

International Business News

US auto rescue wins backing, but economic gloom deepens

AFP, Washington
US legislators approved a massive government lifeline for the ailing auto industry as fresh economic data on Thursday offered evidence of a deep and painful global recession.

The House of Representatives raised hopes on Wednesday by approving a package worth 14 billion dollars to keep the three biggest auto makers afloat -- potentially the most far-reaching intervention in US industry in years.

House Speaker Nancy Pelosi said the legislation helping the Big Three automakers -- Ford, General Motors and Chrysler -- would serve as "a jumpstart for an industry and our country's economic health".

But the legislation now faces stiff opposition in the Senate from Republicans who consider it a quick fix.

Republican Congressman Tom Feeney described the bailout as a "short-term solution" and telling the House: "Micro-managing a business from Washington is the supreme act of hubris. It will never work."

The world economic crisis meanwhile showed signs of deepening, with a flood of woeful data on Thursday painting an increasingly gloomy picture in Asia.

The Asian Development Bank said growth in Asia's developing economies will slow to 5.8 percent in 2009, from a previous estimate of 7.2 percent, and that regional governments must boost domestic demand to counter a deeper slowdown.

Europe wrangles over stimulus as gloom gathers

AFP, Brussels
European nations wrangled over the best way to beat the global recession on Thursday as a key US auto industry bailout package faced a tough vote in the Senate.

Tensions over attempts to stimulate the European economy broke into the open as EU leaders met for a summit in Brussels.

British Prime Minister Gordon Brown has adopted "crass Keynesianism" by borrowing money to finance state spending, German Finance Minister Peer Steinbrück told Newsweek magazine.

"The switch from decades of supply-side politics all the way to a crass Keynesianism is breathtaking," Steinbrück said.

Germany has faced intense pressure from Brown, French President Nicolas Sarkozy and European Commission chief Jose Manuel Barroso to boost domestic consumption, but has refused to indulge in borrowing and deficit spending.

Brown dismissed the criticism and said the comments were "internal German politics."

In the United States, the House of Representatives approved a 14-billion-dollar government lifeline for the US auto industry, but the proposal faced possible defeat in the Senate amid stiff Republican opposition.



AFP
Laid-off workers with their belongings wait at the railway station in Dongguan, southern China's Guangdong province, to return to their hometowns on Tuesday. There are 120 million Chinese, who have left unemployment and poverty in the countryside in search of better lives in the bustling cities.

AIG faces tough selling climate to pay back US govt loan: CEO

AFP, Hong Kong
The head of troubled insurance behemoth AIG said Thursday that tough economic conditions would make it difficult to sell off assets in order to pay back a giant US government loan.

However, Edward Liddy, chairman and chief executive officer of the US firm, said it was determined to push through with its disposal of non-core assets, as it grappled to pay back part of the 150 billion dollar rescue package.

"These are challenging times to undertake divestitures and it's quite possible that the pace or order of our divestitures will change," he said in Hong Kong, in a speech to the American Chamber of Commerce.

"Nevertheless, I have made the very public commitment that we will pay down the entirety of the amounts we have borrowed from the US taxpayers."

Liddy said the firm, whose full name is American International Group, had used around 30 billion dollars of a 60 billion dollar loan facility, put together to rescue what was previously the world's biggest insurance firm.

Sumitomo Mitsui to raise \$5.8b

AFP, Tokyo
Japan's third largest bank, Sumitomo Mitsui Financial Group, said Thursday that it would raise 5.8 billion dollars from investors to shore up its finances during the economic crisis.

Sumitomo Mitsui said it would sell preferred securities worth 538.2 billion yen to domestic institutional investors.

The securities, which will be issued through a special purpose company in the Cayman Islands next week, will not be convertible into common stock.

Separately Japan's top broker Nomura Holdings said it would raise 300 billion yen by selling bonds.

The move aims to top up Nomura's operating funds in the Asia-Pacific and Europe following its acquisition of parts of failed Wall Street giant Lehman Brothers.

Japanese financial giants have been relatively resilient to the global credit crunch that has pushed banks worldwide to the brink of bankruptcy, but they are now being squeezed by weak markets and a Japanese recession.

INTERVIEW

The smartphone designer

Eguchi Shunjiro of Nokia speaks to The Daily Star

INAM AHMED

At 35, Eguchi Shunjiro is Nokia's top designer. Behind the ever-smiling face, he possesses a sharp sense of aesthetics and reasoning to churn out award-winning mobile set models.

His latest brainchild is the N97 that is expected to hit the market by the middle of next year. And what did it take him to shape a set that Nokia thinks would captivate the market? What worked inside his head when he first started modeling the mobile? And more than that, how does a top-line product designer proceed with an assignment?

"It took me two years to finalise the N97 design. And it takes a team work to bring out a successful product," Shunjiro says as he flips through his diary that shows rough sketches of mobile phones. Page after page. From different perspectives.

"These are just the first few drawings for N97. Things changed a lot later," he smiles.

Shunjiro worked as the lead designer and he had with him a large team including a graphic designer and a material specialist. As he proceeded with the design, he sought advice on which colour to use and which material to use. He was already briefed on the hardware and software parameters.

When designing products, Shunjiro has to pay attention to every detail -- like how much weight a set should have. This he calculates based on many things like who could be the potential customers -- women, men or children. The weight of the product should be proportionate to the size of the palm.

And interaction with people is a must for designing. Shunjiro seg-



The N97 mobile set, the latest brainchild by Nokia's top designer Eguchi Shunjiro, left, is expected to hit the market by the middle of next year.



ments his sample according to the nature of the product and then goes out and talks to them about what they want in a mobile set and what they hate about the one they are currently using.

"For N97 we went to different parts of the world including Rio De Janeiro, London, San Francisco, Dubai and Shanghai and met people who look for higher technology," says Shunjiro.

"We asked them about their lifestyles such as how they meet friends, how they make appointments, or how they decide which movie they are going to watch," he says.

"We wanted to get an in-depth view of the basic needs of these

people and then set about designing a product that meets these needs. We then came to a hypothesis of an internet mobile."

And what were the basics of an internet mobile? Big screen, ergonomic keyboard and stretch of the technology. Small ideas went into shaping the product design.

"The whole exercise took us over two years," says Shunjiro.

In the beginning, the N97 was quite different from how it will look when launched. The team tackled with a lot of small glitches. The biggest problem was probably the screen that glides up with the push of the fingers. It took quite some time to find a solution for that smooth aero-

plane's takeoff-like gliding of the screen.

As a kid, Shunjiro was interested in making things with clay and wood and cans. He loved to play with paper, shaping paper into different things. He was fascinated by the things he could make with it.

So when he reached his teenage, Shunjiro was at a loss over professional studies he should pursue that would satisfy his curious mind.

"I asked my dad: Dad, I love making things. What could be my future? And dad sent me to the art school," he says.

After doing his master's in product design from the Tama Art

University in Tokyo, he went to Sweden to study "product design" at the Institute of Design in Umeå. Then he found a job with Nokia.

For the past four years, Shunjiro has worked with Nokia Nseries products, including the Nokia 93, Nokia 931, and Nokia N810 Internet Tablet. He won the If Product Design Award and the Fennia Design Award for both Nokia 7260 and N93, as well as a Red Dot award for Nokia N810.

And today as Shunjiro rolls out more designs, he tries to make ideas and connect them with people.

"That is exactly what I do and that is how my babies are born from Nokia," he smiles again.

COLUMN

IFTY ISLAM

An effective economic reform strategy

The resilience of Bangladesh's economy and financial markets so far in 2008 and the global financial crisis must be commended.

Indeed, the country has a history of exceeding expectations. Its achievements over the past 37 years has been impressive, most notably in its emergence as a major textile/RMG exporter as well as sharp increase in manpower exports and remittances.

More broadly, the low volatility and consistency of growth in the past decade, despite political instability and natural disasters is a testament to a dynamic and entrepreneurial private sector.

But this is not a time for complacency. The darkening global recessionary storm clouds amid the worst financial crisis since the Great Depression of the 1930s will provide the incoming elected government in 2009 with a uniquely challenging economic environment.

Demand conditions in our key export markets will continue to weaken over the course of the next 12 months. Capital flows to Emerging Markets are also likely to diminish as risk aversion dominates which will make attracting foreign investment challenging.

The good news is that unlike many of its Asian neighbours, prudent macroeconomic management leaves both monetary and fiscal policy tools available to respond with either a rate cut, exchange rate depreciation or targeted fiscal injections to exporters if the economy does begin to feel the effects of the global economic slowdown.

Bangladesh remains well poised to continue to outperform the rest of the world with any slowdown in 2009 likely to be modest and temporary. While keeping short-term stimulus measures available makes sense, the real focus should also be on the next elected government pursuing an economic reform agenda in areas like power, infrastructure, export diversification and attracting FDI that will raise the structural long-term growth rates for Bangladesh.

It is with this goal that on December 6 the FBCCI published a report "Maximising Growth: A Private Sector Vision". I was privileged to be involved in the publi-

cation along with several CEOs of some of Bangladesh's leading companies, senior researchers, as well as a number of FBCCI directors.

In launching the report, the intention of FBCCI and all the contributors was to layout an Economic Roadmap for the next government that offered 37 policy recommendations across a broad range of issues.

The objective was to put Bangladesh firmly on the path towards inclusive growth in excess of 8 percent. In addition to longer-term strategic goals, we also outline a number of key actionable policy decisions that should be implemented as soon as the new government takes office that we believe will catalyse the economy and provide momentum to a new agenda of economic reform as well as Public-Private Partnership (PPP).

The FBCCI held a seminar on December 6 to launch the paper that was attended by almost 100 business leaders, politicians, multilateral agencies and embassies as well as the press. I will not discuss the contents of the report itself (please email if any reader would like an electronic version of the report) but rather how best to maximise the effectiveness of the initiative in genuinely acting as a catalyst for economic change.

Indeed, one issue that came up a number of the times at the seminar is what gives this initiative any better chance of success, in terms of adoption by the incoming elected government, versus the numerous previous initiatives that began with the extensive work of the Centre for Policy Dialogue in the 1990s and culminated with the comprehensive and detailed Nagorik Committee report of 2006. How do we get future policymakers to listen? Here are a few observations: 1) It is important to make economic reform "populist". Unless solving the major growth bottlenecks such as power/infrastructure and delivering a more dynamic economy matters to the average voter in towns and villages, why should politicians, who are naturally focused on re-election, care?

As a former president of DCCI



AFP
People shop in the Leytonstone branch of Woolworths in east London yesterday. Closing-down sales were under way at more than 800 branches of ailing retailer Woolworths as thousands of shop workers feared for their jobs.

mentioned at the December 6 seminar, we need a theme such as \$1000 per capita in 2020 that the broader electorate can identify with. The media will play a critical role in this "popularisation" of economic change; 2) It is important to re-inforce the message that problems such as energy, increasing agricultural productivity or attracting FDI have solutions there are not facts of economic life that Bangladesh must deal with; 3) The private sector needs to use its considerable influence as the

primary wealth generator to maintain the pressure for economic change. Indeed, many members of FBCCI and other leading chambers are also standing for elected office and need to maintain the pressure for change in the new parliament.

Some countries, most notably Malaysia with former PM Mahathir Mohamad, Singapore with Lee Kuan Yew, India with Manmohan Singh have an economic visionary who drives change. But other countries such as Korea or Taiwan have a

collective economic vision driven from a number of leading companies in the private sector.

China and India, both have extremely detailed five-year economic plans. But in addition, I am struck by the degree to which every minister and senior civil servant in those countries is familiar with the details of such five-year plans, both the goals and how they are to be achieved.

It is clear that the next government needs to urgently formulate a similar Bangladesh National Economic Vision and Plan in partnership with the private sector. Such a plan needs to have all-party support so that we move away from the economic policy volatility to a national consensus on the way forward that is independent of the political cycle.

The upcoming National Elections and the return to an elected democracy will be rightly welcomed both by the civil society within Bangladesh and international community. There will be an expectation that we move towards more well-functioning political system and away from the confrontational and frictional politics that has characterised much of Bangladesh's history.

But there will also be substantial economic expectations for the next government to become an agent of economic reform that can unlock Bangladesh's economic potential.

The FBCCI report was a focused attempt by the private sector itself to constructively engage and offer policy recommendations to the new government. However, as authors of the report at the seminar were keen to emphasise, this is the beginning of an interactive process between the political parties, the civil service, the private sector, think tanks and the donor agencies to collectively come up with a National Vision document for Bangladesh that can put it on the path to 8 percent-inclusive growth. Even amidst the current economic gloom, I believe we have every grounds for optimism that Bangladesh can emerge from the crisis stronger.

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