

International Business News

Europe strikes out in austerity drive

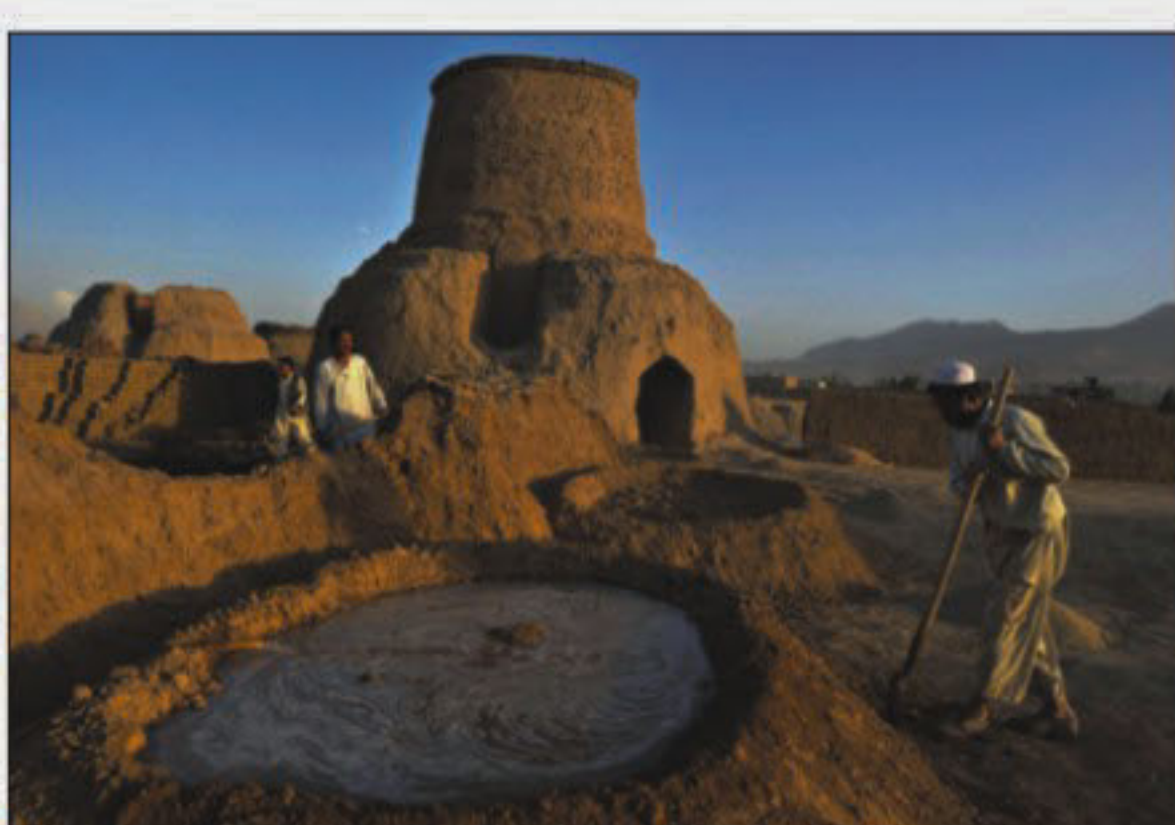
Radical European plans to fine governments that hide from painful cuts crash headlong into strikes and protests this week as labour leaders flag up the human cost of austerity.

A bid to force the 27 European Union nations to deposit billions of euros with Brussels, that would be forfeited in the event of failure to tighten national spending, will be laid out to finance ministers starting crunch talks on Monday.

Detailed proposals will be made public on Wednesday, when millions are expected to take part in a general strike across Spain and 100,000 protesters are tipped to march against "austerity" in Brussels.

After spring panic about government debts, fears are again rising about bank rescue costs in Ireland and a double-dip downturn in Spain, where one in five remain resolutely out of work.

But while Europe tries to clean up its post-recession books, a backlash has begun among voters focused on vast anticipated numbers of public sector job cuts.



Workers make bricks at a kiln southwest of Kabul on Saturday. The Afghan government invited bids from international mining firms to develop an iron ore deposit said to be one of the world's richest.

Swiss banks fear more 'shackles'

For years Switzerland's bankers vaunted the "Swiss finish," an extra buffer they are required to keep in reserve that helps convince customers that Swiss banks are safer than houses.

But Swiss bankers now fear that new domestic regulations could dent their competitiveness by setting prohibitive hurdles compared to those faced by other major international banks.

International regulators this month agreed on tougher "Basel III" capital requirements for banks to protect against financial crises.

Swiss regulators have signalled that they would raise their standards even further, especially for the two biggest banks, UBS and Credit Suisse.

The Swiss Financial Markets Authority (FINMA) is due to publish its long-delayed proposals for a post-crisis revamp of domestic requirements at the end of September.

"We're all waiting to see what recommendations this report comes out with," a spokesman for the Swiss Bankers Association, James Nason, told AFP, warning that the banks did not want to be "shackled."

Hyundai to recall Sonata sedans in US

Hyundai Motor, South Korea's top automaker, will recall some 139,500 Sonata sedans sold in the United States, due to problems with the steering wheel that could cause a loss or reduction of control.

The automaker announced the recall after the US National Highway Traffic Safety Administration (NHTSA) opened a probe into steering problems in August, a move analysts said was aimed at heading off criticism that it was slow to respond.

"Hyundai's pre-emptive action is fast enough to avoid any criticism in handling safety issues," said Kim Byung-kuk, an analyst at Daishin Securities.

No accidents or injuries occurred as a result of improper assembly or loose steering connections, Hyundai said in an email statement on Sunday.

The vehicles were built from December 11 through September 10.

Hyundai sold 128,484 Sonata sedans in the period from January to August, 35 percent of its US car segment sales during the period.

The firm's latest recall comes as the automaker seeks to increase production of the Sonata, its best-selling model in America, at its plant in Alabama.

RAK Airways passenger services set for takeoff again

United Arab Emirates-based Ras al-Khaimah (RAK) Airways will resume passenger flights next month after a hiatus of about two years, its chairman announced on Sunday.

"The time is now right for us to make a spectacular return into the market," Sheikh Omar bin Saqr al-Qassimi said at a news conference in Ras al-Khaimah, the tiny northernmost emirate in the UAE federation.

"RAK Airways will play a pivotal role in Ras al-Khaimah's growth plan," Sheikh Omar said.

The resource-poor emirate, where the ceramics, pharmaceutical and cement industries play important roles, aims to quadruple its number of tourists by 2012, and also increase the number of five-star hotel rooms from 1,400 to 7,500, Sheikh Omar said.

According to the Ras al-Khaimah Investment and Development Office's website, the emirate's economy will "complement and follow the Dubai model in its economic growth strategy."

COLUMN

Action on connectivity

ROHAN SAMARAJIVA

It is always easier to do things within one's own country than outside, or at least it should be. One does not need a passport or a visa to travel inside one's country, but those formalities are required when one ventures outside.

Telephone calls within one's own country are also cheaper than to foreign lands. The same logic can be extended to a regional grouping, such as the South Asian Association for Regional Cooperation (Saarc), which is celebrating its 25th anniversary this year.

If none of these conditions are satisfied, one has to conclude that the regional grouping is not real; that it has been more an opportunity for mutual ego-stroking for the region's leaders, than something yielding tangible benefits to South Asia's people; that there is little to celebrate after 25 years.

Given the reality of cross-border terrorism and paranoid security policies, it will be some time before lines outside the Saarc-country consular offices disappear. But cheaper telecom connectivity within Saarc is eminently achievable. In fact, the Declaration of the 15th Summit held in Colombo in 2008 recognised this fact and urged action.

It said: "The heads of state or government observed that an effective and economical regional tele-communication regime is an essential factor of connectivity, encouraging the growth of people-centric partnerships. They stressed the need for the member states to endeavour to move towards a uniformly applicable low tariff, for international direct dial calls within the region."

This was two years ago. Progress on implementing this directive appears a good measure of the efficacy of Saarc.

Have the prices of intra-Saarc calls come down?

The Sri Lankan fixed operator has done the most to follow the directive, though not enough to



be fully compliant. It offered a uniform price of \$0.16 a minute to all Saarc countries in February. This was achieved by reducing the price to Afghanistan by 83 percent, to Bhutan by 70 percent, and to all other Saarc countries by 51 percent.

Bhutan responded by reducing prices to all Saarc countries by 34 percent, except for Afghanistan where no reductions were made, and for India, where the reduction was a massive 65 percent. India also reduced prices by 30 percent to most Saarc countries.

Both continue to play favorites, with Bhutan offering a lower-than-Saarc price to India, and India offering a lower price to Sri Lanka. Bangladesh's fixed operator, who sets the international

prices for all networks, has ignored the Saarc directive completely.

From mobile phones, India offers the lowest prices to Saarc countries, at a uniform rate of \$0.20 a minute. This was the result of an eight percent decrease of the already low prices. Mobile-originated calls to Saarc countries from Bhutan have come down the most, with 34 percent reductions to most and a 65 percent reduction to India. Nepal shows the second-largest decrease of 28 percent to most Saarc nations, but the actual prices remain relatively high at \$0.26 a minute.

Bangladesh shows a marginal 10-12 percent decrease with peak/off-peak prices of \$0.26/0.22 a minute to all Saarc

countries, except Afghanistan. Is it cheaper to call within Saarc than outside?

The answer is a qualified no. There has been progress since 2008, but not enough.

Sri Lanka's lower, uniform intra-Saarc fixed prices (\$0.16) looks less impressive in relation to the \$0.11 to the US, UK, China and South Africa. India's fixed operators offer calls to UK and US at the same price (\$0.15) as its Saarc favorite, Sri Lanka. It means that it is costlier to call Dhaka from Delhi (\$0.20), than to call far-away Washington DC (\$0.15).

BTCL offers a Saarc rate of \$0.26/0.22 also to Malaysia, Saudi Arabia and the UAE. It does not favour non-Saarc countries more than Saarc, but neither is the Saarc

price the lowest. Nepal is the only country offering lower prices from fixed lines to Saarc, a status it exclusively held in 2008 too.

For calls from mobiles, the picture is pretty much the same. India offers a Saarc rate of \$0.20 to Saudi Arabia and South Africa, and offers calls to US, UK, Singapore and Hong Kong for as little as \$0.14. Clearly, there are no benefits from being in Saarc for the millions of Indian mobile users. Nepal, the Saarc loyalist, is offering rates that are less than 50 percent of non-Saarc prices.

The Saarc is not real, as measured by the cost of communicating within the region as opposed to communicating outside. Progress has been made, but only in a few countries, and not in a concerted manner. The South Asian Telecommunication Regulators' Council (SATRC) has been ineffective. The telecom directives of the 15th summit have been ignored, proving that Saarc is good at issuing declarations but bad at implementing.

The resolution to implement resolutions from the Thimphu Declaration of 2010 is quoted below:

*The leaders agreed that the scope and substance of cooperation had expanded...However, a number of these had not translated into meaningful and tangible benefits for the people... They resolved that the Silver Jubilee Year should be commemorated by making Saarc truly action oriented by fulfilling commitments, implementing declarations and decisions and operationalising instruments and living up to the hopes and aspirations of one-fifth of humanity.*

Will this awaken the region's telecom policymakers and regulators? What resolutions will be passed at the next meeting of the Saarc heads of state or government when we report their continued somnolence?

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MICROFINANCE

Women in China get a helping hand

AFP, Tianjin, China

After losing her job in the Chinese telecommunications industry five years ago, Zhao Weimin decided to start a business selling children's gifts in the northern port city of Tianjin.

Lacking money and experience, Zhao and her husband sought the help of the Tianjin Women's Business Incubator -- a government-backed microfinancing programme that has helped thousands of laid-off women get back on their feet.

"We had to do something," Zhao told AFP in an interview, explaining the couple's decision to start a small business.

"We had to eat and we also have a child. We had no other choice."

The business incubator was launched in 2000, a few years after the Chinese government started a major restructuring of loss-making state-owned enterprises that resulted in massive lay-offs across the country.

Millions of workers, many of them women aged in their 40s and 50s, lost their jobs during the overhaul and struggled to find new employment.

The Tianjin initiative -- backed by the city government, Australia and the United Nations Development Programme -- has helped more than 10,000 women start up businesses or keep their companies afloat, said programme official Li Jing.

After being knocked back by banks and friends, Zhao and her husband Zhang Xiangjun, whose own employer had gone bankrupt, applied to the business incubator for a loan.

Their idea was given the thumbs-up and the couple received training in how to run a business and, most importantly, an interest-free loan of 4,000 yuan



Zhao Weimin shows off children's clothes she makes and sells in the port city of Tianjin in northeastern China.

(600 dollars), which they used to lease a shop space in Tianjin.

Later they borrowed another 20,000 yuan to buy photographic equipment so they could expand their service to include children's portraits.

"Our loan was too small for banks, and friends weren't prepared to lend us money because we had just been laid off and had no ability to repay the loan," said Zhang, displaying some of their products such as a calligraphy brush specially made for a child using their own hair.

Zhao and Zhang now employ 20 people and their business is profit-

able. The couple's struggle to get financing is not unusual, said Li.

In many cases, state-owned commercial banks are not prepared to lend money to entrepreneurs because the size of the loan is too small or they have no assets to offer as collateral.

"Banks have their own standards and need to consider your ability to repay the loan and consider the problems of risks," Li said.

While many women have no experience running a business, only a "very, very small" number default on their repayments, she

added.

The benefits of microfinance for the poor were highlighted when microcredit pioneer Muhammad Yunus of Bangladesh won the Nobel Peace Prize in 2006.

In China, microfinancing "potentially plays a very important role because it is filling a gap that the formal banking system doesn't fill," said Patrick Chovanec, an economics professor at Tsinghua University in Beijing.

"Chinese banks lend on the basis of collateral and small entrepreneurs don't have assets," Chovanec told AFP.

After taking a redundancy from

a carpet company four years ago, Li Qing teamed up with her younger sister to sell bed linen.

Pooling their savings, the pair registered a trademark name "Shimeilian" and opened two stores in Tianjin, one of China's biggest cities.

Success came quickly -- the sisters opened their fourth store in 2009 but needed more money to continue expanding their network of outlets.

"We were growing so fast, our capital wasn't enough so we started to borrow," said Li, standing in a small warehouse stacked floor-to-ceiling with colourful sheets, duvet covers and pillow cases.

The sisters borrowed a total of 130,000 yuan from the women's business incubator which they used to open another 10 stores in Tianjin.

They now employ more than 25 people and expect sales to exceed three million yuan this year -- compared with 200,000 yuan in their first year of operation.

"Our brand is quite famous now and lots of clients come back to buy more things," Li proudly told AFP.

Other loan recipients include Jin Lan, 54, who borrowed 50,000 yuan to start a business manufacturing and selling traditional Chinese handicrafts.

Unlike many of the women, Jin had previous business experience. She supplied handicrafts to supermarkets for 12 years but didn't have collateral for a bank loan so she contacted the business incubator.

"There's less pressure to repay the loan and the conditions are more relaxed than at the bank," Jin told AFP.

"If I can't meet my monthly repayments, one of the other women in the group will help me."