

International Business News

India's Tata Motors invests in Myanmar

AFP, Mumbai

India's largest vehicle maker Tata Motors said on Monday it signed a contract with Myanmar Automobile and Diesel Industries to set up a heavy truck plant in the military-ruled country.

The new plant would be set up at Magwe, nearly 480 kilometres (300 miles) from Yangon, and will be operational in the last quarter of the financial year ending March 2011, it said in a statement.

Myanmar, which has been ruled by the military since 1962, is under economic sanctions by the United States and Europe because of its human rights record and long-running detention of pro-democracy leader Aung San Suu Kyi.

But the impact of the sanctions has been weakened as neighbours such as China, India and Thailand invest billions of dollars, particularly in its oil and gas industry.

Tata Motors, which owns the formerly British brands Jaguar and LandRover, said the plant would have a capacity of 1,000 vehicles per year, which could be expanded to 5,000 vehicles.

No financial details were given, but the plant will be funded by a line of credit from the government of India.

Myanmar's military government held talks with an Indian delegation on March 1 in its remote capital Naypyidaw.

IMF calls for more Asian infrastructure, social spending

AFP, Hanoi

Asia's developing economies must invest more in infrastructure and social welfare to promote long-term growth in a region where millions fell back into poverty during the global economic crisis, an IMF official said Monday.

John Lipsky also said that, despite general macroeconomic stability, some threats remain and financial sector soundness must be further improved as a recovery takes hold.

While Asia is helping lead the world toward stronger growth after the global crisis that began in 2008, the region's developing economies face key policy challenges, said Lipsky, the IMF's first deputy managing director.

"While the region's story is very much a positive one it should not be forgotten that significant numbers of the region's citizens remain poor or vulnerable. In developing countries, even small economic dislocations can provoke substantial challenges," Lipsky told a conference.

He said the recent crisis pushed an estimated 14 million people back into poverty in Asia.

"Agricultural poverty remains a particular problem, partly reflecting a widening gap between urban and rural income," Lipsky said.



A girl poses for photos by a large slice of cake, and a fork, at a business and shopping complex in Tokyo on Sunday, placed there to commemorate the third anniversary of the complex.

Shell, PetroChina on target for Australia's Arrow

AFP, Sydney

Shell and PetroChina looked set to gain an important presence in Australia's nascent coal seam gas industry on Monday as Arrow Energy recommended an increased 3.15 billion US dollar takeover offer.

The energy giants offered 4.70 Australian dollars (4.30 US) a share for Arrow's Australian assets including the country's biggest holding of gas trapped in underground coal seams, which is set to become a major export.

Arrow Energy unanimously recommended the 3.44 billion Australian dollar offer, up from 3.26 billion earlier this month. Shareholders will also gain one share in a new firm formed from Arrow's assets in China, Vietnam and Indonesia.

"This transaction crystallises the value of more mature assets that have been built in Arrow's Queensland business through the rigorous execution of our business strategy," said Arrow chairman John Reynolds.

PepsiCo reaffirms long-term earnings forecasts

AP, New York

PepsiCo Inc. maintained its forecast for long-term earnings growth as it looks to increase overseas revenue.

The world's second-biggest food and beverage company said Monday that it still anticipates 2010 earnings growth of 11 percent to 13 percent and low-double-digit profit growth for 2011 and 2012. The forecast is on a core constant currency basis, which exclude certain items.

PepsiCo said it wants to boost its international revenue at two times the real global GDP growth rate. The Purchase, N.Y. company also wants to gain market share in its snacks and liquid refreshment beverage segments in the top 20 markets.

Food from PepsiCo's snack business, Frito-Lay, will be more closely marketed with its beverages now that the company owns its bottlers, Pepsi Bottling Group and PepsiAmericas.

COLUMN

Paradox of the taka

MAMUN RASHID

As markets around the world are observing recovery or apparent signs of recovery, currencies in the emerging markets, particularly on the Asian side, are going through sharp appreciation.

In the past one year, the Indian rupee appreciated by more than 10 percent (from 51 to 45.50), the Sri Lankan rupee gained more than 5 percent (from 120 to 114), and the Malaysian ringgit increased in value by almost 10 percent (from 3.64 to 3.30) against the dollar.

On the contrary, the taka remained stable -- actually, it depreciated slightly (by 0.3 percent) in the last one year. Subsequent intervention by Bangladesh Bank has kept the taka away from getting stronger, despite a relative increase in exports and remittance, compared to imports -- as seen in different media reports.

Intervention in the face of improved fundamentals (lower outflow and higher inflow of foreign currency) caused our foreign exchange reserve to reach a record level. Latest data shows our foreign exchange reserve exceeded the \$10 billion mark, equivalent to almost 5.5 months of import.

Looking at the current scenario, where asset prices are trying to nudge higher, it seems we do have some space to let the taka strengthen a bit -- to the extent demand and supply of our currency permits. Domestic currency appreciation in emerging markets will also

support our currency appreciation from a competitive landscape.

Questions remain. Will a stronger taka hurt our exports? Will it strike a blow to our competitiveness? Is this going to impact our inward remittance?

It is interesting that many economists and analysts nowadays do not even think that changes in the nominal exchange rate will have a lasting

exchange rate might result in abundance of liquidity on the domestic front, like what is happening in China. When the central bank buys dollars from the banking sector, it results in increased local currency liquidity in the market. The increased liquidity then runs after other assets, real and financial, causing an asset bubble, which is also feared to happen in Bangladesh. This might worsen

looming inflation. At this level of foreign exchange reserve, we also need to consider the opportunity cost -- the relatively low level of return this large amount of fund is achieving. Maybe it will be better to leave our currency to market forces. It is true that if market forces drive the taka to become stronger, each dollar will fetch less local currency when our exporters and families of expatriate workers will try to convert the foreign currency to the taka.

But we should keep in mind that market driven exchange rate will help contain the import-driven inflation. It has always been a challenge to maintain the inflation on a moderate level when we have to import so many items on which we have no price control. A market-driven exchange rate can protect the purchasing power of consumers, leading to improved living standards. Since most of our inward remittance is for subsistence, a slight appreciation of the taka is not likely to impact inward remittance.

It is better to improve our competitiveness by focusing on the real sector rather than exchange rate intervention. We should be focusing more on infrastructure development, human capital improvement by knowledge and skill enhancement and achieve technological progress. All these should pave the way for long-term real sustainable competitiveness.

The writer is a banker and economic analyst. Views expressed here are his own.

SELECTED CURRENCIES AGAINST THE DOLLAR				
	Bangladesh Taka	Indian Rupee	Lankan Rupee	Malaysian Ringgit
Jan-09	68.90	49.05	118.00	3.62
Jul-09	69.06	48.08	114.35	3.53
Jan-10	69.21	46.17	114.26	3.41
Mar-10	69.25	45.43	114.00	3.30

effect on competitiveness and thus on current account. Their logic is also not fallible -- if a country could gain real competitiveness through nominal devaluation economic growth and development could easily be achievable by all developing countries.

Basic economic principles and real world experiences tell us that the exchange rate is only a benchmark for domestic price levels. Changes in the nominal exchange rate will have lasting effects only on the domestic price level, not on competitiveness. We can achieve real competitiveness only through technological progress, infrastructure, human capital and other real variables, but not the nominal exchange rate.

Depressing the domestic

the inflation situation in the country, which already cannot control most of the 'imported cost push inflation'.

Japan allowed its currency to appreciate steadily and significantly for many years in the 1990s, with little effect on reducing or eliminating Japan's current account surplus. What Japan got from appreciation of the yen was little more than a tamed inflation. If Japan had held its nominal exchange rate constant throughout the 1990s, it most likely would have faced high inflation during that period.

As our monetary authority needs to maintain an accommodative monetary policy to increase productivity in the real sector, we can let our currency strengthen a bit, to fight the

LIFESTYLE

Cult Pakistan website fires classic cars passion

AFP, Islamabad

In a country beset by Islamist militants and bombings, with a capital likened to a "living graveyard", a cult website has fired Pakistani passion for classic cars and the freedom of the open road.

Listed by Forbes as the fourth most dangerous country in the world, hitting the roads in the Pakistani outback is not a leisure activity that immediately springs to mind when talk switches to the nuclear-armed state of 167 million.

But over a recent dinner in Islamabad, fans of the fast growing website devoted to all things auto swapped stories and laughed over jokes from their trips, speeding classic cars down deserted highways in bandit territory.

"Media images from Pakistan are always of suicide bombers everywhere and men carrying guns in cities and towns," said Abdul Haseeb Awan, 23, an electrical engineer and businessman.

"The outside world must also be shown images of people engaging in healthy interaction," he said.

It is a refrain heard frequently in Pakistan, particularly from the educated and wealthy elite, increasingly frustrated that their nation has become a byword for terrorism, Al-Qaeda and religious extremism in the West.

Washington considers the northwest tribal corridor along the Afghan border the most dangerous place in the world for Americans and a chief sanctuary for Al-Qaeda leaders targeted in a US drone campaign.

Southern Punjab has become synonymous with madrassas used to recruit Taliban footsoldiers, while southwestern province Baluchistan has suffered a separatist insurgency for nearly six years, as well as flashes of sectarian violence.

"It's a question of mind over matter. We felt as safe as we do in Islamabad or any other city," said Saqib Hafeez Mirza, freshly back from a six-day trip pounding 4,432 kilometres (2,770 miles) in a restored 1974 Toyota Corolla.

He drove from the cool hills of the capital Islamabad down south through the breadbasket of



Pakistani mechanic and Volkswagen Beetle aficionado Khalid Mehmood smokes a cigarette at his auto workshop in Rawalpindi. Digging out vintage cars from junk yards, restoring them to their glory and racing across Pakistan is a passion for car enthusiasts who communicate through the internet in the troubled country.

Pakistan, then through desert to Karachi, swinging southwest to the port city of Gwadar on the glittering Arabian Sea.

Mirza bubbles over about "unexplored pristine beaches" in Baluchistan on the border with Afghanistan and Iran, which is also notorious as an alleged bolt-hole for Afghan Taliban supremo Mullah Omar.

"It was my uncle's car. He passed away in 1976 at 43. Restoring it was very touching and full of memories, especially for my father and I know what this car means to him," Mirza told AFP.

Awan says the website Pakwheels.com introduced him to friends when he moved from the northwest to study in the purpose-built capital, often likened to "a living graveyard" because of its limited entertainment.

His family comes from Dera

Ismail Khan, a flashpoint of sectarian violence where picnic spots and mountain valleys once popular with tourists are now subject to Taliban violence and army control.

Taliban and Al-Qaeda-linked bombers have killed more than 3,000 people in attacks across the country over the last three years.

But digging out vintage cars from junk yards, restoring them to their former glory and hitting the tarmac is a growing passion for enthusiasts tapping into the chat rooms of Pakistan's busiest websites.

Hanif Bhatti, 53, a long-time enthusiast, founded Pakwheels.com as an experiment seven years ago and watched in amazement as the number of registered users multiplied to 100,000.

Not bad as a fan base for a spe-

cialist website in a country where the Internet Service Providers Association of Pakistan estimates that five million people are online.

Despite traditional clubs in major cities, Internet forums increasingly facilitate interaction and allow car enthusiasts to swap experiences.

"I got very valuable feedback and suggestions from my PakWheels.com friends, which helped a lot," said 29-year-old Bashartullah Khan, who spent four years restoring a 1966 Morris Minor.

After a lifetime restoring Volkswagen Beetles, Khalid Mehmood, 49, says his business today thrives on online recommendations.

"A complete restoration might take three to five months and costs vary from 65,000 rupees (755 dollars) to 350,000 rupees (4,000

Health care reform spells shakeup for US industry

AFP, Washington

Despite vehement health care industry opposition to President Barack Obama's sweeping reforms, experts say it could be a boon for the sector, which makes up a sixth of the US economy.

That the US health care trade is big business is obvious to anyone in the United States who clicks on a television, or walks down the street.

Pharmacies are ubiquitous and the airwaves are replete with adverts for unlikely drug concoctions that simultaneously treat arthritis and diabetes, or erectile dysfunction and high cholesterol.

According to the government's own figures, health care spending accounts for around 16 percent of gross domestic product.

After Sunday's vote, the drug makers and insurers who kicked and screamed against "ObamaCare" -- warning it would destroy one of the economy's few robust sectors -- will discover if their predictions were accurate.

There is little disagreement about the scale of the changes, particularly for insurers, who will now face strict limits on the premiums they charge and on which customers they can refuse to cover.

But despite the shrillness of the opposition, experts say Obama's reforms could benefit the industry's biggest hitters, who are best placed to net the 30-plus million people who are now expected to get insurance.

A rosy outlook for insurers will be unwelcome news to many Americans, particularly those on the left, who blame poor health coverage on insurers' price gouging and rule fixing.

Companies have been publicly upbraided by Obama for charging sky-high premiums and refusing to treat patients with pre-existing medical conditions, both issues that are addressed by reforms.