Emerging market currency rescue is a pipe dream

AFP

An Indian rupee note exchanger repairs currency bills at a street stall in Hyderabad.

ANDY MUKHERJEE, *Reuters Breakingviews*

CAN emerging markets fight back against currency speculators? An idea floated by India to mount a joint defence has a certain charm. After a rout in the rupee the past three months, New Delhi wants other developing countries to help in a coordinated intervention in offshore foreign exchange markets, Reuters reported on Aug. 31. In reality, it sounds unworkable.

The premise is simple enough: central banks in developing Asian countries have $4.3 trillion in reserves. Add to that the $500 billion foreign-currency kitties of Brazil, South Africa and Turkey. If the holders teamed up to sell dollars in global markets, it might ease the downward pressure on emerging market currencies. The frustration is understandable. Currencies like India's are being partly depressed by rising U.S. real interest rates - a factor beyond the control of developing nations.

Firepower isn't evenly spread, though. Out of India's $279 billion reserves, about $70 billion is needed to pay for surplus imports; another $172 billion is required to cover foreign debt that matures this year. China has $3.5 trillion of reserves, but little reason to participate: its own currency is not under attack, thanks to relatively tight capital controls. For others, reserves are getting more precious: dwindling current account surpluses limit the rate at which emerging foreign currency holdings are being topped up.

India wants intervention in offshore forward markets, which are currently punishing only the Indonesian rupiah and the rupee. So it's hard to see why Malaysia, South Korea, Taiwan or the Philippines would want to take part. And the cost of failure is high. Squandering national reserves on markets in London, New York and Singapore could cause deep political embarrassment.

The best way to strengthen currencies is to run the economy wisely. India in particular needs urgent attention. Its gloomy 4.4 percent growth in second-quarter GDP is more like 2.4 percent after indirect taxes and subsidies are accounted for, and even that is heavily reliant on unsustainable government consumption. Rather than dreaming up quick fixes of dubious virtue, Delhi would do better to seek a solution to the plunging rupee closer to home.

CONTEXT NEWS

India is seeking support from other emerging market countries for coordinated intervention in offshore foreign exchange markets after a currency rout the past three months, Reuters reported on Aug. 31, adding that Brazil denied being currently involved in planning any such joint move.

The author is a Reuters Breakingviews columnist.

Insights into the proposed Financial Reporting Act

AF NESARUDDIN

GLOBALLY, accounting and auditing is a centuries-old profession, and in Bangladesh, like many other countries, Institute of Chartered Accountants of Bangladesh (ICAB) is playing the key role of regulating the accounting and auditing profession including adopting the international accounting and auditing standards under the regulations and guidance of International Accounting Standard Board (IASB). The ICAB is a body created by virtue of Bangladesh Chartered Accountants Order, 1973 (Presidential Order-2 of 1973). So far the ICAB has been discharging its responsibilities adequately and there is no major complaint as an institute regulating the accountancy profession in Bangladesh. The ICAB and its members of any CA firms are not the same – the ICAB is a regulatory body and never supports the violation of any professional ethics, professional misconduct and negligence of the practising members, if any. Penal actions are taken against the members who violate rules after conducting investigations in accordance with the bylaws of the ICAB.

Because of some corporate failures and scandals, a vested quarter in a planned manner is pointing the finger at the accounting and auditing profession in order to bypass their given roles, responsibilities and failures in their respective fields. Efforts to regulate the professional accountants under a separate law, bypassing the ICAB, will ultimately ruin the profession of accountancy in Bangladesh. On many occasions, the ICAB represented in various forums and submitted many valuable suggestions and recommendations but unfortunately, none of those was considered. There is always scope for improvement and it is a continuous process. Realising the need of the time, the ICAB had submitted a proposal to the concerned ministry about two years ago, but it was never discussed nor did the ministry ever review it for achieving some common goals.

Surprisingly, in Bangladesh, the proposed Financial Reporting Act 2013 (FRA) has not indicated such provision apart from many other issues, some of which are being discussed in the subsequent sections. Regulatory authorities like the ICAB, Bangladesh Securities and Exchange Commission, Bangladesh Bank, and Insurance Development and Regulatory Authority may take disciplinary and penal actions against the persons responsible, either as management or as auditors, for inappropriate and inadequate reporting. Incidentally, to the best of my knowledge, very few legal cases have been initiated in Bangladesh. In such a situation, why was it so necessary to initiate and enact such a contradictory law jeopardising the healthy growth and regulations of accounting and auditing profession in Bangladesh?

However, now let us discuss certain clauses of the proposed FRA and the Financial Reporting Council (FRC) under the proposed FRA.

Professional accounting bodies - clause 2 (14): The ICAB and the Institute of Cost and Management Accountants of Bangladesh are categorised as same and defined as professional accounting bodies. As far as the audit practice is concerned, there is no match of the CAs with the CMAs or even ACCAs because they do not have practical training for three years or so in CA firms. Practical exposure and experience on audit and accounting are the foundation for audit works; mere academic knowledge and non-practising accounting experience is not enough.

Composition of FRC -- clause 6: The council will be comprised of 1) governor of Bangladesh Bank, 2) chairman of BSEC, 3) chairman of IDRA, 4) chairman of NBR, 5) president of ICAB, 6) president of ICMAB, 7) three representatives from the finance and commerce ministries, 8) two experts in accounting and audit other than members from ICAB and ICMAB, 9) the CEO who will be member secretary to FRC. In fact, allegations against the auditors are generally raised by the central bank, BSEC, IDRA and the National Board of Revenue, and in such a situation, how can they become part of the regulators when they are the complainants. Someone may refer FRC in the UK where these ex-officio members are not in the FRC. Similarly, qualifications of departmental heads are provided in such a way that academicians and generalists can occupy such posts having no sufficient expertise and practical experience in auditing.

Registration of firms -- clause 30: It says practising licence of the individual auditors or the firms will be issued, renewed, suspended and cancelled under specific rules to be framed upon being satisfied by the Council. In fact, the ICAB has been issuing the practising licences to its eligible members under the bylaws of the ICAB. Even under FRC in the UK, there is no such provision. Once a practising certificate is issued by the ICAB under certain regulations, why should there be provision for another practising certificate? The ICAB has suspended the membership, withdrawn practising licence, and taken other penal actions against the practising members who were found guilty after proper investigations. Further, the proposed law says it will issue certificates on being satisfied -- it is not a matter of satisfaction rather it should be the required qualifications and experience.

READ MORE ON B3

India govt rejects proposal to shut petrol pumps at night

AFP, *New Delhi*

INDIA'S government denied Monday it was considering shutting filling stations at night to reduce oil imports, a widely ridiculed measure reportedly under discussion to tackle a deepening economic crisis.

Oil Minister Veerappa Moily sparked the speculation Sunday when he told a local news agency that "shutting petrol pumps during (the) night" was one of several austerity measures being assessed to cut the imports bill.

News of the proposal, a throwback to India's pre-liberalisation past when the government tightly regulated all parts of the economy, sparked feverish debate on television and Twitter.

It also apparently took the rest of the cabinet by surprise, leading to a formal denial issued via the information ministry.

"The ministry of petroleum and natural gas has clarified that there is no proposal under consideration of the government to allow sale of petroleum products from the retail outlets only during certain hours," said a statement.

The main opposition Bharatiya Janata Party (BJP) made fun of the plan.

"Won't the people fill their car fuel tanks in the morning? This is a strange move by Moily," BJP spokesman Shahnawaz Hussain said.

India imports around 80 percent of its oil needs and its import bill has risen dramatically because of high global prices and a plunging rupee, which has hit record lows in recent weeks.

The country is struggling to shrink its current account deficit -- the broadest measure of trade -- which hit a record 4.8 percent of GDP last year and is straining foreign exchange reserves.

In afternoon trade, the rupee was down to 65.88 rupees to the dollar from Friday's 65.70, snapping a two-day rally. The Bombay Stock Exchange's benchmark Sensex was up 1.51 percent at 18,900 points on investor bargain-hunting.

In another proposed measure, New Delhi is also mulling increasing oil supplies from sanctions-hit Iran, which could save India $8.5 billion in foreign exchange reserves, local newspapers reported Monday.

AFP

An employee of a petrol pump prints the receipt for a customer in New Delhi yesterday.

Moily has written to Prime Minister Manmohan Singh spelling out the strategy with Iran, which accepts payment in rupees rather than dollars, The Economic Times reported.

"About 2 million tonnes (of) crude oil has been imported from Iran so far during the current financial year," Moily wrote, according to the paper.

"An additional import of 11 million tonnes during 2013-14 would result in reduction in forex outflow by $8.47 billion."

The government has launched a series of measures in recent weeks to try and plug the deficit amid a faltering economy and fears of a downgrade by ratings agencies.

The government has three times this year raised import duties on gold, the second biggest contributor after oil to the deficit.

On Sunday state-run Indian Oil Corp increased petrol prices by more than 3.5 percent, blaming the falling rupee.

The government has partially deregulated petrol and raised diesel prices to try to reduce the massive subsidies it pays to state-run fuel refiners.

Vodafone set to announce $130b Verizon sale

AFP, *London*

BRITISH telecoms giant Vodafone has agreed to sell its US wireless joint venture stake to partner Verizon in a deal worth $130 billion (98.5 billion euros), newspapers reported on Sunday.

Vodafone on Sunday confirmed that it was in advanced talks with Verizon Communications "regarding the disposal of Vodafone's US group", but played down press reports that the deal was complete.

A company statement warned there was "no certainty that an agreement will be reached," but said a further announcement would be made "as soon as practicable".

Verizon's board of directors will meet on Monday to finalise the terms of the agreement that would see Vodafone sell its 45 percent stake in Verizon Wireless, giving the US fixed-line company full control after 13 years of shared ownership, the Financial Times reported.

The business daily added that Vodafone's board had already met on Sunday to approve the deal, which the company said would "substantially comprise a mixture of Verizon common stock and cash."

The Guardian reported that the split between shares and cash would be roughly 50-50.

The Wall Street Journal called it the second most important acquisition of all time after Vodafone's takeover of Mannesmann in 1999 for around $203 billion.

The US daily claimed that the new deal would be announced "Monday afternoon", quoting a person close to the negotiations.

Verizon spokesman Bob Varettoni on Sunday told AFP that he would not comment on the latest reports.

Created in 2000, Verizon Wireless operates over 100 millions lines and employs 73,4000 staff.

Headquartered in Basking Ridge, New Jersey, the company generated revenues of $75.9 billion in 2012, according to its website.

Verizon has been looking to take full control of the joint venture for many years but negotiations have floundered on the sale price with the US company hoping to pay around $100 billion for Vodafone's stake.

Serious abuses on Thai fishing boats: ILO

AFP, *Bangkok*

THE International Labour Organisation (ILO) on Monday warned of "serious abuses" in the Thai fishing industry -- a major global supplier -- such as forced labour and violence.

About 17 percent of the mainly undocumented Myanmar and Cambodian fishermen surveyed by the ILO were forced to work under threat of financial penalty, violence or denunciation to the authorities, the UN agency said.

Thailand -- the world's third largest fish exporter by value, with sales worth around $7 billion a year -- is under international pressure to respond to reports of fishermen forced to work as virtual slaves under brutal conditions.

"This study does find serious abuses within the sector. The vast majority of workers were in irregular status and thus more vulnerable to exploitation," said ILO senior programme officer Max Tunon.

While 10 percent of respondents reported being severely beaten on board boats, more than a quarter said they worked or were on call between 17 and 24 hours a day.

The average wage was 6,483 baht ($200) a month among the sample of 596 people, while only one of the migrant fishermen had a work permit. The survey found seven children under 15 years old, and 26 teenagers aged 15-17.

Conditions for fishermen on long-haul vessels were worse than for those who regularly returned to shore, the survey found, with a quarter reporting having been deceived or coerced into working at sea.

Tunon said the study focused on those in short-haul boats, with those trapped at sea "in the worst conditions" not necessarily included.

"It would be expected that if we interviewed just people at sea for a long period of time the picture would look worse," he said.

The report said the fishing industry as a whole -- which includes lucrative fish and shrimp farming and packaging sectors -- accounts for around 1.2 percent of Thailand's economy.

But declining fish stocks have pushed boats farther out to sea in search of catch, increasing their fuel costs.

"With pressures on seafood suppliers to reduce costs by every means available, a race to the bottom on labour costs has been created for the Thai seafood industry," the report said.

"When coupled with the increased vulnerability of undocumented migrant workers to forced labour, an enabling environment for such abuses to become systematic now exists."

The ILO said an estimated 50,000 shortfall in the number of fishermen required by the industry was "both a cause and an effect of the abusive labour practices" in the sector.

It said complications in the registration process hampered access to work permits, while there was "inadequate access to justice" for migrant fishermen, but noted that Thailand had introduced a number of new initiatives to try to coordinate its response to abuses in the sector.

Both the European Union and United States, which are major markets for Thai seafood products, have vowed to jointly combat illegal, unreported and unregulated fishing.