

International Business News

Japan steps up efforts to tackle recession

AFP, Tokyo  
Japan's central bank on Thursday announced new emergency measures to tackle a deepening recession in Asia's biggest economy as it left its super-low interest rates unchanged for a second month.

The Bank of Japan said it would buy up to one trillion yen (10.7 billion dollars) of corporate bonds from commercial banks as part of efforts to fight a credit crunch.

It also extended some existing extraordinary measures to keep credit flowing to struggling companies, just days after data showed the Japanese economy suffered its worst quarterly contraction since 1974.

The BoJ said it would maintain its key lending rate at 0.1 percent, as widely expected.

The bank painted a gloomy picture of the world's second-largest economy, saying exports, domestic demand, corporate profits and employment were all worsening.

"Economic conditions have deteriorated significantly and are likely to continue deteriorating for the time being," it added.

BoJ governor Masaaki Shirakawa said the first half of 2009 would be "very tough."

He expressed hope that the economy would start to recover in the second half of the year but noted that the outlook was very uncertain.

Worries about Japan's economy have deepened following a raft of dismal data, including figures released on Monday showing that the economy contracted at an annualised pace of 12.7 percent in the fourth quarter of 2008.

India's inflation falls to 13-month low

AFP, New Delhi  
India's inflation rate fell to a 13-month low, slipping below four percent, official data showed Thursday, stoking expectations of more interest rate cuts to spur a flagging economy.

Wholesale price inflation, the most commonly used cost-of-living measure, slipped by nearly half a percentage point to 3.92 percent for the first week of February from 4.39 percent a week earlier.

Inflation in Asia's third-largest economy has tumbled from a 13-year high of 12.91 percent last August due to a slump in oil and other commodity prices as well as the knock-on effects of the widening global recession.

The inflation rate was the lowest since December 2007 and came in below market forecasts of 4.01 percent. Analysts expect inflation to fall to two percent by the end of March.

The latest data came a day after central bank governor Duvvuri Subbarao said in Tokyo on Wednesday, "There certainly is room for cutting rates" as the impact of global downturn on India had been "much sharper" than forecast.

PUBLISHING BUSINESS

Ekushey, boom time for books

SOHEL PARVEZ

Little Maumita gestures disapprovingly, as she tightly holds on to two nursery rhyme books she got. She is not willing to share the books she bought from the book fair.

The five-year-old and her parents meander through the rows of bookstalls at the Ekushey Book Mela, the biggest book festival centring the Language Movement of 1952 on February 21.

The fair, a congregation of readers, writers and publishers, is taking place on the premises of the Bangla Academy.

Another young reader Sarita is yet to decide upon a book. Unable to make up her mind, she stands a few yards away from the gathering, over by the yellow coloured stall of the publishing house--Annesha Prokashon.

Sellers clad in yellow fatuas, offer many popular series, such as Humayun Ahmed's Himu.

This year, Annesha wins the bid to publish the latest 'Himur Madhaya Dupur'. It's now one of the top selling novels at the fair.

"We have already sold 30,000 copies of 'Himur Madhaya Dupur'. We hope to sell another 30,000 copies by the end of the fair," says Mohammed Shahadat Hossain, publisher of the relatively new publishing house Annesha Prokashon.

Last year, Anyaprokash, one of the leading publishing houses, won the rights to print 'Himu Remande'. It sold 70,000 copies, mainly to the young, last year.

Anyaprokash still draws in the crowd, as it stocks another triumph, Humayun's Ballpoint, where the writer shares anecdotes on his path to becoming a writer.

Sales hovered around 30,000 copies until yesterday, according to Anyaprokash.

Alongside Humayun Ahmed, books by Muhammad Jafar Iqbal, and Anisul Hoque also rule over the sentiments of the young, the main consumer of books.

"It is not a good sign. Creative book publishing businesses now run based on a handful of 10-15 writers. There are many other good books out there, but readers are unaware," says Mazharul Islam, chief executive of

Anyaprokash. Books ranging from children's classics to novel, poetry and fiction, essays and research works, also catch the eyes of readers, even though people flock to stalls that sell books by popular writers.

Thanks to the month-long book fair, the creative book publishing houses record nearly 80 percent of their annual sales.

Publishers attribute the high sales during the Ekushey Book Fair to a wide range of discussions and the media coverage.

The remaining 20 percent of sales take place over the rest of the year, publishers say.

"The market for books has somewhat been confined to this fair. Almost 80 percent of our proceeds come from this fair," says Faisal Arefin Dipan, publisher of Jagriti Prokashoni.

"Demand from book retailers remain low for the rest of the year," he says.

Publishers blame the inadequate marketing and campaign network for the slowdown in demand for books all the year round.

At present, individuals act as the main buyers of creative books while the government, educational institutions and some NGOs also buy books.

But the government purchases are said to be politically motivated, as many publishers, who claim to publish high-quality books, do not receive orders.

"In many countries, governments encourage the publication of serious books through purchase. But the fund allocated for the official purchase is low and also prone to politicisation," says Anyaprokash publisher Mazharul Islam.

"Government purchase has also encouraged the creation of many writers overnight."

Community libraries are the last resort for publishers. But its numbers have comparatively reduced, owing to the emergence of alternative entertainment mediums like satellite media and the internet.

Rahib Noor, publisher of Pathsutra, a latest entrant into the business, blames slack sales on a lack of marketing efforts.

"Many think marketing is



Visitors flock to the Ekushey Book Fair at Bangla Academy in Dhaka yesterday.

unnecessary for the sales of books. But it matters," he says.

The impact: houses that focus on more serious books struggle to survive. But publishing houses that focus more on popular writers breeze by and appear to profit.

"It is tough to make readers buy many good books," says Faisal Arefin Dipan, who has been in trade for about 17 years. "In many cases, we receive returns lower than the investment. But we still continue because it gives immense emotional satisfaction."

Sales on the rise

According to the Bangla Academy, some 2,578 titles were unveiled at the 2008 book fair, up from 1,888 titles a year ago. This year, about 1,600 titles have been published since February 1.

Book sales doubled to Tk 20 crore at the 2008 Ekushey Book Fair, up from about Tk 10 crore

in 2007.

"It's good that the sales of book are increasing. It will help nurture professionalism among both publishers and writers," says Mazharul Islam of Anyaprokash. He expects sales to increase by 10-15 percent this year at his stall.

The rate of books published during the fair has increased thanks to technological advancements in the printing industry.

But publishers remain shaky about printing books by relatively new and unpopular writers, as they worry about returns on investments. To minimise risks, most publishers charge high prices for books, exceeding the costs of production.

In certain cases, publishers compel new writers to share the cost of investment for books. Sometimes, new writers also have to bear the whole cost of publica-

tion. It is however the poetry writers who bear the brunt of the cost the most.

New publishers even bet over young and new writers, despite a risk of losses.

"There are risks involved in publishing new books. These books need to be effectively promoted to the readers," says Rajib Noor of Pathsutra.

Little Maumita has the books she wants, but the crowd still lingers in the final hours of the day. It seems there are not enough hours. Dusk descends and a young seller starts shoving later entrants away from the counters.

"We are closing for today. Please drop by early tomorrow," says the salesman for Anyaprokash, as he brings the red curtains down on his stall for the day.

sohel@thedailystar.net

COLUMN

IFTY ISLAM

Effective economic diplomacy amid crisis

While Economic Diplomacy is something of a buzz phrase these days in policy circles, its importance has undoubtedly grown in a face of a global financial crisis that is expected to intensify over the balance of 2009.

The term can cover a wide range of activities of government, from specialist agencies domestically to the role of our embassies overseas in promoting the economic interests of Bangladesh overseas.

Broadly speaking, I would subdivide it into export promotion of our goods overseas to efforts to attract foreign direct investment (FDI) to this country. The Institute for International Finance forecasts global capital flows to Emerging Markets will collapse in 2009 to \$165 billion from \$929 billion in 2007.

Bangladesh needs to focus its efforts if it is to increase its FDI flow in the face of a rapidly diminishing global pie. My February 5 column discussed a strategy for export diversification and this time I wanted to focus on how we might re-energise our efforts to attract greater FDI. I received much valuable input from an AT Capital seminar on FDI held on February 17 attended by participants CEOs of leading Bangladeshi companies, FBCCI, embassies, multilateral agencies and former secretaries in government.

Investment promotion activities can be grouped into four areas: (i) national image building, (ii) investment generation, (iii) investor servicing and (iv) policy advocacy. Image building activities aim to build a perception of the country as an attractive location for foreign direct investment. Investment generation involves identifying potential investors who may be interested in establishing a presence in the country, developing a strategy to contact them and starting a dialogue with the purpose of having them commit to an investment project.

Investor servicing involves assisting committed investors in analysing business opportunities, establishing a business and maintaining it. Policy advocacy encompasses initiatives aiming to improve the quality of the investment climate + identifying the views of private sector in this area. The purpose of investment promotion is to reduce the costs of FDI by providing information on the host country, helping foreign investors cut through bureaucratic procedures, and offering fiscal or other incentives to international investors.

Torfinn Harding and Beata Smarzynska

Emerging Market Economies' External Financing				
	Billions of US dollars			
	2006	2007	2008e	2009f
Current account balance	383.9	434.6	387.4	322.8
External financing, net:				
Private flows, net	564.9	928.6	465.8	165.3
Equity investment, net	222.3	296.1	174.1	194.8
Direct investment, net	51.5	-8.0	-89.3	-2.7
Private creditors, net	342.6	632.4	291.7	-29.5
Commercial banks, net	211.9	410.3	166.6	-60.6
Non-banks, net	130.7	222.2	125.1	31.1
Official flows, net	-57.5	11.4	41.0	29.4
IFIs	-30.4	2.7	16.6	31.0
Bilateral creditors	-27.1	8.7	24.3	-1.6
Resident lending/other, net <sup>1</sup>	-336.5	-425.3	-449.8	-271.6
Reserves (+ = Increase)	-554.8	-948.7	-444.3	-245.9

e = estimate, f = IIF forecast

<sup>1</sup>including net lending, monetary gold, and errors and omissions.

Javorcik have published a recent paper "Developing economies and international investors: Do investment promotion agencies bring them together?" Their analysis contains information on investment promotion efforts in 109 countries, representing all income groups and geographic regions. About three quarter of responses pertain to developing countries. Data covers from 1990-2004. They find that targeted sectors receive more than twice as much FDI as non-targeted sector. It is believed that agencies accountable to external entities are more effective than those accountable to a board. IPAs that provide up-to-date, detailed and accurate data on their websites and IPAs that are willing to spend time preparing detailed answers to investors' inquiries and customise these answers to the needs of an individual investor can increase the chances of their countries being included in the short list.

The FIAS group of the World Bank has made the following suggestions on investment promotion strategy. Sector profiles provide specific information about sectors in which your location is deemed competitive. Focus on developing materials only for those sectors that have been assessed to offer the greatest potential for investment opportunities. Most IPAs also produce opportunity profiles or specific project proposals to steer investors to tangible

investment opportunities.

In some cases, the opportunity profiles will have a single project opportunity with several details, while in other cases a set of brief profiles might be included in one document. Opportunity profiles are an excellent way for domestic firms to 'advertise' joint venture opportunities. In a sense, these profiles can pave the way for match-making with foreign firms. Newsletters are also commonly used by IPAs to keep investors up-to-date on what is happening in their location. They are very effective for maintaining regular contact with investors and help people to remember your location. For relatively new or small IPAs, newsletters can be prepared and distributed bi-monthly or quarterly.

A monthly newsletter is normally too burdensome for small IPAs because of the intensive effort required for writing, formatting and disseminating the newsletter every month. Rather than merely having all sorts of miscellaneous updates and news, it is useful to at least occasionally develop a particular theme (e.g., policy reforms) or highlight a selected sector (e.g., food processing) in an issue of the newsletter.

Investors often find these types of newsletters very informative because they contain a lot of condensed information on a sector or a current issue of concern to investors.

Some specific recommendations that the BD government might consider include:

BOI Reforms: Accelerate the proposed reform programme for the Board of Investment (BoI) including the setting up of a new 'Investment Bangladesh' wing. This new organisation will be solely tasked with attracting FDI by developing sector research and direct marketing to prospective investors either on a country or company specific basis. The administrative and regulatory aspects of the BoI, which are also important, should reside in the existing organisation that will become a separate division. It is critical to attract more qualified and credible senior BoI officials from the private sector if the re-energisation of the BoI is to be effective. This clearly necessitates that salary levels for the BoI need to be increased towards commercial levels. FBCCI should form a sub-committee for FDI that deepens relations with trade bodies in target markets and ensures higher frequency dialogue and interactions to maximise potential investments and joint ventures.

New Brand Bangladesh Taskforce: The re-branding of Bangladesh as an attractive investment destination is critical. The government should set up a Brand Bangladesh taskforce with core committee composed of the heads of the BoI, EPB, Foreign Ministry, FBCCI and NRBS professional groups from Europe and the US. It is also important to set up sub-committees within the key export destinations.

The committee should appoint a professional brand strategist with international experience of nation branding for successful investment destinations such as Malaysia and Singapore. The National Branding Taskforce should also focus on providing training, guidance and monitoring of commercial sections of Bangladesh embassies in key target markets. The committee should also liaison with donor agencies and bilateral aid organisations such as DFID, USAID, CIDA, DANIDA and others to leverage their contacts.

In conclusion, the global crisis makes an effective strategy for attracting investment that is more important. But if Bangladesh can leverage the economic resilience it showed relative to its regional neighbours in 2008 to attract more FDI, it can emerge stronger from current economic meltdown.

Ifty Islam is the managing partner of Asian Tiger Capital Partners and welcomes feedback at ifty.islam@atcapital.com



AFP  
A trainee hairdresser (L) practises on mannequins outside a shop in the southern Chinese city of Shenzhen on Wednesday. Across China, communist party officials are handing out millions of food, shopping, and cinema coupons in an effort to get people to go out, have a good time and spend, spend to stimulate the economy.

Norway's economy to contract in 2009

AFP, Oslo  
Norway's gross domestic product (GDP) is expected to contract by 1.7 percent this year as its economy is hit by the global economic downturn, the national statistics agency said Thursday.

"The financial crisis and the backlash in the global economy are contributing to a fall in activity in the Norwegian economy, with the export industry being worst affected," Statistics Norway said in a statement.

"The economy is not expected to see an upward swing until 2011," it added.

Both Norway's overall GDP and its mainland GDP, excluding the oil and gas and shipping industries, were expected to contract by 1.7 percent this year, the statistics agency said.

Mainland GDP is considered a better indicator of the Scandinavian country's economic health, since the oil and gas sector represents 25 percent of its economic growth but employs only about one percent of its working-age population.

Starbucks plays down British economy row

AFP, London  
The Starbucks coffee chain sought to mend fences in Britain on Wednesday after Business Secretary Peter Mandelson slammed its chief executive for talking down the British economy.

On a one-day trip to New York this week, Mandelson launched a tirade against Starbucks chief executive Howard Schultz after he heard him say on US television that Britain was in an economic "spiral".

Asked about Schultz's remarks by reporters at a diplomatic cocktail reception, he said: "Why should I have that guy running down the country?" Mandelson then used an expletive to describe Schultz.

He added: "How the hell are they doing?" -- an apparent reference to Starbucks' own troubles which have seen the company announce the closure of nearly 1,000 stores.

Starbucks issued a conciliatory statement insisting it "has no intention of criticising the economic situation in the UK" and stressing its commitment to Britain, one of its biggest markets.