

International Business News

Social media 'one part' of Google strategy: CFO

AFP, Sydney

Internet giant Google on Sunday said social media was "absolutely" part of its strategy and would be embedded in "many of our products" but played down its rivalry with networking icon Facebook.

Chief financial officer Patrick Pichette said Google was at the centre of an exploding digital economy where computer power was "relentlessly, dramatically increasing" and innovation was crucial to survival.

"Search is clearly the core product of Google but many of our other products are having phenomenal trajectories," Pichette told Australian public television.

"The first driving principle of Google is in fact not money -- the first driving principle of Google is understanding that the Internet is changing the world," he added.

Pichette said Amazon and Apple were "winning" in the new technology race and Microsoft was a "formidable" competitor, but played down as media hype suggestions that Facebook was Google's next big rival.



Rena Matsui (L) and Jurina Matsui (2nd L), two members of the Japanese all-female group SKE48 performing in the Microsoft Xbox 360 Kinect promotional, hold an Xbox 360 (L) and Kinect sensor (R). They posed with Japanese professional wrestler Keiji Muto (R) for a photo session during the sales launch ceremony at a shop in the electronic goods district of Akihabara in Tokyo on Saturday. Microsoft Japan has started selling the Xbox 360 video game console's motion-sensor system, Kinect.

News Corp set to unveil iPad newspaper

AFP, Washington

After months of top secret development, Rupert Murdoch's News Corp. appears poised to take the wraps off a digital newspaper for the iPad called "The Daily."

News Corp has been tight-lipped about the project but the Australian-born media mogul acknowledged its existence for the first time in an interview last week with his Fox Business Network.

Asked what "exciting projects" his sprawling media and entertainment company was working on, the 79-year-old Murdoch cited The Daily but offered no further information about the tabloid for Apple's touchscreen tablet computer.

Details about the project have been dribbling out in the US media for weeks, however, and The New York Times, citing two employees who requested anonymity, said News Corp intends to launch The Daily before the end of the year.

Philippine Airlines warns of bird flu, fuel prices

AFP, Manila

Philippine Airlines (PAL) has warned that a possible resurgence of bird flu and a rise in fuel prices could hurt its fledgling recovery from economic woes.

The warning comes as the national flag carrier is dealing with the fallout of a bloody hostage-taking in Manila in August that left eight Hong Kong tourists dead.

"The global airline industry remains vulnerable to volatile market conditions. Take fuel... if the upward trend continues, it could wipe out all our recent gains," PAL president Jaime Bautista said.

"PAL is also closely watching the recent re-emergence of the AH1N1 (bird flu) virus in Hong Kong," the airline said in a statement issued late Saturday.

The Philippines has been on alert for any instances of bird flu in the country after a new case was recorded in Hong Kong last week, the first since 2003.

"The avian flu can dampen demand at a time when the Philippines has yet to fully recover from the stigma of the recent hostage crisis involving Hong Kong nationals and the negative travel advisory against the Philippines," it added.

Big Three ratings agencies face competition

AFP, Paris

The Big Three credit rating agencies, under fire for failing to anticipate the global financial crisis, have spurred new players to offer alternatives but the trio's dominance of the sector seems secure for the moment, analysts said.

"It's a matter of at the same time introducing more competition while making investors less sensitive to the ratings," said Jerome Cazes, head of the French credit insurer Coface.

Coface and another French insurer, Euler Hermes, along with US entities Egan Jones, DBRS and Meredith Whitney Advisory Group, are all anxious to do battle with the Big Three -- Moody's Investors Service, Fitch Ratings and Standard and Poor's.

The Chinese agency, Dagon Global Credit Rating, has also attracted attention after it downgraded the United States for its massive debt overhang.

ANALYSIS

Fuelling inflation

ASJADUL KIBRIA

The time for fixed-income people is getting tougher as the country is gradually moving towards higher level of inflation. Official statistics shows that the annual average inflation has already crossed the 8 percent mark (8.12 percent) in September this year. The figure was below 6 percent in December last year.

Both the finance ministry and the central bank have moved to keep the inflation rate within 6.5 percent in the current fiscal year. The initial signals, however, show that it is very unlikely to achieve the target. Although many, including the policymakers, are pointing their fingers to the surge in global market prices, this is not the complete story for inflation.

Food inflation appears to be the main driver of the overall inflation in the country. And behind food inflation, which is close to the double-digit level now (9.72 percent in September), international factors are active. In rural areas, food inflation has crossed the 10 percent level in September.

The rise in food prices on the international market has made the local food prices go up. But the local factors are also contributing to inflation. Among these, policy manoeuvring plays an important role.

In fact, the misleading agricultural output data keep the policymakers complacent on the supply of rice in the market. The agriculture ministry estimated the total food grain (rice and wheat) output at 35.56 million tonnes in the last fiscal year. But the food ministry put the figure at 33.16 million tonnes. The food ministry figure is the actual estimation of Bangladesh Bureau of Statistics (BBS), while that of the agriculture ministry is a revised estimation.

It appears that the government is convinced by the agriculture ministry and relies on the higher output data. Sticking on this data has weakened the government efforts to import rice from the international market. During the first quarter of the current fiscal year, the import of food grains by the public sector stood at 0.21 million tonnes, while the amount was 0.67 million tonnes by the private sector.

Thus, a supply shortage has become evident in the market against the demand, and pushed up the prices of rice. The traders also take the opportunity to inflate the profit margin. Open market sale at lower price by the government is yet to tame food inflation. Domestic procurement was only 0.29 million tonnes in the first quarter of the current fiscal year against 0.47 million tonnes in the same period last year. And food stock has also been at a lower level at 0.79 million tonnes in September 2010. The



International factors are behind food inflation, which is the main driver of the overall inflation in the country.

stock was one million tonnes at the end of July 2009.

The government has extended the open market sale and introduced fair price card for the poor to help them cope with inflationary pressure. The long queues of the lower income people for rice clearly reflect that things are not easing soon and the government has to make smooth its supply line. Here comes the problem. How long the government will be able to maintain a smooth supply as food stock is diminishing?

The prices of other essentials like edible oil, pulse and onion are also rising. Now, the commerce ministry is in the field and trying to contain the price volatility. The commerce minister has also heavily come down on the businessmen blaming them for profiteering. The ministry has also decided to abandon the delivery order (DO) system as it is convinced that the handover of DO is creating artificial supply crisis and pushing up the prices.

But the rhetoric has been going on for a couple of months now and no official decision has been made regarding the DO. The businessmen and traders are lobbying against the move to scrap the system. It appears that the commerce ministry is yet

to make any comprehensive analysis of pros and cons of the DO system. Thus, many fear that scrapping the DO system without alternative arrangement may make the market unstable further.

Moreover, without having a strong supply capacity, the state intervention in the market becomes fruitless. The Trading Corporation of Bangladesh (TCB) has a little capacity to influence the market.

As transport cost is an important component of the total supply chain, depending only on road-based network increases vulnerability. No effective step has so far been taken to revive the railway so that it can ease the transport cost of both passengers and products.

The inflated share market is also adding some fuel to inflation as it has pushed up demands in the urban areas. The overheated market clearly shows that the inflow of money is surging day by day. If the government imposes a minimum capital gain tax (say 3.5 percent or 5 percent) on individual investor, there may be some restraint from the cautious investors.

Although Bangladesh Bank is now following some tight monetary policies, the supply of money has increased by 22.9 percent in August this year compared to the

same month last year.

In the urban areas, especially in the capital city, public transports have become expensive. The CNG-run auto-rickshaws are almost impossible to get in. Meter-based fare has almost been abandoned and the auto drivers are charging whatever they want. Without taking care of this suffering, the government has announced a fare hike to be effective from January next year. This will again push up the transport costs.

Moreover, it is very unlikely that the auto drivers will follow the new rate, rather will continue to charge higher. The government needs to be tough on such irrational behaviour. Interestingly, a few sections of people, including the rickshawpullers, have been able to adjust their income to some extent with inflation.

Although non-inflation rate appears lower in the official statistics, pressure is gradually increasing as reflected in many areas. And all these factors contributing to mount up the inflationary pressure are basically the outcome of misleading policy level decisions. It is the policymakers who are actually fuelling the inflation.

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COLUMN

BB backs innovative banking

ATIUR RAHMAN

The column is the last part of a lecture presented by Dr Atiur Rahman at the Legatum Centre for Development and Entrepreneurship, Massachusetts Institute of Technology in Cambridge, USA, on October 12.

Bangladesh Bank (BB) is on the lookout for creative partnerships in regulated IT-based remote delivery of financial services. A number of BB-approved initiatives are in operation (mainly in utility bill payments and in delivery of remittances from Bangladeshi workers abroad to their families at home), while others are at various stages of implementation, including smart cards and point-of-sale terminals in delivery networks besides mobile phones.

Installation of the Bangladesh Automated Clearing House is a remarkable event in the history of Bangladesh that will ease the remittance channel and payment system and, therefore, bring dynamism to business activities. The central bank reform initiated ICT packages -- including networking, banking application, enterprise resources planning solution, and Enterprise Data Warehouse -- with a view to ensuring efficient management of assets, including human resources. ERP solutions cover digitisation of procurement (e-tendering), cash management, and recruitment process (on-line application). Electronic funds transfer networks will soon go live.

MOBILE REMITTANCE

Prompt delivery of workers' remittances at affordable costs to recipients in rural areas away from bank branches has for long remained a



Mobile technology has opened up an opportunity for partnership between banks and cellphone operators to fast-track remittance transfer.

challenge for banks. Fast-expanding mobile telephony in Bangladesh has opened up windows of opportunity for creative partnerships of banks and mobile telephone companies in devising cost-effective arrangements for delivery of remittances.

A number of institutions joined hands with banks and mobile telephone companies. BB encouraged bank-led partnerships, which will be win-win cases for all concerned. bKash, a subsidiary of BRAC Bank, in partnership with telephone operators in Bangladesh, is working to provide financial services via mobile phones to the unbanked poor, particularly in rural areas. The bKash mobile wallet will be the customer account where money can be deposited or withdrawn for vari-

ous services.

Trust Bank has taken initiatives to establish 'pay points' in rural areas, which will be used for domestic and international money transfer, disbursement of SME and agricultural credit, transferring government subsidies, pension funds and so forth. The bank using such linkages is extending credit to the crop sector. A few other bank-led financial inclusion initiatives (including the one by Dutch-Bangla Bank) are at preparatory stages. Once implemented, all these will bring extensive progress in the arena of financial inclusion.

MONETARY POLICY SUPPORT

Monetary and credit policies of BB aim at maintaining price stability while also supporting growth

pursuits with adequate monetary accommodation for all productive economic activities. Drafting the monetary policy is preceded by broad-based stakeholder consultations; post announcement discussion sessions outside the central bank also provide BB with feedback.

The monetary policy stance for fiscal 2011 is designed to render meaningful support to government policies and programmes aimed at placing the economy in firmer traction on path of faster inclusive growth and poverty reduction, while maintaining monetary and price stability.

The monetary and credit policies will continue tight monitoring and discouragement of expansion of unproductive and speculative use of credit. BB's developmental

stance without compromising mainstream regulation and supervision played well in coping with the recent financial crisis.

Since liberation, Bangladesh has made remarkable development turnaround, proving the earlier prediction of 'basket case' utterly wrong. Indeed, Bangladesh has now become a success story of development recognised by the Wall Street Journal as well as by many rating agencies.

Over the last three decades, per capita income has increased nearly fourfold, and Bangladesh's current growth trend points to a middle-income country status in the next four years.

BB will continue designing monetary and credit policies supporting the country's growth targets through ensuring adequate credit flows to the productive sectors. BB will also continue to encourage financial innovative experimentation without forgetting its core role of maintaining financial stability and containing inflation.

Grameen Bank was born in the womb of BB, and our developmental stance will continue transmitting confidence in uncertain times.

During the exchanges, one participant suggested that Bangladesh's banking sector could be the new destination for many American bankers learning how to perform prudential banking even in difficult times. Others applauded Bangladesh's success in sustaining and enhancing the process of inclusive growth. These reactions were deeply gratifying for someone involved in the process of changing the face of Bangladesh.

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