

International Business News

OECD says Britain must restore sound public finances

AFP, London

The British government must restore sound public finances once recovery takes hold, and improve credit conditions to help the economy emerge from recession, the OECD said in a report on Monday.

"As in most other OECD countries, the fiscal situation has deteriorated sharply," the Paris-based OECD said in its 2009 UK economic survey.

"Room for additional fiscal stimulus is limited, although further targeted measures may be warranted if prospects weaken further.

"To maintain credibility and promote growth, the government should continue to develop a comprehensive plan to rein back debt to a prudent level once the recovery has taken hold."

The OECD added: "The schedule for rebalancing the budget after the current economic downturn abates should be more ambitious."

Britain's public finances have come under intense strain since late 2007 as the global financial crisis forced the state to spend billions to nationalise or take majority control of several large banks.

Last week, the OECD had forecast that the recession-hit British economy would shrink by 4.3 percent this year. That was worse than government's official forecast of a 3.5-percent contraction.

"In the short term, the policy priority must be to further improve conditions in credit markets. This is essential for reviving the economy," the OECD said on Monday.

China luxury hotels hit by downturn, swine flu

AFP, Beijing

Luxury hotels in Beijing have been forced to lay off staff and cut costs as the number of guests has plummeted due to the economic crisis and the swine flu outbreak, state media said Monday.

The average occupancy rate at the capital's star-rated hotels was 44.5 percent during the first quarter of the year, down from 54.6 percent in the same period a year ago, the China Daily said, citing official figures.

Some hotels even saw the level slump to just three percent, the paper said, citing anecdotal evidence.

"It's slash and burn," said an expat chef at one five-star hotel in Beijing, who was recently asked to resign or face being sacked.

"During the Olympics, rooms were going for 6,000 to 7,000 yuan (875 dollars to 1,020 dollars) a night. Now they are going for 550 yuan," said the chef.

The paper quoted a manager at the Holiday Inn Lido Beijing as saying the hotel had received "a double blow."

Earlier in the year, businesspeople stopped coming due to the economic downturn, and in May the first case of swine flu or A(H1N1) was detected in Beijing, causing the number of tourists to fall.



Nepalese farmers splash mud at each other as they plant rice in a field on the outskirts of Kathmandu yesterday. The farmers of Nepal celebrate National Paddy Day on 'Asar 15' of the Nepali calendar each year as they begin their annual rice planting season.

European economic confidence improves: EU survey

AFP, Brussels

European business and consumer confidence firmed in June for the third month running albeit from depressed levels, according to an EU survey on Monday.

The European Commission's economic sentiment indicator for the 16-nation eurozone rose to 73.3 points in June from 70.2 points, climbing further away from a record low 64.6 points reached in March.

Meanwhile, in the 27-nation European Union the indicator rose to 71.1 points from 67.9.

"The increase observed at sector and country level is mainly driven by improving expectations, as the main economic actors seem to be gaining confidence that the crisis is easing," the commission said in the report.

"In a consistent development, employment expectations picked up in industry and services and consumers' unemployment expectations decreased," it added.

The improvement was driven by higher consumer and service sector confidence in particular, and to a lesser degree industry as well.

Japanese industrial output rises for third month

AFP, Tokyo

Japan's industrial output rose for a third straight month, matching the fastest pace in 56 years, as the world's number two economy claws back from its worst recession on record, data showed Monday.

Japanese manufacturers moved swiftly to idle production lines after the global economic downturn sent their exports plunging. Having succeeded in reducing their bloated stockpiles, they are now ratcheting up output again.

Production rose 5.9 percent in May from the previous month, matching April's revised growth, which was the strongest since a record 7.9 percent increase in March 1953, according to the trade and industry ministry.

Market expectations had been for a slightly bigger increase of 6.9 percent. Compared with a year earlier, production was down 29.5 percent, underscoring the drastic measures taken by firms since the economic crisis erupted.

INTERVIEW

Nokia rings out digital dreams

Top official of handset maker shares insights with The Daily Star

NAFID IMRAN AHMED

Nokia, the global leader in mobile handset manufacturing, plans to bring the internet to the mass in Bangladesh through its latest solutions. Chris Carr, vice president (sales), South East Asia Pacific (SEAP), Nokia, shared the company's views and strategies for the market in an exclusive interview with The Daily Star during his recent visit to Dhaka.

About strategy and relevance to Bangladesh, Carr said: "We are at a point in time now where the solutions that we got for the Bangladesh market and in particular our strategies are very much aligned with the opportunity we have here. So we are really looking for digitising the market here."

"The proposition that we are bringing into the market with solutions such as Ovi Mail, which has recently been launched here, really provides a great platform to be even more relevant than we are today to the consumers of Bangladesh."

The primary purpose of Nokia VP's visit was to go through an in-depth review of their strategies in some of the markets in SEAP.

With the Ovi Mail solutions the company is trying to offer lower cost and break down the cost barriers for the consumers, Carr said.

"So for many of the consumers we see that as a key driver for us to drive the growth of internet penetration and its growth for Bangladesh. This is a fantastic opportunity given the fact that the penetration rates are so low in terms of broadband internet access being as low as 3 or 4 percent."

Nokia believes that it can be a very active contributor in driving that penetration much higher, purely by cutting down the cost of access to the internet.

"I think the Ovi Mail is just one example of that where we're providing a device which is roughly \$50 as oppose to a cost of a laptop or a high-end device. So the proposition is really there to stimulate the usage," he added.

About future, he said Ovi Mail is the tip of the iceberg for the company and its strategy is very much about bringing the internet to the



Chris Carr

mass. All the capabilities the company is bringing into service platform, will go to the mass, Carr said, adding that so the company is bringing down the cost of entry for consumers.

"Clearly our vision in Nokia is about 'Connecting People' in richer and better ways. So we are looking to enhance the experience of the consumers and in the same way we proliferated the world with SMS capability through our devices and we're looking to do the same with email. And email clearly provides a form of legitimacy to communication that doesn't necessarily exist with SMS or recorded voice," Carr said, while talking about solutions for businesses.

He also mentioned different offerings that they have in the market specifically around email such as Microsoft Exchange for such enterprises that are not purely developed by them.

"We have been working on this for quite a while and it is a very good solution for any MNC or SME with a Microsoft Exchange server in their offices having all the features and security of Microsoft email on the mobile device at a

very cost effective solution," he added.

About handset market, he said there are two ways of growth coming here. One is affordability. Cost of devices continues to come down over time and the second wave is the company's ability to bring internet access to a level of affordability.

Globally there are over four billion mobile phone subscribers, according to GSMA. The next billion subscribers are coming from Asian markets such as Bangladesh, Indonesia, India and China.

So the next billion subscribers will come from markets like Bangladesh, Carr added.

"If we talk specifically about Bangladesh, one of the good points here -- we want to be a part of the community and want to be relevant to the community, part of that has been the transformation of the grey to the local legitimate business, which is something that we strive for in all our markets," he said.

When Nokia first set up its representative office here back in 2006, the percentage of grey coming into the market was 80 percent,

which is 20 percent now. There are local distributors here. They have developed a care network, which provides care services and employment opportunities as well. Also there are Nokia-branded outlets so that people feel comfortable with buying the original product.

"We also try to give back to the community through corporate social responsibility projects. One of the CSR projects that we are running here is the breast cancer project," Carr said.

About expansion plan, he said: "We will continue to build the brand here, and with the second wave of internet penetration coming in, our expansion is really going to be how we drive down the cost of entry in Bangladesh. Our expansion is really going to be around enabling the internet for the mass."

The motivation of any government is taken into close consideration for the benefit of the mass and no one can question that. From the company's perspective the two key pieces of how it is trying to enrich the lives of consumers in Bangladesh is through driving down the cost of owner-

ship of mobility and cut the cost of internet access and in addition to that trying to legitimise the business as much as possible by preventing the grey, Carr said.

One of the challenges in imposing higher level of taxation means it creates opportunities for people outside Bangladesh to potentially exploit those higher tariffs by illegally importing products. These are the limitations that he sees as a result of higher tax.

Independent studies have been conducted, which highlight that increase in mobile penetration has an impact on GDP and the overall consumer productivity goes up.

About market share, Carr said: "We see our role as the market leader in Bangladesh to lead the internet revolution to many of the consumers here -- their internet experience would be via a Nokia handset. These opportunities don't exist in lot of markets today but Bangladesh is one of them where it does."

Globally Nokia has a 37 percent market share.

"When you look at the next billion subscribers, most of them will come from emerging markets, so we've designed our solutions to be able to grow our shares in markets like Bangladesh," he said.

About the future of global internet usage, he said, in the longer term, the preferred point of access for the consumers will be their mobile devices. There is a study suggesting that mobile access to the internet will exceed the PC access to the internet by 2012.

"The immediacy of social networking whether it's Facebook or Twitter is growing. People want to be connected real time. People don't want to wait to go home or to the office to share their information. So social networking is a *paddle*, which is driving the need for immediacy with mobile devices. Social networking is growing at three times the rate as the traditional internet usage and twice as fast as search and mobile email. People's behaviour is changing in terms of how they want to interact with internet and the level of immediacy and the mobile device provide them with that platform," said Carr.

INFRASTRUCTURE

Mumbai bridge raises new hope for India

AFP, Mumbai

After years of delays and legal wrangling, India's first "sea bridge" opens to traffic this week, aiming to ease chronic congestion on Mumbai's notoriously choked roads.

It is hoped that the 16.5-billion-rupee (340-million-dollar) eight-lane freeway will help cut the 40-minute journey between the suburbs of Bandra and Worli to just eight minutes.

But as the bridge opens on Tuesday, to ease the bottleneck of honking cars, lorries and motorbikes on the mainland, there are hopes, too, that as well as showing off India's engineering prowess, it can inspire other projects elsewhere.

"Undoubtedly the Bandra-Worli Sea Link is an engineering marvel which shows that Indian construction players have come of age, and are capable of matching global counterparts," said Hitesh Agrawal, head of research with Angel Broking.

"However, the government needs to look into critical issues to ensure infrastructure projects are not delayed," he told AFP.

India's infrastructure is in desperate need of an overhaul but road, rail, airport and power schemes have often been delayed by tortuous state bureaucracy, a lack of private sector funding and land ownership disputes.

The sweeping, 5.6-kilometre (3.5-mile) Bandra-Worli Sea Link was first commissioned in 2000 but work was held up until 2004 because of litigation and protests from the local fishing community.

Like many of India's cities, upgrading Mumbai's road system is a must.

Currently, about 125,000 vehicles criss-cross Mumbai north to south in each direction every day, according to the bridge's builders, the Hindustan Construction Company Limited.

As private car ownership increases on the back of India's economic boom and more people move to cities, 250 more vehicles are expected to drive the route every day, it added.

The city's suburban rail network is also under pressure from a population of 18 million that is growing by the year.

Further phases of the bridge are planned,



Workers return after the end of a shift at the cable-stayed bridge on the Bandra Worli Sea Link (BWSL) in Mumbai on June 2. The bridge is part of the Western Freeway Sea Project linking the city of Mumbai with its western suburbs.

eventually stretching to the commercial business district in the city's southern tip.

Construction of the first phase of a much-needed suburban metro system is also under way.

India's economy grew by 6.7 percent in 2008-09, down from nine percent a year earlier, hit by the effects of the global economic downturn. GDP could be between 6.0 percent and 6.3 percent in 2010, according to analysts.

Policy makers have identified infrastructure projects as key to helping the economy bounce back to the near double-digit growth of recent years.

PricewaterhouseCoopers (PwC) estimates that more than 500 billion dollars' worth of investment will flow towards India's infrastructure sector by 2012, to upgrade or build more roads, ports, railway lines and airports.

"Funding this is likely to go beyond the means of total government spending," Ravi

Bhamidipathi, PwC's head of engineering and construction in India, said in a recent report.

PwC identified public-private partnerships (PPPs) involving domestic and foreign investors as one possible way of funding the shortfall.

Unlike in China, where new infrastructure projects have taken off in recent years, the pace of change in India has been slow.

In the past four years cash has been awarded for 11,502 kilometres of new roads. But only 4,575 kilometres have been completed in the past two years, according to the National Highway Authority of India (NHAI).

As of March, nearly 16,000 kilometres of new road projects were waiting for funding. More than 200 national road projects -- equivalent to 13,000 kilometres -- are out to tender.

Elsewhere, about 10 billion dollars' worth of investment in new or existing

airports has been proposed to cater for an increase in air traffic and rising tourism.

India's new road transport and highways minister Kamal Nath is aware of the problem and wants to speed up funding awards.

"The greater the outlay on construction of roads, the greater the impetus to the economy," he has said.

But analysts say funding is not the only hurdle that needs to be overcome. "The government needs to give attention to issues like land acquisition issues, a major reason for delay in many projects," said Angel Broking's Agrawal.

Despite the problems, analysts remain optimistic that the infrastructure projects will get off the ground.

"The opportunities to develop a significant business in India are extremely promising for construction firms if they have carefully selected local partners and structured contracts sensibly to maximise tax benefits," PwC's Bhamidipathi said.