

International Business News

Japanese exports grow at weakest pace since 2005

AFP, Tokyo

Japan's trade surplus shrank 30.2 percent in March with exports growing at the weakest pace in almost three years due to the US economic slowdown, official figures showed Wednesday.

US-bound exports showed a double-digit plunge while demand from the rest of Asia cooled as the global economic climate grew increasingly chilly.

Exports grew by just 2.3 percent year-on-year -- the smallest increase since May 2005 -- while imports rose 11.1 percent.

The world's second-largest economy had a trade surplus of 1.12 trillion yen (10.86 billion dollars), below market forecasts for 1.36 trillion and down sharply from 1.60 trillion a year earlier, the finance ministry reported.

US-bound exports tumbled 11.0 percent, the sharpest drop since November 2003, extending a losing streak to a seventh month, the longest in four years.

Oil prices pause after surging close to \$120

AFP, London

Record-breaking oil prices paused on Wednesday after spiking near 120 dollars per barrel, as international concern mounted and the world's top producer appealed for calm over soaring energy costs.

New York's main oil futures contract, light sweet crude for delivery in June, added four cents to 118.11 dollars a barrel. The May contract had struck a record high 119.90 before expiring Tuesday.

London's Brent North Sea crude for June delivery firmed seven cents to 116.02 dollars on Wednesday, after hitting a lifetime peak of 116.75 on Tuesday.

Prices soared to historic heights on Tuesday as an attack on crude pipelines in Nigeria further tightened global energy supplies, which are under intense pressure with crude cartel Opec refusing to raise short-term output.

Euro pauses in Asia after record high

AFP, Tokyo

The euro marked a pause in Asian trade on Wednesday a day after breaching the 1.60-dollar barrier for the first time on renewed jitters about the US economy, dealers said.

The euro was at 1.5992 dollars in Tokyo afternoon trade against 1.5988 in New York late on Tuesday, when it had earlier hit a record 1.6019.

The dollar inched up to 103.05 yen after 102.98, while the euro gained to 164.74 yen from 164.63.

"There is a sense of achievement (in the market) after the euro finally broke the 1.60-dollar level," said Saburo Matsumoto, chief forex strategist at Sumitomo Trust Bank.

"It is unlikely that the euro will surge again" as it lacked momentum compared with the time when it rose past 1.50 dollars, he said.

Airbus, Boeing sign accord to cut air traffic impact on environment

AFP, Geneva

Rival aircraft manufacturers Airbus and Boeing put aside their differences and signed an agreement on Tuesday to work together to cut the impact of air traffic on the environment.

The rare cooperation between the European and American giants was announced on the sidelines of the third aviation and environment summit in Geneva, where leading industry groups made a commitment to work against pollution.

The agreement between the two manufacturers will see them working together to push for global inter-operability in air traffic management to optimise efficiencies.



Indian farmers harvest a crop of wheat in a field on the outskirts of New Delhi yesterday. The Indian government has decided to establish a strategic reserve of 5 million tonnes of food grains, over and above the buffer stock, to meet emergency situations due to domestic inflation and tightening wheat and rice prices in the global market.

Japan, S Korea to resume FTA talks

ANN/ THE KOREA HERALD

Agreement by the leaders of South Korea and Japan to restart negotiations for a free trade agreement indicates conviction to successfully hammer out a deal once and for all, experts said Tuesday.

President Lee Myung-bak and Japanese Prime Minister Yasuo Fukuda during their summit talks on Monday agreed on the need of a bilateral trade pact to strengthen their respective nations' global competitiveness. Both countries will meet in June to draw up a plan to jumpstart negotiations, which have been suspended since November 2004.

The decision signifies the commitment of both sides to seal a deal that would benefit the two countries, with the acknowledgement that structural reforms at home would have to be made, said Jung Sung-chun, head of the Japan team at the Korea Institute for International Economic Policy.

INFORMATION TECHNOLOGY

Tough times in US economy play into Google's strengths



Google's headquarters in Mountain View, California.

AFP, San Francisco

Tough times in the US economy play into Google's strength as businesses trust the Internet giant to best target their precious advertising dollars, analysts said.

While the US economy staggers and the dollar sinks, Google's profits defied worries and soared to 1.31 billion dollars in the first three months of the year.

The California firm's stock price rocketed more than 20 percent, nearly 100 dollars per share, in the wake of last Thursday's stellar earnings report.

Investors had fretted that the economic downturn would pour cold water on the

online search and advertising titan's earnings growth.

Analysts credit Google's unrelenting focus on helping people find what they want on the Internet and then matching search results with online advertising they are likely to click on.

Google makes the bulk of its cash from "pay-per-click" advertising, and the company reported 5.19 billion dollars in revenue during the quarter with talk of recession.

"Google's business model is making sure advertising hits the mark," Global Crown Capital analyst Martin Pykken told AFP.

"If companies have to cut back, it will be in more general

advertising such as television, newspapers and magazines."

Internet users may think of Google as being all about online search, but its business model is all about cashing in on sniper-like accuracy when it comes to targeted advertising.

Canaccord Adams analyst Colin Gillis describes Google as a "direct marketing tool" that provides advertisers with analysis tools letting them refine ads and measure their effectiveness.

Companies tightening budgets in tough times will still invest in advertising they believe is working, analysts said.

"With Google, you can track the results from each

click that you pay," Gillis said. "If you are making a healthy return on your spend, you are going to continue to do that."

If anything, the downturn in the economy could hasten the demise of "less effective" previous-generation advertising channels such as television and newspapers, according to Gillis.

Adage magazine reports that car maker General Motors is planning to steer half of its three billion dollar advertising budget online within the next three years.

GM currently spends 300 million dollars on Internet advertising, while data shows half the people looking for cars begin their shopping on

the Internet.

Billions of advertising dollars are "in play" from businesses eager for better ways to connect with customers, according to Gillis.

"Google figured out early that search wasn't the business they are really in; it is advertising," said Silicon Valley analyst Rob Enderle.

"They wanted to get their arms around the engine beneath Internet advertising. They figured out if they could get a piece of that, they could make a lot of money."

Google's biggest strength could be its greatest vulnerability, though, some say. Analysts say if anything undermines the company's online ad revenue, it has no

other revenue streams to fall back on.

"

They invented an industry and they dominate it competitively," Pykken said.

"The flip side is Google is a one-trick pony, the entire business is search advertising. Over time they are going to need to diversify their revenue."

Geographic diversity is helping buffer Google from the downturn in the US economy, with 51 percent of the firm's revenue in the last quarter coming from outside the United States.

"Google is driving tremendous growth internationally and it gives them a fair amount of runway to grow," Gillis said.

COLUMN

A Rab for policymaking?

In my column, a month ago (see Daily Star, "A Vision Thing") I suggested that Bangladesh's corporates and entrepreneurs were likely to be the key to Bangladesh's catching up with the other Asian tigers in the region. But, a dynamic private sector and a substantial increase in FDI flow is likely to fail to deliver the kinds of economic growth gains Bangladesh needs to become a Middle Income Country unless the government and the regulatory authorities can provide a supportive enabling environment in terms of infrastructure, corporate governance, capital markets, law and order, education, fiscal policies and so on. But do the public believe that Bangladesh's senior civil servants are likely to deliver on such high expectations?

Without conducting a formal survey, anecdotal evidence does not suggest that many I have spoken to are optimistic. But an acceptance

of inefficiencies of public policymaking is, in my view, grossly underestimating the critical role and contribution of senior civil servants in creating the enabling environment for Bangladesh to take the next leap forward.

This is an extremely complex topic and not one that an 800-word column can do justice to. But I would suggest any fresh attempts at public sector reform should focus on a number of key issues:

1) Education: a clear strategy of constant new training in both best practices in different sectors of the economy, especially ones subject to rapid change such as the financial system. It is important senior civil servants have the right information to take effective decisions. I recollect a conversation with a former senior civil servant who was now a chairman of a private sector company who insightfully commented that when he was a secretary he often refused or

delayed signing off on proposals he did not understand. But now he was on the other side of the table suffering from the same modus operandi of current secretaries, he realized how foolish he had been!

2) Accountability - It is important that public sector officials that either take the wrong decisions or, as is often the case, none at all for an unreasonably long period of time, be held accountable for their poor decisions.

3) Performance related pay: While the word "accountability" may strike fear into the hearts of some civil servants, this at most reflects an asymmetric interpretation of the term. By contrast, I believe that particularly the most senior civil servants play a pivotal role in the economic future of the country and should be rewarded with performance bonuses as well as public recognition when they do their jobs effectively. Given the importance of efficient public

sector decision making for companies, we should not begrudge better pay for key decision makers in the civil service.

4) This in turn necessitates a more systematic annual appraisal process. A key to getting the right feedback on when different ministries are doing a good or a bad job is to have a more effective public private interface. The Better Business Forum was one step in this direction but we need to have a platform for a wider range of key private sector economic players to highlight inefficiencies in public sector decision making. A stronger "Right to Information" Act would also pressure government officials to become more answerable for their decisions.

It is no coincidence that Singapore is believed to have the most effective public servants in the world but also has the highest paid PM, Lee Hsien Loong, whose salary is \$53.7 million, or US\$2.53 million, more than six times that of US President George W. Bush. I am not arguing that our head of state should be paid at such an extreme level (in fact Singapore's President is paid even more at US\$2.6mn). But I think taxpayers' money should be targeted where it makes the largest difference which is, in my view, incentivising key public sector decision makers.

A final suggestion for civil service reform is to find a more effective means to avoid the inter-departmental delays, paper shuffling and indecision that has demotivated many entrepreneurs. All of you in the corporate sector have your own stories about going to one ministry for a decision, only to be sent to another and back again sometimes for months on end. I was thinking about this coming to the office the other morning and saw a group of RAB officers standing outside Square Hospital. They appear to have had a major impact in increasing public

confidence in Law and Order. What we need is the equivalent of a Rapid Action Battalion for public decision making. A supra-ministry elite civil service commission that is empowered to prevent inter-departmental wrangling and jurisdictional turf battles from causing policy inertia. They would propose any necessary changes in the law to the government and any changes in the implementation of the law to the Regulatory Reforms Commission.

I am not sure we can expect them to wear dark glasses, black uniforms and bandanas. But a more effective public decision making process is critical to Bangladesh's economic future. So a RAB for policymaking may not be as far fetched as it seems.

The writer is the managing partner of Asian Tiger Capital Partners and formerly MD, Head of Macro Strategy at CitiGroup in London. Ify.Islam@at-capital.com

IFTY ISLAM