International Business News

Abu Dhabi reluctant to invest in BP

AFP, *Dubai*

Abu Dhabi is reluctant to invest in BP, a report said, only days after the British company's chief was thought to have sought investment from sovereign wealth funds on a visit to the Gulf state.

Citing sources, the Middle East Economic Survey said it "understands that Abu Dhabi has signaled a reluctance to buy into BP," in its latest edition to be published on Monday.

"Sources close to Abu Dhabi investment funds said that they are already in court over a Citigroup investment and that the move would be too politically charged and there are too many unknowns," the MEES newsletter said.

Abu Dhabi Investment Authority became one of Citigroup's biggest investors in 2007 with a 7.5-billion-dollar cash injection, but The National newspaper reported in December that ADIA filed a suit accusing the US bank of fraud.

AFP

The Singapore Flyer stands against high-rises in the business district of Singapore. Recent moves by Asian central banks to raise interest rates are a strong vote of confidence on the region's economic growth prospects despite risks coming from the European debt crisis, analysts say.

ECB launches offensive on eurozone economic fears

AFP, *Frankfurt*

The European Central Bank insists the eurozone will not fall back into recession, saying the worst of the debt crisis is past and other economies should now be fixing their public finances.

ECB chief economist Juergen Stark told reporters last week: "It seems that the worst is over" after a key ECB loan deadline passed smoothly and German data showed industrial production in Europe's top economy had soared in May.

ECB president Jean-Claude Trichet cautioned that "it is still too early to declare the crisis over", but added: "The latest signs that we are receiving from the economy are encouraging."

The ECB officials spoke at a Frankfurt gathering of analysts, academics and media against a backdrop of continued speculation over the eurozone's future after a debt crisis that began in Greece and then spread to other weaker member states.

The latest chapter in the crisis will be 'stress tests' of European banks to determine if they can withstand a major shock like the default of a key debtor or another serious economic downturn.

UAE high-flying airlines to create 60,000 new jobs

AFP, *Dubai*

Emirates and Etihad, the two major carriers of the United Arab Emirates, plan to create almost 60,000 new jobs over the next decade to meet their rapid growth, a newspaper reported on Sunday.

"It took us 25 years to get to 40,000 employees, but in the next 10 years we will double that to 80,000," The National quoted Rick Helliwell, vice president of recruitment at Emirates, as saying.

He said the Dubai-based carrier, the largest in the Middle East, will actually require 60,000 new employees over the decade, after factoring in current staff who retire or move on.

Abu Dhabi-based Etihad Airways, which currently has 8,000 employees, will need to increase its workforce to 27,000 staff by 2020 when all its planes on order have been delivered, the paper said.

The Emirates fleet should more than double from its current 149 planes to 300 by 2020, according to the daily, including 32 Airbus A380 superjumbos ordered in June in a contract worth 11.5 billion dollars.

S Korean finance minister upbeat on global economy

AFP, *Seoul*

The global economy will likely avoid sliding back into crisis despite Europe's debt problems and uncertainty over the US and Chinese economies, South Korea's finance minister said Sunday.

"The global recovery... now stays on its upward cycle and I believe that it will not likely face a double dip down the road," Yoon Jeung-Hyun told Yonhap news agency.

Financial policymakers and central bankers will gather Monday for a two-day conference co-hosted by the International Monetary Fund and South Korea in Daejeon, south of capital Seoul.

The agenda will include discussions on the future of Asia-Pacific economies and their role in preparing for the post-crisis era.

Yoon said the momentum of recovery could be undercut by Europe's debt problems and uncertainties over recovery in the US and Chinese economies.

But he added that the economy was expected to continue "its normalisation process toward the pre-crisis level with little chances of falling into a recession."

INTERVIEW

Banks overexposed

Prime Bank chairman shares his take on capital market

SAJJADUR RAHMAN

Azam J Chowdhury

It appears that banks are overexposed to the capital market although the central bank has recently capped the exposure at 10 percent of their total liabilities. Earlier there was no ceiling.

The banks are making the price of a share overvalued and deviating from their core business of financing industries and consumers that drive the economy to grow, says Azam J Chowdhury, chairman of Prime Bank.

He says the banks' investment in the capital market should not be more than 5 percent. "Ten percent of a bank's liability is a lot of money."

Chowdhury figures out how much: if a bank's liability is Tk 17,000 crore, its exposure to stockmarket can be up to Tk 1,700 crore.

Of 48 banks, around 40 are involved in the capital market business.

"See, how much money can 40 banks pour into the capital market?" He says such an exposure can increase liquidity in the market and make it overvalued.

Investing in the capital market is not a bank's business and let the relevant institutions do it, he says.

"A dangerous game is going on in the market. Small investors are at a risk to lose everything."

He questions the regulators' silence on the issue.

Chowdhury puts on table a number of issues: the overall economy, energy security, budget and bank borrowing, inflation, revenues, land price and country rating.

But the capital market comes to the fore.

He comes down on the government for not offloading shares of different state enterprises.

"The market is flat in terms of securities. You must have enough items," says the Prime Bank chairman.

Chowdhury also says the government could not utilise the potential of the capital market. He says big energy and infrastructure projects can go public to raise fund.

"The government must have a prudent policy to give the market an institutional shape."

According to him, the foremost task of Bangladesh is to ensure energy security.

"Import of LNG (liquefied natural gas) is a short-term solution to the crisis," says Chowdhury, also the chairman of East Coast Group.

The company is involved in energy sector business -- from power generation to solar panel and lubricant manufacturing.

Furnace oil and diesel are costlier than LNG, he says.

Chowdhury hails the government for the steps it has taken to generate electricity. He says some 1,500 megawatts of electricity went to the grid in the last one and a half years.

"It seems inadequate as demand for 400 megawatts is being created every year," he says.

But his concern is over the subsidies the government is giving to keep the electricity price down.

"This is not sustainable. The government has to raise the electricity price."

Chowdhury criticises the authorities for not issuing new connections to any industry. "It is suicidal. You can't stop economic activity."

The businessman says the abnormal hike in land price is a concern and it pushes up the cost of doing business. "Land price in Dhaka is higher than in Tokyo even," he adds.

On the budget for fiscal 2010-11, he says the government has taken a little care of the productive sectors.

Raw materials of different productive sectors such as lubricants and textiles were not given necessary tariff facilities, he says.

According to him, the government's projection of bank borrowing for meeting the budget deficit might create a crisis of credit for the private sector and fuel inflationary pressure.

He says the sovereign country rating assigned by S&P and Moody's Corporation would help Bangladesh gain a positive image and attract foreign investment.

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TELECOM

Mergers key to survival in India's mobile market

AFP, *New Delhi*

Mergers are the only way forward in India's crowded mobile phone market, where 14 operators are slugging it out for subscribers by offering the cheapest rates in the world, analysts say.

On the face of it, business is booming in a market that is growing at a staggering rate, with between 16 and 20 million new subscribers signing up every month.

In the past year alone, the number of mobile customers soared 49 percent to 617.5 million, meaning that 55 out of every 100 Indians now has a mobile -- compared with just three out of 100 in 2000.

But those figures hide a much tougher market reality.

Competition has cut call costs to far below one US cent a minute and a recent auction for superfast third-generation (3G) wireless spectrum saw operators load up on debt to buy licences.

Mergers are "inevitable -- this number of players is unsustainable," Kunal Bajaj, India director of consultancy Analysys Mason, told AFP.

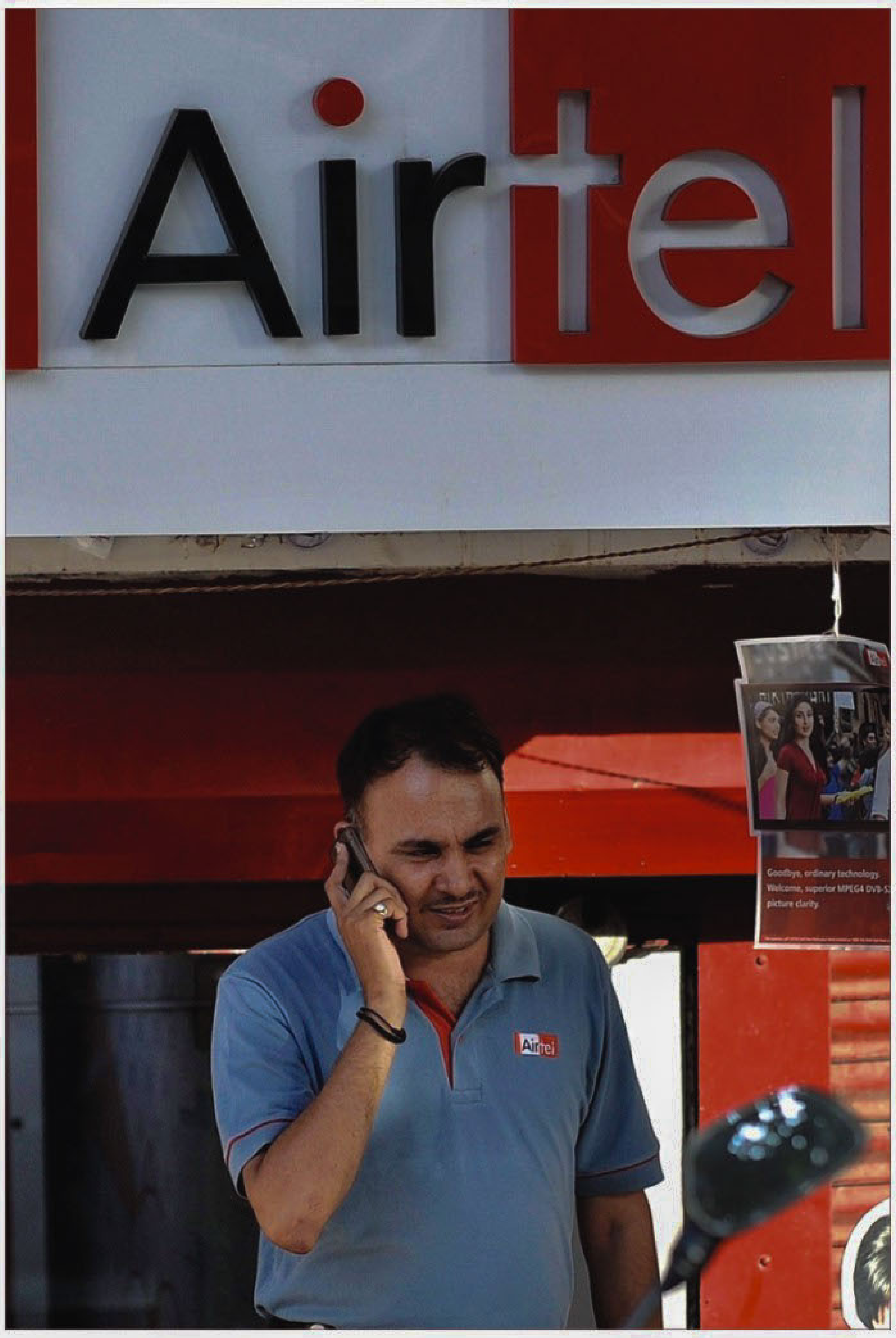
British giant Vodafone has written down the value of its Indian unit by a quarter -- three years after paying 11 billion dollars for control of one of the market leaders Hutchison Essar.

Share prices of market leader Bharti Airtel have fallen by 40 percent from a 12-month peak, while second-placed Reliance Communications' stock, controlled by Indian billionaire Anil Ambani, has slid by a similar amount.

Bharti, led by tycoon Sunil Bharti Mittal, announced its first quarterly profit fall in three years, and Ambani has put 26 percent of Reliance Communications up for sale to pare hefty debt.

Also suffering are new players -- local ventures partnered with global companies such as Norway's Telenor, Japan's DoCoMo, Russia's Sistema and Gulf operator Etisalat.

"Subscriber growth will continue -- that's not a problem -- but price wars are damaging the sector," said Harit Shah, analyst at Mumbai brokerage Karvy.



AFP

A pedestrian talks on his mobile phone next to a Bharti Airtel sign in New Delhi. Mergers are the only way forward in India's crowded mobile phone market where 14 operators are slugging it out for subscribers by offering the cheapest rates in the world, analysts say.

A fresh round of price cutting is expected in October when the government is due to introduce number portability, allowing users to keep their mobile number while swapping operators.

The damage caused by the price erosion can be seen in the fall in average revenue per usage, or ARPU -- a key industry profitability measure which shows the amount companies make for every minute a client talks.

With tariffs going as low as a fraction of a US cent a minute, ARPUs have tumbled by an average 30 percent for companies from a year earlier.

The number of operators in India was fuelled by the initial, ultra-low phone ownership levels and buoyant profits enjoyed by early players, which prompted companies to pile in.

Most markets support five to six mobile operators, while in giant neighbour China there are just three, noted Karvy's Shah.

"Things have gone a bit out of control," he said.

Balance sheets have also been weighed down by massive prices paid for 3G and broadband licences in May, when operators shelled out a total of 22 billion dollars to the government -- far more than originally projected.

Analysts say 3G is expected to transform the Indian mobile landscape in the long-term.

But 3G services won't boost bottom lines anytime soon because companies must spend billions of dollars upgrading their networks to offer faster Internet browsing, movie downloads and video streaming.

As a result, analysts expect the number of players to fall to six to eight over the next 24 to 30 months, with the first merger action to come next year as lock-in periods for investors in start-up ventures start ending.

"A lot of merger and acquisition opportunities are already being worked out. Every company knows the situation is not sustainable," said Shetty.

In the meantime, the next couple of years are "going to be one of the most difficult times in the telecom space with margins under severe pressure," he said.