International Business News

Marks and Spencer posts rising annual profits

AFP, *London*

British retailer Marks and Spencer on Tuesday posted rising annual profits and sales and declared that the "worst effects" of the country's recession were behind the group.

Profits before tax and exceptional items, adjusted for property disposals, advanced 4.6 percent to 632.5 million pounds (740 million euros, 904 million dollars) for the group's financial year, which ended on March 27.

That eclipsed the group's official expectations of a range of 620-630 million pounds.

Net earnings increased 3.6 percent to 526.3 million pounds in the 2009-2010 fiscal year, and sales grew by 3.2 percent to 9.3 billion pounds, Marks also revealed in a results statement.

Chairman Sir Stuart Rose, speaking after publication of the results, told reporters that the "worst effects of the recession" were over -- but voiced some caution in light of government austerity measures in Britain.

AFP

Ministry of Culture employees protest at the Acropolis archaeological site yesterday. Greek state employees hijacked a restoration event at the Acropolis in Athens as the government tries to force through unpopular wage cuts and hiring freezes to cut massive debt. Around 200 culture ministry staff staged a protest at the Acropolis, Greece's best-known ancient monument, to demand permanent jobs after being hired on short-term contracts for years.

Nokia and Yahoo forge maps and e-mail deal

REUTERS, *Helsinki/new York*

Yahoo Inc and Nokia Oyj said they would team up to boost their mobile Internet offerings, seeking to regain market share lost to rivals like Apple Inc and Google Inc.

Starting in the second half of this year, Yahoo will host Nokia's Ovi email on phones exclusively and Nokia in turn will provide maps and navigation for Yahoo.

At a news conference in New York on Monday, the companies highlighted the importance of expanding services for users in emerging markets, for whom the phone is increasingly the primary device for using the Web.

Nokia is the leading handset vendor in many emerging markets, but it has struggled to grow in North America. Nokia Chief Executive Olli-Pekka Kallasvuo said working more closely with Yahoo would help it compete in the United States.

"Location, maps and navigation will get more mindshare, will get more attention in the U.S. and many more users in the North American market," said Kallasvuo. "This is one step we're taking in making our position stronger in the U.S."

Standard Chartered's India offering opens

AFP, *Mumbai*

Britain's Standard Chartered Bank on Tuesday began selling shares in India, hoping to raise up to 588 million dollars in the first initiative of its kind in the country by a foreign firm.

The London-based lender is selling shares through Indian Depository Receipts (IDRs) -- rupee-denominated certificates similar to US Depository Receipts that show ownership of shares in an overseas firm.

The price band for the offering is 100 to 115 rupees per IDR.

Buyers of the certificates can earn bonuses or dividends.

Standard Chartered, a bank that makes most of its profits in Asia, will issue 240 million IDRs through the offer, which is open for subscription to retail, institutional and overseas investors and corporates. The process ends Friday.

Banking analysts expect a strong response for the offering. Standard Chartered Bank, which has revenue streams across emerging markets such as India, Africa, the Middle East and Southeast Asia.

IBM to buy AT&T's Sterling Commerce for $1.4b

REUTERS, *New York/boston*

IBM (IBM.N) plans to buy Sterling Commerce from AT&T Inc (T.N) for about $1.4 billion in cash to expand its portfolio of software for companies in financial services, manufacturing and retail.

Sterling's software and services help companies securely transfer electronic documents, such as purchase orders, payroll information, invoices and healthcare claims. It is the No. 2 player in the field after privately held GXS Inc.

"The market is fairly mature, with low growth in recent years, but with potential for solid profitability," said Thomas Weisel Partners analyst Tim Klasell.

International Business Machines Corp over the past decade has been focusing on improving its profitability by concentrating on high-margin software and services rather than hardware.

TELECOM LAW

Fear factor for operators

Grameenphone CEO says it is unfair not to give mobile operators scope for appeal

MD HASAN

With no scope for appeal, the telecom regulator may have the final say in the fate of an operator for any wrongdoing. All offences are cognisable, which means the regulator or the police can register a case, even on suspicion, and arrest any official of any telecom operator without a warrant.

These provisions remain nearly unchanged in the proposed amendment to Bangladesh Telecom Act 2010. But the telecom operators hope that the government would remove such things from the law.

"I hope the government will revise the law," says Oddvar Hesjedal, chief executive officer of Grameenphone, in an interview with The Daily Star at the company's headquarters in Gulshan.

"Under the law, there is a possibility that the regulator may claim that the operator is involved in any wrongdoing," says the boss of the market's top mobile operator with 25 million customers.

In that case, the telecom regulator will be the investigator and can decide on any form of punishment, he says. In addition, the operators will not be allowed to have a say if the regulator changes or scraps telecom licences, he added.

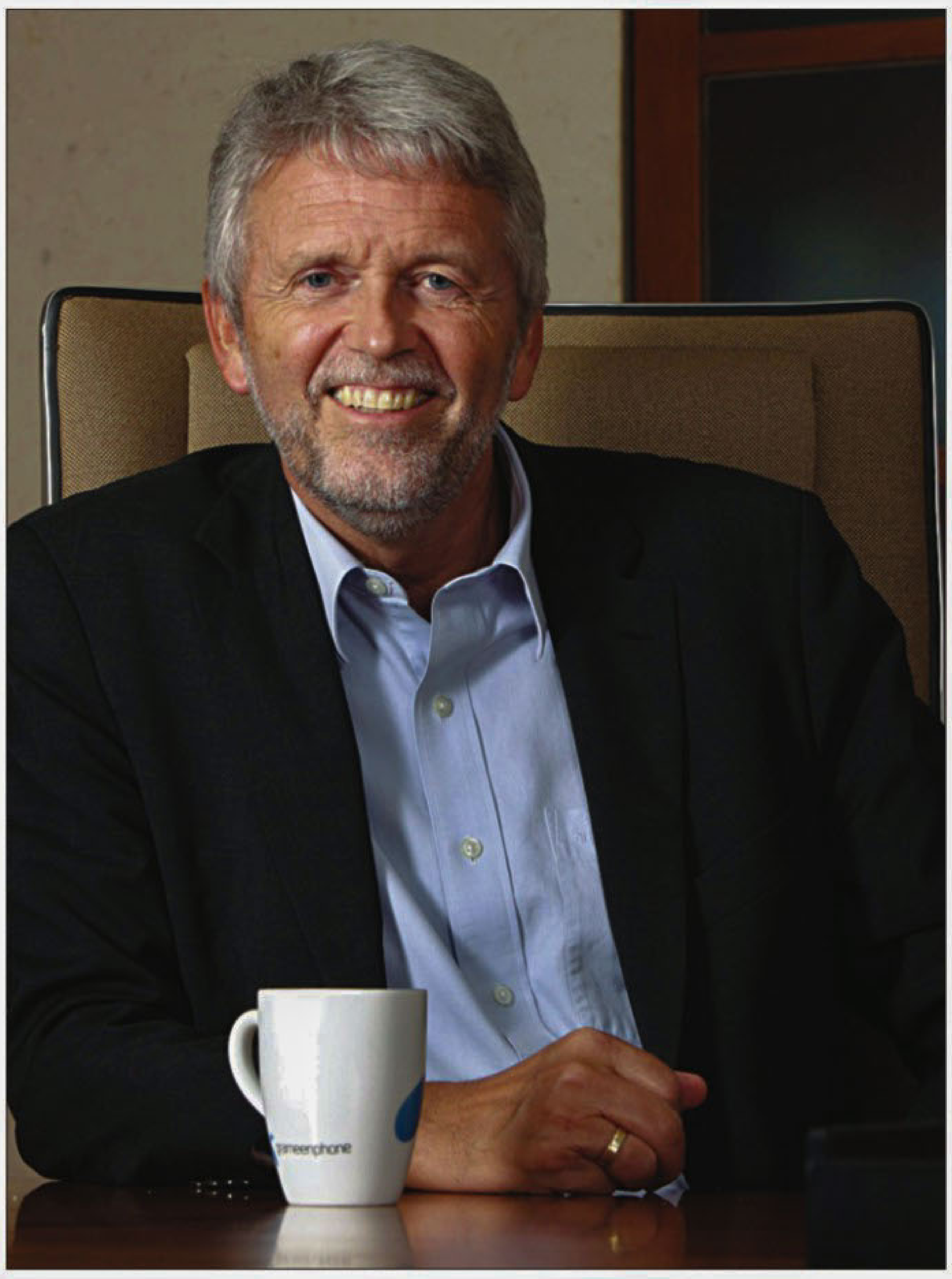
The amended law, which was already passed by the cabinet, is likely to get through the next session of parliament.

Under Bangladesh Telecommunication (Amendment) Act 2010, Bangladesh Telecommunication Regulatory Commission (BTRC) is going to take on a lot of responsibility, which does not match the Criminal Procedure Code.

Hesjedal says BTRC will be the single body to play a role in the whole affairs. "We cannot go for appeal against any decision taken by BTRC. This seems unconstitutional."

Under the constitution, all citizens are equal before the law and are entitled to equal protection, but the proposed telecom law does not maintain this, he adds.

"I believe mobile penetration in Bangladesh will double in the next three to five years. But if you don't have the right legislation, development will be delayed," says Hesjedal.



Oddvar Hesjedal

He says if the law does not permit the right to appeal, foreign investors will jitter to inject money in new communication technology.

Hesjedal says many operators are already hesitating to go for 3G (third generation mobile technology) because of the law. "We have to pay for licences and rollout. Under these circumstances, the law could be a fear factor for future investments."

In Bangladesh, the duration of a telecom licence is 15 years. As technology changes by the day, both the regulator and operators may need to change the conditions on the licence.

Hesjedal says the operators pay for the licences. "So if changes are needed, it should be done in consultation with the operators."

Under the proposed amendment, the telecom operators in Bangladesh could be charged a maximum of Tk 300 crore by BTRC for any offence.

In comparison to the maximum fines charged in the region, Hesjedal says the amount is too high. "It is also greater than the value of the possible wrongdoings. That's strange."

"There should a provision to impose fines on the operators, but the maximum limit should be no more than Tk 30 crore to Tk 40 crore, he adds.

In Bangladesh, the mobile penetration rate is about 33 percent and 56.36 million people are now under the mobile telephone networks. Operators believe this number could double if the government withdraws the Tk 800 tax on SIM (subscriber identity module).

The huge tax burden also sets back the development of telecoms in the country, the Grameenphone chief executive says.

Citing an example, he says sales pick up when the operators subsidise the SIMs. "But it comes down to a tenth of total sales, when we stop subsidising."

It means that the industry has lost its growth momentum, which is not favorable to making a Digital Bangladesh, he adds.

Among the six mobile operators, five licenses will expire by 2011. The government has initiated some processes to renew the licenses. But the operators are still in the dark on the renewal processes.

Hesjedal says the present mobile technology, 2G (second generation), is the base. Without knowing the outcome of 2G renewals, it is difficult for the operators to think about 3G, he adds.

For some pending legal issues, all the operators are a bit cautious about what they should do next and what they should go for, Hesjedal says.

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CURRENCY

Euro bears, beware

REUTERS, *London*

The euro's recent rapid fall has not been sharp enough to trigger official intervention, yet the fear that authorities may step in should be enough to scare off ultra-bears in a historically over stretched market.

The euro fell to four-year lows of $1.2142 last week and has lost more than 13 percent since January.

Many investors doubt the fall has been "disorderly" -- central-bank speak for a disruptive move that would warrant intervention by authorities, who did not intervene even after a global rout following the collapse of Lehman Brothers.

Various long-term fair value analyses show the euro is still overvalued, while an export-friendly decline in the euro helps regional growth at a time of severe economic stress.

However, in a market where speculative bets against the euro are running at all-time highs, the shadow of the European Central Bank could be enough to encourage investors and traders to think twice before targeting a move beyond $1.20.

Indeed, the euro shot up 4 percent between Wednesday and Friday as investors grew worried it may have gone too far.

Intervention by Switzerland, which traders estimate to have bought 17 billion euros ($21.11 billion) on Wednesday to weaken the franc, and talk Australia may intervene to support the local currency, are also making investors nervous.

"The short euro view is such a crowded trade... you can definitely see scope for a decent reversal. People get nervous and that is enough to push it all the way back," said Phyllis Reed, head of economic, currency and fixed income research at Kleinwort Benson.

"But the euro zone doesn't mind a weak euro at all. It helps the euro area as a whole. They would really rather have a fair valued currency than an expensive currency."

In the past four months, the euro has fallen about 10 percent on the trade-weighted index. This should worry investors who remember the European Central Bank intervened after the euro fell 11 percent in 10 months in 2000.

An analysis by Brown Brothers Harriman shows the euro has declined versus the dollar at an annualised rate of around 63.2 percent since mid-April, which is among the largest falls the euro has recorded since its 1999 birth.

This has the makings of a classic bear trap, an ideal opportunity for authorities to intervene as even small-scale buying would trigger major clearing of stretched positions.

However, the euro's move so far does not seem to be out of line with fundamentals or long-term values.

An estimate based on the OECD measure of purchasing power parity suggests the euro/dollar is in fact 7 percent overvalued at current levels, based on an implied PPP rate of around $1.17.

A Morgan Stanley model shows the probability of coordinated intervention stands at 30 percent, compared with a long-term average of 12 percent.

At the height of the crisis in December 2008, this model, based on momentum, real exchange rates and positioning, showed a probability of 50 percent -- and still there was no action.

"While the momentum of the euro decline is attracting attention, this is a move toward, and not away from fundamental fair value. This suggests that the threshold for action has not yet been reached," the bank said in a note.

"In fact, the euro still remains relatively rich compared to its fair value. Against that backdrop, FX intervention to support the euro may not be viewed as credible, and hence, may not provide a durable boost to the single currency."

Option markets, however, are flashing a warning. Euro/dollar risk reversals -- which reflect investor bias -- hit a 17-month high near 3 percent this month in favour of euro puts.

Three-month volatility hit 1-year highs of 15.5 percent, beyond 12 percent hit after the September 11, 2001 attacks, although below the 23 percent peak of October 2008.

"This high volatility alone is destabilising. It makes commerce more difficult. It makes cross border movement of capital more difficult," said Marc Chandler, head of FX strategy at BBH.

Euro zone policymakers not hesitated in taking action to introduce two-way risks and restore order to feverish markets. The ECB has been buying peripheral euro zone debt while Germany has banned naked short selling of some securities.

This suggests there is no reason for traders to believe the FX market is off-limits and investors may get jittery ahead of a Group of 20 finance chiefs' meeting in South Korea on June 4-5.

Chandler says the key is Washington's stance.

"If US officials were to conclude that the euro's decline/dollar rise was a risk to the economic recovery or that it posed systemic risk, rather than being a symptom of such risk, then intervention would seem more likely," he said.

"Indications from the options market warn that a continued drop in the euro may bring forward precisely those considerations."