International Business News

Obama touts Asia trade to create jobs

AFP, *Washington*

US President Barack Obama, back from a tour of Asia, called Saturday for the United States to produce more goods to sell across the Pacific, touting trade as a way to revive the troubled US economy.

Facing rising unemployment and slipping poll numbers, Obama assured the public that creating new jobs back home was his top priority on the week-long tour that took him to Japan, Singapore, China and South Korea.

"I traveled to Asia to open a new era of American engagement," Obama said in his weekly radio address, recorded while he was in Seoul.

"Above all, I spoke with leaders in every nation I visited about what we can do to sustain this economic recovery and bring back jobs and prosperity for our people -- a task I will continue to focus on relentlessly in the weeks and months ahead," he said.

Obama, who was elected in the midst of the worst economic crisis in decades, said the lesson of the turmoil was that the world's largest economy should not fuel its growth on going into debt.

"In order to keep growing, we need to spend less, save more and get our federal deficit under control," Obama said.

India says no rice imports for now

AFP, *New Delhi*

India has scrapped tenders to import rice, saying it has enough stocks to manage despite a harvest shortfall following the worst monsoon in almost four decades.

A top-level cabinet committee on food cancelled the three tenders totalling 30,000 tonnes, which would have represented the first imports of the staple by India -- a traditional exporter -- since the 1980s.

"We are not importing (rice). We have adequate stocks. We will review (the decision) if there is any need," Commerce Minister Anand Sharma told reporters late Friday after the committee met.

The tenders had been floated by state-owned trading firms MMTC, State Trading Corp and PEC.

However, the Press Trust of India quoted an unnamed official as saying: "The government does not want to buy at such high prices."

The decision not to import marks a U-turn from a government announcement when Sharma said India was in talks with Thailand and Vietnam about buying rice to offset an estimated summer harvest shortfall of at least 15 million tonnes.

AFP

Indian women break stones to extract metal on the outskirts of Ahmedabad on Friday. The stones are recovered from factory furnaces and the labour fetches these women some 60 rupees ($1.3) per day.

IMF: Sri Lanka reserves 'comfortable' after bailout

AFP, *Colombo*

The International Monetary Fund said Friday Sri Lanka's foreign reserves have reached "comfortable levels," helped by a bailout package, but economic growth was still below potential.

The IMF in July approved a 2.6-billion-dollar rescue after the nation's reserves slumped to just over one billion dollars as security forces pushed ahead with their final offensive to crush separatist Tamil Tiger rebels.

"With gross reserves now at more comfortable levels, the risk of an imminent balance of payment crisis is no longer present," IMF's mission chief to Sri Lanka, Brian Aitken, told reporters here.

Since the rescue, the government has also sold more government bonds, building up reserves to over five billion dollars.

Aitken, who was here to review the island's economy ahead of releasing a third installment of the loan, said he expects the government to meet its 2009 budget deficit target of seven percent of gross domestic product (GDP).

South Korean shipbuilder STX cuts 351 jobs in France

AFP, *Saint-nazaire, France*

South Korean shipbuilding giant STX is cutting 351 jobs in France through voluntary departures at the historic Saint-Nazaire shipyard, company officials said on Friday.

The yard employs around 2,410 people and has received no new orders for civilian vessels since 2007. STX France said it was cutting its capacity from 2.5 vessels per year to 1.5 vessels for the coming years.

Eric Breux, head of human relations at STX France, said the plan "could be revised down if new orders come in between now and the end of January."

STX earlier this month said it would be forced to cut 400 jobs at its Turku shipyard in western Finland next year because of the slump in orders.

South Korean-controlled STX Europe has said it expects a pick-up in orders as the global economy recovers but in the third quarter it switched into a net loss after posting a profit in the same period last year.

INTERVIEW

Equity investors face challenges

Brummers and Partners chief shares views with The Daily Star

SAYEDA AKTER

Patrik Brummer, chairman of Brummers and Partners, sees the present economic condition of the country with $10 billion plus foreign exchange reserve is one of the major challenges for the private equity investment to be successful in Bangladesh.

Excess liquidity in the banking system may slow demand for equity funds, which is another risk for investors like Brummer to deal with.

"Local banks have a huge excess liquidity, and the capital market is also capable of supplying adequate fund to the local businesses. These are challenges for private equity investors in Bangladesh," says the chairman of the largest hedge fund firm in Europe.

But Brummer is not without hope. Bangladesh is one of the fastest growing economies in South Asia, and has benefited from its geographical proximity to India and China, which may spur private equity investment here, he said.

Also, private equity investors will benefit from not-so-fierce competition in the sector.

Cheap labour force here is another plus point, Brummer says.

"Simultaneously, the capital market is increasing at a faster rate, which creates an opportunity to attract private equity investments in the country," he adds.

The company launched its subsidiary -- The Frontier Fund -- in Bangladesh in July 2008 with $53 million to invest in different industries. The amount increased to $100 million by the end of December.

The Frontier Fund has equity investment in Globatt, an export-oriented battery-manufacturing unit of Rahimafrooz Group, and its retail superstore chain, Agora.

"We want to invest equally in listed companies, and private companies as well. At present, we are on the way to invest in two local companies, but the number will be at least 10 in the months to come," he says.

Patrik Brummer

The potential sectors to get such investment include banks, pharmaceuticals, healthcare, education and IT, he says.

Brummer, however, has dismissed the possibility of investing in the local energy sector, saying that the company is still not considering investment in big sectors like energy and power.

"At present, we are not considering investing in big industries. We have developed new model to keep our investment safe and profitable here," he says.

"We have entered the local market with different business strategies that we've followed in other countries. For example, we are not buying corporations with huge debt, instead, we are buying equity of reputed and profitable firms."

"Now we have to watch the prospect of our present investment in local companies, including automotive battery and superstores. If these ventures show impressive results, we will plan to invest further in other sectors," says Brummer.

He stresses creating and enhancing awareness of the private equity funds in the country in all levels, including among the government, manufacturing and service industries.

The chief of Brummer and Partners sees the country's economic situation critical with its high foreign exchange reserve and high liquidity in banks.

The situation is critical for the national economy, as this is a favorable situation to fuel inflation, he says, suggesting that the government enhance its monitoring system as a safeguard measure.

"Monitoring of inflation is very crucial in a situation like this."

Brummer recommends that the government do not cut bank interest rate, as the rate cut would lead to increase in credit flow to the nonproductive sectors in absence of cautious measures.

Apart from that, he thinks that the government should pay more attention to the capital market to attract more foreign investment.

He expresses hope that the government would make proactive regulations for capital market to bring more transparency and efficiency, as it is an important indicator to attract foreign investment to the country.

Brummer says the number of foreign companies in the capital market is scanty and the government should take measures to increase the number.

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COLUMN

HABIBULLAH N KARIM

Need for online forex credit cards

The Bangladesh Bank of late has announced that it has withdrawn restrictions on online charging of credit and debit cards albeit only on local taka denominated ones. This is a long overdue need of the market the absence of which kept us at the bottom of the e-commerce rankings in South Asia.

Online payments using credit and debit cards are nothing new and have been around for more than a decade around the globe. In Bangladesh, however, credit or debit cards, have been especially restricted for use only at the merchant location, meaning that one needs to be physically present at the place of transaction such as a shop, restaurant, hotel or an ATM booth for the credit card charging to be allowed. This artificial restriction imposed on our credit cards effectively shut us out of the world of e-commerce where credit or debit cards and their derivative uses such as PayPal are the only means of payments between buyer and seller online.

Allowing online payments on local taka denominated credit or debit cards is certainly a positive step, which I am sure will catalyse into action lots of dormant online sellers within the country. However, the measure falls short of the expectation of the ICT industry here that has been eagerly looking forward to full withdrawal of the artificial restrictions on all types of credit and debit cards, not just the taka denominated ones. The majority of online buyers of our products and services are actually the non-resident Bangladeshis living around the world who cannot splurge on a Jamdani sari for their beloved ones or a marquee Hilsa on Pahela Baishakh for their mothers back home because of the restriction on online charging of international credit cards.

My back-of-the-envelope calculations tell me that we are losing out on at least a billion dollar business opportunity by keeping this restriction. Just the other day I gave a piece of our decorative cloth 'Nakshi Kantha' as a parting gift to a Brazilian delegate at an international conference and she wanted to know how she could buy many more of the item online for her friends and family at home. I felt sorry to tell her that there was no simple way for her to do that today.

Full-blown e-commerce requires many changes in our laws, regulations, procedures and transaction infrastructure. Some of these have to be done with the fact that while shopping online the buyer needs to have some kind of authentication of the online seller (anyone can set up an online store in minutes).

The seller needs to authenticate the credit or debit card the buyer uses online (identity theft is a nagging problem) and the confidentiality and security of the transaction information needs to be ensured.

There are elaborate mechanisms to safeguard the interests of all parties involved in online transactions. Bangladesh passed the ICT Act in 2006 to pave the way for such measures to be implemented. However, it took more than three years for the government to launch the Digital Certifying Authority (DCA), the first definitive step towards an online transaction-friendly environment in the country. In due course the DCA will bring forth online identity verification, website security authentication and secure online payment systems through public key infrastructure (PKI) encrypted transactions for the people of the country.

However, DCA is only one piece of the overall e-transaction-ready establishment we need to have in place soon. The central bank has to come up with an e-payment gateway to facilitate multi-directional online payments and settlements. The Law Commission needs to come up with online privacy and data security laws to supplement the present ICT Act, which unfortunately does not address these concerns. The judiciary and law enforcement agencies need to open special units to address online crimes and transgressions. The list goes on but we need to start soon or we risk becoming irrelevant in a world that is fast becoming online-savvy.

In China online transactions exceeded 130 billion yuan last year and is growing more than 100 percent year-to-year, while in the USA debit card transactions are estimated to reach $2,000 billion by 2010 riding on the wave of surging online payments.

While we anxiously wait for the functional roll-out of the e-transaction establishment for mainstreaming online transactions here, may we plead our case once again with the Bangladesh Bank to allow online charging of 'forex' credit cards in addition to the taka-denominated ones?

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