International Business News

Sony, Toshiba to sell liquid crystal display plants

AFP, *Tokyo*

As the volatile liquid crystal display industry continues to restructure after the global slump, Japanese electronics giants Sony and Toshiba said Wednesday they were selling LCD plants to rivals.

With high competition and falling prices forcing a reevaluation of the LCD business, the companies unveiled plans to sell factories producing panels for mobile phones, digital cameras and laptops in a bid to smooth earnings.

Sony Mobile Display is to sell a Japanese LCD display factory -- five years after buying it -- to manufacturer Kyocera at a loss in a bid to eventually boost profits by investing in cheaper technologies, the firm said.

Meanwhile, Toshiba subsidiary Toshiba Mobile Display said it had reached an agreement to sell a Singapore plant producing LCD panels for laptop displays to AU Optronics Corp.

The plant is Toshiba's only LCD panel factory outside of Japan, so it will discontinue overseas panel production after the sale is finalised in July.

Financial terms for both deals were not disclosed.

However, a statement from Sony said it had incurred a "loss on the fixed assets" as a result of the transaction with Kyocera.

Eurozone unemployment hits record 10pc

AFP, *Brussels*

Unemployment in the 16-nation eurozone hit a record 10 percent in February, official figures showed Wednesday, underlining that Europe's painful recovery from recession is failing to create jobs.

February's figures showed an increase of 61,000 people on the jobless lists throughout the eurozone, tipping the unemployment rate into double figures, from 9.9 percent in January, for the first time since the currency came into being in 1999.

For the 27-nation European Union as a whole, the jobless rate in February stood at 9.6 percent in March, slightly up from 9.5 percent the previous month, the EU's official Eurostat statistics agency reported.

There were massive national differences, with 19 percent unemployment in Spain and 21.7 percent in Latvia.

The jobless queues were far shorter in the Netherlands, where the rate was 4.0 percent and Austria where it stood at 5.0 percent.

The jobless economic recovery is starkly outlined by the eurozone unemployment increase from 8.5 percent to 10 percent over the past year.

AFP

A man pushes a cart through the busy streets of Jakarta during the morning rush hour traffic yesterday. Indonesia, the mainly Muslim archipelago of some 235 million people, is hoping to throw off its reputation for natural disasters and corruption and become a magnet for the foreign investment deemed vital to its plans to become an Asian powerhouse.

Turkish economy emerges from recession

AFP, *Ankara*

Turkey emerged from a crippling recession with strong 6.0-percent growth in the fourth quarter, official data showed on Wednesday, supporting analysts' forecasts of similar growth this year.

The growth in gross domestic product (GDP) -- which exceeded market expectations of 4.0 percent -- broke a slump which had lasted for four quarters.

The surge at the end of the year helped to reduce contraction of the economy in 2009 to 4.7 percent, the Turkish statistics institute said.

The government had projected a 6.0-percent contraction for 2009, and the International Monetary Fund (IMF) had estimated that the Turkish economy was likely to shrink by 6.5 percent in the whole of 2009.

The statistics institute also revised contraction rates for the first, second and third quarters from 14.7 to 14.5 percent, from 7.9 to 7.7 percent and from 3.3 to 2.9 percent.

Bank of Ireland seeks huge capital injection after big loss

AFP, *Dublin*

Bank of Ireland said Wednesday that it was seeking to raise 2.7 billion euros of extra capital from investment banks, after posting a net loss for the nine months to December due to huge bad debts.

The struggling bank, which is almost 16 percent owned by the Irish state after a large bailout, revealed that it was working with a syndicate of investment banks to raise the capital worth 3.6 billion dollars.

Ireland's second-biggest lender added in a results statement that it suffered a net loss of 1.46 billion euros in the nine months to December.

That compared with a slender net profit of 53 million euros in the 12 months to March 31, 2009, the group added, after switching the end of its financial year to December 31.

TELECOM

Now comes tough part for Bharti

AFP, *New Delhi*

Indian telecoms tycoon Sunil Bharti Mittal has finally achieved his dream of breaking into the African market with a 10.7-billion-dollar deal to buy Kuwait-based Zain's Africa assets.

But now comes the tough part -- making the purchase pay off.

Mittal's Bharti Airtel, the top mobile operator in India, announced late Tuesday it had sealed the agreement to buy most of Zain's African assets, vaulting into the ranks of the world's top five wireless players by subscribers, from 10th.

The Bharti founder and chairman called the purchase, the second-most expensive foreign acquisition in Indian corporate history, a "game changer" for the company and hailed Africa as "the continent of hope and opportunity".

Analysts, however, say the billionaire tycoon, will need all his business wits to turn around Zain's struggling African operations.

In the key market of Nigeria, for instance, where mobile phone ownership is growing fastest, Zain has been losing subscribers to rivals.

"Competition in sub-Saharan Africa is very tense so to gain that edge over their competitors is going to be very difficult," Chire Spiweka, communication technology analyst at Frost and Sullivan consultancy, told AFP.

"It is a different ball game altogether in Africa. Whoever is taking over must have a strong understanding of how Africa operates and get up to speed quickly," she said.

After announcing the deal Mittal named trusted top lieutenant Manoj Kohli -- now head of Bharti's global operations who helped make the firm India's leading mobile network -- to oversee his new African networks.

The challenge is also that Mittal, 52, is entering not just one market but 15, said Romal Shetty, telecommunications head at global consultancy KPMG's India unit. "You can't play a single strategy for all of them," he said.

AFP/FILE

Bharti Telecommunication Managing Director Sunil Bharti Mittal is up for his next challenge as the telecom giant breaks into the African market.

Zain's decision to sell "underscores the difficulty in operating profitably in these markets", said Shubham Majumder, Asia head of telecoms research at Macquarie Capital Securities.

Mittal said after the deal the company was betting the strength of its brand "coupled with our unique business model will allow us to unlock the potential of these emerging markets."

The trick for Bharti, which pioneered low-cost telecoms in India, will be to bring down Zain's high cost base and win subscribers, say analysts -- and to get subscribers to talk more using lower tariffs.

Bharti is famous for its so-called "minutes factory" business plan -- the low-cost, high-volume model that has made it such a success.

But analysts say there is no certainty lowering call rates will generate increased profits in Africa as the economies of scale in the continent are not as large as in India.

The Zain purchase will increase Bharti's global customer base to 179 million from 125 million.

But the number of people owning phones in the countries where Zain operates stands at just 32 out of every 100, compared with India's 51.

Mittal, a strong Hindu who turns vegetarian before any major venture, attributed the clinching of the deal to "God's grace".

The acquisition caps a two-year quest by Mittal to gain a presence in Africa after two failed attempts to buy South African mobile giant MTN.

Now MTN will be one of Bharti's most powerful rivals in Africa.

"What is interesting is that these guys planned to partner each other and now are competing. They know a lot about each other," said Frost and Sullivan's Spiweka.

But before Bharti starts rolling out its low-cost model, it needs regulatory clearances in the countries where Zain operates and it could be months before Zain's assets are put into the Indian company's name, according to Zain chairman Assad al-Banwan.

Bharti's move on Africa -- its first big foreign takeover -- is part of a diversification push to maintain its growth momentum as India's urban markets become saturated and domestic revenues are hammered by cut-throat competition.

"They don't have much choice -- Africa is the only market where there is this kind of growth left," said telecom analyst Harit Shah of Karvy Stock Broking.

COLUMN

MAMUN RASHID

How a national stock exchange helps

In our neighboring countries, national stock exchanges are surpassing the centralised stocks exchanges both in terms of market capitalisation and turnover and fostering a nationwide environment of wider investor participation and market efficiency. Time has possibly come to consider whether there is a need for developing a national stock exchange in Bangladesh too, which can help pave the way for a rapid development path for our capital market.

National stock exchanges are set up on a demutualised model wherein the ownership, management and trading rights are in the hands of three different sets of people. This helps reduce the various conflicts of interest. Moreover, it should help establish nationwide trading facility for all types of securities as well as ensure equal access of investors all over the country through an advanced telecommunication network.

Such a model will also help reduce information asymmetry among the investors and will make Bangladesh further attractive to international investors. While the number of member participation in our existing centralised exchanges is delimited, wider involvement by the interested parties is becoming increasingly difficult due to prohibitive cost of membership. National stock exchange will help overcome this hurdle if we can design an ownership structure with a focus on wider-participation and latest technological development. The national stock exchange can be incorporated by taking regulated and well-governed institutional investors as shareholders and can be made to be widely held. On one side, the management of the exchange can be run by world-class professionals and also the investment from the institutional investors will ensure a well capitalised exchange with cutting-edge technology in line with the global standards, which will embrace the updated technology on a sustainable basis.

STAR

Investors scan trading data on the screen of a brokerage house in Dhaka. National stock exchange may be a precursor to the next level of development and would help the country's capital market play a more meaningful role in the national economic development.

Such a structure will also, in one hand, provide ability to the investors at large to access the exchange from any place in the country and will also ensure transparent transactions on a sustainable basis. Furthermore, the exchange itself can be required to be listed so that the ownership can widely be held by the investors at large and due to a professional set-up, the governance model of the exchange will be much more sustainable.

The reduction in conflict of interest by properly defining roles of various functions and elimination of information asymmetry among investors would make price manipulation by a selective few very difficult that we find prevalent in the current market condition. Establishment of a national stock exchange will end or at least diminish such practices, which are not only misleading to general investors, but also harmful for the economy by potentially exposing it to a market crash.

The establishment of such a stock exchange would also increase the economies of scale, which would facilitate greater investment in technology. This may also attract world-renowned investment and brokerage firms around the world and help us attain international benchmarks and standards at a quicker speed. Because of wider investment participation, it is observed that modern investment products like p-notes (participatory notes), equity derivatives, hybrid investments, etc. are very quickly developed and traded in greater volumes in a national stock exchange, which help increase both the depth and breadth of the capital market. Our neighbouring exchanges carry enough testimonies in this regard.

National stock exchange may be a precursor to the next level of development and would help our capital market play a more meaningful role in the national economic development. Unless our capital market identifies its destination path with the broader economic and development goal, it will not attain its true potential.

Mamun Rashid is a banker and economic analyst. Views expressed are his own.