

Raise public spending on infrastructure: UN official

REFAYET ULLAH MIRDHA

BANGLADESH should substantially increase public investment to improve infrastructure, a major component for development of the country, a top UN official has said.

Improved infrastructure will ensure higher connectivity, both inside the country and with neighbouring nations, which will ensure greater economic activities and generate more employment, said Mukhisa Kituyi, secretary general of United Nations Conference on Trade and Development (Unctad), in an interview with The Daily Star at Sonargaon hotel in Dhaka recently.

Small to medium businesses in the country can be connected and brought under formal channels through good infrastructural links, he added.

Kituyi was in Dhaka to attend a conference on 'Global economic recovery: an Asian perspective' organised by International Chamber of Commerce-Bangladesh on the occasion of the chamber's 20th founding anniversary in the country.

The government can also involve the private sector for infrastructure development projects, he said.

"But it is the primary responsibility of the government to invest money in infrastructure," Kituyi said.

The other important source of money for investment in infrastructure can be the Official Development Assistance, the foreign loans and grants that the government receives from other countries, as Bangladesh receives a handsome sum as financial assistance through this channel every year, he said.



Mukhisa Kituyi

Regarding recovery, he lauded the economic growth of the Asian nations, particularly the export performance of Bangladesh, in the trajectory of the global economy.

The world has witnessed the worst financial meltdown that started in 2007, stemming from the US sub-prime mortgage market.

It is believed that the world economic crisis is over as Western economies have been on the rebound since 2011. "Some European countries are yet to recover fully from recession."

The Asian nations were unscathed by the crisis; over the last few years, domestic consumption increased and the middle income class rose substantially.

Under a global perspective, world leaders should also think in innovative ways, he said.

For example, Kituyi said the total amount of pension schemes globally is \$5 trillion, which is lying idle.

Similarly, the global reinsurance fund can also be used to disburse loans to the developing countries to attract foreign direct investment by improving infrastructure and other amenities.

The Unctad itself cannot bring in foreign investment for a country; the global leaders should take the responsibility to implement policies to do so, Kituyi said.

World leaders should invest a substantial amount of money to change the curricula for business schools globally, he said.

The curricula of traditional business schools are inadequate to address the changing demands of global trade as new problems arise, he added.

Micro loans can offset effects of climate change: analyst

STAR BUSINESS REPORT

MICROFINANCE institutions should modify their financial products for those at vulnerable climate zones to deal with global warming, a keynote speaker at a climate change seminar said yesterday.

The MFIs offer three types of products: loans, savings and insurance.

Each product can be modified depending on the type of shock the MFI customers might be suffering from, said Fazle Rabbi Sadeque Ahmed, coordinator of Palli Karma-Sahayak Foundation's Community Climate Change Project.

For instance, in areas that are becoming more prone to flooding,

MFIs can encourage: aquaculture initiatives among farmers, floating gardens, investment on raised tube wells for safe water and new houses to be built on raised beds or raised embankments.

All these measures can be supported by making use of loans, savings and insurance products that include a set of climate sensitive conditions, he said.

Ahmed's comments came at the inaugural session of a daylong seminar styled 'climate change adaptation at community level: the role of MFIs', jointly organised by the Institute of Microfinance and Bangladesh Water Partnership.

The event was aimed at identifying the bankable projects and overcoming the challenges at village

level in implementing climate change resilience through microcredit.

Ahmed suggested the MFIs should change the conditions of loans, introduce flexibility in savings products and scale up the offering of health and livestock and crop insurance.

The increased frequency and intensity of natural disasters and disease outbreaks will adversely affect MFIs and their work.

"Due to multiple consequences of climate change, MFIs are likely to see an increase in default rates, and many MFIs will face repayment crises."

Climate change will decrease the productivity of agriculture and will make investment by MFIs in this sector less profitable, he said.

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Tata Motors' profit falls 7pc in Q2

REUTERS, India

TATA Motors Ltd, India's biggest automaker by revenue, said profit dropped seven percent in the second quarter, disappointing market expectations of a rise after a sharp drop in car sales at home.

Tata said its net profit, also hit by higher taxes, dropped to 32.91 billion

rupees (\$533 million) in the second quarter ended Sept. 30 -- below analyst forecasts of 46.2 billion rupees.

Revenue rose 6.5 percent to 601.64 billion rupees -- again below expectations -- while sales of its commercial and passenger vehicles, excluding exports, fell 15.7 percent.

Faced with slowing sales in its domestic business, Tata Motors has

been reliant on sales by luxury British carmaker Jaguar Land Rover (JLR), which it bought in 2008, to prop up profits for the past few years.

While Tata dominates the trucks and buses segment in India, its passenger cars have failed to lure customers away from local rival Maruti Suzuki India Ltd and foreign competitors like Hyundai Motor Co and Honda Motor Co.



REUTERS

Third from right, Virgin America President and CEO David Cush poses with flight crews as the low-cost airline celebrated its initial public offering at the NASDAQ Market Site in New York on Friday. Shares of Virgin America soared as much as 28 percent in their market debut.

China calls for swift movement on BRICS development bank

AFP, Brisbane, Australia

CHINA on Saturday urged BRICS nations to speed up the creation of a development bank as an alternative to the Western-dominated global financial system.

The BRICS group of emerging economic powers -- which also includes Brazil, Russia, India, and South Africa -- agreed in July to form the New Development Bank to finance infrastructure projects and an emergency reserve fund.

The Chinese have already chosen a site for the future Shanghai headquarters of the US\$50 billion facility and China's vice finance minister Zhu Guangyao is keen to get moving. "All (countries) share the view that they should speed up the process to have it completed as quickly as possible," he said on the sidelines of the G20 summit in Australia.

"And each country will identify feasible projects for the bank as quickly as possible, so that at the moment the bank is launched it will be able to immediately carry out (financing) processes."

Chinese state media has said the BRICS bank aims to reduce Western dominance of the global financial system, while criticising multilateral agencies like the World Bank and the International Monetary Fund.

For the past 70 years, the International Monetary Fund and the World Bank have been the pillars of the world's economic system, coming to the rescue of countries in trouble and supporting development projects, respectively.

But the Bretton Woods institutions are regularly criticised for their inability to reflect the growing and important contributions of the major emerging economies to the global economy.

Japan 'megabanks' post lacklustre half-year profits

AFP, Tokyo

Japan's top three banks have posted lacklustre half-year profit figures as the impact of last year's stock market surge faded and they struggle to boost lending at home.

Mitsubishi UFJ, the country's biggest bank, on Friday said its net profit rose to 578.72 billion yen (\$4.99 billion) in the six months to September, a nine percent rise, but well off a more than 80 percent on-year surge in the same period last year.

Rival Mizuho Financial Group said its earnings dropped more than 17 percent to 355.29 billion yen for the six months, while Sumitomo Mitsui Financial Group on Thursday said its net profit shrank to 479.55 billion yen in the first half, down 5.2 percent from a year ago.

'Nice work, gents': how traders manipulated the markets

AFP, London

IN online messages full of bravado and Cockney rhyming slang, small groups of traders using names such as "The Three Musketeers" and "The A-team" colluded to manipulate foreign currency markets to maximise their profits.

They used private chats to share confidential information about deals being placed with their rival banks, and used that information to push benchmark rates up or down depending on what would earn them the most, regulators said.

"How can I make free money with no fcking(sic) heads up," said one trader in an exchange published by Britain's Financial Conduct Authority, which with US and Swiss regulators levelled hefty fines Wednesday against five major banks for rigging markets.

"Go early, move it, hold it, push it" -- read one of the chatroom lines, summing up how markets were manipulated.

Clients would place an order with their bank for a certain amount of euros, pounds or dollars to be bought or sold at a specific benchmark rate for that day, known as the "fix".

Traders are alleged to have put their orders together -- known as "building" or "leaving you with the ammo" -- to give them enough volume to shift the market before the fix is set.

Banks profit if they buy the currency at a lower rate on the market than the fix rate at which they sell to clients.

The most widely used benchmarks are the so-called 1:15pm daily fix by the European Central Bank, which is based on a snapshot of the market early afternoon, and the 4pm fix by WM Reuters (WMR), which takes an average of trading over a one-minute period.

In one example published by the FCA, US bank Citigroup had orders to buy 200 million euros at the 1:15pm euro-dollar fix.

The FCA claims the bank added to this order by "building" from other banks, and in the 15 seconds before the fix was set, used the volume of currency to push up the market price.

It placed a number of orders increasing in size and price, pushing up the average market rate so that the fix was set higher than it would have been even a minute earlier.

After the fix, the traders congratulated each other on a \$99,000 profit for Citibank: "impressive" and "cnt [can't] teach that", they said in the online chatroom.

Similar conversations were evident involving traders from the other four implicated banks -- HSBC, Royal Bank of Scotland, JPMorgan Chase and UBS.

In one deal that made HSBC a \$162,000 profit, a trader remarked, "nice work gents... I don my hat", while in another making

\$33,000 for JPMorgan one crowed: "we... do... dollarr".

The traders also talked about "betty" -- Betty Grable, the US film star and rhyming slang for cable, as the sterling-dollar market is known -- and their huge bonuses, the FCA said.

"They are not trying to coordinate for the interests of their customer. They are coordinating for the interests of their own bottom line," said Therese Chambers, who led the FCA investigation.

Many firms have now imposed restrictions or outright bans on the chat rooms used by their traders.

The FCA's chief executive Martin Wheatley said preventing this kind of collusion was "not rocket science".

"It's fairly simple things like watching the extent to which people are using mobile phones on the trading floor, allowing them unmonitored use of private chat rooms, monitoring the activity around particular benchmark fixing points," he said.

Simon Hunt, a financial services risk and regulation partner at the consultancy PricewaterhouseCoopers, said banks had increased their surveillance following previous unauthorised trading incidents.

"Good progress is being made by bank management but culture change does not happen overnight," he said.

Nokia says vanishing consumer brand may return

REUTERS, London

DON'T call it a comeback yet. But Nokia is thinking about how to revive its brand name in consumer markets just months after selling off its former flagship mobile phones business to Microsoft for more than \$7 billion.

"I think you can expect our brand will return to the consumer world," Nokia's chief executive Rajeev Suri said on Friday when asked about rumours that the networks equipment maker was looking to re-enter the handset market.

Suri told investors at a presentation in London that his company will look to licensing the brand name to other firms rather than starting up a new handset business itself.



REUTERS/FILE

Nokia CEO Rajeev Suri speaks during a news conference to announce its first quarter earnings in Espoo, Finland on April 29.

opportunity ... But I would say it is more of a long-term opportunity," Suri said of potential deals where other makers of consumer electronics might pay Nokia to

use its brand on their products.

Another company executive on Friday pointed to Porsche Design as an example of the sort of brand-licensing deals Nokia

might consider.

No deal is imminent but the Nokia brand could eventually appear on a range of electronics, not necessarily phones. "This is not a sentimentality thing," Suri said.

Microsoft this week dropped the Nokia name on its latest Lumia 535 smartphone, having acquired the Nokia business back in April.

Nokia was once synonymous with mobile phones but the brand's ranking sank to 98th this year among the world's best known corporate names, down from fifth in 2007, according to a survey by market researcher Interbrand.

The slide came after first Apple Inc and then Samsung Electronics entered the smartphone market to successfully challenge the Finnish company's decade of market leadership.

Reliance Entertainment plans to acquire Western game studios

REUTERS

RELIANCE Entertainment plans to begin acquiring North American and European mobile game studios starting in early 2015, in hopes of becoming a significant global player in the fast-growing mobile games industry.

The company, which is the biggest stakeholder in DreamWorks Animation Studios, is in talks with bankers to identify and acquire up-and-coming mobile game studios in North America and Europe to boost sales, Chief Executive Manish Agarwal told Reuters in a phone interview.

"We will go full steam in the January and February time frame in terms of identifying studios," Agarwal said. "Gaming is going to be the largest share of the pie of entertainment time spent, and Reliance would like to be a sizeable player in that space."

Reliance Entertainment is a unit of Reliance Anil Dhirubhai Ambani, one of India's largest conglomerates, with businesses ranging from financial services to infrastructure and power. Its Reliance Games unit is looking at smaller studios at \$2 million to \$5 million a pop, at least initially, according to Agarwal.

Agarwal said the potential for Reliance Games is "huge."

"In three years, our business will make \$50 million in net revenue, and in five years we'll be a \$100 million company," he said. Net revenue is after cuts taken by app stores from Google, Apple and others.

Reliance Games, which to date has focused on making titles related to Hollywood properties in partnership with studios such as Warner Bros, Sony, and Lions Gate, hopes to use acquisitions to expand into other genres, Agarwal said.