International Business News

Fiat, Cinquecento agree to tow Chrysler from abyss

AFP, *Milan*

The Italian Fiat auto group with its tiny Cinquecento back-street "people" car and flashy Ferrari brand agreed to tow mighty Chrysler out of a product-range abyss on Tuesday, swapping Italian technology for 35 percent of the US giant.

Under the outline, non-binding deal, Fiat would obtain 35 percent of Chrysler without making any payment in exchange for giving Chrysler access to its own vehicle platforms, products and technology "to expand Chrysler's current product portfolio."

It would offer access to new markets through its international network.

Press reports had suggested earlier that a transfer of technology by Fiat would be aimed specifically at enabling crisis-hit Chrysler to develop quickly a complete range of small, front-wheel-drive and "clean" low-carbon-emission vehicles. Each group would benefit from the other's sales outlets.

The deal would enable Chrysler to demonstrate to the US treasury that it could remain viable, and so avoid having to repay 5.5 billion dollars (4.2 billion euros of just-received federal rescue finance.

Japan says economy 'worsening rapidly'

AFP, *Tokyo*

Japan said Tuesday its economy was "worsening rapidly," downgrading its assessment for a fourth straight month as output, exports and consumer demand weaken amid the global downturn.

The Japanese consumer confidence index slumped to a fresh all-time low in December as the economic crisis triggers a wave of layoffs in Asia's largest economy, a separate survey showed.

"The worsening trend is likely to continue for some time, and there are concerns that a rapid drop in production may lead to a drastic adjustment in employment," the Cabinet Office said in a monthly report.

The economy faces risks from an escalation of the global financial crisis, a world recession and turmoil on world financial markets, it said.

The government downgraded its assessment of exports, production and consumer demand, following a raft of gloomy snapshots of the world's number two economy.

AFP

Chief Executive Officer of Tata Consultancy Services (TCS) S Ramamdorai poses with a Ducati sports motorbike during a press conference in Mumbai yesterday. TCS has signed a multi-million dollar, multi-year agreement with Ducati Motor Holding and its subsidiaries in Europe to deliver technology-based services.

French carmakers to get six billion euros in rescue plan

AFP, *Paris*

Struggling French carmakers will get up to six billion euros (7.7 billion dollars) of state aid to help the key industry survive the financial crisis, the prime minister said on Tuesday.

"Our effort in favour of manufacturers will be massive. What are we talking about? Sums of the order of five or six billion euros," Francois Fillon said at a meeting with executives from car companies and suppliers and union leaders.

But he warned that "there is no question of the state helping a manufacturer which decides to simply close one or several prodcution sites in France."

Facing collapsing demand, Renault, PSA Peugeot Citroen and their suppliers have dramatically cut production and shed thousands of jobs as they struggle to stay afloat in the global economic downturn.

EU finance ministers urge budget discipline

AFP, *Brussels*

The European Union's most thrifty finance ministers sought on Tuesday to rally their EU counterparts behind the cause of budget discipline as government deficits blow out in the face of recession.

"A crisis that arose out of (too much) debt cannot be fought by creating more debt over the long term," Austrian Finance Minister Josef Proell said as he arrived for a regular monthly meeting with colleagues in Brussels.

Facing one of the worst recessions of the post-war period, EU governments are plowing billions into their economies as tax revenues dwindle in the face of slumping economic activity, causing gaps in their budgets to ballon.

FINANCIAL CRISIS

US retailers overhaul business

AP, *New York*

For years, retailers could afford to be sloppy about running their businesses because customers kept buying.

No more.

Stung by the worry that shoppers - who cut spending by the most dramatic amount in at least 39 years this the holiday season - may not start spending again for a long time, stores are making drastic changes. They are cutting out marginal suppliers, hiring outside experts to keep inventory lean, holding special events for those who are still buying and making extraordinary efforts to gauge customer satisfaction.

The new discipline will be mostly good news for shoppers, who will find stores less cluttered and see an array of products at lower prices, from ordinary groceries to jeans from brands they could once only aspire to.

Of course, the downside is that consumers who want something out of the ordinary - an olive green prom dress, for example - may have to look harder. Stores are rooting out offbeat, unpopular colours and styles, which will mean fewer choices.

Sales clerks are also checking back with customers to see if they're satisfied with their purchases.

"We are in a sea change," said Millard "Mickey" Drexler, J Crew's chairman and chief executive and former CEO and visionary of Gap Inc.

Pricing goods within reach of strapped consumers is also a big focus, given the way nervous consumers have stopped shopping. Same-store sales, or sales at stores opened at least a year, fell 2.3 percent in November and December together, according to the International Council of Shopping Centres. And the worsening sales slump in January has many worried about the industry's prospects over the next few months.

J.Crew is adjusting its prices on certain items like ballet flats, which now start at $98 rather than $118. It's also stocking fewer of its high-priced items like $1,300 leather trench coats. It's cutting inventory and slashing expenses.

Status denim brand Rock & Republic will ship a new Recession Collection this spring that runs about half the usual $200 price tag for its jeans.

Even supermarket chain SuperValu Inc. has promised lower everyday prices on groceries and more promotions.

Chief executives from Crate & Barrel to JC Penney acknowledged during the National Retail Federation meeting this month that they're navigating new territory, predicting that the fundamental shift by consumers to spend less and save more will linger.

The biggest unknown is when or if shoppers will ever resume spending the way they did when the housing market was booming, credit was easy and jobs were more plentiful.

"Customers wanted and wanted and wanted some more and we sold and sold and sold some more," said Burton M Tansky, president and CEO of The Neiman Marcus Group. Now, "frugality is more important."

This sudden hibernation of customers is leading even the luxury retailer to try new strategies. Neiman Marcus is eliminating some vendors and focusing on serving its best customers. It's trying to retrain its shoppers to buy regular-price merchandise by throwing more smaller private events for 20 to 30 customers.

Weaning customers off discounts is a big challenge for the industry, as people have gotten used to them - particularly on luxury brands that hadn't been discounted before sales all but dried up.

For the last two years, many of the best-run nation's stores like JC Penney Co had been reducing inventories in response to the consumer spending slowdown. But no one anticipated the severe retrenchment that hit in September as the financial meltdown ravaged shoppers' retirement accounts, reduced credit availability and resulted in massive layoffs across industries.

As shoppers simply stopped buying, stores were forced to discount as much as 75 percent off in some cases even before the official start of the holidays - resulting in the weakest season since at least 1969, when the ICSC index began.

Some companies like KB Toys Inc. couldn't make it through the Christmas season, and many more are expected to file for bankruptcy in the coming months. Circuit City Stores Inc., which filed for Chapter 11 bankruptcy protection in November, said Friday it will go out of business - closing its 567 U.S. stores, after not being able to work out a sale.

With no sign of the economy improving soon, and no pressure on people to buy now that the holidays are over, merchants are preparing for times to get worse. Those who have survived face battered fourth-quarter profits and are slashing expenses and hoarding cash. Apparel merchants are cutting inventory by 20 percent to 30 percent for the summer and fall seasons, according to Kathryn Deane, president and CEO of Tobe Report, a fashion consultancy.

AFP

A man passes a furniture store advertising liquidation prices in Manassas, Virginia. US retail sales in December plunged 2.7 percent, more than twice market forecasts, as wary consumers snapped wallets shut amid the deepening recession, government data showed on January 14.

But it's just not about slashing how much merchandise they carry. Companies like Polo Ralph Lauren Corp. are turning to outsifle specialists in areas like sourcing and currency hedging to reduce the impact of volatile foreign exchange rates. They're working with suppliers to reduce the time it takes to produce an item. And they're trying to understand the new mindset of shoppers, scrutinizing the products they offer to see whether the prices and quality meet the new standards from consumers who are questioning the real value of things.

Apparel suppliers say they have noticed the difference in recent weeks as the buyers for big chains visit their showrooms to order for fall. They want eye-catching pieces that have longevity - and nothing too radical.

"They're not buying disposable clothing," said Allen Schwartz, owner of fashion company A.B.S. by Allen Schwartz. He noted that store buyers are taking styles with staying power like daytime dresses. But while in years past they would buy one colour and three different styles, he said, now they're buying three colours in one style.

Fashion company Nicole Miller is now shipping 80 new styles per month instead of 120. Bud Konheim, president of the business, said even buyers from upscale stores are questioning the prices of its top designers, which top at about $1,600. He said he's doing more clothing business in the $200 to $300 range instead of the $700 to $800 range.

Such scrutiny from buyers is forcing Nicole Miller to do its own editing, cutting out styles or colours. For prom gowns, Konheim said the company used to do oddball colours like olive green - but not anymore.

Michael Ball, founder and creative director of Rock & Republic, said he immediately lowered the prices of the company's most expensive jeans in September before they hit the floors when the economy imploded. The premium line, which had been priced from $180 to $320, now peaks at $280.

COLUMN

ANWARUL ISLAM

Regulatory reforms: Korean experience

Republic of Korea, once known to be one of the world's poorest agro-based societies like us, has undertaken economic development in earnest since 1962.

In less than four decades, it achieved what has become known as the "Miracle on the Hangang (river)" - an incredible process that dramatically transformed the otherwise divided economy while marking a turning point in Korea's history.

South Korea recently pulled through an economic storm that began in late 1997. This crisis, which roiled markets all across Asia, has threatened Korea's remarkable economic achievements.

The Korean government's strong resolve for reform and successful negotiation of foreign debt restructuring with creditor-banks led to resumption of economic growth.

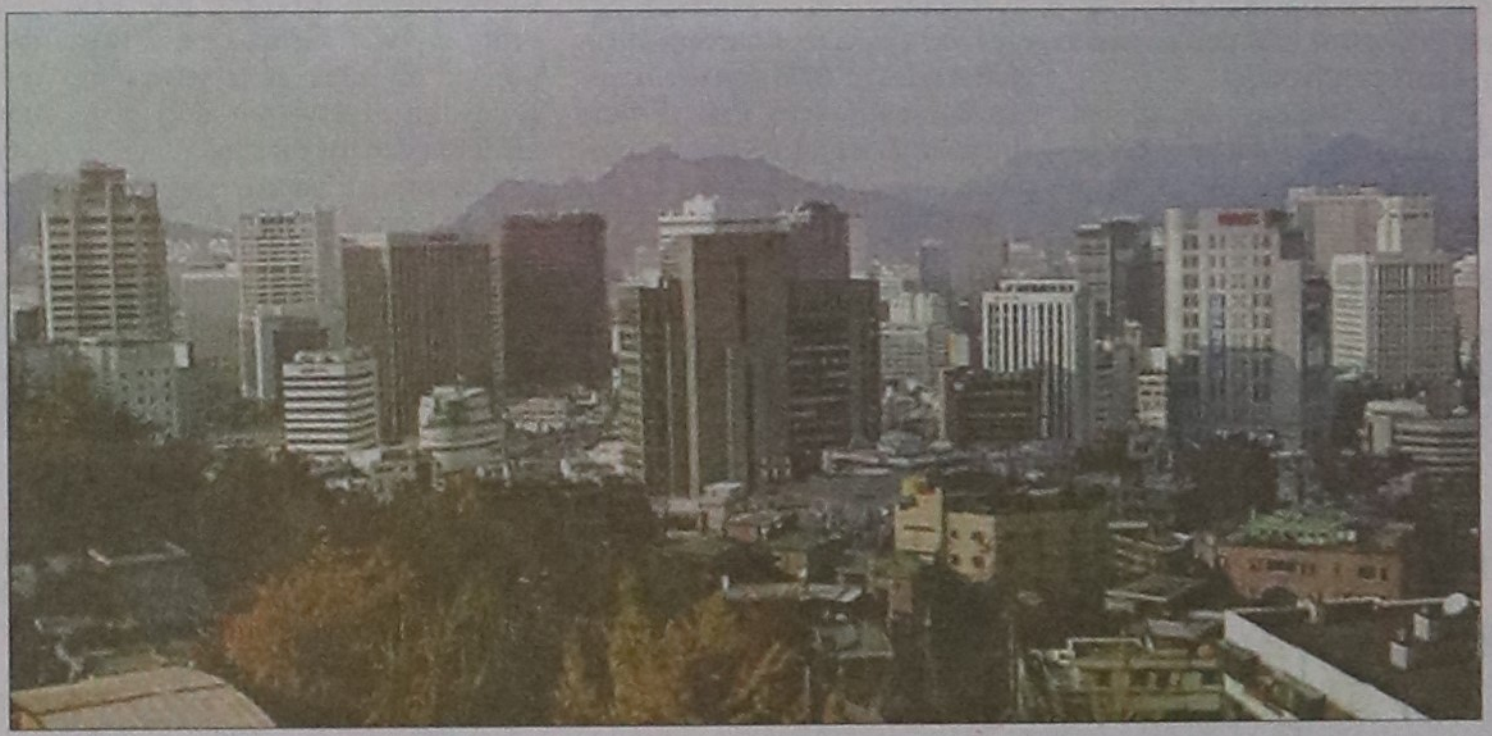
With introduction of reforms, the number of regulations in South Korea fell from 10,554 in 1998 to 7,812 in 2003, to 5,112 in 2007.

The cost of establishing and operating business has fallen drastically due to fewer administrative regulations. Simplified regulations have decreased the time and number of tasks necessary to establish a business by 40 percent and reduced administrative costs tenfold.

It was stated by Dr Gil Hong-Geun, director general at Prime Minister's Office of Korea, on January 7 this year to the Bangladesh Regulatory Reform Core Group that comprised of mid-level officials from different ministries, including Bangladesh Bank and Chamber representatives.

Strong support from the political circle, business and the public, well designed institutional setting and clear quantitative targets with whole of government approach are, among others, the success factors for the regulatory reforms in Korea, Gil pointed out.

The Bangladesh team visited Korea Regulatory Reform Office, Prime Minister's Office, Anti-corruption and Civil Rights Commission, Korea Customs Service, Korea Post, Hanjin (Shipping Service), Seoul Transport Operation and Operation Service offices to see reform process there.



A view of the skyline in Seoul. South Korea has recently pulled through an economic storm that began in late 1997.

The Bangladesh team was informed that in the backdrop of 1997 financial crisis leading to severe recession in 1998 with output falling by 7 percent, Korea initiated the regulatory reforms. The country constituted the Regulatory Reforms Committee (RRC) through enactment of law.

The Korea RRC sets the general direction of the regulatory reform and coordinates the overall regulatory reform activities. It controls the duplications of regulations and inconsistencies of policies between ministries by reviewing all draft regulations.

In Korea, a ministry has to make request to the RRC for regulatory review of a proposal for regulation with the opinion of stakeholders, Regulatory Impact Assessment (RIA) and self-review results. Citizens and NGOs can submit their comments. RRC also invites stakeholders during the review process. Decisions made by RRC have been decisive (binding for all). After having cleared by RRC, the proposal is, then, subject to review by Cabinet Council and National Assembly, where necessary. RRC is not, however, involved in minor issues. Even RIA is not required for all cases.

The RRC makes public the bills it reviews, the review results and other regulatory process through the homepage. Also it is compulsory to make public a white paper on the status of regulatory reform every year. The current laws and policies of each ministry can be found at the Ministry of Government Legislation homepage (http://www.moleg.go.kr) or the respective ministry homepage. Also, each ministry has to register with RRC the name, details, legal basis and processing body regarding the regulation of its responsibility.

RIA, introduced in Korea in 1998 by enactment of law, enables the public officials in charge of designing regulations to take informed decisions on how to make regulations viable, sound and effective.

Assessment areas and factors for RIA include: overview of regulation in question, identifying regulated entities and stakeholders, lifetime of regulation, short description of both the existing regulation being reviewed and the new regulation being developed and regulation mapping, i.e., the mapping of relationship between the regulatory proposal in question and the existing regulations relating to it, cost-benefit-analysis of alternatives to the regulation in question. The ministry concerned must gather public opinions during the stipulated 20-day notice and comment period and report the results of its review to those who provided inputs on the relevant regulatory proposals.

After having reduced the number of regulations to a substantial level, the recent goal of the Korean government for the regulatory reform is achieving regulatory quality and national competitiveness at the level of advanced countries, said Prof Chin Seung Chung of Korea Development Institute. He said after successful early stage Quantitative Approach, they are now moving to Qualitative Approach. It is a shift from regulator-oriented regulation to user-oriented regulation and shift from government-only effort to joint government-private effort.

The Korea RRC has conducted surveys every year to hear the public and experts' opinions on the regulatory reform. The results of survey have been used as feedbacks in setting future policy directions every year. The results over the last three years have shown consistency, most of the respondents expressed positive, but not satisfactory views on the government's strong commitment to reform.

Media are also very vigilant. In a recent review, The Korea Herald wrote: regulations often lack clear standards, procedures and outcomes, and there is too much discretion given during their execution. They often have ambiguous standards and complex procedures, which leads to unreliable outcomes. Many regulations are unrealistic. They are difficult to execute and create an environment in which they end up either being absent or failing to serve their original purpose.

Prof Chin Seung Chung, a former vice-minister, stressed the need for regulatory transparency. He said government officials want to retain regulations to enjoy more power. Prof Chin criticised the involvement of the bureaucrats in the key events of reform process. He even questioned why the RRO is in Prime Minister's office.

Now let us look back to the regulatory reform process in our country. Reform is a continued process. It was initiated earlier in the banking sector. It is a success story. There are also reforms in other sectors. Though there exists Law Commission etc in our country, the immediate past caretaker government actually made ignition by constituting the Regulatory Reforms Commission (RRC) headed by Dr Akbar Ali Khan. The 17-member RRC was formed by a notification, not by an ordinance. Five of all part-time members are from private sector. It is presently a recommending body.

There are two things we need to address immediately. One is to introduce RIA process for new rule/regulation at the ministry/agency level. Another is to give RRC an institutional and permanent shape, preferably through enactment of law. All the country's primary and secondary laws, including the proposed one, should be required to be cleared by the RRC, whatever name we shall call the body. This will definitely improve governance standard in our country. With better international credibility and improved regulatory consistency and predictability, we can become one of the most attractive investment hubs in Asia.

The writer is a member of the Regulatory Reform Core Group representing Bangladesh Bank.