

International Business News

India oil company plans IPO in sign of govt reforms

AFP, New Delhi

India's second-largest state-run oil and gas explorer said Tuesday it hoped to launch an initial sale of shares in September as the newly elected government moves into privatisation mode.

Oil India Ltd said it had begun talks with financial advisors about the exact timing of the sale, which comes as analysts forecast the government will fast-track privatisation to help close a yawning fiscal deficit.

"We have tentatively informed the board about a roadmap according to which the IPO (Initial Public Offering) should be there by September," Oil India chairman N.M. Borah said.

"But this is subject to market conditions," he said. He did not say how much the sale might net the company.

OIL's announcement comes as India's benchmark Sensex share index is trading near-eight month highs. OIL produces 10 percent of India's domestic crude output.

Investors have been betting the Congress government, which won a strong election victory last month, will push ahead with reforms now that it no longer has to depend on communist support to survive in parliament.

Following the sale, the government's stake in OIL would fall to 78.5 percent from 98.13 percent. Proceeds would be used to fund exploration and production.



AFP

Air hostesses pose in the business class equipped with single beds in an Airbus A380 yesterday in Roissy-en-France, northern suburb of Paris, after the world's biggest passenger jet made its first commercial flight to Paris with the arrival at Charles-de-Gaulle airport by a Singapore Airlines flight. The official welcoming ceremony was cut back one day after the missing of the French Air France jet carrying 228 people from Rio de Janeiro which had been due to arrive at the same airport.

Switzerland enters recession in first quarter

AFP, Bern

Switzerland officially entered a recession in the first quarter when its economy shrank by 0.8 percent from output in the previous quarter and exports fell sharply, official data showed on Tuesday.

"Negative growth impulses emanated in particular from the foreign trade sector," the Swiss economy ministry said in a statement.

It also revised its gross domestic product (GDP) figure for the last three months of 2008, saying that the economy had shrunk by 0.6 percent instead of 0.3 percent.

A recession is defined as two quarters of GDP contraction in a row.

On a 12-month comparison, Swiss GDP fell even more sharply, down 2.4 percent in the first quarter compared to the same period in 2008.

Analysts had forecast a 12-month contraction of up to two percent, according to Swiss financial news agency AWP.

The contraction was caused mainly by weakness in exports, which fell 5.4 percent.

Exports of goods were particularly hit, down 6.6 percent while exports of services fell 2.3 percent.

Eurozone unemployment rate hits decade-high 9.2pc

AFP, Brussels

Unemployment in the 16-nation eurozone rose to 9.2 percent of the workforce in April, the highest level this decade as the recession hit consumers and industry, official EU data showed on Tuesday.

A total of 396,000 jobs were lost during the month in the nations using the euro currency, pushing unemployment past the nine-percent barrier and up to its highest level since September 1999, the European Union's Eurostat data agency said.

For the 27-nation EU as a whole, the unemployment rate rose to 8.6 percent in April, up from 8.4 percent in March and the highest level since January 2006, as the recession took its toll.

Eurostat estimates that 20.825 million men and women in the European Union, including 14.579 million in the euro area, were unemployed in April.

Eurozone unemployment thus increased for a 13th successive month in April and the rise was "worryingly steep," according to Howard Archer, chief European economist at IHS Global Insight in London.

China, Japan to cooperate over crisis, official says

AFP, Beijing

China and Japan will seek ways to jointly tackle the global economic slowdown when top officials of the countries meet in Tokyo later this week, Chinese Commerce Minister Chen Demingsaid Tuesday.

A delegation from Beijing led by Vice Premier Wang Qishan, the top economics official, will meet Sunday with the Japanese side headed by Foreign Minister Hirofumi Nakasone.

Japan and China, the world's number two and three economies, will discuss cooperation in areas including finance, energy conservation, trade, investment and environmental protection, state-run Xinhua news agency quoted Chen as saying.

"China is willing to work with Japan to tackle the economic downturn by making use of each other's market resources," Chen was quoted saying.

INFRASTRUCTURE

PPP needs more homework

Says top WB official in an interview with The Daily Star

SAJJADUR RAHMAN

Loads of talks have been centring public-private partnership (PPP) programmes over the months that the government has decided to implement from the next fiscal year, mainly to improve the country's poor infrastructure.

The government has already identified six projects for implementation on a 'very urgent' basis under the PPP. Except construction of a deep-sea port in Chittagong, the rest of the projects are estimated to cost \$11.05 billion or nearly Tk 75,900 crore.

But this is not too easy to execute as it is being discussed, said a top World Bank (WB) official in an exclusive interview with The Daily Star yesterday.

"It's a critical issue and needs detailed homework before undertaking any such project," said Sadiq Ahmed, WB regional director for South Asia.

Ahmed, who joined the multi-lateral donor agency in 1981, has vast experience with the PPP in South East Asian countries and in Pakistan as well during his tenure as a WB official in those countries. He served as a country director in Pakistan and Afghanistan and as a chief economist for South Asia region.

He said in principle PPP is a very good concept. It helps governments, such as Bangladesh, that have limitation in financing large-scale projects with additional funding from private sector, including from foreign countries.

There are many challenges: Pricing and financing aspects, regulatory and legal framework, competitiveness in bidding process, careful match between asset and liability and cash flow, and finally the reality issue on the

country's perspective. "The government has to review the financial and economic viability of a PPP project because success will depend largely on costing and pricing issue," said Ahmed.

"How revenue will be generated is crucial," said the economist who studied in London School of Economics.

He said the legal framework would lay down obligation to private sector partners, keep provision for cost recovery and address the issues of compensation and redress mechanism. "Actions will be required to establish a comprehensive policy and regulatory framework for competitive and transparent bidding, sharing risks and



Sadiq Ahmed

rewards and dispute settlement mechanism," he said.

Ahmed said PPP projects will be very capital-intensive and there is the fear of ransacking as happens in third world countries. "So ensuring competitive bidding process is very vital," he said.

A match between asset and liability and cash flow is also crucial. "In terms of foreign partners, repatriation of foreign currency may create some sort of pressure on the reserve," he said.

The WB official said Southeast Asian nations faced this type of situation during 1997 crisis because of massive outflow of capital. Pakistan also faced the same situation in 1995-96.

To review the private partner's financial and technical capacity

would be a big job for the government, he said.

On the country's capacity in implementing PPP projects, Ahmed said: "It has quality engineers and experts."

"If the government wants, we are ready to extend all cooperation," Ahmed said.

He suggested the government officials visit the countries, which have successfully implemented the PPP projects. "Even the WB can facilitate the visits," he added.

Infrastructure projects need large-scale funding and without international partners it will not be possible to undertake those projects, Ahmed said.

Besides PPP, the WB official also focused on deep-sea port,

regional trade and power issue.

He said Bangladesh is still a poor country although its per capita income crossed \$600 mark from \$100 in post-liberation period.

"Bangladesh needs to do a lot to reach the next step," he said, adding that developing human resources and giving easy access to the ports to other countries could turn Bangladesh into a modern country.

"First open up the ports, both Chittagong and Mongla and let other countries use it," he said. "A huge amount of revenue will be generated from the activities." He cited example of Singapore and Hong Kong that have become rich by allowing other countries to use their ports.

Ahmed who is known as an expert on South Asia also asked Bangladesh to open regional trade and transit.

He termed South Asia as an 'inward-looking' region. Europe has become integrated, even African countries are integrated with each other, he said.

The WB official said while Bangladesh is badly in need of electricity, some South Asian countries, particularly Nepal, Bhutan and northeastern India, are hydropower-surplus regions.

"Nepal has the capacity to generate 83,000 megawatt hydropower and Bangladesh's consumption requirement is only 7,000 megawatt," said Ahmed.

He emphasised regional integration also for addressing water issue. "Water will be the biggest challenge in the 21st century. Bangladesh is a low-lying country and the water issue will be more critical for it than upper countries," he added.

saJJad@thedailystar.net

AVIATION

Taiwan aims to build air hub



AFP

A worker drives a tow tractor pulling trailers outside a terminal of Taiwan's first free trade port near the northern Taoyuan airport on April 20. Taiwanese government is launching a US\$5 billion project to build an aerotropolis surrounding the airport cashing in on the island's warming ties with rival China.

AFP, Taoyuan, Taiwan

decline. But as the island suffers generally, the free trade zone, which occupies 45 hectares (111.15 acres) next to Taoyuan's airport, has attracted around 20 international enterprises and 40 local firms. Among the latest players to relocate here is the local branch of courier giant DHL Express.

The enclave and the airport have been labelled the "egg yolk" at the heart of a "fried-egg theory" proposed by the transport ministry as the government aims to build the area into an "aerotropolis" -- that is, a centre for all things associated with aviation -- as well as a regional hub.

The idea of transforming Taiwan into a regional transportation hub dates back to the mid-1990s when the nationalist Kuomintang (KMT) government launched massive investment projects in the midst of a booming

economy. But time ran out to make good on those ambitions, which included dreams of becoming a banking, telecommunications and media centre, when the KMT lost the 2000 presidential polls to the pro-independence Democratic Progressive Party (DPP), ending its 51-year grip on power.

The DPP, under then president Chen Shui-bian, scrapped many of the projects here during its eight years in office.

But with the KMT's return to power last year, President Ma Ying-jeou has put the zone back on his list of priorities as he focuses on improving ties with former arch rival China and boosting the island's faltering economy.

Previously, the root cause of the related problems was the lack of direct transportation links between Taiwan and China, just

across the Taiwan Strait, said Taoyuan county magistrate Eric Chu.

"Now the barriers have been removed after the Ma administration was inaugurated," said Chu, also a vice chairman of the KMT, referring to talks that have led to direct flights and deepened economic ties across the Strait.

Taoyuan's free trade zone is slated for enlargement to 290 hectares in response to the cross-Strait flights and rising demand for air cargo in the Asia-Pacific region, according to the blueprint laid out for the future aerotropolis.

The government plans to spend nearly 500 billion Taiwan dollars (15.2 billion US) to upgrade infrastructure over the next four years, with half that amount going to aerotropolis-related projects, including a rail system linking the airport to the island's capital Taipei.

A third terminal will be added to the airport and the existing terminals, which have operated for 30 years, will be upgraded.

The KMT has also pushed for the passage of a bill allowing professionals, rather than government employees, to run the airport.

"The red tape that has been reducing the airport's operating efficiency must be got rid of if we want to ensure the success of the projects," Chu said.

To take advantage of the dramatic changes, the aerotropolis planners have expanded on their original plans, adding a trade exhibition complex, aircraft repair and maintenance services and a recreation area to counter competition from Chinese cities.

Chu said he hopes the project will attract one trillion Taiwan dollars worth of private investment and create up to 80,000 jobs.