarters after crucial trade talks collapsed on Tuesday in Geneva. "No use beating around the bush, this meeting has collapsed. Members have simply not been able to bridge their differences," Lamy said.

economies, were sharply divided over the SSM -- the special safeguard mechanism.

Brazil's Foreign Minister Celso Amorim expressed bafflement at the failure to reach a deal.

"It's unbelievable, unbelievable that we failed on one issue... I really have difficulty in understanding," he told journalists in the immediate wake of the breakdown.

The failure is a particular blow to World Trade Organization Director-General Pascal Lamy, who had been hoping to secure his legacy by finally getting all 153 member states to agree a pact after seven years of fractious

wrangling. "There is no use beating around the bush, this meeting has collapsed, members have simply not been able to bridge their differences," Lamy told journalists.

Mandelson had previously warned in his blog that failure to reach an accord would lead to the "burial" of the WTO's Doha Round -- launched in 2001 with the avowed aim of lifting millions out of poverty -- but fellow delegates were not yet ready to sound the death knell.

New Zealand's Trade Minister Phil Goff speculated that talks would resume again in some form at a later

date, but conceded that upcoming elections in India and the United States would delay the timetable.

Lamy also counselled exhausted delegates to take stock of the situation before attempting to formulate any future road-maps.

"We will need to let the dust settle a bit, it's probably difficult to look too far into the future at this point," Lamy said. "WTO members will need to have a sober look at it and how they bring the pieces back together."

As talks dragged on beyond the allotted timetable, Mandelson had said delegates were entering the "end-game."

And at times, the atmosphere here has resembled the Samuel Beckett play of that name with characters talking to each other in often obtruse dialogue without ever coming to a conclusion.

"It's time it ended... and yet I hesitate, I hesitate to end," one of Beckett's characters says at one point.

Even after the past week's marathon session, Lamy and the rest of the cast here appeared to agree.

"Maybe I'm still naive," said Amorim. "I'm still someone who would believe that it would be still worth a try."

COLUMN

IFTY ISLAM

Stock market development: Importance of being earnest

Last week saw the much-anticipated announcement of Grameenphone's Initial Public Offer (IPO) with \$ 150 million sold pre-IPO and \$ 150 million issued to the market of a \$ 3.2 billion market valuation. One of the reasons both the Securities and Exchange Commission (SEC) and Bangladesh Telecommunication Regulatory Commission (BTRC) have been pushing Grameenphone to come to market is the belief the move would act as a catalyst for not only the other telecom providers but also other leading privately held companies in Bangladesh to also list their shares.

Believe that their collective efforts should be lauded and will be an important element in the growth, expansion and deepening of Bangladesh's capital markets.

One encouraging aspect of the valuation decision of \$ 3.2 billion- 17 times face value, is that it shows a greater willingness of the stock market authorities to move away from an asset or book value based method of assessing the issue price to a more balanced one that combines a fair assessment of the growth prospects, market position and goodwill in assessing how much a company should be sold for. This will almost certainly encourage more companies to come to market, especially if there is strong demand for the Grameenphone issue. One of the gripes many private companies in Bangladesh we have talked to in recent months is their complaint that they do not want to sell their assets at undervalued or unfair levels because of previous valuation methods, which was reflected in very large jumps in share prices on the first day of trading.

While the arrival of the telecom companies is a welcome catalyst in the development of Bangladesh's capital markets, an equally important aspect is the move towards greater

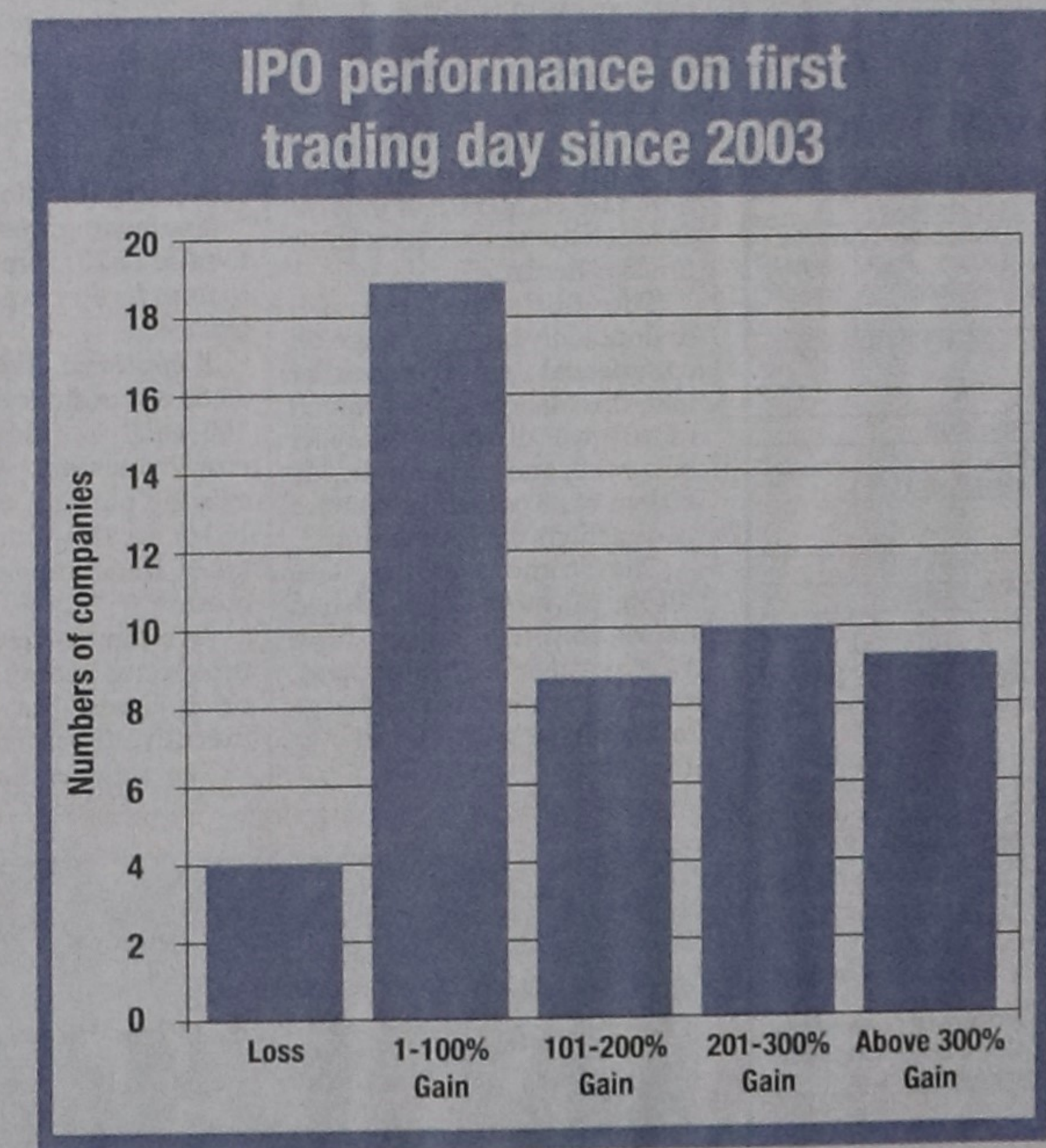
open dialogue, availability of information and transparency of balance sheets.

From the perspective of Bangladesh moving to a more mature and developed capital market, it is important that investors and market commentators can talk openly about the negative as well as the positive prospects for both the market overall as well as individual issues.

On July 25, The Daily Star reported that after a joint meeting of SEC, Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and merchant banks, Farhad Ahmed, executive director of the SEC stated that, "There was a consensus in the meeting that the merchant banks and brokerage houses will hold awareness creating programme among the investors twice in a month as most of our investors are inexperienced and do not know how to choose fundamental based stocks." It was also decided in the meeting to set up a research cell for analysing the company's fundamental as "there are no research based investment in the country though this practice exists in neighbouring countries like India", sources said "adding the outcome of the research will disseminate among the investors to help choice good stocks."

It is encouraging that the SEC is pushing brokers and banks to provide greater investor education, especially for retail buyers of stocks, so they have a greater understanding and awareness of the fundamental drivers of the market. Stocks can go down as well as up but the key is to provide both professional and retail investors with enough fundamental research to form a balanced and informed judgement about if, how much and in what, they choose to invest.

A strategy of biasing news towards the positive runs risks of social tensions when, as is inevitable, markets correct. Again Pakistan is a current



and topical illustration of that. Indeed, the investors who are most vulnerable are actually the less sophisticated amateur investors who have the least access to information about what is happening in the stock market in the way that the larger brokers and traders have. It risks being an extremely regressive system as well when those less wealthy investors who are least able to suffer substantial losses are the last to get out of a collapsing market being further away from the information flow than the more sophisticated and larger players in the markets.

One might argue that it is obvious that markets that go up can come down. But for impressionable inexperienced investors who have seen an 87 percent gain in 2007 and only hear positive things about the market in 2008, they may be swayed to always buying the market on dips.

Clearly the risks of market manipulation, insider trading and dishonest practices increase with any move towards brokers publishing research with price targets either for individual stocks or for the market as a whole. The monitoring mechanism for the regulators needs to be strengthened

and the SEC needs to have its budget, headcount, and Information Technology (IT) infrastructure increased substantially.

It is fine for Bangladesh to aspire towards greater integration in to global capital markets and increased depth, liquidity and foreign investor participation. But we need greater acknowledgement of the importance of a better-resourced regulator. The rapid growth in the size of the DSE has not been matched by greater headcount and improved systems for the regulator. This is, in my view, a false economy and I hope that other optimists about the growth potential of Bangladesh's capital markets agree with me.

This was a lesson the largest capital market in the world, the US learned not so long ago after the Enron/Worldcom accounting scandals in 2002. The US SEC had their budget expanded dramatically. Even that failed to prevent the current credit crisis. There is currently an Asian Development Bank (ADB) funded project to support the SEC and I would encourage other multilateral agencies to invest in strengthening our regulators' market monitoring capacity.

One recognises the need for any shift towards an open system of market recommendations on the overall DSE Index as well as individual stocks needs to be carefully managed by the stock market authorities. But open dialogue will undoubtedly accelerate the development of our capital markets. This in turn will play a key role in increasing companies access to cheaper funding, stimulate investment and provide the foundation for Bangladesh's future economic development.

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