

International Business News

EU's 440b euro safety fund up and running

REUTERS, Brussels
A European Union financial stability fund with the potential to raise up to 440 billion euros (\$580.7 billion) to help countries weather debt problems is now fully operational, officials said on Friday.

With financial markets restablising after the worst of the Greek-inspired debt crisis and Athens itself getting a positive report from European Union and International Monetary Fund officials this week, it is hoped the fund will never be tapped.

The fund -- officially called the European Financial Stability Facility -- was agreed by EU leaders in June and is effectively underwritten by all 27 EU member states.

It became fully operational on August 4 when Italy confirmed its commitment to providing guarantees, EFSF officials said.

"I am pleased that the euro zone member states have taken the final step to set up the EFSF," Klaus Regling, the chief executive of the fund, said in a statement.

"The EFSF is fully operational now and can, if necessary issue bonds with the help of the German Debt Office, which would be guaranteed by the euro area member states."

China and Taiwan agree on extra flights

AFP, Beijing
China and Taiwan agreed Friday to complete plans to add another 100 cross-strait flights after talks to resolve a dispute on the issue, Chinese state media said.

The two sides decided in May to raise the number of weekly flights to 370 from 270, reflecting booming trade and travel between the mainland and the island which are now linked by a sweeping economic accord.

But the aviation deal was only partially implemented because of disagreement on how to allocate some of the additional flights, prompting a new round of talks this week.

The Xinhua news agency said after talks which began Thursday that both sides "agreed to resume additional flights as soon as possible and strengthen talks over cross-strait aviation exchanges".

The two launched direct chartered flights in 2008 and scheduled flights last year, reflecting a warming of ties under Taiwan's President Ma Ying-jeou, who took office two years ago.

But Beijing still considers self-ruled Taiwan a part of its territory awaiting reunification, by force if necessary.



AFP
AirAsia airhostesses hold a replica of an AirAsia plane during the launch of the Malaysian low-cost airline's New Delhi-Kuala Lumpur route at the press conference attended by Delhi Chief Minister Sheila Dikshit (R) and Malaysian High Commissioner to India Dato Tan Seng Sung (L) in New Delhi on Thursday. AirAsia will offer first flight fares from as low as one Indian rupee (\$0.02), exclusive of taxes.

AIG reports \$2.66b quarterly loss

AFP, Washington
Ailing US insurance giant AIG on Friday said it swung to a 2.66-billion-dollar loss in the second quarter, hurt mostly by the impending sale of a key foreign business unit.

American International Group, which was rescued from collapse by the government during the financial crisis, said the loss was primarily due to a 3.3-billion dollar "non-cash goodwill impairment charge" linked to the sale of Alico, AIG's second-largest foreign life-insurance business.

AIG had agreed to sell Alico to MetLife, the largest US life insurer, for about 15.5 billion dollars earlier this year as part of a major restructuring exercise aimed at repaying the taxpayer bailout.

Excluding the writedown, AIG said it made a better-than-expected adjusted net income of 1.34 billion dollars or 1.99 dollars per share, from 1.14 billion dollars or 1.17 dollars per share a year earlier.

Most analysts had expected a net income of 99 cents per share.

Google buys Slide social media for \$182m

REUTERS, San Francisco
Google Inc bought social networking company Slide as the Internet search and advertising company bolsters its social networking capabilities to compete with Facebook.

Google paid \$182 million for Slide, along with \$46 million in employee retention bonuses, according to a person familiar with the deal. Google did not disclose financial terms.

Slide was founded by PayPal co-founder Max Levchin. "As the Slide team joins Google, we'll be investing even more to make Google services socially aware and expand these capabilities for our users across the Web," Google Engineering Director David Glazer wrote in a company blog on Friday.

Google has struggled to find the right touch in creating the types of social networking services that have become increasingly popular online activities for consumers.

STOCKS

SEC fails to tame market

SARWAR A CHOWDHURY
The stockmarket is now in a record-braking mood, proving that the regulator's price curbing measures have failed to cool down the market, which hit a new high at 6,575 points on the last trading day -- Thursday.

The regulator stepped in at least four times during the last two months, but failed to put a long-term effect on the market, except for a few short-term impacts.

Each time the market reacted negatively to the cooling measures with record-level falls, and recovered the losses soon.

Such a failure or the rising trend only reminds that no measures can calm down the market in absence of new issues.

The measures that were taken three times for tightening share credit can be a weapon for a day or two, but not for a long period, as the market is facing a dearth of new securities, said analysts.

They also said neither the regulator nor the government is taking appropriate steps.

"The way they [the regulator] are regulating the market is not right, when the market is being heated due to a dearth of new shares," said Salahuddin Ahmed Khan, a former chief executive of Dhaka Stock Exchange.

Restricting margin loans cannot be the only option to control the market, he said, adding: "Special drive should be launched immediately to bring new issues."

"If necessary, the existing rules should also be amended or relaxed so new companies become interested to join the market," he said, referring to the existing IPO rules.

The existing IPO (initial public offering) rules allow a company with at least Tk 40 crore paid-up capital, including the IPO offer size, and no company will be allowed to offer shares less than 40 percent of its paid-up capital.

Many companies are interested to come to the market, but cannot due to the IPO conditions, said issue managers.

"We are working with a company that wants to float shares equivalent to 25 percent of its paid-up capital and we also requested the regulator to relax the rules. But, neither the company is increasing the IPO size, nor the regulator is relaxing the rules," said an issue manager.



People walk past the building of Dhaka Stock Exchange in Motijheel.

The result is the market will be deprived of a new security, the issue manager added.

The government initiative to offload the shares of state-owned enterprises (SoEs) also hangs in the balance.

The government announced to offload its stake in 26 SoEs within June this year. But the step made no headway yet.

The market regulator, Securities and Exchange Commission (SEC), said the moves were taken to bring back stability and confidence in the market, as it believed the

margin loan ratio factor increased liquidity and made the market more volatile and riskier for small investors.

But, it was seen that the market went down every time, reacting to the regulatory measures, but bounced back within a short time.

On June 15, the SEC tightened the margin loan criteria for equity securities by resetting the PE (price-earnings) ratio at 40, down from 50PE.

On the following day, the market went

down by more than 80 points, but bounced back a day after.

On July 8, the SEC cut the margin loan ratio to 1:1 from 1:1.5 in a bid to reduce liquidity flow in the market. The margin loan is the credit provided by merchant banks against securities held by investors.

The 1:1 ratio means an investor is allowed to get Tk 1 against his/her holding securities worth Tk 1.

Reacting to the measure, the market nosedived by more than 120 points on July 11, but rose the next day.

On July 14, the SEC asked the merchant banks and some top stockbrokers to send to it the portfolio statement of their respective top 50 big individual clients.

This time the market totally ignored the steps and continued to rise on the following days.

The regulator once again moved on July 21 to calm down the market. That time, the SEC tightened share credit by limiting it for all the clients of merchant banks and brokers.

In line with the measure, merchant banks are not allowed to provide more than Tk 10 crore in margin loans to a single client, while the stockbrokers cannot provide more than Tk 5 crore in credit to a single client exposure.

Even if the investors are allowed to get more credit as per the existing 1:1 margin loan ratio, they cannot receive loans beyond the permitted limits.

However, the single client credit exposure for the stockbrokers was increased to Tk 10 crore on July 25.

The SEC also decided that directors of merchant banks and stockbrokers will not receive any credit for share purchase from their own firms.

The SEC at first set August 31, and then reset September 30 as the deadline for adjusting the margin loan for those clients whose credit exposure is over Tk 10 crore. The directors of merchant banks and stockbrokers will also have to adjust their loans within this time.

After the measure, the market sank by around 300 points in the following two days, but bounced back heavily and continued the gaining streak since then.

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TECHNOLOGY

Gulf BlackBerry row lifts veil on cyberspies

REUTERS, London
The arguments over whether several emerging nations can effectively hack BlackBerry devices give a rare glimpse of the shadowy world of state electronic surveillance already changing politics, espionage and business.

Saudi Arabia and the United Arab Emirates are both in dispute with Canadian smartphone maker Research In Motion, saying they want access to the encrypted phones to monitor security threats. Both are threatening to block its messenger function.

The row highlights a growing gulf between the idea of a free Internet and the desire by a growing number of authoritarian governments from China to Iran to control information and deepen surveillance to tackle dissent and insurgency.

Indian security agencies are also demanding access to BlackBerry messages as a condition for further expansion, saying they suspect militants used the handsets to help plan the 2008 Mumbai attack in which 166 people died.

Lebanon and Algeria are making similar demands.

"It is part of a wider trend," said Jonathan Wood, global issues analyst at London-based consultancy Control Risks, which advises companies on security, corruption, politics and other issues.

"After 9/11, you had this huge expansion of Western powers monitoring electronic communications for national security. Other countries are now catching up. The difference is they want to use it more broadly."

That could range from monitoring and thwarting millions of potential dissidents to gaining advantage in business deals -- a particular worry for Western firms sometimes in competition with state-backed companies.

Most countries say there are strict controls over authorizing electronic intercepts -- but it is often impossible for outsiders to tell how they are actually used.

"It's obviously going to be a concern for Western business," said Wood. "You have the risk that some of this information may be used for commercial purposes."

The BlackBerry in particular has become a ubiquitous tool of bankers, company executives, political activists and diplomats. Its government-level 256-bit encryption is at the heart of its appeal.

BlackBerrys are used for planning everything from coffee meetings to debt restructuring and corporate mergers, from protest marches to romantic liaisons -- often as their jetsetting users travel casually through several countries.

Many firms in sensitive sectors already control use. Lockheed Martin said staff used BlackBerrys in the Gulf and elsewhere but with restrictions.

"The corporation has rigorous standards and protocols on how we process and communicate sensitive information," spokesman Jeffrey Adams said. "Cyber security is a global concern."

Some argue there is already a double standard. BlackBerry servers are located in the United States, Britain and Canada. Few doubt that intelligence agencies in those countries have access to them.

Perhaps as a result, France has banned its officials from using the devices. But most analysts say Western efforts have focused mainly on trying to use electronic intercepts to track a small number of militants, organized criminals and others including child pornographers.

Some emerging nations are clearly targeting political dissenters for whom cheap, hard-to-trace electronic communications have made organizing much easier.

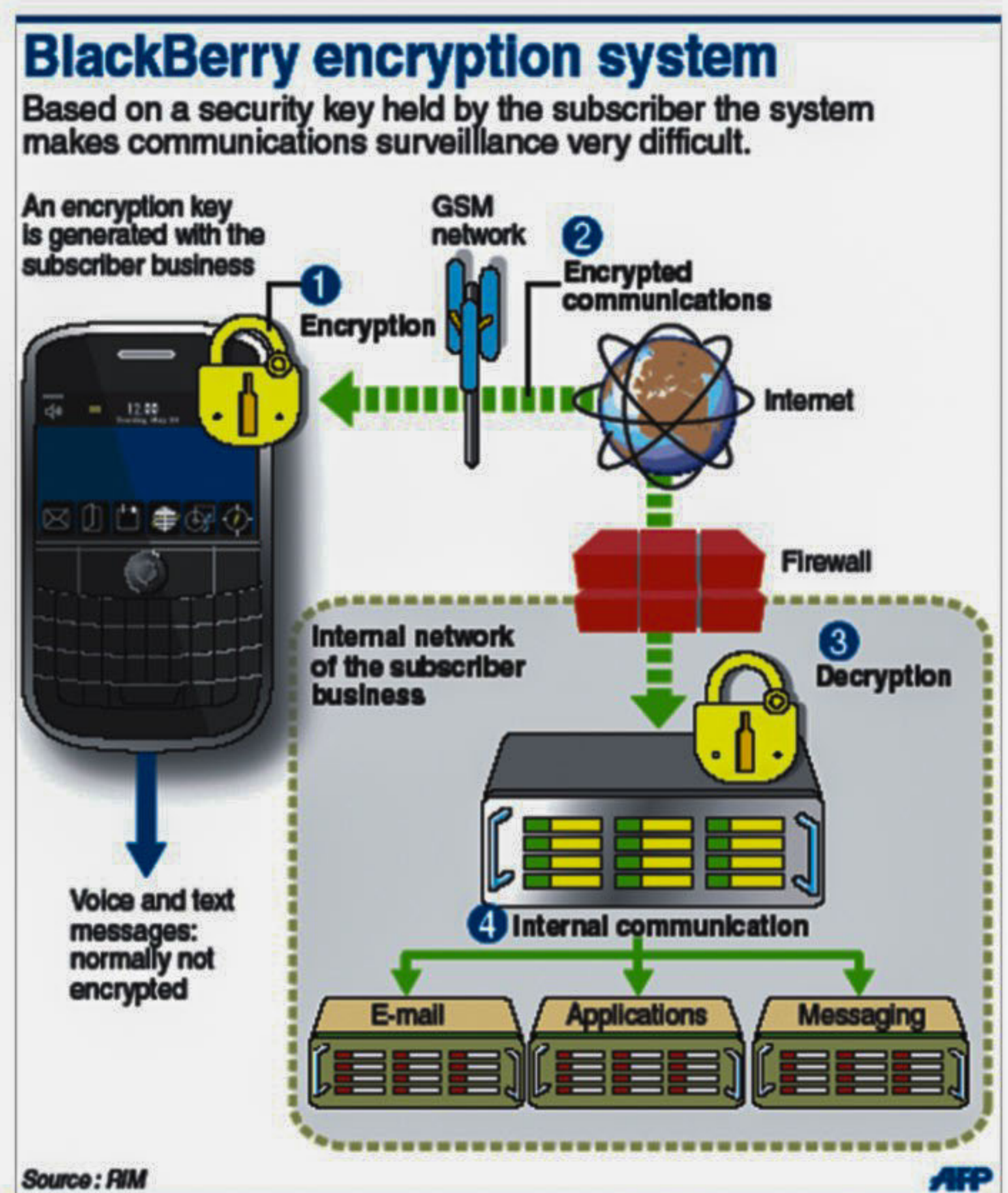
"When BlackBerry came, I started to get messages criticizing the government from people I'd never seen involved in activism," said UAE blogger Ahmed Mansour. "Regular people started discussing taboo subjects."

Widespread unrest, coordinated on the Internet, after Iran's disputed election last year showed how social networking and microblogging sites such as Twitter could be used to mobilize opposition. Since then many countries have tightened controls and blocked websites such as Facebook and Twitter.

In the highest-profile row until now, Google angered Beijing earlier this year when it announced it would no longer comply with Chinese censorship rules.

It said its servers had suffered numerous cyber-attacks from China -- seen as keen to monitor dissidents over the Internet while limiting access to outside sites through its firewall.

"All the major high-tech multinationals are pushing for a boundless global Internet, while authoritarian states across the board are increasingly interested in regionally based 'intranets' where governments exert sovereignty over their own servers and



routers," Ian Bremmer, president of political risk consultancy Eurasia Group, wrote in a note.

Western intelligence agencies have also occasionally been tripped up by the new electronic world. Security experts were aghast last year when it emerged the wife of the new head of Britain's spy service MI6 had posted pictures of her husband, family and friends and other personal details on Facebook.

But normally, secrecy reigns. Bjoern Rupp, chief executive of secure phone manufacturer GSMK -- which supplies governments, celebrities and armed forces -- said the unusual feature of the Saudi and UAE BlackBerry dispute was its public nature.

The level of access spy agencies have to monitor BlackBerry messages has been at the heart of negotiations to roll out the

devices around the world -- with RIM notoriously coy over what was agreed. Even without agreement, experts say there are ways intelligence agencies can break the BlackBerry's security.

"An outright ban... is a very clumsy approach," Rupp told Reuters. "Most countries with an active interest in monitoring their citizens' telecommunications act in a much more sophisticated and subtle way in order to keep such activities out of the public spotlight."

In Russia, rolling out BlackBerry took two years of negotiations and the agreement of the powerful state security agency the FSB, which was entitled to monitoring rights under anti-terror laws -- and demanded the servers be based in Russia. Expanding in China also took two years of security discussions.