

International Business News

East Asia launches \$120b currency swap pact

AFP, Seoul

East Asian nations Wednesday officially launched a 120-billion-dollar regional currency swap agreement, giving them a safety net against future liquidity shortages.

The Chiang Mai Initiative Multilateralisation (CMIM) covers South Korea, China, Japan and the 10-member Association of Southeast Asian Nations.

Its successful launch shows their commitment "to further enhance regional capacity to safeguard against downside risks and challenges in the global economy," according to a joint statement issued by Seoul's finance ministry.

The agreement will allow each member to swap local currency for dollars for an amount in proportion to its contribution.

East Asian finance ministers, meeting in the Thai city of Chiang Mai in 2000, endorsed a network of bilateral currency swap deals to avoid a recurrence of the 1997-98 regional financial crisis.

The expanded CMIM pact was agreed in May 2009 at a meeting of the so-called ASEAN plus Three in the Indonesian resort of Bali.

German business confidence soars to near two-year high

AFP, Berlin

German business confidence soared to a near two-year high in March, a survey showed Wednesday, as warmer temperatures boosted the mood in Europe's top economy after a bitterly cold winter.

The closely-watched Ifo survey jumped to 98.1 points, the highest level since June 2008, rebounding after a surprise fall in February to 95.2 points and wrong-footing analysts who had expected a much smaller gain to 95.9 points.

"The brightening of the business climate is evident in all sectors surveyed. Spring has now arrived too in the German economy," said Hans-Werner Sinn, the institute's president.

The survey of around 7,000 firms in the key manufacturing, construction, wholesaling and retail sectors is seen as a guide to future economic performance.

The indicator dropped last month after 10 consecutive gains, a dip blamed mainly on freezing temperatures and heavy snowfalls, which dampened retail and construction activity.



President of Mobile Communications Business for Samsung Electronics JK Shin unveils a new Samsung Galaxy S Android smartphone during his keynote address at the International CTIA Wireless 2010 convention at the Las Vegas Convention Centre in Las Vegas, Nevada yesterday. CTIA is the international association for the wireless telecommunications industry.

Japan's parliament passes record trillion-dollar budget

AFP, Tokyo

Japan's parliament Wednesday passed a record trillion-dollar budget for the coming year, adding to the country's bulging public debt burden as Tokyo tries to stimulate a sluggish economy.

The 92.3 trillion yen budget includes new child-care allowances, free public high school tuition and other measures promised by the centre-left government that took power in September, ending a half century of conservative rule.

To finance the budget, the government will issue new bonds worth a record 44.3 trillion yen, adding to Japan's huge public debt burden.

The Organisation for Economic Cooperation and Development has warned that Japan's public debt, bloated by repeat bouts of stimulus spending, will soar to double the country's gross domestic product by 2011.

Japan, the world's number two economy, last year emerged from its worst post-war recession, growing in the second and third quarters due to government stimulus measures and rebounding exports, mostly to China.

Vietnam Q1 inflation at 8.51pc

AFP, Hanoi

Vietnam's consumer prices rose 8.51 percent in the first quarter of the year, driven mainly by higher prices for housing, construction materials and food, government data showed Wednesday.

In March alone, inflation rose 9.46 percent year-on-year, the highest rate since the same month a year ago when the rise was recorded at 11.25 percent.

Prices for housing and construction materials in the first quarter were up by 14.10 percent while that of food increased by 9.13 percent, the General Statistics Office said in a report.

Month-to-month, consumer prices in March rose by 0.75 percent.

FARM MACHINERY

Rise of rental service



A water pump jets water into a farmland at Sherpur in Bogra. The practice of renting out agricultural machinery services has emerged in rural areas in the past two decades.

SOHEL PARVEZ

An informal market for rental of tilling, irrigation and threshing services has emerged in rural areas, thanks to the rapid expansion of mechanised cultivation.

The services market has not only helped absorb a portion of the need for farm workers, but also facilitated development of entrepreneurship as a section of unemployed youth is entering the trade as an alternative to formal jobs.

Rustom Ali of Dhuroil village in Rajshahi charges Tk 120-150 in rent to till a bigha of land. For upland areas, he charges Tk 120 a bigha. "As tilling is difficult in muddy fields, I charge Tk 150 for low-lying areas."

Rustom first began providing rental services by purchasing a shallow tube-well pump three years ago.

With earnings from the first year of rendering services, he bought a second shallow tubewell the next year. To accelerate income, Rustom ploughed back his savings and borrowed Tk 50,000 from a microfinance institution in 2009 to buy a power tiller and a thresher.

Rustom said he, like others, charges Tk 80-100 to irrigate for an hour and demands 20 kilograms of paddy for threshing paddy on a bigha of land.

"It is a much better job compared to working as a labourer on other people's fields," said Rustom, who earned Tk 56,000 in net profits last year.

Such a practice of renting out agricultural machinery services has expanded in parts of Bangladesh in the past two decades. This not only ensures proper utilisation of the capacity of farm implements but also caters to the needs of small and marginal farmers, a majority of whom cannot afford to invest in the equipment.

The custom of hiring service, analysts said, began with irrigation and later expanded to tilling and threshing. The trade expanded also because of a gradual decline in bullocks and a contraction in the supply of farm labourers after many switched to non-farm activities in rural and urban areas.

Now, a total of 15.53 lakh pumps owned by private operators are in use in Bangladesh, 88 percent of which are shallow tubewells, according to the Minor Irrigation Equipment Survey Report 2008-09.

Experts said most privately-owned irrigation pumps are used to render rental services -- pump owners install wells and pumps on their own plots to irrigate their fields and deliver excess water to other farms.

"The expansion of mechanised irrigation has created jobs for about 19 lakh rural people, including three lakh mechanics," said Engineer Md Eftekarul Alam, chief of Minor Irrigation Information Service Unit of Bangladesh Agricultural Development Corporation.

In addition, over four lakh power tillers, 15,000-20,000 tractors and around three lakh threshers (open and closed drum) are also in operation. This accelerated of income of the owners and created different jobs, such as drivers for the power tillers and tractors.

Kamal Hossain, a tractor renter at Mithamoin in Kishoreganj, said he made Tk 3 lakh profits by tilling 600 acres in the current boro season, after paying for fuel and wages for drivers and helpers.

But pay for the rental services vary from place to place, as there are no uniform rules prescribed.

Aminul Islam Ranju, a farmer at Dhulirchar of Gabtoli, Bogra, said farmers in his locality have to pay Tk 100 for a single power tilling session. For irrigation water, they have to give a fourth of the paddy produced on a bigha of land.

Economist Mahabub Hossain, also executive director of Brac, said the system of crop sharing for irrigation should be

stopped to ensure an optimum use of water.

"Farmers have to give one fourth of their crops to get irrigation water at different places. Such a system sometimes leads to the misuse of water."

"The government should have a rule prescribing the hourly charge for irrigation, to stop misuse," he said.

Mahabub said farm mechanisation is advancing in the backdrop of a scarcity of agriculture workers and a rise in farm wages.

"It has helped reduce the cost of production for farmers. Such mechanisation is good in the case of labour shortages. But if there are abundant labours in agriculture, it will not be good from a socio-economic viewpoint," said Mahabub.

He however opposed faster expansion of mechanisation by capital-intensive machinery, such as tractors and combine harvesters. "In the Bangladesh context, power tillers are appropriate."

"Considering present farm sizes, the availability of labour and wage rates, mechanisation will be premature if tractors and combine harvesters spread fast. It will result in a displacement of a greater number of agricultural labour."

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BUDGET

Britain slashes debt, growth forecasts

AFP, London

British finance minister Alistair Darling cut his borrowing and growth forecasts on Wednesday in a pre-election budget that he said would help secure the nation's recovery from a record recession.

Darling also announced a 2.5-billion-pound growth package to help strengthen recovery, as the Labour government was fighting to stay in power at a general election expected on May 6.

"This will be a budget to secure the recovery, tackle borrowing and invest in Britain's industrial future," said Chancellor of the Exchequer Darling in his budget speech before parliament.

"It will set out how the government sticks to its plan to halve the deficit in four years," added Darling in his last budget before a general election which Labour is battling to avoid defeat to the main opposition Conservatives.

The chancellor cut his economic growth forecast for 2011 to 3.0-3.5 percent but held his prediction of 1.0-1.5 percent expansion this year.

And he also trimmed his official borrowing target to 167 billion pounds for the current financial year which runs until the end of this month. That was lower than the previous estimate of 178 billion pounds.

Economists agree that Britain needs deep public spending cuts and higher taxes to fix public debt, which has surged to record levels



Britain's Finance Minister Alistair Darling (L) and his wife Margaret pose for pictures with a briefcase containing the 2010 Budget Report at a photocall outside 11 Downing Street in London, yesterday.

due to huge banking bailouts and recession-hit taxation revenues.

"Borrowing is lower than forecast last year but the recovery is still in its infancy and there are still tough choices ahead," Darling added, hinting at possible future spending cuts, after Britain escaped recession late last year.

To aid the battered economy, Darling unveiled a growth package, worth the equivalent of 2.79 billion euros or 3.73 billion dollars, to "help small business, promote

innovation, invest in national infrastructure."

And to boost the battered housing market, he lifted the lower tax threshold for property purchases to 250,000 pounds, from 125,000 pounds previously.

Financial markets will likely focus on the government's attempts to slash a record public deficit.

Darling said he wanted to cut the deficit to 4.0 percent of GDP by the 2014-2015 financial year.

The chancellor added that the government had so far raised 2.0 billion pounds in a bonus "super-tax" that was slapped on bankers' bonuses last December.

He added that the Treasury has also received more than 8.0 billion pounds in fees and charges from taxpayer support given to the banking sector.

After a series of multi-billion-pound rescue packages, the government now owns 84 percent of the Royal Bank of Scotland and 41 percent of Lloyds Banking Group, while it nationalised lender

Northern Rock outright.

"We will sell out shares in RBS and Lloyds, as well as Northern Rock in a way that maximises returns to the taxpayer," added Darling on Wednesday.

He also expressed solid support for an international-coordinated levy on the banking sector, which sparked the global financial crisis and subsequent recession.

Britain's budget comes amid heightened concern about soaring public deficits in eurozone member nations Greece and Portugal, whose finances were also battered by a severe downturn.

European stock markets were sent into a spin on Wednesday after Portugal was slapped with a ratings downgrade. Britain was recently warned that the perilous state of public finances put its top AAA credit assessments at risk.

Political pundits did not expect Darling to spell out exactly where the axe will fall on government spending -- and which taxes might rise in the future to plug the massive hole in the public finances.

The government has faced mounting calls to fix its finances, with the European Commission attacking the government over the "absence of detailed departmental spending limits" in plans to curb the record deficit.

Darling was boosted last week by better-than-expected borrowing and rising taxation revenues in February, in a sign of the tentative recovery.