International Business News

Wipro profit up almost 12pc

AFP, *Bangalore*

India's third-largest software maker Wipro posted higher-than-expected first quarter earnings Wednesday, with profits up 11.7 percent, despite the tough global environment.

Consolidated net profit was 10.15 billion rupees (209 million dollars) in the three months to June 30, according to Indian accounting norms, up from 9.08 billion rupees a year earlier.

The Bangalore-based firm said in a statement to the Mumbai stock exchange that revenues rose nearly five percent to 62.89 billion rupees for the quarter.

Wipro signed up 26 new information technology clients in the quarter as India's key software industry clocks a series of strong growth figures against a backdrop of worldwide economic troubles.

Analysts had forecast profits for the quarter at 9.6 billion rupees.

"We are starting to see the first signs of stability in the business as ramp downs start to taper off and volumes start to stabilise," Wipro chairman Azim Premji said in a statement.

The company was the third of India's big-four outsourcing giants to report profits that outstripped analysts' forecasts in a difficult business climate, especially in the major US market.

This month Infosys Technologies and Tata Consultancy Service (TCS) also beat market expectations with improved earnings.

US unveils new regulation For rating agencies

AFP, *Washington*

US officials Tuesday unveiled legislation aimed at improving regulation of credit rating agencies, which were blamed for failing to alert investors about risky securities ahead of the credit crisis.

The proposal, part of a wide-ranging regulatory overhaul proposed by the administration of President Barack Obama, aims "to increase transparency, tighten oversight, and reduce reliance on credit rating agencies," a Treasury statement said.

Credit rating agencies such as Moody's and Standard & Poor's would face new rules to reduce conflicts of interest and to increase transparency.

The agencies -- Moody's, Standard & Poor's and British-based Fitch -- have come under fire for being too slow to alert investors to the dangers of investments based on US high-risk subprime home mortgage loans.

The European Union and Group of 20 leaders have also called for tighter oversight of the agencies.

Under the proposed legislation in Washington, agencies "will be required to provide a much fuller picture of the risks in any rated security.

AFP

A Sri Lankan model displays a creation by local Sri Lankan designers at a clothing store in Colombo on Tuesday. Clothing accounts for over half of Sri Lanka's 7.5 billion USD export earnings and is a vital line for the economy that is in the grips of decades old ethnic conflict.

Pfizer's profit plunges 19pc

AP, *New York*

Drug giant Pfizer Inc says its second-quarter profit plunged 19 percent, as the strong dollar pulled down revenue and higher taxes and costs for its pending purchase of rival Wyeth hurt the bottom line.

The maker of cholesterol fighter Lipitor, impotence treatment Viagra and stop-smoking drug Chantix says its net income was $2.26 billion, or 34 cents per share. That compares with income of $2.78 billion, or 41 cents per share, in the second quarter of 2008.

Excluding charges totalling 14 cents per share, Pfizer's earnings per share were 48 cents, topping estimates by a penny.

Revenue totalled $10.98 billion, down 9 percent from $12.13 billion in the second quarter of 2008.

Analysts polled by Thomson Reuters were expecting earnings per share of 47 cents and revenue of $11.27 billion.

Taiwan jobless rate hits new record high

AFP, *Taipei*

Taiwan's unemployment rate hit a new record high of 5.94 percent in June, mainly due to a hike in first-time job seekers, the government said Wednesday.

The figure is up from 5.82 percent recorded in May and is higher than the 3.95 percent a year ago, said the directorate general of budget, accounting and statistics.

On a seasonally adjusted basis, June unemployment rose to 5.91 percent, up from 5.84 percent from last month, the agency said.

In June, the number of the jobless reached 647,000, up 14,000 from a month earlier, including an increase of 12,000 first-time job seekers.

For the first six months, the jobless rate stood at 5.73 percent, up from 3.87 percent in the same period last year with an average 623,000 people out of work, up 205,000 from last year.

INVESTMENT

Any break in KEPZ clouds soon?

YOUNGONE

The Korean Export Processing Zone on the bank of the river Karnaphuli in Chittagong still remains unoccupied due to a lack of gas and electricity supply and delayed clearance from the authorities on environment.

MD HASAN, *back from Chittagong*

The atmosphere is shrouded in stillness. The land remains bare with small hills sporadically covering an area of 2,500 acres. It was supposed to be an industrial enclave years ago. But nothing happened in the last 8 years.

Not a single hole of the golf course enjoys shots, despite regular nursing of the 18-hole field by around 100 workers, with hopes that one day occasional golfers will crowd it.

Sometimes a skulk of foxes appears from the hilly forest, and trot around lazily. But initiators of Bangladesh's first private sector export processing zone (EPZ) were not far from preparations to let their dreams come true.

The Korean Export Processing Zone (KEPZ), situated on the bank of the river Karnaphuli in Chittagong, was readied for investors in 1999. But due to a lack of gas, electricity, delayed clearance from the authorities on environment and other bureaucratic hassles, the area remains unoccupied.

But things are about to change as Youngone Corporation, an initiator of Bangladesh's largest export processing area, now moves to break the ice on investment sterility. The company will shortly make an investment footprint in the lone KEPZ by setting up a $110 million footwear factory.

"We want to take the risk first before welcoming other investors," Md Shahjahan, general manager of KEPZ, told a group of reporters when they visited the site on July 16.

The 72-production line shoe factory will create jobs for more than 30,000 in the area, while KEPZ projects will directly and indirectly create jobs for more than 3,50,000, when the zone becomes fully functional.

The KEPZ officials are a bit optimistic about obtaining electricity and environmental clearance, but worried about gas, a major source of energy needed to set up a factory.

The Korean-sponsored private EPZ was initially discussed between Korea and Bangladesh in 1995, on the sidelines of a summit held at Seoul. Later, Kihak Sung, chairman and chief executive officer of Youngone Corporation, came to kick-start establishment.

Youngone is one of the leading foreign investors in Bangladesh, employing over 30,000 people in more than a dozen factories in Dhaka and Chittagong EPZ, with an annual turnover of around Tk 25 billion.

Capitalising on its business background in Bangladesh, Youngone acquired land to establish the private EPZ in 1999 after fulfilling all requirements. To develop the hilly and mostly sandy land, Youngone sketched a plan to invest $200 million.

However until May 2007, the company did not get an operational licence, a certification from the government to start production in any EPZ.

The KEPZ officials were also not ready to explain the delay.

However, people familiar with the matter mainly blamed the delay on political unwillingness.

It is a common phenomenon that when a political government initiated the project, its successor is hesitant to take it forward. And so, KEPZ did not get government support for a long time.

From 1999 to 1996, foreign investors from US, China and India knocked KEPZ authorities for investment opportunities. But none was entertained.

Youngone even had to shift their investment plans to Vietnam, which resulted in employment for 20,000 people in that country, a big blow to Bangladeshi job seekers.

Good news for the expected $1 billion foreign direct investment (FDI) hub came in May 2007, when it obtained the operational licence.

However, problems still remain, as electricity and gas crises persist in Chittagong. And the KEPZ has been a victim from the beginning.

"We want only 2.75 million cubic feet per day (mmcfd) gas to run the shoe factory initially," Shahjahan said. "We just want to start."

Considering the acute shortage of gas, the KEPZ already submitted a conservative gas requirement to the government. It wants 2.75 mmcfd gas by 2010, 6.90 mmcfd by 2011, 10.05 mmcfd by 2012 and 13.20 mmcfd by 2013.

"We hope to get an electric connection soon, " the official said.

In addition, the KEPZ requires support from the Chittagong Port authorities, National Board of Revenue and the Department of Environment.

KEPZ could give momentum to the process of attracting FDI, which has been declining since 2006 mainly because of political uncertainty.

Bangladesh fetched FDI worth $793 million in fiscal 2006-07, which declined to $650 million in 2007-08, according to Bangladesh Bank statistics.

The United Nations Conference on Trade and Development (Unctad) says worldwide FDI inflows shrank 21 percent in 2008 to $1.4 trillion. The World Association of Investment Promotion Agencies predicted a 12-15 percent contraction in FDI in 2009.

The government in its budget for fiscal year 2008-09 announced that establishment of EPZ will not be allowed anymore. In such circumstances, the ready KEPZ could be considered as an investment hub by prospective investors. Nothing but a supportive whistle from the government is enough to make investors crowd into the KEPZ.

The buzz of factories in the expected change in the KEPZ scenario may replace the silence of the occasional golfers in their leisure time.

Fortune list shows Chinese state firms' dominance

AFP, *Shanghai*

Heads may have turned when more Chinese firms than ever made Fortune's list of 500 top global companies, but experts say the increase reflects Beijing's power -- not companies' competitiveness.

An unprecedented 34 firms from mainland China made the list of the world's top companies by revenue, up from 25 last year. Conversely, the number of US firms fell to 140, the lowest since Fortune began the list in 1995.

The Chinese firms may not be global household names, but the impact of companies like top-10-ranked Sinopec is felt around the world as they jostle with other Fortune 500 firms to snap up acquisitions.

In the past month alone, the Chinese oil giant has signed deals in Iraq, Angola and Canada.

However, unlike other countries represented, the Chinese companies are all state-owned enterprises -- with one exception, steelmaker Shagang Group, which has been fully private since 2004.

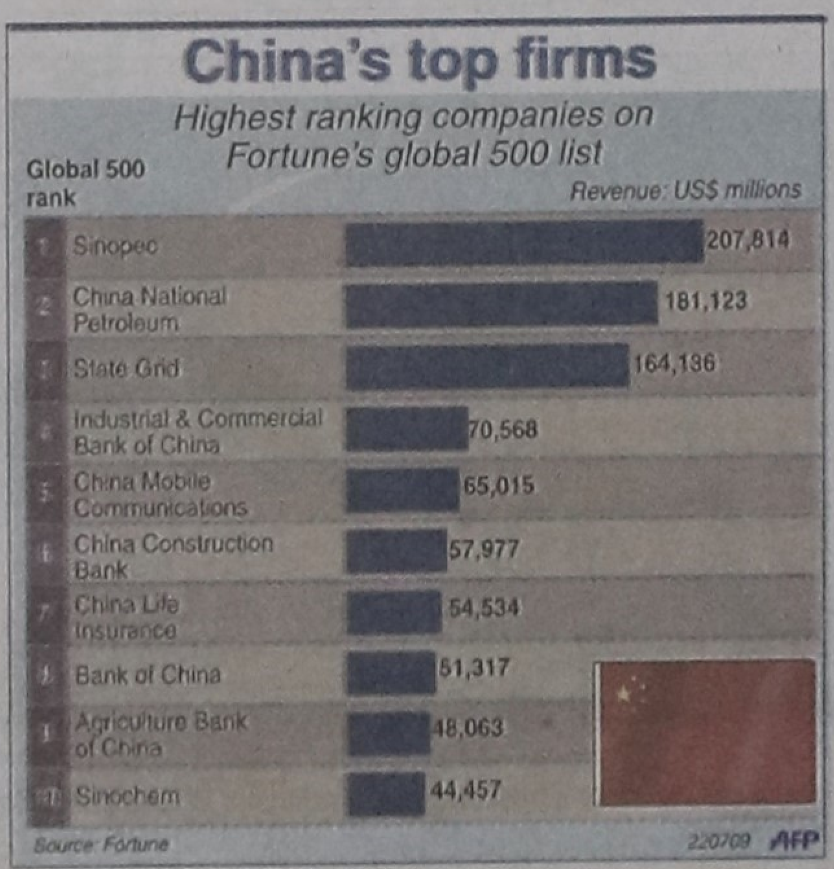
"You can be big because you are competitive and you have rolled out good products," said Yasheng Huang, author of "Capitalism with Chinese Characteristics".

"Or you can be big because you are a state-sanctioned monopoly that stifles competition. The list makes no distinction," said Huang, a professor at the Massachusetts Institute of Technology's (MIT) Sloan School of Management.

Fortune's list is based on sales revenue, but if it were based on profitability, the Chinese contingent would shrink, said Zhang Ming, an economist at Beijing's China Academy of Social Sciences.

"Most of the (list's) Chinese companies are state-run because they enjoy monopolies, favourable policies and state funding. If they lost their monopoly positions, would they still be big and profitable? That's doubtful," he said.

After 30 years of reforms aimed at transforming China from a controlled economy to a market-based system, state firms' dominance shows the need for more private assets and allowing more competition, Zhang said.



Bernanke has exit strategy, not ready to use it

AFP, *Washington*

Federal Reserve chairman Ben Bernanke moved to allay market concerns Tuesday by outlining the central bank's "exit strategy" for its unprecedented effort to jolt the economy out of recession.

But Bernanke's carefully crafted statements to lawmakers also suggested the economy, while on the mend, is not yet strong enough for an end to the stimulus and that the Fed would maintain its aggressive stand for some time, analysts said.

Bernanke, delivering his semiannual economic report to Congress, cited "notable improvements" in financial markets and a somewhat brighter economic outlook.

But he also appeared troubled by the rise in unemployment and the possibility that this could trip up a recovery.

"Job insecurity, together with declines in home values and tight credit, is likely to limit gains in consumer spending," the Fed chief said.

"The possibility that the recent stabilization in household spending will prove transient is an important downside risk to the outlook."

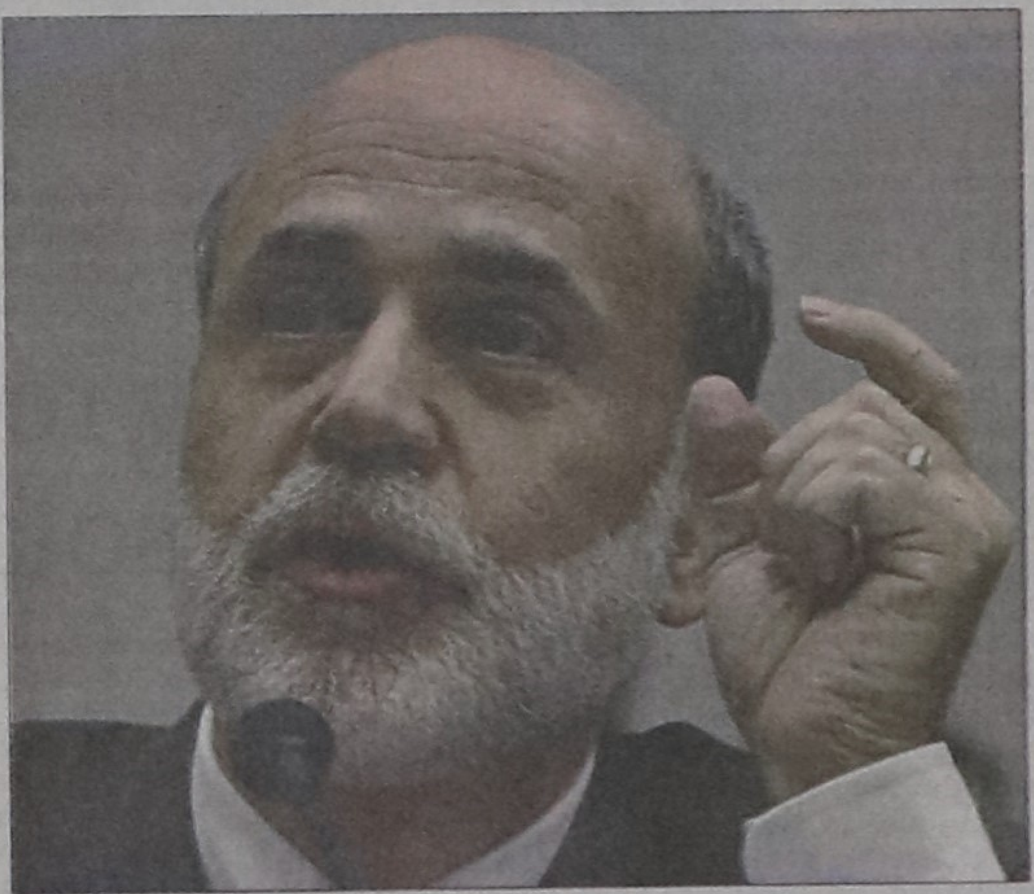
Because of the fragile economy, he said that "a highly accommodative stance of monetary policy will be appropriate for an extended period," suggesting that the Fed is in no hurry to end its near-zero interest rate policy or special programs to pump money into the financial system.

Analysts said Bernanke felt compelled to address inflation fears by outlining his exit strategy but that by emphasizing tame inflation and sluggish activity indicated that no change was imminent.

"The Fed has prepared an exit strategy from its present highly accommodative monetary stance which it is ready to activate when needed -- but that won't be for some time," said economist Nigel Gault at IHS Global Insight.

"The present focus of policy remains on stimulating economic activity."

Bernanke said that the vast effort which could pump as much as one trillion dollars into the financial system "can be withdrawn in a smooth and timely manner as needed, thereby avoiding the risk that policy stimulus could lead to a future rise in inflation."



AFP

US Federal Reserve Board Chairman Ben Bernanke testifies to the House Financial Services Committee on Capitol Hill in Washington, DC on Tuesday.

The policymaking Federal Open Market Committee "has been devoting considerable attention to issues relating to its exit strategy, and we are confident that we have the necessary tools to implement that strategy when appropriate," he added.

Bernanke said some of the liquidity programs "will unwind automatically" because of the premium in the Fed programs. He said the Fed can also manage interbank lending rates effectively by setting rates on commercial bank deposits at the Fed.

His comments overall appeared somewhat more cautious about recovery than some had anticipated.

Ryan Sweet at Moody's Economy.com said Bernanke's comments indicate "that both the economy and financial system are too weak for the central bank to begin tightening monetary policy."

"His downbeat assessment of the labor market is noteworthy, as it could determine when the central bank begins tightening monetary policy," Sweet added.

Ian Shepherdson at High Frequency Economics said Bernanke carefully avoided any timetable for raising rates or easing the Fed's stimulative policy.

"Mr. Bernanke's emphasis on the grim state of the labor market ... suggests any tightening will not start until unemployment starts to come down," the economist said. "That would be entirely in keeping with previous Fed behavior."

Gregory Drahuschak, analyst at Janney Montgomery Scott, said the Fed chief's comments were as candid as possible given the circumstances.

"We think that the Fed has done a good job of managing expectations," Drahuschak said.

"There was no ambiguity in Bernanke's remarks. Part of Bernanke's pledge during his confirmation hearings when he was appointed to the Fed chairmanship was to provide transparency regarding the Fed's thinking. We believe he has fulfilled that pledge."