

International Business News

Maruti sees quarterly profit jump 93pc

AFP, New Delhi

India's largest carmaker Maruti Suzuki reported Saturday that its quarterly net profit had soared 93 percent year-on-year, amid signs pointing to a reviving domestic economy.

Maruti, majority owned by Japan's Suzuki Motor Corp, reported net profit of 5.7 billion rupees (123 million dollars) in the second financial quarter to September 30, broadly in line with market expectations.

Net sales jumped 47 percent to 70.5 billion rupees.

The car manufacturer attributed the profit increase partly to government stimulus measures aimed at boosting a slowing economy that have put more money into the hands of India's increasingly affluent middle class.

"Demand has been driven by government stimulus," Maruti Suzuki India Ltd said in a statement issued in New Delhi.

It also attributed the rise in sales to aggressive monetary easing by India's central bank to help shield the economy from the impact of the global financial crisis that has made consumer loan costs cheaper.

Nearly four-fifths of cars in India are purchased using loans.

In recent months India's carmakers have seen demand for vehicles pick up on lower interest rates and stimulus packages from the government targeted at boosting an industry which was hit hard by the global downturn.

Russia is out of recession

AFP, Moscow

Russia is out of recession and its economy will grow by two percent in the fourth quarter owing to a rise in oil prices, Finance Minister Alexei Kudrin was quoted as saying on Saturday.

"We now see that the Russian economy is starting to grow... it is out of recession," Kudrin told the Interfax news agency.

"In the fourth quarter, we already expect growth above two percent, mainly due to rising oil prices," he added.

"As long as oil prices range between 70 and 80 dollars per barrel, there will be growth," the finance minister said, claiming any drop off would be a result of market "speculation."

Kudrin said that is why the government had made its growth forecasts based on oil prices remaining at 58 to 60 dollars -- oil accounts for around 60 percent of Russia's total exports.

The Russian economy, which is also driven by exports of gas and other commodities, was badly hit by the global financial crisis after enjoying years of strong growth but officials have said the worst of the crisis might be over.



AFP

Association of Southeast Asian Nations (Asean) Secretary General Surin Pitsuwan (3rd L) greets Thai Prime Minister Abhisit Vejjajiva (2nd R) while Thai Foreign Minister Kasit Piromya (R) and Singapore's Prime Minister Lee Hsien Loong (2nd L) watch, during the closing ceremony of the 15th Asean Summit and Related Summits, at the elite beach resort of Hua Hin, southern Thailand yesterday.

JAL to restructure under new state-backed agency

AFP, Tokyo

Ailing Japan Airlines will restructure itself under a state-backed corporate turnaround firm while the government mulls a special law to cut the carrier's high pension payouts, reports said Sunday.

The Japanese government, which will announce a turnaround plan for JAL by the end of this week, will also consider an injection of public funds after the plan is finalised, the Nikkei business daily reported without citing sources.

Local media reported that the state-backed Enterprise Turnaround Initiative Corp. of Japan will be in charge of breathing life back into the carrier.

The government launched the quasi-public agency earlier this month to help debt-laden companies that are seen as having the potential to recover, designed to ensure transparency in negotiating debt-relief measures among creditors.

Australia, China discuss detained Rio executive: Rudd

AFP, Sydney

Prime Minister Kevin Rudd said he had raised the issue of detained mining executive Stern Hu during talks with Chinese Premier Wen Jiabao because the case was a "matter of concern" to Australia.

Rudd met with the Chinese leader on the sidelines of the East Asia Summit in Thailand on Saturday and the pair discussed climate change and trade along with the continued detention of the Rio Tinto iron ore negotiator in Shanghai.

Australian passport holder Hu was arrested, along with three other Rio Tinto colleagues, in July and faces allegations of corporate espionage and bribery.

"In the discussion I had with Premier Wen I indicated we had continuing consulate matters which need to be resolved between our foreign ministers, and this included representatives of the Australian company Rio Tinto," Rudd said.

INTERVIEW

WB promises to fast-track credit

Interim country director speaks to The Daily Star

REJAUUL KARIM BYRON and MD HASAN

Bangladesh will get increased access to The World Bank's funding and the lending amount may be more than for many other countries, said Robert L Floyd, interim country director of the World Bank, Bangladesh.

The World Bank (WB) has taken up internal reform plans to make its lending more efficient. With these reforms in place, accessing WB credit will be faster and more flexible.

The bank is also ready to help Bangladesh recover from the impact of the global economic crisis along with other poor countries.

Its new strategies to reallocate the unused IDA (International Development Association) credit for a specific project to other projects within the country will also help Bangladesh access the bank's fund.

"Even though the worst of the crisis is over, it is not yet over for countries like Bangladesh, which has a large population of poor," Floyd said in an exclusive interview with The Daily Star on Thursday.

However, he said, the Bangladeshi economy is being managed well, particularly in the context of the global economic crisis.

But maintaining consistency in good governance and minimising corruption as per the government's election manifesto, still remains a challenge that needs to be addressed.

"In fact, the government is doing quite a good job. But managing the economy is still a matter of huge challenges."

The annual meeting WB and International Monetary Fund (IMF) that recently concluded in



Robert L Floyd

Istanbul, Turkey, was of greater significance to the member countries, as the main agenda was recovering from the global economic meltdown.

A Bangladeshi delegation, headed by Finance Minister AMA Muhith, met with donors at the meeting to discuss development and means to overcome recession.

The finance minister said after the meeting the WB fund to assist crisis affected nations may not benefit Bangladesh.

Floyd differed with the view and said: "We already are doing a lot. If you take a look at the last nine years of the World Bank lending to Bangladesh, you can see a steady increase in support. In fact, last year Bangladesh received the highest funding ever from the World Bank, which is over a billion US dollars."

Floyd said the Bangladesh delegation had positive meetings with WB high officials in Istanbul and they discussed support to water resource management, climate change, power and energy, regional cooperation, transit and regional trade.

In regards to discussions on the transit issue, Floyd said: "There were no specific agreements. The specific discussion should happen between Bangladesh and India."

"We encouraged them to have those political discussions."

Floyd explained that WB is willing to help both Bangladesh and India from a global perspective by providing technical support.

Recently, there were talks that WB is going to stop funding in some of Bangladesh's development projects, especially the road

sectors. However, Floyd differed with that.

"We did not stop financing any project. We are engaged in the road sector through the World Bank Rural Transport Project, Padma Bridge, and we have an active dialogue with the Roads and Highways Department."

The WB reallocated \$160 million from a proposed road sector project to Padma Bridge construction project, which will now stand at a total of \$460 million along with WB's earlier commitment of \$300 million.

"We need to get terminology correct," he said. "We have moved away from conditionality."

Referring to the WB's internal reforms, Floyd said, "What will apply to Bangladesh are some changes in how we process loans. The most important change

though is the reallocation of IDA (at the end of a project) to the Bangladesh envelope and not to the global pool."

At the Istanbul bilateral talks, Floyd said at government's request, the WB is establishing the multi-donor trust fund for climate change that will have more than \$100 million available.

The most important issue, according to Floyd, was the discussion on the sidelines of the WB-IMF annual meeting on funding power projects. "We held detailed meetings on power and energy."

The bank is strongly supporting Bangladesh in generating more power and managing energy more efficiently. It is also willing to further help to mitigate the country's acute power crisis.

"We are financing the Siddhirganj power plant (\$350 million), rural electrification -- including solar power (\$320 million). Our Infrastructure Project Financing Facility (IPFF) has provided financing for five small power plants and we are preparing a project to help finance the South Zone power plant," Floyd said.

The WB is also involved in Bangladesh's water resource management, with an ongoing water management improvement project worth \$100 million. It is also preparing an integrated water resources project that will focus on hydrology and the Gorai. Providing funds for dredging the Gorai River, WB is ensuring fresh water to world's biggest mangrove forest -- The Sundarbans.

When asked about the government's recent move to amend the Public Procurement Regulations (PPR), Floyd said, "The World Bank is closely monitoring the changes. We believe the government is keen to ensure international best practices in this regard."

STOCKS

China ready to launch Nasdaq-style index

AFP, Beijing

China will launch trading on its long-awaited Nasdaq-style board on Friday in the hope of harnessing the vast amount of liquidity circulating in the economy for cash-strapped businesses, experts say.

ChiNext, based in the southern boomtown of Shenzhen, is expected to give small and medium-sized companies (SMEs) access to financing and encourage private equity firms and venture capitalists to back start-ups, they said.

"The launch of the growth enterprise board is an important step towards implementing the national strategy on promoting innovation," Shang Fulin, chairman of the China Securities Regulatory Commission, said last week.

The first 28 companies to list on the board, ranging from software to medical equipment makers, have raised 16 billion yuan (2.3 billion dollars) in their initial public offerings -- more than double initial forecasts.

"The launch of ChiNext represents a milestone in the development of China's financial markets and is an important part of the government's plans to boost support for small and medium-sized firms," said Jing Ulrich, managing director and chairman of China equities and commodities at JP Morgan in Hong Kong.

"The board will provide an additional source of financing for younger companies while broadening the options available to investors."

Beijing has made listing rules for the second board less stringent than for the main A and B share markets, paving the way for SMEs to access much-needed cash.

SMEs, the biggest employers in China, struggle to obtain loans



AFP

In a picture taken on October 23, Chinese securities officials host the launch of ChiNext, a Nasdaq-style board, in Shenzhen, in southern China's Guangdong province. China will launch trading on its long-awaited Nasdaq-style board on October 30, in the hope of harnessing the vast amount of liquidity circulating in the economy for cash-strapped businesses.

from commercial banks, which prefer to lend money to large state-owned enterprises.

ChiNext was expected to initially weigh on A and B shares as investors diverted funds to the new index, but analysts predicted the phenomenon would be short-lived.

"There will be a psychological impact but it won't be substantial," Ren Xianfang, a Beijing-based economist at IHS Global Insight, told AFP.

"Liquidity in China is ample. We have so much liquidity looking for new investment opportunities."

The Chinese economy is awash with money after Beijing unveiled a four-trillion-yuan stimulus

package and loosened its grip on bank lending to help ward off the effects of the global downturn.

Jackson Wong, vice president at Tanrich Securities, said the new board would encourage private equity and venture capital firms to fund start-ups as they "will have more ways to cash out" investments once the company has listed.

But there are fears the new board will attract speculative traders, especially on the first day, and the bourse has introduced rules to curb their activity by setting a limit on share price movements for Friday.

If the prices of start-up stocks move up or down 80 percent dur-

ing the first trading day, the bourse will suspend trading until the final three minutes before the session ends, the Shenzhen Stock Exchange has said.

Two other debut-day circuit-breakers are in place -- trading will be suspended for 30 minutes if shares in a company move up or down 20 percent from the opening price, and then another 30 minutes for a 50-percent shift.

ChiNext has said the restrictions will help curb risks, maintain market stability and protect investors.

"The size of share offering in the growth enterprise market is often not large; therefore, if investors blindly follow the trend, buying

and selling stocks, prices are very vulnerable to wide swings," the exchange said.

Despite the hype, the second board was expected to have a limited impact on the Nasdaq, analysts said, with companies looking for exposure to global investors still likely to seek a US listing.

"The growth enterprise market is just starting and is subject to manipulation so the risks are much higher than on the Nasdaq," IHS Global Insight's Ren said.

"For high-quality companies wanting to establish a global presence, I think they will still look at the Nasdaq because they will have more access to global capital."