

International Business News

Kuwait half-year income surpasses full year target

AFP, Kuwait City

Kuwait's income in the first half of the fiscal year hit 28.7 billion dollars, surpassing the budgeted full-year target thanks to a better-than-expected oil price, the finance ministry said Monday.

Earnings in the six months to September 30 are 12 percent above projected income for the 2009/2010 fiscal year of 28.1 billion dollars, according to figures posted on the ministry's website.

Actual spending in the period came in at 11.2 billion dollars, or just 26.6 percent of projected expenditure of 42.1 billion dollars for the whole year, the ministry said.

That leaves a provisional healthy surplus of 17.5 billion dollars against a projected deficit of 14 billion dollars.

Kuwait has projected shortfalls in the past 10 fiscal years but eventually ended with a massive surplus in all of them. Kuwait's fiscal year runs from April 1 to March 31.

Oil revenues in the first six months hit 27.1 billion dollars, 12 percent above budget projections of 24.1 billion dollars due to a sharp rise in crude prices in the past few months.

India's Reliance in talks for major US takeover

AFP, Mumbai

Indian refining giant Reliance Industries is in talks with stricken US petrochemicals group Lyondell-Basell to buy some of its US assets, a source told AFP Monday.

The purchase, which would signal the cross-border acquisition market is picking up again after the global financial crisis, is under discussion and might be announced this month, the source said.

"Talks are on at present, but details are to be finalised," the source, who is familiar with the talks, said on condition of anonymity.

The Economic Times newspaper reported that Reliance was planning to make an announcement before its annual general meeting on November 17, with the transaction valued at between 3.35 and 6.0 billion dollars.

The financial daily said it had consulted bankers and analysts, one of whom said the transaction, if it included European and US assets, could be around six billion dollars.



A model displays a hair ornament and accessories made of sweets by Japanese patisserie Koutatsu Kanda during Tokyo Sweets Collection fair on Sunday.

IMF warns Sri Lanka against borrowing

AFP, Colombo

The IMF on Monday warned Sri Lanka against issuing government bonds to build up foreign currency reserves after it released the second instalment of a 2.6-billion-dollar bailout.

The International Monetary Fund said Colombo's reserves were at a "comfortable position" having slumped to a historic low of one billion dollars earlier this year, but cautioned against more borrowing.

"There is a difference between borrowed reserves and reserves collected from the current account (of the balance of payments), like booming exports," IMF resident representative in Sri Lanka, Koshi Mathai, told reporters.

Sri Lanka's reserves topped a record five billion dollars after the IMF on Friday released 329.4 million dollars, the Central Bank of Sri Lanka said.

Gazprom first-half profits plunge 49.8pc

AFP, Moscow

Russian energy giant Gazprom, the world's biggest gas firm, said on Monday that net profit plunged 49.8 percent in the first half of 2009 compared to the figure 12 months earlier owing to higher expenses.

Half-year profits fell to 305.8 billion rubles (10.6 billion dollars), compared to 609.4 billion rubles (21 billion dollars) in the first six months of 2008, the company said in a statement.

Operating expenses and financial charges rose sharply as the cost of purchased gas soared 105 percent, reflecting an increase in prices for gas from Central Asia.

"The increase in the cost of purchased gas was mainly caused by the increase in prices for gas from Central Asia and increase in gas trading activities on the European market," it explained.

HUMAN RESOURCES

Invest in people

Says the Swisscontact chief in an interview with The Daily Star

MD HASAN

Bangladesh should pursue strategies followed by other countries in utilising human resources to become a mid-income country by 2016, says the president of Swisscontact.

In a recent interview with The Daily Star, Peter Gruschow says government policy support to the private sector, along with human resource development, is key to reaching the goal.

"Bangladeshis are resilient and receptive to business opportunities. But a lack of proper information among entrepreneurs remains a hurdle."

A business friendly environment and policy incentives help people become more informed about what to do for better business, Gruschow says.

"A supportive and stable political system is very important for the development of any country." In other countries, governments invest in developing human resources by first introducing proper education and policies.

Swisscontact is a Zurich-based organisation founded in 1959 by members of the Swiss private sector and academia for sustainable development cooperation.

The organisation aims to contribute to poverty alleviation by promoting economic and social development in Africa, Asia, Eastern Europe and Latin America.

In Bangladesh, Swisscontact has been active since the 1980s and after a hiatus in the 1990s, it has been implementing Katalyst, a market development project funded by governments from Canada, the Netherlands, Switzerland and the UK. Starting in October 2002, Katalyst is a project under the commerce ministry and GTZ-International Services is Swisscontact's co-implementer.

Gruschow says Bangladesh has prospect of becoming a mid-income country in about seven years.

"It is a real challenge. But hope is a very powerful driver. I believe it is possible. He says large human resource capital is present in Bangladesh.

Bangladesh's private sector is contributing well to economic development. But the



Peter Gruschow

'informal nature' of the private sector entrepreneurs remains a crucial issue.

"A lack of information is one of the major reasons behind why Bangladesh's private sector does not perform in line with how it should," Gruschow says.

Businesses do not like to register because of a lack of adequate incentives and they are not fully aware of the benefits of doing business under a legal framework.

A lack of skills development for the labour force is another problem here along with infrastructure development.

"And of course, at the heart of all these issues is entrepreneurship development by providing proper policy support," he says.

However, he says, Bangladesh could be a prime example for other countries for its rapid private sector development in the last few years.

Citing an example, he says the private sector led revolution in mobile telephony is now playing a vital role in economic development.

"Bangladesh is a very important country for us, as we have many projects here and have much more to do," Gruschow says.

Gruschow, who worked for 40 years in German-based telecom giant Siemens before joining Swisscontact, said Swisscontact is keen to build its current portfolio and work in the long run in Bangladesh with development partners, including the government and the private sector.

He said he found the Bangladeshi government willing to work for poverty alleviation.

In line with the government's priorities, Swisscontact is working here to further the development goals. "We want to contribute towards unleashing the power of entrepreneurship and innovation to create opportunities for the poor. Sustainable economic development and inclusive growth are what we want to contribute to Bangladesh."

In addition to Katalyst, Swisscontact is engaged in different projects in Bangladesh. Slum dwellers' livelihood development, skills development and social compliance among others are the major projects conducted by Swisscontact. Climate change and gender issues are firmly embedded in Swisscontact projects.

Gruschow says Swisscontact is planning to implement more meaningful projects in the areas of skills development, climate change and governance.

Referring to his visits to some parts of Bangladesh in the north and south, Gruschow says Bangladeshis are enterprising, which is crucial to alleviating poverty.

He says climate change is a crucial issue for Bangladesh now. The government has a role to educate the populace about the prospects and effects of climate change and ways to mitigate and adapt the risks. Furthermore, donor agencies, the private sector and civil society, have their roles in helping Bangladesh address this all too important issue.

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CURRENCY

Asian nations bear brunt of dollar slump

AFP, Tokyo

Asia's small, open economies are caught in the crossfire of a tussle between the United States and China over whether the yuan should strengthen against the dollar to fix the lopsided global economy.

The greenback's slide against Asian currencies is dealing a double whammy to the region's export-dependent economies, hitting their exports and eating away at their massive foreign exchange holdings.

Some see the dollar's decline as a necessary adjustment to reduce global trade imbalances. But it has not weakened significantly against the Chinese yuan, whose value is tightly managed by Beijing -- to much US criticism.

"The West needs to save more, Asia and the Middle East need to spend more, and currencies need to adjust," said Standard Chartered chief economist Gerard Lyons.

"The big problem is the continued recent stability of the Chinese yuan against the dollar. Yuan stability is forcing many Asian countries to fight to keep their currencies stable to maintain competitiveness," he added.

The currency issue risks stoking trade tensions when leaders of the 21-member Asia-Pacific Economic Cooperation (APEC) forum meet in Singapore on November 14-15 to discuss the global economy and free trade.

The dollar has plunged about 15 percent against a basket of six other major currencies from a peak earlier this year, and recently hit one-year lows against a batch of regional Asian currencies.

US officials ritually express their backing for a "strong dollar" but have done nothing to arrest its slide, which many see as necessary to reduce the big US trade deficit and support struggling American exporters.

Beijing for its part re-pegged the yuan to the US dollar in July 2008 as the global financial crisis hit its exports.

Facing a loss of competitiveness against China's exporters, several central banks in the region -- mainly in Southeast Asia -- have bought dollars in recent weeks to curb their currencies' ascent, traders say.

Experts say China is unlikely to loosen its grip on its currency until it is confident that its economy is past its recent wobble.

"Currency moves would help to reduce global imbalances but policymakers don't



A money dealer calls under an electronic foreign exchange board at a foreign exchange market in Tokyo yesterday. The US dollar is traded 89.85-90 yen level against Japanese yen.

view it as a priority," said Dariusz Kowalczyk, chief investment strategist at SJS Markets in Hong Kong.

"Every country has its national interests. It's in the interests of China to promote its exports."

China is unlikely to adjust its currency policy before mid-2010 and any rise in the value of the yuan against the dollar would be gradual, he said.

Virtually free credit in the United States and other major economies has fuelled a massive binge by investors on risky assets such as equities and com-

modities while leading to a sell-off of the dollar.

Nouriel Roubini, the New York University professor who earned the nickname "Dr Doom" for predicting the global financial crisis, warned last week that this "mother of all carry trades faces an inevitable bust".

"The reckless US policy that is feeding these carry trades (selling low-return currencies to buy other higher yielding assets) is forcing other countries to follow its easy monetary policy," he wrote in the Financial Times.

"Central banks in Asia and Latin America

are worried about dollar weakness and are aggressively intervening to stop excessive currency appreciation."

Some analysts see India's recent move to buy 200 tonnes of gold from the International Monetary Fund for 6.7 billion dollars as a clear sign that countries are losing confidence in the US currency.

China has also been boosting its gold stockpiles and buying commodity-related assets overseas, even as Washington seeks to reassure Beijing its massive US bond holdings are safe as the American public debt balloons.