International Business News

US unveils $500b bank clean-up

AFP, *Washington*

The United States unveiled a 500-billion-dollar programme to rid troubled banks of their bad assets, winning immediate approval from investors on Monday as stock markets soared.

US Treasury Secretary Timothy Geithner wrote in The Wall Street Journal that the initiative would set up a market for troubled loans and securities, freeing up banks to lend again.

In another positive development, President Barack Obama also said he could see "flickers of hope" for the recession-hit US economy and expressed cautious optimism over a quick recovery.

"Well, we're already starting to see flickers of hope out there," Obama told CBS's "60 Minutes."

"Now there's a potential silver lining, which may be that things are so accelerated now, the modern economy is so intertwined and wired, that things happen really fast -- for ill, but things may recover faster than they have in the past," he added.

Markets cheered the latest news from the United States, with Japan's Nikkei index closing up 3.39 percent at a nearly two-month high on the back of the banking plan.

Sydney was up 2.4 percent and Hong Kong was more than three percent higher at lunch.

Eurozone trade deficit swells as exports collapse: EU

AFP, *Brussels*

The 16 euro nations saw their trade balance with the rest the world deteriorate in January as exports collapsed in the face of a weak global economy, official EU data showed on Monday.

The eurozone chalked up a trade deficit of 10.5 billion euros (14.3 billion dollars) in January after a shortfall of only 1.7 billion euros in December, the European Union's Eurostat data agency said in a first estimate.

Data adjusted for seasonal variations showed that exports slumped by 10.7 percent over the period while imports fell by 7.3 percent.

Despite the deterioration from December, the January trade gap was not as wide as the 11.1-billion-euro deficit that the eurozone recorded in January 2008.

Economist Howard Archer at consultants IHS Global Insight said that the deterioration in the eurozone's trade balance showed that the effects of limp export markets were outweighing the positive impact of a weaker euro.

"Extremely weak global economic activity seems certain to continue to hit Eurozone exporters very hard over the coming months, thereby contributing significantly to the region's ongoing serious economic problems," he said.

AFP

People attend an official job service centre in Taipei yesterday. Taiwan's unemployment rate rose to a record high of 5.75 percent in February on business downsizing and closures amid a recession, the government said.

Russia likely to see growth in Q4

AFP, *Moscow*

The Russian economy will record economic growth in the fourth quarter this year after contracting in the first three quarters compared with 2008, a deputy minister said on Monday.

"We are expecting there to be GDP growth in the fourth quarter," Russian news agencies quoted deputy minister for economic development Andrei Klepach as saying.

The ministry said last week that the Russian economy contracted by 8.0 percent year-on-year in the first two months of 2009, compared with a contraction of 8.8 percent in January.

Although a year-on-year contraction is also expected in the second and third quarters, "the magnitude of the fall will be less" than in the first, said Klepach.

The ministry is expecting a contraction in first quarter GDP of 7.0 percent from first quarter 2008.

Klepach also said a forecast of a 2.2 percent contraction in GDP for the full year remained in place.

"This is a base forecast but there are risks, in particular a decline in investment, that could cause a big fall (in GDP)," he said, adding that falling consumer demand could also pose problems.

Thai economy could shrink 3pc in 2009

AFP, *Bangkok*

Thailand's finance minister warned Monday that the kingdom's economy could contract by as much as three percent this year following a slowdown in exports and sluggish domestic consumption.

The state National Economic and Social Development Board has estimated gross domestic product (GDP) growth in 2009 at between minus one and zero percent, but Finance Minister Korn Chatikavanij said the outlook was bleaker.

Even with a raft of stimulus packages aimed at boosting the struggling economy, Korn said the kingdom was looking at a GDP drop of three percent.

"The ministry decided to adjust the projection of our GDP this year as falling exports and domestic consumption will lead GDP to contract further than our previous projection," he told reporters.

"If the government does nothing, our GDP will contract up to nine percent."

Thai exports fell 11.3 percent year-on-year in February while January exports were down 26.5 percent, due to weak demand as the global financial meltdown hits key markets in the United States, Europe and Japan.

AUTO

World's cheapest car rolled out

AFP

Chairman of Tata Group Ratan Tata attends a press conference in Mumbai yesterday. Tata Motors launched the world's cheapest car, Nano.

AFP, *Mumbai*

India's Tata Motors on Monday launched the world's cheapest car, the Nano, hoping to revolutionise travel for millions and buck a slump in auto sales caused by the global economic crisis.

Company boss Ratan Tata said the no-frills vehicle, slated to cost just 100,000 rupees (2,000 dollars) for the basic model, will get India's middle-class urban population off motorcycles and into safer, affordable cars.

"I think we are at the gates of offering a new form of transport to the people of India and later, I hope, other markets elsewhere in the world," he said, describing the launch as a "milestone."

"The present economic situation makes it somewhat... more attractive to the buying public," he told reporters in Mumbai ahead of a glitzy official unveiling ceremony at 7:30 pm (1400 GMT).

Potential owners of the car -- which is just over three metres (10 feet) long and has a top speed of 105 kilometres (65 miles) per hour -- can apply between April 9 and 25, Tata managing director Ravi Kant said.

A ballot will then select 100,000 people to be the first to get the keys to the vehicle and deliveries will start in early July 2009, he added.

Even affluent Indians are eyeing up the Nano, which has a two-cylinder engine and four-speed manual transmission but no air conditioning, electric windows or power steering, although deluxe versions will be available.

"This is a value-for-money car," said Hasmukh Kakadia, 39, a Mumbai investment analyst.

Shares in Tata Motors on India's 30-share Sensex index jumped eight percent in early trade but finally closed 2.8 percent up on profit-taking.

Car dealers say they have been flooded with queries about the Nano, whose debut was delayed after violent protests over the acquisition of farmland to build the plant, forcing Tata Motors to shift from West Bengal state.

But the new plant in Gujarat in western India will not be ready until late this year or early 2010, Tata said, meaning production must come from existing factories, reducing output and increasing waiting times for deliveries.

Kant said 250,000 to 500,000 cars could be produced from the Gujarat plant from next year but admitted some customers may have to wait more than 12 months in the meantime to take possession of their Nano.

Tata, though, said pushing ahead with Monday's launch of the 20-billion-rupee project was the right decision.

The Nano's arrival comes at a tough time for India's top vehicle maker, hit by the economic slowdown at home and abroad as it tries to absorb the British luxury marques Jaguar and Land Rover that it bought last year for 2.3 billion dollars.

Tata is hoping the Nano will also be a hit overseas in the long term.

Earlier this month, the firm unveiled a European Nano sporting airbags and leather trim that will hit the market by 2011 but be costlier than in India due to the extra features.

A US version is also on the drawing board but requires redesigning to meet American safety standards.

Environmentalists, however, fear the Nano will accelerate congestion on India's already crowded, pot-holed roads and add to choking pollution.

"Every car that goes on the road is going to use road space. We're only adding to congestion," said Rajendra Pachauri, head of the UN's climate panel, which won the 2007 Nobel Prize.

Tata countered by saying that the Nano would be the least polluting car in India.

KEY FACTS ABOUT NANO

AFP, *Mumbai*

LOOKS: Snub-nosed four-door hatchback

DIMENSIONS: 3.1 metres (10.23 feet) long, 1.5 metres wide and 1.6 metres high. Can seat up to five people

NAME: Nano, for its connotation of high technology and small size

ENGINE: A two cylinder 624 cc, 33 horsepower rear mounted, all aluminium, fuel injection petrol engine

TOP SPEED: 105 kilometres per hour (65 miles per hour)

FUEL EFFICIENCY: 23.6 kilometres per litre

POLLUTION: Exceeds Indian regulatory requirements and can meet strict Euro IV emission standards. Tata says the car is better than two-wheelers manufactured in India currently

SAFETY: Strong passenger compartment, crumple zones, intrusion resistant doors

PRICE: Basic model price 100,000 rupees (2,000 dollars) plus tax and transport costs, which will bring on the road price to at least 120,000 rupees. The price of two deluxe models that will include air-conditioning, power steering and other features to be announced later

SMALLEST TURNING CIRCLE: four metres

NEAREST DOMESTIC CAR RIVAL: Maruti 800, part of Japanese-owned Suzuki Maruti stable whose base model sells for about 4,300 dollars

NEAREST INTERNATIONAL RIVAL: China's Chery QQ3 which retails for 4,500 dollars

MARKET: India's car market is a huge draw because car penetration is just eight per 1,000 people, compared to 550 per 1,000 in Germany or 495 in France

SALES: Tata will focus on selling the car in India, but hopes to then move into Europe, Latin America and Southeast Asia

COMPANY DETAILS: Tata Motors is India's largest vehicle company with net revenues of 48.58 billion rupees (961.59 million dollars) as of December-end last year.

COLUMN

MAMUN RASHID

Transit, TIFA and Bangladesh

Several heated discussions have been revolving around the issues of "Transit" and the TIFA for years. But there was never a concrete outcome. While many are not in favour of "Transit and TIFA", saying these agreements will go against national interest, some came up with the rationale that these treaties will bring positive outcomes for Bangladesh. I strongly believe it is time for us to take objective and dispassionate decisions based on cost-benefit analysis, backed by hard facts and figures.

We have been discussing transit since 1980. The fear that always prevails is that India will take over Bangladesh.

From that anticipation, previous political governments could not take any decision and we lost the economic benefits of having a "Trans-Asian railways" or "Asian highways". The critical point is that each time we have been holding back these decisions on account of the speculation that our national security will be at stake. Our government failed to come back with a detailed analysis on these concerns and compare them with an objective analysis of the potential economic benefit that we may gain.

We must acknowledge that things have changed in the era of globalisation and things have changed for the better. Now, countries do not fight against each other with guns and ammunition, rather countries outperform each other with economic bargaining power. We have to acknowledge this reality and change our outlook accordingly. We need to come forward and think objectively on how to benefit by leaguing up with others.

Let us look at how we lost out on economic opportunities by not stretching our hands towards friendship. From FY 2003 to 2007, Bangladesh received FDI of $43 million from India, whereas Nepal and Sri Lanka received FDI of $76 million and $358 million respectively. We lag behind out neighbouring countries because of our indecisiveness and failure to foresee the benefits of an economic tie-up.

Now come the issues of trade deficit. In FY 2008, India exported goods worth $3.4 billion to Bangladesh and imported products worth only $358 million. Informal trade between the two countries is much more. The fear is that our local industries will suffer if transit or a corridor is allowed. But we need to understand the extent to which we can reduce trade through informal channels? By allowing transit, we may be able to formalise a share of the informal trade.

STAR

Workers unload shipments at Chittagong Port. Transportation of goods is an obstacle for both importers and exporters.

Talks over transit cover several arenas. Firstly, export by India, Nepal or Bhutan to any third country, using Bangladeshi space and second, transportation of goods from one part of India to another. While the first is an issue of transit, the second is known as a corridor facility. Objections are greater against corridors than transit, as the latter involves other countries as well. But in terms of corridor, we have to realise that there are small-scale road, rail and water transportation links between various cities of India and Bangladesh. So the corridor facility will only help streamline the network and enable Bangladesh to earn more fees and custom duties.

Bangladesh signed transit treaties with Nepal in 1976 and with Bhutan in 1980. But Bangladesh does not have any treaty with India regarding transit or corridor. Due to a lack of any treaty, trade between the two countries is presently carried out by transhipment or by transporting goods from the cargo of one country to the cargo of another.

Again, goods that come to Bangladesh from Nepal or Bhutan by road have to travel through Indian territories. Exporters from Nepal and Bhutan have to face several challenges in terms of pre-designated time for shipment, customs related complications and changing transport at different border areas.

This way, the transportation of goods had become an obstacle for both importers and exporters. As there is no tripartite treaty regarding transit for goods transportation between Bangladesh-India-Bhutan or Bangladesh-India-Nepal, the trade bottleneck never resolved.

Our governments were mostly miser in maximising the benefits of our geographical location. The geographic location of our deep-sea ports may greatly influence trade expansion and Bangladesh has an immense opportunity to become a regional transport hub, not only for Saarc countries, but also for China and other Asian countries in future. A BIDS study shows Bangladesh could have earned $430 million from road, rail, and port services in FY 2006, if we had allowed transit to our neighbours.

Hence, the government should explore regional opportunities further. We should be well prepared for multilateral talks and strengthen our bargaining capacity while going for the transit negotiation, considering our geopolitical reality, which gives a privilege to Bangladesh. It appears that India will continue to do business with neighbouring countries with or without Bangladesh approving transit for its next-door neighbour.

If we are not pragmatic right now, we will lose out to our other neighbours. Hence, our policymakers must develop a focused and proactive "country-strategy" for our regional neighbours to maximise the economic co-operation and benefits and the transit issue should be resolved from that perspective.

Another hot topic is the anticipated signing of the "Trade and Investment Framework Agreement (TIFA)" between Bangladesh and the US. Bangladesh and the US are discussing signing of the TIFA agreement for more than seven years now. The draft agreement changed few times during the last political regime and again by the caretaker government. It gained momentum during the very end of the caretaker government's regime and the draft was finalised. But in order to avoid controversy, the caretaker government refrained from signing the agreement and left it for the next elected government.

The debate is revolving around TIFA's emphasis on Intellectual Property Rights (IPR) and reduction of non-tariff barriers. But in practice there are little non-tariff barriers to export of Bangladesh goods to the US market. As a least developed country (LDC), Bangladesh is entitled to certain benefits from the WTO, which the TIFA has not taken into consideration.

Moreover, the TIFA focused more on extending service related business rather than product trade. Again, it focused on non-tariff barriers rather than tariff barriers, which is not very relevant to our country.

The main export item for Bangladesh to the US market is the ready-made garments (RMG) and there is no guarantee in the TIFA regarding duty free access of our RMG to the US. On the other hand, the US feels that in the absence of proper implementation of IPR, the US companies are suffering in business.

But as per the WTO, Bangladesh is insulated from the Patent act till 2016 and taking that advantage, the pharmaceutical industries of Bangladesh are manufacturing and exporting medicine in 72 countries around the world. And now if we have to follow the IPR, Bangladesh has to incur huge expenses, as big US companies license most patents. The IT expenditure will also be increased to license software.

In signing the TIFA, Bangladesh should try to incorporate the advantages it is entitled to enjoy, being a LDC in the WTO. If teh TIFA contradicts with WTO, then it will undermine the special benefits that Bangladesh is entitled to.

We have to incorporate the benefits of the TIFA in line with the WTO and attempt to obtain market access in the US, particularly duty free access of RMG to the US, which Bangladesh could not achieve in the WTO. While TIFA is broadly related to US foreign policy objectives and geopolitical goals, Bangladesh should be aware of its bargaining capabilities and take steps in a coherent manner to reach to a win-win destination.

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