

International Business News

India's central bank keeps rates unchanged

AFP, Mumbai

India's central bank on Tuesday kept its two key short-term interest rates unchanged at record lows, continuing efforts to spur growth in the slowing economy.

The Reserve Bank of India (RBI) projected growth of 6.0 percent "with an upward bias" for the year to March 2010, governor D Subbarao said in the first quarter review of monetary policy.

He said the economy was showing positive signs of a revival, but that the signals were "tentative and too weak to suggest a turnaround".

India's economy grew by 6.7 percent in the year ended March 31 -- the slowest rate since 2003 and down from nine percent a year earlier -- as the effects of the global economic downturn took effect.

The bank said its policy stance would be to "aid return of the economy to the high growth path of nine percent."

The bank has kept the repo -- the rate at which it lends to commercial banks -- unchanged at a record low of 4.75 percent.

The reverse repo, the rate at which it borrows from banks, was kept at a record low of 3.25 percent.

Deutsche Bank reports profits leap in firmer climate

AFP, Frankfurt

Germany's biggest bank, Deutsche Bank, said on Tuesday its profits soared by 68 percent in the second quarter as global financial markets showed signs of stabilising, but bad loan risks also surged.

The bank posted net profits of 1.1 billion euros (1.6 billion dollars) in the period between April and June, driven mainly by a strong performance by its investment-banking wing, where revenues jumped 84 percent.

While profits were better than analysts had expected, the bank's share price dropped sharply on the German stock market as the company had to increase its provisions against bad loans to one billion euros from 135 million euros in 2008.

Hailing what he termed "very satisfactory results," Chief Executive Josef Ackermann said conditions were still too choppy to offer projections for the whole year but said the bank was in a strong position.

"The outlook for the remainder of 2009 is strongly influenced by progress in the global economy. In an uncertain environment, Deutsche Bank is well prepared," Ackermann said in a statement.

He added: "We have witnessed stabilisation of the world's banking industry and financial markets. Increased liquidity and lower volatility in financial markets are both supportive for our business."

The strong results for Deutsche Bank follow improvements elsewhere in the banking sector, suggesting that the financial sector could be recovering from its worst ever crisis since the 1930s.



AFP

Indonesian workers clean a billboard advertising a bank in Jakarta yesterday. July 17's twin hotel bombings in Jakarta will not affect Indonesia's standing among foreign investors because economic reforms have taken root, Trade Minister Mari Pangestu said on July 20.

New Zealand woos wealthy business migrants

AFP, Wellington

New Zealand announced Tuesday that it has relaxed the rules on immigration in a bid to attract more wealthy entrepreneurs as the government tries to boost the local economy.

Economic Development Minister Gerry Brownlee and Immigration Minister Jonathan Coleman said previous rules had failed to attract enough well-heeled foreigners to the country.

"The last government's business migration policies have not attracted investment," Coleman said, adding only 23 migrants had come to New Zealand through the business migration policy since 2007.

Under the new rules, English language, business experience and minimum capital requirements have been relaxed to attract more wealthy people.

Migrants with at least 10 million dollars (6.6 million US) will now need no English language skills, or business experience and the maximum age limit has been removed.

Japanese auto output plunges in first half 2009

AFP, Tokyo

Japan's top automakers Toyota, Honda and Nissan said Tuesday that they had sharply reduced their global production during the six months to June in response to a slump in sales.

Toyota Motor, the world number one, said its global production fell 43.1 percent in the first half of 2009 from a year earlier to 2,539,673 vehicles, excluding those made by subsidiaries Daihatsu Motor and Hino Motors.

Nissan Motor reported a 40.0 percent drop in output to 1,099,760 vehicles while Honda announced a 33.7 percent decline to 1,317,309 vehicles.

Japanese auto makers have idled plants and slashed thousands of jobs in response to the global economic crisis.

Toyota said its domestic sales fell 26.6 percent in the first half of 2009 from a year earlier to 593,173 vehicles, excluding Daihatsu and Hino. Nissan reported a 25 percent fall in domestic sales to 291,990 vehicles.

INTERVIEW

A banker to farmers

Krishi Bank chairman shares a new idea with The Daily Star

REJAUL KARIM BYRON

Fair price is the key to contentment for a producer. But the farmers of Bangladesh are often deprived of desired price as their production costs do not match the selling price. Middlemen try to eat up their benefits. It has been a long-standing problem.

So comes Bangladesh Krishi Bank to their rescue, now, with an innovative idea.

Chairman of the bank Khondkar Ibrahim Khaled said the bank is going to introduce a financing system under a new model styled "Producers' Cooperative Society" to ensure fair price for the farmers.

Khaled said about 100 to 250 farmers would form a cooperative society and build a fund through subscription. After that, Krishi (agriculture) Bank would finance to build a warehouse at lower cost.

The farmers will then keep their produce in the warehouse and sell to either the government or other buyers at fair price, the veteran banker said in an exclusive interview with The Daily Star.

"We will introduce the model on an experiment basis in some areas and if found successful, the model will be spread to other areas of the country. Other banks may also follow us," Khaled said.

"We have noticed that the farmers do not get fair price. The present government is farmer-friendly. It gave fair price of rice but the farmers did not get the benefits due to the presence of the middlemen. The middlemen gobble up the benefits as the marketing system in the rural areas is very weak."

However, sensing an alarm, he said if the system is introduced, the middlemen may get angry and can even harm the members of the cooperatives. "So the government will have to ensure protection for them."

Khaled served as the chief executive officer (CEO) of about half a dozen state and private banks. He was also a deputy governor of the central bank.

The biggest agricultural loan-disbursing bank, which distributes about 55 percent of farm loans, could not see profit since its inception. After Khaled took over as its chairman last fiscal year, the bank made a profit of Tk 12 crore.

About the finance minister's



Khondkar Ibrahim Khaled

recent statement that a wholesale rescheduling of banks' loans would be done to face the fallout of global recession, he said: "It won't be proper to do it on a wholesale basis. The bank concerned and its board should take decision on case-to-case basis. The finance ministry or the Bangladesh Bank doesn't need to give any decision in this regard."

He said it has been seen that during the anti-corruption drive of the last caretaker government the bad people were affected mostly. "Some good businessmen were also affected." Giving an example, he said in a drive in Chittagong most of the warehouses of the businessmen were sealed. But that does not mean that all businessmen there were bad.

However, in this regard the bank concerned can determine who has really suffered. So the

responsibility should go to the bank, not to the finance ministry or the Bangladesh Bank, Khaled said.

About Krishi Bank's making profit, he said usually it gives low-cost loan in the rural areas and those loans are not recovered properly. As a result, the bank incurs loss. So the scope for minimising loss from loans given in the rural areas is little.

"So I took a different approach - cross subsidisation."

Khaled said: "In Chittagong I invited businesspeople at a meeting and told them that if they do business with Krishi Bank, they will be benefited. Many businessmen came forward. They were given non-funded facilities. On the other hand, a group of young officials of the bank was trained in foreign exchange and deployed in some particular branches. So they could provide the best services to

the businessmen there."

As a result, Krishi Bank's income increased in export-import sector, he said. The bank's import business increased by 27 percent, export business by 24 percent and remittance income went up by 34 percent last fiscal year.

The chairman said it is one of the ways "we managed to increase our income and made profit."

Replying to a question regarding allegations of corruption and harassment against Krishi Bank, he said, "I won't say corruption does not exist at all at Krishi Bank. But it has dropped substantially."

Giving an example, he said he and the members of the board launched a special drive last year. "We all went to some Barisal villages hiding our identities. We talked to some farmers in the villages about corruption. When

we met in the assessment meeting in the afternoon, each member said they did not receive a single allegation of corruption."

The farmers told them that corruption existed in the past but not now. General Manager for Barisal Zone Krishi Bank Siddiqueur Rahman was a freedom fighter. He extensively visits the villages and encourages his officers to do so and remain corruption-free.

Later the bank gave him (the GM) a special award for his role in cutting corruption.

Such incident may not happen in other areas. But high officials of Krishi Bank frequently visit the village areas and try to change the culture of corruption, Khaled said.

Loans are given through field supervisors of the bank who are very low-paid. "We are trying to increase their salary so they don't indulge in graft."

Khaled said now the role of Krishi Bank has increased much more in distributing loans in the villages. Another programme taken is a special drive for collection of deposit for districts including Dhaka and Chittagong. "If the deposit collection is higher, we can increase financing in the rural areas."

"If the programmes are successful, our dependence on the Bangladesh Bank for loan to refinance will lessen," Khaled said.

On default loan, he said: "Another success of Krishi Bank is that its default loan has come down substantially. About three years back the default loan was about 40 percent. In June this year it came down to 22 percent. It's a big success. It was possible due to continuous monitoring."

Krishi Bank contributed much to the victims of cyclones Sidr and Aila. He said all the loans given to the Sidr victims were rescheduled. The bank fears 50 percent of those loans will not be realised.

The Krishi Bank charter provides that the government takes over the loss. A huge amount of money was claimed by Krishi Bank to the government on account of loss. After the present government came to power it paid about Tk 900 crore such loans to the bank. About Tk 1,000 crore is still pending in this account. The bank hopes the government would soon pay the amount, which would enable it to expand its rural finance programme.

ECONOMIC CRISIS

US, China have pointed questions in private

AP, Washington

The United States and China are striking a conciliatory tone in their public comments during economic talks, although that hasn't stopped China from posing some pointed questions behind closed doors about such issues as America's soaring budget deficit.

The Obama administration has questions it wants answered as well in such areas as China's long reliance on massive trade surpluses with the United States to bolster its domestic economy.

Both sides are expected to wrap up two days of high-level talks Tuesday with a joint communiqué that will lay out a work plan that both sides will tackle in upcoming meetings.

Officials from both nations played down the prospects for any breakthroughs this week on the major issues that separate the two nations, including America's massive trade deficit with China. Critics have blamed the trade deficit over the years for the loss of millions of US manufacturing jobs.

President Barack Obama opened Monday's discussions by declaring that the United States sought a new era of "cooperation, not confrontation" with China and that management of the US-China relationship would be a major factor in defining the history of the 21st century.

Obama dispatched his top economic officials -- Treasury Secretary Timothy Geithner, National Economic Council Director Lawrence Summers, White House budget director Peter Orszag and Federal Reserve Chairman Ben Bernanke -- to try to reassure China that the US will not let deficits or inflation jeopardise the value of Chinese investments.

US briefers said the president's team told the Chinese that the United States was committed to making sure the economic and monetary stimulus being used to fight the recession did not fuel inflation.



US officials told reporters that the US side stressed to the Chinese that the United States has a plan to bring the deficit down once the economic crisis has been resolved. They said Bernanke discussed the Fed's exit strategy from the central bank's current period of extraordinary monetary easing, emphasising that the Fed was being careful to guard against future inflation.

The Chinese, who have the largest foreign holdings of US Treasury debt at \$801.5 billion, have been expressing worries that soaring deficits could spark inflation or a sudden drop in the value of the dollar, thus jeopardising their investments. Chinese officials said those concerns were raised during Monday's talks.

"We sincerely hope the US fiscal deficit will be reduced, year after year," Assistant Finance Minister Zhu Guangyao told reporters after the Monday talks had ended.

"The Chinese government is a responsible government and first and foremost our responsibility is the Chinese people, so of course we are concerned about the security of the Chinese assets," Zhu said, speaking through an interpreter.

The discussions on America's deficits and China's role in financing them highlighted the growing economic importance of China, now the world's third largest economy.

The discussions in Washington represent the continuation of talks begun by the Bush administration. While the initial talks



AFP

Treasury Secretary Timothy Geithner (R) steers Chinese vice premier Wang Qishan in the right direction to the meeting room after posing for photographs with other principals before the Economic Track Principal Meeting of the US-China Strategic and Economic Dialogue at the Ronald Reagan Building and International Trade Centre in Washington, DC, on Monday.

focused on economic issues, Obama wanted the agenda expanded to include foreign policy issues such as America's drive to get China's support for more international pressure to curb North Korea's nuclear ambitions.

Geithner and Secretary of State Hillary Rodham Clinton were leading the US team. The Chinese delegation was led by Chinese State Councilor Dai Bingguo and Vice Premier Wang Qishan.

David Loevinger, Treasury's senior coordinator for China affairs, said Orszag and Summers both stressed the commitment of the administration to attacking the US deficits.

"There were serious questions about what the economic outlook is and ... our plans for withdrawing stimulus," Loevinger told reporters.

Geithner traveled to Beijing last month to assure Chinese officials that federal budget deficits, which have ballooned because of government efforts to deal with the recession and stabilise the financial system, would be reined in once those crises have passed.

Many private economists have said the Chinese are right to worry about a US budget deficit that is projected to hit \$1.85 trillion this year, four times the previous record.