Bangladesh telecoms set for faster growth

Jon Fredrik Baksaas, president of Telenor, speaks on 3G tech and access to internet

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THE country will become a mature mobile market in the next few years, said Jon Fredrik Baksaas, president of Telenor, Grameenphone's majority shareholder.

"We have seen phenomenal development in the ICT sector in Bangladesh. It took us more than 15 years to connect with 50 percent of Bangladesh, but for the next 50 percent it will only take a handful of years," he told The Daily Star in an interview.

Baksaas was in Dhaka recently for the soft launch of Grameenphone's 3G services, for which the company paid $210 million.

The advent of 3G, he says, will accelerate the country's development.

"People will have access to the internet everywhere, which means they would be never far from services such as healthcare and banking. This will help the economy grow."

Grameenphone, which has already rolled out 3G services in certain parts of Dhaka, plans to cover the remaining areas of the capital together with Chittagong, Sylhet, Gazipur and Narayanganj within the next few weeks.

"Most of the country barring some pockets will be covered in the next 2-3 years. And in the long run, those parts, too, would be brought under the 3G network."

Jon Fredrik Baksaas

Telenor, which owns 55.8 percent of Grameenphone, is very gung-ho about the company's role in the country's next phase of telecommunication.

For enhanced 3G connectivity for Grameenphone's 43.96 million-odd subscribers, some 2,000 base transceiver stations would be set up across several cities over the next six months to support the 12,000 already in existence.

"Our quality of 3G services will be very good," said Baksaas, who has been with Telenor since 1989.

To take 3G services to a greater number of people, Telenor is already in talks with a host of vendors to come up with low-cost but good-quality 3G-enabled phones or smartphones, which remain beyond the means of the majority of the country's population.

"Less than 10 percent of the country's population have smartphones, which is an obstacle for 3G services."

The prices of smartphones now start at $60, but he thinks it should come down to $40.

To date, Telenor has invested about $3 billion to develop the infrastructure and network of Grameenphone, the country's largest mobile operator.

"There will be many more significant investments in the next couple of years. I cannot tell you the exact figure but we are talking big money over a long period of time."

The company has also paid more than $3 billion to the Bangladesh government in taxes, he added.

Telenor, whose global subscription base stands at 150 million, has big plans for the neighbouring Myanmar, where it is one of the two operators chosen from 95 candidates to offload mobile services.

"Myanmar needs to go on the same development path. Why should your neighbouring country not enjoy the same modern communication system that you do? Of course they should."

Telenor plans to roll out services in Myanmar next year and Baksaas is hopeful that Telenor's strong track record in serving Asian countries will put it in good stead.

"We are happy that the long term experience in the Asian market will strengthen us in serving the Burmese people."

World Bank to cut costs, bureaucracy: Kim

AFP, *Washington*

WORLD Bank President Jim Yong Kim on Friday announced a program to slash costs and reduce bureaucracy at the huge development organization that is expected to result in significant layoffs.

Kim said the Bank would seek to reduce annual costs by $400 million a year, restructuring to reduce compartmentalization and cut bureaucracy, to better deliver bank services in its fight against poverty and underdevelopment.

He also said the Bank would "strategically review our staffing," seeming to confirm recent rumors within the bank that he plans to make sharp cuts to its 10,000 staff.

Kim said the Bank's clients -- mostly poor and emerging economies which need its advice, funding for basic infrastructure, and other supports -- had come to see it as overly complex and bureaucratic, and were turning away from it.

"That should never happen," he told the opening session of the annual World Bank/ International Monetary Fund meeting.

"A development institution, like a business, needs to find innovative solutions, capture best practices, and share lessons of success and failure widely and quickly as possible."

He described a Bank that had become compartmentalized along regional lines -- which he branded "silos" -- that prevented one area's expertise from being available to another.

He said he planned to restructure the Bank into groupings of technical experts, by their specialties, who can deliver their knowledge anywhere in the world.

"Under our new organizational model, when you ask us for help, we'll look across our entire institution and offer the most up-to-date, state-of-the-art global knowledge and experience, with a deep bench of experts who know what has worked and what hasn't in all regions of the world."

China overtakes US on oil import

BBC NEWS

CHINA has knocked the US from its top spot as the world's biggest net importer of oil, US government data shows.

The country's fast-growing economy, as well as the rise in car sales, has led to its new status, according to September's data.

Oil consumption in China had outstripped production by 6.3 million barrels a day, said the Energy Information Administration (EIA).

In the US, the figure was 6.1 million.

China's own oil supply has been outstripped by its economic boom, and its oil fields have been damaged by flooding during the past few months.

The country had had to import to make up the shortfall, said the EIA.

It predicts the trend will continue into 2014.

The US uses 18.6 million barrels of oil per day compared with China's 10.9 million, despite having a population a third the size of China's.

But the US is increasingly able to support itself after the growth of its domestic hydraulic fracturing, or fracking - a new technique of drilling for gas and oil from shale rock.

It has attracted controversy from environmental campaigners concerned about the large quantities of water used and the potential danger of carcinogenic chemicals. The campaigners say the chemicals could escape and contaminate groundwater.

Tax the rich? IMF sparks a mini revolution

AFP, *Washington*

TAX the rich and better target the multinationals: The IMF has set off shockwaves this week in Washington by suggesting countries fight budget deficits by raising taxes.

Tucked inside a report on public debt, the new tack was mostly eclipsed by worries about the US budget crisis, but did not escape the notice of experts and nongovernmental organizations (NGOs).

"We had to read it twice to be sure we had really understood it," said Nicolas Mombrial, the head of Oxfam in Washington. "It's rare that IMF proposals are so surprising."

Guardian of financial orthodoxy, the International Monetary Fund, which is holding its annual meetings with the World Bank this week in the US capital, typically calls for nations in difficulty to slash public spending to reduce their deficits.

But in its Fiscal Monitor report, subtitled "Taxing Times", the Fund have advanced the idea of taxing the highest-income people and their assets to reinforce the legitimacy of spending cuts and fight against growing income inequalities.

"Scope seems to exist in many advanced economies to raise more revenue from the top of the income distribution," the IMF wrote, noting "steep cuts" in top rates since the early 1980s.

According to IMF estimates, taxing the rich even at the same rates during the 1980s would reap fiscal revenues equal to 0.25 percent of economic output in the developed countries.

"The gain could in some cases, such as that of the United States, be more significant," around 1.5 percent of gross domestic product, said the IMF report, which also singled out deficient taxation of multinational companies.

In the US alone, legal loopholes deprive the Treasury of roughly $60 billion in receipts, the global lender said.

The 188-nation IMF said that it did not want to enter into a debate on whether the rich should pay more taxes.

But, it said: "The chance to review international tax architecture seems to come about once a century; the fundamental issues should not be ducked."

AFP

Mexico Central Bank Governor Agustín Carstens (L) shares a laugh with IMF Managing Director Christine Lagarde during the World Bank/IMF annual meetings at the International Monetary Fund Headquarters on Friday in Washington.

The IMF managing director, Christine Lagarde, kept up the sales pitch for a more just fiscal policy.

"It's clearly something finance ministers are interested in, it's something that is necessary for the right balance of public finances," said Lagarde, a former French finance minister, in a panel discussion Wednesday.

"There are lot of wasted opportunities," she added.

After the French Socialist government's proposal of a 75 percent tax on the wealthy was overturned by the country's highest court last year, France's finance minister cautiously welcomed the Fund's new direction.

"If the core idea is that fiscal policy is a policy that aims to reduce inequalities, I wouldn't know how to protest against that," Finance Minister Pierre Moscovici said at a news conference in Washington.

The minister said it was a "positive development" but he downplayed that it marked a "significant change" for the IMF.

The Organisation for Economic Co-Operation and Development, which is leading the global battle against tax havens and tax evasion by multinationals, welcomed the IMF at its side.

"We're happy to see this. There is a place for everyone. The Fund can bring a real contribution on economic analyses," Pascal Saint-Amans, head of the OECD's center for tax policy, told AFP.

In the corridors, however, a quiet skirmish is underway between the two organizations for the leadership of the tax-haven offensive ordered by the Group of 20 major economies.

The IMF's Copernican revolution is still in the twilight stage. In its report, the IMF continued to push for a wider scope for value-added tax (VAT), a tax consumption tax that some say is inherently unfair, and on reductions in public spending.

G20 urges US to act quickly to avoid default

REUTERS, *Washington*

FINANCE officials from the world's biggest economies on Friday pressed the United States to head off a potentially devastating default and vowed to proceed carefully when the time comes to normalise monetary policy.

A communique issued at the end of a meeting of Group of 20 finance ministers and central bankers said the United States "needs to take urgent action to address short-term fiscal uncertainties."

The US government has been partially shut since October 1 amid a budget standoff between congressional Republicans and the White House. Republicans also have refused to raise the nation's $16.7 trillion debt ceiling.

Officials from around the globe have warned that failing to raise the debt cap would wreak havoc on the global economy.

Anton Siluanov, finance minister of this year's G20 chair, Russia, said the mention in the group's communique amounts to a "general wish for a fast solution."

Republicans presented a plan on Thursday to provide a short-term increase in the US debt limit, spurring hopes a deal could soon be reached. On Friday, the White House and lawmakers were still struggling to work out the details.

"Our American colleagues are doing everything possible in order to find a mutual understanding or agreement with the Congress," Siluanov told reporters.

Solving the impasse is crucial for a global economy that the G20, which accounts for 90 percent of world output and two-thirds of its population, said is showing signs of improvement but still facing "downside risks."

Maintaining growth momentum is likely to get even more challenging as central banks begin winding down the monetary stimulus launched during the 2007-2009 global financial crisis.

The prospect of the US Federal Reserve reining in its stimulus by year end spooked world markets earlier this year and plunged some developing countries into turmoil as the gusher of cheap dollars that had poured into their economies dried up.

Echoing the statement from a summit of G20 leaders in St. Petersburg last month, the group of advanced and emerging nations pledged to ensure any monetary policy changes are "carefully calibrated and clearly communicated" and said navigating swings in capital flows would remain a challenge.

REUTERS

Russia's Finance Minister Anton Siluanov holds a news briefing after a G20 meeting at the start of the annual IMF-World Bank fall meetings in Washington on Friday.

It said emerging economies remained important drivers of global growth, even though many have slowed sharply in recent years and are expected to brake further.

"A while ago there was an excess of exuberance and now perhaps an excess of pessimism," Brazil's central bank chief, Alexandre Tombini, said in a statement prepared for delivery to a meeting of finance officials on Saturday.

"Brazil and many emerging economies in general are in a much stronger position than usually portrayed to withstand the current transition turbulence," he said.

Most of the attention, however, was on the risk of a US default, which has clouded the global economic outlook.

Siluanov said US Treasury Secretary Jack Lew left the gathering early to participate in debt talks.

"We trust that the administration and the Congress will arrive at a mutually acceptable solution," he said.

Lew has said the United States would be unable to meet all its obligations if the debt limit is not lifted by October 17.

Major US stock indexes rose on Friday on the heels of their biggest gain in nine months a day earlier as the Republican offer stirred hopes for a quick deal.

But there were also worrying hints of the chaos that could ensue if Washington were to miss a debt payment.

Banks and many market funds are shunning some Treasuries normally used as collateral for short-term loans, a sign that a deadlock over the debt ceiling could disrupt a key source of day-to-day funding in the financial system.

Hong Kong's securities exchanges plan to slap a bigger discount on Treasuries used as collateral.

"Politicians don't quite seem to have grasped how important the Treasury market is to the global financial system," HSBC chief economist Stephen King told Reuters Global Market Forum.

While the Republican plan offered the hope of short-term relief, it could also bring the country back to the brink of default before year end.

"Whatever reduces uncertainty is positive but I think that really to reduce uncertainty in a substantial way we would need a long-term solution," said Ewald Nowotny, a member of the European Central Bank's Governing Council.

"Still, it seems to be better than nothing."