International Business News

Japan signs biggest loan deal with India

AFP, *Tokyo*

Japan on Tuesday signed its biggest ever loan deal for an overseas project to help India build a major railway between New Delhi and Mumbai.

Indian Prime Minister Manmohan Singh and his Japanese counterpart Taro Aso signed the deal at a summit in Tokyo. Japan will initially provide some 450 billion yen (4.5 billion dollars) in low-interest loans to India.

India will use the money to build a freight railway between its political and economic capitals, hoping to improve its creaky infrastructure blamed for holding back the fast-growing economy.

The joint statement said that the so-called Western Corridor, which will also include economic projects around the railway, would be "the new flagship project of India-Japan cooperation."

The two leaders "also recognised that there is still immense untapped potential for the expansion of bilateral relations," it said.

Aso, who took office last month, has long advocated building relations with fellow democracy India to offset frequent tension in Japan's relationship with China.

World's biggest cities to meet on credit crunch

AFP, *Sydney*

The global economic crisis and the damage it could do to development will dominate talks between officials from some of the world's biggest cities Thursday.

Representatives from more than 80 cities with populations of more than one million will gather for the ninth World Metropolis Congress to be opened by Hollywood star and Sydney Theatre Company director Cate Blanchett.

Climate change, urban renewal and sustainable development will be on the agenda but the dominating theme will be the global financial meltdown, Metropolis Association president Jean-Paul Huchon told AFP Wednesday.

"The message is don't stop thinking about climate change, don't stop thinking about sustainable development, but give the cities the means and the money to fund their... investments," he said.

Huchon, president of the Ile-de-France region which includes Paris, said he wanted to create what he called a 'Bank of Cities' -- a development fund to help rich cities fund their poorer cousins.

AFP

A sub-broker makes flower offerings before the statue of a bull outside the Bombay Stock Exchange ahead of trading in Mumbai yesterday. Indian shares like other global markets have fallen over 47 percent this year on overseas fund outflows. India must brace for a 'temporary slowdown', Prime Minister Manmohan Singh says.

Boeing profit dives 38pc

AFP, *Chicago*

US aerospace giant Boeing said Wednesday third-quarter net profit plunged 38 percent, to 695 million dollars, from a year ago due to an ongoing labour strike and parts supply problems.

Earnings per share declined 33 percent to 96 cents, missing analysts' consensus forecast of 99 cents.

Third-quarter revenues fell seven percent to 15.3 billion dollars, from 16.5 billion dollars in the same period in 2007, "as labour strike and supplier production problems pushed airplane deliveries out of the quarter," Boeing said in a statement.

The crippled production has raised concerns that Boeing will have to delay the launch of its new fuel-efficient 787 Dreamliner commercial plane.

Boeing said the decline in earnings reflects "an ongoing machinists' strike and supplier production challenges on customer-furnished galleys for certain wide-body airplanes" which reduced third-quarter commercial airplane deliveries by approximately 35 units and net earnings by an estimated 60 cents share.

Dell looks to China for growth

AFP, *Shanghai*

Computer manufacturer Dell said Wednesday it would increase investment in emerging markets, and China in particular, so it can continue to grow as the world economy slows.

Demand for Dell products in China has continued to rise despite the weakening global economy, with sales up 33 percent year-on-year in the second quarter, the firm said at a briefing in Shanghai.

"China is one of the most critical emerging countries in the world," Michael Dell, the company's chairman and chief executive, told reporters and analysts.

The IT sector in the country of 1.3 billion provided plenty of opportunities to grow, he said.

"It's still at the very early stages of evolution," Dell said. "You have vast parts of China that have not taken advantage of IT tools, huge numbers of people coming on line and great opportunities to increase productivity and modernise infrastructure."

FINANCIAL TURMOIL

Asian shipping loses steam

AFP, *Kuala Lumpur*

The ports and shipping lanes of Asia, the arteries of world trade through which goods and commodities surged in the boom times, are starting to seize up as the financial crisis strangles demand.

The Baltic Dry Index, a signpost of economic trends which tracks the cost of moving goods across the oceans, has set off alarm bells by plummeting 85 percent from its peak in May to a six-year low.

Share prices of some major shipping companies, which haul bulk freight such as iron ore, coal and grains destined to be turned into manufactured goods, have fallen 50-70 percent in the past few months.

"The global economic slowdown will push some shipping lines into bankruptcy," Marc Faber, a famed investor and editor of the "Gloom Boom & Doom" report, told AFP.

Standard & Poor's also said this week that the Asian shipping market has suffered double-digit declines on the US-Asia route in June and July, as well as being hit with higher operating costs.

The industry had been expecting an upturn after the Beijing Olympic Games ended and factories chugged back to life, after an enforced holiday to help improve air quality. But instead disaster struck on global markets.

There are reports of idle vessels being put to anchor, and question marks over the many orders for new ships that were placed in brighter times, years ahead of expected completion dates.

"Pain levels could be high for companies that agreed to pay 2007 top-dollar prices for dry bulk ships, or who agreed to pay high long-term charters," said an article in the Far Eastern Economic Review this month.

Container shipping was hit first earlier this year as demand for Asian-made goods in the US and Europe dropped off, a casualty of the subprime mortgage crisis and poor consumer confidence.

In a chain reaction, the countless Asian factories churning out electronics and consumer items for the US and European markets began lowering output, and the need for raw materials declined.

Container shippers, bulk operators and port authorities across the region are reporting slowdowns.

Malaysia's Port Klang said it had been hit by a decline in cargo handling since the start of October, blaming a retail downturn and lower vehicle sales in the United States and Europe.

Shanghai International Port said that growth in cargo traffic dropped sharply to 9.9 percent in the first half of 2008 on the "increasingly grave global economy and trade situation".

"Faced with the severe economic situation at home and abroad, the port industry has met with the most complicated operation environment in recent years," it said.

Hong Kong, which is sensitive to any drop in demand for toys, gadgets and clothes made in the factory-belt of China's southern Guangdong province, said that after an increase of 6.7 percent in container traffic in August, growth dropped suddenly in September to just 1.2 percent.

"Given the global gloomy economic outlook, Hong Kong is expected to face a much tougher export trade environment," said Hong Kong Container Terminal Operators Association chairman Alan Lee.

In Taiwan's seven harbours, volumes fell 2.23 percent in the nine months to September, and in southern Kaohsiung city, business was down 1.76 percent.

"We are seeing a rapid decline in the volume of exports," an official with the Japanese Shipowners' Association said of the decline in demand.

The Baltic Dry Index which hit 11,793 in May is now under around 1,300, approaching rates not seen since the Asian financial crisis in 1997-1998, and tipped to slip below 1,000 as commodity prices fall.

A so-called capesize vessel, most commonly used to carry coal and iron ore, now costs under 11,000 dollars a day to hire, about half the charge in May.

The index's decline has alarmed observers as an indication of the damage the credit crisis has already wreaked on the world economy, even if action to revive financial markets is successful.

Container shipping lines have said they expect cargo demand on the US-Asia route to fall by as much as eight percent in 2008.

"It's a safe statement that no carrier is operating profitably in the eastbound transpacific market today," said Ron Widdows, chairman of the Transpacific Stabilisation Agreement -- a forum of major shipping lines.

However, the group said vessels are still running at 90 percent capacity as firms cut costs by consolidating routes and returning chartered vessels, and take advantage of the downturn to lay up ships for repairs.

Widdows said the industry was confident that government efforts to unclog global finance would be effective, restoring confidence and paving the way for a shipping recovery in late 2009.

AFP

A view of the container port of Tanjung Pelepas in southern Johor state, Malaysia. The ports and shipping lanes of Asia are beginning to seize up as the financial turmoil strangles demand.

COLUMN

DURREEN SHAHNAZ

Time for an Asian social stock exchange

As I write this article, the storm in the financial markets continues -- stock markets in Asia, Europe and the US all are going through roller coaster rides, people fear bank runs and governments are pulling together trillion dollars worth of rescue packages. In this sadly crazy historic moment, when every current option is looking bleak and governments are busy cleaning up the private sector mess, perhaps it is a good time to look some distance into the future toward a gleam of hope for a kinder and gentler form of capitalism. My suggestion for that is to put together effective regional 'social stock exchanges' in each continent that can spearhead social good through capital markets. I believe Asia is ripe to take the lead in meeting this challenge.

What is a social stock exchange? It is a stock market where investors who care about social and economic returns buy stocks and bonds of companies that have strong economic and social returns. Interestingly, in a social stock exchange both not-for-profit and for-profit companies can participate. For-profit entities can either issue shares representing ownership in their companies or issue bonds. Meanwhile not-for-profit companies can utilise the stock exchange to issue bonds an action in itself that can bring operational accountability to the not-for-profit sector (as opposed to carte blanch donations from foundations).

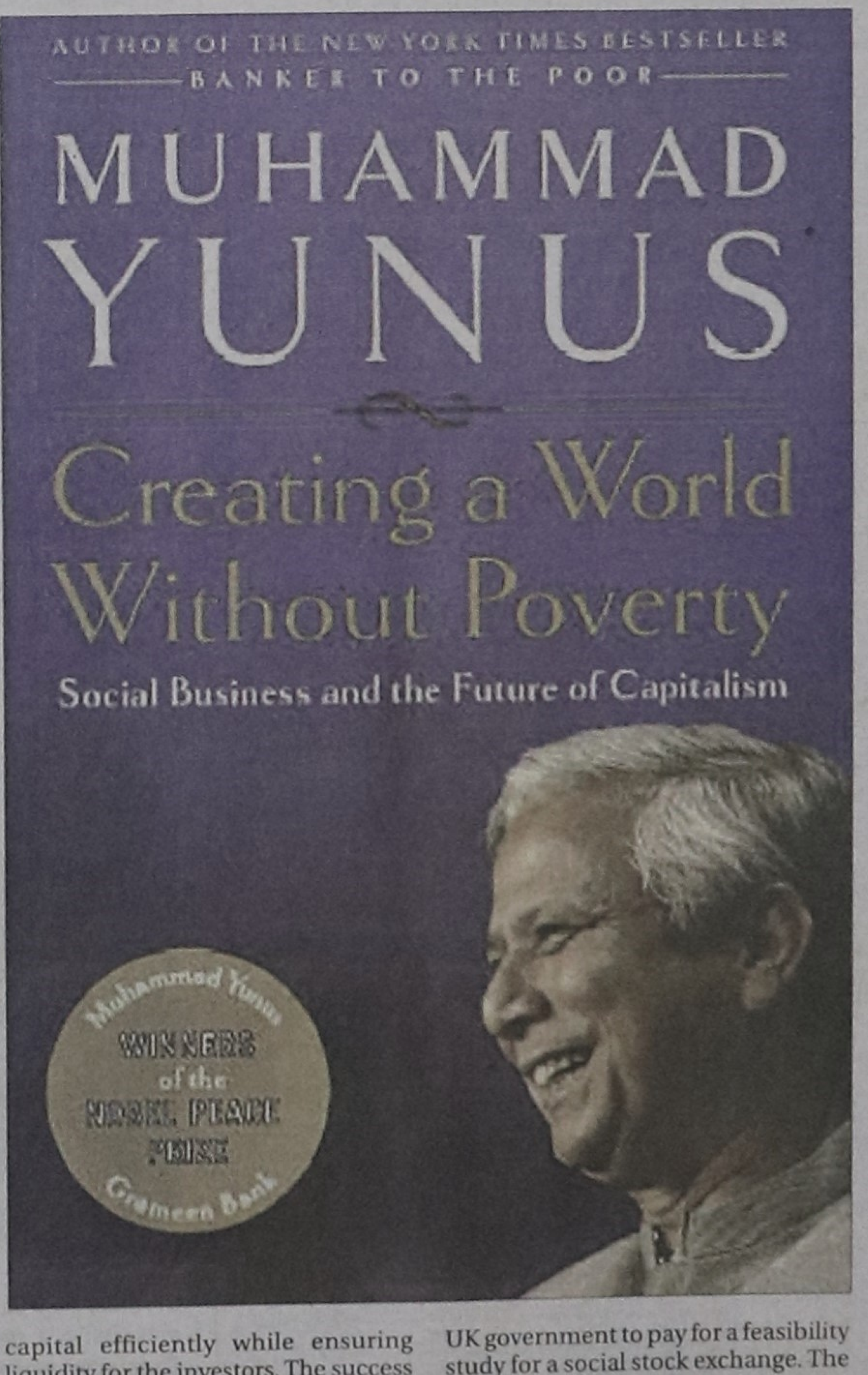
Although Professor Muhammad Yunus discusses the idea of a social stock exchange in his latest book, Creating a World Without Poverty, and has been promoting it in lecture circles, the concept is not a new one. There are already several Social Stock Exchanges in operation or in the works, albeit each uniquely different from one another.

BOVESPA in Brazil was the first social stock exchange in the world. It was launched in 2003 with the objective of bringing together non-profit organisations and the social investors who are willing to support their programmes and projects. For BOVESPA investors, the return is solely in 'social profit,' where the investment brings about a more just society with opportunities for the poor and neglected. By providing capital for the non-profit organisations that list on this exchange and the providing social value for the investors who participate in this exchange, BOVESPA aims to change the labeling of non-profit organisations to 'Social Profit Organisations'. So far about 43 Social Profit Organisations have raised capital through this exchange. However, trading of stock in this exchange is still a distant goal.

Europe's answer to social investing is the FTSE4Good. Set up by FT Stock Exchange in London, FTSE4Good is an index for socially responsible investment. The definition of 'socially responsible' for this index is very broad and covers topics such as: working towards environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights. There are about 25 companies in this index. Given FTSE financial requirements, these companies are large for-profit entities which in many cases have very tangential effects on positive social change. Their 'social mission' often springs from the defensive posture of CSR rather than from a genuine effort to make positive social impact.

In North America, Green Stock Exchange (GREENSX) is attempting to become the Social Stock Exchange for that continent (and Europe). This Canada-based social stock exchange is aiming to launch by end of the year to trade shares in social businesses. GREENSX's definition of social business is a business that makes a profit but benefits society as well delivering a triple bottom line return (economic, social and environmental return). GREENSX's goal is to provide small green issuers access to public equity capital efficiently while ensuring liquidity for the investors. The success of GREENSX remains to be seen.

There is obviously a budding global interest in the notion of social stock exchange. Recently, Rockefeller Foundation donated $500,000 to the UK government to pay for a feasibility study for a social stock exchange. The Foundation picked UK as the site for the feasibility study because of the UK government's support for social enterprises. Existing UK government initiatives include legal reforms for separate incorporation for social businesses and plans for a social investment bank funded with unclaimed assets held by financial institutions.



All this is encouraging in a global perspective; now, how about Asia and, in particular, Bangladesh? Bangladesh is a country that continues to produce remarkable social enterprises, and given the state of the country and the world, it can be expected to keep the pipeline of social innovation flowing. The limiting factor is, of course, capital. Let us move a few degrees east in longitude, and there is a country, which -- though a small dot on the map -- is wealthy, is a player in the financial markets and is itching to make a mark in social business. This country is, of course, Singapore. Singapore is ready, able and perfectly positioned to be the home of Asia's first Social Stock Exchange. Bangladesh is ready, able and perfectly positioned to pepper that exchange with very effective social businesses. This is a match made in financial heaven.

Now, what's the next step? It is very simply for the Bangladesh government to have the vision and desire to initiate a ground-breaking discussion with the Singapore government. Bangladesh is well positioned to make its mark in the next economic revolution of conscious capitalism. It can take its rock star social entrepreneurs Yunus and Abed -- and get them to perform the ground-breaking concert for the social stock exchange for its potential partner Singapore.

Thus, my request to the Bangladesh finance ministry use this opportune moment -- initiate the courtship and get Bangladesh on the global financial map. We are all waiting.

The writer is the regional managing director of Asia City Publishing Group and adjunct associate professor at Lee Kuan Yew School of Public Policy at National University of Singapore.