

International Business News

Japan enjoys brisk exports despite US woes

AFP, Tokyo

Japanese exports maintained brisk growth in February as strong demand from Asia and Europe offset the impact of falling shipments to the ailing US economy, the government said Wednesday.

Analysts, however, warned that Japan's export-led recovery remained vulnerable to a US recession, particularly as many of its shipments to the rest of Asia are parts for goods that end up in Europe and the United States.

Japan's exports grew 8.7 percent in February to 6.98 trillion yen as imports rose 10.1 percent to 6.01 trillion yen, the finance ministry said.

"Although US-bound exports are expected to slow down, it seems that exports to Asia are supporting the overall momentum," said Mizuho Research Institute economist Kaori Yamato.

"Considering the negative effect of the higher yen, exports in February seem brisk," she said.

Exports were boosted by the leap year factor as Japan had more working days than the same month a year earlier, a finance ministry official said.

Shipments to China surged 14.9 percent, led by vehicles and auto parts.

Oil prices top \$101

AFP, Singapore

Oil prices were higher in Asian trade Wednesday ahead of the release of the US government's weekly energy stockpiles report, dealers said.

In afternoon trade, New York's main contract, light sweet crude for delivery in May, rose 61 cents to 101.83 dollars per barrel. The contract closed up 36 cents at 101.22 in floor trading Tuesday at the New York Mercantile Exchange.

London's Brent North Sea crude for May delivery climbed 44 cents to 101.04 dollars a barrel, after settling at 100.60 dollars on Tuesday.

The market still has worries over US energy demand remain, despite the rebound in oil prices, dealers said.

"Momentum is bearish for the first time in seven weeks," commodity analysts from Societe Generale bank said in a report.

"It is possible that the current correction in oil prices could continue, given seasonal weakness in crude demand and product demand," they said.

US energy demand typically slows after the peak winter period season and picks up just before the start of June, when the summer driving season begins.



Vendors sell fruits along a street in downtown Hanoi yesterday. Vietnamese consumer prices rose more than 16 percent year-on-year in the first quarter of 2008, despite government efforts to beat down inflation.

Vietnam attracts \$5.4b FDI in Q1

AFP, Hanoi

Vietnam has attracted 5.4 billion dollars in foreign direct investment (FDI) in the year's first three months, 31 percent more than in the first quarter of last year, an official said Wednesday.

The United States topped the list of foreign investors, with eight projects worth 1.3 billion dollars, followed by Malaysia, an official at the Foreign Investment Agency at Investment and Planning Ministry told AFP.

The surge in FDI was driven by several large-scale projects, including a luxury hotel and entertainment complex by the US Good Choice Group, and developments by Malaysian and Japanese investors.

Singapore's GIC in \$600m regional hotel investment venture

AFP, Singapore

Singapore has teamed up with US-listed Host Hotels and Resorts in a 600-million US dollar venture to explore hospitality-related investments in Asia and Australia, the partners said.

Host Hotels and Resorts, listed on the New York Stock Exchange, will hold a 25 percent stake in the venture which will have a maximum 600 million dollars worth of equity, they said in a statement received late Tuesday.

An affiliate of the real estate arm of the Government of Singapore Investment Corporation (GIC), which is partnering the US hotelier in the venture, will own the remaining 75 percent, GIC said.

"The joint venture will explore investment opportunities in Asia and Australia," the joint statement said.

INVESTMENT

Tata acquires Jaguar, Land Rover for \$2.3b

AFP, London

India's Tata Motors said Wednesday it had bought British luxury icons Jaguar and Land Rover from struggling US carmaker Ford for 2.3 billion dollars as it expands its global reach.

The all-cash deal is part of Tata's efforts to grow outside Asia, but analysts have questioned how the Indian firm -- maker of the Nano, the world's cheapest car -- will absorb the two high-end marques into its operations.

"We are very pleased at the prospect of Jaguar and Land

an economic downturn which has put the squeeze on demand for prestige vehicles.

In January, Tata unveiled the Nano at a price of 2,500 dollars, hoping that the no-frills auto could revolutionise travel for millions in India and elsewhere.

But with the acquisition, Tata would be in the unusual position of making the cheapest car in the world as well as some of the most expensive.

Of late, tough global economic conditions have put sales of expensive cars into reverse. US and European sales of Jaguar fell by over 30



Tata currently controls more than half of India's truck market and nearly 20 percent of its passenger car market, and is keen to expand beyond Asia. The company is looking at making a major technological leap by gaining access to the engines of Land Rover and Jaguar.

Rover being a significant part of our automotive business," Tata group chairman Ratan Tata said, pledging to keep the identities of the famous brands "intact".

Tata Motors, part of the sprawling tea-to-outsourcing Tata Group empire, said the "total amount to be paid in cash" would be 2.3 billion dollars and added Ford would contribute up to about 600 million dollars to the Jaguar and Land Rover pension plans.

The purchase, which has been the subject of speculation for months, comes amid

percent, year-on-year, during the first two months of 2008.

"Both brands are already experiencing declining sales," said Aniket Mhatre, auto analyst at Mumbai brokerage Prabhudas Lilladher.

"The US is going through a slowdown so sales (of luxury vehicles) are not going to be that good."

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This file picture taken on June 12, 2007 shows the Landrover and Jaguar car manufacturing plant at Halewood, in Liverpool, in north-west England. The joint leader of Britain's biggest union, Unite, said Wednesday that India's Tata Motors had clinched a deal to buy British luxury car makers Jaguar and Land Rover from US group Ford. Unite joint general secretary Tony Woodley said he was "pleased" Tata was buying the brands and safeguarding jobs in Britain but added that it was "a big disappointment" that Ford was not keeping a stake.

making a major technological leap by gaining access to the sophisticated engines of Land Rover and Jaguar.

Troubled US giant Ford, which has lost 15 billion dollars over the last two years, announced it was selling the two brands last year as part of a restructuring.

But analysts have expressed concern that Tata is taking on

too much debt and pension fund liabilities -- and say it may have trouble absorbing the high-cost marques into its conventional vehicle line-up.

Tata has declined comment on reports it is planning to launch a three-billion-dollar syndicated loan, much of it bridge financing, to cover its working capital needs for the purchase.

But it has announced plans to additionally raise up to one billion dollars in domestic and/or foreign markets to fund its domestic and global expansion.

Tata, whose long-term credit is already rated one notch below investment grade, is seeking to raise funds in a difficult global market climate, with the US-led subprime

crisis making investors shun all but the safest debt.

The cost of borrowing overseas has risen sharply since last July, analysts said, when Tata's interest in the Ford luxury brands was first reported.

"It will put pressure on the ratings," said Anshukant Taneja, credit analyst at Standard and Poor's in Singapore.

COLUMN

IFTY ISLAM

Bangladesh: the vision thing

At the end of my first column last month on "Brand Bangladesh", I asked The Daily Star readers to vote on the favourite slogan that most effectively captured the dynamic message we as a country wanted to project about investment opportunities here. I received over 200 email responses both locally and internationally. Around 65 percent of responses favoured "Bangladesh, the Next Asian Tiger", a surprising second was "Bangladesh, the Original Asian Tiger".

But catchy marketing without substance is a strategy doomed to failure. Indeed, in several meetings with both corporates and academics, following the Branding article, I have been warned that Bangladesh lacks a clear economic vision in terms of where it wants to go as an economy and how it intends to get there.

There is little doubt in my mind that the success of the previous Asian Tigers has been predicated on an economic vision. In many cases, this has been at government level. Witness Chinese paramount

leader Deng Xiaoping's "Open Door" policy of the early 1980s in moving the communist economic system towards a more market- and export-based strategy. Vietnam, the current favourite of the global investors buying into the Asian economic miracle, adopted its "Doi Moi" policy (roughly translates as "change or something new") back in 1986 that culminated in peak foreign direct investment (FDI) flows 10 years later. The Asian crisis hit Vietnam hard but the ability to grow the FDI flow from \$2 billion in 2000 to \$20 billion in 2007 underlines the important foundations laid by "Doi Moi". Former Malaysian PM Mahathir adopted his "Vision 2020" strategy, aimed at moving the country from a developing to an advanced nation, in 1994.

But not all transformational economic vision comes at a government level. Take South Korea, which has just celebrated moving to a per capita GDP of \$20,000, a near trebling in just a decade. Indeed in 1995, Korea had a per capita GDP of \$10,000 that collapsed to \$7800 in the aftermath of

the 1997 Asian crisis. But Korea managed to re-invent itself despite the collapse in GDP and the crisis of national self-confidence. While the government played an important enabling role, it was the "Chaebol" or family conglomerates that had the "vision" to help the country accelerate to first world status. When we think of Korea now, we associate it with Samsung, LG and Hyundai. The private sector was the catalyst for the dramatic economic recovery.

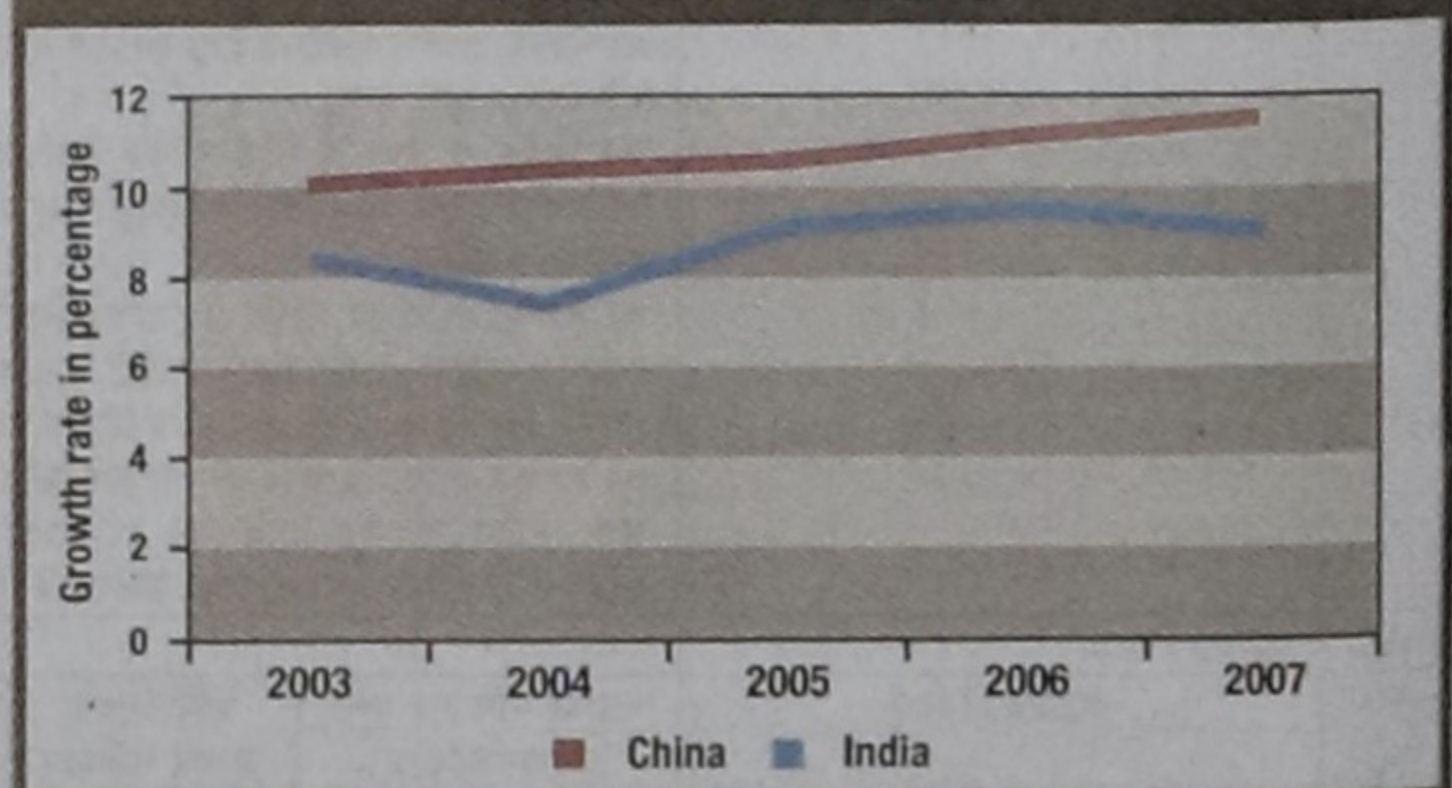
India is probably a hybrid between the two models of public sector versus private sector economic vision. The economic crisis of 1992 forced a re-thinking of the socialist economic strategy, the "Hindu" rate of growth of 3 percent, and all the problems of the "License Raj" with a labyrinthine and suffocating bureaucratic apparatus. It took the vision of the then finance minister (now prime minister) Manmohan Singh to create the right environment for change that included cutting the excessive tariff barriers and regulatory constraints on foreign ownerships and repa-

triation of profits that was limiting FDI flows. Indeed despite the collapse in GDP and the crisis of national self-confidence, while the government played an important enabling role, it was the "Chaebol" or family conglomerates that had the "vision" to help the country accelerate to first world status. When we think of Korea now, we associate it with Samsung, LG and Hyundai. The private sector was the catalyst for the dramatic economic recovery.

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CHINESE AND INDIAN GDP GROWTH RATE IN LAST 5 YEARS



under the Nagorik committee is an excellent and thought provoking summary of many of the key issues. The July 2007 World Bank report on "Bangladesh: Strategy for Sustained Growth" also provides plenty of food for thought. I would suggest anyone interested in developing a view on where the Bangladesh economy could be in 10 years time and how to get there should read these reports. They need to be supplemented by the private sector coming up with investment opportunities for foreign investors to put capital into.

The "Economic Vision Thing" is important and is not just a matter for domestic policymakers or academics. A collective focus between the public and private sectors on developing an economic vision for Bangladesh remains the foundation on which Bangladesh can become "The Next Asian Tiger".

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