

International Business News

Congress balks at huge US financial bailout

AFP, Washington
A battle over the US government's financial rescue package carries on in Congress Wednesday after top finance officials urged its swift passage and lawmakers dug in their heels, while the FBI reportedly launched a probe of failed banks and mortgage giants.
Federal Reserve chairman Ben Bernanke and Treasury Secretary Henry Paulson, testifying on Capitol Hill after proposing the 700-billion-dollar bailout just days ago, argued that lawmakers must pass the emergency measure quickly or put the entire US economy at risk.
"What they have sent to us -- this is not acceptable," Senator Christopher Dodd, chairman of the Senate Banking Committee, told reporters after Bernanke and Paulson testified.
"A lot of reservations have been expressed this morning by Democrats and Republicans on this matter," said Dodd, a Democrat. "This is not going to work."

Kuwait unveils plans for mega-projects

AFP, Kuwait City
Kuwait plans to spend its bumper petro-dollar earnings on an array of mega projects over the next five years including a new business hub dubbed Silk City, a newspaper reported Wednesday.
The OPEC member has earmarked 35 billion dinars (131.5 billion dollars) for Silk City, as well as a harbour, railway and metro system in a bid to diversify its oil-dependent economy and become a regional trade and financial centre.
The ambitious five-year scheme, Kuwait's first development project in more than two decades, aims to "boost gross domestic product, diversify sources of income and help the private sector take the lead in the domestic economy," said Al-Rai newspaper which unveiled the plan.
It will finance part of the 77-billion-dollar Silk City which aims to revive the ancient Silk Road trade route by becoming a major free trade zone linking central Asia with Europe.

Savers mob HK bank branches

AFP, Hong Kong
Hundreds of Hong Kong savers mobbed branches of Bank of East Asia Wednesday to withdraw deposits, as the bank scrambled to reassure them it was not overexposed to Lehman Brothers and AIG.
Police were called in to control the crowds after text messages flashed across the city warning the bank unstable due to its links to the failed Wall Street bank and the insurance giant.
But BEA and the city's financial authorities moved quickly to rebuff the accusations, insisting the bank was in a solid financial position.
"It has come to the notice of The Bank of East Asia (BEA)... that malicious rumours have been circulated questioning the stability of the bank," the bank said in a statement.



Indian Bollywood actor Lara Dutta holds the newly launched Samsung Omnia mobile phone during a press briefing in New Delhi yesterday. The mobile phone includes high-resolution touch-sensitive 3.2 inch screen, uses intuitive tap, sweep, drag and drop operations and also includes a five mega pixel camera among other features. The mobile phone will be priced in the Indian market at Rs 39,999.

Vietnam trade deficit hits \$15.8b

AFP, Hanoi
Vietnam's trade deficit reached an estimated 15.8 billion dollars for the first nine months of the year, according to official figures released Wednesday.
Imports between January and September reached 64.4 billion dollars, up 48.3 percent year-on-year, while exports grew 39 percent to 48.6 billion dollars, the General Statistics Office (GSO) said.
The revised trade deficit for January-August stood at 15.3 billion dollars, against 16 billion dollars in a previous estimation.
The communist-ruled country reported a rise in imports of machinery and equipment for production of 35.4 percent, totalling 10.5 billion dollars.

TECHNOLOGY

Broadband debate heats up

SHARIER KHAN
Should Bangladesh adopt WiMax technology to spread broadband data transmission facility now, or should it be 3GSM technology? Or maybe Bangladesh should wait a few more months to see if Long Term Evolution (LTE) is making a significant jump in broadband worldwide.

These are some debating points for information technology (IT) experts now. The debate is being fuelled by the Bangladesh Telecommunication Regulatory Commission (BTRC), which floated an auction yesterday to award licences for WiMax technology operation in the country.
The BTRC's tilt to WiMax is in line with 19 other countries that introduced the technology in the recent years. WiMax is still undergoing major evolution. South Korea and Pakistan aside, it is yet to become a dominant technology in any nation. Pakistan is the only country that provides fully functional WiMax coverage. It has also been introduced in India.

Supporters of WiMax say it is now the heavyweight wireless data transmission technology in the market and much superior to 3GSM and more 'evolved' than the newly introduced GSM line of technology named LTE.
Rivals supporting GSM technology say WiMax is not a standardised technology like the GSM; it is very 'single vendor' focussed (all parts of a network set may be manufactured by a single vendor whereas, GSM allows multiple vendors) and it is costly and may take many years to implement.

They argue, the 3G technology

Mobile WiMax Devices

<p>Everrun 60H/S65 RAON Digital</p> <p>AMD 600MHz Geode LX900 Microsoft Windows XP Home edition Qwerty Keyboard 4.8-inch Touch Screen WVGA 802.11b/g WLAN Bluetooth 2.0 Battery Life 7 hours</p>	<p>SPH M8200 Samsung Electronics</p> <p>Dual mode (Wibro + EV-DO) Touch Screen 2.8-inch 242k QVGA T-DMB Windows Mobile 5.0</p>
<p>SPH-P9200 Samsung Electronics</p> <p>VIA 1Ghz Windows XP Home Edition 5-inch LCD WIFI</p>	<p>SPH M8100 Samsung Electronics</p> <p>Dual mode (Wibro + EV-DO) Bluetooth Dual Camera 2.8-inch LCD T-DMB Windows Mobile 5.0</p>
<p>Q1 Ultra Samsung Electronics</p> <p>Intel CPU 800MHz Windows Vista Home Premium 7-inch LCD Bluetooth 2.0 60GB HDD</p>	<p>LG KC1 LG Electronics</p> <p>Monahans 806MHz CPU Bluetooth T-DMB 2.8-inch QVGA Touch Screen Windows Mobile 5.0</p>

SOURCE: TELECOM KOREA

that proudly runs 200 networks worldwide can be implemented in six to eight months because all it needs are changes in some hardware of the country's GSM-based mobile telecom network. The cost of upgrading to 3G in Bangladesh will be minimal and for a poor country like Bangladesh, it would mean, customers will not be burdened by high costs.
"WiMax licensing can turn fruitless because of the cost factors. The licences will block precious spectrum and thus hinder implementation of other technologies like LTE

for broadband," says an IT expert working for a leading cellular technology company.
A third view about this subject comes from another IT consultant who provides infrastructure support to telecom companies. "WiMax and LTE are in the same footing -- not WiMax and 3G. That's why, after obtaining multibillion-dollar licensing for 3G many operators in Europe did not go for complete 3G implementation," he said.
"In that light, the BTRC should have really waited

until January-February before floating the auction. By that time, the industry expects some major developments worth waiting for," he pointed.
LTE is expected to be a fully ratified standard by the end of this year, with trials occurring in 2009 and deployments in late 2009 or 2010 offering mobile data rates of up to 170Mbps, says a telecom report by Frost and Sullivan Market Insight.
Experts say it is not yet clear whether it is LTE or WiMax that will be the dominant technology like GSM

versus CDMA. "Which" technology will flourish more will depend on the handset manufacturers," said the IT consultant. "I believe in WiMax because it's being applied in 19 countries while LTE has not been implemented yet."
But the LTE, which is much newer than WiMax, is getting a lot of market incentives. Telecom companies like AT&T and Verizon earlier this year announced LTE deployment. Major market players such as Alcatel-Lucent, Ericsson, NEC, NextWave Wireless, Nokia, Nokia Siemens Networks and

Sony Ericsson have joined hands to deal with various aspects of LTE. WiMax is also facing challenges from the popular Wi-Fi technology, which now has a 100-kilometre range.
WiMax handles a huge data transfer that the 3G technology cannot. This means, for example, WiMax can deliver smooth digital television broadcast in mobile phone, which the 3G cannot.
IT and cellphone players worldwide believe that the future mobile phone market will be demanding a huge data transfer. Mobile phones will act as the communicator, video broadcaster, entertainer and provider of any other everyday services. Hence the debate: Should we choose WiMax or should we follow the GSM path?
GSM technology has made mobile phone cheap and popular and its domination in mobile market is clear. The popularity of GSM was caused by freedom of phone users to use any handset they like (or phone companies using a host of devices not necessarily manufactured by a single company), prompting competition and quality.
Developed internationally by the WiMax Forum, WiMax (Worldwide Interoperability for Microwave Access) provides broadband speed without the requirement of cables in 50-km area. WiMax technology in cellphones was standardised two years ago.
The top mobile WiMax players include SK Telecom and KT of Korea, BT and France Telecom of Europe, Sprint Nextel of US and KDDI of Japan.

COLUMN

IFTY ISLAM

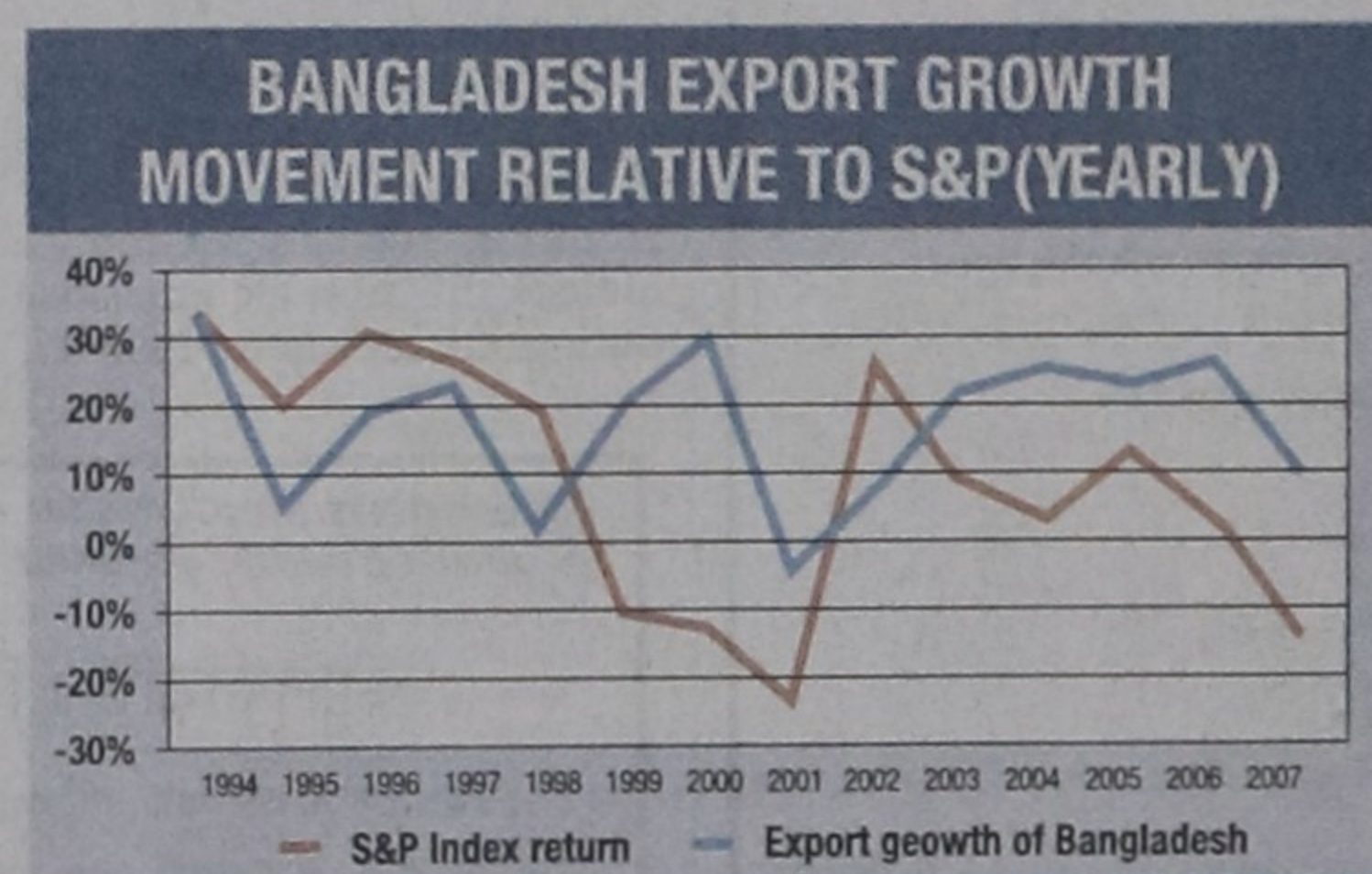
A likely boon for Bangladesh

Many people in Bangladesh and those around the world who operate outside the ebbs and flows of financial markets, must be wondering what has caused the greatest financial crisis since the depression. We can discuss complex derivatives and financial structures and instrument ad nauseum. But US Treasury Secretary Henry Paulson summed it up best when going to Congress for the emergency bailout stating "lax lending practices earlier this decade led to irresponsible lending and irresponsible borrowing".

To say the speed at which financial markets have unravelled is unprecedented, and that we are facing a crisis of capitalism, is no exaggeration. In the past two-three weeks, the US government, the supposed flag-bearer of free markets and private enterprise, has nationalised the two engines of the US mortgage industry, Fannie Mae and Freddie Mac, and flooded the mortgage market with taxpayer funds to keep it going; seized the world's largest insurer, American International Group, fired its chief executive and moved to sell it off in pieces; extended government insurance beyond bank deposits to \$3.4 trillion in money-market mutual funds for a year; banned, for 799 financial stocks, a practice at the heart of stock trading, the short-selling in which investors seek to profit from falling stock prices; allowed or encouraged the collapse or sale of two of the four remaining, free-standing

investment banks, Lehman Brothers and Merrill Lynch; asked Congress within a week to agree to stick taxpayers with up to \$700 billion of illiquid assets from financial institutions so those institutions can raise capital.
Goldman Sachs and Morgan Stanley added the latest twist to the rapidly evolving saga of the greatest financial crisis since the 1930s. The two largest and most prestigious investment banks have been converted into bank holding companies, which will make them safer by allowing them to access depositors and borrow from the Fed's discount window, but will curtail potential profitability and subject themselves to far greater regulatory scrutiny.
The impact of deleveraging on global growth may be significant. Some analysts have suggested that if investment banks were to cut leverage ratios from 30 times (or recent levels) to 20 times, which is more typical of commercial banks, this would trigger \$6,000 billion worth of asset sales, excluding likely deleveraging by hedge funds too.

Bangladesh's capital market is an island of stability in an ocean of unprecedented volatility. This is not the result of clever policy decisions by government regulators and officials here. In fact it actually reflects the lack of successful integration of Bangladesh into the global capital market. If our past efforts to attract more foreign investors had been more successful, they undoubtedly



would have rushed to withdraw capital in this time of global market turmoil and would have dragged the DSE down with other emerging markets.
The consequences of the global crisis of 2008 for Bangladesh can be thought of in the following terms: 1) Risk appetite falls: If global risk aversion persists then this might reduce appetite for developing and EM equities which might be negative for Bangladesh. In the past three months emerging-market funds have seen an outflow of \$26 billion, compared with an inflow of \$100 billion in the previous five years; 2) Diversification attractions: However, the volatility of the BRICs (Brazil, Russia, India and China) in 2008 may actually trigger a greater hunt for alternative investments in more frontier markets like Bangladesh which are less correlated with developed markets and hence offer diversification benefits; 3) Economic slowdown: If the US and European economies continue to move into recession

then Bangladeshi exporters will see a further decline in demand and hence weaker GDP growth here; 4) the weak dollar: A renewed downturn in the dollar seems likely as global investors worry about the fiscal implications of the US bailout and the reduced creditworthiness of the US government as a result of a massive rise in bond issuance. This is likely to offer some offset for Bangladeshi exporters since the taka is tied to the dollar and more of the country's exports go to Europe than the US.
The US bailout will not reverse the fundamental drag on US growth from the fallout of the bursting of the US housing bubble and the process of credit deleveraging. But looking beyond the prospects for a further near-term slowdown in Bangladesh growth, we believe turmoil in the developed and BRICs markets, and the relative stability of the DSE, will potentially increase interest in Bangladesh's attractions as a diversification destination further. The stock market

authorities need to continue to encourage more large IPOs to attract foreign investment along with the necessary reforms to encourage liquidity.
The next elected government in 2009 must remain focused on re-energising the Board of Investment to maximise the chances of translating greater interest into frontier markets into a substantial increase in Bangladesh FDI.
International investors will likely be encouraged by the fact that an election date has finally been agreed on. The key challenge is to ensure the next elected government takes ownership of the economic reform agenda to deliver tangible results. We are waiting for greater focus and discussion in the parties' respective manifestos in terms of their strategies for overcoming the power shortages and relieving the traffic congestion that has hampered growth.
Also, reforms must be in place to strengthen the BOI to ensure Bangladesh attracts

FDI flows. For this, the September 20 Iftar party held by the Federation of Bangladesh Chambers of Commerce and Industry for both parties is to be welcomed.
Global investors are ultimately likely to come to Bangladesh if they feel that a more favourable economic and enabling environment in terms of stability and infrastructure. Cheap labour costs are an important attraction. But given the competition Bangladesh faces from Vietnam, India, Pakistan and others in the region, the next elected government and parliament must formulate an effective economic strategy if the country is to maximise its opportunities. Bangladesh cannot afford to blow the chance to become an alternative investment destination for global investors who seek respite from the current financial crisis.
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