

## International Business News

### Berlin to roll out major austerity plan next year

AFP, Berlin

The German government will unveil a major savings plan by mid-2010 to put the country back on the road to fiscal health, Finance Minister Wolfgang Schauble said in an interview published Monday.

Schauble said the government would hammer out a savings package by July to begin whipping the country's public finances back into shape.

"We must reduce the structural deficit from 2011 by around 10 billion euros (14 billion dollars) per year," he told the Bild daily, referring to an austerity law passed earlier this year.

"That will be tough but we have to do it."

He offered no details as to how he would bring about the savings, after admitting last week he was unsure where to begin cutting.

Massive spending to pull Europe's biggest economy out of its worst post-war recession has ripped a huge hole in the public purse.

Last week, Chancellor Angela Merkel's cabinet approved the 2010 budget, which foresees a record 85.8 billion euros in new debt next year.

Nevertheless, a disputed 8.5-billion-euro tax relief package by Merkel's new centre-right government cleared its final legislative hurdle despite serious reservations about its impact on the country's tattered public finances.

### Britain facing slow growth in 2010: business chiefs

AFP, London

Britain's biggest employers' organisation said Monday that the country's economy would finally emerge from recession by the end of the year, but faces a "fragile path of slow growth" ahead.

The Confederation of British Industry (CBI) predicted that the British economy would grow by 0.5 percent in the final quarter of 2009, after six quarters of recession.

Britain is the last major world power mired in recession, official data showed last month.

The CBI forecast growth of 1.2 percent next year and 2.5 percent in 2011.

However, British gross domestic product will still not have returned to its pre-recession level by the end of 2011, it predicted.

"The outlook is brightening as the global economy finds its feet, although we will need to keep our nerve during early 2010, and there is no sign of a clear driver of strong economic growth," said CBI deputy director general John Cridland.

"In the spring, many staff will face another cycle of wage freezes and job losses will continue rising until the autumn."



HS Goindri (R), head of sales and marketing for TVS Motors, poses with models during the launch of the autorickshaw TVS King ZS in New Delhi yesterday. TVS Motors launched TVS King ZS 200cc four stroke CNG autorickshaw.

### Japan's Mizuho, Malaysia's Maybank in business tie-up

AFP, Tokyo

Mizuho Securities Co. Ltd. on Monday announced a business tie-up with Malaysian Maybank Investment Bank Berhad targeting corporate clients, part of a push by Japanese banks to expand overseas.

The deal is Mizuho's first alliance with a Southeast Asian partner, a company spokesman said, adding that their joint operation has already begun.

The two companies will team up to provide corporate clients with advisory and other information related to merger and acquisition as well as fund-raising.

"We have felt the need for partnership in Islamic countries like Malaysia as there are special rules and practices," said the spokesman for Mizuho Securities, part of Japan's number two banking group, Mizuho Financial.

"Under the new cooperation, the two companies can jointly offer business advice to our Japanese and other clients operating in Malaysia."

The move reflects a renewed expansion drive by Japan's banks in overseas markets to compensate for a sluggish domestic performance due to a shrinking population and a weak economy hobbled by deflation.

### France's Safran to sign major deal to equip Chinese jet

AFP, Beijing

French aerospace and defence industries group Safran on Monday will sign a five-billion-dollar contract to provide engines for China's first large passenger jet, group president Jean-Paul Herteman said.

The C919 -- built by state-linked Commercial Aircraft Corporation of China (COMAC) and due to be ready for service in about 2016, according to state media -- is seen as a future competitor to the Airbus A320 and the Boeing 737.

"This is a significant contract -- the launch of a new aircraft only happens once every 10 or 15 years," Herteman told reporters.

The contract was due to be signed later Monday during an official visit to China by French Prime Minister Francois Fillon.

## CHRISTMAS SHOPPING

# Snowstorm cuts into US sales

AP

The snowstorm that blanketed the East Coast, closing malls and snowing in shoppers, spelled trouble for retailers, but elsewhere in the country stores saw a strong turnout on the last weekend before Christmas.

Eager to win business from snowed-in easterners, retail Web sites including Macy's and JC Penney offered free express shipping Sunday. Traffic to retail Web sites spiked all weekend. Elsewhere in the country, crowds looking for discounts found some, but far less than the 60 to 70 percent off sales they wanted.

Retailers head into the home stretch hoping the storm leaves pent-up demand that will give them one last gift.

A snowstorm the Saturday before Christmas, often the busiest shopping day of the year, is about as bad as it gets for retailers, said Marshal Cohen, chief retail industry analyst at market researcher NPD Group. But there's still time and consumers are ready when they dig out of the storm.

"They'll hit the stores with a little more of a method to their madness, so all is not lost," Cohen said.

"Super Saturday" usually accounts for \$15 billion worth of sales nationwide, according to Scott Bernhardt of weather research firm Planalytics. Stores missed that number this year, but Bernhardt still wasn't sure by how much.

Retailers were still totalling the impact of the snowstorm Sunday. The first figures for the weekend are due from ShopperTrak on Tuesday.

Bernhardt said it's not yet clear how many stores closed, though many did around the Washington, D.C., region, which got more than 25 inches of snow, and in New Jersey. Chains with a large share of their stores in areas affected by bad weather include Bon-Ton



A man struggles to get his car out of parking lot in Silver Spring, Maryland, on Sunday. Americans pining for a white Christmas got more than they bargained for as a record-breaking snowstorm closed airports and roadways across the northeastern United States, putting a damper on the holiday's biggest shopping weekend.

Stores, Dick's Sporting Goods and Christopher & Banks, he said.

Mall operator Taubman Centers closed four of its 24 centres early Saturday, including Fair Oaks in Fairfax, Virginia, and The Mall at Short Hills in Short Hills, NJ. Both stores reported an uptick in traffic Sunday and by the afternoon, the Fairfax mall was as busy as a normal Sunday before Christmas, the company said.

The storm that stretched from the Carolinas to New England caused about one-third of Toys R Us stores to cut hours, but sales were relatively strong because

people got out to shop before the storm hit, CEO Jerry Storch said. Online sales also rose.

He said retailers had been expecting a big shopping burst this week but with the storm, it will be even more frenzied, so the toy store chain is increasing staffing.

"There's always that feeling 'Oh I could just do it tomorrow' when Christmas is at the end of the week," he said of shoppers. "Now you add in this storm."

Traffic was heavy and the parking lots close to full at Green Acres Mall in Valley Stream, NY, Saturday afternoon as blowing snow started

to snarl roads. The weather prompted shoppers to get out to stores before the storm hit.

"We went out early, and we're going home early," said Mike Kimball of Queens.

Shoppers who stayed home shopped online. Retail Web traffic peaked at 2.9 million visitors per minute Saturday night, according to the Akamai Retail Net Usage Index. That was up from 1.9 million on the Saturday before Christmas in 2008, though that day - Dec. 20 - was closer to Christmas than this year.

Laura Gurski, a partner in the

retail practice of management consultant AT Kearney, said more retailers will offer shipping deals to spur sales.

"I think they're going to have to, particularly those that were not able to drive the volume they needed to because of the weather," she said.

Online spending has been a bright spot. It grew 14.4 percent after Black Friday through Dec 12, according to a release Sunday from MasterCard Advisors' SpendingPulse, which estimates sales in all payment forms, including cash and checks.

## COLUMN

MAMUN RASHID

# Private sector is the driving force

Today in the developing world private sector is considered the driving force behind economic advancement. Private sector development is also relevant to the all-inclusive growth of a nation. With tremendous growth potential in various sectors of the economy, Bangladesh now is considered an "emerging economy". Increasing participation of the private sector along with required support from the public sector in terms of maintaining economic stability and taking effective policy measures can lead us to the next trajectory of growth. In order to achieve the same, we need to focus on the following:

## AGRICULTURE

The government has undertaken a number of policy reforms in terms of privatisation of trade in fertiliser, liberalisation of trade and foreign exchange regime, liberalisation of production, processing, distribution and import of seeds to ensure participation of the private sector. Proper disbursement of farm loan and appropriate price support can greatly help this sector.

## APPAREL

The size of the global RMG export market is worth around \$410 billion where Bangladesh's market share is only 2 percent. Bangladesh is sustaining the challenges of global recession because it dominates the low-end apparel exports. In FY2008-09 apparel exports to Canada, Mexico, Australia and South Africa were worth \$587 million, \$82 million, \$49 million and \$42.5 million respectively. Within Asia, the country exported \$23 million to Hong Kong, \$14 million to Singapore and \$9.5 million to China. Bangladesh is yet to derive benefits from Safta (South Asian Free Trade Area). Efforts to enhance our trade share should continue. Diversification of buyers should also remain a key priority.

## PHARMACEUTICALS

More than 80 percent of the Active Pharmaceutical Ingredients (API) and almost the entire vaccine and injectable market are import

driven. Between 2003-04 and 2008-09 pharmaceutical exports more than quadrupled from \$10.1 million to \$45.7 million. As more Western companies seek to minimise expenses in their manufacture of bulk drugs, while they focus more on high-cost patented drugs, Bangladesh can present itself as an attractive destination for offshoring. Also, with the decline in reverse-engineering in India and China, Bangladesh is in a position to emerge as one of the regional research and development centres. Some are also venturing into newer horizons like biotechnological drugs. Bangladesh should take advantage of the flexibility for patenting medicines under the WTO agreements (LDCs exempted from compulsory licensing until 2016).

## POWER

Only 43 percent of the population has access to electricity. There are investment opportunities in the independent/small power plants and nuclear power plants. Replacing the old government-owned power plants, off-shore gas exploration and production, regional energy integration through grid connection should also be explored. The government plans to implement power projects of around 7,000MW in the next five years worth \$10 billion.

## BANKING & FINANCIAL INSTITUTIONS

With Basel II implementation, the capital requirements of banks will go up considerably. Although market consolidation is expected, many banks will also issue corporate bonds. Private commercial banks should build up expertise in formulating new products in equity and debt capital markets, advisory services, wealth management, etc.

Insurance penetration is a mere 0.8 percent in Bangladesh, which is one of the lowest in the world. Islamic insurance is another area, which has scope for growth in our predominantly Muslim country.

## TELECOM

Presently the operators generate more than 90 percent of their



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revenue from voice-based services but data-based services such as mobile internet is gaining ground. 3G licences have already been awarded implementation of which will require significant investment. Grameenphone has recently floated the largest IPO in the country's history. Other operators are also contemplating enlisting.

## HEALTHCARE

The demand for healthcare services is rising rapidly due to increasing purchasing power, declining mortality rate and increasing incidence of chronic and treatable diseases. Private high-end hospitals with international standards are also becoming popular. The movement of patients to other countries for treatment costs the healthcare industry an estimated \$200 million each year. Therefore investment is needed in the areas of creating healthcare professionals, building specialised facilities, popularising telemedicine, etc.

## EDUCATION

Private sector participation in education is being promoted to

minimise pressure on public expenditure as well as to lessen dependence on foreign aid. This initiative encouraged the establishment of many schools, colleges, and especially private universities. Private University Act 1992 has resulted in the establishment of 51 private universities. There are still space available for private sector investment in secondary and higher secondary level, if not also primary education.

## CHALLENGES & WAY FORWARD

The main challenges inhibiting private sector growth include a lack of accountability, weak corporate governance, ineffective human resource management, failure to attract young talent and negative brand equity. Our private sector to a great extent has failed to adopt itself with the changing needs of the times. Our entire economic system is still heavily dominated by the public sector and the 'public sector mentality'. Private sector investment currently stands at only 19.2 percent of gross domestic product. Success stories around the globe have been possible only

through the fruits of privatisation and private sector-led growth. Our existing private sector entities are still raising capital using outdated and inefficient methods.

Policy support from the government is of paramount importance. The government should strive to ensure economic, political and social stability. On the other hand, the private sector also needs to move forward from the 'seeking all support from the government' syndrome. More efforts should be given to corporate governance, financial transparency and appropriate assessment of income tax. Long-term strategic and visionary thinking is also needed. The public sector must also recognise their responsibilities as a corporate citizen for long-term balanced growth. If wealth cannot be created on a sustainable basis, the distribution economics will also not work efficiently.

The writer is a banker and economic analyst. This is the abridged version of a keynote paper presented at the Kennedy School of Government at Harvard University, USA, in October.