International Business News

Billionaire Ambani brothers in legal showdown

AFP, *New Delhi*

India's billionaire Ambani brothers were set to square off in India's highest court later Tuesday in a bitter showdown that has riveted the nation.

The two have drafted India's top lawyers to argue a case over gas supplies that pits the country's biggest private sector company Reliance Industries Ltd, led by Mukesh Ambani, against Reliance Natural Resources Ltd, headed by Anil.

A Supreme Court bench led by Chief Justice K.G. Balakrishnan is due to hear the case in which billions of dollars are at stake.

The row stems from a family pact splitting the Reliance assets after the 2002 death of their father Dhirubhai, who built a corporate colossus that straddled India's economy from telecommunications to energy.

The case involving the nation's richest gas field was expected to get underway in the Supreme Court at around 0830 GMT.

Anil, 50, is demanding the honouring of a 2005 settlement brokered by their mother that would allow Reliance Natural Resources to buy gas from Reliance Industries at 44 percent below the government-set rate.

Euro chiefs express 'worries' over US, China export squeeze

AFP, *Luxembourg*

The men who run the euro single currency expressed "worries" on Monday about being squeezed out of competition for exports by two of their main global competitors, the United States and China.

After weeks of a rising euro, while both the dollar and the yuan have fallen, a shadow has been cast over a tentative export-led European recovery since the summer -- forcing euro policy leaders to adopt a dual strategy.

Eurogroup chief Jean-Claude Juncker said he, European Central Bank boss Jean-Claude Trichet and EU economic and monetary affairs commissioner Joaquin Almunia would now turn their sights on Beijing before the year is out.

"We spent quite a long time discussing exchange rates tonight, it's a problem which has us worried," Luxembourg Prime Minister Juncker told reporters after a meeting of finance ministers from the 16 countries that use the euro.

In New York, the dollar again traded lower late Monday, the euro rising to 1.4958 dollars at 2100 GMT from 1.4903 dollars late in New York on Friday.

AFP

French Economy and Finance Minister Christine Lagarde (R) chats with Italian Finance Minister Giulio Tremonti before the start of an EU Economy and Finance Council meeting yesterday at EU headquarters in Luxembourg.

Kuwait plans to spend $63b on mega projects

AFP, *Kuwait City*

Opec member Kuwait plans to spend 18 billion dinars (63 billion dollars) over the next four years on 250 massive projects, a newspaper reported on Tuesday.

The projects are included in a four-year programme approved by the cabinet on Monday and will be sent to parliament later this week, Al-Watan newspaper reported, citing government sources.

The daily did not name any project but Kuwait, awash with cash from oil revenues, has been planning a new business hub dubbed Silk City as well as a new modern harbour, a railway and metro system.

The plan which runs from the current 2009/2010 fiscal year until 2012/2013 will focus on boosting the private sector's role in the domestic economy.

Kuwait's private business accounts for just a quarter of gross domestic product.

The emirate is estimated to have foreign assets of close to 230 billion dollars, run by its sovereign wealth fund, despite sharp losses in the past year due to the global economic downturn.

IT spending to rebound in 2010: Gartner

AFP, *Washington*

Information technology (IT) spending is expected to rebound in 2010 from its worst year ever, market research firm Gartner said Monday.

Gartner said worldwide IT spending was forecast to total 3.3 trillion dollars in 2010, a 3.3 percent increase from 2009.

Worldwide IT spending is on a pace to decline by 5.2 percent this year, the biggest slowdown since the dotcom bust of 2001, according to Gartner.

"While the IT industry will return to growth in 2010, the market will not recover to 2008 revenue levels before 2012," Peter Sondergaard, senior vice president at Gartner and global head of research, said in a statement.

"2010 is about balancing the focus on cost, risk, and growth. For more than 50 percent of (chief information officers) the IT budget will be zero percent or less in growth terms. It will only slowly improve in 2011," he said.

TECHNOLOGY

S Asian telecom defies recession

Regional mobile forum chief speaks to The Daily Star

MD HASAN

The South Asian mobile industry has been demonstrating a strong presence even in times of recession, although telecom companies in some developed nations have faced blows, said Mehboob Chowdhury, chairman of South Asia Mobile Forum (SAMF).

Such performance indicates a sustainable telecom future of the region, however operators in the region did plough back investment returns into the business, he said.

In an interview with The Daily Star, Chowdhury said an "unholy price war" among operators in the region has barred them from becoming profitable for a while.

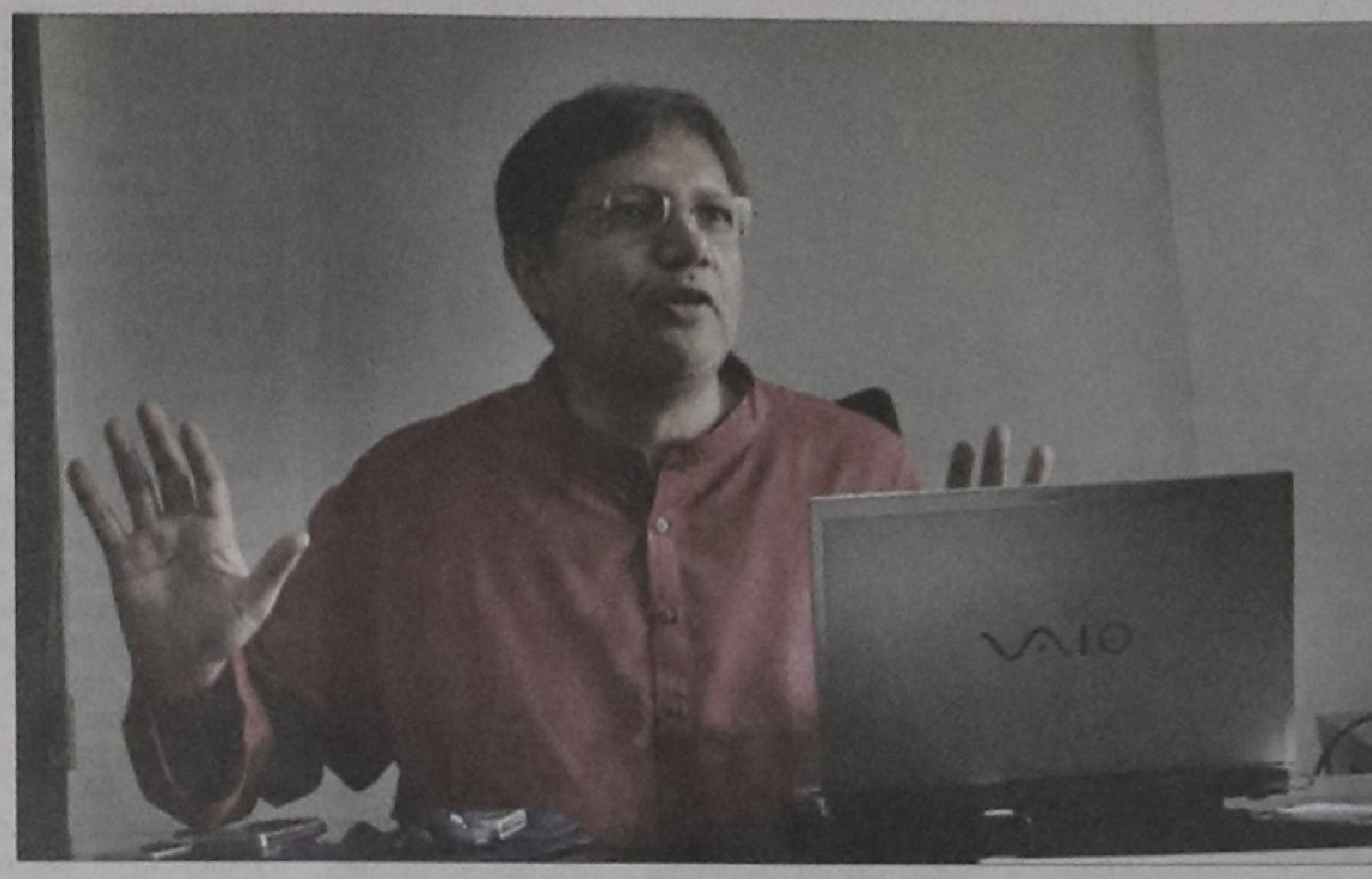
Chowdhury, who previously worked for the two top telecom operators in Bangladesh in key positions, also thinks that the VoIP technology should be opened in the greater interest of the country.

Global recession hit the global telecom giants just like any other industry. However, South Asian telecom ventures remain out of danger. Global telecom giants also appreciated South Asian mobile operators for their strong performance during recession.

Norway-based Telenor recognised Grameenphone, its venture in Bangladesh, for a strong performance in 2008, as some other Telenor ventures were slightly affected by the economic meltdown.

"Performance wise, South Asia did well during recession. We did not see massive job cuts in the telecoms industry in South Asia, unlike other developed nations," Chowdhury said.

Each South Asian country enjoyed expected growth. However, the more important issue to address is the price war practiced by mobile operators in the region, said Chowdhury, who is set to chair the fifth summit of SAMF in Dhaka today.



Mehboob Chowdhury

SAMF is an organisation that brings together telecommunication industry players in South Asia. Members of the forum include companies from Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

The forum plays a role in enhancing business and the quality of services through discussions and conferences.

In reference to the onset of the recent price war among operators in India, he said operators are offering one rupee call charge a minute to any destination.

"Such a strategy raises questions of industry viability. We should understand that the offer can be suitable for one operator but not others."

Price wars are obvious for competitive markets. But operators should be rational in setting tariffs. Prospective investors also become reluctant to come forward in a market where price war is being practiced.

The Bangladeshi market could become a good example of the outcomes of price wars, he said, as only a single operator enjoys profit despite two others having a significant customer base.

"Profitability has become uncertain for irrational pricing," Chowdhury said, adding affordability should also be considered.

Chowdhury said the Bangladeshi market is lucrative for technology investors as users here are more willing to adopt technology than any other market.

"There are no religious or social barriers among customers to adopt new communication technology," said the SAMF chairman, sharing his experience on the Bangladeshi market.

In Bangladesh more than 50 million customers are using the mobile phone.

Bangladeshi customers are extremely price conscious and the general notion among them is 'either you earn money or save money with the technology', he said.

Keeping this in mind, the government should move forward in implementing its vision to create a Digital Bangladesh.

The government should digitalise itself first, Chowdhury said, and to make this happen, there is no alternative to involving the private sector in the process.

He believes that if the government provides policy support, investment will follow automatically to introduce new communication technology.

Bangladesh is adopting new communication technology at more or less the same time as other technology-advanced nations. WiMax, the high-speed wireless broadband service, will soon be introduced in the market.

"Any technology should be welcomed, but the quality of services should be ensured by the regulator and operators."

Bangladesh is only country where wire based technology did not significantly improve, though some developed nations had focused on wire-based technology.

"We should ensure the quality of technology services that are coming to the market, no matter what," he said. "I hope WiMax will do good to the internet market."

Internet penetration for Bangladesh stands at 4 percent, according to government statistics.

Chowdhury said to extend internet to the masses, bandwidth prices should be further reduced. Presently, the internet bandwidth rate is Tk 18,000 per mbps (megabits per second).

The VoIP (Voice over internet protocol) technology is still a matter of debate in the market as it is now allowed under law. The SAMF chairman thinks illegal practices should not be controlled forcefully.

"The government should legalise the technology so that it can earn more revenue from the sector," he said.

In regards to the Bangladesh landline market, he said the operators took inappropriate steps from the beginning. Bangladeshi operators failed to do what the Indian PSTN (public switched telephony networks) operators have done.

Until 1990, Bangladesh depended only on PSTN telephony. There was a chance to make it viable. Globally, PSTN is still viable.

Local PSTN operators want to do what mobile operators do here. "But they should realise, in terms of investment capacity, mobile operators are in a very strong position."

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LABOUR

Japan unions eye comeback

AFP, *Tokyo*

After decades of decline, Japan's labour unions are looking to flex their newfound muscle in the wake of a historic power shift that handed them unprecedented close ties with the government.

The unions were a crucial support base for Prime Minister Yukio Hatoyama, whose centre-left Democratic Party took power last month, ending more than half a century of almost unbroken rule by the business friendly conservatives.

"We are mates, comrades. We have the same thinking," said Tsuyoshi Takagi, who recently finished a four-year term as head of the Japanese Trade Union Confederation -- better known as Rengo -- which represents 6.8 million workers.

"The issue of employment is the most urgent problem we are now facing in Japan," he said in an interview with AFP before stepping down.

Hatoyama has pledged to create a more "fraternal society" and has attacked what he sees as the excesses of US-style capitalism.

His cabinet includes former labour chiefs and vocal opponents of free-market reforms that were stepped up during Junichiro Koizumi's 2001-2006 premiership and put another nail in the coffin of Japan's traditional job-for-life culture.

The recently ousted Liberal Democratic Party was close to big business so the current situation "is very new," said Yoshinobu Yamamoto, a politics professor at Tokyo's Aoyama Gakuin University.

"But we still don't know how far trade unionists can influence policies that were not in the party's manifesto," Yamamoto said.

Hatoyama's Democrats aim to hike the minimum wage to a national average of 1,000 yen (11 dollars) an hour, up from the current 713 yen, and ban the use of dispatch workers, or temporary workers, at manufacturing firms.

Such employees are easier to fire than regular workers and bore the brunt of a recent wave of layoffs.

Dispatch workers "have a lot of trouble" with companies where they work, said Takagi.

AFP

This file picture, taken on September 30 shows former Japan's largest trade union Rengo president Tsuyoshi Takagi speaking to AFP reporters at his office in Tokyo. After decades of decline, Japan's labour unions are looking to flex their newfound muscle in the wake of a historic power shift that handed them unprecedented close ties with the government.

"We should prohibit those dispatches to the manufacturing factories," he said.

Economists, however, warn such a ban could burden companies and ultimately lead to fewer jobs.

Some firms may just reduce their workforce to lower labour costs, said Hiroshi Watanabe, an economist at the Daiwa Institute of Research.

"This could jeopardise jobs for 'the working poor,' making them just 'the poor,'" he warned.

As in many other countries, Japan's labour unions have endured decades of decline as its economy matured.

Only 18 percent of workers were union members in 2008, sharply down from a peak of 56 percent in 1949 and matching a record low seen in 2007, according to the government.

Labour market deregulation has caused the number of dispatch workers in Japan to more than triple to 1.4 million in 2008, from 430,000 in 2002.

Rengo's members are mostly regular workers at big companies who generally earn more and are granted many fringe benefits, said Tetsuro Kato, a politics professor at Hitotsubashi University.

If the new government becomes serious about addressing the problems of dispatch workers on insecure job contracts, at the expense of regular workers' welfare, it might cause "friction" with Rengo, Kato said.

Workers at Japan's biggest companies won an average wage hike of just 1.8 percent in the spring wage offensive this year, according to the business lobby Keidanren, down from 1.95 percent in 2007 -- the first decline in five years.

But the unions' close ties with the government do not mean they will secure a good wage rise next year in their annual bargaining with companies, said Hideyuki Araki, an economist at Resona Research Institute.

"It's a separate issue because what companies are watching is how government policies would affect their earnings," he said.

Australia facing inflation threat

AFP, *Sydney*

Australia is facing a growing threat from inflation after making a world-beating recovery from the global downturn, the central bank warned on Tuesday.

Inflation had not dropped as much as expected in the slump and could lift again by 2011, the Reserve Bank of Australia (RBA) said in minutes explaining this month's shock rate rise.

"The forecast trough in inflation was not as low as previously expected, and by 2011 inflation could be rising again," the RBA said.

"Keeping interest rates at very low levels for an extended period could therefore threaten the achievement of the inflation target over the medium term," it added.

Australia lifted rates by 25 basis points to 3.25 percent effective October 7, becoming the first G20 economy to withdraw monetary stimulus in the wake of the financial crisis.

The resource-rich country, which trades heavily with booming China, posted 0.6 percent growth in the June quarter after becoming the only major Western nation to avoid recession during the downturn.

RBA governor Glenn Stevens has signalled rates were likely to rise from their "emergency" settings but had not previously stressed the danger of overheating.

Core inflation was running at 3.9 percent in the year to June, markedly higher than the RBA's target of 2.0 to 3.0 percent.

"Underlying inflation was still, on the latest data, above the target, and while current forecasts suggested it would fall in the coming year, the expected trough in inflation was significantly higher than earlier thought," the RBA said.

The minutes estimated GDP growth of about 1.0 percent in the first half of the year and said both business and consumer confidence remained strong.

The Australian dollar soared to a fresh 14-month high above 93 US cents after the minutes were released, with some analysts expecting a 50 basis points rate-rise on November 3.