

International Business News

Indian exports dive for seventh month

AFP, New Delhi

India's exports of jewellery, garments and other goods slid 33 percent in April, shrinking for the seventh straight month, hit by a demand slump in major global markets, official data showed Monday.

Exports slumped to 10.74 billion dollars in April from 16.08 billion dollars a year ago as the global appetite for made-in-India goods contracted.

The figures came days after the newly re-elected Congress-led government promised more measures to help exporters hard-hit by the recession in developed economies.

But exports account for just 15 percent of gross domestic product in India, shielding the economy from the impact of the worst global downturn since the 1930s Great Depression.

The country logged unexpectedly strong 5.8 percent growth in the final quarter to March 2009, fuelled by aggressive rate cuts and fiscal stimulus measures, prompting analysts to say India's economy was on the upturn.

Imports slumped in April for the third straight month, falling 36.6 percent to 15.8 billion, reflecting a tumble in world oil prices and easing demand.

The trade deficit for April was five billion dollars, down from 8.7 billion dollars a year ago.

Geithner urges China to make yuan more flexible

AFP, Beijing

US Treasury Secretary Timothy Geithner urged China on Monday to allow its exchange rate to become more flexible, kicking off a two-day visit to Beijing expected to focus on the global economic crisis.

In a speech at Peking University, Geithner was to praise Beijing's strategy to address the downturn, saying efforts to stimulate domestic demand would create jobs and balance economic growth.

"An important part of this strategy is the government's commitment to continue progress toward a more flexible exchange rate regime," Geithner said, according to an advance text of his speech.

"Greater exchange rate flexibility will... encourage resource shifts to support domestic demand, and provide greater ability for monetary policy to achieve sustained growth with low inflation in the future."

Geithner created waves at his confirmation hearing in January when he said in a written reply to a senator that US President Barack Obama "believes that China is manipulating its currency."

In April, Obama's administration said China had not manipulated its currency to snare a competitive advantage, but insisted that the yuan remained undervalued.



Indian fruit vendor Hari Ram (2L) offers lychees to customers from his roadside stall in Amritsar yesterday. Temperatures in northern India are currently hovering around 46 degrees Celsius with lychees are known to be a cooling fruit in the heat and are in heavy demand in the summer season.

Singapore's Temasek buys stake in commodities firm

AFP, Singapore

Singapore-listed commodities firm Olam International said Monday that investment vehicle Temasek Holdings had paid 437.5 million Singapore dollars (302 million US) for a stake in it.

State-linked Temasek bought the 13.76 percent share via two of its wholly-owned subsidiaries, Breedens Investments and Aranda Investments, Olam said in a statement.

Temasek said acquiring the stake in Olam blended with its strategy of investing in promising companies. "We are investing in Olam because it fits well with our investment theme of supporting emerging global champions," said David Heng, Temasek's managing director for investments.

"With a robust business model, Olam has the competitive edge to benefit from the long-term growth potential of the agricultural sector," he said.

The two Temasek units paid 1.60 dollars per share for 273.46 million new ordinary shares issued by Olam International, the statement said.

China on a shopping spree to boost Taiwan economy

AFP, Taipei

China is sending teams to Taiwan to buy billions of dollars of goods ranging from food to television screens in a gesture aimed at boosting the island's sagging economy, officials said Monday.

The first of three Chinese procurement delegations arrived Sunday, with two further groups arriving late June and next month, officials said.

The unusual plan launched by China's authorities - for the first time in nearly six decades - is a further sign of improvement in ties between Taipei and Beijing after the China-friendly administration of President Ma Ying-jeou was inaugurated in May last year.

"The mainland will buy anything we need from Taiwan, we won't buy from any other places," Li Shuillin, head of China's Mainland Association for Cross-Strait Economic and Trade Exchanges, told reporters.

COOPERATIVE BANKING

A lender to the poor

SAJJADUR RAHMAN

Thirty-two-year-old Mukter Hossain ran a small roadside stall at West Shaorapara in Mirpur, Dhaka, selling packets of low-cost cigarettes, biscuits and tea. He struggled to pay Tk 1,000 in monthly rent, as he stacked only a limited number of items.

That was Hossain only six months back. He now stacks a good number of daily consumer items and spends a busy day at work.

The father of two, living in a shanty in Pinerbagh, says: "I needed some money to expand the range of products I could offer in my shop. I approached my relatives and neighbours in January, but they could not help me."

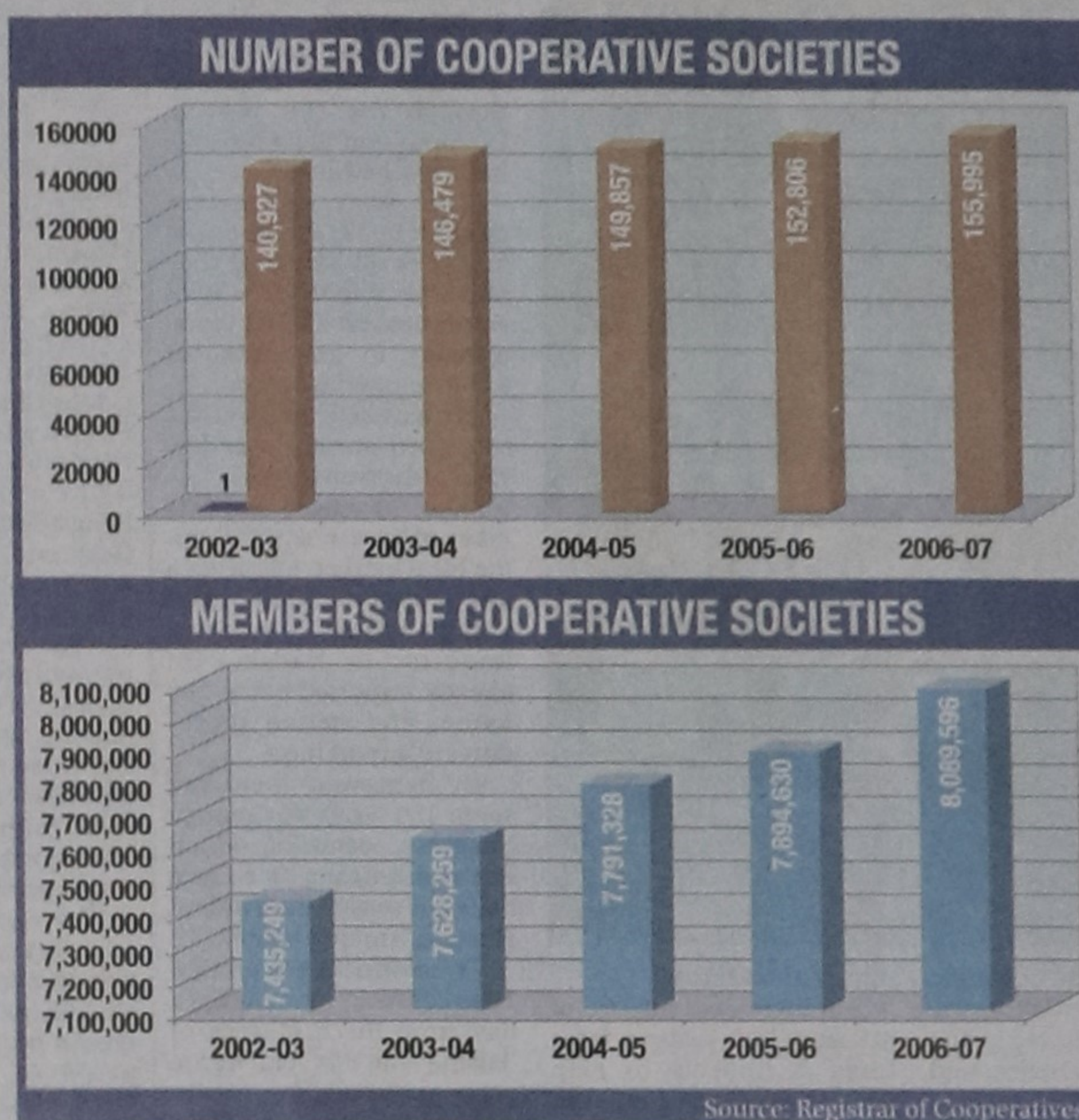
One morning, a friend suggested going to a cooperative society for the money.

"I went to a cooperative society located at Shewrapara and sought Tk 10,000. They inspected my shop and the rent agreement copy. Later, I had to deposit Tk 50 a day for 20 days to become a member of the society," Hossain explains.

By the end of January, he got the money in his hands. He had to pay the loan in 108 instalments, in an equivalent number of days, with each instalment amounting to Tk 100.

This is how low-income people benefit from the cooperative systems. In fact, Bangladesh has a long history of cooperatives. The late Dr Akhter Hameed Khan had tried to change the fate of the rural poor by developing cooperatives in Comilla in the fifties. Even before then, there is evidence that cooperative activities were present in rural Bangladesh.

Earlier, the idea centred around agricultural practices alone. Now it has spread to all other sectors of the economy, including small industries, marketing, housing, fisheries, women entrepreneurship, transport, and insurance.



Nearly one crore people are members of different samabay samitis (cooperative societies), according to data from the Registrar of Cooperatives, a government wing authorised to give registration.

There are three types of cooperative societies -- primary, central and national. At least 20 members constitute a primary society, some primary form a central one

and some central societies form a national one.

The total number of societies neared 180,000 at the end of fiscal 2007-08, Registrar of Cooperatives data shows. Additionally, working capital of these societies stood at Tk 3,000 crore at the time.

"The number of societies and members

are increasing at a rate of 10 percent annually," a senior official of the Registrar of Cooperatives told The Daily Star.

Amena Khatun, an officer of the Dhaka Mercantile Cooperative Bank (although use the word 'bank' is not legally allowed) at Shewrapara branch said they are facing an increasing demand for credit from people everyday.

"We disburse Tk 50 lakh a month on an average as credit," Amena, who has been working with the organisation for the past eight years, said.

She said they do not lend to floating traders. "A trader with a permanent structure is eligible to receive a loan."

Amena said they have to work hard to recover the loan. In the branch where she is stationed, some 12 field officers work to recover the loan from the members, she added.

"The default rate is quite insignificant. It is less than five percent," she added.

Registrar of Cooperatives Suraiya Begum said demand for cooperative registration is growing constantly. But the challenge lies in monitoring and auditing.

"We have to audit thousands of organisations with a limited number of manpower," she added.

Like Mukter Hossain, there are thousands of beneficiaries of the cooperatives across the country.

Mohammad Shafique, 27, who sells vegetables at the Karwan Bazar kitchen market, also became member of a cooperative society in 2007. He took loan from the society three times to run his business.

"No bank is willing to provide us with loans. We are getting credit from a society at an affordable rate," he says. "The best part is that I can have repay the loan in small instalments from my daily sales."

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ANALYSIS

Plenty of risks to GM

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msnbc.com

It's an outcome that was nearly unthinkable just six months ago. General Motors, a company once synonymous with America's industrial might, has followed its smaller rival Chrysler into bankruptcy court for a government-forced reorganisation.

Now, for the sake of taxpayers, investors and the economy as a whole, GM needs to emerge from the largest industrial bankruptcy in US history as a leaner company that makes cars people want to buy. By every measure, it's a tall order.

Chrysler, which filed for a government-backed bankruptcy April 30, has demonstrated that it is possible for a large enterprise, pushed by the strong arm of the federal government, to move smoothly and rapidly through bankruptcy court. Chrysler, which plans to sell most of its assets to Italian carmaker Fiat, is nearing a quick exit from bankruptcy protection.

But its unsure whether the smaller GM that emerges from bankruptcy court will ever be able to find its way back to standalone profitability, or whether it will remain permanently reliant on its new principal owner, the US government.

"If you look at how Chrysler is progressing, you could say things are going well for them, and so it looks like GM will also be a success, but to assume that would be naïve," said Jeremy Anwyl, chief executive of the auto research Web site Edmunds.com.

"With its greater size and global scope, GM is more complicated, so I would be concerned if I was the one pulling the trigger on this bankruptcy," he said. "It could go off the tracks.... There are just a lot of potential sides who could argue against this, and they all have to be heard in the bankruptcy process. But I guess the bottom line is: What alternative do they have?"

GM's bankruptcy plan is expected to mean the closure of 14 North American plants, eliminating 21,000 more jobs, or nearly 10 percent of the company's already-reduced staff. Those job losses, coupled with a ripple effect at suppliers and dealers could be enough to tip the economy deeper into recession, warned David Cole, chairman of Center for Automotive Research in Ann Arbor, Mich.

"The supplier network's structure is in pretty serious trouble now," Cole said. "It's not profitable, and critical suppliers are on the edge of failure, so if we were to see a cascading failure through the supplier base it could take down all automakers and quickly spread to the rest of the economy -- that's the scale of this industry."

However, if the "quick rinse" bankruptcy planned for GM were to revive the automaker's fortunes, the new GM, which will be nearly three-quarters-owned by US taxpayers who have so far sunk about \$20 billion in government loans into the company, could pay handsome dividends for



Fritz Henderson, CEO and President of General Motors

taxpayers and investors, said Cole.

Chrysler Chairman Lee Iacocca went cap in hand to Washington in 1979 to ask for a \$1.5 billion loan guarantee to keep his automaker from stalling. From 1979 to 1998, when Germany's Daimler-Benz purchased Chrysler, the automaker's stock price rose from \$4 a share to \$100, said Cole.

A smaller GM with a leaner inventory and a more focused product offering could generate a profit of about \$10 billion a year, assuming the economy rebounds and about one million new U.S. households are created a year, Cole said. That would be good news for the UAW union and bondholders, who will hold stock warrants in the new GM.

"We are at the threshold of a dramatic increase in profitability for the industry, and we are increasing household formation in this country by one million a year, so demand is growing," said Cole.

George Magliano, director of automotive industry research for the Americas at consulting firm IHS Global Insight, points out that a restructured GM will be positioned for a US auto market of 9.5 million to 11 million new vehicles sold annually, matching his projections for this year and next, although those levels are abnormally low.

It will be at least a couple years before sales rise back to the historic level of 15 million vehicles annually, which was the benchmark for more than a decade, he added.

"We are starting to feel pretty good about the economy right now, but the recovery is

going to be anaemic," Magliano said.

Like Chrysler, GM went into a government-managed "prepackaged" bankruptcy, in which the government provides so-called debtor-in-possession financing to let the automaker continue its daily operations while the bankruptcy court splits operations between a "good" and "bad" GM.

The idea is that the "good" GM, which would include the automaker's most competitive brands like Chevrolet and Cadillac, would emerge from bankruptcy within a few months with a cleaned-up balance sheet. The company's poor-performing brands, like Pontiac and Saturn, and other unwanted liabilities would be left behind in the "bad" GM. Those assets would be sold or liquidated over a longer period of time.

GM's ousted Chief Executive Rick Wagoner vehemently opposed bankruptcy, fearing that the bankruptcy proceedings would shut for years and that consumers would shun its vehicles, not wanting to make a major investment in products made by a company with a sullied reputation and an uncertain future.

So far there is no evidence that Chrysler sales have suffered since President Barack Obama announced its bankruptcy on April 30, Anwyl said. Customer intentions to buy a Chrysler dipped slightly in the week following the bankruptcy announcement but have bounced back since then.

In recent years, GM has suffered from a reputation for building poor-quality cars and has been unable to persuade the public that its quality has vastly improved, said

Jack Nerad, executive market analyst for Kelley Blue Book, an automotive research Web site.

"I would say that in some ways bankruptcy could give GM to get a fresh start with the public," Nerad said. "If they can portray themselves as being changed, maybe that would persuade people to give their products a try, and once people are in these vehicles they would find them perfectly tolerable. The best of them are very good. We picked the Chevy Malibu over Honda's Accord, Toyota's Camry and the Nissan Altima, so they have the goods to succeed."

Magliano reckons some of the products that retiring GM vice chairman Bob Lutz, an advocate of "emotional cars," has steered the automaker toward building, such as the revamped Chevy Camaro muscle car, could fall by the wayside as a government-run GM reinvents its product line.

"The world has changed, and the kinds of products that they've been dreaming up were developed for a world of cheap gas," Magliano said.

GM has started working on building more small cars, like the Chevy Aveo and the Chevy Cruze, and they have the Chevy Volt extended-range electric vehicle planned for 2010, but they are going to have to do more, according to Magliano.

"GM has been working on a whole host of medium-sized cars," but they will now have to reassess their mix of product, said Magliano. "With the change in environment some of that is not suitable now, and I doubt it will be suitable for the government."