International Business News

Malaysia launches new bid to stem 'brain drain'

AFP, *Kuala Lumpur*

Malaysia on Monday launched a "Talent Corporation" with incentives to woo highly skilled workers to the country, in its latest bid to stem a worrying "brain drain".

Some 700,000 Malaysians work abroad, a valuable group that the government hopes it can harness to drive its goal of turning the nation of 28 million people into a high-income economy by 2020.

"This is just the beginning. With the establishment of Talent Corporation, we will be able to step up our efforts to strengthen Malaysia's talent pool as required for our economic transformation," Prime Minister Najib Razak said.

"Talent issues are broad and complex, so these goals cannot be achieved by a single agency," he said at the launch of the Talent Corporation which will begin operating in January.

Analysts agree that it will not be easy to reverse the brain drain, which has been caused by a variety of economic, political and social factors including preferential policies for Muslim Malays.

AFP

A woman hangs a poster as she prepares a stand during sideline activities of the United Nations Framework Convention on Climate Change (COP-16), at the Business Action for Climate venue in Cancun, Mexico on Saturday.

Philippines overtakes India as call centre capital

AFP, *Manila*

The Philippines has become the call centre capital of the world, overtaking India as the number one player in the global business outsourcing market, according to industry data and the government.

President Benigno Aquino has led celebrations in recent weeks as it has become increasingly clear that the Southeast Asian nation has become the world's dominant player in the outsourced back-office operations industry.

"In the past decade, the (growth in the) industry in the country has been nothing short of exceptional. From a virtual non-entity in 2001, your sector has earned sunshine industry status," Aquino said.

At an opening of an IBM outsourcing centre in Manila last week, Aquino forecast that the industry's revenues would hit 12-13 billion dollars next year, rising to 100 billion dollars by 2020 for a fifth of global market share.

India wants BlackBerry access from companies

REUTERS, *New Delhi*

The Indian government is talking to companies using Research in Motion's's BlackBerry to gain access to their employees' secure communications when it is deemed necessary, an official told the Wall Street Journal.

Home Secretary G.K. Pillai also said reports that BlackBerry could be blocked if the government's security concerns over the device were not met by the end of January were overblown, according to the paper.

January 31 was "more of a target date," Pillai said.

"We're trying to find solutions where everybody's interests are in one sense protected," Pillai said. "It's going to take a little time, because it's a new technology."

The company has already provided a solution for the BlackBerry Messenger chat service that would be in place by the end of January, Pillai said.

AOL mulls breakup, then merger with Yahoo

REUTERS, *New York*

AOL Inc, undergoing a radical transformation into the king of content on the Internet, is actively exploring a breakup involving a complicated series of transactions that may lead to a merger with Yahoo Inc, sources close to the plans told Reuters.

The plans are still in the exploratory stage and Yahoo has not been contacted, the sources said. The plans are also fraught with complications involving myriad moving pieces.

In many respects, the latest discussions are derivative of plans contemplated in 2008 and 2009 before Time Warner spun off AOL to Time Warner shareholders.

At the time, the media conglomerate had explored the option of breaking apart AOL's two main businesses. Its legacy dial-up Internet service would have been sold to or spun off into EarthLink or United Online. Its display advertising business would have been merged into Yahoo, the sources said.

INTERVIEW

Domestic investment first

UN official shares with The Daily Star his thoughts of future industrial growth

MEHDI MUSHARRAF BHUIYAN

Bangladesh should prop up its own domestic investment and nurture its rural industrial base if it is to leverage further economic potential and industrial growth, a UN official said recently.

The key behind a country's economic success is the upsurge in its local business entrepreneurship and the priority should be given to the domestic investors to lead the industrial upsurge, says Jomo Kwame Sundaram, the assistant secretary-general of the United Nations for Economic Development, who was on a visit to the country lately.

In an interview with The Daily Star, Jomo Sundaram, better known as Jomo KS, emphasised diversifying the country's industrial portfolio and leveraging its educated human resources to take the country to the next step of economic development.

For Sundaram, the most important thing for a country to grow is not to attract investment from overseas. "You only have to attract investment from abroad to gain access to certain foreign markets or certain fast-changing technologies," he says.

"In fact, there are many myths about how an economy grows." Sundaram says. "And one of those myths is that you need foreign investors to invest, otherwise you cannot grow; which is not true".

He says most developed countries did not rely much on foreign investment. "Look at Taiwan, Korea, Japan, China and even Western economies." The economic progess there was actually always laid by the domestic ventures, the UN official says.

According to Sundaram, who is the founder chair of International Development Economics Associates (IDEA), a significant portion of this domestic investment should come not only from the urban areas but also from the rural areas, where the majority of the Bangladeshi people are based.

"If you look at the first fifteen years of the Chinese growth back in the 1980s and 1990s, most of the industries there did not develop in the urban areas but in the countryside and it is the Chinese rural people who have generated that investment."

Although most of the people in Bangladesh live in the rural areas, there is a lack of job opportunities there, says Sundaram. The new employment opportunities have to come not only from urban ventures, but also from the rural ones, he says.

Sundaram, an expert on political economy of development, does not think that access to capital is going to be a big issue for the prospective countryside investors.

"Many would say that in Bangladesh, the savings rate is not high, but I should say that actually the investment rate is not high and if you have a high investment rate, savings rate would eventually follow."

He says Bangladesh should not have problem with access to capital because savings rate is higher than the investment rate and people are sending money from abroad.

"But the problem is the savings are not becoming investment, instead people are chasing after short-term benefits," he said.

While drawing instances of successful domestic investment in Bangladesh, Sundaram cited the example of the pharmaceutical sector, which was developed by local ventures.

"Out of nowhere in the 1970s, the pharmaceutical industries in Bangladesh are now a success story depending completely on the local investors."

Now, to take these industries even further, there is a need for advanced and appropriate training for the young pharmacists in the sector while significant emphasis should also be put on research and development, Sundaram says.

During his stay in Dhaka, he presented the keynote at a high-level discussion on Bangladesh: The Next Investment Destination organised Metropolitan Chamber of Commerce and Industry.

While pointing that entrepreneurs in Bangladesh often complain about the regulatory uncertainty among other things, Sundaram underlines the need for regular consultation between the government, the investors and other stakeholders including organised labour, farmers and consumer groups.

Jomo Kwame Sundaram

"The last time I had been in this country was back in 1997, and the most notable change in the last 13 years is that the business entrepreneurs in Bangladesh are now more confident."

"Obviously, they are growing in influence and they know that they have a much bigger role to play in the country's economy, and that sense of self confidence can be even stronger," he says.

Sundaram also emphasises on diversifying the country's export and industrial base, and calls for utilising its populace.

"Bangladesh has to see its competitive advantage in more creative terms than just to think in terms of cheap labour and garments," he says.

Bangladesh has a huge pool of highly educated and skilled human resources and now the question is how to leverage that.

"Isn't it more important to leverage education than cheap labour?"

mehdi@thedailystar.net

FARMERS AND FOOD PRICES

Dare to grow more

High food prices are not all bad news

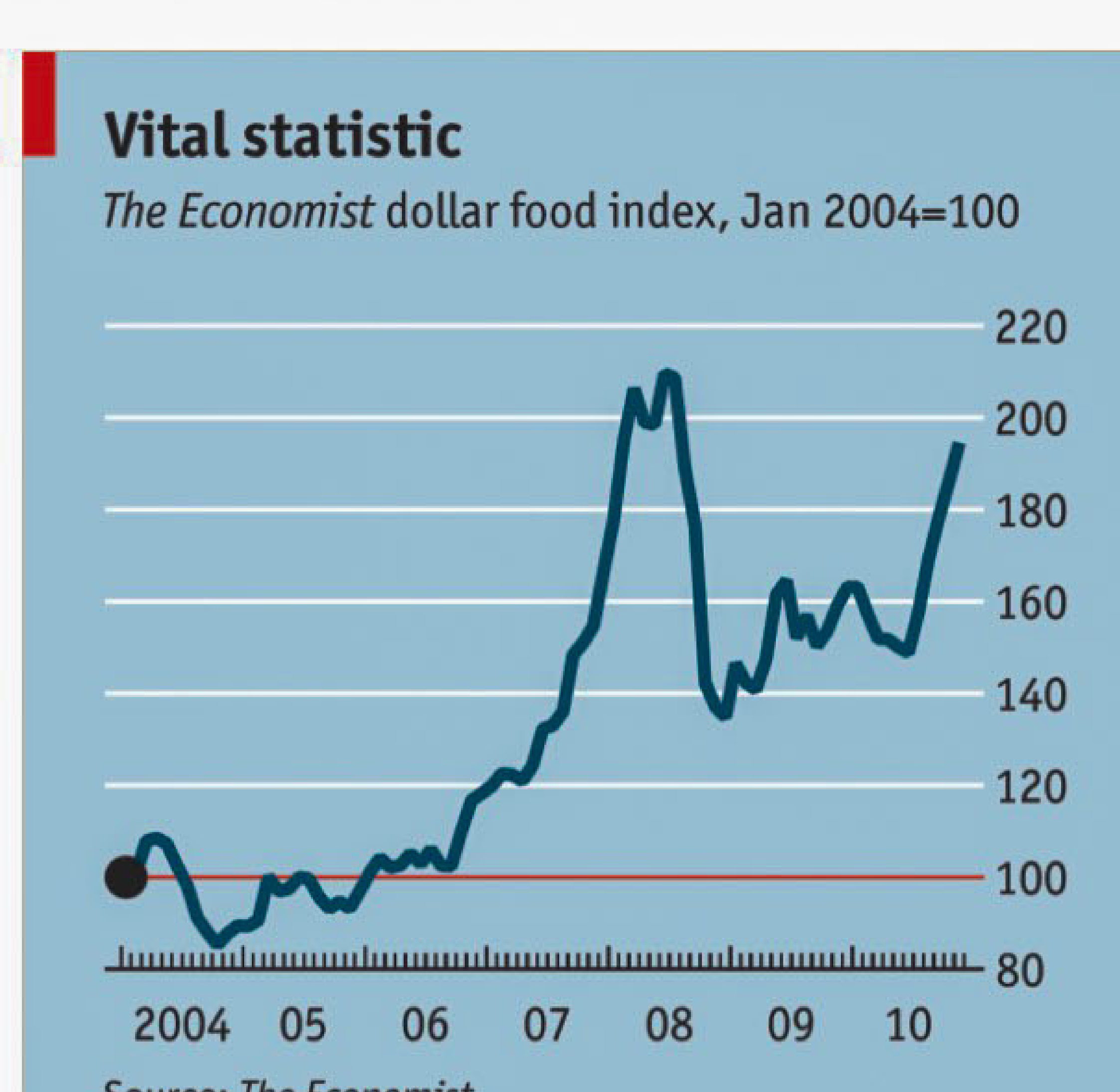
FROM THE ECONOMIST

ANY conversation on the streets of New Delhi turns easily to the cost of living, particularly that of eating. Stuck in an ocean of honking traffic in the city centre, Babu Lal complains about the exorbitant rent on his two-room flat, hard to afford on his earnings as a driver. But at least the rent does not vary from month to month. Food prices, on the other hand, have been climbing steadily. Mr Lal now has to fork out Rs110 ($2.40) for a kilo of dal, his main source of proteina third more than he was paying only a few weeks ago.

Hundreds of millions of people, across India and the world, have similar worries. India's central bank has raised interest rates six times since January in an attempt to tame double-digit inflation. In China, politicians are worried that galloping food prices could cause another round of unrest among the country's factory workers. The world is not yet in the midst of a food crisis comparable to that of the autumn of 2008. But since the middle of the year there has been a steep rise in the price of most agricultural commodities, including food crops. And the UN's Food and Agriculture Organisation reckons that prices are unlikely to fall back to their pre-food-crisis levels in the next decade.

Yet a prolonged period of high prices may not be bad news for everyone. In a report to be released on December 6th, the International Fund for Agricultural Development (IFAD), another UN agency, says higher prices could give farmers, particularly in poor countries, a boost; earning more cash from their produce should spur farmers to lay out more capital on things like irrigation.

In the decade before the 2008 food crisis, when prices were generally low, such impetus was lacking. As a consequence, farmers in poor countries, where agricultural investment had been neglected, could not react quickly when prices shot up. Cereal production in those lands increased by only 1 percent, compared with 12 percent in rich countries. To feed a global population that is expected to reach 9 billion by 2050, food output will have to rise by 70 percent, IFAD says. Not all of that can come from rich countries.



But as things now stand, it is far from sure that farmers in poor countries will be able to take advantage of higher prices. The main problem, says IFAD, is that growers cannot cope with the high risk of producing extra crops. The upfront investment for seeds and fertilisers is high, whereas returns are uncertain. Changing weather and market fluctuations can quickly make an investment unprofitable.

To avoid all that, farmers often retreat into subsistence growing or look for alternative livelihoods. A recent World Bank study of poor-world farmers found that many of them engaged with markets only marginally. Yet such caution carries a cost; research has shown that risk-avoidance can depress farm incomes by as much as 20 percent. It also means that there is less food on world markets.

So governments should help farmers face up to risk, argues IFAD. One familiar instrument, successfully used in Indonesia and Vietnam, is minimum price floors. But other approaches, not usually associated with agriculture, may work better. In both Africa and India, for instance, text-message services provide farmers with price data from markets in their region, allowing them to offer their produce at the most profitable time and place. Index-based crop insurance, linked to the weather, can also reduce uncertainty. For a poor farmer, assuming risk can seem like courting disaster; but properly managed, it need not be a show-stopper.

Sarkozy courts Indian business, G20 support

REUTERS, *New Delhi*

France's President Nicolas Sarkozy said on Monday he had clinched deals worth about $20 billion with India, becoming the latest among a string of world leaders jostling for a share of Asia's third biggest economy.

The business deals, which spanned atomic energy, defence and civil aviation, comfortably bettered the $10 billion US President Barack Obama secured on his November visit. They come a day before Sarkozy is due to end his four-day visit.

Chinese premier Wen Jiabao and Russian President Dmitry Medvedev are also due to visit India this month, a sign of how major powers are vying for the world's biggest new defence and power markets, long closed to outside investors.

India is trying to boost its power generation capability and defence, wary it is falling behind China.

Sarkozy also called for a joint proposal with India to push his ambitious reform agenda for the G20 group of developed and emerging nations, including changes to the global monetary system and commodity prices.

"France considers that no big-item problem in the world can be solved without India participating at the highest level. India is a major economy, we came to visit India as a partner," Sarkozy told a joint press conference with Prime Minister Manmohan Singh.

India, a member of the BRIC group of rapidly developing countries, is forecast to see economic growth of almost 9 percent this year, with the economy accelerating further in following years, levels rivalled only by China.

Investors are also keen to tap into a country with a young and fast-urbanising population of 1.2 billion.

But like every foreign investors, the French must negotiate a series of regulatory problems and Indian politics. The government is currently mired in a string of corruption scandals that have tarnished India's image as an investment destination.

France and India signed a framework contract for the sale of at least two French atomic reactors by French nuclear group Areva, estimated at around 7 billion euros ($9.3 billion). Work on the reactors will start next year.

France is competing with US and Russian firms for a slice of India's civilian nuclear energy market, worth an estimated $150 billion, after New Delhi signed a series of civilian nuclear deals that ended its status as a nuclear pariah.

France took over the chair of the G20 group of developed and emerging nations a month ago amid the eurozone debt crisis and rows over global trade imbalances and currency valuations.