

International Business News

World's costliest car goes on sale in India

AFP, New Delhi

The world's most expensive and fastest production car has gone on sale in India, with luxury manufacturer Bugatti making its debut in the land of rickshaws.

The Bugatti Veyron 16.4 Grand Sport, which has a top speed of 407 kilometres (250 miles) an hour, went on display in a car dealership in the capital New Delhi on Thursday priced at 160 million rupees (3.6 million dollars).

Just 150 of the cars will be sold worldwide, though there will be few opportunities for the car to show its performance on India's potholed and notoriously congested roads.

"India is the hub of luxury, the country of the erstwhile Maharajas, who were the true patrons of bespoke luxury," Bugatti executive Julius Kruta said in a statement, referring to India's former hereditary rulers.

"We have in the past received a heartening response from our valued customers and I think the launch of the Bugatti in India will truly delight our discerning audience."

A host of Western luxury car and motorbike manufacturers are targeting the Indian market where the fast-developing economy is minting new multi-millionaires every year.

Australia offers \$132m for SE Asia transport

AFP, Hanoi

Australia on Saturday pledged more than 132 million dollars (129 million US) to improve infrastructure in Southeast Asia's poorest countries.

Prime Minister Julia Gillard, on her first regional tour, made the announcement during a summit with presidents and prime ministers from the 10-member Association of Southeast Asian Nations (ASEAN).

The funds would be used for road, rail and other projects, she said.

"We hope this infrastructure will spur economic growth in the Greater Mekong Sub-Region," Gillard said.

Cambodia, Laos, Myanmar and Vietnam have recorded high growth rates, but they still have the lowest per capita gross domestic product figures among ASEAN members.

Southeast Asian leaders have warned of a widening gap between the booming region's richest and poorest nations that could threaten its drive to create a single market of almost 600 million people by 2015.

In Vietnam alone, the European Chamber of Commerce has cited estimates that the country needs around 70-80 billion dollars of investment in infrastructure, such as ports and roads, over the next five to 10 years.



Dancers perform at the closing ceremony of the 17th summit of the Association of Southeast Asian Nations and its related meetings in Hanoi yesterday.

India's Jet Airways swings to a quarterly profit

AFP, Mumbai

India's biggest private airline Jet Airways on Friday swung to a quarterly profit from a loss a year earlier, helped by rising demand for air travel, healthy international earnings and a buoyant economy.

The company recorded a net profit of 124 million rupees (2.8 million dollars) in the period from July to September compared with a loss of 4.07 billion rupees a year earlier, the carrier said in a statement.

About 3.45 million passengers travelled by the airline, up 23.5 percent on the same period in 2009.

Jet, which is based in Mumbai, is India's largest airline and flies to 43 domestic destinations and 24 across the world, including New York, London and Hong Kong.

International operations accounted for just under 60 percent of the company's total revenue.

Indian airlines -- the growth of which has been one of the most visible signs of the country's economic expansion -- were hit by the global economic slowdown and soaring fuel prices last year.

But Jet indicated that the future looked brighter.

Sony returns to black

AFP, Tokyo

Japanese electronics giant Sony said Friday it had swung back to a second quarter profit and raised its full year forecast 17 percent, citing strong earnings for its PlayStation and computer units.

The maker of Bravia televisions and Cyber-shot cameras reported a profit of 31.1 billion yen (375 million dollars) in the fiscal second quarter, compared with a 26.3 billion yen loss a year ago, despite worries about the strong yen.

Under chief executive and president Howard Stringer the Japanese company has been streamlining operations and cutting costs to trim back the sprawling group, which was battered by the global downturn.

The electronics giant has been forced to undergo major restructuring -- slashing thousands of jobs, selling facilities and turning to suppliers for parts -- after seeing losses pile up as the financial crisis hit demand.

The moves helped the firm to revise its full-year net profit forecast to 70 billion yen from 60 billion yen.

INTERVIEW

Otto to go big in textile

Chairman shares with The Daily Star his plan in social business

REFAYET ULLAH MIRDHA and MD FAZLUR RAHMAN

The social business model of Nobel laureate Dr Muhammad Yunus has entered a new sphere now. Germany's one of the largest retail chains Otto GmbH and Co KG is going to set up a textile factory in Bangladesh under such a model.

The German textile giant has already tied up with the local Grameen Group to go for production within the next 10 months, according to Dr Michael Otto, chairman of Otto GmbH and Co KG.

Otto sat with The Daily Star on the sidelines of a conference on global corporate social responsibility that ended in Dhaka on Thursday.

He says they are buying a running factory in Dhaka, as the government is not allowing any new gas connection now for a new factory for gas shortages.

"It will take several years to get new gas connections. We are 99 percent together to strike the deal at a cost of 20 million euros (around Tk 197.49 crore) near Dhaka to produce garment products for the international market," Otto says.

However, he did not mention the name of the running textile factory to be bought.

Otto says once the factory is purchased, they will invest to make it a socially and environmentally compliant one through reorganising the building and production units.

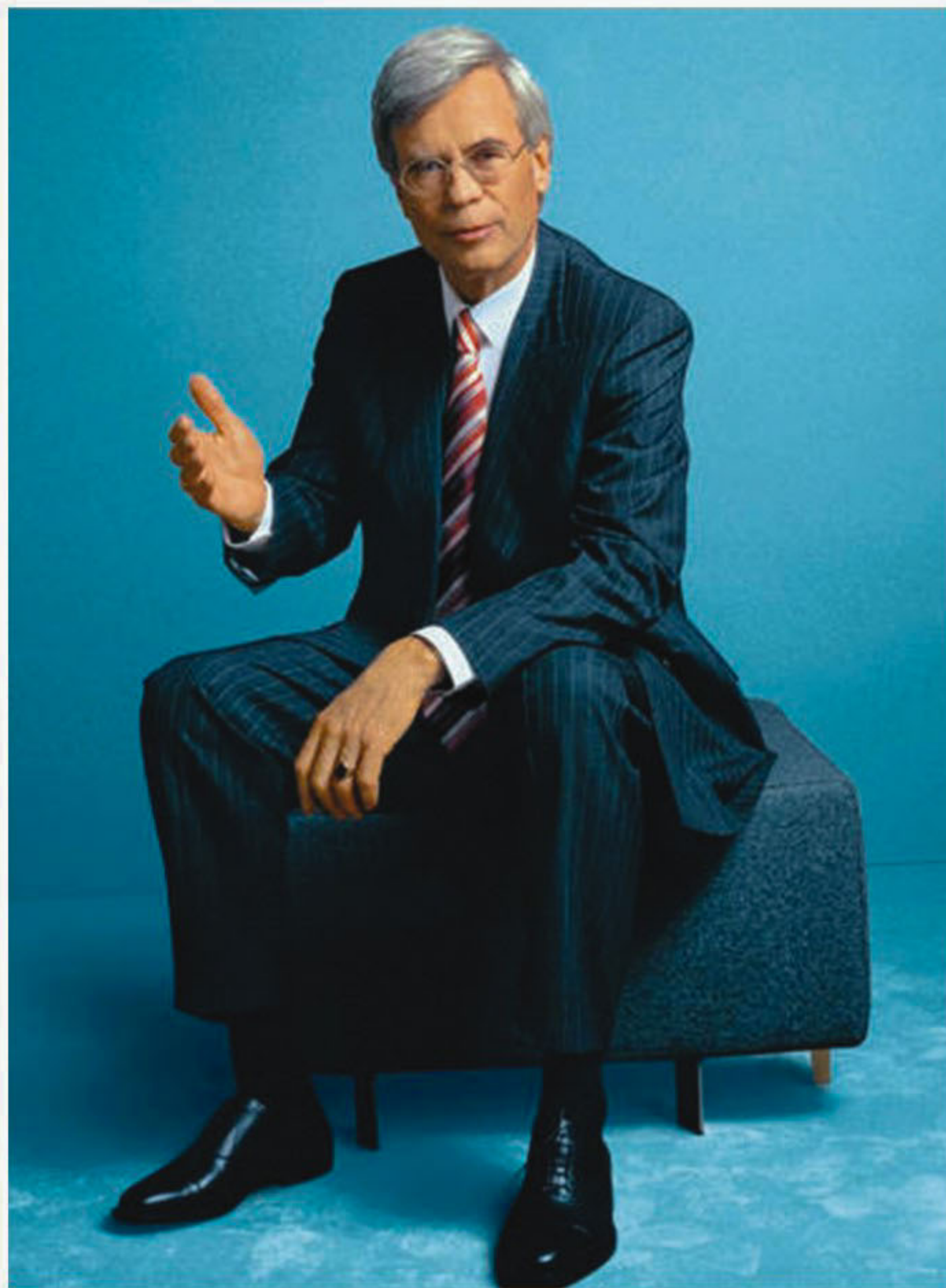
The proposed factory will not be able to reach breakeven in the first two years, since it will be run under the social business model, he says.

The company will not pay any dividends or interests to the investors, but the amount will be invested in social projects, he says.

In the factory, Grameen and Otto will have equal stake although 100 percent capital will come from the German side, Otto says.

Grameen will offer know-how and its countrywide network.

"We will make T-shirts, shorts, knitwear, printed knitwear products and fashionable



Michael Otto

products for our international customers," says Otto.

He says Otto Group has been running such social business in some African countries for higher yields of cotton over the last

five years. A total of 150,000 farmers are now working in Africa under 'aid for trade' framework to produce more cotton.

Otto has organised some training programmes for the farmers in Africa so

they can improve their techniques to get better yields.

"We help them and train them and re-train them for their better future and for better income under the aid for trade social business," he says. The farmers can now send their children to school, he says.

His company had 10 billion euros in turnover last year, and only 1.5 percent business growth, as sales went down because of the global economic crisis.

Otto hopes his company would make a strong comeback this year with at least 11 percent growth, as the sales have increased on the back of a strong recovery from the global recession.

The group has several hundred stores in 20 countries globally, with half of those in Germany. "We are recovering from the recession and our Russian business is also going well. So we are expecting a good business this year," says the Otto boss.

He said on an average Otto imports garment products worth eight million euros from Bangladesh every year. "I have a plan to increase the import volume from this country as Bangladesh is a positive market."

He said the idea of setting up a textile factory in Bangladesh under the social business model came when he met Dr Yunus in Germany.

"During the meeting, I talked about my project and said it will be a social business. He also talked of his concept of social business. We decided that we must do something together. We agreed to set up the textile factory under the social business model to produce garment items for the international market," Otto says.

He says he has relations with Bangladesh for decades and the group has an office in Dhaka to purchase locally made garment items for the group's stores worldwide.

Otto says majority of the profit they will make from the new factory will be spent for social projects.

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COLUMN

Futility of currency war

PAUL DONOVAN, for Reuters

There are growing concerns that the world is about to embark upon a global "currency war", as countries try to simultaneously devalue their way to export-led recovery.

Investors, politicians and the media variously claim foreign exchange intervention, capital controls and even domestic-led monetary policy decisions like quantitative policy are offensive weapons on some kind of foreign exchange battleground.

There are demands that the G20 coordinate some kind of global response (A futile hope. The days of the Plaza and Louvre Accords on foreign exchange are long behind us. The best that can be said of the G20 is that it provides a weekend holiday for hardworking finance ministers. Otherwise it is a largely useless concept).

A global currency war will fail: the world cannot have simultaneous devaluations, nor simultaneous export-led recoveries. Indeed, this sort of combative policy approach risks the sort of dire global trade responses that the world experienced in the 1930s.

Before such apocalyptic fears take hold, however, we should take a reality check on what we have now. Since the start of 2007 (i.e. before the onset of the financial crisis), major currency pairs have not moved much.

The dollar values of the euro, sterling and Canadian dollar and most Asian currencies are within 20 percent of their January 2007 level. The Swiss franc has moved less than 20 percent against the euro. Only the Australian dollar (24 percent) and the yen (31 percent) have made larger moves. To date, the "war" has all the ferocity and horror of a global pillow fight.

We may not have a currency war now but it is possible that politicians will move to a combative position. Theory suggests that devaluing a currency cheapens the (foreign) price of exports and raises the (domestic) price of imports (creating a stronger net export position). Sadly, this pricing theory is too simplistic. Currency depreciation will not turn a domestic demand economy into an export-led economy.

The first problem with currency wars is that the global trading environment is a lot more complex than in the 1930s or the 1970s. With trade accounting for around a fifth of the world economy and with lengthy global supply chains sourcing components from all over the world, the benefits of a currency shift are less

obvious.

A large proportion (around a third) of what we record as global trade today is actually just the moving of goods around inside the same company. Currency shifts become a matter for internal accounting by multinational conglomerates. Currency depreciation may raise component costs for domestic manufacturers, rather than shifting demand patterns away from imports.

The second problem with currency wars is that importers and exporter (the frontline troops) disobey orders. Exporters are supposed to cut their foreign prices if their home currency falls in value -- but they don't. Importers are supposed to raise their domestic prices if the currency shifts -- but they don't.

With the exception of the commodity space, importers and exporters price to market (and only shift their prices if local competitors do). Rather than risk losing customers and a market share that has built up over years, importers will take a reduction in their profit margins if currencies move against them.

Similarly exporters will welcome the boost to their profit margins, but they will not normally seek to increase the volume of exports that they sell on the back of a currency shift. Because no one changes their pricing policy (in local currencies), consumers on the home front have no incentive to shift their consumption patterns when a currency depreciates.

As a result, in the normal course of events currency shifts do not lead to a significant rebalancing of global trade patterns. Profit margins may fluctuate, but the volume of imports and exports do not. War, in short, is futile.

There is a caveat to this foreign exchange pacifist argument. The limited impact of currency depreciation assumes companies have time to adjust to the currency shifts. European exporters coped with a near doubling of the euro's value against the dollar earlier this century because the move was spread out over several years.

A really substantial (30 percent plus) FX move in a short space of time (within a single year) will force importers and exporters to change prices. This in turn will lead to a change in demand patterns. However, the dislocation and political response to so great a degree of currency depreciation is likely to produce the economic equivalent of a nuclear winter. That is the war the world needs to fear.

Paul Donovan is a managing director and global economist at UBS. The views expressed in the column are the author's own and do not represent those of Reuters.

Cellphone market slowing, smartphones still boom

REUTERS, Helsinki

Cellphone market growth slowed slightly in the September quarter due to worries over economic growth and component shortages, and the market growth would slow further in the current quarter, researchers said on Friday.

The phones market -- the largest volume electronics industry -- has surged this year from a slump in 2009 when the recession hit consumer spending on the latest gadgets around the world.

Strategy Analytics (SA) said the overall annual market growth slowed to 13 percent in the third quarter, from 16 percent in the first half, and forecast growth to slow further to 10 percent in the fourth quarter.

"Component shortages and ongoing economic volatility slightly constrained volumes," said analyst Neil Mawston.

"We expect the escalating smartphone wars to provide positive upside for handset volumes in the fourth quarter, but the volatile supply of certain components will mean some vendors may not be able to deliver their fully desired output of phones."

Several handset makers, including Nokia and Sony Ericsson, said component shortages dragged their sales in the quarter below expectations.

"The hangover from the economic downturn persisted with constrained component supply impacting performance," said CCS Insight analyst Geoff Blaber.

"We expect supply to remain a problem in the fourth quarter as an abundance of smartphones and a swathe of tablet devices increases pressure on component supply," Blaber said.

SMARTPHONE BOOM

The smartphone market continued to surge in the quarter, with Apple's iPhone sales rising 91 percent from a year ago, making it the No. 4 global handset vendor measured by volume.

Since 2009 it has created the largest profits in the industry.

"The entrance of Apple to the top 5 vendor ranking underscores the increased importance of smartphones to the overall market," IDC analyst Kevin Restivo said in a statement.

IDC said on Friday it expects smartphone market volumes to grow 55 percent this year from a year ago.

Sony Ericsson and Motorola, both benefited from their shift in focus to smartphones in the quarter, but their total sales volumes continued to shrink sharply from a year ago as they sold less cheaper models.

Among the top three vendors only No. 2 Samsung Electronics continued to win market share, while the share of LG Electronics and that of market leader Nokia shrank in the quarter.

