

International Business News

India to hike rates again to tame inflation

AFP, Mumbai
 India's central bank is set to hike interest rates this week for a second time in just under a month in an attempt to check near double-digit inflation, analysts say.
 Annual wholesale price inflation, the main cost-of-living measure, is riding at a 17-month high of 9.90 percent, exceeding the Reserve Bank of India's forecast of 8.5 percent, well above its preferred 5.5 percent pace of increase.
 India's central bank "is virtually certain to tighten again" at its policy meeting next Tuesday, said Kevin Grice, economist at Capital Economics.
 Economists fear inflation in Asia's third-largest economy could accelerate as demand for cars, appliances and manufactured goods rebounds with economic growth gaining pace, shaking off the effects of the global slump.
 Indian inflation has been rising in past months due to spiralling food costs after farm output was hit by the country's worst monsoon in nearly four decades last year.
 But now food inflation is spilling over into the general economy as activity accelerates, pushing the central bank to act, analysts say.
 Economists expect the Reserve Bank to raise two key short-term interest rates by 25 basis points at its policy meeting Tuesday.
 The interest rate cycle is turning in Asia as the region's economies recover from the deep global recession.



Visitors look at a model of the "Capital City District" project displayed at the Cityscape exhibition in the Emirati capital Abu Dhabi yesterday

Saudi Sabic profits rise to \$1.45b in Q1

AFP, Riyadh
 Rising petrochemical and plastics prices boosted net profits at Saudi petrochemicals giant Sabic to 5.43 billion riyals (1.45 billion dollars) in the first quarter of 2010, it said on Saturday.
 The company posted a net loss of 970 million riyals (258 million dollars) in the same period last year, Sabic said in a statement on the Tadawul stock exchange.
 The January-March figure was also an 18.6-percent jump from the fourth quarter of 2009's 4.58 billion riyal (1.22 billion dollars), as prices for products from the Gulf's largest listed company continued to rise.
 Saudi Basic Industries Corporation's gross profits for the first quarter were 12.22 billion riyals (3.26 billion dollars), compared with 3.62 billion riyals (965 million dollars) last year, the statement said.
 The company attributed the improvement to "the high volume of production and sales, and a marked improvement in the prices of most petrochemical products and plastics compared to the fourth quarter."
 However, Sabic said its income from steel products was hurt by rising raw materials costs without corresponding increases in the prices of final goods.
 Chief executive Mohammed al-Mady said he expected the company to benefit this year from new production capacity coming on line in eastern Saudi Arabia and in China, "coinciding with signs of improvement in the global economy and the easing of the financial crisis."

Central bankers warn against rushing to impose levy

AFP, Madrid
 Three of the leading figures at the European Central Bank each warned on Saturday that ideas for a levy on bank profits, pushed as a way to create a buffer against future crises, need much more work.
 "We insist very much on the fact that we need proper sequences and a proper respect of the Basel committee," ECB chief Jean-Claude Trichet told reporters after a meeting of EU finance ministers in Spain, referring to the international banking industry's in-house panel of regulators.
 Trichet said that a re-drawn banking and financial system had to be "resilient", underlining that it must not "hamper the recovery" under way and therefore that possible taxation had to be examined in the light of other reforms.
 Both Sweden and the European Commission have come up with plans that were discussed informally by the EU ministers.

Chavez: China to devote \$20b to Venezuela projects

AP, Caracas, Venezuela
 President Hugo Chavez has announced an agreement with China that would have the Asian economic giant devote \$20 billion to financing long-term development projects in Venezuela.
 The Venezuelan president says the financing would go toward industrial and infrastructure projects, among other development plans.
 He spoke Saturday during a televised appearance attended by China's natural resources minister.
 Chavez is providing few other details about the investments.

COLUMN

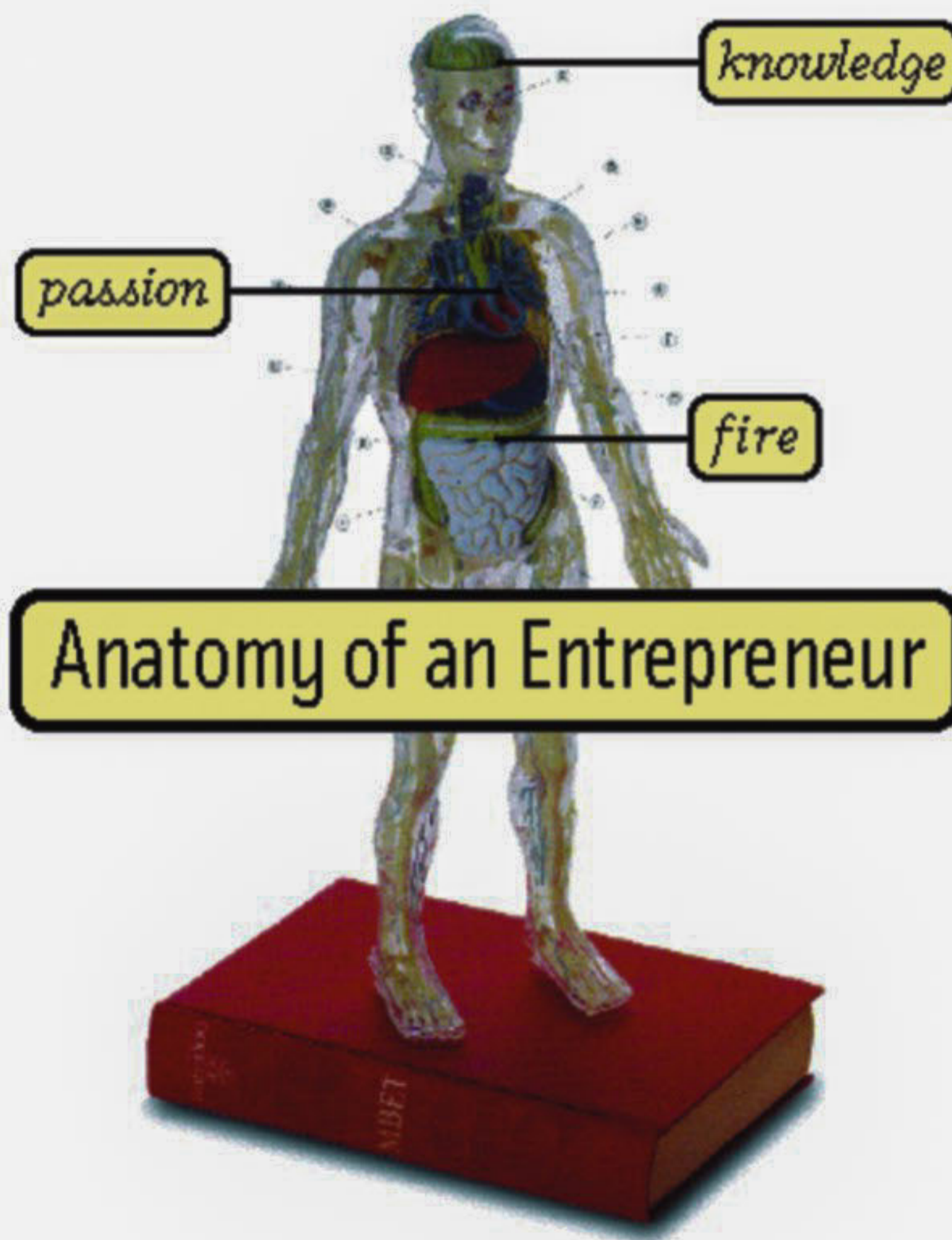
Rise of entrepreneurship

IFTY ISLAM

As part of his Cairo Speech last summer, US President Barack Obama promised a more constructive engagement with the Muslim World to find opportunities for mutually beneficial partnerships and collaboration in commerce and innovation.
 One of his specific commitments was a Summit on Entrepreneurship, which will be held on April 26-27 in Washington DC with some 250 delegates from more than 50 countries from five continents (including three from Bangladesh) in attendance, along with senior US government officials and business leaders.
 Hearing about the conference, I have given greater thought about the nature, evolution, constraints and future prospects for entrepreneurship in Bangladesh. After spending 18 years on Wall Street, my own experience of setting up a business here is still less than three years old and in that sense, I will consider myself a fledgling entrepreneur.

However, in the course of establishing our investment banking business and building research and networks across all sectors of the economy, I have been privileged to interact with a wide range of entrepreneurs and businesspeople both in Bangladesh and in our diaspora. I am also grateful to the participants in a recent seminar organised at the Knowledge Centre by the Bangladesh Brand Forum, where a group of chief executives from conglomerates, social businesses/NGOs, SMEs and think-tanks gave me a much broader perspective on the theme of Bangladeshi entrepreneurship. What message should be communicated about Bangladeshi entrepreneurship? Are we an entrepreneurial nation and is there anything that differentiates Bangladesh from other countries? This will form a key part in assessing what we can learn from international experience as well as formulating future policies to take us into the next phase of growth.

The word 'entrepreneur' itself originates from the French word 'entreprendre', which means 'to undertake'.
 In terms of adaptability and innovation, there is little doubt in my mind that Bangladeshis are inherently entrepreneurial people. The "Bangladesh Paradox", as we call it, is that despite natural disasters, corruption, poor governance, unfair stereotypes in Nation Brand and limited foreign direct investment (FDI), Bangladesh has still managed to grow at around 6 percent over the last 5 years and was perhaps the most resilient economy in the world to the global crisis with growth only slowing from 6.3 percent in 2008 to 5.9 percent in 2009. The dynamic and entrepreneurial private sector has more than compensated for the inefficiencies in the public sector.
 One might say it is the difficult and challenging operating environment for entrepreneurs in Bangladesh -- from power crisis



to a lack of risk capital to difficult regulatory environment -- which has forced them to be innovative, adaptable and creative. They are driven by the ethos of "what doesn't kill you makes you stronger".
 There are clearly various strands of entrepreneurship. Perhaps the most well known, at least in the rest of the world, is the microfinance revolution, and both Grameen and BRAC are justifiably participating in the summit. There is no doubt that this innovation helped alleviate poverty and supported the emergence of small-scale new businesses. It has also put Bangladesh on the map in terms of developing country finance with a model that has been exported to many other parts of the world.
 Another strand related to this are social impact entrepreneurs. A good example of SME social business is Hathay Bunano, which makes hand-knitted toys and garments. Founded by Chief Executive Samantha Morshed and her husband in 2005 with only \$10,000 in capital, it now employs almost 6,000 women across rural Bangladesh. It empowers women not only with a means of livelihood with flexible hours in their villages, but also new expertise and job skills without family dislocation. It creates value added products with distinct branding and product differentiation from mass produced garments and toys. Their products are finding new export

markets, but I believe their business model itself can be an export.
 A further type of entrepreneur is the family business that has emerged since the birth of the country in 1971. Many of these have grown into large conglomerates with multiple businesses, a trend that is common in much of the rest of Asia. But the next generation in these companies is also likely to prompt change, with many of the children of the founders who have been educated at top business schools in the west, looking to globalise and diversify.
 Bangladeshi diaspora entrepreneurs are also worthy of recognition. Iqbal Ahmed OBE, CEO of Seamark Group and a member of the top 400 UK rich list, and his two brothers started the company in the early 1970s. They are now the largest seafood exporter from Bangladesh. They also won the Queen's Export Award from the UK.
 In the UK, there are 12,000 "Indian" restaurants owned by Bangladeshis that contribute 4 billion pounds to the UK economy. There are many other shop owners and small businesses in other sectors. The key theme is starting with almost nothing and little formal education, but establishing thriving businesses in a foreign country by sheer persistence, hard work and determination.
 One major challenge faced by businesspeople, and especially start-up

businesses, is the lack of an availability of risk capital. This reflects a number of factors, including a collateral-obsessed lending system and the operational and economic difficulties in large scale SME lending.
 Perhaps the most important factor is the absence of a venture capital industry here. The government attempted to tackle this in the past with the establishment of the Equity and Entrepreneurship Fund (EEF) in 2001, a Tk 100 crore (\$14 million) fund.
 However, it was being managed from within the central bank and has now been moved to the ICB. One might argue that this should be outsourced to the private sector to make it more effective. The International Finance Corporation (IFC) is proposing a new SME venture fund for Bangladesh, but this should be supplemented by private sector banks within Bangladesh that are suffering from excess liquidity and a lack of local investment.
 Another challenge is offering new entrepreneurs services, such as consulting, marketing support, export strategy and IT systems.

I recently read a book, "Boulevard of Broken Dreams", by Professor Josh Lerner of Harvard Business School, on public sector interventions to support entrepreneurs. His conclusions were that the majority prove ineffective but that a targeted policy can be effective. He noted that "entrepreneurial activity does not exist in a vacuum" and that there needs to be an ecosystem of lawyers, bankers and venture capitalists. He also emphasised that in some of the success stories such as Israel, another key component was leveraging the local R&D and academic scientific base. One of his major recommendations was "understand the importance of global connections".
 I believe the Global Summit on Entrepreneurship in Washington can enable us in Bangladesh to learn from the success stories and lessons from a wide range of other countries. We should look to set up a 'Centre for Entrepreneurship' in Dhaka as a follow up to the conference that can help offer services such as incubators to new businesses, promote and communicate new global best practices and also partner with universities, such as Bangladesh University of Engineering and Technology, in commercialising primary scientific research.
 Another key element is to popularise the culture of entrepreneurship through media campaigns, TV and university business competitions. However, I believe we should also celebrate our entrepreneurs and promote the resilience, creativeness and innovation that are unique to Bangladesh. I look forward to reporting back to you after the Presidential Summit itself.

The writer is the managing partner of Asian Tiger Capital Partner and an attendee at the Presidential Summit on Entrepreneurship. He can be reached at ifty.islam@at-capital.com

AVIATION

Volcano cloud pushes airlines to the brink

AFP, Paris

The volcanic ash hanging over Europe has mushroomed into a dark 1.5 billion dollar cloud with no hope of a silver lining, analysts warned.
 Airlines and other travel industry sectors already face a bill of more than 1.2 billion euros (1.5 billion dollars) from the four-day closure of European airspace, analysts said.
 And they added that the longer the disruption goes on the bigger the threat to the European economies struggling to come out of recession.
 European carriers such as KLM, Lufthansa and Air Berlin are stepping up pressure to get passenger carrying jets back in the air. They have questioned scientists claims that the mineral dust blown over Europe from a volcano in Iceland is a threat to jet engines.
 While the European Union is investigating the extent of losses, Brussels Airlines has already called for government help to survive. Many of their counterparts are also in a desperate state.
 Crisis advisory company Lewis PR estimated that the shutdown has so far cost the European travel industry more than 1.0 billion pounds (1.2 billion euros/1.5 billion dollars) in cancelled flights, lost hotel rooms and empty cruise liners.
 It has warned the disruption could go on for another two weeks.
 Paul Charles at Lewis PR said: "Airlines alone are facing a massive bill from lost revenues and the enormous costs of reaccommodating and repatriating stranded passengers."
 "Travel and transport firms have faced a double-whammy of disruption this year, with snow-related cancellations and now the ash cloud crisis, and several firms are at



An airline passenger rests on the floor as he waits for a flight at Manchester Airport in north-west England, after the airport was closed following a cloud of volcanic ash from an eruption in Iceland.

breaking point."
 The International Air Transport Association has said the travel mayhem was costing airlines more than 200 million dollars (230 million euros) a day at a "conservative and initial" estimate.
 John Strickland, aviation analyst at the JLS consultancy, said the final losses are "an unknown quantity".
 "A lot of people were being quite dismissive, but we are now running to three, four, five days' worth of disruption," he said, highlighting the "enormous losses" the airline industry is already struggling with.
 "Airlines have got the closed sign up and are hemorrhaging revenue every day. It started having a major impact for UK carriers but now it's become pretty well a Europe-wide phenomenon."

Accountancy firm Deloitte said "the big concern" will be if the volcano keeps sending the sulphurous cloud toward Europe for a prolonged time.
 "Following one of the worst year's for financial performance the aviation industry has ever seen, a prolonged period of losses for an industry that is already in a difficult financial position could have serious repercussions."
 Charles at Lewis PR said there would be fallout for the wider economy.
 "The wider implications will add further costs to the economy, in terms of staff not being able to get back to work because they are stranded and cargo, such as fresh food and vital medicine supplies, not being delivered," he said.
 Howard Archer, chief European economist at IHS Global Insight consultancy, said

the impact on the economy would be limited as long as the chaos is quickly controlled.
 "Obviously though the longer that the problem does persist, the more serious will be the economic repercussions."
 He said the pharmaceutical industry may be "hit significantly" as many of its products are moved by air to be met tight delivery schedules. "Individual companies could also be affected if they need spare parts or inputs brought in quickly from overseas."
 EU transport ministers are to hold a teleconference on Monday on the crisis, with talk inevitably turning to aid for the stricken airlines.
 Spanish Finance Minister Elena Salgado said that so far no country has proposed giving aid.