

International Business News

Kuwait to guarantee bank deposits

AFP, Kuwait City

Kuwait's government will move urgently to guarantee deposits in local banks, the central bank said Sunday as the oil-rich emirate's second largest lender was hit by the global financial crisis.

"The government will urgently submit a draft law (to parliament) to guarantee deposits in local banks," said a statement by Central Bank of Kuwait (CBK) posted on the Kuwait Stock Exchange website.

The move came after the CBK announced that Gulf Bank, Kuwait's second largest lender, incurred "losses" from trading in derivatives and immediately suspended its shares on the stock market.

The central bank said the losses would not affect the bank's financial position and that it "backs the bank and fully guarantees its deposits."

The losses were incurred because of a drop in the value of euro against the dollar, the central bank said but provided no details about the amounts.

The CBK has ordered a probe into the deals to determine their sizes and who was responsible for conducting them away from central bank supervision.

It however affirmed that the losses would not "affect the Gulf Bank activities and its ability to continue with providing its normal banking services."

China can weather global finance crisis: Central bank

AFP, Beijing

China must not under-estimate the impact of the global financial crisis but its economy is strong enough to weather the storm, the nation's central bank chief said Sunday.

Zhou Xiaochuan said consumer demand at home would help offset lower demand from abroad for Chinese goods, amid a financial meltdown which has triggered concerns of a debilitating global recession.

"The current adjustment of global economic financial markets is the inevitable result of the releasing of unbalanced contradictions that have accumulated over a long period," Zhou told a parliamentary meeting.

"We cannot underestimate the impacts of this on our economy."

The People's Bank of China would continue a flexible and prudent monetary policy to address "unstable elements" attacking the global economy and strive to maintain fast but stable economic growth, he added.

"We must recognise that the outlook of our overall economy is currently good."



A visitor walks past a decoration made by a China-based company on display during the China sourcing fair of "Gifts and Home" products at the Asia Expo in Hong Kong yesterday. China's crucial export industry, which has fuelled much of the country's spectacular growth over the past two decades, is suffering from a global slowdown in demand.

South Korea mulling further tax cuts to prop up economy

AFP, Seoul

South Korean President Lee Myung-Bak said on Sunday his administration planned further tax cuts and would expand government spending to prop up the ailing economy.

Lee summoned key advisers and ministers to a meeting Sunday where he urged them to stem the financial crunch spilling into Asia's fourth largest economy, his spokesman Lee Dong-Kwan said in a statement afterwards.

South Korea is already feeling the harsh impact of the global crisis, with its stock market Friday plummeting 10.6 percent amid massive foreign selling and growth hitting a four-year low in the third quarter.

"The government's scheme to push for additional tax cuts and expand its fiscal spending must ensure that the financial crisis will not lead to a slump in the real economy," the president told the meeting.

Australia may cut immigration amid financial crisis

AFP, Sydney

Australia may cut the flow of immigrants into the nation if unemployment rises in the face of the global financial crisis, a cabinet minister said Sunday.

Immigration Minister Chris Evans said the government would wait until the release in November of mid-year financial data before deciding on whether to reduce numbers.

"Clearly if the demand for labour comes off you'd adjust the migration programme accordingly," he told Nine Network television.

"We can turn the taps off if we need to."

"But there are still industries with strong demand for labour and we'll just have to talk to industry and make a judgment about what the appropriate level will be once we've got a bit better idea of what's happening in the economy."

INTERVIEW

BTRC boss backs rural links

MD HASAN

The telecom watchdog chief brushes aside the allegations of 'rural unwillingness' to adopt new technologies, saying ultimate benefits will not be achieved unless rural connectivity is ensured.

"Rural and urban sections of society should readily take advantage of all technologies deployed. It is a wrong conception that rural people cannot absorb modern technology, like the urban people," says Manzurul Alam, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC), in a recent interview with The Daily Star.

The BTRC has made numerous policies and issued licences to take more broadband and telephone services to the mass in the last 18 months.

However, industry insiders criticise BTRC's role saying the regulator welcomes too many technologies at a time. This ultimately leads to low absorption of the technology by the mass, due mainly to a lack of know-how.

The BTRC chairman differs.

"Our job is to make such policies that the benefits of technology reaches the mass. We should refrain from categorising between urban and rural sections."

Citing an example, Alam says: "When the mobile was first launched in Bangladesh in the early 90s, no-one believed such technology could survive. What happened next? This handy piece of technology has become an integral part of our life, rural to urban."

Besides, BTRC should think about the next generation. "The technology



Manzurul Alam

we discuss today can expire in five years, but the platform we create today will be able to welcome next generation technologies. Nobody can

say Bangladesh lags in telecoms or ICT," he adds.

Recalling the global introduction of VoIP (voice over internet protocol)

technology in 2000, Bangladesh did nothing to adopt the technology. "As a result, we lost huge sums of money. Timely decision-making is crucial to the sector," Alam says.

According to the BTRC boss, Bangladesh telecom market's potential was always underestimated, as the market was untapped.

Alam says it is a conventional idea that rural people are not willing to adopt computer or internet technology. The idea does not hold true anymore.

The country's leading telecom operator provides internet-related services through their CIC (customer information centre) to rural people.

"I don't believe, an operator runs such a business unless it makes profit," the BTRC chairman says, asking other operators to follow suit to provide the latest technology services to rural areas.

Bangladesh's telephone subscribers reached 47.3 million as of September 2008. The telecom penetration rate stands at 33 percent.

What are the next technologies the BTRC is seeking for the Bangladeshi market?

Alam says BTRC now concentrates on broadband technologies. The regulator already awarded WiMax licences to the three private operators mainly aiming to connect the rural, he says.

In line with the BTRC plan, the three private companies, along with state-owned Bangladesh Telecommunications Company Ltd (BTCL), will provide broadband services in four separate zones.

However, market insiders blame BTRC for dithering over issuing WiMax and 3G licences simulta-

neously. In opposition, the BTRC chairman says: "We are cautious about market monopolisation and want to ensure a level-playing field in the market."

"It's not unlikely for us to issue 3G licences. As per our plan, 3G licence procedures will be undertaken early next year," he says.

Alam clarifies slow awarding of second submarine cable licences. He reveals 13 companies have submitted their proposals. "We are scrutinising the proposals."

Did BTRC's drive against VoIP hurt business?

Alam retorts, "No, it is a wrong idea. Price wars among the operators are mainly responsible for downsizing business."

Such competition is favourable for the market to bring more dynamic services to customers, he says.

"We are not against technology, but it does not mean we endorse operator's illegal activities," the BTRC chief says. The telecom market must follow 'decent' business practices, he emphasises.

"If someone adopts illegal strategies to conduct business, it certainly will not sustain," he says. The BTRC and operators should work together to make the market decent, so that both parties can stand side-by-side.

Will the next government follow up on BTRC's latest move?

Alam is optimistic about getting strong responses from the next government. He says good work should be encouraged by the government. "Otherwise, the market will go beyond control and unholy practice will revive."

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MARKET ROUT

India bears out in force

AFP, New Delhi

The bears have come out in force in India with no-one willing to forecast a basement for the country's stock market, which has plunged amid wrenching worries about the global economy.

After being a star performer, soaring an astonishing 622 percent from a low base six years ago to hit 21,000 points in January, the market has shed nearly 60 percent of its value as foreign investors have charged for the exits.

"The bulls are just nowhere," said Alex Mathew, head of research at brokerage Geojit Financial Services.

On Friday, the benchmark 30-share Sensex index tanked 1,070.63 points or 10.96 percent to close at 8,701.07, its lowest in nearly three years, hit by foreign institutional selling, in what newspapers dubbed "Bloody Friday."

Even though just a fraction of the 1.1 billion population own shares, the meltdown has been front-page news amid fears the slide has far wider economic implications.

Global fund flows have been key in spurring the so-called "India story" in which the economy grew by at least nine percent over the past three years with money going into important sectors like infrastructure and telecommunications.

Indian Premier Manmohan Singh said Friday the country will need generous lending from multilateral agencies like the World Bank to keep its economy growing strongly, otherwise "it is bound to experience the pain."

Foreign investors have dumped over 12 billion dollars in shares in the past 10 months, confronted by hefty domestic redemption pressures and India's slowing economy, falling profits and a tumbling rupee.

Their flight is bad news as foreign investors have been the market's bedrock.

And in a double-whammy Friday, the rupee fell past the barrier of 50 rupees to the dollar for the first time, dragged down by Indian asset sales. It has lost over a quarter of its value against the greenback since the year's start.

"The way the markets are going, it makes no sense trying to ride the

storm. Just identify stocks for the longer term -- you're bound to get them cheaper later," said R. Balakrishnan, executive director of Centrum Broking.

And as far as calling bottom, no-one is ready to sound the all-clear.

"It can't be said as of now whether the correction is over," said Dipen Shah, a vice-president at Kotak Securities.

Amitabh Chakraborty, president of equities at Religare Securities, said the market now "is factoring in a Sensex level of 6,500."

And some say 6,500 may not be the last stop on the way down for the Sensex, whose misfortunes some investors in the deeply superstitious nation had traced to the installation in January of a bull statue at the Mumbai stock exchange.

Its rear is said to be pointed in an "inauspicious position", leading one broker to joke: "Maybe it's time to change the direction of the bull."

New Delhi furniture company owner G.S. Shiva, who took his first plunge into shares last December when the market was red-hot, reckons he has one-third of his 85,000-rupee (1,700-dollar) mutual fund investment left.

He said it was the last time he'd get his fingers burnt in the market and vowed to keep his money in fixed deposits "like I always have."

Still, some analysts say investor gloom about India's economy may be overdone.

"It's clear all economies around the world are slowing but India appears to have stayed relatively resilient as indicated by still-strong credit growth," said Sherman Chan, economist at Moody's Economy.com.

She expects the economy to record a "less upbeat -- but still stunning" amid a sharp global downturn -- growth rate of around seven percent for the current fiscal year.

Investors, meantime, are hoping for a stock market surge after Diwali, or the Festival of Lights, the Hindu equivalent of Christmas, which falls this Tuesday.

Nine of the past 10 years have seen a better stock market performance following Diwali, according to fund manager Fidelity.



A sub-broker makes flower offerings before the statue of a bull outside the Mumbai Stock Exchange ahead of trading in Mumbai. Some investors in the superstitious nation of India had traced to the installation in January of a bronze bull statue at the bourse, as its rear is said to be pointing in an "inauspicious position".

World markets dive

