

International Business News

WTO trade pact 'doable', says Australian minister

AFP, New Delhi

A new global trade pact is "doable," Australia's trade minister said Wednesday, on the eve of a key WTO meeting in New Delhi aimed at helping drive the negotiations to a successful end.

The two days of ministerial level talks, which start Thursday, are seen as critical to laying the groundwork for more progress at a meeting of leaders of the Group of 20 developed and emerging nations in Pittsburgh in late September.

"We are very close to conclusion" of the Doha round of World Trade Organization (WTO) talks, Australia's Trade Minister Simon Crean told a business forum in New Delhi.

"Last July (when the talks collapsed) we got 80 percent there, 20 percent remains elusive," Crean said.

"This (agreement) is doable," he said. "We need the political will."

The WTO negotiations began in 2001 with the aim of boosting global commerce to help developing countries, but deadlock between the major trading blocs has dashed repeated attempts to forge a new pact.

The most recent push last year in Geneva ended in failure, but with new governments installed in Washington and host nation India, there is renewed hope for success.

ECB interest rates on hold as backdrop brightens

AFP, Frankfurt

The eurozone's benchmark interest rate will stay at its historic low of 1.0 percent Thursday as deflation fears subside and the 16-nation economy shows signs of a rebound, analysts say.

"While keeping rates on hold this week, the ECB (European Central Bank) can shift gears from crisis management to safeguarding the momentum" seen in France and Germany, ING senior economist Carsten Brzeski said.

Observers will focus on the latest forecasts for eurozone inflation and growth by bank staff that ECB president Jean-Claude Trichet is to present at a press conference following the rate decision in Frankfurt.

Analysts expect a bleak picture presented in June to be brighter even though rising unemployment and a potential credit squeeze could still choke off sustained economic growth.

Fears that deflation could grip the eurozone have begun to subside however since the European Union said consumer prices slipped by just 0.2 percent in August, far less than the 0.7 percent level in July.



AFP

Models pose with Japanese electronics giant Panasonic's new "Lumix DMC-GF1", claimed to be the world's lightest digital interchangeable lens camera with built-in flash, equipped with a 12.1 mega-pixel CMOS image sensor which enables it to shoot high-definition movies in AVCHD or Motion JPEG formats, during a display in Tokyo yesterday. Panasonic will put it on the market on September 18 with a newly developed 20mm/F1.7 compact lens.

German auto scrapping bonus ends

AFP, Frankfurt

Germany's car scrapping premium expired on Wednesday after two million buyers took advantage of a landmark government offer which has boosted the crisis-hit auto sector.

The website of the Federal Office of Economics and Export Control (BAFA), a unit of the economy ministry, showed that the last contract had been taken early in the day, after demand surged to around 14,000 per day as the programme entered the final stretch.

But although the plan has succeeded in keeping domestic auto sales afloat amid the country's worst recession for six decades, 2010 sales could slump heavily because many drivers brought forward purchases to benefit from the subsidy.

The grant of 2,500 euros (3,550 dollars) for drivers who scrap old cars and buy new ones has especially spurred sales of small cars in Germany, with foreign brands among the main beneficiaries.

Starting in February, the premium was provided with a total budget of five billion euros, the equivalent of two million bonuses.

Gmail knocked offline for majority of users

AP, San Francisco

Google Inc's Gmail service was knocked offline Tuesday in an outage that the company said affected a "majority" of its millions of e-mail users, including consumers who get Gmail for free and businesses that pay for a version for their employees.

The disruption, which lasted under two hours, was a reminder of the growing dependence on Google's technology. The free version of Gmail is the world's third most popular e-mail program with some 149 million users worldwide in June, ranking behind the free e-mail services offered by Microsoft Corp and Yahoo Inc, according to data from comScore Inc.

Tuesday's disruption led tens of millions of Gmail users to get an "Unable to reach Gmail" error message as their computers tried repeatedly to reconnect to the service. Google said it had taken some of Gmail's servers offline for routine maintenance, and underestimated the load that would place on other computers responsible for directing traffic to the appropriate Gmail servers.

INTERVIEW

Energy crunch a letdown for banks

Says the IFIC boss as he shares views with The Daily Star

SAJIADUR RAHMAN

The energy crisis is discouraging banks from financing new investments and shaping up as a major threat to new employment and economic growth.

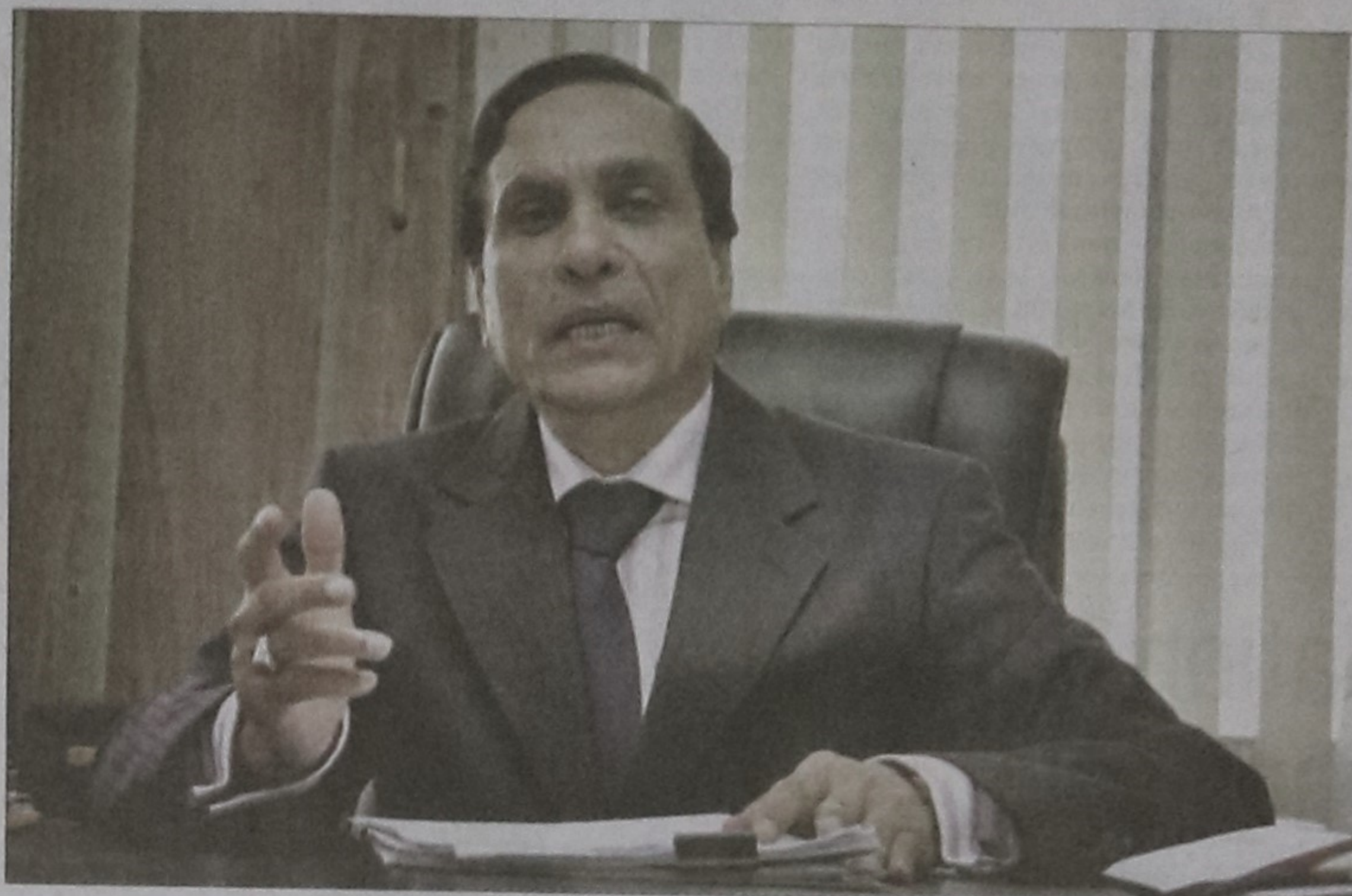
"If the government continues to say no to new gas connections, the banks will not come up with new investments," said Mosharraf Hossain, managing director of International Finance Investment and Commerce Bank, popularly known as IFIC Bank.

"Energy should be the government's top priority. If other spending needs to be trimmed to improve the energy situation, it has to be done -- with urgency," the banker told The Daily Star in a recent interview.

He also spoke on the widely discussed public private partnership (PPP) programmes, infrastructure and bank credit to farm and small and medium enterprises (SMEs). For him, other issues pale beside the energy situation.

"A halt to new gas connections has virtually stopped industrialisation," said Hossain, who previously served Pubali Bank for 25 years at a stretch.

At the moment, the government can supply 1,850 mmcf to 1,900 mmcf of gas against demand for more than 2,000 mmcf. On the other hand, the supply of electricity is limited to 4,200 megawatts against peak-hour demand for



Mosharraf Hossain

6,000 megawatts. As a result, the country's industrial sectors have long been facing serious setbacks due to the crisis.

Many industries are not even taking the approved loans from the banks due to a lack of gas connections.

"It is time we discussed the solution and not the problems," said Hossain.

He said banks, which are the

main source of finance, could also invest to improve the energy condition.

"PPP can be good strategy for this," he added.

Solar energy and windmills could also prove to be effective options, the banker said. "These alternate sources of power need to be popularised effectively."

IFIC Bank is a first generation private commercial bank with 26

years of experience in the industry.

Financial indicators of the bank followed positive trends in 2008, despite global recession. The bank's operating profit stood at Tk 178 crore last year. Deposits and loans and advances of the bank witnessed double-digit growth.

The bank's loan portfolio reached Tk 3,301 crore on December 31, 2008. Corporate credit accounts for 61 percent

followed by SME at slightly more than 20 percent. Consumer credit takes up 7 percent and agriculture just 1.6 percent.

"We have decided to concentrate more on SME and farm credit rather than corporate, to help the country develop its economic base," Hossain said.

The experienced banker believes agriculture and SME are the backbone of the country.

Construction of the Padma Bridge would help develop SMEs in the southern parts of the country.

The corporate sector was just like the SME sector just two decades ago, but look at how it grew in just two decades, he said.

"We have set no targets on SME financing, as we will do it based on needs," said Hossain.

However, he expressed his ultimate frustration at the limited infrastructure in the country.

"The daily traffic congestion is eating up productivity and resources," he said. "Several flyovers need to be constructed in Dhaka as soon as possible."

Banks can form a consortium to pool funds for construction of flyovers, he said.

But the government has to take the initiative to encourage the private sector to invest in this area.

"Private financiers will get back their money easily -- in just five to six years," the IFIC managing director said.

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COLUMN

Good for development

SAMANTHA MORSHED

The Overseas Development Institute (ODI) in the UK is currently consulting and finalising a new mark for companies and products, Good for Development. Early in the research they reviewed a range of existing ethical standards and labels and found that none of them really measure or even attempt to capture the contribution to development being made by business.

They concluded that there was a gap in the market for this and that a Good for Development product or company mark could facilitate measurement and communication of a company's positive contribution to development. The idea is that the mark would recognise the importance of a company's core business in delivering development gains and will encourage their pragmatic involvement in UN Development foci.

It is widely recognised that business has the potential to be highly effective in reducing poverty and enabling progress towards the other Millennium Development Goals (MDGs). The main question behind this new mark asks 'how do we get businesses in their thousands, both multinational and local, to not only continue to leverage their core business initiatives to be pro-poor but also align CSR actions to UN Development foci within the scope of their operations?'

Certainly it is true that companies who have adopted the Fairtrade Labelling Organisation (FLO) mark, for their commodities have seen benefit from this, are able to charge a premium price for their products and have achieved widespread customer recognition. Whilst the geographic reach of FLO is truly global, the number of products that can be certified is limited. The mark was developed in such a way that each product needed a specific certification process and in some ways this has slowed the rollout of the mark to more products.

Nevertheless, in the UK 53 percent population recognise the FLO logo and more people think that Fairtrade is more effective in reducing developing world poverty than charity. It's clearly been a success for producers and customers.

On the other hand, the UN Global Compact offers recognition of a company's intent through its core business or CSR activities to make progress towards the MDGs but it does not measure those companies or seek to certify them. However in some ways this may be seen as a precursor to the newly suggested Good for Development mark, which takes the concept of recognising a company's intent one step further.

Social business is a growing field, where businesses are conceived potentially to make profit and to address or solve social problems as well. Currently there is no recognition, badge or mark which can inform a customer that the product has been made by a social business and it is likely that social businesses may be some of the early participants in this scheme.



Rod Schwartz, CEO of ClearlySo, a leading social business in the UK and promoter of social business worldwide, thinks "while there are already a great number of marks, badges and memberships to be had, companies which are good for development have not had their fair share. The ODI's willingness to encourage debate on the issues makes it more than likely they will emerge as a survivor in the world of 'marks'. Consumers need an avenue for expressing their growing preference to take development goals into account in their goods purchases."

Learning from the FLO experience would be crucial to its success. Whilst FLO has been a little slow to expand the range of products that it certifies it has been incredibly successful in raising consumer awareness and developing brand recognition of the mark. Customers buy fairtrade because they want to create a positive benefit for the producers. Tapping into this increasingly questioning and ethical consumer-base makes good sense for business worldwide.

From the other side of the business, there is currently no recognition, badge or mark which can inform social investors, development donor agencies or philanthropists about the development benefit created by social businesses. The International Finance Corporation (IFC), part of the World Bank, in Bangladesh, work with businesses which create 'development impact' and assess this as part of their due diligence process. The Department for International Development (DFID) from the UK is currently financing a project with the Bangladesh Enterprise Institute (BEI) to explore social business in Bangladesh. There is clearly an increasing awareness and understanding among the development donor agency community of the benefits that social business can bring in reducing poverty and progress towards the MDGs within a diversified strategy.

It has been clear over the past few decades that there is no single 'magic bullet' or panacea for reducing poverty and that a fully diversified strategy is

required of which social business could play a significant role. A single mark could provide social business, with legitimacy and credibility and ensure a more seamless working relationship in the development arena.

Karen Ellis, a research fellow with the ODI, thinks "a Good for Development company mark could encourage companies to make a real effort to improve their contribution to development through the way they do business, by helping to ensure their efforts are recognised and rewarded by customers and investors."

One area that has not yet been finalised is supply chains and how far up and down the supply should be examined in the process. If recognition can be developed within the mark for working with suppliers who also have this mark then this could significantly increase uptake and participation and could provide a clear driving force for taking the mark forward.

Corporate social responsibility is a growing concept and now commonly accepted as a necessity for business in the developed world. Focussing CSR strategies on progress towards the UN development goals could result in the most effective progress yet. Business throughout the world including small and medium size enterprises (SMEs) along with well-regulated foreign direct investment (FDI) has been key to delivering economic growth in developing countries, and it is such growth that will ultimately pull people out of poverty.

A Good for Development mark, bringing increased customer recognition of businesses, has the potential to catalyze this process. Mainstream business has the potential to significantly contribute towards solving the world's problems; and encouraging mainstream business to become more 'social' makes good sense.

The consultation process is ongoing but there will clearly be many benefits for both business and development in Bangladesh by being certified 'Good for Development'.

Samantha Morshed is the CEO of Hathay Bunano and welcomes feedback at hathaybunano@gmail.com

Global economy flashes recovery

AFP, Melbourne

The global economy flashed signs of recovery on Wednesday with unexpectedly strong growth in Australia and US manufacturing expanding for the first time for 19 months, despite a stocks setback.

The news followed a steady drumbeat of improving if uneven data from top world economies, with France and Germany leading a gradual rise out of recession in the 16-nation euro area and company earnings showing the worst may be over.

"A stronger US manufacturing sector could help underpin the global recovery, and provide support for commodity prices," analysts from Dutch bank ING said in a note after a closely-watched index showed growth in the US factory sector.

World leaders, however, have been cautious about declaring any victory in the epic battle against recession and have warned that recovery will be slow as they focus on the looming dilemma of how to exit stimulus programmes.

The outlook is set to dominate talks between finance chiefs of the G20 top world economies this week in London ahead of a G20 summit later this month.

"The global economy is not out of the woods yet by a long stretch," Prime Minister Kevin Rudd said even as data showed Australia's economy growing 0.6 percent in the second quarter -- the best result among developed countries.

His Treasurer Wayne Swan sounded a more upbeat note, calling the result "remarkable" given the fragility of the world economy and saying: "Today's result means we are the fastest growing advanced economy over the past year."

Resource-rich Australia's shipments to China and its government stimulus have helped shield it from the worst of the global downturn, with the only blip so far an 0.5 percent contraction in the final quarter of 2008.

On Tuesday, US President Barack Obama also said growth in US manufacturing was "a sign that we are on the path to economic recovery." But, as jobless figures rise, he warned: "There is no doubt we have a long way to go."

Reacting to the US data, Paul Dales, US expert at Capital Economics, a research consultancy in London, also gave a more nuanced view.

"The good news is that the recovery in the US manufacturing and housing sectors appears to be gathering pace. The bad news is that it is still not creating any extra jobs," Dales said.

"It is worth remembering that the recovery has not even begun in the all-important consumer sector," he said, adding: "Overall, it's shaping up to be another jobless recovery."

Experts warn major headaches for the world economy still lie ahead as some government stimulus programmes begin to wind down, unemployment rises in major economies and concerns linger over the banking sector.