

International Business News

India inflation quickens to 14-month high

AFP, New Delhi

India's inflation jumped to its highest level in more than a year due to soaring food prices, data showed Monday, raising pressure to unwind stimulus measures that spurred economic recovery.

Government figures showed the annual wholesale inflation rate -- India's benchmark price measure -- quickened to 8.56 percent year on year in January.

The rate is at its highest since November 2008. The figure exceeded analysts' forecasts of 8.2 percent and topped central bank estimates of 8.5 percent by the end of this fiscal year in March.

The rising cost of living has been driven mainly by food inflation, which leapt 17.4 percent, after the weakest monsoon rains in nearly four decades hit harvests.

Wrestling down food inflation is a key priority for the Congress-led government, whose main electoral support comes from India's teeming poor.

The government has sought to tame food prices by selling reserve stocks of wheat and rice in the open market and is allowing duty free imports of white sugar.

Wholesale price inflation is the most watched price barometer because it includes a wider basket of goods.

Overseas Filipinos send more money home despite crisis

AFP, Manila

Cash sent home by Filipinos working abroad rose a stronger-than-expected 5.6 percent to 17.3 billion dollars last year as jobs remained plentiful despite the global crisis, the central bank said Monday.

Remittances from abroad in 2009 accounted for 10.8 percent of the country's gross domestic product (GDP), according to the bank.

"Remittances remained resilient amid the recent global financial crisis, providing strong support to domestic demand," it said in a statement.

Many analysts had predicted that remittances from the roughly nine million overseas workers would drop in 2009 as many were expected to lose their jobs amid the global financial crisis.

But the 2009 total exceeded even the government's original target of 17.1 billion dollars, or a 4.0-percent increase over 2008, the central bank said.

Remittances in the month of December alone hit a record high of 1.57 billion dollars, an 11.4-percent increase over the same period in 2008, the central bank said.



A Pakistani security guard searches a man outside the Islamabad Stock Exchange (ISE) building in Islamabad yesterday. Pakistan shares market has been flat in 2010 with minor bullish and bearish hiccups mainly because of uncertain political scenario and fragile law and order situation in the country as its army battles against the Taliban insurgents in the northwest.

Samsung unveils new smart phone with own software

AP, Barcelona, Spain

Samsung Electronics Co, the largest maker of cell phones for the US market, on Sunday revealed the first phone running Samsung's own "smart" software system, bada.

With bada, Korea-based Samsung is taking the TouchWiz system used on its touch-screen non-smart phones and making it the basis of a smart phone platform to take on Apple Inc's iPhone and Research In Motion Ltd's BlackBerry. Samsung also makes phones based on other competing smart phone systems: Android, created by Google Inc, and Symbian, of which Nokia Corp is a major backer.

JK Shin, the president of Samsung's phone division, said the goal of bada was to expand the market for smart phones, making them available to people across the world who have made do with non-smart phones.

The new phone, dubbed the Wave, is a touch screen phone like the iPhone. It features a highly saturated, high-resolution screen using organic light emitting diodes, or OLEDs. Samsung said the phone will go on sale in April, but did not say if the US would be one of the launch markets, nor did it say what the phone would cost.

Australia must streamline to cash in on Asian boom: OECD

AFP, Sydney

Australia must streamline its regulatory framework and lift productivity to cash in on Asia's strong rebound, an OECD report said on Monday.

The review praised Australia's performance in the financial crisis but urged it to ease restraints to speed up infrastructure spending. "Australia needs to boost productivity to return to long-term sustained growth," Organisation for Economic Cooperation and Development (OECD) secretary general Angel Gurría said in a statement.

"An efficient regulatory system is a main step to achieve that goal."

The review said the government needed to keep up its drive for regulatory reform, including moves to give states greater autonomy. But it said investment was being held back by unnecessary costs.

INTERVIEW

A newfound driver of economy

Banglalink CEO sees telecom as locomotive for growth

MD HASAN

After taking the reins of Banglalink, Ahmed Abou Doma was impressed by a wide dispersion of mobile communications in Bangladesh. As his level of confidence lifted, he feels telecom is becoming a powerful tool to pull Bangladesh into an economic boom in the next few years.

Sitting at the headquarters, Tiger's Den, the chief executive strives to do something different for the next generation of mobile users to make the mobile a one-stop shop for customers.

In an exclusive interview with The Daily Star, Doma says he still believes consolidation is the way forward in the six-operator market.

However, terming Bangladesh market characteristics "different" from any other country, he says subscriber growth gives an operator nothing but losses, which should be addressed by the government by waiving a Tk 800 tax on SIM soon.

Every economy needs a locomotive for growth. From the 1980s up to mid-1999, construction and real estate were the locomotives for driving many economies of the world.

This is now shifting toward telecom. "It is a mutual kind of influence between telecom and the overall economic performance of the country. If the economy is not doing well, then the telecom sector will not do well and vice versa."

Huge call volumes, young users, untapped rural market and the latest technology are among Doma's strategic targets to utilise future prospects.

The last generation of customers was only voice-driven customers. They bought telecom devices to only communicate. But that magical device is going to be much more than that, he says.

"It will be like your one-stop shop to do anything from banking to sourcing knowledge," says Doma.

The era of the voice in the world is folding. However, Bangladesh has low mobile penetration and so this era will continue for sometime.

"Voice is just one application of telecommunication. But it is the most dominant. We are not selling only voice," he says.

"When I came here, I was presented with some history of the industry in terms of financial performance. I was surprised by the very high level of usage that Bangladesh has in terms of minutes of talk."

Doma, who was marketing director of Egyptian Mobinil prior to joining Banglalink, says Bangladesh's \$2.5 ARPU (monthly average revenue per user) gives an idea that people do not talk much over the



Ahmed Abou Doma

mobile here. "But the reality is that average use in minutes in Bangladesh is double compared to Egypt."

"It means people depend on the mobile more now for social communication. May be in the past, they used to visit each other for social communication. Now the mobile saves those hassles," he says.

It also means that each minute is not priced heavily, which does not financially burden the consumers, resulting in huge call volumes compared to any other market, he says.

Bangladeshis are eager to talk in the evenings, around 7 pm to 10 pm, as there are network pressures at those times, he says. There are also late night callers, which is also common to Egypt, he adds.

However in Europe, the mobile networks become nearly vacant after 7 pm. For exam-

ple, he says the Italian talk less than the Bangladeshi and still has an ARPU of \$ 26 (•19), which is a positive business case for the operators.

Bangladesh has one of the youngest populations in the world, which is a future asset for the mobile industry. "The youth who are now in schools and universities will be graduating and getting into jobs and lead more technology fond lifestyles."

"And that generation of users will be much more than just voice focused, which will ultimately make the mobile their identity," says the Banglalink chief.

Banglalink recently raised Tk 425 crore by issuing bonds, which is an initiative to ready the company's network to provide services in rural areas and introduce new technology.

Eventually, after two or three years,

Doma says all operators will have to go to the rural areas. "Then you will see the rural tele-density increase dramatically. But it is very expensive for us to roll-out rural operations."

The government should not impose burdens like the SIM tax for the modes Bangladeshis living in rural areas. "I am going to rollout operations. But at the same time, the government should do something to provide affordable services to the rural population. Otherwise the equation will not work."

Citing an example, he says mobile penetration in Rajshahi is only less than 20 percent, whereas in Dhaka, it is more than 80 percent, which is a complete mismatch with the goal of minimising the digital divide.

According to Doma, digitalisation of people's lives will occur through the mobile. "Everybody is going to adopt that. Eventually that will be the solution and the only way."

On the upcoming 3G (third generation) technology, he says it is a good means to building a Digital Bangladesh, but it all depends on how the government awards it.

"It will not be realistic, if the government brings new operators for 3G, as the existing operators are ready to graduate to 3G."

Doma suggests awarding the licence jointly to five operators, so that people can soon get broadband access.

"If every operator rolls out 3G networks across the country, there will be six times the investment, and six times the loss."

More telecom players are entering the Bangladesh market instead of consolidating operations. However, Doma thinks consolidation is the way forward, although unfortunately it did not happen yet in Bangladesh.

"But if there is a right match, Banglalink will go for consolidation," adds Doma.

Orascom Telecom Holdings (OTH) entered the Bangladesh market in 2005 by acquiring Sheba Telecom. Starting with Sheba's 35,000 customers, Banglalink, the subsidiary of Egypt-based OTH, now has become the market's second largest operator with 13.87 million customers at the end of December 2009.

However, the company is yet to breakeven. "Growth for us in Bangladesh as per the market dynamics means financial losses. If you have a low subscriber base, you will be financially better off."

Such characteristics are not suitable for a company like Banglalink, which injected huge sums of money in the Bangladesh market, he adds.

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WORLD ECONOMY

Worried Japan braces for global third spot

AFP, Tokyo

Japan has dodged the bullet for now but may lose its status as the world's number two economy to China as early as this year, a prospect that has already stirred much soul-searching.

New data on Monday showed that Japan's recession-hit economy shrank last year to a nominal gross domestic product of just under 5.1 trillion dollars compared to fast-growing China's GDP of 4.9 trillion dollars.

If those trends continue, the island nation will soon give up its status as Asia's top economy to its traditional rival, the population giant whose rapid rise many Japanese view with a sense of trepidation.

Finance Minister Naoto Kan last month echoed the sentiments of many when he admitted to mixed feelings, even as he sought to focus on the bright side for Japan, which stands to benefit economically from China's boom.

"Generally speaking, we welcome the growth of China and Asia and believe that Japan must work hard to benefit from it," said the 63-year-old.

But he added: "Japan has long been called the world's number-two economic power. For my generation, the people who grew up during Japan's high-growth era, it is rather sad to give up that title to China, to be honest."

Others take a pragmatic view and say Japan must not dwell on the past. "It has been only a matter of time," said Japan Chamber of Commerce chairman Tadashi Okamura, a former chairman of electronics giant Toshiba. "Japan must immediately rid itself of its identity as the world's number-two economy."

The Japanese public is divided. A recent nationwide survey by the Yomiuri Shimbun daily found that 29 percent of respondents thought an ascendant China would benefit



Shoppers walk past an apparel shop displaying a large "sale" sign in Tokyo yesterday. Japan's economy shrank in 2009 to a nominal gross domestic product of just under \$5.1 trillion compared to China's GDP of \$4.9 trillion.

Japan, while 31 percent feared it would harm their country.

The November poll reflected a wider unease about communist-ruled China, a former wartime enemy that is now a geopolitical heavyweight, a growing military power and a major competitor for energy and mineral resources.

A full 69 percent of respondents believed "China cannot be trusted."

Business daily Nikkei in a recent editorial called on China to meet its responsibilities as a major power by respecting human rights, consumer safety and intellectual property rights and by fighting global warming.

"The robust development of China creates opportunities for Japan and the rest of Asia. But we should not ignore it if China

dodges its responsibility as the number one economy" in Asia, the Nikkei said.

In some ways, China is now where Japan was when it emerged from wartime devastation to launch its "economic miracle", with companies such as Toyota, Sony and Panasonic churning out exports that drove rapid growth.

Japan overtook West Germany as the number-two economy in 1968, helped by an under-valued yen and at the cost of huge industrial pollution, in a rapid rise that sparked envy and triggered trade wars but also commanded global respect.

The Asian juggernaut seemed unstoppable by the 1980s, when the Nikkei index boomed, Japanese companies were gobbling up Western competitors and real estate, and foreigners marvelled at tales of

luxury and excess in Tokyo.

Then, 20 years ago, the inflated assets bubble burst, plunging Japan into two decades of stagnation, punctuated by repeat recessions, that dampened consumer spending and ended Japan's jobs-for-life model.

Intensifying global competition has since pushed Japan Inc. to squeeze costs, cut jobs and transfer factories to China and the rest of Asia, where an emerging middle class has become its new key market.

Japan's economy, as it now digs out from its worst post-war recession, has been hit by more bad news, from the bankruptcy of Japan Airlines last month to the global safety recall of more than eight million cars by Toyota.

Japanese can take solace in the fact that they live in a peaceful and democratic country that remains a titan of innovation, and where per-capita income will remain higher than in China for many years.

But more problems loom, including a ticking demographic timebomb. With the world's lowest birth rate, Japan's aging population of 128 million is projected to decline, cutting into its workforce and domestic consumer market.

A centre-left government that took power last summer, ending a half-century conservative reign, has pledged to deepen ties with Asia, but also to reinvigorate Japan itself, crucially with family-first policies to raise the birth rate and to boost the country's domestic economy.

Yorizumi Watanabe, professor of international trade at Keio University, agreed that Japan's biggest challenge is not the expected loss of its global number-two status, but to find ways to change Japan itself.

"Rather than worry about the psychological impact, the bigger problem is to address the shrinking national wealth of Japan," he said. "If things remain unchanged, stagnation will go into a third decade."