

International Business News

India's food inflation soars 19pc

AFP, New Delhi

Indian food prices have accelerated by 19 percent in a year, figures Thursday showed, driven by the driest monsoon in nearly four decades that has hit farm output.

Prices of such staples as potatoes have more than doubled from a year ago while pulses were up 42 percent, hitting India's hundreds of millions of poor the hardest.

The wholesale food price index climbed by 19.05 percent for the week ended November 28 from the same period a year ago, according to commerce ministry figures.

Food price rises have been fuelled by the worst annual rainfall since 1972 which hurt crop production in the country of nearly 1.2 billion people.

India's central bank is facing a tricky balancing act in fighting inflation and keeping the country's economic recovery on track, economists say.

Earlier in the week, central bank Governor Duvvuri Subbarao called monetary policy "an ineffective instrument" to tame food prices but added such action might be needed to curb inflationary expectations.

"If inflationary pressure persists for a long time it can fuel inflation expectations and monetary policy will have to take a nuanced view on this," he said.

Emirates raises \$1.13b as Dubai struggles

AFP, Dubai

Dubai's national flag carrier, Emirates, said on Thursday it has raised 1.13 billion dollars to finance the purchase of six Airbus A380 superjumbos, stressing it has no difficulty obtaining finance.

The financing was arranged through two separate agreements, the largest Middle East airline said, without specifying the date of these deals.

"The first agreement, covering three A380 aircraft, has been undertaken with Citibank, backed by a guarantee from the European Export Credit Agencies (ECAs)," the government-owned carrier said.

"A second financing agreement has been arranged through Doric Asset Finance and covers the remaining three A380 aircraft," it added.

Emirates president Tim Clark sounded upbeat, distancing the carrier from Dubai World debt problems, which have raised fears over the financial stability of Dubai government entities.

"Emirates remains in a secure financial position despite the global financial crisis. We have never encountered difficulties in obtaining finance for our aircraft acquisition programme," he said in the statement.



Honda Motor India CEO Masahiro Takedagawa and Honda Motorcycle and Scooter India CEO Shinji Aoyama pose on motorcycles during the launch of the Honda CB Twister in New Delhi yesterday. The CB Twister motorcycle is priced at approximately 42,000 Indian rupees (\$900).

Britain, France urge tax on bankers' bonuses

AFP, London

Britain and France urged world leaders Thursday to impose a tax on bankers' bonuses, a day after London announced a one-off levy on the much-criticised finance sector benefits.

Seeking to show a united front days after a public Anglo-French spat over financial regulation, Prime Minister Gordon Brown and President Nicolas Sarkozy said there was an "urgent need" for a new agreement between banks and society.

"We propose a long term global compact that will encapsulate both the responsibilities of the banking system and the risk they pose to the economy as a whole," they wrote in the Wall Street Journal newspaper.

"We agree that a one-off tax in relation to bonuses should be considered a priority due to the fact that bonuses for 2009 have arisen partly because of government support for the banking system."

ECB chief urges Greece to take 'courageous' measures

AFP, Brussels

European Central Bank President Jean-Claude Trichet urged the Greek government on Thursday to take "courageous" measures to tackle its debt crisis since it concerns the whole eurozone.

"Consider the gravity of the situation. I am confident that the Greek government will in the near future take the courageous and necessary measures required," he said in an interview in the Belgian economic dailies L'Echo and De Tijd.

Greece revealed on Wednesday that it is working on radical action to reverse a deepening financial crisis which is straining eurozone cohesion and focusing market anxiety on emerging economies.

"I can assure you that the government will do whatever is required to regain this lost credibility," Finance Minister George Papaconstantinou told journalists.

MEMORIAL LECTURE

Redefine economic order: Yunus

STAR BUSINESS DESK

The biggest flaw in the existing theory of capitalism lies in its misrepresentation of human nature, says Nobel laureate Muhammad Yunus in a memorial lecture in honour of Prof Hirendranath Mukherjee, an academician and parliamentarian, at a joint meeting of the members of Lok Sabha and Rajya Sabha of India on Wednesday. Here is the second part of the abridged lecture.

A FUNDAMENTAL CONCEPTUAL FLAW

Let me return to the current financial crisis. Unfortunately, the media coverage gives the impression that once we fix this crisis, all our troubles will be over. We forget that the financial crisis is only one of several crises that are threatening humankind. We are also suffering a global food crisis, an energy crisis, an environmental crisis, a health care crisis, and the continuing social and economic crisis of poverty. These crises are as important as the financial crisis although they have not received as much attention.

Furthermore, the media coverage may give the impression that these are disconnected crises that are taking place simultaneously, just by accident. That's not true at all. In fact, these crises grow from the same root -- a fundamental flaw in our theoretical construct of capitalism.

The biggest flaw in our existing theory of capitalism lies in its misrepresentation of human nature. In the present interpretation of capitalism, human beings engaged in business are portrayed as one-dimensional beings whose only mission is to maximise profit. This is a much-distorted picture of a human being. Human beings are not money-making robots. The essential fact about human beings is that they are multi-dimensional beings. Their happiness comes from many sources, not just from making money.

Yet economic theory has built the whole theory of business on the assumption that human beings do nothing in their economic lives other than pursue their selfish interests. The theory concludes that the optimal result for society will occur when each individual's search for selfish benefit is given free rein.

No doubt human beings are selfish beings, but they are selfless beings too. Yet this selfless dimension of human beings has no role in economics. This distorted view of human nature is the fatal flaw that makes our economic thinking incomplete and inaccurate. Over time, it has helped to create the multiple crises we face today.

Once we recognise this flaw in our theoretical structure, the solution is obvious. We



Indian Prime Minister Manmohan Singh presents a shawl to Nobel laureate Muhammad Yunus at Parliament House in New Delhi on Wednesday. Yunus delivered the Second Prof Hiren Mukherjee Memorial Lecture.

can easily replace the one-dimensional person in economic theory with a multi-dimensional person.

Immediately our picture of the business world changes. We now see the need for two kinds of businesses, one for personal gain (profit maximisation), another dedicated to helping others. In one kind of business, the objective is to maximise economic gains for the owners, even if this leaves nothing for others, while in the other kind of business, everything is for the benefit of others and nothing is for the owners -- except the pleasure of serving humanity.

Let us call this second kind of business, built on the selfless part of human nature, as "social business". This is what our economic theory has been lacking.

SOCIAL BUSINESS: A NON-LOSS, NON-DIVIDEND COMPANY

A social business is a business where an investor aims to help others without taking any financial gain himself. At the same time, the social business generates enough income to cover its own costs. Any surplus is invested in expansion of the business or for increased benefits to society. The social business is a non-loss, non-dividend company dedicated entirely to achieving a social goal.

Will anybody in the real world be interested in creating businesses with selfless objectives? Where would the money for social business come from?

Regarding the source of fund, one source can easily be the philanthropy money going for creating social businesses. This makes enormous sense. One problem of charity programmes is that they remain perpetually

dependent on donations. They cannot stand on their own two feet. Charity money goes out to do good things, but that money never comes back. It is a one-way route. But if a charity programme can be converted into a social business that supports itself, it becomes a powerful undertaking. Now the money invested is recycled endlessly. A charity taka has one life, but a social business taka has endless life.

THE POWER OF DREAMS

The wonderful promise of social business makes it all the more important that we re-define and broaden our present economic framework. We need a new way of thinking about economics that is not prone to creating series of crises; instead, it should be capable of ending the crises once for all. Now is the time for bold and creative thinking, and we need to move fast. The first piece of this new framework must be to accommodate social business as an integral part of the economic structure.

In this context let me raise another question. What will the world be like twenty or fifty years from now? More specifically, what will South Asia be like? It's fascinating to speculate about this. But I think an even more important question is: What do we want the world, and specifically South Asia, to be like twenty years or fifty years from today?

The difference has great significance. In the first formulation, we see ourselves as passive viewers of unfolding events. In the second, we see ourselves as active creators of a desired outcome.

I think it is time to take charge of our future rather than accept it passively. We

spend too much time and talent in predicting the future, and not enough on imagining the future that we would love to see. And even so, we don't do a very good job of predicting the future. With all our wisdom, expertise, and experience, we repeatedly fail to imagine the amazing changes that history continues to throw our way.

Let's admit it, we could not predict the world of 2010 even from 1990. Does this give us any credibility in predicting the world of 2030 today, given the fact that each day the speed of change in the world is getting faster and faster?

If we have to make predictions, there are probably two ways to go about it. One would be to invite the best scientific, technical, and economic analysts in the world to make their smartest 20-year projections. Another would be to ask our most brilliant science fiction writers around the world to imagine the world of 2030. If you ask me who has the best chance of coming closer to the reality of 2030, without pausing for a second I'd say that the science-fiction writers will be far closer to the reality of 2030 than the expert analysts.

The reason is very simple. Experts are trained to make forecasts on the basis of the past and present, but events in the real world are driven by the dreams of people.

We can describe the world of 2030 by preparing a wish-list. This wish-list will describe the kind of world we would like to create by 2030. That's what we should prepare for.

Dreams are made out of impossibles. We cannot reach the impossibles by using the analytical minds, which are trained to deal with hard information, which is currently available. These minds are fitted with flashing red lights to warn us about obstacles that we may face. We'll have to put our minds in a different mode when we think about our future. We'll have to dare to make bold leaps to make the impossibles possible. As soon as one impossible becomes possible, it shakes up the structure and creates a domino effect, preparing the ground for making many other impossibles possible.

We'll have to believe in our wish-list if we hope to make it come true. We'll have to create appropriate concepts, institutions, technologies, and policies to achieve our goals. The more impossible the goals look, the more exciting the task becomes.

Fortunately for us, we have entered into an age when dreams have the best chance to come true. We must organise the present to allow an easy entry to the future of our dreams. We must not let our past stand in the way.

CONCLUDED

COPENHAGEN SUMMIT

Soros: Finance gap could wreck climate talks

AP, Copenhagen

The \$10 billion a year proposed by rich nations to help the poor adapt to climate change is "not much, it's not sufficient," and the gap between what's offered and what's needed could wreck the Copenhagen climate conference, American billionaire George Soros said Thursday.

The investor-philanthropist, one in a line of international notables visiting the 192-nation meeting, told reporters he had developed a partial solution. Soros suggested shifting some International Monetary Fund resources from providing liquidity to stressed global financial system to a new mission of financing projects in developing countries for clean energy and adapting to climate change.

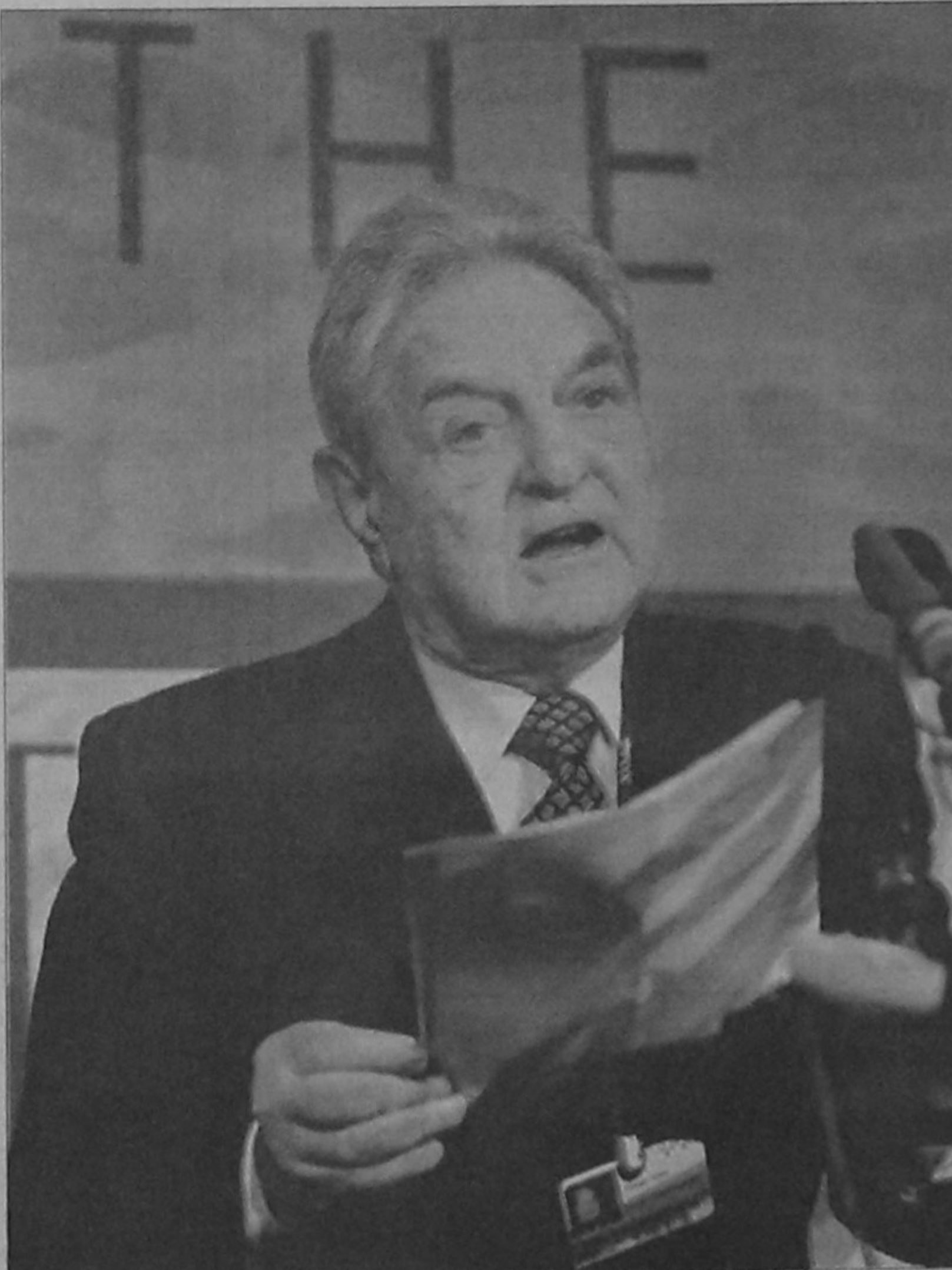
About \$100 billion in a one-time infusion could be generated, said Soros, a major supporter of causes in the developing world.

But he acknowledged a roadblock in Washington.

"It is possible to substantially increase the amount available to fight global warming in the developing world," he said. "All that is lacking is the political will. Unfortunately the political will will be difficult to gather because of the mere fact that it requires congressional approval in the United States."

Soros said he had "informal discussions" with Obama administration officials and "the difficulty of getting congressional approval has been recognised."

The international financier dropped in on the two-week confer-



George Soros

ence on its fourth day, as rich and poor nations pressed on behind closed doors and in open forums to bridge wide differences and reach agreements on how to combat global warming.

They have just a week to deliver something for President Barack Obama and more than 100 national leaders to sign in the finale of the Copenhagen climate summit on Dec. 18.

Panasonic to buy 50.2pc stake in Sanyo for \$4.6b

AP, Tokyo

Panasonic Corp said Thursday it will take majority control of Sanyo Electric Co in a \$4.6 billion deal, forging one of the biggest electronics makers in the world with an edge in green technologies.

Panasonic said it will buy 50.2 percent of Sanyo for 403.78 billion yen (\$4.6 billion) after closing its five-week tender offer that began on Nov. 5. The world's biggest plasma TV maker will pay 131 yen per Sanyo share.

With the purchase, Panasonic can draw upon Sanyo's expertise in solar panels and rechargeable batteries, bolstering its resources in the race to develop environmental technologies.

Sanyo's three major shareholders -- Goldman Sachs, Daiwa Securities SMBC and Sumitomo Mitsui Banking Corp -- helped propel the deal after agreeing to sell at least a combined 3.07 billion shares to Panasonic at that per-share price. The three shareholders together control about 70 percent of Sanyo's total outstanding shares.

Panasonic had reportedly hoped to take a larger stake in Sanyo, but the company had to settle with a minimum controlling stake. Other shareholders were likely reluctant to sell with the tender offer price lower than market price.

In trading Thursday, shares of Sanyo jumped on high hopes for its future. The issue added more than 10 percent to 176 yen, while Panasonic fell 1.9 percent to 1,226 yen.

The tender offer had been delayed by several months while Panasonic awaited clearance from anti-monopoly authorities in the US, China and the European Union before going ahead with the takeover.

For Sanyo, the takeover offers the struggling company a much-needed lifeline.

Founded by a brother-in-law of Panasonic founder Konosuke Matsushita, Sanyo is a popular brand but in recent years has been seen as a relative loser in Japan's competitive electronics sector.