International Business News

AFP

Malaysia's former prime minister Mahathir Mohamad speaks during an international conference on the Future of Asia in Tokyo on Friday. Asian political, diplomatic, business and academic leaders attend the two-day symposium, entitled "The Future of Asia".

Australia says door open on changes to mining 'super tax'

AFP, *Sydney*

Australia signalled Sunday it is open to compromise on the controversial plan to tax the "super profits" of the Asian-driven mining boom but insisted the 40 percent headline rate will stay.

Resources companies have launched a fierce campaign against the tax, arguing that it is damaging to Australian investment and jobs and will cut their ability to compete with foreign miners.

But the government has insisted it is a fair measure which will allow it to lower company tax and fund other measures, thereby ensuring the benefits of the mining boom are spread more evenly around the country.

Resources Minister Martin Ferguson said the government wanted to consult with the nation's most valuable export industry on the tax because there were technical issues to resolve.

China textile firm to control Japan's Renown

AFP, *Tokyo*

Chinese textile company Shandong Ruyi is planning to become the top shareholder of struggling Japanese apparel maker Renown Inc., reports said Sunday.

Shandong Ruyi will acquire a stake of about 40 percent in Renown, investing about four billion yen (43 million dollars) and becoming Renown's leading shareholder through a third-party allocation of shares, the Nikkei business daily reported, without disclosing sources.

Once the deal is completed, Renown will become the largest Japanese company to be absorbed by a Chinese firm, the Nikkei said. Renown, one of Japan's top apparel makers, had group sales of 129 billion yen in the last financial year to February.

In a similar report, the Asahi Shimbun said Shandong Ruyi would acquire about one third of Renown shares.

Pope, ECB chief slam govts over debt crisis

AFP, *Berlin*

Europe's central bank chief and Pope Benedict XVI Saturday hit out at spendthrift governments and "irresponsible" speculators as investors battered the euro over fears of unsustainable debts.

With the euro having hit a four-year low against the dollar this week, ECB chief Jean-Claude Trichet insisted it isn't the currency that has a credibility problem, but the finances of certain eurozone countries.

"It's not the euro which is under threat but the fiscal policies of certain countries which must be taken in hand," he said in an interview published in the Frankfurter Allgemeine Zeitung daily.

Financial markets have been racked for days by worries over the possibility that some eurozone economies will no longer be in a position to repay debts and even that the eurozone itself could come apart because of the crisis.

US antitrust agency clears Google bid for AdMob

AFP, *Washington*

US antitrust regulators gave Internet search titan Google a green light to acquire mobile advertising network firm AdMob, saying the deal was unlikely to harm competition.

The US Federal Trade Commission (FTC) on Friday closed its investigation of Google's proposed 750-million-dollar purchase of AdMob.

"Although the combination of the two leading mobile advertising networks raised serious antitrust issues, the agency's concerns ultimately were overshadowed by recent developments in the market, most notably a move by Apple Computer Inc. -- the maker of the iPhone -- to launch its own, competing mobile ad network," the commission said in a statement.

"As a result of Apple's entry (into the market), AdMob's success to date on the iPhone platform is unlikely to be an accurate predictor of AdMob's competitive significance going forward," it said.

COLUMN

Regulation: To be or not to be

HABIBULLAH N KARIM

STAR/FILE

Investors scan trade data on a computer screen at a brokerage house in Dhaka. An overarching assumption is that the market is supposedly beyond manipulation. In the real world, this is not so. Here come the roles of market regulators in many sectors, such as banking, stocks, telecoms and energy.

An oft-repeated phrase in Keynesian economic discourses is ensuring a 'level playing field' in a laissez-faire market. Since all major political parties and governments here in recent memory have espoused a liberal open-market policy, the issue of having a level playing field for all has been a constant topic of discussion.

In the truest form of a free market economy, the market is supposed to ensure a level playing field since the overarching assumption is that the market is supposedly beyond manipulation by anyone or any group. However, as we all know from experience around the world, such perfect markets exist only in theory -- in the real world, markets tend to distort competition on account of monopolies, government concessions (mostly acquired through rent-seeking), regulatory bottlenecks and active market manipulations.

That is why there are market regulators in many industries, such as banking, stocks, telecoms, energy, and others. The market regulators are meant to ensure transparency and fairness in financial reporting, pricing of products and shares and marketing practices.

However, due to the complexity of modern markets, a variety of products and services, and constant changes in technology and consumer behaviour, the job of the market regulator is that much more difficult and delicate.

In this country we have a number of market regulators that have done a commendable job of bringing discipline, stability and growth to the respective industries. On the other hand, the energy regulator has remained an experiment at best, while the anti-corruption agency (the corruption regulator) has been in a straitjacket for most of its operational existence. The effectiveness of the market regulators depends primarily on the regulators' level of expertise and the extent of government intervention (and corruption).

Any sane person would realise that developing expertise and acquiring knowledge in any industry requires time, especially at an organisational level. As such, any watchdog has to be given time and resources to develop capacity to regulate a market effectively. Given this paradigm of domain expertise and the tendency of the executive to intervene for undue gain or profit, regulatory bodies ideally should have full operational independence.

The regulatory watchdogs in this country nominally operate as independent bodies under the administrative controls of the respective ministries. For example, Bangladesh Bank (BB) and the Securities and Exchange Commission (SEC), though operating independently, are under the administrative control of the finance ministry. Similarly, the Bangladesh Telecommunication Regulatory Commi-ssion (BTRC) is under the post and telecom ministry and the Energy Regulatory Commission (ERC) is under the power, energy and mineral resources ministry.

Of course the demand from the respective industries as well as from civil society has always been for more independence of the regulatory bodies and less intervention from the executive organ of the government. However, in recent months, we have seen the government become leery of operational independence of the watchdogs, such as Anti-Corruption Commission (ACC) or BTRC. Instead of allowing for more independence, the government appears bent on curtailing the same for fear of losing control. This is certainly not the direction the cognoscenti wanted to see the country turning to.

Amendments to both the ACC and BTRC acts that clip their authority and independence have already been approved by the cabinet and are awaiting passage in parliament.

If the last two regimes are any indication of things to come, then the present regime should be extremely careful about how they tread this path. Less independence of the regulators and more control can only bring the kind of ineptitude that stifled the drives against corruption and unfair trade practices under previous regimes.

The case of the BTRC act amendment is especially poignant since BTRC has developed considerable organisational expertise and operational depth into the inner workings of the telecom industry operators over the past several years. All this good work will surely lose its way into the bureaucratic quagmires if the regulatory controls are taken away from the BTRC and vested in the telecom ministry as desired in the proposed amendment.

A surefooted government is everyone's wish but that should not give way to overzealous extensions into specialised state apparatus meant to ensure unhindered level playing fields for all and keep governance out of the clutches of unscrupulous perpetrators.

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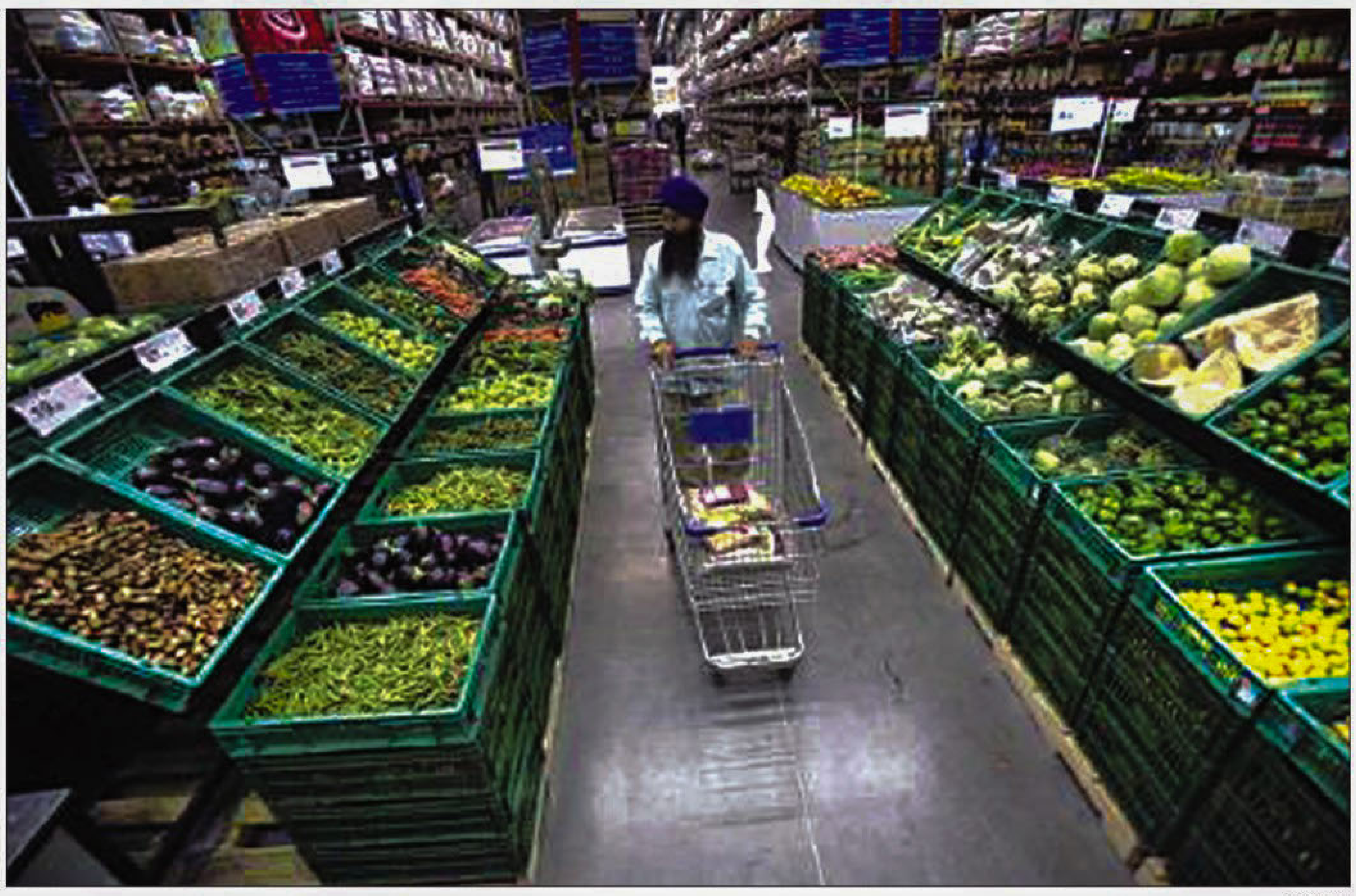
INVESTMENT

Retailers' India dilemma

REUTERS, *Sirhind, India*



REUTERS

A customer shops at a Best Price Modern Wholesale store, a joint venture of Wal-Mart Stores and Bharti Enterprises, at Zirakpur in Punjab.

Lush green fields greet visitors to the agricultural heartland in Punjab, some dotted with tall bundles of paddy covered with black tarpaulin, exposed to the sun, the occasional thundershower and rodents.

A couple of hours away, workers wearing green hair nets and aprons clean and sort peas, tomatoes and potatoes in a 10,000 square feet facility leased by Wal-Mart Stores, which ships vegetables and fruits to 28 supermarkets and a Wal-Mart wholesale store within hours of being picked in the fields.

India's woefully inadequate storage and processing facilities are in sharp focus as the country battles high food inflation, and with rising chatter about opening up retail to foreign firms such as Wal-Mart, Tesco and Carrefour which have the resources and knowledge to build a supply chain.

Waste due to poor post-harvest management, including lack of storage, is estimated at nearly 40 percent of total output in India, costing about 500 billion rupees ($11 billion) a year.

But it is a tough task, given the poor infrastructure, vast regional differences and laws limiting foreign firms to cash-and-carry wholesale outlets and franchise tie-ups with local partners in the $450 billion retail market.

"The challenge is humongous: It is not just about making an investment. It's also about dealing with the government and farmers," said Arvind Singhal, chairman of Technopak Advisors.

"Even with all the money in the world it can take years -- maybe 8-10 years for the kind of back-end you need," he said.

Retailers, who see India as a crucial growth market to help offset sluggish growth in western markets, say that building the back-end is not enough.

"The supply chain is one of the big challenges," Raj Jain, chief of Wal-Mart India, told Reuters in a recent interview.

"We are willing to invest whatever it takes in the supply chain, the back-end. But that in itself won't deliver all the efficiencies," he said, arguing for fully opening up the sector.

Euromonitor International forecasts grocery retailing in India will grow at about 17 percent annually between 2009 and 2014, putting it among the fastest growing markets in the world.

Even with the deep pockets of the world's top retailer, India is a tough market to crack, with tiny farms, antiquated processes, and differential policies and taxes in every state.

In the village of Haider Nagar in Punjab, where Wal-Mart sources vegetables such as cauliflower and gourd, the retailer built toilets to prevent soil contamination, and teaches farmers about transplanting and nutrient management and the use of low-cost innovations to get a higher, better yield.

Every farmer must keep a book detailing every stage of the process so the life-cycle can be traced and checks maintained.

Wal-Mart sends its trucks everyday to pack freshly picked vegetables and fruits in plastic cases and deliver them at the processing centre in Sirhind, about 50km away, which handles some 20 tonnes of produce daily.

The vegetables and fruits are delivered at supermarkets of venture partner Bharti Retail and the Wal-Mart cash-and-carry wholesale store in Chandigarh city, a couple of hours away.

Wal-Mart sources about 35-40 percent of its produce directly from some 130 small and marginal farmers nearby, Jain said.

"Building stores is the easiest thing to do. Keeping them stocked is the challenge," he said.

"Maintaining quality and making sure commitments are kept is tough. We have to win the confidence of the farmers," he said.

That thought is echoed by rival Carrefour, the world's No. 2 retailer, which has toured the length and breadth of the country to secure supplies of bananas from Gujarat and onions from Nashik, and trained farmers on improving quality of output.

"There are many, many layers, with commission agents, wholesale markets, distribution agents which increase time to market and costs," said Yannick Douville, a Carrefour director.

"India has everything, but you need to be smart, you need to work closely with the farmers to get what you want," he said at an event to set up greenhouses in Palla village near Delhi.

The government has unveiled concessional duties and tax exemptions for refrigeration units and allowed external commercial borrowings for cold storage facilities.

But it will take more to encourage investment.

"Unless there is a big front-end no one's going to invest billions of dollars in a cold chain or supply chain just to sell to some mom-and-pop stores," said Technopak's Singhal.

Still, the size and growth potential are too big to ignore.

"It is the size of the opportunity that will keep retailers like Wal-Mart, Tesco and Carrefour interested, despite the hazy legal structure," said Jon Wright at Euromonitor International.

"Ultimately, foreign retailers will have to work out whether or not the lack of clear legislation surrounding market entry and operation within India is worth putting up with in the short term, given the long-term opportunities that exist," he said.